

Romanian Retail Market Report

October 2006

by FRD Center Romania

This Market Report is produced by FRD Center Romania – www.frdcenter.ro - a privately owned market entry consulting firm based in Romania. FRD Center offers tailor-made business intelligence and market support for foreign companies interested to enter the Romanian market as exporters, consultants, investors or joint-ventures.

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Current situation of the Retailing Market in Romania:

The sales of goods on the Romanian market has been constantly increasing during the last 5 years, from 4.8 billion Euro (food goods) and 5.9 billion Euro (non-food goods) in 2000 to 6.2 billion Euro (food goods) and 7.9 billion Euro (non-food goods) in 2004.



Source: National Institute of Statistics

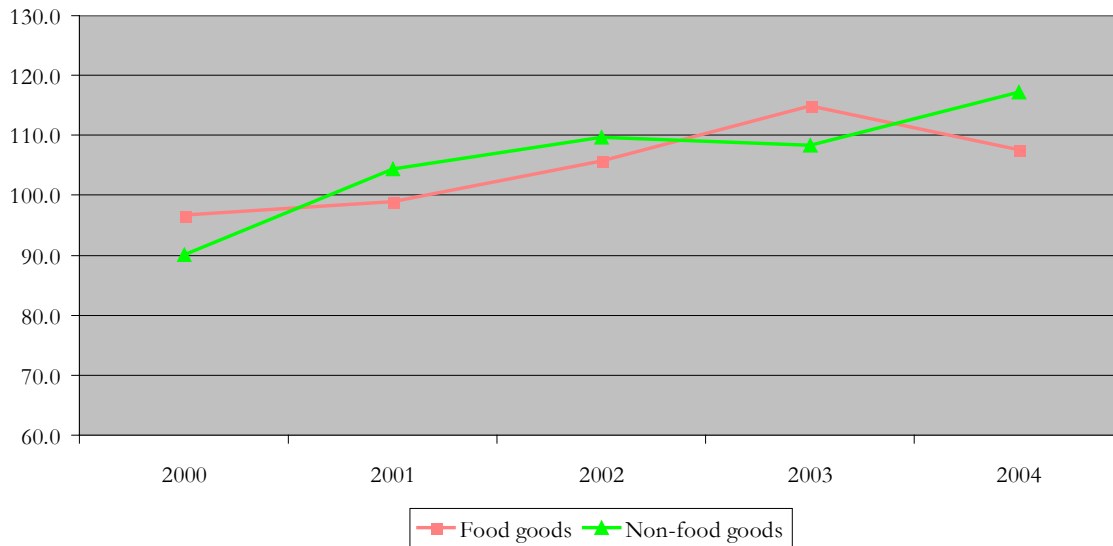
Note: Exclusive sale, maintenance and repair of motor vehicles, motorcycles and retail of fuel

According to Romanian Business Digest, the capital, Bucharest, is the largest retail market in Romania, with a share of 45% in the total value of the transactions. Bucharest numbers over 2 million inhabitants.

The main factors that determined the expansion of the sales in the retaining sector in Romania are:

- the increase of the population purchasing power, due to salary increase
- easier access to the banking and consumer credits
- diminishing inflation
- better quality of locally produced goods and better packaging design
- stronger publicity campaigns
- increasing brand diversity

Indices of retail, by group of goods (the previous year = 100)



Source: National Institute of Statistics

Note: Exclusive sale, maintenance and repair of motor vehicles, motorcycles and retail of fuel

Off-line retail in Romania:

In 2005, almost a half of the sales at national level were done in small stores, this representing a decrease by 5% compared to 2000, while the sales in supermarkets recorded an increase by 12%, reaching to a share of 16%. In case of cash&carry stores, the sales reached a share of 7% in the total sales and 5% represented sales in open markets, this representing a decrease by almost 7%.

In 2005, 4% of the retail sales were done in hypermarkets, while in 2000 these were nonexistent and 2% of the sales were done in discount stores. At present, the percentage of this kind of modern commerce on the Romanian market is only of 20%, the rest being represented by the traditional commerce (compared to Poland, where the hypermarkets cover 35% of the market and the Czech Republic with 46%). In Russia and Ukraine, the hypermarkets cover only 12% of the market.

Modern retail outlets are preferred by a growing number of Romanians and capture year-by-year a larger percentage of the Romanian retail market. Romanians are gradually leaving aside old mentalities and developing a taste for “modern shopping”. The actual trend is that of positively responding to novelty, the novelty represented by large shopping centres, hypermarkets, supermarkets, discounters and other such outlets.

According to a recent survey developed by GfK Romania, in 2005 over 16% of the Romanian shoppers preferred shopping in the supermarkets rather than traditional stores, farmer-markets and proximity shops.

According to a Daedalus Consulting survey, on the Romanian market there is an increase trend of the number of persons who prefer to shop in hypermarkets. 50% of the citizens of the main cities

prefer to shop in a supermarket. Over 70% are women, 50% are married and 30% are families with three members. The food stores and the booths are preferred by the persons with a low level of education and with smaller incomes and the hypermarkets/cash-and-carry by the persons with high incomes and level of education. Especially the Bucharest citizens use to shop in supermarkets. Almost 50% of the Bucharest citizens make shopping on long term, both in case of food and non-food products.

