



International
Market
Strategy

Bathroom Newsletter

October 2006

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Egypt: SANITEC to increase outsourcing share from LECICO

29 August 2006

LECICO EGYPT and SANITEC CORPORATION have agreed to a new outsourcing arrangement. SANITEC estimates to source 75% of its total external sanitary ware requirements from LECICO. The new agreement is effective retroactively from 1 January 2006. Over the past three years, SANITEC has sourced approximately 50% of its external outsourcing volumes from LECICO. In case either LECICO or SANITEC would want the quantities reduced, this will have to take place over a period of two years.

At the same time as agreeing to these new terms, it was agreed that SANITEC would cease to share in the management fees paid by LECICO to CMS. CMS will continue to provide management, marketing, financial and technical consultancy services to LECICO, however CMS and LECICO have agreed to reduce the CMS management fee by 20% to reflect this reduction in expenses for CMS. The CMS fee will now be calculated on 1.6% of gross sales of LECICO's manufacturing entities instead of 2%. The fee is part of LECICO's administrative expenses.

Source: Regulatory News Service

Russia: Spain's ROCA launches €40 million plant in Russia's Leningrad Region

7 September 2006

Russia's ROCA SANTEKHNKA, part of Spain-based ceramic and sanitary ware giant ROCA Group, has launched a €40 million bathroom equipment manufacturing plant in the town of Tosno in Russia's Leningrad Region. The plant is equipped with machinery produced by Germany's REIDHAMMER and LIPPERT companies and Italy's OMS.

The plant has a floor space of 99,000 square meters. Its annual capacity currently stands at 600,000 units and is expected to reach 1.2 million units in the future. Raw materials for the plant are to be supplied from the U.K. and Germany.

The plant will produce bathroom equipment under the JIKA brand name. ROCA GROUP's most famous brands in Russia include JIKA, ROCA and LAUFEN. ROCA SANTEKHNKA has operated in Russia since 2004.

Source: Prime-TASS News (Russia)

Ukraine: Polish CERSANIT begins construction of factory to produce ceramic tiles and sanitary porcelain in Zhytomyr region



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11 August 2006

According to the chief department for economy of Zhytomyr regional administration, the construction is underway on a 25-hectare land lot in the suburbs of Novhorod-Volynskyi. The company purchased the land of the Chyzhevskyi rural council at an action in October 2005.

The construction is designed to be completed in three years. The construction includes two stages, 18 months each. €60 million will be used during the first stage and €40 million will be used during the second stage.

The European Bank for Reconstruction and Development said it would give a €46.8 million loan to the CERSANIT company of Poland for the construction of ceramic tiles and sanitary porcelain production lines in the city of Novhorod-Volynskyi in Zhytomyr Region.

CERSANIT produces bath and toilet equipment, shower cabins and furniture for bathrooms. The company is running three factories in Poland. It has been operating on the Ukrainian market since 1998. The company produced goods worth USD 150 million in 2004.

Source: Ukrainian News

India: UAE's RAK CERAMICS to invest \$50 million in India

23 August 2006

Ceramic tile and sanitary ware maker RAK CERAMICS plans to invest \$50 million in India in the next three years to set up a second factory.

The company has already opened a unit in the southern state of Andhra Pradesh, built at a cost of \$55 million, and the new unit would come up in the western Gujarat state.

The Indian operation will be its largest outside UAE and it is expected to contribute about 10% to RAK's revenue in 2006 and 20% in three years.

RAK would also open 100 stores across India.

Usage of ceramic tiles is much lower in India than advanced nations giving the company scope for aggressive growth.

Source: Reuters News

Ireland: QUALCERAM SHIRES to buy SOUTH QUAY PROPERTY

11 September 2006

QUALCERAM SHIRES announced that it has reached agreement, subject to contract and appropriate approval with the Board of ARKLOW HARBOUR COMMISSIONERS for QUALCERAM SHIRES to purchase from the ARKLOW HARBOUR COMMISSIONERS the freehold interest relating to part of the Group's facility at South Quay, Arklow, Co. Wicklow.



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The Group already owns the freehold interest in the remainder of the Arklow site.

QUALCERAM SHIRES' existing 11 acres site in Arklow is zoned WDZ (Waterfront Development Zone), which provides for mixed use development such as hotel, recreation and residential purposes.

