

Company Profile





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Introduction

The company

SofStok is a private Bulgarian company, an importer and distributor of hot beverages and alcoholic drinks. The company was established in 1991. It is the exclusive distributor for Bulgaria of the following brands: Lavazza, Bacardi, Martini, Bombay Sapphire, Dewar's, Bacardi Breezer, Grey Goose, Eristoff, Twinings, Grandos (Deutsche Extrakt Kaffee), Prinsen. Sambuca Molinari, Limoncello di Capri, Russian Standard Vodka, Eraclea and Walkers Shortbread. The company is also an importer and sole representative of the Italian company La Cimballi, which manufactures coffee machines, coffee grinders, ice cube makers and other equipment for bars and restaurants. Being a coffee importer the company holds 90 % of the market of highly positioned coffee brands.



SofStok has developed a good distribution network that covers the entire territory of the country. Distribution in Sofia is carried out directly. Deliveries to the end users are made with vehicles owned by the company. **SofStok** works directly with all key players in the retail and HoReCa segments. It is company`s objective to cover a larger part of the customers in Bulgaria.

The company has its own trade center with offices and warehousing facilities, which is located near the first hypermarket METRO Cash & Carry in Sofia.



Long-term partners of **SofStok** Ltd are gas station chains like: OMV, Lukoil, Eko-Elda; renowned hotels like: Sheraton, Kempinski-Zografski, Radisson SAS, Bulgaria Hotel and others; catering establishments: Happy, Miss Caprice, KFC, etc.; supermarket chains: METRO, Billa, Fantastico; banks, offices, bars and the like.



Messages

Owner and General Manager



It is a real pleasure to me to share with you my satisfaction with the achievements of Sofstok Ltd. in the first difficult, but extremely successful sixteen years since the establishment of the company.

In this period we have been through some challenging moments like the two economic crises in Bulgaria, various political changes and the establishment of a currency board. For Sofstok this has been a period of hard work, many new business relations, constant improvement and finally very good results.

From the humble beginning back to 1995 our coffee business has grown several times in terms of volume and value to reach 610 tons of coffee sold during 2007. Meantime Lavazza has become number one imported premium coffee brand in Bulgaria and indisputable leader on the espresso market. Our alcohol business has been doing equally well and today the brands in our spirits portfolio enjoy its highest awareness among Bulgarian customers with Bacardi and Martini being the most important brands in their respective categories.

It was not that easy to reach the great results we see today. We had to make serious changes in the way of work over the years to ensure good customer service and satisfying financial results. There have been structural changes in the company related to the evolution and expansion of our portfolio. Nowadays there are two main divisions in the company dealing with hot drinks and spirits respectively with a new one recently added that will be trading in sweets, chocolate and biscuits.

Our main asset is the people working at Sofstok. We have a long term employment policy – approximately 30 % of our people have been working at the company for more than 10 years. The company invests in young, well educated people giving them opportunity to attend various trainings and seminars both group and individual ones.

I am strongly convinced that the next years will be as successful for Sofstok as the past ones. What makes me so confident is the trust our customers have placed in us and the great potential of our team.

Sincerely Yours:
Miroslav Petchev

General Information

History

The company was established in 1991 to import and trade in fast moving consumer goods. Until 1993 the company imported and distributed on the Bulgarian market instant products, perfumery and cosmetics, as well as toys. In 1993 the company took the distribution of Tuborg and Carlsberg. This cooperation went on successfully until 2001 when the Danish company bought a brewery in Bulgaria and started its own activities. In the beginning of 1994 **SofStok** became the official representative for Bulgaria of the German company Deutsche Extrakt Kaffee and the Dutch company Prinsen. In 1995 **SofStok** became the official distributor of Lavazza coffee for Bulgaria. Until then the company operated only with wholesale traders. In the next years the company became the representative of a number of world brands of alcoholic drinks and hot beverages, such as Bacardi Martini, Twinings, Laurent Perrier and others. In order to provide the entire scope of services to the Lavazza coffee customers the company started

