



International
Market
Strategy

NEWSLETTER

HEATING

September 2005

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CONSULT GB NEWS

COUNTRY SPECIAL: PORTUGAL

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



Spain: CLIMASTAR opens 13 outlets in September

August 8th 2005

The Spanish heating and cooling equipment manufacturer CLIMASTAR is set to open 13 stores on a franchise basis in September 2005. The company intends to focus on the areas around Madrid (Carabanchel, Vallecas, Fuencarral, Alcobendas, Getafe and Majadahonda). Up till now, CLIMASTAR has been running three outlets in Madrid and one in Mostoles.

CLIMASTAR's plans include the opening of 30 franchised stores in 2005, which will increase the number of the Asturias-based company's network to around 100.

Source: La Bolsa

Czech Republic: Increasing gas and electricity prices starting from October

August 11th 2005

The price of gas and electricity in the Czech Republic is set to increase by 10-20% starting from 1st October 2005.

The exact percentage of the price increase is still not decided, but the majority owner of the main gas supplier TRANSGAS, the German RWE, announced in June 2005 that a 25% price increase would be favourable. The final decision will be made by the Energy Bureau, ranging between 10-20%.

The wholesaler price of electricity is expected to grow by an estimated 105, which will be reflected in retail prices as a 5% rise.

Source: Népszabadság



Turkey: ALARKO CARRIER invests in further expansion

August 12th 2005

The Turkish manufacturer of heating, cooling and air-conditioning equipment ALARKO CARRIER intends to invest an estimated €9.6 million in order to finance a planned expansion, which includes the introduction of a combi boiler.

ALARKO CARRIER achieved a €3.45 million profit in the first half of 2005, with an estimated turnover of €6.3 million. The company's aim is to reach an estimated turnover of €20.6 million in 2005 and to hold on to its existing market share in the Turkish heating and air conditioning markets.

Source: Turkish News Digest

Slovakia: US STEEL EUROPE increases price of its flat steel products

August 16th 2005

US STEEL EUROPE increased its prices of flat rolled products by at least €40/tonne, its first price increase since January 2005.

This price increase refers to all orders from the company's Kosice, as well as the Serbian plants. US STEEL KOSICE offers HRC, CRC, HDG, pre-painted coil, electrical sheet and tinplate, with the Serbian plant producing HRC, CRC, HDG and tinplate.

US STEEL's move was the first price increase by an important European steel mill for around six months and is believed to have opened the queue for similar announcements by other European steel mills.

Source: Steel Business Briefing



Switzerland: AFG's net profit up in the first half of 2005

August 16th 2005

The Swiss kitchen, heating and sanitary equipments manufacturer AFG ARBONIA FOSTER-HOLDING AG saw its net profit increasing to an estimated €9.7 million in the first half of 2005, up from €6.1 million a year earlier.

AFG's EBIT was €14.5 million, a rise from €10.2 million a year ago and the company's first half turnover rose from €82.3 million in 2004 to €125.2 million in 2005.

The company's heating and sanitary division was negatively affected by the unfavorable situation in the German construction market, capped by bad weather in the first months of this year. This division achieved a turnover of €159.9 million in the first half of 2005, down by over 3% compared to the first half of 2004. The kitchen division's sales increased by over 16% and the steel division's turnover rose by over 22% compared to the same period last year. The door and window division increased its turnover by almost 7%. AFG estimates that it will be able to realise a significant improvement in its financial results, although it does not envisage strong market growth before 2006, especially in Germany.

Source: Borsalino

Sweden: NIBE to transfer 200 jobs to Eastern Europe and Asia

August 17th 2005

The Swedish heat pumps and components manufacturer NIBE INDUSTRIER AB plans to restructure its electrical heating elements business, NIBE ELEMENT in the following 18 to 24 months.

The company plans to transfer around 200 jobs from Sweden to Eastern Europe and Asia with the aim of reducing operating costs by an estimated SEK 40 million per year.

NIBE INDUSTRIER's total net turnover increased from SEK 1,398.5 million in the first half of 2004 to SEK 1,669.8 million in the same period of 2005. The improvement in financial results was due to the success of the heat pumps and stoves divisions, which counterbalanced the declining profits of NIBE ELEMENT.

