

Retail Sector in Romania Newsletter – November 2009

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Gold Plaza, an investment of over 97 million EUR, close to completion

According to Colliers International, the construction of the Shopping and Entertainment Center Gold Plaza in Baia Mare with an investment of over 97 million EUR, has reached the completion stage. Gold Plaza targets the potential of the Maramures region with 500,000 inhabitants and also other neighbouring areas with 1.2 million inhabitants.

The shopping centre has a leasable area of 30,000 sqm, 150 stores, six theatre halls, one supermarket, electronic shops, playgrounds and a wide range of cafes and restaurants. At present, 60% of the retail area has been pre-leased. Retailers that have already joined Gold Plaza include Cinema City, New Yorker, Reserved, Douglas, Cropp Town, Sprider, Adidas, Orsay, Leonardo, Motivi, Altex and GameWorld. Cinema City will be the first modern multiplex cinema in the North-Western area of the country.

Carrefour borrowed 100 million EUR from Carrefour Netherlands

Carrefour Romania, the biggest hypermarket operator on the domestic market, borrowed 100 million EUR from Carrefour Netherlands in order to sustain its expansion on the domestic market. In the last three years, Carrefour Romania contracted total credits of 300 million EUR from the subsidiary in the Netherlands of the Carrefour Group.

At present, Carrefour has 22 hypermarkets and 24 supermarkets in Romania, compared to seven operational stores in 2006. In the first nine months of 2009, the company recorded sales of 809 million EUR, this representing a decrease by 1.2% compared to the similar period of 2008.

Billa Romania intends to double its expansion pace in 2010

Billa plans to accelerate its expansion in 2010 and to open 14 new stores. In the past three years, the retailer opened 22 new stores, with the average expansion pace of seven new units per year.

In 2009, the company opened four supermarkets, in Sibiu, Bacau, Petrosani and Falticeni and another six expansion projects are scheduled to be finished by 2010. The investments in the new stores are estimated at 10 - 20 million EUR in 2009. The stores opened in 2009 have surfaces of 500 - 1,000 sqm.

In 2008, Billa recorded sales of 323.7 million EUR in Romania, this representing an increase by 11% compared to the previous year.



Real,- Romania will finalise investments of 70 million EUR

Real,-, part of the German retail Group Metro, will finalise in the last quarter of 2009 investments worth 70 million EUR, in three stores located in Bucharest, Timisoara and Ploiesti. At present, the Real network on the domestic market includes 21 hypermarkets.

In 2008, Real Romania recorded a turnover of 638 million EUR, compared to 367 million EUR in 2007.

Penny Market will invest some 15 million EUR by the end of 2009 to open 12 new stores

Penny Market, part of Rewe Group, will invest some 15 million EUR by the end of 2009 in order to open 12 new stores. The stores will be launched in the last two months of this year and will be located in Zalau, Mizil, Pitesti, Suceava, Constanta, Bocsă, Campia Turzii, Caransebes, Patarlagele, Urziceni, Chisineu-Cris and Campulung Moldovenesc.

Penny Market rented spaces in the Galleria Suceava, Euromall Pitesti and Doraly Constanta commercial centers and the average investment is of 450,000 EUR per store. The rest of the stores that will be launched by the end of the year, are located in acquired spaces and the average investment is of 1.5 million EUR per store.

Plus invested some 1.5 million EUR in Cugir

The retail company with discount profile Pludi Market, part of the German Group Tengelmann, opened a new Plus store in Cugir, Alba county, with an investment of some 1.5 million EUR. This is the 86th store of the company's network in Romania. The new store has the total surface of 1,200 sqm, out of which 1,000 sqm represents the sale surface and 200 sqm related spaces. The German Group Tengelmann is present on the Romanian market also through the DYI network Obi.



Furniture sales of IKEA's Romanian supplier start to slip

Romanian furniture suppliers of IKEA, a retailer with over 20 million euros in annual turnover, recorded turnover declines in the first nine months of the year, amid a reduction in orders from the Swedish group. The Swedish group mainly buys solid wood and particleboard, and acquired furniture worth over 200 million euros from local furniture suppliers, mainly for distribution within the European retail network. Sortilemn based in Gherla, one of IKEA's leading Romanian suppliers, posted an 82 million-RON (over 19.5 million-euro) turnover in the first nine months of this year, down 15% against the same time last year.

At the beginning of this year, the Sortilemn management expected a 29 million-euro turnover for 2009, down by around 20% against last year, but later revised the sales forecast to 27 million euros.

