Mineral Water Investment Package in Spain

Document Prepared by ULTRA FRONTIER

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I. INVESTMENT HIGHLIGHTS

5 Mineral Water Wells at 2 locations within Spain

- The wells are located in middle Spain which guarantees the best logistical service and lowest costs to sell the water within the country
- Major seaport is close to one of the biggest wells, which allows to export the bottled water overseas, which will increase the profit margin immensely

Almost 10 billion liters of finest mineral water per year approved and licensed for bottling by the Spanish Authorities

- A fast takeover of the operation is guaranteed as all paperwork, approvals, licenses, analyses are in place and valid

Highly attractive margins, fast growth, low risk and limited investment

- The factories are producing and selling bottled mineral water to major local supermarket chains within Spain, based on multi year agreements will guarantee a low risk
- Modern bottling plants in both locations will guarantee limited investment
- Possibility to export the water to water poor countries such as the Middle East, Africa etc. guarantees attractive selling margins and a fast growth
- Selling Margin approx. 45 % based on current prices for Production, Shipment, End-seller Margin and Selling Price

Experienced management with a total commitment to success

- The companies are managed by a professional being in the water industry since more than 18 years knowing the market well. The team of about 70 employees are totally engaged to continue the operation under the highest quality and profitability

Low-Risk Investment

- The asking price of 33.93 million EUR for the 90% package is under market value. Due to the growing demand of clean drinking water and the water´s extraordinary quality, the value of the wells are increasing steadily
- Existing delivery agreements with major, local supermarkets

II. HISTORY AND SITUATION

The sales of bottled water have reached astonishing heights in recent years. According to the Beverage Marketing Corporation (BMC), between 1998 and 2002 global bottled water consumption increased by 60 percent, and since then has continued to rise by about 8 percent every year.

a. History

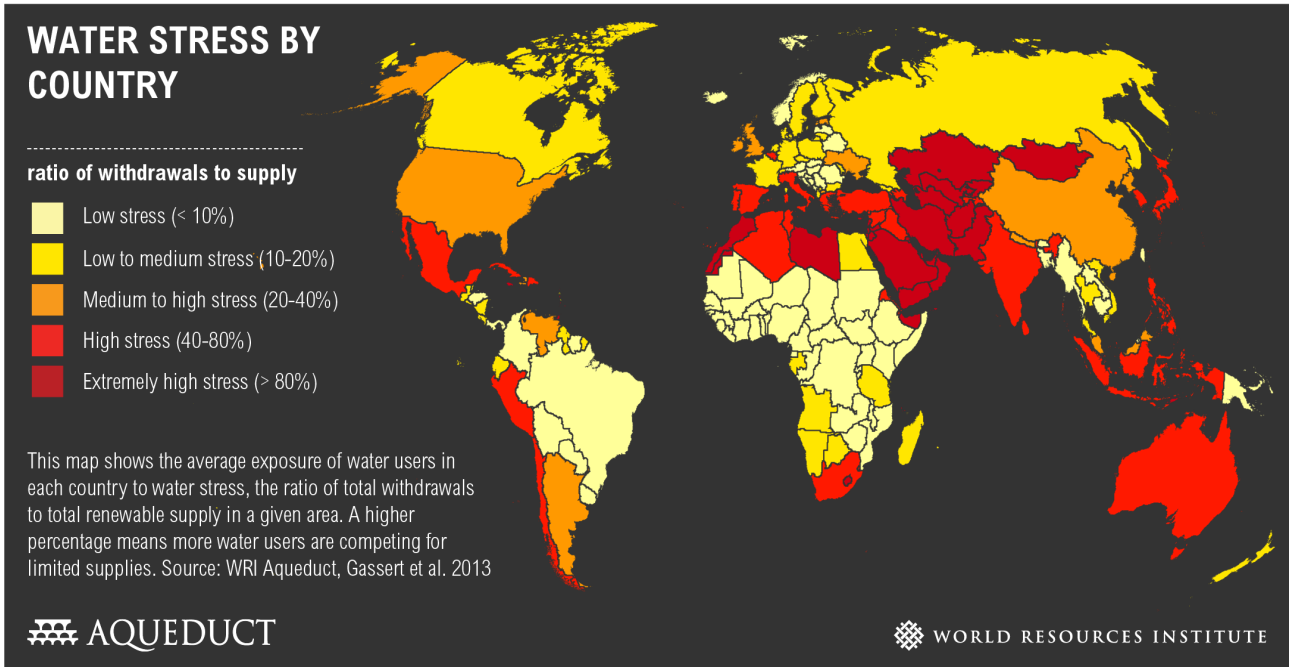
Although the bottled water industry is a relatively modern phenomenon, the practice of collecting water from natural spring sources and transporting it to be consumed elsewhere is as ancient as human civilization. The earliest containers for water included animal skins, ostrich eggs, and earthen jugs. Later, Roman troops are believed to have deliberately sought out sources of good drinking water. Legend has it that Hannibal and the Carthaginian army stopped at a spring welling forth with naturally sparkling water. This is supposedly the same spring from which Perrier, a major brand of bottled water, is drawn today.

