



**bulgartabac**  
**holding group**



# **PLOVDIV YURI GAGARIN BT, PLC**

**Investment Opportunity In A Manufacturer  
Of Packaging, Filter Rods And Custom-Built Equipment  
For The Tobacco And Cigarette Industry**



*Balkan Advisory Company*

**Sabev &  
partners  
Law firm**



**EURO-FINANCE Ltd.**

<b>PLOVDIV – YURI GAGARIN BT, PLC</b>		
Registered capital (BGN*) -	<b>1,003,904</b>	
Total number of shares:	<b>1,003,904</b>	
<i>of which:</i>		
▪ <i>Bulgartabac Holding Group</i>	<b>808,836</b>	<b>(80.57%)</b>
▪ <i>Legal entities</i>	<b>158,792</b>	<b>(15.82%)</b>
▪ <i>Private persons</i>	<b>36,276</b>	<b>(3.61%)</b>
Registered headquarters: City of Plovdiv; 1, Rogoshko Shosse St		
* BGN denotes the national currency of Bulgaria, fixed to the Euro (EUR) at an exchange rate of BGN1.95583 per EUR1.00		

## Investment opportunity

A consortium composed of Balkan Advisory Co., Ltd, Sabev & Partners Law Firm, and Euro-Finance, Ltd. (the Consortium / the Consultant) has been mandated to carry out the restructuring and disposal of the shares of Bulgartabac Holding Group (BTGroup) in several subsidiaries.

The total stake of the Bulgartabac Holding Group in **PLOVDIV - YURI GAGARIN - BT, plc** (the Company) will be sold to the highest bidder at public auction on the Bulgarian Stock Exchange.

Interested investors are invited to submit non-binding letters of interest to one of the member-companies of the Consortium acting as a privatisation agent for the BTGroup. Following receipt of such a letter by one of the member-companies and signing a confidentiality agreement by the prospective investor, an Information Memorandum will be sent and an on-site visit may be organised.

All inquiries related to the sale of the Company should be directed to member-companies of the Consortium. The Company shall not be contacted without the prior consent of the Consortium.



The Yuri Gagarin factory was established in 1964. It is the only manufacturer in Bulgaria specialised in the production of packaging, filter rods and custom-built equipment for the tobacco processing and cigarette industry.

The plant and the administration premises spread on an area of 26,000 square meters, which is located in the North Industrial Zone of Plovdiv, right next to the Plovdiv International Fair.

A storage capacity of a total of 10,000 square meters is available.

710 people are currently employed in the factory.

The Company's Quality Management System has been approved by SGS for ISO 9001:2000.

The Company operates the following workshops:

- Printing house
- Cardboard finishing
- Filter rods manufacturing
- Spare parts
- Non-standard equipment
- Stationery production



## Printing house

The printing workshop is equipped with sophisticated multi-colour printing machines for the production of high-quality packages, labels, advertising and stationery products from cardboard and paper, providing offset and flexo printing, UV whole and spot varnishing.

The offset printing machines ROLAND and HEIDELBERG provide perfect possibilities for high-quality printing on a variety of materials. The maximum format of the printed sheet is up to 740mm/1040mm. The machines are also capable of spot varnishing with water-based or UV varnishes.

The printing machine ROLAND 700 has five printing and two varnishing sections for application of dispersion, UV varnishes and gold and silver varnishes.

The latest innovation at the factory is the acquisition of a 8-colour rotogravure printing machine ATENA 600.



## Pre-press proceeding

The pre-press department is responsible for the preparation of graphic design and layout as well as the production of colour separations. The professional equipment delivered by BARCO GRAPHICS allows scanning of transparent originals up to 25/25cm, and of non-transparent - up to format A3, with maximum separating capacity of 4000 points per inch.

The software of the pre-press department allows the factory's designers to execute any design concept in multi-layer image, including vectorisation and rastering up to 180 lines per cm with various forms of raster points.

## Finishing Department

The Finishing Department is equipped with highly efficient BOBST die-cutting machines for cardboard packages with maximum format of the cutting sheet up to 920/1300mm.



