

Russian Lighting Market Structure in 2013



Russian Lighting Information Forum
Guangzhou
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- Macroeconomic overview of ex-USSR countries
- Russian lamps market structure
- Russian luminaries market structure
- Russian Lighting Market forecast till 2020

Ex-USSR countries in 2013



Ex-USSR countries in 2013



European Union

- Estonia
- Latvia
- Lithuania



Customs Union

- Russia
- Kazakhstan
- Belarus
- Armenia (*candidate*)
- Kyrgyzstan (*candidate*)

Other Countries

- Azerbaijan
- Georgia
- Moldova
- Tajikistan
- Turkmenistan
- Ukraine
- Uzbekistan

Customs Union of Russia, Kazakhstan and Belarus

Set up in 2010

Key principles:

- Common Customs Area
- No customs duties and economic restrictions within Common Customs Area
- Common Customs Code
- Goods imported outside Countries are a subject to a Common Customs Tariff

Customs Union of Russia, Kazakhstan and Belarus

Armenia and Kyrgyzstan intend to join Customs Union in 2014

Economic potential – Customs Union Countries

Gas Production
№1 - 22%

Oil Extraction
№1 - 14,6%

Coal Mining
№4 - 5,9%

Electrical Power Generation
№3 - 9%

Armenia

GDP = 10,5 bln USD
3,3 mln people
Key economic sectors:
• Agriculture
• Textile
• Machinery



Metallurgical Production
Iron: **№3** - 5%
Steel: **№4** - 6%

Agricultural Production
№4 - 7,9%
by wheat production

Automobile Infrastructure
№5 - 2,1%
by total distance

Railway Infrastructure
№2 – 7,8%
by total distance

Ukraine macroeconomic overview

- GDP = 178 bln USD, the 3rd after Russia and Kazakhstan
- 45,4 mln people, the 2nd after Russia
- Key economic sectors:
 - agriculture
 - iron industry
 - heavy industry



Other ex-USSR countries

Azerbaijan



GDP = 74 bln USD

9,3 mln people

Key economic sectors:

- Oil & Gas
- Chemistry

Uzbekistan



GDP = 56,5 bln USD

30,2 mln people

Key economic sectors:

- Textile
- Mineral resources

Turkmenistan



GDP = 40,7 bln USD

5,7 mln people

Key economic sectors:

- Oil & Gas

Georgia



GDP = 16,2 bln USD

4,5 mln people

Key economic sectors:

- Food processing
- Textile

Tajikistan



GDP = 8,5 bln USD

8,1 mln people

Key economic sectors:

- Agriculture
- Aluminium production

Moldova



GDP = 7,9 bln USD

3,6 mln people

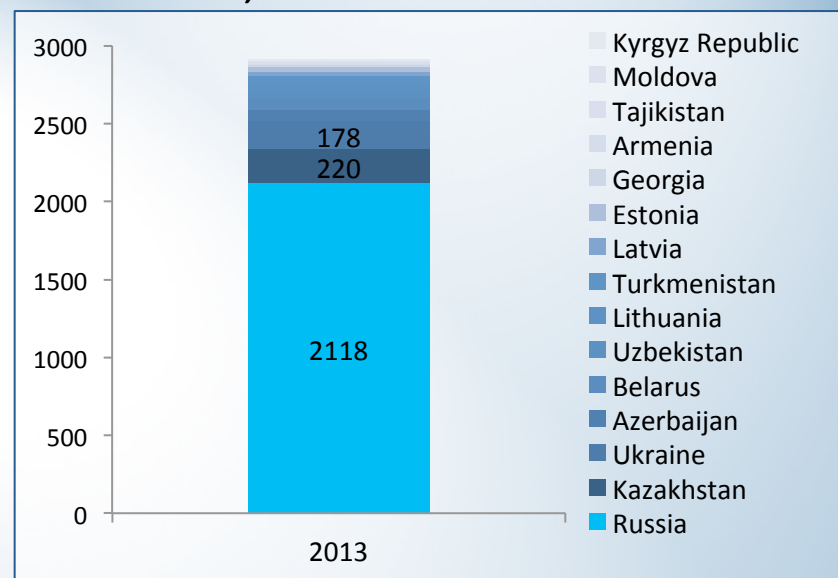
Key economic sectors:

- Agriculture

Russia economic overview

- Russia's GDP accounts for 73% of GDP of ex-USSR countries
- Russia's population – 49 % of population of ex-USSR countries
- Key GDP growth drivers in Russia are consumption, fixed assets' investments and export of natural resources
- GDP grew by 1.3% in 2013 and is expected to continue growing at a steady 3% yearly until 2016
- The government is handling inflation with a view to reaching 4.7% in 2016 against the 6.5% in 2013
- Electricity prices are expected to grow by 6-7% yearly in 2014-2016

