



International  
Market  
Strategy

# HEATING NEWSLETTER

*April 2006*

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## EUROPEAN HEATING MARKET

International strategic market research and  
consultancy on building product and related markets



## **Australia: METHVEN gives sales warning**

*March 3<sup>rd</sup> 2006*

Bathroom products maker METHVEN is warning that annual revenue and profit will be lower than expected. The company claimed that this was because of lower than expected second-half sales and because of trading conditions in the Australian valve market.

METHVEN faced increasing competition in the valves market, where market leader RELIANCE MANUFACTURING COMPANY was fighting competition from Chinese imports. Chief executive Rick Fala said that sales in Australia of showers and taps and mixers were growing strongly, although margins were declining. Sales in New Zealand were likely to be slightly higher than last year's.

*Source: Fairfax New Zealand Limited*

## **Austria: HOVAL/OMV to launch bio-heating oil**

*March 6<sup>th</sup> 2006*

Austrian oil and gas company OMV plans to launch a heating oil product with biogenous supplements in 2008. The product named BIOPLUS will be marketed together with Liechtenstein-based HOVAL and will contain up to 5% renewable vegetable oil additives. The products will be as reliable as heating oil extra light.

BIOPLUS will require a new central heating boiler, specially developed by HOVAL, which will save up to 40% compared to older boilers, OMV stated.

*Source: Economic News Service*

## **Italy: DE LONGHI opens two production lines**

*March 22<sup>nd</sup> 2006*

DE LONGHI RADIATORS, the radiator making unit of the Italian household appliances maker, DE LONGHI SPA, officially introduced two new production lines.

The company has so far invested €8 million, but said it planned to invest another €8 million by the end of 2006 to reach an annual output of four million radiators.

*Source: English Corporate News Service*

## **Austria: OEKOFEN doubles revenue in 2005**

*March 27<sup>th</sup> 2006*

Austrian biomass and wood-fired heating boiler maker OEKOFEN doubled its revenue to €16 million in 2005 compared to 2004. The company expects to double its revenue and heating boiler sales in 2006 as well.

As a result of the significant growth OEKOFEN plans to invest €13 million in 2006. The company will build new



headquarters in Niederkappel as well as a new head office for Germany – in Mickhausen. At the same time, the unit in Purgstall, Austria, will be expanded.

*Source: Austrian News Digest*

### **Turkey: FERROLI to invest in heating system plant**

*March 24<sup>th</sup> 2006*

The Italian boilers and heating appliances maker FERROLI GROUP will invest €23.1 million in the construction of a heating system plant in Duzce industrial region, north-western Turkey.

The company plans to complete the production unit and start operation by the end of 2006. The project will create 200 jobs.

*Source: Turkey's News Digest*

### **Germany: VAILLANT to create specialist sales teams**

*March 13<sup>th</sup> 2006*

VAILLANT, the German heating technology group, is to reorganise its domestic sales operations. While, to date, regional units have been responsible for the complete range, specialised teams are to be formed to serve the requirements of various target groups on the market.

Management reports that 15% of domestic turnover last year was generated by products included in its range for less than

three years. While sales volume from classic oil- and gas-fired heating is reported to have fallen by 14% in 2005, in terms of numbers of units sold, an increase in sales of newer products, including solar heating systems, is reported to have more than compensated. Worldwide, the VAILLANT GROUP is expected to have generated turnover of more than €1.6 billion for 2005.

*Source: the Financial Times Limited*

### **China: MTS to Introduce ELCO**

*21 March 2006*

MERLONI TERMOSANITARI SPA (MTS) announced in Beijing that it plans to introduce its high-end heating brand ELCO into China.

The move is part of the company's efforts to consolidate its leading position in the Chinese water heaters and sanitaryware fields and an attempt to edge into the top three in the commercial heating system, new energy utilization and specialized services arenas, said MTS chief executive Mr. Paolo Merloni.

MTS stresses that the proportion of renewable energy in the energy consumption will keep on increasing following the introduction of the Renewable Energy Law of China, so energy-saving heating products like ELCO will play an important role in China.

*Source: SinoCast China Business Daily News*



## **Nano technology may cut cost of central heating**

*29 March 2006*

Nanotechnology, the science of engineering on a microscopic scale, may be on the verge of achieving something we all understand - cheaper central heating. A Leeds University team has been working on the discovery that "nano-fluids", made by mixing ultra-tiny particles into liquids, will transmit heat much better than any of the materials involved will do on their own.

A water-based nano-fluid could pass heat into radiators four times faster than ordinary water - meaning pumps and/or radiators could be smaller and cheaper to run. The potential efficiency savings are big enough to make mass production of suitable fluids feasible and it is possible that domestic and commercial heating systems could be using the idea within five years.