The folder-gluing machines allow a six-point gluing of cardboard and micro-corrugates cardboard with a maximum width of 1440mm. The speed of the machines is up to 600m/minute.

The workshop is also equipped with a modern SBL 1050 SEF hot-foil stamping printing and cutting machine, which can print sheets with sizes up to 740/1040mm.

## Spare parts and non-standard equipment workshop

The spare parts and non-standard equipment workshop is the only manufacturing facility in Bulgaria specialised in the production and refurbishment of spare parts and machinery for the needs of the tobacco processing and cigarette industry.



The non-standard equipment facility is equipped with sheet-folding machines, rollers, welding machinery and others necessary for the production of non-standard machines and equipment for the tobacco and cigarette industry as well as other industrial branches.

The Company has also proven its capacity for overhaul of all kind of machinery and equipment used in cigarette industry – cigarette making, filter rods making, packing machinery etc.



The spare parts facility is equipped with highly efficient CAD/CAM lathes, DECKEL, HAUNI-BLUM, PB, centre machines, gear-cutting machines, grinding machines, engraving machines, etc. which are used for the production of custom spare parts. The workshop has a facility for chemical and heat treatment of metal products and equipment for precise measurement of elements



The workshop has a large volume of technical documentation - over 60000 items, that allow the production of various spare parts for "MAX", "Garant", "Protos", "KDF", "Molins", "Legg", "Sasib", "GD", etc. machines used in cigarette manufacturing. The plant's qualified engineers and designers create the technical specifications and design for the production of highly complex custom assemblies and elements.

## Filter rods manufacturing

The filter manufacturing department is equipped with nine modern HAUNI KDF2 machines, which can produce cigarette filters of various sizes and suction resistance or ventilated as requested by the customer.

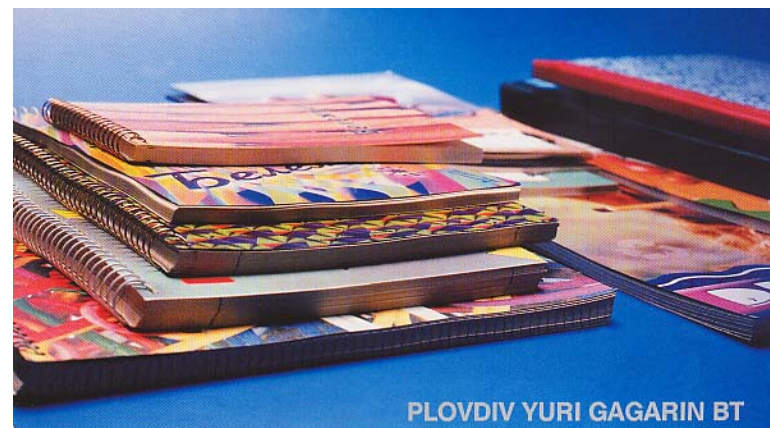
Double combined filters acetate/acetate and acetate/acetate plus carbon is in production.



The filter manufacturing workshop produces filters both for the domestic market and for export.