The impact of Cotroceni Park over the other malls in Bucharest

With business forecast at 200-300 million euros a year, the Cotroceni Park project could attract a significant part of the shoppers who are now going to Plaza, Militari Shopping or even Liberty Center as of October 29.

The hypermarkets in the central and western area of the Capital, such as Carrefour Orhidea and Cora Lujerului, could see their sales go down as a result of the opening of the Cotroceni Park mall, which will also include a Real hypermarket open twenty four hours a day.

Among the tenants renting space in both Militari Shopping and Cotroceni Park are C&A and New Yorker apparel retailers, or the Deichmann and Humanic footwear stores, but the two projects are at least five kilometres apart.

The main competitor for Cotroceni Park, however, will be Plaza Romania, located about one kilometre away on the Timisoara Boulevard in western Bucharest.

Pic Group closes two hypermarkets

Pic Group closes two hypermarkets, located in Braila and Oradea. These two units were launched in 2007 and required investments of 53 million EUR. Thus, the Pic network will include three operational hypermarkets. During the past months, the company's shareholders tried to sell the retailer's assets but they did not find an investor.

In the first semester of 2009, Pic recorded a turnover of 54.4 million EUR, this representing a decrease by 15% compared to the similar period of the previous year.

Dedeman will invest 15 million EUR in two stores in Craiova and Brasov

The DIY network Dedeman, owned by Mr. Adrian Paval and Mr. Dragos Paval, started the construction works of two stores, located in Craiova and Brasov. The investments are estimated at 15 million EUR and do not include the lands price. The two stores will be launched in 2010. The unit in Brasov will be the company's biggest store, with the built surface of 17,700 sqm.

At present, Dedeman operates 16 stores, with over 3,000 employees. In 2009, Dedeman launched four stores, out of which two in Bucharest, with total investments estimated at some 50 million EUR. The company's expanding strategy at national level targets a network of 30 stores by 2015. The company's most recent store opening took place in Bucharest, in a retail park developed together with the cash & carry network Selgros.

In the first semester of 2009, Dedeman recorded a sale decline by 15 - 20% compared to the similar period of 2008. The company recorded a turnover of 250.5 million EUR in 2008, compared to 184.6 million EUR in 2007.

Praktiker recorded sales of some 187 million EUR in the first nine months of 2009

Praktiker, the targets DIY store chain on the domestic market, recorded sales of some 187 million EUR in the first nine months of 2009, which represents a decrease by 13.9% compared to the similar period of the previous year. In 2008, the company recorded sales of 292 million Euro.

Currently, Praktiker operates 26 stores in Romania. In 2009, Praktiker Romania opened only one store, located in Focsani and one store in Craiova was expanded with investments of 2.2 million EUR. In 2008, the company launched five stores, with investments of 8 - 15 million EUR per unit.



Altex recorded 50% sales decrease

Altex, the biggest retailer of electronics and home appliances on the domestic market, recorded sales of 124 million EUR in the first nine months of 2009, this representing a decrease by 50% compared to the similar period of the previous year.

In the first six months of 2009, Altex recorded sales of 83 million EUR. The company targets a turnover of over 180 million EUR in 2009.

Starting with the beginning of 2009, the company registered an operational and financial reorganization process and resized and relocated some stores.

Domo registered 20% sales decline

TechnomarketDomo (TMD), the second largest electronics and home appliances retailer on the Romanian market, reported a 21% sales decline in the first six months of 2009, from the 94 million EUR recorded in the similar period of the last year.

Despite this sales decline, the company registered an increase of its market share by 5%, to 24%, according to its majority shareholder, Equest Investment Balkans (EIB) Investment Fund.

Mobexpert invested some two million EUR in Iasi

The Mobexpert Group, the biggest furniture retailer on the domestic market, invested some two million EUR in a hypermarket in Iasi. The unit is located in Era Shopping Center Iasi, covers 7,000 sqm and has 50 employees. The Mobexpert expansion in the last period targeted stores with the surfaces of 6,000 – 7,000 sqm, located in commercial centres. The company's retail network includes 34 units.

The Mobexpert Group owns eight production plants and recorded a turnover of 169 million EUR in 2008.



Kiabi launched its first store in Romania

The French discount fashion retailer Kiabi opened in September 2009 its first store in Romania. The store is located in the shopping centre Grand Arena Berceni (Bucharest) and has the surface of 1,700 sqm, out of which 1,500 sqm of selling area.

According to the company's representatives, the Kiabi network will reach 30 stores in Romania in the next five years. Another two stores will be opened in Bucharest: Kiabi Militari and Kiabi Titan. The expansion targets also the Eastern area of the country, especially the cities with over 150,000 inhabitants.

