

## KRI-KRI

Reuters : KRIr.AT Bloomberg : KRI GA

Sector: Food Products

### Ownership Structure:

Tsinavos Family 79.10%  
Free Float 20.90%

### Stock Data

Price (28/03/2007) 3.68  
Shares (in mn) 8.977  
Mkt Cap (in mn) 33.035

### Stock Ratios

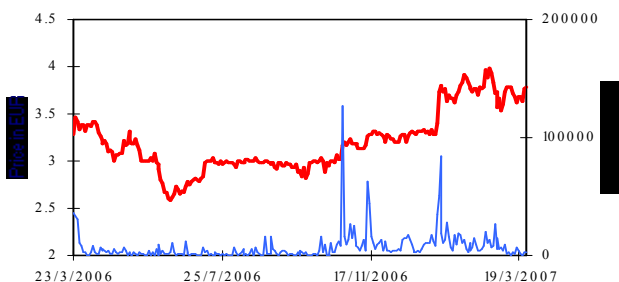
	2005	2006	2007 E	2008 E
P / E	19.32	16.58	13.10	10.26
P / BV	1.58	1.49	1.40	1.29
EV / EBITDA	6.26	5.43	5.05	4.42
Div. Yield	1.98%	2.72%	3.26%	3.80%
ROE	8.18%	9.24%	11.00%	13.07%
ROIC	8.11%	9.17%	10.93%	12.99%
Net Debt/Equity	-0.19	-0.18	-0.15	-0.12

### Summary Financials

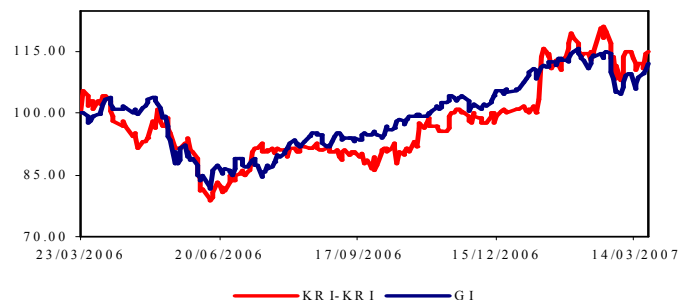
P&L (in mil. €)	2005	2006	2007 E	2008 E
Turnover	25.37	28.28	32.18	36.04
Gross Profit	13.32	14.60	15.59	17.46
OPEX	8.65	8.70	9.66	10.65
EBITDA	4.63	5.33	5.83	6.81
Fin. Results	-0.01	0.04	0.05	0.06
Depreciation	2.04	2.23	2.30	2.56
EBT	2.58	3.13	3.57	4.32
EAT & Minor.	1.71	1.99	2.52	3.22

Source: Company Data & VRS Projections

Stock Graph (52 weeks)  
Min: € 2.58 Max: € 3.98



Relative performance with G.I. (52 weeks)  
Stock Return: 15.24% - G.I. Return: 12.15%



## KEY INVESTMENT POINTS

- Kri-Kri is active in the dairy market, with a distribution network of **more than 10,000 points of sales in Greece** and abroad. The Company produces a broad range of ice-creams for both personal and family consumption, holding also a significant market share in yogurt mostly in family size.
- Kri-Kri is a recognised brand name in the Greek dairy market, holding about **6% market share** (in volume) in the Greek yogurt and ice-cream market and targeting an 8% market share by the end of 2008. The Company targets organic growth as well as collaboration agreements with leading distribution companies in Greece and abroad. The location of its production plant near large farms in Northern Greece, provides access to high quality and significant quantity of milk at relatively competitive prices.
- The most significant drivers for future growth are: a) geographic expansion, with Attica being the main target followed by the Balkans and the Western Europe, b) further enrichment of products with the development of new brands, aiming to capture a larger share in foreign markets through strategic agreements with leading distributors, c) the modernisation and expansion of infrastructure, d) the sustainability of competitive pricing.
- By applying our forecasts for the coming 5-years in the DCF model, we derive a fair price of € 4.47 per share, implying an outperform rating. Our time horizon for this rating is approximately 12 months.

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**INVESTMENT CASE**

Kri-Kri S.A, is a well established brand name in the dairy product market of Greece, holding about 6% market share (in volume) in yogurt and ice-cream products. The Group has a strong presence in Northern Greece, where its facilities are located, holding about 13% of the local ice-cream market and distributing, only to that region, fresh milk.

The Group is successfully supplying the Greek yogurt and ice-cream market by developing its own sales network, as well as via alternative distributors, such as super-markets, hotels, restaurants and catering channels. The Group offers a broad range of branded and private label products having established a strong reputation, of high-quality dairy products. The strategy of the Management focuses on constant expansion by developing value added products and forming new collaboration agreements with a large number of product distributors. The Management aims to expand market share by increasing the points of sales, offering more products in the ice-cream and yogurt segments and capitalizing on the restructuring that is taken place in the Greek dairy market following the merger of Delta with Chipita and the acquisition of Delta Ice-Cream by Nestle.

At the end of 2006, total turnover of the Group reached € 28.3 million, up by 11.5% compared to 2005, a rate that was significantly higher compared to the sector's growth. The growth rate in the following years is expected to remain significantly higher compared to the average growth of the sector. This would be achieved by the expansion of production capacity, the greater penetration of the Company's products in Greece, and abroad, and the achievement of lower production costs that imply competitive pricing.

