



AIR CONDITIONERS PRODUCTION

PROJECT

Proposed project – **production of household air conditioners.**

Feasibility of establishing a production of household air conditioners is determined by the following factors:

- Mass consumer orientation, household air conditioners account for **more than 50% of global market.**
- High growth rate of imports both to Russia (CAGR **+64%** since 2009) and to Belarus (CAGR **+27%** since 2009), lack of domestic production.
- Localization of production close to final consumers** (demand growth in Russia – in particular in Moscow, as well as in Belarus).
- The main markets are **the growing market of Customs Union as well as the domestic market of Belarus.**
- Investment costs for the creation of the household air conditioners production (including warehouses) are estimated at **20-27 mn USD**, payback period – **6-7 years.**

SALES MARKETS

Domestic market:

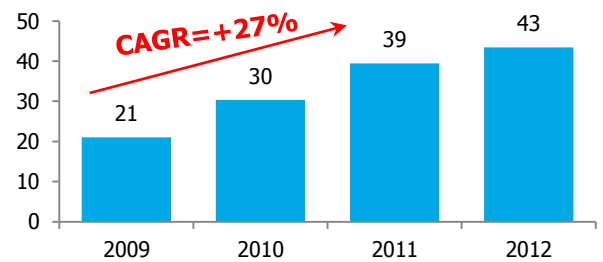
- There is almost no domestic production of air conditioners in Belarus. Only the factory "Belit" produces a small volume of air conditioners – about 1000-1500 units per year. At the same time Belarusian market size is estimated at 20-25 thousand units. Moreover, Belarusian air conditioners with usually a higher price offer a lower efficiency compared to foreign analogues.
- Imports of air conditioners to Belarus in 2012 amounted to 43 mn USD with **CAGR for 2009-2012 exceeding +27%**. The main supplier of air conditioners is China (**22%**).

Customs Union market:

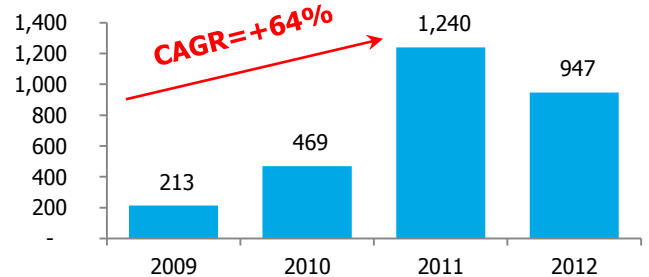
- Russia made several attempts to establish production of air conditioners (Telebalt, Rolsen, Kupol, EVGO), but products of these companies can not compete with Chinese manufacturers and often abandon the market.
- The production volume of air conditioners in Russia in 2010-2012 amounted to about 100 thousand units per year while sales were estimated at 2-3 million units.
- Imports of air conditioners to Russia is constantly growing: compound annual growth rate of imports in 2009-2012 exceeds **+64%**. In 2012, Russia imported about **950 mn USD** of air conditioners.
- More than a half of imports of air conditioners in Russia comes from China – **54%**.

Thus, **the most promising sales markets are the Customs Union market and the Belarusian domestic market.**

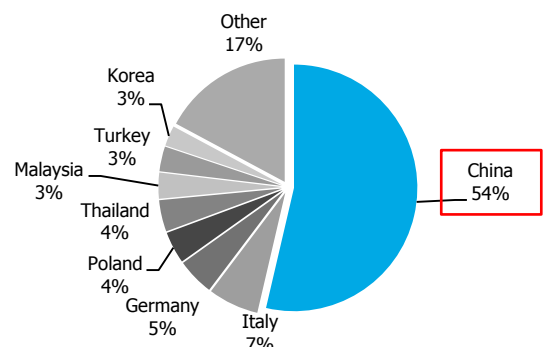
Imports of air conditioners to Belarus, mn USD



Imports of air conditioners to Belarus, mn USD



Structure of air conditioners imports to Russia split by countries of origin



MARKET OPPORTUNITIES

Global opportunities:

- Unducted splits dominate the world market of air conditioning with major part of the market.
- Global air conditioning market is forecasted to continue its growth. In 2016 market size is expected to exceed **100 bn USD** (+15% compared to 2013). CAGR in 2010-2016 may amount to around 5%.
- The highest growth is estimated to be observed in the BRIC countries, for example, growth rate in 2012-2016 in Russia may amount to about **35%**.

Regional opportunities:

- Russia's share of the global air conditioning market is only 2%, but experts estimate it as one of the most promising in the world taking into account the growing welfare of the Russians and the extremely low level of market saturation. Russia is in the **TOP-7** countries by the air conditioning market capacity and in the **TOP-3** by market growth rate.
- It is expected that the demand for splits will grow at the most rapid pace: the whole market will grow by 8-9% per year while the growth in demand for splits may reach on average **20% per year** (in 2013-2016).