Nominal GDP, bln USD



Population, mln people



Lighting market in Russia



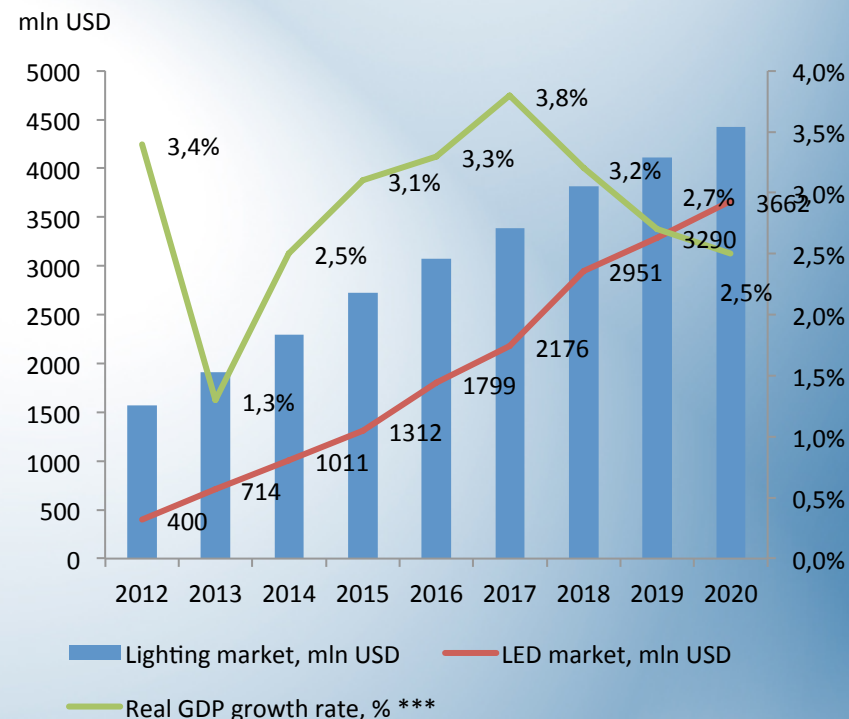
Lighting market in Russia. Market Data

The Lighting market* in Russia in 2013 was estimated at 1.9 Bln USD

According to LBC experts, given the current economic development trends in Russia, the lighting market will grow 2.7x times faster** on average than will the global market, reaching a 4.4 Bln USD mark in 2020.

Share of LED-based products (in value terms) was 37 % or 714 mln USD in 2013 and will reach 83% or 3.7 Bln USD in 2020:

- LED luminaries market in 2013 was worth 455 mln USD
- LED lamps market in 2013 was worth 259 mln USD



* Includes: professional luminaries, professional and consumer conventional lamps, professional and consumer LED lamps

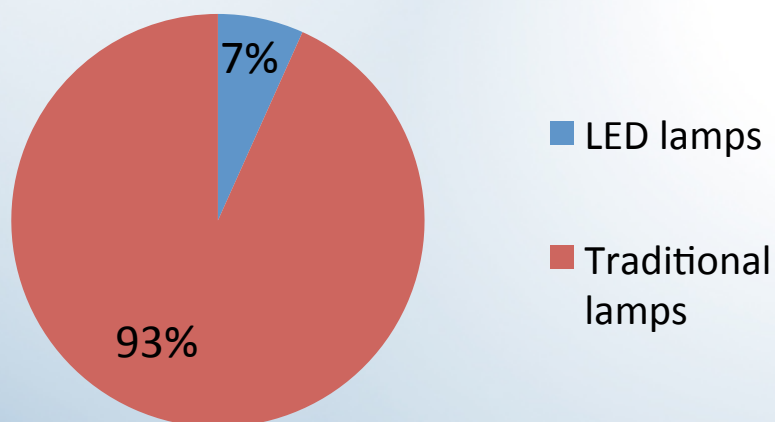
Excludes: automotive lamps, consumer luminaries, media facades, special lighting, gears

** Russia market CAGR 12,74% (Source: LBC); Global market CAGR 4,68% (Source: McKinsey "Lighting the way", 2012)

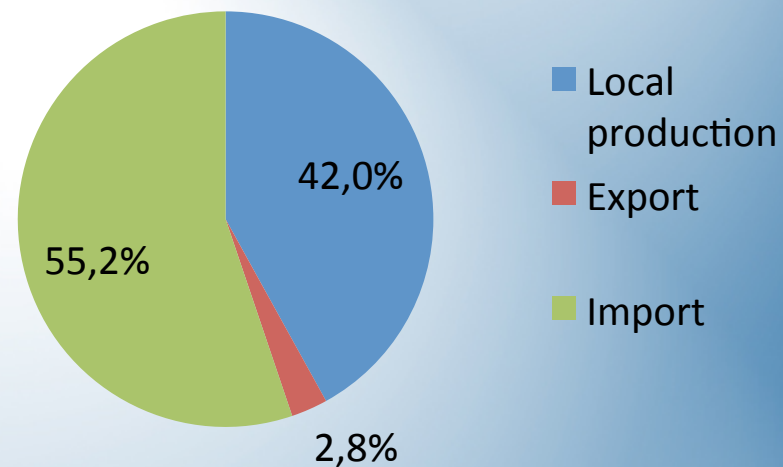
*** Conservative forecast of the long-term social and economic development of the Russian Federation up to 2030, Ministry of Economic Development of Russia

