

**PRESS RELEASE**

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**Year-End Result 2017 – Artemis Group Achieved Good Sales Growth**

- Sales grew by 5.5% to CHF 2.9 billion
- Organic growth totaled 4.0%
- EBITDA increased by 2.3% to CHF 331.2 million; EBITDA margin of 11.5% (prior year 11.9%)
- EBIT decreased by 1.9% to CHF 195.0 million; EBIT margin totaled 6.8% (prior year 7.3%)
- Cash flow rose by 8.3% to CHF 359.2 million
- Net profit improved at CHF 223.0 million (7.9%)

**Nearly all the activities of Artemis Group benefited in the 2017 fiscal year from the positive overall economic situation and achieved a good sales growth, even though some of the key markets for the Group, such as Turkey and Southeast Europe, were affected by economic or political uncertainties. Profitability posted a less pleasing performance. The operating result (EBIT) fell slightly due to higher costs, e.g. for the expansion of sales structures. Cash flow and profits after tax improved, however, in the wake of the positive financial results. The strong financial position, characterized by a high equity ratio and low net debt, remained unchanged.**

**Business Performance Artemis Group 2017**

The consolidated net sales of the Artemis Group reached CHF 2.9 billion in 2017, coming in 5.5% up on the prior year's result. Net sales posted organic growth of 4.0% and was achieved by the two fully consolidated industrial activities of Franke Group (2.0%) and Feintool Group (8.1%). Negative currency effects totaled 0.1%. Acquisitions/disinvestments resulted in a net sales increase of 1.5%.

The positive sales performance did not lead to an increase in the operating result (EBIT). It dropped slightly from CHF 198.8 million to CHF 195.0 million, which corresponds to a decrease of CHF 3.8 million

(1.9%). The crucial factor for the negative performance was the lower profitability of the Franke Group, primarily with respect to the largest division Franke Kitchen Systems, due to investments in sales and several one-off expenditure items in the context of the consolidation of the three production sites for synthetic sinks. The Artemis Group's EBIT margin also fell accordingly to 6.8% (prior year 7.3%). In comparison to the operating result (EBIT), cash flow decreased by only 4.6%. This was due to an improved financial result which can be traced back to a higher proportional net profit on the part of the affiliate Duravit and to a more favorable foreign currency situation.

Despite lower operating profitability, net profit increased by CHF 16.4 million (7.9%) on the prior year, from CHF 206.7 million to CHF 223.0 million, due to the good performance on the part of all shareholdings and the net positive special items. Total investments in the amount of CHF 299.4 million were made (prior year CHF 348.7 million), including for the purpose of strengthening of the operational business of the Franke Group and of the Feintool Group, for the expansion of the real estate portfolio of the Artemis Real Estate Group and for the acquisitions of Sertek LLC and Ellikor LLC (Franke Group) and Schuler (Tianjin) Metal Forming Technology Center Co. Ltd. (Feintool Group), among others. The headcount at the Artemis Group numbered 11,938 at the end of 2017 and was thereby 8.6% higher than at the end of 2016. The equity ratio of 63.6% rose in comparison with the prior year (59.7%) and net debt dropped from CHF 292.8 million to CHF 245.7 million. The lower net debt compared with the prior year resulted mainly from the cash flow, which exceeded the total investment volume. Thanks to the high equity capital and to the very low debt, the Artemis Group was able to improve its financial strength in the reporting year.

### **Business Performance Franke Group<sup>1</sup> 2017**

- Sales grew by 3.1% to CHF 2.1 billion
- Organic growth totaled 2.0%
- EBIT decreased by 8.8% to CHF 126.1 million; accordingly lower EBIT margin of 6.1% (prior year 6.9%)
- Cash flow dropped by 4.6% to CHF 173.2 million

The Franke Group achieved sales growth with lower profitability in the reporting year. It achieved consolidated net sales of CHF 2.1 billion in comparison with CHF 2.0 billion in the prior year, thereby recording a sales rise of 3.1%. Main growth drivers were organic growth at 2.0% (prior year 10.6%) and

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<sup>1</sup> From 2017, the Franke Group is adjusted for Franke Industrie AG (transferred to Artemis Group). The comparative figures for 2016 are therefore also explained below without Franke Industrie AG.

acquisitions at 1.5%, for which currency effects had a negative effect of 0.4% on growth development. All four divisions achieved organic growth rates at a similar level.

