

ERA Convention 2012

“Changing Rental”

**NATIONAL RENTAL
ASSOCIATIONS**

KLIMENKO VALERIY
President of Russian Rental
Assosiation



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The scheme of Federal districts of Russian Federation

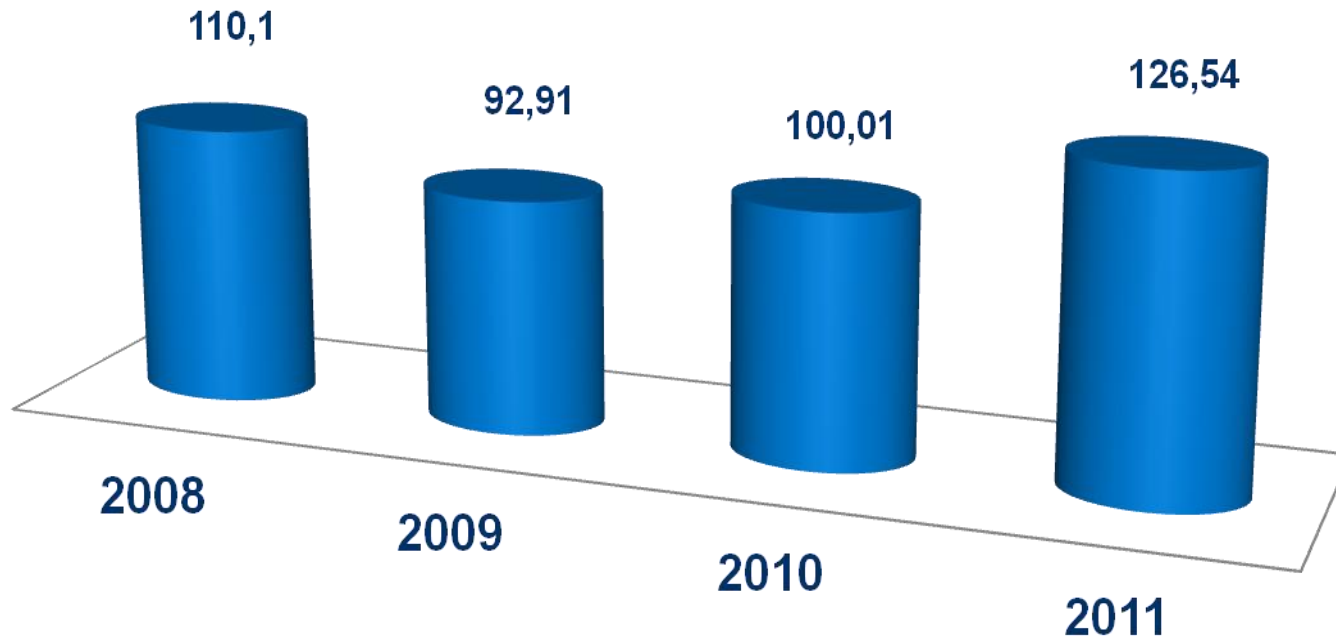


RENTAL MARKET OF RUSSIA

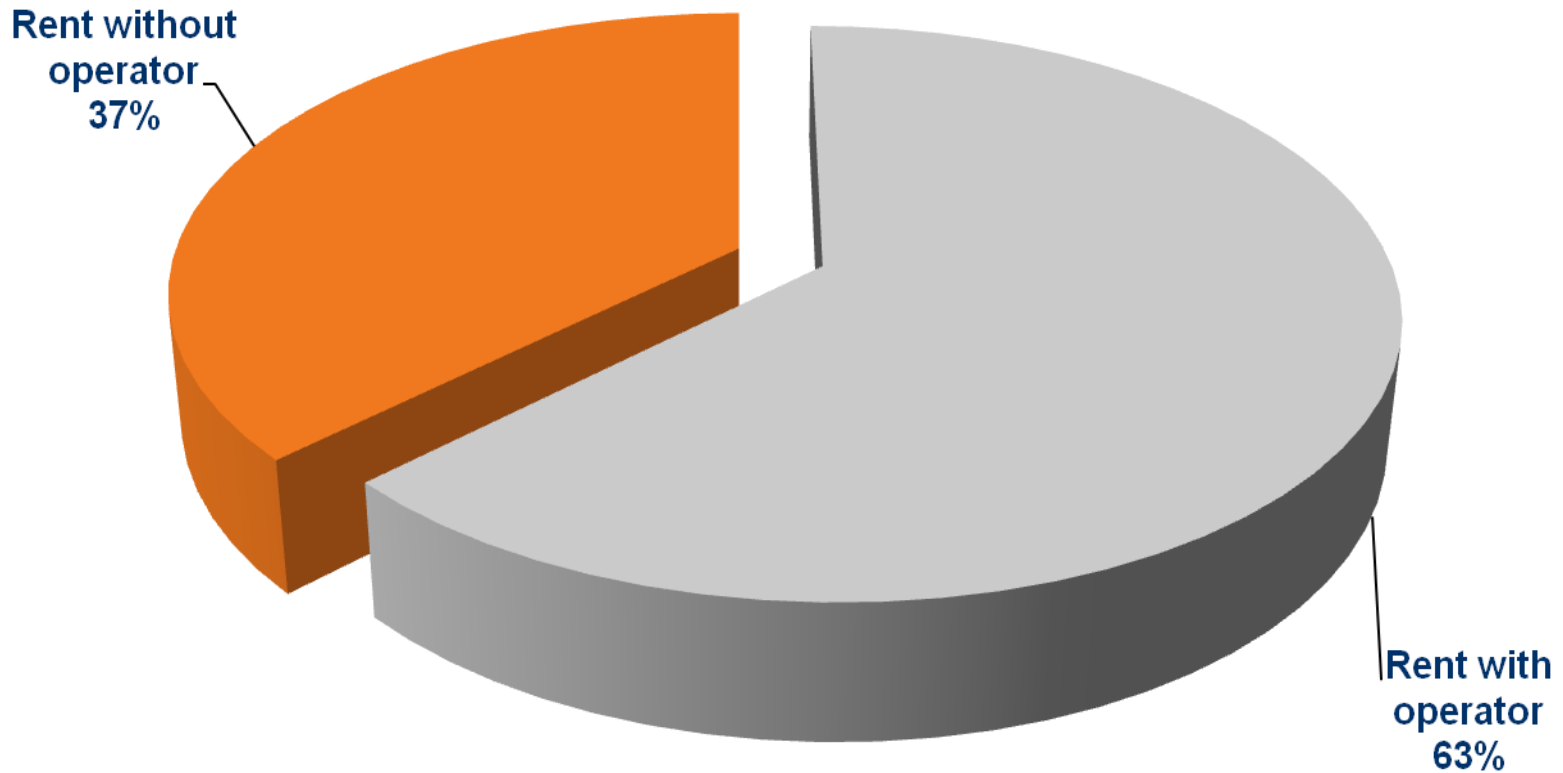
- rental market of Russia is estimated 610 mlns of Euros in 2010, and 700 in 2011
- The share of Moscow and St Petersburg market is 40%
- rental penetration is 10-12% [equipment penetration according to ERA classification], in Moscow and St Petersburg it is much higher
- annual increase in rental operations before crisis was 20-25%
- the highest penetration is in the following groups:
 - tower cranes
 - Access equipment
 - Power and heating
 - Heavy machinery
- Distribution between rental without and with operator is 37/63%



Volume of Construction Output in 2008-2011 billions Eur.



Proportion of rent with operator and without operator in total rental volume in 2010



