

# Company Report

**FLASH NOTE**  
October 2012

**Valuation & Research Specialists (VRS)**  
Equity Research Team  
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Share Price (23/10/2012) € 0.97

# of Shares (,000) 33,065  
Market Cap (in € mn) 31.91  
A.D. Volume (p) 3,167  
Beta Co-efficient\* 0.29

#### Statistical Data

Max 52 week 1.05 €  
Min 52 week 0.51 €  
1-M Rtn 15.02%  
6-M Rtn 53.17%  
12-M Rtn 50.78%

#### Shareholders' Structure

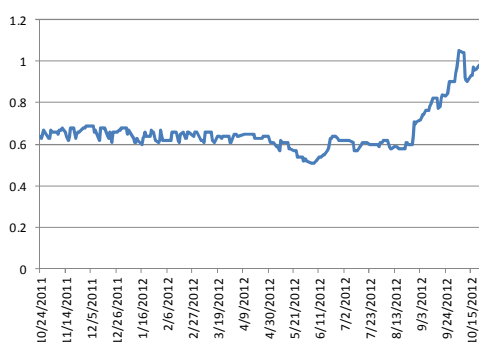
(Source: The Company)

Tsinavos Family 78.5%  
Other Investors 21.5%

Source: The Company, Reuters, VRS.

\* Note: Based on last year's daily returns relative to the General Index, VRS calculations.

#### Stock Price Performance (1 year, in €)



**Kri Kri S.A.** [Bloomberg Ticker: KRI:GA, Reuters Ticker: KRIR.AT]

**Business Sector: Consumer Non-Cyclical**      **Industry: Food – Dairies**

#### Business Profile – Growth Drivers

- Kri Kri Milk Industry S.A. (or the Company) is a Greece-based company engaged in the production and trade of dairy products, principally ice creams, yogurt and fresh milk. It is headquartered in Serres, Northern Greece.
- The Company also operates production units overseas in the Former Yugoslav Republic of Macedonia (71.15% stake), as well as a commercial company in Bulgaria, Sofia (49.29%), and a subsidiary in Iraqi Kurdistan (60% stake). In addition, the Company owns a distribution center in Aspropyrgos, Attica for servicing the market of Southern Greece. The Company exports its products to more than 13 countries.
- The Company has a long-lived presence in the Greek market as it was incorporated in 1954. It currently employs 305 persons as of June 30, 2012, on a group basis.
- Kri Kri's factory lies 5 km from the center of Serres city on a 48,800 square meter plot. The premises, covering an area of 16,400 sq. m., are composed of 2 different factories (producing dairy products and ice cream), freezer storage rooms with a volume of 33,800 cubic meters and modern mechanical equipment. 3,500 tons of milk is produced daily just for the Serres Prefecture and 14,000 tons of yogurts are distributed throughout Greece. The ice cream factory is equipped with modern production lines, allowing for an annual production capacity of 9,500 tons (8-month ice cream season).
- The products are distributed through super market chains and small food shops all over Greece.
- The yogurt production includes five production lines: white yogurt, with fruits, children yogurt, traditional yogurt and catering. White yogurt includes the "Spitiko" brand, strained yogurt and cow's yogurt in multiple fat content lines. Fruits and children yogurt lines include 100% Greek milk with various pieces of fruit. Traditional yogurt line includes sheep and cow's yogurt.
- The milk production includes four products: fresh full-fat (3.5% fat), fresh low-fat (1.5%), chocolate (skimmed) and ayran (kefir) milk, all produced from 100% Greek milk.
- The ice cream production includes six product lines: cups, kids, bars, cones, sandwiches and sorbe. The bars line includes such brands as "Mars", "Snickers" and "Twix". The kids' line includes "Scooby Doo" and "Ben 10" ice creams in surprising cups that offer gifts for children. The sticks and sandwich line includes the "Master" brand line covered with real milk chocolate in a variety of flavors.

#### Corporate Strategy

- Kri Kri's growth strategy is based on the following components: (1) Consolidation of the traditional ice cream and dairy products activity via stronger export orientation, mainly through expansion in the Balkans market; (2) Production of high-quality products with high nutritional value, continuously improving the ISO 9001, ISO 22000, ISO 14001, BRC, IFS, OHSAS 18001 systems; (3) Ensuring that Kri Kri's products are safe and will not harm customers' health, implementing an integrated system of risk control management, as well as best industrial practices throughout production processes; (4) Maintenance and expansion of cooperation with large supermarket chains; (5) Given the tough economic conditions in Greece, constant improvement of liquidity and profitability through the generation of stable cash flows from exports.

#### Important Note:

**Valuation & Research Specialists (VRS) have based the aggregate information contained in this report on Kri Kri's corporate and IR website, www.krikri.gr. VRS have also contacted the Management for factual verifications. VRS have compiled this report solely for information purposes.**

**Valuation & Research Specialists (VRS) do not intend to express any views or judgments about the covered company, Kri Kri, via this report.**

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#### BASIC FINANCIAL INDICATORS

(in € mn)	Sales	EBITDA	EBT	EATAM	P/E (x)	P/BV (x)	EV/EBITDA (x)	DEBT / EQUITY (x)	ROE %
2009	40.3	3.7	3.7	3.3	9.2	1.10	7.4	0.07	12%
2010	47.2	3.2	3.0	2.5	12.0	1.11	9.3	0.07	9%
2011	47.9	2.8	2.4	2.0	14.8	1.03	10.0	0.15	7%

Notes: (1) EATAM and equity are calculated excluding minorities. (2) P/E, P/BV and EV/EBITDA are based on current share price. Source: Official Consolidated Financial Statements (based on IFRS), VRS Calculations.