Russian lamps market in 2013

Lamps market split by technologies, pcs, %

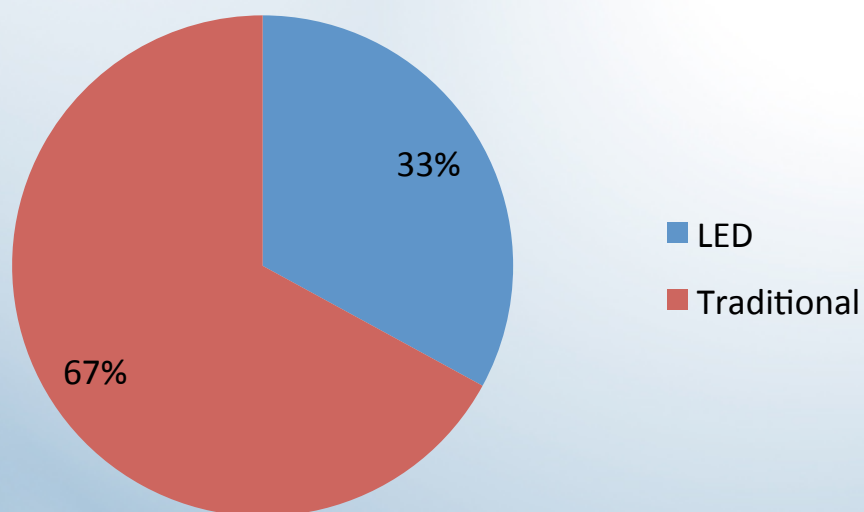


Lamps market structure, %

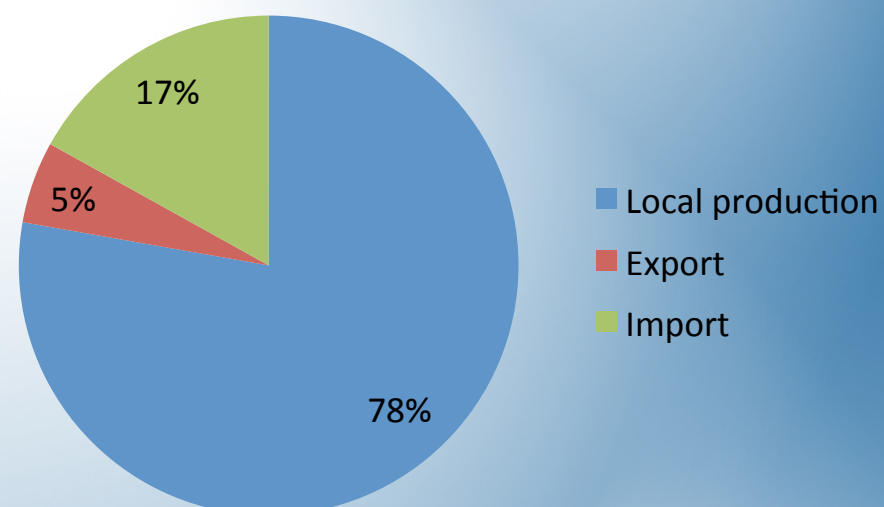


Russian luminaries market in 2013

Luminaries market split by technologies, USD, %



Luminaries market structure, USD, %



Russia: long term forecast of macroeconomic development up to 2030

1. Conservative scenario

Real GDP growth (CAGR 2013-2030) = 2,5%

GDP 2030 = 5900 Bln USD

Key growth drivers:

- Active modernization of fuel & energy and raw materials' sectors
- Import of innovative technologies and best practices

2. Innovative scenario

Real GDP growth (CAGR 2013-2030) = 3,5%

GDP 2030 = 7200 Bln USD

Key growth drivers:

- Increased investments in R&D, education and healthcare
- Development of knowledge-based economy
- Set up of modern transport infrastructure and high-tech industries

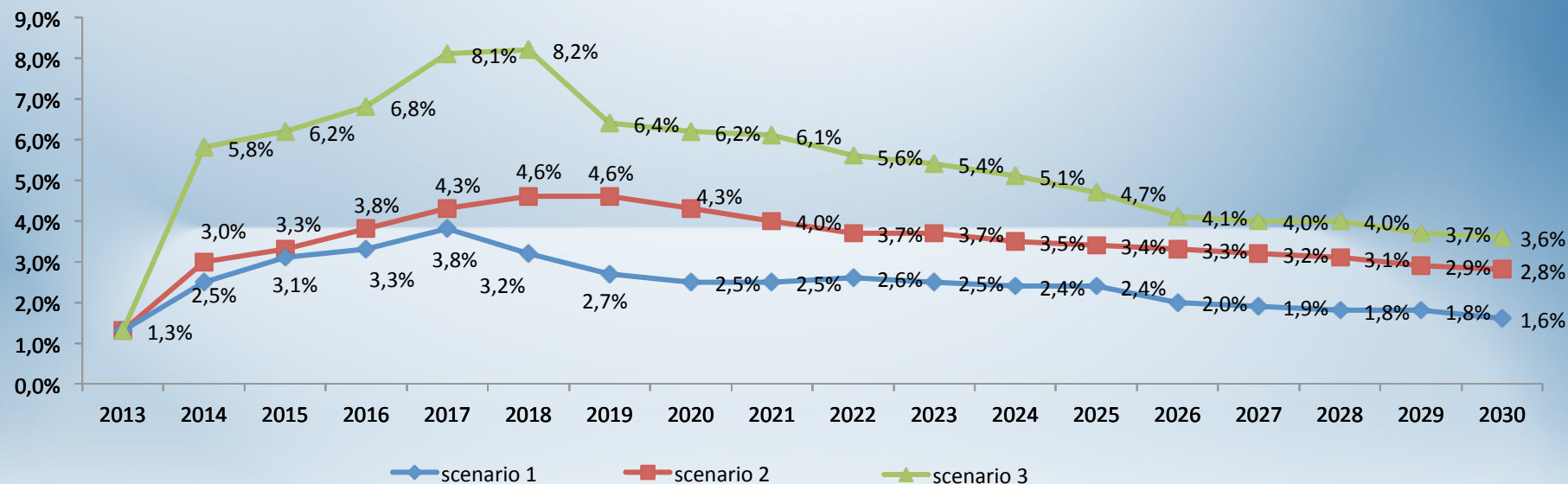
3. Accelerated scenario

Real GDP growth (CAGR 2013-2030) = 5,3%

GDP 2030 = 10300 Bln USD

Key growth drivers:

- Improvement of business climate
- Stimulation of foreign direct investments
- Modernization of production facilities
- Set up of large-scale non-resource export sector
- Higher government spending on developing the social, energy and transport infrastructure



