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COMPANY INFORMATION

Coffeeheaven International PLC (LSE:COH)

Info sheet compiled March 2006

Company Eye Ranking	25/50

EDITOR'S NOTE

Coffeeheaven international plc (coffeeheaven) operates specialty branded coffee/sandwich bars in Central Europe under the brand name coffeeheaven through its trading subsidiaries CHI Polska S.A. (CHIP) in Poland and CHI Czech s.r.o. (CHIC) in the Czech Republic.
The holdings in CHIP and CHIC are held through coffeeheaven holdings limited, which is a subsidiary of the Company.
At CHIP in Poland, the number of trading outlets has increased from 22 to 39. CHIC (Czech) has 9 stores trading plus several more contracted including a site at Prague's International Airport. With representation in several Central European markets, the group continues to make solid progress towards its longer term goal of regional presence across the dynamic markets of central Europe.
The Group now has sufficient capital which, together with internally generated cash flows, should provide the resources needed to meet all present planned store and new market expansion. The Company in our opinion has a full valuation but is a likely takeover target for an international operator such as Starbucks wishing to enter these markets.

1 YEAR CHART

FUNDAMENTALS

Company Name	Coffeeheaven International PLC
Current Price	42.25
Status	AIM
Market Cap	45.16 m.
Price-To-Book Ratio	6.2
Shares in Issue	106.88
Activities	Operation of coffee/sandwich bars in Poland.
Sector	Travel & Leisure
Corporate advisor	Seymour Pierce
Registrar	Capita Registrars

HISTORY

The Coffeeheaven Group has been formed by an internal reorganisation within the Bakery Services Group in 2001. Immediately following the reorganisation, outstanding loans and other indebtedness owed by the Coffeeheaven Group to Bakery Services amounted to £990,000 which reflects in large part the investment made by way of loans to BS Polska. As part of the Demerger arrangements, these loans and other outstanding indebtedness were capitalised into non-voting non-redeemable preference shares of £1 each in the capital of Coffeeheaven International.

THE BUSINESS

The company operates 43 CoffeeHeaven and Coffee Nation coffee and sandwich shops in Poland, the Czech Republic, Latvia, Bulgaria and Slovakia. Its shops serve a variety of food and beverages, including sandwiches, salads, cakes, and juices.
The company has raised capital in both London (on the AIM exchange) and in Warsaw.
Coffeeheaven international is eyeing other markets, and aims to have 63 company outlets by 2007. Its ulimate goal is to have 350 stores spanning Central Europe.

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ACTIVITIES

The Group's principal activity is operating coffee/sandwich bars in Central Europe. The Group's brands are coffeeheaven and Coffee Nation. The Group has operations in such countries as the United Kingdom, Poland, the Czech Republic, Latvia, Bulgaria and Slovakia.

NEWSFLOW

1-Jun-05. The company announces the completion of the acquisition of Coffee Nation Ltd in Latvia satisfied through the issue of 14.2m Ords in coffeeheaven at 1.26p each.

16-Jun-05. The company has contracted its first store site in the mall of Sofia shopping complex, currently under construction in the centre of Bulgaria capital Sofia.

26-Oct-05. The company proposes to raise approximately £6.26m by way of a placing and open offer which will be subject to shareholder approval at the EGM held on 21 November 2005. The existing Ords of 0.10p will be consolidated to new Ords of 1.00p. Hence existing ordinary shareholders will hold 1 Ords of 1.00p for every 10 existing Ords. Applications must not be received no later than 16 November 2005.

21-Nov-05. At the company's EGM, all resolutions proposed were duly passed. As a result the company is able to complete the placing and open offer to raise £6.26m at 11.0p per share.

4-Jan-06. The company's wholly owned trading subsidiary CHI Polska S.A. completed the purchase of all outstanding publicly traded series 'A' bonds with a nominal value 14.0m Polish Zlotys.

OPERATIONAL REVIEW

Poland

In the year to date, 9 new stores has been opened in Poland bringing the estate in this market to 39. Several important new host shopping malls such as the flagship Zlote Tarasy development in the centre of Warsaw and the new Terminal 2 at Warsaw International Airport, have suffered construction delays resulting in planned opening dates for the first half year being pushed back to the end of the current financial year or beyond.

Sales grew 41% (38% at constant exchange rates) to £3,306,000 (2005: £2,338,000) ***Net cash flows*** from store operations were 27% of sales (2005: 24%). ***Store operating profits*** were 20% of sales (2005: 15%). ***EBITDA*** increased 103% to £634,000 (2005: £312,000) ***Pre-tax Profits*** at CHIP were £410,000 (2005: £28,000 loss) representing 12% of sales.

Czech Republic

In the year to date, 3 new stores have been opened bringing the current estate in the Czech Republic to 9. The company expect to have at least 2 additional unplanned sites open in Slovakia (one of which is already operating).

Sales growth in the period was the highest in the Group at 41%.

