

Business Summary

Krispy Kreme Doughnuts is a retailer of more than 20 varieties of doughnuts, including Co.'s signature *Hot Original Glazed*, as well as coffee and other beverages and bakery items. As of Feb 1 2004, Co. operated 357 Co.-owned and franchised stores in 43 states, Canada, Australia, the United kingdom and Mexico. Each of Co.'s stores has the capacity, depending on equipment size, to produce from 4,000 dozen to over 10,000 dozen doughnuts daily. In addition, Co. sells fresh doughnuts, both packaged and unpackaged, to a variety of retail customers, such as supermarkets, convenience stores and other food service and institutional accounts.

Financial Highlights (In USD as of 02/01/2004)

Total Revenue	665,592,000
EBITDA	126,218,000
Net Income	57,087,000
Total Assets	660,664,000
Current Assets	138,644,000
Total Liabilities	208,457,000
Current Liabilities	53,493,000
Long Term Debt	135,056,000
Stockholders' Equity	452,207,000

Key Executives

James H. Morgan – Chmn.
Steven G. Panagos – Pres., C.O.O.

Principal Offices

370 Knollwood Street
Winston-Salem, NC 27103
United States

Auditor

PricewaterhouseCoopers LLP

Legal Counsel

Kilpatrick Stockton LLP

Pricing Information

Ticker: KKD

Exchange: NYS

Closing Price As of 4/15/2005 \$7.56

	Weeks Ending			
	04/15/2005	04/08/2005	04/01/2005	03/24/2005
Open Price	7.38	7.57	8.63	8.21
High Price	7.75	7.59	8.63	9.15
Low Price	7.38	7.36	7.48	8.21
Last Price	7.56	7.59	7.48	8.76
Total Volume	7,090,600	8,662,500	15,555,000	18,768,000

52-Week Range

5.36 – 35.01

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Profitability Ratios

Return on Equity (%)	12.62
Return on Assets (%)	8.64
Return on Investment	22.64
Gross Margin	23.77
EBITDA of Revenue (%)	18.30
Operating Margin (%)	15.34
Pre-Tax Margin	14.22
Net Profit Margin (%)	8.58
Effective Tax Rate (%)	39.70

Liquidity Indicators

Quick Ratio	1.68
Current Ratio	2.59
Working Capital/Total Assets	0.13

Debt Management

Current Liabilities/Equity	0.12
Total Debt to Equity	0.30
Long Term Debt to Assets	0.20

Asset Management

Revenues/Total Assets	1.01
Revenues/Working Capital	7.82
Interest Coverage	22.47

Stock Price and Valuation

(Data as of 04/15/2005)

Market Cap (mil)	674
Shares Outstanding (000's)	61,014
52-Week Range	5.36 – 35.01
7-Day Average Closing Price	7.58
30-Day Average Closing Price	7.85
200-Day Average Closing Price	9.51
Dividend Per Share (TTM)	0.00
PE Ratio	14.73
Earnings Per Share (TTM)	0.75
Last Price	7.56
Last Day Range	7.50 – 7.79

History

Founded in 1937. Incorporated in North Carolina on Dec. 2, 1999 as a wholly-owned subsidiary of Krispy Kreme Doughnut Corporation (KKDC).

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On Nov. 10, 1999, pursuant to a plan of merger, the shareholders of KKDC became shareholders of Co. on Apr. 4, 2000. Each shareholder received 20 shares of Co.'s common stock and \$15 in cash for each share of KKDC common stock they held. As a result

On Jan. 31, 2000, Co. repurchased the New York City market (KKNY, LLC) from an area developer for approx. \$6,900,000. Co. invested an additional \$300,000 in property and equipment. On March 22, 2000, Co. entered into a joint venture to develop t

On Feb. 21, 2001, Co. acquired Digital Java, Inc., a coffee company for a purchase price of \$389,000 in cash and 27,004 shares of Co.'s common stock, plus an earn-out not to exceed \$775,000.

On Aug. 28, 2002, Co. increased its ownership from approx. 30% to 75% in Glazed Investments, LLC. The remaining 25% will be held primarily by Glazed Investments' management. The purchase price was not disclosed.

In Apr. 2003, Co. acquired Montana Mills Bread Co., Inc.

On Feb. 4, 2004, Co. acquired the remaining 33% minority interest in Golden Gate Doughnuts, LLC. The purchase price was not disclosed.

Joint Ventures

On Jan. 31, 2000, Co. repurchased the New York City market ("KKNY, LLC") from an area developer for approx. \$6,900,000. Co. invested an additional \$300,000 in property and equipment.

On March 22, 2000, Co. entered into a joint venture to develop the Northern California market ("Golden Gate Doughnuts, LLC"). Co. invested \$2,060,000 for a 59% interest and holds 2 of 3 management committee seats.

