



FAGE DAIRY INDUSTRY S.A.

QUARTERLY REPORT
For the three months
Ended March 31, 2010

May 14, 2010

This report (the “Quarterly Report”) sets forth certain information regarding the consolidated financial condition and results of operations of FAGE Dairy Industry S.A., a Greek société anonyme (the “Company” or “FAGE”), for the fiscal quarter ended March 31, 2010. The Quarterly Report encloses a review, in English, of the Company’s unaudited financial information and analysis for the first quarter as well as certain other information.

The following unaudited financial statements in the opinion of the management reflect all necessary adjustments (which include only normal recurring adjustments) necessary for a fair presentation of the financial position, the results of operations and cash flows for the periods presented.

For a description of accounting policies see Notes to financial statements in FAGE’s 2009 annual report.

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 €30,000,000 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 Quarterly 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 Quarterly 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 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 Quarterly 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 primary activity of the Guarantor is the distribution of the Company's products in the U.S. 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 €21,483,000 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 Quarterly 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 Quarterly 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 in "Risk Factors" and elsewhere in this Quarterly Report.

Because the risk factors referred to in this Quarterly Report could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this Quarterly Report by the Group's 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 THREE MONTHS ENDED MARCH 31, 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 three months ended March 31, 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 financial statements for the first three months ended March 31, 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 for the first three months ended March 31,2010, and their impact on the Group financial information for the first three months ended March 31,2010;
- the interim management report includes a fair review of related party transactions that have occurred for the first three months ended March 31, 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 three months of the current financial year.

Industry Data

This Quarterly 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 Quarterly 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 Quarterly 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 Quarterly Report. In addition, in many cases, statements in this Quarterly 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 Yiaourti*[®], *Junior Tirakia*[®], *Glykokoutalies FAGE*[®], *Velvet*[®], *Total 2% split-cup*[®], *Sensia mousse*[®], *Dolce Bianco*[®], *Crema mia*[®] and *Nouvelle*[®].

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

Greek Dairy Market

The Greek dairy market experienced a decrease of 3.0% in volume and 7.2% in value, comparing the first three months ended March 31, of the years 2010 and 2009. This volume decrease resulted mainly from a decrease of 2.9% in the milk market and 6.2% in the branded yoghurt market. The volume in the packaged cheese market (excluding Feta cheese) increased by 10.6%, whereas the UHT milk and milk cream products decreased by 1.9% in volume, comparing the first quarters of the years 2010 and 2009. Within the milk business, Fresh milk and Evaporated milk decreased by 4.3% and 3.2%, respectively, comparing the three months ended March 31, of the years 2010 and 2009. The ESL milk increased by 0.6% in volume, whereas the dairy desserts decreased by 6.5%, comparing the first three months ended March 31, of the years 2010 and 2009.

The source for the above market shares is Nielsen Market Track, which covers the period from December 2009 until March 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 volume sales increased by 1.5% comparing the first three months of the years 2010 and 2009. This increase reflects a decrease of 4.4% in the Group's sales in volume in the domestic market and an increase of 23.1% in the Group's sales in volume in exports and international sales.

The Group total sales in value decreased by 1.4% comparing the first quarter of the years 2010 and 2009. This decrease reflects a decrease of 10.8% in the Group's sales in value in the domestic market and an increase of 16.6% 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 first three months of the year 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 4.4% in the domestic market, mainly due to the economic crisis in Greece which, in turn, reduced consumer consumption. This, together with the aggressive promotional activities, 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 has decided to cease its policy of selling its yoghurt products through the "buy two and get one free" program, which resulted in a decrease of approximately 33% off the list prices. Since March 1, 2010, the Company has applied a new price list for its yoghurt products, whereby the new prices represent on average 80% of the previous list prices. Furthermore, the Company decided to cease selling its milk products through the program of "price-offs" (reductions) of €0.20 and €0.30. Since March 1, 2010, the Company has sold its milk products under the "GALA 10" line at its list prices (with no "price-offs"). Also, from April 1, 2010 the Company sells 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.

In the first quarter of 2010 the Company was the market leader in branded yoghurt, packaged cheese business (excluding Feta cheese) and in the UHT milk and Milk Creams business with market shares of 33.3%, 15.7% and 16.7%, respectively. Furthermore, the Company was the second player in the ESL white milk market and in the Dairy desserts business with market shares, 24.9% and 13.7%, respectively.

The source for the above market shares is Nielsen Market Track, which covers the period from December 2009 until March 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 23.1%, comparing the first three months of the years 2010 and 2009. This increase mainly came from the US market, where the sales in volume increased by 47.2%. In the UK market, sales in volume decreased by 10.9%, whereas in the Italian market the sales in volume remained stable. Exports sales to other countries increased by 6.1% in volume.

The respective increase in sales in value was 16.6%. The main reason for the lower percentage increase in sales in value, as compared to volume, was the strengthening of the euro against the US\$. The average

exchange rates during the three months ended March 31, 2010 and 2009 were: 1 €=1.3672 US\$ and 1 €=1.2923 US\$, respectively. Taking this into account, the increase in sales in value would be almost the same as the increase in sales in volume, since there was no price increases in the sales in the exports and international sales.

Export and international sales in volume for the three months ended March 31, 2010 represented 25.9% of the Group's total sales volume, as compared to 21.3% for the respective period of the year 2009. Furthermore, export and international sales in value for the three months ended March 31, 2010 represented 40.7% of the Group's total sales in value, as compared to 34.4% for the respective period of the year 2009.

