

MEDIA RELEASE**Franke generates higher sales and improves operating results in 2002**

Aarburg, Switzerland, May 13, 2003 – With overall sales of CHF 1591.2 million and EBITDA of CHF 222.1 million, the Franke Group successfully achieved its objectives in the difficult economic conditions of 2002. The rigorous focus on the core business, key strategic acquisitions and targeted divestments all contributed to this strong result.

Sales and earnings situation

Consolidated sales in the year 2002 reached CHF 1591.2 million. Relative to the previous year's sales performance of CHF 1546.7 million, this represented a notional increase of CHF +44.5 million or +2.9%. Against unchanged exchange rates (currency neutral), sales rose to reach CHF 1682.1 million or by +8.8% (CHF +135.4 million) relative to the previous year. The negative currency influence consequently amounted to CHF -90.9 million or -5.9%. In EUR terms, the increase totalled +5.8%, while sales in USD grew by an impressive +13.6%. Excluding acquisitions, currency neutral sales rose CHF +83.6 million or + 5.4%.

Operating results (EBITDA) of CHF 222.1 million (14.0%) exceeded those recorded in the previous year (12.0%) by CHF +35.8 million or +19.2%. Negative currency conversion effects amounted to CHF -9.8 million.

Consolidated cash flow (net profit + depreciation) of CHF 176.2 million (11.1%) exceeded last year's figure (10.4%) by

CHF +15.9 million or +9.9%. The negative influence of currency conversions amounted to CHF -4.4 million.

Investment

Total investment was CHF 149.6 million (previous year CHF 103.1 million), corresponding to 84.9% of generated cash flow. Of this, CHF 19.6 million was invested in land and buildings, CHF 66.1 million in fixed assets including IT and intangible fixed assets, and CHF 63.9 million in acquisitions.

Strategic developments within the Group

In May 2002 Franke created the necessary foundations for further growth with its strategic and organisational restructuring. During the course of the year under report these realignments – focus on growth in the core divisions Kitchen Systems including WSE (Washroom and Sanitary Equipment), Contract Group and profitable niche activities as well as the shifting of Holding/Group responsibility to the divisions – were successfully implemented. Strategically important acquisitions and targeted divestments came in the wake of this sharper focusing, and the divisions were strengthened with divisional functions such as finances & controlling, marketing, production & technology, logistics, supply management and information services. Following the acquisition of bremer, the Coffee Machines Business Unit was turned into the new “Coffee Systems” Corporate Activity. The sale of the company Franke Verpflegungstechnik AG, Aarburg, to the German Equita Group, the planned sale of Franke Romont SA, Romont, to the management (MBO) as well as the planned integration of Lanz Industrietechnik AG, Wolfwil, within the adval tech Group are similarly consequences of the concentration on core activities.

Strategic development of the Kitchen Systems Division

The adjustment of the divisional structure during the year under report involved dividing the country companies into 4 business units and making the WSE Division an independent business unit. This will enable more effective use to be made of growth potential and synergies in future. In order to improve the optimisation of the overall divisional activities, functional aspects were strongly expanded within the divisional organisation. The newly defined functional strategies will optimise the overall division more strongly than was the case in the past, and are expected to secure a sustained improvement in results.

Two acquisitions and 3 new corporate foundations were of particular importance for the Division last year. The stake in Franke Stamor AG in St. Petersburg, Russia, was raised, which will strengthen activities in Russia. At the end of the year an important milestone in the expansion of the WSE business was passed with the acquisition of W & G Sissons Ltd. in Chesterfield, UK. In addition, Franke sales companies were founded in Tunisia (Tunis), Thailand (Bangkok) and Singapore.

Further strategic measures within the Kitchen Systems Division comprise:

- § In the spring of 2002 Franke Ural acquired a factory together with land in Jekaterinburg, Russia.
- § In June 2002 the construction of the new logistics centre for Franke Gesellschaft mbH in Hard, Austria, was completed and the adjacent Ciba property was acquired.
- § In September 2002 the construction of the new warehouse building as well as the renovation of the office

block at Franke France SAS, Chambly, France, was completed.

- § Also in September 2002, a new sink logistics centre became operational at Franke GmbH in Bad Säckingen, Germany.
- § In December 2002 Franke Douat Ltda., Brazil, commenced construction of a new factory building.
- § Franke Italy, Franke S.p.A., Peschiera, also began building an oven factory, and this is due for completion in the autumn of 2003.
- § During the course of the year 2002 further major operating investments were made in Canada, USA, Italy, Switzerland, Scotland, Germany and South Africa.

