BATHROOM AND WELLNESS IN EUROPE

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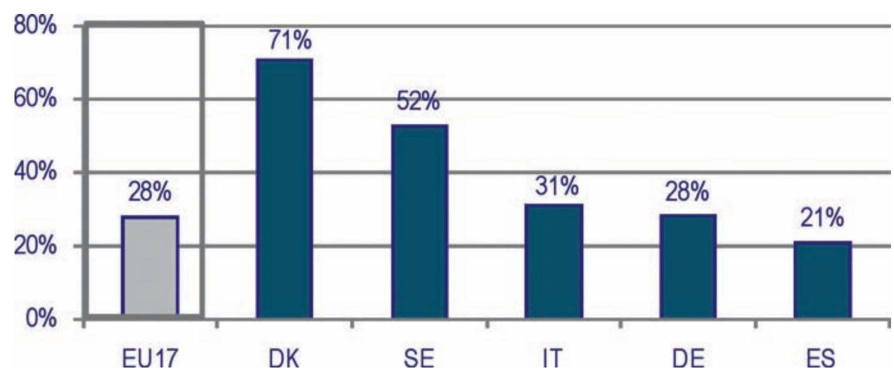
In 2010, the European bathroom furniture, furnishing and wellness market (including furniture, accessories, WC seats, showers and wellness segments) was worth Euro 5 billion at factory prices, remaining stable if compared to the previous year but showing a big decline (-14%) if compared to 2008 values. The export capacity of the European firms decreased over the last two years reaching 28% of the total production in 2010. On the other side, the European bathroom market seems to open and, despite decline in the overall consumption, the propensity to import increased passing to 27% in 2010.

According to the latest edition (June 2011) of the report 'The European Market for Bathroom Furniture, Furnishings and Wellness' published by CSIL, the bathroom industry is almost equally shared out into two macro sectors:
- Bathroom furniture, accessories and WC seats, accounting for 53% of the overall production;
- Shower Booths and Whirlpool Bathtubs accounting for 47% of the overall production.

Over 50% of the production of bathroom products concentrate in two countries, Italy and Germany, which are also the major European exporters. France is the third producer, followed by the United Kingdom. The situation changes if each macro sector is singularly considered. In the bathroom furniture, accessories and WC seats sector, the first three producers remain Italy, Germany and France, but the fourth position is occupied by Spain, whereas in the Shower Booths and Whirlpool Bathtubs sector, Germany overcomes Italy as the first producer and the United Kingdom rises up to the third position, mainly due to the presence of the manufacturing plant of the American giant Jacuzzi Brand, followed by Spain and France.

EUROPE. TOTAL BATHROOM SECTOR. EXPORTS/PRODUCTION RATIOS IN THE MAIN EXPORTING COUNTRIES, 2010. Percentage values



Source: CSIL processing

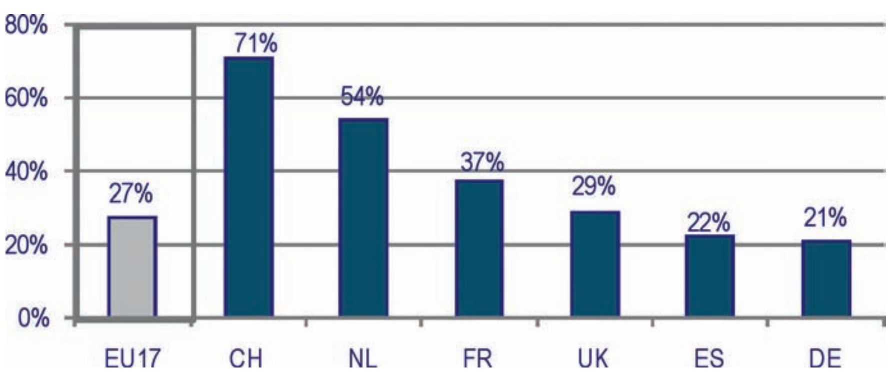
The European bathroom sector experienced a sharp decline in the last two years and although the year 2010 represented a recovery year for many manufacturers, the production levels of both macro sectors remained much lower than those attained in the year 2008.

