aqua THERM MOSCOW

HVAC MARKET IN RUSSIA

GROWING OPPORTUNITIES FOR INTERNATIONAL COMPANIES

RESIDENTIAL AND COMMERCIAL HEATING

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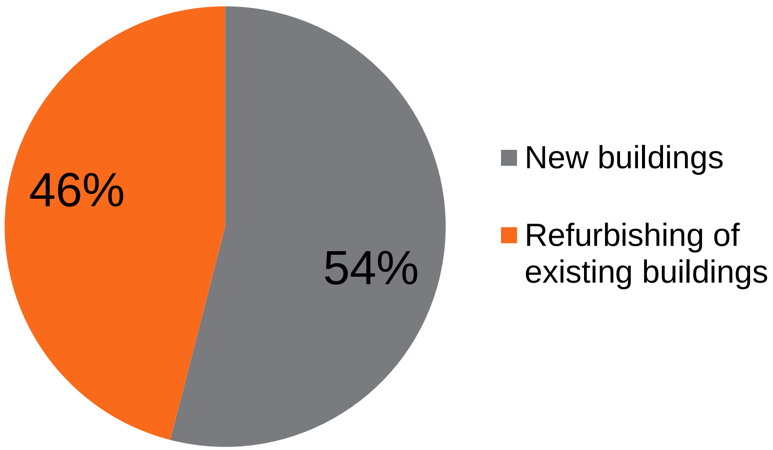
CONSTRUCTION AND HVAC MARKET IN RUSSIA

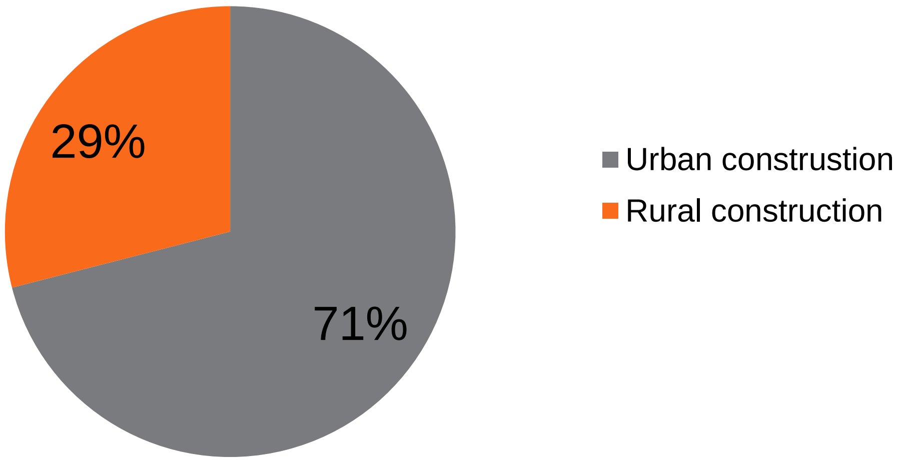
70% of investors	consider Russian market as the most attractive with its 143.5 mln active consumers and 6th largest volume of economy in the world
622,8 mln sqm	of residential and non-residential buildings' space were placed in service during in 2015
28-35 sqm	per capita housing in Russia that is to be reached by 2020 according to federal Residential Construction Housing Support Programme 2013–2020
728,000 sqm	of quality office space are planned to be provided in the next 2 years due to creation of new offices and refurbishment of existing ones
Over 50%	of HVAC products are imported

CONSTRUCTION AND HVAC MARKET IN RUSSIA

Orders of HVAC equipment are frequently performed for:



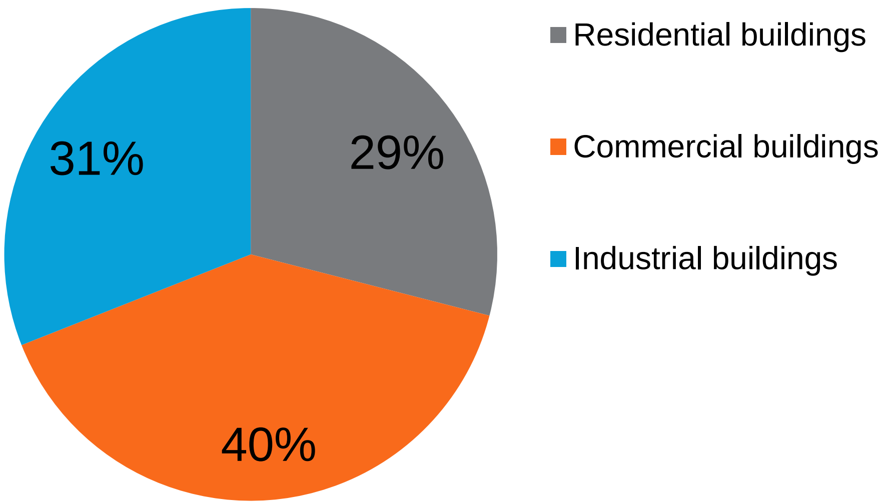
Share of HVAC equipment orders by type of locality:



