

Over the last one and half years a flurry of developments has been going on in the Group. You launched new products, agreed to purchase Vlachas Milk, sold off the ice cream sector and merged with Chipita. Has something changed?

No, it was the completion of a process and a series of measures which were taken to stabilise our position, to grow, to enter new sectors like we had done in the past with Goody's. Having absorbed new activities, developed an extensive portfolio of activities and acquired a feeling of certainty that we were fully in control and efficient, the time had come to dream of even more ambitious things.

Some people consider it difficult for two completely different corporate philosophies to operate with a single management team.

The complementarity involved has worked positively for both us and Chipita. DELTA's strength was always Greece and large, stable markets. Chipita's strength was its ability to expand internationally with a few products. This joining of a powerful base and extensive ability for international growth is the first thing the new company can boost about.

Was the overall four-pronged merger of Chipita, DELTA Milk, Goody's and Barba Stathis necessitated by the fact that there were margins for squeezing costs, given that the main sectors in which you operate are stagnant (such as milk and mass catering)?

The merger was not done for cost reasons, although the facts would also seem to support that. It was clearly a merger of ambitions and for growth. At the same time, it was an act of acknowledgement of the reality of the size of the markets and developments on international markets. It was an attempt to make the right moves early on so that we can hope to be strong faced with challenges and difficulties; not only so that we can confront them but also to have the financial and human resources to promote our ambitions.

How will the merger take place?

We have announced that we are in the process of implementing the new scheme. It includes issues ranging from simple technical matters, like which IT system will be used and what will appear on our invoices, right up to how we will combine forces and reduce costs.

How will cost savings be generated?

By combining forces. It is not a merger of similar companies where there are direct overlaps and cost savings are thus obvious. The working teams will complete their commission next week and we are awaiting the official presentations. We do not have specific sources and specific numbers. However, most cut backs will be related to networks, product management (storage and distribution), supplies and a better combination of fixed assets.

Will assets be sold off?

Of course.

Will companies, sectors of activity or plots and buildings be sold off?

We developed companies and activities because we need them and they are profitable for us. In this phase we have none for sale. However, it is certain that a company which has five major, serious activities and many peripheral ones does not need all the latter. Synergies and improved results will arise more from opportunities than from reducing assets.

What will happen with staff, which after the merger will number more than 10,000?

There are no plans to cut back staff. That usually occurs when similar companies merge. In our case we are talking about different tasks and profitable activities. Combining two companies simply makes for a larger entity.

Abroad mergers are usually accompanied by staff cutbacks.

It is true that investors demand this from enterprises. When such a decision is taken one knows that share prices will rise. Here, however, we live in a smaller society and have managed not to do what is done abroad.

The current shareholders in Chipita 'enjoy' only 50% of its net profits since other minority shareholders participate in many of its companies.

In 2005 DELTA managed to increase its profits per share by 67%, precisely because minority holdings were bought out as was the case with Danone, Papastratos and others. The same is being done at Chipita. This year it purchased the remaining percentages in its international activities where Global Finance and DELTA had holdings. Therefore, there will be a significant improvement in the difference mentioned. Lastly, merger of the four listed companies brings all the profits under a new umbrella and improves cash flows. All this makes the prospects for profits per share positive from the outset, something which is extremely rare with mergers.

What about future challenges?

The first challenge is to complete what we have planned. The potential offered by the new company are like an energy boost for us and for all our people because it is an opportunity to acquire more capabilities than those we have had to date. I do not know what Chipita would have thought about the future if its product development included a cold distribution network or what DELTA would have thought if it had a dry distribution network. It has these now.

Aren't there risks? For example, analysts have mentioned that Chipita's borrowing is a risk factor, particularly in an environment with rising interest rates.

What is important is the borrowing level for the new company and that is low, a fact which provides a great deal of certainty. The net borrowing to EBITDA ratio is just

2.4 for 2005 and the sale of DELTA Ice Cream to Nestle helped in achieving this.

When will the deal be completed? Will it be done simultaneously with Delta purchasing the Vlachas Milk plant from Nestle?

No, these are two independent agreements. The ice cream agreement has priority. It is already before the Hellenic Competition Commission. The Vlachas agreement will be signed over the days to come and after that it will be brought before the Hellenic Competition Commission.

You talked about a merger of ambitions and for growth. Can you give us some ideas?

First of all, we will attempt to place Chipita products in more countries. The second opportunity is to use our presence and knowledge in 28 countries to see which products from the Group can be promoted. When that is done, we will examine entering larger markets that to date have 'frightened' us. One reason why the Greeks are not active in countries with large populations such as China or India, that everyone is talking about, is our scale. As scales increase, ambitions also increase. There are other opportunities and new activities. Recently Barba Stathis became involved with tomatoes. There will be many such ideas. Moreover, the innovative, multi-faceted nature of the merger will become visible in international markets and we believe that it will attract other companies.