In the eighteenth century, the spa movement became a cultural phenomenon. Many well-to-do people flocked to health centers located near natural mineral springs in Europe and the United States. The wealthy were drawn to the supposed benefits of drinking, bathing, and showering in these waters. It was not long before business-minded entrepreneurs realized that even more money could be made bottling water from such springs and selling it to those who could not travel to the spas or wished to bring home the therapeutic waters. By the nineteenth century, spa water bottling operations had appeared all over Europe and North America. Some US bottled water corporations that are still in operation today, including the Saratoga Springs and Poland Springs companies, date back to this era.

In the mid-nineteenth century, when the industry was in its infancy, bottled water was a relatively expensive indulgence, and the bottling of water took place on a relatively small scale; water was packaged in glass or ceramic containers with stoppers that were made out of either cork or porcelain. As the market for the product grew, however, and as the development of railway systems made it easier to transport large quantities of bottled water, the industry model slowly transformed into one of mass production. In the mid-twentieth century, bottled water was packaged in plastic containers for the first time by a French company, and the invention of PET plastic bottles (which were both stronger and lighter than earlier plastic bottles) soon followed in the 1980s.

b. Current Situation

The most valuable commodity in the world today, and likely to remain so for much of this century, is not oil, not natural gas, not even some type of renewable energy. It's water – clean, safe, fresh water. Bottled water represents the fastest growing segment of the global beverage market. World bottled water market is expected to reach $ 65.9 billion by 2012, stimulated by rising population, consumer spending patterns, lifestyle trends, and growing levels of health consciousness, among others. The market is expected to grow rapidly in the coming years due to growing consumer concerns about fitness, water quality and health. Water, fresh potable water, is rapidly becoming a scarce resource worldwide. Although the majority of the (Western) world has not yet recognized this, many countries in arid regions of the world are already facing the problem of water shortage, and these arid regions are steadily growing.



III. MARKET ANALYSIS

There are clear differences in performance between the regional markets that make up the global bottled water market. While Europe grew with a sedate CAGR of 2.4% during 2008-2012, the Asia-Pacific market had a CAGR of 13.0% during the same period. The global bottled water market had total revenues of $138,058.1m in 2012, representing a compound annual growth rate (CAGR) of 5.7% between 2008 and 2012. In comparison, the European and Asia-Pacific markets grew with CAGRs of 2.4% and 13.0% respectively, over the same period, to reach respective values of $48,037.8m and $29,618.8m in
2012. Market consumption volumes increased with a CAGR of 4.8% between 2008-2012, to reach a total of 217,252.5 million liters in 2012. The market's volume is expected to rise to 273,437.5 million liters by the end of 2017, representing a CAGR of 4.7% for the 2012-2017 period. The still unflavored segment was the market's most lucrative in 2012, with total revenues of $95,188.6m, equivalent to 68.9% of the market's overall value. The sparkling unflavored segment contributed revenues of $32,105.5m in 2012, equating to 23.3% of the market's aggregate value.

Dominance by the still unflavored segment is commonly observed, although Europe has a more even balance between still and sparkling unflavored water. The performance of the market is forecast to decelerate, with an anticipated CAGR of 5.4% for the five-year period 2012- 2017, which is expected to drive the market to a value of $179,629.3m by the end of 2017. Comparatively, the European and Asia-Pacific markets will grow with CAGRs of 3% and 7.7% respectively, over the same period, to reach respective values of $55,754.1m and $42,972.7m in 2017.

a. Market value

The global bottled water market grew by 5.5% in 2012 to reach a value of $138,058.1 million. The compound annual growth rate of the market in the period 2008–12 was 5.7%.