Smithfield to develop store chain in Romania

Smithfield Prod, a company operating on the pork processing market, part of the US Smithfield Group, plans to develop in Romania a chain of own stores and to expand at the national level with semi-processed products.

Following the opening of the first Comtim store in Timisoara in April 2009, the company plans to expand this concept and open new sales units in Bacau and Braila. These three stores are part of a pilot project.

The Smithfield Group is present on the domestic market starting with 2004, when it bought the Comtim producer based in Timisoara (Western Romania). At present, the Comtim brand is exclusively sold on the domestic market and includes both fresh pork and semi-processed products. Smithfield Prod recorded a turnover of 89.6 million EUR in 2008, this representing an increase by some 30% compared to the previous year.

New Yorker will open a new store in Suceava

The German clothing retailer New Yorker will open in December 2009 a new store, located in the commercial centre Shopping City Suceava, according to real estate consultant Cushman & Wakefield. Shopping City Suceava was launched in April 2008, has a total renting surface of 47,100 sqm and is owned by Argo Capital Management Property Limited. The New Yorker store will have the total surface of some 1,000 sqm.



BauMax will open two new stores with investments of 20 million EUR

At present, BauMax Romania operates seven DIY stores. In November 2009, the company will open two new units, located in Ploiesti and Iasi, with investments estimated at 20 million EUR. BauMax will enter the Bucharest market in 2010 through the launching of a new store located in Sun Plaza commercial centre. Two new store opening that were planned for this year, located in Constanta and Pitesti, were postponed for 2010.

BauMax will launch in its entire store network a new credit service, BauMax Finantare, in partnership with EFG Retail Services (the division of the Greek Group EFG Eurobank), with the Effective Annual Interest Rate of 0.78% per year.

BauMax recorded a turnover of 130 million EUR in 2008, compared to 61 million EUR in 2007.

NEPI plans to invest 400 - 500 million EUR in Romania in 2010

The British New Europe Property Investments (NEPI) Fund, which has local projects worth some 70 million EUR, intends to invest in Romania 400 -500 million EUR in 2010, in order to acquire a series of shopping centres, located both in and outside Bucharest.

NEPI intends to expand the Romanian shopping centre portfolio and become a major player on the real estate retail market. For 2010, the Fund plans to acquire eight to ten commercial parks.

The investment fund announced it will buy three commercial parks from the Belrom Real Estate developer, for some 113 million EUR. Over half of this amount (63 million EUR) will be paid for the European Retail Park.

The retail turnover recorded a decrease by 12.2% in August 2009

According to the National Institute of Statistics, in August 2009, the turnover volume of the enterprises having as main activity the retail, except the trade of motor vehicles and motorcycles, recorded a decrease of 12.2% compared to August 2008 and an increase by 1.5% compared to the previous month. During the period January – August 2009, the turnover volume of these enterprises registered a fall of 10.5% compared to the same period of the previous year.

The sales of laptops in Romania are estimated at 300,000 units in 2009

According to market players, the sales of laptops in Romania are estimated at 300,000 units in 2009. According to Sony Romania, the estimated sales of laptops recorded 200,000 units in the first nine months of 2009. According to IDC, the sales of laptops in Romania registered some 500,000 units in 2008.

Cotroceni Park estimates total rental incomes of 30 million EUR per year

Cotroceni Park, the biggest commercial centre in Romania, will be launched in the next period in Bucharest. 220 tenants have already signed rental contracts with the developer. The total rental incomes are estimated at 30 million EUR per year.

The ten biggest tenants in Cotroceni Park are: Real hypermarket (rented surface: 13,000 sqm), Cinema CityIMAX (rented surface: 7,500 sqm), C&A (rented surface: 3,300 sqm), Go Sport (rented surface: 2,300 sqm), Hondos (rented surface: 1,400 sqm), Waikiki+X-Side (rented surface: 1,300 sqm), Zara (rented surface: 1,250 sqm), Reserved (rented surface: 1,200 sqm), Intersport (rented surface: 1,100 sqm) and Marks&Spencer (rented surface: 1,000 sqm). These ten clients will pay rents estimated at some six million EUR per year.

The Romanian GPS market record a slight increase

According to the representatives of Goclever, a Chinese producer of GPS systems, the Romanian market of GPS systems started to record a slight increase. The Romanian market of GPS systems is estimated at 80,000 units in 2009.