So there will be acquisitions?

That is part of our plans, but acquisitions will not occur from one day to the next. Our priority is to complete the difficult process of merging the companies' operations without problems.

Are there plans to set up a milk plant abroad?

We will of course establish a plant abroad.

Is it true that your focus on the 'big picture' has detracted your attention from the fact that smaller companies are expanding and winning a share of the market in Greece?

Would you like to see the results of Delta Milk which is active in the most competitive sector that exists in the food market? On its own the Company accounts for 70% of profits in the dairy product sector overall, clearly because it does a good job in relation to consumers and internally.

Are your products expensive?

We have some of the cheapest milk around, and have not made large increases. That is an issue we need to talk about some time. People say that milk is expensive. However, consumers are free to choose, and there is a huge range of prices from €0.65 to €3 per litre.

What do you have to say about Coca-Cola flirting with the idea of entering the dairy industry?

We have 30 years experience and each day learn new things, and each day challenge ourselves to discover something new. In order for a company from another sector to succeed in this sector, it will need to go through the same learning curves. That is why Coca-Cola is still flirting with the idea but has not yet embraced it.

The Food Safety Agency recently issued a list of products with misleading labels. DELTA was on that list.

The Agency took a quite unfortunate and formulistic approach to consumer issues and consumer information. Since then we have been in discussions with the Agency to determine which issues are mandatory, which are optional, which are substantive and which are non-substantive. I would like to add the following thoughts here: consumers are not obliged to be aware of what the Food Code states. They just want information about what they are buying. Therefore, if some feature of the product is presented on the label and, according to the Agency text, it should not be there because it is not covered by the Code, I would say would you like me to give away a copy of the Food Code with every milk carton? Instead of that, we state that it is full-fat milk. Of course, the Code states that if the word 'full-fat' is not printed, it is self-evident that it is full-fat. For consumers, I consider it is more useful for this information to be printed on the carton. That is what the discussions are about and I believe a rational approach will prevail. Any substantive or mandatory changes required will be made bearing in mind what consumers need.

Can you provide guarantees about the milk drunk by Greeks?

I consider that people know that we can provide a guarantee and do provide one. That is why they buy our products every day out of trust and certainty in our strong brands, brands with a proven track record of consistency and honesty.

Do people know that in many cases they are drinking imported or non-fresh milk?

Consumers have a very good sense of what is fresh from the way they shop and the way they consume products. People know that evaporated milk is not fresh. As far as the fresh milk we drink is concerned, I would simple say that 50% of the milk consumed here is produced domestically.

What is your stance on the possibility of lengthening the shelf-life of fresh milk, a possibility which they say will permit fresh milk imports?

The first increase in shelf-life here was made on the initiative of industry. Industry's long-standing stance has been to extend shelf-life and a request on this matter remains pending; this is because large, serious industries have made so much progress in the sector that in quality terms the product remains perfect even after the date printed on the carton. Today we force consumers to throw the milk away. The reason why this extension has not been provided is because we are protecting certain parties who cannot meet these standards.

Given the likelihood that you will assume the chairmanship of the Federation of Greek Industries, how will you divide your time at what is such a critical juncture for the company?

I started off with a family business. We now have a group with 6,000 employees, and with Chipita one numbering 11,000 people, with excellent organisation and powerful management. With me, not around me, there are skilled individuals who work as part of a system which generates value. That makes me certain that we will continue to do so. In the past I was chairman of Federation of Greek Food Industries for 7 years. I consider that I have an obligation to offer and share any experiences relating to progress and the leading place we have acquired from our work.

Are industrialists happy with the New Democracy government?

My experience from a business with a long history before me, and one which has been under my guidance for 25 years, tells me that business progresses regardless of changes in government. Looking around us, it is private initiative that seeks and manages to function, not only overcoming difficulties but also paving the way. Private initiative has that very name precisely because it is obliged to proceed based on its own vision independently of governments.

And one personal question: How does Dimitris Daskalopoulos feel about assigning the majority of shares in DELTA to investors in general via this four-pronged merger?

Dimitris Daskalopoulos never felt that the business was his own. Despite having started out from a family business, all the development moves made were based on the mentality that the business is not mine and stands apart from my own personal interests. I once owned 100% of the shares. When we listed on the Stock Exchange I owned 75% and when Danone joined my holding reduced to 60%. I am here as long as the people at DELTA consider that I am doing my job well and not because I own shares. My presence has to do with how well I do my job. I am not frightened at all by the idea that when I cease doing my job well those people will remove me.