QUALCERAM SHIRES has for some time been investigating the commercial advantages of selling its existing site for development and relocating its entire business in Arklow to an alternative site in the locality with the objective of developing the new site into a modern manufacturing and international distribution centre for its global business.

Source: Dow Jones International News

Germany: GROHE rules out sale to UK WOLSELEY

15 August 2006

German sanitary fittings maker GROHE AG denied reports that it might be taken over by British rival WOLSELEY.

GROHE's current owners have no plans to sell the company, it was explained. U.S. investment group TEXAS PACIFIC GROUP and Swiss CREDIT SUISSE PRIVATE EQUITY bought GROHE in the summer of 2004 from investment company BC PARTNERS, which acquired GROHE five years

earlier. BC PARTNERS listed GROHE on the stock exchange. According to British sources, WOLSELEY was interested in GROHE.

Source: German News Digest

Germany: HANSGROHE ties up with JAQUAR

19 August 2006

The Germany-based plumbing appliance major HANSGROHE AG has entered into a tie-up with Indian bath fittings company JAQUAR to showcase and demonstrate top-end sanitary products of HANSGROHE in JAQUAR'S 'Orientation Centres'. Around 8,200 dealers and 21 orientation centres of the Indian company would offer customer services and display facility to products of HANSGROHE.

Through this arrangement, the German company is expecting a 2% increase in sales by 2010. According to the company, there is no money involved in this tie-up; it will purely be on the basis of co-operation and goodwill.

HANSGROHE expect the venture to enable it to target affluent customers, builders and large-sized projects. For JAQUAR, the tie-up would upgrade its selling points with diverse top-line sanitary products. The best-selling brands of HANSGROHE — AXOR PHARO and PONTOS — will be on display at the facility of the Indian



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company. However no sales would be effected through these outlets.

Source: Business Line (The Hindu)

Bulgaria: ROCA BULGARIA opens €153,000 training centre

5 September 2006

Bulgarian sanitaryware manufacturer ROCA BULGARIA opened a 300,000 Bulgarian leva (\$197,316/€153,270) training centre in Kaspichan, northern Bulgaria, for its trade partners on September 5, 2006. The two-day training is free. ROCA BULGARIA is negotiating the training of students of Chernoriset Hrabar University in Varna, on the northern Bulgarian Black sea coast.

The annual sanitaryware production in ROCA 's plant in Kaspichan has soared to 1 million pieces. ROCA BULGARIA's 2007 investments can exceed the total volume of the money the company has put so far in Bulgarian projects, a company's senior official said.

ROCA BULGARIA plans to invest in the expansion of production capacity and the current range of products.

Source: Bulgarian News Digest

Vietnam: AMERICAN STANDARD sees Vietnam as key Asian market

15 August 2006

AMERICAN STANDARD sees Vietnam as a key Asian market, according to the company's business leader in South East Asia. Vietnam is a growth market for AMERICAN STANDARD as the company had seen annual growth of about 20%. The general director of AMERICAN STANDARD VIETNAM INC said the country's construction industry was growing fast, creating a big opportunity for the firm to boost sales here.

AMERICAN STANDARD will open more showrooms in Hanoi and HCMC as well as in other major cities in Vietnam. It now has six showrooms in HCMC and one in Hanoi. Some new products of the firm will hit the market late this year.

AMERICAN STANDARD VIETNAM is an 85:15 joint venture between CERAMIC SANITARYWARE PTE., LTD. (CSPL), a Singaporean company wholly owned by AMERICAN STANDARD and GENIMEX CORPORATION, a trading company specialising in the import and export of natural resources and other products in the Binh Duong Province. The venture was established in 1994 and its factory has been in operation since early 1997, manufacturing quality bath and kitchen products such as ceramic sanitaryware, faucets, tubs and accessories. In 2005



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the venture reported total revenue of
US\$10 million.

Source: The Saigon Times Daily



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Monthly Special “The European Bathroom Markets”

Austria

In 2005, the Austrian bathroom market enjoyed growth, driven mainly by growing renovation and modernisation activities. Sales of baths, shower trays, ceramic sanitary ware, shower wall and hydrotherapy products have recorded growth compared to 2004. On the other hand, taps and mixers faced a difficult year in 2005.

The major trend has been the disappearance of the middle segment and the bi-polarisation towards cheap products (mainly imports to DIY chains) on the one hand and high end products on the other hand.

