

LALIQUE
GROUP

AR 2018

Annual Report 2018
Consolidated Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS LALIQUÉ GROUP

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CONSOLIDATED INCOME STATEMENT OF LALIQUE GROUP

IN EUR THOUSANDS	REF.	2018	2017
Revenue from contracts with customers	4	133 879	127 381
Other operating income	5	2 541	1 449
Operating revenue		136 420	128 830
Material costs, licences and third party services	6	-57 587	-53 494
Gross result		78 833	75 336
Salaries and wages	7	-32 618	-30 475
Other operating expenses	8	-32 448	-30 235
EBITDA		13 767	14 626
Depreciation and amortization/impairment	17/18	-7 693	-7 161
EBIT		6 074	7 465
Financial income ¹	9	26	47
Financial expenses ¹	9	-1 343	-1 752
Net foreign exchange differences ¹	9	921	755
Group profit before taxes		5 678	6 515
Income taxes	10	-512	363
NET GROUP PROFIT		5 166	6 878
of which attributable to:			
Non-controlling interests		-1 035	-129
Owners of the parent company		6 201	7 007
Earnings per share basic/diluted (in EUR)	11	1.09	1.30

¹ In the current year, certain amounts within the consolidated income statement have been reclassified to present foreign exchange differences on a net basis, separately from financial income and financial expenses. The comparative period has been reclassified accordingly. As a result, financial income has decreased by EUR 4 960 thousand, financial expenses have decreased by EUR 4 205 thousand and net foreign exchange differences have increased by EUR 755 thousand.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

IN EUR THOUSANDS	REF.	2018	2017
NET GROUP PROFIT		5 166	6 878
Foreign currency translation reserve		597	-4 994
Items that can be reclassified subsequently to the income statement, net of tax		597	-4 994
Remeasurements of pension plans	19	170	-60
Tax on remeasurements of pension plans		-32	15
Items that cannot be reclassified subsequently to the income statement, net of tax		138	-45
Other comprehensive income, net of tax		735	-5 039
CONSOLIDATED COMPREHENSIVE INCOME		5 901	1 839
of which attributable to:			
Non-controlling interests		-1 119	-113
Owners of the parent company		7 020	1 952

CONSOLIDATED BALANCE SHEET

LALIQUE GROUP

ASSETS

IN EUR THOUSANDS	REF.	31.12.18	31.12.17
Cash and cash equivalents	12	15 336	16 252
Trade accounts receivable	13	17 698	15 723
Inventories	14	67 603	63 533
Other receivables	15	8 356	7 084
Total current assets		108 993	102 592
Property, plant and equipment	17	54 561	51 631
Intangible assets	18	67 832	67 294
Other non-current assets	16	5 199	5 114
Deferred tax assets	25	1 328	3 189
Total non-current assets		128 920	127 228
TOTAL ASSETS		237 913	229 820

LIABILITIES AND EQUITY

IN EUR THOUSANDS	REF.	31.12.18	31.12.17
Bank overdrafts	12	41 785	45 568
Trade accounts payable		14 179	10 838
Income tax liabilities		1 805	1 416
Other current liabilities	20	17 094	16 069
Total current liabilities		74 863	73 891
Other non-current liabilities	21	3 265	4 291
Provisions	22	208	397
Non-current financial liabilities	23	14 820	33 679
Defined benefit obligation	19	4 855	4 836
Deferred tax liabilities	25	14 684	17 246
Total non-current liabilities		37 832	60 449
Total liabilities		112 695	134 340
Share capital	26	988	816
Capital reserves	26	46 039	20 798
Retained earnings/other reserves	26	77 040	71 596
Total equity before non-controlling interests		124 067	93 210
Non-controlling interests		1 151	2 270
Total equity		125 218	95 480
TOTAL LIABILITIES AND EQUITY		237 913	229 820

CONSOLIDATED CASH FLOW STATEMENT

IN EUR THOUSANDS	REF.	2018	2017
Group profit before taxes		5 678	6 515
Depreciation and amortization/impairment	17/18	8 816	7 161
Change in defined benefit obligation		-81	92
Change in provisions	22	-191	29
Financial income ¹	9	-26	-47
Financial expenses ¹	9	1 343	1 752
Net foreign exchange differences ¹	9	-921	-755
Other non-cash income/expenditure		-176	-124
Cash flow from operations before change in net current assets		14 442	14 623
Decrease (+)/increase (-) in trade accounts receivable		-1 447	1 293
Decrease (+)/increase (-) in inventories		-2 507	-6 983
Decrease (+)/increase (-) in other receivables		-992	229
Increase (+)/decrease (-) in trade accounts payable		3 136	-2 658
Increase (+)/decrease (-) in other current liabilities		-1 791	59
Interest paid		-754	-1 129
Tax paid		-922	-1 301
Interest received		3	4
Cash flow from operating activities		9 168	4 137
Investments in subsidiaries net of cash and cash equivalents		-	-7 453
Investments in property, plant and equipment	17	-9 243	-8 800
Sale of property, plant and equipment	17	599	1 631
Investments in intangible assets	18	-1 390	-985
Cash flow from investing activities		-10 034	-15 607
Capital contribution from shareholders	26	6 659	3 669
Reduction in shareholder loans		-2 061	-1 800
Purchase of treasury shares		-	-63
Sale of treasury shares		589	611
Repayments/outflows current financial liabilities		-3 326	-808
Proceeds/inflows other non-current liabilities		4 491	2 626
Dividend payment		-2 165	-618
Cash flow from financing activities		4 187	3 617
Exchange differences on cash and cash equivalents		-454	114
DECREASE/INCREASE IN NET CASH AND CASH EQUIVALENTS		2 867	-7 739
Balance of net cash and cash equivalents as at 01.01.	12	-29 316	-21 577
Balance of net cash and cash equivalents as at 31.12.	12	-26 449	-29 316

¹ In the current year, certain amounts within the consolidated income statement have been reclassified to present foreign exchange differences on a net basis, separately from financial income and financial expenses. The corresponding line items in the cash flow statement, including comparative period, have been reclassified accordingly.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IN EUR THOUSANDS	SHARE CAPITAL	CAPITAL RESERVES	TREASURY SHARES	ACCUMU- LATED FOREIGN CURRENCY TRANS- LATION	RETAINED EARNINGS	TOTAL EQUITY BEFORE MINORITY INTEREST	NON-CON- TROLLING INTERESTS	TOTAL EQUITY
BALANCE AS AT 01.01.17	816	17 129	- 553	1 096	70 836	89 324	1 742	91 066
Consolidated comprehensive income	-	-	-	-4 994	6 946	1 952	-113	1 839
Dividend payout	-	-	-	-	-618	-618	-	-618
Capital contribution from shareholders	-	3 669	-	-	-	3 669	-	3 669
Change in consolidation structure	-	-	-	-	-364	-364	641	277
Acquisition of Château Hochberg/transaction under common control	-	-	-	-	-1 301	-1 301	-	-1 301
Purchase of treasury shares	-	-	-63	-	-	-63	-	-63
Sale of treasury shares	-	-	339	-	272	611	-	611
BALANCE AS AT 31.12.17	816	20 798	-277	-3 898	75 771	93 210	2 270	95 480
BALANCE AS AT 01.01.18	816	20 798	-277	-3 898	75 771	93 210	2 270	95 480
Consolidated comprehensive income	-	-	-	681	6 339	7 020	-1 119	5 901
Dividend payout	-	-	-	-	-2 165	-2 165	-	-2 165
Capital contribution from shareholders	172	25 241	-	-	-	25 413	-	25 413
Sale of treasury shares	-	-	277	-	312	589	-	589
BALANCE AS AT 31.12.18	988	46 039	-	-3 217	80 257	124 067	1 151	125 218

Further details on equity movements can be found in Note 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. INFORMATION ON THE COMPANY

These Consolidated Financial Statements of Lalique Group SA and its subsidiaries (collectively, the Group or Lalique Group) for the year ended 31 December 2018 were approved by the Board of Directors on 16 April 2019 and recommended for approval by the General Meeting of Shareholders on 24 May 2019.

Lalique Group SA (the Company or the parent) was formed on 14 April 2000 in Switzerland. The parent is domiciled at Grubenstrasse 18, Zurich.

Lalique Group is active in the development, marketing and global distribution of perfumes, cosmetics, crystal and jewellery. It markets the following brands: Lalique (crystals, perfumes, jewellery, art, gastronomy and hospitality and interior design), Parfums Grès, Parfums Samouraï, Jaguar Fragrances, Bentley Fragrances, Parfums Alain Delon (all perfumes) and Ultrasun (sunscreen).

Components in the perfume and cosmetics segments are manufactured by external partners under contract. Production and logistics activities in the perfume segment are insourced, whereas in the cosmetics segment, the same services are carried out by external partners. Marketing and distribution activities are for the most part carried out through independent distribution partners.

The Group has its own factory in France responsible for manufacturing parts of the products for the Lalique brand (crystal in particular). Marketing and distribution activities in this segment are carried out by the Group's own national and international subsidiaries or points of sale, as well as via independent distribution partners.

2. ACCOUNTING POLICIES

The Consolidated Financial Statements of Lalique Group are prepared in accordance with the International Financial Reporting Standards (IFRS) as published by the IASB.

The accounts are prepared on a historical cost basis. The Consolidated Financial Statements of Lalique Group are presented in euros (EUR). Unless otherwise stated, all figures have been rounded to the nearest EUR thousand.

New accounting policies

The IASB has published the following new standards, interpretations and amendments to existing standards and interpretations that are effective for the 2018 financial statements and applicable for the Group:

STANDARD/ INTERPRETATION	DESIGNATION	EFFECTIVE DATE
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

The above revised IFRS standards did not have a significant impact on the accounting policies or the presentation of Lalique Group's assets, liabilities, financial position and earnings.

• *IFRS 9*

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 replaces the previous IAS 39 categories of FVTPL, held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The Group has applied IFRS 9 by using the retrospective method but has chosen not to restate comparative information. Accordingly, the information presented for 2017 has not been restated—i.e. it is presented, as previously reported, under IAS 39.

Until 31 December 2017 the Group did not have any financial assets other than those classified as loans and receivables category under IAS 39. All these financial assets are classified as measured at amortized cost on transition to IFRS 9.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

With respect to accounting for impairment losses for financial assets IFRS 9 introduced a forward-looking expected credit loss (ECL) approach replacing IAS 39's incurred loss approach.

Based on the Group's assessment, no significant change in the allowance was identified on transition to IFRS 9.

• *IFRS 15*

IFRS 15 replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. This standard introduces a five-step model to account for revenue arising from contracts with customers. Revenue is recognized at the time the control over the goods or services is transferred to the customer. The amount of revenue reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 using the modified retrospective method (without practical expedients), with the date of initial application as of 1 January 2018. Accordingly, the information presented for 2017 has not been restated—i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

The transition to IFRS 15 had no significant impact on the Group.

Standards published but not yet effective

The following new or revised IFRS interpretations have been published, but will only enter into force at a later date and were not applied early in the present consolidated financial statements. A final analysis of their impact on the consolidated financial statements of the Group has not yet been made; the anticipated effects disclosed below therefore represent a first assessment of applicable new or revised IFRS interpretations:

STANDARD/INTERPRETATION	DESIGNATION	EFFECTIVE DATE	PLANNED APPLICATION BY LALIQUE GROUP
IFRS 16	Leases	1 January 2019	2019 business year
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019	2019 business year
	Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020	2020 business year

The amendments considered relevant by Lalique Group are explained in the following:

• *IFRS 16*

The Group is required to adopt IFRS 16 Leases as of 1 January 2019. The Group has assessed the impact of initial application of IFRS 16 on its consolidated financial statements, as described below. The actual impact of adopting the standard on 1 January 2019 may differ.

IFRS 16 introduces a single, on-balance-sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items, which the Group is planning to use. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting remains similar to the current standard—i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

i. Leases in which the Group is a lessee

The Group will recognize new assets and liabilities for its operating leases e.g. of boutiques and office buildings (see Note 8). The nature of expenses related to those leases will now change because the Group will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Group recognized operating lease expenses on a straight-line basis over the term of the lease within “Other operating expenses”, and recognized assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognized. In addition, the Group will no longer recognize provisions for operating leases that it assesses to be onerous after their commencement date. Instead, the

Group will include the payments due under the lease in its lease liability, and determine and recognize any impairment of right-of-use assets applying IAS 36 Impairment of Assets.