Export and international sales volume in yoghurt represented 53.7% of the Group's total yoghurt sales volume in the first three months of the years 2010, as compared to 45.1% in the respective period of the year 2009. In strained yoghurt (mainly the *Total* Brand), the volume of exports and international sales represented 66.1% of the Group's total volume of strained yoghurt in the first three months of 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:

	Three months ended March 31,	
	2010	2009
	(Unaudited)	
Net sales.....	100.0%	100.0%
Cost of sales.....	(59.3)	(60.4)
Gross profit.....	40.7	39.6
Selling, general and administrative expenses	(32.7)	(31.3)
Other income.....	-	0.1
Other expenses	-	-
Profit from operations	8.0	8.4
Gain from repurchase of Senior Notes.....	-	2.9
Financial income/(expenses), net.....	(7.9)	(5.0)
Impairment loss	-	(0.2)
Foreign exchange (losses)/gains, net	2.9	0.8
Share of losses of associates.....	-	-
Net profit before income taxes.....	3.0	6.9
Income tax	(1.9)	(3.5)
Net profit	<u>1.1%</u>	<u>3.4%</u>

Three months ended March 31, 2010 compared to three months ended March 31, 2009

Net sales. The Group's sales in volume in the first three months ended March 31, 2010 increased by 1.5%, compared to the respective period of 2009. In spite of this increase in volume, the respective net sales decreased by €1.1 million, or 1.4%, comparing the first quarters of the years 2010 and 2009. The net sales in the first quarter of the year 2010 amounted to €77.1 million, whereas the respective amount for the first quarter of the year 2009 was €78.2 million. This was mainly due to:

- firstly, the strengthening of the euro against the US\$. Since the revenues from sales to the US market are denominated in US\$, the strengthening of the euro against the US\$ had a negative impact on the sales in value.
- secondly, the decrease of 4.4% in the Group's sales in volume in the domestic market, which was mainly due to the economic crisis in Greece which, in turn, reduced consumer consumption, together with the aggressiveness in the promotional activities, affected the Group's sales in value in the domestic market and, consequently, the Group's total sales value. In response, the Company has decided to cease its policy of selling its yoghurt products through the "buy two and get one free" program, which resulted in a decrease of approximately 33% off the list prices. Since March 1, 2010, the Company has applied a new price list for its yoghurt products, whereby the new prices represent on average 80% of the previous list prices. Furthermore, the Company decided to cease selling its milk products through the program of "price-offs" (reductions) of €0.20 and €0.30. Since March 1, 2010, the Company has sold its milk products under the "GALA 10" line at its list prices (with no "price-offs"). Also, from April 1, 2010 the Company sells 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.

Gross profit. Gross profit for the three months ended March 31, 2010 was €31.3 million, an increase of €0.3 million, or 1.0%, from €31.0 million for the three months ended March 31, 2009. Gross profit as a percentage of net sales for the three months ended March 31, 2010 was 40.7% compared to 39.6% for the respective period of 2009. The main reasons for this improvement is the contribution to the Group's gross profit from the US operations and, consequently, the gross margin was higher, as the Group's sales in volume in the US market increased by 47.2% comparing the first three months ended March 31, of the years 2010 and 2009. This improvement was moderated by the fact that, whereas the milk prices (as a raw material) collected in the domestic market decreased by 9.3%, comparing the first quarter of the years 2010 and 2009, the respective prices for milk imported from the European market increased by 42.8%. 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 quarter of the years 2010 and 2009.

Selling, general and administrative expenses. Selling, general and administrative expenses ("SG & A") for the three months ended March 31, 2010 were €25.2 million, an increase of €0.7 million, or 2.9%, from €24.5 million for the three months ended March 31, 2009. As a percentage of net sales, SG & A was 32.7% for the three months ended March 31, 2010 from 31.3% for the comparable period of 2009. This increase is mainly due to the fact that Family compensation payments for the three months ended March 31, 2010 amounted to €1.0 million, as compared to the respective period of 2009 when no Family Compensation payments were made.

Profit from operations. Profit from operations for the three months ended March 31, 2010 was €6.2 million, a decrease of €0.4 million, as compared to a profit from operations of €6.6 million for the three months ended March 31, 2009.

Gain from Repurchase of Senior Notes. Gain from the Repurchase of Senior Notes for the three months ended March 31, 2009 was €2.2 million, which is attributed to the purchase in privately negotiated transactions of its existing Senior Notes due in 2015 with an aggregate face amount of €4.5 million at a market value of €2.3 million.

Financial income/(expenses) net. Net financial expenses for the three months ended March 31, 2010 increased by €2.2 million, from €3.9 million in the first quarter of the year 2009 to €6.1 million in the first quarter of the year 2010. This increase is due to: €1.8 million of interest expense on the Senior Notes due in 2020 and issued on January 29, 2010; €0.8 million of amortised costs relating to the €46.0 million loan repayments and the redemption of €20.0 million of the Senior Notes due in 2015; and €0.8 million in premium for the early redemption of €20.0 million Senior Notes due in 2015. These charges were partly offset by the fact that the Company had the benefit of not paying further interest expenses following the repayment of loans of €46.0 million in February 2010 and the redemption of €20.0 million Senior Notes due in 2015 on March 1, 2010.

Impairment loss. Impairment loss for the three months ended March 31, 2009 was €0.1 million. This loss relates to the impairment recognised in the available for sale financial assets. There was no impairment loss for the three months ended March 31, 2010.

Foreign exchange losses (gains), net. Foreign exchange gains for the three months ended March 31, 2010, were €2.3 million mainly relating to cash at bank in US\$ and receivables in US\$ and UK sterling. For the three months ended March 31, 2009, there were foreign exchange gains of €0.7 million.

Profit before income taxes. Profit before income taxes for the three months ended March 31, 2010, was €2.3 million, compared to a profit before income taxes of €5.4 million for the three months ended March 31, 2009.

Income taxes. The provision for income taxes for the three months ended March 31, 2010, was €1.5 million. Income tax for the three months ended March 31, 2009, amounted to €2.8 million.

Net profit. Net profit for the three months ended March 31, 2010, was €0.9 million, as compared to a profit of €2.6 million for the respective period of 2009.

The Company's Results for the three months ended March 31, 2010 compared to three months ended March 31, 2009 (FAGE DAIRY INDUSTRY S.A. only).

	March 31,					
	2010			2009		
	(€thousands)					
	Continuing Operations	Discontinued Operations	Total results	Continuing Operations	Discontinued Operations	Total results
Sales	52,505	-	52,505	57,226	1,208	58,434
Cost of sales	(36,794)	-	(36,794)	(39,033)	(1,199)	(40,232)
Gross profit	15,711	-	15,711	18,193	9	18,202
Selling, general and administrative expenses	(19,495)	-	(19,495)	(19,081)	(5)	(19,086)
Other income	2,183	-	2,183	1,704	-	1,704
Other expenses	(26)	-	(26)	(98)	-	(98)
PROFIT/(LOSS) FROM OPERATIONS	(1,627)	-	(1,627)	718	4	722
Gain from repurchase of Senior Notes	-	-	-	2,201	-	2,201
Financial expenses	(4,522)	-	(4,522)	(3,884)	-	(3,884)
Financial income	671	-	671	6	-	6
Impairment loss	-	-	-	(132)	-	(132)
Foreign exchange gains/(losses), net	2,280	-	2,280	707	-	707
PROFIT/(LOSS) BEFORE INCOME TAXES	(3,198)	-	(3,198)	(384)	4	(380)
Provision for income taxes	538	-	538	(670)	(1)	(671)
NET PROFIT/(LOSS)	(2,660)	-	(2,660)	(1,054)	3	(1,051)

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 March 31, 2010, amounted to €28.0 million out of which €2.0 million were committed credit lines and €6.0 million uncommitted lines that are available at the time the Group needs further financing. From the €28.0 million of credit lines, a total of €1.9 million had already been used on March 31, 2010. The Company keeps an accounts receivable agreement for financing of up to €20.8 million with ABN Bank.