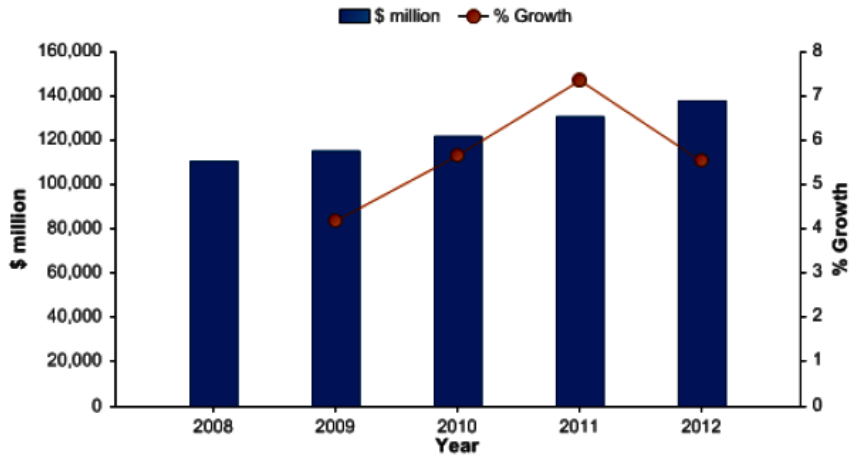
Table 1: Global bottled water market value: $ million, 2008–12

Year	$ million	€ million	% Growth
2008	110,659.7	86,076.3	
2009	115,306.7	89,690.9	4.2%
2010	121,851.0	94,781.4	5.7%
2011	130,822.5	101,759.9	7.4%
2012	138,058.1	107,388.1	5.5%
CAGR: 2008–12			5.7%

SOURCE: MARKETLINE

MARKETLINE

Figure 1: Global bottled water market value: $ million, 2008–12



SOURCE: MARKETLINE

MARKETLINE

b. Market volume

The global bottled water market grew by 5.0% in 2012 to reach a volume of 217,252.5 million liters. The compound annual growth rate of the market in the period 2008–12 was 4.8%.

Table 2: Global bottled water market volume: million liters, 2008–12

Year	million liters	% Growth
2008	180,393.2	
2009	186,965.4	3.6%
2010	195,978.8	4.8%
2011	206,909.7	5.6%
2012	217,252.5	5.0%
CAGR: 2008–12		4.8%

SOURCE: MARKETLINE

MARKETLINE

1. Market Segmentation

a) Category segmentation

Still unflavored water is the largest segment of the global bottled water market, accounting for 68.9% of the market's total value.The sparkling flavored water segment accounts for a further 23.3% of the market.

Table 3: Global bottled water market category segmentation: $ million, 2012

Category	2012	%
Still unflavored water	95,188.6	68.9%
Sparkling flavored water	32,105.5	23.3%
Sparkling flavored water	6,445.6	4.7%
Still flavored water	4,318.4	3.1%
Total	138,058.1	100%

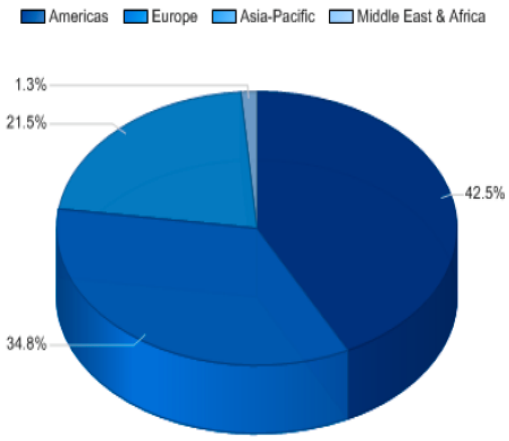
SOURCE: MARKETLINE

MARKETLINE

b) Geography segmentation

Americas accounts for 42.5% of the global bottled water market value. Europe accounts for a further 34.8% of the global market.

Figure 4: Global bottled water market geography segmentation: % share, by value, 2012