Based on the information currently available, the Group estimates that it will recognize additional lease liabilities of EUR 22,485 thousand and a corresponding ROU asset value of EUR 21,349 thousand at 1 January 2019. Replacement of IAS 17 straight-line operating lease expenses with IFRS 16 depreciation charge and interest expenses means that expenses become more “front-loaded”. Thus, a negative impact on the “Group profit before tax” is expected in the short-term.

ii. Leases in which the Group is a lessor

The Group will reassess the classification of sub-leases in which the Group is a lessor. Based on the information currently available, the Group expects that it will reclassify one prior operating sub-lease as a finance lease, resulting in recognition of a finance lease receivable of EUR 247 thousand as at 1 January 2019.

No significant impact is expected for other leases in which the Group is a lessor.

iii. Transition

The Group applied IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 that were previously identified as leases in accordance with IAS 17 and IFRIC 4, and not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

• *IFRIC 23*

No or no significant impact on the consolidated financial statements is anticipated.

Consolidation principles and consolidated companies

The Consolidated Financial Statements comprise the financial statements of Lalique Group SA and its subsidiaries as at 31 December of each financial year. The accounts of the subsidiaries are prepared using standard accounting policies and presented on the same balance sheet date as those of the parent company.

Subsidiaries are fully consolidated from the date of acquisition, i.e. from the date on which the Group effectively obtains control of the company concerned. Control is deemed to have been obtained when the following three principal criteria have been met: the Group has control of the company, the Group is exposed or has rights to variable returns from its involvement with the company, and the Group has the ability to affect those returns through its control of the company. The entities are deconsolidated as soon as control ceases. All intra-Group balances, revenues and expenses, and unrealized gains and losses from intra-Group transactions are fully eliminated.

The Group accounts for common control business combinations by applying the pooling of interests method. The assets and liabilities of the acquired business are reflected at their carrying amounts recognized by the parent. No new goodwill is recognized as a result of such a business combination. Instead, the difference between the amount of consideration transferred and the net assets received is recognized in equity. In addition, the business combinations are accounted for prospectively from the date on which it occurred, without a restatement of prior period's information and the equity reserves of the transferred business are not carried over but adjusted against retained earnings.

Business combinations, other than businesses under common control, are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value on the acquisition date, including any non-controlling interests. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Costs incurred in the course of a business combination are recognized as expenses.

Foreign-currency translation

The functional currency of Lalique Group SA is Swiss francs (CHF). The Consolidated Financial Statements are presented in euros (EUR), because the euro is the currency, in which most revenue and costs occur, and the main part of the Group's assets and liabilities are in EUR. Each of Lalique Group's subsidiaries determines its own functional currency based on the primary economic environment in which it operates.

Transactions denominated in foreign currencies are translated at the exchange rate applicable at the time of the transaction. Monetary balance sheet items are translated at the year-end rate, with any currency gains/losses recognized directly in the income statement. Non-monetary balance sheet items are translated at the historical rate.

For the purpose of preparing the Consolidated Financial Statements, with regard to the annual accounts of all subsidiaries whose functional currency is not EUR, the assets and liabilities are translated at the year-end rate, whereas the income statement items are translated at the average rate for the year. Currency translation differences are recognized in other comprehensive income and accumulated in equity under "Other reserves"; in the case of loss of control over a subsidiary, such differences are reclassified to the income statement.

The following EUR exchange rates were used:

	2018	2017
CHF		
Year-end rate (balance sheet)	0.8886	0.8543
Average rate for the year (income statement)	0.8661	0.9000
USD		
Year-end rate (balance sheet)	0.8738	0.8379
Average rate for the year (income statement)	0.8472	0.8860
GBP		
Year-end rate (balance sheet)	1.1097	1.1259
Average rate for the year (income statement)	1.1303	1.1409
HKD		
Year-end rate (balance sheet)	0.1116	0.1072
Average rate for the year (income statement)	0.1081	0.1137
SGD		
Year-end rate (balance sheet)	0.6391	0.6261
Average rate for the year (income statement)	0.6278	0.6414
CNY		
Year-end rate (balance sheet)	0.1271	0.1281
Average rate for the year (income statement)	0.1282	0.1311

Risks arising from currency fluctuations are explained in greater detail in the section entitled “Financial risk management”.

Significant estimates and assumptions

All estimates and assumptions are reviewed on an ongoing basis and are based on past experience and expectations concerning future events that appear reasonable given the circumstances. Naturally, the resulting estimates often depart from the subsequent actual circumstances. The key estimates and assumptions that may cause volatility with regard to the carrying amounts of assets and liabilities in the coming financial year are discussed below.

Impairments on intangible assets

Lalique Group reviews its intangible assets (e.g. brand values) annually for impairment in accordance with accounting principles, a process which requires that the underlying cash-generating units be assessed. Estimated factors such as volumes, selling prices, sales growth, gross profit margins, operating costs, as well as investments, market conditions and other economic factors are based on assumptions that management regards as reasonable. A planning period of five years is normally used for brand impairment tests. Further details on this subject can be found in Note 18.

Pension schemes

The expense from defined post-employment benefit plans is determined on the basis of actuarial calculations. The actuarial evaluation is carried out on the basis of assumptions regarding discount rates, future increases in wages and salaries, mortality and future pension increments. Due to the long-term nature of such plans, these estimates are subject to material uncertainties. Further details on this subject can be found in Note 19.

Provisions

Provisions are recognized whenever Lalique Group has a legal or constructive obligation arising from a past event, the future settlement of which will probably lead to an outflow of funds that can be reliably determined. Restructuring costs are charged to the operating result of the period in which management undertakes to carry out the restructuring, insofar as the costs can be estimated with sufficient reliability and the measures were specified and communicated satisfactorily. Further details on this subject can be found in Note 22.

Accounting and valuation principles

Revenue recognition under IAS 18 (until 31 December 2017)
Revenues are recognized whenever it is likely that the financial benefit from a transaction will go to the Group and the amounts in question can be measured reliably. Revenues are measured at the fair value of the consideration received. Sales tax is not taken into account, while on-invoice discounts and rebates are recorded simultaneously as revenue reductions. Revenue from contracts with customers is recognized when control of the goods and products is transferred to the buyer.

Revenue recognition under IFRS 15 (from 1 January 2018)
Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. On-invoice rebates are offset against the amounts payable by the customer. The Group has concluded that it acts as a principal in its revenue arrangements, because it controls the goods or services before transferring them to the customer.

The Group provides a few retrospective off-invoice volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. To estimate the variable consideration for the expected future rebates, the Group applies the most-

Land	No depreciation
Buildings	40 years
Equipment and furnishings	25% of the carrying amount
Machinery, equipment and hardware	Machinery and equipment 30–40% of the carrying amount/hardware over five years using the straight-line method
Tools	Over three years using the straight-line method
Vehicles	40% of the carrying amount

An item of property, plant and equipment is derecognized either on disposal or when no future economic benefits are expected from the use or disposal of the asset. The resulting gain or loss from the disposal of the asset is determined as the difference between the net proceeds from the disposal and the carrying amount of the asset, and is recognized in the income statement under other operating income in the period in which the asset was derecognized.

Residual values, useful lives and depreciation methods are reviewed at the end of each financial year and adjusted as appropriate.

likely-amount method for contracts with a single-volume threshold and the expected-value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognizes a refund liability for the expected future rebates.

The Group also enters into trademark licence and royalty arrangements, in accordance with which a customer is required to pay a sales-based royalty of certain percentage of its gross sales associated with the trademark. The Group determined that an output-based measure is an appropriate measure of progress and applies the right-to-invoice practical expedient because the royalties due for each period correlate directly with the value to the customer of the Group's performance for each period. The Group recognizes revenue from the sales-based royalty when the customer's subsequent sales occur.

Property, plant and equipment

Property, plant and equipment are stated at acquisition cost or manufacturing cost, net of accumulated depreciation and impairment losses. Straight-line or diminishing balance depreciation is based on the estimated useful life of each asset. The individual categories of property, plant and equipment are depreciated as follows:

Leases

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception-date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement.

Fixed assets held under finance leases are depreciated either over their useful economic lives or the term of the lease agreement, whichever is the shorter. Outstanding leasing liabilities from finance leases are recognized under current and non-current financial liabilities.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

Creations	Using the straight-line method over three years
Software	Using the straight-line method over five years
Licence rights	Licence rights are amortized on a straight-line basis over the contractual term or the useful life. Amortization is recognized under licence expenses.

Residual values, useful lives and amortization methods are reviewed at year-end and adjusted as appropriate.

• *Intangible assets with an indefinite useful life*

Costs related to acquired brands are capitalized and not amortized (see Note 18). The indefinite useful lives of brands stem from the fact that brands continuously benefit from a high degree of international recognition in the relevant markets. As such, brand rights are not amortized, but tested for impairment annually or whenever there is an indication that the brand may be impaired. Their classification as “intangible assets with indefinite useful lives” is reviewed each year.

Borrowing costs

Borrowing costs are recognized as expenses in the period in which they are incurred.

Impairment of non-financial assets

At each balance sheet date, the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset as the higher of its fair value less costs of disposal and its value in use. If the carrying amount of the asset exceeds its recoverable amount at year-end, the carrying amount is reduced to its recoverable amount. The impairment loss is recognized in the income statement.

Intangible assets

• *Intangible assets with finite useful lives*

Individually acquired intangible assets are measured at their acquisition cost on initial recognition. Thereafter, they are amortized over their estimated useful lives. Lalique Group does not possess any internally generated intangible assets. The individual intangible asset categories are amortized as follows:

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Virtually all of the Group's financial assets are recognized at amortized cost. Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the income statement when the asset is derecognized, modified or impaired.

A financial asset is derecognized when the contractual rights to the cash flows from the asset have expired or when the Group has transferred these rights, including all risks and rewards of ownership.

Impairment of financial assets

Virtually all the Group's financial assets are trade receivables with no financing component and have maturities of less than 12 months at amortized cost and, as such, the Group applies a simplified approach for expected credit losses (ECL). Therefore, the Group does not track changes in credit risk, but instead, recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Inventories

Inventories are measured at the lower of cost and the net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. All costs incurred in bringing inventories to their present location and condition are recognized in the balance sheet as raw materials, components, advertising materials, finished goods and trading goods.

Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts and in hand as well as short-term deposits with a maturity of less than three months, which are subject to an insignificant risk of changes in value. These are carried at their nominal value.

For the purpose of the consolidated cash flow statement, net cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Financial Liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and finance lease liabilities.

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. The EIR amortization is included as finance costs in the income statement.

A financial liability is derecognized when it is paid off, cancelled or has expired.

Provisions

Provisions are created when the Group has a present (legal or constructive) obligation arising from a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably. If the effect of time value of money is material, provisions are discounted at a gross (i.e. pre-tax) interest rate that reflects, when appropriate, the risks specific to the liability. The provisions are measured on the basis of best estimates, taking into account the material risks and uncertainties.

Contingent liabilities

Contingent liabilities for which an outflow of resources is not regarded as probable are not recorded in the balance sheet. However, the contingent liabilities existing as at the balance sheet date are disclosed in the Notes.

Pension plans

Besides statutory social insurance, the companies of Laliq Group maintain various employee benefit plans in accordance with the local regulations and customs in the respective countries. These are funded either by means of contributions to legally independent foundations and establishments or by recognition as provision for employee benefit plans in the accounts of the relevant companies.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation on the balance sheet date, less the fair value of the plan assets. The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds which have terms to maturity approximating the average duration of the related pension liability.

Service costs comprising current service costs, past service costs and gains and losses on curtailments and nonroutine settlements of a plan are recognized within salaries and wages in the income statement. Net interest is calculated by multiplying the net defined benefit pension obligation or asset by the discount rate and is also recognized within salaries and wages in the income statement. Remeasurements, comprising actuarial gains and losses arising from changes/adjustments to previous actuarial assumptions, the effect of the asset ceiling, with the exception of the amounts included in net interest on the net defined benefit obligation and the return on plan assets (excluding amounts included in net interest on the net defined benefit obligation), are recognized immediately in the balance sheet with the corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to the income statement in subsequent periods.

Income taxes

Current income tax liabilities, and any claims for reimbursement of tax paid for the current period and earlier periods, are measured at the amounts at which a payment to or reimbursement from the tax authorities is expected. This amount is calculated on the basis of the tax rates and legislation that are enacted or substantively enacted at the balance sheet date.

Deferred taxes are calculated using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the balance sheet date. Deferred taxes are calculated at the respective local tax rates.

Any tax loss carry-forwards and tax credits are only recognized as deferred tax assets to the extent that it is probable that the future profit will be sufficient to utilize the tax loss carry-forwards and tax credits. Each year, the company assesses the unrecognized tax loss carry-forwards and the carrying amount of the deferred tax assets as at the balance sheet date.

Current and deferred taxes are credited or charged directly to equity or to comprehensive income if the taxes relate to items that were credited or charged directly to equity or to comprehensive income.

