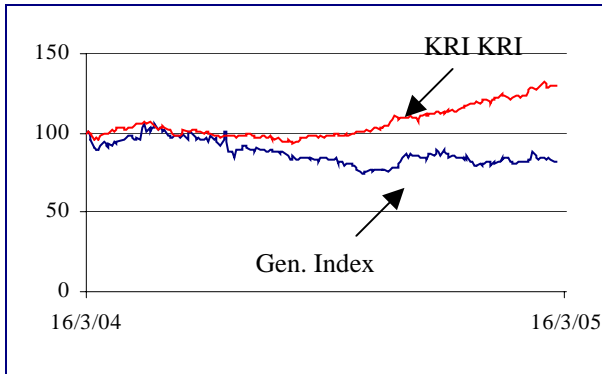


March 16, 2005



KRI KRI MILK INDUSTRY <KRIr.AT> / [KRI GA] BUY

Sector: Food Industry

KEY DATA

Price: €4.88
Mkt Cap: €21.9m
Shares Outstanding: 4.49m

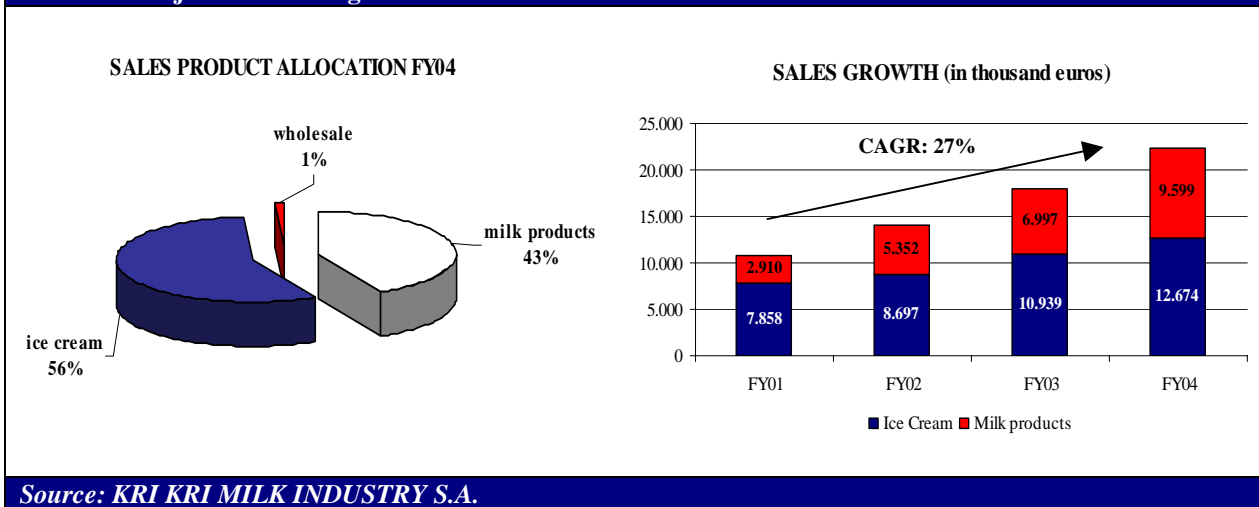
52-week high –low: €6.64-€4.36
Avg. daily trading vol. (1-month): € 7,820 / 1,570 shares
Avg. daily trading vol. (12-month): €10,010 / 1,919 shares

KRI-KRI MILK INDUSTRY – SOUND GROWTH ON GOOD FINANCIALS

- **KRI-KRI SA is one of the top milk industries producing all types of Ice cream and dairy products.**

The company produces ice cream for both personal and family consumption in more than 60 different kinds, as well as for professional use (in more than 25 flavors). In addition, it also produces strained and traditional Greek yogurt. Its operations originate back in 1950 with the production and supply of quality ice-cream to the local market of Northern Greece, which is the home-base of KRI-KRI until today. The company’s strategy entails the coverage of all Greece, the expansion of its presence in the Balkans, the enhancement of brand awareness, the pursuit for co-operations bearing synergies, the product quality improvement and new product launching, the continuous effort for cost cutting and the efficient use of human resources.

KRI-KRI Major Business Segments



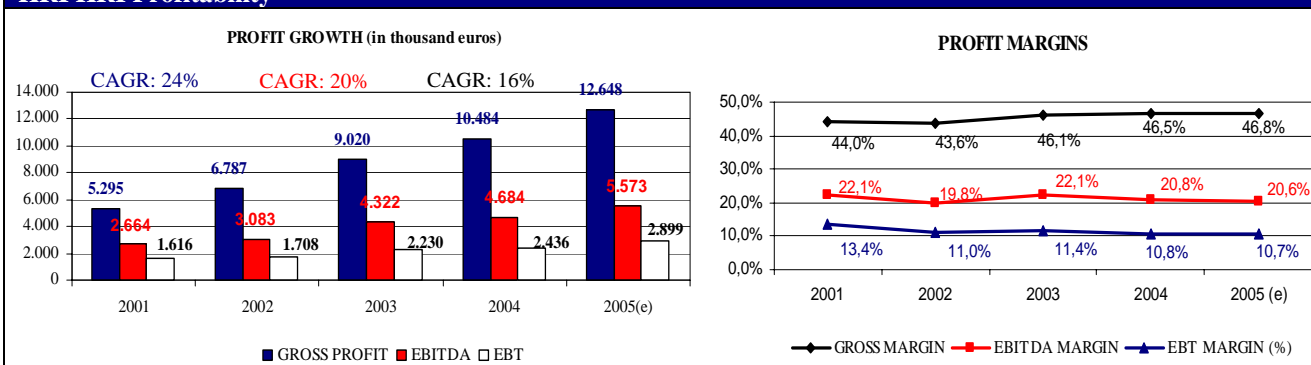
Source: KRI KRI MILK INDUSTRY S.A.