Cash at banks and cash equivalents on March 31, 2010, amounted to €34.9 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.

(€thousands)	Three months ended	
	2010	2009
Cash flow from/(used in) operating activities.....	(17,670)	2,302
Cash flow from/(used in) investing activities.....	(4,341)	(1,348)
Cash flow from/(used in) financing activities.....	33,006	(6,471)
Effect of exchange rates changes on cash.....	(4,970)	(300)
Cash and cash equivalents at beginning of period.....	28,907	21,856
Cash and cash equivalents at period-end.....	34,932	16,039

Cash flow from/(used in) operating activities.

	Three months ended	
	2010	2009
Operating profit before working capital changes.....	13,190	13,791
Net decrease in working capital.....	(30,860)	(11,489)
	(17,670)	2,302

Net cash used in operating activities for the three months ended March 31, 2010 was €17.7 million, compared to net cash from operating activities of €2.3 million for the respective period of 2009. This is due to the working capital changes, as the operating profit before working capital changes fluctuated almost at the same levels, €13.2 million and €13.8 million for the first quarter of the years 2010 and 2009, respectively. The net cash used in the working capital needs was €30.9 million for the three months ended March 31, 2010, whereas the respective amount for the three months ended March 31, 2009 was €1.5 million, an increase of €19.4 million. The main reasons for this are:

- firstly, an amount of €4.5 million used for income taxes, of which the amount of €7.6 million relates to the withholding income tax paid early in January, 2010 on the dividends

paid from FAGE USA Holdings, Inc. to FAGE SA. Most of the remaining balance is attributable to income taxes on FAGE USA Holdings, Inc.

- secondly, there was an increase in the trade receivables as follows:

	<u>March 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>	<u>March 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
Trade Receivables:				
—In euro	21,603	21,131	21,487	25,628
—In foreign currencies	<u>12,897</u>	<u>8,532</u>	<u>8,920</u>	<u>7,671</u>
	34,500	29,663	30,407	33,299
—Allowance for doubtful accounts	<u>(1,539)</u>	<u>(1,386)</u>	<u>(1,319)</u>	<u>(1,229)</u>
	<u>32,961</u>	<u>28,277</u>	<u>29,088</u>	<u>32,070</u>

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

- firstly, the trade receivables in euro remained at the same level due to the fact that the benefit from the use of the ABN AMRO trade accounts receivable financing is lower in the first quarter of 2010 than the respective quarter of 2009, because the Company has reduced that line of financing from €7.0 million in the first quarter of 2009 to €0.8 million in the first quarter of 2010 and;
- secondly, 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 has increased the outstanding balances of the trade receivables in foreign currencies (without extending the days that FAGE USA collects its receivables from its customers).

Cash flow used in investing activities. Net cash used in investing activities amounted to €4.3 million and €1.3 million for the three months ended March 31, 2010 and 2009, respectively. Out of the capex of €4.1 million in the first three months 2010, an amount of €0.8 million relates to capex maintenance for the facilities in Greece and €3.3 million relates to capex for the expansion of the U.S. facility.

Cash flow from/(used in) financing activities. Net cash from financing activities for the first three months of 2010 was €33.0 million, which reflects proceeds from the issuance of the Senior Notes due in 2020. This results from €9.0 million net proceeds from the issuance of Senior Notes due in 2020 after deducting €46.0 million of long-term loan repayments and the early redemption of €20.0 million of Senior Notes due in 2015. Net cash used in financing activities for the first three months of 2009 was €6.5 million, which reflects repayment of interest bearing loans and borrowings.

Pro forma liquidity and capital resources. Upon the completion of the issuance of the 2015 Senior Notes in 2005 and the 2020 Senior Notes in 2010, 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

The EBITDA for the three months ended, March 31, 2010 amounted to €12.6 million, as compared to €13.2 million for the three months ended March 31, 2009. The net debt of the Group for the three months ended March 31, 2010 amounted to €175.6 million, as compared to €166.7 million for the three months ended March 31, 2009.

Discontinued Operations

For the three months ended March 31, 2009, the discontinued operations related to the remaining stock of Feta cheese and Graviera of Crete which were included in the inventory as of December 31, 2008. There were no discontinued operations for the three months ended March 31, 2010.

Principal Risks and Uncertainties for the Remaining Nine 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	
	March 31,	December 31,	March 31,	December 31,
	2010	2009	2010	2009
Due from:				
- FAGE USA Holdings, Inc.	-	-	-	58,402
-Ioannis Nikolou ULP	945	804	945	804
- Bizios S.A.	-	3	-	3
- Vihep S.A.	-	5	-	5
	945	812	945	59,214
Due to:				
- Iofil S.A.	4,294	4,528	4,294	4,528
- Mornos S.A.	4,100	4,473	3,754	4,415
- Vis S.A.	953	870	953	870
- Agan S.A.	905	569	905	569
- Evga S.A.	1,149	1,449	1,149	1,448
	11,401	11,889	11,055	11,830

Transactions with related companies for the three months ended March 31, 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	9,064	9,797	957	891
Advertising and media	854	583	-	-
Other services	2,217	2,058	-	-
	12,135	12,438	957	891

THE COMPANY	Purchases from related parties		Sales to related parties	
	2010	2009	2010	2009
Inventories, materials and supplies	8,619	9,147	957	891
Advertising and media	854	583	-	-
Other services	2,217	2,058	-	-
	11,690	11,788	957	891

FAGE DAIRY INDUSTRY S.A.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

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FAGE DAIRY INDUSTRY S.A.