to import the professional coffee machines and coffee grinders manufactured by the Italian company La Cimbali. Since 2000 **SofStok** has been developing its own distribution in Sofia and has been improving the indirect distribution in the country. Contracts were signed with 9 large distribution companies who have **SofStok** employees in charge of sales and the good positioning of the products included in the company portfolio. Their main task is to maintain direct and permanent contact with the customers. In 2002 **SofStok** introduced a system for processing, controlling and monitoring orders and keeping a database of all its customers. With the aim of focusing on the specific segments of the market, in 2006 the business was split into two divisions – hot beverages and alcoholic drinks. The hot beverages division deals with coffee, tea, instant coffee-based products, non-dairy coffee creamers and hot chocolate. Later that year a new department was formed for the Lavazza BLUE system. In 2007 a decision was made to create yet another department to deal with the import and distribution of sweets. The foundations were laid by the Scottish biscuit brand Walkers Shortbread.

Companies represented by **SofStok** in Bulgaria

DEK – since 1994

Prinsen – since 1994

Lavazza – since 1995

Bacardi Martini – since 1998

Twinnings – since 2000

Cimbali – since 2000

Laurent Perrier – since 2002

Molinari – 2005

Eraclea – since 2007

Russian Standard Vodka – since 2007

Walkers Shortbread – since 2007

Vision

The Market in the future

Coffee is the product with the largest share in the hot beverages segment in the past several years. It has the highest performance growth. Last year this segment showed a smooth growth of about 4% in terms of quantity and 6% in terms of value with a tendency to increase. The studies that monitor the sales of packed hot beverages on the market indicate that the segment is dominated by foreign companies, where the four largest players in the last year were Kraft Foods, Douwe Egberts, Tschibo and Lavazza. Research also shows that in the coming five years coffee will preserve its dominating position as the largest share in the hot beverages market and will continue to grow in terms of quantity and value. According to “Investor BG” almost 75% of all adult citizens in Bulgaria state that they consume coffee. Espresso is the most preferred type of coffee – 90% of the coffee consumption in Bulgaria is espresso. Bulgaria is among the top five countries in the world in terms of developing the espresso culture.

Objectives

Improving our distribution network.

Enhancing the presence of our products on the market.

Becoming the leading distribution company in Bulgaria dealing with spirits and hot drinks.

Reorganizing company's structure to provide more focus and professional attitude. The steady growth of the company so far is due mainly to the direct interaction between the sales team and the end customers, the comprehensive service provided to them and the attention paid to each new customer.

