

PRESS RELEASE

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Artemis Group posts solid sales growth and significantly improved profitability in 2016

- Sales grew by 7.7% to CHF 2.7 billion
- Organic growth totaled 8.6%
- Operating result (EBIT) increased by 41.5% to CHF 198.8 million; EBIT margin totaled 7.3% (prior year 5.5%)
- Greater net profit of CHF 206.7 million (11.1%) despite considerably lower positive one-time gains on disposals effects

2016 was overall a good year for the Artemis Group. The Group registered a considerable increase in net sales, operating result (EBIT) and net profit during the reporting year. With their positive business performance, all Artemis activities contributed to the markedly improved annual result. This pleasing result was possible despite numerous challenges, e.g. the weakening of the British pound, terrorism in Europe or political turmoil, particularly in Turkey, Russia and Brazil, all key markets of the Group.

Business Performance Artemis Group 2016

The consolidated net sales of the Artemis Group reached CHF 2.7 billion in 2016, thereby coming in 7.7% up on the prior year's result. Net sales even saw organic growth of 8.6% and was achieved by the two fully consolidated industrial activities of Franke Group (10.6%) and Feintool Group (5.9%). Positive currency effects totaled 0.3%. Acquisitions/disinvestments resulted in a net sales reduction of 1.2%.

The operating result (EBIT) rose markedly – without one-time gains on disposals – from CHF 140.5 million to CHF 198.8 million, corresponding to an increase of CHF 58.3 million (41.5%). The

increase in sales as well as further cost and efficiency gains resulted in the EBIT increase. The EBIT margin of the Artemis Group also rose accordingly to 7.3% (prior year 5.5%).

Despite considerably lower positive effects from one-time gains on disposals, profit after tax increased in comparison with the prior year by CHF 20.7 million, from CHF 186.0 million to CHF 206.7 million (11.1%). Total investments of CHF 348.7 million were made to strengthen the business operations of the Franke Group and the Feintool Group, expand the real estate portfolio and for strategic shareholdings – primarily Duravit (prior year CHF 261.3 million). The headcount at the Artemis Group numbered 11,258 at the end of 2016 and was thereby 4.2% higher than at the end of 2015. The equity ratio of 59.7% remained practically unchanged in comparison with that of the prior year (60.0%). Net indebtedness rose due to the lively investment activity and the higher net current assets resulting from the increase in business volume, from CHF 201.3 million to CHF 292.8 million. Thanks to its high equity and very low amount of debt, the Artemis Group was able to maintain its financial base and financial strength in the reporting year.

Business Performance Franke Group¹ 2016

- Sales grew by 8.5% to CHF 2.0 billion
- Organic growth totaled 10.6%
- Adjusted EBIT before restructuring increased by 40.6% to CHF 156.8 million; EBIT margin totaled 7.7% (prior year 5.9%)
- Strategic investment in a state-of-the-art production plant for synthetic sinks in Slovakia and a European central warehouse in Germany
- Strategic partnership through participation in Duravit AG

The Franke Group achieved a pleasing annual result in the reporting year. It achieved consolidated net sales of CHF 2.0 billion in 2016 in comparison with CHF 1.9 billion in the prior year, thereby recording a sales rise of 8.5%. Organic growth came in at CHF 199.6 million and was thus, at 10.6%, considerably higher than the figure for the prior year (1.0%). Practically all of the divisions made a positive contribution to organic growth. In addition to a solid contribution on the part of Franke Kitchen Systems (6.1%), these were primarily the following: Franke Foodservice Systems (23.4%), as the result of large-scale worldwide roll-out activities for major fast-food customers, and Franke Coffee Systems (21.2%), whose entirely new A Line in the area of fully automatic coffee machines has seen a great market response. Franke Water Systems, on the other hand, recorded a slight drop (3.9%) in sales as the result of lower demand for washroom products.

¹ From 2016, operating reporting for the Franke Group has been adjusted for Blefa (formerly Franke Beverage Systems). The comparative figures for 2015 are therefore also explained without Blefa below.

Acquisitions contributed 0.2% to growth. Currency and disinvestment developments resulted in negative effects on Group sales, in the amount of 0.4% and 1.9%, respectively.

