
Fundamental Analysis of Kri Kri Milk Industry SA

[Bloomberg Ticker: KRI:GA, Reuters Ticker: KRIR.AT], Listed on Athens Exchange, Greece

Presentation from 2004 to 2015

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Abstract

Greek dairy industry was hit hard by the recent economic and financial crisis with very large companies struggling to preserve their profit margins and to adjust their operating expenses. On the contrary, small, medium and some large enterprises seem to perform well in the same period. One of these enterprises was Kri Kri Milk Industry SA. Beginning with this observation, the question that has arisen is how Kri Kri Milk Industry SA managed to achieve to perform so well compared to other firms in the dairy sector. We chose Kri Kri Milk Industry SA because it is considered one of the “success stories” of the Greek market due to the fact that even when its dairy production plant took fire and was destroyed in 2013 the company managed to preserve its profitability showing readiness to adapt to new situation.

In this study, we examine the corporate profile of Kri Kri Milk Industry SA, the segmentation of sales by market and product and the business environment. Moreover, we perform a financial statement analysis and a ratio analysis for Kri Kri Milk Industry SA. Furthermore, a comparable analysis with four of its peers is presented in order to reach a more concrete conclusion. The study covers the interval 2004 to 2015 in an effort to have a more holistic understanding of company’s behavior.

1. Kri Kri Milk Industry S.A. Corporate Profile

1.1 Historical Overview

Kri Kri Milk Industry S.A. is a Northern Greece-based company founded in 1954 by George Tsinavos. In the early stages, the company produced and delivered ice cream in the local market. In 1971, it acquired its first production line and, in 1987, constructed a new factory with production lines for ice cream and yogurt. Four years later, Kri Kri Milk Industry S.A. entered in the yogurt market and began to export its products. In 1995, company's geographical domestic coverage expanded with a new depot near Athens. The next step for the company was to build a new factory specialized in yogurt production. After the millennium, Kri Kri Milk Industry S.A. entered into the milk market and in 2003 was listed on the Athens Stock Exchange. After that, the company tried to seize the opportunity of increased demand for yogurt internationally by entering in new geographies. An unexpected fire on its dairy production plant provoked considerable damage. However, next year, a new facility was built with double productive capacity.

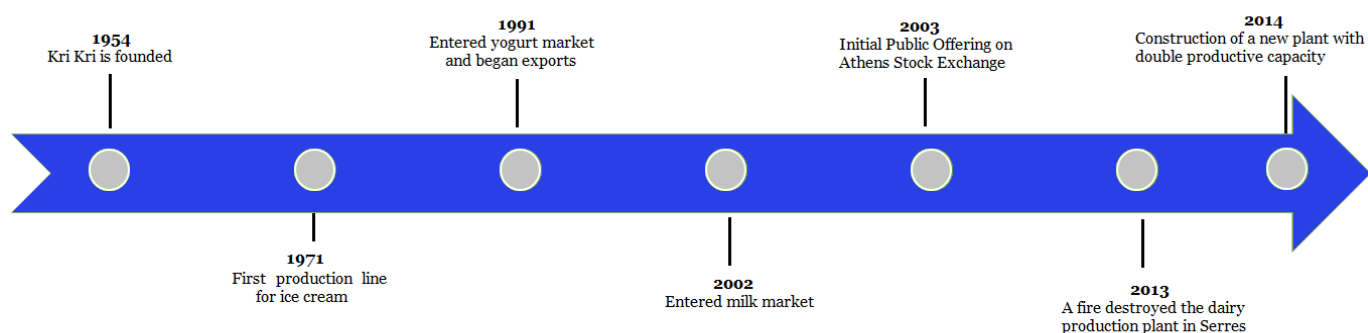


Exhibit 1. The evolution of Kri Kri Milk Industry S.A.
Source: Company's website

1.2 Snapshot Review of 12M 2015 Results

Kri Kri Milk Industry SA reported total revenues of € 66.95 million during the 12M 2015 from € 77.15 million in 12M 2014 (-13.2 % y-o-y). Company's gross profit stood at € 22.37 million, up by 23% y-o-y, from €18.17 million in 12M 2014, giving a gross profit margin of 13% y-o-y. Kri Kri Milk Industry SA EBITDA settled at € 7.31 million in 12M 2015 compared to € 6.17 million in 12M 2014, corresponding to EBITDA margin 10.9% versus 8% respectively (+2.9% y-o-y). Moreover, net profit increased by 7.8% in 2015 (€ 3.87 million) and the net profit margin improved by 1.2%.

Concerning the structure of the balance sheet, Kri Kri Milk Industry SA reported total assets of € 69.71 million in 12M 2015, equivalent to a reduction of 1.1% y-o-y. Furthermore, shareholders' equity stood at € 40.94 million in 12M 2015 compared to € 39.07 in 12M 2014 (+4.8% y-o-y) and total liabilities decreased by 8.5% y-o-y, from € 31.44 million in 12M 2014 to € 28.77 million in 12M 2015. There are two worth mentioning changes in balance structure. First, company's cash and cash equivalents soared to

€ 546 million in 12M 2015 compared to € 1.44 million in 12M 2014. This change is equivalent to 280% increase y-o-y. Second, total loans settled at € 11.18 million going up 50% y-o-y.

Kri Kri Milk Industry SA	2015	2014	%
Revenue	66.95 €	77.5 €	-13.2%
Gross Profit	22.37 €	18.17 €	23.1%
Gross Profit Margin	33.4%	23.6%	9.9%
EBITDA	7.31 €	6.17 €	18.6%
EBITDA Margin	10.9%	8.0%	2.9%
Net Profit	3.86€	3.56 €	7.8%
Net Profit Margin	5.8%	4.6%	1.2%

Balance Sheet Structure 2015

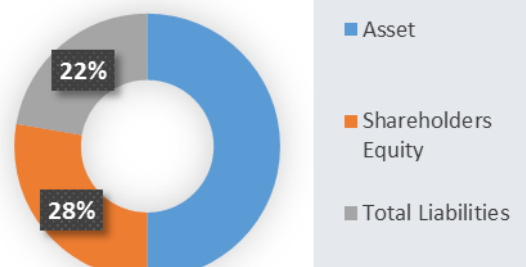


Exhibit 2. Key financial information in million

Financial Ratios	2015	2014
ROA	5.5%	3.2%
ROE	9.7%	8.4%
Current Ratio	1.79	1.49
Quick Ratio	1.40	1.12
Debt to Capital	0.41	0.45
Debt to Equity	0.70	0.80
Financial Leverage	1.75	2.65

Exhibit 3. Selected financial ratios

1.3 Management Profile

The board of directors in Kri Kri Milk Industry S.A. consists of seven directors with six-year tenure. The current structure of the board of directors was elected in 28/6/2016 at the general shareholders meeting. Essential information about the inside management and the non-executive members exist in Table 1. Moreover, Sarmadakis Konstantinos is the finance director and investors relations officer since June 2009 holding MSc degree in Financial Economics from University of Wales, Cardiff.

Table 1. Board of Directors

Panagiotis Tsinavos President & CEO	<ul style="list-style-type: none"> • 30 year of experience in dairy industry • Postgraduate degree in milk technology from University of Milan • Dynamic Growing Entrepreneur award from Ernst & Young
Kotsampasis Georgios Vice President & Production Manager	<ul style="list-style-type: none"> • BSc in Chemical Engineering • 20 years in Kri Kri
Georgios Tsinavos Executive Member	<ul style="list-style-type: none"> • MBA in Marketing from Pace University, NY • Working in Kri Kri since 2007

- Skianis Stamatis, Non-Executive Member
- Kamarinopoulos Panagiotis, Independent Non-Executive Member
- Takas Dimitrios, Independent Non-Executive Member
- Xentes Theodoros, Independent Non-Executive Member

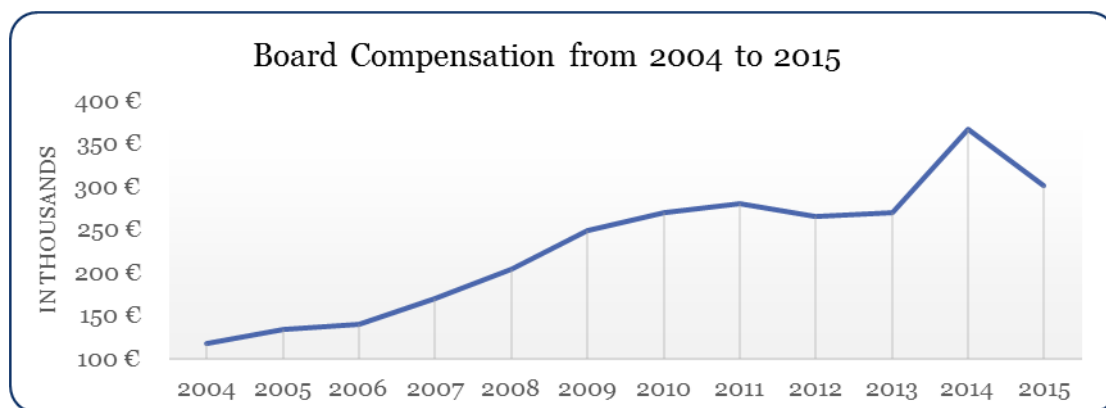


Exhibit 4. Board Compensation from 2004 to 2015
Source: Kri Kri Milk Industry SA Annual Reports

1.4 Stock Information and Shareholders Structure

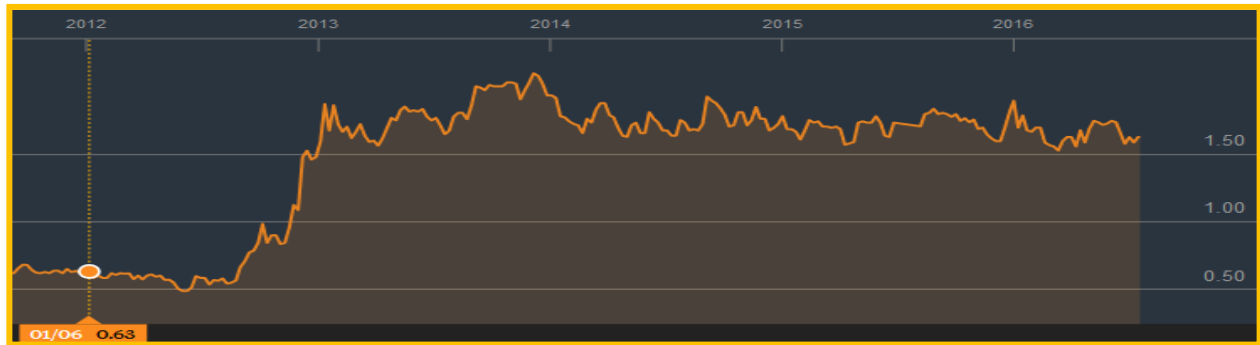


Exhibit 5. Stock price from January 2012 to July 2016
Source: Bloomberg

Listing Year: 2003
Category: Medium & Small Cap
Activity Sector: Packaged Food

Share Price (18/7/2016)	€ 1.63
Outstanding Number of Shares	33.065M
Market Cap	53.896M
Reuters /Bloomberg	KRIr.AT/KRI:GA

Proposed Dividend per share

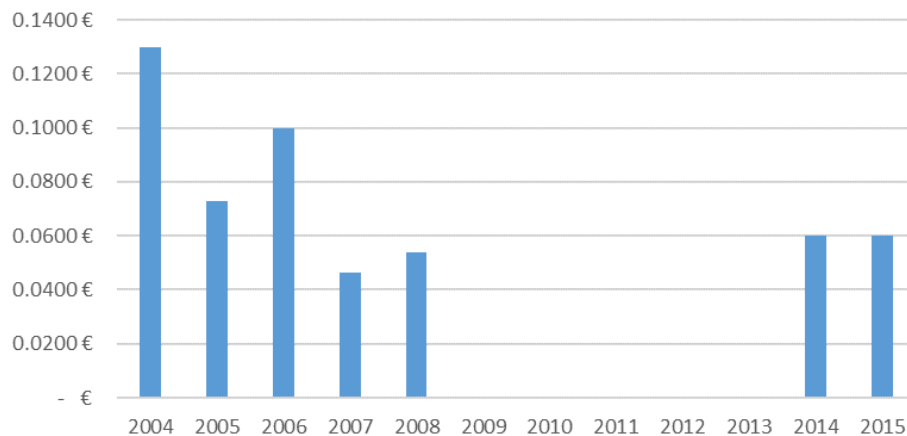


Exhibit 6. Source: Company's Annual Reports

The Tsinavos family constituted the major shareholder of the Kri Kri Milk Industry S.A. In 2014, there were 33,036,136 common shares. From these, Tsinavos family possessed the 74% stake, corresponding to 24,393,883 shares, and private and institutional investors held the remaining

26% stake. As of June 2016, the number of shares outstanding remained the same but the Tsinavos family stake had declined by 6%. From the total 68% stake under their control, 55% stake owned by Tsinavos family and 13% stake by the spouse of the CEO, Tsinavos Panagiotis. Consequently, private and institutional investors increased their stake to 32%.

