GfK Retail and Technology

Press Release

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Growth Driver: Consumer Electronics

Results of GfK TEMAX® for the second quarter of 2010

Nuremberg, August 12, 2010 – The total market for technical consumer goods ended the second quarter of the year with substantial growth of 4.8%, with total sales worth EUR 9.9 billion. Consumer electronics were the leading category. The information technology, photographic, telecommunication and small domestic appliance segments also exhibited increases. In contrast, major domestic appliances and office equipment and consumables sales were slightly lower.

With a solid increase of 4.8% in comparison with the same period in the prior year, the technical consumer goods market continues to grow. This good result was partly fueled by the special business cycle of the football World Cup in South Africa.

Consumer electronics: Peak figures for LCD thanks to the World Cup

The consumer electronics segment bolstered the strong results of the GfK TEMAX® for the second quarter of 2010 with outstanding sales growth of 14.6% and a total market value worth EUR 2.5 billion. Compared with the same quarter of the previous year, retailers generated almost one-third more in sales of flat screen televisions. Over 50% more sets were sold in the week before the start of the World Cup. The trend towards bigger screen sizes and better equipment as well as internet access, 100/200Hz technology or LED is continuing. Accessories also saw strong increases. For instance, set-top boxes recorded the biggest surge in sales in the segment with an increase of just under 60%. Demand was particularly strong for set-top boxes that enable an HD TV experience. DVD players/recorders and home cinema systems showed sound single-digit growth rates. This was supported by demand for Blu-Ray technology and the willingness of customers to pay more for innovative and high-quality products.

Information technology: Solid growth

Market sales worth EUR 2.5 billion in the second quarter equated to a pleasing 5.8% year-on-year increase in sales for information technology (IT).

The product group with the highest sales, mobile computers, posted satisfactory but slightly lower growth compared with the previous quarters. In the second quarter of 2010, private demand was more sharply focused on consumer electronics because of the World Cup, whilst the long-announced but then delayed launch of the iPad caused a certain reluctance to purchase. Accordingly, demand for notebooks with screen sizes of less than 12 inches fell, whilst it remains intact for screen sizes of 15.4 inches. As for computers, there are also signs of a new basic trend towards design-oriented, high-performance all-in-one appliances with a wide-format monitor. They showed extremely positive double-digit sales growth for the second quarter. The value growth for monitors, primarily driven by replacement requirements of commercial buyers, was also welcomed by the sector.

Photographics: Cameras with interchangeable lenses remain popular

The photographics market grew by a further 3.1%, generating total sales of EUR 632 million. Digital cameras, the most important product group by value share in this segment, posted slightly slower growth than in the previous quarter, with a moderate rise of just under 2%. The performance of cameras with an built-in lens remained stable. Demand and sales for cameras with interchangeable lenses were encouraging. Overall, the positive sales performance for cameras is attributable to innovative and improved features. Examples of this are 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, which actually recorded double-digit growth. In contrast, image displays had to contend with falling average prices and declining sales.

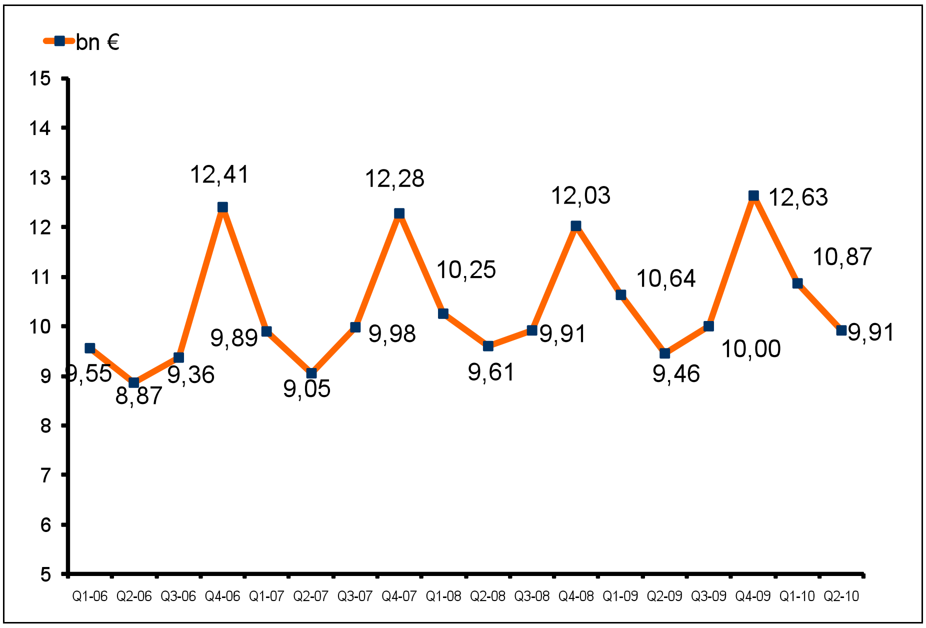
Telecommunications: Positive impetus from smartphones