The launching of the big retail networks starting with 2000 boosted the Romanian economy, having stimulated not only the consumption but also the production. Many Romanian brands had thus the chance to develop. However, the Romanian producing companies are still not ready to sustain the rhythm imposed by the consumption.

Discounted retailing in Romania:

In 2005, discounters, practically invisible on the market at the start of the review period, continued to record very strong value growth, as several multinational investors, such as **Tengelmann, Kaufland and Rewe**, recorded a dynamic entrance and attracted large numbers of consumers through their doors. After having more than doubled their numbers in 2005, discounters are expected to continue to increase at a speedy rate during 2006 - 2008.

The most dynamic segment in Europe, the discount-concept stores, will expand on the Romanian market, the investments being forecasted to amount hundreds of million Euro in the next two years. Besides the foreign companies already present in Bucharest and in the country, other significant European and world companies in the discount field announced their launching on the Romanian market.

Romania has an important potential for the expansion of the big distributors and the market will not be saturated in the next four – five years, according to the analysts in the field.

According to the analysts' opinions, processed by the Department of Commerce within the National Agency for Small and Medium Sized Enterprises, more and more Romanian citizens make their shopping in hypermarkets and spend, every time, an average of 40 - 50 Euro, this representing an amount comparable to the one in EU countries.

The sales of the big distributors have in 2003 a market share of 20% and in 2004, at the national level, the supermarkets recorded 12% of the population expenditures for FMCG.

According to the National Agency for Small and Medium Sized Enterprises, the international distributors continue to invest in Romania and forecast investments of over 1 billion Euro until 2007.

The market studies shows the fact that the Romanian discount store market is still reduced. If in Germany almost half of the total trade is made through this system and in Czech Republic the discount-concept segment covers 20% of the market, in Romania only 1% of the retail market is currently covered by the discount stores.

The discount-concept segment, with forecasted investments of about 400 million Euro in the period 2004 - 2006, is, according to the estimations of Roland Berger Strategy Consultants, one of the retail formats that will record the most significant development in the next two years, reaching from 29 stores in 2004 to over 160 at the end of 2006.

The development plans of the discount stores target the national coverage, this format being appropriate for every city, in contrast with hypermarkets and cash & carry, that target the big and very big cities. The costs of the lands and the rent for the commercial spaces have a significant importance in choosing the location.

The high prices for the lands and for the rent of the retail spaces in Bucharest determine the retailers that use big discounts to expand their activity in the cities located in the country.

Rewe Romania, the operator of the networks **Penny Market** and **XXL MegaDiscount**, will open 20 new stores during the next period, of which 3 units will be located in Bucharest. According to an announcement published in the Official Monitor, the company will open stores in Fetesti, Codlea, Sinaia, Bucuresti (3 locations), Targoviste, Onesti, Miercurea-Ciuc, Slatina, Buzau, Campulung, Sighisoara, Tarnaveni, Galati, Vulcan, Oradea, Comanesti, Sebes and Petriila.

Rewe Romania has recently increased its registered capital with the amount of 2 million Euro, to 8.7 million Euro, through the cash contribution of the sole shareholder, the German holding Rewe. As a result of this operation, the company will have a capital of 386,566 shares, with a nominal value of 100 RON, according to a report of Rewe Romania. Besides the Penny Market network, the company owns also the discount store network XXL Megadiscount.

The plans for the next five years include investments of 180-200 million Euro, the company intending to have on the long term a network of 150-200 stores in Romania. XXL Megadiscount network includes 5 units, in Bucharest, Targoviste, Buzau, Sibiu and Braila, each unit representing an investment of about 4 million Euro.

Penny Market retail network in Romania includes 16 stores, in Craiova, Caracal, Calarasi, Tulcea, Constanta, Medgidia, Onesti, Barlad, Alexandria, Rosiorii de Vede, Ramnicu Sarat, Giurgiu, Ploiesti, Campina and Tecuci. Each store has a sale surface of 750 square metres and required an investment of about 1.5 million Euro.

Rewe Romania recorded in 2005 a turnover of 374.3 million RON (about 103 million Euro), compared to 191.2 million RON (about 47.2 million Euro) in 2004. Besides the discount store division represented by the company Rewe Romania, the German Group Rewe also operates on the local market through the **Billa supermarket division** and **Selgros cash&carry**.

Plus has recently inaugurated in Navodari its 23rd discount store in Romania, for which invested 1.5 million Euro. The new Plus proximity store has a surface of about 1,080 square metres, of which 840 square metres are for the sale surface and 240 square metres are for the related spaces.

The store is a "freestander" building that has a standard format and 82 parking places. The offer of the store includes both Plus products and premium articles at accessible prices. Plus offers a range of over 1,000 products, including both food products, fresh legumes and fruits, fresh meat,

refrigerated and freeze products and non-food products type 1 (detergents, cosmetics and food for animals). The presence of the Plus network in Navodari is part of the expansion programme at the national level that will continue in all the cities with over 30,000 inhabitants.

