



FAGE DAIRY INDUSTRY S.A.

**ANNUAL REPORT
For the Year
Ended December 31, 2011**

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

March 30, 2012

This report (the “Annual Report”) includes the information that is required to be published by FAGE DAIRY INDUSTRY S.A. as of and for the year ended December 31, 2011, as required by Greek law 3556/2007 pursuant to the adoption of the Transparency Directive 2004/109/EC.

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SECTION A

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

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

Copies of the 2015 and 2020 Indentures are available from the Company upon request. This Annual 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 Annual 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)-2102892555. The Company's Greek tax identification number is 094061540. The Company's website is www.fage.gr. The reference to this website is an inactive textual reference only and none of the information contained on this website is incorporated into this Annual 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, through its subsidiaries, elsewhere in Europe and in the U.S.

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., and its telephone number is +(1)-518-762-5912. The Guarantor's US Employer Identification Number is 11-3556476. The Guarantor was incorporated on June 26, 2000. The Guarantor is the holding company of FAGE USA Dairy Industry, Inc. and FAGE USA, Corp. The Company is the registered holder of the entire issued capital of the Guarantor.

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

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

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements. The following cautionary statements identify important factors that could cause our actual results to differ materially from those projected in the forward-looking statements made in this Annual Report. Any statements that are not statements of historical fact, including statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance, are forward-looking in nature. These forward-looking statements include statements regarding: our financial position; our expectations concerning future operations, strategy, margins, profitability, liquidity and capital resources; other plans and objectives for future operations; and all other statements that are not historical facts. 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," "future," "objective," "probable," "target," "goal," "potential," "outlook" and similar expressions. These statements involve estimates, assumptions and uncertainties which could cause actual results to differ materially from those expressed. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that these statements are based on reasonable assumptions, they are subject to numerous factors, risks and

uncertainties that could cause actual outcomes and results to be materially different from those projected. It is also possible that any or all of the events described in forward-looking statements may not occur.

Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Annual 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, the United States and the other markets in which we operate;
- factors affecting our ability to compete in a competitive market;
- consumer demand for our products and loyalty to our brands;
- prices of raw materials that we use in our products;
- currency exchange rates and their effects on our financial condition, business and results of operations;
- the impact of present or future government regulations affecting our operations in the countries where we operate;
- uncertainties associated with our ability to implement our business strategy, including our expansion in the United States; and
- any event that could have a material adverse effect on our brands or reputation, such as product contamination or protracted quality control difficulties.

These and other factors are discussed in “Risk Factors” and elsewhere in this Annual Report.

Because the risk factors referred to in this Annual Report could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this Annual Report by us or on our 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 we undertake 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 us to predict which factors they will be. In addition, we cannot assess the impact of each factor on our 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.

In addition, this Annual Report contains certain information concerning the Greek, Italian, U.K. and U.S. markets for dairy products that is forward-looking in nature and is based on a variety of assumptions regarding the ways and trends in which these markets will develop in the future. In certain cases, these assumptions have been derived from independent market research referred to in this Annual Report. Some market information is also based on our good faith estimates or derived from our review of internal surveys and statistics and our own knowledge of market conditions. If any of the assumptions regarding the dairy markets in which we operate are incorrect, actual market results could be different from those predicted. Although we do not know what impact any such differences may have on our business, our future results of operations and financial condition could be materially adversely affected. Any statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Investors are urged to review carefully and consider the various disclosures made in this Annual Report that attempt to advise them of the factors affecting our business.

The following terms used in this Annual Report have the meanings assigned to them below:

“Euro”, “euro”, “EUR” or “€” ..	Euro, the currency of the European Union member states participating in the European Monetary Union.
“FAGE”, the “Company”	FAGE Dairy Industry S.A., one of the issuers of the 2020 Senior Notes and issuer of the 2015 Senior Notes.
“FAGE USA”	FAGE USA Dairy Industry, Inc., one of the issuers of the 2020 Senior Notes.
the “Group”, “we”, “us” and “our”	FAGE and its consolidated subsidiaries (including any of their predecessors) described collectively as a corporate group except where the context requires otherwise.
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union
“Indentures”	The indentures governing the 2015 Senior Notes and the 2020 Senior Notes, respectively.
“pounds”, “GBP” or “£”	Pounds sterling, the currency of the United Kingdom.
“Senior Notes”	The 2015 Senior Notes and the 2020 Senior Notes, respectively.
“U.S. dollar”, “USD”, “\$” or “U.S.\$”	United States dollar, the currency of the United States of America.
“U.S. GAAP”	Accounting principles generally accepted in the United States of America.

PRESENTATION OF FINANCIAL AND OTHER DATA

Financial Information

Unless otherwise indicated, financial information in this Annual Report has been presented on a consolidated basis for FAGE and its consolidated subsidiaries (together, “the Group”) and, separately, where indicated for FAGE on a stand alone basis. The consolidated financial information for the Group has been presented as of and for the years ended December 31, 2011 and 2010, and presents the consolidated net assets, financial position and results of operations of the Group during the periods presented. The consolidated financial statements of the Group and the stand-alone financials of FAGE have been prepared in accordance with International Financial Reporting Standards (“IFRS”). You should read the consolidated financial statements of the Group included at the end of this Annual Report, including the notes thereto (collectively, the “Consolidated Financial Statements”), together with “Management's Discussion and Analysis of Financial Condition and Results of Operations” and “Selected Consolidated Financial Information.” Some financial information in this Annual Report has been rounded and, as a result, the numerical figures shown as totals in this Annual Report may vary slightly from the exact arithmetic aggregation of the figures that precede them.

Industry Data

This Annual 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 Annual 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 Annual 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 Annual Report. In addition, in many cases, statements in this Annual 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 has 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, a significant portion of our assets is 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[®].



SECTION B

FAGE DAIRY INDUSTRY S.A.

**DECLARATIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS
(in accordance with article 4 par. 2 of Law 3556/2007)**

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

- The Annual Consolidated Financial Statements for the year ended December 31, 2011, which were prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, shareholders' equity and financial results of FAGE Dairy Industry S.A. and its consolidated subsidiaries, taken as a whole.

- The Board of Directors Report on the Annual Consolidated Financial Statements for the year ended December 31, 2011 presents in a true and fair manner the development, performance and condition of FAGE Dairy Industry S.A., and its consolidated subsidiaries, taken as a whole, including a description of the main risks and uncertainties that they face.

Athens, March 27, 2012

CHAIRMAN OF THE
BOARD OF DIRECTORS

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL
AND ADMINISTRATIVE OFFICER

ATHANASSIOS-KYROS FILIPPOU
ID T 126291

ATHANASSIOS FILIPPOU
ID Σ 699586

CHRISTOS KOLOVENTZOS
ID AB 575496
RE No. ECG. 0031200

SECTION C

FAGE DAIRY INDUSTRY S.A.

Annual Report of the Board of Directors for the year ended December 31, 2011

This Board of Directors report was prepared in accordance with the provisions of Article 4(2) of Law 3556/2007 and the decisions of the Board of Directors of the Hellenic Capital Market Commission issued pursuant to it.

The purpose of this report is to inform investors about:

- the financial condition, results, overall performance of the Company and the Group in the period under examination and the changes which occurred.
- the major events which occurred during 2011 and their impact on the annual consolidated financial statements.
- the risks which could be faced by the Company and Group in 2012.
- the transactions concluded between the Group and related persons.

RISK FACTORS

You should carefully consider the risks described below in addition to the other information set forth in this Annual Report.

Risks Relating to Our Business

Expansion in the United States and other international markets is a critical component of our business strategy. If our international expansion is constrained by our manufacturing capacity, or if we are otherwise unable to continue to expand internationally, our business and financial results may be adversely affected.

Although Greece remains the primary market for our products, we have been increasingly active in a number of international markets, particularly in the United States and, to a lesser degree, the United Kingdom and Italy, and we intend to continue pursuing an international growth strategy. Our recent international development strategy has included: (i) the construction of a factory in New York State to produce our yogurt product line in the United States, which started commercial production in April 2008; (ii) direct investments in distribution assets in the United States, the United Kingdom and Italy; and (iii) export of our yogurt products (mainly FAGE[®] Total) to an increasing number of countries worldwide. International sales as a percentage of our total sales have increased and are expected to increase significantly in the future. As a result, we are increasingly susceptible to economic, regulatory and competition risks in the international markets in which we operate or that we seek to penetrate in the future. Should the economic, competitive and regulatory market environment of our international markets deteriorate, our financial results may be materially adversely affected.

In particular, the success of our international expansion will depend on our ability to maintain sufficient manufacturing capacity to serve our international markets. Based on our experience with yogurt sales in the United States in the past ten years, our management believes there is significant growth potential for our yogurt products in the U.S. market and that new manufacturing capacity is necessary in order to meet current and future demand. To meet increasing demand in the U.S. market, in recent years we have been continuously expanding production and warehouse capacity at our New York facility. We cannot assure you that we will be able to sufficiently expand our production capacity to keep pace with international demand for our products.

Our business depends on economic conditions in the markets in which we operate.

Our operating results will depend on the prevailing economic conditions in the markets in which we operate, such as levels of employment, interest rates, levels of inflation, rates of taxation and levels of GDP growth, and on conditions affecting the dairy market specifically. Approximately 50.0% of our operations are conducted in Greece and, as a result, our operating results are significantly dependent on prevailing economic conditions in Greece. There can be no assurance that economic conditions in Greece and the other countries in which we operate and conditions affecting the dairy industry will be favourable in the future. Any deterioration in such conditions may have a material adverse effect on our results of operations.

In early 2010, Greece faced a public debt crisis which resulted in the joint intervention of the World Bank, the IMF and the European Commission, including a €110 billion loan to be released in successive installments conditioned on a strict economic and financial adjustment program closely scrutinized by the European Commission. The obligations of the Greek Government have been included in a Memorandum of Understanding and four such instalments have been released. The European Central Bank has also taken a series of measures in order to enhance liquidity in the Greek financial markets.

In October 2011, a new agreement was reached among the European Union, the World Bank and the IMF, comprising a new €130 billion loan for Greece, an updated economic and financial adjustment plan as well as a program of structural reforms and a voluntary restructuring of the Greek debt held by all private creditors. The agreement was ratified in February 2012 and became effective in March 2012, following the successful restructuring of all Greek government bonds. If Greece complies with the economic targets outlined in the agreement, a full return to the private capital markets for covering future financial needs is expected to be possible in 2015.

We operate in a competitive industry, and competitive pressures could have a material adverse effect on our business.

We compete in highly competitive markets with companies of varying sizes. Numerous brands and products compete for shelf space and sales, with competition based primarily on brand recognition, price, product, quality, taste, variety and convenience. A number of these competitors, including multinational dairy companies, have broader product lines and substantially greater financial and other resources than we do. These competitors may succeed in developing new or enhanced products that are more attractive to consumers than our products. These competitors may also prove to be more successful in marketing and selling their products. From time to time our competitors may be able to devote greater financial and other resources to advertising and other competitive activities and may, in addition, sell products below cost in an attempt to gain market share from us. There can be no assurance that we will be able to maintain our market shares and margins, including our leading positions in the Greek dairy industry, or otherwise compete successfully with these other companies. These and other competitive pressures could cause our products to lose market share or result in significant price erosion, which could have a material adverse effect on our business, financial condition and results of operations. There can be no assurance that we will continue to compete successfully with such other companies.

Our business depends on our positive brand image and our reputation for high-quality products. If product recalls or other events threaten our brand image or the reputation of our products, our business and financial results could suffer.

We rely heavily on FAGE's positive brand image and our reputation as a quality producer of dairy products. Any event that could have an adverse impact on our brands or reputation, such as product contamination or protracted, actual or perceived, quality control difficulties, could have a material adverse effect on our business or results of operations. We use several ingredients in manufacturing our products, which increases the risk of contamination, either accidental or malicious. While we believe that these incidents, should they

occur, would generally be localized, any contamination could be expensive to remedy, cause delays in manufacturing and adversely affect our reputation and brand image.

For the products that we produce or market, the risk of contamination is classified into four categories: microbiological, chemical, physical and allergic, and depends on the nature of the products in each individual case. This risk of contamination exists at each stage of the production cycle: at the time of purchase and delivery of raw materials; the production process; the packaging of products; the stocking and delivery of finished products to distributors and food retailers; and the storage and shelving of finished products at the points of final sale. For example, certain of our products must be maintained within certain temperature ranges to retain their flavour and nutritional value and to avoid contamination or deterioration. While we have implemented state-of-the art internal control systems in all of our manufacturing facilities at each stage of the production cycle, these systems, no matter how reliable and sophisticated or efficient they may be, can only provide reasonable assurance and not an absolute guarantee with respect to the achievement of our objectives due to the limits inherent in any control process. Therefore, we cannot assure you that there will never be an internal control failure or that a contamination or other similar adverse event could not occur that would have a material adverse effect on our reputation, sales or prospects.

In addition, historically our results have been adversely affected by events affecting certain of our agricultural raw materials. Such events could adversely affect the dairy industry in the future, reducing demand and requiring us to expend additional funds for advertising in order to restore public confidence in our products.

As a food producer, we are subject to significant government regulation.

As a manufacturer of products intended for human consumption, we are subject to extensive governmental regulation. Our operations, production facilities and products are subject to Greek, European Union and U.S. laws and regulations concerning, among other things, health and safety matters, agricultural production, food manufacture, product labelling and advertising. In 2008, we completed the construction of a factory to produce yogurt in the United States and received the approval and consent of the U.S. Food and Drug Administration to operate this production facility. Although we do not expect that compliance with existing laws and regulations will have a material adverse effect upon our operating results, we cannot predict the effect, if any, of laws and regulations that may be enacted in the future, or of changes and enforcement of existing laws and regulations that are subject to regulatory discretion.

We are also subject to regulation with respect to the composition, packaging, labelling, advertising and safety of our products, the health, safety and working conditions of our employees and our competitive and marketplace conduct. From time to time, additional legislative initiatives may be introduced which may affect our operations and the conduct of our business, and there can be no assurance that in the future the cost of complying with such initiatives or the effects of such initiatives will not have a material adverse effect on our business.

We are subject to regulation by competition authorities in the jurisdictions in which we operate, which could adversely affect our business and profitability.

Our business and operations are subject to regulation by competition authorities in Greece, the European Union and the United States, among other jurisdictions. If such regulatory authorities were to determine that we engaged in unfair market practices, we could be subject to fines and or injunctive measures with respect to the scope of our operations in such jurisdictions. Beginning in June 2006, we were one of 17 companies investigated by the Greek Competition Authority for price fixing in the Greek dairy market. In December 2007, the Greek Competition Authority imposed a fine on FAGE of €9.4 million. We challenged the imposition of the fine in the Greek courts and, during 2009, an irrevocable decision was issued reducing the fine by €3.4 million. We have challenged the legality of the imposition of the fine itself at the Supreme Administrative Court. Following the imposition of this fine, we 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 us, which we believe are entirely without merit. Similar lawsuits against other dairy companies already have been dismissed. We cannot assure you that we will not be subject to additional fines or other measures by such competition authorities in the future.

Environmental laws and regulations may subject us to significant costs and liabilities.

Our past and present business operations and ownership and operation of real property are subject to a broad range of environmental laws and regulations in each of the jurisdictions in which we operate, including Greek, European Union, and U.S. federal and state laws and regulations. These laws and regulations impose increasingly stringent environmental protection standards on us and affect air emissions, wastewater discharges, the use and handling of hazardous materials, noise levels, waste disposal practice and environmental clean-up, among other things. In addition, new laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination at our or other sites or the imposition of new cleanup requirements could require us to incur future costs that would have a negative effect on our results of operations or cash flow. Environmental laws can impose cleanup liability on owners or occupiers of a contaminated property even if they did not cause the contamination, and not all of our properties have been investigated for the presence of soil or groundwater contamination. As a result, we may be exposed to substantial environmental costs and liabilities, including liabilities associated with our sold properties and past activities.

While we believe that we are in substantial compliance with environmental laws and regulations, we cannot predict future environmental liabilities or ensure that the amounts we may provide or budget for in the future will be adequate.

Evolving consumer tastes could decrease demand for our products.

Consumer tastes are susceptible to change. For instance, increased focus on nutrition or concerns about obesity and lactose intolerance may lead to lower consumer demand for certain of our products. If we are unable to respond to changes in consumer preferences, our sales or margins could be materially adversely affected.

Consolidation in the supermarket sector has led to the concentration of our customer base, which could increase pressure on the prices of our products.

Our major customers are supermarkets, which accounted for approximately 78% of our sales in 2011. There is an increasing trend towards consolidation in the supermarket sector, particularly in the United Kingdom and the rest of Western Europe. These consolidations have concentrated sales channels, increased the bargaining power of the major supermarkets and intensified price competition among these retailers. In addition, consolidation in the supermarket sector could cause us to lose customers. Increased pricing pressure from our large customers in the future or the loss of customers due to industry consolidation could have a material adverse effect on our results of operations.

Our business is seasonal and depends on weather conditions.

Revenues from certain of our products and trading activities experience seasonal fluctuations, resulting in uneven cash flow throughout the year and uneven requirements for working capital. This seasonality also requires us to adjust production in anticipation of fluctuating demand. Certain of our products and trading activities also depend on weather conditions in Greece and the level of tourism, particularly on the Greek islands. There can be no assurance that we will continue to manage our seasonal businesses successfully, or that adverse weather conditions will not have a material adverse effect on our business.

Prices for our raw materials fluctuate significantly, and we may not be able to pass on cost increases to our customers.

The primary raw material that we use is cow's milk. Plastic and paper for packaging materials also are significant components of our cost of sales. The prices of many of our raw materials are affected by governmental agricultural policies, the operations of suppliers, political upheavals and acts of God such as severe weather conditions. While we source raw material from a wide range of suppliers or believe we can source them from alternate suppliers, we cannot provide assurance that we would be able to obtain sufficient supplies from other sources or that, in the event of a supply disruption or other adverse event that affects our sources, our raw material costs would not materially increase. To the extent that we are able to obtain sufficient quantities of raw materials in the event of a supply disruption, our ability to pass through any increase in raw material costs to our customers would depend upon competitive conditions and pricing methods employed in the various markets in which we sell its products. If supplies of these materials become scarce or prices otherwise increase significantly and remain high for an extended period of time, there can be no assurance that we would be able to pass on any or all of the effects of such price increases to our customers.

Any disruption to our manufacturing and distribution operations could adversely affect our financial condition or results.

We could experience disruption to our manufacturing and distribution capabilities for reasons beyond our control. These disruptions could include, among others, extreme weather, fire, theft, inadequate supplies of materials or services, or system failures. Any significant disruptions could adversely affect our ability to produce and sell our products, which could cause our performance to suffer. We have arranged insurance policies to cover both the assets as well as losses due to business interruption emanating from external perils (basically due to physical phenomena and other sudden and unforeseen risks, as specifically identified in the respective insurance policies).

Product liability claims could have a material adverse effect on our business.

We face an inherent risk of exposure to product liability claims if any of the products we sell cause injury or illness. We have obtained liability insurance for product liability claims. However, we cannot assure you that this insurance will continue to be available at a reasonable cost, or that any insurance that we obtain will be adequate to cover product liability claims against us. We generally obtain contractual indemnification from parties supplying our products, but this form of indemnification is limited, as a practical matter, to the creditworthiness and financial resources of the indemnifying party. If we do not have adequate insurance or contractual indemnification available, losses associated with product liability claims could have a material adverse effect on our business, operating results and financial condition.

Strikes or other industrial actions could disrupt our operations or make it more costly to operate our facilities.

We are exposed to the risk of strikes and other industrial actions. We estimate that approximately 27.4% of our employees in Greece are members of a labour union, and we may experience lengthy consultations with the labour unions or even strikes, work stoppages or other industrial actions in the future. Strikes or other industrial actions could disrupt our operations and make it more costly to operate our facilities.

The failure to enforce and maintain our trademarks and our other intellectual property could adversely affect our business.

We have registered certain names used by our products as trademarks or service marks in the countries where we operate. The success of our business strategy depends on our continued ability to use our existing trademarks and service marks in order to increase brand awareness and further develop our branded products. There can be no assurance that all of the steps we have taken to protect our

intellectual property will be adequate. If our efforts to protect our intellectual property are not adequate, or if any third party misappropriates or infringes on our intellectual property, either in print or on the Internet, the value of our brands may be harmed, which could have a material adverse effect on our business, including the failure of our brands and branded products to achieve and maintain market acceptance. In addition, we may be subject to claims alleging that we have infringed the intellectual property of others. See Note 30 to the financial statements.

We will be exposed to foreign exchange risks that may adversely affect our financial condition and results of operations.

We increasingly sell our products outside of Greece. Our products are currently sold in approximately 29 countries. In addition, we expect to further increase our international exposure due to our international investments, particularly in the United States and the United Kingdom. We have generated an increasing percentage of our revenues in currencies other than the euro. In addition, both the revenues and the costs associated with our U.S. manufacturing facility are denominated in U.S. dollars. As a result, our financial position and results of operations are increasingly subject to currency translation risks. Significant fluctuations in the exchange rates between foreign currencies and the euro might affect our ability to make payments due under the Senior Notes.

The interests of our controlling shareholders may be inconsistent with the interests of the holders of the Senior Notes.

FAGE is wholly owned by Messrs. Ioannis and Kyriakos Filippou (50% each). By virtue of this share ownership, they have the ability to control our management, policies and financing decisions and to elect all the directors of FAGE and its subsidiaries. In addition, we purchase goods and services from a number of companies controlled by the shareholders or members of their families. In certain circumstances, the interests of the shareholders may not necessarily be aligned with the interests of the holders of the Senior Notes. See “Ownership of Share Capital” and “Related Party Transactions.”

Risks Relating to Our Indebtedness and Our Structure

Our high leverage and debt service obligations could materially adversely affect our business, financial condition or results of operations.

We are highly leveraged and have significant debt service obligations. As of December 31, 2011, our consolidated indebtedness was €229.2 million. In addition, subject to the restrictions in the Indentures, we may incur additional indebtedness from time to time. We anticipate that our high leverage will continue for the foreseeable future.

Our high leverage could have important consequences to you, including:

- our substantial indebtedness could materially adversely affect us by making it more difficult for us to satisfy our obligations under the Senior Notes and our other payment obligations;
- our ability to obtain additional financing for working capital, capital expenditures, acquisitions, research and development, advertising or general corporate purposes may be limited;
- a substantial portion of our cash flow from operations must be dedicated to the payment of interest on the Senior Notes and any other indebtedness, thereby reducing the funds available to us for other operations and the pursuit of other business opportunities that require cash;
- we may be hindered in our ability to adjust rapidly to changing market conditions and demand for new products;
- we may be more vulnerable in the event of a downturn in general economic conditions or in our business; and
- we may be placed at a disadvantage when compared to our competitors that have less debt.

Any inability to generate sufficient cash from operations to service our indebtedness or obtain additional financing, as needed, would have a material adverse effect on us.

Our ability to pay interest on the Senior Notes, to satisfy our other debt obligations and to fund planned capital expenditures will depend upon our future operating performance and our ability to generate cash, which will be affected by prevailing economic conditions and financial, business, competitive, regulatory, legislative and other factors, certain of which are beyond our control. If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets, obtain additional equity capital or restructure our debt. There can be no assurance that our cash flow and capital resources will be sufficient for payment of our indebtedness in the future. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations or reduce or delay capital expenditures to meet our debt service and other obligations, any of which could have a material adverse effect on us, and there can be no assurance as to the timing of such sales or the proceeds that we could realize therefrom. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

We are subject to significant restrictive debt covenants, which limit our operating flexibility.

The Indentures governing the Senior Notes contain, and our other debt instruments may contain, covenants that significantly restrict our ability to, among other things:

- incur additional indebtedness;
- pay dividends or make other distributions in respect of our capital stock;
- make certain other restricted payments and investments;
- repurchase or redeem capital stock;
- create liens;
- issue shares of subsidiaries;
- impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to us;
- repurchase shares;
- transfer or sell assets, including capital stock of subsidiaries;
- merge or consolidate with other entities;
- enter into transactions with affiliates; and
- engage in certain types of business.

These covenants could limit our ability to plan for or react to changing market conditions or meet capital or liquidity needs or otherwise restrict our activities or business plans or adversely affect our ability to finance our future operations and capital needs and our ability to pursue acquisitions, investments, corporate restructurings and other business activities that could be in our interest but restricted by these covenants.

The insolvency laws of Greece may not be as favourable to holders of the Senior Notes as U.S. insolvency laws or those of other jurisdictions with which you may be familiar.

FAGE is incorporated and conducts most of its business in Greece. Accordingly, insolvency proceedings with respect to FAGE may proceed under, and be governed by, Greek insolvency law. The insolvency laws of Greece may not be as favourable to your interests as those of the United States or other jurisdictions with which you may be familiar. The following is a brief description of certain aspects of insolvency law in Greece. In the event that FAGE or any subsidiary thereof experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings.

If FAGE is declared bankrupt in Greece, Greek law (i.e. the recently enacted Greek Bankruptcy Code, Law 3588/2007) will apply. Under Greek law, upon a declaration of bankruptcy, all the assets of the bankrupt party are placed under the control of a receiver appointed by the bankruptcy court to be held for the benefit of all creditors. After a court declaration of bankruptcy, the bankrupt party may, following an application to, and approval by, the bankruptcy court, continue to manage its assets with the cooperation of a receiver. In addition, certain transactions occurring prior to the declaration of bankruptcy may be found by the court to be null and void by operation of law, or may be declared null and void by the court after an examination of the merits of particular transactions if they are executed by the bankrupt party during the so-called “suspect period.” Such period is the time between the day of cessation of payments, which is determined by the bankruptcy court and may predate the declaration of bankruptcy by up to two years, and the date of the declaration of bankruptcy.

The following transactions of the bankrupt party will be declared null and void by operation of law:

- any unilateral act by the bankrupt party having the effect of reducing its assets (including, without limitation, making donations, waiving debts and granting interest-free loans) and making any payments other than in cash or commercial paper during the suspect period; and
- any mortgage or pledge over any asset of the bankrupt party granted during the suspect period as security for a previous indebtedness.

The bankruptcy court will declare transactions in the above two categories null and void without taking into consideration any arguments from the parties to such transactions.

Certain other transactions entered into up to five years prior to the entry into bankruptcy may be declared null and void by the bankruptcy court if it is concluded by the court that they were entered into with a malicious intent to prevent creditors from satisfying their bona fide claims.

Moreover, the bankruptcy court may declare any payments or transactions (including the issuance of notes or guarantees or the granting of mortgages or other security documents) during the suspect period null and void if the person who transacted with the bankrupt party knew that the latter was in a state of cessation of payments and if such payments or transactions were detrimental to the creditors of the bankrupt party.

Under Greek law, the following claims will rank senior in priority to the Senior Notes, and the claims of the holders of the Senior Notes, being unsecured, will rank *pari passu* with those of all other unsecured creditors:

- legal expenses, the receiver's remuneration and claims against the bankrupt party arising post-bankruptcy;
- claims under credit facilities granted to the bankrupt party on the basis of the procedure of conciliation or a reorganization plan approved by the bankruptcy court;
- all secured claims, in accordance with the date of perfection of the respective security interest on the asset liquidated;
- attorneys' and employees' claims. Employees' claims include salaries for up to two years prior to the declaration of bankruptcy and severance payments without any time restriction;
- claims of farmers or farmers' unions from sales of agricultural products up to two years prior to the declaration of bankruptcy;
- taxes due to the Greek State for the fiscal year in which the bankruptcy was declared and the previous fiscal year; and
- social security claims for up to two years prior to the declaration of bankruptcy, without any penalties.

Following the effective date of the new Greek Bankruptcy Code in September 2008, all other special insolvency proceedings previously applicable to large overindebted enterprises (such as those under art. 44-46B of Law 1892/1990) have been repealed.

Our failure to comply with the covenants contained in the Indentures governing the Senior Notes, including as a result of events beyond our control, could result in an event of default which could materially and adversely affect our operating results and our financial condition.

The Indentures governing the Senior Notes require us to comply with various covenants. If there were an event of default under any of these covenants that was not cured or waived, the holders of either issue of the Senior Notes representing 25 percent of the principal amount of such Senior Notes outstanding could cause all amounts under that issue of Senior Notes to be due and payable immediately (and not on the scheduled maturity of that issue of Senior Notes). If either issue of the Senior Notes were accelerated upon an event of default, our assets and cash flow may not be sufficient to repay our then-outstanding obligations under such issue of Senior Notes in full or in part.

Enforcing your rights as a holder of the Senior Notes across multiple jurisdictions may be difficult.

