



FAGE DAIRY INDUSTRY S.A.

**HALF-YEARLY REPORT
For the six months
Ended June 30, 2010**

**As Required by Greek law 3556/2007 Pursuant to the Adoption
of the Transparency Directive 2004/109/EC**

August 13, 2010

This report (the “Half-yearly Report”) includes the information that is required to be published by FAGE DAIRY INDUSTRY S.A. as of and for the six months ended June 30, 2010, as required by Greek law 3556/2007 pursuant to the adoption of the Transparency Directive 2004/109/EC.

This report is organised as follows:

Section A: Summary analysis of Senior Notes issued by the Company and other related information.

Section B: Declarations of the members of the Board of Directors in accordance with art 5 (2) of Law 3556/2007.

Section C: Report of the Board of Directors.

Section D: Auditors’ review report.

Section E: Unaudited condensed consolidated and separate financial statements as of and for the six months ended June 30, 2010 SUBJECT TO ISRE 2410 "REVIEW OF INTERIM FINANCIAL INFORMATION PERFORMED BY THE INDEPENDENT AUDITOR OF THE ENTITY".

Section F: Condensed financial data and information for the period January 1, 2010 to June 30, 2010 (Separately presented in another file).

SECTION A

Summary Analysis of Senior Notes issued by FAGE DAIRY INDUSTRY S.A. and FAGE USA DAIRY INDUSTRY, INC.

On January 21, 2005, FAGE Dairy Industry S.A. (the "Company" or "FAGE") issued €130,000,000 principal amount of its 7½% Senior Notes due 2015 (the "2015 Senior Notes"). The 2015 Senior Notes were issued and guaranteed under an indenture (the "2015 Indenture"), dated as of January 21, 2005, by and among the Company, as issuer, FAGE USA Holdings, Inc. and FAGE USA Dairy Industry, Inc., as guarantors, The Bank of New York, as trustee and AIB/BNY Fund Management (Ireland) Limited, as Irish paying agent (the "Irish Paying Agent"). On January 29, 2010, the Company and FAGE USA Dairy Industry, Inc. ("FAGE USA") issued \$150,000,000 principal amount of their Senior Notes due 2020 (the "2020 Senior Notes" and, together with the 2015 Senior Notes, the "Senior Notes") under an indenture (the "2020 Indenture" and, together with the 2015 Indenture, the "Indentures"), dated as of January 29, 2010, by and among the Company and FAGE USA, as issuers, The Bank of New York Mellon, acting through its London Branch, as trustee, The Bank of New York Mellon, as U.S. registrar and paying agent, and the Bank of New York Mellon (Luxembourg) S.A., as Luxembourg registrar. Neither the 2015 Senior Notes nor the 2020 Senior Notes have been, nor will they be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the 2015 Senior Notes and the 2020 Senior Notes were offered and sold only to "Qualified Institutional Buyers" (as defined in Rule 144A under the Securities Act) and pursuant to offers and sales occurring outside the United States within the meaning of Regulation S under the Securities Act. Neither of the Indentures is required to be, nor will they be, qualified under the U.S. Trust Indenture Act of 1939, as amended.

Copies of the 2015 and 2020 Indentures are available from the Company upon request. This Half-yearly Report is being provided (i) to Holders of the 2015 Senior Notes pursuant to Section 4.02 of the 2015 Indenture and (ii) to Holders of the 2020 Senior Notes pursuant to Section 4.02 of the 2020 Indenture. The 2015 Senior Notes are listed on the Irish Stock Exchange. This Half-yearly Report is also being made available through the Company's website and at the office of the Irish Paying Agent pursuant to the rules of the Irish Stock Exchange.

The Company is a private limited company incorporated under the laws of the Hellenic Republic on December 30, 1977. Its principal place of business is located at, and the address of each of its directors and executive officers is, 35 Hermou Street, 144 52 Metamorfossi, Athens, Greece, and its telephone number is (30-210) 2892555. The Company's Greek tax identification number is 094061540. The Company's website is www.fage.gr. The reference to this website is an inactive textual reference only and none of the information contained on this website is incorporated into this Half-yearly Report. References to the Group include, unless the context requires otherwise, the Company and its consolidated subsidiaries (FAGE U.K. Limited, FAGE USA Holdings, Inc., FAGE USA, Corp., FAGE USA Dairy Industry, Inc., FAGE Italia S.r.l, FAGE Commercial S.A. (Xylouris), Zagas S.A., Agroktima Agios Ioannis S.A. and Iliator S.A.). The Company operates principally in the Hellenic Republic, also known as Greece, and unless the context requires otherwise, references herein to the Company's markets, market share or similar terms refer to the relevant Greek market.

FAGE USA is a corporation organized under the laws of the State of New York on February 17, 2005. Its principal place of business is 1 Opportunity Drive, Johnstown Industrial Park, Johnstown, New York 12095, U.S.A., and its telephone number is +1 518 762 5912. FAGE USA's U.S. Employer Identification Number is 83-0419718. FAGE USA is wholly owned by FAGE USA Holdings, Inc., a New York corporation, which in turn is wholly owned by FAGE.

FAGE USA Holdings, Inc. (the "Guarantor") is a corporation organized under the laws of the State of New York, having its principal place of business at 1 Opportunity Drive, Johnstown Industrial Park, Johnstown, NY 12095, U.S.A. The Guarantor's US Employer Identification Number is 11-3556476. The Guarantor was incorporated on June 26, 2000. The Company is the registered holder of the entire issued capital of the Guarantor.

In accordance with the terms of the 2015 Indenture, FAGE USA entered into a supplemental indenture (the "Supplemental Indenture"), dated as of March 29, 2006, pursuant to which it agreed to unconditionally guarantee all the obligations of the Company under the 2015 Senior Notes and the 2015 Indenture.

Following the issuance of the 2020 Senior Notes, the Company redeemed on March 1, 2010 €20,000,000 of the €121,483,000 aggregate principal amount of its outstanding 2015 Senior Notes and repaid approximately €46.0 million of its other long term loans.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

The following cautionary statements identify important factors that could cause the Group's actual results to differ materially from those projected in the forward-looking statements made in this Half-yearly Report. Any statements about the Group's expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "will likely result," "are expected to," "will continue," "believe," "is anticipated," "estimated," "intends," "expects," "plans," "seek," "projection" and "outlook." These statements involve estimates, assumptions and uncertainties which could cause actual results to differ materially from those expressed. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Half-yearly Report. Among the key factors that may have a direct bearing on our results of operations are:

- risks associated with our high leverage and debt service obligations;
- the impact of restrictive debt covenants on our operating flexibility;
- uncertainties associated with general economic conditions in Greece, across Europe and the United States;
- factors affecting the Group's ability to compete in a competitive market; and
- uncertainties associated with the Group's ability to implement its business strategy.

These and other factors are discussed elsewhere in this Half-yearly Report.

Because the risk factors referred to in this Half-yearly Report could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this Half-yearly Report by the Group or on its behalf, you should not place undue reliance on any of these forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and the Group undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors will emerge in the future, and it is not possible for the Group to predict which factors they will be. In addition, the Group cannot assess the impact of each factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.

RESPONSIBILITY STATEMENT IN RESPECT OF THE SIX MONTHS ENDED JUNE 30, 2010

The Directors are responsible for preparing this interim management report and the condensed consolidated financial information in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the related Transparency Rules of the Hellenic Capital Market Commission and with International Accounting Standards as adopted by the European Union.

The Directors confirm that, to the best of their knowledge:

- the financial information for the six months ended June 30, 2010, has been prepared in accordance with the applicable set of accounting standards adopted pursuant to the procedure provided for under Article 6 of the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- the interim condensed financial statements for the six months ended June 30, 2010 give, a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;
- the interim management report includes a fair review of the important events that have occurred during the six months ended June 30, 2010, and their impact on the Group financial information for the six months ended June 30, 2010;
- the interim management report includes a fair review of related party transactions that have occurred for the six months ended June 30, 2010, and that have materially affected the financial position or the performance of the Group during that period, and any changes in the related parties' transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

Industry Data

This Half-yearly Report contains information concerning the Greek dairy industry and market, the U.S. market for yogurt and the dairy markets of certain other countries. We operate in an industry in which it is difficult to obtain precise industry and market information. We have obtained the market and competitive position data in this Half-yearly Report from industry publications and from surveys or studies conducted by third parties that we believe to be reliable, including research information produced by AC Nielsen Retail Measurement Services, a division of The Nielsen Company. For the United States, market and competitive position data included in this Half-yearly Report is based primarily on our estimates. As part of its research for the report, Nielsen received market and company information from us. We cannot assure you of the accuracy and completeness of such information, and we have not independently verified the market and competitive position data contained in this Half-yearly Report. In addition, in many cases, statements in this Half-yearly Report regarding the Greek dairy industry and our competitive position in the industry are based on our experience and our own investigation of market conditions. There can be no assurance that any of these assumptions are accurate or correctly reflect our competitive position in the industry, and none of these internal surveys or information have been verified by independent sources, which may have estimates or opinions regarding industry-related information which differ from ours.

ENFORCEABILITY OF CIVIL LIABILITIES

FAGE is a Greek *société anonyme*. Most of FAGE's executive officers and directors, certain of FAGE USA's executive officers and directors and certain experts named herein presently reside outside of the United States, principally in Greece. In addition, the majority of our assets are located in Greece. As a result, it will be necessary for investors to comply with Greek law in order to obtain an enforceable judgment against any such foreign resident persons or assets of the Company, including an order to foreclose upon such assets. Although we have agreed under the terms of the Indentures pursuant to which the Senior Notes have been issued to accept service of process in the United States by an agent designated for such purpose, it may not be possible for investors to (i) effect service of process within the United States upon our officers, directors and certain experts named herein and (ii) realize in the United States upon judgments against such persons obtained in such courts predicated upon civil liabilities of such persons, including any judgments predicated upon U.S. federal securities laws, to the extent such judgments exceed such person's U.S. assets. We have been advised by G.S. Kostakopoulos & Associates, Greek counsel to the Group, that under the laws of Greece, a Greek court of competent jurisdiction (a) will, other than under certain limited circumstances, recognize and declare enforceable a final and enforceable judgment of a U.S. court having jurisdiction as determined under the Greek Code of Civil Procedure, which declares a liability on the Company or any of its directors or officers for a sum of money assessed as compensatory damages and which is sought to be enforced in Greece, and (b) may, except under certain circumstances, recognize and declare enforceable a final and enforceable judgment of a U.S. court having jurisdiction which is predicated upon civil liabilities contemplated by the federal securities laws of the United States, although presently there is no precedent for such enforcement of liabilities contemplated by such securities laws.

PROPRIETARY MARKS

Each of the following trademarks and brand names are protected registered trademarks of the Group:

FAGE[®], *Junior*[®], *Veloutela*[®], *Flair*[®], *Total*[®], *Total Light*[®], *Total 0%*[®], *Total 0% with fruit*[®], *Total 2%*[®], *Total split-cup*[®], *Ageladitsa*[®], *Silouet*[®], *Silouet 0%*[®], *Silouet 2%*[®], *Silouet 0% with honey croutons*[®], *Veloutela Cocktail*[®], *Sheep's*[®], *N'Joy*[®], *Drossato*[®], *Yoko Choco*[®], *Trikalino*[®], *Playia*[®], *Farma*[®], *Farma Diet*[®], *Farma Plus*[®], *ABC*[®], *GALA 10*[®], *Tzatziki FAGE*[®], *FAGE Cream*[®], *Family Yiaourt*[®], *Junior Tirakia*[®], *Glykokoutalies FAGE*[®], *Velvet*[®], *Total 2% split-cup*[®], *Sensia mousse*[®], *Dolce Bianco*[®], *Crema mia*[®] and *Nouvelle*[®].



SECTION B

FAGE DAIRY INDUSTRY S.A.

DECLARATIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS (in accordance with article 5 par. 2 of Law 3556/2007)

Members of the Board of Directors, Mr. Athanassios-Kyros Filippou, Chairman of the Board, Mr. Athanassios Filippou, Chief Executive Officer and member of the Board of Directors and Mr. Christos Koloventzos, Chief Financial and Administrative Officer and member of the Board of Directors having been specifically assigned by the Board of Directors, declare that to their best knowledge:

- The Interim Condensed Consolidated Financial Statements for the six months ended June 30, 2010, which were prepared in accordance with international financial reporting standards, give a true and fair view of the assets, liabilities, shareholders' equity and financial results of FAGE Dairy Industry S.A.

- The Interim Board of Directors Report on the Interim Condensed Consolidated Financial Statements for the six-month period ended June 30, 2010 presents in a true and fair manner all information deemed necessary in accordance with provisions set forth in paragraph 6, article 5 of Law 3556/2007.

August 11, 2010

CHAIRMAN OF THE
BOARD OF DIRECTORS

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL AND
ADMINISTRATIVE OFFICER

ATHANASSIOS-KYROS FILIPPOU

ATHANASSIOS FILIPPOU

CHRISTOS KOLOVENTZOS

ID T 126291

ID Σ 699586

ID AB 575496
RE No. ECG. 0031200

SECTION C

FAGE DAIRY INDUSTRY S.A.

Half-yearly Report of the Board of Directors for the period 1 January – 30 June 2010

This Board of Directors report was prepared in accordance with the provisions of Article 5(6) of Law 3556/2007 and the decisions of the Board of Directors of the Hellenic Capital Market Commission issued pursuant to it.

