

Bathroom July 2010



International Market Strategy

Topics

Czech Republic	LAUFEN CZ Sales Fall in 2009
Europe	Commission Fines 17 Bathroom Manufacturers € 622 million
Europe	HORNBAACH Full-Year Sales Rise 3.7%
Germany	HAGEBAU Sales Development
Poland	Imposition of Fine on PRAKTIKER POLSKA
Russia	Chain OBI to Launch Fifth DIY Hypermarket in Moscow
Spain	AKI Chooses CEVA
Spain	ROCA Acquires 50% Stake in GRAVENA
Switzerland	Acquisition of SPIRELLA
UAE	RAK CERAMICS Wins Dubai Airport Contract
United Kingdom	Positive Results in 1Q 2010

Monthly Special

Europe **Market Summaries for 30 Countries Published**



Czech Republic: LAUFEN CZ Sales Fall in 2009

Czech bathroom ceramics producer LAUFEN CZ saw pre-tax profit drop to CZK 34 million last year from CZK174.4 million in 2008, while its sales fell by 21% to CZK 1.68 billion.

Total results for LAUFEN CZ for 2009 were influenced by high severance payments as well as compensations for restraints to production when working hours dropped to 60% for a short time. Staff numbers at LAUFEN CZ last year fell by more than 150 to 580.

LAUFEN CZ has production facilities in Bechyne (southern Bohemia) and Znojmo (southern Moravia). Both plants have been back to operating at full capacity since March 2010.

However, the company also expects possible problems in demand due to planned cuts in households' spending on non essential products.

Swiss company LAUFEN started to operate in Czech Republic in 1991 when it acquired ceramic producing plants in Bechyne and Znojmo.

Source: CTK Business News Wire



Europe: Commission Fines 17 Bathroom Manufacturers € 622 million

The European Commission has fined 17 bathroom equipment manufacturers a total of € 622,250,783 for a price fixing cartel covering six EU countries. A large number of household names are among the 17 undertakings fined: ARTWEGER, CISAL, DORNBRACHT, DURAVIT, DUSCHOLUX, GROHE, HANSA, IDEAL STANDARD, KLUDI, MAMOLI, MASCO, ROCA, RAF, SANITEC, TEOREMA, V&B and ZUCCHETTI. The 12 year cartel covered ceramics such as sinks, baths, taps, and fittings. MASCO received full immunity from fines under the Commission's Leniency Programme, as it was the first to provide information about the cartel. The fines of five undertakings were reduced because of their likely inability to pay the fine given their financial situation.

These 17 companies fixed prices for baths, sinks, taps and other bathroom fittings for 12 years in six countries covering 240 million people. The cartel will have harmed businesses such as builders and plumbers and, ultimately, a large number of families. However, as the objective of anti-cartel enforcement is not to precipitate the fall of companies in financial difficulties, the Commission reduced the fines on five companies to a level they could afford. Companies should be in no doubt that the Commission will continue its fight on cartels and the level of fines will continue to be such that it should dissuade them from engaging in illegal behaviour in the first place.

The Commission decision shows that between 1992 and 2004, 17 companies co-ordinated the sales price for bathroom fixtures and fittings in Germany, Austria, Italy, Belgium, France and The Netherlands. The co-ordination took place during meetings of 13 national trade associations in Germany (over 100 meetings), Austria (over 80), Italy (65), and also Belgium, France and The Netherlands, and in bilateral contacts. It consisted of fixing price increases, minimum prices, and rebates, and exchanging sensitive business information.

The practices are very serious infringements of the EU competition rules and prohibited by Article 101 of the EU Treaty.

In setting the fines, the Commission took into account the affected sales of the companies involved, the very serious nature of the infringement and its long duration.

MASCO, a US company whose main subsidiaries are HANSGROHE and HUPPE, got full immunity under the Leniency Programme as it was the first to provide information about the cartel to the Commission.

The Commission also took into account the cooperation of GROHE of Germany and IDEAL STANDARD of the US and reduced their fines by 30%.

More exceptionally, the fines of three companies were reduced by 50% and those of another two by 25% given their difficult financial situation. A total of ten companies claimed they would be unable to pay a fine: to assess their claims, the Commission looked at recent financial statements, provisional current year statements and future projections, several financial ratios that measure a company's solidity, profitability, solvency and liquidity, and relations with banks and shareholders. The Commission also looked at the social and economic context of each company. Finally, the



Commission assessed whether the companies' assets would be likely to lose significant value if the companies were to be forced into liquidation as a result of the fine. The analysis is company-specific and aims to be as objective and quantifiable as possible to ensure equal treatment and preserve the deterrence aspect of EU competition rules.

Source: EUROPA EU

Europe: HORNBACH Full-Year Sales Rise 3.7%

DIY retailer HORNBACH has released its financial results for the year ended February 2010, when sales rose by 3.7% to €2.85 billion. EBIT fell 15.4% to €151.5 million. In Germany, store sales increased 2.8%, and by 1.8% on a like-for-like basis. Meanwhile, HORNBACH's international division grew by 4.2%, although like-for-like sales contracted by 0.9%. Unfavourable currency effects from the Czech Republic and Romania were roughly compensated by positive effects from Switzerland and Sweden.

Source: Retail Week

Germany: HAGEBAU Sales Development

HAGEBAU, the German builders' merchant and DIY group, increased its sales by 4% to €1.74 billion in the first five months of 2010. HAGEBAU Germany increased its centrally invoiced sales (including participating interests) by 3.8% to €1.65 billion. On the retail side (288 HAGENBAU MARKET's stores, 18 WERKMARKT outlets and 30 other DIY stores), centrally invoiced sales were 1% down, while they rose by 7.2% on the trade side.

