

Heating January 2008

International Market Strategy



Topics

China	Chilled Air System in China Could Replace AC
China	China Creates World's Largest Solar Energy Industry
Germany	German VISSMANN Plans Further Growth Abroad
India	CARRIER Invests \$50 Million into R&D Base in India
Ireland	Ireland's Renewable Energy Share Continues to Grow
Netherlands	Quality of Dutch Energy Label is not Guaranteed Yet
Russia	NIBE Buys 25% Stake in the Russian Company EVAN
Slovenia	Slovenia's GORENJE Expects 10.5% Rise in 2008 Group Net Profit
Sweden	UPONOR Gives Notice
UK	E.ON to Offer Micro-CHP
UK	Heating Control Specialist Bought
UK	MITSUBISHI Moves Into Heating
USA	INGERSOLL RAND To Acquire TRANE For Approximately \$10.1 Billion

Monthly Special

Belgium	An Update on Legislative Changes in in the Heating Industry
---------	---



China: Chilled Air System in China Could Replace AC

A Chinese energy company has started work on a centralised refrigeration station in the southern China city of Sanya. The station is being built to reduce the use of traditional air conditioning. It will make ice during the night, when energy demand is low, and send cooled air to buildings during the day.

The project includes a refrigeration station that can cool 4.3 million ft² (400,000 m²) and 26,000 ft (8,000 m) of pipes. Upon completion, it is projected to save 15 million kWh of electricity and 70 million ft³ (2 million m³) of liquefied petroleum gas per year, compared with traditional decentralised cooling systems.

Source: www.ashrae.org

China: China Creates World's Largest Solar Energy Industry

As the world's largest consumer and producer of solar water heaters, China ranks the global No.1 by its solar energy industry size, according to the National Reform and Development Committee (NRDC).

The nation's annual solar water heater production capacity reached 15 million m² by the end of 2006. The total heat collecting surface area of solar water heaters in use amounted to 100 million m², both the largest in the world. With over 1,000 solar water heater companies and an annual production value of nearly CNY 12 billion, the country has already formed a complete solar energy industrial chain, said the NRDC.

Meanwhile, there are over 20 solar cell and accessories factories in the country with an annual production capacity of 1,500 mega-kilowatts. China's solar giant SUNTECH POWER Holdings Co., Ltd. has become one of the top 10 listed companies in the global photovoltaic industry.

In addition, the nation also makes wide use of solar thermal energies such as solar room, solar cooker and solar greenhouse.

Source: Sinocast



Germany: German VISSMANN Plans Further Growth Abroad

German heating equipment producer VISSMANN Werke GmbH & Co KG plans to expand abroad not only through organic growth but also via further acquisitions, Martin Viessmann, founder of the company, said on November 28, 2007.

The company, currently ranking third in the global heating equipment sector, plans to enter new market segments via take-overs in order to shorten the distance to leaders BOSCH and VAILLANT, which have also significantly boosted their activities through acquisitions.

At the beginning of October 2007, VISSMANN entered the biogas market by purchasing German biogas plant BIOFERM. In addition, VISSMANN took over Chinese company EUROCON which produces tube collectors for extracting warmth from solar energy. The German company plans to raise its production capacity for the Asian market tenfold in the future.

VISSMANN also recently bought a Hungarian firm specialising in the production of cauldrons. Moreover, at the beginning of 2007, the German company bought Austrian companies MAWERA and KOEB & SCHAEFER, entering the business with wood fired heaters. VISSMANN also invested €220 million (\$321.7 million) at its main location in Allendorf, completely restructuring its plant.

In order to manage with its foreign activities, the company has appointed Peter Schenk as head of the operating activities and Joachim Janssen as CFO. Martin Viessmann, on the other hand, will focus on the company's strategy.