A second site has now been opened in Brno city.

Coffeeheaven is also gaining market share from local competitors within the shopping malls in which the company operate.

Sales grew 203% (215% at constant exchange rates) to £677,000 (2005: £223,000).

Net cash flows from store operations were 17% of sales (2005: negative 4%).

Latvia

On 1 June 2005 the Group acquired (principally for shares) the remaining 81% of the equity of SIA Coffee Nation, bringing Group ownership to 100%. Local currency sales during the first 4 months of the current financial year to 31 March 2007 were ahead of expectations and increased 70% over the prior year same period.

During the year the company opened 1 new store and closed 1 store. Shortly after the year-end the company opened a further unit at Riga International Airport bringing the estate to 8 stores. To date, 2 stores have been refitted and a further 2 are planned for the current year.

The first 2 coffeeheaven stores at CHI Bulgaria OOD in **Bulgaria** opened after 31 March 2006. Sales are currently running close to plan and for the six months to 30 September 2006, operating results are in line with company's expectations.

Slovakia

The Group entered its fifth central European market in mid-August 2006 with the opening of a store in the Slovakian capital, Bratislava. To date this first store is trading to expectations. The company expects to open one further store in this market.

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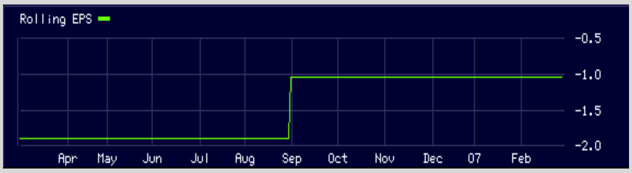
ROLLING EPS



VOLATILITY

EXPANSION

Coffeeheaven Group stores are open in 5 central European markets - Poland, Czech Republic, Latvia, Bulgaria and Slovakia. The company also has a partnership presence on the ground in Romania. However development plans in Romania have stalled though a lack of economically viable sites. Encouragingly, significant retail projects in Bucharest are currently in the pipeline and although the group are securing locations in these, it is now unlikely that a first coffeeheaven store will open in Romania during the current financial year.

The 3 other major central European markets where coffeeheaven is not yet represented are Hungary, Ukraine and Estonia. Each market presents different but nonetheless significant challenges. The Group hope to have made progress in before 31 March 2007.

NEW GROWTH OPPORTUNITIES

Coffeeheaven targeting to grow its estate by at least 20 units to some 63 units by 31 March 2007. The Company expect this growth to be achieved within present cash resources.

In Poland coffeeheaven would continue to build on its market leadership with at least 10 additional stores. Some new units may be smaller than present average as the company work on opportunities for further estate development with its strategic investor Empik Media & Fashion, Poland's retailer with some 270 retail outlets.

Czech Republic

Coffeeheaven is targeting to open at least 5 new stores in the current financial year to bring the total estate to 14 by 31 March 2007. The company currently has 9 stores trading plus several more contracted or subject to contract including a site at Prague's International Airport

In Latvia the company primary focus remains continuing to secure higher sales revenues from current stores through retrofitting the present estate and enhancing product lines.

In Bulgaria coffeeheaven would pace its roll out of new stores based on the trading performances of its first two units.

STRATEGY

The company expects to add at least one new market to the Group's portfolio by 31 March 2007. To support regional expansion within Central Europe, coffeeheaven has decided to launch its planned International division, based in Warsaw and Prague. This group, free from line management responsibilities, will be dedicated exclusively to new market development, group marketing and new products. In addition the International division will be responsible for a central training function, based in Warsaw, to ensure coffeeheaven's product quality and service standards are uniformly maintained across all its markets in central Europe.

DIRECTORS

Mr. Jonathan P. Cooper - Director
Mr. Richard D. Worthington - Director
Mr Robert N. Morrish - Director
Mr William C. Currie - Director

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SHAREHOLDINGS

	Number	%
W C Currie		10.04
Schroder Inv Mgmt Ltd		4.28
Diggle Investments Ltd		3.66
R D Worthington		1.37

FINANCIAL HISTORY

Profit and loss account for 6 Months to 30th September 2006

£000	6 Months to 30th Sept 2006	Year ended 31st March 2006
Turnover	4,412	6,614
Operatin expenses excluding depreciation	(3,343)	(5,103)
Net Profit - local	1,069	1,511
Administrative costs - local	(367)	(703)
Store pre-opening costs	(15)	(38)
(EBITDA)	687	770
Depreciation - local	(311)	(583)
Other adjustments	1	52
Profit before interest and Taxation	377	239
Corporate administration expenses -UK	(138)	(241)
Corporate administration expenses - International	(89)	(125)
Acquisition and development expenses	(35)	(65)
Share of associate companies	(8)	-
Net interest recievable	33	(177)
Normalised Group Profit	140	(369)
Charge in respect of the adoption of FRS20	(98)	-
Goodwill amortisation	(16)	(25)
Unrealised foreign exchange losses	(11)	(36)
Exceptional items	-	(296)
Statutory Pre-Tax Profit	15	(726)
Taxation	(37)	20
Statutory Loss after taxation	(22)	(706)
Loss per share - Basic	(0.02)	(1.03)
Loss per share - Fully Diluted	(0.02)	(1.03)