- **KRI-KRI SA is one of the leading milk industries in Greece enjoying satisfactory market shares.**

Owning production plant premises in Greece as well as in FYROM – through its 70% subsidiary “KRI KRI DOO KUMANOVO” – and employing over 100 people, KRI KRI is one of the most dynamic milk industries in Greece. KRI KRI ice cream can be found in 10.000 POS spread all over the country and the Balkans via a well-organized network of commercial representatives. The value local ice cream market summed up at €250m in 2004 while its average annual growth stands at 1.5%. The company controlled a 6% market share throughout Greek market and 13% in Northern Greece. Yogurt products are distributed 6.500 POS both domestically and in FYROM, while exporting activities take place in more than seven countries. The market value for yogurt amounted to €282m in 2004 and the average annual growth at 8%. KRI KRI controls a 5% share in total yogurt market, while it is market leader in the family package category with a 32% share.

- **The company has recently presented sound FY04 results giving out signals of a healthy profitable business.** Group EBT after minorities jumped 9% y-o-y to €2.4m on turnover reaching €22.5m (+15% y-o-y). Gross margin improved to 46.5% (versus 46.1% in FY03), despite the higher contribution of the low bearing margins of the milk products sector in group sales, due to the decrease of COGS brought about by investments in machinery and equipment during FY04. Yet, 14% higher administrative&selling expenses limited EBT margin to 10.8% from 11.4%. FY05 group turnover is expected 20% higher to €27m as a result of the addition of new brands in the domestic product portfolio as well as adding of new POS in the Eastern European market. EBITDA is seen at €5.6m (+19% y-o-y) while EBT is expected at €2.9m. We note that company guidance points to a very low effective tax yield due to a special accounting treatment in depreciation for FY04, which is not sustainable in the next years. Apart from the company's steady top and bottom line growth, among its positives is the low dependence on borrowed capital, which means it can finance its growth internally. Specifically, interest coverage at the level of 60x indicates that the company can more than comfortably meet its interest obligations.

KRI KRI Profitability



Source: KRI KRI MILK INDUSTRY S.A

- **KRI KRI is a company with plenty of competitive advantages and prospects for further growth.**
 - The company exhibits steady growth in sales with a CAGR 2001-2004 of 27%.
 - The subsidiary in FYROM is a sound profit-generating business representing the driving force for expansion in the Balkans.
 - The company retains sound high-level profit margins.
 - It enjoys healthy financial standing and cash flow generation sufficient to support its growth internally.
 - It plans selective expansion strategy focused domestically and in Eastern European markets building an extensive retail network carrying its existing and new products.
 - Brand awareness is enhanced by superior, consistent and guaranteed quality given that the whole spectrum of production is carried out under strictly controlled health conditions and through systems with numerous quality certifications.

- **Attractive valuation indicates high intrinsic value.**

KRI KRI enjoys strong free cash flow generation ability rather than abnormal growth potential and its financial standing confidently backs up the company's intrinsic value. Its share currently trades 8.9x its 2005e EPS and its 2005e P/BV ratio stands at 0.9x. Applying the Discounted Cash Flow valuation method we have estimated a target share price of €6.02. Its small cap makes it rather difficult to compare it multiple-wise to listed peers in ATHEX or Western Europe. Nonetheless, a relative multiples valuation comparing KRI KRI with the ATHEX Small Cap Index and its international food & dairy products peers sums up the "fair price" to €6.50, implying a hefty 33% upside from its current price. The attractive valuation renders KRI KRI MILK INDUSTRY a sound value investment.

- **Financial Statements (Greek GAAP)**

KRI KRI SA cons. Income Statement (€'000)						
	2003	2004	2005e	2006f	2007f	2008f
Total Turnover	19.547	22.538	27.046	31.102	34.835	38.318
COGS	10.528	12.054	14.397	16.401	18.300	20.072
Gross Operating income	9.020	10.484	12.648	14.701	16.535	18.246
Other Operating Income	356	230	276	317	355	391
Operating Income	9.376	10.714	12.924	15.019	16.890	18.637
Administrative & Selling Expenses	7.086	8.065	9.813	11.363	12.796	14.133
EBITDA	4.322	4.684	5.573	6.636	7.325	7.960
Plus: Interest Income	78	106	127	146	168	185
Less: Interest Expenses	38	39	59	64	71	79
Extraordinary Income (Expenses)	-101	-280	-280	-308	-323	-331
Less: Depreciation	2.032	2.035	2.462	2.981	3.231	3.456
Plus: Depreciation charged on COGS	2.032	2.035	2.462	2.981	3.231	3.456
EBT	2.230	2.436	2.899	3.430	3.868	4.278
Taxes	345	47	420	514	600	663
Less: Minority Rights	25	24	24	26	29	31
EATM	1.860	2.365	2.455	2.889	3.240	3.584