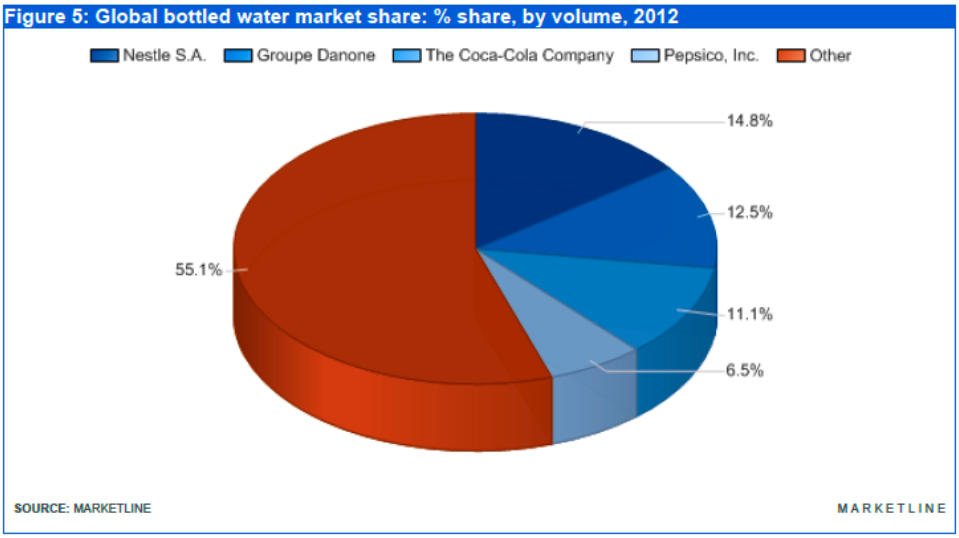
SOURCE: MARKETLINE

MARKETLINE

c) Market share

Nestle S.A. is the leading player in the global bottled water market, generating a 14.8% share of the market's volume. Groupe Danone accounts for a further 12.5% of the market.

Figure 5: Global bottled water market share: % share, by volume, 2012



SOURCE: MARKETLINE MARKETLINE

2. Market Outlook

Market value forecast

In 2017, the global bottled water market is forecast to have a value of $179,629.3 million, an increase of 30.1% since
2012.

The compound annual growth rate of the market in the period 2012–17 is predicted to be 5.4%.

Table 7: Global bottled water market value forecast: $ million, 2012–17

Year	$ million	€ million	% Growth
2012	138,058.1	107,388.1	5.5%
2013	145,998.5	113,564.5	5.8%
2014	154,267.1	119,996.2	5.7%
2015	163,070.5	126,843.9	5.7%
2016	171,087.9	133,080.2	4.9%
2017	179,629.3	139,724.1	5.0%
CAGR: 2012–17			5.4%

SOURCE: MARKETLINE MARKETLINE

3. Five Forces Analysis

The bottled water market will be analyzed taking bottled water manufacturers as players. The key buyers will be taken as retailers, land owners, water suppliers, packaging providers, and providers of extraction and bottling equipment as the key suppliers. The bottled water market is characterized by moderate rivalry between players, and a strong threat of substitutes from other non-alcoholic beverages. Retailers are key buyers, and include some large companies, boosting buyer power. Supplier power may be strong, especially if a company needs to access a particular water source for its production

a. Buyer Power

Buyers in this market are food and beverage retailers. They are often relatively large companies, against which it will be difficult to exert much bargaining power. However, retailers do need to make buying decisions that reflect their own customers' preferences. It is therefore important for bottled water companies to build strong brands and exploit brand loyalty among the final consumer. For example, products such as Evian emphasize the source from which their waters are extracted. As well as pure water, manufacturers can offer products with light flavoring or other modifications. When successful, these exercises in branding and differentiation tend to decrease buyer power. Most food and drink retailers will stock a wide variety of product lines, with bottled water contributing only a small

proportion of total revenues. This means that it is not a necessity for retailers to stock bottled water, strengthening buyer power. Overall, buyer power is moderate.

b. Supplier Power

Key suppliers in this market are manufacturers of bottling equipment and bottles. These will generally have a wide range of FMCG manufacturers as customers, reducing their dependence on bottled water companies. It is unlikely that bottled water companies will integrate backwards into these suppliers' industries, which also strengthens supplier power. It is also important to access a water supply. This may be from a water utility, for products such as Dasani which are purified tap water. For mineral waters and spring waters, the company needs to either own the land on from which the water is extracted, or lease it from the landowner. The strength of supplier power will be greater in the latter case. If the bottling company makes no claim about the exact source of water used, it should be possible to find alternative suppliers. However, sometimes the entire brand is built around the water being from a particular source. For example, Buxton Spring water is taken from a particular source in the UK's Peak District, a National Park. For water brands of this kind, there is no alternative source, which increases supplier power if the bottling company does not hold the land involved. Overall, supplier power is strong.

c. New Entrants

For a company that already offers non-alcoholic beverages, the purely technical challenges of diversifying into bottled water, such as establishing supply and distribution lines, are not likely to be all that great. However, opportunity for innovation in the product itself is limited. This means that a new entrant would be offering a very similar product to what is already on the market, and challenging some strong brands in doing so. This decreases the likelihood of new entrants, assessed as moderate overall.

d. Threat of substitutes

From the point of view of retailers as buyers, the main substitute is not tap water (as it might be for end-consumers) but other non-alcoholic beverages. There is a wide variety of such products, all targeting different consumer needs. For example, consumers looking for "healthy" drinks might opt for fruit juices, those looking for "hydration" might choose specially-formulated sports drinks, and so on. It is unlikely that any retailer would stock only bottled water, and risk losing sales of these alternatives. The threat of substitutes is therefore strong

e. Degree of Rivalry

While a glance around the average supermarket chiller unit will reveal a large number of bottled water brands, this may give a false impression of the number of market players. Many of the multinational food and beverage companies have acquired several bottled water brands over the year, which reduces competition in the market. For example, Nestle currently owns nine brands, including Perrier, Vittel, and S. Pellegrino. Overall, rivalry is moderate.