Following the acquisitions so far, the share of the international business in the company's total sales went up to 60% from 40% in 2002. On the other hand, the German heating equipment market as a whole marked a 25% annual decline in 2007, which VISSMANN attributed to the higher value added tax (VAT), the cancellation of the first-home buyer allowance, and customers' insecurity regarding renewable energy sources. In 2007 the company's sales in Germany are seen to be down by 10 to 15% on the year. Thanks to the positive development abroad, however, VISSMANN targets total sales of €1.4 billion (\$2.047 bln), flat on 2006. The 2007 pre-tax return on sales will be in the one-digit percentage range. In 2006, the pre-tax return on sales was in the low double-digit percentage range.

Source: Handelsblatt



India: CARRIER Invests \$50 Million into R&D Base in India

CARRIER CORP will invest \$50 million in India over the next three years, to build a global R&D centre in the country.

Aimed at developing industry-leading products, the firm hopes the investment will strengthen its position in India. CARRIER expects the new facility to open in 2009, making it the company's third global R&D centre in Asia. The world's largest provider of heating, air-conditioning and refrigeration solutions will also use the \$50 million facility to educate and train CARRIER India's customers on its products. India has one of the fastest growing economies, and is a strategically important market for CARRIER. Since 2004, the Indian air conditioning and refrigeration market has grown by 25% a year and is expected to become one of the largest markets in the world by 2012.

Source: ACR-News.com

Ireland: Ireland's Renewable Energy Share Continues to Grow

Renewable energy continues to grow quickly in Ireland, from 4.8% of total electricity generation in 2005 to 8.6% in 2006. This is one of the key findings of a new electricity benchmarking study from FORFAS, Ireland's national policy and advisory board for enterprise and technology.

FORFAS chief executive Martin Cronin stressed the importance of securing a sustainable supply. "Electricity is a key input to all services and manufacturing enterprises," he said. "The cost of electricity in Ireland is now second highest in Europe and this is impacting on the ability of firms to compete in international markets."

In terms of renewables, Ireland has enjoyed significant developments over the last two years, the study concluded. In addition, about 1,000 MW of wind power are due to be on the grid by the end of this year.

However, although the country's renewable targets are likely to be met, Ireland has a relatively low share of renewables in its electricity generation mix, the report found. Its 4.8% total compares to Denmark on 28%, Finland on 14.3%, and the Netherlands on 9.1%.

Source: www.edie.net



Netherlands: Quality of Dutch Energy Label is not Guaranteed Yet

The Netherlands is having problems in introducing the new Energy label into the market, as the quality of label is not guaranteed yet. At the moment, courses for employees from companies that are allowed to supply the Energy label vary greatly in quality and students are not always tested on their knowledge.

The Ministry of Housing, Spatial Planning and the Environment (VROM) has formulated requirements for people who grant the Energy label, but these are still to be put into a test, which will be introduced in April this year. At the moment, the test is still in the phase of being presented to employees of 150 companies handing out the Energy label, and certified companies are being tested on their quality at random. This indicates that, even though Minister Vogelaar sticks to 1st January 2008 for the introduction of the label, home-owners can still sell houses without the label, as no sanctions are imposed.

Source: www.bouwkennis.nl



Russia: NIBE Buys 25% Stake in the Russian Company EVAN

NIBE INDUSTRIER AB has reached an agreement about the acquisition of 25% of the shares in the Russian company CJSC EVAN, located in Nizhny Novgorod, 400 km south-east of Moscow. EVAN will form part of the NIBE HEATING business area.

NIBE will acquire a 25% stake in the company immediately, to be followed by a further 26% in the second quarter of 2008, after which EVAN will be consolidated into the NIBE GROUP. The remaining 49% of the shares in EVAN will be purchased gradually over the course of the next three years.

EVAN has 150 employees. Annual sales are equivalent to approximately SEK 70 million and the operating margin is just over 20%. The company was founded in 1996. EVAN is the leading brand in Russia for electric boilers and large electric water heaters. The company has a well established distribution network comprising some 90 dealers with close links to the company that covers the whole of the country.

