

Investment Memorandum
on Hungarian Farmland opportunity

Considero Corporate Finance & Investment Banking Advisory

Gabor Vilhelm - Managing Director

Contacts: + 36 30 9004166

e-mail: gabor.vilhelm@t-online.hu

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Investment Memorandum

Executive Summary

An investment opportunity has arisen to acquire the 100 % ownership of two Hungarian companies which hold agricultural lands in ownership through other four Hungarian companies. The land to be acquired in the holding companies amounts to approximately 3,692 Ha (9,015 acres) and this is incorporated in four management companies due to Hungarian agricultural laws. The lands feature a secure and accessible location in Central Hungary approximately 2 hours from Budapest. The farm is characterized as a consolidated, contiguous arable farm with large commercial field blocks supported by an operations and management hub. The farm is currently let to a large and profitable commercial farming operator. The professional tenant in place would like to stay for the long term as they already farm on an additional 6000 hectares in the vicinity. The influential shareholder of these companies is an integrated agriculture holding who alone farming on rented land of 4.236 Ha and servicing farmers of another 25,000 Ha land in the vicinity.

The prospect for underlying capital appreciation and strong total return is good. The market is forecast to be deregulated in near future which will be likely to lead to substantial capital appreciation. **The corporate structure allows ownership and transfer and avoids any political restrictions with foreign ownership.** This is a unique freehold asset in a scarce market to foreign buyers. The sale is possible via share transfer of existing companies to an SPV. The current selling price is € 17.000.000. The assets are to be sold only together. The current owners will not separate the lands and companies.

Location and description:

The farmland is located in the central eastern region of Hungary. Specifically the farm is situated in Heves County, to the north of the county town of Kisköre, near the River Tisza. International access is very good, being approximately 2 hours' drive East from Budapest airport down the highway. Farm access is via public highways and internal access tracks. The farm is laid out as one contiguous block with central buildings and an operations hub. The topography is flat with large blocks of good alluvial soils. The land is divided to the north by a public road and to the south by a canal. The farm sits on the plains where the rainfall average is approximately 600 mm per annum though in 2013 it was 554 mm per annum. The Jaszgati canal runs to the south of the farm and acts as a natural buffer to the town and is a source of water for potential irrigation.

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Land Area (Ha) key parameters:

Arable	3,244 Ha
Pasture	212 Ha
Woodland	54 Ha
Supporting infrastructure	182 Ha
Total	3,692 Ha
Average gold crown /Ha	8,5

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Farmland:

The arable land amounts to 3,244 Ha. This is laid out in large arable blocks with an average field size of approximately 50 Ha. The soil is an alluvial loam which holds nutrients well but is light enough for efficient mechanical operations. The best land is located to the north of the road and is ideal for irrigation being of a lighter structure. The land to the south near the canal is slightly heavier land but is still productive arable soil. Land that is not suitable for arable cropping is in pasture or, in some areas, wetland.

Pasture:

There is a small amount of pasture land which is kept for environmental reasons. If farmed in hand this has the potential of achieving the environmental subsidy support. This pasture land will go towards the 5% 'greening' under the new EU Regulations.

Woodland:

There are three blocks of amenity woodland made up mainly of poplars and acacia which are maintained by the shooting tenants as part of their shooting rent.

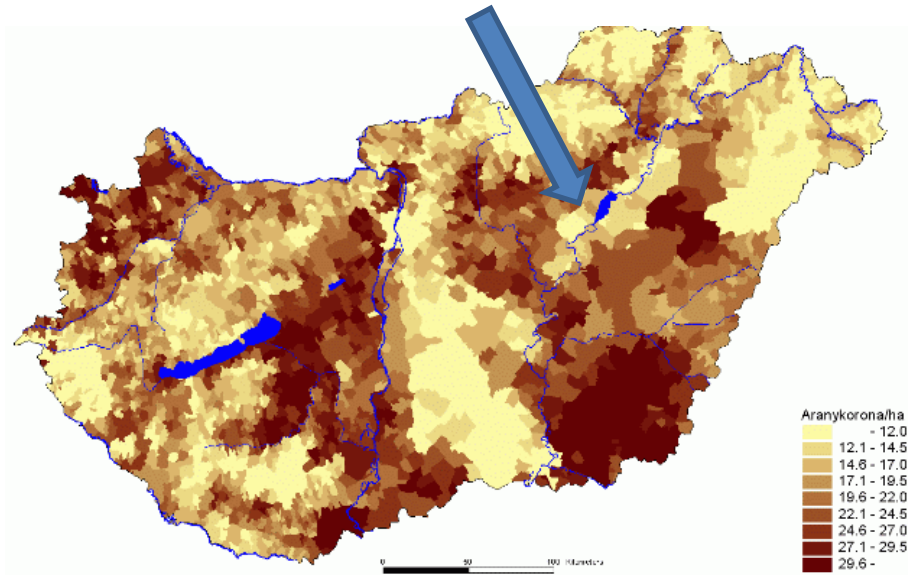
Infrastructure:



Existing buildings and infrastructure are limited. There are sound cattle sheds which are of a commercial size and have partially been adapted for temporary grain storage. With improvements some of the other sheds would serve as useful machinery stores. There is scope to develop a new commercial grain store and supporting infrastructure at the existing operations hub. The erection of commercial agriculture buildings are permitted but planning permission would have to be sought. Some irrigation development would significantly add to the productive capacity and underlying value of the farm. Water could be transferred under a licence system from the Jaszagi canal which runs down the side of part of the farm.

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The region's gold crown (aranykorona) rate is relatively low. The gold crown measures the land productivity, which is below 12 in Kisköre. The gold crown rate is also known as pricing accelerator. The higher the rate is the higher price per Ha can be achieved.

Summary:

- The land is in Kisköre which region has relatively low gold crown rate
- The size of the farm is unique and it forms a big block which gives a proper premium the transaction
- Usually rent is calculated as SAPS grants multiplied with 80 to 100 percent
- The FAO soil map of the region shows the land as meadows.

Explanation of the Land Lease Agreement and details by companies:

The Land Lease Agreement is between the Land Holding companies (there are four of such companies) as landlords and the tenants

	Owner				Grand Total
	A company	B company	C company	D company	
Total Number of Fields Parcels	101	85	206	211	603
Total Sum of Size (Ha)	697.9248	786.5783	1,129.2679	1,078.7404	3,692.5115
Total Sum of Gold crown value	5,586.65	6,033.32	7,971.45	10,362.88	29,954.30

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As of 2013 the book value of the farmland is HUF 2,86 billion (EUR 9,05 million). The companies have no other activities they are only “farmholding” the activity is strictly focused on holding structure. The companies have no bank financing and free of bank loans.

All interested parties should address their interest to the exclusive investment advisor of Sellers:

Mr. Gabor Vilhelm

Cell: + 36 309004166

Considero Corporate Finance and Investment Banking Advisory (Considero Kft)

e-mail: gabor.vilhelm-t-online.hu