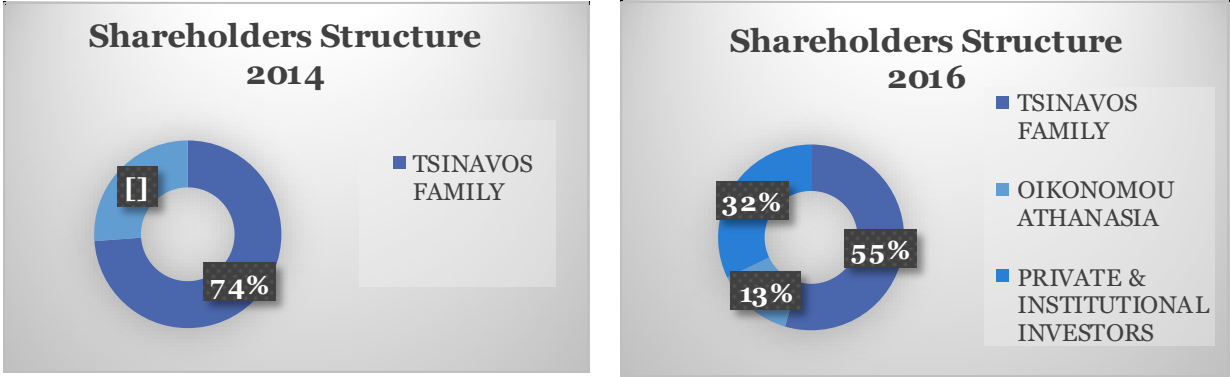


Exhibit 7. Shareholders' structure for Kri Kri Milk Industry SA for December 2014 and June 2016
Source: Reuters (<http://www.reuters.com/article/idUSFWN15R094?type=companyNews>), Company's Annual Report 2014

2. Kri Kri Milk Industry S.A. Business Overview

2.1 Corporate Facilities and Subsidiaries

Kri Kri Milk Industry SA is located in northern Greece, 5 km away from the city of Serres. Company's premises are covering 22,000 square meters of a private 50,000 square meters plot consisting of two different facilities, the dairy plant and the ice cream production plant, a quality control laboratory and freezer storage rooms with volume 33,800 cubic meters. Furthermore, the company owns a depot in Aspropyrgos Attica to service the market in South Greece.

The characteristics of the ice cream and yogurt production plant are the following (Corporate presentation in Greek, December 2014):

- Dairy Products: 60,000 tons of productive capacity with 50% in use.
- Ice Cream: 9,500 tons of productive capacity with 50% in use.

There are not subsidiaries of Kri Kri Milk Industry SA in an active condition. Former branches are:

- KRI-KRI DOO KUMANOVO, 1990 – 2012, FYROM : Yogurt, Ice Cream, Ayrian
- KRI-KRI BULGARIA AD, 2010 – 2013, Bulgaria: Ice Cream (on liquidation state)
- KRI KRI DLBA MIDDLE EAST, 2011 – 2014, Iraq: Yogurt

2.2 Products, Markets, and Sales

Products

Kri Kri Milk Industry SA is engaged in the production and trade of ice cream, yogurt, and milk. More specifically:

- Ice cream production includes four types of products: (1) Impulse, (2) Family packs, (3) Multipacks, and (4) Catering. The first category contains stick, cups, ice cream for kids, cones, sorbet, ice cream sandwiches and ice cream bars. The “Family packs” category encompasses Family pack 1.5L, Family pack 3L and premium 850ml. The “Multipacks” category contains for different packaged ice cream products. Ultimately, catering category includes bulk ice cream, mini ice cream and ice cream torte.
- The yogurt production includes plain yogurt, yogurt with fruits, functional yogurt, kids yogurt, spitiko, traditional yogurt, and catering.
- The milk production includes full cream pasteurized milk 3.5% fat, semi-skimmed pasteurized milk 1.5% fat, chocolate skimmed milk 0% fat and ayrian.

Total sales split by region

The segmentation of sales between domestic market and exports of Kri Kri Milk Industry SA (Exhibit 8) reveals that from 2004 up to 2009 an average of 85% of the company's total sales happened in the domestic market. The same period, the European market segment was 4.4%, and exports to other countries amounted to 9.1%. During the second interval of our analysis, 2010 - 2015, Kri Kri Milk Industry SA enhanced its exporting activity in Western Europe and Balkans to take advantage of the increased demand for Greek yogurt. As a result, company's exports were higher both in absolute terms and as a percentage of total sales. For the six-year period, the average exports in the European Union were 10.5%, + 6.1% compared to 2004-2009, and in other countries, 8.5% (-0.6% from 2004-2009), leaving the domestic sales with 80.9% segment on average. Consequently, Kri Kri Milk Industry SA actions to focus more on exports reduced a little its overdependence from the national market.

As %	2004	2005	2006	2007	2008	2009	Average*
Greece	86%	88%	87%	86%	87%	84%	86.4%
European Union	3%	3%	4%	6%	5%	6%	4.4%
Other Countries	11%	9%	9%	8%	8%	9%	9.1%
	2010	2011	2012	2013	2014	2015	Average*
Greece	72%	79%	81%	83%	88%	82%	80.9%
European Union	16%	9%	10%	10%	7%	11%**	10.5%
Other Countries	11%	12%	9%	7%	5%	7%**	8.5%

* The average may not add up to 100% due to rounding.
 ** The data for sales in European Union and Other Countries was presented as aggregate in the 2015 Annual Report
 Hence, the percentages are projections based on weights from the previous year.

Exhibit 8. Segmentation of sales per market as percentage of total sales for the period 2004-2015

Sales per type of label

Indicative companies with private label products produced by Kri Kri Milk Industry SA are:

- Waitrose, UK
- Coop, UK
- Tesco, UK
- Marks & Spencer, UK
- Sklavenitis, Greece
- AB Vasilopoulos, Greece
- Carrefour, Greece
- LIDL, Greece

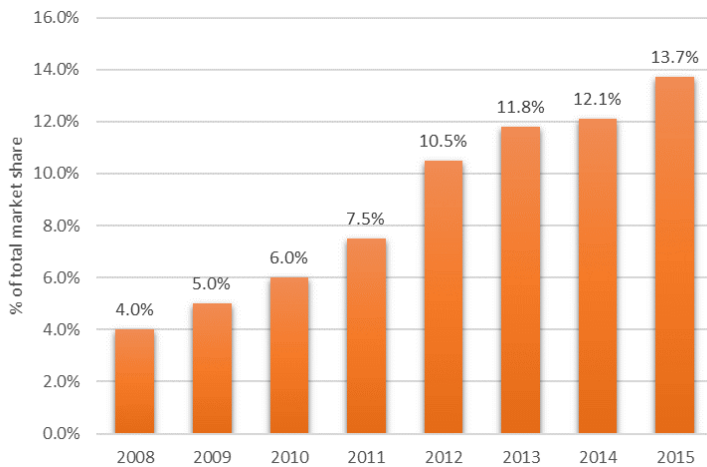
Production (2014)	% of total
Kri Kri	72%
Private label	28%

Exhibit 9. Segmentation of sales per label
 Source: Company's presentation in Greek (December 2014)

Markets



Market Share of Greek Yogurt Market (Volume)



Market Share of Greek Ice Cream Market (Volume)

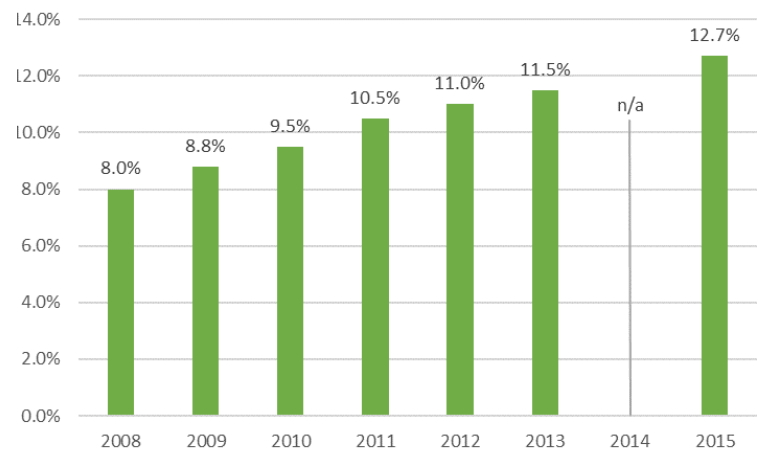


Exhibit 10. Market share in volume per product in Greek market.

Source: Company's presentation (December 2014) and

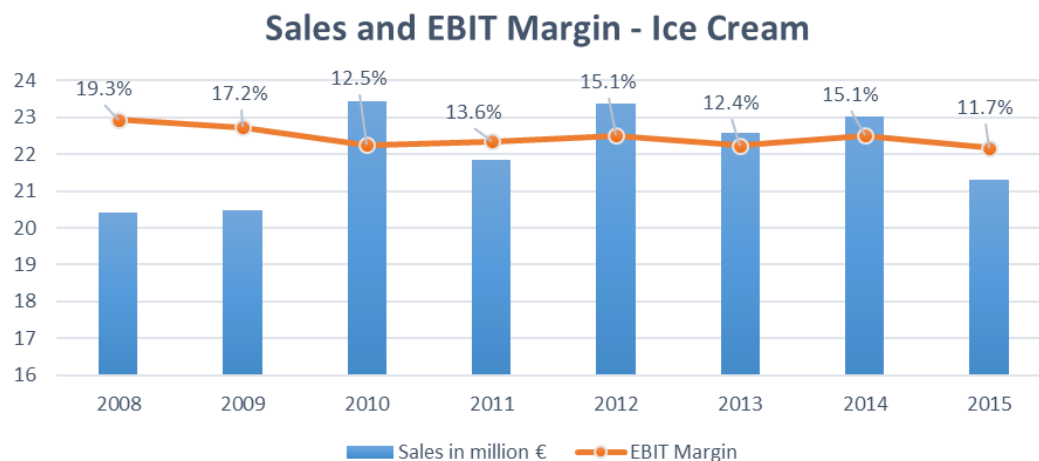
Euro2day (<http://www.euro2day.gr/news/enterprises/article/1431943/kri-kri-shediazei-nea-ependysh-3-ekat-evro.html>)

Sales by product

Ice Cream

in million €	2008	2009	2010	2011	2012	2013	2014	2015
Sales	20.42	20.48	23.44	21.84	23.36	22.58	23.04	21.32
Gross Profit	10.02	10.5	9.94	9.91	10.76	10.08	9.68	8.89
Gross Profit Margin	49.1%	51.3%	42.4%	45.4%	46.1%	44.6%	42.0%	41.7%
EBIT	3.94	3.53	2.92	2.96	3.53	2.80	3.49	3.66
EBIT Margin	19.3%	17.2%	12.5%	13.6%	15.1%	12.4%	15.1%	11.7%

Exhibit 11. Financial results of ice cream production from 2008 to 2015.
Source: Company's annual reports



From the data in the table above, we observe that sales, gross profit, and EBIT do not have a particular trend. We calculated that sales were fluctuating around € 22.06 million with standard deviation € 1.15 million, gross profit was fluctuating around € 9.97 million with standard deviation € 0.52 million, and EBIT was shifting around 3.21€ million with standard deviation € 0.45 million. Concerning gross profit margin and EBIT margin on ice cream, political developments and unfavorable economic environment appeared to be the essential determinants for the fluctuations since 90% of ice cream sales occur domestically.