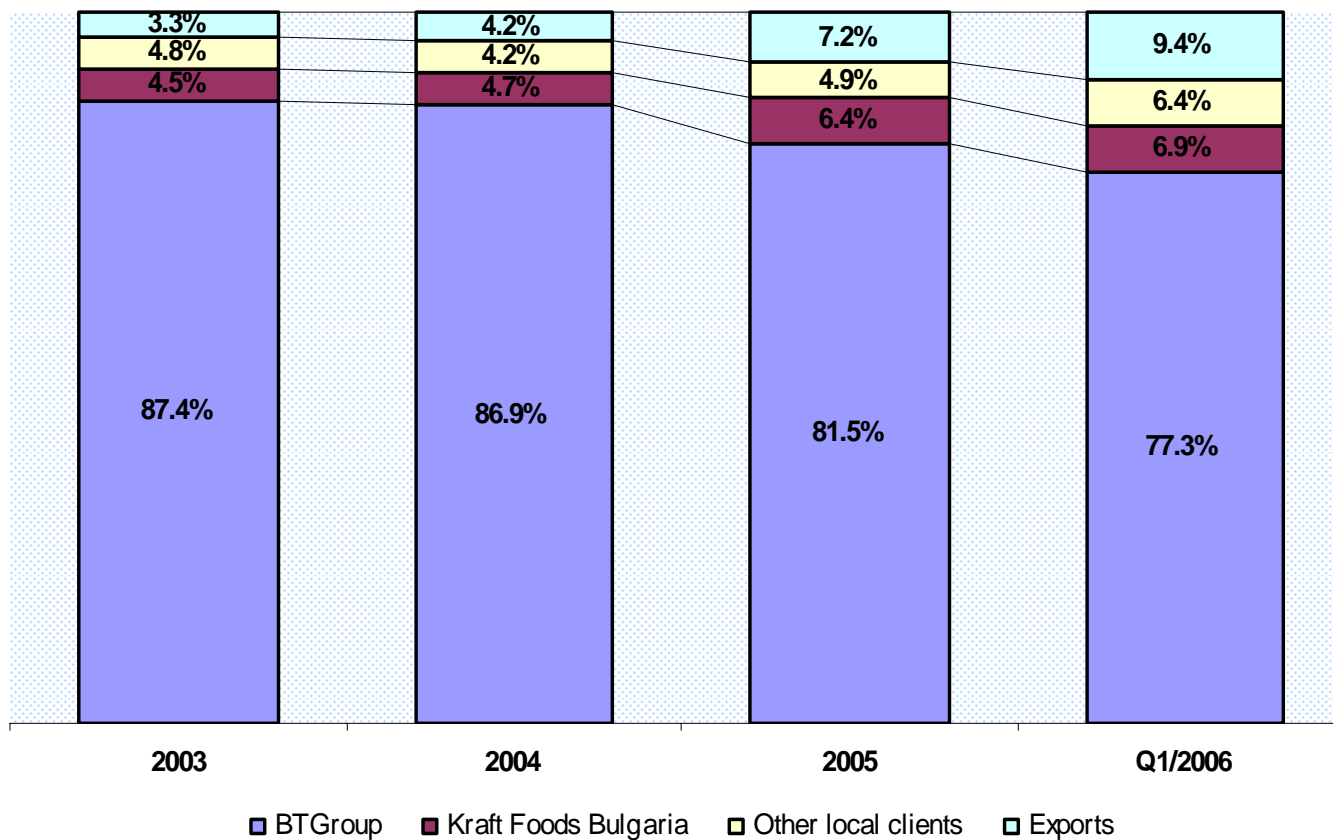
## Stationery production

This school and office articles facility produces stationery such as folders, notebooks of various formats, drawing pads, coloured glossy paper books, note cubes, etc.