The adjusted operating result (EBIT) before restructuring increased considerably by 40.6% from CHF 111.5 million to CHF 156.8 million. This increase was also reflected in an improved EBIT margin before restructuring of 7.7% (prior year 5.9%). Restructuring costs totaled CHF 14.1 million (prior year CHF 11.7 million). This was predominantly accounted for by the consolidation of the existing three synthetic sink plants in favor of a new, state-of-the-art production plant in Slovakia and in connection with the construction of a new central European warehouse in Germany. The main factors contributing to the increased profitability were the favorable sales performance in conjunction with a higher sales margin resulting from cost reductions in production, in purchasing and an optimized marketing mix (sales price, product/distribution channel).

Total investments for the period under review amounted to CHF 183.0 million (prior year CHF 63.1 million). Of this, a significant part fell to the acquisition of a 25% stake in Duravit AG, an important manufacturer of designer bathrooms and wellbeing systems based in Germany.

Business Performance Artemis Real Estate Group 2016

- 4.0% sales growth
- 186 apartments built and fully rented
- Execution begun in the course of the new construction projects of “Stadtblick” in Aarburg and “KWC site” in Unterkulm
- Shareholding in Espace Real Estate AG expanded further (now >30%)

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

2016 was again a successful year for Artemis Immobilien AG with its numerous construction projects.

- The three new projects in Oftringen, Unterkulm and Hallwil with a total of 186 rental apartments were completed on schedule, within budget and in compliance with all quality specifications. The market value of the three new buildings clearly exceeded the construction costs thanks to the design-to-cost planning method.

- Construction work for the erection of 150 rental apartments in Holziken, Egliswil and Hendschicken has begun according to schedule and is progressing rapidly.
- The total renovation of the office real estate property located in central Zurich has also been started according to schedule.
- The kick-off for the start of construction has taken place for the two major projects in Aarburg (Stadtblick about 300 apartments), Unterkulm (KWC site about 240 apartments with a significant commercial share). The building application for the third major project, Rietlen in Niederglatt (about 180 apartments) will be submitted shortly. The total investment volume for the three projects is around CHF 300 million.

The Artemis Real Estate Group has further expanded its status as the largest shareholder in Espace Real Estate AG and now holds over 30% of the real estate company (portfolio value of CHF 645.0 million). The business of Espace Real Estate AG once again performed favorably in 2016.

The real estate development company Evostate AG, in which the Artemis Real Estate Group as the largest co-shareholder owns a stake of 30%, was able to sell its 109 apartments and various commercial premises in the center of Montreux at a good profit.

The Artemis Real Estate Group has recently acquired a share of approximately 7% in Impact Immobilien AG. The strategy of Impact Immobilien AG is to promote social benefits in Switzerland via real estate investments, e.g. by renting real estate to social institutions or through affordable rental apartments.

The Group's portfolio is topped off by significant building and land holdings in the US, Romania, Poland and Austria. Attention is to be drawn to the US shareholding in the MIM-Hayden Real Estate Fund I, which achieved a solid result in the reporting year. The second Miller Real Estate Fund (Artemis share 50%) bought two additional major commercial real estate properties in Philadelphia and thus now owns a total of four buildings. Romania also saw an increasingly positive performance. Due to stronger demand for finished storage buildings, the Artemis Real Estate Group began construction of corresponding facilities on its land in Timis County in 2016.

Business Performance Feintool Group 2016

- Organic growth of 5.9%
- EBIT increase of 20.8% (in local currency)
- Massive investment program implemented involving around CHF 74.9 million for new presses and plant expansions

The Feintool Group looks back on a pleasing financial year. Sales increased to CHF 552.2 million in 2016, which represents growth of 8.5% in comparison with the prior-year figures. Organic growth was 5.9%. The operating result (EBIT) in local currency saw a considerable increase of 20.8% in comparison with the prior year. Furthermore, as a technology specialist, the company invested around CHF 74.9 million in new presses and plant expansions. Overall, the Group realized a result of CHF 32.1 million (prior year CHF 20.8 million).