The purpose of this report is to inform investors about:

- the financial situation, results and overall performance of the Company and the Group in the period under examination and the changes which occurred.
- the major events which occurred during the first half of the current accounting period and their impact on the half-yearly Group and consolidated financial statements.
- the risks which could be faced by the Company and Group in the second half of the accounting period being examined for 2010.
- the transactions concluded between the Company and related persons.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Greek Economy

On March 3, 2010, the Greek government announced fiscal measures to address the major problems of the Greek economy. The austerity measures led to popular demonstrations and strikes, including a walkout called in May 2010 to protest against an overhaul of the state pension system and labour-market reforms. The impact of job losses at private companies and wage cuts for civil servants has started to be felt more widely. Although the IMF hopes that the recession will be less deep than forecast, GDP is still expected to shrink by more than 3.0% for 2010. Annual inflation is already at a 13-year high of 5.4% and is set to jump again because the VAT rates have been increased by another two percentage points to 23.0% since July 1, 2010. The Greek summer tourist season is off to a slow start, with visitor numbers expected to fall significantly compared to the respective period of 2009. Wildcat strikes in July 2010 by a breakaway seamen's union led to cancellation of ferry sailings from Piraeus port to the Greek islands. In contrast, air-traffic controllers have refused to join recent walkouts.

Greek Dairy Market

In this difficult economic environment, the Greek dairy market experienced a decrease of 3.2% in volume and 5.7% in value, comparing the six months ended June 30 of the years 2010 and 2009. This volume decrease resulted mainly from a decrease of 3.4% in sales volume in the Greek milk market and 4.5% in the Greek branded yoghurt market. The volume in the packaged cheese market (excluding Feta cheese) increased by 12.2%, whereas UHT milk and milk cream products decreased by 3.3% in volume, comparing the first six months of the years 2010 and 2009. Within the milk business, fresh milk and evaporated milk decreased by 4.9% and 4.5%, respectively, comparing the six months ended June 30 of the years 2010 and 2009. The ESL milk market increased by 1.0% in volume, whereas the dairy desserts decreased by 3.6% comparing the six months ended June 30 of the years 2010 and 2009.

The source for the above market data is Nielsen Market Track, which covers the period from December 2009 to May 2010. Nielsen survey figures are derived by extrapolation from a sample of an estimated 70% of the Greek market.

The Group's Total Sales

The Group's total sales volume increased by 1.1% comparing the six months ended June 30 of the years 2010 and 2009. This increase reflects a decrease of 7.5% in the Group's sales volume in the domestic market and an increase of 32.2% in the Group's sales volume in exports and international sales. The Group's total sales in value increased by 5.4% comparing the first six months of the years 2010 and 2009. This reflects a decrease of 8.5% in the Group's sales in value in the domestic market and an increase of 32.4% in the Group's sales in value in the exports and international sales.

The Group's Sales in the Domestic Market

The business environment in the Greek dairy market remained very competitive in the six months ended June 30, 2010, as a result of the continuation of significant promotional activities in the yoghurt and milk businesses by all the big players in the domestic market. The Group's sales in volume decreased by 7.5% in the domestic market, mainly due to the economic crisis in Greece which reduced the consumption for dairy products among other segments. This, together with the aggressive promotional activities by its competitors in Greece, negatively affected the Group's sales in value in the domestic market and, consequently, the Group's total sales in value. In response, the Company decided to cease its policy of selling its yoghurt products through the "buy two and get one free" program, which had resulted in a decrease of approximately 33% off list prices. Since March 1, 2010, the Company has applied a new price list with reduced prices for its yoghurt and dairy dessert products, which substantially, but not in whole, offset the discontinuation of the promotional offerings. Furthermore, the Company decided to discontinue its temporary price reductions on milk products. Since March 1, 2010, the Company has sold its milk products under the "GALA 10" line at list prices (with no "price-offs"). Also, since April 1, 2010, the Company has sold its milk products under the "FARMA" line at list prices. The Company's main competitive players in the domestic market have continued their aggressive promotional activities.

During the first six months of 2010, the Company was the market leader in branded yoghurt and packaged cheese business (excluding Feta cheese) with market shares of 32.1% and 15.7%, respectively. Furthermore, the Company was the second player in the ESL white milk market with a market share of 24.1%.

Finally, in the UHT milk and milk creams business and in the dairy desserts business, the Company's market shares were 16.6% and 13.8%, respectively.

The source for the above market data is Nielsen Market Track, which covers the period from December 2009 until May 2010. Nielsen survey figures are derived by extrapolation from a sample of an estimated 70% of the Greek market.

The Group's Exports and International Sales

The Group's exports and international sales in volume increased by 32.2%, comparing the six months ended June 30 of the years 2010 and 2009. This increase mainly came from the US market, where the sales in volume increased by 59.5%. In the UK market, sales in volume decreased by 5.5%, and in the Italian market, the sales in volume decreased by 3.4%. Exports sales to other countries increased by 2.2% in volume.

The related increase in exports and international sales in value was 32.4%, which was in line with the increase in sales in volume (32.2%), as there were no price increases for the Company's export and international sales.

Export and international sales in volume for the six months ended June 30, 2010 represented 28.3% of the Group's total sales volume, as compared to 21.6% for the respective period of the year 2009. Furthermore, export and international sales in value for the six months ended June 30, 2010 represented 42.6% of the Group's total sales in value, as compared to 33.9% for the respective period of the year 2009.

Export and international sales volume in yoghurt represented 55.5% of the Group's total yoghurt sales volume in the six months ended June 30, 2010, as compared to 45.2% in the respective period of the year 2009. In strained yoghurt (mainly the *Total* brand), the volume of exports and international sales represented 67.3% of the Group's total volume of strained yoghurt in the six months ended June 30, 2010, up from 57.8% in the respective period of 2009.

Results of Operations for the Group

The following table sets forth, for the periods indicated, certain items in the Group's consolidated income statements expressed as percentages of net sales:

	Six months ended June 30,		Three months ended June 30,	
	2010	2009	2010	2009
Net sales.....	100.0%	100.0%	100.0%	100.0%
Cost of sales.....	(57.5)	(58.8)	(55.9)	(57.2)
Gross profit.....	42.5	41.2	44.1	42.8
Selling, general and administrative expenses.....	(33.7)	(32.8)	(34.5)	(34.3)
Other income.....	0.1	0.2	0.1	0.3
Other expenses.....	(1.0)	(0.8)	(2.0)	(1.5)
Profit from operations.....	7.9	7.8	7.7	7.3
Gain from repurchase of Senior Notes.....	-	1.4	-	-
Financial income/(expenses), net.....	(6.8)	(4.6)	(5.9)	(4.1)
Impairment loss.....	(0.2)	-	(0.4)	0.1
Reversal of fines.....	-	2.0	-	3.8
Loss on derivatives.....	(1.0)	-	(0.5)	-
Foreign exchange (losses)/gains, net.....	1.9	0.1	(0.1)	(0.6)
Share of profit/(loss) of associates.....	-	-	-	-
Net profit before income taxes.....	1.8	6.7	0.8	6.5
Income taxes.....	0.1	(2.8)	1.7	(2.1)
Net profit.....	1.9%	3.9%	2.5%	4.4%

Six months ended June 30, 2010 compared to six months ended June 30, 2009

Net sales. The Group's sales in volume for the six months ended June 30, 2010 increased by 1.1%, compared to the respective period of 2009. The Group's sales in value increased by 5.4%, or €8.5 million, from €158.6 million in the first six months of 2009 to €167.1 million in the first six months of 2010.

The main factors that had a positive impact on the Group's sales in value were:

- firstly, the Group's net sales were positively affected by the significant increase in volume and value of the Company's sales in the US market, by 59.5% in volume and 52.1% in value; and
- secondly, the strengthening of the US\$ against the Euro also had a positive impact on the Group's net sales. The average exchange rates during the first six months of the years 2010 and 2009 were: 1€=1.3151 US\$ and 1€=1.3379 US\$, respectively. The positive impact on net sales was €1.0 million.

These factors were partially offset by:

- firstly, the decrease of 7.5% in the Group's sales in volume in the domestic Greek market. The decrease in the Group's sales in value in the domestic market was 8.5%. The main reason for this is that, for the first two months of the year 2010, the Company sold its yoghurt products through the "buy two and get one free" program and its milk products through the program of "price-offs" (reductions). The decrease in volume in the domestic market is mainly due to the economic crisis in Greece and the imposition of austerity measures by the I.M.F., which have negatively impacted consumption. Furthermore, the new price policy which the Company applied gradually since March 2010 while our main competitors continue their aggressive promotional activities, also had a negative impact on volume although it had a positive impact on profitability;
- secondly, the decrease in the Group's sales in volume in the UK market by 5.5%. In spite of this decrease in volume comparing the first six months the years 2010 and 2009, the decrease in the Group's sales in value in the UK market was 1.1%. This is due to the fact that, on one hand, there were significant increases in the selling prices in the UK market in the second half of 2009 and, on the other hand, to the strengthening of the UK sterling against the euro. The average exchange rates in the first six months of the years 2010 and 2009 were 1€=0.8642UK£ and 1€=0.8900UK£, respectively.

Gross profit. Gross profit for the six months ended June 30, 2010 was €71.0 million, an increase of €5.6 million, or 8.6%, from €65.4 million for the six months ended June 30, 2009. Gross profit as a percentage of net sales for the six months ended June 30, 2010 was 42.5% compared to 41.2% for the respective period of 2009. The main reasons for this improvement were:

- firstly, the contribution to the Group's gross profit and, consequently, the gross margin from the US operations where the volume in the US market increased by 59.5% comparing the six months ended June 30 of the years 2010 and 2009; and
- secondly, the new price policy that the Company had applied in the domestic market in its yoghurt and milk products gradually since March 2010, by stopping aggressive promotional activities, had a positive impact on the Group's and the Company's gross profit and gross margin.

This improvement was moderated by the fact that, whereas the price of milk (as a raw material) collected in the domestic market decreased by 6.8%, comparing the first six months of the years 2010 and 2009, prices for milk imported from the European market increased by 39.9%. The prices for milk collected in the US market and used for the US yoghurt facility have shown an increase of 39.0%, comparing the six months ended June 30, of the years 2010 and 2009. Furthermore, the cost of the packaging materials has increased on average by 3.0%, comparing the first six months of the years 2010 and 2009.

All the other key factors constituting the cost of goods sold, labour cost, depreciation and other manufacturing costs remained approximately on the same level comparing the first six months of the years 2010 and 2009.

Selling, general and administrative expenses. Selling, general and administrative expenses ("SG & A") for the six months ended June 30, 2010 were €56.2 million, an increase of €4.2 million, or 8.1%, from €52.0 million for the six months ended June 30, 2009. As a percentage of net sales, SG & A was 33.7% for the six months ended June 30, 2010 and 32.8% for the comparable period of 2009.

The main reasons for the increase of €4.2 million in selling, general and administrative expenses were:

- firstly, the Group's advertising costs increased from €10.9 million, or 6.9% of net sales, for the six months ended June 30, 2009 to €11.6 million, or 6.9% of the Group's net sales, for the respective period of 2010. Although there was no increase in the advertising cost as a percentage of net sales, there was an increase in absolute terms of €0.7 million, which related to the US sales;

- secondly, in relation to the third party fees, there was an increase of €1.4 million, from €5.8 million in the six months ended June 30, 2009 to €7.2 million in the respective period of 2010. On a percentage basis, third party fees increased from 3.7% in the first six months of 2009 to 4.3% in the respective period of 2010. This increase is mainly due to increased commissions paid to the Group's sales brokers in the US market;
- thirdly, the payroll concerning the selling, general and administration operations of the Group increased from €10.0 million in the first six months of 2009 to €11.2 million in the comparable period of 2010. The increase of €1.2 million is partly due to the restructuring of the Company's distribution network in the domestic market and the resulting severance payments concerning the dismissal of 30 employees and partly to the increase of the sales force concerning the US operations. On a percentage basis the payroll cost concerning the selling, general and administrative operations was 6.3% of the Group's net sales in value for the six months ended June 30, 2009 and 6.7% for the respective period of 2010; and
- fourthly, the compensation paid to shareholders and family members increased from €1.0 million in the first six months of 2009 to €2.0 million for the comparable period of 2010.

The Company has started restructuring its domestic distribution network in two ways:

- firstly, the Company has taken the decision to expand its distribution centers around Greece from four to nine by the end of the year. Each distribution center is a warehouse facility from which local small distributors collect the Company's goods and deliver to the retail outlets. These retail outlets are currently being serviced from bigger distributors who had their own warehouse facilities. The Company has begun to phase out its co-operation with these large distributors. The Company believes that significant benefits from better service to the retail outlets and increased efficiency will out-weight the short-term costs of severance payments to the former distributors;
- secondly, the Company, in order to cover requests from some large domestic supermarket chains for centralized deliveries to their warehouse facilities since June 2010, has stopped its co-operation with approximately 35 small distributors and now delivers its goods to these supermarket chains using either its own transportation or small logistic companies. The Company believes that it will achieve significant economies of scale from this new arrangement.

The Group's shipping and handling costs remained at the same level comparing the six months ended June 30 of the years 2010 and 2009. The respective amounts were €16.7 million for the six months ended June 30, 2010 and €16.8 million for the comparable period of 2009. The impact on shipping and handling costs of the restructuring of the domestic distribution network for the six months ended June 30, 2010 amounts to approximately €1.0 million.

Other income/expenses, net. Net other expenses for the six months ended June 30, 2010 amount to €1.6 million. Out of this amount, €1.4 million relates to a provision concerning a letter of guarantee which had been issued in 1999 from a Bank in Greece, in order to service the collaboration between FAGE and a Belgian UHT milk producer (see Recent Developments Section further below). For the six months ended June 30, 2009 net other expenses were €1.0 million due to the loss from the sale of obsolete equipment.