The network of **Lidl discount stores**, a part of the German group Schwartz, postponed indefinitely its plan to enter the markets of Romania and Bulgaria, stated sources from the retail market. The land price, which was considered to be too high, was one of the reasons behind the decision.

On line retail in Romania:

Only a small part of the sales on the Romanian online retail market are made through credit or debit cards. The main reason is poor promotion of debit and credit cards by the banks. Should this improve, online sales made through cards could exceed 50% in the next three or four years.

According to market information, in 2005, the amount of money used through the Romanian virtual stores exceeded 80 million Euro. The companies forecast that the on-line payments will reach 100 million Euro until the end of this year.

In 2005, over 5,000 Romanians accessed every month the sites of the on-line stores. During this year, the number exceeded 7,000 persons. The market is in an increase process, especially since the launching of the on credit on-line shopping. The order can not exceed 5,000 Euro, and the credit period is of maximum five years.

The virtual trade is in a beginning stage. Although the frauds are not significant, thieves have already appeared in the on-line stores in Romania. The statistics show that Romanians buy on the Internet especially IT products, electronics, mobile phones, books and articles for children.

DYI and home decoration retailing in Romania:

Home decoration products have diversified considerably in the last 5 years, with important international brands present in major retail chains in Romania. Smaller retail chains, as well as boutique type of stores specialized in home decorations, have also grown in the last 5 years – they sell mainly traditional products imported from South Pacific and Asia. Some high-end boutiques sell designer products – local designers as well as international ones.

Locally produced goods are mainly present in smaller stores and are made of glass, ceramic, forged metal, textile, paper and board, wax, wood etc.

Home & Design is the first furniture and interior decorations mall in Bucharest and opened in Bucharest in November 2004 after a 5 million-euro investment. Home & Design Mall in Bucharest is dedicated to home decorations and is host to nearly 60 retailers in this sector, occupying a total surface of 8,000 sqm. In 2005 it has been enlarged with a further 4,000 sqm. Home & Design is owned by Stomobi SA, which itself is controlled by Heratico BV, a Dutch company with Canadian shareholders. Tenants include Modul Design, Neoset, Menotti, Silvarom, Flamingo, EuroPrestige, Bravo Group, Finnforest, Exotique and Pier Import.

With the increasing demand of home decorations due to new residential projects being finalised in 2006 and 2007, the opportunities on this market are significant. Significant newcomers such as IKEA are expected to enter the Romanian market in 2007.

Distribution main players in Romania - examples:

Company	TO 2005 (million EUR)	Profit 2005 (mil. EUR)	No of empl. (2005)	Food brands (examples)	Non-food brands (examples)
Interbrands Marketing & Distribution	607.7	-2.2	2,222	Rockstar, Pambac, Orkla Foods, Nestle Purina, Kotanyi	British American Tobacco, Procter&Gamble, Gillette
Macromex	78.8	3.7	339	President, Philadelphia, Milram, Oldenburger, Linco, Akadia, Locatelli, Farm Frites, Fantasy, Dujardin, Sadia, Gastromania, Royal Greenland, Royal Greenland, Royal Arctic, Guseppe	-
Agroalim Distribution	52.0	0.8	342	Smithfield Foods, Frumusani, Saga, Perdigao, Penasul, Seara, Yano, Minerva, Del Mare, Hana, Aviko, , Ema, Ristorante, Dr. Oetker, Orkla Foods, Fuchs, Tchibo, Campofrio	Unilever
Elgeka - Ferfelis Romania	42.9	2.7	355	Podravka, Vegeta, Bip, Antrefrig, Finetti, Creta, Salatini, Capollini, Tismana, Petit Beurre, Dolce, Rolini d'Oro, Minerva, Hopi Popi, Viotros, Chupa Chups	Calgonit, Calgon, Vanish, Cillit, Calinda, Veet, Mortein, Melitta, Brigitta, Prima Pack, Toppits, Amtech, Giardino
First Logistics & Distribution	23.4	0.7	271	Snickers, Mars, Twix, m&m, Milky Way, Mynthon, Alvorada	Zewa, Libero, Libresse, Tena, Kitekat, Pedigree, Whiskas, Chappi
Rocon Distribution 2000*	12.7	0.1	182	Blue Dragon, Casa Fiesta, Olitalia, La Doria, Frukto Fresh, Darbo, Gartenland, Sweet Home, Dan Cake, Rocoline, GoldenLine, Noliko, Yes, Oscar, Pit Bull, Finn Crisp	-
Overseas Distribution	4.2	1.3	75	Top, Dumbrava, Scandia, Baneasa, Lutece, La Grande Famiglia	Ontex, Yplon, McBride, PDCBRUSH, Groupe Lemoine, Spaas, Nicols
Aquila	n/a	n/a	n/a	Wrigley, Tchibo, Ferrero, Brau Union, Prodvinalco	Unilever, Panasonic, Clipper

* The financial data are for 2004

Newcomers on the Romanian retail market in 2006-2007:

In November 2006 the **French retail group Auchan** will enter the Romanian retailing market. The group will open its first store in the Titan district in Bucharest and a quite fast expansion will follow. According to information provided by the company, two hypermarkets will be opened per year starting with 2007, both in Bucharest and in the main cities of the country. The first Auchan hypermarket, an investment of 40 million Euro, will cover 16,000 square meters. It will number 80 cashiers, 3,200 parking places and will be part of a commercial gallery with 70 stores and restaurants.