Another potential application is in cooling systems - for electronics as well as for engines and buildings. One of the difficulties in miniaturising computing power is the heat generated by closely-packed circuits.

*Source: Yorkshire Post*

## **Canada: RHEEM work ends in June**

*4 April 2006*

RHEEM workers have their final layoff notices and are figuring out what their next step might be as the company closes its Hamilton factory. The water heater manufacturer announced it was closing its Canadian headquarters in Hamilton and putting 150 people out of work last fall.

Company officials said they were moving plant operations to Mexico. RHEEM intends to maintain a 17-employee warehouse in Hamilton. "It's the high Canadian dollar and China," said Neil Everson, the city's economic development director.

*Source: The Hamilton Spectator*

## **Turkey: DEMIRDOKUM 2006 target**

*29 March 2006*

Turkish heating and cooling equipment maker DEMIRDOKUM targets to boost its consolidated turnover by 47% on the year to €500 million (\$584.8 million) in 2006, the company director general Bulent Lutfu Kiziltan said on March 29, 2006.

DEMIRDOKUM, which aims to become one of the three leading companies in the heating systems sector worldwide by 2010, expects the investments in gas distribution systems for another 21 provinces in Turkey, together with the growth in the construction sector to fuel its sales in 2006.

The heating systems market in Turkey rose by 30% on the year in 2005, reaching



some €1.1 billion (\$1.286 billion) due to a boost in the construction sector, a rise in the mortgage lending and a increasing investments in natural gas distribution.

DEMIRDOKUM invested in increasing its capacity in 2005, acquiring from the German sector company SCHAEFER its FIX panel radiator brand, production lines and distribution system. The move aimed at raising the company's current annual capacity of 3.3 million metres to 5.5 million metres of panel radiators in 2006.

In 2005, DEMIRDOKUM's net profit climbed by 20% on the year to €17 million (\$19.9 million). The company, which exports its products to some 48 countries, generated €125 million (\$146.2 million) from its sales abroad, of which 70% were to Europe.

DEMIRDOKUM's market value reached €299 million (\$349.7 million) with its share value going above the Istanbul Stock Exchange (IMKB) 30 index value.

*Source: Turkish News Digest*

## **Switzerland: AFG ARBONIA-FORSTER-HOLDING AG expands product portfolio**

*21 March 2006*

With its takeover of SCHMIDLIN ASCO Swiss AG, ARBONIA-FORSTER-HOLDING AG (AFG), the leading supplier to the European construction industry, has taken a further step towards becoming a complete system supplier in

the heating, ventilation and air conditioner sector.

In addition to acquiring all its equipment, machinery and trademarks, AFG will also take over the production and distribution of the entire product range of heating technology specialists SCHMIDLIN ASCO Swiss AG of Zwingen BL. It is planned to transfer the production site to the AFG headquarters in Arbon TG as soon as possible in order to ensure integration within the manufacturing and delivery process of AFG's Heating Technology and Sanitary Equipment Division. The brandname "SCHMIDLIN ASCO Swiss" will continue to be used.

The main focus of the product portfolio is the manufacture of underfloor convectors, which are suitable for room cooling as well as traditional heating functions. The Schmidlin product range also includes units for heating halls and commercial projects.



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## **SPECIAL: THE EUROPEAN HEATING MARKETS**

At the beginning of April, Consult GB published its preliminary research results for both the bathroom as well as the heating industry in the following countries:

- Austria
- Belgium
- Czech Republic
- France
- Germany
- Italy
- Netherlands
- Poland
- Russia
- Spain
- Turkey
- UK

Many companies already subscribe to Consult GB's market research reports on an annual basis. Our reports are used to improve marketing activities, guide expansion processes, determine market positions, make competitor analyses and closely follow market trends. If you think your organisation needs help with market information, please contact Consult GB for free advice on how we can help you: +44 1227 766 810

### **Background Information European Union**

In July 2005, the European Union had almost 457 million inhabitants living in an area one-half the size of the USA. The total land boundaries totalled 11,248.8 kilometres with a total surface area of 3,976,372 square kilometres. One of Europe's most complicated problems is its ageing population:

- |   |               |        |
|---|---------------|--------|
| - | 0 – 14 years  | 16.03% |
| - | 15 – 64 years | 67.17% |
| - | over 65 years | 16.81% |

The total population grew by 0.15% in 2005 and the total labour force totalled 218.5 million people.



## The European Heating Markets

In the following paragraphs, the latest developments for the 12 countries listed above will briefly be discussed.