Profit from operations. Profit from operations for the six months ended June 30, 2010 was €13.1 million, an increase of €0.7 million as compared to a profit from operations of €12.4 million for the six months ended June 30, 2009. On a percentage basis, profit from operations of 7.8% of the Group's net sales increased to 7.9% comparing the first six months of the years 2009 and 2010, respectively. This improvement comes from the increase of the gross margin from 41.2% of the Group's net sales to 42.5% comparing the first six months of the year, 2009 and 2010, respectively. This increase was slightly moderated by the increase in the selling, general and administrative expenses.

Gain from Repurchase of Senior Notes. Gain from the Repurchase of Senior Notes for the six months ended June 30, 2009 was €2.2 million, which is attributed to the purchase in privately negotiated transactions of the Company's existing 2015 Senior Notes with an aggregate face amount of €4.5 million at a market value of €2.3 million. There were no such repurchases for the six months ended June 30, 2010.

Financial income/(expenses) net. Net financial expenses for the six months ended June 30, 2010 increased by €4.2 million, from €7.2 million in the first six months of the year 2009 to €11.4 million in the first six months of the year 2010. This increase is due to:

- firstly, to the increase in the Group's total debt by €46.1 million, from €176.5 million on December 31, 2009 to €222.6 million on June 30, 2010 (see Notes 17, 19);

- secondly, to charges of €1.5 million for the first six months of the year 2010 out of which €0.8 million relates to the premium for the early redemption of €20.0 million Senior Notes due in 2015 and €0.7 million concerns the amortised costs related to the €46.0 million loan repayments and the redemption of €20.0 million of Senior Notes due in 2015.

Impairment loss. Impairment loss is related to the impairment recognised on the available for sale financial assets. Impairment loss for the six months ended June 30, 2010 was €0.3 million, while the respective amount for the comparable period of 2009 was €0.1 million.

Loss on derivatives. Within the first six months of 2010, the Company entered into forward contracts in order to avoid sharp fluctuations in US\$/€ and UK£/€ rates. The outcome of these contracts was a loss of €1.7 million, out of which €1.1 million is a realised loss related to the US\$/€ contract which has been terminated in the first six months of 2010. The remaining balance of €0.6 million is related to the UK£/€ contract which resulted in an unrealised valuation loss as at June 30, 2010 since this contract expires on February 28, 2011.

Foreign exchange losses (gains), net. Foreign exchange gains for the six months ended June 30, 2010 were €3.4 million. Out of this amount €2.8 million comes from realised foreign exchange gains arising from the collection of US\$ receivables in the first six months of 2010 relating to the return of share capital and dividends of FAGE USA Holdings, Inc. to FAGE which were outstanding on December 31, 2009. The remaining balance concerns foreign exchange gains from the remeasurement of other receivables and payables outstanding on June 30, 2010 denominated in foreign currencies. For the six months ended June 30, 2009, the foreign exchange gains were €0.2 million as the exposure of Company to foreign currencies as well as their fluctuation, was smaller.

Profit before income taxes. Profit before income taxes for the six months ended June 30, 2010, was €3.0 million, a decrease of €7.6 million, compared to a profit before income taxes of €10.6 million for the six months ended June 30, 2009. On a percentage basis, the profit before income taxes decreased from 6.7% of the Group's net sales in the first six months of the year 2009 to 1.8% for the comparable period of 2010. This is due to:

- firstly, the increase in the financial expenses by €4.2 million;
- secondly, the fact that the results of the first six months of the year 2009 benefited from the reversal of a fine imposed by the Greek Competition Authority in the amount of €3.0 million.

Income taxes. The provision for income taxes for the six months ended June 30, 2010, was a benefit of €0.1 million due to the fact that in the current period a net deferred tax asset of approximately €3 million has been recognized as a consequence of the change in the treatment of the 2008 investment tax credit of the Group's US subsidiary (see Note 8). Income tax for the six months ended June 30, 2009, amounted to €4.4 million.

Net profit. Net profit for the six months ended June 30, 2010, was €3.1 million, as compared to a profit of €6.2 million for the respective period of 2009. Net profit as a percentage of the Group's net sales decreased from 3.9% to 1.9%, comparing the first six months of the years 2010 and 2009.

Three months ended June 30, 2010 compared to three months ended June 30, 2009

Net sales. The Group's sales in volume for the three months ended June 30, 2010 increased by 0.7%, compared to the respective period of 2009. This increase reflects a decrease of 10.6% in the Group's sales in volume in the domestic market and an increase of 40.5% in the Group's sales in volume in exports and international sales. The Group's sales in value increased by 11.8%, or €9.5 million, from €80.5 million in the three months ended June 2009 to €90.0 million in the respective period of 2010. This increase reflects a decrease of 6.1% in the Group's sales in value in the domestic market and an increase of 48.2% in the Group's sales in value in exports and international sales. The decrease in the Group's sales in value in the domestic market is less than the decrease in the Company's sales in volume due to the new pricing policy that the Company started applying gradually on March 1, 2010.

The main factors that had a positive impact on the Group's sales in value were:

- firstly, the fact that the Group's net sales were positively affected by the significant increase in volume and value of the Company's sales in the US market, by 70.8% in volume and 76.4% in value; and
- secondly, the strengthening of the US\$ against the Euro also had a positive impact on the Group's net sales. The average exchange rates during the three months ended June 30, 2010

- and 2009 were 1€=1.2631 US\$ and 1€=1.3836 US\$, respectively. The positive impact on net sales was approximately € 3.0 million; and
- thirdly, whereas the volume of the Group's sales in the UK market remained at the same level comparing the three months ended June 30 for the years 2010 and 2009, the related sales in value increased by 1.8%. This is due to the fact that on one hand there were significant increases in the selling prices in the UK market in the second half of 2009 and, on the other hand, to the strengthening of the UK sterling against the euro. The average exchange rates in the three months ended June 30, of the years 2010 and 2009 were 1€=0.8455UK£ and 1€=0.8728UK£, respectively.

These factors were partially offset by the decrease of 10.6% in the Group's sales in volume in the domestic market. The decrease in the Group's sales in value in the domestic market was 6.1%. The decrease in volume in the domestic market is mainly due to the economic crisis in Greece and the imposition of austerity measures by the I.M.F., which have negatively impacted consumption. Furthermore, the new price policy which the Company applied gradually since March 2010 also had a negative impact on volume, because the Company's main competitors continue their aggressiveness in the promotional activities, although it had a positive impact on profitability.

Gross profit. Gross profit for the three months ended June 30, 2010 was €39.7 million, an increase of €5.2 million, or 15.1%, from €34.5 million for the three months ended June 30, 2009. Gross profit as a percentage of net sales for the three months ended June 30, 2010 was 44.1% compared to 42.8% for the comparable period of 2009. The main reasons for this improvement in gross profit are:

- firstly, the contribution to the Group's gross profit and, consequently, the gross margin from the US operations since the volume in the US market increased by 70.8%; comparing the three months ended June 30 of the years 2010 and 2009;
- secondly, the new price policy that the Company applied in the domestic market in its yoghurt and milk products gradually since March 2010, by stopping aggressive promotional activities, had a positive impact on the Group's and the Company's gross profit and gross margin.

This improvement was moderated by the fact that, whereas the price of milk (as a raw material) collected in the domestic market decreased by 4.2%, comparing the three months ended June 30, 2010 and 2009, the prices for milk imported from the European market increased by 36.5%. The prices for milk collected in the US market and used for the US yoghurt facility have shown an increase of 36.5 %, comparing the three months ended June 30 of the years 2010 and 2009. Furthermore, the cost of the packaging materials has increased on average by 3.0% comparing the three months ended June 30 of the years 2010 and 2009.

All the other key factors constituting the cost of goods sold, labour cost, depreciation and other manufacturing costs remained approximately on the same level comparing the three months ended June 30 of the years 2010 and 2009.

Selling, general and administrative expenses. Selling, general and administrative expenses ("SG & A") for the three months ended June 30, 2010 were €31.0 million, an increase of €3.4 million, or 12.3%, from €27.6 million for the three months ended June 30, 2009. As a percentage of net sales, SG & A was 34.5% for the three months ended June 30, 2010 and 34.3% for the comparable period of 2009.

Other income/expenses, net. Net other expenses for the three months ended June 30, 2010 amount to €1.6 million. Out of this amount, €1.4 million relates to a provision under a letter of guarantee which had been issued in 1999 from a Bank in Greece, in order to service the collaboration between FAGE and a Belgian UHT milk producer (see Recent Developments). For the three months ended June 30, 2009 net other expenses were €1.0 million due to the loss from the sale of obsolete equipment.

Profit from operations. Profit from operations for the three months ended June 30, 2010 was €7.0 million, an increase of €1.1 million from the profit from operations of €5.9 million for the three months ended June 30, 2009. On a percentage basis, profit of operations of 7.3% of the Group's net sales increased to 7.7% comparing the three months ended June 30 of the years 2009 and 2010, respectively. This improvement comes from the increase of the gross margin from 42.8% of the Group's net sales to 44.1% comparing the three months ended June 30 of the years 2009 and 2010, respectively.

Financial income/(expenses) net. Net financial expenses for the three months ended June 30, 2010, were €5.3 million compared to €3.3 million for the respective period of the year 2009. This increase is due to the increase in the Group's total debt by €46.1 million, from €176.5 million on December 31, 2009 to €222.6 million on June 30, 2010 (see Notes 17, 19).

Impairment loss. Impairment loss is related to the impairment recognised on the available for sale financial assets. Impairment loss for the three months ended June 30, 2010 was €0.3 million, while the respective amount for the comparable period of 2009 was €0.1 million.

Loss on derivatives. Loss on derivatives for the three months ended June 30, 2010 amounted to €0.6 million which is related to a UK£/€ forward contract and it concerns an unrealised loss as on June 30, 2010 since this contract expires on February 28, 2011.

Foreign exchange losses (gains), net. For the three months ended June 30, 2010 foreign exchange losses amounted to €0.1 million. Foreign exchange losses for the three months ended June 30, 2009 were €0.5 million.

Profit before income taxes. Profit before income taxes for the three months ended June 30, 2010 was €0.7 million, a decrease of €4.5 million compared to a profit before income taxes of €5.2 million for the three months ended June 30, 2009. On a percentage basis, the profit before income taxes decreased from 6.5% of the Group's net sales in the three months ended June 30 of the year 2009 to 0.8% for the comparable period of 2010. This is due to:

- firstly, the increase in the financial expenses by €1.9 million;
- secondly, the fact that the results of the three months ended June 30 of the year 2009 benefited from the reversal of a fine imposed by the Greek Competition Authority in the amount of €3.0 million.

Income taxes. The provision for income taxes for the three months ended June 30, 2010, was a benefit of €1.6 million, mainly due to the fact that in the current period a net deferred tax asset of approximately €3.0 million has been recognized as a consequence of the change in the treatment of the 2008 investment tax credit of the Group's US subsidiary (see Note 8). Income tax for the three months ended June 30, 2009, was €1.7 million.

Net profit. Net profit for the three months ended June 30, 2010, was €2.3 million, as compared to a profit of €3.5 million for the respective period of 2009. Net profit as a percentage of the Group's net sales decreased from 4.4% to 2.5%, comparing the three months ended June 30 of the years 2010 and 2009.

The Company's results for the six months ended June 30, 2010 compared to the six months ended June 30, 2009 (FAGE DAIRY INDUSTRY S.A. only).

	Six months ended June 30,	
	2010	2009
	(€ thousands)	
Sales	110,486	119,929
Cost of sales	(75,673)	(79,448)
Gross profit	34,813	40,481
Selling, general and administrative expenses	(41,543)	(41,300)
Other income	5,032	3,281
Other expenses	(1,737)	(1,293)
PROFIT/(LOSS) FROM OPERATIONS	(3,435)	1,169
Gain from repurchase of Senior Notes	-	2,201
Financial expenses	(7,464)	(7,249)
Financial income	969	68
Impairment loss	(333)	(63)
Reversal of fines	-	3,043
Loss on derivatives	(1,743)	-
Foreign exchange gains/(losses), net	3,448	342
LOSS BEFORE INCOME TAXES	(8,558)	(489)
Provision for income taxes	1,497	(348)
NET LOSS	(7,061)	(837)

Liquidity and Capital Resources

Sources of capital. The Group funds its operating costs through cash from operations and short-term borrowings under various lines of credit maintained at several banks. The available credit lines for the Company as of June 30, 2010, amounted to €28.0 million out of which €22.0 million were committed credit lines and €6.0 million were uncommitted lines that are available at the time the Group needs further financing. From the €28.0 million of credit lines, a total of

€14.0 million had already been used on June 30, 2010. The Company keeps an accounts receivable agreement for financing of up to €16.8 million with ABN AMRO Bank.

Cash at banks and cash equivalents on June 30, 2010, amounted to €40.0 million (See Note 16). This amount, together with the unused lines of credit, is sufficient to finance the investment program of the Group.

Cash flow data.

	Six months ended	
	June 30,	
	2010	2009
(€ thousands)		
Cash flow from/(used in) operating activities.....	(13,863)	28,340
Cash flow from/(used in) investing activities	(7,586)	(4,468)
Cash flow from/(used in) financing activities.....	31,450	(7,721)
Effect of exchange rates changes on cash	1,121	(1,614)
Cash and cash equivalents at beginning of period.....	28,907	21,856
Cash and cash equivalents at period-end	40,029	36,393

Cash flow from/(used in) operating activities.