Source: www.diyonline.de

Poland: Imposition of Fine on PRAKTIKER POLSKA

The competition authorities in Poland have given notice to the Polish subsidiary of PRAKTIKER, a German DIY retailer, of a fine to the tune of about €9.4 million. The holding company reports that the subsidiary is accused of inadmissible price rigging in the years from 2000 to 2006. PRAKTIKER is considering the possibility of appealing against the notification.

Source: NEXIS



Russia: Chain OBI to Launch Fifth DIY Hypermarket in Moscow

The chain of DIY hypermarkets OBI will launch another store in Moscow. The outlet will operate in the shopping mall FILLION on former premises of the France-based retailer CARREFOUR.

The total area of the outlet will amount to about 4,500 m². New store will be the fifth outlet in Moscow and the 17th store of the chain OBI in Russia.

Source: Retailer.ru

Spain: AKI Chooses CEVA

CEVA LOGISTICS has announced a five year agreement, worth a total of €50 million, with AKI, a leading DIY company selling gardening, building and decorating products. AKI has a network of 35 stores in Spain and is a sub brand of ADEO GROUP, one of the world's market leaders in DIY with presence in 11 countries.

This contract award sees CEVA managing AKI's end-to-end supply chain across Spain and it includes the management of the Consolidation Center for all products to be sold at AKI stores. CEVA will initially dedicate 30,000 m² of space at CEVA's facility in Ontígola, south Madrid, to the project with the ability to grow to 50,000 m².

CEVA will all also deliver freight management services and handle all inbound product flows from the Far East to Valencia Port, which include lighting, decoration, painting, plumbing and construction equipment and furniture items. In addition, CEVA will manage the distribution of products to the 35 stores that AKI owns in Spain, managing at first approximately 9.6 million units of products annually, with the possibility of reaching 18 million by the end of the five year contract following the expansion of the customer in the region.

Source: TendersInfo



Spain: ROCA Acquires 50% Stake in GRAVENA

According to ADP News, Spain's daily Expansion reported that ROCA, a Spanish ceramics company, has acquired a 50% stake in GRAVENA, an Egypt-based manufacturer of bathroom products, for €18 million.

Source: Financial Deals Tracker

Switzerland: Acquisition of SPIRELLA

CROSS EQUITY PARTNERS and the management of SPIRELLA S.A acquired SPIRELLA S.A from LEIFHEIT AG in a management buyout on 1st June 2010.

The financial terms of the deal were not disclosed. The management of SPIRELLA S.A will acquire a minority stake and CROSS EQUITY PARTNERS will hold majority stake in SPIRELLA S.A. SPIRELLA S.A had revenues of CHF 70 million in 2009. The transaction does not involve any modification to the 180 employees nor to the managing teams.

Source: Business Week



UAE: RAK CERAMICS Wins Dubai Airport Contract

RAK CERAMIC, one of the largest ceramics manufacturers, said it has been awarded the contract for the Dubai International Airport Phase II expansion project that involves a terminal for the Airbus A380 fleet.

The contract includes the supply of more than 100,000 m² of tiles of various dimensions, which will be used in the tunnels, on the bathroom walls and floor, and also as floor tiles in different areas of the terminal. Dubai International Airport Phase II Expansion Project involves the provision of additional facilities to accommodate the growing airport traffic, which is expected to cater for over 70 million passengers and 3.5 million tonnes of cargo per year.

The Phase II Expansion project includes new facilities to accommodate this rapid growth of both passengers and cargo, and includes in addition to the terminal for Airbus A380 new buildings, airfield and ancillary facilities. The project also involves the relocation and expansion of certain existing facilities and the construction of new support facilities.

RAK CERAMICS is a \$1 billion global conglomerate in the ceramic industry that exports its products to over 150 countries, targeting architects, project developers and retail customers.

Specialising in high-quality ceramic wall and floor tiles, Gres Porcellanato, and sanitary ware, RAK CERAMICS uses more than 6,000 production models, with new designs added almost every week to its product portfolio.

Source: TendersInfo

United Kingdom: Positive Results in 1Q 2010

KINGSFISHER, the UK DIY retail chain, has successfully completed the first quarter of the group's 2010/11 financial year (to 1st May). As the company announced, sales for the first three months amounted to £2.642 billion, putting them at last year's level. There was a sales decline of 0.2%. Retail profit saw an increase of 14.5% to £146 million. Growth of 2.2% to £1.06 billion was reported for Kingfisher France, and a loss of 2.0% to a total of £1.166 billion for the United Kingdom and Ireland.

Source: www.diyglobal.com



Monthly Special: **Market Summaries for 30 Countries Published**

BRG CONSULT is pleased to announce that it has recently published preliminary 'Product Summaries' for the following 30 countries:

- | | |
|------------------|---------------|
| - France | - Portugal |
| - Germany | - Switzerland |
| - UK | - Ireland |
| - Italy | - Greece |
| - Spain | - Denmark |
| - Belgium | - Norway |
| - Netherlands | - Finland |
| - Austria | - Slovakia |
| - Sweden | - Hungary |
| - Poland | - Ukraine |
| - Russia | - Romania |
| - Czech Republic | - Bulgaria |
| - Turkey | - Estonia |
| - Estonia | - Slovenia |
| - Latvia | - Croatia |

The product sections covered by the programme are as follows:

- baths
- shower trays
- ceramic sanitary ware and alternatives
- taps and mixers
- shower enclosures, conventional shower cubicles and bath screens
- hydromassage baths, hydrotherapy cubicles, combined products and shower panels.

For more detailed information on the developments within the European bathroom product markets and BRG CONSULT's studies, please contact Mr. David Harrop on (dharrop@brgconsult.com) or alternatively call +44 (0)208 832 7860.

A detailed proposal is available upon request.

Source: BRG CONSULT