



PRESS RELEASE

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Franke 2009 Annual Accounts: Emerging stronger out of the crisis

The Franke Group achieved net sales of CHF 2,415.8 million which was -17.7% lower than the previous year. Operating income declined as well, but improved during the course of 2009 from quarter to quarter as a result of far-reaching cost-saving programs and stabilizing demand.

From the Franke Group to the Franke Artemis Group

At the end of 2009, the holdings of the Artemis Holding AG were incorporated into the Franke Artemis Group with the objective of further optimizing corporate governance and simplifying management processes. The newly formed Franke Artemis Group includes the group divisions Franke Kitchen Systems Group, Franke Commercial Systems Group, Franke Artemis Real Estate Group as well as Franke Artemis Industrial Participations.

Franke Group Corporate Performance

The worldwide economic crisis had an impact on business developments in the Franke Group. Performance was strongly influenced by the decline in sales volume as a direct consequence of the real estate crisis. Financial difficulties among the Group's customers and suppliers, erratic raw material prices and weakened currencies aggravated the situation.

The crisis management focus was on measures for lowering costs (among other things, a reduction in the number of employees), building up liquidity, restricting investment activity, and increasing efficiency. Net sales of CHF 2,936.4 million in 2008 dropped to CHF 2,415.8 million in 2009. This corresponds to a decline of -17.7% (in organic terms: -14.0%). However, there were regional differences: where developments were good in Africa and the Near East, Asia, and South America, losses were taken in Europe and North America, in particular.



As expected, we were not successful in maintaining net profit, cash flow and EBITDA at the previous year's levels. The vital restructuring efforts, which were tied to considerable one-time costs, were reflected in improved quarter-to-quarter profitability. Stabilized demand throughout the Franke Kitchen Systems Group supported this trend. However, the framework conditions for the Franke Commercial Systems Group deteriorated during the second half of the year.

At **Franke Kitchen Systems** (sinks, hoods, taps, cooking hobs, ovens, etc.), sales were -16.8% lower than the previous year. Developments were marked by measures to reduce costs and increase efficiency tied to a comprehensive reorganization. Under this reorganization, a 3-layer business model was introduced throughout the Group with "Sales", "Innovation & Supply", and "Operations". Group management underwent a thorough renewal and expansion process with new staff members. A comprehensive lean initiative was launched that should achieve sustainable increases in efficiency.

Franke Kitchen Systems sales and earnings continuously improved during the course of the year though the measures taken and finally reached the absolute level of the previous year during the fourth quarter of 2009. From this, we conclude that we have come through the worst. Signs of an economic recovery are tangible in a few markets, but the situation remains difficult overall.

Sales for **Franke Foodservice Systems** (systems and services for quick service restaurants) were -9.3% below the previous year. Although there were immediate benefits from various rollouts at their primary customer, McDonald's, volume from traditional core business, such as new installations or restaurant renovations, was below the previous year.

The most important strategic measure at Franke Foodservice Systems in 2009 was the completion of the new Franke Foodservice Systems headquarters in Smyrna, Tennessee. Besides administration, training and exhibition space, state-of-the-art technology and distribution centers were built. The Tech Center provides Franke Foodservice Systems an outstanding basis for further product development and innovations. The Distribution Center has sufficient capacity to make it possible to close an existing facility serving the same purpose. This new construction has been awarded a certificate for Leadership in Energy and Environmental Design from the United States Green Building Council.

Franke Washroom Systems (washroom and sanitary systems in public and semi-public areas) reported a sales drop of -11.4%, although developments were very different in individual countries. For example, volume fell in particular in Spain, the United Kingdom, Eastern Europe, and Russia. Crisis management focused on reducing the investment volume, streamlining structures, and increasing efficiency. Some new products – in particular the Miranit products and the special surface treatment InoxPlus – were introduced to the market.

