

# Heating June 2010



## International Market Strategy

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## Denmark: DANFOSS Returns to Profit in Q1 2010

DANFOSS confirmed a net profit of DKK 255 million (€34.3 million) in the first quarter of 2010 from a loss of DKK 398 million in the same period last year. The positive trends from the fourth quarter of 2009, reflected in the early measures implemented against the global crisis, continued in 2010.

Net sales rose by 9% year-on-year to DKK 7.1 billion. When adjusted for acquisitions, divestments and foreign currency translations, growth was 11%, compared with a decrease of 16% a year earlier.

In the first three months of 2010, the company also saw an operating profit of DKK 384 million (€ 48.5 million) versus a loss of DKK 447 million (€56.5 million) in January-March 2009, caused by, among other things, an improved capacity utilisation as a result of the implemented restructuring activities.

In line with DANFOSS' strategy, effective as of January 2010, the groups now consists of three segments. The company's core divisions are gathered in one segment, called DANFOSS CLIMATE & ENERGY, whereas a number of divisions, which are due to undergo strategic restructuring are gathered in DANFOSS DEVELOPMENT. The activities of US mobile hydraulics firm SAUER DANFOSS constitutes the third segment

DANFOSS's business areas are performing better than expected, and it is particularly positive that their core businesses are once again showing upward growth rates. In addition, it was revealed that the most distinctive growth has taken place in the so-called BRIC countries, (including Brazil, Russia, India and China), which, along with the USA, are DANFOSS' focus key areas.

As a result of the developments in the first quarter, DANFOSS has upgraded its outlook and now expects net sales of between DKK 27 billion (€3.4 and €3.5 billion) and operating profit in the range of DKK 1.1 billion - 1.4 billion. The expectations do not include the impact of divestments or acquisitions.

The group previously forecasted net sales of between DKK 26 billion and DKK 27 billion and an operating profit in the range of DKK 750 million to DKK 1.25 billion.

Source: ADP News Nordic



## Finland: DANFOSS Plans Relocating Production

Danish industrial group DANFOSS made a final decision to relocate its production of heat exchangers and large substations from Finland to existing plants in Slovenia and Poland, respectively.

The transfer, which will affect a total of 124 employees in Leppavirta, central Finland, is due to be completed by the first quarter of 2011. The relocation is expected to lead to substantial cost synergies by using existing production sites.

The plans were originally announced on 17<sup>th</sup> March 2010 and since then DANFOSS has been in talks with employee representatives but no viable alternatives have been found.

The production in Leppavirta is part of the DANFOSS DISTRICT HEATING unit, which has a total to 1,900 employees worldwide. The results of the unit have been declining in the past years and the heat exchanger and large substation business continued to post losses throughout 2009.

Finland is one of the most important markets for the DANFOSS DISTRICT HEATING unit and the Danish group will therefore seek to strengthen its sales organisation and improve its competitiveness.

Source: Nordic Business Report

## France: FONDARYN Sold

The NIEDERBRONN FONDARYN, a subsidiary of the French DE DIETRICH REMEHA, was sold to the American businessman Hugh Aiken, a stockholder of SECKO group already present in the sector.

SECKO will continue to produce on site and will not change production activities for four years. The NIEDERBRONN melting plant produces cast iron heating elements to be assembled by DE DIETRICH THERMIQUE at Mertzwiller. SECKO will remaining the heating market whilst reinforcing its position on “less competitive products than Indian and Chinese foundry”. One condition was that DE DIETRICH will be exclusively supplied by its ex-subsiary until the end of 2014 and to guarantee a fixed volume and firm price for 3 years.

Source: [www.usinenouvelle.com](http://www.usinenouvelle.com)



## Italy: SIEMENS ENERGY Boosts Solar Thermal Investment

SIEMENS ENERGY has revealed it is increasing its stake in the solar thermal specialist ARCHIMEDE SOLAR ENERGY Srl from 28% to 45%. The objective of the investment is to accelerate the set up of solar collector production in Massa Martana, Umbria (Italy). Starting in early 2011, the plant will have an annual production capacity of approximately 75,000 solar collectors. In a second step, capacity will be ramped up to 140,000 per annum.

RENEWABLE ENERGY DIVISION already has the most comprehensive portfolio in the concentrated solar power business, and can provide about 70% of the components of a solar thermal power plant from a single source or even complete solutions. The solar collectors of ARCHIMEDE SOLAR ENERGY use molten salt as the heat transfer medium.

The first commercial plant is currently under construction in Sicily. The PRIOLO GARGALLO project will use 1,500 solar collectors with molten salt as the heat transfer medium and is expected to go operational in summer 2010.

SIEMENS ENERGY has long been supplying vital components for solar thermal power plants in the form of steam turbines, electrical and I&C systems and cooling systems. With the highly-promising molten-salt collectors technology from ARCHIMEDE SOLAR ENERGY, and the proven thermal-oil-based collectors technology from SIEMENS it is now a supplier of a complete range of products for the solar thermal power industry.