	Six months ended	
	June 30,	
	2010	2009
Operating profit before working capital changes.....	25,926	27,720
Net decrease in working capital	(39,789)	620
	(13,863)	28,340

Net cash used in operating activities for the six months ended June 30, 2010 was €13.9 million, compared to net cash from operating activities of €28.3 million for the respective period of 2009. This is due mainly to the working capital changes, as the operating profit before working capital changes decreased to €25.9 million from €27.7 million for the first six months of the years 2010 and 2009, respectively. The net decrease in working capital was €39.8 million for the six months ended June 30, 2010, whereas the net increase in working capital for the six months ended June 30, 2009 was €0.6 million, a decrease of €40.4 million. The main reasons for this are:

- firstly, income taxes paid of €19.3 million, of which €8.3 million relates to the withholding income tax paid in January 2010 on the dividends paid from FAGE USA Holdings, Inc. to FAGE Dairy Industry S.A.. Most of the remaining balance is attributable to income taxes on FAGE USA Holdings, Inc. concerning taxable income up to June 2010.
- secondly, increases in trade receivables by €13.7 million as follows:

	June 30,	December 31,	June 30,	December 31,
	2010	2009	2009	2008
Trade Receivables:				
—In euro	29,048	21,131	20,065	25,628
—In foreign currencies	14,323	8,532	9,140	7,671
	43,371	29,663	29,205	33,299
—Allowance for doubtful accounts	(1,555)	(1,386)	(1,418)	(1,229)
	41,816	28,277	27,787	32,070

The impact on the working capital from the trade receivables arises from:

- a. the fact that the trade receivables in euro have increased significantly in the first six months of the year 2010, since the Company has reduced its line of financing through the ABN AMRO trade accounts receivable from €27.0 million in the second quarter of 2009 to €16.8 million in the second quarter of 2010. On the contrary the first six months of the year 2009 had the benefit, from a cash flow point of view, that this line of financing had been used for the whole amount of €27.0 million;
- b. the increase in the trade receivables in foreign currencies is due to the fact that the significant increases in the Group's sales in the US market have increased the outstanding balances of the trade receivables in foreign currencies (without extending the days that FAGE USA collects its receivables from its customers).

- thirdly, the decrease in trade accounts payable by approximately €6.1 million; due to: 1) the fact that the Company began paying certain suppliers earlier in order to benefit from significant discounts on the cost of raw materials (mainly milk imported from Europe) and the cost of packaging materials for milk products and 2) the payment in the second quarter of the year 2010 of some outstanding balances on March 31, 2010, to sub-contractors who had undertaken investments related to the expansion of the US yoghurt facility.

Cash flow used in investing activities. Net cash used in investing activities amounted to €7.6 million and €4.5 million for the six months ended June 30, 2010 and 2009, respectively. Out of the capex of €7.3 million in the six months ended June 30, 2010 an amount of €2.0 million relates to capex maintenance for the facilities in Greece and €5.3 million relates to capex for the expansion of the US facility.

Cash flow from/(used in) financing activities. Net cash from financing activities for the six months ended June 30, 2010 was €31.5 million, which reflects net proceeds €95.7 million (€95.3 million from the issuance of Senior Notes due in 2020 and €2.2 million from short-term borrowings), the payment of €46.0 million of long-term loan, and the early redemption of €20.0 million of Senior Notes due in 2015. Net cash used in financing activities for the first six months of 2009 was €7.7 million, which reflects repayment of interest bearing loans and borrowings.

Pro forma liquidity and capital resources. The Group's principal sources of liquidity are existing cash balances, cash flow from operations and available amounts under the Group's various lines of credit maintained with several banks. The Group's principal liquidity needs are debt service (primarily interest on the Senior Notes), shareholder payments, capital expenditures and working capital. The Group believes that its available capital resources will be sufficient to fund its liquidity needs.

Financial Data-Ratios

EBITDA (profit before income taxes plus financial expenses/income, net plus amortization and depreciation, see Notes 5, 7) for the six months ended June 30, 2010 amounted to €22.9 million, as compared to €25.4 million for the six months ended June 30, 2009. The net debt (total debt minus cash and cash equivalent) of the Group for the six months ended June 30, 2010 amounted to €182.5 million, as compared to €145.2 million for the six months ended June 30, 2009.

Discontinued Operations

For the six months ended June 30, 2009, the discontinued operations related to the remaining stock of Feta cheese and Graviera of Crete which were included in inventory as of December 31, 2008. For the six months ended June 30, 2009 the sales from discontinued operations amounted to €1.5 million and profit from discontinued operations amounted to €0.1 million. There were no discontinued operations for the six months ended June 30, 2010.

Principal Risks and Uncertainties for the Remaining Six Months of 2010

Risk assessment and evaluation is an integral part of the management process throughout the Group. Risks are identified, evaluated and appropriate risk management strategies are implemented at each level. The key business risks are identified by the senior management team. The Board of Directors in conjunction with senior management identifies major business risks faced by the Group and determines the appropriate course of action to manage these risks.

The principal risks and uncertainties faced by the Group are summarised below:

- firstly, the Group is exposed to aggressive competition in the domestic market;
- secondly, the Group is exposed to currency exchange rate fluctuation, particularly in relation to the US dollar and the UK sterling;
- thirdly, price fluctuations in raw materials could adversely affect the Group's manufacturing costs; and
- fourthly, the current economic crisis could adversely affect consumer spending for the Group's products, particularly in Greece, Italy, the UK and the US.

The Board of Directors regularly monitors all of the above risks and appropriate actions are taken to mitigate those risks or address the potential adverse consequences.

Related party transactions

The Company purchases goods and services from and makes sales of goods to certain related companies in the ordinary course of business. Such related companies consist of affiliates or companies which have common ownership and/or management with the Company.

Account balances with related companies are as follows:

	THE GROUP		THE COMPANY	
	June 30,	December 31,	June 30,	December 31,
	2010	2009	2010	2009
Due from:				
- FAGE USA Holdings, Inc.	-	-	-	58,402
-Ioannis Nikolou ULP	1,062	804	1,062	804
- Bizios S.A.	-	3	-	3
- Vihep S.A.	-	5	-	5
	1,062	812	1,062	59,214
Due to:				
- Iofil S.A.	6,709	4,528	6,709	4,528
- Mornos S.A.	5,371	4,473	4,804	4,415
- Vis S.A.	1,104	870	1,104	870
- Agan S.A.	1,293	569	1,293	569
- Evga S.A.	1,582	1,449	1,582	1,448
	16,059	11,889	15,492	11,830

Transactions with related companies for the six months ended June 30, 2010 and 2009, are analysed as follows:

THE GROUP	Purchases from related parties		Sales to related parties	
	2010	2009	2010	2009
Inventories, materials and supplies	19,759	21,953	1,940	1,984
Advertising and media	2,639	2,137	-	-
Other services	4,436	4,435	-	-
	26,834	28,525	1,940	1,984

THE COMPANY	Purchases from related parties		Sales to related parties	
	2010	2009	2010	2009
Inventories, materials and supplies	18,502	20,309	1,940	1,984
Advertising and media	2,639	2,137	-	-
Other services	4,436	4,435	-	-
	25,577	26,881	1,940	1,984

Recent Developments

1. Board of Directors changes

The following table identifies the changes made on June 30, 2010 in the executive officers and directors of FAGE:

<u>Name</u>	<u>Current Position</u>	<u>Position held Previously</u>
Athanassios-Kyros Filippou	Chairman of the Board	Vice Chairman and Director
Kyriakos Filippou.....	Lifelong Honorary Chairman of the Board (non-executive Director)	Chairman of the Board
Alexis Alexopoulos.....	Chief Commercial Officer and Director	Deputy Commercial Officer and Director
Kostas Antonakis.....	Resigned	Chief Commercial Officer and Director

2. Legal Proceedings

Until 1999, FAGE had for many years purchased UHT extended shelf life milk from a supplier, which in turn purchased the milk from a Belgian producer. As part of the financing arrangements, the Company issued a letter of guarantee to the Belgian company through a Bank in Greece and, under the terms of the guarantee, FAGE agreed to pay to the Bank any amounts required to be paid by it under the letter of guarantee. Following the discovery of dioxin-contaminated cattle feed in Belgium, the European Commission in June 1999 prohibited the export and distribution of affected products, including milk, and, in turn, the Greek Ministry of Agriculture prohibited the importation and distribution of such animal products originating from Belgium. As a result, FAGE withdrew all the Belgian company's products from the Greek market, informed the Belgian company that it would not accept further shipments and returned certain shipments of milk to Belgium. In 2000, the Belgian company sought to enforce the letter of guarantee against the Bank, which brought third party proceedings against FAGE. A decision was issued by the Court of First Instance in Athens which determined that the Bank was required to pay the Belgian company the amount of €1.4 million, including an immediate payment of €0.3 million, and that FAGE was required to pay to the Bank whatever amounts it was required to pay to the Belgian company. FAGE has filed an appeal contesting the above decisions, which is set to be heard by the Appeals Court in Greece in September 2010. FAGE has deposited €0.3 million with the Bank pending the outcome of the appeal. In the event that FAGE loses its appeal, FAGE may be required to pay a total amount of €1.4 million to the Bank. In view of this situation FAGE has, decided to make a provision for an amount of €1.4 million in its accounts, which is reflected in the Group's results for the six months ended June 30, 2010.

3. Credit Line Extension

On July 14, 2010 the Company extended its credit line facilities with Millennium Bank S.A. by €2.0 million.

SECTION D**REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION
To the Shareholders of
FAGE Dairy Industry S.A.***Introduction*

We have reviewed the accompanying condensed separate and consolidated statements of financial position of FAGE Dairy Industry S.A. (the “Company”) and its subsidiaries (“the Group”) as at 30 June 2010, and the related condensed separate and consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, as well as the selected explanatory notes (the “interim condensed financial information”) which is an integral part of the six-month financial report of article 5 Law 3556/2007. Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Financial Reporting Standards as adopted by the European Union and apply to interim financial reporting (International Accounting Standard “IAS 34”). Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34.

Report on other legal matters

Our review did not identify any inconsistency or non-correspondence of the other information contained in the six-month financial report prepared in accordance with article 5 of Law 3556/2007, with the accompanying financial information.

Athens, 12 August 2010**THE CERTIFIED AUDITOR ACCOUNTANT****CHRISTODOULOS SEFERIS****S.O.E.L. R.N. 23431****ERNST & YOUNG (HELLAS) CERTIFIED AUDITORS ACCOUNTANTS S.A.****11TH KLM NATIONAL ROAD ATHENS – LAMIA, METAMORFOSI****COMPANY S.O.E.L. R.N. 107**

FAGE DAIRY INDUSTRY S.A.

SECTION E

INTERIM CONDENSED FINANCIAL STATEMENTS

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FAGE DAIRY INDUSTRY S.A.

THE GROUP
CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 2010 AND 2009

(All amounts in thousands of Euro, except share and per share data)

		THE GROUP			
		Six months ended June 30,		Three months ended June 30,	
Notes		2010	2009	2010	2009
	Sales	167,078	158,619	90,009	80,452
	Cost of sales	(96,087)	(93,193)	(50,352)	(45,994)
	Gross profit	70,991	65,426	39,657	34,458
	Selling, general and administrative expenses	(56,249)	(52,011)	(31,040)	(27,561)
	Other income	138	321	66	190
	Other expenses	(1,740)	(1,329)	(1,714)	(1,231)
	PROFIT FROM OPERATIONS	13,140	12,407	6,969	5,856
	Gain from repurchase of Senior Notes	-	2,201	-	-
	Financial expenses	(11,398)	(7,238)	(5,297)	(3,354)
	Financial income	31	75	25	69
	Impairment loss	(333)	(63)	(333)	69
	Reversal of fines	-	3,043	-	3,043
	Loss on derivatives	(1,743)	-	(567)	-
	Foreign exchange gains/(losses), net	3,402	223	(54)	(458)
	Share of losses of associate accounted for under the equity method	(59)	(65)	(31)	(30)
	PROFIT BEFORE INCOME TAXES	3,040	10,583	712	5,195
	Provision for income taxes	105	(4,423)	1,568	(1,659)
	NET PROFIT	3,145	6,160	2,280	3,536
	Attributable to:				
	Equity holders of the parent	3,145	6,160	2,280	3,536
	Non-controlling interests	-	-	-	-
		3,145	6,160	2,280	3,536
	Earnings per share				
	Basic and diluted	0.24	0.46	0.17	0.27
	Weighted average number of shares, basic and diluted	13,297,300	13,297,300	13,297,300	13,297,300

The accompanying notes are an integral part of these financial statements.

FAGE DAIRY INDUSTRY S.A.
THE COMPANY
SEPARATE STATEMENT OF INCOME
FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 2010 AND 2009

(All amounts in thousands of Euro, except share and per share data)

		THE COMPANY			
		Six months ended June 30,		Three months ended June 30,	
Notes		2010	2009	2010	2009
Sales		110,486	119,929	57,981	61,495
Cost of sales		(75,673)	(79,448)	(38,879)	(39,216)
Gross profit		34,813	40,481	19,102	22,279
Selling, general and administrative expenses	6	(41,543)	(41,300)	(22,048)	(22,214)
Other income		5,032	3,281	2,849	1,577
Other expenses		(1,737)	(1,293)	(1,711)	(1,195)
PROFIT/(LOSS) FROM OPERATIONS		(3,435)	1,169	(1,808)	447
Gain from repurchase of Senior Notes	17	-	2,201	-	-
Financial expenses	7	(7,464)	(7,249)	(2,942)	(3,365)
Financial income	7	969	68	298	62
Impairment loss	11	(333)	(63)	(333)	69
Reversal of fines		-	3,043	-	3,043
Loss on derivatives		(1,743)	-	(567)	-
Foreign exchange gains/(losses), net		3,448	342	(8)	(365)
PROFIT/(LOSS) BEFORE INCOME TAXES		(8,558)	(489)	(5,360)	(109)
Provision for income taxes	8	1,497	(348)	959	323
NET PROFIT/(LOSS)		(7,061)	(837)	(4,401)	214

The accompanying notes are an integral part of these financial statements.