Franke Coffee Systems (super automatic, professional coffee machines) suffered a drop in sales of -20.4%. Franke Coffee Systems did profit from the major coffee machine rollout at McDonald's in the United States, but the second half of the year was difficult because of the economic situation and the resulting decline in investments among our customers. However, new and very promising developments were completed during 2009 which will be introduced to the market this year.

At **Franke Beverage Systems (stainless steel beverage containers)** the decline in sales at -58.2% was enormous. Franke Beverage Systems was already confronted with an abrupt collapse in orders in October 2008, and this lasted well into 2009. This collapse is market-related – draft beer sales in restaurants have dropped significantly around the world. As a consequence, the structures and resources had to be adjusted to this very low demand.

Franke Industrie AG was able to increase sales under a good earnings situation.

Franke Artemis Real Estate Group Corporate Performance

Franke Immobilien AG continues to report positive results and was able to initiate three real estate projects with a total volume of CHF 60 million that will be realized in 2010. Business at Espace Real Estate AG was also good. Two large real estate projects were started with Evostate AG. Real estate holdings in Poland and Rumania also showed promising prospects.

Franke Artemis Industrial Participations

Holdings in the industrial companies of Franke Artemis Holding AG largely remained at the same levels as in 2009. The participation in Forbo Holding AG grew somewhat in 2009 and was reduced from 31.4% to 25.1% in 2010. The reason for this is a share buyback program at Forbo Holding AG. The holding in AdvalTech Holding AG remained

unchanged. The participation in Feintool International Holding AG also remained unchanged in 2009 and was increased slightly in 2010. The holding in Rieter Holding AG was increased from 5.4% to 11.4% in 2010.

Franke Group Corporate Performance

EBITDA sank from CHF 351.3 million (12.0% of net sales) in the previous year to CHF 260.0 million (10.8% of net sales). Cash flow (after-tax profit plus depreciation and amortization) dropped from CHF 271.3 million (9.2% of net sales) in the previous year to CHF 207.0 million (8.6% of net sales). Free cash flow increased considerably from CHF 29.9 million to CHF 148.6 million.

Net profit was reduced from CHF 141.2 million (4.8% of net sales) in the previous year to CHF 80.2 million (3.3% of net sales).

Special Charges

The level of earnings was greatly influenced by restructuring measures and the special charges related to them. These included the costs for severance packages, closings, and consolidations along with extraordinary write offs (impairment). These restructuring costs (in accordance with IFRS) amounted to CHF 24.6 million during the reporting year. In addition to these, further one-time special charges of around CHF 15 million were taken.

Building up Additional Liquidity

Because of the difficult situation in the financial markets, it was particularly important to build up liquidity even further than our already high levels during the first half of the year. Overall, we were able to improve our liquidity by around CHF 129 million compared to the previous year; Cash on hand, as stated in the balance sheet, grew from CHF 72.7 million to CHF 252.6 million. Beyond this, it was possible to lower net debt by restricting investments and improving net working capital so that the net debt/EBITDA ratio could be improved from 0.8 to 0.4. In addition, the average duration of long-term financial liabilities was stretched. Beyond this, we kept a further CHF 400 million in unused bank lending limits in reserve.

Investments

Investments totally CHF 100.1 million (previous year: CHF 218.1 million) were made during 2009. The investments can be broken down into operating facilities and tools at CHF 79.6 million, intangible assets (product development and IS projects) at CHF 20.0 million, and acquisitions at CHF 0.5 million.

Employees

The Franke Group employed 11,141 people (previous year: 12,542) on average in 2009. The number of employees on 31 December 2009 was 10,445 and thus was 1,493 less than the previous year (11,938). Overall, the reduction in operational personnel was a net of 1,420 employees. As a result of the disposal of companies, 72 employees left the company.

Balance Sheet Development

The consolidated total amount of assets on the balance sheet compared to the previous year increased by +5.3% from CHF 2,089.7 million to CHF 2,200.3 million. The positive currency adjustment effect on the balance sheet totals was CHF 63.5 million (+3.0%).

Equity was CHF 1,100.4 million (previous year: CHF 973.7 million) on 31 December 2009. The equity ratio showed a promising increase from 46.6% to 50.0%.

