



International
Market
Strategy

Bathroom Newsletter

June 2006

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Croatia: ROCA buys Croatian bathroom equipment manufacturer

10 May 2006

Spanish company ROCA and LASSELSBERGER have concluded an agreement on ROCA'S purchase of 97.06% of shares in INSKER, the Croatian producer of bathroom equipment and ceramic tiles.

The remaining 2.94% of shares are held by small shareholders whom ROCA managers will present the company's offer this month. Representatives of both companies declined to speak about the value of the acquisition.

ROCA manager Domingo Colomo Parados said that the purchase of INKER paved the way for this multinational company to enter the Croatian market and consequently the entire western Balkans. ROCA is preparing a three-year strategic plan for the development of the Croatian company with an emphasis on re-doubling the turnover and ensuring a 30% increase in the sales growth.

Founded in 1917 by the four ROCA brothers, COMPANIA ROCA RADIADORES, S.A., initially produced cast iron radiators, adding to their range with cast iron baths in 1925, vitreous china in 1936, taps and fittings in 1954, and floor and wall tiles in 1980,

represented the impressive expansion of ROCA in the bathroom market.

Currently, the company is operating in more than 80 countries and has a turnover of €1.7 billion.

Source: Hana

India: KOHLER to set up \$200 million facility

12 May 2006

After services, India is emerging as a manufacturing outsource hub for global players. One of the world's largest sanitary ware manufacturer KOHLER - a \$5 billion US-based company, has decided to set up Asia's biggest production facility at Jagadia Industrial Estates near Baroda in Gujarat, at an estimated investment of \$200 million.

Besides serving the domestic market, this facility will be used to meet the demand in US and Europe. KOHLER has six manufacturing facilities in China.

The manufacturing facility will be completed by 2007. Till then, KOHLER indicated that the company would import wide ranges of its products to do test-marketing in the country.

It will offer a comprehensive range of top-end bathroom fittings from globally acclaimed design centres in the US and Europe. The company will distribute its products through 70 outlets.



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KOHLER said as the quality of construction is improving, demand for world-class bathroom fittings would also increase, which in turn will offer opportunities for companies like KOHLER to introduce its world class products. The wide variety, the company indicated, targets mid- to high-end consumers.

Source: The Times of India

USA: JACUZZI BRANDS second quarter profit declines

11 May 2006

JACUZZI BRANDS INC., maker of whirlpool baths and plumbing products, announced that fiscal second-quarter profit fell 45 percent as plumbing product sales grew but bath product sales slipped.

Profit for the quarter ended March 31 dropped to \$4.1 million, or 5 cents per share, compared with \$7.4 million, or 10 cents per share during the same period last year. Revenue fell 4% to \$289.2 million, from \$301 million last year.

Results from 2005 include \$27.6 million in sales from REXAIR, a brand the company sold in June 2005. JACUZZI kept about a 30% stake in REXAIR after the sale, which contributed \$1.1 million in equity earnings in the fiscal second quarter.

Bath Product revenue decreased 2% to \$188.2 million, mainly due to unfavorable currency exchange, while

plumbing product revenue grew 23% to \$101 million, helped by new products, market penetration and industry growth, the company said.

The company expects earnings in fiscal 2006 between 50 cents and 52 cents per share; including a restructuring charge of 4 cents a share and a foreign currency loss charge of a penny a share, along with 11 cents per share in gains from the sale of real estate, settlement of property taxes, and a favorable ruling about a contaminated site. Excluding one-time charges, the company expects earnings of 44 cents to 46 cents.

Source: Associated Press Newswires

USA: Coming; Toilets using still less water

27 May 2006

If lawmakers in California have their way, toilets may soon begin using less water than ever.

The state may require all new homes, schools and office buildings to be built with high-efficiency toilets that could save more than all the bottled water that Americans drank last year.

A bill pending in the legislature would require all toilets installed in new buildings in the state after 2008 to have flush volumes of less than 1.3 gallons per flush, down from the 1.6 gallons required under federal law. All toilets sold in the



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state after 2009 would be required to meet the new standards.

The bill, supported by toilet-makers such as AMERICAN STANDARD COS. and plumber unions, would make California the first state to require the stricter standards and may set a national trend.

The state's population of 37 million, the largest in the U.S., is expected to grow by 9 million in the next decade.

"It's hard to imagine that toilet manufacturers would manufacture different toilets for different states," said Laird, a Santa Cruz Democrat. "If we can provide an efficient toilet that is popular in the market and more water-efficient, we could actually be leading the nation. If it becomes the standard toilet in the market, it's a de facto standard nationwide without other states needing to pass similar bills."

The average Californian uses an estimated 70 to 80 gallons of water a day indoors, according to Laird's bill. Toilets account for approximately one-third of all the water used in a typical American home, more than any other indoor source of water

The new toilet standards could save as much as 200 million gallons of water in the first year and up to 8 billion gallons within 10 years, Laird said. That exceeds the 7.5 billion gallons a year of bottled water consumed by Americans in 2005, as reported by BEVERAGE

MARKETING CORP., a research and consulting firm.