Goclever targeted to enter the Romanian market with equipment at low prices. The company's best selling product is a GPS system with the Romanian map included, at a price of some 80 EUR. According to the company's representative, Goclever has a market share of 10% on the Romania GPS market. Mio Technology, the biggest player on the domestic GPS market, has prices starting with approx. 120 EUR.



More and more entrepreneurs give up malls for “high street” locations

Mr. Marius Ghenea, the businessman who founded the electronics and home appliances retailer Flamingo and brought last year the coffee shop brand Testa Rossa, rethinks the expansion plans and intends to open street units in the centre of Bucharest starting with the spring of 2010. The decision to remove the two coffee shops from the commercial centres Liberty Center and Baneasa Shopping City in Bucharest was made as a result of the low traffic and sales decline in these areas.

Mr. Dragos Petrescu, the owner of City Grill, Caru' cu Bere, Hanu' Berarilor, Buongiorno restaurants and City Cafe coffee shops, which recorded a cumulated turnover of some 15.2 million EUR in 2008, announced that his future business development will be based on independent units and not commercial centres. He has already closed non-effective units located in commercial centres and malls.

Other players, such as Mr. Tudor Niculescu who owns Turabo and Mr. Florin Balu who owns the fast-food network Snack Attack expanded their networks on street locations.

Also big companies such as McDonald's and US Food Network, the operator of KFC restaurants, prefer to avoid commercial centres, especially the ones located outside the big cities, where the sales record significant decreases.

Discount retail chains in Romania



Penny Market entered the Romanian market in 2005. Currently, the company has 80 stores. Penny Market will invest some 15 million EUR by the end of 2009 in order to open new stores.



Plus opened its first stores on the Romanian market in 2005. At present, the company has 86 stores. At the end of 2008, Plus had 1,735 employees in Romania. Recently, the company opened a new store in Alba county, following an investment of some 1.5 million EUR.



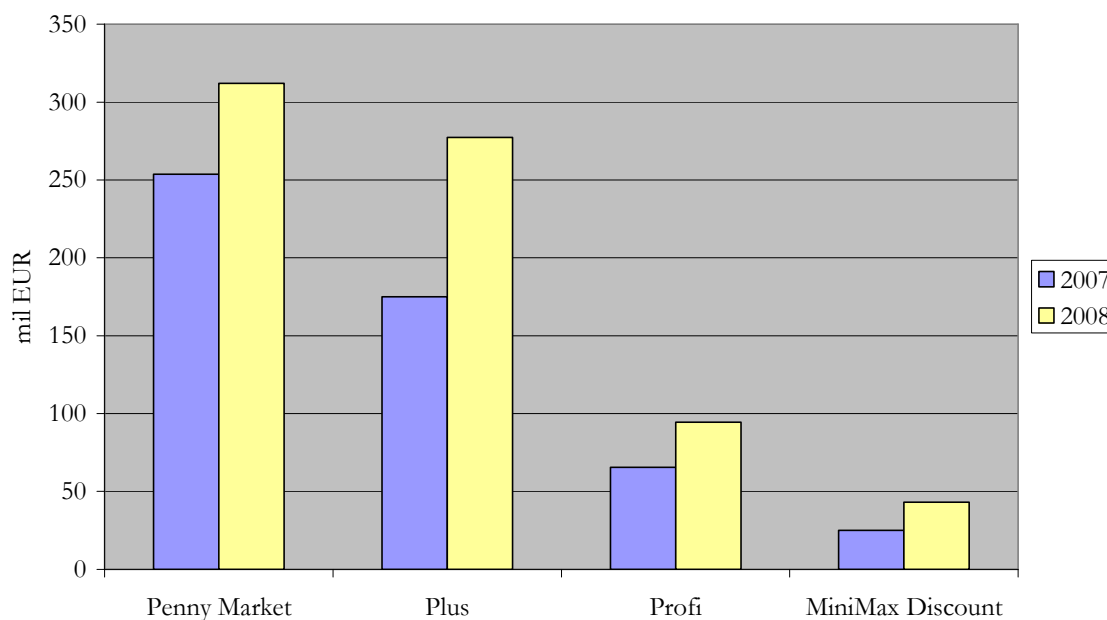
Profi entered the Romanian market in 2000. Currently, the company has 60 stores. In 2008, the company had 755 employees. The company's shareholders intend to sell the Profi network.



MiniMax Discount entered the Romanian market in 2005. At present, the company has 29 stores. In 2008, the company had 321 employees.

The turnover evolution of relevant discount retail chains in Romania, during the period 2007 – 2008 is presented in the below chart (*source: Ministry of Finance*).

Turnover evolution of relevant discount retail chains in Romania, during 2007 - 2008



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