**Assuming a successful implementation of the corporate strategy and vision by the management, we expect total turnover to reach € 45.74 million by the end of the fiscal 2011, with CAGR for the next 5-years standing at 10.09%.**

**☞ Expansion Strategy**

By the end of 2006, the Company had improved its successful expansion, utilizing 11,600 points of sales for its ice-cream products (9,400 points in Greece

and 2,200 points in the Balkans), and 5,500 points of sales for its yogurt products. Through its subsidiary based in FYROM, the Group took advantage of its collaboration with leading supermarket chains in Greece (e.g. Carrefour, AB-Vasilopoulos, Veropoulos, Masutis), topped by 1,000 points of sales in the Balkans. The Company aims to cover all parts of Greece focusing, to a larger extent than in the past, on Attica region, and to expand in the Balkans and Western Europe through organized distribution networks.

**In the coming years, the Group is expected to adopt an aggressive expansion strategy in order to grab new market opportunities.** This strategy accounts for: a) a new investment plan, b) new product development, c) aggressive marketing campaign and competitive pricing, d) international expansion through strategic collaborations.

- **Investment plan and expansion.** The management has announced the commencement of a three year investment plan of approximately € 12 million (€ 8 million concerning the ice-cream sector and € 4 million concerning the dairy sector) that would be state-subsidized by 50%. The investment plan would result, by the end of 2008, to the increase of production and storage capacity by 40% in the ice cream plant and by 60% in the dairy plant, resulting at the same time to industrial cost reduction due to efficiencies and economies of scales.
- **Launching of new products.** In addition, the Company will keep launching and distributing new products, mainly ice-creams and yogurts as the distribution of fresh milk does not form a strategic target despite the experimental launch of a new fresh milk brand in selected supermarkets in Greece.
  - **Ice-creams:** The Company aims to introduce new ice-cream products co-branded with ION and Masterfoods-Trofelect (Mars ice-creams), introducing also a water-ice product having an orange flavor.
  - **Yogurt:** The Group is planning to enter the yogurt market for kids (a € 50 million market) and at the same time, expand its sales in Western Europe, seeking opportunities in new countries. With regard to export activities, the Group

- will launch a new branded yogurt “YOGOOD”, counting on the good reputation that has established the Greek yogurt abroad.
- **Private label products:** The Company aims at new commercial contracts for the production of private label products that currently constitute the 12.5% of the total Group turnover.
  - **Aggressive marketing and competitive pricing.** The investment in marketing campaign in all forms of media, currently constituting approximately 7% of total turnover, will remain strong, as it is expected to increase by 40% in 2007. Additionally to marketing, pricing will remain an important driver as the dairy market is highly competitive. The geographic expansion of the Company’s products in areas like Attica, where large competitors are active for years, requires competitive pricing levels.
  - **International expansion.** International activities form a significant part in future growth. International revenues currently stand at 13.2% of total turnover, compared to 12.2% at the end of 2005. The expansion in the Balkans will be driven by the Company’s subsidiary KRI-KRI D.O.O. KUMANOVO in FYROM that would be the base for the utilization of organized distribution networks in the region. At the same time, steps will be taken to strengthen the distribution network in Albania via co-operation with a local logistics company. Finally, the newly branded yogurt “YOGOOD” is estimated to attract the interest of Western European markets. Currently, the yogurt can be found in supermarkets in Italy, while further expansion in the markets of Spain, Great Britain and France is planned.

**SECTOR'S OUTLOOK AND COMPANY'S POSITIONING**

The Greek dairy sector has undergone a significant transformation over the past few years. The most significant event is the break-up agreement between Delta and Danone and the decision of the latter to operate autonomously in the Greek market targeting a 10% market share in the yogurt market. Another important international player, Friesland, has also entered the Greek yogurt market.

The most important event during the fiscal 2006, was the merger between two of the largest food Groups in Greece, Delta (full range of dairy products) and Chipita (snack products), creating significant synergies in the distribution network. The new Group decided however to withdraw from the ice-cream market selling the operation to Nestle. This decision, created opportunities for smaller Greek companies like Kri-Kri that are more flexible and have long experience in the domestic market. In addition, even though Nestle brand name is well recognized for many dairy products, it is not however linked with ice-cream and yogurt products in Greece.

Another trend of the Greek ice-cream market that has benefited Kri-Kri relates to private label products. The Company offers private label products to supermarkets, diversifying its position in the market. This category accounts for approximately 12.5% of Group's total turnover.

The dairy market in Greece produces a total turnover of about € 2.1 billion, of which about € 300 are attributed to yogurt and € 250 million to ice-creams. The sector generates relatively small turnover growth rates of around 5% per year. The average net profit margin at the end of 2005 was estimated at around 2.1% (compared to 1.5% in 2004) with the larger in size companies achieving higher growth rates. In this market, we expect a low one-digit growth potential in turnover, stabilizing at around 3.5%, and resulting in a market size of about € 2.6 billion by the end of 2011.

