

**PRESS RELEASE**

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**Artemis Group: Financial year 2018 – higher sales and good strategic progress, though weighed down by operational adjustments**

- Sales grew by 4.0% to CHF 2.99 billion
- Organic growth totaled 1.9%
- EBITDA decreased to CHF 293.9 million (-11.3%); EBITDA margin totaled 9.8% (prior year 11.5%)
- EBIT reduced to CHF 120.7 million (-38.1%) due to various operational adjustments
- Adjusted EBIT declined to CHF 178.4 million (-6.4%)
- Net profit dropped to CHF 149.7 million (-32.9%)
- Adjusted net profit fell to CHF 189.5 million (-1.8%)

**The Artemis Group achieved organic growth once again in the reporting year. The positive long-term economic development in a number of the Artemis Group's key markets slowed down after the summer of 2018, which had a negative impact on business performance. Many impairment losses on goodwill, intangible assets, and property, plant and equipment had to be recognized. In addition, the reporting period included high restructuring and start-up costs for the strategic important synthetic-sink production site of the Franke Group in Slovakia, along with two plant closures.**

**Business Performance Artemis Group 2018**

The consolidated net sales of the Artemis Group reached CHF 2.99 billion in 2018, coming in 4.0% up on the prior year's result. Net sales posted organic growth of 1.9% and was achieved by the fully consolidated industrial activities of Franke Group (1.0%) and Feintool Group (6.1%). Negative currency effects totaled 0.2%. Acquisitions/disinvestments resulted in a net sales increase of 2.2%.

The positive sales performance did not lead to an increase in the operating result (EBIT). It dropped from CHF 195.0 million to CHF 120.7 million, which corresponds to a decrease of CHF 74.3 million (38.1%). This was due in particular to the decreased profitability of the Franke Group (owing to various negative one-off items) and a lack of profits from the sale of properties in the prior year. The Artemis Group's EBIT margin also fell accordingly to 4.0% (prior year 6.8%). Owing to the reduced EBIT, net profit decreased by CHF 73.3 million on the prior year (32.9%) from CHF 223.0 million to CHF 149.7 million. Adjusted for one-off items, EBIT decreased by 6.4%, from CHF 190.7 million to CHF 178.4 million. The adjusted EBIT margin totaled 6.0%, after 6.6% in the prior-year period. The adjusted net profit fell by 1.8% from CHF 193.1 million to CHF 189.5 million.

Investments for the year under review amounted to CHF 404.6 million, an increase of CHF 105.2 million (35.1%) on the prior year. The purpose of the significant increase in total investments was to strengthen the operational business of the Franke Group and Feintool Group and to expand the real estate portfolio of the Artemis Real Estate Group. In this context, four strategic acquisitions were made: Chain Link Services, LP and Facility Solutions Inc. (Franke Group); Stanz- und LaserTechnik Jessen GmbH (Feintool Group) and Ammatec GmbH (Industrie AG). The headcount at the Artemis Group numbered 12,309 at the end of 2018 and was thereby 3.1% higher than at the end of 2017. The equity ratio of 59.4% dropped in comparison with the prior year (63.6%) and the net debt rose. The higher net debt compared to the prior year resulted mainly from the high investment volume and the increased net working capital.

### **Business Performance Franke Group 2018**

- Sales grew by 2.0% to CHF 2.12 billion
- Organic growth totaled 1.0%
- EBIT dropped to CHF 67.2 million (-46.7%) due to one-off items
- Adjusted EBIT declined to CHF 119.7 million (-8.3%)
- Cash flow decreased by 8.5% to CHF 159.6 million

The Franke Group achieved sales growth with lower profitability in the reporting year. It achieved consolidated net sales of CHF 2.12 billion in comparison with CHF 2.08 billion in the prior year, thereby recording a sales rise of 2.0%. Organic growth totaled 1.0%, for which acquisitions had a positive effect of 1.8% and currency effects a negative effect of 0.8% on growth development. Organic growth varied for the five divisions. While Faber Hoods & Cooking Systems and Franke Coffee Systems achieved strong organic growth, sales of the other three divisions remained stable overall.

The operating result (EBIT) dropped by 46.7%, from CHF 126.1 million to CHF 67.2 million. This reduction was also reflected in a lower EBIT margin of 3.2% (prior year 6.1%) and is mainly attributable to one-off items. The EBIT adjusted for one-off effects dropped by 8.3%, from CHF 130.6 million to CHF 119.7 million. The adjusted EBIT margin thereby dropped to 5.7% (prior year 6.3%). Responsibility for the weakening of profitability lay primarily with Franke Kitchen Systems, which had high restructuring and start-up costs for the new synthetic-sink production site in Slovakia and sales losses in the USA. In contrast, the two divisions Faber Hoods & Cooking Systems and Franke Coffee Systems achieved a higher EBIT in comparison with the prior year, while Franke Foodservice Systems and Franke Water Systems were able to maintain relatively good profitability before one-off costs. Cash flow fell overall by 8.5%.