THE GROUP
CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2010

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

(UNAUDITED)

Notes	March 31,					
	2010			2009		
	Continuing Operations	Discontinued Operations	Total results	Continuing Operations	Discontinued Operations	Total results
Sales	77,069	-	77,069	76,856	1,311	78,167
Cost of sales	(45,735)	-	(45,735)	(45,898)	(1,301)	(47,199)
Gross profit	31,334	-	31,334	30,958	10	30,968
Selling, general and administrative expenses	6 (25,209)	-	(25,209)	(24,445)	(5)	(24,450)
Other income	72	-	72	131	-	131
Other expenses	(26)	-	(26)	(98)	-	(98)
PROFIT FROM OPERATIONS	6,171	-	6,171	6,546	5	6,551
Gain from repurchase of Senior Notes	17 -	-	-	2,201	-	2,201
Financial expenses	7 (6,101)	-	(6,101)	(3,884)	-	(3,884)
Financial income	7 6	-	6	6	-	6
Impairment loss	11 -	-	-	(132)	-	(132)
Foreign exchange gains/(losses), net	2,280	-	2,280	681	-	681
Share of losses of associate accounted for under the equity method	10 (28)	-	(28)	(35)	-	(35)
PROFIT BEFORE INCOME TAXES	2,328	-	2,328	5,383	5	5,388
Provision for income taxes	8 (1,463)	-	(1,463)	(2,763)	(1)	(2,764)
NET PROFIT	865	-	865	2,620	4	2,624
Attributable to:						
Equity holders of the parent	865	-	865	2,620	4	2,624
Minority interests	-	-	-	-	-	-
	865	-	865	2,620	4	2,624
Earnings per share						
Basic and diluted	0,07	-	0,07	0,20	-	0,20
Weighted average number of shares, basic and diluted	13,297,300	13,297,300	13,297,300	13,297,300	13,297,300	13,297,300

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

FAGE DAIRY INDUSTRY S.A.

THE COMPANY
SEPARATE STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2010

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

(UNAUDITED)

Notes	March 31,					
	2010			2009		
	Continuing Operations	Discontinued Operations	Total results	Continuing Operations	Discontinued Operations	Total results
Sales	52,505	-	52,505	57,226	1,208	58,434
Cost of sales	(36,794)	-	(36,794)	(39,033)	(1,199)	(40,232)
Gross profit	15,711	-	15,711	18,193	9	18,202
Selling, general and administrative expenses	6 (19,495)	-	(19,495)	(19,081)	(5)	(19,086)
Other income	2,183	-	2,183	1,704	-	1,704
Other expenses	(26)	-	(26)	(98)	-	(98)
PROFIT/(LOSS) FROM OPERATIONS	(1,627)	-	(1,627)	718	4	722
Gain from repurchase of Senior Notes	17 -	-	-	2,201	-	2,201
Financial expenses	7 (4,522)	-	(4,522)	(3,884)	-	(3,884)
Financial income	7 671	-	671	6	-	6
Impairment loss	11 -	-	-	(132)	-	(132)
Foreign exchange gains/(losses), net	2,280	-	2,280	707	-	707
PROFIT/(LOSS) BEFORE INCOME TAXES	(3,198)	-	(3,198)	(384)	4	(380)
Provision for income taxes	8 538	-	538	(670)	(1)	(671)
NET PROFIT/(LOSS)	(2,660)	-	(2,660)	(1,054)	3	(1,051)

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 THREE MONTHS ENDED MARCH 31, 2010

(All amounts in thousands of Euro)

(UNAUDITED)

	Notes	THE GROUP		THE COMPANY	
		March 31,	March 31,	March 31,	March 31,
		2010	2009	2010	2009
Net profit/(loss) for the period		865	2,624	(2,660)	(1,051)
Exchange gains/(losses) on translation of foreign operations		73	2,903	-	-
Net unrealised gains/(losses) on available for sale financial assets		(333)	-	(333)	-
Income tax	11	80 (253)	- -	80 (253)	- -
Other comprehensive income/(loss) for the period, net of tax		(180)	2,903	(253)	-
Total comprehensive income/(loss) for the period, net of tax		685	5,527	(2,913)	(1,051)
Attributable to:					
Equity holders of the parent		685	5,527	(2,913)	(1,051)
Non controlling interests		-	-	-	-
		685	5,527	(2,913)	(1,051)

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

FAGE DAIRY INDUSTRY S.A.

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
AT MARCH 31, 2009

(All amounts in thousands of Euro)
(UNAUDITED)

	Notes	THE GROUP		THE COMPANY	
		March 31, 2010	December 31, 2009	March 31, 2010	December 31, 2009
ASSETS					
Non-Current Assets					
Property, plant and equipment		221,286	216,016	133,763	135,447
Intangible assets		4,678	4,767	3,309	3,354
Goodwill	9	4,763	4,765	3,418	3,418
Investments in subsidiaries		-	-	12,958	12,958
Investments in associate accounted for under the equity method		182	210	828	828
Available for sale financial assets	10	88	88	88	88
Other non-current assets	12	387	384	18,045	16,433
Deferred income taxes		8,863	8,838	-	-
Total non-current assets		240,247	235,068	172,409	172,526
Current Assets:					
Inventories	13	24,577	23,592	20,178	20,039
Trade and other receivables	14	52,114	50,151	36,413	41,336
Due from related companies	15	945	812	945	59,214
Available for sale financial assets	11	594	927	594	927
Current asset from continuing involvement in transferred trade receivables	14	540	563	540	563
Cash and cash equivalents	16	34,932	28,907	23,739	17,742
Total		113,702	104,952	82,409	139,821
Assets classified as held for sale	3	829	829	679	679
Total current assets		114,531	105,781	83,088	140,500
TOTAL ASSETS		354,778	340,849	255,497	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		(5,821)	(6,686)	(8,491)	(5,831)
Legal, tax free and special reserves		35,516	35,516	35,516	35,516
Other components of equity		(1,246)	(1,066)	(89)	164
		70,231	69,546	68,718	71,631
Minority interests		1	1	-	-
Total Equity		70,232	69,547	68,718	71,631
Non-Current Liabilities					
Interest bearing loans and borrowings	17	198,586	158,100	119,278	158,100
Provision for severance pay on retirement		2,754	2,719	2,754	2,719
Deferred income taxes		19,351	20,169	10,331	10,986
Total non-current liabilities		220,691	180,988	132,363	171,805
Current Liabilities:					
Trade accounts payable	18	31,404	35,836	24,521	29,150
Due to related companies	15	11,401	11,889	11,055	11,830
Short-term borrowings	19	11,900	11,900	11,900	11,900
Current portion of long-term debt	17	-	6,500	-	6,500
Income taxes payable		256	12,538	191	667
Current liability from continuing involvement in transferred trade receivables	14	540	563	540	563
Accrued and other current liabilities	20	8,354	11,088	6,209	8,980
Total current liabilities		63,855	90,314	54,416	69,590
Total liabilities		284,546	271,302	186,779	241,395
TOTAL EQUITY AND LIABILITIES		354,778	340,849	255,497	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 THREE MONTHS ENDED MARCH 31, 2010
 (All amounts in thousands of Euro)