Segmentation of Ice Cream Sales	2014	2015
Greece	91%	90%
Export	9%	10%

Exhibit 12. Segmentation of ice cream sales per region.
Source: Annual report 2015

Dairy

in million €	2008	2009	2010	2011	2012	2013	2014	2015
Sales	19.08	19.73	23.46	25.87	35.76	44.89	39.91	45.43
Gross Profit	6.49	7.89	8.28	7.95	11.22	12.01	7.67	13.99
Gross Profit Margin	34.0%	40.0%	35.3%	30.7%	31.4%	26.7%	19.2%	30.8%
EBIT	0.79	2.35	2.17	1.77	4.71	4.26	0.29	4.34
EBIT Margin	4.2%	11.9%	9.3%	6.8%	13.2%	9.5%	0.7%	9.6%

Sales and EBIT Margin - Dairy

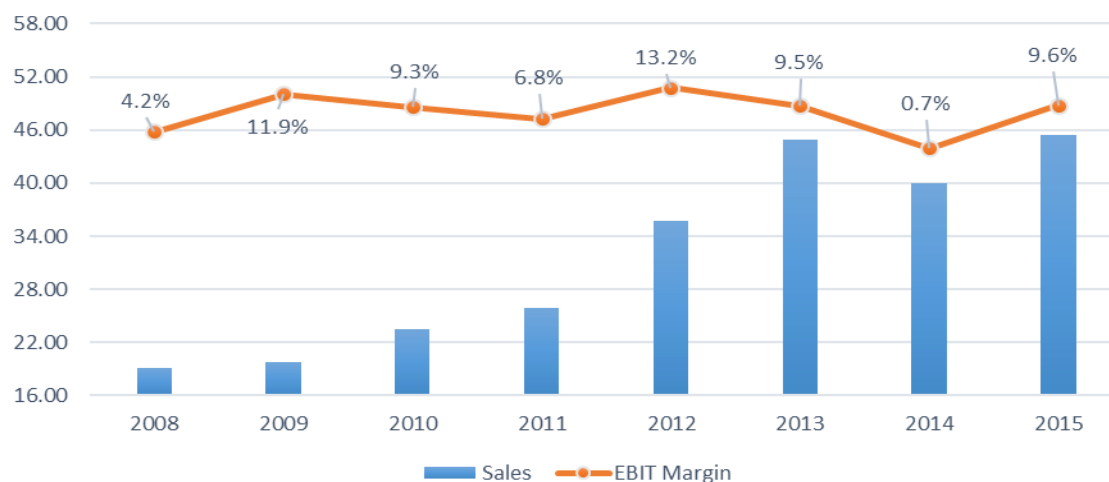


Exhibit 13. Financial results of yogurt production from 2008 to 2015.
Source: Company's annual reports

We observe positive trends in sales, gross profit, and EBIT of the dairy products of Kri Kri Milk Industry SA for the period 2008-2015 (2014 is an exception due to the fire in the dairy factory). Key factors of this trend are the increased demand for Greek yogurt in international markets, the production of more private label products based on new and existed deals, and the competitive invoice policy by the side of the company. More importantly, the new dairy factory could lead the sales of dairy products in even higher levels the following years reducing the dependence from the Greek market even more. Concerning gross profit margin and EBIT margin, political developments and unfavorable economic environment appeared to be the core determinants for their fluctuations if we exclude the unexpected event of the disastrous fire in the dairy production plant. We remark that gross profit margin was declining from 2009 to 2013 (-13.3%), and next year it sunk to 19.2% because of the fire. However, gross profit margin went up to

30.8% the previous year. On the contrary, EBIT margin did not follow the downtrend of gross profit margin and remained at adequate levels. It is important to pinpoint that dairy product exports constitute the 22% of the total sales in dairy products. Therefore, dairy products sales are less depended on domestic consumption compared to yogurt sales.

Segmentation of dairy products sales	2014	2015
Greece	83%	78%
Export	17%	22%

Exhibit 14. *Segmentation of dairy products sales per region*
Source: Annual report 2015

3. Business Environment

3.1 Macroeconomic Environment

Greek economic environment is still unfavorable, and the country has not recovered from the recent financial and economic recession. Improvements on GDP per capital are expected to increase domestic demand for consumer goods.

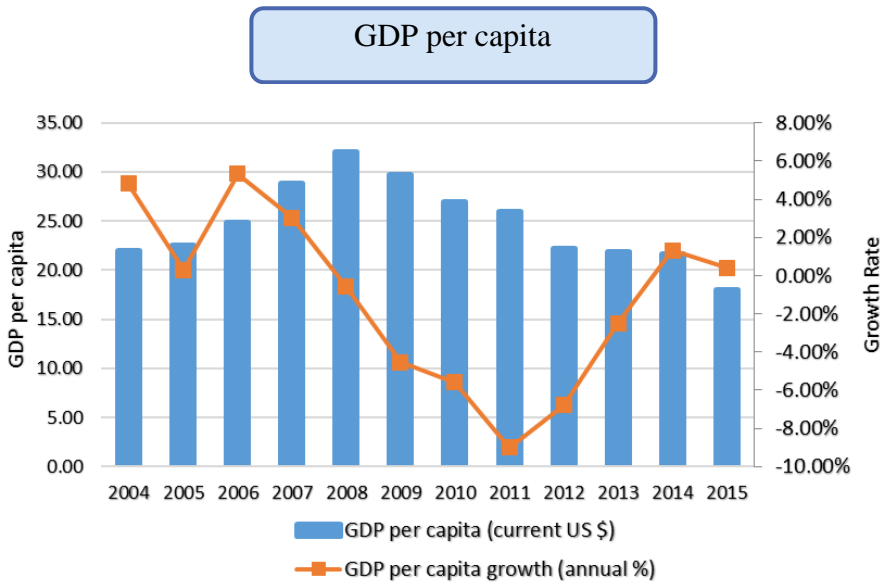


Exhibit 15. GDP per capita
Source: World Bank

- Positive per capita GDP growth for the period 2004 – 2007.
- Per capita GDP growth was negative from 2008 up to 2013.
- Positive per capita GDP growth achieved in 2014 and 2015 with growth rates of 1.33% and 0.40% respectively.

According to Bouamra-Mechemache et. al., (2008), income elasticity of demand is 0.86 for all dairy products, 0.56 for milk and 0.92 for yogurt. Hence, increases in GDP per capita by 1% is expected to increase total sales for dairy market by 0.86% (ceteris paribus).

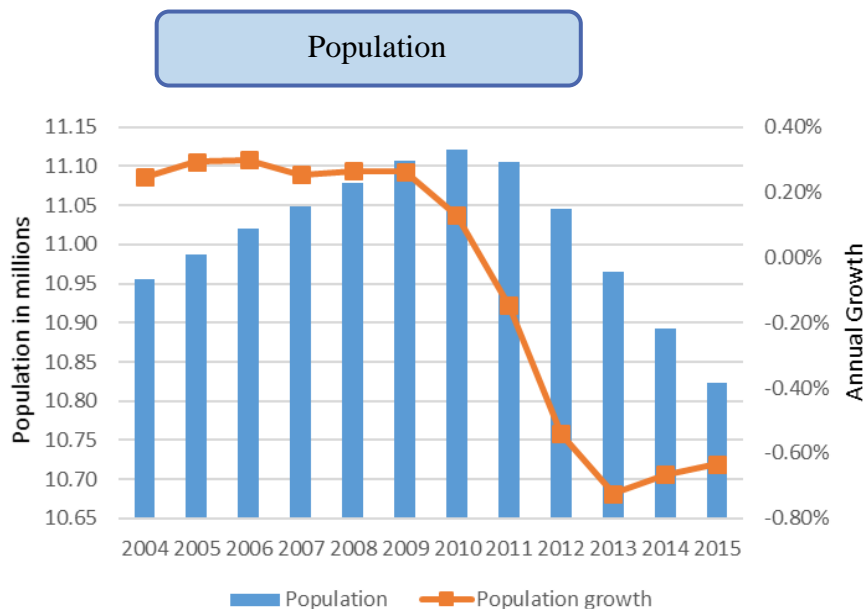


Exhibit 16. Population
Source: World Bank

- Positive population growth observed from 2004 up to 2010. However, since 2011, a downward trend prevailed leading population growth rate to negative levels.
- Population declined 0.6% during 2014-2015 and reached at 10.82 million in 2015.

Consumer Price Index

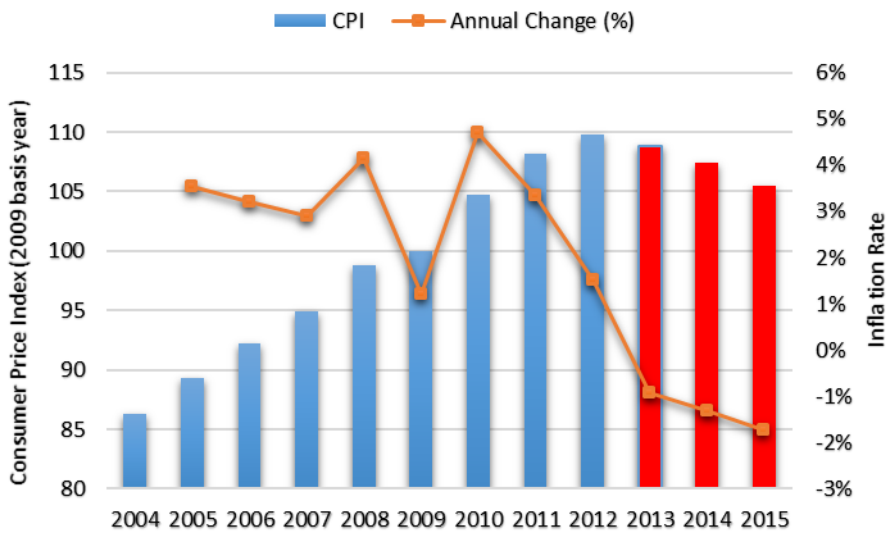


Exhibit 18. Consumer Price Index.
Source: World Bank

- Inflation rate was above the 2% target of ECB from 2004 to 2011 with exception 2009. Hence, inflationary environment prevailed in Greece.
- Disinflationary pressures appeared on the economy in 2010. The pressures continued leading to a deflation trend since 2012. CPI declined 1.7% during 2014-2015 and reached at 105.5 basis points in 2015.

Age Profile

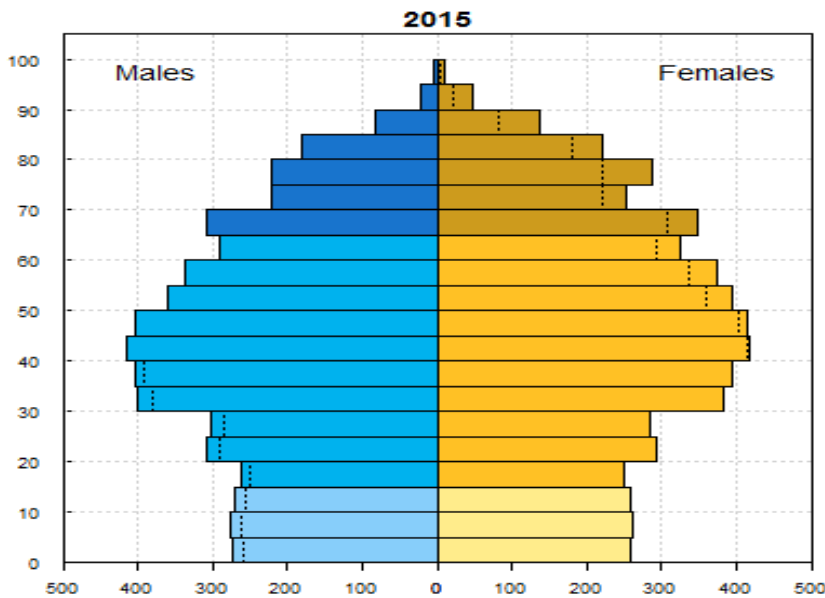


Exhibit 17. Population Matrix of Greece
Source: United Nations, Department of Economic and Social Affairs, Population Division. World Population Prospects: The 2015 Revision.

- Greece has a constrictive population matrix. We observe skewness towards older consumers with more of them in both sexes being between 30 – 50 years of age.
- It is important to note that 55.5 % of the total population is above 40 years of age.

3.2 Porter Five Forces

Threat of New Entrants: Low

- Intense competition
- Capital intensive industry
- Requires high marketing cost
- Requires access to well established distribution channels
- Funding for such investments is limited
- Economies of scale
- Customers loyalty
- Greek yogurt must be produced in Greek (UK regulation)
- Limited differentiation opportunities

Threat of Substitutes: Dairy: Low Ice cream: Medium +

Dairy

Many substitutes of milk products exist but their cost combined with the nutritional value of milk and milk products render them a low substitution threat.

Ice Cream

There is large variety of alternatives to ice cream products with no or very small switching costs.

Industry Rivalry: High +

- High fixed cost investment
- Intense competition
- Four companies control more than 50% of total sales
- High barriers to exit

Bargaining power of suppliers: Low +

- Kri Kri Milk Industry SA produces its products using 100% Greek milk within 24hours from collection. The 100% reliance on Greek suppliers increases the bargaining power of the suppliers.
- There is no supplier selling to Kri Kri Milk Industry SA more than 10% of its product. Hence, the company enhances its bargaining power against its suppliers.
- There is a large number of small suppliers with limited productive quantities of milk.

Bargaining power of buyers: High

- Supermarkets constitute the basic distribution channel to customers and contribute to the position of the products on shelves (marketing). Consequently, they hold high bargaining power.
- Kri Kri Milk Industry SA has the more power over smaller buyers
- Supermarket chains with private label products produced by Kri Kri are gaining bargaining power because recent mergers and acquisitions in Greek market enhanced the concentration of the industry.