4. Types of Bottled Water

The general public is probably unaware that there are actually six classifications of water based on the FDA's "Standard of Identity". Bottled water or drinking water can fall under one or more of the classifications below:

Spring Water - This is water that comes to the surface naturally. It has to be collected at the spring only, or from an underground aquifer feeding the spring.

Purified Water - This water has undergone several processes such as deionization, reverse osmosis or distillation. Distilled bottled water is sold in gallon jugs for a variety of household purposes.

**Mineral Water - Bottled water in this category is differentiated by mineral elements that are derived from the source. Usually contains not less than 250 parts per million of trace elements of mineral salts or gases. The minerals must be natural and not additives to the bottled water.

Sparkling Bottled Water - As it emerges from the source, sparkling water has carbon dioxide as a property. After treatment, it sometimes needs additional carbon dioxide added to it to replace that which is lost in the treatment process. There are several bottled water terms for sparkling water such as "sparkling spring water", "sparkling drinking water", and "sparkling mineral water."

Artesian Water/Artesian Well Water - The water that is bottled from this source comes from an underground layer of rock or sand on which water accumulates. The water level is usually some distance above the bedrock and is tapped at that point.

5. Bottled Water in The Middle East

The bottled-water market is exploding across the Middle East on an unprecedented scale. Whilst growth is reported in all countries, it is key GCC markets like the United Arab Emirates, Saudi Arabia and Bahrain that are blazing the trail — an increase of more than a third in bottled-water consumption over the past five years has been reported in these markets by Euromonitor International.

Saudi Arabia alone consumes 1337.4 million litres of bottled water, which is forecast to rise to 1998.7 million litres by 2015. Similarly, consumption in the UAE is forecast to rise from 514.5 million litres of bottled water to 768.1 million litres in the same period. Both home-grown bottled water producers and international brands are positioning themselves to profit from the region's high-volume markets in 2015. On top of the consumption generated in the UAE and Saudi Arabia, Iran is forecast to reach 2421.1 million litres, Algeria 1333.6 million and Syria 1066.3 million, according to figures by Euromonitor International. Unsurprisingly, competition to become the market leader is stiff in the region. "In a very short space of time, the bottled water market has become the most competitive market in the Middle East," explains Fine Waters CEO, Ahmed Ghaly.

"The underlying reason for this is the extraordinary water consumption per person. In the UAE, which is one of the highest in the world, more than 250 litres of bottled water are consumed per person per year."

A number of contributory factors are behind the region's phenomenal growth in bottled water: an exploding population, high disposable income, easy market access for suppliers, a rise in health awareness thus shifting consumers from tap to mineral water, a thriving expatriate community and a fast-expanding hotel and F&B scene. These factors have converged to create a "perfect storm" for the region's water suppliers.

This translates into a valuable market — in Saudi Arabia alone, the constant value sales of bottled water are projected to reach SR 3.2 billion by 2014, according to Euromonitor International.

"Naturally, we've seen a plethora of companies enter the market," continues Ghaly. "Many of them prematurely — and many lacking a basic understanding of local market dynamics.

In Dubai alone, there are over 1500 different brands inclusive of different sizes registered with the Dubai Municipality. This figure does not include local water companies.

IV. BUSINESS PROPOSITION

Ultra Frontier is presenting the following mineral water package:

Available are 5 mineral water wells, which are at two different locations in the North Eastern part of Spain. The package offers a market leading position in the water industry in both lands Spain and Portugal. The product overflow into other European countries will also guarantee a leading position in the world market. The main objective of this business proposal is to export bottled from water from these factories, as one of them is advantageously located near seaports, to countries in the Middle East where there is a shortage in quality water; as a start, the focus would be on the UAE, and then we will gradually explore other countries in the GCC Region. The proposed package would deliver, after being set up, mineral water wells pouring almost 10 billion liters per year. The total valuation for the whole package including the appertaining land, wells, factories and bottling plants including all licenses is 37,7 million EUR, 90% of it is offered for sale for an asking price of 33.93 Million EUR. The proposed package is owned by members of the same family (90%) in equal proportions in addition to Mr. Herbert Mergener who owns 10%; the family is looking to sell due to the lack of succession, health issues and inconsolable differences. Mr. Herbert is hoping to stay as a manager of the two factories given his experience and familiarity with the logistics.