Business Performance Artemis Asset Management Group 2016

- Positive business development for all shareholdings
- Arbonia – Continued progress with relocation projects and acquisition of Koralle and Looser Group completed
- Adval Tech – Focusing strategy continued via sale of the Molds segment

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 positive and the majority of these achieved considerable increases in profits. The price performance of the Forbo, Autoneum and Adval Tech shares (Artemis holding Forbo >30%, Autoneum >21%, Adval Tech >21%) remained positive in view of the good business performance. The three companies registered a surge in their respective share prices compared to the prior year – Forbo shares registered an increase of 11.1%, the Autoneum shares an increase of 32.0% and the Adval Tech shares an increase of 48.7%. The very positive share price development of Adval Tech is based on the systematic continuation of the focusing strategy with the sale of the Molds segment. The restructuring measures introduced by the Arbonia Group at the end of 2015 also began to take effect in the reporting years, as was reflected in a major price increase of 64.8%. Only the price of the Rieter share (Artemis holding 11.5%) experienced a less positive performance in 2016 and at 5.8% closed down on the prior year, this after a strong increase in share price in 2015.

As regards the private companies, the beverage container manufacturer Blefa (Artemis shareholding 100%) and the Central American plantation operator Novelteak (Artemis shareholding 50%), the respective sales developments were slightly lower than the prior year, due to smaller sales volumes. However, the profit position was good.

Personnel

Dr. Andreas Hauswirth, member of the Artemis Group Management, has retired after more than 30 years with the company. Over these many years of service, which were characterized by great professionalism, unswerving commitment and exemplary loyalty, he made an essential contribution to the shaping of the success story of the Franke/Artemis Group.

In 2016, Bruno Malinek took over the position of CEO for the Feintool Group from Heinz Loosli, who resigned from business operations after many years of commendable and successful activity and who has recently joined the Board of Directors of the Feintool Group.

Development first quarter 2017

The **Artemis Group** made a good start to 2016 and was able to improve its consolidated sales in Q1/2017 by 5.7% from CHF 628.0 million to CHF 664.0 million. Organic growth was 7.7%.

The **Franke Group's** sales rose in Q1/2017 from CHF 452.1 million to CHF 476.7 million, coming in CHF 24.6 million (5.5%) up on the prior year – albeit without the sales of Franke Industrie AG, the manufacturer of hot gas path components for the energy sector and aerospace industry (newly consolidated in the Artemis Asset Management Group as of January 2017). Organic growth was 7.8%, the negative currency effects 2.7%.

The **Artemis Real Estate Group** will further expand its portfolio if profitability remains good. Nevertheless, the market environment in the real estate sector is becoming more challenging, thus causing unique selling points to become ever more important.

A continued positive market environment in combination with a strong market position aided the **Feintool Group** in achieving a successful Q1/2017. The company generated Group-wide sales of CHF 145.0 million; adjusted for currency exchange rate effects, this represents an increase 5.0%.

The **Artemis Asset Management Group** anticipates a volatile situation in financial markets for 2017, but nevertheless remains confident that there will be a positive share price performance in its industrial portfolio.

Outlook for 2017

The Artemis Group assumes that 2017 will once again follow the pattern set by prior years. That means that the global market situation will continue to be volatile and difficult to predict. With this background in mind, it anticipates a positive business trajectory in the US, China and in Central and Northern Europe,

although it finds itself confronted with a wide array of uncertainties, e.g. the Brexit negotiations or the results of elections in various important countries. Even greater misgivings are being felt by the Artemis Group with respect to current developments in its core markets of Russia, Turkey and Brazil. In addition, it anticipates currency exchange rate fluctuations and higher raw materials prices during the current financial year.

In view of this, the Artemis Group will once again be forced to put its performance and competitive capabilities to the test to show that it is able to pursue its business activities profitably even in a challenging environment. Thanks to the numerous efforts made in the prior year and its solid financial situation, the Group does however view itself as well-equipped for competition. This will make it possible for the Artemis Group to continue to invest in its industrial and real estate activities and to increase its existing shareholdings or to acquire new ones.

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 11,000 people worldwide and generated consolidated sales of more than CHF 2.7 billion in 2017.

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