FAGE DAIRY INDUSTRY S.A.

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 2010
(All amounts in thousands of Euro)

	Notes	For the six months ended June 30,			
		THE GROUP		THE COMPANY	
		2010	2009	2010	2009
Net profit/(loss) for the period		3,145	6,160	(7,061)	(837)
Exchange gains/(losses) on translation of foreign operations		1,208	(1,245)	-	-
Net unrealised gains/(losses) on available for sale financial assets		(87)	204	(87)	204
Income tax		21	(51)	21	(51)
	11	(66)	153	(66)	153
Net loss on cash flow hedges		-	(367)	-	(367)
Income tax		-	92	-	92
		-	(275)	-	(275)
Other comprehensive income/(loss) for the period, net of tax		1,142	(1,367)	(66)	(122)
Total comprehensive income/(loss) for the period, net of tax		4,287	4,793	(7,127)	(959)
Attributable to:					
Equity holders of the parent		4,287	4,793	(7,127)	(959)
Non-controlling interests		-	-	-	-
		4,287	4,793	(7,127)	(959)

	Notes	For the three months ended June 30,			
		THE GROUP		THE COMPANY	
		2010	2009	2010	2009
Net profit/(loss) for the period		2,280	3,536	(4,401)	214
Exchange gains/(losses) on translation of foreign operations		1,135	(4,148)	-	-
Net unrealised gains on available for sale financial assets		246	204	246	204
Income tax		(59)	(51)	(59)	(51)
	11	187	153	187	153
Net loss on cash flow hedges		-	(367)	-	(367)
Income tax		-	92	-	92
		-	(275)	-	(275)
Other comprehensive income/(loss) for the period, net of tax		1,322	(4,270)	187	(122)
Total comprehensive income/(loss) for the period, net of tax		3,602	(734)	(4,214)	92
Attributable to:					
Equity holders of the parent		3,602	(734)	(4,214)	92
Non-controlling interests		-	-	-	-
		3,602	(734)	(4,214)	92

The accompanying notes are an integral part of these financial statements.

FAGE DAIRY INDUSTRY S.A.

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2010
(All amounts in thousands of Euro)

	Notes	THE GROUP		THE COMPANY	
		June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
ASSETS					
Non-Current Assets					
Property, plant and equipment		232,221	216,016	132,420	135,447
Intangible assets		4,713	4,767	3,185	3,354
Goodwill	9	4,857	4,765	3,418	3,418
Investments in subsidiaries		-	-	13,657	12,958
Investments in associate accounted for under the equity method	10	151	210	828	828
Available for sale financial assets	11	88	88	88	88
Other non-current assets	12	396	384	19,894	16,433
Deferred income taxes	8	15,034	8,838	-	-
Total non-current assets		257,460	235,068	173,490	172,526
Current Assets:					
Inventories	13	27,360	23,592	21,792	20,039
Trade and other receivables	14	58,382	50,151	45,469	41,336
Due from related companies	15	1,062	812	1,062	59,214
Available for sale financial assets	11	507	927	507	927
Current asset from continuing involvement in transferred trade receivables	14	483	563	483	563
Cash and cash equivalents	16	40,029	28,907	21,465	17,742
Cash restricted	16	1,278	-	300	-
Total		129,101	104,952	91,078	139,821
Assets classified as held for sale	3	829	829	679	679
Total current assets		129,930	105,781	91,757	140,500
TOTAL ASSETS		387,390	340,849	265,247	313,026
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent Company					
Share capital		39,094	39,094	39,094	39,094
Net revaluation surplus		2,688	2,688	2,688	2,688
Accumulated losses		(3,541)	(6,686)	(12,892)	(5,831)
Legal, tax free and special reserves		35,516	35,516	35,516	35,516
Other components of equity		76	(1,066)	98	164
		73,833	69,546	64,504	71,631
Non-controlling interests		1	1	-	-
Total Equity		73,834	69,547	64,504	71,631
Non-Current Liabilities					
Interest bearing loans and borrowings	17	208,526	158,100	121,418	158,100
Provision for severance pay on retirement		2,850	2,719	2,850	2,719
Deferred income taxes	8	22,795	20,169	9,392	10,986
Total non-current liabilities		234,171	180,988	133,660	171,805
Current Liabilities:					
Trade accounts payable	18	30,641	35,836	26,401	29,150
Due to related companies	15	16,059	11,889	15,492	11,830
Short-term borrowings	19	14,046	11,900	14,046	11,900
Current portion of long-term debt	17	-	6,500	-	6,500
Income taxes payable		276	12,538	231	667
Current liability from continuing involvement in transferred trade receivables	14	483	563	483	563
Accrued and other current liabilities	20	17,880	11,088	10,430	8,980
Total current liabilities		79,385	90,314	67,083	69,590
Total liabilities		313,556	271,302	200,743	241,395
TOTAL EQUITY AND LIABILITIES		387,390	340,849	265,247	313,026

The accompanying notes are an integral part of these financial statements

FAGE DAIRY INDUSTRY S.A.

THE GROUP
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE SIX MONTHS ENDED JUNE 30, 2010
 (All amounts in thousands of Euro)

	Share capital	Net revaluation surplus	Legal, tax free and special reserves	Accumulated losses	Unrealised gains/(losses) on available for sale financial assets	Foreign exchange gains/(losses)	Total	Non-controlling interests	Total equity
Balance, December 31, 2009	39,094	2,688	35,516	(6,686)	164	(1,230)	69,546	1	69,547
Profit for the period	-	-	-	3,145	-	-	3,145	-	3,145
Other comprehensive income	-	-	-	-	(66)	1,208	1,142	-	1,142
Total comprehensive income	-	-	-	3,145	(66)	1,208	4,287	-	4,287
Balance, June 30, 2010	39,094	2,688	35,516	(3,541)	98	(22)	73,833	1	73,834

THE GROUP
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE SIX MONTHS ENDED JUNE 30, 2009
 (All amounts in thousands of Euro)

	Share capital	Net revaluation surplus	Legal, tax free and special reserves	Retained earnings/ (Accumulated deficit)	Unrealised loss on cash flow hedge	Unrealised gains/(losses) on available for sale financial assets	Foreign exchange gains/(losses)	Total	Non-controlling interests	Total equity
Balance, December 31, 2008	39,094	2,688	35,516	(5,110)	-	-	(3,060)	69,128	1	69,129
Profit for the period	-	-	-	6,160	-	-	-	6,160	-	6,160
Other comprehensive income	-	-	-	-	(275)	153	(1,245)	(1,367)	-	(1,367)
Total comprehensive income	-	-	-	6,160	(275)	153	(1,245)	4,793	-	4,793
Balance, June 30, 2009	39,094	2,688	35,516	1,050	(275)	153	(4,305)	73,921	1	73,922

The accompanying notes are an integral part of these financial statements.

FAGE DAIRY INDUSTRY S.A.
THE COMPANY
SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2010
(All amounts in thousands of Euro)

	Share capital	Net revaluation surplus	Legal, tax free and special reserves	Accumulated losses	Unrealised loss on cash flow hedge	Unrealised gains/(losses) on available for sale financial assets	Total equity
Balance, December 31, 2009	<u>39,094</u>	<u>2,688</u>	<u>35,516</u>	<u>(5,831)</u>	-	<u>164</u>	<u>71,631</u>
Loss for the period	-	-	-	(7,061)	-	-	(7,061)
Other comprehensive income	-	-	-	-	-	(66)	(66)
Total comprehensive income	-	-	-	<u>(7,061)</u>	-	<u>(66)</u>	<u>(7,127)</u>
Balance, June 30, 2010	<u>39,094</u>	<u>2,688</u>	<u>35,516</u>	<u>(12,892)</u>	-	<u>98</u>	<u>64,504</u>

THE COMPANY
SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2009
(All amounts in thousands of Euro)

	Share capital	Net revaluation surplus	Legal, tax free and special reserves	Retained earnings/ (Accumulated deficit)	Unrealised loss on cash flow hedge	Unrealised gains/(losses) on available for sale financial assets	Total equity
Balance, December 31, 2008	<u>39,094</u>	<u>2,688</u>	<u>35,516</u>	<u>(9,709)</u>	-	-	<u>67,589</u>
Loss for the period	-	-	-	(837)	-	-	(837)
Other comprehensive income	-	-	-	-	(275)	153	(122)
Total comprehensive income	-	-	-	<u>(837)</u>	<u>(275)</u>	<u>153</u>	<u>(959)</u>
Balance, June 30, 2009	<u>39,094</u>	<u>2,688</u>	<u>35,516</u>	<u>(10,546)</u>	<u>(275)</u>	<u>153</u>	<u>66,630</u>

The accompanying notes are an integral part of these financial statements.

FAGE DAIRY INDUSTRY S.A.

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2010
(All amounts in thousands of Euro)

	Notes	THE GROUP		THE COMPANY	
		June 30,		June 30,	
		2010	2009	2010	2009
Operating activities					
Profit/(loss) before income taxes		3,040	10,583	(8,558)	(489)
Adjustments to reconcile to net cash provided by operating activities:					
Depreciation and amortisation	5	8,515	7,679	5,431	5,622
Provision for severance pay on retirement		1,428	226	1,428	226
Provision for doubtful accounts receivable	14	615	942	615	575
Financial income	7	(31)	(75)	(969)	(68)
Financial expenses	7	11,398	7,238	7,464	7,249
Valuation of derivatives	20	567	-	567	-
Loss on disposal of property, plant and equipment		2	999	1	1,020
Impairment loss on available for sale financial assets	11	333	63	333	63
Losses on equity investees accounted for under the equity method	10	59	65	-	-
Operating profit before working capital changes		25,926	27,720	6,312	14,198
(Increase)/Decrease in:					
Restricted cash	16	(1,278)	-	(300)	-
Inventories	13	(3,768)	(1,834)	(1,754)	(1,703)
Trade and other receivables	14	(8,846)	4,830	(4,748)	8,679
Due from related companies	15	(250)	(210)	58,153	(210)
Increase/(Decrease) in:					
Trade accounts payable	18	(5,195)	949	(2,749)	(708)
Due to related companies	15	4,170	4,644	3,662	4,860
Accrued and other current liabilities	20	2,524	(198)	917	580
Interest paid		(6,495)	(7,311)	(6,570)	(7,322)
Income taxes paid		(19,342)	(619)	(512)	(625)
Payment of staff indemnities		(1,297)	(202)	(1,297)	(202)
Decrease in assets classified as held for sale			600	-	-
(Increase)/decrease in other non-current assets	12	(12)	36	(3,461)	38
(Increase)/decrease in other long term liabilities		-	(65)	-	(65)
Working capital changes		(39,789)	620	41,341	3,322
Net Cash from(used in) Operating Activities		(13,863)	28,340	47,653	17,520
Investing Activities:					
Capital expenditure for property, plant and equipment		(7,251)	(4,484)	(1,870)	(2,851)
Additions to intangible assets		(377)	(175)	(377)	(175)
Proceeds from disposal of property, plant and equipment		11	116	11	94
Interest and other related income received	7	31	75	969	68
Increase in subsidiaries' share capital		-	-	(700)	(1,400)
Net Cash used in Investing Activities		(7,586)	(4,468)	(1,967)	(4,264)
Financing Activities:					
Proceeds from short and long-term borrowings	17	97,450	-	24,037	-
Repayments of short and long-term borrowings	17	(66,000)	(7,721)	(66,000)	(7,721)
Net Cash from/(used in) Financing Activities		31,450	(7,721)	(41,963)	(7,721)
Effect of exchange rates changes on cash		1,121	(1,614)	-	-
Net increase/(decrease) in cash and cash equivalents		11,122	14,537	3,723	5,535
Cash and cash equivalents at beginning of period	16	28,907	21,856	17,742	19,616
Cash and cash equivalents at June 30	16	40,029	36,393	21,465	25,151

The accompanying notes are an integral part of these financial statements.

FAGE DAIRY INDUSTRY S.A. AND SUBSIDIARIES
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2010

1. CORPORATE INFORMATION:

FAGE Dairy Industry S.A., a corporation formed under the laws of the Hellenic Republic (also known as Greece), is the successor to a business founded in Athens in 1926 by the family of Mr. Athanassios Filippou, the father of the current shareholders, Messrs. Ioannis and Kyriakos Filippou.

Its objectives and purposes, as specified in its Memorandum and Articles of Association, include the production and trading of dairy products, the distribution of other food products and the trading, import and export and representation of firms in Greece and abroad in connection with such products. All operating activities are conducted in Greece and in the U.S. and the Group's products are sold under the **FAGE** and other related trademarks.

The Company's headquarters are in Athens at 35 Hermou Street, 144 52 Metamorfossi. The life of FAGE Dairy Industry S.A., according to its Articles of Association is ninety (90) years as of December 30, 1977, with a possible extension permitted following a decision of the General Meeting of its Shareholders.

2. BASIS OF PRESENTATION:

(a) **Basis of Preparation of Financial Statements:** The accompanying interim condensed consolidated and separate financial statements have been prepared under the historical cost convention, except for the valuation of available for sale financial assets and derivative financial instruments, that have been measured at fair value and they comply with International Financial Reporting Standards (IFRS) as adopted by EU. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges that would otherwise be carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged. These Interim Condensed Consolidated and Separate Financial Statements have been prepared by management in accordance with IAS 34 (Interim Financial Reporting). The Interim Condensed Consolidated and Separate Financial Statements do not include all the information and disclosure required in the Annual Consolidated and Separate Financial Statements and should be read in conjunction with the Group's Annual Consolidated Financial Statements as of December 31, 2009. The interim condensed consolidated and separate financial statements are presented in thousands of Euro, except when otherwise indicated.

