



## PRESS RELEASE

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### **2016 financial year – Franke Group records strong profitable sales growth in a demanding environment**

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**The Franke Group<sup>1</sup> achieved a pleasing increase in sales and significantly improved profitability in 2016, despite a challenging global economy. The sales growth was driven mainly by strong organic growth in the double-digit percentage range. The higher profitability is based on sales rises in practically all of the divisions and on group-wide operating efficiency improvements. Thanks to a solid strategic foundation and additional investments in innovation and employees, the Group was able to gain additional market shares. Furthermore, by reacting more quickly to business opportunities it could strengthen its market position further despite a tough, competitive environment.**

- Sales grew by 8.5% to CHF 2.0 billion
- Organic growth totaled 10.6%
- Adjusted operating result (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 pleasing annual result shows that our strategy is taking effect," said Alexander Zschokke, CEO of the Franke Group." In 2016, we invested further in improving productivity, e.g. in the upgrading and harmonizing of our production capacities. What's more, we made significant investments in all divisions in the development of new products and services. With our innovative strength and customer proximity, we

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<sup>1</sup> 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.

were able to respond quickly and flexibly to numerous new business opportunities. Three of our four divisions have achieved growth on their own efforts; Franke Kitchen Systems gained additional market shares in the strategically important product segment of hoods, thereby enabling it to take a great step forward towards its goal of becoming "the market leader in ventilation technology for domestic kitchens." We have also gained additional market shares in the tap area, which is making the Franke Group a strong market player for clean water and clean air in domestic kitchens."

### **Strong organic growth**

In 2016, the Franke Group achieved **consolidated net sales** of CHF 2,036.6 million, in comparison to CHF 1,877.2 million 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, these were primarily the following: Franke Foodservice Systems, as the result of large-scale worldwide roll-out activities for major fast-food customers, and Franke Coffee Systems, 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 decline in sales as the result of lower demand for washroom products.

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.

### **Profitability significantly increased**

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). A major part of this was 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 in comparison to the figure for the prior year of CHF 62.3 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. Further investments were related to the acquisition of a 55% stake in Mamoli Robinetteria S.p.A., a

leading Italian manufacturer of taps for the private and commercial sector, and to the acquisition of a 49% stake in PR Kitchen & Washroom System PTY. LTD., an Australian trading partner specializing in premium brands for domestic kitchens and public washrooms. Moreover, the operating investments increased significantly for the upgrading and harmonizing of the production plants within the scope of the Group strategy and its aim to increase efficiency.

With 8,706 **employees** as at December 31, 2016, the headcount was 275 employees higher than on the same date a year earlier.

### **Outlook 2017**

For 2017, the Franke Group assumes that the overall economic situation and the geopolitical environment will remain complex. It anticipates continued moderate growth for the global economy as well as currency exchange rate fluctuations and higher raw materials prices – and therefore challenging framework conditions. Nonetheless, the Frank Group is confident about the current financial year as it has a solid financial foundation and once again made clear progress in 2016 in the context of its successful Group strategy and the initiatives that were derived from it – Sales Excellence, Innovation Push and Operational Excellence. Against this background, the Group views itself as being well-equipped for the coming opportunities and challenges and, thanks to its good starting position, is anticipating further growth in sales and profitability in 2017. Accordingly, the Franke Group will proceed consistently with its proven strategy, continue to pursue operating improvements and make its value proposition even more tangible through high-quality, innovative products and services for customers.

**Franke** belongs to the Artemis Group and is a world leading provider of solutions and equipment for residential kitchens and bathrooms, public/private washrooms, the professional foodservice sector, and coffee preparation. The Franke Group operates worldwide and employs around 9,000 people in 40 countries, generating sales of over CHF 2.0 billion.

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