### Austria

The 2005 Austrian heating market remained relatively stable with sales in the radiator market down, but sales volumes of boilers and water heaters up compared to the previous year. One of the most remarkable trends in 2005 was the rising popularity of solid fuel boilers. Within this category, pellet boilers in particular became much more popular. In the Austrian water heating market, indirect cylinders remained by far the most popular category.

For further information about these markets, please send an email to our [Austrian country manager](#).

### Belgium

The Belgian boiler market grew considerably in 2005 and the most remarkable trend was the rise of the wall hung condensing segment. The Belgian market finally started to follow neighbouring country the Netherlands where the wall hung condensing boilers form the most important segment of the market. The radiator market dropped significantly in terms of volume; however this is a long term trend. In the water heater market, the trend towards combi-boiler products continued strongly in 2005.

For further information about these markets, please send an email to our [Belgian country manager](#).





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### Czech Republic

The Czech boiler market decreased slightly in 2005, mainly due to higher gas prices. This resulted in a strong move towards alternative fuel types, causing a strong rise in sales of solid fuel boilers.

Due to a disappointing replacement market, the Czech radiator market declined as well in 2005. The market was also negatively influenced by the long cold winter which made the period of installation possibilities shorter.

For further information about these markets, please send an email to our [Czech country manager](#).

### France

The general trend in the French boiler market was the move towards condensing product types, both in the wall hung and in the floor standing sectors. French people are becoming increasingly conscious of the importance of more efficient and environmental-friendly products. The radiator market declined slightly, with wet systems losing ground to fixed electric heat emitters.

For further information about these markets, please send an email to our [French country manager](#).



### Germany

The German heating market experienced a decline in almost every segment in 2005. This significant fall can be attributed to stockpiling by wholesalers during 2004, caused by increasing prices and the subsequent rise in sales due to the provision of a governmental subsidy scheme for newly built houses (known as the "Eigenheimzulage" effect). Solar systems became again more popular in 2005 and this trend is expected to continue in forthcoming years.

For further information about these markets, please send an email to our [German country manager](#).



## Italy

The Italian boiler and water heater market showed positive results in 2005 whereas the radiator market declined slightly. The trend towards more condensing boilers (both floor standing and wall hung) continued in 2005. The aluminium radiator sector recovered, mainly at the expense of steel radiators. The total water heater market increased; however dedicated models lost ground again.

For further information about these markets, please send an email to our [Italian country manager](#).



## Netherlands

The Dutch boiler and water heater market grew again in 2005 whereas the radiator market, as in many European countries, declined significantly. The domination of wall hung condensing boilers became even stronger although the condensing floor standing boiler market increased as well. Sales in the steel panel radiator market declined again, mainly due to high steel prices and the increasing popularity of underfloor heating systems. The last group is mainly installed in the new housing sector of the market.

For further information about these markets, please send an email to our [Dutch country manager](#).





## Poland

In the Polish boiler market, the trend towards condensing boilers at the expense of the non condensing product types continued in 2005. Total market volumes increased and are expected to increase in 2006 as well. The radiator market decreased although forecasts indicate that the market will show growth in the near future. The total market for water heaters decreased in 2005.

For further information about these markets, please send an email to our [Polish country manager](#).



## Russia

The Russian heating market experienced a very positive year in 2005 with growth recorded in almost every segment of the market. Non condensing boilers are still much more popular in Russia and this segment grew faster than the condensing products.

The Russian radiator market showed growth in every segment as well. The towel warmer market in particular showed very significant growth numbers.

The Russian water heater market increased by over 20% with some segments reporting growth rates of almost 40%. Industry experts indicate that this market will continue to grow in forthcoming years.

For further information about these markets, please send an email to our [Russian country manager](#).



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## Spain

The Spanish boiler market registered growth in 2005 for the fourth year running. The market is still dominated by non condensing product types and is expected to be like this in the near future as well. The Spanish radiator market grew as well, mainly due to continuing activity in the construction sector. The water heater market had a very positive year, especially compared to the downward trend which had been witnessed in previous years.

For further information about these markets, please send an email to our [Spanish country manager](#).

## UK

The UK heating market showed a decline for almost every segment. The main reasons were the decline in new dwellings and housing transactions. The UK boiler market experienced changes to the Building Regulations on 1<sup>st</sup> April 2005. Based on the Government's Energy White Paper of February 2003, almost all gas boilers installed must be condensing. This will have a significant influence in forthcoming years.

Following seven years of growth in the UK radiator market, the market declined in 2005. Main reasons were the housing market and consumer confidence.

The main development in the water heater market was the move away from dedicated product types to boiler linked products (combi-boilers).

For further information about these markets, please send an email to our [English country manager](#).

