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Press Release

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Western Europe's Technical Consumer Goods Market back on track

Results of GfK TEMAX® Western Europe for the second quarter of 2010

Nuremberg, August 27, 2010 – Consumers in Western Europe spent EUR 42.3 billion on technical consumer goods in the second quarter of 2010, an increase of 3.6% in total compared to the same quarter in 2009. There is growth for nearly all sectors involved. Two product groups in particular, LCD TV and Smartphones, are outperforming. Most Western European countries reported positive or stable trends and appear to be 'back on track'. These findings are based on GfK TEMAX® Western Europe, an information service developed by GfK Retail and Technology.

For the period of Q2 2010, the positive sales trend of recent quarters has continued and all sectors, with the exceptions of Telecommunications and Office Equipment & Consumables, exhibit a positive development. Nevertheless, after the year of the crisis, total turnover has not yet reached the level of Q2 2008.

The Consumer Electronics market experienced the most positive revenue growth, fuelled by the football World Cup in South Africa, closing the second quarter at +8.9% for Western Europe in total. The Information Technology sector also demonstrates a positive increase (+4.6%) followed by Photo (+3.4%). The Major Domestic Appliances market is up by +2.5%. With an increase of +1.3%, Small Domestic Appliances saw slight improvement. Telecommunication rather stagnated (-0.2%), while Office Equipment & Consumables declined by -3.3%.

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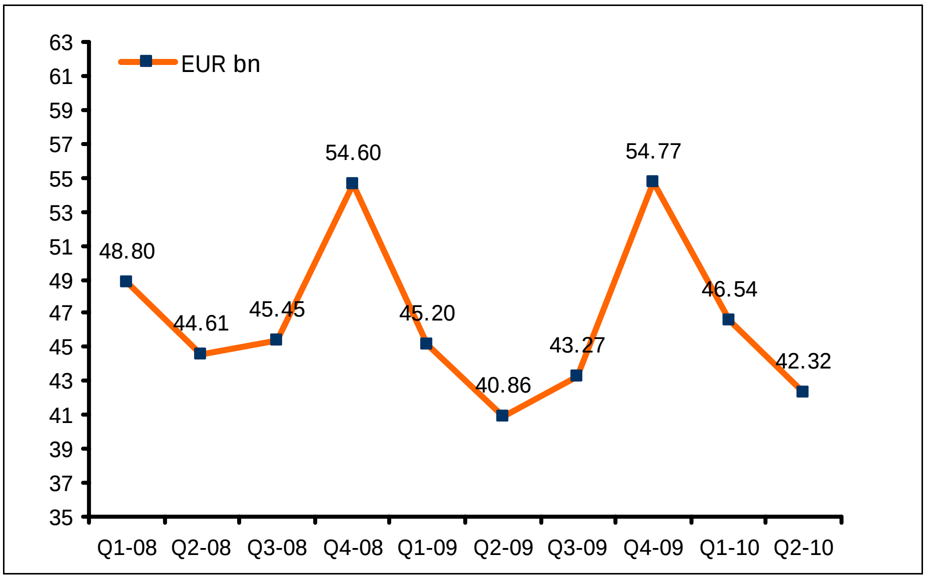
Sales trend for Technical Consumer Goods in Western Europe



Source: GfK TEMAX® Western Europe, GfK Retail and Technology

Consumer Electronics: The World Cup and new product features lead to growth

The largest sector in Q2 2010, **Consumer Electronics**, achieved sales worth EUR 10.9 billion, equal to an increase of +8.9%. The result was spurred by a variety of factors; of which the most prominent one was the positive impact of the football World Cup in South Africa. Further factors were the tendency towards innovative high quality technical features, the digital switchover from analogue to digital television in Italy, Spain, Great Britain and Portugal, the rising connectivity of products and qualitative improvements in vision and sound, to name the most important ones.

Countries which contributed to the positive developments in the Consumer Electronics sector are Italy, Germany and the Nordic countries with double-digit growth rates, followed by France, Spain and the UK, which are all showing solid developments.

In terms of product groups, TV remains dominant in the CE sector, where it accounts for more than half of the turnover generated at an ever growing rate. LCD TVs are particularly important, representing nearly 90% of all TV products sold. A dividing trend at both ends of the screen-size spectrum can be observed. Products with screen sizes of 22" and less as well as 37" and larger were in great demand from the consumer. At the same time, price pressure is lower compared to previous years thanks to a greater willingness to spend on the part of the consumer. The readiness to pay more can be attributed to new innovative and attractive product features; built-in HDTV Tuners, LED-Backlights and internet connectivity to name but a few.

The impact 3D technology will have on consumer demand is yet to be seen and something to watch in the coming months.

Another growth area is the category of Hi-fi and Home Cinema Systems which are often equipped with higher quality and more innovative features. Having obtained a superior picture, consumers seem to be willing to spend more on superior sound also. In contrast, the DVD-Player and Recorder market continues to decline in value in the first half of 2010, while the positive development of Blu-ray added stability to the market. All in all, positive trends are expected to be reflected in the overall results for 2010.