Financial risk management

As an internationally oriented company, Laliq Group is exposed to the following financial risks, which are assessed on an ongoing basis and hedged where necessary. In addition to credit and liquidity risk, the Group's assets and liabilities are also subject to risks from changes in foreign currency exchange rates and interest rates.

The policy of the Group is to avoid speculative deals involving financial instruments and to strive for maturity matching where possible.

• Credit risk

Credit risk applies primarily to receivables (customers) resulting from as yet unsettled transactions. Significant concentration risk does not exist due to the nature of Laliq Group's customer portfolio. For certain trade receivables customer credit risk is mitigated by means of a credit insurance policy or by the agreement of specific payment conditions. In addition, receivables are constantly monitored.

With regard to trade accounts receivable and the Group's other financial assets, including cash and cash equivalents and other receivables, the maximum credit risk corresponds to the carrying amounts reported in the balance sheet.

Trade accounts receivable are non-interest-bearing and generally with maturity between 0 and 90 days, and up to 150 days in special cases, depending on the customer.

• *Liquidity risk*

Liquidity is monitored and controlled at Group level on an ongoing basis. In addition, liquidity trends are anticipated in order to respond quickly in the case of a surplus or short-fall. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial assets and liabilities can be allocated based on the following maturities:

IN EUR THOUSANDS	MATURING IN LESS THAN 1 YEAR	MATURING IN > 1 YEAR, < 5 YEARS	MATURING IN MORE THAN 5 YEARS	2018 TOTAL	MATURING IN LESS THAN 1 YEAR	MATURING IN > 1 YEAR, < 5 YEARS	MATURING IN MORE THAN 5 YEARS	2017 TOTAL
Assets								
Cash and cash equivalents	15 336	-	-	15 336	16 252	-	-	16 252
Trade accounts receivable	17 698	-	-	17 698	15 723	-	-	15 723
Other receivables	5 026	-	-	5 026	3 418	-	-	3 418
Total	38 060	-	-	38 060	35 393	-	-	35 393
Liabilities								
Bank overdrafts ¹	41 785	-	-	41 785	45 568	-	-	45 568
Trade accounts payable	14 179	-	-	14 179	10 838	-	-	10 838
Other current liabilities	17 094	-	-	17 094	16 069	-	-	16 069
Loans from the principal shareholder ²	-	-	-	-	1 871	2 287	17 229	21 387
Other non-current liabilities	-	13 191	1 629	14 820	-	17 536	1 887	19 423
Total	73 058	13 191	1 629	87 878	74 346	19 823	19 116	113 285

¹ This is a bank overdraft on our current account. The Group's equity ratio ensures steady, albeit long-term, amortization of the bank liability and, for this reason, liquidity risk is not expected.

² Two loans from shareholders amounting to EUR 3.417 million (CHF 4.0 million) and EUR 17.086 million (CHF 20.0 million) respectively existed at the end of 2017. Of these shareholder loans EUR 2.061 million (CHF 2.4 million) was repaid to the main shareholder and EUR 18.754 million (CHF 21.6 million) was converted into equity as part of the capital increase in June 2018.

• *Currency risk*

Lalique Group operates around the world and is therefore exposed to currency risks in various currencies, especially with regard to the Swiss franc, the pound sterling and the US dollar. As in the previous year, the risk as at 31 December 2018 largely involved the Group's trade accounts payable and receivable, which are partly based on transactions

in foreign currencies and to a lesser extent on cash and cash equivalents and bank liabilities. The Group monitors its transaction-related foreign-currency risks.

Financial assets and liabilities can be allocated based on the following categories and currencies:

IN EUR THOUSANDS	EUR	CHF	USD	GBP	OTHER	2018 TOTAL	EUR	CHF	USD	GBP	OTHER	2017 TOTAL
Assets												
Cash and cash equivalents	5 293	2 669	4 206	1 825	1 343	15 336	3 314	8 002	1 445	1 127	2 364	16 252
Trade accounts receivable	9 028	2 542	5 180	535	413	17 698	8 448	1 483	4 788	748	256	15 723
Other receivables	2 973	13	406	206	1 429	5 026	1 019	424	738	418	819	3 418
Total	17 294	5 224	9 792	2 566	3 185	38 060	12 781	9 909	6 971	2 293	3 439	35 393
Liabilities												
Bank overdrafts	30 420	6 231	3 412	1 581	141	41 785	36 478	7 355	1 513	16	206	45 568
Trade accounts payable	9 816	1 524	850	844	1 145	14 179	7 704	969	727	619	819	10 838
Other current liabilities	10 920	4 752	738	82	602	17 094	9 012	5 611	915	226	305	16 069
Loans from the principal shareholder	-	-	-	-	-	-	-	20 503	-	-	-	20 503
Other non-current liabilities	13 601	-	276	101	842	14 820	18 705	-	305	66	347	19 423
Total	64 757	12 507	5 276	2 608	2 730	87 878	71 899	34 438	3 460	927	1 677	112 401

As at 31 December 2018, the Group had no currency hedges (forward transactions) to safeguard future cash flows. The same applied as at 31 December 2017.

A change in the CHF/EUR exchange rate of +/- 5% in 2018 would have had an impact on the Group's profit before tax of EUR +/- 364 thousand (2017: EUR +/- 1,227 thousand) while a change in the USD/EUR exchange rate of +/- 5% in 2018 would have had an impact of EUR +/- 226 thousand (2017: CHF +/- 176 thousand), and a change in the GBP/EUR exchange rate of +/- 5% in 2018 would have affected figures by EUR +/- 2 thousand (2017: EUR +/- 68 thousand).

• *Interest-rate risk*

The risk of fluctuation of market interest rates as at the end of 2018, which Laliq Group is subject to, largely resulted from cash and cash equivalents and bank liabilities. Laliq Group is mainly exposed to interest-rate risks in Swiss francs and euros. Management of interest rates in connection with non-current liabilities is performed centrally; short-term interest-rate risk is not normally hedged.

Sensitivity analysis: Interest-rate risk is modelled via sensitivity analyses, which show the effect that changes in market interest rates would have on interest income and expense and on equity, provided that all other parameters remain constant. If the market interest rate on 31 December 2018 had been 1 percentage point higher or lower, the Group's financial result or equity would have been EUR 279 thousand (2017: EUR 254 thousand) lower or higher.

• *Capital management*

The overriding aim of capital management in Laliq Group is to maintain an adequate equity base to retain investor, customer and market confidence and to support the future development of the core business. Dividend policy, return of capital and if necessary capital increases are used to maintain or adjust the equity structure.

IN EUR THOUSANDS	31.12.18	31.12.17
Share capital	988	816
Capital reserves	46 039	20 798
Retained earnings/other reserves	77 040	71 596
Total equity before non-controlling interests	124 067	93 210
TOTAL CAPITAL	237 913	229 820
Equity ratio	52.15%	40.56%

In 2018 the capital reserves increased as follows (see also Note 26):

IN EUR THOUSANDS	
CAPITAL RESERVES AS OF 31.12.2017	20 798
Paid in additional capital reserves	25 959
Transaction costs	-718
CAPITAL RESERVES AS OF 31.12.2018	46 039

The Group's capital was increased in 2018 based on the approval of the AGM on 8 June 2018.

- *Fair values*

The fair value of a financial asset or liability is the value for which the relevant instrument could currently be sold or replaced. The following methods are used to calculate fair value:

- As at 31 December 2018, the fair values of cash and cash equivalents, short-term bank liabilities, trade accounts receivable and payable, current financial liabilities, other receivables and other current liabilities approximated their carrying values.
- The fair values of non-current financial liabilities are determined based on discounted cash flows. The valuation model considers the present value of expected payments.

The management assessed that the fair values of all financial assets and financial liabilities of the Group approximate their carrying amounts.

- *Fair-value hierarchy*

Lalique Group uses the following hierarchy to determine and disclose the fair value of its financial instruments, depending on the valuation method:

- Level 1: Listed (unadjusted) prices on active markets for similar assets or liabilities.
- Level 2: Other methods using inputs which significantly affect the fair value and are based on data that can be observed directly or indirectly on the market.
- Level 3: Methods using inputs which significantly affect the fair value and are not based on observable market data.

3. SEGMENT REPORTING

Lalique Group is divided into the following reportable operating segments:

Segment 1 - Lalique

The Lalique segment comprises all business transactions conducted under the Lalique brand.

Segment 2 - Ultrasun

The Ultrasun segment covers the Ultrasun brand.

Segment 3 - Jaguar

The Jaguar segment covers the Jaguar brand.

Segment 4 - Grès

The Grès segment covers the Grès brand.

Segment 5 - Other brands

The Other brands segment covers the Samouraï, Bentley, Lalique Beauty Services, Lalique Beauty Distribution and Alain Delon brands.

Segment 6 - Holding and eliminations

The holding company generates revenue from management fees charged to the other segments. Intra-Group transactions are carried out on an arm's-length basis.

Segment reporting for the 2018 financial year

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

IN EUR THOUSANDS	LALIQUE	ULTRASUN	JAGUAR	GRÈS	OTHER BRANDS ¹	HOLDING AND ELIM. ²	GROUP
Operating revenue							
Revenue from sales to external customers	81 870	17 430	22 231	4 690	10 285	-86	136 420
Revenue from transactions with other segments	1 191	-21	-46	76	7 170	-8 370	-
Total operating revenue	83 061	17 409	22 185	4 766	17 455	-8 456	136 420
EBIT	-1 742	2 171	2 954	874	1 595	222	6 074
Financial result							-396
Group profit before taxes							5 678
Income tax expenses							-512
NET GROUP PROFIT							5 166
Assets and liabilities							
Segment assets	164 513	18 703	16 235	10 789	29 719	-2 046	237 913
Segment liabilities	124 604	6 976	10 788	3 511	26 893	-60 077	112 695
Other segment information							
Investments							
Property, plant and equipment ³	5 983	176	135	34	3 543	158	10 029
Intangible assets	960	253	17	41	150	112	1 533
Depreciation and amortization							
Property, plant and equipment	5 158	95	143	56	1 244	10	6 706
Intangible assets	236	365	56	8	319	3	987

¹ Operating revenue other brands

Parfums Samourai	5 150
Bentley Fragrances	3 723
Parfums Alain Delon	139
Lalique Beauty Distribution	1 232
Lalique Beauty Services	7 211
Total operating revenue other brands	17 455

² 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.

³ The Property, plant and equipment investments of other brands include investments in the perfume production facility in Ury of EUR 3 372 thousand

Segment reporting for the 2017 financial year

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

IN EUR THOUSANDS	LALIQUE	ULTRASUN	JAGUAR	GRÈS	OTHER BRANDS ¹	HOLDING AND ELIM. ²	GROUP
Operating revenue							
Revenue from sales to external customers	76 870	13 026	21 766	5 857	11 419	-108	128 830
Revenue from transactions with other segments	791	-17	-30	54	6 822	-7 620	-
Total operating revenue	77 661	13 009	21 736	5 911	18 241	-7 728	128 830
EBIT	-497	799	4 191	1 116	2 210	-354	7 465
Financial result							-950
Group profit before taxes							6 515
Income tax expenses							363
NET GROUP PROFIT							6 878
Assets and liabilities							
Segment assets	157 582	15 387	14 889	9 964	26 146	5 852	229 820
Segment liabilities	113 733	4 867	9 422	2 906	25 373	-21 961	134 340
Other segment information							
Investments							
Property, plant and equipment ³	13 041	14	-	-	5 124	355	18 534
Intangible assets	295	377	4 494	45	1 344	132	6 687
Depreciation and amortization							
Property, plant and equipment	5 129	58	128	65	971	13	6 364
Intangible assets	203	209	52	9	321	3	797

¹ Operating revenue other brands

Parfums Samourai	6 193
Bentley Fragrances	3 880
Parfums Alain Delon	127
Lalique Beauty Distribution	941
Lalique Beauty Services	7 100
Total operating revenue other brands	18 241

² 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.

³ The Property, plant and equipment investments of other brands include investments in the perfume production facility in Ury of EUR 5 050 thousand

Geographical regions

Geographical information pertaining to segment revenue is broken down by customer location.

IN EUR THOUSANDS	2018	2017
Revenue from sales to external customers		
UK	23 244	23 215
France	21 471	18 487
USA	19 749	22 709
UAE	11 864	10 916
Hong Kong	8 338	7 917
Germany	7 646	7 342
Japan	5 732	7 165
Switzerland	4 512	3 731
China	4 307	2 846
Russia	3 614	3 024
Singapore	2 952	3 491
Poland	2 730	1 371
Israel	1 963	2 466
Other countries	18 298	14 150
Group	136 420	128 830

Geographical information pertaining to non-current assets comprises property, plant and equipment, intangible assets and other non-current assets.