Source: Nordic Business Report



Turkey: DEMIR DÖKÜM increases half-term net profit

August 17th 2005

The Turkish heating and cooling equipments manufacturer DEMIR DÖKÜM increased its 2005 first-half net profit to €6.6 million, compared to €6.1 million registered in the same period last year. The company achieved a turnover of €30.7 million in the first six months of 2005.

DEMIR DÖKÜM's financial results include the aggregated results of its PANEL RADYATOR, DD HEATING LIMITED and DEMRAD DÖKÜM divisions. DEMIR DÖKÜM is part of the Turkish KOC HOLDING industrial conglomerate and holds a 45% share of the Chinese oil radiator manufacturer CHUNG MEI, as well as a 60% share of the Chinese distributor DEMILADI.

Source: www.imkb.gov.tr

Czech Republic: KORADO increases its 2004 profit

August 19th 2005

The Czech steel panel radiator manufacturer KORADO increased its annual profit by €4 million, to reach €12.3 million in 2004.

The company's sales increased by around €9.2 million to reach €87 million. In the same period debts were reduced to €64 million in 2004, down from €87 million in 2003.

KORADO is based in Ceska Trebova and is the leader of the Czech steel panel radiator market. The company has trade units Germany, Austria, Poland, Lithuania, Bulgaria, Slovakia, Bosnia and Herzegovina, as well as Croatia. KORADO has production facilities in Ceska Trebova, as well as in Strajice, Bulgaria. Exports account for an estimated 50% of the total sales of the company, which employs an estimated 700 people.

Source: Cerstve.zpravy.cz



Romania: State subsidy to replace stoves with boilers

August 23rd 2005

The Romanian state is about to adopt a law which offers financial help in order to replace terracotta gas stoves with boilers.

To benefit from this legislation, households have to fulfil the following criteria: the average monthly income per person should not exceed €89 in the case of people employed by a state institution and €94 for other employees; the dwelling should be connected to the gas network with the heating to be provided by terracotta gas stoves. In this case, the household can receive a coupon worth €286 in order to purchase and install a boiler, or a €57 coupon to purchase and install an automatic gas burner.

The necessary funds will be provided by the state budget between 2005 and 2008 at an estimated total cost of €86 million. It is estimated that for 2005 subsidies worth around €1 million are needed for this programme, which would cover an estimated 25,000-28,000 applications. The official statistics show that more than half of the Romanian households use solid fuel stoves, 29% are connected to district heating, 12% have individual or collective central heating and 2% use other heating devices. Terracotta gas stoves provide heating for an estimated 600,000 dwellings.

Source: Capital

Switzerland: ZEHNDER faces falling profits

August 24th 2005

The 2005 first-half net profit of the Swiss radiator manufacturer ZEHNDER HOLDING AG fell by 35% to €8.5 million. The company's EBIT decreased by 32% to €12.6 million, but sales rose by 1% to reach €176.7 million.

ZEHNDER saw its profit fall due to increasing raw material prices, but delayed construction activities due to a cold and long winter also played their part. The company expects a 15-20% drop in its profit by the end of 2005, compared to last year, when the profit realised was €30.5 million.

Source: Reuters



A Division of Business Research Group

New Heating Country Summaries

CONSULT GB has published its annual 30 country studies on the heating market in Europe. The detailed reports cover the bathroom market in each country and include market trends, product analyses, market shares, distribution analysis and company profiles.

For more information on the content of the individual reports (and for details on how to place an order), please click on the following links:

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Country Special: Portugal 2004 Developments in the Heating Market

Overall Country Background

Portugal covers an area of 92,000 km², including the islands of the Azores (2,300 km²) and Madeira (800km²). The country occupies one fifth of the land area of the Iberian Peninsula, the frontier with Spain stretching some 1,200 km. It is divided into 20 provinces (including the two islands), and although the constitution has, in the past, made reference to “autonomies” these have never been created. Administratively the provinces have little importance, with the local power mainly vested in the city authorities.

The total population according to the 2001 census results was 10,400,000 inhabitants, which represented a 5% increase over 10 years. 95% of the population lives on the continent with the North and Lisboa-Vale do Tejo regions comprising nearly 70% of that. The degree of concentration of the population in the main urban centres, particularly Lisbon and Porto, is still growing. These two cities have approximately 1,900,000 and 1,200,000 inhabitants respectively and account for around 30% of the total population.