“From a strategic point of view, establishing this bridgehead on the large and expanding Russian market is absolutely the right move for NIBE Heating to make. The terms of the take-over also enable us to work together with the current owners to continue to develop the company, which will now also provide a platform for sales of our entire water heater programme and over time also our entire range of heat pumps,” says Gerteric Lindquist, CEO of NIBE INDUSTRIER.

There will be no changes to the management of EVAN, nor to the trademark or the company’s organisation. The company will continue to be led by the current managing director and the current management system will be kept. The take-over is dependent on approval from the Russian competition authority.

Source: NIBE



Slovenia: Slovenia's GORENJE Expects 10.5% Rise in 2008 Group Net Profit

Slovenian household appliance manufacturer GORENJE said on Tuesday it expects to raise its group net profit by 10.5% to €26.5 million (\$38.8 million) next year on the back of a rise in sales.

Group sales are expected to grow by 2.4% to €1.3 billion in 2008. It added that the sales figures for 2007 and 2008 were not fully comparable due to changes in the group structure. Based on comparable figures, group sales would be up 8.3% next year.

Parent company net profit is expected to rise by 17% to €14.65 million as sales are projected to go up by 4.8% to €868.56 million.

The forecasts for 2008 are based on projected figures for 2007, it said in a statement.

Source: SeeNews

Sweden: UPONOR Gives Notice

UPONOR in Virsbo has given notice to some 20 employees. The slowdown in the world market is given as the main reason.

The number of orders have been reduced, caused by the slowing construction markets in Germany, Spain and USA.

'The markets are changing, production is not running at full speed as it was a year ago. We have over capacity. The Swedish markets are following this pattern as well and are in decline', said VP Georg von Graevenitz to a local newspaper.

UPONOR has 297 employees in Virsbo.

Source: VVS Forum



UK: E.ON to Offer Micro-CHP

EC Power and E.ON have signed a deal that will see EC Power's micro-CHP generators offered to E.ON's public and private sector clients. The deal was made between E.ON's Sustainable Energy Solutions business – a team specialising in offering low-carbon technologies – and EC Power, a micro-CHP specialist part-owned by Europe's largest energy company, Statoil Hydro. A deal between two energy giants is seen as a significant demonstration of micro-CHP's place as a leading commercially viable low carbon technology, with a highly competitive position amongst micro-generation technologies.

Source: www.chpa.co.uk

UK: Heating Control Specialist Bought

HORSTMANN, a manufacturer of domestic and commercial heating controls, has announced that it has been bought by the ENTITY GROUP. The company will continue to be led by its present managing director Les Woolner and its engineering & operations director Andy Deeming.

The company is also involved in smart metering, and ENTITY GROUP's interests in the UK includes smart metering firm PRI.

Sanjaya Singhal CEO of ENTITY GROUP commented: "HORSTMANN is a perfect fit for our strategy to deliver smart metering in the UK and for our global advanced metering infrastructure roadmap. Its experience and knowledge of home controls and display devices and strong development team will help us develop HORSTMANN as a centre of excellence in these areas."

HORSTMANN has 150 staff and delivered sales of £12 million in its last financial year.

Source: www.hvnplus.co.uk



UK: MITSUBISHI Moves Into Heating

MITSUBISHI Electric Living Environmental Systems UK has created a new heating department to focus specifically on hot water and space heating products for the domestic market.

The new Heating Division has launched its first heat pump boiler during September and follow this up with further launches early in 2008.

The company is confident that its new boiler technology will give significant reductions in carbon emissions when compared with current gas, oil or LPG boiler technology and will also offer proven benefits in performance over other alternative low carbon technologies such as solar panels, wind turbines, CHP, biomass boilers etc.