Additional Factors to Porter Framework

Threat of Regulation: High +

Governmental institution, such as Hellenic Food Authority, Hellenic Competition Commission etc., influence explicitly or implicitly the dairy industry. An example of government intervention was the lifting of fresh milk duration from three to five days in 2014.

3.2 SWOT Analysis

Strengths

- Strong brand name and high standard products
- Competitive pricing in the yogurt market and dairy markets
- Well established distribution channel in Greece
- Production of private label products at domestic and international level (i.e. Waitrose, Sklavenitis)
- Co-branded products such as Mars and ION
- Modern dairy production plant with 50% more productive capacity.
- Experienced management team
- Emphasis on R&D
- Reducing dependence on the Greek market
- Unique Greek company with ice cream production
- High liquidity level
- Healthy financial structure

Weaknesses

- Intense competition regarding branding, pricing, and distribution
- Limited funding opportunities from Greek banking system if needed.

Opportunities

- Further branding reinforcement
- Production of private label products for more domestic & international supermarkets
- Further geographic diversification
- Penetration in global “Greek Yogurt” market
- Market development of “Frozen Yogurt”
- Penetration in Greek dairy market due to exit of large companies i.e. Fage International SA

Threats

- Increasing competition from private label products regarding pricing
- Intensifying competition domestically requires discounts leading profits to lower levels
- Unstable political conditions in Greece
- Unfavorable economic environment in Greece

3.3 Market Structure

To present the market structure of the dairy industry, we used data from 2013 financial statements filed by Hellstat (2014). Furthermore, we divided the companies into three categories regarding with their revenues size. These classes are:

- **Small and medium:** Companies with lower than € 50 million and higher than € 10 million in revenues
- **Large:** Companies with more than € 50 million and less than € 150 million in revenues.
- **Very large:** Companies with more than € 150 million in revenues.

It can be easily seen that from the 30 companies with revenues higher than € 10 million, very large companies capture the 42%, large enterprises hold the 36% and the remaining 20 companies possess the 22%.

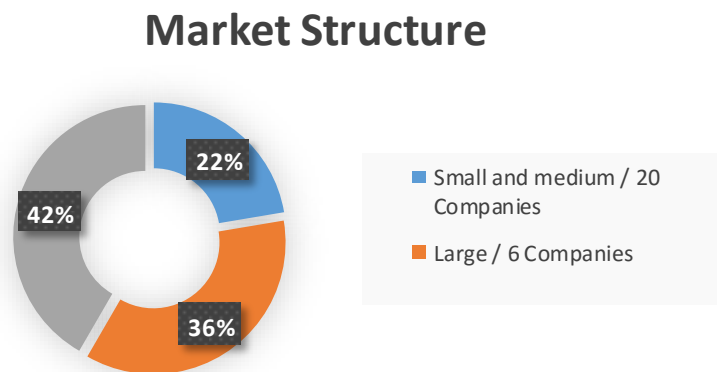


Exhibit 19. Market structure of dairy industry
Source: Hellstat (2014)

4. Kri Kri Milk Industry SA Financial Analysis

Analyzing the financial statements of Kri Kri Milk Industry SA, we will attempt to explain the underlying factors for the growth of its sales, revenues, and market share. Moreover, given the recent economic crisis in Greece, in some instances, we divided the data commentary into to internals. However, we cannot examine Kri Kri Milk Industry SA in a pre and post-crisis level since the fire at the dairy plant critically influenced company's financial statements.

4.1 Financial Statements

4.1.1 INCOME STATEMENT

In 000 €	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sales	22,538	25,374	28,284	32,092	39,736	40,254	47,196	47,907	59,299	68,129	77,150	66,951
y-o-y	-	13%	11%	13%	24%	1%	17%	2%	24%	15%	13%	-13%
Gross Profit	10,484	12,394	13,644	14,045	16,518	18,373	18,172	17,893	22,012	22,103	18,173	22,371
y-o-y	-	18%	10%	3%	18%	11%	-1%	-2%	23%	0%	-18%	23%
Earnings before taxes, financial and investment income	1,982	2,584	3,093	3,043	3,595	3,747	3,179	2,812	5,952	5,341	4,535	4,865
y-o-y	-	30%	20%	-2%	18%	4%	-15%	-12%	112%	-10%	-15%	7%
Earnings before taxes	2,038	2,574	3,131	3,118	3,505	3,700	3,033	2,350	5,967	5,337	4,656	4,295
y-o-y	-	26%	22%	0%	12%	6%	-18%	-23%	154%	-11%	-13%	-8%
Net earnings for the period	2,409	1,717	2,004	2,348	2,574	3,260	2,684	2,035	5,360	5,118	3,565	3,843
y-o-y	-	-29%	17%	17%	10%	27%	-18%	-24%	163%	-5%	-30%	8%
Total comprehensive income after tax	2,409	1,717	2,004	2,348	2,518	3,260	2,503	2,035	5,118	4,892	3,577	3,866
y-o-y	-	-29%	17%	17%	7%	30%	-23%	-19%	152%	-4%	-27%	8%
EBITDA	3,437	4,627	5,327	4,323	5,381	5,877	5,420	5,170	7,798	7,568	6,166	7,311
y-o-y	-	35%	15%	-19%	24%	9%	-8%	-5%	51%	-3%	-19%	19%

Exhibit 20. Presentation of Kri Kri's Milk Industry S.A. income statement and y-o-y changes

Vertical Common-size Income Statement												
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sales	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Cost of Goods Sold	53.5%	51.2%	51.8%	56.2%	58.4%	54.4%	61.5%	62.7%	62.9%	67.6%	76.4%	66.6%
Gross Profit	46.5%	48.8%	48.2%	43.8%	41.6%	45.6%	38.5%	37.3%	37.1%	32.4%	23.6%	33.4%
Selling Expenses	31.0%	32.3%	29.6%	29.3%	27.7%	29.4%	26.3%	25.7%	22.0%	21.0%	16.1%	24.0%
Administrative Expenses	5.8%	6.2%	5.7%	4.9%	4.7%	4.9%	4.4%	4.5%	3.2%	3.1%	2.7%	3.3%
Other Net Income	0.9%	0.2%	2.0%	0.0%	0.2%	2.0%	1.1%	1.2%	1.9%	0.5%	1.1%	1.2%
Earnings before taxes, financial and investment income	8.8%	10.2%	10.9%	9.5%	9.0%	9.3%	6.7%	5.9%	10.0%	7.8%	5.9%	7.3%
Earnings before taxes	9.0%	10.1%	11.1%	9.7%	8.8%	9.2%	6.4%	4.9%	10.1%	7.8%	6.0%	6.4%
Net earnings for the period (A)	10.7%	6.8%	7.1%	7.3%	6.5%	8.1%	5.7%	4.2%	9.0%	7.5%	4.6%	5.7%
Total comprehensive income after tax (A+B)	10.7%	6.8%	7.1%	7.3%	6.3%	8.1%	5.3%	4.2%	8.6%	7.2%	4.6%	5.8%
EBITDA	15.3%	18.2%	18.8%	13.5%	13.5%	14.6%	11.5%	10.8%	13.1%	11.1%	8.0%	10.9%

From the vertical common-size income statement, the following points are worth mentioning.

- The increasing cost of goods sold as a percentage of total sales led to lower gross profit margins. Moreover, we notice that from 2010 and after that the cost of goods sold constitutes more than 60% of the total sales. As a result, gross profit margin decreased.
- Although the gross profit margin was declining, net profit margin did not present any particular trend. For the period 2004-2009, net profit margin was on average 7.7% of total sales with maximum value in 2004 (10.7%) and the minimum value in 2008 (6.3%). The following two years, net profit margin decreased to 5.3% and 4.2% mainly due to the unfavorable economic environment. In 2012, gross profit went up to 8.6% (+4.4% compared to 2011 and +0.9% from the period 2004-2009) and in 2013 it reduced to 7.2% (-1.4% compared to 2012 and -0.5% from the period 2004-2009). The net profit margins slumped in 2014 to 4.6% due to the fire in the dairy production plant, but it bounced back to 5.8% in 2015.

From the horizontal common-size income statement, we can confirm that the primary factor for decreasing gross profit margin is the fact that cost of goods sold was increasing more than sales. It is common practice to present the income statement in two years format, but we believe that it will not provide useful insight given our research question. For this reason, the following tables are more helpful to identify trends in income statement accounts.

Horizontal Common-size Income Statement (base year 2004)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sales	100%	113%	125%	142%	176%	179%	209%	213%	263%	302%	342%	297%
Cost of Goods Sold	100%	108%	121%	150%	193%	182%	241%	249%	309%	382%	489%	370%
Gross Profit	100%	118%	130%	134%	158%	175%	173%	171%	210%	211%	173%	213%
Selling Expenses	100%	117%	120%	135%	157%	170%	177%	176%	186%	205%	178%	230%
Administrative Expenses	100%	120%	122%	121%	141%	151%	158%	166%	145%	162%	157%	168%
Earnings before taxes, financial and investment income	100%	130%	156%	154%	181%	189%	160%	142%	300%	269%	229%	245%
Earnings before taxes	100%	126%	154%	153%	172%	182%	149%	115%	293%	262%	228%	211%
Income Taxes	100%	-231%	-304%	-208%	-251%	-119%	-94%	-85%	-164%	-59%	-295%	-122%
Net earnings for the period (A)	100%	71%	83%	97%	107%	135%	111%	84%	223%	212%	148%	160%
Total comprehensive income after tax (A+B)	100%	71%	83%	97%	105%	135%	104%	84%	212%	203%	149%	160%
EBITDA	100%	135%	155%	126%	157%	171%	158%	150%	227%	220%	179%	213%

Horizontal Common-size Income Statement Period (a): 2004-2009 & Period (b): 2010-2015

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sales	100%	113%	125%	142%	176%	179%	100%	102%	126%	144%	163%	142%
Cost of Goods Sold	100%	108%	121%	150%	193%	182%	100%	103%	128%	159%	203%	154%
Gross Profit	100%	118%	130%	134%	158%	175%	100%	98%	121%	122%	100%	123%
Selling Expenses	100%	117%	120%	135%	157%	170%	100%	99%	105%	115%	100%	130%
Administrative Expenses	100%	120%	122%	121%	141%	151%	100%	105%	92%	103%	100%	106%
Earnings before taxes, financial and investment income	100%	130%	156%	154%	181%	189%	100%	88%	187%	168%	143%	153%
Earnings before taxes	100%	126%	154%	153%	172%	182%	100%	77%	197%	176%	154%	142%
Income Taxes	100%	-231%	-304%	-208%	-251%	-119%	100%	90%	174%	63%	312%	129%
Net earnings for the period (A)	100%	71%	83%	97%	107%	135%	100%	76%	200%	191%	133%	143%
Total comprehensive income after tax (A+B)	100%	71%	83%	97%	105%	135%	100%	81%	204%	195%	143%	154%
EBITDA	100%	135%	155%	126%	157%	171%	100%	95%	144%	140%	114%	135%

4.1.2 BALANCE SHEET

Current vs. fixed assets

million €	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Fixed Assets	13.38	13.18	14.12	16.89	19.72	20.71	22.08	20.97	18.84	15.24	38.05	38.16
y-o-y		-1.5%	7.1%	19.7%	16.7%	5.0%	6.6%	-5.1%	-10.1%	-19.1%	149.7%	0.3%
Total Current Assets	10.88	15.2	17.37	19.01	22.47	23.09	21.85	26.56	29.76	45.56	32.46	31.55
y-o-y		39.7%	14.3%	9.5%	18.2%	2.8%	-5.4%	21.5%	12.0%	53.1%	-28.8%	-2.8%

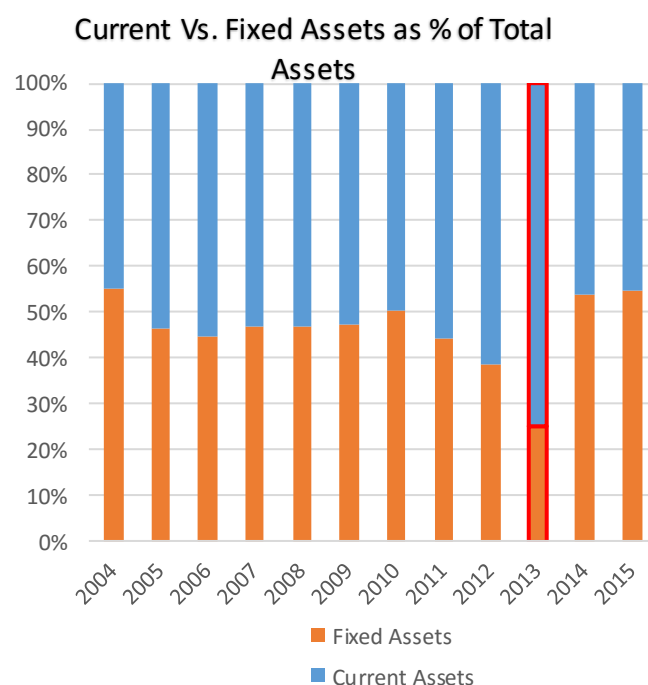
Exhibit 21. Company's fixed and current assets

Kri Kri Milk Industry SA invested heavily in fixed assets from 2005 up to 2010. The minimum y-o-y growth rate was 5% in 2009 and the maximum 19.7% in 2007. The economic environment led the company to confine the invested amount in fixed assets and to liquidate or sell its subsidiaries. Hence, the y-o-y growth rates of total fixed assets are negative in 2011 and 2012. Concerning total current assets account, it formed a higher percentage of total sales compared to fixed assets for the period 2005-2012. We analyze further current assets in the next page.

