

MEDIA RELEASE**Franke Group 2006: a further marked up-
turn in sales and earnings at Franke**

Aarburg, Switzerland, 15 May 2007 – The Franke Group increased its net sales by +24.6% to CHF 2,440.1 million in 2006. The operating result (EBITDA) increased by +32.3% to CHF 368.9 million and consolidated cash flow by +30.1% to CHF 318.4 million. Consolidated profit amounted to CHF 202.9 million – an increase of +30.2% on the previous financial year.

Sales and earnings growth

Consolidated sales in 2006 amounted to CHF 2,440.1 million. Compared to the previous year's figure of CHF 1,959.0 million, this represented an increase of +CHF 481.1 million, or +24.6%. Expressed in local currency, sales figures thus rose by +23.6%.

The currency-neutral organic sales growth of the Group increased by +10.9%. Increases in sales figures as a result of acquisitions amounted to +12.8%. Currency effects accounted for +1.0% in sales growth and the fall in net sales by reason of disinvestment amounted to -0.1%. The currency effects were primarily exacerbated in comparison with the previous financial year by the high rate of exchange of the euro.

The operating result (EBITDA) of CHF 368.9 million (15.1% of net sales) exceeded that of the previous financial year

(CHF 278.9 million, being 14.2% of net sales) by an absolute +32.2%. Consolidated cash flow (profit after tax plus amounts written off to depreciation as well as amortisation) rose from CHF 244.7 million (12.5% of net sales) by +30.1% to CHF 318.4 million (being 13.0% of net sales).

Net profit increased from CHF 155.8 million (being 8.0% of net sales) by +30.2% to CHF 202.9 million (being 8.3% of the net sales figures).

As of the close of the financial year 2006, the Franke Group included a total of 82 subsidiary companies.

Group development

The financial year 2006 was a successful year for the Franke Group; but the economic environment in 2006 also turned out extremely positive. The year 2006 was for Franke the year of integration, the exploitation of synergies and the optimization of business processes. An additional focus was the development of innovative products. The course of business was positive with double-digit growth rates experienced in all core business divisions.

Franke Kitchen Systems (sinks, hoods, taps, cooking hobs, ovens, etc.) achieved sales growth of +27.1%.

As in the previous financial year, Franke Kitchen Systems continued to focus on 'water management' (sinks, taps and water filtration), 'air management' (hoods) and 'waste management' (waste sorting systems).

Large capital investment was expended in production and logistics at Franke SpA (in Italy), Franke GmbH (in Ger-

many), Carron Phoenix Ltd. (in Scotland), Franke Kitchen Systems AG (Switzerland) and Franke Consumer Products Inc. (in the U.S.).

Franke Foodservice Systems (systems and services for quick service restaurants) achieved sales growth of +15.2%. Business with the worldwide Ikea key account, which was obtained in 2005, was further expanded. At Franke Foodservice Systems, focus was concentrated on the consolidation of market shares and a massive extension of the global re-supply business.

Franke Washroom Systems (washroom and sanitary systems in public and semi-public premises) achieved sales growth of +52.2%. The German company, Franke Aquarotter GmbH, which was taken over from the Friedrich Grohe Group in 2005, was entirely integrated into the Franke Group during 2006. This division was split-off from Franke Kitchen Systems as of the end of 2005 and succeeded in developing into a well-functioning and coordinated unit.

Franke Coffee Systems (fully automatic professional and semi-professional coffee machines) achieved sales growth of +14.5%. In 2005, the new coffee machine generation 'Spectra' was developed and experienced a successful introduction onto the market at the end of 2006. Additional capital investment was also entertained on a global scale in marketing, sales and service.