(UNAUDITED)

	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	Minority 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	-	-	-	865	-	-	865	-	865
Other comprehensive income	-	-	-	-	(253)	73	(180)	-	(180)
Total comprehensive income	-	-	-	865	(253)	73	685	-	685
Balance, March 31, 2010	39,094	2,688	35,516	(5,821)	(89)	(1,157)	70,231	1	70,232

THE GROUP
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE THREE MONTHS ENDED MARCH 31, 2009
 (All amounts in thousands of Euro)

(UNAUDITED)

	Share capital	Net revaluation surplus	Legal, tax free and special reserves	Retained earnings/ (Accumulated deficit)	Unrealised gains/(losses) on available for sale financial assets	Foreign exchange gains/(losses)	Total	Minority 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	-	-	-	2,624	-	-	2,624	-	2,624
Other comprehensive income	-	-	-	-	-	2,903	2,903	-	2,903
Total comprehensive income	-	-	-	2,624	-	2,903	5,527	-	5,527
Balance, March 31, 2009	39,094	2,688	35,516	(2,486)	-	(157)	74,655	1	74,656

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 THREE MONTHS ENDED MARCH 31, 2010
(All amounts in thousands of Euro)

(UNAUDITED)

	Share capital	Net revaluation surplus	Legal, tax free and special reserves	Accumulated losses	Unrealised gains/(losses) on available for sale financial assets	Total
Balance, December 31, 2009	39,094	2,688	35,516	(5,831)	164	71,631
Loss for the period	-	-	-	(2,660)	-	(2,660)
Other comprehensive income	-	-	-	-	(253)	(253)
Total comprehensive income	-	-	-	(2,660)	(253)	(2,913)
Balance, March 31, 2010	39,094	2,688	35,516	(8,491)	(89)	68,718

THE COMPANY
SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2009
(All amounts in thousands of Euro)

(UNAUDITED)

	Share capital	Net revaluation surplus	Legal, tax free and special reserves	Retained earnings/ (Accumulated deficit)	Unrealised gains/(losses) on available for sale financial assets	Total
Balance, December 31, 2008	39,094	2,688	35,516	(9,709)	-	67,589
Loss for the period	-	-	-	(1,051)	-	(1,051)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	(1,051)	-	(1,051)
Balance, March 31, 2009	39,094	2,688	35,516	(10,760)	-	66,538

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

FAGE DAIRY INDUSTRY S.A.

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOW
FOR THE THREE MONTHS ENDED MARCH 31, 2010
(All amounts in thousands of Euro)
(UNAUDITED)

	Notes	THE GROUP		THE COMPANY	
		March 31,		March 31,	
		2010	2009	2010	2009
Operating activities					
Profit/(loss) before income taxes		2,328	5,388	(3,198)	(380)
Adjustments to reconcile to net cash provided by operating activities:					
Depreciation and amortisation	5	4,222	3,952	2,757	2,882
Provision for severance pay on retirement		193	92	193	92
Provision for doubtful accounts receivable	14	325	310	325	288
Financial income	7	(6)	(6)	(671)	(6)
Financial expenses	7	6,101	3,884	4,522	3,884
(Gain)/Loss on disposal of property, plant and equipment		(1)	4	(1)	17
Impairment loss on available for sale financial assets	11	-	132	-	132
Losses on equity investees accounted for under the equity method	10	28	35	-	-
Operating profit before working capital changes		13,190	13,791	3,927	6,909
(Increase)/Decrease in:					
Inventories	13	(985)	(437)	(139)	(762)
Trade and other receivables	14	(2,288)	4,085	4,598	5,958
Due from related companies	15	(133)	(99)	58,269	(99)
Increase/(Decrease) in:					
Trade accounts payable	18	(4,432)	(9,124)	(4,629)	(9,176)
Due to related companies	15	(488)	(1,278)	(775)	(1,124)
Accrued and other current liabilities	20	(1,591)	1,760	(207)	1,781
Interest paid		(6,265)	(6,259)	(6,275)	(6,259)
Income taxes paid		(14,517)	(14)	(512)	-
Payment of staff indemnities		(158)	(80)	(158)	(80)
(Increase)/decrease in other non-current assets	12	(3)	22	(1,612)	22
(Increase)/decrease in other long term liabilities		-	(65)	-	(65)
Working capital changes		(30,860)	(11,489)	48,560	(9,804)
Net Cash from(used in) Operating Activities		(17,670)	2,302	52,487	(2,895)
Investing Activities:					
Capital expenditure for property, plant and equipment		(4,095)	(1,361)	(775)	(715)
Additions to intangible assets		(256)	(88)	(256)	(88)
Proceeds from disposal of property, plant and equipment		4	95	4	82
Interest and other related income received	7	6	6	671	6
Net Cash used in Investing Activities		(4,341)	(1,348)	(356)	(715)
Financing Activities:					
Proceeds from/(repayment of) interest bearing loans and borrowings	17	33,006	(6,471)	(46,134)	(6,471)
Net Cash from/(used in) Financing Activities		33,006	(6,471)	(46,134)	(6,471)
Effect of exchange rates changes on cash		(4,970)	(300)	-	-
Net increase/(decrease) in cash and cash equivalents		6,025	(5,817)	5,997	(10,081)
Cash and cash equivalents at beginning of period	16	28,907	21,856	17,742	19,616
Cash and cash equivalents at March 31	16	34,932	16,039	23,739	9,535

Included in the above cash flow statements are the following cash flows from discontinued operations:

	THE GROUP		THE COMPANY	
	March 31,		March 31,	
	2010	2009	2010	2009
Net Cash from Operating Activities	-	39	-	36
Net Cash from Investing Activities	-	1	-	1
Net Cash used in Financing Activities	-	-	-	-
Total	-	40	-	37

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 THREE MONTHS ENDED MARCH 31, 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 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). 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 Financial Statements have been prepared by management in accordance with IAS 34 (Interim Financial Reporting). The Interim Condensed Consolidated Financial Statements do not include all the information and disclosure required in the Annual Consolidated 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 financial statements are presented in thousands of Euro, except when otherwise indicated.