With 2.7% sales growth and a market value worth EUR 856 million, the telecommunications market delivered an impressive performance. This was again driven by smartphones. Their dynamic growth made up for the losses of traditional mobile phones. Telephones with a touchscreen were also in demand, accounting for almost half of smartphone sales. Landline telephones also grew in the second quarter, chiefly as a result of demand for wired IP telephones. In contrast, fax machines and small telephone systems dropped back consistently.

Small domestic appliances: Sustained positive trend

The development of small domestic appliances slowed down slightly in the second quarter of the year. A total of EUR 597 million was equal to value growth of 2.5%. The highest-selling product group in the segment was coffee and espresso machines. In particular, coffee pad machines and espresso capsule systems ensured growth in this area. Vacuum cleaners, electric razors, irons and kitchen aids all increased moderately. However, traditional kitchen machines also bolstered the sales of this market. Consumers increasingly turned to higher-quality devices with a higher price.

Sales development of technical consumer goods in Germany



Source: GfK TEMAX® Germany, GfK Retail and Technology

Major domestic appliances: Restrained development

The stagnant sales development of major domestic appliances continued in the second quarter. Sales of major appliances were down 0.3% to stand at just under EUR 1.7 billion. Important product groups such as refrigerators, cooker hobs, dishwashers and ovens stagnated or declined slightly. Only washing machines generated moderate growth as a result of the demand for better energy efficiency and higher load classes. The segment is currently characterized by the increasing availability of attractive innovations such as energy efficiency and no-frost. These are now available not only in the premium segment, but also in the lower price brackets, thus ensuring price pressure. The only very pleasing performance came from tumble dryers, which rose by around one-tenth in terms of value as a result of demand and strong sales for energy-efficient machines.

Office equipment: Negative development tails off

With a decrease of 4.4%, the decline in sales of previous quarters in the office equipment & consumables segment tailed off slightly, with a market value equal to EUR 1.15 billion. Overall, the picture was mixed. The only product group to experience a real upturn was data and video projectors, sales of which increased in value by almost one half due to the impact of the World Cup.

In contrast, printer cartridges, which account for more than half the sales in this market, again posted significantly lower sales. Laser and inkjet printers with only one function also experienced a sustained sharp downward trend. Only multifunctional devices showed stable development overall, for devices with ink and laser technology.

There are signs of a new trend in inkjet printers for the small office segment that raises hopes of positive impetus for this product group. Business ink models, i.e. inkjet printers for the business segment with extra-large, cost-efficient cartridges, are increasingly being launched.

Solid growth continues

With sales growth of 4.8%, the market for technical consumer goods showed robust growth in the second quarter of 2010, thus continuing the positive development of the first quarter. Looking at the first half-year as a whole, the market is up 3.4% on the same period of the oft-quoted crisis year of 2009. Factors such as the World Cup and the positive reports on the development of the economy and the labour market helped to boost product sales. For 2010, GfK continues to expect a positive performance for the technical consumer goods markets.

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	2,380	3,464	2,796	2,518	14.6%	5,314	5.7%
Photographics	602	773	569	632	3.1%	1,200	4.6%
Major domestic appliances	1,824	2,001	1,741	1,693	-0.3%	3,434	0.9%
Small domestic appliances	598	894	700	597	2.5%	1,297	2.7%
Information technology	2,418	3,019	2,802	2,465	5.8%	5,267	6.8%
Telecommunications	979	1,120	996	856	2.7%	1,852	4.5%
Office equipment & consumables	1,196	1,357	1,266	1,154	-4.4%	2,420	-5.3%
GfK TEMAX® Germany	9,997	12,628	10,870	9,915	4.8%	20,784	3.4%

*Telecommunications including smartphones

Source: GfK TEMAX® Germany, GfK Retail and Technology

The survey

GfK TEMAX® is an index developed by GfK Retail and Technology to track the Technical Consumer Goods markets. The findings are based on regular surveys carried out by the retail panel of GfK Retail and Technology. The retail panel comprises data from over 340,000 retailers around the world. Since February 2009, GfK Retail and Technology has also collected data for the GfK TEMAX® internationally in more than 30 countries, including extensive overall markets for Technical Consumer Goods in different countries for the first time. All reports and press releases are available at www.gfktemax.com.

If quoting information from this press release or on www.gfktemax.com, please explicitly refer to GfK TEMAX® as the source.

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