(b) **Significant Accounting Policies:** The interim condensed consolidated and separate financial statements have been prepared using accounting policies consistent with those adopted for the preparation of the annual consolidated financial statements as of December 31, 2009 and which are comprehensively presented in the notes of the annual financial statements, except for the adoption of the following new and amended IFRS and IFRIC interpretations which became effective for the accounting periods beginning January 1, 2010 and which did not have any impact on the financial position or performance of the Group:

IFRS 2 Share-based Payment-Group Cash-settled Share-based Payment Transactions

The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items

The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment had no effect on the financial position nor performance of the Group.

IFRIC 17 Distribution of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation had no effect on the financial position nor performance of the Group.

Improvements to IFRSs (issued May 2008)

In May 2008, the Board issued its first omnibus of amendments to its standards. All amendments issued are effective for the Group as at 31 December 2009 apart from the following: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The standard clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and had no impact on the financial position nor financial performance of the Group.

FAGE DAIRY INDUSTRY S.A. AND SUBSIDIARIES
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2010

Improvements to IFRSs (issued April 2009)

In April 2009 the Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group.

The following new amendments have been issued but are not yet effective for the financial year beginning January 1, 2010:

In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial year beginning July 1, 2010. Early application is permitted in all cases and this annual improvements project has not yet been endorsed by the EU.

- **IFRS 1 First-time adoption**, effective for annual periods beginning on or after 1 January 2011.
This improvement clarifies the treatment of accounting policy changes in the year of adoption after publishing an interim financial report in accordance with IAS 34 Interim Financial Reporting, allows first-time adopters to use an event-driven fair value as deemed cost and expands the scope of 'deemed cost' for property, plant and equipment or intangible assets to include items used subject to rate regulated activities.
- **IFRS 3 Business Combinations**, effective for annual periods beginning on or after 1 July 2010.
This improvement clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).
Moreover, this improvement limits the scope of the measurement choices (fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets.
Finally, it requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.
- **IFRS 7 Financial Instruments: Disclosures**, effective for annual periods beginning on or after 1 January 2011.
This improvement gives clarifications of disclosures required by IFRS 7 and emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.
- **IAS 1 Presentation of Financial Statements**, effective for annual periods beginning on or after 1 January 2011.
This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.
- **IAS 27 Consolidated and Separate Financial Statements**, effective for annual periods beginning on or after 1 July 2010.
This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21. The Effect of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier.
- **IAS 34 Interim Financial Reporting**, effective for annual periods beginning on or after 1 January 2011.
This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements.
- **IFRIC 13 Customer Loyalty Programmes**, effective for annual periods beginning on or after 1 January 2011.
This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

FAGE DAIRY INDUSTRY S.A. AND SUBSIDIARIES
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2010

The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

(c) *Use of Estimates:* The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may ultimately differ from those estimates.

3. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS:

In September 2008, the Group, in the context of its efforts to improve its profitability, decided to withdraw from the businesses of Feta cheese and Graviera of Crete, both from the domestic and international markets, since both these operations were highly unprofitable. The Group started negotiations with various companies to disinvest by selling all the property, plant and equipment of the plants which are related either to the milk collection stations (Zagas S.A., Aliveri or ex-cheese producer Tamyna) or to the facilities at Ioannina (producing Feta cheese) and Crete (concerning the subsidiary Xylouris S.A. which produces Graviera).

As a result of the above actions and in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, property, plant and equipment and goodwill related to the milk collection stations concerning the above facilities, which have been classified as of June 30, 2010 and December 31, 2009 as held for sale, are carried at the lower of carrying amount and fair value less costs to sell.

4. PAYROLL COST:

Payroll cost in the accompanying interim condensed consolidated and separate financial statements is analysed as follows:

	THE GROUP		THE COMPANY	
	June 30,		June 30,	
	2010	2009	2010	2009
Wages and salaries	15,910	15,780	12,349	12,786
Social security costs	3,621	3,392	3,204	3,032
Provision for severance pay on retirement	1,428	226	1,428	226
Other staff costs	1,032	910	468	445
Total payroll	21,991	20,308	17,449	16,489
Less: amounts charged to cost of production	(10,764)	(10,282)	(8,356)	(8,382)
Payroll expensed (Note 6)	11,227	10,026	9,093	8,107

Amounts paid to directors and executive officers included in payroll are described in Note 6.

5. DEPRECIATION AND AMORTISATION:

Depreciation and amortisation in the accompanying interim condensed consolidated and separate financial statements is analysed as follows:

	THE GROUP		THE COMPANY	
	June 30,		June 30,	
	2010	2009	2010	2009
Depreciation on property, plant and equipment	7,892	7,001	4,885	5,031
Amortisation of intangible assets	623	678	546	591
Total depreciation and amortisation	8,515	7,679	5,431	5,622
Less: amounts charged to cost of production	(6,108)	(5,719)	(3,913)	(4,026)
Depreciation and amortisation expensed (Note 6)	2,407	1,960	1,518	1,596

6. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

Selling, general and administrative expenses in the accompanying consolidated and separate statements of income are analysed as follows:

FAGE DAIRY INDUSTRY S.A. AND SUBSIDIARIES
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2010

	THE GROUP		THE COMPANY	
	June 30,		June 30,	
	2010	2009	2010	2009
Shipping and handling costs	16,744	16,779	13,534	14,916
Advertising costs	11,575	10,912	6,290	6,803
Compensation paid to shareholders and family members	2,004	1,016	1,449	724
Third party fees	7,177	5,762	5,576	5,054
Payroll (Note 4)	11,227	10,026	9,093	8,107
Depreciation and amortisation (Note 5)	2,407	1,960	1,518	1,596
Repairs and maintenance	996	843	952	772
Travelling and entertainment	903	947	715	808
Allowance for doubtful accounts	615	942	615	575
Other	2,601	2,824	1,801	1,945
Total	56,249	52,011	41,543	41,300

Compensation paid to directors and executive officers for the six months ended June 30, 2010 and 2009, including amounts under “compensation to shareholders and family members” above and in payroll (Note 4) amounted to €3,461 and €1,467, respectively, for the Group and €2,496 and €1,175, respectively, for the Company.

7. FINANCIAL INCOME/(EXPENSES):

Financial income/(expense) in the accompanying consolidated and separate statements of income is analysed as follows:

	THE GROUP		THE COMPANY	
	June 30,		June 30,	
	2010	2009	2010	2009
Financial expenses on loans and borrowings	(10,895)	(6,320)	(6,886)	(6,320)
Interest on short-term borrowings	(527)	(835)	(527)	(835)
Other	(80)	(132)	(69)	(123)
	(11,502)	(7,287)	(7,482)	(7,278)
Less: amounts capitalised in property, plant and equipment	104	49	18	29
Total financial expenses	(11,398)	(7,238)	(7,464)	(7,249)
Interest earned on cash at banks and on time deposits	28	69	28	63
Other financial income	3	6	941	5
Total financial income	31	75	969	68
Total financial income/(expense), net	(11,367)	(7,163)	(6,495)	(7,181)

Interest expense for the six months ended June 30, 2010 includes 2020 Senior Notes interest amounting to €4,740 for the Group (€1,006 for the Company), amortised costs due to loan repayments amounting to €674 for the Group (and the Company) and premium due to early repayment of 2015 Senior Notes of €750 for the Group (and the Company).

8. INCOME TAXES:

In accordance with the Greek tax regulations, the corporate tax rate applied by companies for fiscal year 2009 was 25%. According to the tax law for the year 2010 the tax rate will be 24%, while from year 2011 onwards the tax rate will be reduced by 1% for each year, up to fiscal year 2014 onwards for which the tax rate will be 20%.

The provision for income taxes reflected in the accompanying consolidated and separate statements of income is analysed as follows:

	THE GROUP		THE COMPANY	
	June 30,		June 30,	
	2010	2009	2010	2009
Current income taxes:				
—current income tax charge	7,081	236	77	155
Deferred income tax charge/(benefit)	(7,186)	4,187	(1,574)	193
Total income tax reported in the statements of income	(105)	4,423	(1,497)	348

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The Group, as a result of investments performed in USA, during 2008 had received an investment credit of approximately US\$ 9.9 million, and the Company had initially estimated that half of this would be settled in cash and half would be settled through offset with future taxes on profits. In year 2008, the Group had accounted for the part that was expected to be settled through reduction of future state income tax payments, in accordance with IAS 12 (Income taxes), and had credited the related amount in its 2008 income statement, while the other half (which was to be settled in cash) had been accounted for as a subsidy in accordance with IAS 20 (Accounting for Government Grants) and has been credited to fixed assets.

During the current period the New York tax authorities completed the review of the US subsidiary's 2008 tax return and concluded that the subsidiary would be eligible to recover the full amount through offset of future state taxes on profits. Therefore, there will be no amount to be settled in cash.

As a consequence of the above, the Group in this period accounted for the part of the above investment credit that was initially considered that would be settled in cash, under the provisions of IAS 12 (income taxes). Accordingly, it reversed the previous credit in fixed assets (together with the effect it had on the depreciation/accumulated depreciation) and credited income taxes in the current period's income statement. Furthermore, it reclassified the amount previously disclosed as receivable in deferred tax assets.

9. SUBSIDIARIES:

The interim condensed consolidated financial statements as at June 30, 2010, include the financial statements of FAGE Dairy Industry S.A. and its subsidiaries listed below:

	Equity interest		Country of incorporation	Activities
	June 30, 2010	December 31, 2009		
Foods Hellas S.A.	-	-	Greece	Its operations were absorbed by the Group and the entity was liquidated in 2006
Pindos S.A.	-	-	Greece	Cheese producer—merged into FAGE Dairy Industry S.A.
Tamyna S.A.	-	-	Greece	Cheese producer merged into FAGE Dairy Industry S.A.
Voras S.A.	-	-	Greece	Its operations were absorbed by the Company and the entity was liquidated in 2005
FAGE Commercial S.A. (Xylouris)	100.0%	100.0%	Greece	Commercial
Zagas S.A.	100.0%	100.0%	Greece	Cheese producer—non operating
Agroktima Agios Ioannis S.A.	100.0%	100.0%	Greece	Agricultural and farm development-ceased operations
Iliator S.A.	97.0%	97.0%	Greece	Construction—not operating
FAGE Italia S.r.l.	100.0%	100.0%	Italy	Distribution network covering Italy
FAGE USA Holdings, Inc.	100.0%	100.0%	USA	Holding company of FAGE USA Dairy Industry, Inc. and FAGE USA, Corp.
FAGE U.K. Limited	100.0%	100.0%	United Kingdom	Distribution network covering the United Kingdom
FAGE USA, Corp.	100.0%	-	USA	U.S. operating subsidiary (incorporated in July 2009) with primary activity the provision of Sales and Marketing Services to FAGE USA Dairy Industry, Inc.
FAGE USA Dairy Industry, Inc.	100.0%	100.0%	USA	U.S. operating subsidiary with primary activity the operation of the Company's U.S. yogurt production facility and the distribution of its products in the U.S.

The carrying value of goodwill reflected in the accompanying consolidated and separate statements of financial position is analysed as follows:

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	THE GROUP		THE COMPANY	
	June 30,	December 31,	June 30,	June 30,
	2010	2009	2010	2009
Foods Hellas S.A. (Fage Dairy Industry S.A.)	1,296	1,296	1,296	1,296
Voras S.A. (Fage Dairy Industry S.A.)	2,122	2,122	2,122	2,122
FAGE Italia S.r.l.	284	284	-	-
FAGE U.K. Limited	1,155	1,063	-	-
Total	4,857	4,765	3,418	3,418

10. INVESTMENT IN ASSOCIATE ACCOUNTED FOR UNDER THE EQUITY METHOD:

Bizios S.A. (Bizios) was incorporated on November 10, 1997. The Company purchased 45% of the voting shares for a total cash consideration of €5,654.

FAGE's investment in Bizios is accounted for using the equity method. In this respect, losses of €59 and €65 have been recognised in the accompanying consolidated statements of income for the six months ended June 30, 2010 and 2009, respectively. The carrying value of the investment in Bizios as at June 30, 2010 and December 31, 2009, amounted to €151 and €210, respectively for the Group and €828 for both periods for the Company and is included in the accompanying consolidated and separate statements of financial position.

11. AVAILABLE FOR SALE FINANCIAL ASSETS:

Available for sale financial assets are analysed as follows:

The Group and the Company	June 30, 2010	December 31, 2009
Shares—listed:		
Vis S.A.	314	621
Elbisco Holdings S.A.	193	306
	507	927
Shares—unlisted:		
Packing Hellas Development S.A.		
	88	88

Available for sale financial assets consist of investments in ordinary and preferred shares and, therefore, have no fixed maturity date or coupon rate.

The above-mentioned investments have been classified as available for sale and are carried at their fair value with the difference in the fair values reflected in other reserves.

For the six months ended June 30, 2010 and 2009 losses of €333 and €63, respectively, were recognised and reported in the accompanying consolidated statements of income, as it was determined that the related investments had been impaired while losses of €66 and gains of €153, respectively, net of deferred income taxes were recognised and reported in equity.

12. OTHER NON-CURRENT ASSETS:

Other non-current assets are analysed as follows:

	THE GROUP		THE COMPANY	
	June 30,	December 31,	June 30,	December 31,
	2010	2009	2010	2009
Long-term notes receivable at amortised cost	22	122	22	122
Less: current maturities, included in trade and other accounts receivable	(22)	(112)	(22)	(112)
	-	10	-	10
Utility deposits	260	246	213	213
Other	136	128	136	127
FAGE USA Holdings, Inc. (capital repayment balance)	-	-	19,545	16,083
	396	384	19,894	16,433

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The increase in amount due from FAGE USA Holdings, Inc. represents accrued interest of approximately €1.0 million and the balance of the increase represents foreign currency remeasurement difference.