“With the Government’s Code for Sustainable Solutions, house builders now have a national standard for sustainable design and construction within new homes,” explained Jason Tinsley, Manager of the Product Marketing and Technical Section of the new Division. “Few products are available right now that can help developers meet the Code’s stringent one to six star ratings so we have a real opportunity later this year when we launch products that can immediately help builders achieve a 3-star rating.”

The UK Government is committed to reducing CO₂ emissions by 60% by 2050 and over 60 local councils throughout the UK are introducing planning regulations to enforce the use of renewable energy sources within their boroughs.

Source: www.wnibonline.co.uk



USA: INGERSOLL RAND To Acquire TRANE For Approximately \$10.1 Billion

INGERSOLL-RAND COMPANY LIMITED announced today that it has executed a definitive agreement to acquire TRANE INC., formerly AMERICAN STANDARD COMPANIES INC., in a transaction valued at approximately \$10.1 billion, including transaction fees and the assumption of approximately \$150 million of TRANE net debt. TRANE is a global leader in indoor climate control systems, services and solutions with expected 2007 revenues of \$7.4 billion.

The transaction which is expected to close late in the first quarter or early in the second quarter of 2008, is subject to approval by TRANE shareholders, regulatory approvals and customary closing conditions.

Herbert L. Henkel, INGERSOLL RAND chairman, president and chief executive officer, said, "The combination of INGERSOLL RAND and TRANE will create a global, diversified industrial company with projected pro forma 2008 revenues of \$17 billion." The new INGERSOLL RAND portfolio will include an \$11 billion Climate Control business which will offer high value equipment, systems and services necessary for delivering solutions across the temperature spectrum for indoor, stationary, and transport applications worldwide. "As a result of expected revenue and cost synergies, we are confident that this acquisition will improve INGERSOLL RAND's future earnings growth potential. We believe the new INGERSOLL RAND will be capable of sustaining annual organic revenue growth averaging 5-7%."

Fred Poses, TRANE chairman and CEO said, "For our shareowners, this offer represents an attractive price for our shares today and the opportunity to participate in a powerful global diversified industrial company in the future. Combining TRANE and INGERSOLL RAND's climate control operation creates a very strong business. With the size, strength and operational effectiveness of a \$17 billion global industrial company, we believe this combination is best for our customers, employees and shareowners in the long term." Poses will remain in his position until the acquisition is completed.

Source: www.trane.com



Monthly Special: An Update on Legislative Changes in in the Heating Industry

Subsidies from Flemish utility companies change – oil heating industry association outraged

In December 2007, the Flemish Energy Agency announced the list of premiums available in Flanders in 2008. It appears that as of 2008, only three Flemish utility companies give out subsidies for condensing oil jet burner boilers (GEMEENTELIJK HAVENBERDIJF ANTWERPEN, AGEM and PBE), whereas the other 11 Flemish utility companies (united in EANDIS and INFRAAX) only offer subsidies for condensing gas boilers. An estimated 33% of Flemish households use jet burner boilers for heating, thus contributing to the funds of the subsidies via their electricity bill, so the industry's association IMFORMAZOUT is outraged. The association has asked Flemish policy makers to either oblige the utility companies to have a sector neutral policy for energy efficient heating equipment, or to draw on the Energy funds for these subsidies. Another option according to INFORMAZOUT is to finance the premiums for gas installations via the relevant gas legislation.

Source: www.informazout.be

New incentive schemes for Walloon region

The Walloon government has presented its new incentives scheme for the 2008-2009 period. The programme, called Primes Energies 2008-2009 is divided in two parts: one concerns the general public and the other one is dedicated to companies, schools and building management.

The end consumer programme offers 18 types of incentives for insulation and heating and the "company programme" offers an extra 10 incentives depending on the nature of the works (new build or renovation). The incentives for wood boilers available in the former programme (2005-2007) will not be repeated expect for the installation of an automated biomass boiler.

Applications can be filled in from January 15th.

Source: Région Wallonne