In our opinion, we cannot compare the structure of balance sheet before and after 2013 due to the fire in the dairy production plant. Fundamental changes in 2013 were:

- Reduction in fixed assets by € 7.5 million
- Reduction in inventory by 2 € million
- Increase in claims from insurance by € 17.4

In 2014, company's investment in the new dairy plant led fixed assets to € 38.5 million from € 15.2 million (+149.7%) and reduction in cash and cash equivalents to 1.44 € million from 11.31 € million (-87.3% y-o-y). In 2015, assets structure remained almost the same with fixed assets holding 55% of total assets and currents assets 45%.



Look at the current assets in more detail

million €	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Inventory	2.37	2.98	2.55	3.33	4.4	4.88	4.28	5.17	5.8	4.86	8.03	6.88
y-o-y		25.5%	-14.3%	30.8%	31.9%	11.0%	-12.3%	20.6%	12.4%	-16.3%	65.3%	-14.4%
Customers and other claims	6.32	7.96	10.56	13.56	16.32	13.99	15.28	15.25	16.6	29.39	22.99	19.21
y-o-y		26.0%	32.7%	28.4%	20.4%	-14.3%	9.2%	-0.2%	8.8%	77.0%	-21.8%	-16.4%
Cash and Cash Equivalents	2.07	4.26	4.26	2.12	1.75	4.22	2.29	6.14	7.35	11.31	1.44	5.46
y-o-y		105.8%	0.0%	-50.3%	-17.3%	140.6%	-45.6%	168.0%	19.7%	53.9%	-87.3%	279.6%

Exhibit 22. Current assets accounts and their y-o-y rates

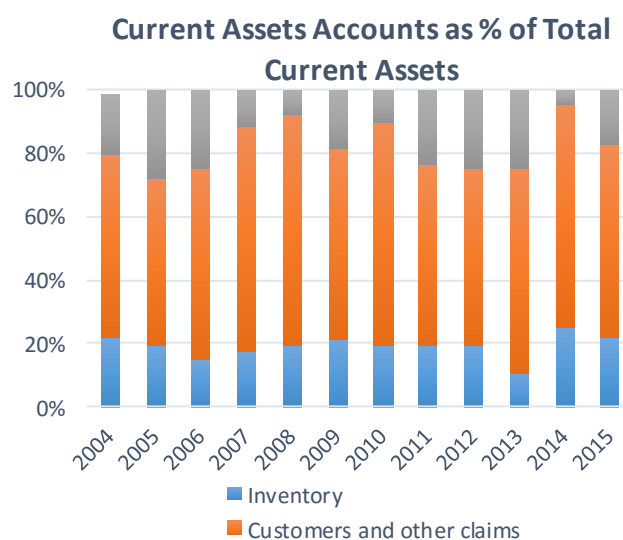
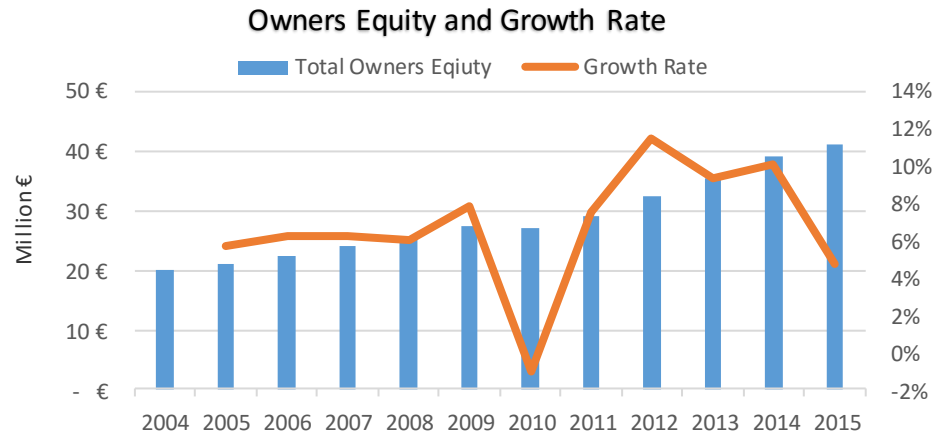


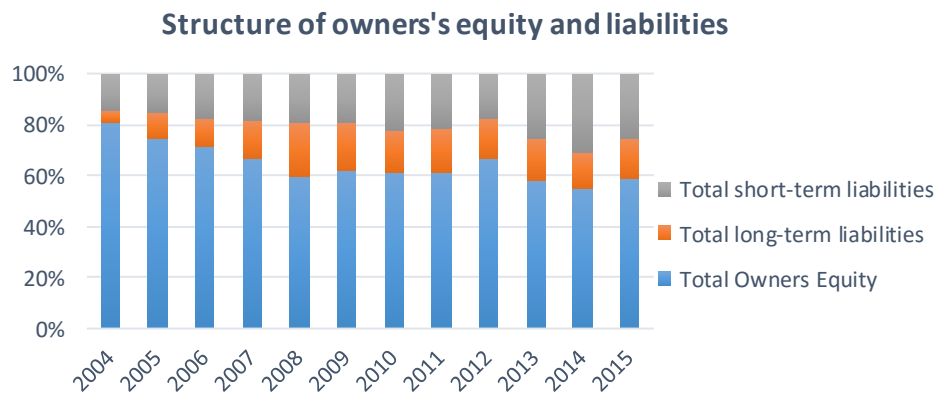
Exhibit 23. Proportion of current assets accounts as % of total current assets

Total shareholders' equity and liabilities

Total shareholders' equity of Kri Kri Milk Industry SA was constantly increasing, with exception the year 2010 (-1.1%). The average annual growth rate was 6.74%, and the absolute value of the owners' equity more than doubled (2.04x) for the period 2004-2015. More specifically, the value of shareholders' equity was € 40.94 million in 12M 2015 compared to € 20.07 million in 12M 2004. Taking into consideration the individual accounts of shareholders' equity, we notice that the primary driver of this increase is the account "Results carried forward" displaying an increase of 2088% from 12M 2004 to 12M 2015. Moreover, share capital account was up 22% and company's reserves increased by 77%.



From the exhibit below, we can observe that from 2004 – 2008 Kri Kri Milk Industry SA augmented its liabilities over owners' equity. Hence, using the vertical common-size balance sheet technique, liabilities went up from 19.05% share of total owners' equity and liabilities in 12M 2004 to 39.78% in 12M 2008 (+ 20.73% share). Thereafter, this structure remained relatively stable with small fluctuations (max +/- 2% share) up to 2011. In 2012, company's owners' equity increased 12% or € 3.35 million in absolute terms, but total liabilities decreased by 12.40% or € 2.38 million. As a result, owners' equity share as % of total owners' equity and liabilities increased to 67%. The need to rebuild the dairy production facility increased the borrowing in 2013 and 2014. For this reason, the share of total liabilities reached 45%. In 2015, total liabilities share reduced by 4%.



million €	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Long-term Liabilities	1.3	3.02	3.59	5.36	8.82	8.09	7.29	8.44	7.84	10.13	9.62	11.17
y-o-y	-	132.33%	18.85%	49.45%	64.54%	-8.30%	-9.88%	15.79%	-7.16%	29.26%	-5.12%	16.20%
Total Short-term Liabilities	3.43	4.2	5.38	6.61	7.96	8.32	9.47	9.97	8.29	15.17	21.83	17.6
y-o-y	-	22.51%	28.09%	22.90%	20.48%	4.52%	13.85%	5.20%	-16.85%	83.05%	43.88%	-19.38%
Total Liabilities	4.73	7.22	8.97	11.97	16.79	16.43	16.77	18.41	16.13	25.3	31.44	28.77
y-o-y	-	52.71%	24.23%	33.52%	40.22%	-2.11%	2.04%	9.81%	-12.40%	56.90%	24.26%	-8.49%

Exhibit 24. *Company's liabilities and y-o-y rates*

Total liabilities of Kri Kri Milk Industry SA displayed an uptrend overall from 2004 to 2011, with exception the year 2009 (-2.11%). In 2012, the amount went down by 12.40% and increased the following year to finance the reconstruction of the destroyed planted, as mentioned before. The absolute value of total liabilities was fivefold (5.09x) in 2015 of that in 2004. More specifically, the value of total liabilities was € 28.77 million in 2015 compared to € 4.73 million in 2004.

Cash flow statement

The cash flow from operating activities (CFO) of Kri Kri Milk Industry SA reveals a constant positive stream from recurring operating activities. The fact that company's CFO remained positive even in 2014 depicts a healthy financial status.

The cash flow from investing activities (CFI) of Kri Kri Milk Industry SA shows constant capital expenditures meaning that the company is investing in future operations. However, it also points to a reduction in cash flow. As expected, company's most significant CFI outflow happened in 2014 when the total outflow reached at € 11.98 million. We notice that Kri Kri Milk Industry SA invested in the period

million €	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CFO	1.29	2.56	3.52	2.67	3.2	5.2	3.76	2.37	5.23	5.56	1.57	7.89
CFI	-5.29	0.19	-2.8	-4.97	3.38	-1.16	2.73	-1.02	-1.29	-3.64	11.98	-5.74
PP&E	-5.41	-1.84	-3.51	-5.07	-4.61	-4.16	-3.26	-2.34	-1.79	-5.44	-22.8	-7.32
Proceeds from Grants	-	1.84	0.52	-	1.13	2.9	0.74	1.1	-	-	1.5	1.5
CFF	-0.35	-0.57	0.71	0.16	0.18	-1.57	2.93	2.5	-2.73	2.04	0.53	1.87
Cash and Cash Equivalents in the end	2.07	4.26	4.26	2.12	1.75	4.22	2.28	6.14	7.35	11.31	1.44	5.46

Exhibit 25. *Presentation of cash flow statements from 2004 to 2015*

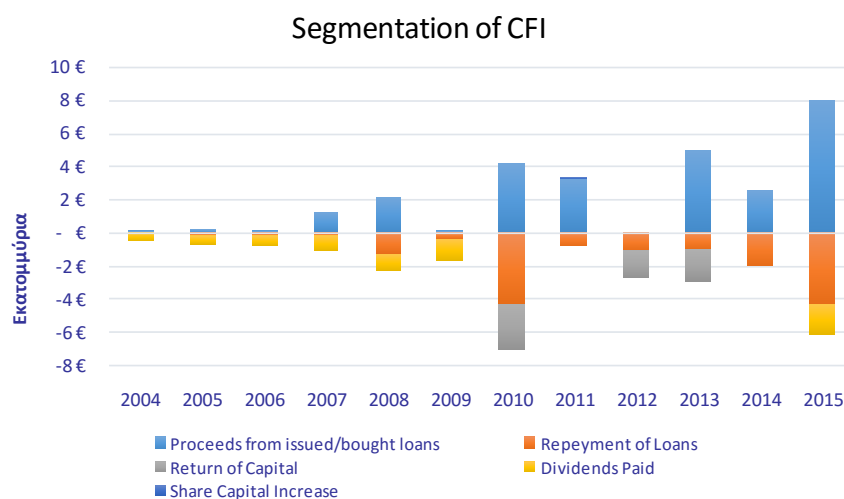
2004-2012 in Property, Plant and Equipment expenditure an average of € 3.55 million per year and received an average of € 1.38 million from proceeds for grants.

The cash flow from financing activities (CFF) of Kri Kri Milk Industry SA needs more detailed analysis since positive or negative sign is not a good or bad indication per se. A positive number from financing activities means money inflow into the company, which increases the company's assets. Negative CFF can signify that company is servicing debt, or retiring debt, or making dividend payments and stock repurchases.

