

**MEDIA RELEASE****Franke and Palux plan Joint Venture**

**Aarburg, Switzerland, July 1, 2002 – Franke and the Germany company, Palux AG, signed a letter of intent. This provides for Franke taking on all the coffee machine business of Palux AG, under the Bremer brand, to extend its global position in the professional coffee machines sector. In 2001, this activity of the Palux Group achieved sales of around CHF 37 million and employed around 100 people. With this agreement, Palux AG is strengthening its global market position in professional catering technology by merging with Franke Verpflegungstechnik AG (Food Service Equipment; development, production and sales of catering equipment and furnishings with sales of approximately CHF 35 million and an average of 120 employees) to form Palux-Franke Holding AG as a majority-owned subsidiary under the strategic management of the Palux shareholders.**

This letter of intent, signed on June 27, 2002, is pursuant to the strategies of both groups of companies to concentrate on their key skills and continue developing their market positions in these areas. In the professional coffee machine sector, Franke Kaffeemaschinen AG, Aarburg and its subsidiaries will, together with the Bremer-Kaffeemaschinen GmbH, Bad Mergentheim after their inclusion in the Franke Group, act on the market in a co-ordinated manner. In the catering technology sector, the Palux Group companies (Palux AG, Eloma GmbH, Scobie & McIntosh Ltd. and Palux Vertriebs-

und Service GmbH), with sales of CHF 100 million and 610 members of staff, and Franke Verpflegungstechnik AG, Aarburg, will together make use of market synergies. The founding of Palux-Franke Holding AG in Germany establishes the statutory basis for the planned Joint Venture. It is intended that the companies involved will continue to safeguard their own positions on the market by retaining their own brands and their inherited sales channels. The negotiations should proceed swiftly and be concluded in several weeks. The companies have no intention to announce job losses brought about by this joint venture.

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*The Palux Group, headquartered in Bad Mergentheim, Germany, is a worldwide operating corporation in professional catering technology and consists of 7 companies and has 712 employees. Group sales reached CHF 137 million in 2001.*

*Franke is a global provider of products, services and custom solutions for a wide range of applications in the household food preparation and catering sectors. The Franke Group, headquartered in Aarburg, Switzerland, is firmly established with 67 subsidiaries in 33 countries and has approximately 5,300 employees. The divisions Kitchen Systems (sinks, taps, cooking hobs, extractor hoods, etc. and washroom and sanitary equipment) and Contract Group (production/supply for quick service restaurants) are both global market leaders in their respective segments, with exports to over 100 countries. Further activities of the Franke Group consist of a wide product assortment ranging from Coffee Machines (production of fully automated, professional coffee machines) to Technology (Industrial Engineering, Metal Construction and Tool Manufacturing). Franke Group consolidated sales reached CHF 1,546.7 million in 2001, with an EBITDA of CHF 186.3 million and Cash flow of CHF 160.3 million.*

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