FAGE is incorporated under the laws of Greece and FAGE USA is incorporated under the laws of the State of New York. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in any of these jurisdictions and in the jurisdiction of organization of any Material Subsidiary (as defined in the Indentures) of FAGE that provides a guarantee of the Senior Notes in the future. Your rights under the Senior Notes (and any future guarantee of the Senior Notes) therefore will be subject to the laws of several jurisdictions, and you may not be able to effectively enforce your rights in multiple bankruptcies, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights.

In addition, the bankruptcy, insolvency, administrative and other laws of any future guarantors' jurisdictions of incorporation may be materially different from, or in conflict with, one another in certain areas, including creditors' rights, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceeding. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Senior Notes and any future guarantee of the Senior Notes.

Risk Relating to the Senior Notes

You may be subject to Greek withholding tax with respect to payments on the Senior Notes.

All payments with respect to the Senior Notes that we make to Holders that are tax resident outside Greece will be made without withholding or deduction for Greek taxes. Currently, payments of interest on the Senior Notes to Greek Holders or beneficial owners will be subject to withholding at the rate of 10%. Holders that are tax resident outside Greece are exempt from withholding tax on interest on Senior Notes issued by Greek companies. Greece has entered into tax treaties with various other countries that provide for reductions in or the elimination of Greek withholding tax. Prospective investors should consult their tax advisors respecting the application of such treaties to them before investing in the Senior Notes. There can be no assurance that holders would be entitled to full reimbursement from us in the event that we are required to withhold or deduct amounts from payments to such holders in respect of the Senior Notes.

We may not be able to finance a change of control offer required by the Indentures.

The Indentures contain provisions relating to certain events constituting a "Change of Control" of the Company. Upon the occurrence of such a Change of Control, we will be required to offer to repurchase all outstanding Senior Notes at a price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest to the date of repurchase. If a Change of Control were to occur, we may not have sufficient funds available, or may not be able to obtain the funds needed, to pay the purchase price for all of the Senior Notes tendered by holders deciding to accept the repurchase offer. The restrictions in the instruments governing our other existing and future

indebtedness may also prohibit us from being provided with the funds necessary to purchase any Senior Notes prior to their stated maturity, including upon a Change of Control.

A Change of Control may result in a mandatory prepayment event or cause the acceleration of other indebtedness. In any case, third-party financing may be required in order to provide the funds necessary for us to make the change of control offer. We may not be able to obtain such additional financing.

The Senior Notes may not be actively traded and, as a result, your ability to transfer the Senior Notes will be limited.

We cannot assure you as to the liquidity of any market for the Senior Notes, the ability of holders of the Senior Notes to sell them or the price at which holders of the Senior Notes may be able to sell them. The liquidity of any market for the Senior Notes will depend on the number of holders of the Senior Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, results of operations and prospects, as well as recommendations of securities analysts.

The liquidity of, and trading market for, the Senior Notes may also be hurt by declines in the market for high-yield securities generally. Such a decline may affect any liquidity and trading of the Senior Notes independent of our financial performance and prospects.

Transfers of the Senior Notes are restricted, which may adversely affect the value of the Senior Notes.

You may not offer the Senior Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws, or pursuant to an effective registration statement. The Senior Notes and the Indentures contain provisions that restrict the Senior Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions, under the Securities Act. Furthermore, we have not registered the Senior Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the Senior Notes within the United States and other countries comply with applicable securities laws.

You may have difficulty enforcing your rights against us and our directors and officers.

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, a significant portion of the Group's assets is 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 each of the Indentures 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.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table presents selected consolidated financial information of the Group for the dates and periods indicated and should be read in conjunction with “Management's Discussion and Analysis of Financial Condition and Results of Operations” and the audited Consolidated Financial Statements as of and for the years ended December 31, 2010 and 2011, included elsewhere herein. The Consolidated Financial Statements have been prepared in accordance with IFRS. The information presented below for the years ended December 31, 2007, 2008 and 2009, has been derived from our audited consolidated financial statements, which have been prepared in accordance with IFRS not included herein. See also “Management's Discussion and Analysis of Financial Condition and Results of Operations”.

	Year ended December 31,				
	2007	2008	2009	2010	2011
	(€ thousands)				
Statement of Income Data:					
Sales.....	334,885	336,213	315,115	338,575	385,155
Cost of sales.....	(229,410)	(230,317)	(188,371)	(195,867)	(232,103)
Gross profit.....	105,475	105,896	126,744	142,708	153,052
Selling, general and administrative expenses	(103,820)	(105,700)	(99,443)	(111,279)	(122,788)
Other income.....	871	1,088	623	286	731
Other expenses.....	(678)	(2,387)	(1,588)	(1,894)	(401)
Profit/(loss) from operations.....	1,848	(1,103)	26,336	29,821	30,594
Gain from repurchase of 2015 Senior Notes.....	-	1,994	2,201	-	-
Financial income/(expenses), net...	(8,916)	(14,026)	(13,120)	(21,562)	(19,920)
(Provision for)/reversal of fines.....	(9,401)	-	3,353	-	-
Impairment loss.....	(1,822)	(5,670)	(178)	(199)	(124)
Gain/(loss) on derivatives.....	-	-	-	(1,195)	(218)
Foreign exchange gains/(losses), net.....	(678)	2,410	(571)	3,388	(24)
Share of losses of associates accounted for under the equity method.....	(226)	(160)	74	(76)	(134)
Profit/(loss) before income taxes	(19,195)	(16,555)	18,095	10,177	10,174
Income taxes.....	(105)	4,832	(15,433)	(2,996)	(6,542)
Net profit/(loss).....	(19,300)	(11,723)	2,662	7,181	3,632

	Year ended December 31,				
	2007	2008	2009	2010	2011
	(€ thousands)				
Statement of Financial Position Data:					
Cash and cash equivalents.....	31,749	21,856	28,907	40,683	34,342
Trade and other receivables...	90,042	55,507	50,014	52,252	67,255
Inventories.....	25,451	24,841	23,592	24,643	29,199
Net property, plant and equipment	168,930	213,151	216,016	227,357	253,556
Total assets.....	331,978	335,332	340,849	375,837	421,335
Short-term borrowings.....	10,000	14,000	11,900	11,226	24,635
Trade accounts payable and due to related companies.....	66,903	48,893	47,725	41,549	54,606
Total debt.....	190,909	188,940	176,500	211,182	229,192
Net debt ⁽¹⁾	159,160	167,084	147,593	170,499	194,850
Shareholders' equity.....	42,445	69,129	69,547	76,479	80,340

	Year ended December 31,				
	2007	2008	2009	2010	2011
	(€ thousands)				
Other Financial Data:					
Cash flow from operating activities	7,853	12,583	53,668	19,140	39,082
Cash flow used in investing activities	(53,445)	(22,195)	(19,727)	(17,909)	(43,052)
Cash flow from/(used in) financing activities	19,551	(2,578)	(26,480)	12,189	(5,716)
EBITDA ⁽²⁾	1,005	12,361	46,422	48,869	48,239
Underlying EBITDA ⁽³⁾	23,959	28,084	43,140	49,068	48,363
Capital expenditures	(55,127)	(24,706)	(20,117)	(17,378)	(42,786)
Selected Ratios:					
Ratio of net debt to EBITDA ⁽¹⁾⁽²⁾	158.4x	13.5x	3.2x	3.5x	4.0x
Ratio of EBITDA to financial income/(expenses), net ⁽²⁾	0.1x	0.9x	3.5x	2.3x	2.4x

(1) Net debt represents short-term borrowings plus long-term interest-bearing loans and borrowings less cash and cash equivalents.

(2) EBITDA is defined as net profit/(loss) plus income taxes, financial income/(expenses), net and depreciation and amortization. The reconciliation of net profit/(loss) to EBITDA is as follows:

	Year ended December 31,				
	2007	2008	2009	2010	2011
	(€ thousands)				
Net profit/(loss)	(19,300)	(11,723)	2,662	7,181	3,632
Income taxes	105	(4,832)	15,433	2,996	6,542
Financial (income)/expenses, net	8,916	14,026	13,120	21,562	19,920
Depreciation and amortization	11,284	14,890	15,207	17,130	18,145
EBITDA	1,005	12,361	46,422	48,869	48,239

EBITDA serves as an additional indicator of our operating performance and not as a replacement for measures such as cash flows from operating activities and operating income. We believe that EBITDA is useful to investors as a measure of operating performance because it eliminates variances caused by the amounts and types of capital employed and amortization policies and helps investors evaluate the performance of our underlying business. In addition, we believe that EBITDA is a measure commonly used by analysts and investors in our industry. Accordingly, we have disclosed this information to permit a more complete analysis of our operating performance. Other companies may calculate EBITDA in a different way. EBITDA is not a measurement of financial performance under IFRS and should not be considered an alternative to cash flow provided by or used in operating activities or as a measure of liquidity or an alternative to net profit/(loss) as an indicator of our operating performance or any other measure of performance derived in accordance with IFRS.

(3) Underlying EBITDA is defined as EBITDA (as described above) plus provision for/(reversal of) fines, impairment losses, operational loss of discontinued operations, U.S. transportation and duties costs and PMO milk component of U.S. cost of sales. The reconciliation of net profit/(loss) to EBITDA is set forth above. The reconciliation of EBITDA to Underlying EBITDA is as follows:

	Year ended December 31,				
	2007	2008	2009	2010	2011
	(€ thousands)				
EBITDA	1,005	12,361	46,422	48,869	48,239
Provision for/(reversal of) fines ^(a)	9,401	-	(3,353)	-	-
Impairment losses ^(b)	1,822	5,670	178	199	124
Operational loss of discontinued operations ^(c)	1,644	2,554	(107)	-	-
U.S. transportation and duties costs ^(d)	7,986	7,080	-	-	-
PMO milk component of U.S. cost of sales ^(e)	2,101	419	-	-	-
Underlying EBITDA	23,959	28,084	43,140	49,068	48,363

(a) Provision for fines represents a provision that we recorded in 2007 relating to a fine imposed on FAGE in December 2007 by the Greek Competition Authority. We challenged the imposition of the fine in the Greek courts and, during 2009, an irrevocable decision was issued reducing the fine by €3.4 million. We have challenged the legality of the imposition of the fine itself at the Supreme Administrative Court.

(b) Impairment losses represents (i) €4.9 million of charges that we recorded in 2008 in connection with our exit from the Feta and Graviera of Crete cheese businesses and (ii) losses that we recorded in each of the periods presented in connection with our writedown of the value of financial assets available for sale.

(c) Operational loss of discontinued operations represents losses associated with the operation of our Feta and Graviera of Crete cheese businesses, which we discontinued in 2008.

(d) U.S. transportation and duties costs represent transportation and duties costs that we incurred in connection with our shipments of yogurt that we manufactured in Greece for sale to the U.S. market. Such costs have been eliminated because we now manufacture in the United States all of the yogurt that we sell to the U.S. market using locally sourced milk.

(e) PMO milk component of U.S. cost of sales represents increased costs that we incurred due to the requirement that we purchase PMO milk (milk from Greek farms that has been audited by the U.S. Food and Drug Administration (the "FDA") for compliance with the FDA's Grade "A" Pasteurized Milk Ordinance) to manufacture our yogurt products in Greece. The portion of our U.S. cost of sales attributable to this requirement has been eliminated because we now manufacture in the United States all of the yogurt that we sell to the U.S. market.

Underlying EBITDA serves as an additional indicator of our operating performance and not as a replacement for measures such as cash flows from operating activities and operating income. We believe that Underlying EBITDA also is a relevant measure for assessing performance because it eliminates additional variances beyond those addressed by EBITDA. Underlying EBITDA has been provided to exclude the non-recurring nature of provision for/(reversal of) fines, impairment losses, operational loss of discontinued operations, U.S. transportation and duties costs and PMO milk component of U.S. cost of sales. Other companies may calculate Underlying EBITDA in a different way. Underlying EBITDA is not a measurement of financial performance under IFRS and should not be considered an alternative to cash flow provided by or used in operating activities or as a measure of liquidity or an alternative to net profit/(loss) as an indicator of our operating performance or any other measure of performance derived in accordance with IFRS.

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

General

In 2011 the European debt crisis intensified, putting Greece under extreme pressure, as the domestic economic situation continued to deteriorate. Private consumption and investment in Greece continued to contract. Due to the austerity measures taken by the Greek government, a large number of employees both in the public and private sector were dismissed, salaries were reduced and taxes increased, all of which added to the deterioration of consumer sentiment. Almost all sectors were affected by falling demand.

Companies in Greece in general faced:

- first, decreasing demand;
- second, tightened criteria for taking up new loans or refinancing existing loans; and
- third, increasing levels of bad debt losses.

Business insolvencies increased as the economy continued to contract. As a result of all these issues, there has been noticeable deterioration in the payment behaviour of companies in Greece since the beginning of 2011 due to increasing liquidity problems. Both delays of payments and the incidence of default are major issues for companies in Greece. The lack of sufficient capital is seen as the main reason for such weaknesses and delays of payments.

Greek Dairy Market

In such an environment the Greek dairy market experienced a decrease of 2.4% in volume and an increase of 3.1% in value, comparing the years 2011 and 2010. The principal reason for the decrease in volume is the sustained economic crisis in Greece and the imposition of austerity measures by the I.M.F. and EU which have negatively impacted consumption. This volume decrease resulted mainly from a decrease of 3.0% in the milk market and 6.6% in the branded yogurt market. The volume in the packaged cheese market (excluding Feta cheese) increased by 1.2%, whereas the UHT milk and milk cream product markets decreased by 7.7% in volume, comparing the years 2011 and 2010. Within the milk business, the fresh milk market decreased by 2.9% in volume whereas the evaporated milk market decreased by 7.2%, comparing the years 2011 and 2010. The ESL milk market increased by 2.4% in volume, whereas the dairy desserts market decreased by 10.0%, comparing the years 2011 and 2010.

All of the data related to volume and market shares in the domestic Greek market have been derived from Nielsen survey figures by extrapolation. The figures include all bi-monthly periods for the twelve months ended November 30, 2011. From the beginning of 2011, Nielsen measures the cheese market using the Scan Track Service rather than the Market Track Service. For all the other segments of the Greek dairy market, Nielsen continues to use the Market Track Service. Market Track Service measures data from supermarkets and traditional and dairy shops, whereas the Scan Track Service measures data from supermarkets only.

The Group's Total Sales

The Group's total sales volume increased by 3.8% comparing the years 2011 and 2010. This increase reflects a decrease of 19.3% in the Group's sales volume in the domestic market and an increase of 54.1% in the Group's sales volume in exports and international sales.

The Group's total sales in value increased by 13.8% comparing the years 2011 and 2010. This increase reflects a decrease of 9.4% in the Group's sales in value in the domestic market and an increase of 41.4% in the Group's sales in value in exports and international sales.

The Group's Sales in the Domestic Market

The Group's sales in volume in the domestic market decreased by 19.3% compared to 2010. This is mainly due to:

- first, the sustained economic crisis in Greece, which not only reduced consumer consumption but also led consumers to resort to either cheaper products produced by small local producers or private label products;
- second, the fact that in 2011 certain retailers in the domestic market had significant liquidity problems resulting in inability to pay or payment delays. Economic conditions remain fragile and incidents of delinquency and insolvency are increasing. In such an environment, the Company has decided to reduce its credit exposure to delinquent clients and if necessary has reduced or even stopped sales to non-creditworthy clients. This, although it has had a negative impact on sales volume, has diminished the Company's risk of bad debt losses. The Company contracts with credit insurers to secure trade credit insurance and services to reduce the Company's exposure to the risk of bad debts. The Company continues to diligently monitor and manage credit risk even though it has had a negative impact on sales; and
- third, the fact that for the first two months of 2010, the Company engaged in aggressive promotional activities in the yogurt and milk business. Since then the Company has stopped engaging in such activities.

The Company has increased its prices in the domestic market by approximately 3.8% on average since January 1, 2011 and 3.2% since June 20, 2011.

In spite of the decrease of 19.3% in the Group's sales volume in the domestic market as compared to 2010, the respective decrease in the Group's sales value in the domestic market was 9.4%, mainly due to the price increases during the years 2011 and 2010, and the fact that during 2011 there were no promotional activities as compared to 2010 during which promotional activities took place.

In 2011, the Company was the market leader in branded yogurt in the domestic market, with a market share of 27.4%. For the packaged cheese business (excluding Feta cheese) the Company was the second player with a market share of 8.1%. Furthermore, the Company was the third player in the ESL milk business and the dairy desserts business with market shares of 15.8% and 12.8%, respectively. Finally, the Company is the third player in the UHT milk and milk creams business with a market share of 14.0%.

In September 2011, the Company re-launched its *Fruyo*[®] yogurt brand. *Fruyo*[®] is a low fat strained yogurt with fruit pieces blended in and is available in seven fruit flavors.

The Group's Exports and International Sales

The Group's exports and international sales volume increased by 54.1%, comparing the years 2011 and 2010. This increase mainly came from the U.S. market, where the sales volume increased by 69.3%. In the UK market, sales volume increased by 24.4%, whereas in the Italian market the sales volume increased by 32.9%. Exports sales to other countries decreased by 9.6% in volume.

The related increase in the Group's export and international sales in value was 41.4%. 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 2011 and 2010 were: 1 €=1.4000US\$ and 1 €=1.3207US\$, respectively.

Export and international sales volume for 2011 represented 46.7% of the Group's total sales volume, as compared to 31.4% for 2010. Furthermore, export and international sales in value for 2011 represented 56.6% of the Group's total sales in value, as compared to 45.5% for 2010.

Export and international sales volume in yogurt represented 71.2% of the Group's total yogurt sales volume in 2011, as compared to 58.7% in 2010.

There were price increases of 2.0% for the Group's products sold in the UK market and 3.8% on average for the Group's products sold in the Italian market in 2011. As far as the other European countries are concerned, there were price increases of 3.5% on average in 2011.

Results of Operations for the Group

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

	Year ended December 31,	
	2011	2010
Sales.....	100.0%	100.0%
Cost of sales	(60.3)	(57.9)
Gross profit.....	39.7	42.1
Selling, general and administrative expenses	(31.9)	(32.9)
Other income.....	0.2	0.1
Other expenses	(0.1)	(0.6)
Profit from operations	7.9	8.7
Financial income/(expenses), net.....	(5.2)	(6.3)
Impairment loss	-	(0.1)
Loss on derivatives.....	(0.1)	(0.3)
Foreign exchange (losses)/gains, net	-	1.0
Profit before income taxes	2.6	3.0
Income taxes.....	(1.7)	(0.9)
Net profit	0.9%	2.1%

Year ended December 31, 2011 compared to year ended December 31, 2010

Sales. The Group's sales volume in the year ended December 31, 2011 increased by 3.8%, compared to 2010. The sales in the year ended December 31, 2011 amounted to €385.2 million, whereas the respective amount for the year ended December 31, 2010 was 338.6 million, an increase of €46.6 million or 13.8%. This increase mainly resulted from the Group's exports and international sales in value which increased by 41.4%. This increase was partially offset by a decrease in the Group's sales in value in the domestic market by 9.4%. The strengthening of the euro against the US dollar has moderated the increase of the Group's sales. The negative impact on sales from the exchange rate between euro and US dollar in the year ended December 31, 2011 amounted to €10.6 million.

Gross profit. Gross profit for the year ended December 31, 2011 was €153.1 million, an increase of €10.4 million, or 7.3%, from €142.7 million for the year ended December 31, 2010. Gross profit as a percentage of sales for the year ended December 31, 2011 was 39.7% while in the respective period of 2010 it was 42.1%.

The main reasons for this decrease are:

- first, the strengthening of the euro against the U.S. dollar; and
- second, there were increases in milk prices (as a raw material). The prices for milk collected in the domestic Greek market in the year ended December 31, 2011 increased by 19.0%. The prices for milk

imported from the European market increased by 5.6%, whereas the prices for milk collected in the U.S. market and used for the U.S. yogurt facility increased by 25.9%.

Selling, general and administrative expenses. Selling, general and administrative expenses (“SG & A”) for the year ended December 31, 2011 were €122.8 million, an increase of €11.5 million, or 10.3%, from €111.3 million for the year ended December 31, 2010. This mainly came from an increase in advertising expenses for the U.S. operations. As a percentage of sales, SG & A was 31.9% for the year ended December 31, 2011, down from 32.9% for 2010.

Other income/expenses, net. Net other income for the year ended December 31, 2011 amounted to €0.3 million. Net other expenses for the year ended December 31, 2010 amounted to €1.6 million, mainly due to a provision under a letter of guarantee amounting to €1.4 million.

Profit from operations. Profit from operations for the year ended December 31, 2011 was €30.6 million, an increase of €0.8 million, as compared to a profit from operations of €29.8 million for the year ended December 31, 2010. This is mainly due to the increase in the gross profit, which was partially offset by the increase in the SG&A.

Financial income/(expenses) net. Net financial expenses decreased by €1.6 million, from €21.5 million for the year ended December 31, 2010 to €19.9 million for the year ended December 31, 2011. This decrease is mainly due to the fact that, for the year ended December 31, 2010, the Company paid €0.8 million of amortised costs relating to the €46.0 million loan repayments and the redemption of €20.0 million of Senior Notes due in 2015, as well as €0.8 million in premium for such early redemption.

Impairment loss. Impairment loss for the year ended December 31, 2011 was €0.1 million. This loss relates to the impairment recognized on the available for sale financial assets. Impairment loss for the year ended December 31, 2010 was €0.2 million.

Loss on derivatives. During the year ended December 31, 2011, the Company entered into a forward contract in order to mitigate the effects of sharp fluctuations in UK£/€ rate. At December 31, 2011, the unrealised loss from the valuation of this contract amounted to €0.2 million. During the year ended December 31, 2010, the Company entered into forward contracts in order to mitigate the effects of sharp fluctuations in US\$/€ and UK£/€ rates. These contracts resulted in a loss of €1.2 million, of which €1.1 million was a realised loss related to the US\$/€ contract which was terminated in the year ended December 31, 2010. The remaining balance of €0.1 million was related to the UK£/€ contract which resulted in an unrealised valuation loss as at December 31, 2010 as this contract expired on February 28, 2011.

Foreign exchange losses (gains), net. Foreign exchange losses for the year ended December 31, 2011 were €0.02 million mainly relating to cash at bank in US\$ and receivables in US\$ and UK sterling. For the year ended December 31, 2010, there were foreign exchange gains of €3.4 million. Of this amount, €2.8 million came from realised foreign exchange gains arising from the collection of US\$ receivables in the year ended December 31, 2010 relating to the return of share capital and dividends of FAGE USA Holdings, Inc. to FAGE which were outstanding on December 31, 2009.

Profit before income taxes. Profit before income taxes for the year ended December 31, 2011 was €10.2 million, compared to profit before income taxes of €10.2 million for the year ended December 31, 2010.

Income taxes. Income tax expense for the year ended December 31, 2011 was €6.5 million. Income tax expense for the year ended December 31, 2010 amounted to €3.0 million.

Net profit. Net profit for the year ended December 31, 2011 was €3.6 million, as compared to net profit of €7.2 million for 2010.

Three months ended December 31, 2011 compared to three months ended December 31, 2010

(€ thousands)	Twelve months ended December 31,		Nine months ended September 30,		Three months ended December 31,	
	2011	2010	2011	2010	2011	2010
Sales	385,155	338,575	290,071	253,377	95,084	85,198
Increase from prior year	13.8%		14.5%		11.6%	
Gross Profit	153,052	142,708	117,197	105,756	35,855	36,952
Gross Margin	39.7%	42.1%	40.4%	41.7%	37.7%	43.4%
SG&A	(122,788)	(111,279)	(94,064)	(84,675)	(28,724)	(26,604)
SG&A as % of sales	31.9%	32.9%	32.4%	33.4%	30.2%	31.2%
Financial income/(expenses), net	(19,920)	(21,562)	14,800	(16,569)	(5,120)	(4,993)
Financial income/(expenses), net as % of sales	5.2%	6.4%	5.1%	6.5%	5.4%	5.9%
Profit before Tax	10,174	10,177	8,912	4,511	1,262	5,666
Profit before Tax as % of sales	2.6%	3.0%	3.1%	1.8%	1.3%	6.7%
Income taxes	(6,542)	(2,996)	(4,984)	(896)	(1,558)	(2,100)
Income taxes as % of sales	1.7%	0.9%	1.7%	0.4%	1.6%	2.5%
Net profit/(loss)	3,632	7,181	3,928	3,615	(296)	3,566
Net profit/(loss) as % of sales	0.9%	2.1%	1.4%	1.4%	0.3%	4.2%

Sales. The Group’s sales volume for the three months ended December 31, 2011 increased by 4.7% compared to the respective period of 2010. This increase was due to an increase of 50.6% in the Group’s sales volume in exports and international markets which was offset by a decrease of 20.5% in the Group’s sales volume in the domestic market.

The decrease by 20.5% in the Group's sales volume in the domestic market is mainly attributable:

- first, the sustained economic crisis in Greece, which not only reduced consumer consumption but also led consumers to resort to either cheaper products produced by small local producers or private label products;
- second, the fact that in 2011 certain retailers in the domestic market had significant liquidity problems resulting in inability to pay or payment delays. Economic conditions remain fragile and incidents of delinquency and insolvency are increasing. In such an environment, the Company has decided to reduce its credit exposure to delinquent clients and if necessary has reduced or even stopped sales to non-creditworthy clients. This, although it has had a negative impact on sales volume, has diminished the Company's risk of bad debt losses. The Company contracts with credit insurers to secure trade credit insurance and services to reduce the Company's exposure to the risk of bad debts. The Company continues to diligently monitor and manage credit risk even though it has had a negative impact on sales; and
- third, the fact that, for the first two months of 2010, the Company engaged in aggressive promotional activities in the yogurt and milk business. Since then the Company has stopped engaging in such activities.

The increase in the Group's sales volume in exports and international markets by 50.6% mainly comes from an increase of 65.0% in the Group's sales in the U.S. market, a 25.9% increase in the Group's sales in the UK market, a 30.6% increase in the Group's sales in the Italian market and a 32.7% decrease in the Group's sales in other countries.

Sales in value increased by 11.6% from €85.2 million to €95.1 million, comparing the three months ended December 31, 2011 and 2010. This increase was due to the Group's exports and international sales in value which increased by 40.4%. This increase was offset by a decrease of 14.0% in the Group's sales in value in the domestic market. In the three months ended December 31, 2011 and 2010, there was no significant change in to the exchange rate between the Euro and the US\$ since the average exchange rates were 1€=1.3453US\$ and 1€=1.3406US\$, respectively.

Gross profit. The Group's gross profit in the three months ended December 31, 2011 amounted to €35.9 million as compared to €37.0 million in the three months ended December 31, 2010, a decrease of €1.1 million, or 3.0%. The gross margin in the three months ended December 31, 2011 was 37.7% as compared to 43.4% for the respective period of 2010. Despite the price increases in all European countries (including Greece) and the increase in the Group's sales in volume by 4.7% for the three months ended December 31, 2011, the gross margin of the Group has decreased. This deterioration in the gross margin of the Company is mainly attributable to the fact that milk prices for milk collected in the domestic market in the three months ended December 31, 2011 increased by 20.0%, as compared to the respective period of 2010. The milk prices for milk imported from European market increased by 13.6% whereas the prices for milk collected in the U.S. market and used for the U.S. yogurt facility increased by 31.1% on average, comparing the three months ended December 31, 2011 and 2010.

Selling, general and administrative expenses. SG&A for the three months ended December 31, 2011 were €28.7 million, an increase of €2.1 million, or 7.9%, from €26.6 million for the three months ended December 31, 2010. As a percentage of sales, SG &A was 30.2% for the three months ended December 31, 2011, while the respective percentage for the three months ended December 31, 2010 was 31.2%. This is mainly due to an increase in advertising expenses concerning the U.S. operations.

Other income/expenses, net. Net other expenses for each of the three months ended December 31, 2011 and 2010 amounted to €0.1 million.

Profit from operations. Profit from operations for the three months ended December 31, 2011 was €7.0 million, a decrease of €3.3 million, as compared to a profit from operations of €10.3 million for the three months ended December 31, 2010. This is mainly due, first, to the decrease of gross profit and, second, to the increase in SG&A.

Financial income/(expenses), net. Financial income/(expenses), net for the three months ended December 31, 2011 were €5.1 million compared to €5.0 million for the respective period of 2010, a decrease of €0.1 million.

Impairment loss. Impairment loss for the three months ended December 31, 2011 was €0.1 million. Impairment gain for the three months ended December 31, 2010 was €0.1 million.

Loss on derivatives. Loss on derivatives for the three months ended December 31, 2011 amounted to €0.1 million which is related to a UK£/€ forward contract that resulted in an unrealised loss as of December 31, 2011. Gain on derivatives for the three months ended December 31, 2010 amounted to €0.02 million.

