



International
Market
Strategy

Heating Newsletter

February 2006

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CONSULT GB NEWS

COUNTRY SPECIAL: Greece Airconditioning

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



Austria: VOGEL & NOOT to relocate radiator production

21 January 2006

Austrian heating systems manufacturer VOGEL & NOOT, part of the RETTIG group, has decided to relocate its production of flat panel radiators from Austria to Hungary and Poland.

The move will affect 170 employees in Austria, and was mainly because of the lower turnover in its core markets of Germany, Austria, the United Kingdom and France.

Source: APA

Thailand: STIEBEL ELTRON to use Thailand as regional base for water heating production

17 January 2006

The German based water heater manufacturer STIEBEL ELTRON plans to use Thailand as its production base for the Asia-Pacific region, having invested around 100 million baht in establishing a new factory. The company officially opened its new factory, with a production capacity of 200,000 water heaters per year, at the Bang Pa-in industrial estate in Ayutthaya.

The company plans to manufacture 100,000 units a year, at first using 80% of local materials under the STIEBEL ELTRON and AEG brands. Next to its bases in Germany, the Slovak Republic and China, the factory in Ayutthaya is its 4th production facility. The site in China mainly serves the local market.

Source: Thai News Service

USA: BUDERUS HYDRONIC SYSTEMS INC. to merge with CONTROLLED ENERGY CORPORATION

27th January 2006

BUDERUS HYDRONIC SYSTEMS INC. and CONTROLLED ENERGY CORPORATION have merged to form a new company, BBT NORTH AMERICAN CORPORATION. The headquarters for BBT NORTH AMERICA CORPORATION will be at the BUDERUS plant in Londonderry, New Hampshire.

Both companies complement each other in the US thermo technology market, and together will create better efficiency and larger economies of scale. The new company will be perfectly positioned to lead the North American market for energy efficient heating and water heating products.

The company has been built on the strength of the BOSCH and BUDERUS brands in the industry. Building on the successful growth of the former companies, BOSCH water heating will continue to sell through its existing channels. The BUDERUS product line will continue to serve the wholesale industry.

Source: PR Newswire



BALTICS: JUNCKERS lifts Baltic sales

26th January 2006

JUNCKERS, the German manufacturer of gas boilers, saw sales in the Baltic countries rise by 25% to 6.5 million euros in 2005. Sales in Lithuania alone increased by 45%. The company expects that demand for its products will continue to rise this year, driven by strong growth in the construction market and the need to replace old heating equipment with new models.

Source: Baltic Business News

Ukraine: HAZ-TEPLO to replace 200,000 heating boilers in 2006

January 2006

In 2006, the state owned enterprise HAZ-TEPLO is planning to replace 200,000 heating boilers used by its consumers. The boilers will be replaced under the energy saving project Ridnyi Dim (native home) in line with the government resolution No. 577-r dated December 28th. Each whole system will be replaced, with HAZ-TEPLO paying for all the work involved, particularly the replacement of boilers, heating radiators, windows and measuring equipment. The main reason for this project is to reduce volumes of gas consumption by households. As of January 24, the volume of gas consumption in Ukraine increased to 427 million cubic meters daily.

Source: Ukrainian News

Europe: EU to promote biomass usage

9th January 2006

The European Commission concluded 2005 by proposing an ambitious strategy for promoting biomass use and laid the groundwork for issuing a plan in 2006 for fostering renewable energy in heating and cooling. The EC's biomass strategy proposed a wide ranging biomass and bio-fuels action plan designed to increase energy usage from forestry, agriculture and waste materials.

The plan, which comprises more than 20 actions, outlines measures in three sectors: heating, electricity and transport. The goal is to achieve a reduction of 209 million tons of CO₂ per year, and at the same time to provide direct employment for 250,000 to 300,000 people. It is also aimed to reduce the reliance on imported energy from 48% to 42%.

To foster biomass use in power and heating, the plan outlines a number of initiatives, including:

- examining how the directive on energy performance of buildings could be changed to increase incentives for using renewable energy

- studying how to improve the performance of household biomass boilers and reduce pollution

- encouraging district heating scheme owners to modernise their system and convert them to biomass fuel



-encouraging EU member states to reduce the VAT charged on district heating (as they already do with gas and electricity).

The aim is to inject new life into the EU's drive to reach its 2010 target of 12% of energy take-off from renewable energy. Looking ahead, the EC plans to propose a law to promote using renewables in heating and cooling in 2006.