On March 6, 2001, Co. entered into a joint venture to develop the Philadelphia, Pennsylvania market (Freedom Rings, LLC). Co. invested \$1,167,000 for a 70% interest and holds 3 of 4 management committee seats.

On April 17, 2000, Co. sold 77.7% of the New York City market for \$5,600,000 to the Krispy Kreme Equity Group, LLC (\$360,000 cash, or 5%), Scott Livengood (\$216,000 cash, or 3%) and third parties (\$2,216,000 cash and a \$2,800,000 note receivable, or 69.7%). Co. holds 2 of 6 management committee seats. Co.'s remaining investment of \$1,608,000, representing its 22.3% interest, is accounted for using the equity method.

As of Feb. 3, 2002, Co. has invested in five additional joint ventures as a minority interest party. The joint ventures include: New England Dough, LLC; KremeKo, Inc. in Canada; Glazed Investments, LLC; A-OK, LLC; and, Amazing Glazed, LLC. Investments in these joint ventures have been made in the form of capital contributions as well as notes receivable. Terms of the notes receivable include interest rates from 5.5% to 12.0% per annum, payable semiannually with due dates from April 30, 2010 to the dissolution of the joint venture.

On Aug. 28, 2002, Co. increased its ownership from approx. 30% to 75% in Glazed Investments, LLC. The remaining 25% will be held primarily by Glazed Investments' management. The purchase price was not disclosed.

. In fiscal 2003, Co. entered into a joint venture to develop the Australian and New Zealand markets and a joint venture to develop stores in the United Kingdom and the Republic of Ireland.

NAICS

SICs

Primary NAICS:

311811 – Retail Bakeries

Primary SICs:

5461 – Retail bakeries

Secondary NAICS:

Secondary SIC:

Business Description

Krispy Kreme Doughnuts' principal business, is owning and franchising Krispy Kreme doughnut stores where they make and sell over 20 varieties of doughnuts, including its Hot Original Glazed. Each of Co.'s stores is a doughnut factory with the capacity to produce from 4,000 dozen to 10,000 dozen doughnuts daily. Consequently, each store has fixed or semi-fixed costs. Co.'s doughnut stores are versatile in that most can support multiple sales channels to utilize production capacity. These sales channels are comprised of on-premises sales and off-premises sales.

Co.'s business is operated by two complementary business units: its Co. and franchised stores, which it refers to collectively as Store Operations, and KKM

The principal source of revenue for stores is the production and distribution of doughnuts. As part of its business model, Co.'s factory stores are both retail outlets and automated, volume producers of its doughnuts and can sell their products through Co.'s multiple channels.

On-premises sales: Each of Co.'s stores offers at least 15 of more than 20 varieties of doughnuts. Co. also sells beverages, including its four drip coffees, espresso-based coffees including flavors and both its coffee-based and non coffee-based frozen drinks, and collectible memorabilia such as tee shirts, sweatshirts and hats. Fundraising sales are another component of on-premises sales.

Off-premises sales: Co. accomplishes off-premises sales through its direct store delivery system. Co.'s factory stores that engage in off-premises sales focus primarily on major grocery store chains, including Kroger, Food Lion and Albertsons, to local and national convenience stores and mass merchants.

Co.'s doughnut shops are operated under the Krispy Kreme name, and Co. uses 45 federally registered trademarks and service marks, including Krispy Kremeand Hot Doughnuts Nowand the logos associated with these marks. Co. has also registered some of its trademarks in approx. 30 other countries. Co. licenses the use of these trademarks to its franchisees for the operation of their doughnut shops. Co. also licenses the use of certain trademarks to convenience stores and grocery stores in connection with the sale of some of Co.'s products at those locations.

Property

Co.maintains corporate headquarters in Winston-Salem, NC within a multi-tenant facility with approx. 35,000 sq. ft.of leased space. In addition, Co. also leased an additional 26,000 sq. ft.of space in the facility.

As of Feb. 1, 2004, Co. had 357 Krispy Kreme factory stores with 338 located in 48 states, 12 located in Canada, 3 in Australia, 2 in United Kingdom and 2 in Mexico. 144 stores are owned by the Co. and includes 24 consolidated joint venture operated stores; 159 stores owned by area developers and includes 66 Co. joint venture interest; and 57 stores owned by associates.

Out of the 117 factory stores operated by the Co, the Co. owned both land building for 53 stores; leased both land and building for 46 stores; leased land only for 17 stores; and leased building only for 1 store. As for the 24 factory stores operated by consolidated joint ventures, the Co. owned both land and building for 8 stores; leased both land building for 5 stores and leased only the land for 11 stores.

In addition, the Co. operated 10 out of the existing 29 Krispy Kreme satellite stores.