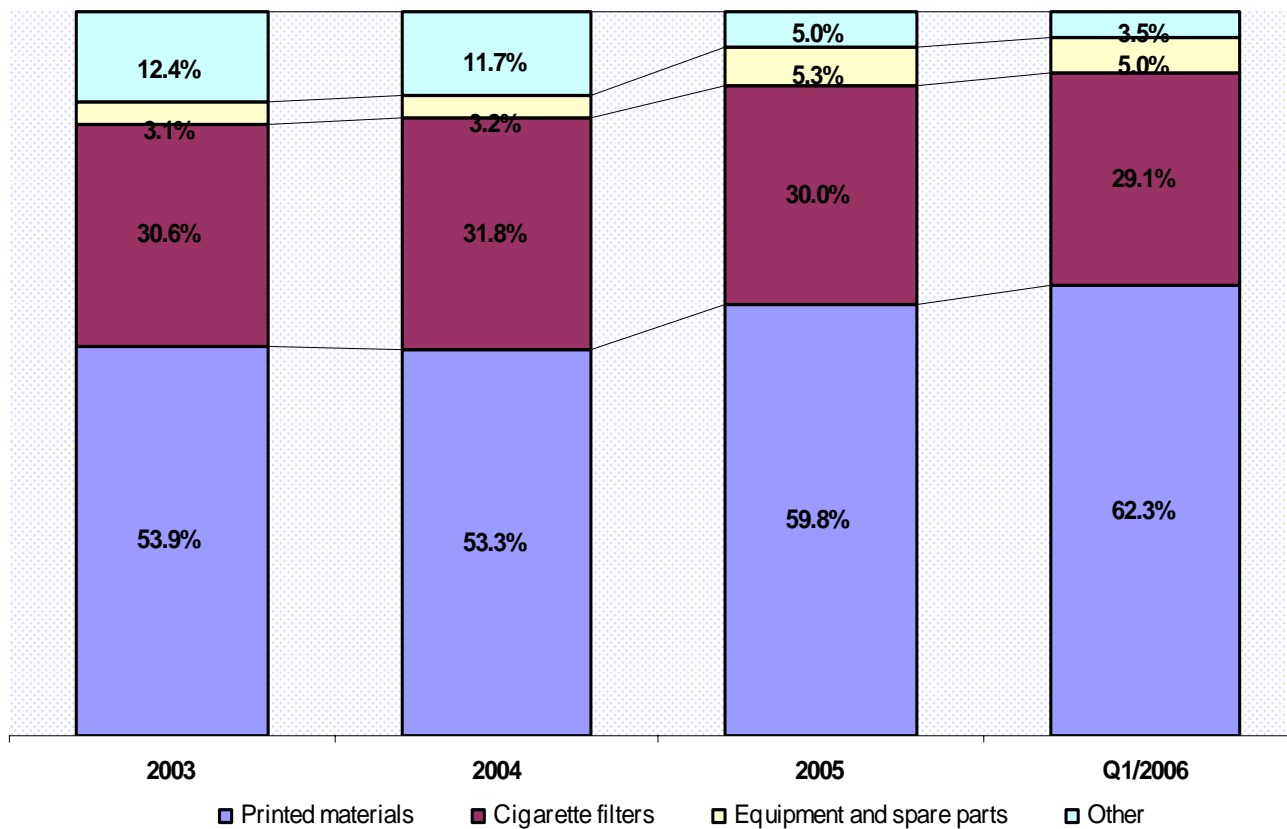


The flexibility of the printing equipment, combined with the design capabilities of the pre-press department allow the production of various custom design stationery