### Historic & Projected Dairy Sector Breakdown

(in € thous.)	2005	2006	2007 E	2008 E	2009 E	2010 E	2011 E
<b>Greek Dairy Market Size</b>	<b>2,060,000</b>	<b>2,156,000</b>	<b>2,253,020</b>	<b>2,343,141</b>	<b>2,425,151</b>	<b>2,510,031</b>	<b>2,597,882</b>
y-o-y change %		4.66%	4.50%	4.00%	3.50%	3.50%	3.50%
<b>-Size of ice-cream market</b>	<b>251,000</b>	<b>261,000</b>	<b>270,918</b>	<b>280,671</b>	<b>290,214</b>	<b>299,501</b>	<b>308,486</b>
y-o-y change %		3.98%	3.80%	3.60%	3.40%	3.20%	3.00%
% of total	12.18%	12.11%	12.02%	11.98%	11.97%	11.93%	11.87%
<b>- Size of yogurt market</b>	<b>300,000</b>	<b>315,000</b>	<b>330,120</b>	<b>345,306</b>	<b>360,499</b>	<b>375,640</b>	<b>390,666</b>
y-o-y change %		5.00%	4.80%	4.60%	4.40%	4.20%	4.00%
% of total	14.56%	14.61%	14.65%	14.74%	14.87%	14.97%	15.04%
<b>-Size of milk market</b>	<b>1,509,000</b>	<b>1,580,000</b>	<b>1,651,100</b>	<b>1,722,097</b>	<b>1,792,703</b>	<b>1,862,619</b>	<b>1,931,536</b>
y-o-y change %		4.71%	4.50%	4.30%	4.10%	3.90%	3.70%
% of total	73.25%	73.28%	73.28%	73.50%	73.92%	74.21%	74.35%
<b>Kri-Kri Total Market Share</b>	1.08%	1.13%	1.22%	1.28%	1.35%	1.40%	1.41%
- Share in ice-cream market	4.98%	5.25%	5.69%	6.04%	6.37%	6.67%	6.79%
- Share in yogurt market	2.65%	2.66%	2.84%	2.99%	3.09%	3.18%	3.21%
- Share in milk market	0.53%	0.53%	0.57%	0.60%	0.62%	0.64%	0.65%

Source: Hellastat, Company Data, VRS estimates.

In the dairy market, Kri-Kri currently holds around 1% of the total market, while our expectations refer to at least 1.41% market share by the end of 2011. Kri Kri is expected to achieve the above target by increasing its market share in the ice-cream market by an additional 1.5% stake, and by around 0.8% stake in the yogurt market. It is noted that these numbers relate only to the Greek market share and therefore exclude the sales of ice-creams and yogurt abroad.

**CORPORATE PROFILE**

Kri-Kri S.A, established in 1954 by Mr. Tsinavos, specializes in the production and distribution of dairy products, mainly ice-creams and yogurt and secondarily fresh milk. The Company is based in Municipality of Serres, Northern Greece, and its shares are listed on the Athens Exchange, in the Small and Medium capitalization market. To facilitate operations, the Company owns a land of 43,000 sq.m. in Serres with a building site of 12,600 sq.m. The building site includes the production lines for its products, warehouses, freezer and cooler rooms, as well as offices and other auxiliary rooms. In addition, it holds a building site of 1,600 sq.m. in Attica, in Aspropyrgos area, on a land of 8,700 sq.m., that includes warehouses, freezer and cooler rooms as well as offices. Its international expansion is facilitated by its 71.15% subsidiary Kri-Kri DOO KUMANOVO in F.Y.R.O.M. The subsidiary owns a building site of 1,400 sq.m. on a land of 6,200 sq.m., and also operates production lines for ice creams, yogurt and milk. The Company distributes its products through more than 10,000 points of sales in Greece and abroad maintaining agreements with the leading sale-distribution channels, while it also co-operates with well-established branded names in Greece for new product development. Also, it has successfully entered into private label market, with private label products representing 10% of its sales.

**Kri Kri Product Range**

- 1) 51 types-flavors of ice-creams for home-consumption (some of which co-branded with the well-known brand ION)
  - 30 impulse, 17 family, 4 kindsand 2 professional types (scoop) offering 12 flavors.
- 2) 19 types-flavors of yogurt
  - 10 plain, 5 family, 3 traditional, 1 catering
- 3) 6 type-flavors of milk
  - 4 fresh-pasteurized, 1 chocolate, 1 Ayran

Source: The Company.



The large part of activities are held in Greece, however, the Company keeps strengthening its presence in foreign markets.

### Group Turnover Breakdown per Product and Geographic Region

In € 000s	31/12/2006	31/12/2005
<b>Greece</b>	<b>24,455</b>	<b>22,237</b>
Ice-cream	13,703	12,488
Yogurt	8,385	7,935
Milk	2,367	1,814
<b>Abroad</b>	<b>4,339</b>	<b>3,701</b>
Ice-cream	2,147	1,806
Yogurt	2,192	1,895
Milk	-	-
<b>Other</b>	<b>45</b>	<b>157</b>
<b>Intra-Company</b>	<b>-656</b>	<b>-721</b>
<b>Total Consolidated Revenues</b>	<b>28,283</b>	<b>25,374</b>

Source: Company

During 2006, the Company expanded its product range, offering 5 new ice-cream products (3 of them co-branded with ION) and 3 new yogurt products while the “fresh milk Serron” was introduced experimentally. Yogood yogurt targets foreign market only, while in 2007 the Company aims to enter into children’s yogurt.

Finally, the shareholders structure of the Company is as follows:

Shareholder	Percentage
Tsinavos Family	79.10%
Other & Free Float	20.90%
<b>Total</b>	<b>100.00%</b>

Source: Company

**TURNOVER FORECASTS**

The successful expansion in Attica region and the increase of sales abroad would be the major drivers behind the Company's revenue and earnings growth over the next five years as competitive conditions would keep pricing growth at low single digit numbers.

**•Turnover Growth Assumptions**

For the period under consideration, 2007-2011, we expect Company's turnover CAGR of 10.09%, making the following key assumptions:

- The need to expand in a highly competitive sector, having relatively limited profit margin opportunities, requires the adoption of competitive pricing strategies. The turnover growth that the Company enjoyed in the past was mainly based on volume growth rather than rising prices and we expect this pattern to continue. Therefore, we assume an average price growth of around 3%, slightly above inflation rates. The availability of relatively cheap milk would help the Company to maintain competitive pricing.
- The Management of Kri Kri Group has already applied an investment program of approximately € 12 million that is expected to complete by the end of 2008. This would increase the total production and storage capacity to more than 50% measured at current turnover levels, also helping towards cost savings.
- Growth in ice-cream revenues, strengthened by longer period of warm weather that are expected over the coming years, would be the primary driver, both domestically and abroad, with yogurt expansion coming a close second.