For further information about this report, please send an [email](#) to our Austrian country manager.

Baltics

Increasing purchasing power of population and rapidly growing construction further stimulated growth of the overall Estonian bathroom market in 2005, which is estimated to continue in the 2006-2010 period as well.

In Latvia all bathroom product sectors registered growth in 2005, with further growth anticipated during the next five years.

Improving economy and increasing purchasing power of the Lithuanian population further stimulated growth of the overall bathroom market in 2005. Nevertheless, overall growth was hindered by decline in housing construction in 2005. The overall bathroom products market is estimated to grow moderately over the 2006-2010 period.

For further information about this report, please send an [email](#) to our Estonian, Latvian and Lithuanian country manager.

Belgium

In 2005 the shift from baths towards showers continued, with healthy growth for shower trays (especially due to the availability of larger shower trays), shower wall products and especially the shower alternatives within the hydrotherapy market. These increasing markets were not only caused by higher output levels within the new housing sector or a stronger economic environment, but also due to a shorter life cycle, especially within the lower segments of the market. This was mainly apparent within the taps and mixers and shower wall product groups.

In general, the 2005 market showed a move towards the more traditional products, and away from alternative products, like in the ceramic sanitary ware market.



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Bulgaria

In 2005, the Bulgarian bathroom market enjoyed another year of growth, helped mainly by continuing positive activity in the construction industry. The largest increase came from shower wall, hydromassage products and ceramic sanitary ware.

A clear trend of unbranded cheap imports, mainly from China, especially in the taps and mixers and sanitary ware markets has been recorded recently. In particular, these products are having a profound effect on Bulgaria's local production of sanitary taps and mixers, as it increasingly shifts its attention toward upper-end products. The same phenomenon is occurring in the sanitary ware sector.

For further information about this report, please send an [email](#) to our Bulgarian country manager.

Croatia

In 2005, the overall Croatian bath tubs market experienced a modest increase, due to growth in different segments, such as for synthetic baths and shower trays, of which acrylic is popular. Sales of ceramic sanitary ware and taps and mixers continued to grow in 2005 as well. After the 2004 sales boom, the Croatian hydrotherapy market stabilised and grew moderately in 2005. As for the shower wall products market, sales of shower enclosures have grown fairly quickly compared to other bathroom products in this sector.

For further information about this report, please send an [email](#) to our Croatian country manager.

Czech Republic

The overall 2005 bathroom market showed positive development, even though the level of growth of different product segments varied. The growth was mainly caused by a strong renovation activity and new housing construction, as mortgages and consumer credits are currently easily available at relatively low rates. The general post EU-entry optimism and increase of real wages support domestic demand, which is financed by increasing consumer credits and bank loans.

For further information about this report, please send an [email](#) to our Czech country manager.

Denmark

The overall Danish bathroom products market registered growth in 2005. Steel baths account for just under two thirds of the total baths market, while synthetic baths are gaining market share. Long term growth is expected in the shower trays market. Ceramic sanitary ware sustained a positive trend in 2005, coupled with near double digit growth for concealed plastic cisterns. Taps and mixer sales also registered growth. The shower enclosures market is expected to sustain growth over the next few years. Significant markets for other hydrotherapy products are yet to emerge.

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Finland

There is a market for steel baths as it is cheaper than synthetic alternatives, which is showing growth in the upper segments of the market. Ceramic sanitary ware continued its positive trend in 2005, coupled with double digit growth for concealed plastic cisterns, supporting a recent trend towards wall hung in the WC market. Taps and mixer sales are driven mainly by RMI demand, which showed strong growth in 2005. Shower enclosures are traditionally favoured over cubicles, mainly due to the improved water insulation properties. The hydrotherapy market has been growing strongly in the past few years largely as a result of increasing discretionary spending.

For further information about this report, please send an [email](#) to our Finnish country manager.

France

The French bathroom market has recently benefited from an apparent improvement in the status of the bathroom within the priorities of consumers (and linked to this the increasing popularity of installing guest toilets and second bathrooms). The main characteristic of the French bathroom market over the past two years has been a strong penetration of cheap imports, mainly from China, especially in the taps and mixers, ceramic sanitary ware and hydrotherapy products markets. These products, mainly distributed through DIY stores, have pushed many local manufacturers to focus on upper-end products sold through the wholesale channel.