The maturity of the long-term notes receivable subsequent to June 30, 2010 and December 31, 2009, is as follows:

	THE GROUP		THE COMPANY	
	June 30,	December 31,	June 30,	December 31,
	2010	2009	2010	2009
<u>Maturity</u>				
Within 1 year	22	112	22	112
2-5 years	-	10	-	10
	22	122	22	122

13. INVENTORIES:

Inventories are analysed as follows:

	THE GROUP		THE COMPANY	
	June 30,	December 31,	June 30,	December 31,
	2010	2009	2010	2009
Merchandise	1,630	1,345	775	756
Finished and semi-finished products	11,334	8,713	9,291	7,604
Raw materials and supplies	14,396	13,534	11,726	11,679
	27,360	23,592	21,792	20,039

14. TRADE AND OTHER RECEIVABLES:

Trade and other receivables are analysed as follows:

	THE GROUP		THE COMPANY	
	June 30,	December 31,	June 30,	December 31,
	2010	2009	2010	2009
Trade:				
—In Euro	29,048	21,131	29,516	20,479
—In foreign currencies	14,323	8,532	3,149	5,265
	43,371	29,663	32,665	25,744
—Less: allowance for doubtful accounts	(1,555)	(1,386)	(1,409)	(1,236)
	41,816	28,277	31,256	24,508
Other:				
—Value added tax	9,590	8,173	9,431	8,168
—Prepaid income taxes	312	137	296	137
—Prepaid expenses	1,214	1,067	19	852
—Advances to suppliers	7,409	7,433	6,608	6,632
—Subsidies (Note 8)	-	3,137	-	-
—Greek Competition Authority fine receivable (Note 23(a)i)	630	2,879	630	2,879
—Various debtors	2,117	3,308	852	1,341
	21,272	26,134	17,836	20,009
—Less: allowance for doubtful accounts	(4,706)	(4,260)	(3,623)	(3,181)
	16,566	21,874	14,213	16,828
	58,382	50,151	45,469	41,336

The Company during 2008 entered into an accounts receivable transfer agreement under which it can obtain up to €35 million from ABN AMRO Bank, for trade accounts receivable that will be transferred, amounting 100% to 85% of amount collected. The Group used the proceeds from these arrangements to finance its operations.

Moreover, an amount of €483 is disclosed both in current assets and current liabilities as of June 30, 2010 (€563 as of December 31, 2009) representing its continuing involvement in the transferred trade receivables.

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There was no write-off of accounts receivable during the six months ended June 30, 2010 and 2009 for the Group or the Company.

It is the Group's policy to attach liens against the property of most of its delinquent customers. Due to the prolonged and complex legal procedures in Greece, it is not unusual for the collection process to take three to five years before a case is finalised.

15. DUE FROM (TO) RELATED COMPANIES:

The Company purchases goods and services from and makes sales of goods to certain related companies in the ordinary course of business. Such related companies consist of affiliates or companies which have common ownership and/or management with the Company.

Account balances with related companies are as follows:

	THE GROUP		THE COMPANY	
	June 30,	December 31,	June 30,	December 31,
	2010	2009	2010	2009
Due from:				
- FAGE USA Holdings, Inc.	-	-	-	58,402
- Ioannis Nikolou ULP	1,062	804	1,062	804
- Bizios S.A.	-	3	-	3
- Vihep S.A.	-	5	-	5
	1,062	812	1,062	59,214
Due to:				
- Iofil S.A.	6,709	4,528	6,709	4,528
- Mornos S.A.	5,371	4,473	4,804	4,415
- Vis S.A.	1,104	870	1,104	870
- Agan S.A.	1,293	569	1,293	569
- Evga S.A.	1,582	1,449	1,582	1,448
	16,059	11,889	15,492	11,830

The amount of €58,402 receivable from FAGE USA Holdings, Inc. as at December 31, 2009 concerned the short-term portion of the return of capital and payment of dividends to FAGE and was repaid in February 2010 while the long-term portion is reflected in long-term assets.

Transactions with related companies for the six months ended June 30, 2010 and 2009, are analysed as follows:

THE GROUP	Purchases from related parties		Sales to related parties	
	2010	2009	2010	2009
	Inventories, materials and supplies	19,759	21,953	1,940
Advertising and media	2,639	2,137	-	-
Other services	4,436	4,435	-	-
	26,834	28,525	1,940	1,984

THE COMPANY	Purchases from related parties		Sales to related parties	
	2010	2009	2010	2009
	Inventories, materials and supplies	18,502	20,309	1,940
Advertising and media	2,639	2,137	-	-
Other services	4,436	4,435	-	-
	25,577	26,881	1,940	1,984

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Purchases of inventories, materials and supplies represent approximately 24% and 30% of the Group's total purchases for the six months ended June 30, 2010 and 2009, respectively (for the Company, 30% and 31%, respectively).

Advertising, media buying and other services represent approximately 44% and 43% of the Group's total costs for the six months ended June 30, 2010 and 2009, respectively (for the Company, 66% and 59%, respectively).

THE COMPANY:

Furthermore, the balances and the transactions of FAGE Dairy Industry S.A. with its subsidiaries are as follows:

	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Due from:		
Agroktima Aghios Ioannis	229	228
Iliator	37	35
Zagas	87	84
FAGE Italia S.r.l.	2,547	1,901
FAGE USA Holdings, Inc. (including, repayment of capital and dividends)	21,085	79,516
FAGE U.K. Limited	3,149	1,391
	<u>27,134</u>	<u>83,155</u>
Due to:		
FAGE Commercial S.A. (ex Xylouris)	<u>(802)</u>	<u>(864)</u>

The above balances have been included in the "Trade and other receivables" and "Trade accounts payable" accounts of the accompanying statements of financial position.

The Company's transactions with its subsidiaries are as follows:

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Revenues from:		
Sales of inventories	9,295	9,203
Other income-Royalties from FAGE USA Holdings, Inc.	4,903	-
Financial income from FAGE USA Holdings, Inc.	938	-
	<u>15,136</u>	<u>9,203</u>

16. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are analysed as follows:

	<u>THE GROUP</u>		<u>THE COMPANY</u>	
	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Cash in hand	174	182	146	158
Cash at banks	39,855	28,725	21,319	17,584
Total	<u>40,029</u>	<u>28,907</u>	<u>21,465</u>	<u>17,742</u>
Cash restricted	<u>1,278</u>	<u>-</u>	<u>300</u>	<u>-</u>

Cash at banks earns interest at floating rates based on monthly bank deposit rates. Interest earned on cash at banks and time deposits is accounted for on an accrual basis and amounted to €28 and €69 for the six months ended June 30, 2010 and 2009, respectively for the Group and to €28 and €63, respectively for the Company, and is included in financial income in the accompanying consolidated statements of income.

Cash and cash equivalents for the Group at June 30, 2010, consists of €20,954 denominated in foreign currencies and €19,075 in Euro (€12,873 and €16,034 at December 31, 2009, respectively).

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Cash and cash equivalents for the Company at June 30, 2010, consists of €3,102 denominated in foreign currencies and €18,363 in Euro (€1,884 and €15,858 at December 31, 2009, respectively).

Cash restricted for the Group at June 30, 2010 consists of €300 for the Company (see Note 22 (a) (v)) and €978 for FAGE USA Holdings, Inc. concerning a line of credit.

17. INTEREST BEARING LOANS AND BORROWINGS:

Interest bearing loans and borrowings are analysed as follows:

	THE GROUP		THE COMPANY	
	June 30,	December 31,	June 30,	December 31,
	2010	2009	2010	2009
(a) Senior Notes due 2015	101,482	121,483	101,482	121,483
(b) Senior Notes due 2020	122,239	-	24,448	-
(c) Other long-term debt	-	46,000	-	46,000
Total long-term debt	223,721	167,483	125,930	167,483
Less: Unamortised issuance costs	(15,195)	(2,883)	(4,512)	(2,883)
	208,526	164,600	121,418	164,600
Less: Current portion	-	(6,500)	-	(6,500)
Long-term portion	208,526	158,100	121,418	158,100

(a) Senior Notes due 2015:

In January 2005, the Group completed the issuance of debt securities (2015 Senior Notes) at an aggregate face amount of €130 million with maturity date on January 15, 2015. The net proceeds of the 2015 Senior Notes, after issuance costs, of €125.4 million were used to (i) redeem all of the previously outstanding debt securities plus accrued and interest thereon of approximately €74.5 million, (ii) the repayment of outstanding short-term borrowings under various lines of credit maintained by the Group with several banks of approximately €35.4 million and, (iii) the acquisition of its distributor in the United Kingdom (Note 9).

The 2015 Senior Notes bear nominal interest at a rate of 7.5% per annum (effective rate 8.03% per annum), payable semi-annually on each January 15 and July 15 and commenced on July 15, 2005. The 2015 Senior Notes are redeemable in whole or in part, at the option of the Group at any time on or after January 15, 2010. The 2015 Senior Notes are listed on the Irish Stock Exchange.

The indebtedness evidenced by the 2015 Senior Notes constitutes a general unsecured senior obligation of FAGE Dairy Industry S.A. and ranks *pari passu* in right of payment with all other senior indebtedness and will rank senior in right of payment to all subordinated indebtedness of FAGE Dairy Industry S.A.

The 2015 Senior Notes Indenture contains certain covenants that, among other things, limit the type and amount of additional indebtedness that may be incurred by FAGE Dairy Industry S.A. and its subsidiaries and imposes certain limitations on investments, loans and advances, sales or transfers of assets, liens, dividends and other payments, the ability of FAGE Dairy Industry S.A. and its subsidiaries to enter into sale-leaseback transactions, certain transactions with affiliates and certain mergers. The Group is in compliance with the terms of the Indenture as of June 30, 2010 and December 31, 2009.

During 2008, the Group repurchased in privately negotiated transactions 2015 Senior Notes with an aggregate face amount of € 4,046 for € 2,052. The repurchased 2015 Senior Notes have been canceled. The difference of € 1,994 was disclosed as gain from repurchase of Senior Notes, in the 2008 consolidated statement of income. During 2009, the Group repurchased in privately negotiated transactions 2015 Senior Notes with an aggregate face amount of €4,471 for €2,270. The repurchased 2015 Senior Notes have been canceled. The difference of € 2,201 is disclosed as gain from repurchase of Senior Notes, in the accompanying 2009 consolidated statement of income. Moreover, during the six months ended June 30, 2010 the Group redeemed €20,000 of the 2015 Senior Notes paying a premium for early repayment of €750.

(b) Senior Notes due 2020:

In January 2010, the Group completed the issuance of debt securities (2020 Senior Notes) at an aggregate face amount of \$150 million with maturity date on February 1, 2020. The net proceeds of the 2020 Senior Notes, after issuance costs, of approximately €95.3 million were used to (i) redeem €20.0 million of the 2015 Senior Notes and €46.0 million of other long-term debt, and, (ii) the balance for capital expenditures and other general corporate purposes.

The 2020 Senior Notes bear nominal interest at a rate of 9.875% per annum (effective rate 11.74% per annum), payable semi-annually on each February 1 and August 1 and commenced on August 1, 2010. The 2020 Senior Notes are redeemable in whole or in part, at the option of the Group at any time on or after February 1, 2015.

The indebtedness evidenced by the 2020 Senior Notes constitutes a general unsecured senior obligation of FAGE Dairy Industry S.A. and ranks *pari passu* in right of payment with all other senior indebtedness and will rank senior in right of payment to all subordinated indebtedness of FAGE Dairy Industry S.A.

(c) Other Long-Term Loans:

- (i) In October 2006, the Company issued a new bond through Alpha Bank in Greece at an aggregate face amount of €20 million. The net proceeds of this bond, after issuance costs, of €19.7 million were used to increase the share capital of FAGE USA Dairy Industry, Inc. and for general working capital needs.

This bond bears nominal interest at a rate of Euribor plus 1.85 % per annum payable semi-annually on each April 27 and October 27, commencing on April 27, 2008. The principal amount of the debt securities is repayable in six instalments of €1.0 million semi-annually starting from October 27, 2008 and a balloon payment of €14.0 million on October 27, 2011. During the three months ended March 31, 2010 the outstanding balance of this debt was repaid.

- (ii) On March 28, 2007, the Company issued a new bond through CITIGROUP in an aggregate face amount of €10 million to repay short-term borrowings. This bond, which is unsecured, bears nominal interest of Euribor plus 1.85%, payable semi-annually while the principal is repayable in seven instalments of €750 semi-annually starting from September 2008 and a final instalment of €4,750 in March 2012. The issuance costs for this loan amounted to €87. During the first three months of 2009 principal paid amounted to €0.8 million. During the three months ended March 31, 2010 the outstanding balance of this debt was repaid.
- (iii) On July 13, 2007, the Company issued a new bond through ABN AMRO Bank N.V. at an aggregate face amount of €10 million to repay short-term borrowings. This bond, which is unsecured, bears nominal interest of Euribor plus 1.60%, payable semi-annually, while the principal is repayable in seven instalments of €500 semi-annually starting from July 2008 and a final instalment of €6.5 million in January 2012. The issuance costs for this loan amounted to €100. During the first three months of 2009 principal paid amounted to €0.5 million.
- (iv) On August 6, 2007, the Company issued a new bond through Piraeus Bank at an aggregate face amount of €10 million both to repay short-term borrowings and to finance part of its capital expenditure program. This bond, which is unsecured, bears nominal interest of Euribor plus 1.80%, payable semi-annually, while the principal is repayable in seven instalments of €750 semi-annually starting from February 2009 and a final instalment of €4,750 in August 2012. The issuance costs for this loan amounted to €76. During the first three months of 2009 principal paid amounted to €0.8 million. During the three months ended March 31, 2010 the outstanding balance of this debt was repaid.
- (v) On November 30, 2007, the Company issued a new bond through Alpha Bank at an aggregate face amount of €5 million both to repay short-term borrowings and to finance part of its capital expenditure program. This bond which is unsecured, bears nominal interest of Euribor plus 1.85%, payable semi-annually, while the principal is repayable in seven installments of € 250 semi-annually starting from October 2008 and a final installment of € 3,250 in April 2012. The issuance costs for this loan amounted to €51. During the three months ended March 31, 2010 the outstanding balance of this debt was repaid.