In particular, as far as ice-cream is concerned, we forecast a turnover CAGR<sub>2007-2011</sub> of 8.9% for domestic sales and 18.9% for international sales. The Company aims to launch new products, especially in more dynamic sub-segments such as family-size, expanding also its co-branded products with ION and Troflect.

We expect a higher growth rate on sales abroad as competition is lower in the Balkans, where the largest part of international turnover is generated, while at the same time income per capita in this region continuously improves.

Similarly for yogurt sales, we expect a turnover CAGR<sub>2007-2011</sub> of 8.4% for domestic sales (including the contribution of the new market of yogurt for kids) and of 18.9% for international sales.

Although milk is not considered as strategic product for the Group, the familiarity of local consumers (in the close region of the Group's facilities) with the Kri-Kri brand name and quality is assumed to have a positive effect on milk sales, that constitute though a small part of overall turnover. We assume a turnover CAGR<sub>2007-2011</sub> for milk of 6.6%.

The table below presents our projections regarding the breakdown of Group's turnover. All projections for domestic operations are directly linked with the assumption of increasing market share in all product categories, presuming higher production capacity.

#### Activity Turnover Breakdown (historic & projected figures)

(in € ,000)		2005	2006	2007 E	2008 E	2009 E	2010 E	2011 E
<b>Ice creams (Greece)</b>		<b>12,488</b>	<b>13,703</b>	<b>15,416</b>	<b>16,957</b>	<b>18,484</b>	<b>19,962</b>	<b>20,960</b>
	y-o-y change %		9.73%	12.50%	10.00%	9.00%	8.00%	5.00%
	% of total	49.22%	48.45%	47.91%	47.05%	46.48%	46.17%	45.82%
<b>Yogurt (Greece)</b>		<b>7,935</b>	<b>8,385</b>	<b>9,391</b>	<b>10,330</b>	<b>11,157</b>	<b>11,938</b>	<b>12,535</b>
	y-o-y change %		5.67%	12.00%	10.00%	8.00%	7.00%	5.00%
	% of total	31.27%	29.65%	29.18%	28.66%	28.06%	27.61%	27.40%
<b>Milk (Greece)</b>		<b>1,814</b>	<b>2,367</b>	<b>2,604</b>	<b>2,812</b>	<b>3,009</b>	<b>3,160</b>	<b>3,254</b>
	y-o-y change %		30.50%	10.00%	8.00%	7.00%	5.00%	3.00%
	% of total	7.15%	8.37%	8.09%	7.80%	7.57%	7.31%	7.11%
<b>Ice creams (International)</b>		<b>1,594</b>	<b>1,903</b>	<b>2,379</b>	<b>2,974</b>	<b>3,569</b>	<b>4,104</b>	<b>4,514</b>
	y-o-y change %		19.40%	25.00%	25.00%	20.00%	15.00%	10.00%
	% of total	6.28%	6.73%	7.39%	8.25%	8.97%	9.49%	9.87%
<b>Yogurt (International)</b>		<b>1,525</b>	<b>1,811</b>	<b>2,264</b>	<b>2,830</b>	<b>3,396</b>	<b>3,905</b>	<b>4,296</b>
	y-o-y change %		18.77%	25.00%	25.00%	20.00%	15.00%	10.00%
	% of total	6.01%	6.40%	7.04%	7.85%	8.54%	9.03%	9.39%
<b>Other</b>		<b>18</b>	<b>114</b>	<b>126</b>	<b>138</b>	<b>152</b>	<b>167</b>	<b>184</b>
	y-o-y change %		534.44%	10.00%	10.00%	10.00%	10.00%	10.00%
	% of total	0.07%	0.40%	0.39%	0.38%	0.38%	0.39%	0.40%
<b>Total Turnover</b>		<b>25,374</b>	<b>28,284</b>	<b>32,180</b>	<b>36,042</b>	<b>39,766</b>	<b>43,236</b>	<b>45,744</b>
	y-o-y change		11.47%	13.77%	12.00%	10.33%	8.73%	5.80%

Source: Company Data & VRS Estimates

## GROSS PROFIT MARGIN EVOLUTION

Profit margins are generally expected to improve despite the strong competition. Gross profit margin is expected to show only a moderate decline. EBITDA margin is expected to reach 19.88% by the end of 2011, compared to 18.83% at the end of 2006, with the net profit margin in the same period advancing to 10.24% from 7.04%.

The following factors are expected to drive the aforementioned performance:

1. The points of sales' expansion into new regions and the aggressive marketing that should strengthen Company's purchasing power, increasing its volumes.
2. The cost efficiencies resulting from the access to high quality and quantity milk acquired at relatively cheap prices and the new investments for capacity improvement that are already undertaken.
3. Although the expansion would be accompanied by increased distribution and advertising costs, close monitoring of Company's logistics capacity and volume growth at higher pace would positively affect margins.
4. Low financing needs and healthy balance sheet structure.
5. Effective tax rate's reduction.

	2005	2006	2007 E	2008 E	2009 E	2010 E	2011 E
<b>Profit Margin Ratios</b>							
Gross Margin	52.51%	51.61%	48.44%	48.44%	48.46%	48.49%	48.50%
EBITDA Margin	18.24%	18.83%	18.10%	18.91%	19.28%	19.78%	19.88%
EBIT Margin	10.19%	10.94%	10.96%	11.81%	12.39%	13.11%	13.52%
Pre-tax profit margin	10.15%	11.07%	11.10%	11.97%	12.57%	13.30%	13.72%
Net Profit margin	6.74%	7.04%	7.84%	8.93%	9.38%	9.93%	10.24%

Source: Historic Data & VRS Estimates

## BALANCE SHEET ANALYSIS

Kri-Kri is characterized by a healthy balance sheet highlighted by high liquidity and nearly zero bank debt. The competition in the sector is expected to stabilize inventory, debtors' and creditor's days, with the cash cycle marginally improving, and ranging at 125 days. This does not pose a threat to the Company that enjoys positive cash flow generating activity and efficient use of withheld profits.