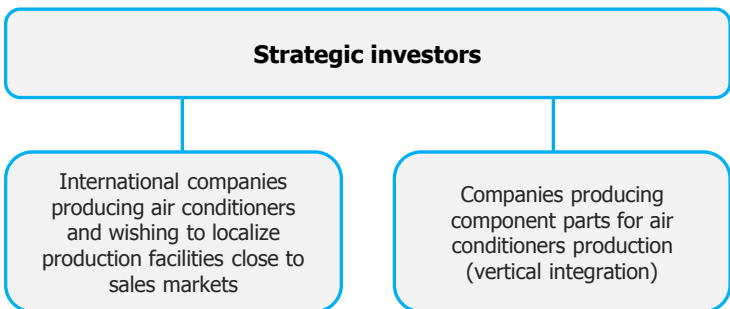
Air conditioning market is also affected by the following factors:

- global warming
- new standards for modern buildings, growth of construction and welfare cause a growing number of existing and new buildings equipped with air-conditioning systems.

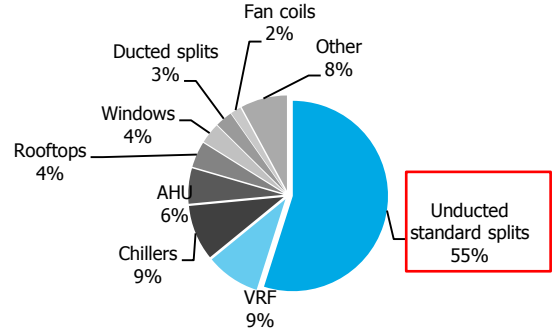
INVESTMENT OPPORTUNITIES

- Organization of this type of production require the production area of 5000 m² as well as storage facilities – about 10-15 thou m².
- Investment costs for the creation of facilities for the household air conditioners assembly and warehouses are estimated at **20-27 mn USD**.
- Profitability of air conditioners production amounts to on average **15-20%**.
- Payback period of the project may vary within **6-7 years**.

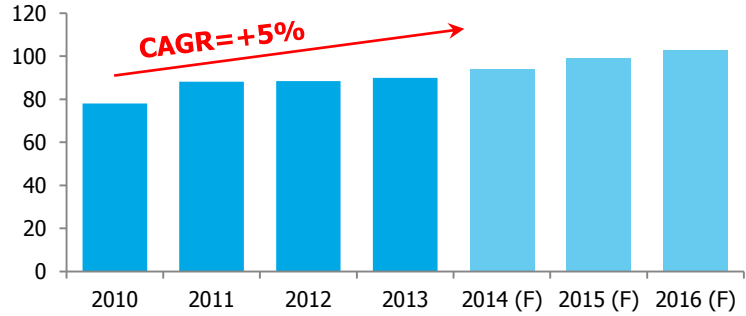
POTENTIAL INVESTORS



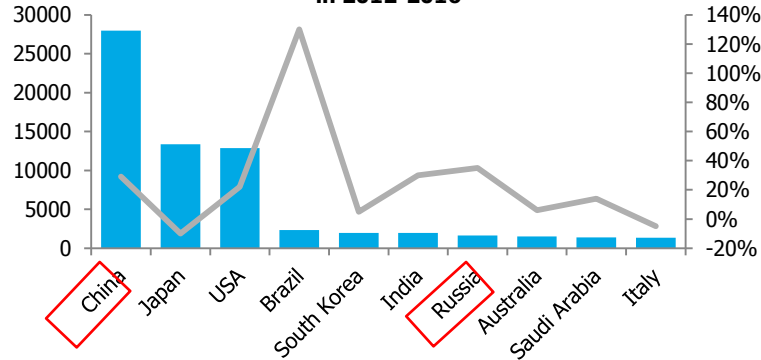
Air conditioners market structure



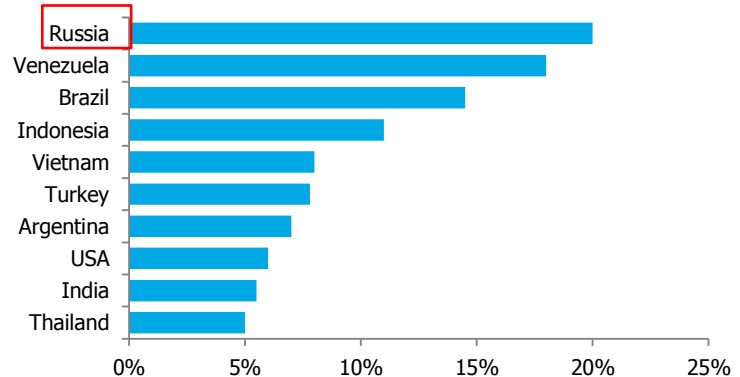
Global air conditioners market, bn USD



Forecast of air conditioners market size growth in TOP countries in 2012-2016



CAGR of split systems market, %



Commissioning of real estate, mn m²