Foreign exchange losses/(gains), net. Foreign exchange losses for the three months ended December 31, 2011 were €0.4 million. Foreign exchange gains for the three months ended December 31, 2010 were €0.2 million.

Profit before income taxes. Profit before income taxes for the three months ended December 31, 2011 was €1.3 million, compared to a profit before income taxes of €5.7 million for the three months ended December 31, 2010.

Income taxes. Provision for income taxes for the three months ended December 31, 2011 was €1.6 million. Provision for income taxes for the three months ended December 31, 2010 was €2.1 million.

Net profit/(loss). Net loss for the three months ended December 31, 2011 was €0.3 million, a decrease of €3.9 million as compared to a net profit of €3.6 million for the respective period of 2010.

The Company's Results for the Year ended December 31, 2011 compared to the Year ended December 31, 2010 (FAGE DAIRY INDUSTRY S.A. only).

	Year ended December 31,	
	2011	2010
	(€ thousands)	
Sales	201,046	213,920
Cost of sales	(142,765)	(148,880)
Gross profit	58,281	65,040
Selling, general and administrative expenses	(74,728)	(80,048)
Other income	16,334	11,031
Other expenses	(364)	(1,881)
LOSS FROM OPERATIONS	(477)	(5,858)
Financial expenses	(11,618)	(13,333)
Financial income	174	1,455
Impairment loss	(1,124)	(1,248)
Loss on derivatives	(218)	(1,195)
Foreign exchange gains/(losses), net	10	4,376
LOSS BEFORE INCOME TAXES	(13,253)	(15,803)
Income tax (expense)/benefit	(556)	1,539
NET LOSS	(13,809)	(14,264)

Sales. The Company's sales in 2011 amounted to €201.0 million, a decrease of €12.9 million, or 6.0%, as compared to sales of €213.9 million in 2010.

Gross profit. The Company's gross profit in 2011 was €58.3 million, compared to €65.0 million gross profit in 2010. The Company's gross profit as a percentage of net sales in 2011 was 29.0% compared to 30.4% in 2010.

Selling, general and administrative expenses. The Company's selling, general and administrative expenses ("SG&A") in 2011 were €74.7 million, a decrease of €5.3 million, or 6.6%, from €80.0 million in 2010.

Other income. Other income for 2011 amounted to €16.3 million compared to €11.0 million in 2010. This increase is mainly due to the increase of royalties paid from the subsidiary FAGE USA Dairy Industry, Inc. Royalties for the year 2011 amounted to €15.6 million compared to €10.7 million for the year 2010.

Other expenses. Other expenses for 2011 amounted to €0.4 million. Other expenses for 2010 amounted to €1.9 million. Of this amount €1.4 million was due to a provision relating to a letter of guarantee that was issued in 1999 by a bank in Greece in order to service the collaboration between FAGE and a Belgian UHT milk producer (see Note 30).

Financial income/(expenses), net. Net financial expenses in 2011 were €11.4 million compared to €11.8 million in 2010.

Impairment loss. Impairment loss for 2011 was €1.1 million mainly due to the impairment of €1.0 million of the Company's participation in FAGE Italia S.r.l. Impairment loss for 2010 was €1.2 million, which related mainly to the impairment of the Company's participation in FAGE Italia S.r.l. and FAGE Commercial (see Note 13).

Loss on derivatives. During the year ended December 31, 2011, the Company entered into a forward contract in order to mitigate the effects of sharp fluctuations in UK£/€ rate. As a result, at December 31, 2011, the unrealised loss from the valuation of this contract amounted to €0.2 million. During the year ended December 31, 2010, the Company entered into forward contracts in order to mitigate the effects of sharp fluctuations in US\$/€ and UK£/€ exchange rates. These contracts resulted in a loss of €1.2 million, of which €1.1 million was a realised loss related to the US\$/€ contract which was terminated in the year ended December 31, 2010. The remaining balance of €0.1 million was related to the UK£/€ contract which resulted in an unrealised valuation loss as at December 31, 2010 as this contract expired on February 28, 2011.

Foreign exchange losses (gains), net. Foreign exchange gains for 2011 were €0.01 million. Foreign exchange gains for 2010 were €4.4 million, mainly concerning cash at bank in US dollars and receivables in US dollars and UK sterling. Of this amount, €2.8 million was due to realized foreign exchange gains arising from the collection of US\$ receivables in 2010 relating to the return of share capital and dividends of FAGE USA Holdings, Inc. to FAGE which were outstanding on December 31, 2009. The remaining balance relates to foreign exchange gains from the remeasurement of other receivables and payables outstanding on December 31, 2010 denominated in foreign currencies.

Profit/(loss) before income taxes. Loss before income taxes for 2011 was €13.3 million, compared to a loss before income taxes of €15.8 million for 2010.

Income taxes. The Company recorded an income tax provision for 2011 of €0.6 million. Income tax benefit for 2010 was €1.5 million.

Net profit/(loss). Net loss for 2011 was €13.8 million, as compared to net loss of €14.3 million for 2010.

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 Group as of December 31, 2011, amounted to €50.6 million (of which an amount of €38.6 million was available under the Group's credit facility of \$50.0 million with Citibank N.A.- see Note 27). As of December 31, 2011, the Company maintained an accounts receivable agreement for financing of up to €10.8 million with ABN AMRO Bank. The related agreement on December 31, 2010 was for €16.8 million.

Cash at banks and cash equivalents as of December 31, 2011, amounted to €34.3 million (See Note 20). This amount, together with the unused lines of credit, is sufficient to finance the investment program of the Group.

Cash flow data.

	Year ended	
	December 31,	
(€ thousands)	2011	2010
Cash flow from/(used in) operating activities.....	39,082	19,140
Cash flow from/(used in) investing activities.....	(43,052)	(17,909)
Cash flow from/(used in) financing activities.....	(5,716)	12,189
Effect of exchange rates changes on cash.....	3,345	(1,644)
Cash and cash equivalents at beginning of year.....	40,683	28,907
Cash and cash equivalents at year-end.....	34,342	40,683

Net cash from operating activities for the year ended December 31, 2011 was €39.1 million, compared to net cash from operating activities of €19.1 million for the respective period of 2010. This improvement is mainly due:

- first, to the increase in the accounts payable by €15.6 million; and
- second, to a significant decrease in the income taxes paid, since in 2010 €7.6 million was paid related to the withholding income tax paid in January 2010 on the dividends paid by FAGE USA Holdings, Inc. to FAGE Dairy Industry S.A.

This improvement was offset:

- first, by the fact that the trade and other receivables as of December 31, 2011 increased by €16.3 million as compared to an increase of €7.0 million for 2010. This was mainly due to: (a) an increase in the sales in value by 13.8%; (b) the claim from the tax authorities related to the value added tax increased from €11.8 million to €14.3 million; and (c) the fact that the accounts receivable agreement with ABN AMRO Bank decreased from €16.8 million to €10.8 million; and
- second, by an increase in inventories by €4.6 million for the year ended December 31, 2011 which was mainly due to the significant increase in sales both in volume and value in the U.S. market whereas the respective increase in inventories for the year ended December 31, 2010 was €1.1 million.

Cash flow used in investing activities. Net cash used in investing activities amounted to €43.1 million and €17.9 million for the years ended December 31, 2011 and 2010, respectively. Out of that, an amount of €5.6 million relates to capex maintenance for the facilities in Greece and €37.2 million relates to capex for the expansion of the U.S. facility.

Cash flow from/(used in) financing activities. Net cash used in financing activities for 2011 was €5.7 million, which reflects the difference between an increase from short-term borrowings and interest paid during 2011. Net cash from financing activities for 2010 was €12.2 million, which reflects net proceeds of €106.5 million (€95.3 million from the issuance of the 2020 Senior Notes and €11.2 million from short-term borrowings), the repayment of €46.0 million of long-term loans, the early redemption of €20.0 million of 2015 Senior Notes, the repayment of €11.9 million of short-term borrowings and interest paid during 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.

Principal Risks and Uncertainties for the Remainder of 2012

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:

- first, the Company is exposed to aggressive competition in the domestic Greek market;
- second, the Group is exposed to currency exchange rate fluctuation, particularly in relation to the US dollar and the UK sterling;
- third, price fluctuations in raw materials could adversely affect the Group's manufacturing costs; and

- fourth, the current economic crisis could continue to 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.

Critical Accounting Policies

The discussion and analysis of financial condition and results of operations are based upon the Consolidated Financial Statements, which have been prepared in accordance with IFRS as endorsed by the EU. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition, doubtful accounts and long-lived assets. Management bases its estimates on historical experience and on various other assumptions and factors (including expectations of future events) that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the value of such assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe that, of our significant accounting policies, the following may involve a higher degree of judgment and complexity:

Accounts receivable credit and collection. We have established criteria for granting credit to customers, which are generally based upon the size of the customer's operations and consideration of relevant financial data. Business is generally conducted with such customers under normal terms with collection expected within sixty days after shipment. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate allowance for doubtful accounts. The balance of such allowance for doubtful accounts is appropriately adjusted by recording a charge to the consolidated statement of income for the reporting period. Any amount written off with respect to customer account balances is charged against the existing allowance for doubtful accounts. It is our policy not to write off an account until all possible legal action has been exhausted.

Property, plant and equipment. Plant and equipment (and, until December 31, 2008, land) are stated at cost, net of subsidies provided by the Greek State, less accumulated depreciation and less any accumulated impairment losses. Borrowing costs incurred during the period of construction that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset using the related borrowing rate. Repairs and maintenance costs are expensed as incurred. Significant improvements are capitalized to the cost of the related asset if such improvements increase the life of the asset, increase its production capacity or improve its efficiency. The cost and related accumulated depreciation of assets retired or sold are removed from the accounts at the time of sale or retirement, and any gain or loss is included in the consolidated statements of income. For statutory reporting purposes, we were obliged to revalue our property, plant and equipment at various dates following the provisions of the respective mandatory tax laws. These revaluations have been reversed in the Consolidated Financial Statements, after giving effect to the related deferred income taxes. The reversal of the net revaluation gains is reflected in the component of equity "net revaluation surplus."

Since December 31, 2008, land, following initial recognition at cost, is measured at fair value less impairment losses recognized after the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the assets revaluation reserve included in the "net revaluation reserve" in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of income, in which case the increase is recognized in the statement of income. A revaluation deficit is recognized in the statement of income, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation rates and useful lives. Our assets are depreciated over their estimated remaining useful lives. These useful lives are periodically reassessed to determine whether the original period continues to be appropriate. The actual lives of these assets can vary depending on a variety of factors such as technological innovation and maintenance programs.

Goodwill. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets. With the exception of goodwill which is tested for impairment on an annual basis, the carrying values of other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Whenever the carrying value of an asset exceeds its recoverable amount an impairment loss is recognized in the

consolidated statement of income. The recoverable amount is measured as the higher of fair value and value in use. Fair value is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting any direct incremental selling costs, while value in use is the present value of estimated future cash flows expected to arise from continuing use of the asset and from its disposal at the end of its useful life. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows. Impairment losses which were accounted for in prior years are reversed only when there is sufficient evidence that the assumptions used in determining the recoverable amount have changed. In these circumstances the related reversal is recognized to income.

Income taxes. Current and deferred income taxes are computed based on the separate financial statements of each of the entities included in the Consolidated Financial Statements, in accordance with the tax rules in force in Greece or other tax jurisdictions in which entities operate. Income tax expense consists of income taxes for the current year based on each entity's profits as adjusted in its tax returns and deferred income taxes, using substantively enacted tax rates as well as provision for additional income taxes which may arise from future tax audits. The final clearance of income taxes may be different from the relevant amounts which are included in the Consolidated Financial Statements. Deferred income taxes are provided using the liability method for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. For transactions recognized directly in equity, any related tax effects are also recognized directly in equity. Deferred tax is calculated using substantively enacted tax rates at the balance sheet date.

In accordance with the Greek tax regulations, the corporate tax rate applied by companies for fiscal year 2010 was 24%. According to the tax law for the year 2011 onwards the tax rate will be 20%.

U.S. corporations generally are subject to U.S. federal corporate income tax at a 35% rate. Reduced rates of tax apply to income amounts below specified thresholds, but the benefit of these reduced rates is recaptured at higher levels of income. In addition, corporations doing business in New York State are generally subject to a 6.5% corporate income tax.

Derecognition of financial assets. When we have transferred our rights to receive cash flows from an asset or have entered into a pass-through arrangement, management exercises judgment to determine whether we have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, and we recognize a new asset to the extent of our continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that we could be required to repay. Furthermore management engages in making estimates of the value of the guarantee to determine the amount of the continuing involvement.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk, primarily from foreign currency and interest rate fluctuations. We generally do not hedge our exposure to foreign currency and interest rate risks. We do not hold any derivatives for trading or speculative purposes which have a material impact on the financial statements. Changes in the fair value of derivatives are recorded in current earnings along with the change in the fair value of the underlying hedged item.

We enter into transactions denominated in foreign currencies related to the sales and purchases of goods. Therefore, we are exposed to market risk related to possible foreign currency fluctuations, which is mitigated to a certain extent by the set-off of credit and debit balances in the same currencies. We are increasingly subject to currency translation risks due to our increased international exposure relating from our sales in the U.S. and UK markets. For the year ended December 31, 2011, 51.1% of our sales were denominated in currencies other than the euro, while 46.6% of our costs were denominated in currencies other than the euro.

We are exposed to interest rate fluctuations due to loans and borrowings that bear variable interest rates. As at December 31, 2011, €24.6 million, or 10.2%, of our loans and borrowings bore variable interest rates. A hypothetical 1% increase in interest rates on our variable rate debt for a period of one year would have decreased our profit before tax by approximately €0.2 million; the impact on net profit will be less due to the tax impact.

Contractual Obligations

The following table sets forth the Group's contractual obligations as of December 31, 2011.

	<u>Total</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>
	(€ thousands)			
Interest-bearing loans and borrowings	217,411	-	101,482	115,929
Operating lease obligations	1,915	505	876	534
Obligations under service agreements.....	8,620	8,620	-	-
Investment in U.S.A.	6,712	6,712	-	-
Other long-term liabilities	36	36	-	-
	<u>234,694</u>	<u>15,873</u>	<u>102,358</u>	<u>116,463</u>

OUR INDUSTRY

The Greek Dairy Market

The total Greek dairy market was valued at approximately €1.72 billion for the year ended November 30, 2011. This market consists of five principal product categories: yogurt, dairy desserts, UHT and evaporated milk and milk creams, refrigerated milk (fresh and ESL milk) and cheese. Within these product categories, we focus primarily on branded yogurt, dairy desserts, ESL milk, which is gaining market share from evaporated milk and UHT milk, and modern packaged cheese. Since 2009, sales volume in the Greek dairy market has been declining, while competitive conditions and the deteriorating macroeconomic environment have reduced the ability of operators to generate value growth comparable to historical levels.

The following table presents the size and growth rates of the Greek dairy market by volume and value in the three years ended November 30, 2011.

	Volume			% Average Annual Growth Rate 2009–2011	Value			% Average Annual Growth Rate 2009–2011
	2009	2010	2011		2009	2010	2011	
	(metric tons)				(€ thousands)			
Total Dairy Market	902,806	867,641	846,418	(3.2)%	1,758,007	1,665,888	1,717,470	(1.1)%
% annual change		(3.9)%	(2.4)%			(5.2)%	3.1%	
Categories in which we compete:								
Branded Yogurt	88,757	82,846	77,390	(6.7)%	370,169	346,138	341,078	(4.0)%
% annual change		(6.7)%	(6.6)%			(6.5)%	(1.5)%	
Modern Packaged Cheese (excluding Feta) ⁽¹⁾		24,948	25,252 ⁽¹⁾			244,821	257,643 ⁽¹⁾	
% annual change			1.2%				5.2%	
ESL Milk	188,217	188,806	193,405	1.4%	260,406	258,414	273,400	2.5%
% annual change		0.3%	2.4%			(0.8)%	5.8%	
Milk Creams and UHT	19,695	17,842	16,477	(8.6)%	55,616	49,441	47,718	(7.3)%
% annual change		(9.4)%	(7.7)%			(11.1)%	(3.4)%	
Dairy Desserts	7,194	6,851	6,168	(7.4)%	36,325	33,767	30,557	(8.3)%
% annual change		(4.8)%	(10.0)%			(7.0)%	(9.5)%	

Source: Nielsen MarketTrack or ScanTrack Service, Annual Reports 2009-2011.

(1) As January 1, 2011, Nielsen stopped using Market Track Service to measure the cheese market and began using Scan Track Service instead.

Nielsen survey figures are derived by extrapolation from a sample of an estimated 70% of the Greek market, for the categories branded yogurt, ESL milk, milk cream and UHT milk and dairy desserts, and 60% for the modern packaged cheese category.

For the year ended November 30, 2011, the Greek dairy market experienced a decrease of 2.4% in volume, but an increase of 3.1% in value, as compared to the year ended November 30, 2010. The market was significantly impacted by the debt crisis in Greece and the rest of Europe and especially by the economic austerity measures taken in Greece and their negative consequences on consumer behavior as well as the aggressive promotional activities engaged in by all of the significant producers in the Greek dairy market. The decreases in sales volume in the Greek dairy market resulted mainly from decreases in the yogurt business, the milk creams and UHT business and the desserts business.

The Greek dairy market is very competitive. Our principal competitor in Greece in both yogurt and milk is Vivartia S.A. (formerly Delta). We also compete with Mevgal S.A. and Agno Dairy Industry S.A., two Northern Greece dairies, Danone and Friesland Coberco Dairy Foods ("Friesland"). Vivartia SA and Mevgal SA have agreed to merge and the closing of the merger is pending. In the cheese market, our principal competitors include Mevgal S.A., Vivartia, Agricultural Dairy Industry of Epirus S.A. (Dodoni), Kolios S.A., Epirus S.A., Optima S.A. and Arla Foods, a Danish producer. Friesland has merged with Campina as of January 2011 creating a large competitor, FrieslandCampina, in the cheese market. We also compete with a number of other regional and local dairy businesses, as well as some other foreign dairy companies. FAGE and Vivartia are large players in the Greek dairy market with a significant presence across product categories. The large international producers (such as Danone) are generally present only in selected product categories and do not compete across the entire range of dairy products.

The following table presents the main participants in the Greek dairy market, together with their market positions by product category for the year ended November 30, 2011.

	Branded Yogurts	Modern Packaged Cheese ⁽¹⁾	ESL Milk	UHT Milk and Milk Creams	Dairy Desserts
FAGE.....	#1 27.4%	#2 8.1%	#3 15.8%	#3 14.0%	#3 12.8%
Vivartia.....	#2 14.6%	NA	#2 21.0%	#5 2.7%	#6 5.9%
Friesland.....	#4 6.6%	#3 7.0%	#1 24.8%	#2 14.7%	NA
Mevgal.....	#6 6.1%	#5 5.1%	#5 3.6%	#6 1.8%	#5 6.6%
Danone.....	#5 6.5%	NA	NA	NA	#2 13.7%
Nestle.....	NA	NA	NA	#1 17.9%	#6 0.5%
Giotis.....	NA	NA	NA	NA	#4 12.0%
Bel.....	NA	#4 6.3%	NA	NA	NA
Private Label.....	#3 <u>11.7%</u> <u>72.9%</u>	#1 <u>24.5%</u> <u>51.0%</u>	#4 <u>14.7%</u> <u>79.9%</u>	#4 <u>12.9%</u> <u>64.0%</u>	#1 <u>21.9%</u> <u>73.4%</u>

(1)Excludes Feta cheese. The balance of the Greek modern packaged cheese market comprises numerous small producers.

Source: Nielsen MarketTrack, annualized figures for all bi-monthly periods within the year ended November 30, 2011.

Yogurt. In 2011, the total Greek market for yogurt was approximately 90,000 metric tons in volume (a decrease of approximately 5.3% compared to 2010) and approximately €386 million in value (a decrease of approximately 0.8% compared to 2010). Yogurt has traditionally been a staple of the Greek diet. Greece continues to have a high per capita rate of yogurt consumption (10.7 kg/year). In contrast to other countries where yogurt is typically only a dessert or breakfast product, in Greece it is mainly consumed as a stand-alone snack or as part of a meal. We believe that Greek consumers typically prefer authentic Greek yogurt, which has a fuller, richer taste and a thicker texture than that of yogurt produced elsewhere. The Greek yogurt market includes two principal product categories, the “traditional/bulk” type of yogurt, which is sold at commodity-type prices, and branded yogurt. Branded yogurt has grown steadily as a proportion of total yogurt sales in Greece since its introduction and currently accounts for 86.3% of the total yogurt market. Overall, in recent years, the branded yogurt market in Greece experienced decreases in terms of volume with an estimated average annual decrease of approximately 6.7% between 2009 and 2011. Over this same period, the value of the Greek branded yogurt market is estimated to have decreased by nearly 4.0% annually. The market trend in 2010 of declining value and volume of yogurt sales continued in 2011, during which the prolonged economic recession and its negative effects on consumer demand and behaviour led to decreases in volume and value of the Greek yogurt market.

Modern Packaged Cheese. In 2011, the total Greek market for cheese (excluding Feta) was approximately 25,252 metric tons in volume and approximately €258 million in value. Nielsen started using the Scan Track Service for the cheese market in 2011 and, according to back data for 2010, the packaged cheese market increased by 1.2% in volume and 5.2% in value in 2011. Cheese has also traditionally been a staple of the Greek diet. Greece has one of the world’s highest per capita rates of cheese consumption (25 kg/year). We believe that this explains, in part, the development of Greece’s distinctive cheeses and the importance that Greek consumers place on purchasing Greek-made cheese products. The cheese industry in Greece includes approximately 700 small and medium-sized cheese makers which, to a large extent, produce cheese in bulk at commodity prices that represents approximately 78% of the total cheese market in Greece. The remaining 22% of the cheese market is accounted for by modern packaged cheese (up from an estimated 3% in 2000). Overall, in recent years, the aggregate modern packaged cheese market in Greece has experienced significant growth in terms of volume and value. This growth is driven by private label products, introduced by retailers aiming to reduce their operating costs by offering pre-weighed pre-packaged cheeses on the shelf versus bulk over the counter. We believe that, while overall demand for cheese is expected to be stable, the modern packaged cheese sector will continue to experience growth. Significant consolidation among producers of modern packaged cheese has taken place in recent years, consistent with the trend toward packaged, high-quality products requiring more capital-intensive production and distribution capabilities. We believe that this consolidation will continue.

ESL Milk. There has been a long-term trend in the Greek dairy market towards ESL milk and away from fresh, UHT and evaporated milk. The ESL milk category is highly competitive and is the only growing category in the milk market. In 2011, the total Greek market for ESL milk was approximately 193,000 metric tons in volume (an increase of approximately 2.4% compared to 2010) and approximately €273 million in value (an increase of approximately 5.8% compared to 2010). Overall, in the period between 2009 and 2011, the aggregate ESL milk category experienced an estimated average growth rate of 1.4% in terms of volume, while in terms of value it experienced an estimated average increase of 2.5%.

UHT Milk and Milk Creams. UHT is the process by which temperatures exceeding 135°C are applied for at least 1 second during the pasteurization of milk and milk creams in order to eliminate bacteria and spores. UHT products are then filled into pre-sterilized containers and typically have a shelf life of six to nine months when stored at room temperature.

In 2011, the total Greek market for UHT milk and milk creams was approximately 16,500 metric tons in volume (a decrease of approximately 7.7% compared to 2010) and approximately €48 million in value (a decrease of approximately 3.4% compared to 2010). The decrease in volume can be mainly attributed to the significant decrease in demand for UHT milk. Overall, in the period between 2009 and 2011, the aggregate Greek UHT milk and milk creams market experienced an estimated average decrease of 8.6% in terms of volume and an estimated average decrease of 7.3% in value.

Dairy Desserts. The dairy desserts category includes many types of milk-based products with a variety of textures, flavours and characteristics. The most popular type of dairy desserts is creams (puddings) that are usually flavoured (chocolate, vanilla, caramel, strawberry and others). Other types of dairy desserts include mousse, rice pudding and crème caramel.

In 2011, the total Greek market for dairy desserts was approximately 6,168 metric tons in volume (a decrease of approximately 10% compared to 2010) and approximately €31 million in value (a decrease of approximately 9.5% compared to 2010). Overall, in recent years, the aggregate dairy dessert market in Greece experienced a decrease of approximately 7.4% in terms of volume and a decrease of approximately 8.3% in terms of value. Dairy desserts are a product category that enjoys relatively high margins and favors innovation in tastes and product ranges.

The U.S. Yogurt Market

The U.S. spoonable yogurt category, which is the category in which we operate, is rapidly growing. Spoonable yogurt retail sales in the United States have risen from an estimated \$4.0 billion in 2005 to \$6.4 billion in 2011 at a compound annual growth rate of 8.5%. In volume terms, spoonable yogurt sales in the United States have risen from an estimated 1,359,000 metric tons in 2005 to 1,940,000 metric tons in 2011 at a compound annual growth rate of 6.0%. Per capita consumption of yogurt in the United States is still relatively low at 6.3 kg/year, compared with 10.7 kg/year in Greece and 16.9 kg/year in Western Europe.

The U.S. spoonable yogurt market's volume can be analysed in three relatively distinct categories: full-fat, representing approximately 2.5% of the category, low-fat, representing 48.5%, and non-fat, accounting for the remaining 49.0%. It can also be separately analysed by different categories of spoonable yogurt, one of which is the Greek and Greek-style yogurt category, which is estimated to represent approximately 25.0% of value and 15.0% of volume of the total U.S. yogurt market. We believe that the non-fat and low-fat categories are well positioned to take advantage of trends in overall dietary habits, such as the gradual change in the perception of yogurt from a condiment to a side dish or stand-alone snack as well as the growing acceptance of certain yogurt types with a high degree of nutritional and positive health characteristics. Therefore, we believe the Greek and Greek-style yogurt category and functional yogurt category are well-positioned to outperform the overall yogurt market and will likely continue to benefit from an ability to command premium prices.

Our principal competitors in the U.S. branded spoonable yogurt market are General Mills, with its Yoplait products, and Groupe Danone, with its Dannon, Stonyfield and Oikos products. Together, General Mills and Groupe Danone account for a joint market share across all product categories that exceed 65% in terms of sales value. Private-label products account for approximately 10% of the market. We are reported to be the fourth-largest market participant in terms of sales value, accounting for approximately a 5.0% share of the spoonable yogurt market, all of which is through our *FAGE[®] Total[®]* brand. However, due to certain limitations in the availability of data from certain food retailers, our management, based on actual sales volumes, believes that our market share is significantly understated.

The U.K. Market

The total U.K. yogurt market was valued at £1.17 billion for the year ended December 31, 2011. Yogurt household penetration in the United Kingdom is high and increasing, while the market is categorized according to consumers' needs and the latest healthy diet trends. *FAGE's Total[®]* yogurt participates in the Greek and Greek-style yogurt category of the U.K. yogurt market. The following table presents the size and growth rates of the U.K. yogurt market by volume and value for the three years ended December 31, 2011.

	Volume			Value		
	2009	2010	2011	2009	2010	2011
		(metric tons)			(£ thousands)	
Total Yogurt Market	493,995	506,749	483,954	1,178,901	1,188,299	1,173,302
% annual change		2.6%	(4.5)%		0.8%	(1.3)%
Category in which we compete:						
Greek and Greek-Style Yogurt	23,901	25,512	29,047	70,515	71,919	86,314
% annual change		6.7%	13.9%		2.0%	20.0%

Source: Nielsen Scanning data, 2009-2011.

FAGE's Total[®] is the brand leader in the Greek and Greek-style category of the U.K. yogurt market, with a 28.4% share of market value. Private label products account for 43.1% of the segment while other major brands in the category are Rachel's, Yeo Valley and Onken. The following table presents the main participants in the U.K. Greek and Greek-style yogurt category, together with their market positions for the twelve months ended December 31, 2011.

	Greek and Greek-Style Yogurt	
	Volume Share	Value Share
FAGE Total®	#2	#2
	19.8%	28.4%
Private Label	#1	#1
	57.3%	43.1%
Yeo Valley organic	#3	#3
	8.7%	10.8%
Rachel's organic	#4	#4
	8.4%	10.6%
Danone Activia	#5	#5
	5.1%	6.3%
Onken	#6	#6
	0.5%	0.4%

Source: Nielsen Scanning data, December 2011.

The Italian Market

The total Italian yogurt market was valued at €1.475 billion for the year ended December 31, 2011. We operate in the plain white yogurt market, which accounts for 10.8% of the total market and consists of two distinct product categories: full-fat, representing approximately 57.6% of the plain white yogurt market; and low-fat, accounting for the remaining 42.4%. We also sell rice pudding in the Italian dairy desserts market, which was valued at €147.5 million for the year ended December 31, 2011, while the rice pudding market in which we compete was valued at €6.4 million for the year ended December 31, 2011.