(b) *Significant accounting Policies:* The interim condensed consolidated 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 March 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 THREE MONTHS ENDED MARCH 31, 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:

- IFRS 8 Operating Segment Information
- IAS 7 Statement of Cash Flows
- IAS 36 Impairment of Assets
- IAS 17 Leases
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedge of a Net Investment in a Foreign Operation

The Group has not early adopted any other 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 business 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 & equipment and goodwill related to the milk collection stations concerning the above facilities, which have been classified as of March 31, 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	
	March 31,		March 31,	
	2010	2009	2010	2009
Wages and salaries	7,995	8,167	6,487	6,701
Social security costs	1,642	1,703	1,330	1,387
Provision for severance pay on retirement	193	92	193	92
Other staff costs	240	207	239	106
Total payroll	10,070	10,169	8,249	8,286
Less: amounts charged to cost of production	(5,174)	(5,412)	(4,251)	(4,458)
Payroll expensed (Note 6)	4,896	4,757	3,998	3,828

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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	
	March 31,		March 31,	
	2010	2009	2010	2009
Depreciation on property, plant and equipment	3,884	3,599	2,457	2,566
Amortisation of intangible assets	338	353	300	316
Total depreciation and amortisation	4,222	3,952	2,757	2,882
Less: amounts charged to cost of production	(3,239)	(2,951)	(1,965)	(2,057)
Depreciation and amortisation expensed (Note 6)	983	1,001	792	825

6. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

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

	THE GROUP		THE COMPANY	
	March 31,		March 31,	
	2010	2009	2010	2009
Shipping and handling costs	8,585	8,888	7,314	7,992
Advertising costs	4,365	4,507	2,569	1,936
Third party fees	3,823	2,790	2,891	2,591
Payroll (Note 4)	4,896	4,757	3,998	3,828
Depreciation and amortisation (Note 5)	983	1,001	792	825
Repairs and maintenance	400	305	382	261
Travelling and entertainment	497	592	417	522
Allowance for doubtful accounts	325	310	325	288
Other	1,335	1,300	807	843
Total	25,209	24,450	19,495	19,086

Compensation paid to directors and executive officers for the three months ended March 31, 2010 and 2009, included in payroll and third party fees, amounted to €1,592 and €575, respectively for the Group and €1,114 and €382, respectively for the Company. Of these amounts, €1,010 and €0 have been paid to the shareholders and family members in the three months ended March 31, 2010 and 2009, respectively for the Group and €724 and €0, 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	
	March 31,		March 31,	
	2010	2009	2010	2009
Financial expenses on loans and borrowings	(5,816)	(3,376)	(4,309)	(3,376)
Interest on short-term borrowings	(271)	(465)	(189)	(465)
Other	(37)	(49)	(32)	(49)
	(6,124)	(3,890)	(4,530)	(3,890)
Less: amounts capitalised in property, plant and equipment	23	6	8	6
Total financial expenses	(6,101)	(3,884)	(4,522)	(3,884)
Interest earned on cash at banks and on time deposits	4	1	2	1
Other financial income	2	5	669	5
Total financial income	6	6	671	6
Total financial income/(expense), net	(6,095)	(3,878)	(3,851)	(3,878)

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Interest expense for the three months ended March 31, 2010 includes 2020 Senior Notes interest amounted €1,787 for the Group (€366 for the Company), amortised costs due to loan repayments amounted €811 for the Group (€72 for the Company) and premium due to early repayment of 2015 Senior Notes €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	
	March 31,		March 31,	
	2010	2009	2010	2009
Current income taxes:				
—current income tax charge	2,236	21	37	-
Deferred income tax charge/(benefit)	(773)	2,743	(575)	671
Total income tax reported in the statements of income	1,463	2,764	(538)	671

9. SUBSIDIARIES:

The interim condensed consolidated financial statements as at March 31, 2010, include the financial statements of FAGE Dairy Industry S.A. and its subsidiaries listed below:

	Equity interest		Country of incorporation	Activities
	March 31,	December 31,		
	2010	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.

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

	THE GROUP		THE COMPANY	
	March 31,	December 31,	March 31,	December 31,
	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	1,061	1,063	-	-
Total	4,763	4,765	3,418	3,418

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

Bizios S.A. (Bizios) was incorporated on November 10, 1997. During 1997, the Company purchased 45% of the voting shares for a cash consideration of €4,755.

FAGE's investment in Bizios is accounted for using the equity method. In this respect, losses of €28 and €35 have been recognised in the accompanying consolidated statements of income for the three months ended March 31, 2010 and 2009, respectively. The carrying value of the investment in Bizios as at March 31, 2010 and December 31, 2009, amounted to €182 and €10, respectively 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	March 31,	December 31,
	2010	2009
Shares—listed:		
Vis S.A.	430	621
Elbisco Holdings S.A.	164	306
	594	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 market value with the difference in the market values reflected in other reserves.

For the three months ended March 31, 2010 losses of €253 net of deferred income taxes were recognised and reported in equity. For the three months ended March 31, 2009, losses of €132 were recognised and reported in the accompanying 2009 consolidated statement of income, as it was determined that the related investments had been impaired.

