

MEDIA RELEASE**Franke Group 2005: renewed double-digit sales and earnings growth**

Aarburg, Switzerland, 30 May 2006 – The Franke Group increased its net sales in 2005 by +20.3% to CHF 1,959.0 million. The operating result (EBITDA) increased by +11.4% to CHF 279.2 million and consolidated cash flow by +33.2% to CHF 245.8 million. Consolidated profit reached CHF 153.6 million – an increase of +89.6% over the previous year. A separation of consolidated or core business and non-manufacturing activities was carried out.

Sales and earnings growth

Consolidated sales in 2005 reached CHF 1,959.0 million. Compared to the previous year's CHF 1,628.0 million, sales increased by CHF 331.0 million, or +20.3%.

In local currencies organic sales for the group increased by +6.2%. Sales growth as a result of acquisitions was +14.8%. Currency effects accounted for 1.2% in sales growth and disposals (Lanz Industrietechnik AG, Franke Foodservice Equipment Spain) caused a 1.9% reduction in net sales.

Reduced sales of about CHF 6 million in Switzerland were due principally to the sale of Lanz Industrietechnik AG, Switzerland. In Franke's core business, sales in Switzerland increased.

The operating result (EBITDA) of CHF 279.2 million (14.3% of net sales) exceeded the previous year's (CHF 250.6 million, 15.4% of net sales) by +11.4%. The acquisitions made in 2005 were for the most part fully consolidated in the second half of 2005. These newly consolidated companies were not yet at the Franke level in 2005 in terms of earnings or cost structure. As a result of this "underperformance", as well as the acquisition costs incurred and the "step-ups" (stock revaluations) undertaken, the operating result did not increase proportionately to sales.

Consolidated cash flow rose from CHF 184.6 million (11.3% of net sales) by +33.2% to CHF 245.8 million (12.5% of net sales).

Spin-off of non-manufacturing businesses

The strategic goal of making Franke a group of purely industrial companies again was a primary aim for 2005. In a special dividend distribution on 30 June 2005, Franke Holding AG transferred its holdings in Forbo (28.1%) and advalTech (20.3%) to Artemis Beteiligungen I AG and Artemis Beteiligungen II AG, subsidiaries of Artemis Holding AG. Similarly, Franke Immobilien AG was spun off from the Group to Artemis Holding AG. Franke Immobilien AG has a significant property portfolio and has grown substantially as a result of its own building projects and investments in other property companies. The owner of Artemis Holding AG is Michael Pieper.

Group Development

Franke Kitchen Systems (sinks, taps, hoods, cooking hobs, ovens) achieved sales growth of +26.8%. Particularly important in strategic terms was the 100% acquisition of the

Italian Faber Group, the world market leader in decorative extractor hoods (air management). The eleven production facilities and five sales organizations were fully consolidated into the Franke Group as of 01.07.2005. The acquisitions of two South African water heating system manufacturers, Supa Heat Geysers (Pty.) Ltd. and The Geysers Company (Pty.) Ltd. (domestic kitchen boilers) were also of great significance, as was that of Noss Küchentechnik GmbH (waste management). With these acquisitions, Franke Kitchen Systems is setting a clear focus on "Water Management" (sinks, taps, water filtration), "Air Management" (hoods) and "Waste Management" (waste sorting systems). Within the Division, corresponding centres of competence were built up worldwide. Franke also acquired Nile Metallic Industries Company Ltd, the leading producer of sinks in Egypt. This is yet another milestone in the development of African markets.

Franke Foodservice Systems (kitchen equipment supplier for quick service restaurants) attained sales growth of +10.8%. The focus here was on increasing the share of own manufactured products in new restaurants, on continuing expansion of the resupply business in North America, Europe and Asia, and on building up the service business.

At **Franke Coffee Systems** (fully automatic professional and semi-professional coffee machines), sales growth of +15.8% was achieved. In 2005, the new "Spectra" generation of coffee machines was developed; these are being launched in the market in 2006 and have very promising growth prospects.

Franke Washroom and Sanitary Systems (washroom and sanitary systems for public and semi-public use) achieved

sales growth of 36.1%. Of strategic importance was the acquisition of the German firm Aquarotter GmbH, part of the Friedrich Grohe Group. This holds out the prospect not only of better access to the German home market, but also gives the segment access to new technologies: Aquarotter is, for example, the exclusive supplier of the water treatment system and special taps in all aircraft of the Airbus family. Franke Washroom and Sanitary Systems was spun off from Franke Kitchen Systems as of 31.12.2005 and now constitutes an independent business activity. It is thereby moving from being a "manufacturer of components" to an all-round producer of systems in the commercial sanitary sector.

Results for **Beverage Containers** and **Other Activities** were below the levels of the previous year.

Investments

In the year under review, investments of CHF 264.8 million (previous year CHF 171.1 million) were made. These were made up of operational investments of CHF 107.2 million and acquisitions of CHF 157.6 million. The investments are broadly in line with the cash flow generated.

Personnel

Leadership of Franke Kitchen Systems was handed over as of 1 July 2005 from Dr. Bernhard W. Stauch to Wolfgang Kemmerling. The duties of CFO were taken over as of 1 January 2006 by Jürg Fischer from Dr. Wolfgang Cach. On 23 May 2006, both Dr. W. Cach and Dr. B.W. Stauch stepped down from Group management and took up positions on the Board of Directors of Franke Holding AG and in the management of Artemis Holding AG. Both of them will, in addition to their board duties, take on responsibility for the

Human Resources, Auditing and Finance & Acquisition Committees of Franke Holding AG, as well as for looking after strategic projects for Franke and other Artemis companies.

First Quarter 2006 and 2006 Outlook

Franke Group's business was very satisfactory in the first three months of 2006. In Europe, especially in Germany, there were the first signs of a recovery atmosphere. Sales in the first quarter exceeded those in the equivalent period of the previous year by +46.8%. This result is based on organic growth of 13.1%, on sales growth of 28.6% from the previous year's acquisitions and on currency effects of 5.1%. The total number of employees as at 31.03.2006 stood at 8,560, an increase of 109 over 31.12.2005. In the first quarter, CHF 18.8 million was invested, principally in the form of operating investments. It is to be expected that all of Franke's core activities will also show double-digit organic growth in 2006. Earnings should increase above average. Possible risks are increases in costs of materials, interest rates and logistical costs. Franke is confident that in 2006 it will once more be able to achieve the goals it has set.

***Franke** is a global supplier of products, services and customised solutions in the household and catering food preparation sectors, broadly defined. The Franke Group, headquartered in Aarburg, Switzerland, is firmly established with 84 subsidiaries in 41 countries, and has approximately 8,500 employees worldwide. The two divisions **Franke Kitchen Systems** (sinks, fittings, extractor hoods, hobs, ovens) and **Franke Foodservice Systems** (kitchen equipment and services for quick service restaurants) are the global market leaders in their respective segments, with exports to over 100 countries. Further activities of the Franke Group include **Franke Coffee Systems** with a wide range of superautomatic, professional and semi-professional coffee*



machines, **Franke Washroom and Sanitary Systems** as well as industrial engineering and beverage technology. Franke generated consolidated sales of CHF 1,959.0 million in 2005.

Natascha Widmer
Franke Corporate Communications
Tel. +41 62 787 38 69 / +41 79 771 90 73
Fax +41 62 787 30 37
natascha.widmer@franke.com
www.franke.com