	2005	2006	2007 E	2008 E	2009 E	2010 E	2011 E
<b>Activity</b>							
Stock Days	90	68	65	65	65	65	65
Debtors Days	97	100	100	100	100	100	100
Creditors Days	58	44	42	42	40	40	40
Operating Cycle	187	168	165	165	165	165	165
Cash Cycle	129	124	123	123	125	125	125
<b>Capital Structure</b>							
Total Liab. / Total Equity	0.34	0.40	0.41	0.45	0.39	0.34	0.30
Debt / Equity Ratio	0.01	0.01	0.01	0.01	0.01	0.00	0.00

Source: Company Accounts and VRS Estimates

## VALUATION & SENSITIVITY ANALYSIS

Based on our forecasts for the next 5-years (explicit period) and the long-term assumptions (terminal value), the application of the discounted free cash flow methodology leads to a fair price of € 4.47 for Kri-Kri stock (implying a total value of € 40.09 million).

We have applied the following major assumptions in our model:

- Weighted average cost of capital at 10.36%, mainly affected by the cost of equity as debt is 2% of total capital employed.
- We have estimated sustained growth in all activities during the examined period and infinity sales growth of 1.5%.
- Infinite EBIT margin of 13.5%.

	2007 E	2008 E	2009 E	2010 E	2011 E	L-Term Assumptions
<b>ASSUMPTIONS</b>						
Growth Rate (Sales)	13.8%	12.0%	10.3%	8.7%	5.8%	1.5%
EBIT Margin	11.0%	11.8%	12.4%	13.1%	13.5%	13.5%
Tax Rate	29.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Working Capital (% of sales)	4.5%	3.9%	3.7%	2.9%	2.0%	2.0%
Capex (% of sales)	9.4%	14.7%	0.9%	0.8%	0.8%	2.0%
Cost of Capital	10.5%	10.5%	10.5%	10.5%	10.5%	10.4%
Depreciation (% of sales)	7.1%	7.1%	6.9%	6.7%	6.4%	2.0%
<b>CASH FLOW STATEMENT</b>						
<b>Turnover</b>	<b>32.2</b>	<b>36.0</b>	<b>39.8</b>	<b>43.2</b>	<b>45.7</b>	<b>46.4</b>
EBIT	3.5	4.3	4.9	5.7	6.2	6.3
Less: Adjusted Tax	1.0	1.1	1.2	1.4	1.5	1.6
<b>Adjusted Operating Profit</b>	<b>2.5</b>	<b>3.2</b>	<b>3.7</b>	<b>4.3</b>	<b>4.6</b>	<b>4.7</b>
Plus: Depreciation	2.3	2.6	2.7	2.9	2.9	0.9
<b>Operating Cash Flow</b>	<b>4.8</b>	<b>5.7</b>	<b>6.4</b>	<b>7.1</b>	<b>7.5</b>	<b>5.6</b>
Less: Change in Working Capital	1.4	1.4	1.5	1.3	0.9	0.9
Less: Capex	3.0	5.3	0.4	0.4	0.4	0.9
<b>Cash Flow to the Firm (FCFF)</b>	<b>0.3</b>	<b>-1.0</b>	<b>4.6</b>	<b>5.5</b>	<b>6.3</b>	<b>3.8</b>
Discount Factor	0.91	0.82	0.74	0.67	0.61	0.61
Present Value of Cash Flows	0.31	-0.79	3.42	3.70	3.80	
Accumulated Present Value	0.31	-0.48	2.93	6.63	10.44	
Residual Value						42.6
<b>Present Value of Residual Value</b>						<b>26.0</b>

### VALUATION

Enterprise Value	36.46
% Residual Value of Total	71.4%
Less: Net Debt	-3.63

<b>Value of firm</b>	<b>40.09</b>
<b>Outstanding # of shares (000)</b>	<b>8,977</b>
<b>Value of share</b>	<b>4.47</b>

### WACC CALCULATION

Risk Free Rate	4.50%
Beta Factor	120.00%
Market risk Premium	5.00%
<b>Cost of Equity</b>	<b>10.50%</b>
Debt / Debt + Equity	2.00%
Cost of Debt	4.50%
Tax Rate	25.00%

<b>Weighted Average Cost of Capital</b>	<b>10.36%</b>
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Source: VRS Estimates

The realization of the aforementioned growth and valuation scenarios requires:

- The successful completion of investments related to capacity and storage improvement.
- The higher market share in Greece following the successful expansion in the Attica region, through a greater number of points of sale and the launching of new products.
- The successful entrance of yogurt products in Western European markets.
- The warm weather and the economic growth in Balkan countries that would increase the demand for ice-cream products.
- The maintenance of profit margins.

Applying a sensitivity analysis to the above DCF model, based on different growth rates and different values for weighted average cost of capital (WACC), we end up with the following table:

		WACC				
		8.4%	9.4%	10.4%	11.4%	12.4%
GROWTH	0.75%	4.92	4.67	4.22	3.86	3.57
	1.25%	5.52	4.87	4.38	3.99	3.67
	1.50%	5.67	4.99	4.47	4.06	3.73
	2.00%	6.01	5.24	4.65	4.20	3.84
	2.50%	6.42	5.52	4.87	4.36	3.97

Source: VRS Estimates

## COMPARATIVE RATIOS

Comparing valuation multiples with one competitor from Greece, one from Ireland having approximately the size of Kri-Kri, and two larger ones from UK and France, we conclude that peer group comparison provides a positive outlook for Kri Kri stock. All ratios indicate a significant upside potential for Kri-Kri that seems to trade in discount relative to peers.