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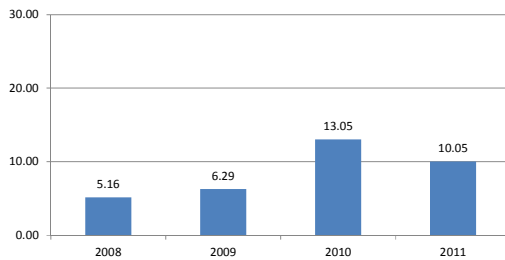
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## Group's Subsidiaries

SUBSIDIARY (PARENT'S % STAKE)	BUSINESS
KRI KRI D.O.O. KUMANOVO (71.15%)	ICE-CREAM/DAIRY PRODUCTS
KRI KRI DLBA MIDDLE EAST (60%)	ICE-CREAM/DAIRY PRODUCTS
KRI KRI BULGARIA A.D. (49.29%)	ICE-CREAM/DAIRY PRODUCTS

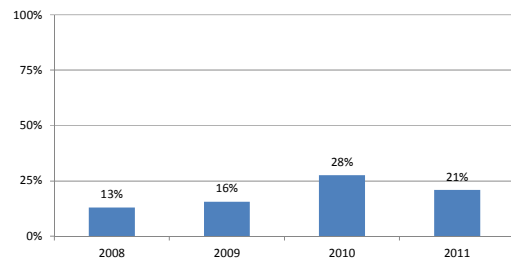
Source: The Company.

## Group Exports (in EUR million)



Source: The Company.

## Exports as % of Group Sales



Source: The Company.

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## Financial Highlights 2011 (Consolidated)

- In 2011, the ice cream and dairy products sectors contributed revenues (and EBITDA) of EUR 21.83 (2.95) and 25.87 (1.77) million respectively on consolidated basis. The geographic breakdown on group level was the following (in EUR million): Greece 37.86, EU 4.43, other countries 5.62. Exports represented 21% of total sales in 2011.
- As of 31 December 2011, the Group's equity settled at EUR 29.11 million with its outstanding long-term and short-term bank debt at EUR 4.33 million. Cash and cash equivalents amounted to EUR 6.14 million. Net cash flows from operating activities stood at EUR 2.37 million in year end 2011 versus EUR 3.85 million in year-end 2010.
- Group investments in tangible and intangible assets accounted for EUR 2.33 million based on the cash flow statement.

## First Half 2012 Results (Consolidated)

- In 1H 2012, sales and gross profit accounted for EUR 31.33 million (from EUR 25.92 million in 1H 2011) and EUR 12.51 million (from EUR 10.45 million in 1H 2011) respectively, with net profit settling at EUR 4.12 million versus EUR 2.58 million in 1H 2011.
- As of 30 June 2012, the Group's equity accounted for EUR 33.23 million with its outstanding long-term and short-term bank debt at EUR 3.7 million. Cash and cash equivalents amounted to EUR 4.01 million. Net cash flows from operating activities stood at EUR -1.17 million in 1H 2012 versus -1.31 million in 1H 2011.

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## Working Capital Ratios

in EUR million	2009	2010	2011
Sales	40.25	47.20	47.91
Cost of Sales	19.15	26.15	27.04
Net Income / Profit	3.26	2.50	2.03
Cash & Cash Equivalents	4.22	2.29	6.14

## Stock Days

	Days	2009	2010	2011
Stock Inventory	Days	4.88	5.17	4.28
<b>Debtors Days</b>	<b>Days</b>	<b>127</b>	<b>118</b>	<b>116</b>
Debtors - Receivables		13.99	15.28	15.25
<b>Creditors Days</b>	<b>Days</b>	<b>145</b>	<b>117</b>	<b>113</b>
Creditors - Suppliers		7.60	8.35	8.34

## Operating Cycle (Days)

	Days	2009	2010	2011
Operating Cycle (Days)	Days	220	190	174

## Cash Cycle (Days)

	Days	2009	2010	2011
Cash Cycle (Days)	Days	75	74	61

Source: Official Consolidated Financial Statements, VRS Calculations.

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Covered Company	Bloomberg	Reuters	Stock Price	Date	Disclosure
KRI KRI S.A.	KRI:GA	KRIr.AT	€ 0.97	October 23, 2012	2, 3

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2. VRS has sent the research report to the covered company, prior to publication or dissemination, for factual verification.
3. VRS has changed the contents of the initially sent report, with respect to: factual changes have been made.
4. VRS has received compensation from the covered company for the preparation of this research report.
5. VRS produces research reports for this company on systematic basis.
6. VRS produces research reports for this company on demand basis.
7. VRS has produced a research report for this company within the past 12 months.

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