

**MEDIA RELEASE****Franke Group 2008: sales slightly below previous year with lower earnings**

**Aarburg, Switzerland, May 26, 2009 – the Franke Group achieved sales of CHF 2,936.4 million in 2008, -2.8% lower than the previous financial year. In local currency, sales were CHF 3,176.4 million (+5.1% higher than previous year). The operating result (EBITDA) fell by -11.8% to CHF 351.3 million from CHF 398.5 million the previous year.**

**Sales and earnings growth**

Consolidated sales in 2008 amounted to CHF 2,936.4 million. This represents a decline of -2.8% on the previous year's figure of CHF 3,021.0 million.

In local currency, sales were CHF 3,176.4 million, corresponding to an increase of +5.1%.

The currency-neutral organic sales growth of the Group was -0.2%. Acquisitions (+5.7%) and disinvestments (-0.3%) contributed together +5.4% to sales growth. Currency effects on sales performance amounted to -8.0%.

The earnings situation was influenced by currency effects, i.e. a weak euro/dollar and significant currency depreciations (e.g. South African rand, Turkish lira and British pound). The result was also adversely affected by adjustments to the

value of Goodwill and intangible assets as well as restructuring reduction costs.

The operating result (EBITDA) fell from CHF 398.5 million (13.2% of net sales) the previous year to CHF 351.3 million (12.0% of net sales) in 2008. Consolidated cash flow (profit after tax plus depreciation/amortization) fell from CHF 319.4 million (10.6% of net sales) the previous year to CHF 271.3 million (9.2% of net sales) in 2008.

Net profit fell from CHF 198.8 million (6.6% of net sales) the previous year to CHF 141.2 million (4.8% of net sales) in 2008.

As of the end of December 2008, the Franke Group comprised a total of 72 subsidiary companies.

### **Group development**

Financial year 2008 was dominated by the difficult economic situation and deteriorating global conditions, which culminated in a very weak fourth quarter. Franke Kitchen Systems (system solutions for domestic kitchens) was particularly badly affected.

Sales at **Franke Kitchen Systems** (sinks, hoods, taps, cooking hobs, ovens, etc.) were -5.7% down on the previous year (+2.6% up in local currency).

Developments at Franke Kitchen Systems were dominated by cost reduction and efficiency-boosting measures.

**Franke Foodservice Systems** (systems and services for quick service restaurants) achieved sales growth of +7.7%

(+16.2% in local currency). Sales at Franke Foodservice Systems were driven by the rollout of the McDonald's (McCafe) beverage initiative in the USA. The focus at Franke Foodservice Systems was on consolidating market share and continued expansion of the global resupply business.

**Franke Washroom Systems** (washroom and sanitary systems in public and semi-public areas) recorded a fall in sales of -6.8% (+1.3% in local currency). The focus was on the expansion of eastern European markets and global export activities.

**Franke Coffee Systems** (super automatic, professional coffee machines) achieved sales growth of +29.5% (+36.5% in local currency). Significant progress was made in the key account business. The program of global investment in marketing, sales and service was continued. New innovative products will be launched on the market in 2009/2010.

At **Franke Beverage Systems** (beverage containers), sales growth of +0.2% (+6.2% in local currency) was achieved. For the first 9 months of the year, sales and earnings were significantly higher than the previous year. Starting in October 2008, Franke Beverage Systems experienced a sudden and sharp decline in orders.

With regard to **Other Activities** (Franke Industrie AG and Franke Werkzeugbau AG, Aarburg), sales were up on the previous year (Franke Industrie AG +12% and Franke Werkzeugbau AG +13.5%). The companies frifri aro sa, La Neuveville and Steeldesign GmbH, Germany, were sold during the year. Investment included the construction of a new

production facility for Franke Industrie AG and Franke Werkzeugbau AG, Aarburg, Switzerland, which was moved into in January, and further major acquisitions of high-tech equipment.

### **Investments**

In 2008, total investments amounting to CHF 218.1 million (previous year CHF 409.1 million) were made. These investments consisted of operational investments of CHF 214.0 million and acquisitions of CHF 4.1 million. The operational investments of CHF 214.0 million comprised investments in land, buildings and equipment of CHF 191.2 million and investments in intangible assets and Goodwill of CHF 22.8 million.