First Quarter 2010

Sales in the first quarter fell behind those in the same period in the previous year by -2.6%. Sales in the Franke Kitchen Systems Group climbed by +6.7% compared to the previous year's period. On the other hand, sales in the Franke Commercial Systems Group suffered in comparison to a strong quarter in the previous year and were down by -16.5%.

The number of employees on 31 March 2010 was 10,591, which is an increase of +146 people compared to 31 December 2009. During the first quarter, CHF 13.4 million was invested primarily in operating equipment. The backlog of orders on the books has improved since the beginning of the year.

In CHF millions	Jan-Mar 2009	Jan-Mar 2010
Net sales	580.4	565.4
Change	-17.6%	-2.6%
Investments	25.7	13.4
Personnel as of 31 March 2010	11,562	10,591

Outlook for 2010

The global economic recovery may temporarily stagnate again in 2010 as a result of the diminishing effect of the economic stimulus programs and only really strengthen in 2011. The restructuring measures already initiated at Franke will continue to contribute to an improved earnings situation. Already in 2009, Franke was able to report an improved earnings situation from quarter to quarter. The major challenges facing us include increasingly fluctuating currency rates, higher raw material prices, and uncertainties resulting from the euro crisis.

The outlook for the individual Franke businesses for 2010 is as follows:

The specific industry environment will continue to be challenging for **Franke Kitchen Systems**. Positive trends can be seen in South America, Africa and the Middle East, and Asia. These stand in clear contrast to developments in Central and Northern Europe. Through our focused organization, we are striving to achieve a higher level of closeness to customers and improve our service levels. We assume that we will be able to gain market share in a very intensive competitive market environment and thus increase sales and income. Product innovations will support these trends.

The reluctance of our customers in the United States (US business is responsible for 62% of division sales) to invest in conversions and restaurant renovations continues to impact sales and income forecasts for **Franke Foodservice Systems**. Many new product innovations were initiated to counter this trend. An investment was also made this year in a technology company, whose expertise will strengthen our product pipeline.

We expect **Franke Washroom Systems** to have stable sales in an improved earnings situation in 2010. Franke Washroom Systems will also introduce various new products to the market.



After a difficult 2009, **Franke Coffee Systems** should stabilize in 2010 by launching new products in the second half of the year and expanding the service organization by the end of the year so that it can tackle 2011 with improved sales and earnings potential.

Franke Beverage Systems will achieve profitability through the new, redimensioned structure. Process and service innovations are the primary focus.

Even though the market environment is difficult, Franke has maintained a high level of investment in product innovations. A particular focus of our product innovations is sustainability. For example, we have recently developed energy-saving and exceptionally low-noise hoods, water-saving electronic Protonic S tap, the new PURA coffee machine with an innovative energy concept, or an energy-saving smart kitchen system for quick service restaurants. We recently appointed a sustainability "czar" at the Group level who will bundle and advance our various initiatives.

Franke Artemis Real Estate Group

We assume that the real estate projects introduced will continue to develop successfully and have a positive effect on our earnings situation.

Franke Artemis Industrial Participations

We expect positive developments at all of our participations, which will be reflected in higher share prices.

This was and is a challenging period for the Franke family enterprise as well. Business decisions were made quickly at Franke that were not always easy to make. Nevertheless, despite difficult times, we remain optimistic at Franke. Next year, the company can look back at 100 years of entrepreneurial history, which four generations of the family have experienced with only four CEOs. This continuity has had an impact on Franke – as only a few larger Swiss companies can say.

Franke is a world leader in comprehensive systems for domestic kitchens and for professional applications in food service, coffee preparation, beverage delivery and hygiene solutions.



Franke has a global presence and a local commitment to its customers, with some 10,500 employees worldwide operating through more than 70 subsidiaries in 37 countries. The Franke Group, whose head offices are in Aarburg, Switzerland, generated consolidated sales of 2,415.8 million Swiss Francs in 2009.

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