Two of the three types of high-efficiency toilets are slightly more expensive than current toilet models. The most expensive is a "dual-flush" toilet with a handle that turns in one direction to remove solid wastes and turns the other direction for liquid wastes.

Source: Chicago Tribune

Switzerland: GEBERIT seen joining SWX's blue-chip index in October

19 May 2006

The SWX SWISS EXCHANGE is expected to accept sanitation systems maker GEBERIT AG (GEBN.EB) into the blue-chip SWISS MARKET INDEX, or SMI, at its upcoming yearly review, analysts say, while two stocks are set to get booted for having insufficient market capitalization and free float.

The yearly SMI review is likely to see GEBERIT become the 28th Swiss blue-chip, analysts say, while technology company KUDELSKI SA and watch-and-luxury-goods firm SWATCH GROUP AG's registered shares will probably be banished to the mid- and small-cap index.

SMI inclusion is a boon for a company's stock, giving it much higher visibility with investors, some of whom buy the index as a benchmark. SMI stocks also



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see much higher issuance of derivatives, such as options and futures, and tracking instruments such as exchange-traded funds.

"The SMI is widely used as a portfolio benchmark and there are a good number of passive instruments on that index," said Roger Steiner, Zurich-based analyst with KEPLER EQUITIES.

Changes are decided after data from the quarter ending June 30 become available, with liquidity, free float and market capitalization for four consecutive quarters as deciding factors. The SWX's index board will disclose the newcomers sometime in July, a spokesman for the bourse said.

Source: Dow Jones

USA: 9 year high in EBITDA for AMERICAN STANDARD

3 May 2006

CASHFLOWNEWS.COM reports that EBITDA for AMERICAN STANDARD COMPANIES, INC. for its twelve months ended March 31, 2006 was \$1,158,400,000 a 144% increase compared to the previous year when AMERICAN STANDARD generated \$475,500,000 in EBITDA. EBITDA for the most recent twelve months also reached a nine year high. For American Standard's quarter ended March 31, 2006 EBITDA was \$232,800,000, compared with \$253,600,000, an 8.2% decrease over the comparable year earlier quarter.

Source: StockDiagnostics

UK: JACUZZI BRANDS to consolidate UK bath products plants

1 May 2006

JACUZZI BRANDS, INC. will consolidate its Bradford ceramic production into its Newcastle-Under-Lyme facility and its outsourcing partners. The Bradford facilities manufacture bath products including shower enclosures, sanitary ware and acrylic baths. The consolidation, which was not included in the company's earnings guidance for fiscal 2006, is part of JACUZZI BRANDS' ongoing initiatives to improve the overall operating performance of its bath products business segment to meet its long-term operating goals.

The company does not anticipate any customer service disruptions during this period. The costs of the consolidation are expected to be approximately \$3.1 million, or \$0.02 per share.

Source: Ceramic Industry

India: Sanitary ware

10 May 2006

GROHE parts ways with HINDUSTAN SANITARYWARE. GROHE, a German maker of luxury bathroom and kitchen fittings, has announced the formation of its own wholly owned subsidiary in India.



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It had enjoyed a period of strong growth through a distribution agreement with HINDUSTAN SANITARYWARE & INDUSTRIES, but it has now decided to support the Indian market directly and accelerate market penetration through its new subsidiary.

Source: The Economist Intelligence Unit Ltd.

Germany: Turnover and profit up at VILLEROY & BOCH

28 April 2006

German porcelain manufacturer VILLEROY & BOCH has reported a rise of 8% in turnover to €235.6 million for the first quarter of 2006, while the post-tax profit grew to €5.2 million, compared with €2.9 million for the same period of 2005.

In particular, this growth has been attributed to the high level of demand from abroad.

Source: The Financial Times

India: RAK CERAMICS to start production soon

25 May 2006

RAK CERAMICS, set up in the vicinity of Peddapuram in East Godavari district is likely to start commercial production in June according to Dr Khater Massaad, Managing Director. At a press meet on the plant premises recently he said the

initial production of ceramic tiles would be of the order of 20,000 square metres per day. The capacity would be enhanced to 40,000 square metres per day by 2007 and then to 100,000 square metres. The sanitary ware wing would also start production of 1,500 pieces per day within a month he added. He said local people would be given preference in employment.

Source: Business Line

USA: MASCO posts profit and boosts year outlook

2 May 2006

Building products maker MASCO CORP. posted better-than-expected first-quarter earnings as higher U.S. sales offset a decrease internationally.

The manufacturer of DELTA FAUCETS, BEHR paint and cabinets raised its profit outlook for the year, saying price increases should largely make up for rising energy and materials costs.