- The companies are equipped with modern bottling plants and have very engaged and capable staff who are working in the mineral water industry for many years selling the water mainly within the Spanish Peninsula.
- The wells are located at strategic points in Central Spain with a total production and extraction permission of yearly 9.9 billion liters, which would allow to export billions of bottles to

water poor countries. The water comes out of the ground with a temperature of 34° C, with a rich composition of calcium, magnesium and bicarbonate.

- All properties are subject to very strict EU laws for mineral water and fulfill all purity criteria. One of our proposed factories also has the very rare certification of Bureau Veritas on ISO Standard.
- Several experts confirmed that the wells have one of the best mineral waters in Europe and the quality is comparable with the French luxury brands "Evian" and "Vittel". Please refer to the table below for a more detailed comparison of this water against leading high-end mineral water brands.

Table 1: Ingredients Analysis of The Top European Bottled Water Vs. Factories A&B

Water/Minerals (Mg/L)	Calcium	Magnesium	Sodium	Potassium	Chloride	Sulfate SO4	Bicarbonates HCO3	Nitrate NO3	SiO2	Fluoride	pH
Acqua Panna	33	6.7	6.3	-	9.1	21.1	108	-	7.2	-	8.1
Badoit	**190**	**85**	**165**	**10**	**44**	**38**	**1300**		**34**	**1.3**	**6**
Cristaline	106	3.8	3.5	1.8	3.8	58.9	272	2	0	0	
Courmayeur	533	66	1	2	0.5	1480	176	3.8	1.5	0.5	7.4
Evian	**78**	**24**	**5**	**1**	**4.5**	**10**	**357**	**3.8**	**13.5**	**0**	
Orée du Bois	150	50	43	9	62	635	292	1		1.3	7.2
Perrier	**149**	**7**	**11.5**		**23**	**42**	**120**				
Valvert	67.6	2	1.9	0.2	4	18	204	3.5			
Vittel	**202**	**43**	**4.7**			**336**	**402**	**4.6**		**0.28**	
Volvic	**11.5**	**8**	**11.6**	**6.2**	**13.5**	**8.1**	**71**	**6.3**	**31.7**		**7**
Factory A	**90.1**	**37.5**	**32.6**	**2.15**	**49.5**	**117**	**295**	**13.3**	**9.12**	**0.19**	**7.37**
Factory B	**82.3**	**14.9**	**16**	**1.29**	**39.3**	**22.4**	**258**	**24.8**	**11.9**	**0.2**	**7.54**

Sources: Companies Water Quality Reports

Historical Glimpse about the Proposed Wells

The wells are located in a small and picturesque village in the province of Zaragoza. In the first period of Arab domination, that is, during the Emirate and Caliphate from 711 to 1,120 years, the small town, followed Bilbilis lucky old, has already become Kalaat-Ayub, whose name was subsequently changed to Calatayud. This name is because in the year 720 came from these places an Arab from Sevilla Ayub Wali named founded by, among other things, the fortress or castle he called his name, calling Kalat-Ayub, meaning "Ayub Fortress".

Table 2: Overview of Factories A&B

Location	Number of Wells	Bottling Factory	plot size in hectars	liters per second	for bottling approved and licensed per second	for bottling approved and licensed per year
A	2	yes	0.5	300	300	9.5 billion
B	3	yes	2.4	45	15	460 million
Total	**5**	**–**	**2.9**	**345**	**315**	**9.96 billion**

1. Products

The water in well B is poor in Sodium which equal to a baby food quality while the water in well A has curative and healing properties which was prized and recommended by Nobel Prize laureate of Medicine Ramon Y Cajal to be used in hospitals for healing purposes; hence, it could packaged and sold as a healing water or a premium water. Currently, the water is bottled in bottles of 1.5 L and sold in lots of 5 or 8 bottles per pack. The price is 25 cents/L and the cost is 9 cents/L excluding the costs of logistics. This price is well above spring or table waters which sell for cheap and have high levels of sodium. Both waters are registered with the EU Mineral Water Union which has the hardest laws worldwide for health and quality standards.

2. Infrastructure

Factory plants should be state-of-the-art and high-end. In the past 6 years several millions of Euros were invested in acquired new machinery and upgrading existing one. It is highly recommended for any potential investor looking to acquire the two factories to make a visit to the sites in Spain, preferably accompanied by a machinery specialist for an accurate assessment report. Moreover, it is recommended to use new triangle glass bottles from as supplier called Sidel for a product that will look nice and stand out in the shelves. There is a supplier of this type of bottles. However, there will be a need to upgrade the machinery to produce the updated bottles in different sizes. The estimated cost for the upgrade would be around 4 million Euros. Please refer to the picture below to see an example of the triangle bottles Sidel can produce.