Ownership Information

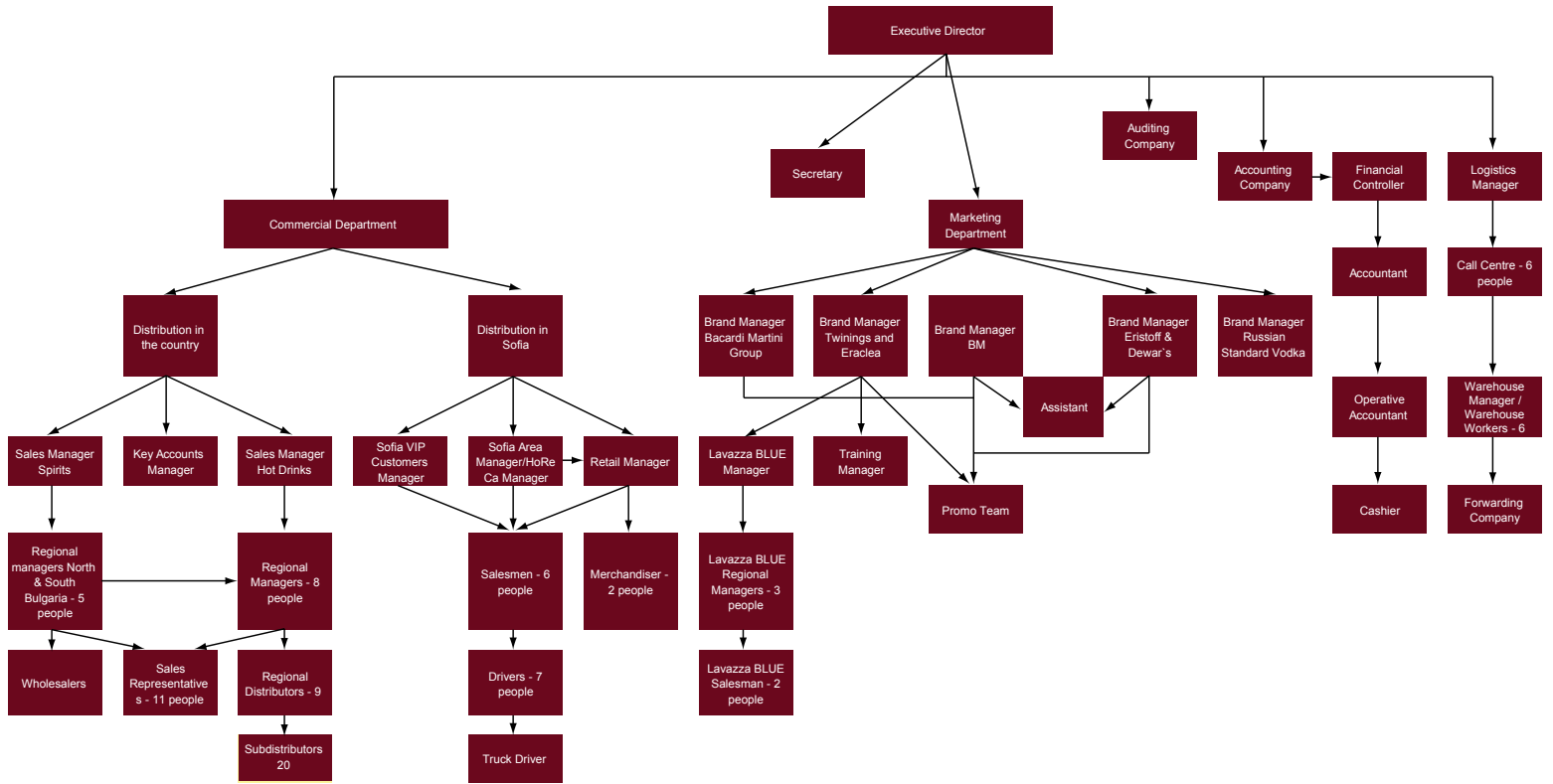
The legal structure of the company is a Limited Liability Company. The owners are Miroslav Petchev – majority owner, Veselina Petcheva, Liliana Lazarova and Magdalena Mihaylova.

The CEO is Liliana Lazarova.

Company Structure

- In 2002 the construction of the company's new offices and warehouses was completed on a prominent spot in Sofia, next to METRO Cash & Carry – the first hypermarket to open in Bulgaria;
- In 2003 a service and support center was set up where Cimballi coffee-machines are displayed, sold and serviced. The center employs 4 technicians and a manager.





Human Resources

Company Structure - Marketing Department

- Brand Manager Lavazza
 - Brand Manager Lavazza BLUE
- Brand Manager Bacardi Martini Group
 - Brand Manager Dewar's & Eristoff
- Brand Manager Russian Standard Vodka
- Brand Manager Twinings and Eraclea
 - Training Manager Lavazza
 - Promotion Manager
 - Promotion team
- ATL& BTL activities – outsourcing



Daniel Nikolov

Trade Manager "Hot Drinks"
Department

Ivailo Hristov

Trade Manager "Alcoholic
Drinks" Department

Ivan Gutov

Trade Director of Sofstok

Liliana Lazarova

CEO

Todor Todorov

Regional Manager Sofia

Borislav Petrov

Key Accounts Manager

Company Structure – Alcoholic Drinks

- Trade Manager

- Regional Managers North Bulgaria

Varna and the region (North-East Bulgaria)