Franke Beverage Systems (beverage technology) sales growth amounted to +31.9%. In 2006, two acquisitions were made in this division of the business: first, KSO GmbH in Wirsberg, Germany was taken over and extended into a

new and efficiently productive service centre; second, Franke took over the keg production from Spartanburg Stainless Products, Inc. in the U.S.. Keg production for the North American market had previously been supplied from the Franke manufacturing plant in Kreuztal, Germany. Keg production and the new keg repair service have currently been shifted to Ruston, Louisiana, where Franke already operates a large production facility for Franke Kitchen Systems. New keg production is to be launched in the second quarter 2007.

In regard to **Other Activities** (Franke Industrie AG, Aarburg and frifri aro sa, La Neuveville in Switzerland), financial results in 2006 were +4.4% up on the previous financial year.

Franke in Switzerland

In Switzerland, during the financial year 2006, no less than CHF 29.5 million was invested in factory buildings, machinery and equipment. An additional CHF 39.8 million was spent at Franke Immobilien AG on properties and financial participations. At the Franke location in Aarburg, about 70 new jobs were created. These figures again emphasize the importance which Franke accords to its locations in Switzerland.

Investments

In 2006, total investments were made amounting to CHF 178.1 million (previous financial year: CHF 264.8 million). Investments were made up of operational investments of CHF 151.2 million and acquisitions of CHF 26.9 million. Investments corresponded to 55.9% of the generated cash flow.

Balance sheet developments

During the past two years, Artemis Holding AG, the parent company of Franke Holding AG, has undergone a restructuring process. The new structure was developed on the basis of three core activities, which Artemis foresees in its portfolio of financial participations:

1. **Franke Group industrial activities** within the scope of the Franke Group where industrial growth is aspired to, organically as well as through acquisitions.
2. **Properties** via Franke Immobilien AG and other financial participations by means of consistent cash flow where long-term value growth is to be achieved.
3. **Strategic financial participations** in a variety of stock exchange-quoted industrial companies whereby corresponding influence can be exercised through significant minority shareholdings for the achievement of ongoing global industrial development and long-term value appreciation.

During the time period from November 2004 through to June 2006, the necessary legal corporate structure was erected in the first phase of a staged operation with the additional holding vehicles of the three Artemis holding companies I, II and III. The corporate structure was supplemented with the incorporation of Artemis International AG, the management company for the Artemis holdings.

In the financial year 2006, within the scope of the 'lean balance sheet' project, where the Franke Group was to achieve a reduction in the consolidated balance sheet total with the aim of only retaining in the Franke Group accounts the assets required for industrial operations and to generate a me-

dium-term rate of turnover in working capital of 1.5 times (in 2005 1.0 times). By means of an extraordinary dividend declared by Franke Holding AG for Artemis Holding AG (the parent company of Franke Holding AG), the following assets were transferred:

- the portfolio of securities of Franke Holding AG,
- the 49.8% shareholding in Franke Immobilien AG and
- cash and cash-equivalents.

In addition, the liquid funds served to redeem not yet matured bank liabilities. Finally, the valuation of properties of the Group was changed from the previous market value valuation to the currently more usual historical cost principle for the accounting of tangible fixed assets. This led to a corresponding restatement of the accounts with a reduction in the balance sheet total for properties of some CHF 164.7 million.

Taken overall, the consolidated balance sheet of the Franke Group was thus cut by over CHF 450 million, whereby the equity ratio remained at the previous year's level of 42.4% after taking the restatement of the accounts into consideration (in the previous financial years, before the restatement of the accounts: 45% in 2005 and 55.9% in 2004:).

First quarter 2007

Franke Group's business in the first three months of 2007 was satisfactory. Sales figures for the first quarter 2007 exceeded those of the first quarter of the previous financial year by +14.7% overall. This result is attributable to organic growth of +13.7% and to an increase of +1.0% due to acquisitions. The earnings generated in the first quarter were,

however, unable to keep pace with the development in sales as a result of huge increase in raw material prices. The cost of raw materials in the first quarter 2007, expressed in a percentage of the overall sales figures, was already +4.2% compared to the previous financial year.

The number of staff members employed by the Franke Group as of 31 March 2007 was 9,088 and represents an increase of 128 as against 31 December 2006. In the first quarter, investments totaling CHF 31.7 million were made - primarily in operating facilities.