V. INVESTMENT HIGHLIGHTS

5 Mineral Water Wells at 2 locations within Spain

- The wells are located in middle Spain which guarantees the best logistical service and lowest costs to sell the water within the country
- Major seaport is close to one of the biggest wells, which allows to export the bottled water overseas, which will increase the profit margin immensely

Almost 10 billion liters of finest mineral water per year approved and licensed for bottling by the Spanish Authorities

- A fast takeover of the operation is guaranteed as all paperwork, approvals, licenses, analyses are in place and valid

Highly attractive margins, fast growth, low risk and limited investment

- The factories are producing and selling bottled mineral water to major local supermarket chains within Spain, based on multi year agreements will guarantee a low risk
- Modern bottling plants in both locations will guarantee limited investment
- Possibility to export the water to water poor countries such as the Middle East, Africa etc. guarantees attractive selling margins and a fast growth
- Selling Margin approx. 45 % based on current prices for Production, Shipment, End-

seller Margin and Selling Price

Experienced management with a total commitment to success

- The companies are managed by a professional being in the water industry since more than 18 years knowing the market well. The team of about 70 employees are totally engaged to continue the operation under the highest quality and profitability

Low-Risk Investment

- The asking price of 33.93 million EUR for the 90% of the package is under market value. Due to the growing demand of clean drinking water and the water´s extraordinary quality, the value of the wells are increasing steadily
- Existing delivery agreements with major, local supermarkets

VI. FINANCIAL OVERVIEW

In the past years, the factories have not shown any profit due to the highly competitive nature of the Spanish market. However, if exported to the UAE or other countries in the GCC region, this opportunity could unlock a huge profit potential and success due to the superior quality of the water and the bargaining price that could be charged and yet realize substantial profit margins. After acquiring the plants, the acquirer can start shipping the 1.5 L bottles to the UAE for a total cost of 20 cents (1Dhs).

Example on Profitability

Production costs per 1,5 liter bottle	9 %
Shipping costs – average – ship to MENA region	6 %
Selling Margin for Distributor / Endseller	40 %
Total costs (Production, Shipping, Selling Margin)	**55 %**
Profitability / Margin	45 %

1. Potential ROI Analysis Example- Export to the UAE/GCC Market

Currently factories A and B are set-up to produce and deliver 300-500 million liters of water; they could be upgraded to produce more.

SAMPLE CALCULATION for 1,5 L Bottle	**Euro**	**DHS**
1.5L Production Cost incl. Bottle, Laborcost, Filling	0.11	0.55
EXPORT Cost CIF Jebel Ali or Jeddah (0.05 -012)	0.09	0.45
TOTAL COST SHIPPED 1,5 L	***0.2***	***1***

PRODUCTION

Litres of water	**1,5 Litre Bottles**	**Exported Price/Bottle**	**COSTS**	**in Euro**
300 Million	200 Million	**1 dhs**	AED 200 Million	*40 Million*
	add 5% UAE TAX	0.05 dhs	**10 Million**	*2 Million*
		TOTAL COST:	**210 Million**	*42 Million*

SELLING / DISTRIBUTING

Liters of Water	# of 1,5 Litre Bottles	SELL to Dealers/SuperMarkets	SALES (Mil AED)	*Euro (Mil)*
300 Million	200 Million	3Dhs/Bottle	600	*120*
1st year Estimated ROI:	186%	**Potential Gross Profit**	***390***	*78*
		Dealer / SuperMarket Resell		
		4.5 Dhs/Bottle	900	*180*
(Dealer/Supermarket) ROI:	50%	**Gross Profit for Dealer/Supermarket:**	**300**	*60*