Veliko Tarnovo and the region (North-West Bulgaria)

- Regional Managers South Bulgaria

Ploudiv and the region

Burgas and the region (South-East Bulgaria)

Blagoevgrad and the region (South-West Bulgaria)

- Regional Manager Sofia – 3 people

- Key Accounts Manager



Ilian
Petkov

Regional Manager for Sofia

Kristina
Stoimenova

Brand Manager
Russian Standard
Vodka

Gergana
Zheleva

Assistant

Borislav
Petrov
(standing)

Key Accounts
Manager

Ivan
Gutov

Trade Director of
Sofstok

Liliana
Lazarova

CEO

Ivailo
Hristov

Trade Manager "Alcoholic
Drinks" Department

Dilyana
Nenova

Brand Manager
Bacardi Martini
Group

Ivailo
Ivanov

Regional Manager for Sofia

Radoslav
Zahariev

Regional Manager for Sofia

Company Structure – Coffee & Hot Beverages

- Trade Manager

- Regional Managers North Bulgaria

Pleven and the region (including two sales persons)

Veliko Tarnovo and the region (including three sales persons)

Varna and the region (including two sales persons)

- Regional Managers South Bulgaria

Ploudiv and the region (including three sales persons)

Burgas and the region (including two sales persons)

Blagoevgrad and the region (including a sales person)

Stara Zagora and the region (including four sales persons)

- Regional Manager Sofia

Retail Manager for Sofia

Sales Representatives – 7 people

Salesmen – 8 people

- Key Accounts Manager



Daniel
Nikolov
Trade Manager

Ines
Gerova
Manager Lavazza
BLUE

Borislav
Petrov
Key Accounts
Manager

Liliana
Lazarova
CEO

Todor
Todorov
Regional Manager
Sofia

Georgi
Bundev
Brand Manager
"Twinings" & "Era-
clea", Training Man-
ager Lavazza

Rumen
Aleksiev
Head of Service
Department

Mila
Misheva
Office Manager

Company Structure – Lavazza BLUE

- Trade Manager
- Regional Managers
 - Varna and the region*
 - Ploudiv and the region*
 - Burgas and the region*
- Regional Manager Sofia
- Trade Representatives – 2 people

Portfolio Review
HOT BEVERAGES

LAVAZZA

The top product in our portfolio is Lavazza coffee.

Today **SofStok** holds approximately 90 % of the upper segment positioned coffee brands in Bulgaria.

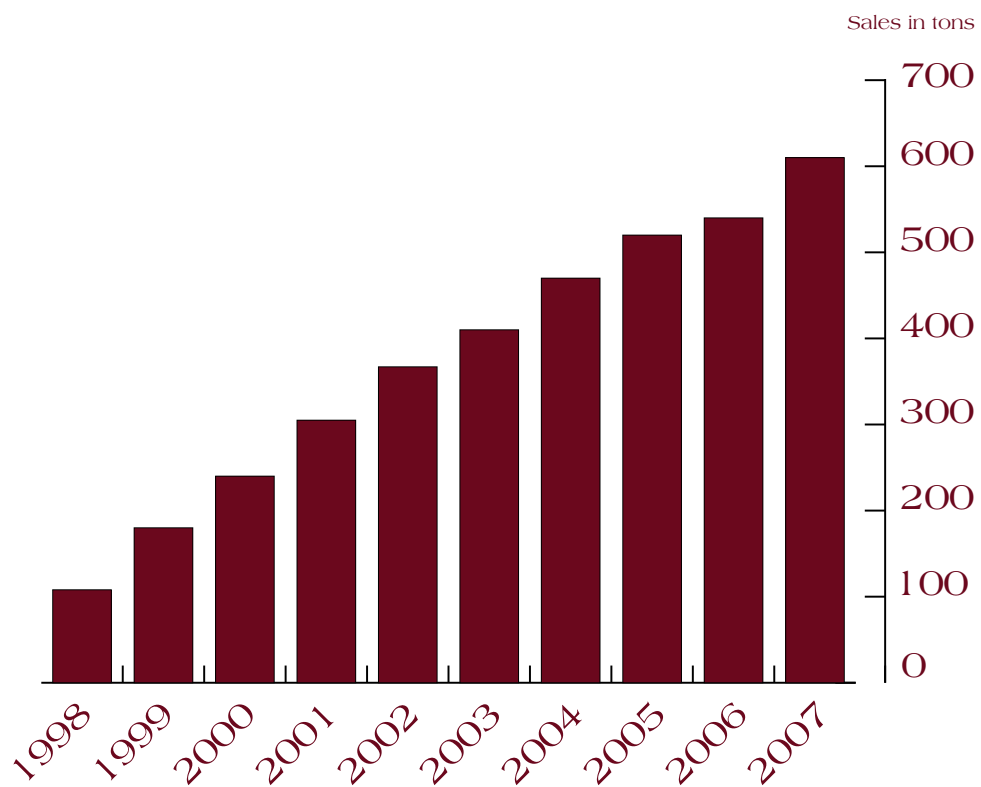
Lavazza is number one imported coffee brand on Bulgarian market with 610 tons sold in 2007.