Another new brand will be present on the Romanian retail market in 2006: **Spar**. After opening its first store in Arad, **Spar Romania** will further inaugurate another 6 supermarkets and hypermarkets in the central and western areas of the country. According to information provided by the company, during the period August-November 2006, Spar will open stores in Targu-Mures, Resita, Ramnicu-Valcea, Deva, Arad, Medias, Odorhei. For 2007, the company's expanding plan includes the opening of over 20 stores, having already 7 finalised projects, of which 5 hypermarkets and supermarkets in Bucharest.

The Dutch company Spar will focus in the first stage on the developing of big stores – supermarkets and hypermarkets – and, after the consolidation of this kind of stores, the company will develop also the network of the proximity stores.

The German Group Otto, the world leader in the field of sales through catalogues, entered the Romanian market with the “Schwab” brand.

The Schwab catalogue contains over 1,700 goods split in three categories: articles of clothing, footwear and house articles. The products are delivered to the client's residence, this service being available in over 60 cities. The goods are from Germany and the delivery period is of maximum 3 weeks from the moment of ordering.

The first catalogue of the Otto Group printed in Romanian contains the fall/winter 2006 collection and can be already ordered through the call center available from Monday to Saturday between 10 - 22 hours or online at www.ottoonline.ro. The Otto catalogue will be launched in January 2007. This catalogue will be published twice per year and will contain a diversified offer in over 600 pages.

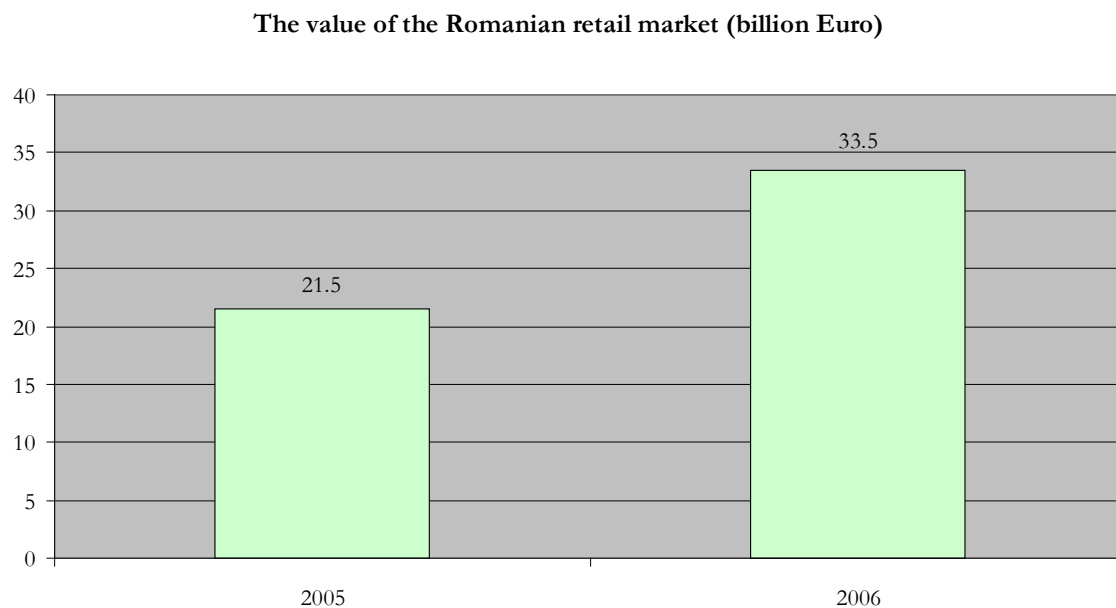
The Otto activities in Romania will be performed by Adra Retail SRL, a company member of RTC Holding, one of the most powerful groups with Romanian capital, with experience of over 15 years on the Romanian market, in fields like distribution, logistics and retail.

IKEA – the first store in Romania will cover 24,000 sqm and will be the result on a 15 million EUR investment. It will be an IKEA franchise, bought by TriNation Group, which is also involved in developing the Baneasa Park.

Market trends and estimations:

The retail market in Romania has the most dynamic growth in the CEE region and it could go over 100 billion EUR by 2010, should the average growth rate of 50% registered in the latest years be maintained. The Romanian retail market is already the second largest in CEE after the one in Poland.

According to a Deloitte analysis published in Romania, in 2006 the value of the retail market will register an estimated 33.5 billion EUR, in comparison with an estimated 21.5 billion EUR in 2005. This growth in value is the highest in CE Europe, currently only the Polish market accounts for more.



Source: Deloitte analysis

It is estimated that the retail sector will cover half of the 71.7 billion EUR total expenditure made in Romania in 2006.

Romanian Business Digest estimates that in 3 - 5 years about 1/3 of all the retail sales in Romania will be done in the big store chains.

According to market information, French retail companies will invest more than one billion euros by year 2010 in a bid to expand and strengthen store networks. New French entries are also announced: Auchan, Leclerc.