SAMPLE INCOME STATEMENT PROJECTIO

		2015	2016	2017	2018	2019
Conversion Rate (Euro/AED)	AED 4.76					
Production						
Production "liter"		AED 225.00	AED 258.75	AED 289.80	AED 318.78	AED 347.47
Production (Bottles of 1.5 L)	1.50	AED 150.00	AED 172.50	AED 193.20	AED 212.52	AED 231.65
Revenue (If you charge a 3Dhs/Bottle)	**AED 3.00**	**AED 450.00**	**AED 517.50**	**AED 579.60**	**AED 637.56**	**AED 694.94**
Initial Investment (33.930 Million Euro)	AED (161,479,656.00)					
Total Revenue		**AED 450.00**	**AED 517.50**	**AED 579.60**	**AED 637.56**	**AED 694.94**
Costs of Goods Sold (1AED/Bottle including Transport)	AED 1.00	AED 150.00	AED 169.05	AED 185.47	AED 199.77	AED 213.12
Gross Profit (EBITDA)		**AED 300.00**	**AED 348.45**	**AED 394.13**	**AED 437.79**	**AED 481.83**
EBITDA-margin		66.67%	67.33%	68.00%	68.67%	69.33%
Depreciation		AED 8.17	AED 7.15	AED 6.26	AED 3.65	AED 3.65
EBIT		**AED 291.83**	**AED 341.30**	**AED 387.87**	**AED 434.14**	**AED 478.18**
EBIT-margin		64.85%	65.95%	66.92%	68.09%	68.81%
Less: Taxes	30.00%	AED 87.55	AED 102.39	AED 116.36	AED 130.24	AED 143.45
Net Profit after Taxes		**AED 204.28**	**AED 238.91**	**AED 271.51**	**AED 303.90**	**AED 334.72**
Net Profit Margin		45.40%	46.17%	46.84%	47.67%	48.17%

Focusing on exporting the production to the GCC, UAE for instance, could unlock huge profits margins and growth in revenue since the water with same quality as leading high-end brands could be priced lower and yet make very healthy profit margins.

2. Possible Potential

Within the actual market areas the potential to grow is still considerable but Limited. Possible approaches would be to upgrade the brand from mineral water to healing water or in general to premium water to get a significantly better market price. Another measure would be to take further wells into production and extend the volume sold within Spain. This is regarded as the main value driver within today's market and is also the actual strategy of the CEO. The real great potential and the successful and sustainable impact could be realized by exporting the high-quality mineral water countries with the water shortage and demand driven markets such as countries in the GCC region. According to the first of

calculations based on the real offers provided by the representative and mineral water could be exported to markets near East for example to Dubai with final costs of around 0.19 euro including transport by ship, 50% for distribution and sales costs. And investor with access to these markets would have the possibility to get a substantial part of the value by selling a bottle around 3AED (The new owner can charge any price they see appropriate to drive demand, yet still allow them to maintain considerable margins).

3. Valuation

Mineral water business on the Iberian Peninsula is typically quite profitable the costs are well-controlled and margins are high enough to justify to 2x-3x multiples sales

Date	Land	Target	Acquirer	Seller	Enterprise Value, €M	Multiple of Sales
July '07	UK	Sangs (Banff) Ltd.	Sangs (Banff) Ltd (MBI Vehicle)	ORESA Ventures N.V.	14.8	0.2x
May '07	Romania	La Fantana (90% stake)	Innova Capital Sp.z.o.o.	n.a.	38.9	2.8x
May'07	USA	Strathmore Mineral Water Co. Ltd.	A.G. Barr Plc.	Constellation Brands Inc.	22.0	1.0x
January '05	Italy	Italaquae SpA	L.G.R. Holding SpA	Group Danone S.A.	137.5	0.9x
January '03	Canada	Sparkling Spring Water Holdings Ltd.	Group Danone SA	n.a.	297.0	3.2x
July '02	Russia	Saint Springs	Nestle Waters SA	n.a.	49.8	2.5x
September '02	Switzerland	Valser Mineralquellen AG	Coca-Cola Hellenic Bottling Co.	Hess Group	136.0	1.8x
March '02	Portugal	Vidago Melgaco e Pedras Salgacas	Unicer Uniao Cervejeira SA	Jeronimo Martins S.G.P.S	145.0	3.3x
February '02	Spain	Fuente Liviana	Damm SA	n.a.	57.1	2.0x
July '01	Spain	Balneario de Aguas de Solan de Cabras	Pozo Family	n.a.	141.4	3.9x
Maximum						3.9x
Minimum						0.2x
Median						2.2x
Spanish and Portuguese Transactions:						
Maximum						3.9x
Minimum						2.0x
Median						3.3x

Source:MergerMarket

Each particular Enterprise/ project should be valued we discounted cash flow approach. For the start comparable transactions serve as a good reference.
The prices proposed by the preventative are based on market multiples of historical deals in Spain in Portugal. They show enterprise value (EV)/ sales multiples of around 3. These valuations are mostly driven by the huge potential that's could be unlocked and the water from the factories was to be exported to countries in the GCC region or reasons that suffer from water shortage. The potential investor is advised to perform a valuation analysis to study the economic performances and value of the two factories.

VII. RECOMMENDATION

Based on the available information, they proposed package seems attractive, given the water will be mainly exported to the UAE and other countries in the GCC region. More in-depth due diligence should be performed especially regarding these points;
-On-site visit of the two factories and wells
-Detailed review of the financials
-Further studying the economic and financial significance of exporting the water to the UAE