Total investments for the period under review amounted to CHF 177.0 million (prior year CHF 144.6 million). A significant part of this was made up by the acquisition of the two companies Chain Link Services, LP and Facility Solutions Inc. Chain Link Services is a US distributor which offers tailored solutions in the areas of supply chain, logistics and project management to major national corporate clients in foodservice and convenience retail chains. Facility Solutions is also a US company; it acts as project manager for national restaurant and retail chains, for example on conversion and renovation projects.

#### **Business Performance Artemis Real Estate Group 2018**

- Increase of rental returns by 4.8% to CHF 19.8 million
- Positive progress with all ongoing construction projects in Switzerland (total of 180 rental apartments and around 10,000 m<sup>2</sup> of commercial space)

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 by 4.8% (prior year 15.1%) despite in part lower rental income on account of the historically low reference interest rate.

2018 was once again a successful year for Artemis Immobilien AG with its numerous construction projects:

- The 152 residential units in Holziken (80), Egliswil (42) and Hendschiken (30) were fully let.
- Construction work for the creation of an additional 180 rental apartments ("Stadtblick" in Aarburg with 84 units, Oeschgen with 25 units, "KWC-Areal" in Unterkulm with 71 units ) and the total

renovation of the office property in Zurich are proceeding according to plan. The latter is due to be completed by the end of the year. Upon completion, "KWC-Areal" will become the headquarters of the Franke Water Systems division and its affiliate KWC Group. The building will extend over four office floors and will also have a training center and showrooms.

- In addition, a construction project of 118 apartments in Niederglatt with commercial space of more than 1,000 m<sup>2</sup> is still to be initiated in the current financial year.

The other real estate participations/activities in Switzerland and abroad also developed positively.

### **Business Performance Feintool Group 2018**

- Sales grew by 11.0% to CHF 679.6 million
- Organic growth totaled 1.2%
- EBIT increased by 2.6% to CHF 47.5 million
- Investments totaled CHF 144.4 million

The Feintool Group looks back once again on a pleasing financial year. Sales increased to CHF 679.6 million in 2018, which represents growth of 11.0% in comparison with the prior-year figures. Adjusted for currency and acquisition effects, the company registered growth in the amount of 6.1%. The operating result (EBIT) in local currency saw an increase of 1.2% to CHF 47.5 million in comparison with the prior year. Furthermore, in the interest of expanding its market capacities, the technology company has invested CHF 144.4 million in new presses and plant expansions, as well as in the strategically important acquisition of Stanz- und LaserTechnik Jessen GmbH in Germany. Overall, the Group posted a result of CHF 30.5 million (prior year CHF 27.7 million).

### **Business Performance Artemis Asset Management Group 2018**

- Challenging business development for all shareholdings (particularly in the automotive supplier sector)
- Negative share price development due to generally difficult stock market situation
- Restructuring at Arbonia (relocations, acquisitions of Koralle, Looser Group and Vasco, and various divestments) progressed further

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

All Artemis Asset Management Group affiliates listed on the stock exchange (Forbo >27%, Arbonia >22%, Autoneum >21%, Adval Tech >21%, Rieter >11.5%) recorded a challenging business development in the reporting period 2018. In particular, the automotive supplier sector was affected by a demanding market environment. Due to the generally difficult stock market situation, share prices experienced an overall negative development.

With respect to the private companies, the stainless steel keg producer Blefa (Artemis shareholding 100%) and the manufacturer of hot gas path components for gas turbines and aerospace in heat-resistant alloys Franke Industries (Artemis shareholding 100%), the respective sales developments were at the prior year's level. The sales of the Central American teak plantation operator Novelteak (Artemis shareholding 50%) also remained stable in comparison with the prior year.

#### **Q1/2019 performance**

The **Artemis Group** improved its consolidated sales in the first quarter of 2019 by 5.1%, from CHF 718.6 million to CHF 754.9 million.

The **Franke Group's** sales rose in the first quarter of 2019 from CHF 508.9 million to CHF 542.9 million, up CHF 33.9 million (6.7%) on the prior year.

The **Artemis Real Estate Group** will further expand its portfolio if profitability remains good. The market environment is, however, becoming increasingly competitive, which means that unique selling points remain as important as ever.

The **Feintool Group** achieved sales of CHF 173.6 million, representing growth of 7.6%.

The **Artemis Asset Management Group** is also acting on the presumption of volatile financial markets for the ongoing financial year and is anticipating a slightly better price performance for the majority of its shareholdings in the industrial sector, despite this prognosis.

#### **Outlook for 2019**

The Artemis Group is expecting the global economy to slow down in 2019. It faces major political and economic uncertainties, in particular trade disputes and the resulting volatility in raw material prices and foreign currencies, as well as a continued shortage of skilled labor in many key markets. In view of this, the Artemis Group expects the current financial year to bring new challenges for some of its business activities. Nevertheless, thanks to its good balance sheet with a low debt-to-equity ratio and high equity ratio, the Group is in a solid financial position. In the current financial year, one focus will be the

substantial improvement of Franke Group's profitability. Appropriate measures have already been initiated.

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 more than 12,000 people worldwide and generated consolidated sales of some CHF 3.0 billion in 2018.

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