### **Balance sheet developments**

The consolidated balance sheet fell from CHF 2,359.0 million the previous year to CHF 2,089.7 million in 2008. The impact of negative currency effects on total assets was -CHF 296.6 million (-12.6%).

Equity was CHF 973.7 million (previous year CHF 1,037.6 million) as of December 31, 2008. The equity ratio increased from 44.0% the previous year to 46.6%. The impact of negative currency effects on equity was -CHF 195.5 million.

Net indebtedness was -CHF 270.3 million (previous year CHF 377.2 million) as of December 31, 2008. In 2007, higher finance requirements were covered mainly by a private placement of CHF 174.8 million (with a term of 10 to 12 years).

### First quarter 2009

What began as a “banking crisis” has developed into a worldwide economic crisis or recession. Despite a number of major programs undertaken by individual governments to stimulate the economy, the future development of the global economy is highly uncertain. Interest rates and the cost of raw materials are expected to remain low, as are consumer demand and the propensity of companies to invest.

Sales in the first quarter of 2009 fell short of those of the same period in 2008 by -17.6% overall. The impact of exchange rates on sales performance was -4.0% and the impact of acquisitions and sales of companies was -0.3%. There was therefore a negative organic growth of -13.3%.

As of March 31, 2009, the number of staff employed by the Franke Group was 11,562, -376 lower than as of December 31, 2008. In the first quarter, investments of CHF 25.2 million were made – primarily in operating facilities.

In CHF million	Q1/2007	Q1/2008	Q1/2009
Net sales	655.3	704.5	580.4
Change	+14.7%	+7.5%	-17.6%
Investments	31.7	31.5	25.2
Personnel as of March 31	9,088	12,843	11,562

### Outlook for 2009

Currency effects, economic conditions and the cost of raw materials all remain major factors for uncertainty. The Group’s main objectives are to maintain and create liquidity, reduce net current assets and avoid losses on receivables and inventories.

Losses on accounts receivable and the possibility of customers and suppliers falling into financial difficulty are high risk factors.

Franke is focusing on adapting the organization to current business volumes. The measures being taken include a stop on investment and recruitment, short-time working in many businesses, further staff reduction measures and consolidation plans. At the same time, however, investment will continue across all 5 activities in initiatives relating to product development, time to market and process simplification in order to ensure that Franke emerges stronger from the recession. Despite the difficult situation, acquisition projects will continue to be pursued.

The operational objectives for the individual Franke Divisions for 2009 are as follows:

**Franke Kitchen Systems** will adapt its organizational and cost structures. Important strategic projects will be driven forward. A top priority is the introduction of SAP in order to provide standardized global information and to shape processes. Innovation will also be driven forward.

**Franke Foodservice Systems** will continue to strengthen its market position. The outlook for 2009 is good. New and innovative products, such as high-volume rollouts and services will be unveiled.

**Franke Washroom Systems** also stands a good chance of achieving its objectives for 2009. The strong demand from the public sector (hospitals, schools, retirement homes,

prisons and soccer stadia) for Franke Washroom Systems products and system solutions remains firm and is expected to increase further.

**Franke Coffee Systems** will continue to benefit in 2009 from the successful initiatives (McCafe rollout) launched last year. Although the economic situation will have a significant impact on customer demand, new products will be developed and brought onto the market, the service network will be expanded and new markets (e.g. in Asia) will be further developed through possible acquisitions.

Due to the prevailing economic conditions, **Franke Beverage Systems** is in a very difficult situation with respect to the demand for new kegs. It will try to make up for this shortfall with innovative new products and by driving forward its keg service business.

In Switzerland, Franke Industrie AG continues to enjoy a good order backlog and earnings situation.

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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 around 11,500 employees throughout the world and is firmly established with over 70 subsidiaries in more than 40 countries. **Franke Kitchen Systems** (sinks, hoods, taps, cooking hobs and ovens) and **Franke Food-service Systems** (systems and services for quick service restaurants) are the global market leaders in their business sectors, exporting to over 100 countries. Other activities include **Franke Washroom Systems** (washroom and sanitary systems in public and semi-public areas), **Franke Coffee Systems** with a broad product program of super automatic professional and semi-professional coffee machines, **Franke Beverage Systems** (beverage containers) and In-*

*dustrial Engineering. In financial year 2008, Franke generated consolidated sales of CHF 2,936.4 million.*

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