

Press release

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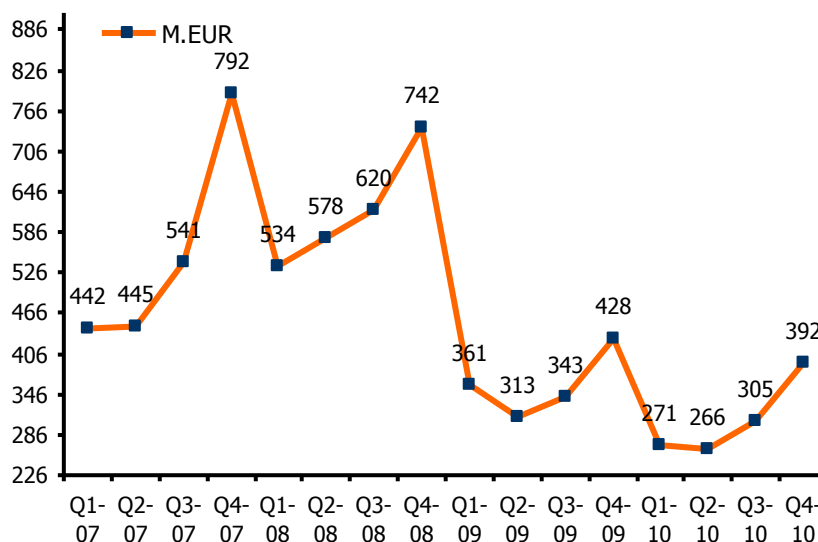
Mixed fortunes for sectors in the fourth quarter

Results of GfK TEMAX® Romania for the fourth quarter of 2010

Bucharest, 15 February 2011 – The fourth quarter of 2010 saw another firm decline for the TCG market. Total sales in Q4 2010 reached EUR 392 million, -8.6% lower than Q4 2009. Although sectors such as Consumer Electronics (CE) and Photo displayed positive growth rates compared to 2009, overall, 2010 was down -14.6% over the previous year.

The total market for technical consumer goods was EUR 392 million in the last quarter of 2010, while the value for the whole year totaled EUR 1,234 million. Photo and CE enjoyed another positive quarter, growing 18.4% and 4.8%, respectively.

Sales development of technical consumer goods in Romania



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Source: GfK TEMAX® Romania, GfK Retail and Technology

Sales of Small Domestic Appliances (SDA) were relatively stable, the total of EUR 23 million being only -0.6% weaker than Q4 2009. Both Major Domestic Appliances (MDA), falling -6.8% and Information Technology (IT) which declined -8.2% maintained their declining trends.

Telecom (-29.7%) and Office Equipment (-39.5%) sectors did not show any sign of recovery in the last quarter of the year. Overall, 2010 was a particularly weak for Telecom and Office equipment with a staggering drop of over -30% compared to 2009, a year already affected by the crisis.

Photo – the best performing sector in Q4

Photo was the best performing sector. With an increase of almost 8% year on year (YoY), this sector is the first to show clear signs of recovery following a very difficult 2009.

Christmas sales were particularly good in the compact segment and brought an increase of 18% in Q4 2010 compared to Q4 2009. December was marked by bargain prices, the sales of compacts with prices under EUR 100 rose to stand at 70% of all sales in unit terms.

Last year's star product, photo frames, also recorded high sales. However the performance did not manage to match that registered in December last year when these devices became a new hit in the market.

Consumer Electronics – cautious recovery

The end of the second year of crisis marked another challenging period for the CE sector. However, unlike 2009 the overall picture was not all bad. The year 2010 was one of stagnation, reaching a similar value of sales as in the previous year – EUR 270 million. After a poor start to 2010, cautious recovery was on the cards for the sector, quarter on quarter (QoQ).

The last three months of the year brought a sales increase of almost 5%, the overall performance was exactly EUR 100 million. Once again, Christmas business marked the CE sector as one of the most dynamic monitored within GfK TEMAX. In particular sales of TVs and other gift-suitable products such as Portable Media Players or Video Game Consoles did better or similar in Q4 2010 against Q4 2009.

For much of the recession, throughout the year and also in Q4, volume growth in Flat TV compensated for declines in many of the older, more traditional categories such as Audio Systems, Camcorders or DVD Players/Recorders. The catalyst for increasing TV sales was provided in Q2 by the FIFA World Cup and VAT increase events; growth continued in Q3 and Q4 based on various promotions, but moreover on the effervescence of an innovative segment. This year new technologies such as LED became accessible to the Romanian consumer in terms of price and the launch of both 3D TV and TV with smart functions were also hot topics.

The interest in 3D is likely to continue into 2011, but the scarcity of 3D content combined with the high price of these devices will keep this product at considerably low sales volumes. However, following the global trends and an increasing internet penetration rate in Romania, we can expect that next year Web TV will gain in popularity as consumers demand internet content.