From the data below, we observe that in the period 2004 – 2006, Kri Kri Milk Industry SA CFF was negative driven by dividends paid (€ -1 million < CFF < € 0 million). In 12M 2007, CFF turned into positive due to higher proceeds from loans compared to paid dividends and loan repayments and in 12M 2008 return to negative since paid dividends and loan repayments went up more than proceeds from loans. Company's dividends policy led CFI to € -1.57 million in 12M 2009 and € -2.8 million in 12M 2010. In 12M 2012, Kri Kri Milk Industry did not borrow but returned capital and repaid loans leading CFF to €-2.73 million. From 2013 and after that point, company's proceeds from loans drove CFF into positive.

Segmentation of CFI million €	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Proceeds from issued/bought loans	0.12	0.16	0.13	1.24	2.17	0.1	4.19	3.33	-	5.0	2.5	8.01
Repayment of Loans	-	-0.14	-0.19	-0.18	-1.28	-0.41	-4.32	-0.83	-1.08	-0.97	-1.97	-4.34
Return of Capital	-	-	-	-	-	-	-2.8	-	-1.65	-1.98	-	-
Dividends Paid	-0.46	-0.58	-0.66	-0.91	-1.08	-1.26	-	-	-	-	-	-1.79
Share Capital Increase	-	-	-	-	-	-	-	0.01	-	-	-	-

Exhibit 26. Segmentation of cash flows from investing activities from 2004 to 2015



4.2 Financial Ratios

In this section, we will calculate activity, liquidity, profitability and solvency ratios for Kri Kri Milk Industry SA. Ratios will help us to evaluate and compare company's performance with its peers, and/or with the industry. Moreover, ratio analysis is a tool to measure health and performance during a period. Our examination period covers the span 2004-2015. The covered period will give us the valuable insight to compare company's performance before and after the financial crisis. Furthermore, the 11-year data reduce the danger to deduce wrong conclusions.

In our analysis, we used four comparable companies. The selection criteria were size, location, and product relevance and our goal was to capture both the behavior of the industry and the peer companies. In the comparable analysis, we covered the period 2010 – 2015 due to the lack of data or the differences in financial reporting standards for the selected companies. These companies are:

- **Fage SA**

Fage International SA is one of the top players in the industry with revenues in 12M 2015 amounted to 182.5 € million and 688 employees. Company's headquarters were transferred from Greece to Luxemburg in 2012. We included Fage International SA in peer companies for two reasons. First, as a proxy of the top players in the dairy market and, other, as a basic competitor of Kri Kri Milk Industry SA in Greek yogurt internationally.

- **Mevgal SA**

Mevgal SA is a significant company in the dairy industry with revenues in 12M 2015 of 110.3 € million and 692 employees. Mevgal is ranked sixth in the industry regarding 12M 2015 revenues. Moreover, it is based on the same geographic region with Kri Kri Milk Industry SA, and both companies produce milk and yogurt. We included Mevgal SA in peer companies because we believe that it is a close competitor with Kri Kri Milk Industry SA.

- **Dodoni SA Agricultural Dairy Industry of Epirus**

Dodoni SA is located in Epirus, a geographic region in close vicinity from Macedonia. It is ranked one place above Kri Kri Milk Industry SA in terms of 12M 2015 revenues, which were 95.5 € million. It is both a significant player in the industry and a close competitor.

- **Evrofarma SA**

Evrofarma SA is in the middle of the small and medium companies in the industry (see 3.3 Market Structure). It is based on Thrace, its revenues in 12M 2015 were 28.6 € million and had 121 people as its employees. Evrofarma SA is included in the peers to capture the competition from less developed companies.

4.2.1 Activity ratios

Activity ratios are used to evaluate how efficiently a company utilizes its assets to generate revenues. In the analysis here, we included two liquidity ratios, (a) cash conversion cycle and (b) operating cycle, because they can offer greater depth on our results.

$$\text{Inventory turnover} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

$$\text{Days of Inventory on hand} = \frac{365}{\text{Inventory Turnover}}$$

$$\text{Receivables turnover} = \frac{\text{Revenues}}{\text{Average Receivables}}$$

$$\text{Days of sales outstanding} = \frac{365}{\text{Receivables Turnover}}$$

$$\text{Payables turnover} = \frac{\text{Purchases}}{\text{Average trade payables}}$$

$$\text{Number of days payables} = \frac{365}{\text{Payables Turnover}}$$

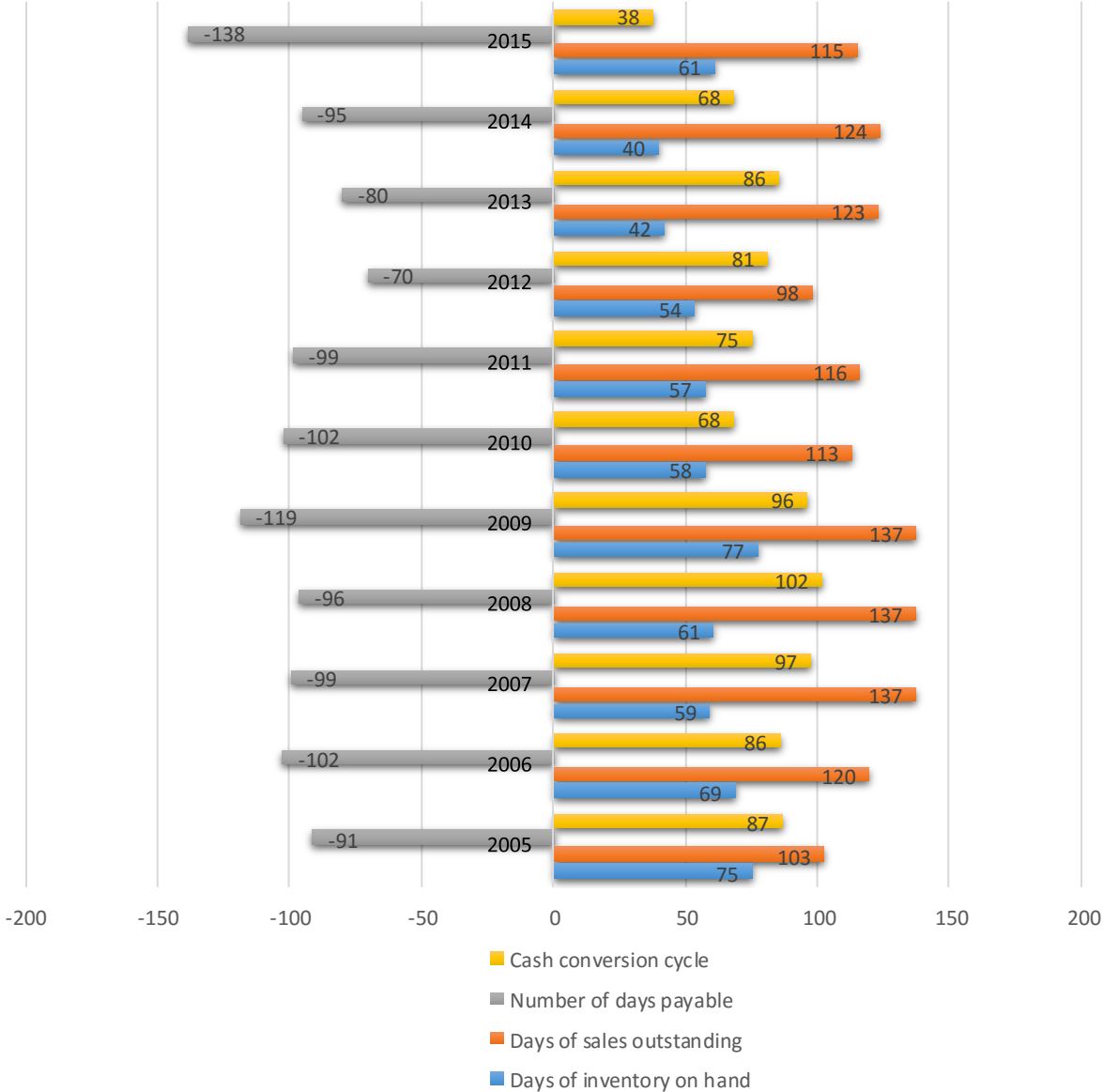
Activity Ratios	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Inventory turnover	4.85	5.30	6.14	6.01	4.71	6.33	6.35	6.80	8.63	9.15	5.98
Days of inventory on hand	75	69	59	61	77	58	57	54	42	40	61
Receivables turnover	3.55	3.05	2.66	2.66	2.66	3.22	3.14	3.72	2.96	2.95	3.17
Days of sales outstanding	103	120	137	137	137	113	116	98	123	124	115
Payables turnover	4.01	3.56	3.68	3.79	3.08	3.56	3.70	5.18	4.57	3.83	2.64
Number of days payables	91	102	99	96	119	102	99	70	80	95	138
Cash conversion cycle	87	86	97	102	96	68	75	81	86	68	38
Operating cycle	178	188	197	198	215	171	174	152	165	164	176

From the data in the table above, we notice for the period 2005 - 2007 Kri Kri Milk Industry SA accomplished a better inventory management reducing the days of inventory on hand but days of sales outstanding went up from 103 to 137. Hence, operating cycle went up by 19 days. However, the company managed to transfer 9 days of the increase in days of sales outstanding to the suppliers leading cash conversion cycle to 97 days in 2007 compared to 87 days in 2005. Operating cycle increased by 18 days the next two years due to the increase in days of inventory on hand but Kri Kri Milk Industry SA transferred the whole increase to the suppliers reducing the cash conversion cycle. From 2010 and thereafter, we observe a downtrend in days of inventory with exception 2015. This increase in inventory

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was the result of discount opportunities due to political instability. Furthermore, days of sales outstanding do not present any trend, but they were lower compared to 137 days in the period 2007-2009. Finally, cash conversion cycle showed small changes in the same direction with operating cycle

Cash Conversion Cycle



$$\text{Working capital turnover} = \frac{\text{Revenues}}{\text{Average working capital}}$$

Indicates how efficiently the company generates revenue from its working capital.

$$\text{Fixed asset turnover} = \frac{\text{Revenues}}{\text{Average fixed assets}}$$

Measures how efficiently a company generates revenues from its investments in fixed assets.

$$\text{Total assets turnover} = \frac{\text{Revenues}}{\text{Average total assets}}$$

Measures the company's overall ability to generate revenues with a given level of assets.



Higher ratios indicate higher efficiency

Negative values are meaningless

Activity Ratios	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total asset turnover	0.96	0.94	0.95	1.02	0.94	1.08	1.05	1.23	1.25	1.18	0.95
Working capital turnover	2.75	2.46	2.63	2.95	2.75	3.48	3.31	3.12	2.63	3.76	5.45
Fixed asset turnover	1.91	2.07	2.07	2.17	1.99	2.21	2.23	2.98	4.00	2.90	1.76

From the table above we notice a higher operating efficiency due to improved working capital turnover, better utilization of total assets fixed assets and increased efficiency in generating revenues from investments in long-lived assets. In our opinion, 2013, 2014 and 2015 ratios are significantly influenced and for this reason, we compared their course up to 2012. More specifically, total assets turnover went up from 0.96 in 2005 to 1.23 in 2012, with maximum value that of 2012, and lower value 0.94 in 2006. Working capital turnover increased from 2.75 in 2005 to 3.12 in 2012 reaching a maximum value of 3.48 in 2010 and a minimum value of 5.46 in 2006. Finally, fixed asset turnover soared to 2.98 in 2012 (max value) from its minimum 1.91 in 2005.

Comparable analysis on activity ratios

In the next table, we presented the calculated activity ratios for the comparable companies and their averages. Our focus remained on Kri Kri Milk Industry SA, but its results were compared with the mean of the industry or its peers. Overall, Kri Kri Milk Industry SA activity ratios performance was better from Dodoni SA and Mevgal SA, close to Evrofarma SA and a little worse than Fage International.

