

Heating Newsletter

August 2011



International Market Strategy

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

1 Management Acquires ARITERM GROUP

20th June 2011

The ARITERM GROUP has been acquired in a management led buyout from PROCURITAS CAPITAL INVESTORS III. ARITERM GROUP is the leading Nordic supplier of bio mass heating systems for both domestic and commercial applications.

ARITERM GROUP is divided into two strategic areas: Commercial Bio Heating, with ARITERM OY as responsible business unit and Domestic Bio Heating with ARITERM SWEDEN AB as responsible. The CEO for the Group, together with the respective Managing Directors, is forming the MBO team buying the company: Mats Bergsjö, Petteri Korpioja and Staffan Lundegårdh.

The discussions between PROCURITAS and the management have been open and positive which made it possible to reach an agreement on the MBO.

ARITERM GROUP will continue to operate following the present strategy aiming for continued growth taking an important part in making Europe renewable.

Source: PROCURITAS

2 ZEHNDER Acquires NEST ITALIA

5th July 2011

The ZEHNDER GROUP, headquartered in Gränichen (Switzerland), has acquired NEST ITALIA SRL with the intention of expanding its market position in the area of radiant heating and cooling.

NEST ITALIA develops, manufactures and sells heating and cooling systems for the private and commercial segments. According to ZEHNDER, NEST has a leading market position in the growing market of radiant cooling. The deal was financed by the company's own means. The price of the acquisition remains undisclosed. NEST ITALIA was founded 11 years ago and currently employs 20 staff. The company achieved a turnover of almost €4 million in 2010 and was profitable.

Source: Sanitär &Heizung News

3 DAIKIN Acquires Air Conditioning Manufacturer

8th July 2011

DAIKIN EUROPE N.V., a 100% subsidiary of DAIKIN INDUSTRIES LTD. headquartered in Osaka, Japan, announced an agreement with the principal

shareholders to acquire 100% of the shares of AIRFEL with its headquarters in Istanbul, Turkey. AIRFEL's core activity is the production and distribution of heating, air conditioning and ventilation products, primarily in the Turkish market. This acquisition, subject to the approval of the antitrust clearance authorities in Turkey, strengthens DAIKIN's sales network in the Turkish market and extends its product offering in the EMEA markets. The final transfer of business is expected to take place by the end of August 2011.

Through the acquisition, DAIKIN aims to further grow its activities within Turkey by combining and maximizing each of DAIKIN's and AIRFEL's complementary strengths and competences within the Heating, Air Conditioning and Ventilation markets.

DAIKIN expects the Turkish air conditioning market to grow rapidly from €900 million in 2010 to €1.7 billion in 2015, making it one of the biggest markets within the EMEA region. Furthermore, the Turkish market will continue to develop towards inverter driven technology products, helped by increasingly environmental policies from the government. Also, Turkey's unique geographical positioning and impressive recent economic performance will make it an important player for the whole EMEA region.

DAIKIN has been active within the Turkish air conditioning market since 1975 and has built a strong position within the commercial segment. AIRFEL has been active since 1999 and has built an impressive residential and commercial sales network with over 270 dealers and almost 400 authorised service agents. Additionally, AIRFEL has been selling its own produced heating product (boilers/radiators) and DAIKIN aims to actively promote the sales of these units.

AIRFEL started its business in 1999 with the import of air conditioning equipment into Turkey. In 2001 it merged with SANKO GROUP, one of the biggest groups in Turkey and started investing in the HVAC sector. Today, AIRFEL manufactures combi boilers, air conditioner units, infrared heaters, panel radiators, fan coil units and air handling units in Turkey. The company sells its products via its sales network of over 270 dealers and additionally has almost 400 authorized service agents in Turkey. AIRFEL also exports its products to over 30 countries, of which the main ones are Russia, Azerbaijan, Georgia, Germany, Hungary and Romania.

DAIKIN EUROPE N.V. is the sales and manufacturing headquarter for Europe, Africa and Middle East for DAIKIN's air conditioning, heat pump and refrigeration equipment. As a 100% subsidiary of the Japan-listed DAIKIN INDUSTRIES LTD., its main mission is to respond to the evolving requirement of its customers for residential, commercial and industrial applications. In 1972, DAIKIN INDUSTRIES LTD. established DAIKIN EUROPE N.V. in Ostend, Belgium, in order to explore the European markets. DAIKIN EUROPE was mainly used as an assembly and distribution centre for DAIKIN INDUSTRIES LTD. Now, DAIKIN EUROPE N.V. has developed into an advanced air conditioning, heat pump and refrigeration production facility that prides itself in being one of the most innovative players in the market. The company has currently manufacturing facilities in Belgium, Czech Republic, Germany, Italy and the UK.

Source: DAIKIN

4 ARISTON THERMO Acquires Swiss Companies

11th July 2011

ARISTON THERMO has acquired a 68% stake in CIPAG SA through its subsidiary ELCOTHERM AG. CIPAG SA, together with ARISTON THERMO, holds 100% of DOMOTEC SA.