The following table presents the size and growth rates of the Italian yogurt, dairy desserts and rice pudding markets by volume and value for the three years ended December 31, 2011.

	Volume			Value		
	2009	2010	2011	2009	2010	2011
		(metric tons)			(€ thousands)	
Total Yogurt Market	352,196	354,501	364,274	1,465,056	1,420,560	1,474,947
% annual change		0.7%	2.8%		(3.0)%	3.8%
Categories in which we compete:						
Full-Fat White Yogurt Market	27,640	27,552	29,029	87,938	85,757	91,803
% annual change		(0.3)%	5.4%		(2.8)%	7.1%
Low-Fat White Yogurt Market	18,236	18,553	20,356	59,639	59,653	67,649
% annual change		1.7%	9.7%		-	13.4%
Dairy Desserts Market	31,386	30,149	28,513	160,618	157,567	147,557
% annual change		(3.6)%	(5.4)%		(2.2)%	(6.4)%
Rice Pudding Market	1,771	1,380	1,099	10,364	7,832	6,448
% annual change		(22.1)%	(20.3)%		(24.4)%	(17.7)%

Source: IRI Scanning data, 2009-2011.

For the year ended December 31, 2011, the Italian yogurt market experienced an increase of 2.8% in volume and 3.8% in value as compared to the same period of 2010. The rice pudding market continued its downward trend and declined by 20.3% in volume and by 17.7% in value. This negative trend can be mainly attributed to the worldwide economic recession and its effect on consumer demand for impulse purchases like desserts, as it is reflected in all European dessert markets. In addition, Müller GmbH & Co. KG, the dominant player in the Italian rice pudding market, stopped spending large amounts on advertising, which affected the development of the market.

Other market participants in the Italian plain white yogurt market are Danone, Müller, private-label products, and the local participants Cooperative Latteria Vipiteno soc. Agricola and Yomo (a Granarolo s.p.a. company). In the Italian dairy desserts business, Müller is our primary competitor. The following table presents the main participants in the Italian market, together with their market positions in value terms by product category for the twelve months ended December 31, 2011.

	Low-Fat White Market	Full-Fat White Market	Rice Pudding Market
FAGE	#2 18.6%	#4 6.9%	#2 32.7%
Danone	#6 4.4%	#14 0.2%	NA
Müller	#3 11.9%	#1 26.6%	#1 45.2%
Latteria Vipiteno	#4 11.4%	#3 11.0%	NA
Yomo	#5 4.6%	#7 1.5%	NA
Private Labels	#1 25.3%	#2 18.5%	NA

Source: IRI Scanning data, December 2011.

BUSINESS

Overview

We are one of the leading dairy companies in Greece. Through our extensive distribution network, we sell a wide range of branded dairy products, including yogurt and dairy desserts, milk and milk creams, and modern packaged cheese. The products that we manufacture are produced in four facilities (three in Greece and one in the United States) and are sold under the *FAGE® Total®* and other brands, which we believe are the most recognized in the Greek dairy industry. We have the leading market share in Greece in branded yogurt, the second largest market share in Greece in modern packaged cheese (excluding Feta) and the third largest market share in Greece in ESL milk, UHT milk, milk creams, and dairy desserts business, for the twelve months ended November 30, 2011:

Greek Market	Our Market Position in Greece	Our Market Share in Greece by Volume
Branded Yogurt	#1	27.4%
Modern Packaged Cheese (excluding Feta cheese)	#2	8.1%
ESL Milk	#3	15.8%
UHT Milk and Milk Creams.....	#3	14.0%
Dairy Desserts.....	#3	12.8%

Source: Nielsen MarketTrack, annualized figures for all bi-monthly periods within the year ended November 30, 2011.

We also distribute and sell fruit juices and co-pack other products, which are produced by other parties.

In addition to the Greek market, we sell our yogurt in international markets, particularly the United States, the United Kingdom and Italy. In the United States, our *FAGE® Total®* yogurt is the fourth-largest yogurt brand overall in terms of sales. We believe that the *FAGE® Total®* brand conveys an image of superior taste and quality and enables us to expand our business worldwide. Export and international sales in value for 2011 represented 56.6% of the Group's total sales in value, as compared to 45.5% for 2010. We have our own yogurt facility in the United States that manufactures our yogurt products for the U.S. market, and our own distribution units in the United Kingdom and Italy.

For the year ended December 31, 2011, we had sales of €385.2 million (U.S.\$498.4 million) and EBITDA of €48.2 million (U.S.\$62.4 million). Sales and EBITDA for the year ended December 31, 2010 amounted to €338.6 million (U.S.\$438.1 million) and €48.9 million (U.S.\$63.3 million), respectively.

FAGE (pronounced “fah’-yeh”) has been continuously owned since it was founded in 1926 by the family of Mr. Athanassios Filippou, the father of FAGE’s two present shareholders, and substantially all of the Company’s assets and operations are held by it directly or through wholly owned subsidiaries. FAGE is a *société anonyme* incorporated under the laws of the Hellenic Republic. FAGE USA is a corporation organized under the laws of the State of New York and an indirect wholly owned subsidiary of FAGE.

Competitive Strengths

We believe that our position as one of the leading Greek dairy companies can be attributed to, and will continue to be supported by, a number of competitive strengths, which include the following:

Strong Trademark and Brand Image. Since we introduced the first branded yogurt products into Greece in the mid-1970s, FAGE has developed one of Greece’s most recognized trademarks. We believe the *FAGE®* trademark conveys an image of superior taste and quality, which we believe is valued by consumers of these traditional Greek food products. In addition to reinforcing our leading position in the yogurt market, FAGE’s strong brand image has enabled us to expand into other dairy product categories. Our milk and cheese products are also marketed under the *FAGE®* trademark. The strength of our brand also has spread to our international markets. We have been recognized in a 2009 survey by BrandSpark International for the quality of our products as part of a consumer survey involving over 50,000 U.S. and 25,000 Canadian shoppers. *FAGE® Total 0%* yogurt was awarded the fifth highest score for products sold in the United States (and the highest score for a food product) in BrandSpark’s assessment of a brand’s power to generate referrals to friends and family among users for over 180 brands ranging from food to health and beauty to household care products. In a large corporate image survey conducted in Greece by Centrum in May 2010, FAGE was ranked the #1 most respected company by consumers, among all companies in all sectors.

Distinctive Products of Superior Quality. We believe that our products are recognized by the Greek consumer for their superior quality and taste. This reputation for product quality has been built during our 86-year history through advanced technical expertise and significant investment in sophisticated production facilities. We offer some of the most distinctively Greek yogurt products. In the branded yogurt market, we believe that our traditional strained yogurt, produced using our own proprietary recipe and process, has a fuller, richer taste and a thicker texture than that of yogurt sold in other parts of Europe and the United States. We believe that our superior product quality and distinctive product offering underpin our leading position in Greece as Greek consumers typically prefer authentic Greek dairy products, and offer growth opportunities in international markets where our strained yogurt offers a superior culinary experience.

Leading Market Positions in Greece and Rapidly Growing International Presence. According to recent market share data provided by Nielsen and management estimates, we have the leading market position in branded yogurt, the second largest market share in modern packaged cheese (excluding Feta) in Greece and the third largest market share in three product categories in which we compete (ESL milk, milk creams and UHT milk and dairy desserts). We also enjoy a growing market presence and brand recognition in the yogurt

market in the United States and key European countries such as the United Kingdom, Italy and Germany. Our leading position in the Greek dairy market allows us to maintain and strengthen our ability to generate cash, increases our brand recognition, and provides us with a strong platform from which to expand our international operations and overall product portfolio.

State-of-the-Art Production Facilities. Between January 1, 2007 and December 31, 2011, we invested approximately €160.6 million in upgrading our production facilities in Greece and expanding our highly automated state-of-the-art production facility in the United States. The total amount of €160.6 million includes €125.4 million for our investment in the United States in order to expand our production facility in the State of New York to produce and distribute *FAGE® Total* yogurt products and €35.1 million for our capital expenditure program for the facilities in Greece (which includes €14.2 million to upgrade our equipment for the production of strained yogurt in Greece). Following these investments, we believe that our production capability and standards are among the highest in the dairy industry both from a technological as well as an efficiency point of view. Our highly automated U.S. facility has the capacity to produce 85,000 tons of yogurt annually. We have completed a multi-year program to comprehensively update and automate our Athens facility to a similar standard to that of our U.S. facility, which will further support our position in the Greek market. Our ESL milk and milk creams production facility at Amyntaio in northern Greece is highly automated and strategically positioned in close proximity to many of our milk suppliers, thus ensuring the production and delivery of fresh, high-quality milk products. We have also made investments to upgrade our Trikala facility to increase its capacity and manufacture new products with enhanced efficiency. Our capital expenditure and investment program has allowed us to benefit from higher productivity, lower production costs and improved operating efficiencies as increased automation and greater capacity utilization have lowered our per unit production costs.

Extensive Distribution Network. We operate the most extensive distribution network for dairy products in Greece covering approximately 20,000 retail outlets throughout the country, including large supermarkets, bakeries, dairies and small convenience stores. We supply our branded yogurt products to retail outlets that we believe account for more than 99% of the total sales of branded yogurt in Greece. We believe that the unrivalled breadth and scope of our distribution coverage is a key competitive advantage, particularly given the fragmented nature of the Greek food retailing industry and the geographic inaccessibility of many parts of Greece. We also distribute certain of our products internationally to approximately 220 supermarket chains, with approximately 30,000 retail outlets in 29 countries, primarily throughout Europe and in the United States. Our U.S. distribution network serves some of the largest U.S. retailers, such as Wal-Mart Stores Inc., The Kroger Co., Costco Wholesale Corp., Safeway Inc., SUPERVALU Inc., Publix Super Markets Inc., The Stop and Shop Supermarket Company, H.E. Butt Grocery Co., Whole Foods Market Inc., Winn-Dixie Stores Inc., Giant Eagle Inc., Trader Joe's Co., Super Target, Wegmans Food Markets Inc., Hannaford Bros. Co., Harris Teeter Inc., Golub Corporation, Demoulas Supermarkets Inc. and numerous convenience stores, independents, specialty and natural-organic and health food stores. We also have acquired our distributors in the United Kingdom and Italy in an effort to streamline our distribution process in those countries. Our U.K. distribution network serves some of the largest U.K. retailers, such as Tesco plc, Sainsbury's Supermarkets Limited, ASDA Stores Limited, Waitrose Limited, Morrison Supermarkets PLC and numerous convenience stores, independents, specialty and natural-organic and health food stores.

Strength of Management. We are owned and strategically led by the Filippou family, which has been active in the Greek dairy industry for the past 86 years. The Filippou family has successfully introduced several innovative trends in the Greek dairy industry, particularly over the last 30 years. For example, the Filippou family has developed the branded packaged yogurt, one of the most profitable product groups in the Greek dairy market, as well as innovative ESL milk products, the fastest-growing product category in the Greek milk market. In 2005, the family completed the transition of day-to-day management of our Company to the third generation, with three members of the family, Mr. Athanassios Filippou, Mr. Athanassios-Kyros Filippou and Mr. Dimitrios Filippou, working full-time to implement our business plan and strategic objectives. Our present management team has led us during our most recent period of growth and success in the Greek market, has made strategic decisions to support and strengthen our competitive position and profitability, and has demonstrated leadership in expanding to international markets, particularly in the United States.

Business Strategy

Our highly regarded brand image, modern production facilities, extensive distribution network, superior product quality and distinctive product offering establish us as one of the leading food production and marketing companies in Greece. Our general strategy for the Greek domestic market is to reinforce our leading position through continued investment in our brands, further promotion and distinct positioning of our existing product range, and the introduction of new, innovative and well-researched products. We also plan to further develop our international operations in the United States, the United Kingdom and Italy and penetrate new and expand existing export markets. Our strategic initiatives include: (i) maintaining our leading market position in the Greek branded yogurt and dairy desserts markets; (ii) investing in the U.S. and other international markets with respect to branded yogurt (*FAGE® Total®*); (iii) growing our leading share of modern packaged cheese; (iv) strengthening our position in the refrigerated milk market by targeting higher-growth product categories; and (v) further improving our efficiency and profitability.

Maintain Leadership in Greek Branded Yogurt and Dairy Desserts Markets. Most on-pack promotional activities, such as price-offs and "buy 2 get 1 free" volume offers, have been discontinued and a new "every day low price" policy has been introduced. This resulted in an attractive combination of value pricing and distinctive positioning against branded and private label competition. Our marketing strategy has been re-focused on creating and reinforcing value for FAGE brands, in an economic environment where other brands have trouble doing so and private label products thrive. This strategy accentuates our strong competitive position in commercializing high-value brands and is consistent with our top quality offering. We have introduced several new packaged yogurt and dairy dessert products over the past three years and expect to continue to develop and introduce new products to maintain our position in these markets. Our product development effort will be focused on rationalizing our existing product range and further extending our product offerings in the branded yogurt market by introducing new, healthier yogurt products, launching new fruit yogurt products and revitalizing our product range for children. For these new product introductions, management has conducted extensive market research and obtained customer feedback to verify and monitor developing trends in consumer preferences and eating habits. In this respect, FAGE launched in September 2011 a fruit yogurt under the brand *Fruyo®* made of FAGE's strained yogurt and large fruit pieces with no preservatives and colorings, responding to consumer desires for tastier, thicker and healthier fruit yogurt. In addition, a new marketing

strategy for revitalizing the historic brand *Ageladitsa*[®], a leader in the plain cow yogurt market, was implemented as of May 2011. This included a new TV and social media (Internet) campaign featuring the top Greek pop star Sakis Rouvas. In international markets, we will continue our effort to expand sales. In promoting international sales, we focus on our leading *FAGE*[®] *Total*[®] brand line, emphasizing its superior taste and quality and the distinct nature of this authentic Greek yogurt product.

Grow Our Business and Expand Our Production Capacity in the United States. Since we first started sales of our *FAGE*[®] *Total*[®] product line in the United States in 1998, consumers have responded very favorably to this authentic Greek yogurt and sales have grown considerably. Our sales volume in the United States has grown from 8,900 in 2007 to 48,000 tons in 2011. Based on our experience with yogurt sales in the United States in the past ten years, management believes there is significant growth potential for our yogurt products in the U.S. market. Our cumulative investment in our highly automated state-of-the-art production facility in the United States, which started commercial production in April 2008, amounted to €149.8 million as of December 31, 2011. We believe that our U.S. plant's production capability and standards are among the highest in the dairy industry both from a technological as well as an efficiency point of view. Our U.S. facility currently has the capacity to produce over 85,000 tons of yogurt annually. We intend to continue to make the investments necessary for us to capitalize on growing U.S. demand for our products.

Invest in Other International Markets. We also plan to expand sales of our products and introduce new products in our other international markets and in new international markets. We have invested in the United Kingdom, our second-largest international market, through our acquisition in 2005 of our U.K. distributor for a price of €5.3 million (including €1.3 million of goodwill). We also have our own distribution unit in Italy. We plan to continue making investments internationally to streamline the production and distribution of our products in those markets.

Grow Leading Share of Modern Packaged Cheese. In 2010, we relaunched our leading semi-hard cheese brand "Trikalino". Following an integrated project of product development guided by the findings of extensive consumer research, we have substantially improved product taste and texture by altering our recipe and employing additional aging. We have redesigned packaging utilizing new modern materials and graphics and introduced new product line extensions. A new TV campaign, extensive promotional activities, sampling and product tasting were used to relaunch the "Trikalino" brand. We also relaunched our standard-weight cheese products in new high-quality reclosable packaging, capitalizing on our new equipment at our Trikala facility. We have rationalized our offering and improved distribution of key products, which already started to bear fruit in 2010. In 2011, we maintained our marketing expenditures on this successful campaign and improved our market positions, especially in the "over the counter" market. We sell our cheese products under the *FAGE*[®] trademark in order to benefit from the superior positioning and consumer loyalty associated with our brand and we will seek to maintain and expand our leading position in the Greek modern packaged cheese market.

Strengthen Position in Refrigerated Milk. We plan to strengthen our position in refrigerated milk in Greece by targeting the higher-growth ESL milk market and by enhancing our *N'JOY*[®] chocolate milk brand. We exited the lower-margin fresh milk market in September 2006 and expect to focus on higher-margin milk products in the future. Our innovative PET bottle with sleeve protection for the *GALA 10* ESL milk contributed significantly to its successful launch, while our Tetrapak packaging assures excellent quality for consumers of *Farma* ESL milk. We plan to continue to promote our existing product offerings and may introduce certain brand line extensions, such as fortified products. We plan to capitalize on the substantial benefits derived from marketing these products under the *FAGE*[®] trademark and by selling them through our extensive distribution network.

Further Improve Efficiency and Profitability. Our management is committed to improving the efficiency of our production and distribution processes in order to enhance our profitability. Our new U.S. facility has significantly enhanced the profitability of our U.S. operations. We have also promoted efficiency by negotiating more favourable terms with our suppliers, reducing other costs of sales and eliminating lower-margin products from our product portfolio. As part of this effort, we ceased the production and distribution of fresh milk in September 2006 because of the low profitability of the segment, which was due both to the high percentage of returned goods (as a result of their short five-day expiration date) and to high distribution costs, since fresh milk is expected to be delivered to retail outlets on a daily basis. In July 2007, we terminated our arrangement with Ferrero S.p.a. for the distribution of refrigerated snacks, due to low profitability. In September 2008, we withdrew from the Feta and Graviera of Crete cheese businesses, both from the domestic and international markets, since both of these operations were highly unprofitable. We plan to further develop and promote higher-margin products such as our ESL milk product line, which commands a premium over fresh milk, with lower returns and distribution costs due to its extended shelf life. In the cheese business, we are developing and marketing new higher-value packaged-cheese products for the Greek market.

Company History

We are owned and strategically led by the Filippou family, which has been involved with the Greek dairy industry for the past 86 years. Today, second and third-generation members of the Filippou family run and manage our operations and lead our expansion in international markets. *FAGE* is the successor to a business founded in 1926 by the establishment of the first dairy shop in Athens by the family of Mr. Athanassios Filippou, the father of *FAGE*'s two present shareholders and grandfather of today's Chief Executive Officer and Chairman. In 1954, Mr. Ioannis Filippou, son of Mr. Athanassios Filippou, entered the family business and helped to create the first wholesale distribution network for yogurt. By 1964, the first yogurt and pastry production facility in Galatsi, Athens was founded by the two brothers and present shareholders, Messrs. Ioannis and Kyriakos Filippou. In 1975, the yogurt plant was relocated from Galatsi to the property that we own at Metamorfossi in Attica, where our corporate headquarters and largest production facility remain to this day. In 2006, Mr. Athanassios Filippou, son of Mr. Ioannis Filippou, became our Chief Executive Officer and Mr. Dimitrios Filippou, son of Mr. Ioannis Filippou, and Mr. Athanassios-Kyros Filippou, son of Mr. Kyriakos Filippou, became Vice-Chairmen. Mr. Athanassios-Kyros Filippou became Chairman of the Board of *FAGE* in June 2010. Mr. Ioannis Filippou and Mr. Kyriakos Filippou remain as Lifelong Honorary Chairmen.

During the period from our inception until the mid-1970s, we were involved primarily in the small-scale production and distribution of traditional Greek yogurt. Until that time, retail outlets typically sold yogurt as a commodity product in bulk quantities, and the consumer often was unaware of the manufacturer. In 1975, we were the first company to introduce branded yogurt products into the Greek market. These products, which carried the *FAGE*[®] trademark, were sold in smaller, sealed tubs and presented in attractively designed packaging. Over the last three decades, branded yogurt products have steadily replaced the traditional bulk varieties, transforming the Greek yogurt industry into a predominantly branded market.

Our commercial success in selling yogurt and the positive image of the *FAGE*[®] trademark have enabled us to diversify into other product areas of the dairy industry. In 1991, we entered the cheese market with the leading packaged cheese brand *Trikalino*[®], which is produced in our cheese plant in Trikala. In 1997 we entered the ESL milk market in Greece. In May 2003, we launched a new ESL milk, *GALA 10*, which is produced in a new modern plant in Amyntaio. In November 1995, we launched our yogurt for children, under the brand name *Junior*[®], which is still the leader in the children's yogurt category of the market. We attribute our profitable growth in part to our success in entering new businesses and our ability to adapt to changing market conditions by targeting higher-margin businesses and exiting less-profitable product lines. For example, in September 2006, we discontinued fresh milk production and, in October 2008, we exited from the Feta and Graviera of Crete cheese businesses. We believe that success in our markets depends on consistently engaging consumers with new products and improvements to existing products, and we have continuously launched new products to meet changing consumer tastes. In 2009, *Total 2%* split cup yogurt, *Velvet* yogurt, *Nouvelle* cream and the first yogurt mousse under the *Sensia* brand name were the latest additions to our range of products.

From our roots as a local Athens dairy producer, we have expanded throughout Greece as well as internationally. We began exporting yogurt to the United Kingdom in 1980, to Italy in 1983 and to the United States in 1998. We enjoy a growing market presence in the United States and key European countries such as the United Kingdom, Italy, Germany and Cyprus.

In June 2000, FAGE USA Holdings, Inc. (formerly FAGE USA, Corp.) was incorporated as a wholly owned subsidiary of FAGE to import, distribute and promote *FAGE*[®] *Total* in the U.S. market. After only four years of presence in the United States and with sales of 2,146 tons of imported yogurt in 2004, we saw significant growth potential for our yogurt products in the U.S. market. In late 2004, we decided to invest in new manufacturing capacity in the United States in order to meet current and future demand and increase the profitability of our U.S. sales through the elimination of transportation costs and import duties. In February 2005, we established FAGE USA Dairy Industry, Inc., a wholly owned subsidiary of FAGE USA Holdings, Inc., to build and operate a state-of-the-art yogurt manufacturing facility in New York State. Our initial plan was to invest €25 million to build a facility with an annual capacity of 6,000 tons. While we were designing and constructing the new facility, U.S. sales growth and customer feedback were so strong that our management team instructed our engineers to increase the facility's capacity, first to 12,000 tons and then gradually to its current capacity of over 85,000 tons.

The facility started commercial production in April 2008. Since June 2008, all of the yogurt that we sell in the United States has been produced at our manufacturing facility in New York.

Products

We have an extensive range of products with a focus on innovation. Our product lines include 115 products marketed under 30 individual brand names. These products include a wide variety of branded yogurt, modern packaged cheeses, ESL milk, UHT milk and milk creams, and dairy desserts. Our dairy products are marketed under the *FAGE*[®] trademark, with brand names such as *Total*[®], *Ageladitsa*[®], *Fruyo*[®], *Junior*[®], *Velvet*[®], *Glykokoutalies FAGE*[®] in desserts and *Regato FAGE*[®], *Junior*[®], *Trikalino*, *Flair*[®] and *Gouda FAGE*[®] in cheese. Milk creams are marketed under the *FAGE*[®] trademark. ESL Milk is marketed under the *Farma*, *GALA 10* and *ABC*[®] trademarks. Chocolate milk is marketed under the brand names *N'JOY*[®] and *Junior*[®]. We also distribute fresh fruit juices produced by European Milk and Flour Industry S.A. ("Evga"). Members of the Filippou family own Evga. See "Related Party Transactions."

Branded Yogurt. Greek consumers typically prefer authentic Greek yogurt, which has a fuller, richer taste and a thicker texture than that of yogurt sold in the United States and other parts of Europe. These distinctive characteristics have developed through the use of different ingredients and production processes. Our yogurts are made according to our family recipe using our proprietary production methods. To make our strained yogurt, we pasteurize the milk and add our own yogurt culture for a slow fermentation process. The yogurt culture is produced at our plant and helps to create the distinctive *FAGE*[®] *Total* yogurt flavor. The yogurt then undergoes our proprietary straining process, which removes the watery whey and gives our yogurt its thick, creamy texture. Approximately four pounds of milk are needed to make one pound of *FAGE*[®] *Total* strained yogurt.

Our products include: strained and set Greek yogurts made from fresh milk, cream and yogurt culture; low-fat and fat-free yogurt made using skimmed milk; yogurts with honey, strawberries and other fruits; and yogurts flavoured or mixed with fruit juice, fruit pieces, fruit preserves, cereals and other ingredients. FAGE was the first to offer products in the enriched food and children's yogurt sectors.

FAGE's five major yogurt brands are *Total*[®], *Ageladitsa*[®], *Fruyo*[®], *Velvet*[®] and *Junior*[®]. The *Total*[®] line is a strained yogurt made from cow's milk or skimmed cow's milk and is produced in six variations: *Total*[®] (classic, 10% fat), *Total*[®] 5%, *Total*[®] 2% (low fat), *Total*[®] 0% (fat-free), *Total*[®] *split-cup* and *Total*[®] 2% *split-cup* with sweet fruit preserves and honey. *Ageladitsa*[®] is a set yogurt made from cow's milk and is produced in three variants: *Ageladitsa*[®] (classic, 4% fat), *Ageladitsa*[®] 2% (low-fat) and *Ageladitsa*[®] 0% (fat-free). The *Silouet*[®] line is a diet yogurt made from semi-skimmed milk. *Fruyo*[®] is a fruit yogurt launched in 2011 that replaced the brand *Silouet*[®], responding to consumer desires for tastier, thicker and a healthier fruit yogurt. *Junior*[®] is the leading brand in yogurt products specifically designed for children. We also produce strained yogurt made from cow's milk that is sold in one kilogram containers under the *Family FAGE*[®] name. In the bulk business, we produce strained yogurt in five and ten kilogram containers. We concentrate our yogurt export

sales on *Total*, our leading strained yogurt brand line. Sales in the United States have grown significantly in recent years. Our yogurt products also are exported throughout Europe, with our strongest markets being the United Kingdom and Italy.

In 2003, we relaunched our *Ageladitsa*[®] and our *Silouet*[®] product lines. At the beginning of 2005, we decided to discontinue the *Fruyo* brand. At the end of May 2005, we relaunched *Silouet*[®] brand as stirred plain yogurt and extended the whole line by launching the *Silouet*[®] Fruit line. At the end of June 2005, we launched *Silouet*[®] with Cereals in four new flavors.

In February 2008, the new brand *Velvet*[®], a stirred cow's milk yogurt, was launched to capitalize on a new trend towards creamy texture yogurts. In September 2008, we launched a new range of strained yogurts, *Total*[®] 2% with fruits or honey, in an innovative "split-cup" packaging (with the fruit or honey in a separate compartment of the packaging, to be mixed only at the time of consumption), which we believe preserves all the taste and flavor of the ingredients.

In February 2009, we extended the *Total*[®] 2% split cup in two new flavors, apple-quince and fig. We also launched a new product line, *Sensia Mousse*[®], in four flavors, which is a yogurt with mousse texture and small fruit pieces. We launched two new products under the brand *Family*[®], which is a yogurt in packaging of 1kilogram made from cow's milk in 2% and 8% fat, plain and with fruit. In September 2009, we launched a new product in the Italian market called *Dolce Bianco*[®], which is stirred yogurt with sugar from grapes.

In 2010 and 2011, we introduced new successful flavours, such as blueberry and pomegranate-blackberry, in our *Total split-cup* product range. In May 2011, we launched a new advertising, TV and social media campaign for *Ageladitsa*, aiming to revitalize and modernize what is one of the most renowned yogurt brands in the Greek market. This campaign resulted in a strong turnaround in sales for the brand and substantial rejuvenation of the brand's image.

Packaged Cheese. We make our leading packaged cheese brand *Trikalino*, a semi-hard yellow ewe, goat and cow's milk cheese, at our factory in Trikala in Central Greece. In addition, we import and market *Playia* (a hard yellow spicy cheese) that is also packaged in grated form, *Edam FAGE*[®] and *Gouda FAGE*[®] (both semi-hard yellow cheeses), *Regato FAGE*[®] (a hard yellow cheese) and *Junior*[®] (cheese in portions). In 1999, we entered the light cheese category with our launch of *Trikalino Light*. In 2001, we launched value-added cheese in convenient forms such as resealable packages of grated cheese (*Gouda*, *Regato* and *Playia*). In June 2003, we entered the market for fresh sliced cheese with our launch of three products (*Trikalino classic*, *Trikalino Light* and *Gouda*) in small packages with resealable plastic film. In September 2008, we withdrew from the Feta and Graviera of Crete cheese businesses as the profitability of these businesses was below our target levels. In May 2009, we launched two new flavored variants of our *Flair* cottage product.

