

The HVAC&R market in the EMEA region in 2013/2014

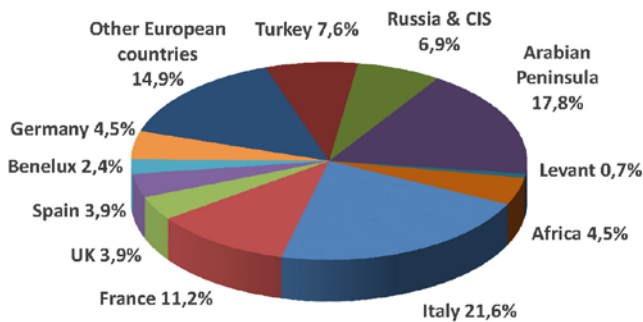
Fan Coil Units - a stagnant market with reduced progress



GHITA BOUDRIBILA & YANNICK LU-COTRELLE



The fan coil unit market in the EMEA region has sales of some 1.45 million units that is as much as in 2012. As in previous years, European sales represent approximately three-quarters of the market. Within the European Union, Italy is still ahead of the pack with a quarter of all sales, followed a little further behind by France with a 14% market share. Insofar as Germany and the United Kingdom are concerned,



FCU market in units - EMEA 2013

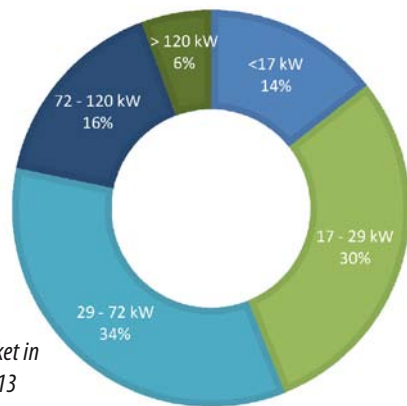
sales have remained modest, each with a market share of approximately 5%.

Outside of the EU, it is Turkey which stands out with its continued steady growth and a market share close to 10% this year against 7% the previous year, thus leaving Russia behind it with 7% of sales in the EMEA region. Lastly, the Middle East retains its place as second largest player in the EMEA region with approximately 260,000 units sold in 2013. Compared to 2012, Italy continues its decline with a contraction of about 10%.

Conversely, the Turkish market is still in full expansion, showing a record growth of almost 30%. Changes of course occurred this year for Spain and Portugal which recorded respective rises of 8% and 3%. However, the tides have turned for Poland and the Northern countries, which have dropped to -10% and particularly for Russia which experienced a sharp decline of -4% after two years of growth.

From a technological viewpoint, changes are minimal. The 2 pipe fan coil units still represent three-quarters of the market except in Turkey and the Benelux countries where the ratios are the same. On the design side of things, fan coils with casing and without casing each represent 30% of the market. The remaining market is split in equal parts between "Cassette" type models and "Ducted" type models. In terms of forecast, the year 2014 should achieve the same level as 2013 in the EMEA region with perhaps some slight growth of around 1.5%. The forecasts remain positive for already dynamic areas like Russia and Spain. However, they are gloomier for Italy which began the year with falls varying from -3 to -10%.

Rooftops - Europe registers slight growth in the face of a market still dominated by the Middle East



ROOFTOP market in kW - EMEA 2013

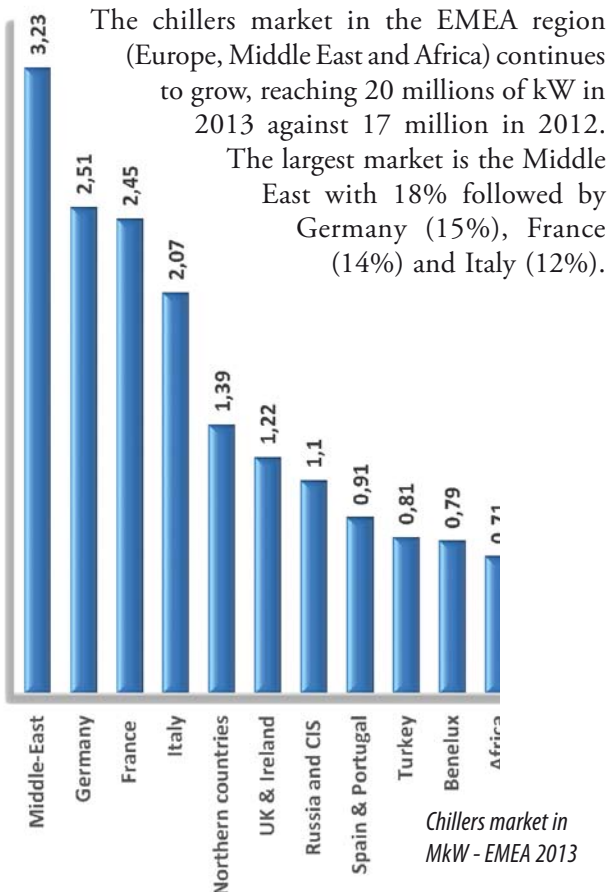
The rooftops market in the EMEA region amounts to about 60,000 units sold in 2013, that is 5% more than the previous year. The Middle East is still leading the way with more than 80% of the market share, then Africa coming in a distant second with 4.2% of the market. Within Europe, the market distribution is more even. Ahead of the pack are the France/Spain duo with market shares nearing 20%. Then come Turkey, the United Kingdom and Italy with approximately 10% each. The rooftops market