Romanian retail market is expected to become more dynamic after 2007, when new store openings will be an ordinary event.

After 2007, the big retail networks are ready to enter the Romanian market, with cheaper imports. The EU accession and the elimination of the custom taxes for the goods that are imported from the EU will motivate the big retailers to enter the Romanian market, despite of the efforts of the National Bank of Romania to reduce the consumption and the imports. The market can include these new players, taking into account the fact that the total volume of the expenditures during a year, in a hypermarket in Romania, is only at the level of the one recorded in Poland in 1997.

The big retail networks will increase significantly the imports after 2007, especially in regards to electronic and white goods.

In spite of the recent boom, there are still problems faced by the retail development. One of the problems is that 40% of the population live in the rural environment. Also, the hypermarkets face a low moving rate of the customers, taking into account the fact that only 20% of the families have cars.

Main players:

Some of the most dynamic players on the Romanian off-line retail market are:

Carrefour - www.carrefour.ro

Carrefour hypermarkets have been present on the Romanian market since 2001, when the first store was opened in the western part of Bucharest. Since then, the company has opened another five stores, in Bucharest, Brasov and Ploiesti, investing about 200 million Euro. The hypermarket chain reported in 2005 a turnover of 435 million Euro on the Romanian market, with a profit of over 5 million Euro. Hyparlo, Carrefour's biggest franchisee, was acquired by Carrefour at the end of 2005. Carrefour reported a turnover of 111 million Euro in the first quarter of 2006, this representing an increase of about 27% compared to the similar period of the last year, when the company operated four stores. Other stores will be opened in the future in Bucharest and Constanta, as well as in other major cities such as Cluj, Iasi and Craiova. According to the company's long-term development plan, Carrefour intends to reach 6 stores in Bucharest and a total of 30 - 40 hypermarkets countrywide. Starting with 2007, the expansion rhythm will accelerate and Carrefour will open minimum three stores per year, in the cities with over 150,000 inhabitants.

Cora – www.cora.ro

Cora is the direct competitor of Carrefour in the hypermarket sector in Romania and entered the market in 2003. Romania Hypermarche, the company that manages the Cora network in Romania, reported a turnover of almost 177 million Euro in 2005, a 56% increase compared to 2004. The company also reported a gross profit of 2.4 million Euro in 2005, after previous losses worth 3.8 million Euro. The Cora network is currently made up of 2 hypermarkets, both located in Bucharest, opened in 2003 and 2005 respectively, with an investment amounting about 90 million Euro. In November 2006, Romania Hypermarche will also complete the construction work in Cluj-Napoca for its third hypermarket in Romania and the first outside Bucharest, the investment amounting 21 million Euro. Also, the company's representatives declared that soon it will be opened the fourth store, but the location was not specified.

Kaufland – www.kaufland.ro

Kaufland Romania, part of the Lidl & Schwarz group, entered the Romanian market in 2005. The company opened its eleventh hypermarket on the Romanian market in July 2006, following an investment of 8.5 million Euro. The hypermarket is located in Satu Mare, has a surface of 6,000 square metres and has been built on a 20,500 square-metre plot of land. The store's parking lot can accommodate 284 cars. Kaufland has opened ten hypermarkets in Romania since October 2005, in Bucharest, Ramnicu Valcea, Ploiesti, Alba-Iulia, Timisoara, Baia Mare, Targu-Mures, Galati, Cluj-Napoca and Hunedoara. Kaufland invested on the Romanian market about 200 million Euro, according to the company data. The three stores opened by the German group Kaufland in Bucharest, Ramnicu-Valcea and Ploiesti reported a turnover worth 15.6 million Euro in 2005. The stores were opened in the last three months of the last year and involved cumulated investments of about 27 million Euro. This led to over 17 million Euro losses for Kaufland Romania. The German operator, which promotes a discount-oriented policy, intends to reach a 50-store network on the local market in the next four years. Kaufland also plans to expand its operations to other cities of the country. The average investment in a Kaufland store stands at 8 to 10 million Euro.

Artima – www.artima.ro

Artima RIC entered the Romanian market in 2000. In March 2005, Polish Enterprise Fund V (PEF) has bought retailer Artima, a business developed by businessman Florentin Banu and the investment fund SEAF Trans-Balkan Romania Fund, for 21 million Euro after four months of negotiations. The Artima network acquired at the beginning of 2006 a supermarket of 2,000 sqm located in the Lotus commercial centre in Oradea. Through this transaction, this supermarket becomes the biggest store of the Artima network. Artima has a network of 15 supermarkets located in Transylvania, Banat and Oltenia. The long-term target of the company is to have a network of 55 stores. The company reported for 2005 an increase by 60% of its turnover compared to 32 million Euro in 2004.

