



25th February 2015

ATLAS ANNOUNCES 31 DECEMBER 2014 HALF YEAR RESULTS

Atlas Pearls and Perfumes Ltd (ASX: ATP) ("Atlas") reports the Company's performance for the half year ended 31 December 2014.

Financial Overview

- Total revenue from continuing operations of \$6.0 million, down from \$9.3m in the comparative December 2013 period.
- Negative EBITDA of 1.5 million, down from positive \$1.9 million in the six months ended 31 December 2013.
- Net loss after tax (NPAT) of \$7.0 million, down from a profit of \$0.2 million in the comparative December 2013 period. Current period result driven predominantly by \$8.3 million in fair value movements.
- Cash reserves decreased to \$1.8 million (31 December 2013: \$3.3 million).

Revenue

On 25 November 2014, Atlas announced an anticipated reduction in the average size of loose pearls of approximately 15% for FY2015 when compared to FY2014 and further confirmed on January 6, 2015 an estimated 15% reduction in revenue on FY 2014. Following an internal audit of oyster stocks performed by management in December 2014, it is anticipated that the harvest of smaller pearls will be completed by the end of FY2015 and see a return to historical average sizes in FY2016.

EBITDA

The EBITDA loss of \$1.5 million at the 31 December 2014 is reflective of the smaller pearls harvested and sold during the 6 months ended 31 December 2014 and a provision raised against older jewellery inventory.

As part of the efforts initiated to improve cash flow the decision was made to liquidate older jewellery inventory. The Company has elected to raise a provision for this inventory which impacts Cost of Goods Sold, successful liquidation of inventory may see a reversal of this provision in future periods. The provision increases Negative EBITDA and the Net Loss after Tax by \$0.8 million. It is noted that recent jewellery capsule collections are unaffected and turnover in these collections is in line with expectations.

Net loss After Tax

In accordance with *AASB 141 Agriculture*, the Company is required to fair value its biological assets (oysters) at reporting period. The valuation is to be reflective of the market price that these oysters would command at the date that the valuation is undertaken. While demand continues to exceed supply and prices are strong, the weight and average sellable percent of oysters due to be harvested over the coming 6 to 12 months is driving a reduction in carrying value of the oysters at 31 December 2014. Although this reduction has increased the Net Loss after Tax by \$5.9 million, it does not affect EBITDA.

In accordance with *AASB 102 Inventories*, the loose pearl inventory on hand at 31 December 2014 is required to be held at the lower of cost and net realisable value. The reduction in pearl size has increased the Net Loss after Tax by \$2.5 million. This does not affect EBITDA.



In response to these half-year results management has reviewed all operations and overheads to identify further cost savings aligned with a refocus on the core pearling business whilst preserving the most prospective of the value-adding projects.

Appropriate steps have been taken to ensure that these stringent measures do not impair the ability of the Company to deliver high quality pearls to the market.

Reconciliation of Net loss after Tax to Normalised EBITDA

Loss for the Half-Year Ended 31 December 2014	(\$6,967,115)
Less: Net Forex (gain)	(\$430,148)
Add: Net Interest	\$231,174
Add: Depreciation/Amortisation	\$198,576
Less: Income tax (refund)	(\$2,953,300)
Add: Other non-operating expense	\$130,530
Less: Derivative instruments (gain) unrealised	(\$69,760)
Add: Inventory adjustments	\$342
Less: Revaluation of Biological Assets (Oysters)	\$5,939,651
Add: Revaluation of Biological Assets (Crops)	(167,104)
Less: Revaluation of Pearl inventory	\$2,546,644
Normalised EBITDA for the Half Year Ended 31 December 2014	(\$1,540,510)

In commenting on the half-year results, Geoff Newman, Chairman of Atlas Pearls and Perfumes said:

"While we can't control what nature delivers to us, rest assured that the management team has addressed the immediate issues at hand to ensure that the Company moves forward in a positive direction. In a move to streamline and re-focus the business, the Company has restructured its Board positions. The decision is expected to create a realignment of skill sets. This new direction for the Company will enable a significant focus on ensuring that costs are contained until pearl size normalise."

About Atlas Pearls and Perfumes Ltd

Atlas Pearls and Perfumes ("Atlas") is an Australian based pearling and perfume business established in 1992. Atlas has earned an enviable reputation as a world leading pearl producer of "nature's most precious gift", the South Sea pearl, specialising in highly sought after white and silver pearls. Atlas operates pearl farms spread across the Indonesian archipelago, including Bali, Flores, and West Papua. Atlas is a fully integrated pearling business. The Company has its own high quality grading and loose pearl distribution business, a jewellery manufacturing capability and sells direct to customers through wholesale partners and via its retail outlets. In 2012, the Company expanded its operations into perfumes and is currently developing a range of propriety products which include pearl powder (cosmetics and nutraceuticals), pearl proteins (cosmetics), pearl volatiles and boronia (perfumes) for supply into the global luxury supply chain.

For more information please visit: www.atlaspearlsandperfumes.com.au

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