ESL Milk. ESL milk is a growing segment in the milk category and there is a long-term trend of Greek consumers switching from fresh, UHT and evaporated milk to ESL milk. We exited the unprofitable fresh milk business in 2006 and now focus mainly on ESL milk within the milk category. ESL milk is pasteurized and packaged at our Amyntaio facility in northern Greece. ESL white milk products are sold under the brands *GALA 10*[®] and *FARMA FAGE*[®]. ESL milk is produced by heat treatment at 127 degrees Celsius for two seconds followed by aseptic packaging. This is called high-heat pasteurization and results in a shelf life of 40 days under refrigeration conditions. Due to a new method of heat transfer (steam infusion), we believe that consumers find it difficult to differentiate the ESL milk produced in our facilities from fresh milk.

In 2001, our ESL line "*FARMA*" was extended into enriched milks (calcium and iron-fortified), as well as an enriched toddler milk under the brand name *ABC*[®]. Our chocolate ESL milk products are sold under the *N'JOY*[®] and *Junior*[®] brand names. Our chocolate milk *N'JOY*[®] 0%+0% (fat free and sugar free) complements the range of *N'JOY*[®]. In May 2003, we launched *GALA 10*, an ESL milk in a bottle.

UHT Milk and Milk Creams. We began to manufacture UHT milk in our own facility in Amyntaio early in 2003, enabling us to reduce the cost of production of this product. In May 2009, we launched a new product line in the milk creams business, the *Nouvelle*[®] line, in a plastic bottle, a dairy cream for cooking use in variants with 3.0%, 15.0% and 30.0% fat content.

Drossato, our buttermilk product, is marketed under the *FAGE*[®] brand. Our non-refrigerated UHT white and chocolate milks are marketed as *FAGE*[®] and *Yoko Choco*, respectively. The heat treatment of UHT milk is above 135 degrees Celsius for at least one second followed by aseptic packaging and results in a product with a shelf life of three months at ambient temperature.

Dairy Desserts. Dairy desserts are a relatively small part of our business (less than €40 million in sales in value in 2008). Dairy desserts have relatively high margins, and innovation and new product launches are key factors to success in the dairy desserts sector. We market dairy dessert products such as rice pudding, cream caramel, profiterole, tiramisu and mousses. At the end of 2001, we launched an umbrella brand for our new range of dairy desserts called *Glykokoutalies FAGE*[®], meaning "sweet spoonfuls." In October 2008, a new range of imported milk desserts was introduced under the new brand *CREMA MIA*. We continue to make investments in new products in this sector.

Sales and Marketing

We seek to increase sales to our customer base, which primarily consists of food retailers, by enhancing consumer preference and loyalty to products carrying our brands. We support our brands and products by engaging in integrated marketing and communication programs designed to further strengthen the position and value of our brands. The largest part of our advertising expenditure is for TV advertising and we also invest in print, cinema and radio advertising. Beginning in 2011, the Company has engaged in Internet social media activities for brands such as *Ageladitsa*, *Flair*, *Trikalino*, *Fage Milk Cream* and *Njoy*. Trade marketing activities, undertaken in cooperation with supermarkets and other retailers, typically target higher-volume sales and consist of competitions, gifts or price reductions. Consumer promotional activities include our major brands and newly introduced products. Other promotional activities include prominent in-store displays, marketing activities with key accounts and direct mail.

We strive to enhance our long-term relationships with our food retailers by offering greater product variety, better service and more value than our competitors offer. In addition, we employ key account managers to drive our sales and sales account representatives responsible for ensuring the broad distribution and sale of our products through retail outlets.

To promote export sales of selected yogurt products, we rely on 28 independent sales representatives and distributors in 29 countries. *FAGE*[®] yogurt is marketed as authentic Greek dairy product that is of superior taste and quality. We believe that export sales benefit from the large number of tourists who sample our goods while vacationing in Greece, and then purchase *FAGE*[®] products in their home countries.

Customers

In Greece, we distribute to approximately 20,000 retail outlets located throughout the country. We also distribute certain of our products internationally to approximately 220 supermarket chains, with approximately 30,000 retail outlets in 29 countries, primarily throughout Europe and in the United States. No one customer accounted for more than 10% of our sales in 2011.

As one of Greece's leading dairy producers, we are a key supplier to Greek retailers selling dairy products and we have not lost any significant customers in the past three years. The retail outlets that we distribute to in Greece include supermarkets (1,000), large stores (2,000), bakeries (5,000), confectionaries (4,500), dairy stores (5,500) and other smaller, sometimes seasonal, convenience stores (7,000). We believe that the wide availability of our products enhances our strong brand image, which further assists in maintaining consumer demand for *FAGE*[®] products.

Distribution

We distribute our products to the Greek market through an extensive and well-organized distribution network using our own vehicles as well as vehicles owned by our distributors and third-party transport service providers.

We distribute our products to the U.S. market through regional grocery distributors who service independent and local stores and directly to regional and national grocery store chains and warehouse chains. Deliveries are arranged with common carriers.

We distribute our products to other international markets through 28 sales representatives and distributors in 29 countries. Products are shipped from Athens and delivered to approximately 20,000 retail outlets in the countries of destination.

Suppliers and Raw Materials

The principal raw materials used in our fresh dairy products are fresh cow's milk, semi-processed cow and ewe-goat milk cheese mass (baski), low-fat condensed milk, milk cream, and the fruit and other ingredients that are included in certain of our yogurt products. Raw materials are purchased from multiple suppliers in Greece, other parts of the European Union and the U.S., and we are not dependent on any single supplier. We also purchase non-food materials, such as plastic and other packaging, from multiple suppliers.

In 2007, as part of our efforts to reorganize our raw material cost base, we withdrew from certain milk zones and small suppliers in Greece. We now collect fresh milk daily from approximately 50 medium-sized Greek farms. The milk is chilled and brought by isothermal trucks to our Greek production facilities. In the event of cow's milk shortages that have occurred in Greece from time to time due to European Union production quotas, we have obtained cow's milk for yogurt and cheese production from other European suppliers.

We select our suppliers based on an assessment of their quality, punctuality in delivery, stability and ongoing cooperation. While we do not have any long-term written supply contracts, we have not experienced any significant problems in supplying our operations. Management believes that our sources of raw materials are adequate for our anticipated needs.

Governmental Regulation

Greece is a member of the European Union, and as a result we are subject to certain regulations adopted by the European Union.

Economic and Monetary Union. Pursuant to the Treaty for the European Union, Member States must formulate their economic policies in light of general guidelines issued by the European Council (the "Council"). The Council reviews the economic policies of the Member States and may issue recommendations.

In early 2010, Greece faced a public debt crisis which resulted in the joint intervention of the World Bank, the IMF and the European Commission, including a €110 billion loan to be released in successive installments conditioned on a strict economic and financial adjustment program closely scrutinized by the European Commission. The obligations of the Greek Government have been included in a Memorandum of Understanding and all such instalments have been released. The European Central Bank has also taken a series of measures in order to enhance liquidity in the Greek financial markets. In October 2011, a new agreement was reached among the European Union, the World Bank and the IMF, comprising a new €130 billion loan for Greece, an updated economic and financial adjustment plan as well as a program of structural reforms and a voluntary restructuring of the Greek debt held by all private creditors. The agreement was ratified in February 2012, and became effective in March 2012, following the successful restructuring of all Greek government bonds. If Greece complies with the economic targets outlined in the agreement, a full return to the private capital markets for covering future financial needs is expected to be possible in 2015.

Common Agricultural Policy. The primary objective of the European Union's Common Agricultural Policy in the dairy sector is to ensure the survival of the milk production industry in the European Union by providing an equitable income for producers, encouraging structural reform of the industry, reducing overproduction and maintaining prices of the products at competitive levels in the international markets. In order to achieve this objective, a system of price fixing, quotas and structural aids have been adopted at the European Union and national levels.

The European Union has set national quotas and Member States establish regional, as well as individual, quotas for each milk producer. If milk production quotas are exceeded, national authorities may impose and collect levies either from individual producers or from the dairy companies that acquire the excess milk. Greece has opted for the second alternative and therefore we can therefore be liable for the payment of such levies in the event that our suppliers overproduce. However, we take steps to ensure that our suppliers are within their production quotas and we do not expect such provisions to have a material adverse effect on us. Greece has the second lowest milk quota in the European Union and, as a result, part of the required milk is supplied by other European Union countries.

In June 2003, the Council adopted a number of Regulations reforming the Common Agricultural Policy and, among other sectors, the milk market. According to these Regulations, the quota system will stay in place until 2015. In addition, the Council decreased the minimum prices for butter and skimmed milk and changed the structure and level of financial aid by the European Union to farmers. According to the current rules, the Member States were permitted to choose between different options in passing the aid of the European Union on to the farmers. The Greek government began implementing the Regulations at the end of 2005. Further limited changes to the common milk market were adopted by the Council in 2008 through the so-called "Dairy Mini-Package" and the "Common Market Organisation Simplification" Directive. The dairy market is expected to be reformed significantly by 2015, when the quota regime is not going to be renewed. To meet growing demand in the European Union and world markets, in November 2008, the European Commission decided to increase dairy production quotas by 1% per marketing year from 2009/2010 to 2013/2014 in all Member States beginning on April 1, 2009, plus an adjustment of the fat correction factor which resulted in a further de facto 1% increase in the quotas. There remain three annual increases of 1% each until the expiration of the quota system on April 1, 2015 (except for Italy, where it was decided to frontload the 5% increase as of April 1, 2009). The quota for Greece was 862,000 tons for 2011/2012, however for several years now the quota has not been reached by the Greek milk producers. The decrease in demand and a significant decrease in producers' prices in 2009 led the Council to adopt an additional multi-million Euro aid package for producers in October 2009.

Milk quotas are gradually becoming less relevant from year to year, as milk production falls short of quota amounts in an increasing number of Member States. According to official notifications by the Member States, the 2010/11 quota year is estimated to have ended with overall EU milk deliveries approximately 5% under quota. Greek milk production is expected to fall short of the quota once again in 2011/2012.

In 2010, the European Commission proposed new legislation on "contractual relations in the milk sector", which is currently under review in the Council of Ministers and the European Parliament. The proposal provides for written contracts between milk producers and processors, the possibility to negotiate contract terms collectively via producer organizations to balance the bargaining power of milk producers relative to major processors, specific EU rules for inter-branch organizations and measures for enhancing transparency in the market in order to prepare the sector for a more market-oriented and sustainable future. The measures are proposed to be effective until 2020 with two intermediate reviews.

Health and Safety Regulations. Pursuant to European Union directives, the Greek government has implemented regulations respecting the production, packaging, labelling, storage and transportation of milk and dairy products. In accordance with such regulations, among other required steps, the Company has implemented the HACCP Standard, a systematic approach to the recognition and control of potential hazards in the production process.

FAGE USA and our operations in the United States are subject to regulation by the U.S. FDA and the U.S. Department of Agriculture.

Environmental Matters

Our past and present business operations and ownership and operation of real property are subject to a broad range of environmental laws and regulations in each of the jurisdictions in which we operate, including Greek, European Union, and U.S. federal and state laws and regulations. These laws and regulations impose increasingly stringent environmental protection standards on us and affect air emissions, wastewater discharges, the use and handling of hazardous materials, noise levels, waste disposal practice and environmental clean-up, among other things. In addition, new laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination at our or other sites or the imposition of new cleanup requirements could require us to incur future costs that would have a negative effect on our results of operations or cash flow. Environmental laws can impose cleanup liability on owners or occupiers of a contaminated property even if they did not cause the contamination, and not all of our properties have been investigated for the presence of soil or groundwater contamination.

We believe that we are in substantial compliance with environmental laws and regulations and that currently we have no liabilities under environmental requirements that we would expect to have a material adverse effect on our business, results of operations or financial condition.

Employees

Our total number of full-time employees as of December 31, 2011 amounted to approximately 1,098. We promote the recruitment, development and retention of appropriately qualified managers and employees. Greek, U.S., U.K. and Italian legislation provides for mandatory minimum wage levels for our employees. Pursuant to our agreement with the union representing our Greek

employees, we typically pay our employees more than the legislation requires and provide certain additional employee benefits. We believe that our relationship with our employees is good and we have not experienced any work stoppages due to labour unrest in the last five years. The following table sets forth a breakdown of employees by main category of activity:

	Number of Employees
Production process.....	642
General and administrative	134
Selling and distribution.....	322
	<u>1,098</u>

Research and Development

We place significant emphasis on our research and development activities. Our Quality Assurance and Research and Development (“QARD”) division is staffed by 43 employees who work in eight laboratories in four different locations, with our main QARD facility located at our Athens plant. Most of our QARD employees have many years of experience in the dairy sector and some have advanced degrees. The QARD director reports directly to our Chief Executive Officer.

Our QARD activities include development of new products as well as regular review of product quality, safety parameters and legal compliance for existing products. Over the last five years, we have developed approximately 75 new product variants of yogurt, cheese, milk, milk creams and dairy desserts. Based on our experience, we expect to be able to develop approximately 20 new products per year. We continuously research new ingredients and alternative sources of supplies to improve the quality of our products and manage our costs. Our QARD division also develops and implements food safety programs for our production lines in accordance with ISO 20000 safety standards, and it was instrumental in the extension of our production technology for *FAGE*[®] Total strained yogurt to our new U.S. production facility.

Trademarks and Patents

All of our products are marketed under registered trademarks. We consider our *FAGE*[®] trademark, as well as our other major product brands, to be important competitive advantages and material to our business. We actively take steps to protect our intellectual property rights when and where we deem appropriate. Trademarks are registered in Greece, the United States and certain other European countries.

We use six patents in our production process, all of which are registered in Greece. Mr. Kyriakos Filippou owns five of such patents and has given us an irrevocable, royalty-free license to use such patents in perpetuity.

Properties

The following table sets forth our principal owned properties:

Location	Approximate Building Area (in square meters)
Metamorfossi, Athens (Yogurt Facility).....	52,729
Johnstown Industrial Park, Johnstown, New York, U.S.A. (Yogurt Facility).....	20,500
Amyntaio (Milk and Milk Creams Facility)	15,732
Trikala (Cheese Facility)	4,095
Thessaloniki (Distribution Facility).....	3,352

Our main Greek facility in Metamorfossi, Athens, houses our principal yogurt production facilities as well as our corporate headquarters. As of December 31, 2011, we also leased eleven properties, of which five are in Greece, three are in the United States, two are in the United Kingdom and one is in Italy. These leased properties consist primarily of warehouses and office space. Most of the commercial leases will expire between 2012 and 2020, subject to Greek statutory provisions that enable commercial and industrial tenants to extend the contractual term of a lease for a period of 6 to 12 years in total.

Legal Proceedings

We are involved in various legal proceedings incidental to the conduct of our business. Management does not believe that the outcome of any of these legal proceedings will have a material adverse effect on our financial condition or results of operations. Product liability litigation is not as prevalent in Greece as it is in the United States, and we have never incurred any material liability because of such claims. In addition, we maintain product liability insurance which we believe is adequate at the present time in light of our prior experience. See Note 30 to the financial statements.

MANAGEMENT

The following table identifies each of the executive officers and directors of FAGE. Directors are elected for a term of three years or until their successors are elected and qualified. Officers hold office until their successors are elected and qualified. The address of each executive officer and director of FAGE is 35 Hermou Street, 144 52, Metamorfossi, Athens, Greece.

Name	Age	Position
Kyriakos Filippou.....	73	Lifelong Honorary Chairman of the Board (non-executive Director)
Ioannis Filippou.....	76	Lifelong Honorary Chairman of the Board (non-executive Director)
Athanassios-Kyros Filippou.....	43	Chairman of the Board
Athanassios Filippou.....	46	Chief Executive Officer and Director
Dimitrios Filippou.....	43	Vice Chairman and Director
Dimitra Filippou.....	70	Director (non-executive Director)
Spyros Gianpapas.....	58	Chief Quality Assurance, R&D and Regional Plants Officer and Director
Christos Koloventzos.....	57	Chief Financial and Administrative Officer and Director
Christos Krommidas.....	54	Chief Athens Plant Officer and Director
Alexis Alexopoulos.....	50	Chief Commercial Officer and Director
Emmanuel Papaefthimiou.....	61	Director

Mr. Kyriakos Filippou is Lifelong Honorary Chairman of the Board of FAGE since June 2010 and a Director of FAGE. He had been FAGE's Chief Executive Officer or its Chairman in alternate years from 1989 to 2010. Previously, he was a Managing Director of FAGE from 1977 to 1989. He has been (a) the Chairman of the Board of ELBISCO HOLDING S.A., a public company that is listed on the Athens Stock Exchange and that produces and sells biscuits and snacks and distributes bread through its subsidiaries, and that is controlled by him and members of his family and companies controlled by him since 1990, (b) the Chairman of the Board of Mornos S.A. ("Mornos"), a plastic packaging producer owned by members of his family and companies controlled by them, from 2000 until December 2011, and (c) the Chairman of the Board of Agan S.A., a service company owned by Palace, by him and by Mr. Athanassios-Kyros Filippou, since 2002. In addition, Mr. Filippou holds interests, directly and indirectly, in these and several other companies. He is the brother of Mr. Ioannis Filippou. See "Ownership of Share Capital" and "Related Party Transactions."

Mr. Ioannis Filippou is Lifelong Honorary Chairman of the Board of FAGE and a Director of FAGE. He had been FAGE's Chairman or its Chief Executive Officer in alternate years from 1989 to 2010. He currently holds the position of Chairman of Iofil. He is the brother of Mr. Kyriakos Filippou. See "Ownership of Share Capital" and "Related Party Transactions."

Mr. Athanassios-Kyros Filippou is the Chairman of the Board of Directors of FAGE since June 2010 and a Director of FAGE, a position he has held since 1994. He has also been the Vice Chairman and Chief Executive Officer of Evga from 2003 to 2007, its first Vice Chairman and Chief Executive Officer from 2007 to 2010, its Vice Chairman from October 2010 to February 2011 and its Chairman since February 2011, the Vice Chairman of Mornos S.A. from 2005 to 2009 and its first Vice Chairman and Chief Executive Officer from 2009 to 2011 and its Chairman since December 2011, a director of Palace and its Vice Chairman from 2004 to 2011 and its Chief Executive Officer since 2011, a director of Agan S.A. since 2000 and its Chief Executive Officer since 2007 and a director of Dafnos S.A. since 2007. He is the son of Mr. Kyriakos Filippou. See "Ownership of Share Capital" and "Related Party Transactions."

Mr. Athanassios Filippou has been the Chief Executive Officer since January 2006 and a Director of FAGE, a position he has held since 1994. He currently holds the position of Vice Chairman of HQF, Vice Chairman of Iofil, and Vice Chairman of Vis. He is the son of Mr. Ioannis Filippou. See "Ownership of Share Capital" and "Related Party Transactions."

Mr. Dimitrios Filippou has been a Vice Chairman since January 2006 and a Director of FAGE, a position he has held since 2002. He currently holds the positions of Chairman and Chief Executive Officer of HQF, Chief Executive Officer of Iofil, and Chairman and Chief Executive Officer of Vis. He is the son of Mr. Ioannis Filippou. See "Ownership of Share Capital" and "Related Party Transactions."

Mrs. Dimitra Filippou is a Director of FAGE, a position she has held since 2002. She has held the position of Vice Chairman of the Board of Directors of Agan S.A., a service company owned by Palace, by Mr. Kyriakos Filippou and by Mr. Athanassios-Kyros Filippou, since 2003. Mrs. Dimitra Filippou is the wife of Mr. Kyriakos Filippou. See "Ownership of Share Capital" and "Related Party Transactions."

Mr. Gianpapas has been the Chief Quality Assurance, R&D and Regional Plants Officer and Director of FAGE since 2006. Previously he was the Quality Control, Research, and Development Manager and held various managerial positions from 1984 to 2006.

Mr. Koloventzos is the Chief Financial and Administrative Officer and a Director of FAGE, a position he has held since 1995. Previously he was the Group Financial and Administrative Director of Bingo S.A., a wafer and chocolate manufacturer, from 1990 to 1995, and Financial Controller of Phosphoric Fertilizer Industry (PFI) from 1984 to 1990.

Mr. Krommidas has been the Chief Athens Plant Officer and a Director of FAGE since 2006. He previously held various managerial positions in FAGE's Production Department since 1986.

Mr. Alexopoulos is the Chief Commercial Officer and a Director of FAGE, a position he has held since July 2007. He previously held the position of Marketing and Communication Director since 2000.

Mr. Papaefthimiou is a Director of FAGE, a position he has held since 1995. He was the Exports/Imports Logistics Manager of FAGE from 1984 to 2005.

The following table identifies each of the executive officers and directors of FAGE USA. Directors hold office until the next annual meeting of stockholders of FAGE USA and until their successors are elected and qualified. Officers hold office until their successors are elected and qualified. The address of each executive officer and director of FAGE USA is 1 Opportunity Drive, Johnstown Industrial Park, Johnstown, New York 12095, U.S.A.

Name	Age	Position
Athanasios-Kyros Filippou.....	43	Chairman
Athanasios Filippou	46	Vice Chairman and Chief Executive Officer
Ioannis Ravanis.....	43	Executive Vice President, Manufacturing and Operations
Christos Koloventzos.....	57	Treasurer
Robert Shea	49	Secretary and Chief Financial Officer
David Freedman	56	Vice President of Sales

Mr. Athanassios-Kyros Filippou is the Chairman of FAGE USA and a Vice Chairman and a Director of FAGE, as referred to above.

Mr. Athanassios Filippou is the Vice Chairman and the Chief Executive Officer of FAGE USA and the Chief Executive Officer and Director of FAGE, as referred to above.

Mr. Ioannis Ravanis has been the Executive Vice President, Manufacturing and Operations of FAGE USA since January 2008. He has been with FAGE for his entire career, holding various positions of increasing responsibility. He moved to the United States in 2006 to oversee construction of our U.S. manufacturing facility.

Mr. Christos Koloventzos is the Treasurer of FAGE USA and the Chief Financial Officer and Administrative Officer and a Director of FAGE, as referred to above.

Mr. Robert Shea has been the Secretary and Chief Financial Officer of FAGE USA since May 2010. Previously, he held the position of Financial Controller of FAGE USA since May 2008. He was an Associate V.P. of Sanofi-Aventis Pharmaceuticals, Inc. and held various other positions within Sanofi and its predecessor companies since 1992.

Mr. David Freedman has been the Vice President of Sales of FAGE USA since July 2009. Previously, he held the position of Sales Director for the Energizer Holdings Inc. division of the Energizer Personal Care Company. Mr. Freedman has over 20 years of U.S. sales management experience.

Compensation of Directors and Executive Officers

FAGE paid an aggregate of €6.7 million and €6.3 million for the years ended December 31, 2011 and 2010, respectively, to its executive officers and directors. The Company has no share option or other share-based compensation.

OWNERSHIP OF SHARE CAPITAL

FAGE

INFORMATION ACCORDING TO ARTICLE 4.7 OF LAW 3556/2007

(a) Share capital structure, rights and obligation of shareholders

The Company's share capital amounts to thirty nine million ninety four thousand sixty two Euros (€ 39,094,062) and is divided into thirteen million two hundred ninety seven thousand three hundred (13,297,300) shares of a nominal value of two Euros and ninety four cents (€ 2.94) each.

The Company is wholly-owned by Messrs. Ioannis and Kyriakos Filippou, the sons of the Company's founder, Athanassios Filippou. Each brother owns fifty percent (50%) of the share capital of the Company.

All the Company's shares are registered and are not listed. There are no special shareholders' categories. Each share incorporates all rights and obligations as these derive from C.L. 2190/1920 and the Company's Articles of Incorporation, the provisions of which are in line with the provisions of the Law.

(b) Restrictions in the transfer of the Company's shares.

According to Article 6 of the Company's Articles of Incorporation, the transfer of Company's shares is restricted for the whole duration of the Company.

The Company's shares are transferable and their transfer depends on the approval of the Company.

The approval is given by the General Assembly, which is in quorum and meets validly, if shareholders representing 90% of the paid up share capital are present or represented in it. Failing to attain such quorum, the General Assembly shall convene again within 20 days and is in quorum, if shareholders representing at least 85% of the paid up share capital are present or represented in it. Again failing such quorum, the General Assembly shall convene again within 20 days and is legally competent to decide on the aforesaid matter, if shareholders representing at least 80% of the paid up share capital are present or represented in it.

As an exception to the norm, the General Assembly adopts the above resolution by a majority of 7/8 of the votes represented in it.

On the death of a shareholder of the Company, his male heirs, sons and grandsons, are entitled to purchase all the shares inherited from the non-male heirs, who are required to transfer the inherited shares, as further defined below. The above right of purchase must be exercised by the above male heirs in the proportion of shares held, by declaration, which will be communicated to non-male heirs of the deceased shareholder within four (4) months after his death. The purchase price of each registered share of the deceased shareholder is defined as the amount obtained by dividing the net assets by the number of all shares. The net assets of the Company are determined by taking the net assets resulting from the last audited statement of financial position prepared in accordance with IFRS before the death of the shareholder and approved by the General Assembly. In case of disagreement or dispute as to the amount of the net assets of the Company, this will be determined from the above statement of financial position prepared in accordance with IFRS by three chartered accountants, who are appointed by the Institute of Chartered Accountants, after request of the seller or the buyer of the shares or both.

If the right to purchase the shares, as described above, is not exercised in whole or in part by the male heirs of the deceased shareholder (sons and grandsons) in the above four month period, the non-purchased shares can be purchased by male shareholders or their male children or male grandchildren, in the proportion of shares held. This right of purchase is exercised by declaration of the above beneficiaries, notified within two months of the expiry of the above four month period to the non-male heirs of the deceased shareholder, who shall be obliged to transfer to them the inherited shares, as indicated above.

The removal of the restrictions to the transfer of the shares may be effected by a special resolution of the General Assembly, reached by a quorum and majority defined in Article 15 of the Articles of Incorporation, which shall amend this article.

(c) Significant direct or indirect investments.

The Company is wholly-owned by Messrs. Ioannis and Kyriakos Filippou, the sons of the Company's founder, Athanassios Filippou. Each brother owns fifty percent (50%) of the share capital of the Company, corresponding to 6,648,650 shares with the respective voting rights.

As of December 31, 2011, the Company is not aware of any other shareholder who holds, has acquired or has transferred to a third person or corporate body the ownership of 5% or more of its paid-up share capital with the respective voting rights.

(d) Owners of shares that offer special control rights.

There are no issued shares of the Company that offer special control rights.

(e) Restrictions on voting rights – Deadlines in exercising related rights.

There are no restrictions or deadlines on voting rights and other related rights.

(f) Shareholder agreements for restrictions in the transfer of shares or in exercising of voting rights.

There are no such agreements, apart from the one described above (under b).

(g) Rules of appointment and replacement of members of the Board of Directors and amendment of the Company's Articles of Incorporation if they differ from the provisions of C.L. 2190/1920

The Company's Articles of Incorporation do not provide different rules from the provisions of C.L. 2190/1920 concerning the appointment and replacement of the members of the Board of Directors or the amendment of the Company's Articles of Incorporation.

However, according to Art. 15 par. 4 of the Articles of Incorporation, the decisions on the matters of article 29 par. 3 of C.L. 2190/1920, some of which relate to amendments of the Company's Articles of Incorporation, shall be taken by a majority of 4/5 of the votes represented at the General Assembly.

(h) Authority of the Board of Directors for the issuance of new shares/share buy backs according to Art. 16 of C.L. 2190/1920

According to Art. 5 of the Company's Articles of Incorporation, by resolution of the General Assembly, published according to the provisions of article 7b of C.L. 2190/1920, the Board of Directors has the right, by a resolution reached by a majority of three fourths (3/4) of the total number of its members, to:

- a) increase the share capital through the issuance of new shares. The amount of the increases cannot exceed the amount of the share capital, paid-up on the day that the hereinabove power was granted by the General Assembly,
- b) issue a debenture loan for an amount which cannot exceed the half of the paid-up share capital on the day that the hereinabove power was granted by the General Assembly, through the issuance of bonds which can be converted into shares. In that case, the provisions of par. 2 and 3 of Article 3a of the C.L. 2190/1920, as is in force, are applicable.

These powers of the Board of Directors may be renewed by resolution of the General Assembly subject to the publication of article 7b of C.L. 2190/1920 for a period which cannot exceed the five (5) years for each renewal and they begin being in force after the end of each five year period.

In the Company's Articles of Incorporation, there are no special rules about the authority of the Board of Directors for share buy backs according to Art. 16 of C.L. 2190/1920

(i) Significant Group arrangements in force/amended/terminated upon a change of control of the Company, following a public offer.

There are no such arrangements.

(j) Compensation agreements with Board of Directors or personnel in case of resignation/unfair dismissal or service employment termination due to a public offer.

There are no such agreements.

FAGE USA

FAGE USA is wholly owned by FAGE USA Holdings, Inc., which in turn is wholly owned by FAGE.

