

PRESS RELEASE

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Artemis Group – year-end results 2019: sales growth and significantly improved profitability

Overall 2019 was a good financial year for the Artemis Group. The Group managed to increase its sales and profitability considerably in comparison to the previous year. This gratifying sales growth was largely driven by acquisition effects (Franke Group), which outweighed the negative currency effects owing to the strong appreciation of the Swiss franc. Moreover, Franke Group's operating result (EBIT) increased as a result of low restructuring costs and the omission of impairments.

Business performance Artemis Group 2019

- Sales grew by 6.8% to CHF 3.20 billion (-1.3% organic)
- EBIT increased by 20.0% to CHF 144.8 million
- Net profit increased by 8.7% to CHF 162.7 million

The consolidated net sales of the Artemis Group reached CHF 3.20 billion in 2019 and were 6.8% up on the previous year. Negative currency effects totaled 2.3%. Acquisitions/disinvestments resulted in a net sales increase of 10.4%. The net sales fell organically by 1.3% despite good results in the fully consolidated industrial activity Franke Group (+3.7% organic) and Artemis Real Estate Group (+8.0% organic). The fully consolidated industrial activities Feintool Group and Blefa Beverage Systems registered sales declines.

The operating result (EBIT) increased from CHF 120.7 million to CHF 144.8 million, which represents an increase of CHF 24.1 million (20.0%) in comparison with the previous year. Accordingly, the EBIT margin

increased to 4.5% (previous year 4.0%), and the net profit increased by CHF 13.0 million (8.7%) from CHF 149.7 million to CHF 162.7 million.

Investments for the year under review amounted to CHF 288.5 million, an increase of CHF 116.1 million (28.7%) on the previous year. The majority of that was used for the continued strengthening of Franke Group's and Feintool Group's operating business, for the further expansion of the Artemis Real Estate Group's property portfolio, and for the acquisition of Dalla Corte S.R.L (Franke Group). In addition, the Artemis Group increased its share in various existing shareholdings. The headcount at the Artemis Group numbered 12,072 at the end of 2019, and was thereby 1.9% lower than at the end of 2018. The equity ratio of 58.1% was practically unchanged from the previous year (59.4%).

Business performance Franke Group 2019

- Sales grew by 14.5% to CHF 2.42 billion (+3.7% organic)
- EBIT doubled to CHF 133.8 million; EBIT margin rose to 5.5% (previous year 3.2%)

The Franke Group achieved strong sales growth with greater profitability in the reporting year. The Group reached consolidated net sales of CHF 2.42 billion in comparison with CHF 2.12 billion in the previous year, thereby increasing sales by 14.5%. This sales growth comprises an organic growth of 3.7% (previous year 1.0%), a positive acquisitions/divestment effect of 13.5%, and a negative exchange rate effect of 2.7%.

All five divisions grow organically. The divisions Faber Hoods & Cooking Systems (Faber) and Franke Coffee Systems recorded the strongest organic growth with 11.5% and 8.6% respectively. The pleasing growth recorded by the extractor hood manufacturer Faber was driven primarily by good sales with key OEM customers, which were supplied from Italy and Turkey, and excellent sales in India. For Franke Coffee Systems, the market regions of Japan, China, and North America mainly contributed to the good sales dynamics. Over the past two years, the supplier of professional fully-automatic coffee machines has invested heavily in the expansion of its distribution structures in North America, which has led to a strong local sales growth. The other three divisions achieved organic growth rates at similar levels: Franke Kitchen Systems 1.5%, Franke Foodservice Systems 1.3%, and Franke Water Systems 1.0%. Particularly noteworthy is the positive development of Franke Kitchen Systems, which reported organic growth following a 2% decline in the previous year.

After the operating result (EBIT) dropped sharply to CHF 67.2 million in 2018 owing in particular to one-off items, the Group's profitability improved massively in the year under review. The EBIT almost doubled to

CHF 133.8 million is owing to numerous operational improvements. This overall positive development is also reflected in an improved EBIT margin of 5.5% (previous year 3.2%).

The improved profitability compared to the previous year is predominately due to the very good sales development of the Franke Coffee Systems division in most markets and all product categories, followed by the continued positive development at Faber. The Group also benefited from significantly improved profitability at Franke Kitchen Systems, especially due to considerable efficiency gains in the new synthetic sink production and the consistent implementation of a turnaround program, launched in 2019. Franke Foodservice Systems and Franke Water Systems were able to keep the EBIT at approximately the same level as the previous year.

The total investments amounted to CHF 98.0 million (previous year CHF 177.0 million). A significant part of this was made up by the expansion, modernization, and optimization of production plants and equipment, and the acquisition of Dalla Corte S.R.L., an Italian manufacturer of traditional portafilter espresso machines in the premium segment for professional and private use. Franke Coffee Systems is thereby expanding its existing product portfolio with traditional espresso machines.

Business performance Artemis Real Estate Group 2019

- Rental returns increased by 8.0% to CHF 21.3 million
- Current construction projects in Switzerland (189 rental apartments and some 10,000 m² of commercial space) are proceeding according to plan, and have already reported a high occupancy rate

The Artemis Real Estate Group develops, holds and manages a significant (non-operational) real estate portfolio worth approximately CHF 1.0 billion. The main company is Artemis Immobilien AG, Aarburg. Rental returns in the reporting year rose by 8.0% (prior year 4.8%) despite in part lower rental income on account of the historically low reference interest rate.