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The indebtedness evidenced by the debt securities constitutes a general unsecured senior obligation of FAGE Dairy Industry S.A. and ranks *pari passu* in right of payment with all other senior indebtedness and will rank senior in right of payment to all subordinated indebtedness of FAGE Dairy Industry S.A.

The loan agreements contain certain covenants that, among other things, limit the type and amount of additional indebtedness that may be incurred by FAGE Dairy Industry S.A. and its subsidiaries and imposes certain limitations on investments, loans and advances, sales or transfers of assets, liens, dividends and other payments, the ability of FAGE Dairy Industry S.A. and its subsidiaries to enter into sale-leaseback transactions, certain transactions with affiliates and certain mergers. The Company was in compliance with the terms of the loan agreements as of December 31, 2009.

Finance expenses on the Group's interest bearing loans and borrowings for the six months ended June 30, 2010 and 2009, amounted to €10,895 (€6,886 for the Company) and €6,320 (for the Group and the Company), respectively, and are included in financial expenses in the accompanying consolidated statements of income.

The annual principal payments required to be made on all loans subsequent to June 30, 2010 and December 31, 2009 are as follows:

	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Within one year	-	6,500
2-5 years	101,482	39,500
Over 5 years	122,239	121,483
	<u>223,721</u>	<u>167,483</u>

18. TRADE ACCOUNTS PAYABLE:

Trade accounts payable are analysed as follows:

	<u>THE GROUP</u>		<u>THE COMPANY</u>	
	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Domestic suppliers	19,408	22,296	19,919	22,268
Foreign suppliers	11,233	13,540	6,482	6,882
	<u>30,641</u>	<u>35,836</u>	<u>26,401</u>	<u>29,150</u>

Included in trade accounts payable to foreign suppliers for the group are balances denominated in foreign currencies amounting to €4,179 and €5,019 as of June 30, 2010 and December 31, 2009, respectively.

19. SHORT-TERM BORROWINGS:

Short-term borrowings are draw-downs under various lines of credit maintained by the Company with several banks. Short-term borrowings amounted to €14,046 as at June 30, 2010 and €11,900 as at December 31, 2009 and are denominated in Euros.

The weighted average interest rates on short-term borrowings for the six months ended June 30, 2010 and 2009, was 4.34% and 4.31%, respectively.

Interest on short-term borrowings for the six months ended June 30, 2010 and 2009, totalled €527 and €835, respectively, and is included in interest expense in the accompanying consolidated statements of income.

20. ACCRUED AND OTHER CURRENT LIABILITIES:

The amount reflected in the accompanying consolidated and separate balance sheets is analysed as follows:

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	THE GROUP		THE COMPANY	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Payroll	234	304	234	304
Third parties	21	28	21	28
Milk producers	70	62	70	62
Other	166	208	166	208
	491	602	491	602
Advances from customers	9	187	811	1,052
Accrued interest	8,400	4,700	4,666	4,700
Social security funds payable	829	1,616	718	1,499
Accrued and other liabilities	8,151	3,983	3,744	1,127
	17,380	10,299	9,128	7,326
Total	17,880	11,088	10,430	8,980

The June 30, 2010 Group and Company “Accrued and other liabilities” include valuation of derivative financial instruments of €567 and provisions for litigation losses of €1,389.

21. SEGMENT INFORMATION:

The Group applied IFRS 8 “Operating Segments” which is effective for annual periods beginning on or after January 1, 2009 and which replaced IAS 14 “Segment reporting”. There was no change from this adoption. The Group produces dairy products and operates primarily in Greece and has also certain foreign activities. Due to the nature of the products and the manner in which they are marketed to customers, the business is operated and managed as one business segment distinguished between the Greek operations and the foreign subsidiaries’ operations. Accordingly, no operating results by individual or group of products are produced and neither are the Group’s assets and liabilities analysed by various product groups. Intra-segment balances and transactions have been eliminated on consolidation.

Segment information for the six months ended June 30, 2010 and 2009, is analysed as follows:

	Six months ended June 30, 2010			
	Greece	Foreign subsidiaries’ activities	Eliminations	Consolidated
Revenues				
Net sales to external customers	101,210	65,868	-	167,078
Inter-segment sales	9,295	-	(9,295)	-
Segment revenues	110,505	65,868	(9,295)	167,078
Results				
Segment result net profit/(loss)				
- Continuing operations	(7,280)	10,425	-	3,145
- Discontinued operations	-	-	-	-
	(7,280)	10,425	-	3,145
Other segment information:				
Capital expenditures:				
Tangible and intangible fixed assets	2,247	5,381	-	7,628
Depreciation and amortisation	5,480	3,035	-	8,515
Impairment losses recognised in statement of income	333	-	-	333
Financial Expenses	7,464	4,872	(938)	11,398
Income tax benefit/(expense)	1,474	(1,369)	-	105

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	Six months ended June 30, 2009			
	Greece	Foreign subsidiaries' activities	Eliminations	Consolidated
Revenues				
Net sales to external customers	110,744	47,875	-	158,619
Inter-segment sales	9,203	-	(9,203)	-
Segment revenues	<u>119,947</u>	<u>47,875</u>	<u>(9,203)</u>	<u>158,619</u>
Results				
Segment result net profit/(loss)				
- Continuing operations	(1,241)	7,339	-	6,098
- Discontinued operations	58	4	-	62
	<u>(1,183)</u>	<u>7,343</u>	<u>-</u>	<u>6,160</u>
Other segment information:				
Capital expenditures:				
Tangible and intangible fixed assets				
	3,060	1,599	-	4,659
Depreciation and amortisation	<u>5,869</u>	<u>1,810</u>	<u>-</u>	<u>7,679</u>
Impairment losses recognised in statement of income				
	63	-	-	63
Financial Expenses	<u>7,238</u>	<u>-</u>	<u>-</u>	<u>7,238</u>
Gain from repurchase of Senior Notes	2,201	-	-	2,201
Reversal of fines	<u>3,043</u>	<u>-</u>	<u>-</u>	<u>3,043</u>
Income tax expense	<u>(434)</u>	<u>(3,989)</u>	<u>-</u>	<u>(4,423)</u>

The following table presents segment assets and liabilities of the Group as at June 30, 2010 and December 31, 2009.

June 30, 2010		Foreign subsidiaries' activities	Eliminations	Consolidated
	Greece			
Segment assets	<u>235,675</u>	<u>159,106</u>	<u>(7,391)</u>	<u>387,390</u>
Segment liabilities	<u>179,586</u>	<u>141,361</u>	<u>(7,391)</u>	<u>313,556</u>
December 31, 2009				
	Greece	Foreign subsidiaries' activities	Eliminations	Consolidated
Segment assets	<u>229,512</u>	<u>119,873</u>	<u>(8,536)</u>	<u>340,849</u>
Segment liabilities	<u>165,288</u>	<u>114,550</u>	<u>(8,536)</u>	<u>271,302</u>

The foreign subsidiaries segment related mainly to the Group's activities in USA.

22. CONTINGENCIES AND COMMITMENTS:

(a) Litigation and claims:

- (i) In September 2006, the Greek Competition Authority initiated an investigation into price fixing in the Greek dairy market. FAGE was one of the 17 Greek domestic and foreign companies that have been

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identified in the investigation. In December 2007, the Greek Competition Authority announced the imposition of fines on certain dairy companies and supermarkets in Greece, including FAGE. The fine imposed on FAGE amounted to € 9,400. The Group understands that the total fines announced by the Competition Authority against all of the identified companies amount to approximately € 76,500. The Company challenged the amount of the fine in the courts in Greece and a provision of €9,400 was recognised and included in the financial statements as at December 31, 2007. During 2009 there was an irrevocable decision in favor of the Company and the fine was reduced by €3,353. Accordingly, a benefit of €3,353 has been recognised and included in the accompanying 2009 statements of income. Moreover, this amount has been set-off with other tax liabilities as at December 31, 2009 and the net amount is €2,879 (Note 17). The Company has also challenged at the Supreme Administrative Court the legality of the imposition of the fine itself. The case has not yet been heard.

In addition, following the imposition of this fine, the Company and several other dairy companies have had to defend against lawsuits brought by milk producers claiming damages and loss of income. There are currently two of these lawsuits pending against the Company, which the Company believes that are entirely without merit. Similar lawsuits against other dairy companies already have been dismissed.

- (ii) In July 2007, there was a press report suggesting that a preliminary investigation by a State prosecutor had led to sufficient evidence being gathered to charge Greece's four largest dairy companies (including FAGE) with price fixing. According to the report, the State prosecutor is expected to request that the related dairy companies be charged with serial extortion, a criminal offence. During his investigation, the State prosecutor questioned a number of milk producers who alleged that the four companies threatened to stop buying milk from them if they did not lower their prices. The State prosecutor alleged that there was evidence to suggest that the dairy firms colluded and acted as a cartel to force down the price at which they purchased milk. However, FAGE believes that its policy concerning the prices paid to milk producers was on an arm's length basis consistent with proper market practices and that the allegations were unfounded. To date, no charges have been brought against the Group.
- (iii) On November 13, 2006, the Group notified the public in Greece that the children's yogurt desserts Junior banana, caramel, orange and strawberry flavors and enriched with vitamins A+D with expiry dates December 4-7, 2006, were being recalled for preventive purposes, due to the possibility of the products containing glass splinters. The relevant Greek authorities have inspected FAGE's facilities in Greece and have not imposed any fines to date. According to the Group's management and legal advisors, no customer claims have been raised with respect to this issue.
- (iv) In addition, the Group is a party to various lawsuits and arbitration proceedings in the normal course of business. According to the Group's management and its legal advisors, all of the lawsuits are expected to be settled without any material adverse effect on the Group's consolidated financial position and consolidated results of operations.
- (v) Until 1999, FAGE had for many years purchased UHT extended shelf life milk from a supplier, which in turn purchased the milk from a Belgian producer. As part of the financing arrangements, the Company issued a letter of guarantee to the Belgian company through a Bank in Greece and, under the terms of the guarantee, FAGE agreed to pay to the Bank any amounts required to be paid by it under the letter of guarantee. Following the discovery of dioxin-contaminated cattle feed in Belgium, the European Commission in June 1999 prohibited the export and distribution of affected products, including milk, and, in turn, the Greek Ministry of Agriculture prohibited the importation and distribution of such animal products originating from Belgium. As a result, FAGE withdrew all the Belgian company's products from the Greek market, informed the Belgian company that it would not accept further shipments and returned certain shipments of milk to Belgium. In 2000, the Belgian company sought to enforce the letter of guarantee against the Bank, which brought third party proceedings against FAGE. A decision was issued by the Court of First Instance in Athens which determined that the Bank was required to pay the Belgian company the amount of €1.4 million, including an immediate payment of €0.3 million, and that FAGE was required to pay to the Bank whatever amounts it was required to pay to the Belgian company. FAGE has filed an appeal contesting the above decisions, which is set to be heard by the Appeals Court in Greece in September 2010. FAGE has deposited €0.3 million with the Bank pending the outcome of the appeal. In the event that FAGE loses its appeal, FAGE may be required to pay a total amount of €1.4 million to the Bank. In view of this situation FAGE has, decided to make a provision for an amount of €1.4 million in its accounts, which is reflected in the Group's results for the six months ended June 30, 2010.

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(b) Commitments:

(i) Service Agreements:

The Group has entered into agreements with Agan, Iofil and Evga, related companies, for the provision of corporate management and consulting services. The agreement with Agan ended during 2009, while the agreements with Iofil and Evga expire in 2012.

Future minimum amounts payable under these agreements for the Group as at June 30, 2010 and December 31, 2009, are as follows:

The Group and the Company	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Within 1 year	8,620	8,620
2-5 years	12,930	17,240
	<u>21,550</u>	<u>25,860</u>

(ii) Operating Lease Commitments:

As of June 30, 2010 and December 31, 2009, the Group has entered into a number of operating lease agreements relating to the rental of buildings and transportation equipment most of which expire on various dates through 2014.

Rental expense included in the accompanying consolidated statements of income for the six months ended June 30, 2010 and 2009, amounted to €911 and €970, respectively.

Future minimum rentals payable under non-cancelable operating leases as at June 30, 2010 and December 31, 2009, are as follows:

	THE GROUP		THE COMPANY	
	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Within one year	517	917	363	797
2-5 years	608	835	313	557
Over 5 years	79	73	-	-
Total	<u>1,204</u>	<u>1,825</u>	<u>676</u>	<u>1,354</u>

(iii) Letters of Guarantee:

At June 30, 2010 and December 31, 2009, the Company had outstanding bank letters of guarantee in favor of various parties amounting to €2,599 and €1,891, respectively. Such guarantees have been provided for the good execution of agreements and for the participation in biddings.

(iv) Investment in U.S.A.:

To meet increasing demand in the U.S. market the Group is engaged in expanding production and warehouse capacity. The Group has signed agreements with various suppliers for the acquisition of equipment and for additional warehouse space. Future minimum amounts payable under these agreements as at June 30, 2010, amounted to €3,310 which are all due within one year, of which an amount of €1,474 is denominated in US\$.

23. SUBSEQUENT EVENTS:

There were no significant events subsequent to June 30, 2010.