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12. OTHER NON-CURRENT ASSETS:

Other non-current assets are analysed as follows:

	THE GROUP		THE COMPANY	
	March 31, 2010	December 31, 2009	March 31, 2010	December 31, 2009
Long-term notes receivable at amortised cost	69	122	69	122
Less: current maturities, included in trade and other accounts receivable	(62)	(112)	(62)	(112)
	7	10	7	10
Utility deposits	257	246	212	213
Other	123	128	123	127
FAGE USA Holdings, Inc. (capital repayment balance)	-	-	17,703	16,083
	387	384	18,045	16,433

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

	THE GROUP		THE COMPANY	
	March 31, 2010	December 31, 2009	March 31, 2010	December 31, 2009
<u>Maturity</u>				
Within 1 year	62	112	62	112
2-5 years	7	10	7	10
	69	122	69	122

13. INVENTORIES:

Inventories are analysed as follows:

	THE GROUP		THE COMPANY	
	March 31, 2010	December 31, 2009	March 31, 2010	December 31, 2009
Merchandise	1,281	1,345	862	756
Finished and semi-finished products	9,130	8,713	7,312	7,604
Raw materials and supplies	14,166	13,534	12,004	11,679
	24,577	23,592	20,178	20,039

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14. TRADE AND OTHER RECEIVABLES:

Trade and other receivables are analysed as follows:

	THE GROUP		THE COMPANY	
	March 31, 2010	December 31, 2009	March 31, 2010	December 31, 2009
Trade:				
—In Euro	21,603	21,131	17,030	20,479
—In foreign currencies	12,897	8,532	6,435	5,265
	34,500	29,663	23,465	25,744
—Less: allowance for doubtful accounts	(1,539)	(1,386)	(1,389)	(1,236)
	32,961	28,277	22,076	24,508
Other:				
—Value added tax	8,316	8,173	8,311	8,168
—Prepaid income taxes	249	137	249	137
—Prepaid expenses	208	1,067	-	852
—Advances to suppliers	7,664	7,433	6,863	6,632
—Subsidies	3,307	3,137	-	-
—Greek Competition Authority fine receivable (Note 23(a)i)	1,459	2,879	1,459	2,879
—Various debtors	2,382	3,308	808	1,341
	23,585	26,134	17,690	20,009
—Less: allowance for doubtful accounts	(4,432)	(4,260)	(3,353)	(3,181)
	19,153	21,874	14,337	16,828
	52,114	50,151	36,413	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 €40 is disclosed both in current assets and current liabilities as of March 31, 2010 (31.12.2009: €63) representing its continuing involvement in the transferred trade receivables.

There was no write-off of accounts receivable during the three months ended March 31, 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.

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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	
	March 31, 2010	December 31, 2009	March 31, 2010	December 31, 2009
Due from:				
- FAGE USA Holdings Inc.	-	-	-	58,402
- Ioannis Nikolou ULP	945	804	945	804
- Bizios S.A.	-	3	-	3
- Vihep S.A.	-	5	-	5
	945	812	945	59,214
Due to:				
- Iofil S.A.	4,294	4,528	4,294	4,528
- Mornos S.A.	4,100	4,473	3,754	4,415
- Vis S.A.	953	870	953	870
- Agan S.A.	905	569	905	569
- Evga S.A.	1,149	1,449	1,149	1,448
	11,401	11,889	11,055	11,830

The amount of €58,402 receivable from FAGE USA Holdings Inc. as at December 31, 2009 concerned the return of capital and payment of dividends to FAGE and was repaid in February 2010.

Transactions with related companies for the three months ended March 31, 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	9,064	9,797	957	891
Advertising and media	854	583	-	-
Other services	2,217	2,058	-	-
	12,135	12,438	957	891

THE COMPANY	Purchases from related parties		Sales to related parties	
	2010	2009	2010	2009
Inventories, materials and supplies	8,619	9,147	957	891
Advertising and media	854	583	-	-
Other services	2,217	2,058	-	-
	11,690	11,788	957	891

Purchases of inventories, materials and supplies, represent approximately 23% and 25% of the Group total purchases for the three months ended March 31, 2010 and 2009, respectively (for the Company 29% and 28%, respectively).

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Advertising, media buying and other services represent approximately 47% and 40% of the Group total respective costs for the three months ended March 31, 2010 and 2009, respectively (for the Company 64% and 66%, respectively).

THE COMPANY:

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

	<u>March 31</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Due from:		
Agroktima Aghios Ioannis	228	228
Iliator	36	35
Zagas	86	84
FAGE Italia S.r.l.	2,494	1,901
FAGE USA Holdings, Inc (including, repayment of capital and dividends)	18,750	79,516
FAGE U.K. Limited	1,895	1,391
	<u>23,489</u>	<u>83,155</u>
Due to:		
FAGE Commercial S.A. (ex Xylouris)	<u>(851)</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 have as follows:

	<u>March 31,</u>	
	<u>2010</u>	<u>2009</u>
Revenues from:		
Sales of inventories	4,075	4,111
Other income-Royalties from FAGE USA Holdings, Inc.	2,111	1,594
Financial income from FAGE USA Holdings, Inc.	666	-

16. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are analysed as follows:

	<u>THE GROUP</u>		<u>THE COMPANY</u>	
	<u>March 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>	<u>March 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Cash in hand	170	182	145	158
Cash at banks	34,762	28,725	23,594	17,584
	<u>34,932</u>	<u>28,907</u>	<u>23,739</u>	<u>17,742</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 €4 and €1 for the three months ended March 31, 2010 and 2009, respectively for the Group and to €2 and €1, 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 March 31, 2010, consists of €13,805 denominated in foreign currencies and €21,127 in Euro (€12,873 and €16,034 at December 31, 2009, respectively).

Cash and cash equivalents for the Company at March 31, 2010, consists of €3,005 denominated in foreign currencies and €20,734 in Euro (€1,884 and €15,858 at December 31, 2009, respectively).

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17. INTEREST BEARING LOANS AND BORROWINGS:

Interest bearing loans and borrowings are analysed as follows:

	THE GROUP		THE COMPANY	
	March 31,	December 31,	March 31,	December 31,
	2010	2009	2010	2009
(a) Senior Notes due 2015	101,483	121,483	101,483	121,483
(b) Senior Notes due 2020	111,284	-	22,257	-
(c) Other long-term debt	-	46,000	-	46,000
Total long-term debt	212,767	167,483	123,740	167,483
Less: Unamortised issuance costs	(14,181)	(2,883)	(4,462)	(2,883)
	198,586	164,600	119,278	164,600
Less: Current portion	-	(6,500)	-	(6,500)
Long-term portion	198,586	158,100	119,278	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 €30 million with maturity date on January 15, 2015. The net proceeds of the 2015 Senior Notes, after issuance costs, of €25.4 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 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 March 31, 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 three months ended March 31, 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 €95.5 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.