Information Technology: Mobility and Connectivity are key

The **Information Technology** (IT) market, the second biggest behind Consumer Electronics, was worth EUR 9.9 billion in Q2 2010. Sales in value terms increased by +4.6%. Nevertheless, growth rates vary between countries. Belgium and Sweden in particular both enjoyed double-digit growth rates. In addition, Germany, the UK, the Netherlands and Sweden all experienced sound growth. In contrast, Greece, Italy and Portugal all exhibited declining IT sales.

There is a new elementary computing trend which is appearing across Europe at present; newly and attractively designed All-in-One-Computers, which are integrating a large-sized wide Monitor with corresponding computing performance in one single design-oriented form factor. This segment is developing positively across all countries, illustrating the need for perceived innovation for generating further market growth. Wide Monitors along with Desktop Computers performed positively in most European countries in the B2B markets: positive economic development and replacement cycles due to Windows 7 and Office are currently responsible for this rising development. Mobile computers, the product group with the highest sales, posted satisfactory but slightly lower growth compared with previous quarters. Overall, retail markets are suffering somewhat from cross-World Cup effects: consumers were focusing more strongly on CE products during the second quarter this year, which did slow down IT retail market growth in general and will lead to a stronger seasonality pattern this year. That said, ‘mobility’ and ‘connectivity’ are still driving IT-markets and therefore a positive second half of 2010 can be expected. Also, when considering innovative product groups such as Mobile Internet Devices, Network Attached Storage (NAS), external storage, mobile and All In One (AIO) computers, small form factor projectors, etc, there are a lot of attractive products available, which will presumably lead consumers to invest further in IT.

Photo: single-lens reflex cameras and high value features

In the **Photographic** market, sales in value terms amounted to EUR 2.2 billion, an increase of +3.4% over the same quarter last year. All country markets performed well, with the exceptions of Greece and the Netherlands which saw a decline in Photo sales.

The performance of digital cameras was encouraging, single-lens reflex cameras in particular enjoyed robust growth in sales value. Overall, the positive sales performance for cameras is attributable to innovative and improved features. For example, the integration of video functions in HD, GPS positioning, larger wide angles and bigger zoom. These developments were correspondingly influencing sales of accessory product groups such as interchangeable lenses and flashes. In contrast, image displays had to contend with falling average prices and declining sales.

In summary, product innovations are clearly the most important drivers in the Photographic market.

MDA: consumers increasingly appreciate energy efficiency

In the first six months of 2010 the Western European market for **Major Domestic Appliances** (MDA) has recovered noticeably, rising +3.6%. Nevertheless, in the second quarter the market showed moderate development with a +2.5% increase, equal to total sales value of EUR 7.5 billion.

Large markets such as Italy, Great Britain, Spain and France all showed positive development in value terms (based on local currency). In Italy the market was stimulated by a government subsidy programme, which pushed demand for kitchens and built-in products. Built-in dishwashers and ovens were also able to profit from the programme.

A general global trend towards products with top quality features can be observed. Energy efficiency, which has been the focus for both manufacturers and consumers for some years, is playing even an increasingly important role as a growth driver. Future growth drivers alongside energy efficiency are functionality and attractive design.

SDA: Innovation, Lifestyle and Personal Care

In total, consumers spent EUR 3.1 billion on **Small Domestic Appliances** (SDA) in the second quarter of 2010. This is a slight increase of +1.3% against the same period in 2009. France, Spain, the UK and Germany along with smaller markets such as Sweden performed very well in value terms. Only Greece and Italy declined.

For the first six months of 2010 growth reached 4.1% compared to the same period in 2009. Dynamic brands, innovative products and ‘trading up’ are typical growth factors for the SDA market which has grown consistently over the past two quarters in Western Europe.

Vacuum cleaners representing nearly half of the SDA turnover developed quite successfully. It was mainly the bagless, high quality feature vacuum cleaners which enjoyed growth. Generally, a trend towards brands and also ‘trading up’ was evident in this product group.

Coffee and espresso machines were also able to provide a positive stimulus to the market. Coffee and espresso machines have for some years represented the biggest growth segments in the SDA sector with double-digit growth rates in Western Europe. Changes in consumers’ habits for coffee drinking and more innovative products have influenced this segment. Strong demand was clear for Pad, Capsule and fully automatic machines. Nevertheless, Traditional Filter coffee machines still feature prominently.

The area of Personal Care also contributed to the performance. Men’s shavers, epilators, dental care, hairdryers, hairstylers and hairclippers all developed positively.

Generally, consumer attitudes were a factor which supported the sound development in SDA and is prevalent in various product groups; they would rather opt for a well equipped, high quality product which of course means a product with a higher average price.

Telecommunication: Smartphones and mobile internet invigorate the market

The first quarter of 2010 saw the **Telecommunication** market increase by +4.9%. Although the market slowed down somewhat in the second quarter of this year, it remains positive for the first six months of 2010 (+2.6%). 'All Telecom values are based on subsidised sales prices.