Company	Country	P/E '07 E	EV / EBITDA	P/BV '07 E
VIVARTIA	Greece	21.6	9.7	2.3
Donegal Creameries Plc	Ireland	19.6	12.9	1.4
Dairy Crest Group	UK	15.0	9.7	3.4
Danone	France	22.4	13.6	4.9
<b>KRI KRI</b>	<b>Greece</b>	<b>13.10x</b>	<b>5.05x</b>	<b>1.40x</b>

Source: Bloomberg estimates for fiscal 2007. Share prices as of March 28<sup>th</sup> 2007.

## STOCK DATA & VALUATION RATIOS

### Stock Data & Valuation Ratios (historic & projected figures)

	2006	2007 E	2008 E	2009 E	2010 E	2011 E
Price (in €) (as of 28 March 2007)	€ 3.68					
Shares Outstanding	8,977,000					
Market Capitalization (in €)	33,035					
EPS (in €)	0.22	0.28	0.36	0.42	0.48	0.52
Book Value / Share (x)	2.5	2.6	2.9	3.1	3.4	3.7
EV (in € million)	29	29	30	28	25	21
P/E (a.t.& m.i.)	16.58x	13.10x	10.26x	8.86x	7.70x	7.05x
P/BV	1.49x	1.40x	1.29x	1.18x	1.09x	1.01x
EV/EBITDA	5.43x	5.05x	4.42x	3.61x	2.89x	2.35x
EV/Sales	1.02x	0.91x	0.83x	0.70x	0.57x	0.47x
Dividend / Share (in €)	0.10	0.12	0.14	0.16	0.20	0.25
Dividend Yield	2.7%	3.3%	3.8%	4.3%	5.4%	6.8%

Source: Company Data & VRS Projections



## RISK FACTORS

	Investment Risks / Concerns	Mitigating Factors / Important Notes
1	Strong competition from both domestic and international rivals creating pricing pressure.	The Company has a broad portfolio of products, maintains a good brand name and has access to relatively cheap milk. It also maintains a profit margin that is significantly higher compared to the sector and it will focus on volume expansion.
2	The dairy sector has undergone a significant transformation and large rivals have emerged.	The mergers that took place in the sector may result in brand name changes confusing consumers, and this may create growth opportunities for Kri Kri.
3	There is a regulatory risk regarding the milk sector.	The Company focuses on Ice-creams and yogurts, and milk does not form a strategic product.
4	There is always a risk regarding food poisoning events.	The Company has acquired certificates that validate its focus on hygienic production processes, and keeps modernizing its plants.

Source: Company Data, VRS Research Department.

## Historic & Projected Profit & Loss Account

(in € million)		2004	2005	2006	2007 E	2008 E	2009 E	2010 E	2011 E
<b>Turnover</b>		<b>22.38</b>	<b>25.37</b>	<b>28.28</b>	<b>32.18</b>	<b>36.04</b>	<b>39.77</b>	<b>43.24</b>	<b>45.74</b>
	y-o-y change %		13.39%	11.47%	13.77%	12.00%	10.33%	8.73%	5.80%
<b>Cost of Sales</b>		<b>11.36</b>	<b>12.05</b>	<b>13.69</b>	<b>16.59</b>	<b>18.58</b>	<b>20.49</b>	<b>22.27</b>	<b>23.56</b>
	% of turnover	50.77%	47.49%	48.39%	51.56%	51.56%	51.54%	51.51%	51.50%
	y-o-y change %		6.06%	13.59%	21.22%	12.00%	10.29%	8.67%	5.79%
<b>Operating Expenses</b>		<b>7.54</b>	<b>8.65</b>	<b>8.70</b>	<b>9.66</b>	<b>10.65</b>	<b>11.60</b>	<b>12.42</b>	<b>13.09</b>
	% of turnover	33.68%	34.11%	30.77%	30.03%	29.54%	29.18%	28.71%	28.61%
	y-o-y change %		14.84%	0.56%	11.04%	10.17%	9.00%	6.99%	5.42%
<b>EBITDA</b>		<b>3.28</b>	<b>4.63</b>	<b>5.33</b>	<b>5.83</b>	<b>6.81</b>	<b>7.67</b>	<b>8.55</b>	<b>9.10</b>
<b>EBITDA Margin</b>		14.64%	18.24%	18.83%	18.10%	18.91%	19.28%	19.78%	19.88%
	y-o-y change %		41.22%	15.12%	9.37%	16.96%	12.53%	11.51%	6.37%
<b>Depreciation</b>		<b>1.46</b>	<b>2.04</b>	<b>2.23</b>	<b>2.30</b>	<b>2.56</b>	<b>2.74</b>	<b>2.88</b>	<b>2.91</b>
	% of turnover	6.51%	8.05%	7.90%	7.15%	7.09%	6.89%	6.66%	6.36%
<b>EBIT</b>		<b>1.82</b>	<b>2.59</b>	<b>3.09</b>	<b>3.53</b>	<b>4.26</b>	<b>4.93</b>	<b>5.67</b>	<b>6.18</b>
	% of turnover	8.14%	10.19%	10.94%	10.96%	11.81%	12.39%	13.11%	13.52%
	y-o-y change %		41.95%	19.66%	13.97%	20.78%	15.76%	15.02%	9.08%
<b>Net Financial Results</b>		<b>0.06</b>	<b>-0.01</b>	<b>0.04</b>	<b>0.05</b>	<b>0.06</b>	<b>0.07</b>	<b>0.08</b>	<b>0.09</b>
<b>Net Results Before Taxes</b>		<b>1.88</b>	<b>2.58</b>	<b>3.13</b>	<b>3.57</b>	<b>4.32</b>	<b>5.00</b>	<b>5.75</b>	<b>6.28</b>
<b>EBT Margin</b>		8.39%	10.15%	11.07%	11.10%	11.97%	12.57%	13.30%	13.72%
	y-o-y change %		37.11%	21.60%	14.11%	20.77%	15.80%	15.06%	9.18%
<b>Income Tax &amp; Deferred Taxes</b>		<b>-0.37</b>	<b>0.86</b>	<b>1.13</b>	<b>1.04</b>	<b>1.08</b>	<b>1.25</b>	<b>1.44</b>	<b>1.57</b>
	Effective Tax Rate		33.28%	35.96%	29.00%	25.00%	25.00%	25.00%	25.00%
<b>Net Results After Taxes</b>		<b>2.25</b>	<b>1.72</b>	<b>2.01</b>	<b>2.54</b>	<b>3.24</b>	<b>3.75</b>	<b>4.31</b>	<b>4.71</b>
<b>EAT Margin</b>		10.05%	6.77%	7.09%	7.88%	8.98%	9.42%	9.97%	10.29%
	y-o-y change %		-23.6%	16.72%	26.51%	27.58%	15.80%	15.06%	9.18%
<b>Proportion of Minority rights</b>		<b>0.02</b>	<b>0.01</b>	<b>0.01</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>
<b>Net Results (a.t.&amp;m.i.)</b>		<b>2.23</b>	<b>1.71</b>	<b>1.99</b>	<b>2.52</b>	<b>3.22</b>	<b>3.73</b>	<b>4.29</b>	<b>4.69</b>
<b>Net Margin</b>		9.95%	6.74%	7.04%	7.84%	8.93%	9.38%	9.93%	10.24%
	y-o-y change %		-23.22%	16.51%	26.59%	27.66%	15.82%	15.08%	9.18%