The operating result (EBIT) dropped by 8.8%, from CHF 138.3 million to CHF 126.1 million. This reduction was also reflected in a lower EBIT margin of 6.1% (prior year 6.9%). Responsibility for the weakening of operating profitability lay primarily with Franke Kitchen Systems. Following improvements in 2016, the division achieved lower margins due to higher raw materials prices and continued high pricing pressure. These external factors – in conjunction with higher logistics and sales costs – weighed on profitability. Franke Coffee Systems also contributed to the reduction of the result. As a provider of fully automatic professional coffee machines, it invested heavily in the expansion of its sales structures in order to strengthen the foundations for future growth. Franke Foodservice Systems, on the other hand, maintained its profitability levels, while Franke Water Systems posted an improvement in its commercial product range. Cash flow fell by only 4.6%. This can be explained by an improved financial result, which is attributable to higher pro rata net profit of the associated company Duravit and to a more favorable foreign currency situation.

Total investments for the period under review amounted to CHF 144.6 million in comparison to the figure for the prior year of CHF 182.2 million. A significant part of this was made up by the acquisition of a majority stake in Ellikor LLC, a leading provider of hoods for domestic kitchens in Russia, as well as by the acquisition of Sertek LLC, a manufacturer of workstations and equipment for fast-food restaurants such as Wendy's in the US.

#### **Business Performance Artemis Real Estate Group 2017**

- Increase of rental returns by 15.1% to CHF 18.9 million
- Positive progress with all ongoing construction projects (total of around 480 rental apartments)
- Acquisition of 11,000 sqm of building land reserves in Switzerland
- Building activities in Romania, acquisitions in the US

The Artemis Real Estate Group develops, holds and manages a significant (non-operational) real estate portfolio. The main company is Artemis Immobilien AG, Aarburg. Rental returns in the reporting year rose considerably by 15.1% (prior year 4.0%) despite in part lower rental income on account of the historically low reference interest rate.

2017 was once again a successful year for Artemis Immobilien AG with its numerous construction projects:

- The new construction of 42 residential units in Egliswil was finished and completely let. Construction work for the creation of an additional 110 rental apartments in Holziken and Hendschicken will be completed on schedule by mid-2018, for which the occupancy rate is currently at a good level.
- The total renovation of the centrally located office property in Zurich and the development in Oeschgen with 25 residential units are proceeding according to plan.
- Construction of the first stage of the major Stadtblick project in Aarburg with 84 apartments and a parking garage has started. The construction permit has been granted for the second major project, KWC Areal in Unterkulm. In an initial step, an office high-rise with a showroom for KWC and 71 rental apartments will be built. For the third major project, Rietlen in Niederglatt, the construction permit has been also granted for the creation of 118 rental apartments.
- In addition, 11,000 sqm of building land reserves have been acquired in Vordemwald.

The Artemis Real Estate Group holds over 30% of Espace Real Estate AG (portfolio value of CHF 639.8 million) and is represented on the Board of Directors as the largest shareholder. The real estate company achieved its financial goals and successfully developed its portfolio further.

The real estate development company Evostate AG, of which the Artemis Real Estate Group holds 30% as the largest co-shareholder and where it is represented on the Board of Directors, focused its efforts in 2017 – in the context of an altered shareholding structure – on the identification of new development projects.

The Artemis Real Estate Group increased its shareholding in Impact Immobilien AG in 2017 to more than 10% and also sits on the Board of Directors. The strategy of Impact Immobilien AG is to promote social benefits in Switzerland via real estate investments, e.g. by letting real estate to social institutions and through affordable rental apartments.

The Group's portfolio is topped off by significant building and land holdings in the US, Romania, Poland and Austria. In this area, Artemis Real Estate Group divested its real estate holdings in the Austrian city of Hard at an attractive price in 2017. The original investments in the MIM-Hayden Real Estate Fund I in the US have doubled. The second Miller Estate Fund (Artemis share 50%) has experienced an uninterrupted favorable performance. No new acquisitions have been implemented in view of excessively

high price expectations. The construction of a warehouse in Romania was completed on schedule and let in its entirety in the reporting year.

