

Citywest Refrigeration Park

Executive Summary
for a
Controlled Temperature Logistics Park
Development located on A1 Highway
5½ miles from Bucharest



Controlled Temperature Logistics Market

The Romanian FMCG market is growing at over 20% per year, and simultaneously there is an increased demand for a wider range of luxury consumer goods in all market sectors.

A growth of Hypermarket and Supermarket brands in Bucharest and recently more widely across the large provincial cities is fuelling the requirement for modern logistics facilities.

A revolution is forecast for the fresh produce market, currently served by large numbers of independent market traders. In April 2007, the mayor of Bucharest announced that the city is on the point of commissioning a modern Fresh produce market that is likely to be modelled on the Spanish Mercamadrid operations covering a 100ha site outside Madrid. Alone, this project will create a new large scale demand for controlled temperature logistics resources.

Dutch food processing specialists recently consulted have indicated that there is a market demand for more than 850,000 sqm of modern controlled temperature resources and that this demand is expected to grow by 20% per year for at least the next five years.

The Opportunity

There is a specific window of opportunity in 2007 to develop a Modern Refrigeration Park to serve both the Bucharest and wider Romanian markets where increased consumption of FMCG products demand new market resources. More than 250,000 sqm of Bucharest's controlled temperature storage resources are located within the city centre utilising refrigeration technology that is banned under European Union regulations. These facilities are under closure order.

An analysis of costs and revenues indicates that an investment in the construction of a 60,000 sqm facility on a 10 hectare site will yield a minimum estimated Return On Investment (ROI) of 475% on sale of the completed facility. If current supply / demand shortfalls of Controlled temperature warehousing continue until the completion of the project, the Best case scenario has been calculated at current rental rates to produce an estimated Return On Investment (ROI) of 964% on sale of the completed facility.

The Location

Since, 2005, the country's new logistics developments have been located at Citywest, and until now these developments have been ambient temperature facilities that are not readily convertible to controlled temperature refrigerated storage.

Exit Strategy

By locating in a prime location, where international operators such as Prologis and Delamode are already established, the ability to sell the facility upon completion will be significantly enhanced, and we have taken this into account when calculating a market cap of 10.

COLLIERS SURVEY – of the Romanian logistics market

The integration of Romania in EU has made the country even more attractive for the multinational companies that have been setting up operations in Romania since 2003.

The country's strategic geographical position, that makes it as an important hub between Western Europe and the growing markets to the East. As a result, the logistics market is growing rapidly in Romania.

In addition to increasing demand from the domestic companies, the large-scale international logistics operators in Europe are moving aggressively eastwards in 2007.

The Romanian market now has increased advantages due to the rapid implementation of European standards following accession to the European Union. Market expansion and the growth in consumption, outlined by the explosive growth of the number of European hypermarkets establishing themselves on the market - are the primary drivers affecting the growth of Logistics resources. It is forecast that the demand for logistics facilities will increase steadily over the next 5 years. According to the distribution experts, in the next years, the logistics market will boom and see a broad network development across the entire country. The clients of the logistics companies demand more and more complex services, so that, now, logistics is not only about storing and transport, but also about optimizing the whole logistics chain and value added services.

Importantly, the increasing real estate prices in 2007 are resulting in many international operators to establish logistics facilities on the market that provide them with future expansion potential to cater for increasing market demands in the short and medium term.

Interbrands – The market barometer for Logistics in Romania

Interbrands Marketing & Distribution, the leading distributor of consumer goods and partner of P&G and British American Tobacco, anticipates it's turnover will exceed the one billion-euro mark by the end of the year.

At the end of 2006, ten companies (Petrom, Lukoil, Rompetrol Rafinare, Electrica, Mittal Steel Galati, Automobile Dacia, Metro Cash & Carry, Rewe Group, Orange and Vodafone) were carrying out operations worth over one billion euros per annum.

Most of the biggest companies in the Romanian economy are energy companies, yet the FMCG sector is rapidly catching up, registering sales increases of over 1 billion euros in the past year.

The 30% growth estimated for Interbrands sales in 2007, along with the entry of the German Rewe Group (Billa, Selgros and Penny Market) into the euro billionaires' club at the end of 2006, confirms again the expectations of investors on the consumer goods market. The growth driver of the FMCG sector is an improvement in consumer purchasing power, which is indicated both through the increased volume of the market and in the shift in demand towards upper price segments.

The business of Interbrands Marketing & Distribution increased by 34% in the first five months of the year, to 1.26 billion RON (376 million euros), compared with the same period in 2006. "The FMCG market continues to develop. Then there's also the organic growth and the partnerships signed in the past year," said Rand Sherif, the general manager of Interbrands Marketing & Distribution.