It is the brand offering the widest range of HoReCa and Retail coffee blends in Bulgaria.

The average sales growth of Lavazza on Bulgarian market is 20 – 25 % per year.



Development of Lavazza sales over the years



Lavazza sales in 2007 represented 30 % retail and 70 % food service.

The average annual growth of Lavazza sales on the Bulgarian market is 20 – 25 %.

From the onset of its coffee business until now **SofStok** has concluded contracts with 2700 customers to whom the company has provided for a free of charge use 2700 espresso coffee machines with the same number of coffee grinders.

Of these 2700 espresso coffee machines 1700 machines are La Cimbali.

Every year **SofStok** invests nearly 1,5 million euros in the HoReCa outlets buying Lavazza coffee.

Type of machines	Number of machines	Sofia	Country	Total sales volume / kgs
Cimbali	1700	790	910	323 000
Total other machines of which: - second hand: 850 - new Promac machines – 150	1000	215	785	

* The above sales volume represents 75 % of 430 000 kgs beans sold in 2007.



In April 2006 **SofStok** became the first company to operate the Lavazza BLUE system in Bulgaria. Since then we have installed 1805 Lavazza BLUE machines in various establishments (offices, HoRe-Ca and households). In the period April 2006 – mid 2007 we mainly focused on Sofia area, and from the middle of 2007 we started attending more seriously also to the rest of the country.

From the beginning of this business Sofstok has sold 3 020 000 Lavazza BLUE capsules.

So far we have given to customers in Sofia 1 100 Lavazza BLUE machines and 710 Lavazza BLUE machines were given to customers all over the country.

In order to serve our customers more efficiently we set up a service station to take care specially for the Lavazza BLUE machines. The service station is situated in Vitosha Park Hotel and employs two technicians.

Lavazza BLUE Distribution Channels

Region	Offices		HoReCa	
	Machines	Capsules x 100 pcs	Machines	Capstules x 100 pcs
Sofia	726	10240	374	7450
North-West Bulgaria	4	36	30	450
North-East Bulgaria	118	1634	159	2865
South-West Bulgaria	15	620	65	1105
South-East Bulgaria	124	2100	195	3120





In 1706, Thomas Twining established the Twinings company and the company became the first one to introduce tea drinking to the British. 300 years later, Twinings is purveyor of fine teas worldwide.

Twinings is the leading brand of imported teas on Bulgarian market. It offers the largest selection of packed and loose teas.





Deutsche Extrakt Kaffee (DEK) founded in 1955 in Hamburg, Germany is the most important supplier of instant coffee and instant coffee based drinks for the retail sector in Germany. It is also the largest producer of private branded coffee products in Germany.

Carefully selected green coffee from the best coffee growing regions all over the world is the heart of DEK's highly appreciated instant coffees.