### **Business Performance Feintool Group 2017**

- Organic growth of 8.1%
- EBIT increase of 10.7% (in local currency)
- Strategic gap closed by the acquisition of Schuler (Tianjin) Metal Forming Technology Center Co. Ltd. in China; sophisticated forming applications now possible in all important automotive markets

The Feintool Group looks back once again on a pleasing financial year. Sales increased to CHF 612.3 million in 2017, which represents growth of 10.9% in comparison with the prior-year figures. Adjusted for currency and acquisition effects, the company registered growth in the amount of 8.1%. The operating result (EBIT) in local currency saw an increase of 10.7% in comparison with the prior year. Furthermore, in the interest of expanding its market capacities, the technology company has invested CHF 87.4 million in new presses and plant expansions, as well as in the strategically important acquisition of Schuler (Tianjin) Metal Forming Technology Center Co. Ltd. in China. Overall, the Group posted a result of CHF 27.7 million (prior year CHF 32.1 million).

### **Business Performance Artemis Asset Management Group 2017**

- Good business performance for all shareholdings
- Results at Forbo and Rieter affected by various one-off items
- Restructuring at Arbonia (relocations, acquisitions of Koralle and Looser Group, various divestments) proceeded according to plan

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

The business performance of all Artemis Asset Management Group affiliates listed on the stock exchange was good. Share prices experienced an overall positive development. The share prices of Adval Tech, Autoneum, Forbo and Rieter (Artemis shareholding in Adval Tech >21%, Autoneum >21%, Forbo >27%, Rieter >11.5%) registered rises on the prior year: 1.7% for Adval Tech shares, 5.2% for Autoneum shares, 14.6% for Forbo shares and 34.3% for Rieter shares. Shares in Arbonia (Artemis shareholding in Arbonia >21%) remained more or less stable and fell – following a sharp share price increase in the previous year – by 0.9%.

The results at Forbo and Rieter were essentially characterized by various one-off items. Whereas the favorable business performance at Adval Tech is to be credited to the continued determined pursuit of the focusing strategy following the sale of the Mold Segment in particular, the good performance at Arbonia is primarily the result of the planned implementation of the restructuring measures (relocations, acquisitions of Koralle and Looser Group, various divestments).

With respect to the private companies, the beverage container manufacturer Blefa (Artemis shareholding 100%) and the manufacturer of hot gas path components for gas turbines and power plants Franke Industrie AG (Artemis shareholding 100%), the respective sales developments were considerably higher than in the prior year. The Central American plantation operator Novelteak (Artemis shareholding 50%) also achieved good sales results and earnings.

#### **Q1/2018 performance**

The **Artemis Group** made a good start to 2018 and improved its consolidated sales in Q1/2018 by 8.2%, from CHF 664.0 million to CHF 718.6 million. Organic growth came in at 4.1%.

The **Franke Group's** sales rose in Q1/2018 from CHF 476.7 million to CHF 508.9 million, up CHF 32.2 million (6.8%) on the prior year. Organic growth totaled 2.8%. The acquisition effects were 2.2%.

The **Artemis Real Estate Group** will further expand its portfolio if profitability remains good. The market environment does, however, continue to be competitive, which means that unique selling points remain as important as before.

The continued positive market environment in combination with a strong market position aided the **Feintool Group** in achieving a successful Q1/2018. Sales increased by 11.2% to CHF 161.3 million; which, following adjustments for currency exchange rate effects, corresponds to an increase of 8.8%.

The **Artemis Asset Management Group** is also acting on the presumption of volatile financial markets for the ongoing fiscal year and is anticipating a positive course development for its industrial portfolio, despite this prognosis.

#### **Outlook for 2018**

The Artemis Group is expecting that the positive worldwide economic development will continue in 2018. Nevertheless, the Group is also anticipating challenges such as increasing raw materials prices, higher interest rates and a shortage of qualified workers, particularly in Europe and North America. In addition to

this, political uncertainties in various countries could slow the currently positive dynamic in the world economy or even render it negative. Despite this, the Artemis Group is projecting confidence and will once again be putting its strength and capabilities to the test to show that it can experience profitable growth, even in challenging times.

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 Artemis Group employs around 12,000 people worldwide and generated consolidated sales of more than CHF 2.9 billion in 2017.

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