Source: Company Data & VRS Projections

## Historic & Projected Balance Sheet

(in € million)	2004	2005	2006	2007 E	2008 E	2009 E	2010 E	2011 E
<b>Assets</b>								
Net Intangible Assets	0.15	0.12	0.08	0.06	0.05	0.04	0.03	0.02
Net Tangible Assets	13.21	13.04	14.01	14.73	17.49	15.12	12.61	10.07
Deferred Taxation	0.54	0.05	0.00	0.25	0.25	0.25	0.25	0.25
Other L-term assets	0.02	0.02	0.03	0.25	0.25	0.25	0.25	0.25
<b>Total Non-Current Assets</b>	<b>13.92</b>	<b>13.23</b>	<b>14.12</b>	<b>15.30</b>	<b>18.04</b>	<b>15.66</b>	<b>13.14</b>	<b>10.59</b>
% Total Assets	56.13%	46.53%	44.84%	45.11%	47.90%	39.82%	31.81%	24.51%
Inventories	2.37	2.98	2.55	2.95	3.31	3.65	3.97	4.20
Trade Receivables	5.20	6.73	7.78	8.82	9.87	10.89	11.85	12.53
Other Receivables	1.12	1.24	2.78	3.06	3.34	3.60	3.85	4.09
Cash in bank and at hand	2.19	4.26	4.26	3.78	3.10	5.52	8.50	11.79
<b>Total Current Assets</b>	<b>10.88</b>	<b>15.20</b>	<b>17.37</b>	<b>18.61</b>	<b>19.62</b>	<b>23.67</b>	<b>28.17</b>	<b>32.60</b>
% Total Assets	43.87%	53.47%	55.16%	54.89%	52.10%	60.18%	68.19%	75.49%
<b>TOTAL ASSETS</b>	<b>24.80</b>	<b>28.42</b>	<b>31.49</b>	<b>33.91</b>	<b>37.66</b>	<b>39.33</b>	<b>41.31</b>	<b>43.19</b>
<b>Equity &amp; Liabilities</b>								
Shareholder's Equity	19.78	20.90	22.20	23.65	25.61	27.90	30.40	32.84
Minority Rights	0.30	0.31	0.32	0.33	0.34	0.35	0.36	0.38
<b>Total Equity</b>	<b>20.07</b>	<b>21.21</b>	<b>22.52</b>	<b>23.98</b>	<b>25.95</b>	<b>28.25</b>	<b>30.76</b>	<b>33.22</b>
% Total Equity & Liabilities	80.95%	74.61%	71.53%	70.71%	68.91%	71.84%	74.47%	76.91%
L-Term Bank Loans	0.07	0.09	0.00	0.00	0.00	0.00	0.00	0.00
Provisions for Staff Retirement	0.30	0.37	0.44	0.46	0.49	0.52	0.54	0.57
Government Grants	0.90	2.57	2.95	3.65	5.15	4.35	3.55	2.75
Other long term debts	0.02	0.00	0.20	0.18	0.17	0.15	0.13	0.12
<b>Total L-Term Liabilities</b>	<b>1.30</b>	<b>3.02</b>	<b>3.59</b>	<b>4.29</b>	<b>5.80</b>	<b>5.01</b>	<b>4.22</b>	<b>3.44</b>
Suppliers	1.26	1.92	1.67	1.91	2.14	2.25	2.44	2.58
Banks	0.12	0.14	0.17	0.16	0.16	0.16	0.16	0.16
Taxes-duties	0.13	0.45	0.84	0.92	1.01	1.11	1.22	1.35
Other Payables	1.92	1.69	2.71	2.65	2.60	2.55	2.50	2.45
<b>Total Current Liabilities</b>	<b>3.43</b>	<b>4.20</b>	<b>5.38</b>	<b>5.64</b>	<b>5.91</b>	<b>6.07</b>	<b>6.32</b>	<b>6.53</b>
<b>Total Liabilities</b>	<b>4.73</b>	<b>7.22</b>	<b>8.97</b>	<b>9.93</b>	<b>11.71</b>	<b>11.08</b>	<b>10.54</b>	<b>9.97</b>
% Total Equity & Liabilities	19.05%	25.39%	28.47%	29.29%	31.09%	28.16%	25.53%	23.09%
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>24.80</b>	<b>28.42</b>	<b>31.49</b>	<b>33.91</b>	<b>37.66</b>	<b>39.33</b>	<b>41.31</b>	<b>43.19</b>