The various coffee blends, the wide product range and the way of packaging ensure strong performance of DEK's coffees in the stores.

In Bulgaria DEK is represented by the instant coffee brand Grandos and its varieties Mocca, Classical and Gold.



ERACLEA®



The Italian brand Eraclea has been founded in 1968 by Biagio di Benedetto. It was his intuition that singled out a sector that was in the early stage of its development and found it challenging to survive on a market which was little receptive and antiquated. Di Benedetto started to build a thorough image and to produce very high quality blends based on carefully chosen and expensive raw materials.

Quality and refinement teamed with a solid sales network are the components that have established Eraclea as one of the main players on the Italian market rapidly growing also on foreign markets.

Nothing related to chocolate can leave us indifferent. Chocolate is food for the soul, salve for the body, energy for the mind. It is a supreme stimulus, way of life, state of mind, intimate hope that everything that surrounds us could be sweeter and gentler.

Portfolio Review
ALCOHOLIC DRINKS

SofStok represents Bacardi Martini Group, Russian Standard vodka, Sambuca Molinari, Laurent Perrier Champagne, Ouzo 12 and Dooley's.

HoReCa channel holds 72% of the business with alcoholic drinks where over 18 000 places offer at least one product from our portfolio. We have contracts with another 6 000 that offer all of our products. Contracts are concluded for target listing,