Source: Long-term forecast of social and economic development of the Russian Federation up to 2030

Exchange rate 35 rub/USD applied for calculation GDP in 2030

Lighting market forecast till 2030

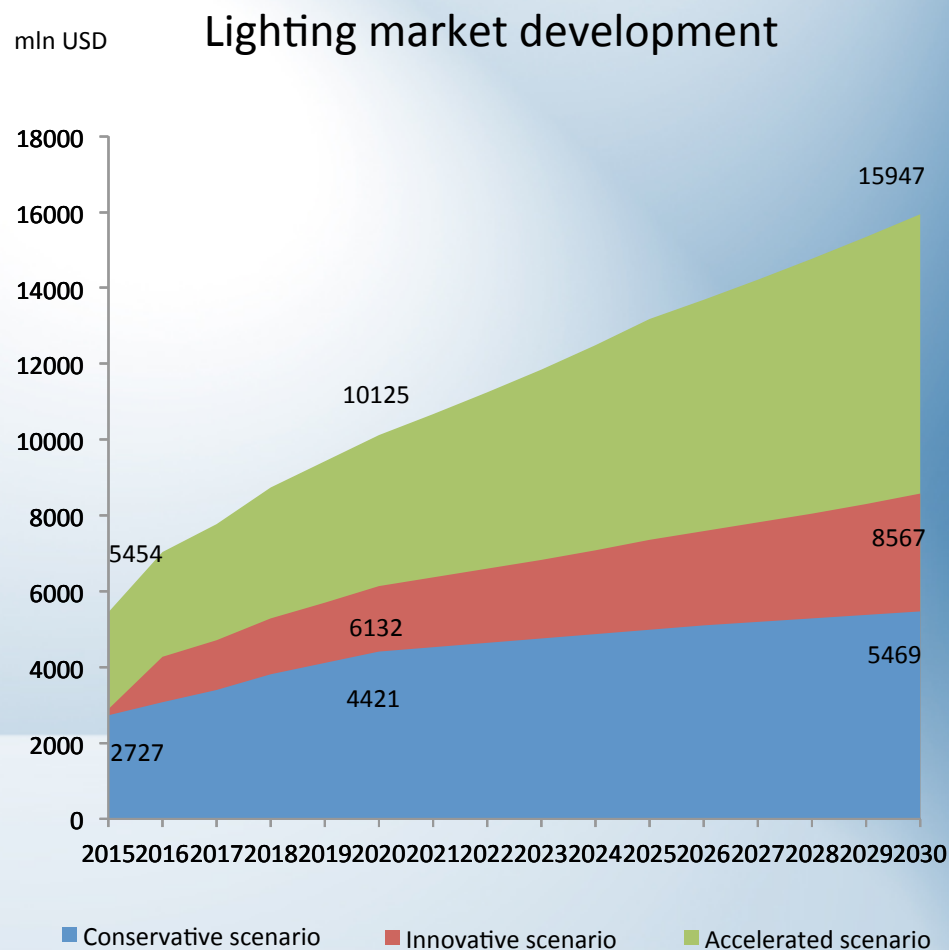
Based on forecast of long-term social and economic development of Russia there are 3 scenarios of lighting market development:

Lighting market CAGR 2013-2030:

- conservative scenario – 6,38%
- innovative scenario – 9,23%
- accelerated scenario – 13,30%

Lighting market size in 2030:

- conservative scenario - 5 469 mln USD
- innovative scenario - 8 567 mln USD
- accelerated scenario - 15 947 mln USD





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Who are the Market Players in Russia?



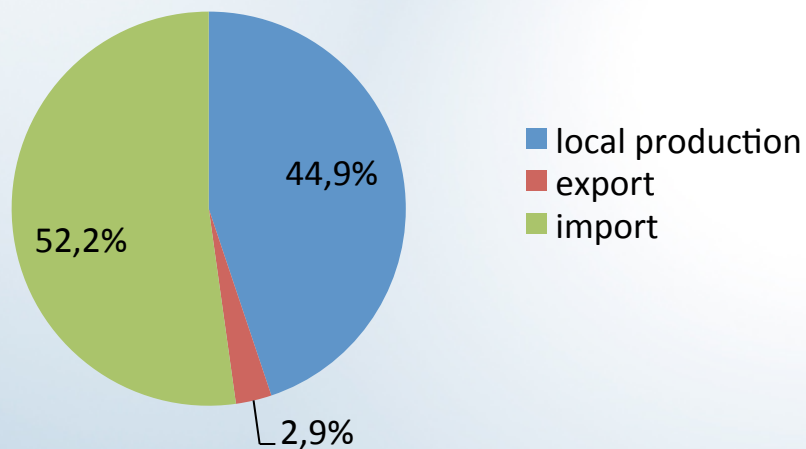
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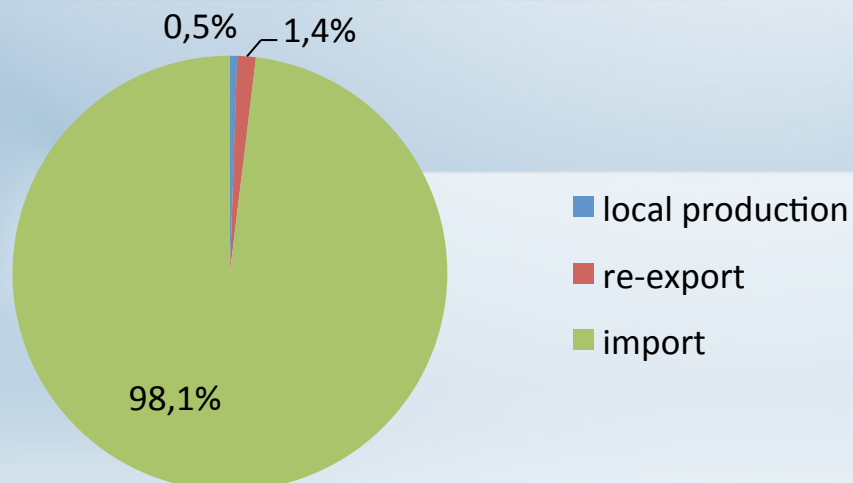
- Who are the main Market Players in Lamps and Luminaries in Russia
- What is the status of LED components suppliers and major LED suppliers in Russia
- What are key success factors for lighting companies on Russian market