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The 2020 Senior Notes bear nominal interest at a rate of 9.875% per annum (effective rate 11.30% 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 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.

The indebtedness evidenced by the debt securities constitutes 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.

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Finance expenses on the Group's interest bearing loans and borrowings for the three months ended March 31, 2010 and 2009, amounted to €5,816 (€4,227 for the Company) and €3,376, (nil, for 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 March 31, 2010 and December 31, 2009 are as follows:

	<u>March 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Within one year	-	6,500
2-5 years	101,483	39,500
Over 5 years	111,284	121,483
	<u>212,767</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>March 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>	<u>March 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Domestic suppliers	17,163	22,296	16,875	22,268
Foreign suppliers	14,241	13,540	7,646	6,882
	<u>31,404</u>	<u>35,836</u>	<u>24,521</u>	<u>29,150</u>

Included in trade accounts payable to foreign suppliers for the group are balances denominated in foreign currencies amounting to €6,290 and €5,019 as of March 31, 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 €1,900 as at both March 31, 2010 and December 31, 2009 and are denominated in Euros.

The weighted average interest rates on short-term borrowings for the three months ended March 31, 2010 and 2009, was 4.10% and 5.18%, respectively.

Interest on short-term borrowings for the three months ended March 31, 2010 and 2009, totalled €271 and €465, respectively, and is included in interest expense in the accompanying consolidated statements of income.

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20. ACCRUED AND OTHER CURRENT LIABILITIES:

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

	THE GROUP		THE COMPANY	
	March 31,	December 31,	March 31,	December 31,
	2010	2009	2010	2009
Payroll	167	304	167	304
Third parties	14	28	14	28
Milk producers	50	62	50	62
Other	222	208	222	208
	453	602	453	602
Advances from customers	68	187	920	1,052
Accrued interest	3,557	4,700	2,136	4,700
Social security funds payable	1,587	1,616	1,477	1,499
Accrued and other liabilities	2,689	3,983	1,223	1,127
	7,833	10,299	4,836	7,326
Total	8,354	11,088	6,209	8,980

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 three months ended March 31, 2010 and 2009, is analysed as follows:

	Three months ended March 31, 2010			
	Greece	Foreign subsidiaries’ activities	Eliminations	Consolidated
Revenues				
Net sales to external customers	48,440	28,629	-	77,069
Inter-segment sales	4,075	-	(4,075)	-
Segment revenues	52,515	28,629	(4,075)	77,069
Results				
Segment result net profit/(loss)				
- Continuing operations	(2,745)	3,610	-	865
- Discontinued operations	-	-	-	-
	(2,745)	3,610	-	865
Other segment information:				
Capital expenditures:				
Tangible and intangible fixed assets	1,032	3,319	-	4,351
Depreciation and amortisation	2,760	1,462	-	4,222
Financial Expenses	4,512	1,589	-	6,101
Income tax	563	(2,026)	-	(1,463)

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	Three months ended March 31, 2009			
	Greece	Foreign subsidiaries' activities	Eliminations	Consolidated
Revenues				
Net sales to external customers	54,328	23,839	-	78,167
Inter-segment sales	4,111	-	(4,111)	-
Segment revenues	<u>58,439</u>	<u>23,839</u>	<u>(4,111)</u>	<u>78,167</u>
Results				
Segment result net profit/(loss)				
- Continuing operations	(1,242)	3,862	-	2,620
- Discontinued operations	4	-	-	4
	<u>(1,238)</u>	<u>3,862</u>	<u>-</u>	<u>2,624</u>
Other segment information:				
Capital expenditures:				
Tangible and intangible fixed assets				
	697	752	-	1,449
Depreciation and amortisation	<u>2,870</u>	<u>1,082</u>	<u>-</u>	<u>3,952</u>
Impairment losses recognised in statement of income				
	132	-	-	132
Financial Expenses	<u>3,884</u>	<u>-</u>	<u>-</u>	<u>3,884</u>
Gain from repurchase of Senior Notes				
	2,201	-	-	2,201
Income tax expense	<u>(763)</u>	<u>(2,001)</u>	<u>-</u>	<u>(2,764)</u>

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

March 31, 2010		Greece	Foreign subsidiaries' activities	Eliminations	Consolidated
Segment assets		<u>228,322</u>	<u>131,868</u>	<u>(5,412)</u>	<u>354,778</u>
Segment liabilities		<u>167,478</u>	<u>122,480</u>	<u>(5,412)</u>	<u>284,546</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.

(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 March 31, 2010 and December 31, 2009, are as follows:

The Group and the Company	<u>March 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Within 1 year	8,620	8,620
2-5 years	15,085	17,240
	<u>23,705</u>	<u>25,860</u>

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(ii) Operating Lease Commitments:

As of March 31, 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 three months ended March 31, 2010 and 2009, amounted to €437 and €11, respectively.

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

	THE GROUP		THE COMPANY	
	March 31, 2010	December 31, 2009	March 31, 2010	December 31, 2009
Within one year	796	917	683	797
2-5 years	768	835	472	557
Over 5 years	73	73	-	-
Total	<u>1,637</u>	<u>1,825</u>	<u>1,155</u>	<u>1,354</u>

(iii) Letters of Guarantee:

At March 31, 2010 and December 31, 2009, the Company had outstanding bank letters of guarantee in favor of various parties amounting to €1,859 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 March 31, 2010, amounted to €3,514 which are all due within one year, of which an amount of €1,904 is denominated in US\$.

23. SUBSEQUENT EVENT:

In April 2010 a new tax law was issued in Greece (L.3842/23.4.2010) which introduced two separate corporate income tax rates for distributed and undistributed profits of legal entities. More specifically:

- Non-distributed profits are taxed at a tax rate of 24% (reduced annually by 1 percentage point until it reaches 20% by 2014)
- Distributed profits are taxed at a tax rate of 40%.
- No further withholding tax is imposed on dividends.

The new system applies to the profits arising in the fiscal year 2010 onwards or to the profits of previous accounting periods distributed after December 31, 2010. The distribution of profits of previous accounting periods within 2010 is still taxed under the current regime (withholding tax of 10%).

Taxation of 40% on distributed profits of the legal entities exhausts the tax liability in the situation where the beneficiaries are legal entities. If such legal entities proceed to the distribution of profits, in which dividends from other legal entities are included, the part of tax already paid for those dividends is deducted from the 40% tax imposed on distributed profits.