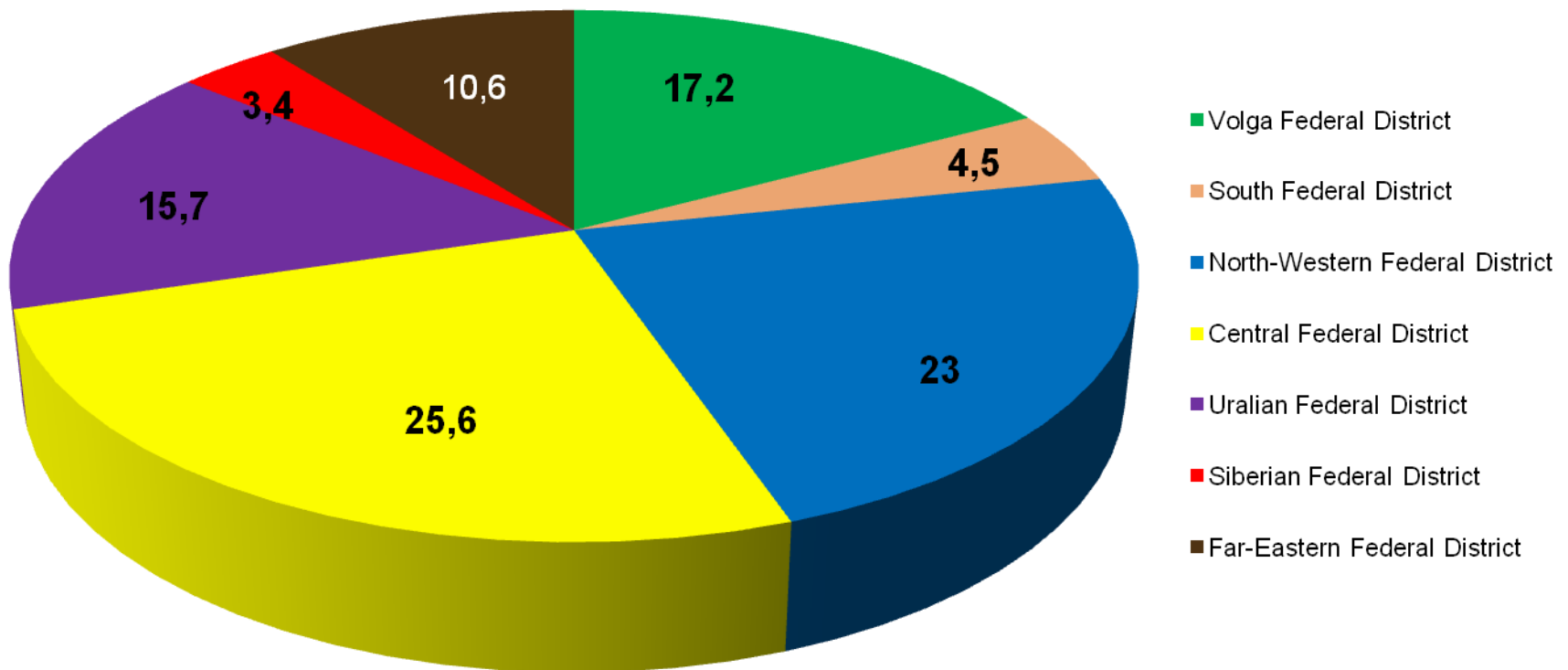
History

- Rental operations existed in the USSR and were carried out through departments of mechanization of construction companies{UM}
- In 90-s in the form of joint ventures came first international players.
- Ramirent was the first who started business in 1988.
- After the crisis of 98 started to appear many specialised rental companies
- After the crisis of 2008 dealers of construction equipment producers and leasing companies increased their rental operations with the idea 'rent to sell'
- The official statistics about rental operations in Russia appeared after 2004. The raise of rental operations from 2004 till 2008 was 258% . information about rental is still very poor. It can be obtained only from MS consulting, professor Sergey Nikolaev and Rus Rental, organized last year.

Rental distribution according to federal districts

Federal District	Rental volume (%)
Central Federal District	25,6 %
North-Western Federal District	23,0 %
South Federal District	4,5 %
Volga Federal District	17,2 %
Uralian Federal District	15,7 %
Siberian Federal District	3,4 %
Far-Eastern Federal District	10,6 %

Rental distribution according to federal districts (%)



Classification of rental companies

- General rental companies
- Specialized rental companies
- Mechanization departments of construction companies
- Rental departments of leasing companies
- Dealers of construction equipment producers
- Small rental companies dealing with light equipment and privates

Rental companies (in%)

Rental organizations	Distribution according to federal districts							
	CFD	N-WFD	SFD	VFD	UFD	Sib.FD	F-EFD	TOTAL
Rental companies	59,4	60,0	10,0	56,3	60,9	14,3	18,2	46,8
construction companies	6,2	5,0	30,0	18,7	4,3	14,3	18,2	11,1
others	9,4	20,0	30,0	6,3	21,8	42,8	36,4	20,6
Equipment sellers	25,0	15,0	30,0	18,7	13,0	28,6	27,2	21,5

Rental companies

- At present there are more than 1000 companies dealing with rent of construction machinery , 50% turnover concentrates in Central and North West regions.
- 15 companies has turnover more than 15 mlns Euros, making 45% of total rental turnover.
- Big international rental companies present on the market:
 - Ramirent
 - Cramo
 - Pekkaniska
 - Aggreco
- Many small companies operate on construction markets, mainly in grey business.
- According to Rental Tracer, done by Rus Rental forecast for 2012 is optimistic
 - 40%of respondents waiting for better results in 2012
 - 43%are planning to increase investments by more than 10%

Tendency