Balance Sheet as at 30th September 2006

£000	As at 30th September 2006	As at 31st March 2006
Intangible fixed assets	494	512
Tangible fixed assets	3,950	3,432
Investments in associates	138	146
Other investments	43	13
Fixed Assets	4,625	4,103
Stock	203	162
Debtors & cash deposits	762	733
Investments - treasury bills	168	178
Cash at bank and in hand	2,260	2,889
Current Assets	3,393	3,962
Creditors: Amounts falling due within one year	(793)	(791)
Total assets less current liabilities	7,225	7,274
Long-term liabilities	0	0
Other creditors and provisions	0	-8
NET ASSETS	7,225	7,266
Capital and reserves	-	-
Share capital	1,065	1,062
Share premium	8,023	8,023
Share option capital	161	0
Other reserves	740	740
Profit and Loss account	(2,764)	(2,559)
SHAREHOLDERS EQUITY	7,225	7,266

RISK FACTORS

In addition to the other relevant information, the following specific factors should be considered carefully when evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. Before making an investment decision, prospective Investors should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. A prospective Investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her. There are various risk and other factors associated with an investment of the type described in this document. In particular:

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The value of an investment in the Company is largely dependent upon the expertise of the Directors and their ability to identify and acquire or invest in suitable companies or businesses. There can be no certainty that the Company will be able to identify suitable acquisition targets or complete the purchase of any identified targets at a price the Directors consider acceptable. In the event of an aborted acquisition it is likely that resources may have been expended on investigative work and due diligence, which cannot be recovered.

The acquisition of other businesses can involve significant commercial and financial risks and there can be no certainty that any acquired business will not have a material adverse effect on the operations, results or financial position of the Company.

CONTACT

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Uckfield
East Sussex
TN22 1QL

RANKING

	Ranking out of 50 (50 being highest)
Business model - competitive advantage	
Competition	30
Customers	28
Low cost	24
Management	
- corporate governance	28
- quality	24
- shareholding	24
Product	28
Sector	22
Financial evaluation	
Early and profitable exit potential	10
Financial strength	
- cash flow	24
- conservative accounting	28
- need for funding	30
Growth at a reasonable price	28
Risk	30
Overall average rating	**25**

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FURTHER INFORMATION ABOUT THE RANKING

Competitive advantage
Companies are assessed according to their business model and how this translates into strong and sustainable competitive advantage. This can only be achieved with low cost activities and doing something different from the competition. This 'differentiation' must add value to the customer who is then prepared to pay a premium price. The differentiation is most obvious in the product but it can exist anywhere in the company's value chain of activities, such as easy payment terms, convenient locations, superior management, and quality of suppliers. Companies that do not achieve competitive advantage because they have the same costs and/or do the same as the competition are marooned in a profitless zone. They helplessly try to compete with the one weapon left open to them, which is the disaster of cutting prices and typically leads to similar retaliation by competitors, with disastrous results.

THE FOLLOWING ELABORATES ON THE RANKING CRITERIA

Competition
How intense is the competition and are there barriers to entry?

Customers
Is the company controlling its customers and therefore its revenue streams? Are customers glued to the company and providing valuable and reliable recurring revenue or are they one-off, or 'transactional', providing shaky revenue? The company should ideally have weak and numerous customers.

Low costs
Has the company achieved low cost activities thus allowing more of the top line revenue to trickle down to the profit line?

Management
Is there good corporate governance? What is the quality of management, as this is crucial to any business? Are the directors' shareholdings significant but not so large that they control the company?

Product
Is the product different from the competition and adds value to the customer? Are there threatening substitutes? Does it have a powerful brand?

Sector
Is the company in an attractive sector that is profitable and adds value? Services tend to be more protected than products from international competition. Does the sector ride the tailwind of multi-year mega trends? Is the business well positioned in the current stage of the economic cycle? What is its resistance to a recession?

Profitable exit potential
What is the potential for selling the share profitably? This is more applicable to pre-flotation investments.

Financial strength
Does the company have strong cash flow, the lifeblood of any business? Is the accounting conservative or is there 'accounting for growth'? Does it need more funding? Is the profit margin healthy and at least equal to its sector? What has been the track record in the growth rate of profits?

Growth at a reasonable price
Does the share offer growth at a reasonable price? This is commonly measured using the PEG. This is the price earnings ratio (PE) divided by the forecast growth rate in earnings per share (EPS). The lower the PEG the better and under 1.0 is considered good for a blue chip company and under 0.6 for a small growth company.

Risk
What is the risk rating of the share due to factors such as new markets, its business model and strategies?