CIPAG and DOMOTEC, operating in the production, distribution and maintenance of water heating systems, are market leaders in Switzerland and posted over 53 million Swiss Francs (€45.7 million) revenues in 2010 as well as an EBITDA of approximately 4 million Swiss Francs (€3.5 million). The companies employ a workforce of 200.

Source: ARISTON THERMO

5 Controls Manufacturers Found European Association

13th July 2011

Major European manufacturers of thermostatic valves and residential controls have banded together to form an association to provide them with a single voice in Brussels.

Part of EU.BAC, the European Building Automation and Controls Association, members of the RESIDENTIAL CONTROLS GROUP include BROEN, COMAP, DANFOSS, DELTA DORE, ESBE, HAGER, HERZ, HONEYWELL, INVENSYS, OVENTROP, SIEMENS, SONDER, TA HEIMEIER and THEBEN.

As a result of this action, EU.BAC states that it is now the leading stakeholder for all questions regarding controls and building automation.

It also includes energy services in its remit, through the European Association of Energy Service Companies (EU.ESCO), an umbrella organisation within EU.BAC. Its main focus for the future will include advocacy, standardisation and certification of products and systems, as well as providing member services and promotion of the industry and its services.

Source: H&V News

6 WOLSELEY To Sell Two Businesses To SAINT GOBAIN

25th July 2011

Plumbing and heating products distributor WOLSELEY PLC agreed to sell its building materials distribution business in the UK, the BUILD CENTER, to French glass products company SAINT GOBAIN. WOLSELEY is also in exclusive

negotiations with SAINT GOBAIN to sell BROSSETTE, its plumbing and heating distribution business in France. Total consideration for the two transactions is £310 million (€354 million) in cash.

WOLSELEY will receive a consideration of £145 million (€165 million) on the disposal of BUILD CENTER. The BROSSETTE deal is expected to result in consideration of £165 million (€188 million). The company said it will use the proceeds to pay off debt.

According to Ian Meakins, Chief Executive of WOLSELEY, these transactions were the last significant disposals planned following last year's strategic review. In the future, the group is going to focus investment in their strongest businesses in core markets including building materials and wood solutions in France and plumbing, heating, pipe, climate and associated businesses in the UK.

In the fiscal year ended July 2010, BUILD CENTER generated revenue of £316 million (€360 million) and trading profit of £1 million (€1.1 million). In the 11 months ended 30th June 2011, BUILD CENTER revenue was £294 million (€335 million) and had a trading profit of £4 million (€4.5 million).

In the fiscal year 2010, BROSSETTE had revenues of £648 million (€739 million) and a trading loss of £7 million (€8 million). For the 11 months ended 30th June 2011, revenue was £590 million (€673 million) and had a trading profit of £5 million (€5.7 million).

WOLSELEY stated that the completion of the transactions may take several months.

On 12th July, WOLSELEY announced that it would sell its ELECTRIC CENTER business to EDMUNDSON ELECTRICAL, a distributor of electrical equipment to trade and industry in the UK.

WOLSELEY plans to issue its fiscal 2011 results on 4th October.

Source: RTT News

7 AFG Increases Revenues

3rd August 2011

Despite a significant 6.4% rise in currency-adjusted revenues (+1.0% unadjusted), AFG ARBONIA-FORSTER-HOLDING AG has posted a lower EBIT of CHF 10.9 million (€9.8 million) (previous year CHF 15.2 million; €13.7 million) and a weaker overall result of CHF 1.4 million (€-1.3 million) (CHF 1.3 million; €1.2 million) for the first half of 2011. These figures are the result of the strong Swiss franc and a noticeable rise in raw material prices. The company has come to the conclusion that despite the current foreign exchange situation and its competition-distorting

effects, and despite the unsatisfactory Group results, the company still has very good foundations and a great deal of untapped potential in all its divisions. Owing to unfavourable changes in exchange rates (Euro) and raw materials (steel) the biggest division, Heating Technology and Sanitary Equipment, which accounts for around 40% of revenues, performed below expectations. The division did much better than a year ago in its core German market and in its main segment, heating technology, but UK company AQUALUX once again struggled to increase revenues and earnings. Overall, the division's revenues increased 3.5% from previous year after adjusting for currency effects, but fell 7.2% in absolute terms. The difficult price situation was also reflected by a narrowing of margins, leading to lower EBIT of CHF 16.2 million (€14.6 million) (CHF 19.2 million; €17.3 million).

Source:AFG

8 BRG Heating Reports 2011: Now Available

BRG is pleased to announce the completion of its annual reports on 30 European (plus the USA and Canada) markets for heating products. The studies have been published at the end of July 2011 and feature up-to-date market information on 2010 base year and forecasts to 2015.

BRG's offering within the heating sector has evolved in line with the changing pace of the current and likely future market situation and covers selected renewable technologies in addition to traditional/conventional products.

Therefore, the full detailed coverage of BRG's 2011 programme includes 30 country coverage of the European markets for:

- boilers & burners
- radiators
- water heaters
- heat pumps
- solar thermal systems
- solid fuel/biomass boilers.

For more detailed information on BRG's heating studies, please contact Mr. David Harrop

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A detailed proposal is available upon request.

Source:BRG