IN EUR THOUSANDS	31.12.18	31.12.17
Non-current assets (excl. deferred tax)		
France	91 717	88 686
Switzerland	32 278	32 394
USA	1 730	2 019
Japan	891	-
China	603	410
UK	98	181
Singapore	191	244
Hong Kong	84	105
Group	127 592	124 039

DETAILS ON THE CONSOLIDATED INCOME STATEMENT**4. REVENUE FROM CONTRACTS WITH CUSTOMERS**

IN EUR THOUSANDS	2018	2017
Revenue from sale of goods and services	132 919	127 381
Licence income/royalties	960	-
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS	133 879	127 381

Information on the disaggregation of the Group's revenue from contracts with customers is disclosed in the segment reporting (Note 3).

Lalique Group applies the modified retrospective approach for IFRS 15. The effect of initially applying IFRS 15 to the Group's revenue from contracts with customers is described in Note 2.

5. OTHER OPERATING INCOME

IN EUR THOUSANDS	2018	2017
Other operating income	2 541	564
Licence income/royalties	-	885
TOTAL OTHER OPERATING INCOME	2 541	1 449

Other operating income mainly comprises one-off effects and the result from the disposal of assets. In 2018, other operating income derived mainly from the successful outcome of a legal case.

According to IFRS 15, licence income and royalties are part of revenue and therefore reallocated from "Total other operating income" to "Total revenue from contracts with customers" for the current period. Lalique Group applies the modified retrospective approach for IFRS 15.

6. MATERIAL COSTS, LICENCES AND THIRD PARTY SERVICES

IN EUR THOUSANDS	2018	2017
Cost of components and finished goods	40 163	37 084
Other directly attributable production costs	10 767	10 366
Licence expenses	2 446	2 399
Commission expenses	1 484	1 232
Other procurement costs	2 727	2 413
TOTAL MATERIAL COSTS, LICENCES AND THIRD PARTY SERVICES	57 587	53 494

Other directly apportionable production costs mainly comprise wages and salaries of the production staff at the factory in Wingen-sur-Moder. Licence expenses arise mainly in connection with Jaguar Fragrances and Bentley Fragrances. Commission expenses relate to the mediation of transactions. The item "Other procurement costs" includes costs that are incurred in connection with the receipt and shipment of goods to/from stock, customs and freight charges related to purchasing, and lithography and plating costs, net of any supplier discounts.

7. SALARIES AND WAGES

IN EUR THOUSANDS	2018	2017
Wages and salaries (incl. bonuses)	21 427	20 597
Social insurance and employee pension/welfare expenses	10 662	9 539
Other personnel costs	529	339
TOTAL PERSONNEL COSTS	32 618	30 475
Number of staff as at 31 December (in positions)	720	653

As at 31 December 2018, the Group had 681 full-time employees (FTE).

8. OTHER OPERATING EXPENSES

IN EUR THOUSANDS	2018	2017
Administrative expenses	5 956	4 802
Advertising and promotional expenses	8 380	7 377
Rental expenses	10 922	10 351
Vehicles	270	196
Property insurance, levies and charges	754	694
Miscellaneous operating expenses	6 166	6 815
TOTAL OTHER OPERATING EXPENSES	32 448	30 235

The item "Miscellaneous operating expenses" includes travel expenses (2018: EUR 3.144 million; 2017: EUR 2.816 million), expenses for creations (2018: EUR 191 thousand; 2017: EUR 223 thousand) and various other costs.

Operating lease

The maturity profile of future minimum rentals payable under non-cancellable operating leases is as follows:

IN EUR THOUSANDS	31.12.18	31.12.17
Maturing within 1 year	7 201	5 982
Maturing between 1 and 5 years	11 937	10 202
Maturing in more than 5 years	4 519	2 447
TOTAL	23 657	18 631

Expenses for operating leases recognized in the 2018 income statement amount to EUR 9.921 million (2017: EUR 9.465 million).

9. FINANCIAL INCOME AND EXPENSES

IN EUR THOUSANDS	2018	2017
Financial income		
Other financial income ¹	26	47
Total financial income	26	47
Financial expenses		
Interest on loans and short-term financial liabilities ²	470	827
Other financial expenses ¹	873	925
Total financial expenses	1 343	1 752
Net foreign exchange differences	921	755
FINANCIAL RESULT	-396	-950

The corresponding items originate from the following categories of financial instrument:

¹ Receivables, cash and cash equivalents (incl. bank overdrafts)

² Financial liabilities carried at amortized cost

10. INCOME TAXES

The main components of income tax expenses are as follows:

IN EUR THOUSANDS	2018	2017
Current year income taxes	1 513	1 316
Income taxes from previous years	-108	12
Current income taxes	1 405	1 328
Deferred tax income/expenses resulting from change in temporary differences	-146	323
Deferred tax expenses resulting from change in tax rates	-830	-1 983
Deferred tax expenses/income resulting from usage or capitalization respectively of deferred taxes on accumulated losses	83	-30
Deferred tax expenses	-893	-1 690
TOTAL TAX EXPENSES	512	-363

The following breakdown shows a reconciliation of the expected and actual tax expenses calculated at the tax rates applicable to the Group.

IN EUR THOUSANDS	2018	2017
Group profit before taxes	5 678	6 515
Expected tax rate	1.9%	-8.6%
Expected tax expenses	107	-560
Non-deductible expenses	264	231
Fiscal effect of income taxed at different rates	-239	-1 086
Effect of change in the tax rate	-830	-1 983
Unrecognized losses from the current financial year	1 615	3 051
Offsetting of unrecognized loss carry-forwards from previous financial years	-312	-43
Income taxes from previous years	-108	12
Other effects	15	13
TOTAL INCOME TAX	512	-363

The expected tax rate approximates the weighted average tax rate of the countries where the Group companies operate. As higher losses occurred in the countries with higher income tax rates and the earnings were generated mainly in countries with lower income tax rates the expected tax rate was low and even negative in 2017.

11. EARNINGS PER SHARE AND DIVIDENDS

		2018	2017
Average number of shares in circulation	Number	5 705 161	5 382 834
Net Group profit in favour of shareholders of Lalique Group SA	EUR thousands	6 201	7 007
EARNINGS PER SHARE	EUR	1.09	1.30

In June 2018, Lalique Group SA issued 1,000,000 new shares in connection with the rights issue (Note 26). Since the new shares were offered at a price below market value, for the purpose of earnings per share calculation the number of shares outstanding before the rights issue was adjusted to reflect the bonus element inherent in it. The calculation of earnings per share, including comparative amounts for 2017, was adjusted retrospectively.

For the 2017 financial year a dividend of CHF 0.50 per share was paid out. With respect to the 2018 financial year, the Board of Directors proposes a withholding-tax-free distribution of CHF 0.50 per registered share.

DETAILS ON THE CONSOLIDATED BALANCE SHEET**12. CASH AND CASH EQUIVALENTS AND BANK OVERDRAFTS**

IN EUR THOUSANDS	31.12.18	31.12.17
Cash	140	103
Bank	15 196	16 149
TOTAL CASH AND CASH EQUIVALENTS	15 336	16 252
BANK OVERDRAFTS	-41 785	-45 568
BALANCE OF NET CASH AND CASH EQUIVALENTS	-26 449	-29 316

Interest earned on assets denominated in CHF, EUR, GBP and USD was between 0.00% and 0.03%. Interest charged on liabilities in CHF, USD and GBP was 0.65%. Interest charged on liabilities in EUR was between 0.35% and 1.62% and in HKD between 3.00% and 3.13%.

13. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are non-interest-bearing and generally fall due between 0 and 90 days, and up to 150 days in special cases, depending on the customer.

IN EUR THOUSANDS	TOTAL OUT- STANDING ITEMS	NOT DUE	DUE	OF WHICH DUE WITHIN 60 DAYS	OF WHICH OVERDUE 61-90 DAYS	OF WHICH OVERDUE MORE THAN 91 DAYS
2018						
Of which EUR	9 450	7 935	1 515	922	72	521
Of which CHF accounts shown in EUR	2 546	2 526	20	7	8	5
Of which USD accounts shown in EUR	5 536	4 777	759	639	17	103
Of which other currencies shown in EUR	727	637	90	52	8	30
Allowance for doubtful debts	-561	-16	-545	-16	-4	-525
Total	17 698	15 859	1 839	1 604	101	134
2017						
Of which EUR	8 664	7 164	1 500	1 039	23	438
Of which CHF accounts shown in EUR	1 482	1 246	236	294	3	-61
Of which USD accounts shown in EUR	5 111	4 654	457	283	25	149
Of which other currencies shown in EUR	1 012	360	652	453	23	176
Allowance for doubtful debts	-546	-	-546	-	-	-546
Total	15 723	13 424	2 299	2 069	74	156

An impairment analysis is performed at each reporting date. If there is an indication that the Group will not be able to collect all amounts due in relation to a single position according to the original terms of the receivables, an allowance for impairment is recognized on the identified receivables. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The letters of credit and other forms of credit insurance are considered an integral part of trade receivables and considered in the calculation of impairment.

In addition, the Group uses a provision matrix to measure expected credit losses on open receivables that are not individually impaired. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at year-end about past events, current conditions and forecasts of future economic conditions.

IN EUR THOUSANDS	TOTAL OUT- STANDING ITEMS	NOT DUE	DUE	OF WHICH OVERDUE WITHIN 60 DAYS	OF WHICH OVERDUE 61-90 DAYS	OF WHICH OVERDUE MORE THAN 91 DAYS
2018						
Expected credit loss rate	0.3%	0.1%	1.6%	1.0%	4.0%	7.0%
Estimated total gross carrying amount at default	17 744	15 875	1 869	1 620	105	144
Expected credit loss	-46	-16	-30	-16	-4	-10

The movement in the allowance for expected credit losses of trade receivables and contract assets during the year developed as follows. Comparative amounts for 2017 represent the allowance account for impairment losses under IAS 39.

IN EUR THOUSANDS	31.12.18	31.12.17
Balance at 1 January under IAS 39	546	415
	546	415
Formation (+)	133	173
Usage (-)	-83	-1
Reversed (-)	-50	-
Currency effect	15	-41
CLOSING BALANCE	561	546

14. INVENTORIES

IN EUR THOUSANDS	31.12.18	31.12.17
Components and raw materials	24 273	24 139
Advertising materials	2 634	2 724
Finished goods	40 445	36 296
Advance payments	251	374
TOTAL INVENTORIES	67 603	63 533

Impairments on inventories recognized as expenditure amounted to EUR 815 thousand in 2018 (2017: EUR 955 thousand).

15. OTHER RECEIVABLES

IN EUR THOUSANDS	31.12.18	31.12.17
Receivables from VAT claims	3 330	3 666
Accrued income and prepaid expenses	2 128	1 950
Prepaid taxes	14	11
Other receivables	2 884	1 457
TOTAL OTHER RECEIVABLES	8 356	7 084

For the most part, other receivables consist of security deposits for future operating expenses.

16. OTHER NON-CURRENT ASSETS

Other non-current assets comprise a collection of perfume flacons, drawings, and other collectables of the Lalique brand produced by company founder René Lalique and bought by Lalique Group.

17. PROPERTY, PLANT AND EQUIPMENT

IN EUR THOUSANDS	LAND, BUILDINGS	EQUIPMENT, FURNISHINGS	MACHINERY + EQUIPMENT, IT, HARDWARE, TOOLS	VEHICLES	PLANT UNDER CONSTRUC- TION	TOTAL PROPERTY, PLANT AND EQUIPMENT
Acquisition costs 01.01.2017	47 028	21 180	18 352	305	2 152	89 017
Additions	4 818	2 644	1 549	136	1 105	10 252
Additions from acquisitions under common control	6 372	1 910	-	-	-	8 282
Reclassification/transfers	1 028	130	-	-	-1 158	-
Disposals	-742	-408	-2 818	-	-622	-4 590
Exchange differences	-1 281	-342	-708	-31	-34	-2 396
Acquisition costs 31.12.2017	57 223	25 114	16 375	410	1 443	100 565
Additions ¹	2 427	4 610	1 339	55	1 598	10 029
Reclassification/transfers	-345	634	-	-	-289	-
Disposals	-297	-175	-	-37	-595	-1 104
Exchange differences	457	80	320	15	9	881
Acquisition costs 31.12.2018	59 465	30 263	18 034	443	2 166	110 371
Depreciation, cumulative 01.01.2017	-21 235	-11 710	-13 234	-242	-	-46 421
Additions	-3 021	-1 746	-1 572	-29	-	-6 368
Additions from acquisitions under common control	-180	-175	-	-	-	-355
Disposals	260	400	1 756	-	-	2 416
Exchange differences	920	271	583	20	-	1 794
Depreciation, cumulative 31.12.2017	-23 256	-12 960	-12 467	-251	-	-48 934
Additions ²	-2 810	-2 320	-1 503	-73	-	-6 706
Reclassification/transfers	434	-434	-	-	-	-
Disposals	293	175	-	37	-	505
Exchange differences	-327	-60	-279	-9	-	-675
Depreciation, cumulative 31.12.2018	-25 666	-15 599	-14 249	- 296	-	-55 810
NET PROPERTY, PLANT AND EQUIPMENT 31.12.2018	33 799	14 664	3 785	147	2 166	54 561
Net property, plant and equipment 31.12.2017	33 967	12 154	3 908	159	1 443	51 631

¹ The additions of EUR 10 029 thousand (2017: EUR 10 252 thousand) resulted in a cash outflow of EUR 9 243 thousand (2017: EUR 8 800 thousand).