Comparable Analysis on Activity Ratios

	Company	Days of inventory on hand	Days of sales outstanding	Number of days payable	Cash conversion cycle	Operating cycle
2009	Kri Kri	77	137	119	96	215
	Fage	46	120	95	72	167
	Mevgal	64	152	167	48	215
	Dodoni	69	164	39	193	232
	Evrofarma	68	175	85	158	243
	Average	65	150	101	113	214
2010	Kri Kri	58	113	102	68	171
	Fage	48	120	94	74	168
	Mevgal	57	161	142	76	218
	Dodoni	58	148	31	175	206
	Evrofarma	73	164	108	129	237
	Average	59	141	95	104	200
2011	Kri Kri	57	116	99	75	174
	Fage	49	80	94	35	129
	Mevgal	57	169	136	90	226
	Dodoni	87	178	28	237	265
	Evrofarma	55	147	133	70	202
	Average	61	138	98	101	199
2012	Kri Kri	54	98	70	81	152
	Fage	61	90	102	48	150
	Mevgal	60	195	181	73	255
	Dodoni	157	180	28	309	337
	Evrofarma	33	149	135	48	183
	Average	73	142	103	112	215
2013	Kri Kri	42	123	80	86	165
	Fage	56	76	74	59	132
	Mevgal	53	194	199	49	247
	Dodoni	208	176	51	333	384
	Evrofarma	32	135	125	42	167
	Average	78	141	106	114	219
2014	Kri Kri	40	124	95	68	164
	Fage	58	72	57	74	131
	Mevgal	66	166	174	57	231
	Dodoni	159	185	69	275	344
	Evrofarma	50	113	106	57	163
	Average	75	132	100	106	207
2015	Kri Kri	61	115	138	38	176
	Fage	51	111	47	115	162
	Mevgal	66	166	174	57	231
	Dodoni	115	212	51	276	327
	Evrofarma	43	96	82	57	139
	Average	67	140	99	109	207

Days of Inventory on Hand

Although Kri Kri Milk Industry SA had more days of inventory on hands from its peers in 2009, from 2010 and afterward company's days on hand were in line with the competition. In our opinion, Kri Kri Milk Industry SA exercised better inventory management since the growth rate of sales did not reduce from the lower days of inventory on hands. According to management discussion in the Annual Financial Statements, the company reduced its days of inventory on hand so as to decrease losses from fluctuation in prices.

Days of Sales Outstanding

Kri Kri Milk Industry SA had fewer days compared to its peers of similar or smaller size and more days compared to Fage International SA up to 2014. As mentioned in the management discussion in all Annual Financial Statements of the examined period, company offered fewer days to its buyer to boost its cash flows.

Number of Days Payable

The number of days payable of Kri Kri Milk Industry SA was close to those of Fage International SA, one of the big players in the industry. For the period 2009 -2013, days payable of Kri Kri Milk Industry SA was below the industry's mean. There are two explanations for this trend in company's days payable. First, company's paid more quickly to exploit discounts from suppliers in the harsh economic environment in Greece. Second, international suppliers hastened their credit policies forcing Kri Kri Milk Industry to pay more quickly.

Cash Conversion Cycle

Kri Kri Milk Industry SA needed to finance fewer days between the outlay of money and the collection of cash from the average of its peers. However, Dodoni SA extraordinary high level of cash conversion cycle did not help the direct comparison with all of the peers. In general, Fage International SA and Mevgal SA had approximately equal or smaller cash conversion cycles from Kri Kri Milk Industry SA with exception 2015. Evrofarma SA displayed higher cash conversion cycle in 2009 and 2010, better the four-year period 2010-2014 and worse in 2015.

Operating Cycle

The operating conversion cycle of the company was better from the industry for the whole period. On the one side, Evrofarma SA, Fage International SA, and Kri Kri Milk Industry SA presented downward trend and, on the contrary, Mevgal SA, and Dodoni SA displayed an upward trend.

Comparable Analysis on Activity Ratios

	Company	Total asset turnover	Working capital turnover	Fixed asset turnover
2009	Kri Kri	0.94	2.75	1.99
	Fage	0.75	2.86	1.21
	Mevgal	1.37	-11.81	5.49
	Dodoni	1.30	3.51	6.55
	Evrofarma	0.60	21.14	1.13
	Average	0.99	3.69	3.27
2010	Kri Kri	1.08	3.48	2.21
	Fage	0.78	2.86	1.33
	Mevgal	1.17	-11.61	3.39
	Dodoni	1.46	3.63	7.58
	Evrofarma	0.59	-16.30	1.09
	Average	1.01	-3.59	3.12
2011	Kri Kri	1.05	3.31	2.23
	Fage	0.86	3.90	1.38
	Mevgal	1.03	-6.97	2.56
	Dodoni	1.15	2.54	6.78
	Evrofarma	0.61	-5.74	1.09
	Average	0.94	-0.59	2.81
2012	Kri Kri	1.23	3.12	2.98
	Fage	0.76	2.26	1.30
	Mevgal	0.95	-5.64	2.55
	Dodoni	0.96	2.01	7.50
	Evrofarma	0.55	-1.99	0.93
	Average	0.89	-0.05	3.05
2013	Kri Kri	1.25	2.63	4.00
	Fage	0.81	2.04	1.41
	Mevgal	0.90	-3.84	2.27
	Dodoni	0.90	2.06	7.64
	Evrofarma	0.55	-2.62	0.92
	Average	0.88	0.05	3.25
2014	Kri Kri	1.18	3.76	2.90
	Fage	0.90	2.02	1.61
	Mevgal	0.94	-2.85	2.15
	Dodoni	0.99	2.39	8.00
	Evrofarma	0.61	-42.21	1.07
	Average	0.93	-7.38	3.14
2015	Kri Kri	0.95	5.45	1.76
	Fage	0.94	1.65	1.87
	Mevgal	0.94	-2.85	2.15
	Dodoni	1.00	2.48	7.24
	Evrofarma	0.74	85.07	1.32
	Average	0.91	18.36	2.87

Total Asset Turnover

Kri Kri Milk Industry SA had better overall ability to generate revenues with its asset from its peers in the examined period, with only exception 2015, in which all companies presented very close total asset turnover ratios. On the one side, company's performance was superior from the performance of Fage International and Evrofarma SA. On the other side, Mevgal and Dodoni performance was better in 2009 and 2010. Dodoni SA displayed higher total asset turnover ratio in 2011 as well. From 2012 up to 2014, Kri Kri Milk Industry was the only company with asset turnover ratio bigger than 1.

Working Capital Turnover

On this ratio, we can compare Kri Kri Milk Industry SA with Fage International SA and Dodoni SA since negative working capital is meaningless. Kri Kri Milk Industry SA ratio was superior to ratio of Dodoni SA and Fage International SA from 2012 to 2015. In the three previous years, Dodoni presented the higher ration in 2009 and 2010, and Fage International SA in 2011.

Fixed Asset Turnover

Kri Kri Milk Industry SA ranked third out of five companies in fixed asset turnover ratio in the period 2009-2011 with Dodoni SA and Mevgal SA as top performers. In 2012, fixed asset turnover ratio over passed the ratio of Mevgal SA being only -0,07 from the average. In 2013, the reduction in fixed assets due to the destruction of dairy plant led the fixed asset turnover to the non-representative value of 4. Next year, the ratio reduced at 2.90 close to its 2012 value. Hence, Kri Kri Milk Industry SA had better ratio from the comparable companies except Dodoni SA. In 2015, the company had better ratio than Evrofarma and inferior ratio compared to all other companies.

4.2.2 Liquidity Ratios

$$\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}}$$

A higher ratio is desirable because it indicates a higher level of liquidity. A low ratio implies a greater reliance on operating cash flow and outside financing to meet short-term obligations.

$$\text{Quick ratio} = \frac{\text{Cash} + \text{Short - term marketable securities} + \text{Receivables}}{\text{Current liabilities}}$$

A higher ratio is desirable because it indicates a higher level of liquidity.

$$\text{Cash ratio} = \frac{\text{Cash} + \text{Short - term marketable securities}}{\text{Current liabilities}}$$

The cash ratio is a very reliable measure of liquidity position in the event of an unforeseen crisis.

$$\text{Defensive interval ratio} = \frac{\text{Cash} + \text{Short - term marketable securities} + \text{Receivables}}{\frac{\text{Cost of goods sold} + \text{Operating expenses}}{365}}$$

Measures how long the company can meet its daily expense requirements from its existing liquid assets without obtaining any additional financing.

Comparable Analysis on Liquidity Ratios

Liquidity Ratios	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Current ratio	3.62	3.23	2.88	2.82	2.78	2.31	2.66	3.59	3.00	1.49	1.79
Quick ratio	2.91	2.76	2.37	2.27	2.19	1.85	2.15	2.89	2.68	1.12	1.40
Cash ratio	1.01	0.79	0.32	0.22	0.51	0.24	0.62	0.89	0.75	0.07	0.31
Defensive ratio	196	220	197	183	186	147	175	167	238	121	143

From the table above, we observe that liquidity ratios of Kri Kri Milk Industry SA are declining during the period 2005 to 2010. In particular, current ratio and quick ratios decreased 36%, cash ratio fell 76%, and defensive ratio decreased from 196 to 147 days (-49 days). Although in 2011 and 2012, company's liquidity ratios bounced back to 2005-2006 levels, before tumbling again due to the emergency liquidity need for the new plant.

Comparable analysis on liquidity ratios

In the next table, we presented the calculated liquidity ratios for the comparable companies and their averages. Our focus remained on Kri Kri Milk Industry SA, but its results are compared with the average of the industry or its peers individually. Overall, Kri Kri Milk Industry SA liquidity ratios performance was better from its peers as long as the liquidity need to rebuild the factory to come up. Exception is the defensive ratio with Kri Kri Milk Industry SA being consistently below industry's performance.

Current Ratio & Quick Ratio

Kri Kri Milk Industry SA had the highest current ratio from 2009 to 2013 being more than 0.5 higher compared to Fage International SA (2nd) and more than 1 unit higher than industry's average and Dodoni SA. The same analysis stands for quick ratio for the period 2009-2013. In 2014 and 2015, both ratios tumbled below industry's average.

Cash Ratio

This ratio is the conservative of all liquidity measurements since it excludes inventory and account receivables. From this ratio, we can evaluate company's liquidity position in the event of an unforeseen crisis. Kri Kri Milk Industry SA cash and cash equivalents position constantly dominates those of Mevgal SA, Dodoni SA, and Evrofarma SA even when company's cash position decreased by 87% in 2014.

Defensive Interval Ratio

Kri Kri Industry SA could continue to pay its daily expenses from its liquid position fewer days compared to the average since company's defensive interval ratio was inferior from industry average for at least 40 days.

	Company	Current Ratio	Quick Ratio	Cash Ratio	Defensive
2009	Kri Kri Milk Industry SA	2.78	2.19	0.51	186
	Fage International SA	2.02	1.70	0.25	212
	Mevgal SA	0.98	0.78	0.01	293
	Dodoni SA	1.49	1.09	0.01	217
	Evrofarma SA	0.93	0.71	0.01	241
	Average	1.64	1.29	0.16	230
2010	Kri Kri Milk Industry SA	2.31	1.85	0.24	147
	Fage International SA	1.86	1.40	0.53	135
	Mevgal SA	0.88	0.70	0.01	198
	Dodoni SA	1.48	1.12	0.02	217
	Evrofarma SA	0.89	0.65	0.03	242
	Average	1.48	1.15	0.17	188
2011	Kri Kri Milk Industry SA	2.66	2.15	0.62	175
	Fage International SA	1.52	1.19	0.40	156
	Mevgal SA	0.83	0.69	0.01	217
	Dodoni SA	1.59	1.01	0.02	298
	Evrofarma SA	0.63	0.52	0.01	162
	Average	1.45	1.11	0.21	201
2012	Kri Kri Milk Industry SA	3.59	2.89	0.89	167
	Fage International SA	2.65	1.45	0.45	193
	Mevgal SA	0.81	0.66	0.01	242
	Dodoni SA	1.56	0.75	0.02	358
	Evrofarma SA	0.44	0.31	0.01	184
	Average	1.81	1.21	0.28	229
2013	Kri Kri Milk Industry SA	3.00	2.68	0.75	238
	Fage International SA	2.79	1.53	0.38	165
	Mevgal SA	0.67	0.52	0.01	186
	Dodoni SA	1.44	0.76	0.02	399
	Evrofarma SA	0.92	0.60	0.01	200
	Average	1.77	1.22	0.23	238
2014	Kri Kri Milk Industry SA	1.49	1.12	0.07	121
	Fage International SA	3.15	1.94	0.66	189
	Mevgal SA	0.64	0.48	0.00	211
	Dodoni SA	1.49	1.02	0.05	328
	Evrofarma SA	0.99	0.56	0.01	204
	Average	1.55	1.02	0.16	211
2015	Kri Kri Milk Industry SA	1.79	1.40	0.31	143
	Fage International SA	4.73	3.73	0.28	208
	Mevgal SA	0.48	0.31	0.01	154
	Dodoni SA	1.41	1.06	0.09	368
	Evrofarma SA	1.07	0.69	0.04	169
	Average	1.90	1.44	0.15	208

4.2.3 Solvency Ratios

$$\text{Debt to equity ratio} = \frac{\text{Total debt}}{\text{Shareholders' equity}}$$

A higher D/E ratio is undesirable because it implies higher financial risk and a weaker solvency position.

$$\text{Debt to asset ratio} = \frac{\text{Total debt}}{\text{Total assets}}$$

A higher D/A ratio is undesirable because it implies higher financial risk and a weaker solvency position.

$$\text{Financial leverage} = \frac{\text{Average total assets}}{\text{Average total equity}}$$

This ratio measures the amount of total assets supported by each money unit of equity. Higher levels of leverage means higher dependence on debt financing.

$$\text{Current to total assets} = \frac{\text{Current assets}}{\text{Total assets}}$$

It indicates the extent of total funds invested for the purpose of working capital

From the table below we notice increasing trend on solvency ratios. Despite the fact that higher levels are not desirable per se, the comparable analysis on solvency ratio sheds lights on this issue. In our opinion, the previous balance sheet analysis was extensive on Kri Kri Milk Industry SA balance sheet, and current assets to total assets ratio was calculated for comparison reasons.