- Rental industry of Russia is young, has not enough efficiency to serve the growing construction market.
 - Rental sector didn't suffer much from the latest crisis in comparison with total economy and in 2012 it is coming to before crisis level both in volumes and prices.
 - The investment level in rental industry does not correspond to the needs of construction. Construction companies can't rely on present capacities of rental companies. Construction industry penetration is 0.7%
So in the nearest future rental penetration will continue to grow.
 - Both in Moscow, St Petersburg and the regions.
 - Rental companies will increase number of provided services and quality.
 - The share of rental without operator will grow.
 - More international players will appear on the market.
- With integration of Russia into European economy and rental industry as part of it the appearance of Rental Association became actual.

Rental Association in Russia

- At the end of 2010 the 1st National Rental Conference of Russia organized by rental portal B2brent was held
- During the conference protocol of intention to create Rental Association was signed.
- NAAST{NCP NRA} was registered in April of 2011
- Founders: Ramirent
- Cramo
- Technostroy
- B2b rent
- Katprokat
- NAAST has the following targets:
 - promotion of rental advantages.
 - unification of General Condition of Rental.
 - theft prevention measures.

- Collecting statistics in rental industry.
- Lobbying rental industry interests in governmental structures.
- Organizing seminars, conferences, trainings.
- To make mutual list of problematic clients for common use.
- Participation in ERA events.
- Nowadays there are 12 members in NAAST, among - 2 international rental companies, soft wear company, information portal, dealers of producers and pure Russian rental companies.
- Task for this year to attract more participants and organize the following working committees:
 - Promotion and statistics
 - International, establishing contacts between Russian rental companies and international producers of machinery.
 - Lobbying rental companies interests in state structures.
 - Unification of General conditions.
 - The most important for development of rental industry of Russia is promotion the advantages of rental, fight against existing bureaucracy, bad payments, mockery and theft.

Coming events.

- Participation in CTT exhibition in Moscow in June 2012.
- Take part in the 3rd Rental Conference in October 2012 in Sochi.
- Target for this year to attract at list 10 members to join the Association.

THANKS