² The total depreciation in 2018 of EUR 6 706 thousand (2017: EUR 6 368 thousand) did not include any impairment costs.

No items of property, plant and equipment serve as collateral for obligations.

18. INTANGIBLE ASSETS

IN EUR THOUSANDS	GOODWILL	BRANDS	LICENCE RIGHTS	CREATIONS	SOFTWARE	TOTAL INTANGIBLE ASSETS
Acquisition costs 01.01.2017	359	61 348	3 187	2 627	5 054	72 575
Additions	-	-	5 562	836	255	6 653
Additions from acquisitions under common control	-	-	34	-	-	34
Disposals	-	-	-3 058	-232	-	-3 290
Exchange differences	-10	-2 130	-395	-254	-117	-2 906
Acquisition costs 31.12.2017	349	59 218	5 330	2 977	5 192	73 066
Additions ¹	-	-	530	778	225	1 533
Disposals	-	-	-	-51	-	-51
Exchange differences	-14	924	188	138	47	1 283
Acquisition costs 31.12.2018	335	60 142	6 048	3 842	5 464	75 831
Amortization, cumulative 01.01.2017	-	-	-2 539	-1 787	-3 701	-8 027
Additions ²	-	-	-615	-412	-381	-1 408
Disposals	-	-	3 058	232	-	3 290
Additions from acquisitions under common control	-	-	-6	-	-	-6
Exchange differences	-	43	90	161	85	379
Amortization, cumulative 31.12.2017	-	43	-12	-1 806	-3 997	-5 772
Additions ²	-	-	-1 133	-565	-412	-2 110
Disposals	-	-	-	51	-	51
Exchange differences	-	- 18	-29	-95	-26	-168
Amortization, cumulative 31.12.2018	-	25	-1 174	-2 415	-4 435	-7 999
NET INTANGIBLE ASSETS 31.12.2018	335	60 167	4 874	1 427	1 029	67 832
Net intangible assets 31.12.2017	349	59 261	5 318	1 171	1 195	67 294

¹ The additions of EUR 1 533 thousand (2017: EUR 6 653 thousand) resulted in a cash outflow of EUR 1 390 thousand (2017: EUR 985 thousand).

² The amortization of licence rights is recorded in licence expenses.

Brands

Brand values as at 31 December 2018: Parfums Grès CHF 6.574 million (2017: CHF 6.574 million), Parfums Samourai CHF 1.800 million (2017: CHF 1.800 million), Ultrasun CHF 11.000 million (2017: CHF 11.000 million), Lalique EUR 36.696 million and CHF 7.040 million (total of EUR 42.952 million; 2017: EUR 42.710 million).

The multiperiod-excess-earnings method was used to test the various brand values for impairment. The calculation was based on the assumptions listed below. These include planning assumptions made over a maximum period of five years, and a residual value. The residual value incorporates

a growth rate of 1.7% for Lalique, 1.8% for Ultrasun, 0.2% for Parfums Samourai, and 1.5% for Parfums Grès respectively. In the case of Ultrasun, it has been assumed that the EBITDA margin will rise from 15.1% in 2018 to 16.5% in 2023. With regard to Lalique, it has been assumed that the EBITDA margin will rise from 4.3% in 2018 to 20.4% in 2023. In the EBITDA margin projections for 2023, the implementation of IFRS 16 is fully considered. The EBITDA margin for the Lalique brand, adjusted by the expected IFRS 16 effect in 2018, is 11.7% hence the projected improvement of the EBITDA margin would be 8.7% points by 2023. These assumptions were determined by management based on its expectations for future market development.

IN %	AVERAGE GROWTH IN SALES ¹		AFTER-TAX DISCOUNT RATE	
	2018	2017	2018	2017
Lalique	6.4	6.1	11.2	9.8
Ultrasun	7.1	2.3	11.3	9.8
Parfums Grès	2.2	1.1	11.1	11.9
Parfums Samourai	5.0	2.1	9.4	9.7

¹ Calculated over the planning horizon of five years.

Sensitivity

At Lalique, the brand carrying value would only be impaired in the event of a negative change in sales growth of 2.5% points or a negative change in the EBITDA margin of 1.4% points or an increase in the discount rate by 2.2% points. The brand carrying value of Lalique would be reduced by EUR 2.074 million upon a negative change of sales growth of 0.4% points and reduced by EUR 2.565 million upon a negative change in the EBITDA margin of 0.3% points. A change in the discount rate of 0.2% points would reduce the calculated brand value by EUR 1.341 million.

At Ultrasun, Parfums Grès and Parfums Samourai the values in use exceed their carrying values. The Group believes that no reasonably possible changes in the key assumptions disclosed above would cause the recoverable amounts to fall below the carrying values.

Licence rights

Amortization charges in 2018 and in the previous financial year relate to licence agreements and rights for Jaguar Fragrances and Bentley Fragrances that are amortized over the contractual term or the useful life of the licence and recognized under licence expenses. The residual amortization period for the Jaguar Fragrances licence rights is four years and for Bentley Fragrances three years.

Creations

The item "Creations" comprises expenses incurred through the commissioning of external designers to create flacons and packaging, and the associated development costs. The residual amortization period is between zero and three years. In 2018, as in the previous year, there were no impairment losses recognized.

Software

The item "Software" consists of purchased IT software usage licences and the costs of specific customization of the software.

With the exception of depreciation on new licence rights, which is recognized under licence expenses, all amortization of intangible assets appears under "Depreciation and amortization" in the income statement. In 2018, there were no impairment losses recognized (2017: EUR 0).

There are no restrictions on the use of intangible assets. There are no commitments to make further payments or to take on additional intangible assets. No intangible assets serve as collateral for obligations.

19. PENSION SCHEMES

IN EUR THOUSANDS	31.12.18	31.12.17
Defined benefit pension plans	4 651	4 620
Other long-term post-employment benefits	204	216
TOTAL DEFINED BENEFIT OBLIGATION	4 855	4 836

Defined benefit pension plans

There is a defined benefit pension plan in Switzerland. The plan is designed to ensure that current and future contributions are sufficient to cover future obligations. As defined in the fund regulations, the employer and the employees make matching annual contributions. Contributions are based on an age-related sliding scale which defines the relevant percentage of an employee's insured salary. In accordance with Swiss law, the pension fund guarantees its insured members vested benefits which are confirmed each year. Upon retirement, insured members are entitled to draw their benefits as a single lump-sum payment, an annuity, or a combination of both. For the purpose of providing an occupational pension scheme, Lalique Group has joined a collective foundation in which the assets are invested on a joint basis with other scheme participants (with the same investment profile). This collective foundation is fully insured. Thus, as at 31 December 2018, 100% of the plan assets were invested in a collective insurance policy held with Basler Leben AG. Direct pension entitlements vis-à-vis the insurance company constitute 100% of the investment. The pension plan meets legal provisions stipulating the minimum benefits payable. There were no significant changes, curtailments or settlements related to the plan during the reporting period.

With effect from 1 January 2019, the pension insurance solution will be changed from the previous full insurance policy with Basler Versicherung AG or its collective foundations to the semi-autonomous Futura Pension Foundation. The pension plans are not changed.

The different conversion rates applicable at the Futura Pension Foundation result in past service cost reduction of EUR 257 thousand (CHF 297 thousand). This amount is recognized as an expense reduction in the income statement of 2018.

Other long-term post-employment benefits

In France, there are plans that fall into this category. These can be described as follows: one plan exists which, in accordance with the statutory requirements governing privately held companies, builds up capital which is then used to pay appropriate compensation to employees when they leave the company. The benefit payable is based on years of service, the reference salary, the collective wage agreement and the circumstances which led to the employee's resignation. Payment of pensions conforms to the national collective agreement for hand-made glass manufacture.

Another plan or regulation exists which, under certain conditions, entitles specific pension recipients to claim a supplementary annuity corresponding to 55% of the beneficiary's last annual net salary (average salary over the last three years).

A breakdown of the Group's defined benefit obligation recognized in the consolidated balance sheet as at 31 December is as follows:

IN EUR THOUSANDS	DEFINED BENEFIT PENSION PLANS		OTHER LONG-TERM POST-EMPLOYMENT BENEFITS	
	31.12.18	31.12.17	31.12.18	31.12.17
Present value of defined benefit pension obligation	-11 937	-10 919	-204	-216
Fair value of the plan assets	7 286	6 299	-	-
(SHORTFALL)/SURPLUS	-4 651	-4 620	-204	-216

Annual expenditure on pension benefits recognized in wages and salaries breaks down as follows:

IN EUR THOUSANDS	DEFINED BENEFIT PENSION PLANS		OTHER LONG-TERM POST-EMPLOYMENT BENEFITS	
	2018	2017	2018	2017
Current service cost	-805	-807	-19	-18
Net interest cost of pension plans	-18	-16	-	-
TOTAL EMPLOYEE BENEFIT EXPENSES RECOGNIZED IN THE INCOME STATEMENT	-823	-823	-19	-18

Remeasurement of pension plans recognized directly in other comprehensive income breaks down as follows:

IN EUR THOUSANDS	DEFINED BENEFIT PENSION PLANS		OTHER LONG-TERM POST-EMPLOYMENT BENEFITS	
	2018	2017	2018	2017
Actuarial gain / (loss) from the pension obligation	272	- 5	-0	29
Change in the plan assets (not incl. interest)	-102	-84	-	-
TOTAL REMEASUREMENTS RECOGNIZED IN OTHER COMPREHENSIVE INCOME	170	- 89	- 0	29

The changes in the present value of the Group's pension obligations are as follows:

IN EUR THOUSANDS	DEFINED BENEFIT PENSION PLANS		OTHER LONG-TERM POST-EMPLOYMENT BENEFITS	
	2018	2017	2018	2017
Present value of defined benefit pension obligations on 1 January	-10 919	-11 021	-216	-224
Interest expenses	-65	-61	-	-
Current service cost	-805	-807	-19	-18
Employee contributions	-432	-419	-3	-3
Actuarial gains and losses arising from changes in financial assumptions	193	-	13	23
Actuarial gains and losses arising from changes in demographic assumptions	79	-5	-13	6
Benefits paid	129	389	34	-
Past service costs/cost reductions	257	-	-	-
Administration costs	-5	-5	-	-
Liquidation	-	434	-	-
Currency effect	-369	576	-	-
PRESENT VALUE OF DEFINED BENEFIT PENSION OBLIGATIONS ON 31 DECEMBER	-11 937	-10 919	-204	-216

Only the Swiss defined benefit pension plan contains plan assets. Changes in the fair value of the plan assets were as follows:

IN EUR THOUSANDS	DEFINED BENEFIT PENSION PLANS		OTHER LONG-TERM POST-EMPLOYMENT BENEFITS	
	2018	2017	2018	2017
Fair value of the plan assets on 1 January	6 299	6 494	-	-
Interest income from the plan assets	47	45	-	-
Change in the plan assets (not incl. interest)	-98	-88	-	-
Employer contributions	405	394	-	-
Employee contributions	405	394	-	-
Benefits paid	-39	-373	-	-
Currency effect	267	-567	-	-
FAIR VALUE OF THE PLAN ASSETS ON 31 DECEMBER	7 286	6 299	-	-

Sensitivity of key actuarial assumptions

Actuarial assumptions are made in respect of the discount rate, future salary trends and life expectancy, and these can be summarized as follows.

	2018	2017
Bases used for calculation of Swiss plan		
Discount rate	0.90%	0.70%
Expected rate of salary increase	1.00%	1.00%
Life expectancies	BVG2015 GT	BVG2015 GT

The implications for the defined benefit obligation (DBO) are as follows:

- A 0.25% increase/decrease in the discount rate would result in a decrease of EUR 457 thousand (-5.0%)/increase of EUR 492 thousand (+5.0%) in defined benefit pension obligations.
- A 0.25% increase/decrease in the expected rate of salary increase would result in an increase of EUR 74 thousand (+0.8%)/decrease of EUR 72 thousand (-0.7%) in defined benefit pension obligations.
- An increase/decrease in life expectancies of one year would result in an increase of EUR 66 thousand (+0.7%)/decrease of EUR 61 thousand (-0.6%) in defined benefit pension obligations.