2004 was a year of recovery for the Portuguese economy. GDP rose by 1% after 2003 experienced a decrease of 1.1%. It became apparent, however, that the economy was still not quite on the road to a full recovery as the year progressed with a disappointing second half as far as exports were concerned, meaning internal demand was the only supporter of economic growth. Inflation declined from 3.3% in 2003 to 2.5% in 2004 as the contraction of economic activity contributed to a decrease in pressure on prices.

Overall Market Developments

The total market for heating products has been growing steadily overall, with the boiler and radiator markets experiencing exponential growth since 1992. Growth has been particularly sustained since 1994, when there was a sudden revival in construction activity boosted by increased public investment and a recovering economy that remained buoyant in 1995-96. From 1997 to 2000 a strong increase in construction output (particularly in new housing) as well as in civil engineering works, such as the Lisbon EXPO 98, drove the market, resulting in strong growth in all segments. Broadly speaking, the water heater market has also been increasing continuously (despite a few setbacks in 1993 and 1995-96) although at a slower pace than the other segments. Since 2001 the total wet system heating products market in Portugal has suffered significantly, as Portuguese construction activity decreased.

2004 Market

The 2004 heating products market showed a modest recovery from the poor performance overall between 2001 and 2003 and reached some 708,900 pieces. The whole boiler market increased, with positive performances from both wall hung and jet burner boilers (possibly still benefiting from government subsidies). The radiator market also had a positive trend, with good performances from towel warmers and aluminium radiators. In the water heaters market gas instantaneous water heaters continued their declining trend falling by approximately 5%. Electric storage water heaters, on the other hand, still benefited from a strong presence in the Algarve.

Forecasts

Sales of heating products are forecast to undergo a progressive revival over the next five years, mainly coming from the replacement and first time installation markets. Growth is likely to be driven primarily by the boiler and radiator markets, whereas the water heater market is expected to follow a lower trend, only helped by the electric storage water heaters installed in new housing in tourist areas and to some extent by the replacement of the old electric storage water heaters installed in the Algarve area.



Product Special: Portugal 2004 Boilers Market

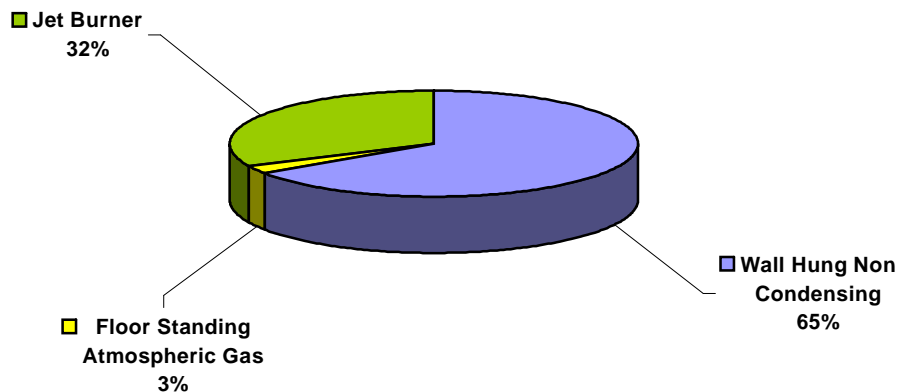
Sales By Type of Product:

The large majority of boilers sold in Portugal are wall hung gas non condensing, and 2004 was no exception with this type of boiler representing 65% of the market, having benefited from stronger penetration in new housing. Sales of floor standing boilers decreased, even though sales were already at a very low level. The jet burner boiler market had another year of positive growth, although at a slower rate than in recent years, driven by a very strong presence in rural areas and especially in individual dwellings.

Prices for wall hung boilers were affected by strong competition in the contract market although the mix has improved as room sealed models are clearly growing. Prices for gas floor standing boilers remained relatively stable and prices for jet burner boilers slightly increased, in line with the increase in prices of raw materials.

Sales of wall hung gas condensing, atmospheric gas condensing, solid fuel and electric boilers are insignificant in Portugal.

Boiler Sales by Type of Product 2004 (%)



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