Source: Renewable Energy Report

China: China takes lead in solar water heater production

11th January 2006

China boasts 60% of the world's solar water heaters and is the largest producer of solar water heaters, according to Luo Zhentao, director of the Chinese Association of Solar Energy Thermal Applications. In 2005, the total output of these heaters added up to 15 million square meters and the output value was 15 billion yuan (US\$ 1.88 billion).

It is predicted that the annual output of China's solar water heaters will reach 30 million square meters by 2010. Solar energy will take up 1% of the overall energy consumed and offer nearly 800,000 jobs.

Source: China Daily

Netherlands: REMEHA and MICROGEN to introduce a new generation central heating boiler

13th January 2006

REMEHA and MICROGEN are working together on the development of a new central heating boiler with micro-combined heat and power (microCHP). This innovation makes the boiler generate heat and electricity at the same time. For an average household, the energy saving could be up to 25%.

The new generation boilers comprise both the latest central heating boiler, and a gas fired Stirling generator of British Microgen. This maintenance free generator generates electricity which can be utilised in every household. As the boiler heats the house, there is also electricity generation of one kilowatt. This would also allow the generation of heat and electricity in the case of a power cut.

Before the new generation boilers are introduced, the product needs to be tested on several occasions, after which a final winter test is planned for the winter of 2006/2007. If all goes well, the introduction will take place at the ISH fair in March 2007.

Source: www.remeha.nl

China: MTS to supply Olympic Games with solar technology

January 2006

MERLONI TERMOSANITARI has signed an agreement with the City of Beijing for the installation of ELCO solar panels for hot water and central heating for 2008 Olympic Games. This agreement is an integral part of a co-operation programme between the City of Beijing and the Italian Ministry for the environment and Territory, which



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foresees the planning and installation of innovative ecological solutions in the Chinese capital for the next Olympics, with the aim of protecting the environment and saving energy. The MTS GROUP project for the city of Beijing will start in July 2007 and foresees the installation of water heating and central heating systems from the ELCO brand, Group's reference label for the German, Swiss, Austrian and Dutch markets.

Source: www.mtsgroup.com



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CONSULT GB NEWS

CONSULT GB has published all of its updates on the heating markets in Europe. Market summaries and figures are available for the following countries:

Western Europe (16):

- France
- UK
- Germany
- Italy
- Spain
- Belgium
- Netherlands
- Austria
- Switzerland
- Portugal
- Greece
- Ireland
- Denmark
- Sweden
- Norway
- Finland

Eastern Europe (14):

- Russia
- Poland
- Czech Republic
- Slovakia
- Hungary
- Romania
- Croatia
- Rep Slovenia
- Bulgaria
- Estonia
- Lithuania
- Latvia
- Ukraine
- Turkey

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Country Special: Greece 2004

Development in the Air Conditioning Market

Overall Country Background

Greece, also known as the Hellenic Republic, lies at the south-eastern tip of Europe and its land borders with Albania, the Former Yugoslavian republic of Macedonia, Bulgaria and Turkey. The country covers a total area of 132,000 km², and has a particularly long coastline (15,021 km). Greece has a climate that is mostly dry and temperate, though it can also snow on the mountains and in the north. The country can actually be divided in two different regions when it comes to climatology; the Northern and Southern region. The Northern region has freezing winters and hot summers, while the Southern region has a rather typical Mediterranean climate.

In ethnic and economical terms, more than half of the country is classified as urban, while the rural life retains a powerful influence. The total population was 11 million in 2003. Between 1980 and 1990 the population grew by around 0.5% per annum, a percentage that grew slightly during the 1990s, mainly due to high immigration levels from especially Albania, Bulgaria and Romania. The largest city is Athens with 3.1 million inhabitants in 2002, followed by Thessaloniki with almost 800,000 inhabitants. Apart from these two cities, there are no cities with more than 200,000 inhabitants.

The Greek economy has been doing well for several years, growing by around 4% in 2004, almost five times faster than the 0.8% average in the rest of the Euro zone, with acceleration both in terms of private consumption (2.7%) as well as investments. Although decreasing in the last few years, the unemployment rates in Greece are still high (8.9%), which is mainly caused by the declining labour force in the agricultural sector.

Overall Market Development

The heat wave of 1987 raised public awareness regarding the necessity of air conditioning. Moreover, Greece enjoys some 300 sunny and warm days a year and consequently offers good potential for the widespread installation of air conditioning systems. However, the Greek air conditioning market is seasonal, with more than 70% of sales of all products sold are generated between May and September. In addition, sales of air conditioners can be very volatile from year-to-year since they depend heavily on weather patterns.