The average duration of a defined benefit pension obligation was 19.1 years at the end of the reporting period (2017: 20.1 years).

Forecasted contributions

The forecasted contributions of the company for the 2019 financial year amount to EUR 419 thousand.

	2018	2017
Bases used for calculation of French plans		
Discount rate	1.38%	1.38%
Expected rate of salary increase	1%/1.17%	1%/1.17%
Life expectancies	TGH 05/TGF 05	TGH 05/TGF 05

20. OTHER CURRENT LIABILITIES

IN EUR THOUSANDS	31.12.18	31.12.17
Current financial liabilities	3 156	2 096
Accrued salary expenses	2 788	2 642
Short-term leasing liabilities	1 578	1 429
Current minimal fees for licence rights	1 029	965
Other current liabilities	8 543	8 937
TOTAL OTHER CURRENT LIABILITIES	17 094	16 069

Current minimal fees for licence rights are owed in respect of the Jaguar Fragrances and Bentley Fragrances brands.

21. OTHER NON-CURRENT LIABILITIES

IN EUR THOUSANDS	31.12.18	31.12.17
Non-current minimal fees for licence rights	3 265	4 291
TOTAL OTHER CURRENT LIABILITIES	3 265	4 291

As at 31 December 2018, other non-current liabilities comprised minimal fees for licence rights owed in respect of the Jaguar Fragrances and Bentley Fragrances brands.

22. PROVISIONS

IN EUR THOUSANDS	OTHER PROVISIONS	TOTAL PROVISIONS
As at 01.01.2017	368	368
Formation	247	247
Usage	-218	-218
Currency effect	-	-
As at 31.12.2017	397	397
Formation	150	150
Usage	-341	-341
Currency effect	2	2
As at 31.12.2018	208	208
Of which current	-	-
Of which non-current	208	208

As at 31.12.2018, other provisions included provisions for litigation and restructuring.

23. NON-CURRENT FINANCIAL LIABILITIES

IN EUR THOUSANDS	31.12.18	31.12.17
Loans from the principal shareholder	-	18 794
Long-term leasing liabilities	2 224	3 194
Other non-current financial liabilities	12 596	11 691
TOTAL OTHER NON-CURRENT FINANCIAL LIABILITIES	14 820	33 679

The “Other non-current financial liabilities” contain mainly loans out of contractual agreements between subsidiaries and local financing institutions.

The principal shareholder loans were converted to equity or paid back as part of the capital increase process in June 2018. Until June 2018, the loans from the principal shareholder bear interest at a rate of 0.75% (2017: 0.75%).

Changes in financial liabilities from financing activities

IN EUR THOUSANDS	01.01.18	CASHFLOWS	CURRENCY EXCHANGE MOVEMENTS	NEW LEASES	OTHER	31.12.18
Current financial liabilities (excluding items listed below)	2 096	-2 288	-	-	3 348	3 156
Short-term liabilities from finance lease	1 277	-1 038	3	-	1 336	1 578
Short-term liabilities main shareholder	1 709	-2 061	52	-	300	-
Non-current financial liabilities (excluding items listed below)	11 987	4 491	27	-	-3 909	12 596
Long-term liabilities from finance lease	2 899	-	7	-	-682	2 224
Non-current liabilities main shareholder	18 794	-	260	-	-19 054	-
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	38 762	-896	349	-	-18 661	19 554

IN EUR THOUSANDS	01.01.17	CASHFLOWS	CURRENCY EXCHANGE MOVEMENTS	NEW LEASES	OTHER	31.12.17
Current financial liabilities (excluding items listed below)	1 748	- 808	-	-	1 156	2 096
Short-term liabilities from finance lease	1 310	-1 373	-35	560	815	1 277
Short-term liabilities main shareholder	1 867	-1 800	-158	-	1 800	1 709
Non-current financial liabilities (excluding items listed below)	7 972	3 672	-315	-	658	11 987
Long-term liabilities from finance lease	3 717	-	-3	-	-815	2 899
Non-current liabilities main shareholder	22 399	-	-1 805	-	-1 800	18 794
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	39 013	-309	-2 316	560	1 814	38 762

The “Other” column includes the effect of reclassification of the non-current portion of interest-bearing loans and borrowings and finance leases to “current” due to the passage of time. In addition, the “Other” column shows the non-cash movements with respect to the conversion of the shareholder loan into equity. The Group classifies interest paid as cash flows from operating activities.

24. FINANCIAL LEASING

The maturity structure of all future minimum finance leasing payments and the corresponding interest expense are shown below:

IN EUR THOUSANDS	2018	2017
Maturity within 1 year	1 656	1 478
Maturity between 1 and 5 years	2 273	3 303
Maturity over 5 years	-	-
TOTAL	3 929	4 781
Interest portion	-127	-158
TOTAL FINANCIAL LEASING	3 802	4 623

The capitalized net book value of property, plant and equipment and intangible assets financed by financial leases is as follows:

IN EUR THOUSANDS	2018	2017
Net book value of buildings	5 244	6 393
Net book value of machinery	2 245	2 563
Net book value of software	252	369
TOTAL NET BOOK VALUE FINANCIAL LEASING	7 741	9 325

25. DEFERRED TAXES

Deferred taxes balances as of 31 December are as follows:

IN EUR THOUSANDS	2018	2017
Deferred tax assets	-1 328	-3 189
Deferred tax liabilities	14 684	17 246
NET DEFERRED TAX LIABILITIES	13 356	14 058

Reconciliation of net deferred tax liabilities is as follows:

IN EUR THOUSANDS	2018	2017
Net deferred tax liabilities		
Opening balance 1.1	14 058	16 050
Formation (+)/release (-) recognized in income statement	-893	-1 690
Formation (+)/release (-) recognized in other comprehensive income	32	-15
Currency translation differences	159	-287
CLOSING BALANCE 31.12.	13 356	14 058

The deferred income tax is determined based on the local income tax rate. Deferred tax balance sheet positions relate to the following:

IN EUR THOUSANDS	2018	2017
Receivables	259	225
Inventories	3 095	2 889
Property, plant and equipment	1 540	1 728
Intangible assets	14 432	15 794
Deferred tax liabilities	19 326	20 636
Payables	-1 193	-1 463
Pension fund liabilities	-1 063	-1 146
Inventories	-2 512	-2 675
Property, plant and equipment	-20	-34
Offsetting of unrecognized loss carry-forwards from previous financial years	-1 182	-1 261
Deferred tax assets	-5 970	-6 579
NET DEFERRED TAX LIABILITIES	13 356	14 058

The Group has not capitalized deferred taxes for losses carried forward in the amount of EUR 52.269 million (2017: EUR 48.112 million). These income tax deductible losses carried forward expire as follows:

IN EUR THOUSANDS	2018	2017
Expire next year	706	1 616
Expire in 2-4 years	3 946	3 187
Expire in 5-7 years	1 895	3 165
Expire after 7 years	7 761	-
No expiry	37 961	40 144
TOTAL UNRECOGNIZED CAPITALIZED DEFERRED TAX ASSETS FROM LOSSES CARRY-FORWARD	52 269	48 112

The net deferred tax assets from entities that suffered a loss in either the current or preceding period amount to EUR 138 thousand (2017: EUR 114 thousand). The recognition is supported by a promising five years plan for the single entity concerned.

26. EQUITY

Share capital

In June 2018, Lalique Group SA issued new shares in connection with the rights issue. As of 31 December 2018 the share capital amounts to EUR 988 thousand (CHF 1.2 million) (2017: EUR 816 thousand (CHF 1.0 million)), consisting of 6,000,000 registered shares (2017: 5,000,000) with a nominal value of EUR 0.18 (CHF 0.20) each (2017: EUR 0.17 (CHF 0.20)). In addition, there is conditional share capital of EUR 44 thousand (CHF 50 thousand) (2017: EUR 43 thousand (CHF 50 thousand)) for a potential employee incentive plan.

All registered shares issued are fully paid up and bear equal rights in all regards.

Capital reserves

The capital reserves relate to capital increases in 2007, 2017 and 2018.

The capital increase in 2018 (see also section "Capital management") included the conversion of a loan from the main shareholder of EUR 18.8 million (CHF 21.6 million) and paid in capital of minority shareholders amounting to EUR 7.4 million (CHF 8.5 million). After transaction costs of EUR 0.7 million (CHF 0.8 million), the net cash contribution of shareholders amounted to EUR 6.7 million (CHF 7.7 million).

Retained earnings and other reserves

These reserves include retained earnings and currency translation differences. There are non-distributable reserves in various Group companies.

27. CONSOLIDATED GROUP AND CHANGES

Lalique Group comprised the following companies at 31.12.2018:

COMPANY, HEADQUARTERS, COUNTRY	CURRENCY (THOUSANDS)	SHARE CAPITAL		PARTICIPATING INTEREST	
		2018	2017	2018	2017
Lalique Group SA, Zurich, Switzerland	CHF	1 200	1 000	Holding	Holding
Lalique Beauty SA, Zurich, Switzerland	CHF	1 000	1 000	100%	100%
LLQ Management SA, Zurich, Switzerland	CHF	500	500	100%	100%
Lalique Parfums SA, Zurich, Switzerland	CHF	1 000	1 000	100%	100%
Parfums Grès SA, Zurich, Switzerland	CHF	250	250	100%	100%
Parfums Samourai SA, Zurich, Switzerland	CHF	250	250	100%	100%
Parfums Alain Delon SA, Zurich, Switzerland ¹	CHF	100	100	100%	100%
Jaguar Fragrances AG, Zurich, Switzerland	CHF	250	250	100%	100%
Bentley Fragrances AG, Zurich, Switzerland	CHF	250	250	100%	100%
Art & Fragrance SA, Zurich, Switzerland ¹	CHF	100	100	100%	100%
Lalique Beauty Distribution SASU, Ury, France	EUR	252	100	100%	100%
Ultrasun AG, Zurich, Switzerland	CHF	250	250	100%	100%
Ultrasun (UK) Limited, Reigate, UK	GBP	10	10	100%	100%
Lalique Beauty Services SASU, Ury, France	EUR	500	1 503	100%	100%
SCI du Mont à Grillon, Ury, France	EUR	1	1	100%	100%
Lalique Maison SA, Zurich, Switzerland ¹	CHF	100	100	100%	100%
Lalique Art SA, Zurich, Switzerland ¹	CHF	100	100	100%	100%
Lalique Suisse SA, Zurich, Switzerland	CHF	100	100	100%	100%
Lalique SA, Paris, France	EUR	34 400	34 400	95%	95%
Lalique North America, Inc., East Rutherford, NJ, USA	USD	2 300	2 300	100%	100%
Lalique Limited, London, UK	GBP	2 050	2 050	100%	100%
Lalique Asia Limited, Hong Kong, China	HKD	8 000	8 000	100%	100%
Lalique (China) Limited, Hong Kong, China	HKD	1 000	1 000	100%	100%
Lalique (Shanghai) Limited, Shanghai, China	CNY	6 660	6 115	100%	100%
Lalique Beijing Trading Company Limited, Beijing, China	CNY	13 908	-	100%	0%
Lalique Crystal Singapore PTE. Ltd., Singapore	SGD	300	300	100%	100%
Lalique GmbH, Frankfurt, Germany	EUR	870	870	100%	100%
Villa René Lalique SAS, Wingen-sur-Moder, France	EUR	60	60	100%	100%
Château Hochberg SAS, Wingen-sur-Moder, France	EUR	10	10	100%	100%
Lalique Japan Co. Ltd., Tokyo, Japan	JPY	80 005	80 005	60%	60%

¹ of which paid-in share capital: CHF 50,000 each

28. TRANSACTIONS WITH RELATED PARTIES**Members of the Board of Directors, members of the Executive Board**

IN EUR THOUSANDS	2018	2017
Total emoluments and salaries (incl. bonuses and interest) paid to members of the Board of Directors and Executive Board	3 084	2 566
Total pension fund contributions paid to members of the Board of Directors and Executive Board	292	254

The compensation elements indicated relate to the last financial year.