Krispy Kreme Manufacturing & Distribution facilities. Co. owned a 137,000 sq. ft. manufacturing plant and distribution center which also houses the coffee roasting operations and a 100,000 sq. ft. facility for equipment manufacturing and training in Winston–Salem, NC. Besides, Co. also owned a 187,000 sq. ft. mix manufacturing and distribution facility in Effingham, IL and leased a distribution center with 102,000 sq. ft space.near Los Angeles, CA.

Montana Mills. Montana Mills leased a 4,000 sq. ft. administrative facility and 8,000 sq. ft. fulfillment and storage facility in Rochester, NY. Montana Mills also operated 21 stores, of which both land and buildings are leased.

Subsidiaries

Company	% Owned	Country
KKNY, LLC	22.30%	–
KremeKo, Inc.	34.00%	Canada
A–OK, LLC	22.30%	–
Amazing Glazed, LLC	22.30%	–
Krispy Kreme Doughnut Corporation	–	–
Krispy Kreme Distributing Company, Inc.	–	–
Krispy Kreme Coffee Company, LLC	–	–
Krispy Kreme Mobile Store Company	–	–
Golden Gate Doughnuts, LLC	–	–
North Texas Doughnuts, L.P.	–	–
HD Capital Corporation	–	–
HDN Development Corporation	–	–
Panhandle Doughnuts, LLC	–	–
Krispy Kreme International Ltd.	–	Switzerland
Hot Doughnuts Now International Ltd.	–	Switzerland
Krispy Kreme Canada, Inc.	–	–
Montana Mills Bread Co., Inc.	–	–
Montana Mills Bread Co. of Syracuse, Inc.	–	–
Montana Mills Bread Co. of Canandaigua, Inc.	–	–
Western Bakeries, Inc.	–	–
Montana Mills Bread Co. of Liverpool, Inc.	–	–
Montana Mills Bread Co. of Albany, Inc.	–	–
Montana Mills Bread Co. of Park Avenue, Inc.	–	–
Montana Mills Bread Co. of Fairmont, Inc.	–	–
Montana Mills Bread Co. of Webster, Inc.	–	–
Montana Mills Bread Co. of Brighton, Inc.	–	–
Montana Mills Bread Co. of Corning, Inc.	–	–
Montana Mills Bread Co. of Greece, Inc.	–	–
Montana Mills Bread Co. of North Buffalo, Inc.	–	–
Montana Mills Bread Co. of Latham, Inc.	–	–
Montana Mills Bread Co. of East Aurora, Inc.	–	–
Montana Mills Bread Co. of Horseheads, Inc.	–	–
Montana Mills Bread Co. of Brockport, Inc.	–	–
Montana Mills Bread Co. of Pittsford, Inc.	–	–
Montana Mills Bread Co. of Vestal, Inc.	–	–

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Montana Mills Bread Co. of Monroeville, Inc.	—	—
Montana Mills Bread Co. of Peninsula Plaza, Inc.	—	—
Montana Mills Bread Co. of Rochester, Inc.	—	—
Montana Mills Bread Co. of Schenectady, Inc.	—	—
Montana Mills Bread Co. of Scranton, Inc.	—	—
Montana Mills Bread Co. of Erie, PA, Inc.	—	—
Montana Mills Bread Co. of Ohio, Inc.	—	—
Montana Mills Bread Co. of Worthington, Inc.	—	—
Montana Mills Bread Co. of Bexley, Inc.	—	—
Montana Mills Bread Co. of Connecticut, Inc.	—	—
Montana Mills Bread Co. of West Hartford, Inc.	—	—
Montana Mills Bread Co. of Fairfield, Inc.	—	—
Montana Mills Bread Co., Inc.	—	—
Java Joes Public Market Roastery, Inc.	—	—
Montana Mills Bread Co. of Buffalo, Inc.	—	—
Freedom Rings, LLC	—	—
Glazed Investments, LLC	—	—
New England Dough, LLC	—	—

Long Term Debt

Feb. 1, 2004, \$137,917,000 (including current portion of \$2,861,000) comprised of:

–01 –\$30,113,000 term loan. The Term Loan requires monthly payments of principal of \$137,500 and interest through Oct. 31, 2007, at which time a final payment of all outstanding principal and accrued interest will be due. Interest is charged, at Co.'s option, at either the Base Rate, as defined within the Credit Facility agreement, plus an Applicable Margin, as defined, or Adjusted LIBOR, as defined, plus an Applicable Margin. The Applicable Margin ranges from 0.0% to 0.75% for Base Rate borrowings and from 1.0% to 2.0% for Adjusted LIBOR borrowings and is determined based upon Co.'s performance under certain financial covenants contained in the Credit Facility. The interest rate applicable on Feb. 1, 2004 was 2.38%.