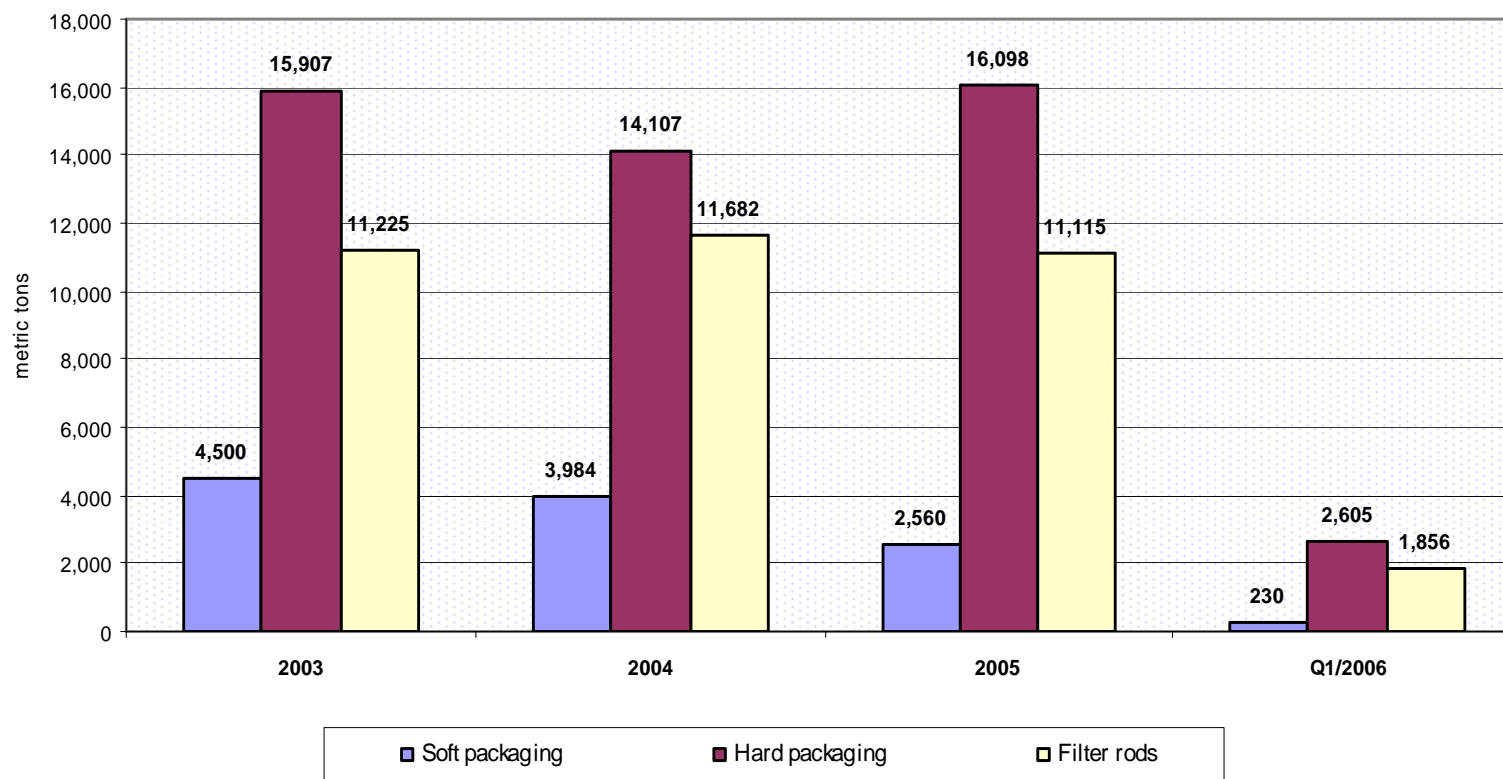
## Net Sales by Market and Major Clients



## Net Sales by Product



## Sales of Cigarette Packaging and Filter Rods (in tons of cigarettes)



## Income Statements

('000 BGN)

	Period ended			
	31 December			31 March
	2003	2004	2005	2006
Sales	38,535	39,960	42,503	7,475
Cost of goods sold	(32,824)	(31,885)	(34,462)	(6,347)
	<b>5,711</b>	<b>8,075</b>	<b>8,041</b>	<b>1,128</b>
Write-down of inventory	(309)	(1,248)	(355)	-
Costs incurred by running below normal capacity	(1,719)	(1,432)	(1,089)	(514)
<b>Gross profit</b>	<b>3,683</b>	<b>5,395</b>	<b>6,597</b>	<b>614</b>
Other gains / (losses) - net	247	262	43	25
Selling and marketing costs	(261)	(276)	(81)	(27)
Recovery of/ (loss from) impairment of trade receivables	(2,678)	(1,433)	1,521	-
Administrative expenses	(1,173)	(2,588)	(2,913)	(559)
Other expenses	-	(946)	(1,563)	(707)
<b>Operating profit / (loss)</b>	<b>(182)</b>	<b>414</b>	<b>3,604</b>	<b>(654)</b>
Impairment of non-current assets	(44)	-	-	-
<b>Operating profit / (loss) after impairment of non-current assets</b>	<b>(226)</b>	<b>414</b>	<b>3,604</b>	<b>(654)</b>
Net finance costs	478	-	(314)	(19)
<b>Profit before income tax</b>	<b>252</b>	<b>414</b>	<b>3,290</b>	<b>(673)</b>
Income tax expense	(7)	96	(497)	-
<b>Profit for the period</b>	<b>245</b>	<b>510</b>	<b>2,793</b>	<b>(673)</b>
<b>Earnings per share</b>	<b>0.24</b>	<b>0.51</b>	<b>2.78</b>	<b>(0.67)</b>

## Balance Sheets

('000 BGN)