remains a dynamic market unlike others, with considerable 2012–2013 growth and upward 2014 forecasts. Contrary to previous years, it is in Europe that the highest growth rates have been recorded and particularly in the United Kingdom recording +30%, as well as Spain and Turkey with increases of up to +20%. As for France, growth is also visible but it is more subdued with a 4% increase. By contrast, the market has experienced a serious setback in Italy with a drop of approximately –15% this year.

In general, the most sold rooftop unit-types in the EMEA region are the medium-capacity units, of between 17 and 72 kW and representing approximately two-thirds of total sales. For further accuracy, the small-capacity units of under 30 kW are on the rise in the Middle East, but it is the units of over 30 kW, which remain easily the most sold in the rest of the EMEA region.

In terms of technology and given the very high temperatures of the region, we found that cooling units were sold exclusively in the Middle East alone. Conversely, nine tenths of units sold in Europe and in Africa were reversible models (classic and gas models).

Chillers - Turkey continues to affirm its dynamism in contrast to the European Union, which had a rather gloomy year 2013



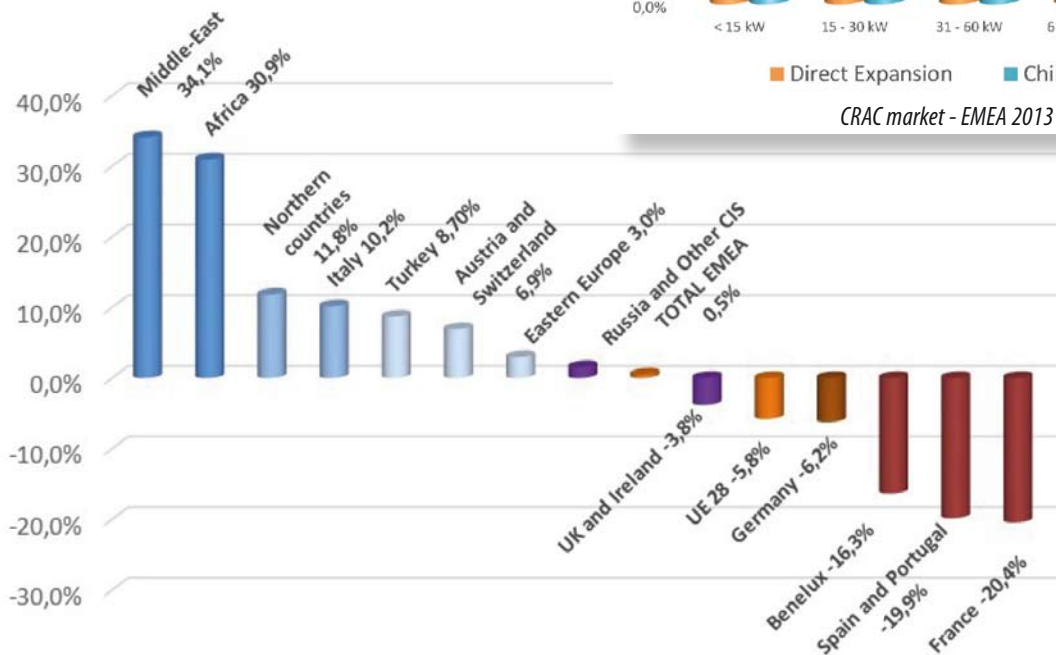
In the small-capacity category of under 50 kW, the majority of sales were concentrated in the South of Europe. Italy has played its card right with a market share reaching 45% and is followed by France with 13% and the Iberian Peninsula with 6%. A little further North is Germany, which has a respectable market share nearing 9%. For medium-power machines, once again we have the leading trio Italy/France/Germany with respective market shares of 16%, 14% and 10%, which accounts for almost half of the total European market. Then we have the Benelux countries, the Nordic countries, the United Kingdom and Spain, which fluctuate around 6%. Conversely, for high-power machines (above 700kW) it is the Middle East which leads the way with 25% of the market share. Coming in second position, are Turkey and Russia with 8% of the market and then the usual trio France/Germany/Italy with respective market shares ranging from 6 to 7.5%.