Affiliates and shareholders

IN EUR THOUSANDS	31.12.18	31.12.17	TYPE OF TRANSACTION
Liabilities			
Members of the Board of Directors of Lalique Group SA	19	14	Mont-Blanc resourcing, consulting
Principal shareholder	27	-	Expenses Silvio Denz
Affiliates under common control	21	17	Vignobles Silvio Denz
	2	12	Denz Weine
Receivable:			
Affiliates under common control	-	11	Art & Terroir SA, rent
	19	-	Château Lafaurie-Peyraguey, crystal objects
	26	-	Denz Weine, accounting 2018
	17	-	Wermuth Auktionen, accounting 2018
Principal shareholder	6	58	Silvio Denz
Loans:			
Principal shareholder	-	20 503	Loan

IN EUR THOUSANDS	2018	2017	TYPE OF TRANSACTION
Proceeds from:			
Affiliates under common control	11	12	Art & Terroir SA, rent, insurance
	1 006	-	Château Lafaurie-Peyraguey, crystal objects
	24	-	Denz Weine, accounting 2018
	16	-	Wermuth Auktionen, accounting 2018
Principal shareholder	72	65	Proceeds from sale of Lalique objects
Expenditure of:			
Principal shareholder	84	185	Interest on loans
	92	-	Expenses Silvio Denz
Affiliates under common control	-	8	Wermuth Auktionen, purchase of wine
	45	26	Vignobles Silvio Denz, purchase of wine
	-	5	Villa Madura, purchase of wine
	44	79	Denz Weine, purchase of wine
	11	-	Château Lafaurie-Peyraguey, purchase of wine
Members of the Board of Directors of Lalique Group SA	101	115	Mont-Blanc Resourcing, consulting
	420	416	Ermitage Estate Ltd, rent
	-	135	Claudio Denz, purchase of car
	-	1	Art & Terroir SA, purchase of Château Hochberg

Transactions with related parties are settled on an arm's-length basis.

29. CONTINGENT LIABILITIES

As at 31 December 2018, there were no unrecognized contingent liabilities (2017: EUR 0).

30. ASSETS PLEDGED OR ASSIGNED TO SECURE OWN COMMITMENTS

There are no assets pledged or assigned to secure our own commitments.

31. SUBSEQUENT EVENTS

Lalique Group has evaluated events from 31 December 2018 up to the date the financial statements were issued. The following transaction occurred subsequent to 31 December 2018:

The Lalique Group acquired a 50% stake of The Glenturret Scotch whisky distillery with a purchase price of GBP 15.5 million on 28 March 2019. The Group will control the The Glenturret by contractual agreement and therefore fully consolidate the entity.



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To the General Meeting of
Lalique Group SA, Zurich

Zurich, 16 April 2019

Statutory auditor's report on the audit of the consolidated financial statements



Opinion

We have audited the consolidated financial statements of Lalique Group SA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 3 to 43) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Valuation of brands

Risk	<p>As of 31 December 2018, the brand values of Laliq Group amounted to EUR 60.2 million. The separate capitalized brands relate to Laliq (divided into perfumes, crystal and jewellery), Ultrasun, Parfums Samourai and Parfums Grès.</p> <p>The segments of the group are Laliq, Ultrasun, Jaguar, Grès and other brands (Parfums Samourai, Bentley Fragrances, Laliq Beauty Services).</p> <p>The annual impairment testing process is complex, contains items based on judgments and includes assumptions that are affected by expected future market conditions. There is a risk that the future cash flows may not meet the Group's expectation or outcomes may differ from the estimated values.</p>
Our audit response	<p>We reviewed management's assessment related to impairment indicators for the value of the brands.</p> <p>We involved our internal valuation specialists for the review of the valuation model and the discount rate used.</p> <p>Additionally, we analyzed the impairment test process, the management forecasts regarding expected revenues and further input data with the responsible person as well as reviewed its reasonability compared to previous year. We also assessed the disclosure according to IAS 36 in the consolidated financial statements.</p> <p>Our audit procedures did not lead to any reservations concerning the valuation of brands.</p>



Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://www.expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.



Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd



Christian Krämer
(Qualified
Signature)

Licensed audit expert
(Auditor in charge)



Olga Semenova
(Qualified
Signature)

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LALIQUE GROUP REMUNERATION REPORT

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COMPENSATION GOVERNANCE

Compensation principles

Lalique Group strives to attract and retain qualified and motivated managers and skilled personnel. This aspiration is underpinned by a fair remuneration system. In the interests of the sustainable development of the company this system takes short-, medium- and long-term targets into account.

The present Remuneration Report offers an overview of the remuneration policy for the Board of Directors and the Executive Board, and of the equity participation of the members of those bodies in the company. This information complies with Articles 663bbis and 663c of the Swiss Code of Obligations, the Ordinance against Excessive Compensation in Listed Corporations (VegüV/ORAb) and the company's Articles of Incorporation. The currently applicable articles were approved at the General Meeting of Shareholders on 8 June 2018.

Remuneration rates for the members of the Board of Directors and the Executive Board were put to shareholders for approval for the first time at the General Meeting of Shareholders on 26 June 2015. Neither amendments to the contracts of the Executive Board members nor any new agreements with members of the Board of Directors relating to the new legal and statutory requirements were necessary.

This report is based on the guiding principles given in the Swiss Code of Best Practice for Corporate Governance (2016). The information on compensation paid to the Board of Directors and the Executive Board is also in accordance with IFRS Accounting Standards, Swiss law, the Ordinance Against Excessive Compensation in Public Corporations (OAEC), the SIX Directive Corporate Governance (DCG), and the Company's Articles of Incorporation.

Remuneration Committee

The Remuneration Committee consists of at least two members of the Board of Directors. All members of the Remuneration Committee are individually elected by the shareholders' meeting for a term of one year. Re-election is permitted. The chairperson of the Remuneration Committee is appointed by the Board of Directors.

At the General Meeting of Shareholders of 8 June 2018, shareholders elected or confirmed respectively the members of the Remuneration Committee. The elected members for a period of one year are Silvio Denz and Roland Weber.

The Remuneration Committee is responsible for regularly checking and evaluating the company's remuneration system. In addition, the Remuneration Committee assists the Board of Directors in remuneration-related matters, namely by:

- verifying compliance with the principles of remuneration in accordance with the law, the Articles of Incorporation and the Organizational Regulations as well as the resolutions of the shareholders' meeting regarding remuneration
- proposals to the Board of Directors for the establishment of principles, assessment criteria and qualitative and quantitative objectives for remuneration within the framework of the requirements set out by law and in the Articles of Incorporation
- calculation and proposals to the Board of Directors on the achievement of qualitative and quantitative targets for the assessment of variable remuneration
- proposals to the Board of Directors for the amounts of fixed and variable remuneration for the members of the Board of Directors as well as the fixed and variable remuneration for the members of the Executive Board
- proposal to the Board of Directors regarding the remuneration report
- taking of all further actions assigned to it by law, the Articles of Incorporation and the Organizational Regulations.

The Remuneration Committee is entitled to conduct investigations in all matters within its competence. In particular, it has full access, to the extent required for the fulfilment of its duties, to the employees, books and records of the Group and its subsidiaries. It may also request the services of independent advisors and experts to the extent required for the accomplishment of its duties.

General duties and powers of the Annual General Meeting

The Annual General Meeting of the Company votes each year separately on the proposals by the Board of Directors regarding the maximum aggregate amount of the compensation of the Board of Directors and the Executive Board for the term of office until the next annual shareholders' meeting.

COMPENSATION AWARDED TO THE BOARD OF DIRECTORS

Composition of directors' remuneration

The Board of Directors consisted of six members throughout 2018. All members of the Board of Directors were re-elected for another term at the General Meeting of Shareholders on 8 June 2018. Further information on the Board of Directors, its powers, the delegation of its duties and responsibilities, its spheres of influence, and its composition can be found in the Corporate Governance Report 2018.

The members of the Board of Directors receive a fixed payment for their work. The Remuneration Committee can provide for them to receive an optional variable rate of remuneration. Where a variable remuneration rate is implemented, it is based on qualitative and quantitative targets. The variable remuneration rate may not exceed 200% of the fixed sum.

Bonuses can be paid to members of committees or those who assume particular roles or tasks.

With regard to activities in companies directly or indirectly controlled by Lalique Group and activities performed in the exercise of the role of member of the Board of Directors, the company concerned may remunerate directors as long as this remuneration is covered by the amount approved by the General Meeting of Shareholders.

The fixed remuneration sum can be paid in part in shares, and the variable remuneration in part or in full in shares.

Members of the Board of Directors receive compensation for personal expenditure and expenses. The reimbursement of expenditure and payment of expenses does not count as remuneration. In addition, where the law permits, the company can compensate directors for financial disadvantages relating to legal proceedings, court cases or settlement deals, and advance corresponding amounts and conclude insurances. Any such indemnification, advances and insurances are not considered as compensation.

Approval of directors' remuneration

The General Meeting of Shareholders approves the maximum amount of fixed remuneration for the Board of Directors for the period up to the next General Meeting of Shareholders.

The General Meeting of Shareholders approves the total amount of variable remuneration of the Board of Directors for the previous financial year.

Actual compensation of the Board of Directors for 2018

The directors received fixed compensation of CHF 25 000 for their service on the Board of Directors. The amount of compensation awarded to the Executive Chairman of the Board of Directors is higher, given his additional duties and responsibilities.

Total actual remuneration for members of the Board of Directors for the 2018 financial year was as follows:

IN CHF THOUSANDS		GROSS COM- PENSATION	POST EMPLOY- MENT BENEFITS	OTHER SOCIAL COSTS	TOTAL COM- PENSATION
2018					
Denz, Silvio	Executive Chairman of the Board of Directors	301	26	19	346
Weber, Roland	Vice-Chairman of the Board of Directors	25	-	2	27
von der Weid, Roger	Delegate of the Board of Directors & CEO	602	43	37	682
Denz, Claudio	Member of the Board of Directors & HD	207	8	14	229
Kollros, Jan	Member of the Board of Directors	25	-	-	25
Roesti, Marc	Member of the Board of Directors	25	-	-	25
Total Board of Directors		1 185	77	72	1 334
2017					
Denz, Silvio	Executive Chairman of the Board of Directors	65	5	3	73
Weber, Roland	Vice-Chairman of the Board of Directors	25	-	2	27
von der Weid, Roger	Delegate of the Board of Directors & CEO	601	42	40	683
Denz, Claudio	Member of the Board of Directors & HD	200	8	14	222
Kollros, Jan	Member of the Board of Directors	13	-	-	13
Roesti, Marc	Member of the Board of Directors	25	-	1	26
Total Board of Directors		929	55	60	1 044

No remuneration was paid to former members of the Board of Directors.

COMPENSATION AWARDED TO THE EXECUTIVE BOARD

Composition of remuneration for the Executive Board

The members of the Executive Board receive a fixed annual remuneration sum and a variable remuneration for their work. The variable remuneration rate is based on qualitative and quantitative targets. Evaluating the extent to which these targets are achieved is the responsibility of the Board of Directors. The variable remuneration rate must not exceed 100% of the fixed sum.

Bonuses can be paid to members of committees or those who assume particular roles or tasks.

With regard to activities in companies directly or indirectly controlled by Lalique Group and activities performed in the exercise of the role of member of the Executive Board, the company concerned may remunerate Executive Board members as long as this remuneration is covered by the amount approved by the General Meeting of Shareholders.

The variable remuneration sum can be paid in partly or fully in shares.

Members of the Executive Board receive compensation for personal expenditure and expenses. The reimbursement of expenditure and the payment of expenses do not count as remuneration. In addition, where the law permits, the company can compensate Executive Board members for

financial disadvantages relating to legal proceedings, court cases or settlement deals, and advance sums accordingly and take out insurance policies. Any such compensation advances or insurance policies are similarly not considered as remuneration.

Approval of remuneration for the Executive Board

The General Meeting of Shareholders approves the maximum amount of fixed remuneration of the Board of Directors for the period up to the next General Meeting of Shareholders.

The General Meeting of Shareholders approves the total amount of the variable remuneration for the Board of Directors for the previous financial year.

Where new Executive Board members are appointed subsequent to approval being given by the General Meeting of Shareholders, the supplementary pro rata sum per new member is 150% of the highest fixed remuneration paid to an Executive Board member in the financial year preceding the last General Meeting of Shareholders. Approval by the shareholders for the supplementary remuneration is not required.

Actual compensation of the Executive Board for 2018

Total actual remuneration for members of the Executive Board for the financial year 2018 was as follows:

IN CHF THOUSANDS	GROSS COMPENSATION	POST EMPLOYMENT BENEFITS	OTHER SOCIAL COSTS	TOTAL COMPENSATION
2018				
Members of the Executive Board (11 members ¹)	2 376	260	436	3 072
Total Executive Board	2 376	260	436	3 072
2017				
Members of the Executive Board (9 members ¹)	1 922	227	367	2 516
Total Executive Board	1 922	227	367	2 516

¹ Excl. Silvio Denz, CEO Lalique SA and Executive Chairman of the BoD, Roger von der Weid, Group CEO and Delegate of the BoD, and Claudio Denz, Head Digital and Member of the BoD

The constitution of the Executive Board was reviewed and adjusted during the reporting period. The Board comprises senior leaders from all businesses. The Group CEO, Roger von der Weid, received the highest total compensation in 2018 (see table "Actual compensation of the Board of Directors for 2018").