–02 –\$87,000,000 revolving line of credit, due in full on Oct. 31, 2007. The revolver is generally payable quarterly and is charged, at Co.'s option, at either the Base Rate, as defined within the Credit Facility agreement, plus an Applicable Margin, as defined, or Adjusted LIBOR, as defined, plus an Applicable Margin. The Applicable Margin ranges from 0.0% to 0.75% for Base Rate borrowings and from 1.0% to 2.0% for Adjusted LIBOR borrowings and is determined based upon Co.'s performance under certain financial covenants contained in the Credit Facility. The interest rate applicable on Feb. 1, 2004 was 2.57%.

The Credit Agreement contains provisions that, among other requirements, restrict the payment of dividends and require Co. to maintain compliance with certain covenants, including the maintenance of certain financial ratios. Co. was in compliance with each of these covenants at Feb. 1, 2004.

–03 –\$6,330,000 credit facility by Co.'s joint venture company Glazed Investments, bear interest at one-month LIBOR plus 1.5%, which is payable monthly. Upon completion of a store, amounts advanced to fund construction are converted to construction term loans ("Construction Notes") and amounts advanced to fund the related equipment purchased are converted to equipment term loans ("Equipment Notes"). The Construction Notes require fixed monthly principal payments, based upon a term of ten years, plus interest, with a final payment of all outstanding amounts due on the earlier of June 30, 2010; two months prior to the final maturity of the subordinated debt; or five years after commencement of monthly payments of principal and interest. The Equipment Notes require monthly payments of principal and interest for a term of five years, with a final payment of all outstanding amounts on the earlier of June 30, 2009; two months prior to the final maturity of the subordinated debt; or five years after commencement of monthly payments of principal and interest. Amounts outstanding under the working capital line of credit are payable in full on June 30, 2004. The loans are secured by the related property and equipment. Co. has also guaranteed approx. 75% of the amounts outstanding under the Glazed Credit Facility.

–04 –\$14,319,000 real estate and equipment loans by Co.'s joint venture company Glazed Investments, LLC. Real Estate Loans require monthly payments of principal and interest for a fixed term of fifteen years and Equipment Loans require monthly

payments of principal and interest for a fixed term of seven years. Interest is payable at rates based on either a fixed rate, which ranges from 7% to 8.65%, or a variable rate based on the one-month LIBOR rate or a commercial paper rate, plus a premium. The premium charged on variable rate loans ranges from 3.05% to 3.6%. At Feb. 1, 2004, interest rates applicable to the Real Estate Loans and Equipment Loans ranges from 4.06% to 8.65%. Secured by the related property and equipment. Co. has also guaranteed approx. 75% of the amounts outstanding under the loans.

-05 -\$136,000 subordinated noted issued by Co.'s joint venture company Glazed Investments, LLC. The Notes bear interest at 12.0% payable semi-annually each Apr. 30 and Oct. 31 through Apr. 30, 2010, at which time a final payment of outstanding principal and accrued interest is due.

-06 -\$19,000 other debt.

Executives

Officers

First	Middle	Last Name	Titles
James	H.	Morgan	Chmn.
Steven	G.	Panagos	Pres., C.O.O.
Stephen	F.	Cooper	C.E.O.
Frank		Murphy	Exec. V.P., Gen. Couns.
Sherry		Polonsky	Sr. V.P., Fin.
Stan	L.	Parker	Sr. V.P., Mktg.
William	L.	Davis	Sr. V.P., Human Res., Organizational Devel.
Timothy	P.	Ronan	Sr. V.P., Bus. Devel.
Ceres		Wood	Sr. V.P., Store Devel.
Fred	W.	Mitchell	Sr. V.P., Manufacturing & Distribution
L.	Stephen	Hendrix	Sr. V.P., Co. Store & Associate Oper.
David	A.	McKie Jr.	Sr. V.P., Gen. Man., Coffe & Beverages
Michael		Phalen CPA	C.F.O.

Directors

First	Middle	Last Name	Titles
James	H.	Morgan	Chmn.
Robert	L.	Strickland	Vice-Chmn.
Erskine		Bowles	
Mary	Davis	Holt	
William	T.	Lynch Jr.	
Dr. Su	Hwa	Newton	
Togo	D.	West Jr.	
Joseph	A.	McAleer Jr.	
Michael		Sutton	
Lizanne		Thomas	

Dividends

Issue Details

1. common

Listed: New York, Ticker: KKD

Authorized: 300000000 Shares

Outstanding: 02/01/2004 61286000 Shares

Stock Splits:

No par shares split 2-for-1 Mar. 20, 2001 and June 15, 2001.

Voting Rights:

Entitled to one vote per share, non-cumulative voting rights.

Options:

Feb. 1, 2004, reserved for issuance, 8,900,000 shares; available for issuance, 5,222,400 shares; options outstanding, 7,475,400 shares.