Compared to 2012, there has been a market stagnation for machines of over 50kW in the EMEA region. This stagnation is balanced primarily thanks to the significant increases in Scandinavia and Turkey, which respectively reached 14% and 8%, thus eclipsing the negative trends in other countries. Indeed, looking at the 28-member European Union, the year has been less than buoyant. The fall has been most significant for the United Kingdom/Ireland duo with –9%, followed by France with its –6%. In the Iberian Peninsula, in Germany and in Italy small contractions in the market may be reported ranging from –3% to –0.5%. Furthermore, the number of chillers has also fallen in Africa. This is primarily due to the Republic of South Africa, which recorded more than 20% fall between 2012 and 2013 due to social conflicts slowing market growth.

Over three-quarters of chillers sold in the EMEA region are air-cooled not water-cooled. Only 10% of sales are for water-cooled units. In terms of refrigerants, it is the R410A which is comfortably in the lead, given that it is found in 80% of all units. The R134A comes next with 14%.

Computer Room Air-Conditioners (CRAC) - A sluggish year 2013 for the European Union; Africa and the Middle East are booming

Of the approximately 30,000 units sold in 2013, over 25,000 units were sold in Europe. In the EMEA region, the market leader remains Germany with 12.5% of the market share followed very closely behind by the United Kingdom with 11%. Russia and its ex-satel-

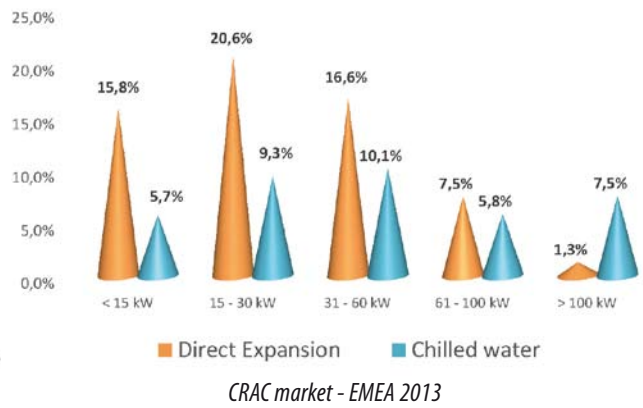


CRAC market growth 2012/2013 - EMEA

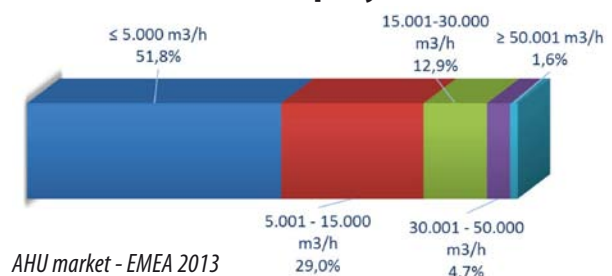
lites continue to hold third place on the market with 10.5%, which is approximately 3,200 units sold. As for the Middle East and Africa, their respective shares are 9.5% and 6.5%.

The CRAC market had a weak year in 2013 in the EMEA region, almost stagnating around 0.5%. Within the European Union, the market declined sharply (-6%) with drops of up to -20%. It is in France, the Benelux countries and Spain that the market has suffered the most with drops ranging from -16% to -20%. Germany was also affected with a contraction in the region of -6%, the same goes for the United Kingdom/Ireland duo with -4%. Only Italy and the Scandinavian countries have seen their market shares grow by 10%. The EMEA region, the Middle East and Africa record the highest increases with approximately +30%, followed by Turkey and the Austria/Switzerland duo with +8% and Eastern Europe with +3%.

Two-thirds of the units sold in the EMEA region are direct expansion units and the remaining third consist of chillers. Concerning chillers, the medium-capacity machines (between 15 and 60kW) represent half of all sales. The distribution is more even for direct expansion machines as sales include almost as many small-capacity (under 15 kW) as medium-capacity machines.