In 2005, the French bathroom market experienced a strong growth, mainly driven by high construction activity. The largest increase came from hydrotherapy products, with all other segments enjoying growth rates between 2-5%.

For further information about this report, please send an [email](#) to our French country manager.

Germany

2005 was a very bad year for the bathroom products market and sales declined in all product segments. The overall decline was almost 6%, especially ceramic sanitary ware (decreasing by over 7%) and baths (falling by almost 6%) lost sales. There are major improvements expected for 2006 and growth is forecast to continue over the next five years.

There has been a shift towards either very cheap products in DIY stores and even supermarkets or towards the expensive luxury products.

For further information about this report, please send an [email](#) to our German country manager.

Greece

In 2005 all bathroom product markets declined, except for the hydrotherapy products market, reflecting the impact of the post-Olympic period. The most affected markets have been the ceramic sanitary ware, shower trays and the taps and mixers markets. Sales of baths continued to decline, although at a marginal rate due to the unexpected increase in sales of cast iron baths. The hydrotherapy market was the most dynamic one, since it was not affected by the completion of the Olympic Games. Nevertheless, all markets are expected to return to growth from 2006 onwards.



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Hungary

The Hungarian construction industry had several problems in 2005, especially the fact that the construction companies are in constant debt, owing funds to each other. The residential construction industry does not seem to be recovering in 2006 and the tightened fiscal policy this year is estimated to have a negative effect on overall demand.

All bathroom products segments decreased in 2005, except for the hydrotherapy market, of which development has not been affected by the negative impact of the underperforming construction industry and the prohibitive mortgage system.

For further information about this report, please send an [email](#) to our Hungarian country manager.

Ireland

The Irish bathroom products market continued to increase across all sectors in 2005 driven mainly by the growth in housing completions. Social housing has also been particularly active in recent years, of which the significant growth in steel baths in recent years has been a clear indicator. Non-housing construction has also seen high growth, especially in the hotels and office sectors. Thus, the bathroom products market has seen very high growth levels, fuelled almost entirely by the new build sector.

For further information about this report, please send an [email](#) to our Irish country manager.

Italy

Despite poor Italian economic performance and a sector that has shown all the signs of saturation, 2005 was a generally positive year for the bathroom market. The positive trend in new construction has possibly helped the market, especially in the bath and enclosed cubicles & bath screen segments, which have experienced a significant growth. Hydrotherapy has also grown substantially, confirming the importance of this sector in Italy.

Italian manufacturers have tackled increased imports from China of cheap products (especially components for taps & mixers and sanitary ware) with a move towards the high-end segments of the market.

For further information about this report, please send an [email](#) to our Italian country manager.

Netherlands

2005 was a positive year for the total Dutch bathroom industry again with only sales of baths contracting marginally, as people favoured shower trays instead of baths. Nevertheless, it is estimated that the Dutch shower trays market reached saturation and will decrease gradually from 2006 onwards. Hydrotherapy products are expected to further grow in the next five years.

For further information about this report, please send an [email](#) to our Dutch country manager.



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Norway

In 2005, the Norwegian bathroom market enjoyed another year of growth, helped mainly by strong activity in the construction industry, but also by a strong economy and high levels of private consumption and discretionary spending. The largest increases were at the luxury end of the spectrum with hydrotherapy products experiencing the largest growth, followed by ceramic sanitary ware (with a strong trend towards wall hung in the WC market) and shower wall products. Taps and mixers was still the largest market in terms of volume and value.

For further information about this report, please send an [email](#) to our Norwegian country manager.

Poland

The markets for baths, shower trays and ceramic sanitary ware and alternatives decreased in 2005, as the markets were still affected by the price hike with the increase in VAT from 7% to 22% in May 2004. Nevertheless, demand for taps and mixers, shower enclosures and hydrotherapy products have not been affected by the VAT change in 2005.

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Portugal

The Portuguese bathroom market in 2005 saw another bad year in sales since 1994, despite the fact that the country's economy showed some signs of recovery in the first half of the year. All segments directly involved in the new housing market (baths, ceramic sanitary ware, as well as taps and mixers) were affected by the slowdown in new housing construction and have therefore suffered negative results. On the other hand, shower trays, shower enclosures, bath screens and hydromassage products have seen signs of growth.

For further information about this report, please send an [email](#) to our Portuguese country manager.