Source: TendersInfo

## Russia: High Demand of EU Import Quota for HRC

Russia has used over half of its quota for exports of hot rolled coil (HRC) to the European Union this year.

Up to the end of April, Russian steel makers and traders had applied for licences to use 62% of the quota the European Union established for imports of Russian HRC. This totals to 678,456 tonnes out of the total quota for 2010 of 1.087 million tonnes.

Source: [www.steelbb.com](http://www.steelbb.com)



## Sweden: NIBE Net Profit Grows in Q1

The Swedish heat pump manufacturer announced that its net profit rose to €6.7 million in the first quarter of 2010, from €6.5 million in the same period of last year.

In the first quarter of 2010, sales edged down to €124.9 million from €125.4 in the same quarter a year earlier. While demand from the more consumer-oriented segments of the market has definitely picked up, industry investments remain at a generally low level. The low number of newly-built homes and an unusually severe winter have also dampened demand in a number of the segments, where NIBE operates. The company does not anticipate any marked improvement in orders until the second half of 2010.

Source: Nordic Business Report

## Sweden: SOLAR to distribute STIEBEL ELTRON Heat Pumps

SOLAR in Sweden is to begin selling heat pumps from the German company STIEBEL ELTRON, on the Swedish market. STIEBEL ELTRON is also to become part of SOLAR's energy-efficiency concept BLUE ENERGY.

STIEBEL ELTRON is planning to also keep its other suppliers on the Swedish market.

Source: VVS-Forum

## Sweden: SONNENKRAFT to Start Swedish Operations

Danish solar heating company SONNENKRAFT, which has its manufacturing capacity in Austria, is to start operations on the Swedish market. SONNENKRAFT's target group is both house and larger property owners.

Source: VVS-Forum



## United Kingdom: BRITISH GAS Opens Green Training Centre

BRITISH GAS has opened a new training centre in Wales which aims to provide people with the right skills to work in the rapidly expanding renewable energy sector.

Green Skills Training Centre opened in Tredegar, South Wales. Backed by the Welsh Assembly Government, it offers training and qualifications for 1,300 would-be energy efficiency assessors and installers of new green technologies every year.

The state-of-the-art centre showcases the various different energy efficient technologies such as smart gas and electricity meters, solar thermal panels and ground source heat pumps. In addition trainee engineers get to test out their skills in specially designed bungalows containing fully functioning heating systems that use microgeneration technologies.

As well as offering training opportunities in one of the most deprived parts of Wales, BRITISH GAS said it planned to use the centre to upskill its own engineers. The company is creating 2,600 new roles in a new smart metering business and a further 1,100 insulation engineering jobs.

Source: TendersInfo



## United Kingdom: TRAVIS PERKINS Makes Bid for BSS

TRAVIS PERKINS has announced that it has put in an indicative offer of £553 million for the entire issued and to be issued share capital of the BSS Group.

The offer values BSS at a price of 433 pence per BSS share, based on the closing share price of 745 pence per TRAVIS PERKINS share. The offer also includes a 232.91p per share cash element and 0.2608 new TRAVIS PERKINS shares per BSS share. The cash component of the offer, about £297 million, will be funded by existing TRAVIS PERKINS resources.

As part of its joint statement with BSS, TRAVIS PERKINS believes that BSS could be successfully integrated into the company's current portfolio, and that consolidation of the building materials sector creates benefits such as cost savings and improved operational efficiency. The enlarged group would be able to source products more competitively and give the group access to lower-priced properties from which to trade.

If the offer is accepted by BSS shareholders, the deal would create Britain's largest plumbing and heating distribution business, with combined revenues of roughly £4.3 billion and a total workforce of 19,000.

Source: REUTERS



## Monthly Special: **Market Summaries for 30 European Countries**

BRG CONSULT is pleased to announce that the final version of the "Market Summaries" for 30 European countries has been published at the end of May.

### **BRG CONSULT has included the following in the regular European programme:**

- boilers and jet burners: 30 country trends 1998 to 2009 and forecasts to 2014 split by type
- radiators: 30 country trends 1998 to 2009 and forecasts to 2014 split by type
- water heaters: 30 country trends 1998 to 2009 and forecasts to 2014 split by type
- heat pumps: 30 country trends 1998 to 2009 and forecasts to 2014 split by type of heat source
- solar thermal systems: 30 country trends 1998 to 2009 and forecasts to 2014
- solid fuel boilers: 30 country trends 1998 to 2009 and forecasts to 2014 split by product/fuel type.

For more detailed information on our heating studies, please e-mail Mr David Harrop ([dharrop@brgconsult.com](mailto:dharrop@brgconsult.com)) or call +44 (0)208 832 7860.

Source: BRG CONSULT