Transfer Agent & Registrar:

Branch Banking & Trust Company, Wilson, NC

Price RangePrices:

	2003	2002	[1]2001	2000
High	45.77	44.36	46.90	108.50
Low	26.42	27.40	15.13	29.00

[1]Adjusted to reflect 2-for-1 splits on Mar. 20 and June 15, 2001

Offered:

(3,000,000 shares) at \$21.00 per share (proceeds to Co. \$19.53 per share) on Apr. 4, 2000 through Deutsche Banc Alex. Brown; J.P. Morgan & Co.; Dain Rauscher Wessels; BB&T Capital Markets and associates. Offering contained over-allotments options to cover 450,000 shares. Proceeds used for repayment of borrowings under Co.'s agreement, a distribution to Co.'s existing shareholders as part of Co.'s pre-offering corporate reorganization, remodeling and relocation of selected older company-owned stores, additional mix production capacity to support expansion, joint venture investments in area developer stores, and for general corporate purposes, including working capital needs.

(5,200,000 shares) at \$33.50 per share (proceeds to Co. \$31.83 per share) in Feb. 2001.

Capital History:

During fiscal 2002, Co. increased its authorized shares from 100,000,000 shares to 300,000,000 shares.

Shareholder Rights Plan:

Each share of Co.'s common stock has one preferred share purchase right. Each share purchase right entitles the registered shareholder to purchase one one-hundredth (1/100) of a share of Krispy Kreme Series A Participating Cumulative Preferred Stock at a price of \$96.00 per one one-hundredth of a Series A preferred share. The share purchase rights are not exercisable until the earlier to occur of (1) 10 days following a public announcement that a person or group of affiliated or associated persons -- referred to as an acquiring person -- have acquired beneficial ownership of 15% or more of Co.'s outstanding

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common stock or (2) 10 business days following the commencement of, or announcement of an intention to make a tender offer or exchange offer which would result in an acquiring person beneficially owning 15% or more of the outstanding shares of common stock.

If Co. is acquired in a merger or other business combination, or if 50% or more of Co.'s consolidated assets or earning power is sold after a person or group has become an acquiring person, proper provision will be made so that each holder of a share purchase right — other than share purchase rights beneficially owned by the acquiring person, which will thereafter be void — will have the right to receive, upon exercise of the share purchase right at the then current exercise price, the number of shares of common stock of the acquiring company which at the time of the transaction have a market value of two times the share purchase right exercise price. If any person or group becomes an acquiring person, proper provision shall be made so that each holder of a share purchase right — other than share purchase rights beneficially owned by the acquiring person, which will thereafter be void — will have the right to receive upon exercise, and without paying the exercise price, the number of shares of Co.'s common stock with a market value equal to the share purchase right exercise price.

Series A preferred shares purchasable upon exercise of the share purchase rights will not be redeemable. Each Series A preferred share will be entitled to a minimum preferential dividend payment of \$1 per share and will be entitled to an aggregate dividend of 100 times the dividend declared per share of common stock. In the event Co. liquidates, the holders of the Series A preferred shares will be entitled to a minimum preferential liquidation payment of \$1 per share but will be entitled to an aggregate payment of 100 times the payment made per share of common stock. Each Series A preferred share will have 100 votes, voting together with the shares of common stock. Finally, in the event of any merger, consolidation or other transaction in which shares of common stock are exchanged, each Series A preferred share will be entitled to receive 100 times the amount received per share of common stock. These rights are protected by customary antidilution provisions.

Before the date the share purchase rights are exercisable, the share purchase

rights may not be detached or transferred separately from the common stock. The share purchase rights will expire on Jan. 18, 2010, unless that expiration date is extended or unless the share purchase rights are redeemed or exchanged by Co. At any time an acquiring person acquires beneficial ownership of 15% or more of Co.'s outstanding common stock, the board of directors may redeem the share purchase rights in whole, but not in part, at a price of \$0.001 per share purchase right. Immediately upon any share purchase rights redemption, the exercise rights terminate, and the holders will only be entitled to receive the redemption price.

As Reported Annual Income Statement	02/01/2004	02/02/2003	02/03/2002	01/28/2001	01/30/2000
Currency	USD	USD	USD	USD	USD
Auditor Status	Not Qualified	Not Qualified	Not Qualified	Not Qualified	Not Qualified
Consolidated Scale	Yes Thousands	Yes Thousands	Yes Thousands	Yes Thousands	Yes Thousands
Total revenues	665,592	491,549	394,354	300,715	220,243
Operating expenses	507,396	381,489	316,946	250,690	190,003
General & administrative expenses	36,912	28,897	27,562	20,061	14,856
Depreciation & amortization expenses	19,723	12,271	7,959	6,457	4,546
Arbitration award	(525)	9,075	—	—	—
Income (loss) from operation	102,086	59,817	41,887	23,507	10,838
Interest income	921	1,966	2,980	2,325	293
Interest expense	4,409	1,781	337	607	1,525
Equity earnings (loss) in joint ventures	(1,836)	(2,008)	(602)	(706)	—