As for other products, the year ahead will remain challenging. Due to digitalization and higher innovation rates in other markets such as IT and Telecom, the "traditional" brown goods sector is facing increased competition.

As the allocated budget for technical consumer goods in Romania is still a small one, the consumer will choose the product offering the most valuable perceived benefits.

Small Domestic Appliances - decline has started to decelerate

Q4 2010 almost attained the amount registered in Q4 2009, recording a decrease of -0.6%. Food Preparation is no longer a driver with its place being taken by Hot Beverage makers – high demand for Espresso Pump Closed machines sustained by price cuts, Hairclippers and Kettles. Within this category, Food Processors remain the most influential product group, with a strong decrease contributing to the decline of the entire segment. Vacuum cleaners have shown positive figures in the last quarter of the year due to the increasing number of the bagless type of vacuum cleaners sold during these months at a lower average price. Even so, when considering the entire year, Vacuum Cleaners is a segment that has performed negatively in comparison to the previous year. Irons are suffering the most, without being sustained by intense promotions.

Although the last quarter of the year registered increases in sales of men's shavers, the decrease of Epilators is stronger and tips the balance towards a constraint of the Shavers category, keeping the same descendent trend for the whole year.

Overall, the SDA market experienced a small decline of -2.8% in 2010. The political environment has made its mark on consumer behavior once again. Deep cuts in salaries in the public sector and increases of taxes were felt strongly by consumers. Influenced by the fear of losing jobs or not having enough money to live, people are reserved when buying SDA products, only purchasing the goods they really need or looking for promotions.

Major Domestic Appliances – driven by necessity

In 2010 the MDA market reached a value worth EUR 308 million, being the second largest market among the audited TEMAX sectors. The second crisis year brought, however, a decline of almost -7% when compared to 2009; demand was cautious as people only bought what was absolutely necessary in this market. In conclusion, it was not the desire to change a still functional device with a modern one, or a premium one that drove consumer purchasing behaviour in 2010. Necessity was also the driver in December, when sales of freezers demonstrated positive growth rates.

Information Technology - negative development remains stable

In the final quarter of 2010 the rate of decline in the IT sector compared with the same quarter in 2009 was -8,2%, approximately the same level as in Q3. The total development of 2010 is still quite negative with a -20 % drop in comparison with the previous year. The market of the key segment, mobile computers, shows signs of recovery with moderate growth in value.

Despite a certain slowdown, the turnover for most other product categories is nevertheless still dropping, which result in a decline of the total IT market.

Telecom – Smartphones: in the spotlight

The telecoms market continued to exhibit a negative trend, with a double-digit decline of -29.7% and was worth EUR 51 million in the fourth quarter of 2010. Smartphones are growing fast with double-digit growth figures, with increasing innovation at both hardware and software level, thus creating more value and attractiveness to the end user. On the other hand, mobile phones are still on a downward trend in terms of turnover.

Office Equipment – Printing devices' negative trend remains

The printing market witnessed a double-digit decline of -39.5% in the fourth quarter of 2010 compared with the same quarter of 2009. Reaching a value of EUR 8 million, the office equipment market recorded a negative development due to the decrease in the price index of the most important manufactures. This situation had an impact as a result of the promotions made in Q4 2010, designed especially for making the products more attractive for the consumers. Although the printing products are experiencing a high level of technical advancement, the retailers faced a low purchasing power of the consumers, which was reflected in smaller figures both in sales units and value.

The Office Equipment market follows the trend of the entire IT market, but, there is no doubt that the research and development of printing technology which is evident in better performing features will contribute in the near future to the growth of the importance of this segment industry across the Romanian market.

Summary in table format

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q4 10 /Q4 09	Q1-4 2010	Q1-4 10 /Q1-4 09
	M.EUR	M.EUR	M.EUR	M.EUR	+/-%	M.EUR	+/-%
Consumer Electronics (CE)	57	55	59	100	4.8%	270	0.2%
Photo (PH)	7	9	10	11	18.4%	37	7.9%
Major Domestic Appliances (MDA)	58	70	91	89	-6.8%	308	-9.6%
Small Domestic Appliances (SDA)	17	17	19	23	-0.6%	77	-2.8%
Information Technology (IT)	80	69	79	110	-8.2%	338	-20.0%
Telecommunication (TC)	42	39	41	51	-29.7%	174	-31.5%
Office Equipment & Consumables (OE)	10	7	6	8	-39.5%	31	-33.1%
GfK TEMAX® Romania	271	266	305	392	-8.6%	1,234	-14.6%

Source: GfK TEMAX® Romania, GfK Retail and Technology



The survey

GfK TEMAX[®] Romania is an index developed by GfK Retail and Technology to track the technical consumer goods markets. The GfK TEMAX[®] Report 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 190.000 retailer outlets worldwide. All reports and press releases are also available at www.gfktemax.com.

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