Romania

Many Romanians work abroad and intend to invest their savings in dwellings in Romania (often refurbishing older dwellings). Refurbishment activities are also carried out by Romanians working in the country, often financed with loans. The DIY sector is booming, with Romanians purchasing their bathroom products mainly in the expanding number of DIY stores. As a general trend, there is an increasing number of imports from the Far East, mainly appearing in the increasingly popular DIY stores. As a result, all bathroom product segments increased in 2005.

For further information about this report, please send an [email](#) to our Romanian country manager.

Russia

Increasing purchasing power of the population further stimulated growth of the overall bathroom market in 2005, with only the cast iron segment continuing to decline. Chinese imports actively penetrate the taps and mixers market, as well as the shower enclosures and hydrotherapy segments. Russian manufacturers strengthened their positions in the ceramic sanitary ware market. Sales and share of domestic taps and mixer manufacturers continued to decrease, leaving the market in the hands of Chinese imports.



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Slovakia

In 2005, the overall Slovakian bathroom sector continued to grow, due to the growing economy and increasing activity in the construction sector (mainly the renovation sector). The share of synthetic baths and shower trays increased to the detriment of steel. In ceramic sanitary ware and alternatives, exposed plastic cisterns are giving away share to concealed models. The ratio of one-head mixers grew further; thermostatic taps and mixers sales are on the rise, while the share of two-head mixers decreased. The hydrotherapy market is volatile, depending mainly on housing RMI and non-housing projects.

For further information about this report, please send an [email](#) to our Slovakian country manager.

Slovenia

In 2005, sales of baths and shower trays decreased (although the customers' preference is continuously shifting towards shower trays), while all other segments saw their sales rise.

For further information about this report, please send an [email](#) to our Slovenian country manager.

Spain

In 2005, the Spanish bathroom market enjoyed another year of growth, aided mainly by the continuous activity in the construction industry. The biggest increase came again from hydromassage products, shower trays and shower wall products.

The forecast for the next five years in the bathroom sector is that, when the new housing market starts to slow down in the next couple of years, the bathroom products' markets, which are more related to new housing (such as baths, ceramic sanitary ware and taps and mixers), will also slow down.

For further information about this report, please send an [email](#) to our Spanish country manager.

Sweden

Stimulated mainly by high levels of discretionary spending and increased borrowing as a result of robust consumer confidence and wide availability of credit, virtually all sectors of the bathroom products market have shown good growth in the past couple of years.

This growth is expected to slow in most cases over the next five years, as a ten year cycle of growth comes to an end and as private consumption growth slows.

For further information about this report, please send an [email](#) to our Swedish country manager.

Switzerland

The 2005 Swiss bathroom products markets enjoyed growth and is expected to remain relatively stable in the period up to 2010. Growth, however, is limited by the fall in completed dwellings in 2007- 2008. Hydrotherapy products are expected to show the most healthy growth rates in the market, although closely followed by the taps and mixers market.



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Turkey

In 2005, all bathroom products resumed an upward trend, most of them hitting their highest sales levels. This was mainly due to a significant increase in the supply of new housing in 2005. The biggest rise in construction permits and also at occupancy permits occurred after the earthquakes in 1999. The ongoing improvement in Turkey's economic conditions was also the main driving force behind the overall growth in the bathroom products market in 2005.

For further information about this report, please send an [email](#) to our Turkish country manager.

Ukraine

The Ukrainian bathrooms market is still very much price-driven, with the majority of bathroom products sold to the replacement segment. All bathroom product segments registered growth in 2005 and are estimated to continue this trend in the next five years.

For further information about this report, please send an [email](#) to our Ukrainian country manager.

United Kingdom

The UK bathroom market in 2005 started the year with continued growth, however by mid 2005 there were signs that the decade of coincidence of positive drivers had come to an end and the market was experiencing a new set of circumstances. The hike in interests rates, coming at a time when consumers have pushed credit and borrowing to giddy levels, caused a slowdown in private consumption. The housing market also experienced a slowdown, with a fall in housing transactions and the rate of house price increases fell by almost 10% from 12.7% in December 2004 to 3% in December 2005.

Almost all sectors of the UK bathrooms market experienced declines in 2005, with showering markets holding up slightly better than most, due to the popularity of showering in the UK. The markets experiencing the largest falls were the ceramic sanitary ware and taps and mixers markets.

For further information about this report, please send an [email](#) to our UK country manager.

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