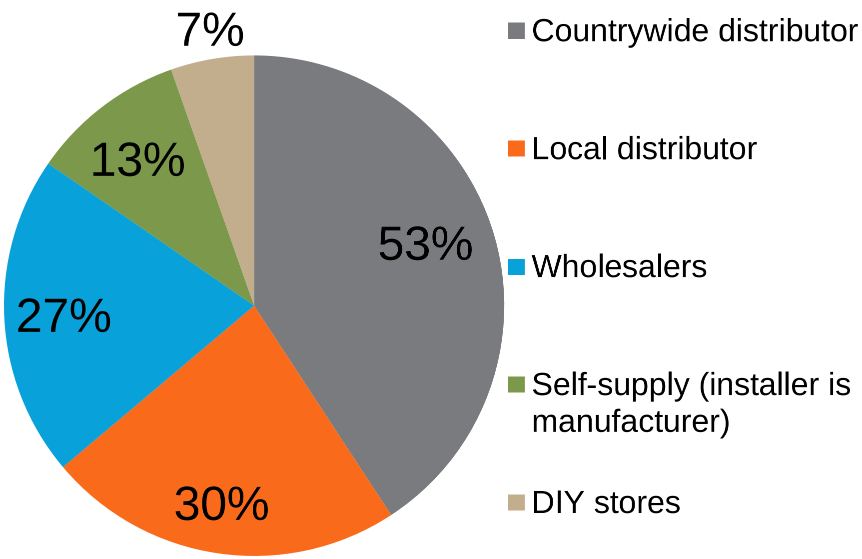
HVAC market players have more opportunities to develop supplies for **new projects constructed in the cities**, though refurbishing is still being actively performed as 35% of housing stock were built and equipped over 40 years ago

CONSTRUCTION AND HVAC MARKET IN RUSSIA

HVAC equipment trends in application:



Sales channels:



Sales chain is based on **countrywide distributors** while significant share of producers work directly with **local distributors and wholesalers**.

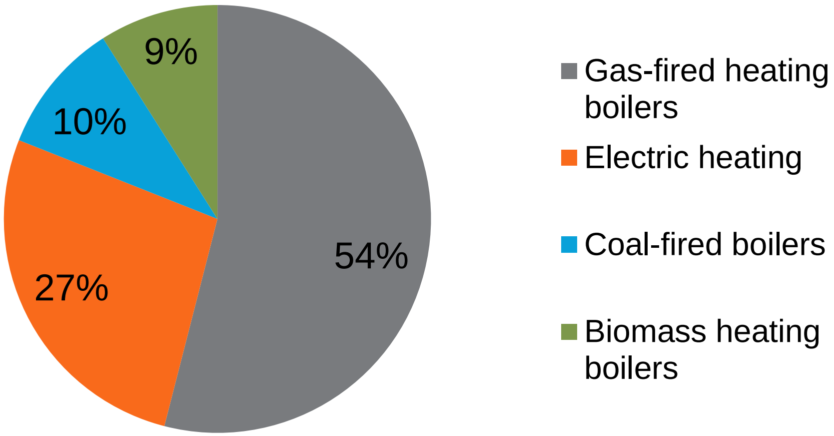
Developers of **commercial housing** are the most frequent clients for HVAC suppliers, however residential and industrial sectors also have high demand.