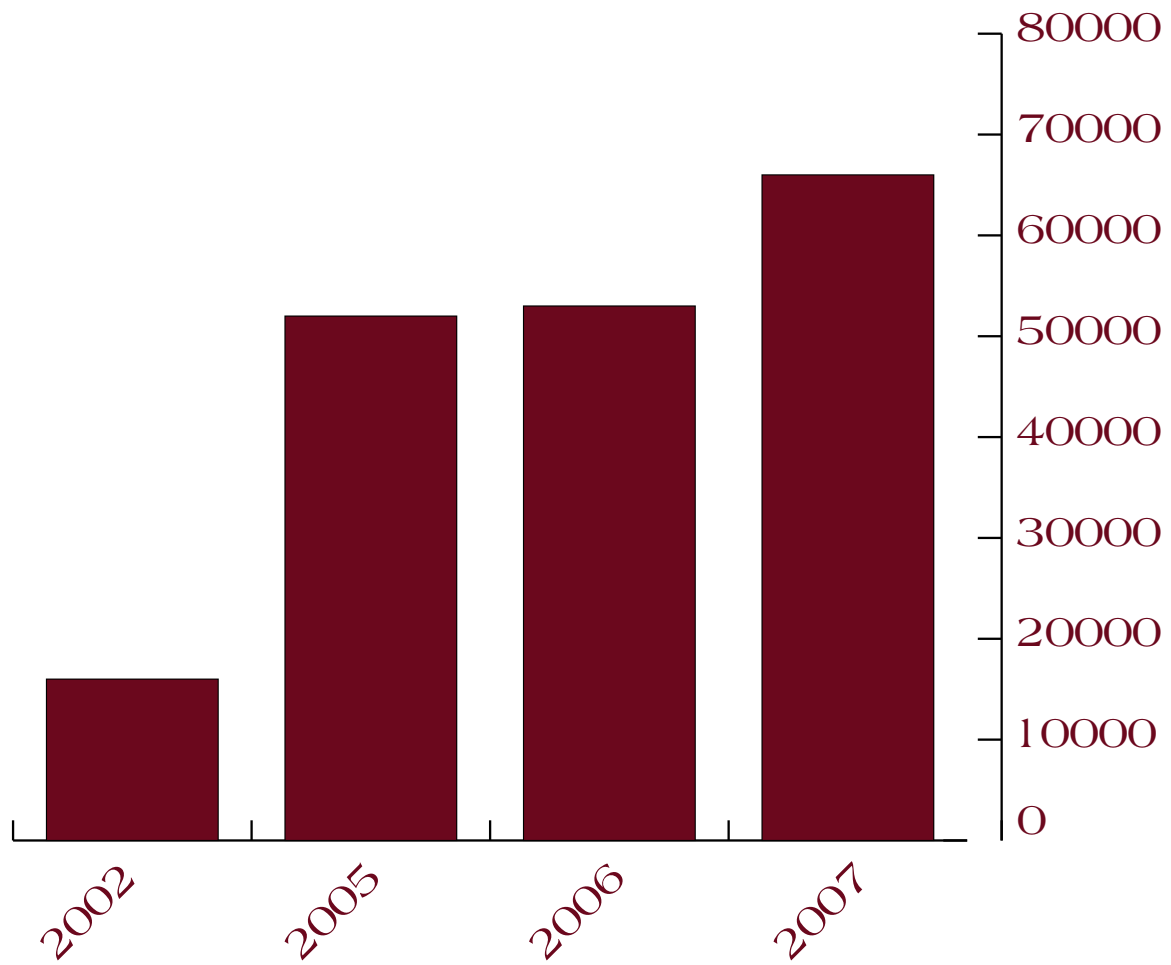


partial or full exclusivity /in respect of Bacardi, Martini and Russian Standard vodka/, internal and external branding, contribution to menu cards with logos and designs etc.

- 25% of our turnover is from our key accounts /Metro, Billa etc./.
- 3% is based on smaller supermarkets and specialized stores.



Bacardi Martini sales in 9-litre cases



Customer Base

- 18.000 outlets have at least one product of **SofStok's** portfolio.
- **SofStok** supplies its products directly to approximately 6,000 customers.
- **SofStok** supplies its products via its distributors to approximately 12,000 customers.

Type of outlets covered in Retail

Region	Hypermarkets Cash&Carry	Supermarkets	Liquor Shops	Specialised Coffee&Tea Shops
Sofia	20	318	98	176
North-West Bulgaria	9	46	16	12
North-East Bulgaria	11	198	54	74
South-West Bulgaria	8	176	42	58
South-East Bulgaria	8	92	31	17
Total	56	830	241	337

* 63 % of sales volume in retail is direct sales.

Type of outlets covered in HoReCa

Region	Type A	Type B
Sofia	1006	4020
North-West Bulgaria	122	1900
North-East Bulgaria	310	4030
South-West Bulgaria	288	3220
South-East Bulgaria	184	3080
Total	1910	16250

