

**MEDIA RELEASE****Franke Half Year Results 2003:  
Difficult market environment influences  
business in the first half of 2003**

**Aarburg, Switzerland, August 27, 2003 – In the first half of 2003, the Franke Group achieved net sales of CHF 756.9 million at constant exchange rates. This is equivalent to a decline in sales of -4.0% against the same period last year (CHF 788.1 million). The negative currency influence of -CHF 34.2 million (attributable in particular to the lower USD conversion rate) resulted in effective net sales of CHF 722.7 million. The operating result (cash flow) is -8.1% down on the same period last year. This overall trend of the group in the first half of 2003 is largely attributable to the Franke Foodservice Systems Division as a consequence of the global downturn in “New Store Business” (steep reduction in the number of new openings of “Quick Service Restaurants” by our customers worldwide), compounded by the difficult economic conditions prevailing in Germany, Poland, South America and Asia. Franke is reacting with strong cost management in the individual operating areas. The group expects business to prove rather better in the second half of 2003.**

The first quarter of 2003 was unsatisfactory for the Franke Group. The uncertain situation created by the war in Iraq, SARS, anti-Americanism in the Middle East and general economic stagnation had an enormous impact, especially on

the Asian regions in the first quarter. However, sales and earnings were already higher again in the second quarter.

### **Development of the divisions**

The **Franke Kitchen Systems** division (sinks, taps and fittings, hobs, ovens, extractor canopies etc.) remained stable again in the first half with higher sales (+5.4%) and earnings than in the same period last year. The **Franke Foodservice Systems** Division (previously known as Contract Group; products and services for quick service restaurants) fell substantially short of last year's figures. 2003 saw a massive fall in the number of new openings of "Quick Service Restaurants" due to the weak economic situation, a tendency for the market to become saturated and changed consumer behaviour, SARS and anti-Americanism. Prominent among the cost-cutting measures taken in the first quarter of 2003 were capacity adjustments with plant closures and staff reductions at all the divisional sites in North America, Europe and Asia. In addition to these adjustments, the focus is now on the repositioning of Franke Foodservice Systems: globalization of the stable resupply business (spare parts and small wares), extension of the product and service range and increased production efficiency are measures taken since the spring of 2002 as part of the reorganization of the Franke Group. Increasing focus will be placed on them this year because of the decline in the number of new openings by restaurant operators. An improvement of the sales situation at Franke Foodservice Systems is expected to begin in 2004. The **Franke Coffee Systems** activity also failed to live up to expectations in the first half of 2003 because of the economic environment, especially in the home markets of Germany and Switzerland. The trend of business in the Group's **Other Activities** varied: Industrial Technology and Tool

Manufacturing (Franke Industrie AG) reported higher sales and earnings than in the same period last year with ongoing growth trends, while the Beverage Containers operation and automotive division achieved satisfactory results. In the industrial business area, the Metal Construction profit center will be definitively closed at the end of October (see media release of 6 May). The prospects are good that staff will find new employment either elsewhere in the Franke Group or with other companies.

**Order book**

The Group's order book as at 30.06.2003 is lower than at the same time last year.

**Investment projects**

The investment projects currently budgeted in Turkey, Brazil, Switzerland (new factory buildings), Canada and Germany (expanded production facilities) will be completed this year. Further information technology and logistics projects will be put in hand this year.

**Outlook for 2003**

The sales and earnings targets will not all be achieved in 2003, although the largest core business activity, i.e. Franke Kitchen Systems (>50% of consolidated total sales) is performing better than last year and remains just within the budgeted figures. This year the economic forecasts remain highly uncertain. Franke is responding to these trends with strong cost management, while continuing to invest in major strategic projects in all the operational areas and focussing on strategic adjustments of the divisions to the changed market circumstances.

<b>Half-yearly performance (CHF million)</b>			
	<b>I/2002</b>	<b>I/2003</b>	<b>Δ as %</b>
Sales	788.1	756.9	-4.0
(at constant exchange rates)			
Sales	788.1	722.7	-8.3
Investments	50.3	41.9	-16.7
Employees	5,471	5,567	+1.8

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*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 35 countries. The two divisions **Franke Kitchen Systems** (sinks, taps, cooking hobs, ovens, canopies etc. and washroom and sanitary systems) and **Franke Foodservice Systems** (formerly Contract Group - products 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 corporate activity **Franke Coffee Systems** with a broad product programme of fully-automatic, professional and semi-professional coffee machines, the technology field and Beverage Containers. In fiscal year 2002 the Franke Group generated consolidated sales of CHF 1,591.2 million and CHF 722.7 million in the first half of 2003.*

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