COMPETITION, DISTRIBUTION AND CONSUMPTION TREND

Althoug 2010 was better than 2009, consumption increased slowly. The complete recovery is still far off and the market did not reach the consumption values attained in 2007-2008. Some important elements that are gradually modifying competition within the sector in Europe and cannot be ignored are: the increasing importance of Asian firms, especially in the lowest price range segments, which is forcing European producers to gradually, but constantly, repositioning themselves in the upper-middle market range; a strong innovation approach linked to technologies and to finishing, which caused problems for some firms that were not capable of adapting.

Distribution in the bathroom furniture segment is more or less the same as in most countries for bathroom furniture and wellness products. The majority of the products are distributed by the manufacturers to the wholesalers, and from the wholesalers to retailers or plumbers. In addition to these two traditional channels recently, many bathroom products are sold also by general furniture shops, large-scale distributors in various organisational forms (specialists, non-specialists, DIY) and contract projects, not only in the non residential segment, but also in the residential one.

EUROPE. TOTAL BATHROOM SECTOR. IMPORTS/CONSUMPTION RATIOS IN THE MAIN IMPORTING COUNTRIES, 2010. Percentage values



Source: CSIL processing

POTENTIAL DEMAND

Demographic developments have varied strongly within the EU in the past decades. Fertility and emigration play an important role in these demographic developments. In the Western European countries population has grown at different rates. Population projections indicate ageing of the entire EU population, albeit at different rates per country. Population decline may eventually lead to an oversupply of housing in certain nations or regions. Apart from population decline, the data indicate that households across the EU have become smaller: this is a result of older (and thus smaller) households but also fewer children and more young single person households. While population decline might reduce housing demand only when the number of households declines as well, the larger number of smaller households would affect the number and the size of future bathroom.

As the crisis definitively unfolded, house price increases came to a halt, while new residential construction and transactions of existing dwellings were severely affected in many countries. However, individual national housing markets reacted differently to the crisis. In some nations the house prices, residential construction and transactions dropped, while in other countries the data suggest a limited impact. These trends are well visible analyzing the annual percentage changes for each country of the building permits; indeed a building permit is a permit required in most jurisdictions for new construction, or adding on to pre-existing structures, and in some cases for major renovations (failure to obtain can result in significant fines and penalties, and even demolition of unauthorized construction). Generally, new constructions must be inspected during construction and after completion to ensure compliance with national, regional, and local building codes.

Another important demand driver is the non residential sector, mainly the hospitality segment. The European destinations are full-grown therefore the annual variation in the stock of the Hotel and similar establishments well identify the trend of the new hotel demand.
Unfortunately, starting from 2008, the stock of hotels and similar establishments declined, this was particularly due to the economic crisis that brought many hotels to close down, particularly the small independent ones. On the other side, many big international Hotel chains, in order to counter the crisis, have decided to invest in the improvement of their facilities, boosting the refurbishment segment.
As far as the bathroom segment is concerned, it is possible to estimate that around 3% of the total European market value is related to bathroom furniture and furnishings and 12% is linked to bathroom equipment and wellness fixtures, this is particularly true for the wellness centres.

WORLD. HOSPITALITY MARKET: SIZE AND SEGMENTATION, 2010. Units and Million Euro

	Overall hotel market				4 and 5 star hotels			
	Rooms		Market value (million Euro)		Rooms		Market value (million Euro)	
Country	New rooms	Renovated rooms	Total	Only Furniture	New rooms	Renovate d rooms	Total	Only Furniture
Europe	137,789	180,000	7,110	2,489	27,558	57,256	2,748	961
World	*521,589*	*600,000*	*20,834*	*7,292*	*104,318*	*180,000*	*8,073*	*2,826*

Source: CSIL processing