During the 1990s, the Greek air conditioning market experienced significant growth largely due to favourable weather conditions, the increase in disposable income of consumers and the provision of flexible terms of payment by both manufacturers and merchants to their respective customers. Greek consumers have increasingly realised that although air conditioners are essential cooling solutions in both living and working environments, they can also be used as means of heating. Moreover, numbers of low cost Chinese air conditioners, which started to flow into the Greek market in the late 1990's, have allowed even low-income consumers to purchase such systems.



2004 Market

Total sales of air conditioners are estimated to have grown at an average of 4% per annum between 2000 and 2004, compared to just over 10% from 1995 to 2004. The Greek air conditioning market (consisting predominantly of mono-splits) underwent almost continuous growth between 1995 and 2001, largely as a result of favourable weather conditions, the increase in disposable income of consumers and the provision of flexible payment options. However, the market is currently in significant decline as the credit offered freely in previous years has been reduced, and due to other negative factors such as: the influx of low cost Chinese products, unfavourable weather conditions and the post-Olympic period.

Forecasts

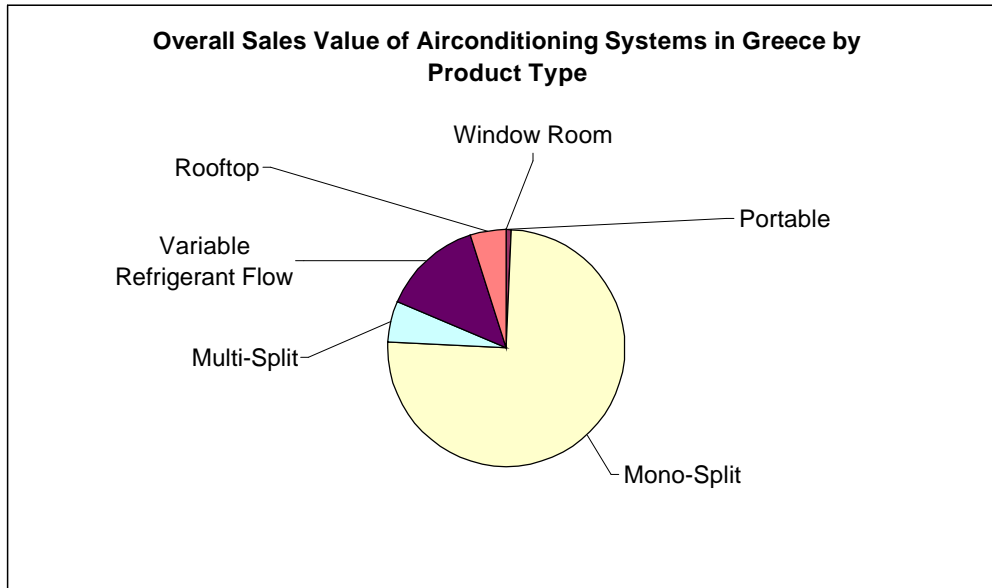
Industry interviews suggest that prices of mono-splits will continue to fall year-by-year in the medium term future as more suppliers importing from China enter the market, making air conditioners more affordable even to low income households. Air conditioning is successfully penetrating the urban sections of the domestic sector; however efforts need to be made to increase penetration in Greece's more rural areas. The penetration of air conditioning in the residential sector has reached c.40% - equivalent to circa 1.4 million dwellings. It is reasonable to assume that once penetration reaches around 60-70% of the domestic sector, first time installation sales will begin to level off. This projected level of penetration would assume limited air conditioning in areas of Northern Greece where the climate is relatively mild. The overall market for air conditioners in Greece has however been forecast to decline sharply in 2005, after which it is expected to recover and show healthy growth rates in 2006.

Sales by Type of Product

In general, the sales of air conditioning systems within Greece are mainly based on mono-split systems (see Fig below). Although comparably small, the market for multi split air conditioning systems is second in the market, slowly increasing market share each year. Other installation types such as window, rooftop, and portable air conditioning are very insignificant in the market. Although also insignificant, the market for variable refrigerant flow air conditioners has been showing reasonably strong growth rates after their introduction in 1999.



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Other Countries

Consult GB's air conditioning studies were also undertaken for the following countries:

- Italy
- Spain

I would like to buy the Greece
Air Conditioning Report