Mobile and Smartphones (devices with open operating system and QWERTY/Z or touchscreen) represent the most important part of the telecommunication devices market. In volume terms, these products combined have seen sales increase by +2% in Western Europe for the first half-year 2010. Sweden, Greece and Switzerland are the leading performers, while Spain, Finland, Germany and France all exhibit growth rates of 5% or more. In contrast, Portugal, Italy, the Netherlands, Denmark and Belgium all experienced a decline. Due to the very positive development of Smartphones, the overall average price of EUR 171 (without subsidies) in June 2010 remained stable compared to the same month the previous year.

One significant trend for the mobile and Smartphone market is undoubtedly towards touchscreen devices. In Q2 2010, 39% of products sold are already equipped with a touchscreen. The share of touchscreen ranges from the relatively low in Finland (24%), to a high of 45% in France.

In the business segment, Smartphones are already standard. The usage of the countless “Apps” and “Social Networks” as well as mobile internet access combined with an interesting new product attracts an increasing number of private customers to purchase a Smartphone. As a result, more than one in every four phone devices bought during Q2 2010 was a Smartphone, which are outperforming the market with volume growth of 62%. In contrast, phone devices with closed operating systems are clearly below the sales level of 2009 in volume terms.

The increasing importance of Smartphones will switch focus from traditional features to processor technology and capacity in the future.

Office Equipment and Consumables: decline continues

Total sales of **Office Equipment and Consumables** amounted to EUR 4.3 billion in the second quarter of the year which represents a decline of -3.3%. Considering the first six months the decline is somewhat softer with -2.1%.

Countries such as Greece and Portugal encountered a difficult quarter. Other important players including the UK and Germany are contributing to the overall negative trend in Western Europe. Positive trends for Office are visible in the Benelux countries, Italy, Spain and Sweden.

Sport events of course have little impact for the end-user in this sector, with the possible exception of Data Video Projectors. Data Video Projectors demonstrate excellent figures in the second quarter, stimulated as mentioned by the football World Cup. Despite decreasing average prices, most of the countries exhibit a double-digit increase in value.

Average prices of all printing devices, being it stand-alone or Multi Functional Devices (MFD), ink or laser, are not in decline and in fact show an increase over time, although the total turnover is still developing negatively.

Ink stand-alone printers and laser stand-alone printers (mono and colour) suffer particularly. On contrary, Inkjet MFD and Laser MFD (also mono and colour) are still growing in volume and value. The share of W-Lan compatible devices continues to grow for Inkjet and moves to 40% of Inkjet MFD sales. Sweden is really on the move in this area, with already more than half of the sales accounted for W-Lan compatible printers.

Consumables are largely maintaining the status quo of last year. The average price for Inkjet Cartridges is dropping a little and has the tendency to go below EUR 15. In combination with lower unit sales, the sales value for Inkjet cartridges is developing negatively in Q2 2010.

On the other hand, the price for laser Toners is increasing and breached the EUR 90 mark, compared to EUR 86 last year. Hence the sales in units of toners are also under pressure at present and the value trend is still positive due to this increase in price.

With the crisis hopefully at an end and taking the current situation into consideration, Office Products will hopefully achieve the same level for the full year as in 2009.

Sector and country differences evident in Western Europe

In Q2 2010 nearly all Western European countries reached positive or at least stable growth rates. Only exception was Greece, which is still struggling. Hence, overall a positive increase of +3.6% for GfK TEMAX in the 2nd quarter. This overall increase indicates that the technical consumer goods market is back on a positive track after the often cited ‘year of crisis’; a path which is expected to continue throughout this year. Nevertheless, it is worth bearing in mind the country differences, with sector performance differing sufficiently from country to country.

Summary in table format

In EUR m	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q2 2010 Q2 2009 +/- in %	Q1-2 2010	Q1-2 2010 Q1-2 2009 +/- in %
Consumer electronics	10,708	15,707	12,163	10,899	8.9%	23,061	4.5%
Photographics	2,147	2,817	1,999	2,189	3.4%	4,187	3.1%
Major domestic appliances	8,022	8,297	7,750	7,512	2.5%	15,262	3.6%
Small domestic appliances	3,227	4,219	3,407	3,131	1.3%	6,538	4.1%
Information technology	10,023	12,919	11,508	9,881	4.6%	21,389	4.2%
Telecommunications[1)]	5,101	6,103	5,098	4,448	-0.2%	9,546	2.6%
Office equipment & consumables	4,043	4,706	4,614	4,261	-3.3%	8,875	-2.1%
GfK TEMAX® Western Europe	43,271	54,772	46,541	42,321	3.6%	88,862	3.3%

1) Telecommunication figures are based on subsidized sales prices
Source: GfK TEMAX® Western Europe, GfK Retail and Technology

The survey

GfK TEMAX® is an index developed by GfK Retail and Technology to track the consumer durables markets. GfK TEMAX® is published internationally. The findings are based on surveys carried out by the retail panel of GfK Retail and Technology. The retail panel comprises data from over 340,000 retail outlets worldwide. All reports and press releases are available at www.gfktemax.com.

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