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Minority interest	2,072	2,287	1,147	716	–
Gain (loss) on sale of property & equipment	(13)	(934)	(235)	(20)	–
Income (loss) before income taxes	94,677	54,773	42,546	23,783	9,606
Current provision (benefit) for income taxes	35,947	19,663	13,615	7,390	3,392
Deferred provision (benefit) for income taxes	1,643	1,632	2,553	1,668	258
Provision (benefit) for income taxes	37,590	21,295	16,168	9,058	3,650
Net income (loss)	57,087	33,478	26,378	14,725	5,956
Weighted average shares outstanding—basic	59,188	55,092.542	53,703	49,183.916 ¹	1,868.044 ²
Weighted average shares outstanding—diluted	62,388	59,492.373	58,443	53,655.492 ¹	1,963.988 ²
Year end shares outstanding	61,286	56,295	54,271	51,832 ¹	1,868 ²
Net income (loss) per share—basic	0.96	0.61	0.49	0.3 ¹	3.188 ²
Net income (loss) per share—diluted	0.92	0.56	0.45	0.275 ¹	3.188 ²
Total number of employees	6,982 ³	3,913 ³	3,632 ³	3,200 ³	3,016 ³
Number of common stockholders	186,600 ⁴	–	–	–	146 ³
Depreciation & amortization	–	12,271	7,959	6,457	4,546

¹ Adjusted for 2–for–1 stock split, June 14, 2001

² Adjusted for 100% stock dividend, March 20, 2001

³ As is

⁴ As is; As of March 24, 2004; Approximately

As Reported Annual Balance Sheet	02/01/2004	02/02/2003	02/03/2002	01/28/2001	01/30/2000
Currency	USD	USD	USD	USD	USD
Auditor Status	Not Qualified	Not Qualified	Not Qualified	Not Qualified	Not Qualified
Consolidated	Yes	Yes	Yes	Yes	Yes
Scale	Thousands	Thousands	Thousands	Thousands	Thousands
Cash & cash equivalents	21,029	32,203	21,904	7,026	3,183
Short-term investments	–	22,976	15,292	18,103	–
Accounts receivables, gross	46,628	35,826	28,076	21,157	19,289
Allowance for doubtful accounts	1,265	1,453	1,182	1,302	1,324
Accounts receivable, net	45,363	34,373	26,894	19,855	17,965
Accounts receivable, affiliates	20,482	11,062	9,017	2,599	1,608
Other receivables	2,363	884	2,771	2,279	794
Notes receivable, affiliates	458	–	–	–	–
Raw materials	8,731	6,819	5,674	3,809	4,600
Work in progress	84	234	28	248	57
Finished goods	6,742	6,010	4,280	2,328	1,658

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Purchased merchandise	13,190	11,157	6,116	5,622	3,627
Manufacturing supplies	117	145	61	24	37
Inventories	28,864	24,365	16,159	12,031	9,979
Prepaid expenses	5,659	3,478	2,591	1,909	3,148
Income taxes refundable	7,973	1,963	2,534	–	861
Deferred income taxes	6,453	9,824	4,607	3,809	3,500
Total current assets	138,644	141,128	101,769	67,611	41,038
Land	33,801	24,741	14,823	11,144	11,144
Buildings	131,727	88,641	39,566	29,637	24,606
Machinery & equipment	153,965	118,332	86,683	65,119	47,701
Leasehold improvements	25,254	19,522	13,463	10,440	9,627
Construction in progress	6,550	1,534	1,949	556	165
Property & equipment, at cost	351,297	252,770	156,484	116,896	93,243
Less: accumulated depreciation	66,581	50,212	43,907	38,556	32,659
Property & equipment, net	284,716	202,558	112,577	78,340	60,584
Deferred income taxes	–	–	–	–	1,398
Long-term investments	–	4,344	12,700	17,877	–
Long-term note receivable, affiliates	7,609	–	–	–	–
Investment in unconsolidated joint ventures	12,426	6,871	3,400	4,695	–
Goodwill	19,865	–	–	–	–
Required franchise rights	174,537	–	–	–	–
Other intangible assets, net	13,322	–	–	–	–
Intangible assets	–	48,703	16,621	–	–
Other assets	9,545	6,883	8,309	2,970	1,938
Total assets	660,664	410,487	255,376	171,493	104,958
Accounts payable	19,107	14,055	12,095	14,697	13,106
Book overdraft	8,123	11,375	9,107	–	–
Casualty insurance	–	–	–	1,925	–
Insurance	8,050	6,150	4,891	762	–
Salaries & wages	–	–	–	5,728	–
Salaries, wages & incentive compensation	4,041	6,034	8,230	–	–
Restructuring expenses	–	–	1,195	1,022	–
Deferred revenue	1,353	1,485	2,082	2,042	–
Taxes, other than income	3,267	1,865	–	–	–
Profit-sharing stock ownership plan contrib	–	–	3,456	2,075	–
Advertising fund	–	–	186	1,353	–
Impairment	–	–	–	49	–
Other accrued expenses	6,691	5,447	6,689	4,948	–
Total accrued expenses	23,402	20,981	26,729	19,904	–
Accrued expenses	–	–	–	–	9,709
Arbitration award	–	9,075	–	–	–
Revolving line of credit	–	–	3,871	3,526	–
Current maturities of long-term debt	2,861	3,301	731	–	2,400