Profit from continuing operations, which excludes costs and charges, came to \$219 million, or 53 cents a share, up from \$207 million, or 47 cents a share, a year earlier.

Analysts on average expected 47 cents a share, according to Reuters Estimates.

Net income, which includes the effect of an accounting change, was \$204 million, or 50 cents a share, compared with \$231 million, or 52 cents a share, a year earlier.



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MASCO, based in Taylor, Michigan, stated it had pretax costs of \$17 million in the 2006 first quarter tied to a plant closure and other initiatives in its plumbing products segment.

Sales rose 9% to \$3.2 billion. North American sales gained 13%, while international sales fell 5%.

The company, which has been shedding some businesses to improve performance, said it now expects full-year profit from continuing operations of \$2.40 to \$2.50 a share, up from previous guidance of \$2.35 to \$2.45 a share, excluding charges.

Analysts currently expect \$2.43 a share for the year, according to REUTERS Estimates.

Source: Reuters

Germany: GROHE to pass on part of cost increase to customers (“Rohstoffzuschlag”)

3 May 2006

GROHE, the German sanitary fittings manufacturer, is planning to increase prices by 5% with effect from July owing to the increase in prices for crude oil and for metals, notably the copper and zinc used to manufacture brass fittings.

The company informs that it must temporarily pass on around 40% of the cost increases to traders and end-users.

Source: Süddeutsche Zeitung



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NEWSLETTER SPECIAL

The Italian Bathroom Market

Background Information

Italy, with a land area of 301,336 square kilometres, is the fourth largest country in the European Union after France (552,000 km²), Spain (505,000 km²) and Germany (357,000 km²).

With a resident population at circa 57,900 million (ISTAT data updated on 31-12-2003), Italy is a fairly densely populated country (189.9 inhabitants per km²), with a strong concentration in the Centre-North, and particularly in the Milan Province.

Administratively, Italy is divided into 20 Regions, 109 Provinces (106 still need to be activated) and 8,100 councils (excluding the independent states of The Vatican and San Marino). The regions have seen their autonomy greatly increase over the past 10 years within the so-called "devolution" process. The reform of article 117 of the Constitution, passed by the Parliament on the 18th October 2001, further increased the status of all local Authorities, from the Regions to the town councils.

The Italian Bathroom Product Markets

The Italian market for bathroom products is rather large, although in volume terms it has been quite static and cyclical since beginning of the 1990s. A positive trend of the construction sector, started by the end of the 90's, helped to reinforce the market. However, the finance act 2005-2007, which provides for a maximum amount of 2% in terms of public funds for restorations, is seen as a negative influence on this trend, and it is expected to slow down over the next few years.

Furthermore, the Italian bathroom products market remains the most fragmented in Western Europe, particularly in the taps and mixers and shower enclosures sectors, showing no recent signs of consolidation.



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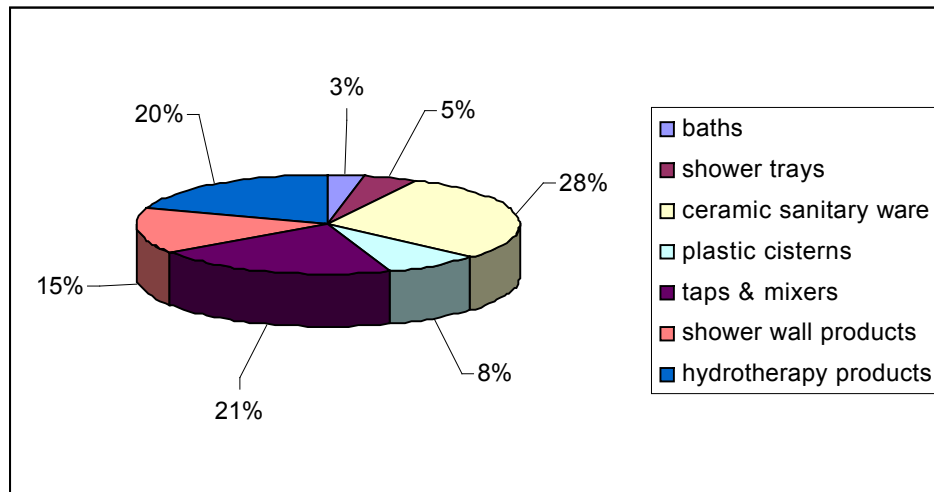
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Market Developments

In terms of volume, the various market segments developed in the following way in 2005:

- Baths Markets	1.3%
- Shower Tray Markets	0.3%
- Ceramic Sanitary Ware Market	-0.7%
- Plastic Cistern Market	1.5%
- Taps & Mixer Market	-0.6%
- Shower Wall Market	3.1%
- Hydrotherapy Market	3.6%

The relative market value for the various market segments can be depicted in the following way:



If you would like to receive more information about the Italian report or about any other CONSULT GB study, please click this link and send us an email