Financial Indicators

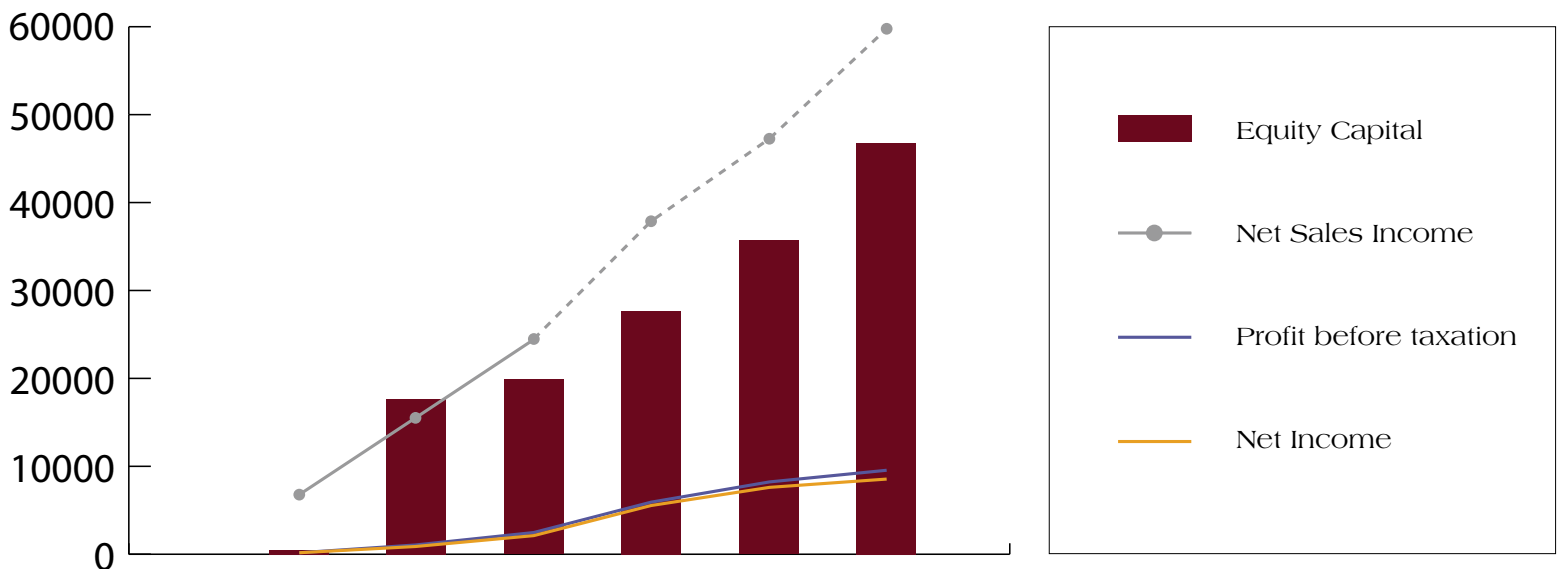
Index	Measure	2002	2003	2004	2005	2006
GDP by Market Prices	mIn EUR	16 567	17 705	19 850	21 882	25 100
GDP Index	% over last year	104.50	105.00	106.60	106.20	106.10
Population towards 31.12.	number	7 845 841	7 801 273	7 761 049	7 718 750	7 679 290
Real GDP per Capita	% if EU-25=100%	31.10	32.60	33.60	35.20	37.10
Direct Investments in Bulgaria (DIB)	mIn EUR	980.00	1 850.50	2 735.90	3 103.30	4 104.50
DIB/GDP	%	5.90	10.50	13.80	14.20	16.40
Unemployment Rate	%	16.27	13.52	12.16	10.73	9.12
Inflation	%	3.80	5.60	4.00	6.50	6.50
Trade balance (FOB)/GDP	%	-11.30	-13.70	-14.90	-20.20	-21.50
BGN/USD towards 31.12		1.88496	1.54856	1.43589	1.65790	1.48506
BGN/EUR towards 31.12		1.95583	1.95583	1.95583	1.95583	1.95583

(thous.BGN)

Sales	2005	2006	2007
Lavazza	9 497	14 445	16 470
Lavazza Blue	-	356	1 820
Hot drinks	2 414	1 684	1 400
Spirits	3 958	6 854	11 012
	15 869	23 339	30 702

Indices and coefficients		thous.BGN		
		2005	2006	2007
I. Main financial indices		1	2	3
1	Long-term Tangible Assets	297	12187	12858
2	Equity capital	470	17646	19861
3	Net sales income	6710	15561	24454
4	Profit before taxation	303	767	2461
5	Net profit	257	652	2221
II. Main coefficients				
1	Return of Equity Capital (ROE)	0.55	0.04	0.11
2	Return of Assets (ROA)	0.04	0.03	0.08
3	Earnings before interest and taxes(EBIT)	303	771	2480
4	Debt-Equity ratio	13.86	0.47	0.41
5	Coefficient on liquidity (COL)	1.03	1.66	1.85
6	Assets-Turnover	0.96	0.60	0.87

Forecast financial results



Coverage

Map of the territory



Distribution

The distribution network covers the entire domestic market:

Own distribution in Sofia – serves to more than 6000 customers.

Deliveries are done by company's own vehicles directly to end customers. In this way we can keep in constant contact with customers and closely monitor the market.

Distribution network – serves to more than 12 000 customers.

Regional distributors – 10

Sub-distributors - 26

Thank You for Your Time

www.sofstok.com