Billa – www.billa.ro

Billa, part of Germany's Rewe trade group, was the first major international supermarket player to enter the Romanian market, in February 1999. Subsequently, the German group brought in Romania, the cash&carry stores, Selgros and the discount stores, XXL Mega Discount and Penny Market. Billa supermarket network posted in 2005 a turnover of 250 million Euro, up 66% from the previous year. The company derived gross profit worth over 11 million Euro, ranking as one of the top companies in the Romanian trade sector. Billa had a total of 18 stores located in Bucharest and the rest of the country at the end of 2005, after the company opened another 5 at the end of 2005, meaning that it is now the largest supermarket operator on the domestic market. This year Billa has opened another two stores, bringing the total to 20, with 100 stores as its long-term target. At the end of the last year, the network had 1,613 employees. Each Billa store has an area ranging between 1,000 and 2,400 square metres and sells a range of approximately 10,000 products.

Univers'all - www.universall.ro

Univers'all supermarket network entered the Romanian market in 2002. The company posted a turnover worth over 23 million Euro in the first six months of 2006, a 30% increase against last year. The company expected by the end of this year a turnover worth over 51 million Euro and a net profit of 2% of the turnover, due to the investment program. In the next few months, the network will expand by opening new outlets in towns like Sfantu Gheorghe, Sighisoara and Tarnaveni. Each store will have an average surface area of 600 square metres. The total cost of the project for all

three stores will stand at approximately 2 million Euro. The space would be rented and the funding of the investments would be covered both by means of bank credits and through contributions by the shareholders.

Mega Image - www.delhaizegroup.com - stores, owned by the Belgian group Delhaize, posted a turnover worth about 54 million Euro in 2005, a 50% increase against the 36 million Euro in 2004. The company recorded profit in 2005, after it had posted losses worth 2.4 million Euro in the previous year. Delhaize did not open any new store last year, but plans to expand to 21 stores. Starting with 2006, Mega Image supermarket chain will invest 2.5 million Euro in a change of logo and a makeover. The company noticed that Mega Image's name is very powerful in customers' minds but the logo that depicted an elephant is not. In addition, Delhaize's brands use a lion as their logo, the symbol of the group. The company therefore decided to exchange the elephant for a lion. Mega Image was one of the first supermarket chains to emerge on the domestic market and was developed by Greek investors. Belgium's Delhaize bought 51% in the firm in 2000 and later upped its stake to 70% and then 100%.

La Fourmi is the first supermarket network developed on the Bucharest market, in 1991, and was set up by Lebanese investors. In 2005, an 80% stake of the company was sold to an investment fund managed by the Greek company Global Finance. The network currently has 11 stores, one being owned by the company, while the others are rented. The retailer posted turnover figures ranging between 13 and 14 million Euro in each of the last years. Recently, La Fourmi decided to reposition itself on the Bucharest market in order to cope with the ever-increasing level of competition coming from hypermarket and discounter stores.

Penny Market - www.xxlmegadiscount.ro/Penny%20Market/index.htm, owned by the German group Rewe, entered the market in 2005. During 2006 the company opened the discounter stores in cities like Constanta, Medgidia and Ploiesti. The German Group, that also owns the Billa supermarket network, XXL Mega Discount and Selgros cash & carry, plans investments of over 100 million Euro in the next 5 years for the development of its discounter network. This type of stores represented one of the most dynamic segments of the European retail market, many players announcing their entrance on the Romanian market.

Plus Discount store network entered the market in 2005 and will invest 45 million Euro in expansion during 2006, taking the level of investments to over 100 million Euro. The company plans to open new stores in another 27 cities. The Plus network is operated by Plus Discount Romania. The three Plus stores that have been launched since the beginning of this year are located in Bucharest, Bacau and Targu Secuiesc and each required investments of about 1.5 million Euro. In February 2006, the company increased its share capital by 18 million Euro on purpose to expand its activity. The additional capital will be used to finance the acquisition of land for the future locations, as well as the construction and fitting of the new stores that are going to be opened. The major cities targeted by Plus Discount include Cluj-Napoca, Iasi, Arad and Braila. However, small and medium cities such as Drobeta-Turnu Severin, Ramnicu Valcea, as well as Barlad, Baia Sprie or Codlea are the main target. A Plus store has a total built area of 1,500 square metres, of which 1,200 for the sale space and 300 for warehouses and annexes. Moreover, the German retailer is likely to expand the warehousing area of its logistic centre of Ploiesti by 10,000 square metres this year in order to keep up with the increase in the number of stores. Its Ploiesti-based logistic centre took investments exceeding 15 million Euro and has an area of 28,000 square metres and the capacity to supply 60

Plus stores countrywide. In the future, Plus is likely to open another logistic centre in Transylvania. Referring to the potential of the discount-type retail segment of the Romanian market, Plus representatives consider this will continue to grow over the following years.

Metro Cash & Carry Romania – www.metro.ro

Metro Cash & Carry Romania, the biggest trade network on the local market, entered the market in 1996. The company reported for last year a gross profit worth almost 70 million Euro against 43 million Euro in the previous year. Metro officials did not comment on the financial results, but network managers had previously said the strategy for the local market of the cash & carry division of the German group focused on developing services and increasing profitability. Metro last year posted a turnover worth 1.323 billion Euro calculated at the average exchange rate, as compared to 1 billion Euro a year before. The company operates the largest cash & carry store network on the local market, 23 outlets, and is also the company with the biggest profits on the local market. Metro will invest 5 million Euro in "consolidating" the own stores until the spring of 2007 and will no longer rely on opening new outlets for growth. The company intends to boost the number and quality of services, as well as the number of new products that will be introduced in the store network. Metro Romania is expecting economic growth throughout the entire country, so that the number of customers targeted by Metro, that is professional clients who provide a large sales volume, would grow as well. The budget allocated to the consolidation of our stores is of up to 5 million Euro and the company will focus on consolidating the stores in Bucharest, Timisoara and Brasov, areas that have more professional customers. Metro's Romanian network is currently employing nearly 6,800 people.