Mergent Online : Krispy Kreme Doughnuts Inc (United States) (NYS: KKD)

Short-term debt –related party	–	900	–	–	–
Accrued salaries & wages	–	–	–	–	3,256
Other accrued expenses	–	–	–	–	1,115
Income taxes payable	–	–	–	41	–
Total current liabilities	53,493	59,687	52,533	38,168	29,586
Deferred income taxes	6,417	9,849	3,930	579	–
Compensation deferred (unpaid)	–	–	727	1,106	990
Revolving lines of credit	87,000	7,288	–	–	–
Term loan	30,113	31,763	–	–	–
Term loan (secured)	–	6,902	4,418	–	–
Credit facility	6,330	–	–	–	–
Real estate & equipment loans	14,319	14,400	–	–	–
Subordinated notes	136	136	–	–	–
Other debt	19	–	225	–	–
Long-term debt, gross	50,917	53,201	4,643	–	–
Less: Current portion	2,861	3,301	731	–	–
Total long-term debt	48,056	49,900	3,912	–	–
Long-term debt, net of current portion	–	–	–	–	20,502
Accrued restructuring expenses	–	–	1,919	3,109	4,259
Other long-term obligations	11,168	5,218	2,197	1,735	1,866
Total long-term liabilities	152,641	72,255	12,685	6,529	27,617
Minority interest	2,323	5,193	2,491	1,117	–
Common stock	294,477	173,112	121,052	85,060	4,670
Paid-in capital	–	–	–	–	10,805
Unearned compensation	62	119	186	188	–
Notes receivable, employees	(383)	(558)	(2,580)	(2,349)	(2,547)
Nonqualified employee benef plan assets	(369)	(339)	(138)	(126)	–
Nonqualified employee benefit plan liability	369	339	138	126	–
Net unreal holding gains on marketable secur	–	113	498	–	–
Foreign currency translation adjustment	(8)	(31)	(42)	–	–
Unrealized loss from a cash flow hedge	(1,307)	(1,568)	–	–	–
Accumulated other comprehensive income (loss)	(1,315)	(1,486)	456	609	–
Retained earnings (accumulated deficit)	159,490	102,403	68,925	42,547	34,827
Total shareholders' equity	452,207	273,352	187,667	125,679	47,755

As Reported Annual Cash Flow	02/01/2004	02/02/2003	02/03/2002	01/28/2001	01/30/2000
Currency	USD	USD	USD	USD	USD
Auditor Status	Not Qualified	Not Qualified	Not Qualified	Not Qualified	Not Qualified
Consolidated	Yes	Yes	Yes	Yes	Yes
Scale	Thousands	Thousands	Thousands	Thousands	Thousands

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Net income (loss)	57,087	33,478	26,378	14,725	5,956
Depreciation & amortization	19,723	12,271	7,959	6,457	4,546
Deferred income taxes	1,643	1,632	2,553	1,668	258
Loss (gain) on disp of property & equip, net	939	934	235	20	–
Comp exp related to restricted stock awards	67	67	52	22	–
Tax benefit from exercise of nonqual stk opts	42,806	13,795	9,772	–	–
Provision for restructuring	–	–	–	–	(127)
Provision for store closings & impairment	–	–	–	318	1,139
Minority interest	2,072	2,287	1,147	716	–
Equity in (earnings) loss in joint ventures	1,836	2,008	602	706	–
Receivables	(17,629)	(7,390)	(13,317)	(3,434)	(4,760)
Inventories	(3,804)	(7,866)	(3,977)	(2,052)	(93)
Prepaid expenses	(1,047)	(331)	(682)	1,239	(1,619)
Accounts payable	4,068	(33)	3,884	1,591	1,570
Accrued restructuring expenses	–	–	–	(1,243)	(1,185)
Accrued expenses	(766)	(9,296)	4,096	8,956	4,966
Arbitration award	(9,075)	9,075	–	–	–
Other long-term obligations	3,643	(166)	83	(15)	345
Net cash flows from operating activities	95,553	51,036	36,210	30,576	8,980
Purchase of property & equipment	(79,649)	(83,196)	(37,310)	(25,655)	(11,335)
Proceeds fr disposal of prop & equipment	–	701	3,196	1,419	–
Proceeds fr disposal of assets held for sale	–	1,435	–	–	830
Acquis of franchise market, net cash acquired	(122,352)	(4,965)	(20,571)	–	–
Acquisition of business, net of cash acquired	4,052	–	–	–	–
Investments in unconsolidated joint ventures	(7,377)	(7,869)	(1,218)	(6,333)	–
Decrease in other assets	–	–	–	(1,348)	479
Sale (purchase) of investments, net	–	–	7,877	(35,371)	–
Purchase of investment	(6,000)	(32,739)	–	–	–
Proceeds from investment	33,136	33,097	–	–	–
Issuance of notes receivable	(6,613)	–	–	–	–
Collection of notes receivable	1,147	–	–	–	–
Decrease (increase) in other assets	(2,585)	(1,038)	(4,237)	–	–
Net cash flows from investing activities	(186,241)	(94,574)	(52,263)	(67,288)	(10,026)
Proceeds from exercise of stock options	19,514	7,140	3,906	699	–
Proceeds from exercise of warrants	4	–	–	–	–
Issuance of short-term debt	55,000	–	–	–	–
Issuance of long-term debt	44,570	44,234	4,643	–	4,282
Repayment of short-term debt	(66,286)	–	–	–	–
Repayment of long-term debt	(46,892)	(2,170)	–	(22,901)	(2,400)