HEATING

RESIDENTIAL AND COMMERCIAL SECTOR

$2,4 bln	Volume of imported heating equipment
$1,3 bln	Volume of imported heating equipment
18%	CAGR of heating equipment import in 2009–2014

Most frequently installed types of heating equipment



Leading brands in the market:

- Viessmann (has production in Russia)
- Vaillant
- Buderus (has production in Russia)
- Baxi

HEATING

RESIDENTIAL AND COMMERCIAL SECTOR: BOILERS

50% — Share of housing units that are heated with municipal CHP plants or local boiler rooms

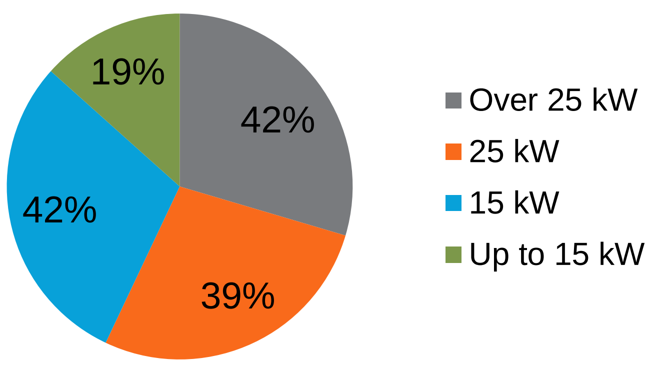
$470 mln — Volume of imported central heating boilers

73 500 boiler rooms

187 000 heat boilers

- 70% gas boilers
- 25% coil boilers
- 5% biomass boilers

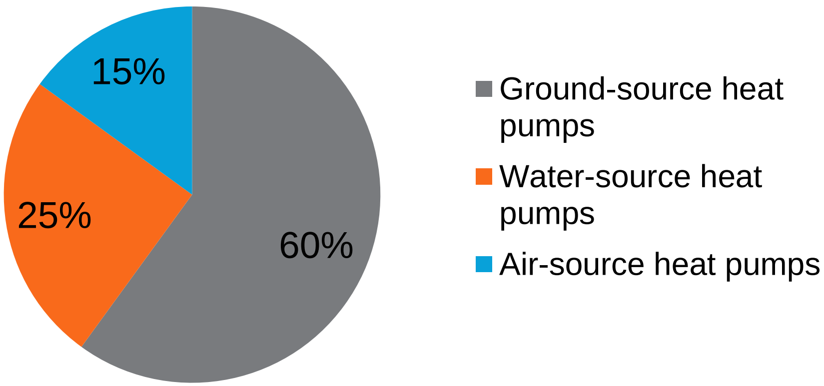
Heating boiler capacity



HEATING

RESIDENTIAL AND COMMERCIAL SECTOR: HEAT PUMPS

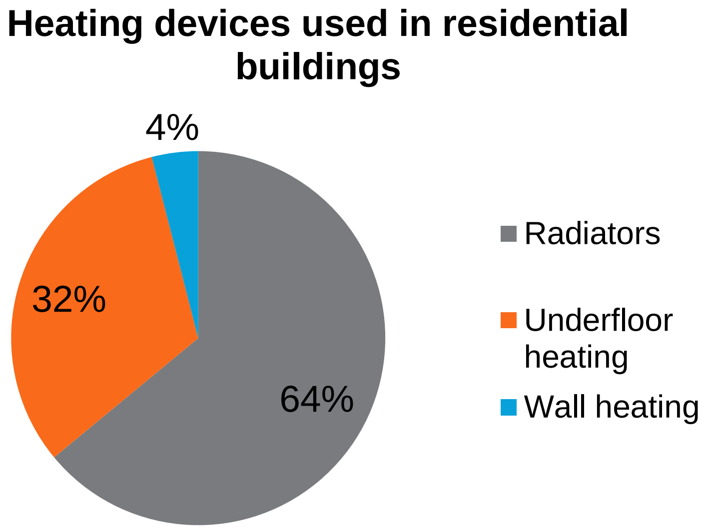
Share of heat pump types installed:

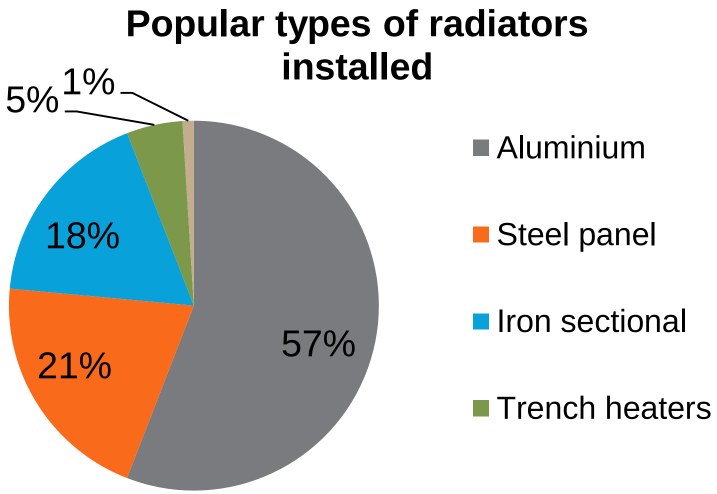


Heat pumps are being installed by **22%** of construction companies

HEATING

RESIDENTIAL AND COMMERCIAL SECTOR: HEATING DEVICES



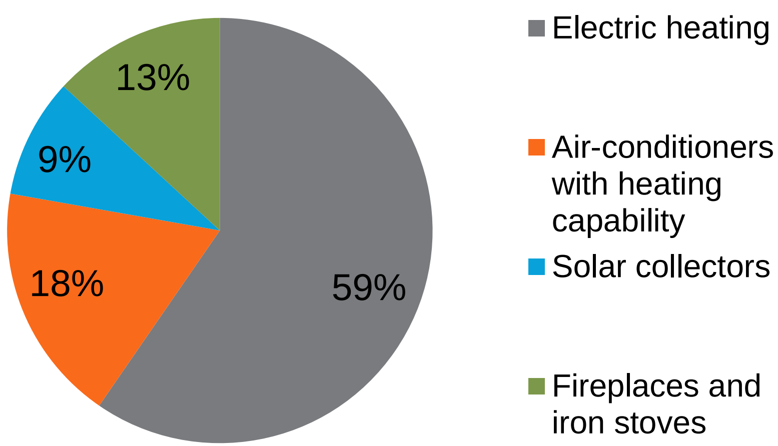


Most popular heating devices installed in residential buildings in Russia are radiators (64%). Underfloor heating is installed relatively often (32%), whereas wall heating is a rare solution (4%). These types of equipment have prospects for development in the new buildings but difficult for installing in existing ones.

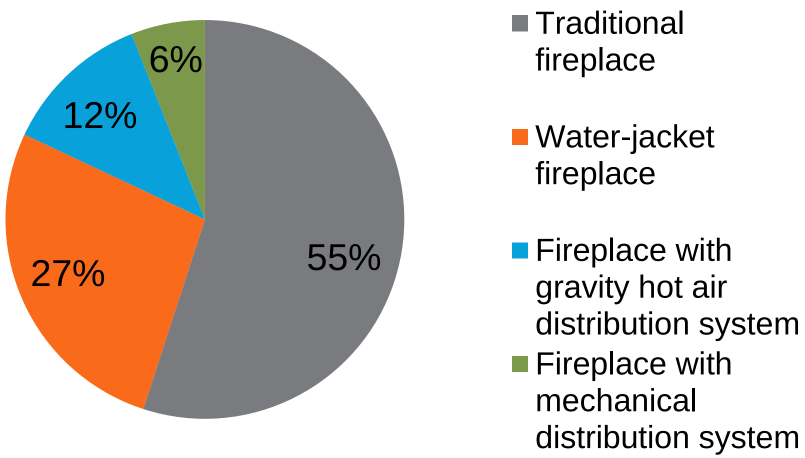
HEATING

RESIDENTIAL AND COMMERCIAL SECTOR: DEVICES FOR ADDITIONAL HEATING

Additional heating devices installed



Types of fireplaces installed



$1,84 bln	Volume of imported electric heating devices
$210 mln	Volume of imported electric furnaces
$133 mln	Volume of imported liquid fuel furnaces

HEATING

RESIDENTIAL AND COMMERCIAL SECTOR: TRENDS

- The size of the heating market is estimated **at €2bn**, a nominal year-on-year increase is almost 10%.
- Despite the economical and political challenges, the strong performance in recent years has been saved mostly because of the **stability of residential construction** across the country. Developers are continuing construction of big amount of projects launched in 2013–2014 and refurbishment of old buildings.
- In accordance with Federal Housing Programme, per capita housing in Russia is to be expanded to 25-27 m² by 2015 and **to 28-35 m² by 2020**. The scheme will lead to positive movements in the heating equipment market in the next few years.
- Major heating brands **increase localisation** in Russia by opening factories, representative offices and warehouses (including Bosch (Buderus), Viessmann, Schiedel, Ariston Thermo, Fondital, GEA, etc.). In 2015, Russian Ministry of Economic Development launched a programme supporting international brands in opening manufacturing in Russia.
- Increasing propensity to implement **energy and cost-efficient solutions** – firstly in commercial structures, and then in all other buildings is expected to fuel the steady growth of the market.
- Market is still **strongly dependent on imported products** (over 50% of the total volume) that have no local competitors by quality and exploitation.

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