RELATED PARTY TRANSACTIONS

Group Transactions with Family-Owned Companies

The shareholders of FAGE, Messrs. Ioannis and Kyriakos Filippou, and members of their respective families (including Messrs. Athanassios Filippou, Athanassios-Kyros Filippou and Dimitrios Filippou) own interests, directly and indirectly, in several companies. We purchase goods and services from certain of such companies in the ordinary course of our business. We believe that in each case the terms of such transactions are comparable to those that would be attainable by us in the ordinary course of business from unaffiliated third parties under similar circumstances. The following briefly describes the material transactions between such companies.

Mornos S.A.: We purchase plastic yogurt tubs, aluminum yogurt tub tops and other packaging products from Mornos. Members of Mr. Kyriakos Filippou's family and companies that he controls own 100% of Mornos. Mr. Athanassios-Kyros Filippou is the Chairman of the Board of Mornos. Our purchases from Mornos totaled €12.3 million and €13.6 million for the years ended December 31, 2011 and 2010, respectively. The Company's purchases from Mornos totalled €10.2 million and €11.0 million for the years ended December 31, 2011 and 2010, respectively.

Vis S.A.: We purchase packaging materials from Vis, a public company that is listed on the Athens Stock Exchange. Mr. Ioannis Filippou, members of his family and a company owned by them own 72.5% of Vis and we own 7.1% of Vis. Mr. Dimitrios Filippou is Chairman and Managing Director and Mr. Athanassios Filippou is the Vice Chairman of Vis. Our purchases from Vis totaled €2.8 million and €2.9 million for the years ended December 31, 2011 and 2010, respectively.

Vihep S.A.: We purchase sugar, cocoa and various other ingredients from Vihep. Mr. Dimitrios Anagnostou, the brother-in-law of Mr. Kyriakos Filippou, owns 87.44% of Vihep. There were no purchases from Vihep for the years ended December 31, 2011 and 2010.

European Milk and Flour Industry S.A.: We are the exclusive distributor in Greece of fresh and UHT fruit juices produced by Evga. Evga is 100% owned by members of Mr. Kyriakos Filippou's family and companies controlled by him. Mr. Athanassios-Kyros Filippou, the son of Mr. Kyriakos Filippou, is the Chairman of the Board of Directors of Evga. Evga produces fresh and UHT fruit juices and ice cream. We purchase Evga's fresh fruit juices, which bear the *EVGA* trademark, at a negotiated discounted price and sell them to retailers at a mark-up. Evga retains responsibility for all marketing, advertising and promotion costs. Our purchases from Evga totaled €2.8 million and €4.5 million for the years ended December 31, 2011 and 2010, respectively. From time to time, we sell to Evga various raw materials for its products. Our sales to Evga totaled €0.4 million and €0.7 million for the years ended December 31, 2011 and 2010, respectively. Finally, Evga provides consulting services to us relating to research and technology. We paid €2.8 million and €4.3 million for these services for the years ended December 31, 2011 and 2010, respectively.

Iofil S.A.: Iofil provides corporate management services to us and other companies controlled by the Filippou family. Iofil is 100% owned by Mr. Ioannis Filippou, members of his family and a company that they own. Mr. Ioannis Filippou is Chairman of the Board of Directors, Mr. Athanassios Filippou is Vice Chairman and Mr. Dimitrios Filippou is the Managing Director of Iofil. Iofil is an industrial, commercial, advertising and services company and is also the controlling shareholder of Vis. Pursuant to an agreement with us, continuing through 2012, Iofil provides us with corporate management services. Services provided to us for the years ended December 31, 2011 and 2010, amounted to €4.3 million and €4.3 million, respectively. Additionally, we purchase packaging materials from Iofil. Our purchases of packaging materials from Iofil totaled €11.0 million and €11.0 million for the years ended December 31, 2011 and 2010, respectively. Iofil also provided advertising services to us in the amount of €4.4 million and €5.1 million for the years ended December 31, 2011 and 2010, respectively.

Agan S.A.: Agan is a service company owned by Palace, Mr. Kyriakos Filippou and Mr. Athanassios-Kyros Filippou. Mr. Kyriakos Filippou is the Chairman of the Board of Directors of Agan, Mrs. Dimitra Filippou, the wife of Mr. Kyriakos Filippou, is the Vice Chairman and Mr. Athanassios-Kyros Filippou, the son of Mr. Kyriakos Filippou, is the Chief Executive Officer of Agan. Additionally, we purchase packaging materials from Agan. Our purchases of packaging materials from Agan totaled €3.6 million and €3.3 million for the years ended December 31, 2011 and 2010, respectively.

Ioannis Nikolou ULP: Mr. Ioannis Nikolou is the brother-in-law of Mr. Ioannis Filippou and is one of the Company's sales representatives. As such, he buys products from us at a discounted price and resells them at a marked-up price, with the difference being retained as his commission. We determine the discounts offered to and mark-ups charged by our sales representatives in a uniform manner. Purchases from us by Ioannis Nikolou totaled €2.1 million and €2.5 million for the years ended December 31, 2011 and 2010, respectively. Ioannis Nikolou derives a standard commission on resale of such purchased products.

G.S. Kostakopoulos & Associates: We engage the law firm G.S. Kostakopoulos & Associates for various legal services. Mr. Georgios Kostakopoulos, the managing partner of the firm, is the brother-in-law of Messrs. Ioannis and Kyriakos Filippou. Our payments to G.S. Kostakopoulos & Associates were approximately €0.2 million and €0.2 million for the years ended December 31, 2011 and 2010, respectively.

Compensation to Family Members

In addition to the relationships described above, certain members of the Filippou family also are directors of the Group or provide various services to the Group. The aggregate compensation paid by the Group in this respect to members of the Filippou family for the years ended December 31, 2011 and 2010, were €5.1 million and €4.4 million, respectively.

RISK MANAGEMENT OBJECTIVES AND POLICIES:

The Group's principal financial liabilities comprise of short-term borrowings, interest bearing loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to raise funds for the Group's operations and investments. The Group also has trade and other receivables and cash and cash equivalents that derive directly from its operations. The Group also holds certain available for sale investments.

The Group is exposed to a) Market Risk (comprised mainly of interest rate risk, foreign exchange risk and fair value risk), b) Credit Risk and c) Liquidity Risk, which are further discussed below:

a) Market Risk

(i) **Interest rate risk:** The Group is exposed to interest rate variances due to loans and borrowings which bear variable interest rates. As of December 31, 2011 and 2010, of the total loans and borrowings of €242.0 million and €225.0 million, loans and borrowings of €24.6 million and €11.2 million, respectively, bear variable interest rates (or percentages of 10.2% and 5.0%, respectively). The Group does not use derivative financial instruments to hedge the interest rate risk on its debt obligations. The following table demonstrates the sensitivity to reasonably possible change in the variable interest rates, with all other variables held constant, of the Group's profit before tax. There is no impact on the Group's equity.

	Increase/ decrease in basis points	Effect on profit before tax
2011	+15	37
	-15	(37)
2010	+15	17
	-15	(17)

(ii) **Foreign Currency Risk:** The Group enters into transactions denominated in foreign currencies related to the sales and purchases of goods. Therefore, the Group is exposed to market risk related to possible foreign currency fluctuations, which is however, mitigated to a certain extent by the set-off of credit and debit balances in the same currencies. Due to the fact that the Group has increased its international exposure due to the sales to the US and UK markets, its financial position and results of operations are increasingly subject to currency translation risks. As of December 31, 2011 and 2010, approximately 51.1% and 40.0%, respectively, of the Group's sales were denominated in currencies other than the functional currency of the Group which is the Euro, whilst almost 46.6% and 32.7%, respectively, of costs were denominated in foreign currencies. The following table demonstrates the sensitivity to a reasonably possible change in the US dollar and British pound exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ decrease in foreign currency rate	Effect on profit before tax	Effect on equity
2011 US dollar	+5%	(1,038)	(139)
	-5%	1,038	139
GB pound	+5%	(33)	(2)
	-5%	33	2
2010 US dollar	+5%	1,253	1,490
	-5%	(1,253)	(1,490)
GB pound	+5%	15	22
	-5%	(15)	(22)

(iii) **Fair Value Risk:** The carrying amounts reflected in the accompanying consolidated statement of financial position for cash and cash equivalents, trade and other receivables, trade and other payables and accrued and other current liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of available for sale financial assets in the accompanying consolidated statement of financial position reflect their fair value. The fair value of variable rate loans and borrowings and other long-term liabilities approximate their carrying amounts. The fair value of the Group's Senior Notes at December 31, 2011 and 2010, amounted to €174.6 million and €205.1 million, respectively.

b) **Credit Risk:** The Group's maximum exposure to credit risk, due to the failure of counter parties to perform their obligations as at December 31, 2011 and 2010, in relation to each class of recognized financial assets, is the carrying amount of those assets as indicated in the accompanying consolidated statement of financial position. Concentrations of credit risks are limited with respect to receivables due to the large number of customers comprising the Group's customer base. The Group generally does not require collateral or other security to support customer receivables. There was no customer which accounted for more than 10% of the Group's revenue or receivables.

c) Liquidity Risk: The Group manages liquidity risk by monitoring forecasted cash flows and ensuring that adequate banking facilities and reserve borrowing facilities are maintained. The Group has sufficient undrawn borrowing facilities that can be utilised to fund any potential shortfall in cash resources.

Prudent liquidity risk management implies the availability of funding through adequate amounts of committed credit facilities, cash and marketable securities and the ability to close out those positions as and when required by the business or project.

The table below summarizes the maturity profile of financial liabilities at December 31, 2011 and 2010, respectively, based on contractual undiscounted payments.

THE GROUP				
Year ended December 31, 2011	1 to 12 months	2 to 5 years	Over 5 years	Total
	(€ in thousands)			
Interest bearing loans and borrowings	19,059	170,107	161,721	350,887
Short-term borrowings	25,991	-	-	25,991
Trade and other payables	54,606	-	-	54,606
	<u>99,656</u>	<u>170,107</u>	<u>161,721</u>	<u>431,484</u>
Year ended December 31, 2010	1 to 12 months	2 to 5 years	Over 5 years	Total
	(€ in thousands)			
Interest bearing loans and borrowings	18,697	176,269	167,686	362,652
Short-term borrowings	11,821	-	-	11,821
Trade and other payables	41,549	-	-	41,549
	<u>72,067</u>	<u>176,269</u>	<u>167,686</u>	<u>416,022</u>

THE COMPANY				
Year ended December 31, 2011	1 to 12 months	2 to 5 years	Over 5 years	Total
	(€ in thousands)			
Interest bearing loans and borrowings	9,901	133,474	32,344	175,719
Short-term borrowings	12,714	-	-	12,714
Trade and other payables	39,008	-	-	39,008
	<u>61,623</u>	<u>133,474</u>	<u>32,344</u>	<u>227,441</u>
Year ended December 31, 2010	1 to 12 months	2 to 5 years	Over 5 years	Total
	(€ in thousands)			
Interest bearing loans and borrowings	9,828	140,795	33,537	184,160
Short-term borrowings	-	-	-	-
Trade and other payables	34,775	-	-	34,775
	<u>44,603</u>	<u>140,795</u>	<u>33,537</u>	<u>218,935</u>

Capital Management: The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations. The Group funds its operating costs through cash from operations and short-term borrowings under various lines of credit maintained with several banks. As of December 31, 2011 the available credit lines amounted to €50.6 million. Furthermore, the Group keeps a trade account receivable agreement for financing of up to €10.8 million with ABN Amro Bank. The related agreement on December 31, 2010 amounted to €16.8 million.

	THE GROUP		THE COMPANY	
	December 31,		December 31,	
	2011	2010	2011	2010
	(€ in thousands)			
Interest bearing loans and borrowings	204,557	199,956	121,003	119,691
Short-term borrowings	24,635	11,226	11,883	-
Trade and other payables	54,606	41,549	39,008	34,775
Less cash and cash equivalents	<u>(34,342)</u>	<u>(40,683)</u>	<u>(24,249)</u>	<u>(24,283)</u>
Net debt	<u>249,456</u>	<u>212,048</u>	<u>147,645</u>	<u>130,183</u>
Total equity	<u>80,340</u>	<u>76,479</u>	<u>41,353</u>	<u>57,203</u>
Equity and net debt	<u>329,796</u>	<u>288,527</u>	<u>188,998</u>	<u>187,386</u>
Gearing ratio	<u>75.6%</u>	<u>73.5%</u>	<u>78.1%</u>	<u>69.5%</u>

Financial Instruments: Set out below is a comparison by category of carrying amounts and fair values of all of the financial instruments that are carried in the consolidated and separate financial statements:

THE GROUP	Carrying amount		Fair value	
	December 31,		December 31,	
	2011	2010	2011	2010
	(€ in thousands)			
<i>Financial assets</i>				
Cash and cash equivalents	34,342	40,683	34,342	40,683
Available-for-sale investments	474	598	474	598
Trade receivables	47,825	35,512	47,825	35,512
<i>Financial liabilities</i>				
Short-term borrowings	24,635	11,226	24,635	11,226
Interest-bearing loans and borrowings:				
Variable rate borrowings	-	-	-	-
Fixed rate borrowings	204,557	199,956	204,557	205,061
THE COMPANY				
	Carrying amount		Fair value	
	December 31,		December 31,	
	2011	2010	2011	2010
	(€ in thousands)			
<i>Financial assets</i>				
Cash	24,249	24,283	24,249	24,283
Available-for-sale investments	474	598	474	598
Trade receivables	28,841	22,976	28,841	22,976
<i>Financial liabilities</i>				
Short-term borrowings	11,883	-	11,883	-
Interest-bearing loans and borrowings:				
Variable rate borrowings	-	-	-	-
Fixed rate borrowings	121,003	119,691	121,003	115,703

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuing technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the reporting period there were no transfers between the levels.

	THE GROUP		
	Fair value		
	2011	2010	
	(€ in thousands)		
<i>Financial assets</i>			
Available-for-sale investments	474	598	Level 1
<i>Financial liabilities</i>			
Fixed rate borrowings	174,559	205,061	Level 1
THE COMPANY			
	Fair value		Fair value hierarchy
	2011	2010	
	(€ in thousands)		
<i>Financial assets</i>			
Available-for-sale investments	474	598	Level 1
<i>Financial liabilities</i>			
Fixed rate borrowings	93,061	115,703	Level 1

RECENT DEVELOPMENTS:

In March 2012, the Company established a subsidiary in Germany named FAGE Deutschland GmbH, which is expected to begin operations in May 2012.



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SECTION D

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FAGE DAIRY INDUSTRY S.A.:

Report on the Financial Statements

We have audited the accompanying separate and consolidated financial statements of FAGE Dairy Industry S.A. (the “Company”) and its subsidiaries (“the Group”) which comprise the separate and consolidated statements of financial position as at December 31, 2011 and the separate and consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Separate and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these separate and consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as of December 31, 2011 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

We confirm that the information given in the Directors’ Report is consistent with the accompanying separate and consolidated financial statements and complete in the context of the requirements of articles 43a, 108 and 37 of Codified Law 2190/1920.

Athens, March 29, 2012

THE CERTIFIED AUDITOR ACCOUNTANT

CHRISTODOULOS SEFERIS

S.O.E.L. R.N. 23431

ERNST & YOUNG (HELLAS) CERTIFIED AUDITORS ACCOUNTANTS S.A.

11TH KLM NATIONAL ROAD ATHENS – LAMIA, METAMORFOSI

COMPANY S.O.E.L. R.N. 107

SECTION E

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FAGE DAIRY INDUSTRY S.A.

CONSOLIDATED AND SEPARATE STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011

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

		For the year ended December 31,			
		THE GROUP		THE COMPANY	
Notes		2011	2010	2011	2010
	Sales	385,155	338,575	201,046	213,920
	Cost of sales	(232,103)	(195,867)	(142,765)	(148,880)
	Gross profit	153,052	142,708	58,281	65,040
	Selling, general and administrative expenses	(122,788)	(111,279)	(74,728)	(80,048)
	Other income	731	286	16,334	11,031
	Other expenses	(401)	(1,894)	(364)	(1,881)
	PROFIT/(LOSS) FROM OPERATIONS	30,594	29,821	(477)	(5,858)
	Financial expenses	(20,108)	(21,688)	(11,618)	(13,333)
	Financial income	188	126	174	1,455
	Impairment loss	(124)	(199)	(1,124)	(1,248)
	Loss on derivatives	(218)	(1,195)	(218)	(1,195)
	Foreign exchange gains/(losses), net	(24)	3,388	10	4,376
	Share of losses of associate accounted for under the equity method	(134)	(76)	-	-
	PROFIT/(LOSS) BEFORE INCOME TAXES	10,174	10,177	(13,253)	(15,803)
	Income tax (expense)/benefit	(6,542)	(2,996)	(556)	1,539
	NET PROFIT/(LOSS)	3,632	7,181	(13,809)	(14,264)
	Attributable to:				
	Equity holders of the parent	3,632	7,181		
		3,632	7,181		
	Earnings per share				
	Basic and diluted	0.27	0.54		
	Weighted average number of shares, basic and diluted	13,297,300	13,297,300		

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

FAGE DAIRY INDUSTRY S.A.

**CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011**

(All amounts in thousands of Euro)

		For the year ended December 31,			
		THE GROUP		THE COMPANY	
Notes		2011	2010	2011	2010
	Net profit/(loss) for the year	3,632	7,181	(13,809)	(14,264)
	Devaluation of land	(2,551)	-	(2,551)	-
	Income tax	510	-	510	-
11		(2,041)	-	(2,041)	-
	Exchange gains/(losses) on translation of foreign operations	2,270	(85)	-	-
	Net unrealised gains/(losses) on available for sale financial assets	-	(218)	-	(218)
	Income tax	-	54	-	54
15		-	(164)	-	(164)
	Other comprehensive income/(loss) for the year, net of tax	229	(249)	(2,041)	(164)
	Total comprehensive income/(loss) for the year, net of tax	3,861	6,932	(15,850)	(14,428)
	Attributable to:				
	Equity holders of the parent	3,861	6,932		
		3,861	6,932		

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

FAGE DAIRY INDUSTRY S.A.

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
AT DECEMBER 31, 2011
(All amounts in thousands of Euro)

	Notes	THE GROUP		THE COMPANY	
		December 31,		December 31,	
		2011	2010	2011	2010
ASSETS					
Non-Current Assets					
Property, plant and equipment	11	253,556	227,357	122,186	129,104
Intangible assets	12	3,270	3,870	2,026	2,538
Goodwill	13	4,832	4,799	3,418	3,418
Investments in subsidiaries		-	-	12,608	12,608
Investments in associate accounted for under the equity method	14	-	134	828	828
Available for sale financial assets	15	88	88	88	88
Other non-current assets	16	384	417	325	360
Deferred income taxes	10	21,449	16,458	-	-
Total non-current assets		283,579	253,123	141,479	148,944
Current Assets:					
Inventories	17	29,199	24,643	19,560	18,908
Trade and other receivables	18	67,255	52,252	46,152	38,898
Due from related companies	19	2,014	1,100	2,014	1,100
Prepaid income taxes	10	3,466	2,027	172	148
Available for sale financial assets	15	386	510	386	510
Current asset from continuing involvement in transferred trade receivables	18	418	370	418	370
Cash and cash equivalents	20	34,342	40,683	24,249	24,283
Cash restricted	20	-	300	-	300
Total		137,080	121,885	92,951	84,517
Assets classified as held for sale	3	676	829	526	679
Total current assets		137,756	122,714	93,477	85,196
TOTAL ASSETS		421,335	375,837	234,956	234,140
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent Company					
Share capital	21	39,094	39,094	39,094	39,094
Land revaluation surplus	21	33,883	35,924	33,883	35,924
Reversal of fixed assets statutory revaluation surplus	21	(33,236)	(33,236)	(33,236)	(33,236)
Accumulated profit/(losses)		4,127	495	(33,904)	(20,095)
Legal, tax free and special reserves	22	35,516	35,516	35,516	35,516
Other components of equity		955	(1,315)	-	-
		80,339	76,478	41,353	57,203
Minority interests		1	1	-	-
Total Equity		80,340	76,479	41,353	57,203
Non-Current Liabilities					
Interest-bearing loans and borrowings	24	204,557	199,956	121,003	119,691
Provision for severance pay on retirement	25	2,855	2,674	2,855	2,674
Deferred income taxes	10	36,640	26,737	8,675	8,807
Other non-current liabilities		36	-	-	-
Total non-current liabilities		244,088	229,367	132,533	131,172
Current Liabilities:					
Trade accounts payable	26	45,498	29,925	30,056	23,492
Due to related companies	19	9,108	11,624	8,952	11,283
Short-term borrowings	27	24,635	11,226	11,883	-
Income taxes payable		373	179	154	131
Current liability from continuing involvement in transferred trade receivables	18	418	370	418	370
Accrued and other current liabilities	28	16,875	16,667	9,607	10,489
Total current liabilities		96,907	69,991	61,070	45,765
Total liabilities		340,995	299,358	193,603	176,937
TOTAL EQUITY AND LIABILITIES		421,335	375,837	234,956	234,140

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

FAGE DAIRY INDUSTRY S.A.

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011

(All amounts in thousands of Euro)

THE GROUP										
	Share capital	Land revaluation surplus	Reversal of Fixed Assets Statutory Revaluation Surplus	Legal, tax free and special reserves	Retained earnings/ (losses)	Unrealised gains/(losses) on available for sale financial assets	Foreign exchange gains/(losses)	Total	Non- controlling interests	Total equity
Balance, December 31, 2009	39,094	35,924	(33,236)	35,516	(6,686)	164	(1,230)	69,546	1	69,547
Profit for the period	-	-	-	-	7,181	-	-	7,181	-	7,181
Other comprehensive income/(loss)	-	-	-	-	-	(164)	(85)	(249)	-	(249)
Total comprehensive income/(loss)	-	-	-	-	7,181	(164)	(85)	6,932	-	6,932
Balance, December 31, 2010	39,094	35,924	(33,236)	35,516	495	-	(1,315)	76,478	1	76,479
Devaluation of land at fair value net of deferred tax	-	(2,041)	-	-	-	-	-	(2,041)	-	(2,041)
Profit for the period	-	-	-	-	3,632	-	-	3,632	-	3,632
Other comprehensive income/(loss)	-	-	-	-	-	-	2,270	2,270	-	2,270
Total comprehensive income/(loss)	-	(2,041)	-	-	3,632	-	2,270	3,861	-	3,861
Balance, December 31, 2011	39,094	33,883	(33,236)	35,516	4,127	-	955	80,339	1	80,340

THE COMPANY

	Share capital	Land revaluation surplus	Reversal of Fixed Assets Statutory Revaluation Surplus	Legal, tax free and special reserves	Retained earnings/ (losses)	Unrealised gains/(losses) on available for sale financial assets	Total equity
Balance, December 31, 2009	39,094	35,924	(33,236)	35,516	(5,831)	164	71,631
Loss for the year	-	-	-	-	(14,264)	-	(14,264)
Other comprehensive income	-	-	-	-	-	(164)	(164)
Total comprehensive income/(loss)	-	-	-	-	(14,264)	(164)	(14,428)
Balance, December 31, 2010	39,094	35,924	(33,236)	35,516	(20,095)	-	57,203
Devaluation of land at fair value net of deferred tax	-	(2,041)	-	-	-	-	(2,041)
Loss for the year	-	-	-	-	(13,809)	-	(13,809)
Other comprehensive income/(loss)	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	(2,041)	-	-	(13,809)	-	(15,850)
Balance, December 31, 2011	39,094	33,883	(33,236)	35,516	(33,904)	-	41,353

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

FAGE DAIRY INDUSTRY S.A.

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

(All amounts in thousands of Euro)

	Notes	THE GROUP		THE COMPANY	
		December 31,		December 31,	
		2011	2010	2011	2010
Operating activities					
Profit/(loss) before income taxes		10,174	10,177	(13,253)	(15,803)
Adjustments to reconcile to net cash provided by operating activities:					
Depreciation and amortisation	5	18,145	17,130	10,890	11,313
Provision for severance pay on retirement	25	1,529	1,922	1,529	1,922
Provision for doubtful accounts receivable	18	1,275	1,658	1,250	1,325
Financial income	7	(188)	(126)	(174)	(1,455)
Financial expenses	7	20,108	21,688	11,618	13,333
Valuation of derivatives		218	19	218	19
(Gain)/loss on disposal of property, plant and equipment		4	(1)	7	(1)
Devaluation of land and fair value		153	-	153	-
Impairment loss on investments in subsidiaries	13	-	-	1,000	1,049
Impairment loss on available for sale financial assets	15	124	199	124	199
Share of losses on equity investees accounted for under the equity method	14	134	76	-	-
Operating profit before working capital changes		51,676	52,742	13,362	11,901
(Increase)/Decrease in:					
Restricted cash	20	300	(300)	300	(300)
Inventories	17	(4,556)	(1,051)	(652)	1,131
Trade and other receivables	18	(16,278)	(7,033)	(8,504)	976
Due from related companies	19	(914)	(288)	(914)	58,114
Increase/(Decrease) in:					
Trade accounts payable	26	15,573	(5,911)	6,564	(5,658)
Due to related companies	19	(2,516)	(265)	(2,331)	(547)
Accrued and other current liabilities	28	(164)	2,077	(1,135)	1,705
Working capital changes		(8,555)	(12,771)	(6,672)	55,421
Income taxes paid		(2,760)	(18,831)	(178)	(1,133)
Payment of staff indemnities	25	(1,348)	(1,967)	(1,348)	(1,967)
(Increase)/decrease in other non-current assets	16	33	(33)	35	16,073
Increase/(decrease) in other long term liabilities		36	-	-	-
Net Cash from Operating Activities		39,082	19,140	5,199	80,295
Investing Activities:					
Capital expenditure for property, plant and equipment	11	(42,786)	(17,378)	(5,489)	(3,496)
Additions to intangible assets	12	(604)	(719)	(604)	(719)
Proceeds from disposal of property, plant and equipment		150	62	75	62
Interest and other related income received	7	188	126	174	1,455
Increase in subsidiaries' share capital		-	-	(1,000)	(700)
Net Cash used in Investing Activities		(43,052)	(17,909)	(6,844)	(3,398)
Financing Activities:					
Proceeds from short and long-term borrowings	24,27	24,635	106,530	11,883	18,915
Repayments of short and long-term borrowings		(11,593)	(77,900)	-	(77,900)
Interest paid		(18,758)	(16,441)	(11,004)	(12,342)
Net Cash from/(used in) Financing Activities		(5,716)	12,189	879	(71,327)
Net increase/(decrease) in cash and cash equivalents		(9,686)	13,420	(766)	5,570
Effect of exchange rates changes on cash		3,345	(1,644)	732	971
Cash and cash equivalents at beginning of year	20	40,683	28,907	24,283	17,742
Cash and cash equivalents at December 31	20	34,342	40,683	24,249	24,283

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

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. References to the Company or FAGE refer to, unless the contents indicate otherwise, FAGE Dairy Industry S.A. References to the Group refer to FAGE Dairy Industry S.A. and its consolidated subsidiaries.

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. The primary operating activities are conducted in Greece and through its subsidiaries operations are also conducted in the US, U.K. and Italy. More information on the Group's subsidiaries and their operations is provided in note 13. The Group's products are sold under the **FAGE**[®] and other related trademarks.

The Group's and the Company's headquarters are in Athens at 35 Hermou Street, 144 52 Metamorphossi. 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.

The Group's total number of employees as of December 31, 2011 and 2010, was approximately 1,098 and 1,013, respectively (for the Company 833 and 871, respectively).

2. BASIS OF PRESENTATION:

- 2.1 *Basis of Preparation of Financial Statements:*** The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

These financial statements have been prepared under the historical cost convention except for the measurement of available for sale financial assets and land which have been measured at fair value.

The preparation of financial statements, in accordance with IFRS, requires the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies which have been adopted. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.5.

2.2 *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at December 31, 2011.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest ("NCI") even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income
- to profit or loss or retained earnings, as appropriate.

2.3 *Summary of Significant Accounting Policies*

2.3 (a) *Business combinations and goodwill*

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent

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conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

- (b) **Investments in Associates:** The Group's investments in other entities in which FAGE exercises significant influence and are neither a subsidiary nor a joint venture are accounted for using the equity method. Under this method the investment in associates is recognized at cost and subsequently increased or decreased to recognise the investor's share of the profit or loss of the associate, changes in the investor's share of other changes in the associate's equity, distributions received and any impairment in value. The consolidated statement of income reflects the Group's share of the results of operations of the associate. Investments in associates in the separate financial statements are accounted for at cost less impairment.
- (c) **Functional and Presentation Currency and Foreign Currency Translation:** The consolidated financial statements are presented in Euro which is FAGE Dairy Industry S.A.'s functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. At the balance sheet dates, monetary assets and liabilities, which are denominated in foreign currencies, are adjusted to reflect the functional currency rate of exchange ruling at that date. Gains or losses resulting from foreign currency remeasurement are reflected in the accompanying consolidated statement of income. Gains or losses from transactions are also reflected in the consolidated statement of income.