Strategic development of the Contract Group Division

2002 proved to be a difficult year for the Contract Group Division, as the “Quick Service Restaurants” Division is undergoing changes: the weak economic environment, the trend towards market saturation and a shift in consumer behaviour caused some restaurant operators to suffer sharp declines in sales. These then responded by opening fewer new restaurants and cutting back on reinvestment.

Strategic measures in the year under report comprised the restructuring of the KES (Kitchen Equipment Supplier) divisions with a focus on the provision of kitchen packages together with project management. The divisions are divided geographically into the regions Americas, Europe and Asia. The second division comprises the global resupply business (spare parts and small components). As with the Kitchen Systems Division, new divisional functions were created or transferred to the Division from the Group.

Further strategic measures of the Contract Group Division include:

- § In April 2002 the construction of the modern office and logistics centre for the resupply business of Franke CG Kitchen Equipment GmbH, Bad Säckingen, Germany, was completed.
- § Likewise in April 2002 the company Franke Gastopol Sp.z o.o, Poland, completed the expansion of its production facilities. At the same time, production activities at Niggemann Foodservice Technik GmbH in Bochum, Germany, were halted and wholly integrated at Franke Gastopol Sp.z o.o in Poland.

Strategic development of the Coffee Systems Corporate Activity

The Coffee Systems Corporate Activity was created following the acquisition of bremer Kaffeemaschinen AG, Igersheim, Germany, on 2 December 2002. This new Corporate Activity is another logical outcome of the strategic realignment of Franke. Although Franke has operated successfully in the field of fully automatic coffee machines for many years, the creation of the Coffee Systems Corporate Activity has produced a major new player in the market. Thanks to its size, it will be able to play an important role in the global market for professional and semi-professional coffee machines.

It is intended to secure substantial organic growth in the Coffee Systems Corporate Activity through an intensive focus on marketing, sales and service. The launch of a new generation of products is also planned.

Strategic development of Other Activities

The composition of the activities which formerly went under the heading of Diversified Products saw significant changes during the course of 2002. The Coffee Machines Division became the Coffee Systems Corporate Activity, the company Franke Verpflegungstechnik AG, Aarburg, was sold to the German Equita Group on 2 December, the bathroom furniture business Franke Romont SA, Romont, will shortly be taken over by its management (MBO), and there are plans to integrate Lanz Industrietechnik AG, Wolfswil, with the adval tech Group. Today "Other Activities" comprises Beverage Containers (Blefa GmbH & Co. KG, Kreuztal, Germany – the global market leader in the field of beverage container production), the company Franke Industrie AG, Aarburg (Industrial Engineering and Tool manufacturing) and frifri aro sa, La Neuveville.

First quarter of 2003 and the outlook for the year 2003

In the first quarter of 2003 consolidated sales remained in line with the previous year's figures in local currencies, although there was a modest decline in Swiss franc terms. Both EBITDA and cash flow declined in year-on-year terms and fell short of budget targets. The cost-cutting measures implemented in the first quarter relate in particular to capacity adjustments in the Contract Group Division. In April 2003 this led to the closure of the production works Stainless Inc., Deerfield Beach, Florida. In addition, personnel were also lost at other Contract Group sites in the USA, Europe and Asia. On the industrial side, the closure of the metal construction profit centre at Franke Industrie AG in Aarburg is planned.

Economic forecasts for the current year remain burdened by substantial uncertainties, and general economic activity is likely to remain weak at least until the end of the first half of 2003. Franke will find it difficult to meet the budgeted sales and earnings figures for the year 2003, and is expecting substantial difficulties in particular on the Contract Group side. From a geographical perspective, there are also likely to be distinct problems in certain countries in Asia and South America, and in particular in Germany.

Nevertheless, with its innovative product range, impressive technical know-how, global presence, sound finances and outstanding responsiveness, Franke is excellently positioned to generate solid results even if there is a further weakening of the global economy.

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, whose holding company is domiciled in Aarburg, Switzerland, has some 5,600 employees around the world, and is firmly established with 69 subsidiaries in 34 countries. The two divisions Kitchen Systems (sinks, taps, cooking hobs, canopies etc. and washroom and sanitary equipment) and Contract Group (product and services for quick service restaurants) are the global market leaders in their business sectors, exporting to over 100 countries. The activities of the Franke Group also include the "Coffee Systems" field with a broad product programme of fully-automatic, professional and semi-professional coffee machines, the technology field (Industrial Engineering and Tool Manufacturing) and Beverage Containers. In fiscal 2002 the Franke Group generated consolidated sales of CHF 1591.2 million.

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