ASSETS	31 December			31 March	EQUITY AND LIABILITIES	31 December			31 March
	2003	2004	2005	2006		2003	2004	2005	2006
Property, plant and equipment	29,174	27,312	32,351	31,870	Share capital	1,004	1,004	1,004	1,004
Intangible assets	108	85	43	34	Reserves	10,536	10,504	8,290	8,283
Available-for-sale assets	2	2	2	2	Retained earnings	27,482	28,554	31,131	30,429
<b>Total non-current assets</b>	<b>29,284</b>	<b>27,399</b>	<b>32,396</b>	<b>31,906</b>	<b>Total equity</b>	<b>39,022</b>	<b>40,062</b>	<b>40,425</b>	<b>39,716</b>
Inventories	13,014	16,689	15,481	18,068	Loans and borrowings	-	-	6,954	6,954
Receivables from related parties	3,610	1,761	-	627	Deferred tax liabilities	3,851	2,531	2,180	2,180
Trade and other receivables	725	797	1,539	1,536	Retirement benefit obligations	603	713	849	849
Cash and cash equivalents	3,264	3,717	6,248	2,319	Liabilities on finance lease	-	56	-	-
<b>Total current assets</b>	<b>20,613</b>	<b>22,964</b>	<b>23,268</b>	<b>22,550</b>	<b>Total non-current liabilities</b>	<b>4,454</b>	<b>3,300</b>	<b>9,983</b>	<b>9,983</b>
<b>TOTAL ASSETS</b>	<b>49,897</b>	<b>50,363</b>	<b>55,664</b>	<b>54,456</b>	Trade payables	4,728	4,776	3,003	2,559
					Current portion of long-term debt	-	-	993	993
					Payables to related parties	286	155	130	56
					Income tax payable	230	676	66	130
					Other liabilities	1,177	1,394	1,064	1,019
					<b>Total current liabilities</b>	<b>6,421</b>	<b>7,001</b>	<b>5,256</b>	<b>4,757</b>
					<b>Total liabilities</b>	<b>10,875</b>	<b>10,301</b>	<b>15,239</b>	<b>14,740</b>
					<b>TOTAL EQUITY AND LIABILITIES</b>	<b>49,897</b>	<b>50,363</b>	<b>55,664</b>	<b>54,456</b>

## Cash Flow Statements

('000 BGN)

	2003	2004	2005	Q1/2006
Sales proceeds	52,414	53,867	55,098	8,771
Payments to suppliers	(38,175)	(43,431)	(39,510)	(10,824)
Personnel and social security payments	(8,059)	(7,447)	(8,232)	(1,660)
Non-income tax paid	(3,013)	(1,920)	(957)	306
Income tax paid	(378)	(99)	(932)	(141)
Remitted income tax	1,266	53	-	-
Exchange differences, net	21	(29)	(19)	(10)
Interest paid	(90)	(54)	(112)	(9)
Interest received	10	14	68	16
Other cash flows used in operating activities	(124)	(180)	(143)	(120)
<b>Net cash generated from / (used in) operating activities</b>	<b>3,872</b>	<b>774</b>	<b>5,261</b>	<b>(3,671)</b>
Acquisition of property, plant and equipment	(1,520)	(291)	(10,104)	(158)
<b>Net cash used in investing activities</b>	<b>(1,520)</b>	<b>(291)</b>	<b>(10,104)</b>	<b>(158)</b>
Proceeds from borrowings	-	-	7,947	-
Dividends paid	(95)	(1)	(226)	-
Interest paid	-	-	(275)	(99)
Payments on finance lease	-	(25)	(60)	-
Tantiemes paid	-	(4)	(12)	(1)
<b>Net cash used in financing activities</b>	<b>(95)</b>	<b>(30)</b>	<b>7,374</b>	<b>(100)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>2,257</b>	<b>453</b>	<b>2,531</b>	<b>(3,929)</b>
Net cash and cash equivalents at the beginning of the period	1,007	3,264	3,717	6,248
<b>Net cash and cash equivalents at the end of the period</b>	<b>3,264</b>	<b>3,717</b>	<b>6,248</b>	<b>2,319</b>

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