Air handling units - a slow-down in growth and a reduction in the number of market players

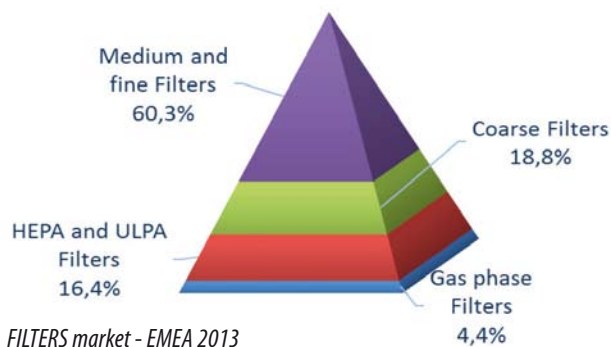


This year once again, the air handling unit market has fared relatively well, with a rise of 2.8% in 2012–2013 in the European Union, and an increase of over 10% in the Middle East. The main driver behind this rise is still Germany, which totals nearly 20% of all sales in the EMEA region with a market share estimated at €356M in 2013, and an annual growth rate of +10%. Although the other heavyweight in the region, Scandinavia, with its 15% market share, saw its sales stagnate in 2013 compared to 2012, substantial progress has again been made by Russia and Turkey, which respectively recorded +17% and +46%, between them totalling over 13% of the market in 2013. To a lesser extent, Spain and the Czech Republic have seen an increase of 8%, respectively reaching €40.1M and €21.2M in 2013, and France saw its market share rise by 4% with approximately €112M in 2013.

As for disappointments, we have Italy which underwent a small market contraction (-2.6%) and particularly Portugal which went down to €6.1M in 2013 after a fall of 20%. Insofar as regards air-flow power, it is the units of under 5000m³/hr which continue to be the most sold with 52% of the market share in the EMEA region against only 6.3% for units of over 30,000 m³/hr. Regarding the development of the European market, a small contraction is forecast for 2014 since the first two quarters have already ended with a fall of -2% for Q1 and -3% for Q2. At the same time, we are witnessing a reduction in the number of market players, too high as there are several hundred in Europe, a few small ones are disappearing or are being taken over by larger ones.

The air filters market continues to stagnate

The air filters market was quite depressed in 2013 with a contraction of 0.7% for the European Union and almost stagnating at -0.4% for the rest of the EMEA region, stabilising at around 1.08 billion euros. This lower growth rate may be explained by an extension of the lifetime of the filters in place or the increasing importance of external supplies, such as China or India. Germany, the biggest market with €208M of sales in 2013, grew moderately by about 4%, while France, the second largest market, saw its market stagnate at around €121M. The Scandinavian countries, which represent between the four of them approximately 15% of the EMEA region, saw their market decrease by about 5%, as did Switzerland, while Italy and Spain saw their sales increase by 6% for the first quarter and over 15% for the second. Among the products most sold in the EMEA region, the market share of fine and medium filters has continued to increase these last few years, achieving 60% of the market in 2013. Next in line are the coarse filters with 19%, and then the HEPA-ULPA filters with 16%. Gas-phase filters barely represent 5% of sales.



Cooling towers - a declining European market

The cooling towers market experienced a contraction of around 7% in the EMEA region, falling to €229.5M in 2013, that is a level even lower than that of 2011. Topping the sales charts is still Germany with over €38.4M, followed by Russia and its ex-satellites, which have almost €23.4M. Italy, France and the United Kingdom are still the main secondary players with 8% of the market each. Among those with the greatest growth, we have Russia with +23% along with Poland which achieved €8.2M in 2013 by means of an increase of over 30%. Conversely, those with the largest declines were France and the United Kingdom brushing the -20% mark. In the EMEA market in 2013, much more open than closed cooling towers were sold in a ratio nearing 65/35.

A good year for heat exchangers

The heat exchangers market increased to €809M in 2013 in the EMEA region, which is approximately 15% more than in 2012. Aside from Germany with its 17% market share, the main players are Russia and Italy with 10%, France and the United Kingdom with 8% and the Middle East with 7%. Leading the way with highest growth are the Benelux countries, Russia, the Middle East and the Scandinavian countries, recording rises over 20%. Conversely, Italy experienced a small contraction in its market share, while Germany and the United Kingdom saw some growth of around 5%.

Adiabatic coolers - an emerging market

For some years now, we have increasingly been seeing the comeback of a technology as old as the hills - that of adiabatic coolers. It is a technology which consists, in the context of heat exchangers, of facilitating heat exchange between ambient air and liquid to be cooled by increasing the degree of humidity in the surrounding air. This can be done using nozzles which spray water directly onto the batteries, or through a permeable media positioned in close proximity and which is humidified (water which is used for humidifying may be recuperated or not). Above all, it is a backup used temporarily when the summers become too hot, and this is why this technology is still barely used in the North of Europe and is absent in the Middle East. Its main markets are currently in countries with temperate climates like Germany, France, Switzerland and Eastern Europe.

For further information, please do not hesitate to contact Eurovent Market Intelligence at statistics@eurovent-marketintelligence.eu ■