Lighting market structure

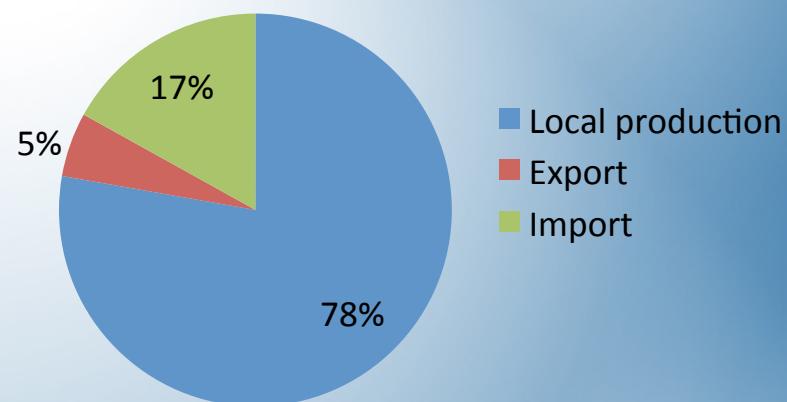
Traditional Lamps market structure, pcs, %



LED Lamps market structure, pcs, %



Luminaries market structure, USD, %



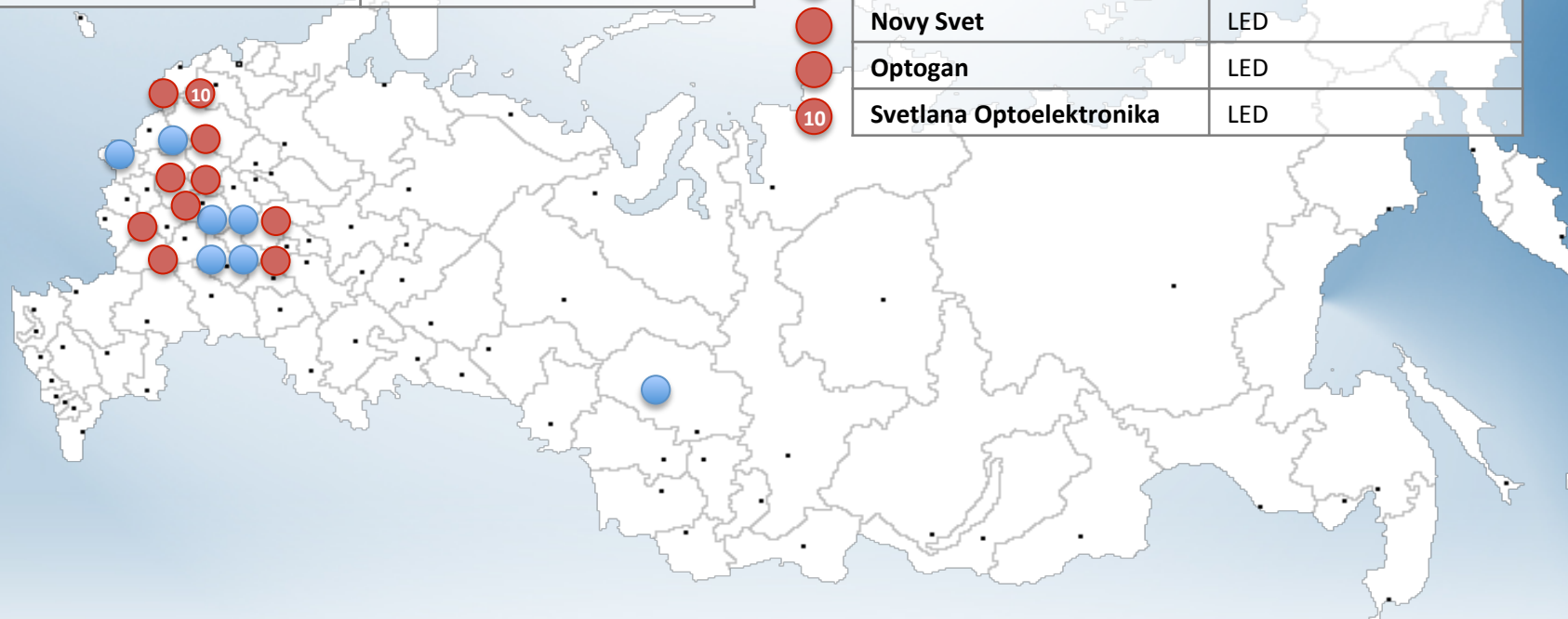
Russian lighting manufacturers overview

Lamps

Top-7	Products
Osram	Traditional
Tomsky Plant	Traditional, LED
Lisma	Traditional
Reflux	Traditional
Saransky Plant	Traditional, LED
NIIS after A. N. Lodygin	Traditional
KELZ	Traditional