Source: KRI KRI S.A. & ARTION Research

KRI KRI SA cons. Balance Sheet (€000)						
	2003	2004	2005e	2006f	2007f	2008f
ASSETS						
Gross Fixed Assets	19.005	26.558	28.558	31.058	33.558	35.558
Less: Accum. Depreciation	9.978	12.355	14.817	17.797	21.028	24.484
Net Fixed Assets	9.027	14.203	13.741	13.261	12.530	11.074
Participations	18	18	18	18	18	18
Total Fixed Assets	9.045	14.221	13.759	13.279	12.548	11.092
Inventories	1.644	2.736	3.575	4.783	5.746	6.902
Accounts Receivable	4.506	6.261	7.521	8.499	9.444	10.503
Securities	110	121	500	1.172	2.624	4.793
Cash	6.409	2.068	2.275	2.502	2.753	3.028
Total Current Assets	12.670	11.186	13.871	16.956	20.566	25.226
Transitory Accounts	19	2	2	2	3	3
TOTAL ASSETS	21.734	25.409	27.633	30.237	33.116	36.321
LIABILITIES & EQUITY						
Share Capital	5.521	5.521	5.521	5.521	5.521	5.521
Capital in Excess	4.779	4.779	4.779	4.779	4.779	4.779
Re-evaluation Adjustments	799	1.576	1.576	1.576	1.576	1.576
Reserves	7.108	8.820	10.644	12.779	15.176	17.828
Retained Earnings	108	190	188	201	212	223
Consol. Differences	112	112	112	112	112	112
Minorities	282	303	327	353	381	413
Total Equity	18.709	21.932	23.147	25.321	27.757	30.451
Provisions	0	0	0	0	0	0
Long Term Liabilities	29	98	133	169	206	243
Total Current Liabilities	2.982	3.353	4.325	4.716	5.119	5.588
Transitory Accounts	14	26	29	31	35	38
TOTAL LIAB. & EQUITY	21.734	25.409	27.633	30.237	33.116	36.321

Source: KRI KRI S.A. & ARTION Research

KRI KRI Main Ratios & Multiples						
	2003	2004	2005e	2006f	2007f	2008f
Profit Margins						
Gross Margin	46,1%	46,5%	46,8%	47,3%	47,5%	47,6%
EBITDA Margin	22,1%	20,8%	20,6%	21,3%	21,0%	20,8%
EBT Margin	11,4%	10,8%	10,7%	11,0%	11,1%	11,2%
EAT Margin	9,5%	10,5%	9,1%	9,3%	9,3%	9,4%
Per share Data (in EUR)						
EPS (after tax)	0,41	0,53	0,55	0,64	0,72	0,80
EPS (pre tax)	0,50	0,54	0,65	0,76	0,86	0,95
EBITDAPS	0,96	1,04	1,24	1,48	1,63	1,77
CFPS	0,87	0,98	1,10	1,31	1,44	1,57
DPS	0,10	0,13	0,14	0,17	0,19	0,21
BVPS	4,17	4,89	5,16	5,64	6,18	6,78
Valuation Ratios (x)						
P/E	11,8	9,3	8,9	7,6	6,8	6,1
P/S	1,1	1,0	0,8	0,7	0,6	0,6
EV/EBITDA	3,6	4,3	3,5	2,8	2,3	1,8
EV/S	0,8	0,9	0,7	0,6	0,5	0,4
P/BV	1,2	1,0	0,9	0,9	0,8	0,7
P/CF	5,6	5,0	4,5	3,7	3,4	3,1
Profitability Ratios (%)						
ROE (avg)	12,2%	11,6%	10,9%	11,9%	12,2%	12,9%
ROCE (avg)	10,5%	10,2%	9,5%	10,2%	10,5%	11,0%
ROA (avg)	10,2%	10,0%	9,3%	10,0%	10,2%	10,8%
ROE - EBITDA (avg)	28,5%	23,1%	24,7%	27,4%	27,6%	28,5%
ROA - EBITDA (avg)	23,8%	19,9%	21,0%	22,9%	23,1%	23,9%
Liquidity Ratios						
Current Liquidity	4,25	3,34	3,21	3,60	4,02	4,51
Acid Ratio	3,70	2,52	2,38	2,58	2,90	3,28
Gearing	621%	636%	519%	518%	521%	522%
Debt / EBITDA	0,02	0,05	0,04	0,04	0,04	0,04
Interest/ EBITDA	0,01	0,01	0,01	0,01	0,01	0,01
Interest Coverage	60,05	63,46	50,16	54,65	55,24	55,21

Source: KRI KRI S.A. & ARTION Research