The company has recently launched its partnership with British producer Cadbury, which accounts for 10% of the global sweets market. Cadbury announced last week that it had acquired over 93% of the domestic sweets producer Kandia Excelent, the second leading player on the market.

Interbrands pursued the development of its food product division in 2006, by including in its portfolio Rockstar energy drinks, imported from the Netherlands, Pambac milling and bakery products and the Gallina Blanca food seasonings brand. Other big names on the Romanian market, which joined Interbrands' list of partners in 2006 were Vodafone (prepaid call cards) and the Braun unit of the Procter & Gamble group.

"The number of partnership offers has increased after accession, mainly coming from producers in Poland, the Czech Republic and Hungary,"

Interbrands posted a turnover of 767 million euros in 2006, a 26% increase against 2005 which in turn recorded a 23% increase in turnover since 2004

CITYWEST, COLD STORAGE FACILITY - Estimated construction cost

Basic Concrete Building 9.2 m to eaves (9m clear height) standard 12m x 24m bays m2

BASE BUILD ALL HARD & SOFT COSTS & FEES Ambient Temp. **504.5392**

ADDITIONAL BUDGET COSTS FOR CONTROLLED TEMPERATURE ENVIRONMENT

Refrigerated Costs + 3Deg	Quantity	Unit	Total	
Add Floor Insulation, additional layer of concrete and cork insulation between, floor to be sealed	10,000.00	m2	36.19	361,880.00
Additional Floor Drainage to accommodate potential condense	10,000.00	m2	6.17	61,694.00
Additional Wall Insulation, improve insulation value to min 0.02 Wmk2	5,000.00	m2	36.08	180,395.00
Additional Roof Insulation	10,500.00	m2	42.13	442,349.25
Insulate Roof Beams and columns and seal to avoid potential ' flaking '	10,500.00	m2	14.44	151,646.25
Trace Heating on Doors to avoid possible freezing of seals	100.00	m2	60.06	6,005.90
Refrigerated Equipment Costs	10,000.00	m2	139.52	1,395,200.00
Total Refrigeration Costs (+3° Environment)				2,599,170.40 259.92
TOTAL ALL UP				764.4562
Frozen ADD 30% to extra costs				77.98
TOTAL ALL UP				842.43

Best Case Scenario			Worst Case Scenario		
CityWest - Controlled Temperature Facility			CityWest - Controlled Temperature Facility		
Size of Facility	60,000		Size of Facility	60,000	
Land cost per sqm	€ 50.00		Land cost per sqm	€ 50.00	
Land Construction Ratio	2 to 1		Land : Construction Ratio	100:60	
Chiled Ratio	30%		Chilled Ratio	30%	
Frozen Ratio	70%		Frozen Ratio	70%	
Chilled Construction Cost	€ 764.09		Chilled Construction Cost	€ 764.09	
Construction cost	€ 842.00		Construction cost	€ 842.00	
Rental income Chilled / per mth.	€ 10.00		Rental income Chilled / per mth.	€ 9.00	
Rental income Frozen / per mth.	€ 25.00		Rental income Frozen / per mth.	€ 15.00	
Project Costs			Project Costs		
10 hectar project	100,000		10 hectare project	100,000	
Land Cost		€ 5,000,000	Land Cost		€ 5,000,000.00
Constructed area	60,000		Constructed area	60,000	
Chilled Construction Cost	18,000	€ 13,753,620	Chilled Construction Cost	18,000	€ 13,753,620.00
Frozen Construction cost	42,000	€ 35,364,000	Frozen Construction cost	42,000	€ 35,364,000.00
Total Project cost		€ 54,117,620	Total Project cost		€ 54,117,620.00
Bank financing		€ 43,294,096	Bank financing - 80% Project Cost		€ 43,294,096.00
Cash needed		€ 10,823,524	Cash Req'd - 20% Project Cost		€ 10,823,524.00
Yearly interest @6%	6%	€ 2,597,646	Yearly interest @6%	6%	€ 2,597,645.76
Yearly income			Yearly income		
Chilled Rental Income		€ 2,160,000	Chilled Rental Income		€ 1,944,000.00
Frozen Rental Income		€ 12,600,000	Frozen Rental Income		€ 7,560,000.00
EBITA		€ 14,760,000	EBITA		€ 9,504,000.00
Gross profit		€ 12,162,354	Gross profit		€ 6,906,354.24
Return on inestment	22.47%		Return on investment	12.76%	
Cash oncash return	112%		Cash on cash return	64%	
Selling Value Cap 10		€ 147,600,000	Selling Value Cap 10		€ 95,040,000.00
Return On Investment	964%		Return On Investment	478%	