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Net borrows (repay) fr revolving line of cred	79,712	(121)	345	3,526	–
Issuance of short-term debt-related party	2,350	–	–	–	–
Repayments of short-term debt-related party	(3,250)	(500)	–	–	–
Debt issue costs	(921)	(194)	–	–	–
Proceeds from stock offering	–	–	17,202	65,637	–
Book overdraft	(3,252)	2,268	3,960	–	–
Collection of notes receivable	175	3,612	648	198	226
Minority interest	(1,210)	(432)	227	401	–
Cash dividends paid	–	–	–	(7,005)	(1,518)
Issuance of notes receivable	–	–	–	–	(674)
Net cash flows from financing activities	79,514	53,837	30,931	40,555	(84)
Net incr (decr) in cash & cash equivalents	(11,174)	10,299	14,878	3,843	(1,130)
Cash & cash equivalents at beginning of year	32,203	21,904	7,026	3,183	4,313
Cash & cash equivalents at end of year	21,029	32,203	21,904	7,026	3,183
Interest expense paid	4,454	1,855	337	458	1,421
Income taxes paid (refunds)	(2,763)	(5,298)	6,616	5,894	5,407
Issu of prom note in cnct w/ acquis of franch	18,540	8,727	4,183	–	–
Iss of stk to KK profit-sharing ownership plan	–	–	–	3,039	–
Iss of stk in conjunct w/ acquis of add int	–	22,248	–	–	–
Iss of stk in conjunct w/ acquis of business	40,491	–	–	–	–
Receipt of prom note in cnct w/ sale of asset	3,551	–	–	–	–
Issu of prom note in cnct w/ acquis of franch	11,286	–	–	–	–
Iss of stock options in exchange for services	–	150	–	–	–
Issuance of restricted common shares	10	–	50	210	–
Issu of stk in exch for employee notes receiv	–	–	879	–	–
Unrealized gain (loss) on investments	–	(385)	(111)	–	–

Profitability Ratios	02/01/2004	02/02/2003	02/03/2002	01/28/2001	01/30/2000
Return on Equity (%)	12.62	12.25	14.06	11.72	12.47
Return on Assets (%)	8.64	8.16	10.33	8.59	5.67
Return on Investment	22.64	23.4	31.09	27.53	44.22
Gross Margin	0.024	0.022	0.02	0.017	0.014
EBITDA of Revenue (%)	18.3	14.67	12.64	9.96	6.99
Operating Margin (%)	15.34	12.17	10.62	7.82	4.92

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Pre-Tax Margin	14.22	11.14	10.79	7.91	4.36
Net Profit Margin (%)	8.58	6.81	6.69	4.9	2.7
Effective Tax Rate (%)	39.7	38.88	38	38.09	38

Liquidity Indicators **02/01/2004** **02/02/2003** **02/03/2002** **01/28/2001** **01/30/2000**

Quick Ratio	1.68	1.7	1.44	1.31	0.8
Current Ratio	2.59	2.36	1.94	1.77	1.39
Working Capital/Total Assets	0.13	0.2	0.19	0.17	0.11

Debt Management **02/01/2004** **02/02/2003** **02/03/2002** **01/28/2001** **01/30/2000**

Current Liabilities/Equity	0.12	0.22	0.28	0.3	0.62
Total Debt to Equity	0.3	0.22	0.02	–	0.48
Long Term Debt to Assets	0.2	0.14	0.02	–	0.2

Asset Management **02/01/2004** **02/02/2003** **02/03/2002** **01/28/2001** **01/30/2000**

Revenues/Total Assets	1.01	1.2	1.54	1.75	2.1
Revenues/Working Capital	7.82	6.04	8.01	10.21	19.23
Interest Coverage	22.47	31.75	127.25	40.18	7.3