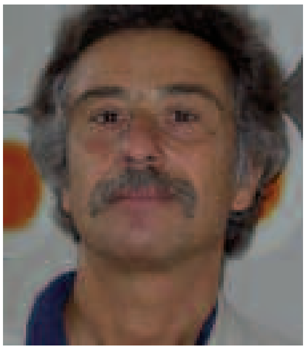
BRIGHT PERSPECTIVES FOR THE CHINESE KITCHEN FURNITURE MARKET



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During 2008, China and Hong Kong imported kitchen furniture for USD 48 million and USD 22 million respectively. During the period 2003-2008, the average yearly growth rate was +23% for China and –4% for Hong Kong.
Imports of kitchen furniture were practically non-existent in 1993 and they accounted for just a few million USD in 1997. A steady growth has been reported till 2007 (from USD 17 million to USD 46 million in five years) while just a 6% increase was registered in 2008. Imports almost exclusively come from Germany (75%) and Italy (9%). Some Japanese and Korean companies have outsourced in China small amounts of production.

2008 was a tough year for imported kitchen furniture: in some cities like Hangzhou, imported kitchen furniture usually priced RMB 50,000 (USD 6-7000), had to be discounted by over 50% in order to be sold.

THE UPPER END MARKET

The upper end kitchen furniture market is estimated worth 1.2 billion RMB (EUR 125 million) at factory prices.
Approximately 50% is in the hands of foreign companies. Nobilia is selling kitchen furniture in China since 2004 (among the earlybird players). EUR 7 million in 2008 and 10 million are expected for 2009. The Company has 15 sub branches in China. Nobilia kitchens are mostly sold with Siemens appliances. Alno came to China in 2000 and nowadays it has 3 offices in Shanghai, Beijing and Kunming.

Some other examples of foreign companies present in the Chinese market are HTH (Denmark), Hanssem (Korea) and Aran (Italy). Alno, Allmilmö, Snaidero/Rational sell mostly in the contract segment, having very close relationship with real estate developers. Poggenpohl reaches 14% of its total turnover in Asia. Siematic is probably at the top end, with kitchens priced 500,000 RMB, while most of Italians sell at 200,000.
The Italian integrated kitchens focus on the color matching and style creation. Trendy and unconventional design also makes the contribution for Italian brands to conquer market shares. The most representatives are regarded as Valcucine, Scavolini and Snaidero.

These products are popular in big cities like Shanghai, Beijing or Guangzhou.
Veneta Cucine has an assembly plant in Qingdao (the "electronics city" and home to Haier and Aucma).

Enex (Korea) is established in China (Tianjin) since 2003, selling 10,000 kitchens (mostly low priced, by contract) and 11 outlets. Investment has been RMB 100 million. Hanssem sells in China since 2004. Lavita is a Japanese producer of kitchen and bathroom furniture and related equipment. It operates at the upper-end with the brands Lavita, Sunwave and Pitto.
Elite, a Russian manufacturer established in 1994 and having business in China since 2004, deals with Indesit, Smeg and Haier appliances.

KITCHEN FURNITURE DISTRICTS

The kitchen furniture sector employs in China approximately 50,000 workers and the average turnover per employee is around RMB 340,000 (EUR 35,000). This ratio generally ranges between EUR 20,000 and EUR 40,000 per employee among the different companies. Our estimate of two years ago was 40% lower.
There are a total of about 250 firms active in the kitchen furniture sector in China, with an average employment of around 200 people.

Major companies work on the entire country but mostly the market is regionalised: so Yadier sells mostly in Shanghai, Kinetic in Guangdong, Bononi in Beijing, etc. Some kitchen furniture players are also localised in Qingdao (also a relevant district for major appliances), Heilongjang (for export products), Anhui.