Source: Company Data & VRS Projections

## Historic & Projected Cash Flow

(in € million)	2005	2006	2007 E	2008 E	2009 E	2010 E	2011 E
Profit After Tax	1.72	2.01	2.54	3.24	3.75	4.31	4.71
Plus: Change of Depreciation	2.01	2.12	2.30	2.56	2.74	2.88	2.91
Plus: Depreciation Differences from sale/acquisition of assets	-0.02	-0.02	0.00	0.00	0.00	0.00	0.00
<b>Gross Cash Flow</b>	<b>3.71</b>	<b>4.11</b>	<b>4.84</b>	<b>5.79</b>	<b>6.49</b>	<b>7.19</b>	<b>7.62</b>
<u>Change in:</u>							
(-) Trade Debtors	1.53	1.05	1.04	1.06	1.02	0.95	0.69
(-) Inventory	0.60	-0.43	0.41	0.35	0.34	0.32	0.23
(-) Other Receivables	0.12	1.55	0.28	0.28	0.27	0.25	0.23
(+) Trade Creditors	0.66	-0.25	0.24	0.23	0.11	0.19	0.14
(+) Liabilities for taxes	0.32	0.38	0.08	0.09	0.10	0.11	0.12
(+) Other Short - term liabilities	-0.23	1.02	-0.05	-0.05	-0.05	-0.05	-0.05
Change in Working Capital	-1.49	-1.02	-1.45	-1.42	-1.47	-1.26	-0.93
<b>Operating Cash Flow</b>	<b>2.22</b>	<b>3.09</b>	<b>3.39</b>	<b>4.37</b>	<b>5.02</b>	<b>5.93</b>	<b>6.69</b>
<u>Change in:</u>							
(-) Intangible Assets	0.09	0.01	0.01	0.01	0.01	0.01	0.01
(-) Tangible Assets	1.72	3.04	3.00	5.29	0.35	0.35	0.35
(-) Other long - term receivables	-0.49	-0.04	0.47	0.00	0.00	0.00	0.00
(+) Other Long - term liabilities	1.71	0.65	0.70	1.51	-0.79	-0.79	-0.78
(+) Cons. diff./ Minority Interests	0.01	0.01	0.01	0.01	0.01	0.01	0.01
<b>Cash Flow from Investment</b>	<b>0.40</b>	<b>-2.34</b>	<b>-2.77</b>	<b>-3.78</b>	<b>-1.14</b>	<b>-1.13</b>	<b>-1.13</b>
<b>Net Cash Flow Before Financing Activities</b>	<b>2.62</b>	<b>0.74</b>	<b>0.62</b>	<b>0.59</b>	<b>3.88</b>	<b>4.80</b>	<b>5.56</b>
Increase in Share Capital	0.00	3.46	0.00	0.00	0.00	0.00	0.00
Increase in Share Premium Account	0.00	-3.02	0.00	0.00	0.00	0.00	0.00
Net Change in Reserves	0.07	-0.23	0.00	0.00	0.00	0.00	0.00
Change in Long - Term Debt	0.01	-0.09	0.00	0.00	0.00	0.00	0.00
Change in Short - Term Debt	0.03	0.05	-0.01	0.00	0.00	0.00	0.00
Dividends	0.66	0.90	1.08	1.26	1.44	1.80	2.24
Minority Interests on Profit	0.01	0.01	0.02	0.02	0.02	0.02	0.02
<b>Net Cash Flow from Financing</b>	<b>-0.55</b>	<b>-0.74</b>	<b>-1.10</b>	<b>-1.27</b>	<b>-1.46</b>	<b>-1.82</b>	<b>-2.27</b>
Cash at Beginning	2.19	4.26	4.26	3.78	3.10	5.52	8.50
Change in Cash and Marketable Securities	2.07	0.00	-0.48	-0.68	2.42	2.98	3.29
Cash at End	4.26	4.26	3.78	3.10	5.52	8.50	11.79

Source: Company Data & VRS Projections

NOTES

NOTES

### Dynamic Securities Rating System

Rating	Ratings Breakdown	Definition of Rating System
<b>Outperformed</b>	83.33%	Expected to Outperform the Index by more than 10%
<b>Neutral</b>	16.67%	Expected to perform relative to the Index by +/- 5%
<b>Underperform</b>	0%	Expected to Underperform the Index by more than 10%

Notes: 1/ Ratings refer to a 12-month period.  
 2/ Benchmark Index: ASE General Index.  
 3/ Stock Universe: 40 Companies.  
 4/ Current Stocks Covered: 6 Companies.

### Ratings History

Company	Date	Rating	Target Price
SARANTIS	27/07/2006	Outperform	€ 9.10
INTRALOT	31/10/2006	Outperform	€ 25.55
THRACE PLASTICS	18/12/2006	Outperform	€ 2.72
OPAP	10/01/2007	Neutral	€ 29.86
F.H.L. KIRIAKIDIS	01/02/2007	Outperform	€ 2.93
<b>KRI KRI</b>	<b>28/03/2007</b>	<b>Outperform</b>	<b>€ 4.47</b>

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