In CHF million	Q1/2005	Q1/2006	Q1/2007
Net sales	389.1	571.1	655.3
Change	-0.9%	+46.8%	+14.7%
Investments	18.9	18.8	31.7
Personnel as of 31 March	5,530	8,560	9,088

Outlook for 2007

The greatest difficulty affecting Franke is the massive increase in the price of stainless steel, which in the current year can only be partially passed on in sales prices, and this fact will have negative consequences for earnings. A further negative influence on development during the course of the current financial year is the downturn in demand in North America in the area of kitchen systems. Further interest rate hikes and uncertainties on the currency and securities markets may also have negative effects on development during the financial year 2007.

Important goals for **Franke Kitchen Systems** are the achievement of further growth targets within the defined

strategy in North America and the Asian Pacific region, as well as strong expansion in the region of Africa / Middle East. Shorter times to market, as well as a more rapid onward development of competence centres and the associated launching of new products and services, are the keys to success.

In the first quarter 2007, Decomold B.V., a manufacturer of synthetic sinks in the Netherlands, was taken over. This enabled further know-how to be acquired and capacity to be generated in the area of synthetic sink production. In addition, a joint venture was entered into with a South African partner of long standing, the Dawn Group, for the expansion of distribution in Angola, Kenya, Mauritius, Nigeria und Mozambique. Other countries will also be included in the current financial year. The production facility for synthetic sinks in Slovakia, which was acquired in December 2006, is to be extended, in order to be equipped for an increase in demand for alternative materials.

Franke Foodservice Systems intend to improve strongly on preventive maintenance, as well as to force through its own new and innovative products that have a high rate of added value. In the area of re-supplies (replacements and small parts), the takeover of R. & R. Parts and Service in Tennessee, U.S.A. has just been completed, which has established itself as an important supplier to 'YUM!' (Pizza Hut, KFC, Taco Bell, etc.). Furthermore, a breakthrough in the rollout business was achieved with existing customers (breakfasts, beverages), which provides the division with good sales and earnings opportunities in the current financial year.

Franke Washroom Systems is concentrating on rapid further development to become an overall provider of system solutions, as well as to develop new markets in Europe. In peripheral areas, possible acquisitions are to be evaluated. The key account business is also to be further extended in this sector (e.g. aviation, rail traffic, etc.).

Franke Coffee Systems will continue expand the sales and service organizations at a global level. In the coming weeks, a financial participation and an acquisition project in the area of sales / service are to be concluded. Furthermore, good prospects exist for a comprehensive rollout of coffee machines with a leading fast food restaurant provider. In Switzerland, a further important key account was also obtained. New jobs are continually being created in Switzerland and a doubling of the production capacity in the coffee machine production facility is being planned.

Franke Beverage Systems experienced a good start into 2007. The world wide keg repair and service is currently being built up. The new keg production in Ruston, LA, USA will start by the end of June 2007.

Order books are currently well-filled in Switzerland in the industrial engineering sector and the customer sectors of aviation and energy generation are growing encouragingly.

Franke is confident of being able to extend its market position further, increase sales markedly and possibly again generate corresponding profits in the financial year 2007.

***Franke** is a global supplier of products, services and customized solutions in the household and catering food preparation sectors, broadly defined. The **Franke Group**, headquartered in Aarburg, Switzerland, is firmly established with 82 subsidiaries in 42 countries, and has approximately 9,000 employees worldwide. The two divisions **Franke Kitchen Systems** (sinks, extractor hoods, tabs, hobs, ovens) and **Franke Foodservice Systems** (systems 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 Washroom Systems** (washroom and sanitary systems for public and semi-public use), **Franke Coffee Systems** with a wide range of super automatic, professional and semi-professional coffee machines, **Franke Beverage Systems** as well as industrial engineering. Franke generated consolidated sales of CHF 2,440.1 million in 2006.*

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