The functional currency of the Group's wholly owned subsidiaries, FAGE U.K. Limited and FAGE USA Holdings, Inc., is the British Pound (GB £) and the U.S. \$, respectively. As at the reporting date, all balance sheet accounts of those subsidiaries are translated using the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the weighted average rate of exchange prevailing during the year. Translation gains/(losses) are reported in other reserves, a component of equity, which balance amounted to €955 and €(1,315) at December 31, 2011 and 2010, respectively. On disposal of a foreign subsidiary (entity) the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of income.

- (d) **Advertising Costs:** All advertising costs are expensed as incurred and are included in selling, general and administrative expenses in the consolidated statement of income. Advertising costs for the years ended December 31, 2011 and 2010, were €34,057 and €24,202, respectively, for the Group and €13,748 and €12,661, respectively, for the Company.
- (e) **Intangible Assets:** Intangible assets consist of product development costs, the customer network and employment contract acquired through a business combination (Note 12) and software. Purchased intangible assets are capitalized at cost while those acquired through business combinations are capitalized at fair value at the date of acquisition. Following initial recognition, those intangibles are carried at cost less accumulated amortization and any accumulated impairment losses.

Amortization of intangible assets is computed based on the straight-line method at rates, which approximate average useful lives. The rates used are as follows:

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<u>Classification</u>	<u>Annual Rates</u>
Customer network	6.7%
Employment contract	25%
Product development costs	20%
Software costs	20%

(f) **Research and Product Development Costs:** Research costs are expensed as incurred. Development expenditure is mainly incurred for developing products. Costs incurred for the development of an individual project are recognized as an intangible asset only when the requirements of IAS 38 Intangible Assets are met. Following initial recognition, those development costs are carried at cost less accumulated amortization and any accumulated impairment losses.

(g) **Revenue Recognition:** The Group recognises revenues, net of trade discounts and sales incentives, when the significant risks and rewards of ownership of the goods have passed to customers and can be reliably measured. Shipping and handling costs are classified as part of selling, general and administrative expenses. Such costs for the years ended December 31, 2011 and 2010, amounted to €34,665 and €32,996, respectively, for the Group and €22,412 and €25,783, respectively, for the Company. Furthermore, trade support actions that are generally invoiced to the Group by customers are accounted for as a reduction of sales rather than selling expenses.

Interest Income is recognized as interest accrues using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividend income is recognized when the right to receive payment is established with the approval for distribution by the General Assembly of shareholders.

(h) **Property, Plant and Equipment:** Property, plant and equipment (excluding land) are stated at cost, net of subsidies provided by the Greek State and New York State, less accumulated depreciation and less any accumulated impairment losses. Borrowing costs incurred during the period of construction that is directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset using the related borrowing rate. Repairs and maintenance costs are expensed as incurred. Significant improvements are capitalized to the cost of the related asset if such improvements increase the life of the asset, increase its production capacity or improve its efficiency. The cost and related accumulated depreciation of assets retired or sold are removed from the accounts at the time of sale or retirement, and any gain or loss is included in the consolidated statements of income. For statutory reporting purposes, certain companies of the Group were obliged to revalue their property, plant and equipment at various dates following the provisions of the respective mandatory tax laws. These revaluations have been reversed in the consolidated and separate financial statements, after giving effect to the related deferred income taxes. The reversal of the net revaluation gains is reflected in the component of equity “net revaluation surplus”.

Since December 31, 2008, land following initial recognition at cost, is measured at fair value less impairment losses recognized after the date of the revaluation. Valuations will be performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the assets revaluation reserve included in the “net revaluation reserve” in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of income, in which case the increase is recognized in the statement of income. A revaluation deficit is recognized in the statement of income, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

(i) **Depreciation:** Depreciation is computed based on the straight-line method at rates, which approximate average useful lives. Land is not depreciated.

The rates used are as follows:

<u>Classification</u>	<u>Annual Rates</u>
Buildings	3%
Machinery and equipment	7%
Transportation equipment	12%-15%
Furniture and fixtures	15%

(j) **Impairment of Non-financial assets:** With the exception of goodwill which is tested for impairment on an annual basis, the carrying values of other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Whenever the carrying value of an asset exceeds its recoverable amount an impairment loss is recognized in the consolidated statement of income. The recoverable

amount is measured as the higher of fair value and value in use. Fair value is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting any direct incremental selling costs, while value in use is the present value of estimated future cash flows expected to arise from continuing use of the asset and from its disposal at the end of its useful life. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows. Impairment losses which were accounted for in prior years are reversed only when there is sufficient evidence that the assumptions used in determining the recoverable amount have changed. In these circumstances the related reversal is recognized to income.

(k) **Investments and Other Financial Assets and Financial Liabilities:** Financial assets which fall in the scope of IAS 39 are classified based on their nature and their characteristics in the following four categories:

- financial assets at fair value through profit and loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

Initial recognition and subsequent measurement of financial assets

When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

(i) **Financial assets at fair value through profit and loss:** Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Such assets are carried in the statement of financial position at fair value. Gains or losses on investments held for trading are recognized in income.

(ii) **Loans and receivables:** Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are carried at amortized cost using the effective interest method, less impairment. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

(iii) **Held-to-maturity investments:** Primary financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are carried at amortized cost using the effective interest method. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

(iv) **Available-for-sale financial assets:** Available-for-sale financial assets (primary) are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity. On disposal, impairment or derecognition of the investment, the cumulative gain or loss is transferred to the consolidated statement of income.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the statement of income, is transferred from equity to the consolidated statement of income. Reversals in respect of equity instruments classified as available for sale are not recognized in the consolidated statement of income. Reversals of impairment losses on debt instruments are reversed through the consolidated statement of income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the statement of income.

Derecognition of Financial Assets

- (i) **Financial assets:** A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:
- the rights to receive cash flows from the asset have expired;

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. Where continuing involvement takes the form of a written and/or purchase option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets’ carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets’ original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of income.

(ii) Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. ‘Significant’ is evaluated against the original cost of the investment and ‘prolonged’ against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any

impairment loss on that investment previously recognized in the statement of income – is removed from other comprehensive income and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

Initial recognition and subsequent measurement of financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

- (i) Financial liabilities at fair value through profit or loss**
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of income.
The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.
- (ii) Loans and borrowings**
All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of income when the liabilities are derecognized as well as through the effective interest rate (EIR) method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of income.
- (iii) Financial guarantee contracts**
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis; or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 15.

(l) **Derivative financial instruments and hedge accounting**

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps and forward commodity contracts to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair value of commodity contracts that meet the definition of a derivative as defined by IAS 39 but are entered into in accordance with the Group's expected purchase requirements are recognized in the statement of income in cost of sales.

Any gains or losses arising from changes in the fair value of derivatives are recorded directly in the statement of income, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk)
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

- (m) **Inventories:** Inventories are stated at the lower of cost or net realizable value. Cost of finished and semi-finished products includes all costs incurred in bringing inventories to their current location and state of manufacture and comprises raw materials, labor, an applicable amount of production overhead (based on normal operating capacity, but excludes borrowing costs) and packaging. The cost of raw materials and finished goods is determined based on the weighted average method. Net realizable value for finished goods is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The net realizable value for raw materials is the estimated replacement cost in the ordinary course of business.
- (n) **Accounts Receivable Credit and Collection:** The Group has established criteria for granting credit to customers, which are generally based upon the size of the customer's operations and consideration of relevant financial data. Business is generally conducted with such customers under normal terms with collection expected within sixty days after shipment. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate allowance for doubtful accounts. The balance of such allowance for doubtful accounts is appropriately adjusted by recording a charge to the consolidated statement of income of the reporting period. Any amount written-off with respect to customer account balances is charged against the existing allowance for doubtful accounts. It is the Group's policy not to write-off an account until all possible legal action has been exhausted.
- (o) **Cash and Cash Equivalents:** The Group considers time deposits and other highly liquid investments with original maturity of three months or less, to be cash equivalents.

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For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash at hand and in banks and of cash and cash equivalents as defined above.

- (p) **Non-current assets held for sale and discontinued operations:** Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. In the consolidated statement of income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of profit after taxes, even when the Group retains a non controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of income. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated/amortized.
- (q) **Borrowing Costs:** Borrowing costs are recognized as an expense in the period in which they are incurred, except where the Group capitalises borrowing costs on qualifying assets in accordance with IAS 23 Borrowing Costs.
- (r) **Reserve for Staff Retirement Indemnities:** Staff retirement obligations are calculated at the present value of the future retirement benefits deemed to have accrued at year-end, based on the employees earning retirement benefit rights steadily throughout the working period. The reserve for retirement obligations is calculated on the basis of financial and actuarial assumptions detailed in Note 25 and are determined using the projected unit credit actuarial valuation method. Net pension costs for the period are included in payroll in the accompanying consolidated statements of income and consist of the present value of benefits earned in the year, interest cost on the benefit obligation, past service cost, actuarial gains or losses recognized in the year and any additional pension charges. Past service costs are recognized on a straight-line basis over the average period until the benefits under the plan become vested. In the event that a defined benefit plan is initiated or modified and the relative benefits have already vested, the corresponding prior period cost is recognized in the current year's consolidated statement of income. Actuarial gains or losses are recognized based on the corridor approach over the average remaining service period of active employees and included as a component of net pension cost for a year if, as of the beginning of the year the cumulative unrecognized actuarial gains or losses exceed 10% of the present value of the projected benefit obligation. The retirement benefit obligations are not funded.
- (s) **Income Taxes (Current and Deferred):** Current and deferred income taxes are computed based on the separate financial statements of each of the entities included in the consolidated financial statements, in accordance with the tax rules in force in Greece or other tax jurisdictions in which entities operate. Income tax expense consists of income taxes for the current year based on each entity's profits as adjusted in its tax returns, additional income taxes resulting from the audits of the tax authorities and deferred income taxes, using substantively enacted tax rates. Deferred income taxes are provided using the liability method for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences:

- Except where the deferred income tax liability arises from goodwill amortization or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

- Except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future and there will be available taxable profit which will be used against temporary differences.

Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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For transactions recognized directly in equity, any related tax effects are also recognized directly in equity and not in the consolidated statement of income.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

- (t) **Leases:** Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, at the fair value of the leased item, or if lower at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the estimated useful life of the asset. As at December 31, 2011 and 2010, the Group had no finance leases.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income.

- (u) **Provisions and Contingencies:** Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle this obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the present value of the expenditure expected to be required to settle the obligation.

When the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate the risks specific to the liability.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

- (v) **Operating Segment Reporting:** The Group produces dairy products. It operates primarily in Greece and the United States of America and has also certain foreign activities in other European Union Countries. 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 European operations and the U.S. subsidiaries' operations. Accordingly, no operating results by individual or group of products are produced and neither are the Group's assets and liabilities analyzed by various product groups. Intra-segment balances and transactions have been eliminated on consolidation.

- (w) **Government grants:** Under various incentive laws, the Hellenic Republic as well as the New York State provides subsidies for property, plant and equipment. The Group accrues for such subsidies when it meets the related contractual obligations and reflects such subsidies as a reduction of the related asset cost [See Notes 2(h) and 11]. Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

- (x) **Share Capital:** Share capital represents the par value of the Parent company's shares in issue. Any excess of the fair value of the consideration received over the par value of the shares issued is recognized as "share premium" in shareholders' equity. Incremental external costs directly attributable to the issue of new shares are shown as a deduction in equity, net of tax, from the proceeds.

- (y) **Earnings/(Loss) per Share:** Basic earnings/(loss) per share is computed by dividing net income/(loss) attributable to the shareholders of the parent by the weighted average number of ordinary shares outstanding during each year.

Diluted earnings/(loss) per share amounts is calculated by dividing the net income/(loss) attributable to the shareholders of the parent by the weighted average number of ordinary shares outstanding each year as adjusted for the effects of dilutive instruments.

- (z) **Dividend Distribution:** Dividend distribution to the Company's shareholders is recognized as a liability in the consolidated and separate financial statements in the period in which the dividends are approved by the Company's shareholders.

2.4 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of January 1, 2011:

- **IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)**
- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**
- **IAS 24 Related Party Disclosures (Amended)**
- **IAS 32 Classification on Rights Issues (Amended)**
- **Improvements to IFRSs (May 2010)**

IFRS 3 Business Combinations

IFRS 7 Financial Instruments- Disclosures

IAS 1 Presentation of Financial Statements

IAS 27 Consolidated and Separate Financial Statements

IAS 34 Interim Financial Reporting

IAS 13 Customer Loyalty Programmes

The above mentioned new and amended IFRS and IFRIC interpretations did not have an impact on the financial statements or performance of the Group and the Company.

2.5 Significant Accounting Judgments, Estimates and Assumptions

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- (a) **Allowance for doubtful accounts receivable:** The Group's management periodically reassess the adequacy of the allowance for doubtful accounts receivable in conjunction with its credit policy and taking into consideration reports from its legal counsel on recent developments of the cases they are handling.
- (b) **Provision for income taxes:** According to IAS 12, income tax provisions are based on estimations as to the taxes that shall be paid to the tax authorities and includes the current income tax for each fiscal year, the provision for additional taxes which may arise from future tax audits and the recognition of future tax benefits. The final clearance of income taxes may be different from the relevant amounts which are included in these consolidated financial statements.
- (c) **Depreciation rates and useful lives:** The Group's assets are depreciated over their estimated remaining useful lives. These useful lives are periodically reassessed to determine whether the original period continues to be appropriate. The actual lives of these assets can vary depending on a variety of factors such as technological innovation and maintenance programs.
- (d) **Goodwill and impairment test:** The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.
- (e) **Impairment of Property, plant and equipment:** Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.
- (f) **Deferred Tax Assets:** Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.
- (g) **Derecognition of financial assets:** When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, management exercises judgment to determine whether it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, and recognizes a new asset to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be

required to repay. Furthermore management engages in making estimates of the value of the guarantee to determine the amount of the continuing involvement.

- (h) **Measurement of land at fair value:** The Group's policy is to measure land at revalued amounts (estimated fair values), as these are determined by independent appraisal firms, less any impairment losses recognized after the date of revaluation. Valuations are performed frequently enough to ensure that the fair value of the revalued asset does not differ materially from its carrying amount.
- (i) **Provision for contingencies:** The Group records provisions for risks and contingencies that may arise from legal cases which may result in outflow of economic benefits for their settlement. The provisions are recorded based on the amount of the legal case and the possibilities related to the final outcome of the case.

2.6 Standards issued but not yet effective

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

- **IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income**
The amendment is effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. This amendment has not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on its financial position or results of operations.
- **IAS 12 Income Taxes (Amended) – Recovery of Underlying Assets**
The amendment is effective for annual periods beginning on or after 1 January 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. This amendment has not yet been endorsed by the EU. The Group does not expect that the amendment will have an impact on its financial position or results of operations.
- **IAS 19 Employee Benefits (Amended)**
The amendment is effective for annual periods beginning on or after 1 January 2013. The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. Early application is permitted. This amendment has not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on its financial position or results of operations.
- **IAS 27 Separate Financial Statements (Revised)**
The Standard is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Earlier application is permitted. This amendment has not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on its financial position or results of operations.
- **IAS 28 Investments in Associates and Joint Ventures (Revised)**
The Standard is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. Earlier application is permitted. This amendment has not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on its financial position or results of operations.
- **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities**
The amendment is effective for annual periods beginning on or after 1 January 2014. This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to IAS 32 are to be retrospectively applied. Earlier application is permitted. However, if an entity chooses to early adopt, it must disclose that fact and also make the disclosures required by the IFRS 7 Offsetting Financial Assets and Financial Liabilities amendments. This amendment has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the amendment on its financial position or results of operations.

- **IFRS 7 Financial Instruments: Disclosures (Amended) - Enhanced Derecognition Disclosure Requirements**
The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment has only disclosure effects. The Group does not expect that the amendment will have an impact on its financial position or results of operations.
- **IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities**
The amendment is effective for annual periods beginning on or after 1 January 2013. The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be retrospectively applied. This amendment has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the amendment on its financial position or results of operations.
- **IFRS 9 Financial Instruments - Classification and Measurement**
The new standard is effective for annual periods beginning on or after 1 January 2015. IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. Phase 1 of IFRS 9 will have a significant impact on (i) the classification and measurement of financial assets and (ii) a change in reporting for those entities that have designated financial liabilities using the FVO. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the first half of 2012. Early application is permitted. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on its financial position or results of operations.
- **IFRS 10 Consolidated Financial Statements**
The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on its financial position or results of operations.
- **IFRS 11 Joint Arrangements**
The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on its financial position or results of operations.
- **IFRS 12 Disclosures of Involvement with Other Entities**
The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on its financial position or results of operations.
- **IFRS 13 Fair Value Measurement**
The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard should be applied prospectively and early adoption is permitted. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on its financial position or results of operations.

2.7 Approval of Financial Statements:

The Company's Board of Directors approved the separate and consolidated financial statements for the year ended December 31, 2011, on March 27, 2012. The above mentioned financial statements are subject to the final approval by the Annual General Assembly of Shareholders.

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3. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS:

Assets held for sale as at December 31, 2011 and December 31, 2010 amounted to €676 and €829, respectively (for the Company €526 and €679, respectively).

In September 2008, the Company, 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 European markets, since both these operations were highly unprofitable. The Company 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 FAGE Commercial S.A. (Xylouris), which produces Graviera).

As a result of the above actions and in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, property, plant and equipment and goodwill related to the milk collection stations concerning the above facilities, which have been classified as of December 31, 2011 and 2010, 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 consolidated and separate financial statements is analyzed as follows:

	THE GROUP		THE COMPANY	
	December 31,		December 31,	
	2011	2010	2011	2010
Wages and salaries	31,563	32,738	20,985	23,959
Social security costs	6,737	7,073	5,743	6,278
Provision for severance pay on retirement (Note 25)	1,529	1,922	1,529	1,922
Other staff costs	2,756	2,088	886	928
Total payroll	42,585	43,821	29,143	33,087
Less: amounts charged to cost of production	(20,162)	(20,356)	(12,672)	(15,197)
amounts capitalized to cost of production	(1,677)	(875)	(1,677)	(875)
Payroll expensed (Note 6)	20,746	22,590	14,794	17,015

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

5. DEPRECIATION AND AMORTIZATION:

Depreciation and amortization in the accompanying consolidated and separate financial statements is analyzed as follows:

	THE GROUP		THE COMPANY	
	December 31,		December 31,	
	2011	2010	2011	2010
Depreciation on property, plant and equipment (Note 11)	16,870	15,439	9,774	9,778
Amortization of intangible assets (Note 12)	1,275	1,691	1,116	1,535
Total depreciation and amortization	18,145	17,130	10,890	11,313
Less: amounts charged to cost of production	(13,748)	(12,184)	(7,926)	(7,841)
Depreciation and amortization expensed (Note 6)	4,397	4,946	2,964	3,472

6. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

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

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	THE GROUP		THE COMPANY	
	December 31,		December 31,	
	2011	2010	2011	2010
Shipping and handling costs [Note 2.3(g)]	34,665	32,996	22,412	25,783
Advertising costs [Note 2.3(d)]	34,057	24,202	13,748	12,661
Third party fees	19,300	16,832	13,839	13,751
Payroll (Note 4)	20,746	22,590	14,794	17,015
Depreciation and amortization (Note 5)	4,397	4,946	2,964	3,472
Repairs and maintenance	1,461	1,505	1,352	1,380
Travelling and entertainment	1,701	1,657	1,231	1,315
Allowance for doubtful accounts (Note 18)	1,275	1,658	1,250	1,325
Other	5,186	4,893	3,138	3,346
Total	122,788	111,279	74,728	80,048

Compensation paid to directors and executive officers for the years ended December 31, 2011 and 2010, included in payroll and third party fees, amounted to €6,926 and €6,500, respectively for the Group and €4,530 and €4,163, respectively for the Company. Of these amounts, €5,070 and €4,362 have been paid to the shareholders and family members in the years ended December 31, 2011 and 2010, respectively, for the Group and €3,634 and €2,897, respectively, for the Company.

7. FINANCIAL INCOME/(EXPENSES):

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

	THE GROUP		THE COMPANY	
	December 31,		December 31,	
	2011	2010	2011	2010
Financial expenses on loans and borrowings (Note 24)	(19,418)	(20,896)	(10,330)	(12,037)
Interest on short-term borrowings (Note 27)	(2,166)	(1,294)	(1,361)	(1,270)
Other	(145)	(168)	(83)	(136)
	(21,729)	(22,358)	(11,774)	(13,443)
Less: amounts capitalized in property, plant and equipment	1,621	670	156	110
Total financial expenses	(20,108)	(21,688)	(11,618)	(13,333)
Interest earned on cash at banks and on time deposits (Note 20)	185	121	172	36
Other financial income	3	5	2	1,419
Total financial income	188	126	174	1,455
Total financial income/(expenses), net	(19,920)	(21,562)	(11,444)	(11,878)

8. OTHER EXPENSES:

	THE GROUP		THE COMPANY	
	December 31,		December 31,	
	2011	2010	2011	2010
-Provision for letter of guarantee (Note 30)	-	1,389	-	1,389
- Loss on disposal of property, plant and equipment	39	48	37	48
- Devaluation of land	153	-	153	-
- Other	209	457	174	444
	401	1,894	364	1,881

9. FOREIGN EXCHANGE GAINS/(LOSSES), NET:

	THE GROUP		THE COMPANY	
	December 31,		December 31,	
	2011	2010	2011	2010
Arising from:				
-Share capital and dividend return from FAGE USA Holdings, Inc.	-	4,667	-	5,667
-Remeasurement of other receivables and payables	(24)	(1,279)	10	(1,291)
	(24)	3,388	10	4,376

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Foreign exchange gains for 2010 were €3,388 for the Group and €4,376 for the Company. Of this amount, €4,667 for the Group and €5,667 for the Company was due to realised foreign exchange gains arising from the collection of US\$ receivables in 2010 relating to the return of share capital and dividends by FAGE USA Holdings, Inc. to FAGE which were outstanding on December 31, 2009. The remaining balance relates to foreign exchange gains from the remeasurement of other receivables and payables outstanding on December 31, 2010 denominated in foreign currencies.

10. INCOME TAXES:

In accordance with the Greek tax regulations, the corporate tax rate applied by companies for fiscal year 2010 was 24%. According to the tax law for the year 2011 onwards the tax rate will be 20%.

Income tax expense/(benefit) reflected in the accompanying consolidated and separate statements of income is analyzed as follows:

	<u>THE GROUP</u>		<u>THE COMPANY</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current income taxes:				
—current income tax expense	1,514	4,583	178	586
Deferred income tax expense/(benefit)	5,028	(1,587)	378	(2,125)
Total income tax reported in the statements of income	6,542	2,996	556	(1,539)

The reconciliation of the provision for income taxes to the amount determined by the application of the Greek statutory tax rate to pretax income is summarized as follows:

	<u>THE GROUP</u>		<u>THE COMPANY</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Profit/(loss) before income taxes	10,174	10,177	(13,253)	(15,803)
Income tax charge/(benefit) calculated at the nominal applicable tax rate (24% for 2010 and 20% for 2011)	2,035	2,442	(2,651)	(3,793)
Tax effect on non-taxable income relating to tax free reserves	-	(150)	-	(150)
Tax effect of USA tax credits	(2,556)	(4,864)	-	-
Tax effect of change in statutory tax rate	326	234	326	234
Tax effect of non-tax deductible impairment losses	225	180	225	180
Tax effect of different tax rates of subsidiaries	3,490	2,895	-	-
Effect of non recognition of deferred tax asset on losses	894	-	894	-
Tax withheld on interest income	-	455	-	455
Reversal of deferred income tax on previously recognized tax losses	500	269	500	-
Tax effects of non-taxable income and expenses not deductible for tax purposes	1,628	1,535	1,262	1,535
Provision for income taxes reported in the consolidated statement of income	6,542	2,996	556	(1,539)
Effective income tax rate	64.3%	29.4%	(4.2)%	9.7%

Greek tax laws and related regulations are subject to interpretations by the tax authorities. Tax returns are filed annually but the profits or losses declared for tax purposes remain provisional until such time, as the tax authorities examine the returns and the records of the taxpayer and a final assessment is issued. Tax losses, to the extent accepted by the tax authorities, can be used to offset profits of the five fiscal years following the fiscal year to which they relate.

FAGE Dairy Industry S.A. has been audited by the tax authorities through December 31, 2007. With respect to FAGE Dairy Industry S.A.'s subsidiaries, their books and records have not been audited by the tax authorities for the following periods:

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<u>Company's Name</u>	<u>Unaudited Periods</u>
FAGE Commercial S.A.	2010-2011
Agroktima Agios Ioannis S.A.	2010-2011
Zagas S.A.	2007-2011
Iliator S.A.	2010-2011
FAGE Italia S.r.l.	2003-2011
FAGE USA Holdings, Inc.	2000-2011
FAGE USA, Corp.	2009-2011
FAGE USA Dairy Industry, Inc.	2005-2011
FAGE U.K. Limited	2006-2011

Pending the tax examination of the related unaudited tax years, the Group, based upon previous years' tax examinations and past interpretations of the tax laws, believes they have recognized adequate provisions for probable future tax assessments.

The deferred income taxes relate to the temporary differences between the book values and the tax bases of assets and liabilities and are calculated using the applicable statutory income tax rates.

	<u>THE GROUP</u>		<u>THE COMPANY</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Beginning balance (net deferred tax liability)	(10,279)	(11,331)	(8,807)	(10,986)
(Charge)/credit to the consolidated statement of income	(5,028)	1,587	(378)	2,125
Translation difference	(394)	(589)	-	-
Directly charged against other comprehensive income	510	54	510	54
Ending balance (net deferred tax liability)	<u>(15,191)</u>	<u>(10,279)</u>	<u>(8,675)</u>	<u>(8,807)</u>

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

During 2010 the New York tax authorities completed the review of the US subsidiary's 2008 tax return and concluded that the subsidiary would be eligible to recover the full amount through offset of future state taxes on profits. Therefore, there will be no amount to be settled in cash.

As a consequence of the above, the Group in this period accounted for the part of the investment credit that was initially expected to be settled in cash, under the provisions of IAS 12 (income taxes). Accordingly, it reversed the previous credit in fixed assets amounting to €3,137 (together with the effect that it had on depreciation/accumulated depreciation) and credited income taxes in the current period's statement of income. Furthermore, it derecognized the subsidies receivable and recognized a deferred tax asset.

Deferred income tax assets and liabilities recognized in the accompanying consolidated statement of financial position and consolidated statement of income are analyzed as follows:

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	Consolidated Balance Sheets			
	THE GROUP		THE COMPANY	
	December 31,		December 31,	
	2011	2010	2011	2010
Deferred income tax liabilities				
- Property, plant and equipment	31,362	23,588	10,491	8,889
- Land revaluation to fair value	6,590	7,130	5,192	7,130
- Investments	705	752	-	-
- Deferred costs	-	-	705	727
- Unrealized foreign exchange gains	-	-	-	-
- Other	10	47	-	-
Gross deferred income tax liabilities	38,667	31,517	16,388	16,746
Deferred income tax assets				
- Deferred costs	(345)	(201)	-	-
- Staff retirement indemnities	(571)	(535)	(571)	(535)
- Tax loss carry forwards	(2,413)	(3,086)	(2,313)	(2,953)
- Investments	(1,000)	(1,063)	(353)	(253)
- Investment tax credits	(17,940)	(15,384)	(3,268)	(3,268)
- Accounts receivable	(1,149)	(898)	(1,149)	(899)
- Other	(58)	(71)	(59)	(31)
Gross deferred income tax assets	(23,476)	(21,238)	(7,713)	(7,939)
Less: deferred income tax assets separately classified	21,449	16,458	-	-
	(2,027)	(4,780)	(7,713)	(7,939)
Net deferred tax liabilities	36,640	26,737	8,675	8,807
	Consolidated Statements of Income			
	THE GROUP		THE COMPANY	
	December 31,		December 31,	
	2011	2010	2011	2010
Deferred income tax liabilities				
- Property, plant and equipment	6,438	6,931	174	419
- Investments	(47)	-	-	-
- Foreign currency translation	-	(19)	-	(19)
- Other	(24)	(22)	(28)	(22)
Deferred income tax assets				
- Deferred costs	(144)	(201)	(22)	(330)
- Staff retirement indemnities	(36)	9	(36)	9
- Tax loss carry forwards	673	(1,739)	640	(1,773)
- Investments	63	5	(100)	5
- Investment tax credits	(1,644)	(5,729)	-	(150)
- Translation difference	394	(589)	-	-
- Accounts receivable	(251)	(233)	(250)	(264)
Deferred income tax charge/(benefit) in statement of income	5,422	(1,587)	378	(2,125)
Amounts charged directly to equity				
	2011	2010	2011	2010
Unrealized gains on available for sale financial assets	-	(54)	-	(54)
Land devaluation at fair value	(510)	-	(510)	-

As explained in more detail in Note 21 (Legal, tax free, special and foreign exchange translation reserves), in December 2009 the Shareholders Meeting of FAGE USA Holdings, Inc. declared a dividend to FAGE Dairy Industry S.A. amounting to US\$35,000 (€24,360) on which withholding income tax of US\$10,857 (€7,556) is due. As a consequence the amount of €7,556 was charged to the consolidated statement of income as income tax expense. This dividend income for FAGE Dairy Industry S.A., resulted in the utilisation of tax carry forward losses amounting to €24,360.