Selgros Cash & Carry Romania – www.selgros.ro

Selgros Cash & Carry Romania entered the market in 1999 and posted a net profit of over 21 million Euro in 2005, more than double compared to the previous year's profit. According to the company's representatives, this has been the most dynamic year so far for Selgros, as it is the first time that the company opened four stores. The company's turnover grew by almost 80% last year, to 457 million Euro, as its network increased to 11 stores. According to figures published for last year, Selgros now ranks second on the Romanian market behind its rival Metro. Selgros opened during this year one store in Ploiesti and Bacau. For the store in Ploiesti, the company invested 15 million Euro. The store is located at the exit to Targoviste and has a 10,000 square metre surface area. The two partners of Selgros Cash&Carry, the German companies Rewe and Fegro Markt, approved a 30 million-Euro increase in Selgros' capital, a sum, which will be used for this year's investments. According to the company's representatives, no other decision to open other stores has been made so far.

Players on the on-line retail market in Romania are:

Emag.ro, held by Dante International, is estimated to triple sales in 2006 compared with 2005, when it posted 13 million-euro revenues. Approximately 70% of eMag.ro's sales were generated by the online retail, with the rest made to corporate clients. supplies. Emag.ro launched at the end of 2001, selling a small range of products, including computer systems and office. The tripling of the business every year brought along a fast-paced expansion of the team, which now includes 100 people, triggering four changes of headquarters in 5 years, company officials say.

Dol.ro, the second-leading online store in Romania in terms of market share last year posted sales of approximately 2 million euros. Its officials' estimates point to an increase in sales to 5 million euros in 2006. Dol.ro is the Internet extension of the Diverta store chain specialised in stationery, media and IT.

Main players in the DIY and home decor sector in Romania are:

Praktiker Romania - www.praktiker.ro - recently opened in Targu-Mures a new do-it-yourself (DIY) store, the investment reaching about 8 million Euro. The unit located in Targu Mures is the 12th store owned by Praktiker in Romania. Other Praktiker stores in Romania are located in Bucharest, Cluj-Napoca, Ploiesti, Brasov, Timisoara, Bacau, Oradea, Constanta, Craiova and Arad.

Until the end of this year, the Praktiker network will be extended with three new stores, located in Galati, Braila and Bucharest (Vitan district), besides the store in Targu Mures. According to the financial data of the German group, Romania and Bulgaria recorded in the second quarter of this year the highest sale increases of all the markets covered by Praktiker.

Bricostore - www.bricostore.ro, a do-it-yourself store operator, intends to open 24 new stores in Romania until 2011, reaching over 30 units. The company's representatives estimate that the store network will record in 2011 a turnover of 500 million Euro. Part of the French Group Bresson, Bricostore intends to open 3 – 5 stores per year in all the Romanian cities with over 200,000 inhabitants. Bricostore opened at the beginning of October 2006 in Constanta its seventh store in Romania, within the commercial center TOM, which includes also a Carrefour hypermarket and a Media Galaxy store.

Bricostore recorded in 2005 a turnover of about 84 million Euro and a gross profit of about 12 million Euro.

Retail space in Bucharest and the provinces of Romania

The total number of shops, by area category, is presented in the below table.

Year	2003	2004
Up to 120 sqm	127,486	124,727
121 - 399 sqm	5,942	8,795
400 - 999 sqm	1,177	1,119
1,000 - 2,499 sqm	387	252
2,500 - 4,999 sqm	38	70
5,000 - 9,999 sqm	33	25
10,000 sqm and over	9	15

Source: National Institute of Statistics

According to a report recently published by CBRE Romania, the Bucharest retail market has experienced a general upward trend in terms of modern completions and rental levels. In the first half of 2006, the modern retail supply has increased with approximately 55,000 sq m reaching a total of around 579,000 sq m.

Modern retail centers represent around 60% of the total retail stock.

According to information published by Colliers International, the current stock of shopping malls in Bucharest sums up approximately 150,000 sqm of gross lettable area (GLA), still a very low figure in comparison with other CEE countries. The overall vacancy rate stands close to nil.

Most of new developments delivered in the last six months represent the first phase of Baneasa Commercial, the first retail park in Bucharest, initiated by Baneasa Investments. The initial phase of the project (Feeria Shopping Center) comprises Carrefour (including a shopping gallery), Bricostore & Mobexpert outlets and will be completed in Q1 2007 with the opening of an Ikea outlet. The last phase of the project will consist of a 65,000 sq m shopping mall (Baneasa Shopping City) and will be delivered in 2008.