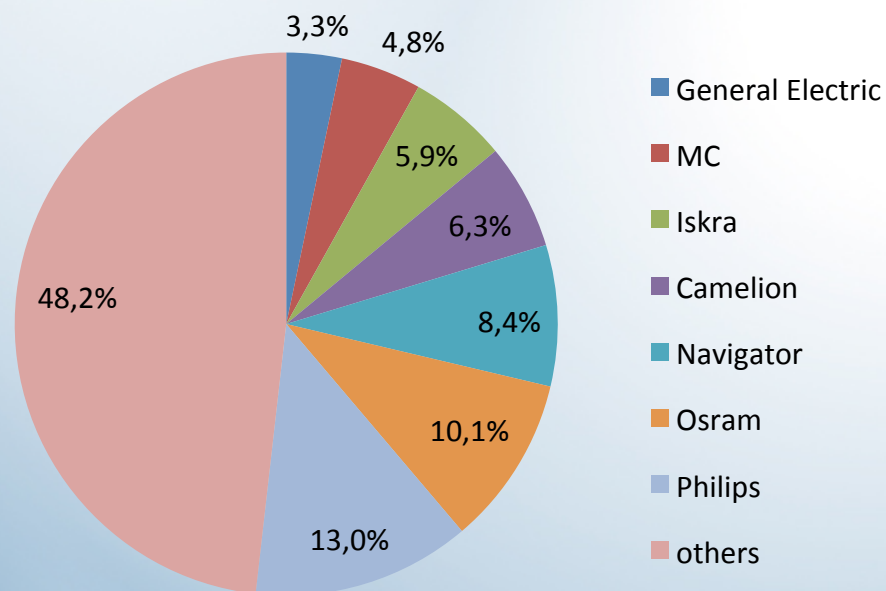
Luminaries

Top-10	Products
Lighting Technologies	Traditional, LED
Likhoslavsky Plant	Traditional
Kadoshkinsky Plant	Traditional
Ardatov	Traditional, LED
AETZ Record	Traditional, LED
Petushinsky Plant	Traditional
Varton	LED
Novy Svet	LED
Optogan	LED
Svetlana Optoelektronika	LED