No remuneration was paid to former members of the Executive Board.

SHARES HELD BY MEMBERS OF MANAGEMENT BODIES

As at 31 December 2018, the members of the Board of Directors and the Executive Board held the following number of shares:

NAME	FUNCTION	31.12.18	31.12.17
Denz, Silvio	Executive Chairman of the Board of Directors	4 322 400	3 602 000
Weber, Roland	Vice-Chairman of the Board of Directors	7 000	3 500
von der Weid, Roger	Delegate of the Board of Directors & CEO	3 000	3 000
Denz, Claudio	Member of the Board of Directors & Head of Digital	178 800	149 000
Kollros, Jan	Member of the Board of Directors	-	-
Roesti, Marc	Member of the Board of Directors	1 800	1 500
Rubinstein, Alexis	Group CFO	100	-
Müller, Michael	CFO, Lalique Beauty	-	n/a
Rios Lopes, David	COO, Fragrance Division	600	500
Abels, Rosemarie	Head Procurement & Production, Perfumes	100	100
Joly, Marie-Laure	Head of Marketing, Perfumes	250	100
Leutenegger, Thomas	Head of Sales and Export, Perfumes	150	n/a
Irniger, Benedikt	Head of Suncare	-	-
Mandry, Denis	Head of Production, Crystal	-	-
Larminaux, Marc	Artistic Director and Head of Design Studio, Crystal	-	-
de Jaham, Jean Baptiste	Head of Sales, Crystal	-	-
Ashworth, Alexia	Head of Marketing, Crystal	-	n/a
Total		4 514 200	3 759 700
Total Lalique Group shares		6 000 000	5 000 000

The shares listed above, held by members of the Board of Directors and Executive Board, are not subject to any vesting periods. The option of purchasing blocked shares in the company at market value (including a discount which recognizes the lock-up period and its duration) may

be accorded to members of either body. Otherwise, the members of the Board of Directors and Executive Board are not granted any special rights concerning the purchase of shares.

LOANS AND CREDIT

Lalique Group may grant loans or credit to members of the Board of Directors or Executive Board in exceptional cases. The total sum of such loans and credits may not exceed CHF 1 million per member. No such loans or credits existed

in the 2018 financial year, neither towards present (or former) members of the Board of Directors or of the Executive Board, nor towards persons closely connected with these members.



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To the General Meeting of
Lalique Group SA, Zurich

Zurich, 16 April 2019

Report of the statutory auditor on the remuneration report

We have audited the remuneration report (pages 49 to 53) of Lalique Group SA for the year ended 31 December 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance).



Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.



Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the remuneration report for the year ended 31 December 2018 of Lalique Group SA complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd



Christian Krämer
(Qualified
Signature)

Licensed audit expert
(Auditor in charge)



Olga Semenova
(Qualified
Signature)

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LALIQUE GROUP SA, ZURICH FINANCIAL STATEMENTS

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INCOME STATEMENT

IN CHF THOUSANDS	2018	2017
Income from participating interests	18 700	-
Personnel expenses	-426	-356
Other operating expenses	-484	-269
Depreciation on property, plant and equipment	-22	-17
Earnings before interest, taxes, depreciation and amortization	17 768	642
Total financial income	3 633	3 052
Total financial expenses	-1 726	-2 673
Extraordinary expenses	-605	-
Extraordinary income	119	-
Profit for the year before taxes	19 189	-263
Direct taxes	-139	-58
PROFIT FOR THE YEAR	19 050	-321

BALANCE SHEET

IN CHF THOUSANDS	31.12.18	31.12.17
Current assets		
Cash and cash equivalents	1	133
Other short-term receivables from third party	-	3
Other short-term receivables from related party	179	180
Total current assets	180	316
Non-current assets		
Investments	103 150	103 150
Loans to shareholdings	90 388	77 725
Total non-current assets	193 538	180 875
TOTAL ASSETS	193 718	181 191
Short-term liabilities		
Interest-bearing short-term bank liabilities	24 431	29 745
Trade account payables	36	-
Other current liabilities due to third party	141	100
Interest-bearing short-term loan due to bodies	-	2 000
Total short-term liabilities	24 608	31 845
Long-term liabilities		
Long-term liabilities due to group companies	-	5 176
Interest bearing loans due to bodies	-	22 000
Total long-term liabilities	-	27 176
Total liabilities	24 608	59 021
Equity		
Share capital	1 200	1 000
Legal capital reserves	64 315	34 402
Capital contribution reserves	44 493	14 580
Other legal capital reserves	19 822	19 822
Legal retained earnings	1 255	1 255
Voluntary retained earnings	102 340	85 790
Earnings brought forward	83 290	86 111
Profit/loss for the year	19 050	-321
Treasury shares	-	-277
Total equity	169 110	122 170
TOTAL LIABILITIES AND EQUITY	193 718	181 191

NOTES TO THE FINANCIAL STATEMENTS

Applied valuation principles in the financial statements

These financial statements have been prepared in accordance with the provisions on commercial accounting laid down in articles 957–963b Swiss Code of Obligations (CO) (effective 1 January 2013).

Treasury shares

Treasury shares are valued at acquisition cost at date of recognition and recorded as a negative value of the equity. In case of sales, a gain or loss will be recorded in financial income or expenses.

Interest-bearing long-term loans

Interest-bearing long-term loans are valued at nominal value.

Waiver of disclosing additional information for interest-bearing liabilities and cash flow statement

Lalique Group SA prepares its consolidated financial statements in accordance with a recognized standard for financial accounting (IFRS). In these financial statements, therefore, it has omitted the additional information with respect to the interest-bearing liabilities as well as a cash flow statement.

Information about balance sheet and income statement items

Full-time positions

The number of full-time positions, on annual average, did not exceed ten in the year under review nor in the previous year.

Significant shareholders

With the exception of Silvio Denz's 72.04% shareholding (2017: 72.04%), as at the end of the financial year and the previous year-end, no shareholder exceeded 5% of the participation or voting rights.

Equity

The capital contribution reserve is the subject of ongoing negotiations with the federal tax administration.

IN CHF THOUSANDS	31.12.18	31.12.17
Contingent liabilities		
As at 31 December 2018, there were unrecognized contingent liabilities (joint guarantees) of EUR 7,334 million (31.12.2017: EUR 11,697 million) arising from short- and long-term loans and guaranteed rental income in connection with Lalique SA and Villa René Lalique SAS.	8 254	13 693
Guarantees		
Joint and several liability for VAT debt resulting from the consolidated accounting of VAT (group taxation)	-	-
Authorized and conditional capital		
Authorized capital	-	-
Conditional capital	50	50
Directly held investments		
Lalique Beauty SA (former Art & Fragrance SA)		
Holding of participating interests		
Share capital in CHF thousands	1 000	1 000
Ownership and voting right	100%	100%
Lalique SA, Paris		
Production and sale / distribution of crystal, jewellery, perfume and cosmetic products		
Share capital in EUR thousands	34 400	34 400
Ownership and voting right	95%	95%
Lalique Suisse SA, Zurich		
Wholesale and retail trade in consumer products and luxury items, in particular of the Lalique brand		
Share capital in CHF thousands	100	100
Ownership and voting right	100%	100%
Lalique Maison SA, Zurich		
Creation and sale/distribution of furniture and interior-design accessories		
Share capital in CHF thousands ¹	100	100
Ownership and voting right	100%	100%
Lalique Art SA, Zurich		
Creation, development and trading of objects of art and decorative elements		
Share capital in CHF thousands ¹	100	100
Ownership and voting right	100%	100%
SCI du Mont à Grillon, Ury		
Management and rental of real estate		
Share capital in EUR thousands	1	1
Ownership and voting right	100%	100%

¹ Of which paid-in: CHF 50 000 each

Treasury shares

	NUMBER OF TRANSACTIONS	ANNUAL LOW SHARE PRICE IN CHF	ANNUAL HIGH SHARE PRICE IN CHF	AVERAGE PRICE PER SHARE IN CHF	NUMBERS
Treasury shares					
Balance as of 1.1.2017					30 200
Purchases	19	27,01	43,95	31,43	2 241
Sales	24	26,54	40	35,83	-18 941
Balance as of 31.12.2017					13 500
Purchases					
Sales	10	45,00	49,00	47,47	-13 500
Balance as of 31.12.2018					-

As of balance sheet date, the acquisition cost of the treasury shares amounted to CHF 0 (31.12.2017: CHF 277 thousand).
All shares traded were placed at the current share price on the SIX Swiss Exchange.

Shares held by members of Board of Directors and Executive Board

NAME	FUNCTION	31.12.18	31.12.17
Denz, Silvio	Executive Chairman of the Board of Directors	4 322 400	3 602 000
Weber, Roland	Vice-chairman of the Board of Directors	7 000	3 500
von der Weid, Roger	Delegate of the Board of Directors & CEO	3 000	3 000
Denz, Claudio	Member of the Board of Directors & HD	178 800	149 000
Kollros, Jan	Member of the Board of Directors	-	-
Roesti, Marc	Member of the Board of Directors	1 800	1 500
Rubinstein, Alexis	Group CFO	100	-
Müller, Michael	CFO, Lalique Beauty	-	n/a
Rios Lopes, David	COO, Perfumes	600	500
Abels, Rosemarie	Head Procurement & Production, Perfumes	100	100
Joly, Marie-Laure	Head of Marketing, Perfumes	250	100
Leutenegger, Thomas	Head of Sales, Perfumes	150	n/a
Irniger, Benedikt	Head of Ultrasun	-	-
Mandry, Denis	General Manager of Factory, Crystal	-	-
Larminaux, Marc	Head of Design, Crystal	-	-
de Jaham, Jean Baptiste	Head of Sales, Crystal	-	-
Ashworth, Alexia	Head of Marketing, Crystal	-	n/a
Total		4 514 200	3 759 700
Total Lalique Group shares		6 000 000	5 000 000

PROPOSAL FOR THE ALLOCATION OF RETAINED EARNINGS AS OF 31 DECEMBER 2018

The Board of Directors proposes that the Annual General Meeting of Shareholders (AGM) on 24 May 2019 approve the following appropriation of available earnings:

IN CHF THOUSANDS	31.12.18	31.12.17
Carried forward from previous year	83 290	86 111
Profit/loss for the year	19 050	-321
Total earnings available for appropriation	102 340	85 790
Dividend payment (2018: -; 2017: CHF 0.50 per dividend-bearing share)	-	-2 500
BALANCE TO BE CARRIED FORWARD	102 340	83 290

The Board of Directors proposes that the AGM on 24 May 2019 approve an ordinary dividend distribution of CHF 0.50 in cash per share of CHF 0.20 par value payable out of the capital contribution reserve without deduction of withholding tax. Provided that the proposed dividend distribution out of the capital contribution reserve is approved, the payment of CHF 0.50 per share will be made on 29 May 2019 to holders of shares on the record date 28 May 2019. The shares will be traded ex-dividend as of 27 May 2019 and, accordingly, the last day on which the shares may be traded with entitlement to receive the dividend will be 17 May 2019. The total dividend payment will amount to CHF 3,000,000. All shares are entitled to dividends.

IN CHF THOUSANDS	31.12.18	31.12.17
Capital contribution reserves before proposed distribution:	44 493	14 580
Proposed distribution of capital contribution reserves: (2018: CHF 0.50 per dividend-bearing share; 2017: -)	-3 000	-
BALANCE TO BE CARRIED FORWARD	41 493	14 580



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To the General Meeting of
Lalique Group SA, Zurich

Zurich, 16 April 2019

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Lalique Group SA, which comprise the balance sheet, income statement and notes (pages 56 to 62), for the year ended 31 December 2018.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.



Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.



Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's responsibility* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Separate valuation of participations

Risk	Lalique Group SA is the parent company of the Lalique Group and holds the shares of its subsidiaries. Shareholdings amounted to CHF 103.2 million as of 31 December 2018 and represented 53% of the balance sheet. Due to potential impairment needs, we defined this topic as a key audit matter.
Our audit response	We reviewed the valuation method used for the individual valuation of the participations and verified the clerical accuracy of the amounts. We assessed the used input parameters and reviewed the disclosure according to the Swiss accounting law in the financial statements. Our audit procedures did not lead to any reservations concerning the valuation of participations.



Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd



Christian Krämer
(Qualified
Signature)

Licensed audit expert
(Auditor in charge)



Olga Semenova
(Qualified
Signature)

ACCA

PUBLICATION DETAILS

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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 Lalique Group 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 Lalique Group SA and corresponds to the status as of the date of publication of this report.

Disclaimer

Lalique Group publishes its Annual Report in English and a Financial Report in German.