2019 was once again a successful year for Artemis Immobilien AG with its numerous construction projects:

- Construction work for a total of 109 rental apartments ("Stadtblick" in Aarburg, 84 units; Oeschgen 25 units) was completed on schedule, and they are fully let.
- The "KWC-Areal" construction project in Unterkulm with 71 rental apartments and an office building is well on schedule. This means that the four-story office building with training center and exhibition rooms can be handed over to Franke Water Systems, including KWC Group, in

summer 2020 as planned. At the same time, "KWC-Areal" will also become the division's headquarters. Moreover, the first tenants will move into the residential buildings as planned in October 2020. The current occupancy rate is already very high, so full rental is to be expected.

- The construction project in Niederglatt, with a total of 118 rental apartments and some 1,000 m² of commercial space, is proceeding according to plan. Another 60 apartments will be built in a second construction phase.
- The total renovation of an office building with a total area of approx. 2,200 m² in Zurich will be completed in spring 2020 and handed over to the new tenants on time.

Further real estate investments/activities in Germany and abroad have also progressed well. In Romania some 22,000 m² of residential building land was purchased in the center of Timișoara and 17 ha of industrialized land outside of the city. In total, CHF 22.6 million were invested into foreign real estate activities in Romania and the USA in 2019.

Business performance Feintool Group 2019

- Sales dropped by 6.9% to CHF 632.7 million
- Organic decline in sales at 9.2%
- EBIT dropped by 60.3% to CHF 18.9 million, which corresponds to an EBIT margin of 3.0%

Due to the negative market development and global trends in its industrial environment, the Feintool Group is looking back on a difficult financial year. After ten years of global growth, 2019 saw a downturn. Sales decreased to CHF 632.7 million, which represents a reduction of 6.9% in comparison with the previous-year figures. Currency effects had a negative impact of CHF 7.1 million (1.1%), while the Group benefited from positive acquisition effects (3.4%). The operating result (EBIT) decreased by 60.3% compared to the previous year to CHF 18.9 million, which corresponds to an EBIT margin of 3.0%. Overall, the Feintool Group posted a result of CHF 10.7 million, a net profit margin of 1.7%.

Business performance Artemis Asset Management Group 2019

- Business development of the automotive shareholdings Adval Tech and Autoneum remained challenging
- Arbonia and Forbo achieved solid results

The Artemis Asset Management Group has different strategic shareholdings in international companies listed on the Swiss stock exchange and in private companies.

The listed companies (Artemis shareholding: Forbo >29.5%, Arbonia >22%, Autoneum >21%, Adval Tech >21%, Rieter >11.5%) were able to achieve an overall positive share price development in the reporting year.

The unlisted companies (Artemis shareholding: Franke Industries 100%, Blefa Beverage Systems 100%) had to contend with a difficult business environment in the year under review. While Franke Industries, manufacturer of hot gas path components for gas turbines and components, achieved sales at the same level as the previous year, the stainless steel keg manufacturer Blefa Beverage Systems reported a significant decline in sales. By contrast, sales at the Central American teak plantation operator Novelteak (Artemis shareholding 50%) were slightly higher than the previous year.

In 2019, activities in the Private Equity and Start-Ups segments were significantly expanded with investments of more than CHF 20.2 million.

Q1/2020 performance

In Q1/2020, the **Artemis Group** achieved organic growth of 4.2%, despite the initial strains of the coronavirus pandemic. Due to negative currency effects, the Group reported consolidated net sales of CHF 749.2 million, coming in 0.8% down on the previous year (CHF 754.9 million).

The consolidated net sales of the **Franke Group** increased from CHF 542.9 million to CHF 567.7 million in Q1/2020, which corresponds to an increase of 4.6%. The organic growth amounts to 10.2%.

Outlook for 2020

Owing to the coronavirus pandemic, the various business activities of the Artemis Group are currently facing interruptions in production due to shortages of supplier components, freight capacities, and declines in orders. At the same time, employee health and safety takes utmost priority, and all the necessary measures have been taken in that regard. To reduce the economic consequences of the crisis in the best possible way, a number of cost-cutting measures have already been introduced, such as reducing working hours, overtime, and holidays.

In this context, it is very difficult to provide a forecast for the current financial year at the present time. The Artemis Group will monitor the further macroeconomic developments carefully to identify risks and opportunities in good time, and minimize or take advantage of them respectively. The basis for this is a solid balance sheet with high equity ratio and low net debt.

The Artemis Group includes the **Franke Group**, the **Artemis Real Estate Group** (real estate portfolio in Switzerland and abroad), a majority holding in the **Feintool Group** (world market leader in fineblanking technology) and the **Artemis Asset Management Group** (various strategic shareholdings in international companies listed on the Swiss stock market and in private companies). The Group employs more than 12,000 people worldwide and generated consolidated sales of some CHF 3.2 billion in 2019.

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Artemis Group at a Glance

in CHF million	2018	2019
Net sales	2,993.0	3,195.9
- Change in %	+4.0	+6.8
- Organic growth in %	+1.9	-1.3
EBITDA	293.9	304.0
- Change in %	-11.3	3.4
- % of the net sales	9.8	9.5
EBIT	120.7 ¹	144.8
- Change in %	-38.1	20.0
- % of the net sales	4.0	4.5
Net profit	149.7 ¹	162.7
- Change in %	-32.9	8.7
- % of the net sales	5.0	5.1
Cash flow²	322.9	321.8
- Change in %	-10.1	-0.3%
- % of the net sales	10.8	10.1
Total investments	404.6	288.5
- Operational investments	231.0	208.2
- Acquisitions	138.0	15.0
- Financial investments	35.6	65.3
Equity	2,515.8	2,579.0
- in % of the balance sheet total	59.4	58.1
Employees as of December, 31³	12,309	12,072
Employees Ø³	12,190	12,055
Per capita sales in CHF	245,529	265,110
Number of Group companies	90	104

¹ Including one-time impairments of CHF 39.0 m

² Net profit plus depreciation, amortization and impairment

³ Excluding apprentices