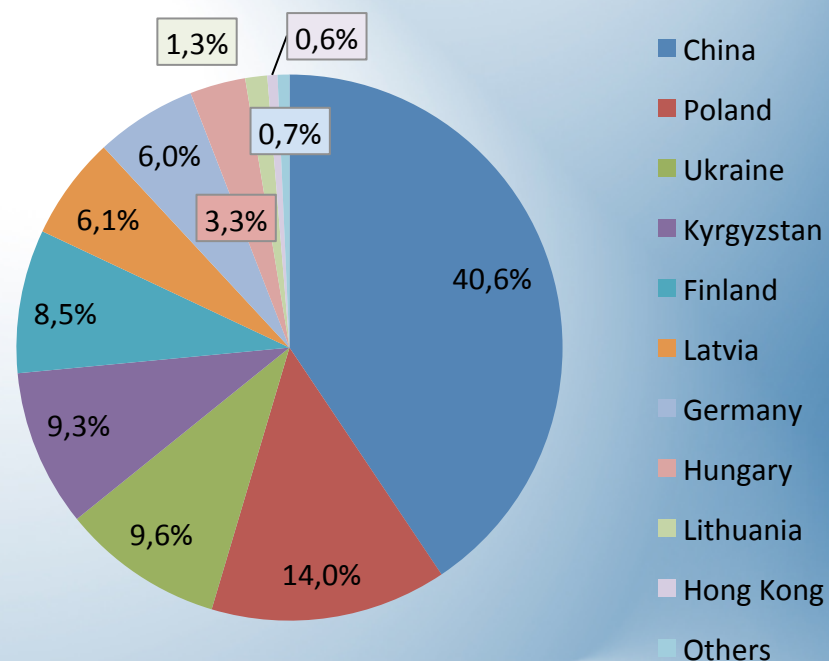


Lamps import by brands and countries

Lamps import by brands, pcs, %

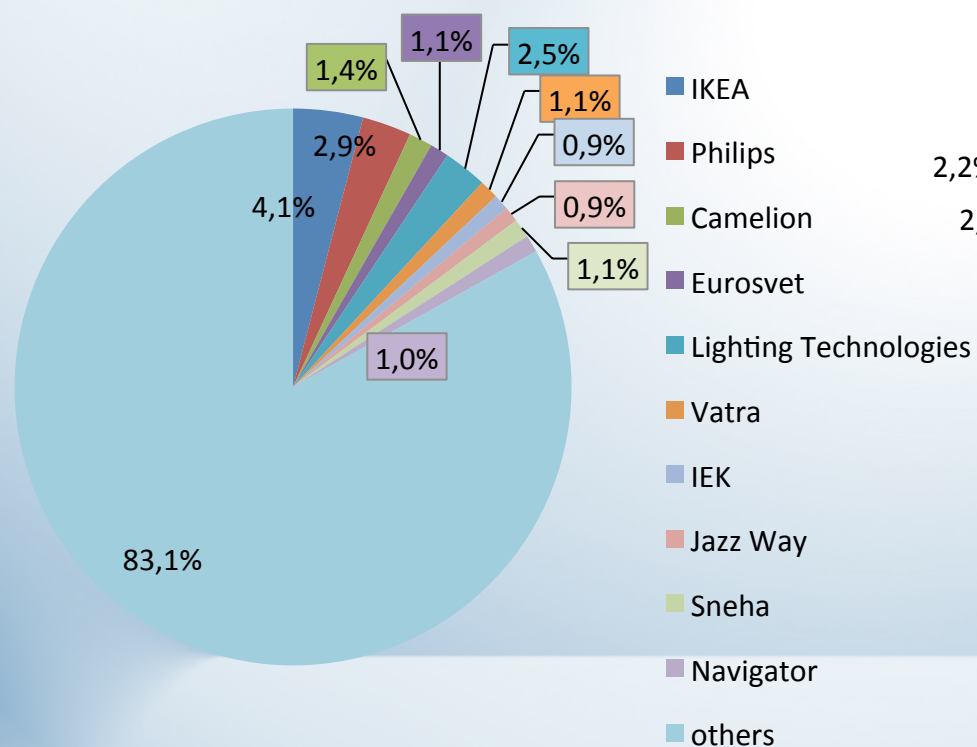


Lamps import by countries, pcs, %

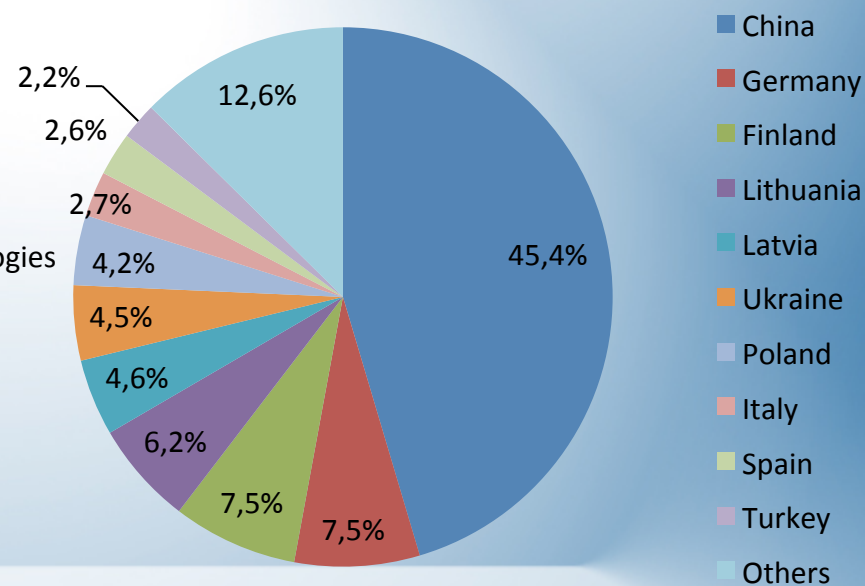


Luminaries import by brands and countries

Luminaries import by brands, USD, %



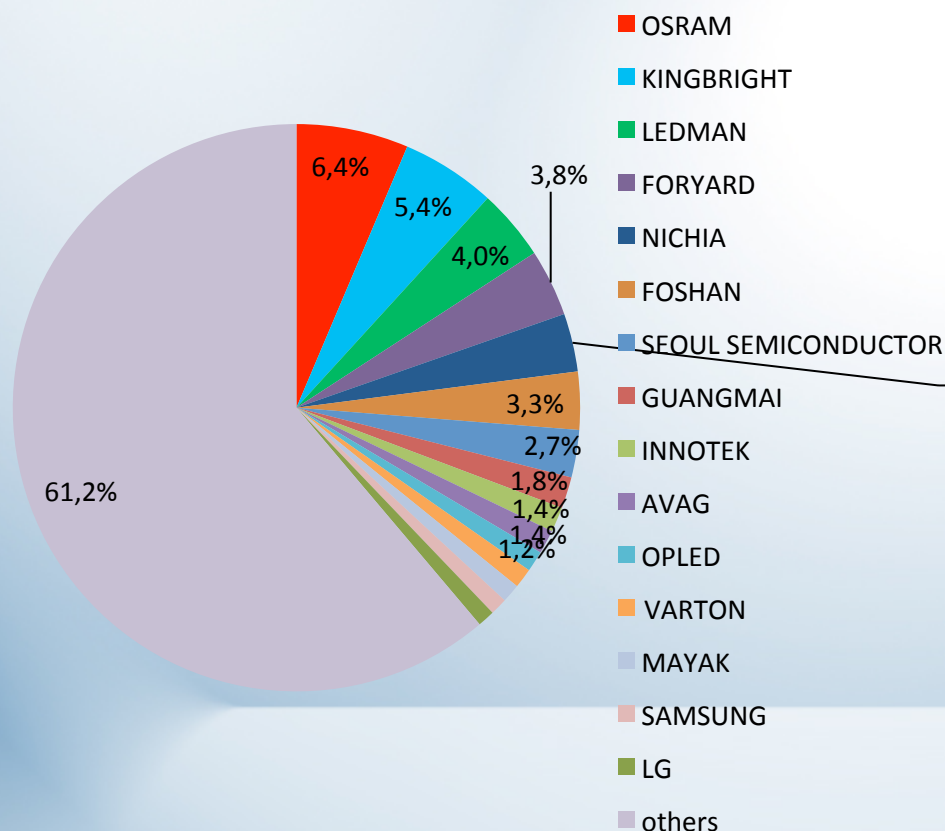
Luminaries import by countries, USD, %



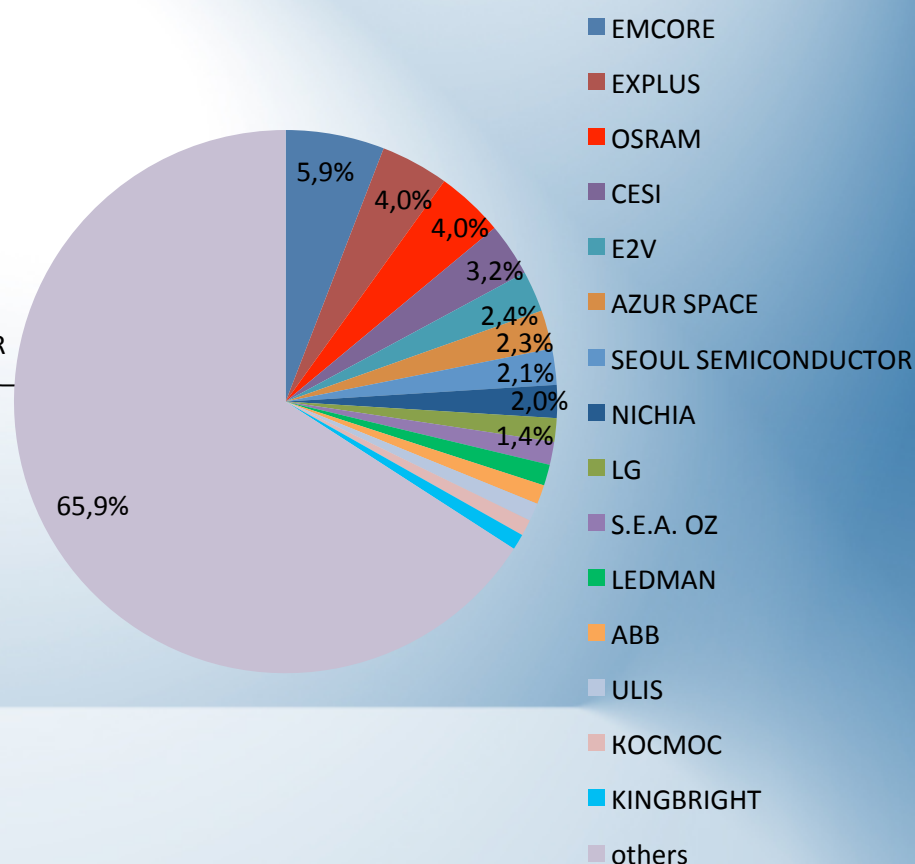
Total number of imported brands is 45 000+

LED components import by brands

LED components import by brands, pcs, %



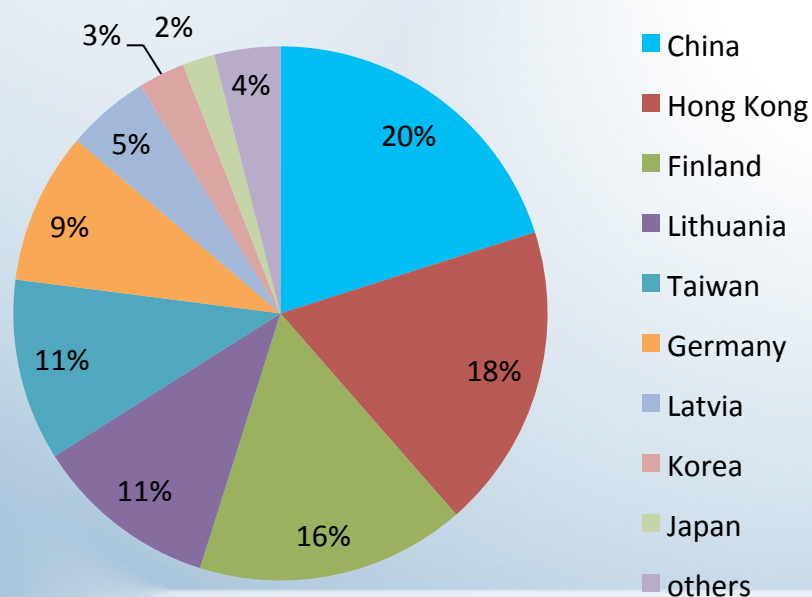
LED components import by brands, USD, %



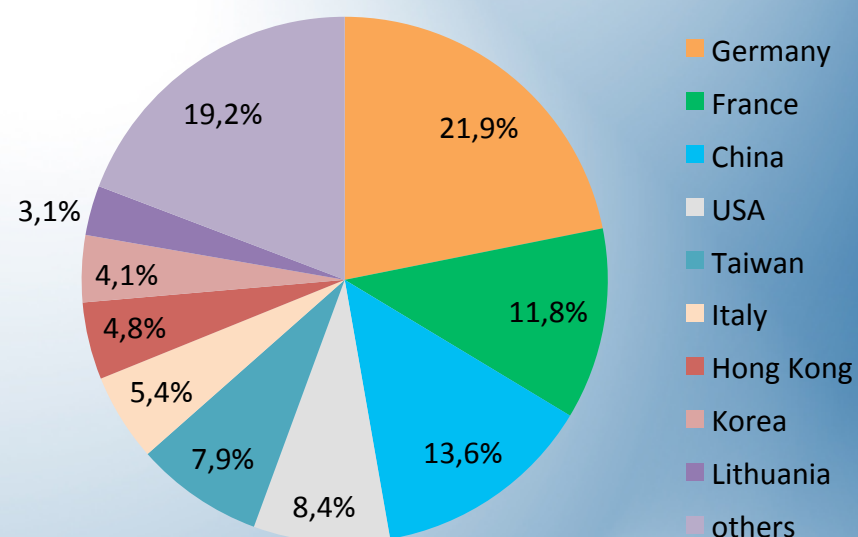
Total number of imported brands is 3000+

LED components import by countries

LED components import by countries, pcs, %



LED components import by countries, USD, %



Key success factors for lighting companies in Russian market

- 1. Local legal entity** – necessary for participation in state and municipal tenders
- 2. Made in Russia** – gives 15% price advantage in state and municipal tenders
- 3. Wide distribution network** - a. own distribution b. via partner(s)
- 4. Locally adapted brand name**
- 5. Registration of legal entity in Special Economic Zones** – tax, customs, financial and administrative benefits



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