Solvency Ratios	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt to equity	0.34	0.40	0.50	0.66	0.60	0.62	0.63	0.50	0.71	0.80	0.70
Debt to assets	0.25	0.28	0.33	0.40	0.38	0.38	0.39	0.33	0.42	0.45	0.41
Financial leverage	1.27	1.37	1.45	1.58	1.63	1.61	1.63	1.56	1.61	1.76	1.75
Current assets to total assets	0.5	0.6	0.5	0.5	0.5	0.5	0.6	0.6	0.7	0.5	0.5

Comparable analysis on solvency ratios

In the following table, we presented the calculated solvency ratios for the comparable companies and their averages. Our focus remained on Kri Kri Milk Industry SA, but its results are compared with the average of the industry or its peers individually. In general, Kri Kri Milk Industry solvency ratios performance was superior to the industry.

Comparable Analysis on Solvency Ratios

	Company	Debt to Equity	Debt to Assets	Financial Leverage	Current assets to total assets
2009	Kri Kri Milk Industry SA	0.60	0.38	1.63	0.5
	Fage International SA	3.37	0.77	4.56	0.45
	Mevgal SA	4.31	0.88	4.88	0.76
	Dodoni SA	1.73	0.63	3.03	0.82
	Evrofarma SA	2.25	0.69	3.21	0.37
	Average	2.45	0.67	3.46	0.58
2010	Kri Kri Milk Industry SA	0.62	0.38	1.61	0.5
	Fage International SA	3.09	0.76	4.25	0.36
	Mevgal SA	3.03	0.75	4.36	0.58
	Dodoni SA	1.82	0.65	2.78	0.80
	Evrofarma SA	2.40	0.71	3.32	0.36
	Average	2.19	0.65	3.26	0.52
2011	Kri Kri Milk Industry SA	0.63	0.39	1.63	0.6
	Fage International SA	4.68	0.82	4.76	0.40
	Mevgal SA	3.98	0.80	4.46	0.62
	Dodoni SA	1.73	0.63	2.77	0.86
	Evrofarma SA	2.90	0.74	3.62	0.30
	Average	2.79	0.68	3.45	0.55
2012	Kri Kri Milk Industry SA	0.50	0.33	1.56	0.6
	Fage International SA	0.27	0.21	2.11	0.44
	Mevgal SA	5.40	0.84	5.60	0.64
	Dodoni SA	1.72	0.63	2.72	0.88
	Evrofarma SA	3.67	0.79	4.24	0.30
	Average	2.31	0.56	3.25	0.57
2013	Kri Kri Milk Industry SA	0.71	0.42	1.61	0.7
	Fage International SA	0.26	0.21	1.26	0.41
	Mevgal SA	9.14	0.90	7.61	0.56
	Dodoni SA	1.96	0.66	2.84	0.88
	Evrofarma SA	3.67	0.79	4.67	0.30
	Average	3.15	0.59	3.60	0.58
2014	Kri Kri Milk Industry SA	0.80	0.45	1.76	0.5
	Fage International SA	0.27	0.21	1.26	0.46
	Mevgal SA	16.95	0.94	12.86	0.57
	Dodoni SA	1.75	0.64	2.86	0.87
	Evrofarma SA	3.97	0.80	4.81	0.33
	Average	4.75	0.61	4.71	0.54
2015	Kri Kri Milk Industry SA	0.70	0.41	1.75	0.5
	Fage International SA	0.23	0.18	1.25	0.54
	Mevgal SA	-16.61	1.06	674.70	0.48
	Dodoni SA	1.87	0.65	2.81	0.86
	Evrofarma SA	3.48	0.78	4.72	0.34
	Average	1.57 *	0.62	2.63 *	0.53

* excl. Mevgal

Debt to Equity

Kri Kri Milk Industry SA had D/E ratio inferior to industry's average. From 2009 up to 2011, D/E ratio was about 2.47 and company's ratio was about 0.62. In the same period, Dodoni had D/E value below industry's average. In 2012, Fage International SA moved its headquarters abroad and its D/E ratio declined to 0.26 compares to 0.71 of Kri Kri Milk Industry SA and 2.31 of industry's average. This situation remained up to 2015. Consequently, Kri Kri Milk Industry SA totally outperformed its direct competitors or smaller companies.

Debt to Assets

The comparison of D/A ratio is very close to that of D/E. However, the absolute differences are minor. Again, we observe in the period 2009-2011 that Kri Kri Milk Industry SA has the lowest D/A ratio. Since 2012, Kri Kri Milk Industry SA holds the second lower D/A ratio, but its absolute value was increasing leading it closer to industry's average. Overall, we can reach a similar conclusion with D/E ratio.

Financial Leverage

Finance leverage ratio analysis is in line with D/A and D/E ratio analysis. We can infer once again that Kri Kri Milk Industry SA is less leveraged compared to peer companies during the period 2009-2012 and more leveraged than Fage International the remaining years but less leveraged from the industry's average.

Current to Total Assets

Kri Kri Milk Industry SA presents a current to total assets ratio in line with the industry. More specifically, it depicts a higher ratio compared to Evrofarma SA and Fage International SA and lower current to assets ratio from the same size companies.

4.2.4 Profitability Ratios

$$\text{Gross profit margin} = \frac{\text{Gross profits}}{\text{Revenue}}$$

Shows the percentage of a company's revenues that are available to meet operating and non-operating expenses.

$$\text{Net profit margin} = \frac{\text{Net profits}}{\text{Revenue}}$$

Shows how much profit a company makes for every dollar it generates in revenue.

$$\text{ROE} = \frac{\text{Net Income}}{\text{Average total equity}}$$

Measures the return earned by the company on its equity capital.

$$\text{ROA} = \frac{\text{Net Income}}{\text{Average total assets}}$$

Measures the return earned by the company on its assets.

$$\text{Operating profit margin} = \frac{\text{Operating profits}}{\text{Revenues}}$$

Measures company's pricing strategy and operating efficiency.

We accomplished the analysis of Kri Kri Milk Industry SA margins on Section 4.1 and in this section we added ROA and ROE ratios. We notice that average ROA for the period was 6.8% and average ROE was 10.6%. ROE can be used as an indicator of management's decision about spending of investors' money.

Profitability Ratios	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Gross profit margin	49%	48%	44%	42%	46%	39%	37%	37%	32%	24%	33%
Operating profit margin	10.2%	10.9%	9.5%	9.0%	9.3%	6.7%	5.9%	10.0%	7.8%	5.9%	7.3%
Net profit margin	6.8%	7.1%	7.3%	6.3%	8.1%	5.3%	4.2%	8.6%	7.2%	4.6%	5.8%
ROA	6.5%	6.7%	7.0%	6.4%	7.6%	5.7%	4.4%	10.6%	8.9%	5.4%	5.5%
ROE	8.3%	9.2%	10.1%	10.2%	12.4%	9.2%	7.2%	16.6%	14.4%	9.6%	9.7%

Comparable analysis on profitability ratios

In the following table, we presented the calculated profitability ratios for the comparable companies and their averages. Our focus remained on Kri Kri Milk Industry SA but its results are compared with the average of the industry or its peers individually. Accessing Kri Kri Milk Industry SA performance, we notice superior profitability ratios than all peer companies.

Gross profit margin

Kri Kri Milk Industry SA was the company with higher gross profit margins from its peer companies in the examined period except from 2014 and 2015. In these two years, Fage International over passed Kri Kri Industry SA.

Operating profit margin

Dodoni SA and Kri Kri Milk Industry SA had the highest operating profit margins in 2015 with the two companies performing better than the average. It is important to note that company's operating profit margin remained above the average even in 2014.

Comparable Analysis on Profitability Ratios

Company		Gross profit margin	Operating profit margin	Net profit margin	ROA	ROE
2009	Kri Kri Milk Industry SA	46%	9%	8%	7.6%	12.4%
	Fage International SA	32%	2%	2%	1.2%	5.6%
	Mevgal SA	30%	2%	0%	-0.1%	-0.5%
	Dodoni SA	14%	3%	1%	1.9%	5.9%
	Evrofarma SA	22%	5%	0%	0.2%	0.5%
	Average	29%	4%	2%	2%	5%
2010	Kri Kri Milk Industry SA	39%	7%	5%	5.7%	9.2%
	Fage International SA	30%	-3%	-7%	-5.2%	-22.1%
	Mevgal SA	26%	-3%	-4%	-5.0%	-21.8%
	Dodoni SA	13%	4%	2%	3.3%	9.1%
	Evrofarma SA	21%	5%	-1%	-0.3%	-1.1%
	Average	26%	2%	-1%	0%	-5%
2011	Kri Kri Milk Industry SA	37%	6%	4%	4.4%	7.2%
	Fage International SA	29%	0%	-7%	-5.9%	-28.0%
	Mevgal SA	23%	-1%	-4%	-4.2%	-18.6%
	Dodoni SA	15%	7%	3%	3.9%	10.9%
	Evrofarma SA	15%	-6%	-11%	-6.4%	-23.3%
	Average	24%	1%	-3%	-2%	-10%
2012	Kri Kri Milk Industry SA	37%	10%	9%	10.6%	16.6%
	Fage International SA	31%	4%	-2%	-1.3%	-2.8%
	Mevgal SA	26%	-1%	-5%	-4.5%	-25.2%
	Dodoni SA	15%	6%	0%	0.4%	1.1%
	Evrofarma SA	12%	-4%	-11%	-5.9%	-24.8%
	Average	24%	3%	-2%	0%	-7%
2013	Kri Kri Milk Industry SA	32%	8%	7%	8.9%	14.4%
	Fage International SA	25%	-7%	-7%	-6.0%	-7.5%
	Mevgal SA	20%	-5%	-10%	-9.3%	-70.6%
	Dodoni SA	18%	7%	0%	0.2%	0.5%
	Evrofarma SA	20%	2%	-2%	-1.1%	-5.3%
	Average	23%	1%	-2%	-1%	-14%
2014	Kri Kri Milk Industry SA	24%	6%	5%	5.4%	9.6%
	Fage International SA	32%	3%	1%	1.1%	1.4%
	Mevgal SA	22%	-2%	-5%	-4.7%	-60.7%
	Dodoni SA	21%	7%	2%	1.9%	5.4%
	Evrofarma SA	25%	4%	-2%	-1.3%	-6.4%
	Average	25%	4%	0%	0%	-10%
2015	Kri Kri Milk Industry SA	33%	7%	6%	5.5%	9.7%
	Fage International SA	34%	5%	0%	0.4%	0.5%
	Mevgal SA	25%	-12%	-13%	-11.9%	na
	Dodoni SA	25%	9%	3%	3.4%	9.7%
	Evrofarma SA	20%	6%	1%	0.6%	2.8%
	Average	27%	3%	0%	0%	6%

Net profit margin

We observe that 3 out of 4 peers had negative net profit margins. This may not be the case in the dairy industry but for sure, it depicts a trend. On the one side, Kri Kri Milk Industry SA and Dodoni SA managed to have margined above 4%. On the other three companies had real small positive or negative margins.

ROA & ROE

These profitability ratios were constantly higher from the peer companies for Kri Kri Milk Industry SA. Dodoni SA performed good in these ratios as well. Evrofarma SA, Mevgal SA, and Fage International had mostly negative returns on assets and equity.

5. Conclusions

Overall, we believe that Kri Kri Milk Industry SA, indeed, is a success story. From the conducted analysis, it can be inferred that company is still dependent on Greek market demand, but its exports started to capture a greater segment of the total sales. Moreover, we believe that the recent agreements with supermarkets chains in the UK are going to reduce further this overdependence from a single market. Concerning revenues, it can be mentioned that underlying factor for the growth in total revenues was dairy products sales. Total revenues were threefold in 2015 (€ 66.25 million) compared to those in 2004 (€ 22.54 million) and more than 50% higher compared to € 40.25 million in 2009. Company's management presented readiness when needed. However, management decision about the establishment of subsidiaries was inferior. Financial ratios analysis revealed that company performed above the average from the selected peer companies on all categories i.e. activity ratios, liquidity ratios, profitability ratios and solvency ratios. In general, Kri Kri's Milk Industry SA ratios were close to Fage International SA (a proxy for very large companies) and better than Mevgal SA, Evrofarma SA, and Dodoni SA.

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