Apart from larger retail projects, small developments having less than 5,000 sq m have continued to be completed over the last six months in highly populated districts. Such developments (i.e. Grant Shopping Center in Crangasi) are located within the catchment areas of major retail schemes and are targeting low income customers. The supply of shopping galleries has slightly increased due to completion of large office buildings or hotels offering retail areas on the lower levels. Retail galleries within America House, Bucharest Corporate Center, Floreasca Antonache, Sudului Office Building and Novotel Hotel (Victoriei Business Plaza) have added around 10,000 sq m of modern retail spaces.

Due to the scarcity of available high street units, many villas located in the city centre have been converted in restaurants, coffee shops and pubs.

According to information published by CBRE Romania, despite the rapid increase of the retail stock, the supply-demand ratio is still imbalanced, landlords being in a strong position when negotiating the leases. Demand in H1 2006 has been almost exclusively represented by the expansions of retailers already present on the market.

Retail banks and household retailers have continued their aggressive expansion in decentralized residential areas. The interest of retailers has shifted from prime locations towards secondary or even peripheral areas due to the almost non-existing available supply in central areas and high asking rental levels, taking also the advantage of highly populated districts.

The average area requested by retail banks is between 100-200 sq m, while the households retailers require 200-500 sq m, excepting Media Galaxy which prefers areas over 2,000 sq m. Other active players have been pharmacies and GSM operators. As a consequence of the rental growth and scarcity of suitable spaces available for lease, banks have started to purchase retail units thus increasing the pressure on existing supply of high street units.

Currently the vacancy rate for high street units is recorded to be under 5% due to increasing demand and limited supply on this market segment.

According to information published by Colliers International, the retail market in the countryside in the last 18 months was marked by the opening of Iulius Mall Timisoara, as well as by the developers' struggle to acquire sites suitable for retail. It was an evident confidence in the potential of the entire retail market, the developers looking not only at the major cities of Romania, but even at cities with less than 100,000 people. Although still in its infancy, the countryside retail market has started to be very dynamic so that for some cities the cards are already played. This is due to the fact that the retail space announced to be delivered in the next years could feed up the entire demand and additional projects might have difficulties in attracting clients. Therefore, timing is crucial. It is vital for the existing shopping centers to prepare for the competition to come, and for the new projects to be developed before others will.

The existing stock of shopping centers in the countryside is estimated at approximately 190,000 sqm of GLA, a very low figure if we compare it with the rest of the CEE countries. Also, most of the existing shopping centers consist in former department stores built before 1989 and reconverted now in order to offer a solution to the increasing demand.

The best example is represented by the Winmarkt chain of shopping centers. Member of NCH, Winmarkt is the owner of 16 shopping centers spread within 13 cities; currently some of the centers are undergoing modernization works.

Recently, the French Group Union Investitii started in Galati the building of the second Euromall in Romania, after the one in Pitesti, according to Rompres. The Euromall commercial complex will be built in the centre of Galati, on a surface of 50,000 sqm and will have five floors. Of the total surface, 24,000 sqm represent the renting surface. The construction works of the Euromall commercial complex will be finalised in November 2007. The total value of the investment will exceed 40 million Euro.

Arena City Center, an investment of 35 million Euro, will be, starting with December 2007, a central commercial point in Bacau. The mall is located in the central area of the city, having a total surface

of 31,000 sqm and a used surface of 20,000 sqm. Until now 50% of the spaces have been rented. The mall will include spaces for the SPAR, which is a supermarket company, and 90% of the companies in the mall will be national and international brands and 10% will be local brands in Bacau. The mall will have a parking space for about 800 cars and this will be extend in the next years with 50%.

The officials of Anchor Grup announced the launching of a project for the extending of Bucuresti Mall, which started in May. The extending project includes the construction of a new building with a total surface of 18,000 sqm, attached to the existing building. The two buildings will be linked by an atrium. Anchor Grup will invest about 14 million Euro for the extending of Bucuresti Mall. Bucuresti Mall was opened in 1999, being the first commercial centre at European standards in Romania. Anchor Grup SA was set up in 1997, the company's main activity being the development of the real estate projects in Romania. Anchor Grup was the first company in Romania that invested in the field of the commercial centre construction.

After Bucuresti Mall, in 2004, Anchor Grup launched the second major project in the retail field: Plaza Romania. This is at the present the biggest commercial centre in Romania, which offers a wide range of stores of well-known companies of articles of clothing, footwear, accessories, electronics, books, multimedia products, services, cinema, restaurants, cafes.

Sparkassen Immobilien recently inaugurated the first mall in Southern Bucharest, Sun Plaza, an investment worth a total of 150 million euros. Sparkassen Immobilien, the real estate investment division of Erste Bank, has a 500 million-euro investment budget to develop projects that mainly target Bucharest, as well as other cities in the country on the shopping centre segment. Sun Plaza, located in the Piata Sudului area, will have a total built surface area of more than 200,000 square metres and a 76,000 square metre lettable area. The first stage of development will cost 100 million euros.

Sun Plaza will be completed next spring, and the second phase of the development, which will also include residential and office buildings, will take total investments to 150 million euros. The future tenants of the centre include French retailer Cora, the DIY chain BauMax and Mobexpert, each of which has rented more than 10,000 square metres. "We expect to reach a 100% occupancy rate for the retail space

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