A deferred tax asset of approximately €4,991 of the Greek operations relating to available tax credits of prior years has not been recognized in the accompanying consolidated financial statements as it is not possible to reasonably determine when sufficient statutory taxable income will be available to absorb such tax credits.

At December 31, 2011, the Group has accumulated tax carry forward losses of €15,548 out of which, if not utilized to offset future taxable income, €14,064 expire through 2014 (inclusive) and €1,484 expire through 2028. The Company's management believes that these losses will be covered through profits before expiration and, accordingly, a deferred tax asset of €2,413 has been recognized.

As at December 31, 2011 the prepaid income taxes for the Group amounted to €3,466 (€2,027 as at December 31, 2010) and for the Company €172 (€148 as at December 31, 2010).

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11. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment (excluding land since December 31, 2008) are stated at original cost, net of related Greek State subsidies of €7,002 at December 31, 2011 and 2010 for both of the years for the Group and the Company, plus interest costs capitalized during periods of construction for qualifying assets based upon the weighted average borrowing rate of 11.95% for 2011 (11.5% for 2010). Effective December 31, 2008, the Group changed its accounting policy for land which is measured at its fair value as of that date.

Property, plant and equipment are analyzed as follows:

	THE GROUP						
	Land	Buildings	Machinery and equipment	Transportation equipment	Furniture and fixtures	Construction in progress (CIP)	Total
COST							
At January 1, 2010	47,207	70,405	175,115	3,568	25,489	13,091	334,875
Additions		1,644	8,874	285	613	5,962	17,378
Transfers from CIP		1,765	11,986			(13,751)	
Foreign currency remeasurement	22	4,420	4,437	37	26	960	9,902
Disposals			(140)	(64)	(759)		(963)
At December 31, 2010	47,229	78,234	200,272	3,826	25,369	6,262	361,192
Additions	107	3,298	7,763	223	3,089	28,306	42,786
Transfers from CIP		10,185	15,931			(26,116)	-
Foreign currency remeasurement	10	1,317	1,810	25	15	181	3,358
Devaluation	(2,551)	-	-	-	-	-	(2,551)
Disposals	(57)		(194)	(301)	(489)		(1,041)
At December 31, 2011	44,738	93,034	225,582	3,773	27,984	8,633	403,744
ACCUMULATED DEPRECIATION							
At January 1, 2010	-	(15,739)	(80,283)	(3,019)	(19,818)	-	(118,859)
Depreciation expense	-	(3,379)	(10,401)	(205)	(1,454)	-	(15,439)
Foreign currency remeasurement	-	(59)	(369)	(7)	(4)	-	(439)
Disposals	-		136	64	702	-	902
At December 31, 2010	-	(19,177)	(90,917)	(3,167)	(20,574)	-	(133,835)
Depreciation expense		(2,562)	(12,646)	(204)	(1,457)	-	(16,869)
Foreign currency remeasurement		(103)	(253)	(10)	(6)	-	(372)
Disposals			186	229	473	-	888
At December 31, 2011		(21,842)	(103,630)	(3,152)	(21,564)	-	(150,188)
NET BOOK VALUE							
At December 31, 2010	47,229	59,057	109,355	659	4,795	6,262	227,357
At December 31, 2011	44,738	71,192	121,952	621	6,420	8,633	253,556

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	THE COMPANY						
	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Furniture and fixtures</u>	<u>Construction in progress (CIP)</u>	<u>Total</u>
COST							
At January 1, 2010	46,925	34,382	133,436	2,963	24,927	656	243,289
Additions		348	2,606	127	563		3,644
Transfers from CIP			508				508
Transfers between categories						(508)	(508)
Disposals			(140)	(65)	(758)	(148)	(1,111)
At December 31, 2010	46,925	34,730	136,410	3,025	24,732	-	245,822
Additions		192	4,311	16	490	480	5,489
Transfers from CIP							
Disposals	(57)	-	(165)	(73)	(451)		(746)
Devaluation	(2,551)	-	-	-	-	-	(2,551)
At December 31, 2011	44,317	34,922	140,556	2,968	24,771	480	248,014
ACCUMULATED DEPRECIATION							
At January 1, 2010	-	(13,939)	(71,450)	(2,857)	(19,596)	-	(107,842)
Depreciation expense	-	(1,032)	(7,352)	(39)	(1,355)		(9,778)
Disposals	-		135	65	702		902
At December 31, 2010	-	(14,971)	(78,667)	(2,831)	(20,249)		(116,718)
Depreciation expense		(1,041)	(7,456)	(42)	(1,235)		(9,774)
Disposals			160	69	435		664
At December 31, 2011	-	(16,012)	(85,963)	(2,804)	(21,049)		(125,828)
NET BOOK VALUE							
At December 31, 2010	46,925	19,759	57,743	194	4,483	-	129,104
At December 31, 2011	44,317	18,910	54,593	164	3,722	480	122,186

Cumulative capital expenditure relating to the Group's investment in the United States as of December 31, 2011 and 2010 amounted to €149,747 and €108,899, respectively, which relates to construction costs for the Group's plant.

Effective December 31, 2008 the Group changed its accounting policy for the measurement of land to the revaluation model. The Group engaged American Appraisal (Hellas) Limited, an accredited independent valuer, to determine the fair value of its land. Fair value of land is determined with the market approach, by reference to market based evidence. This means that valuations performed by the valuer are based on active market prices, adjusted for any difference in location or condition of the specific property. The date of the revaluation was December 31, 2008. This resulted in a revaluation surplus amounting to €43,054, shown in the statement of comprehensive income as well as in equity component "land revaluation surplus", net of deferred taxes of €7,130. If the land was measured using the cost model, its carrying amount as of December 31, 2008 would be €4,163.

The Group engaged American Appraisal (Hellas) Limited to determine the fair value of its land as at December 31, 2011. The measurement resulted in a devaluation of €2,551 shown in the statement of comprehensive income and in the equity component "land revaluation surplus", net of deferred taxes, of €510.

12. INTANGIBLE ASSETS:

Intangible assets in the accompanying financial statements are analyzed as follows:

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THE GROUP	Customer network	Development costs	EDP license fees/expenses	Total
Balance, January 1, 2010	1,413	1,164	2,190	4,767
Additions	-	588	131	719
Foreign currency remeasurement	75	-	-	75
Amortization (Note 5)	(156)	(787)	(748)	(1,691)
Balance, December 31, 2010	1,332	965	1,573	3,870
Additions	-	604	-	604
Foreign currency remeasurement	72	-	-	72
Amortization (Note 5)	(160)	(361)	(755)	(1,276)
Balance, December 31, 2011	1,244	1,208	818	3,270

THE COMPANY	Development costs	EDP license fees/expenses	Total
Balance, January 1, 2010	1,164	2,190	3,354
Additions	588	131	719
Amortization (Note 5)	(787)	(748)	(1,535)
Balance, December 31, 2010	965	1,573	2,538
Additions	604	-	604
Amortization (Note 5)	(361)	(755)	(1,116)
Balance, December 31, 2011	1,208	818	2,026

13. GOODWILL AND CONSOLIDATED SUBSIDIARIES:

The consolidated financial statements as at December 31, 2011 and 2010 include the financial statements of FAGE Dairy Industry S.A. and its subsidiaries listed below:

	Equity interest		Country of incorporation	
	December 31, 2011	December 31, 2010		
Foods Hellas S.A.	-	-	Greece	Its operations were absorbed by the Company and the entity was liquidated in 2006
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%	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 Group's U.S. yogurt production facility and the distribution of its products in the U.S.

Foods Hellas S.A.: Foods Hellas S.A. (Foods Hellas) was owned 99.38% by FAGE and the balance of 0.62% was owned in equal shares by the two shareholders of FAGE. Foods Hellas was a distribution company with a network that covered Northern Greece.

FAGE acquired its participating interest in Foods Hellas in three tranches (46.9% in 1990, 37.5% in 1992 and 14.98% in 2001) for a total consideration of €3,207. Effective January 1, 1998, the distribution network of Foods Hellas is being operated under the name of FAGE. During 2006 Foods Hellas was liquidated.

Voras S.A.: FAGE acquired 100% of Voras S.A. (Voras) in four tranches (45% in 1996, 25% in 1997, 5.5% in 1998 and 24.5% in 2002) for a total consideration of €8,499. As of December 31, 2002, all assets of Voras have been transferred to FAGE Dairy Industry S.A., and Voras has been liquidated.

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FAGE Commercial S.A. (Xylouris): FAGE acquired 100% of Xylouris S.A. (Xylouris) in seven tranches (35% in 1995, 12% in 1996, 4% in 1997, 17% in 2002, 3.75% in 2003, 28.24% in 2004 and 0.01% in 2006) for a total consideration of €2,032. Xylouris was a cheese producer in Crete. During December 2008 it was renamed to FAGE Commercial S.A. and it operates as a commercial company.

Zagas S.A.: Zagas S.A. (Zagas) is a cheese producer in Agrinio. FAGE acquired its participating interest of 100% of Zagas in two tranches (99.99% in 2001 and 0.01% in 2006), for a total consideration of €3,086. The Group is in process of selling the property, plant and equipment of this subsidiary (note 3).

Agroktima Agios Ioannis S.A.: FAGE acquired 100% of Agroktima Agios Ioannis S.A. (Agroktima) in three tranches (33.24% in 1998, 66.75% in 2000 and 0.01% in 2006) for a total consideration of €1,583. Agroktima was an agricultural and farm development company which ceased operations in 2007.

Iliator S.A.: The Group has a participation interest of 97% in Iliator S.A., a construction company which is not operating.

FAGE Italia S.r.l.: FAGE Italia S.r.l. is a 100% owned Italian distribution company. FAGE acquired its interest in FAGE Italia S.r.l. in three tranches (88.87% in 1993, 11.12% in 2004 and 0.01% in 2006) for a total consideration of €650.

FAGE U.K. Limited: On April 13, 2005, FAGE acquired 100% of the share capital of its distributor in the United Kingdom, Gordon Conrad Limited (subsequently renamed to FAGE U.K. Limited), for a consideration of €5,303.

FAGE USA Holdings, Inc.: FAGE USA Holdings, Inc. is the holding company of FAGE USA, Corp. and FAGE USA Dairy Industry, Inc.

FAGE USA, Corp.: FAGE USA, Corp. is a wholly owned subsidiary of FAGE USA Holdings, Inc. and is a company providing sales and marketing services.

FAGE USA Dairy Industry, Inc.: FAGE USA Dairy Industry, Inc. is a wholly owned subsidiary of FAGE USA Holdings, Inc. and is a company which imports, manufactures and distributes the Group's products in the US market.

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

	THE GROUP		THE COMPANY	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
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	1,130	1,097	-	-
Total	4,832	4,799	3,418	3,418

The movement in goodwill is analyzed as follows:

	THE GROUP	THE COMPANY
Balance at January 1, 2010	4,765	3,418
Plus: Foreign currency remeasurement	34	-
Less: Impairment of goodwill:		
-Iliator	-	-
Balance at December 31, 2010	4,799	3,418
Plus: Foreign currency remeasurement	33	-
Balance at December 31, 2011	4,832	3,418

Goodwill is tested annually for impairment on December of each year or more frequently when circumstances indicated that the carrying value maybe impaired. The Group identifies two cash generating units, the European and the U.S.

The annual impairment test for goodwill was based on the value in use approach which was used to determine the recoverable amount of the cash generating units of the Group to which goodwill is allocated. Cash flow projections are based on financial forecasts approved by management covering a five-year period. The pre-tax discount rate applied to cash flow projections was 10.4% and cash flows beyond the five-year period were extrapolated using a 2.0% growth rate which is the expected average growth rate for the specific industry.

Key assumptions used in the value in use calculation with respect to the above impairment tests are as follows:

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Budgeted gross margin: The basis used to determine the value assigned to the budgeted gross margins is the average actual gross margins achieved by each cash-generating unit in the preceding five-year period.

Capital needs: All the necessary estimated acquisitions of fixed assets as well as working capital needs and maintenance needs were taken into account, based on the latest five years' actual needs, in order for the cash-generating units to maintain their production capacity and market share.

Bond rates: The yield on a ten (10) year government bond rate at the beginning of the budgeted year is utilised and the value assigned to the key assumption is consistent with the external information sources.

Management did not identify any impairment at the Group level as a result of this test.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the cash generating units of the Group, management believes that a reasonable change in any of the above key assumptions could not cause the current value of these cash generating units to materially exceed their recoverable amounts.

Regarding the separate financial statements of the Company, an impairment test was conducted as of December 31, 2011 for investments in subsidiaries, as due to losses incurred by certain of them impairments indicators existed. As a consequence, specific investments were written down to their recoverable amount and the Company recognized an impairment loss of €1,000 which is presented in the table below.

The movement of FAGE's investments in subsidiaries is analyzed as follows:

	THE COMPANY			
	December 31, 2011	Impairment	Payment of Capital	December 31, 2010
FAGE Commercial (Xylouris)	1,105	-	-	1,105
Iliator	29	-	-	29
Zagas	178	-	-	178
FAGE Italia S.r.l.	499	(1,000)	1,000	499
FAGE USA Holdings, Inc. (Note 21)	5,494	-	-	5,494
FAGE U.K. Limited	5,303	-	-	5,303
	12,608	(1,000)	1,000	12,608

14. INVESTMENT IN 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 €134 and €76 have been recognized in the accompanying consolidated statements of income for the year ended December 31, 2011 and 2010, respectively. The carrying value of the investment in Bizios as at December 31, 2011 and December 31, 2010, amounted to €0 and €134, respectively, and is included in the accompanying consolidated and separate statements of financial position. In FAGE's separate financial statements the investment in Bizios is reflected at cost less impairment and amounted to €828 as at December 31, 2011 and 2010.

15. AVAILABLE FOR SALE FINANCIAL ASSETS:

Available for sale financial assets are analyzed as follows:

	THE GROUP AND THE COMPANY	
	December 31,	
	2011	2010
Shares—listed:		
Vis S.A.	229	254
Elbisco Holdings S.A.	157	256
	386	510
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 the listed are carried at their fair value with the difference in the fair values reflected in other comprehensive income.

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For the year ended December 31, 2010, losses of €218 (net of deferred income taxes of €54) were recognized and reported in other comprehensive income while, for the years ended December 31, 2011 and 2010, losses of €124 and €199, respectively, were recognized and reported in the statements of income, as it was determined that the related investments had been impaired.

16. OTHER NON-CURRENT ASSETS:

Other non-current assets are analyzed as follows:

	THE GROUP		THE COMPANY	
	December 31,	December 31,	December 31,	December 31,
	2011	2010	2011	2010
Long-term notes receivable at amortized cost	-	6	-	6
Less: current maturities, included in trade and other accounts receivable	-	(6)	-	(6)
	-	-	-	-
Utility deposits	301	287	242	230
Other	83	130	83	130
	384	417	325	360

The maturity of the long-term notes receivable subsequent to December 31, 2011 and 2010, is as follows:

	THE GROUP		THE COMPANY	
	December 31,	December 31,	December 31,	December 31,
	2011	2010	2011	2010
<u>Maturity</u>				
Within 1 year	-	6	-	6
	-	6	-	6

17. INVENTORIES:

Inventories are analyzed as follows:

	THE GROUP		THE COMPANY	
	December 31,	December 31,	December 31,	December 31,
	2011	2010	2011	2010
Merchandise	1,416	1,767	411	825
Finished and semi-finished products	12,928	9,864	8,139	7,760
Raw materials and supplies	14,855	13,012	11,010	10,323
	29,199	24,643	19,560	18,908

As at December 31, 2011 there were no circumstances identified that would lead the Group and the Company to establish provision for inventories.

18. TRADE AND OTHER RECEIVABLES:

Trade and other receivables are analyzed as follows:

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	THE GROUP		THE COMPANY	
	December 31,	December 31,	December 31,	December 31,
	2011	2010	2011	2010
Trade:				
—In Euro	29,439	24,406	27,401	18,884
—In foreign currencies	20,379	13,121	3,251	5,624
	49,818	37,527	30,652	24,508
—Less: allowance for doubtful accounts	(1,993)	(2,015)	(1,811)	(1,532)
	47,825	35,512	28,841	22,976
Other:				
—Value added tax	14,276	11,781	14,178	11,769
—Prepaid taxes, other than income taxes	19	631	-	-
—Prepaid expenses	1,959	403	387	399
—Advances to suppliers	7,336	7,360	6,527	6,559
—Various debtors	2,100	1,854	1,400	1,405
	25,690	22,029	22,492	20,132
—Less: allowance for doubtful accounts	(6,260)	(5,289)	(5,181)	(4,210)
	19,430	16,740	17,311	15,922
	67,255	52,252	46,152	38,898

The movement of the allowance for doubtful accounts during the years ended December 31, 2011 and 2010 was as follows:

THE GROUP	Trade	Other	Total
Balance at January 1, 2010	1,386	4,260	5,646
Provision (Note 6)	629	1,029	1,658
Balance at December 31, 2010	2,015	5,289	7,304
Provision (Note 6)	304	971	1,275
Write-offs	(326)	-	(326)
Balance at December 31, 2011	1,993	6,260	8,253
THE COMPANY	Trade	Other	Total
Balance at January 1, 2010	1,236	3,181	4,417
Provision (Note 6)	296	1,029	1,325
Balance at December 31, 2010	1,532	4,210	5,742
Provision (Note 6)	279	971	1,250
Balance at December 31, 2011	1,811	5,181	6,992

The Group, in late 2007 and in the context of its efforts to re-organize its raw material cost base, decided and withdrew from certain milk zones and small suppliers. This action, amongst other effects, resulted in increases in the provision for doubtful debts and in the write off of receivable balances as, for certain prepayments to suppliers, the possibilities of collection were significantly reduced.

On March 21, 2008, the Company 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. Using this agreement the Company financed its operations. The Company reduced its line of financing through the ABN AMRO trade accounts receivable to €16.8 million as at December 31, 2010 and to €10.8 million as at December 31, 2011.

Moreover, as at December 31, 2011 and 2010 amounts of €418 and €370, respectively, are disclosed both in current assets and current liabilities representing its continuing involvement in the transferred trade receivables.

The consolidated income statement for the year ended December 31, 2011 reflects a charge of €1,275 (€1,658 at December 31, 2010) for additional allowance for doubtful accounts, while the respective amounts charged in the separate income statement were €1,250 for December 31, 2011 and €1,325 for December 31, 2010.

During the year ended December 31, 2011 accounts receivable amounting to €326 were written-off by the Group utilizing the allowance established in prior years for those receivables while in the separate financial statements there were no such write-offs.

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The ageing analysis of trade accounts receivable is as follows:

THE GROUP	<u>Total</u>	<u>Neither past due nor Impaired</u>		<u>Past due but not impaired</u>		
			<u>Current</u>		<u>Over 60 days</u>	<u>Over 180 days</u>
2011	47,825	32,103		15,722	-	
2010	35,512	28,215		7,297	-	

THE COMPANY	<u>Total</u>	<u>Neither past due nor Impaired</u>		<u>Past due but not impaired</u>		
			<u>Current</u>		<u>Over 60 days</u>	<u>Over 180 days</u>
2011	28,841	16,754		12,087	-	
2010	22,976	17,827		5,149	-	

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.

19. RELATED PARTIES:

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	
	December 31,		December 31,	
	2011	2010	2011	2010
Due from:				
- Ioannis Nikolou ULP	770	706	770	706
- Evga S.A.	1,244	394	1,244	394
	2,014	1,100	2,014	1,100
Due to:				
- Iofil S.A.	3,873	5,797	3,873	5,797
- Mornos S.A.	3,378	4,067	3,222	3,726
- Vis S.A.	1,077	1,022	1,077	1,022
- Agan S.A.	780	738	780	738
	9,108	11,624	8,952	11,283

Transactions with related companies for the years ended December 31, 2011 and 2010, are analyzed as follows:

THE GROUP	Purchases from related parties		Sales to related parties	
	2011	2010	2011	2010
	Inventories, materials and supplies	32,400	35,343	2,544
Advertising and media	4,383	5,072	-	-
Other services	7,359	8,859	-	-
	44,142	49,274	2,544	3,265

THE COMPANY	Purchases from related parties		Sales to related parties	
	2011	2010	2011	2010
	Inventories, materials and supplies	30,298	32,747	2,544
Advertising and media	4,383	5,072	-	-
Other services	7,359	8,859	-	-
	42,040	46,678	2,544	3,265

Purchases of inventories, materials and supplies from related parties represent approximately 18.3% and 21.4% of the Group's total purchases for the years ended December 31, 2011 and 2010, respectively (for the Company, 26.5% and 28.2%, respectively).

Advertising, media buying and other services from related parties represent approximately 28.4% and 42.1% of the Group's total respective costs for the years ended December 31, 2011 and 2010, respectively (for the Company, 55.7% and 64.7%, respectively).

Mornos S.A.: The Group purchases plastic yogurt tubs, aluminum yogurt tub tops and other packaging products from Mornos. Members of Mr. Kyriakos Filippou's family and companies that he controls own 100% of Mornos. Mr. Athanassios-Kyros Filippou is the Chairman of the Board of Mornos. The Group's purchases from Mornos totalled €12,297 and €13,593 for the years ended December 31, 2011 and 2010, respectively. The Company's purchases from Mornos totalled €10,195 and €10,996 for the years ended December 31, 2011 and 2010, respectively.

Vis S.A.: The Group purchases packaging materials from Vis, a public company that is listed on the Athens Stock Exchange. Mr. Ioannis Filippou, members of his family and a company owned by them own 72.5% of Vis and we own 7.1% of Vis. Mr. Dimitrios Filippou is Chairman and Managing Director and Mr. Athanassios Filippou is the Vice Chairman of Vis. Our purchases from Vis totalled €2,755 and €2,896 for the years ended December 31, 2011 and 2010, respectively.

European Milk and Flour Industry S.A.: The Group is the exclusive distributor in Greece of fresh and UHT fruit juices produced by Evga. Evga is 100% owned by members of Mr. Kyriakos Filippou's family and companies controlled by him. Mr. Athanassios-Kyros Filippou, the son of Mr. Kyriakos Filippou, is the Chairman of the Board of Directors of Evga. Evga produces fresh and UHT fruit juices and ice cream. The Group purchases Evga's fresh and UHT fruit juices, which bear the *EVGA* trademark, at a negotiated discounted price and sell them to retailers at a mark-up. Evga retains responsibility for all marketing, advertising and promotion costs. The Group's purchases from Evga totalled €2,768 and €4,472 for the years ended December 31, 2011 and 2010, respectively. From time to time, the Group sells to Evga various raw materials for its products. Our sales to Evga totalled €404 and €698 for the years ended December 31, 2011 and 2010, respectively. As of September 2009, pursuant to an agreement with the Group, continuing through 2012, Evga provides consulting services to the Group relating to research and technology. Such services provided for the years ended December 31, 2011 and 2010 amounted to €2,810 and €4,310, respectively.

Iofil S.A.: Iofil provides corporate management services to the Group and other companies controlled by the Filippou family. Iofil is 100% owned by Mr. Ioannis Filippou, members of his family and a company that they own. Mr. Ioannis Filippou is Chairman of the Board of Directors, Mr. Athanassios Filippou is Vice Chairman and Mr. Dimitrios Filippou is the Managing Director of Iofil. Iofil is an industrial, commercial, advertising and services company and is also the controlling shareholder of Vis. Pursuant to an agreement with the Group, continuing through 2012, Iofil provides the Group with corporate management services. Services provided to the Group for the years ended December 31, 2011 and 2010, amounted to €4,310 for each such year. Additionally, the Group purchases packaging materials from Iofil. The Group's purchases of packaging materials from Iofil totalled €10,975 and €11,044 for the years ended December 31, 2011 and 2010, respectively. Iofil also provided advertising services to the Group in the amount of €4,383 and €5,072 for the years ended December 31, 2011 and 2010, respectively.

Agan S.A.: Agan is a service company owned by Palace, Mr. Kyriakos Filippou and Mr. Athanassios-Kyros Filippou. Mr. Kyriakos Filippou is the Chairman of the Board of Directors of Agan, Mrs. Dimitra Filippou, the wife of Mr. Kyriakos Filippou, is the Vice Chairman and Mr. Athanassios-Kyros Filippou, the son of Mr. Kyriakos Filippou, is the Chief Executive Officer of Agan. The Group's purchases of packaging materials from Agan totalled €3,605 and €3,339 for the years ended December 31, 2011 and 2010, respectively.

Ioannis Nikolou ULP: Mr. Ioannis Nikolou is the brother-in-law of Mr. Ioannis Filippou and is one of the Company's sales representatives. As such, he buys products from the Group at a discounted price and resells them at a marked-up price, with the difference being retained as his commission. The Group determines the discounts offered to and mark-ups charged by its sales representatives in a uniform manner. Purchases from the Group by Ioannis Nikolou totalled €2,129 and €2,541 for the years ended December 31, 2011 and 2010, respectively. Ioannis Nikolou derives a standard commission on resale of such purchased products.

Bizios: Bizios is a cheese manufacturing company in which FAGE has a 45% participating stake. Mr. Zissis Bizios and Mr. Nikos Bizios own equally the remaining 55% of the company. FAGE sells milk to Bizios and purchases mainly feta cheese. The Company had no sales to or purchases from Bizios for the years ended December 31, 2011 and 2010, respectively.

G.S. Kostakopoulos & Associates: The Group engages the law firm G.S. Kostakopoulos & Associates for various legal services. Mr. Georgios Kostakopoulos, the managing partner of the firm, is the brother-in-law of Messrs. Ioannis and Kyriakos Filippou. The Group's payments to G.S. Kostakopoulos & Associates were approximately €239 for each of the years ended December 31, 2011 and 2010.

Total Compensation to Key Management Personnel: Compensation and related costs to directors and executive officers are analyzed as follows:

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	THE GROUP		THE COMPANY	
	December 31,		December 31,	
	2011	2010	2011	2010
Compensation paid to shareholders and family members as directors and executive officers (Note 6)	5,070	4,362	3,634	2,897
Compensation to other directors and executive officers	1,647	1,899	800	1,130
	6,717	6,261	4,434	4,027
Payments to state pension plans	209	239	96	136
	6,926	6,500	4,530	4,163

Certain additional related party disclosures are provided in Note 30 in the consolidated financial statements.

THE COMPANY:

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

	December 31,	December 31,
	2011	2010
Due from:		
Agroktima Aghios Ioannis	242	238
Iliator	50	45
Zagas	98	92
FAGE Italia S.r.l.	3,275	2,586
FAGE USA Dairy Industry, Inc.	1,493	-
FAGE U.K. Limited	1,691	2,040
	6,849	5,001
Due to:		
FAGE Commercial S.A. (ex Xylouris)	807	800
FAGE USA Dairy Industry, Inc.	-	349
	807	1,149

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

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

	Year ended	
	December 31,	December 31,
	2011	2010
Revenues from:		
Sales of inventories	23,860	19,191
Other income-Royalties from FAGE USA Dairy Industry, Inc.	15,571	10,758
Financial income from FAGE USA Dairy Industry, Inc.	-	1,414

Certain additional related party disclosures are provided in Note 30 in the consolidated financial statements.

20. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are analyzed as follows:

	THE GROUP		THE COMPANY	
	December 31,	December 31,	December 31,	December 31,
	2011	2010	2011	2010
Cash in hand	282	200	252	177
Cash at banks	34,060	40,483	23,997	24,106
	34,342	40,683	24,249	24,283

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 €185 and €121 for the years ended December 31, 2011 and 2010, respectively for the Group and to €172 and €36, respectively, for the Company, and is included in financial income in the accompanying consolidated and separate statements of income (Note 7).

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Cash and cash equivalents for the Group at December 31, 2011 consists of €22,309 denominated in foreign currencies and €12,033 in Euro (€32,621 and €8,062 at December 31, 2010, respectively).

Cash and cash equivalents for the Company at December 31, 2011 consists of €12,574 denominated in foreign currencies and €11,675 in Euro (€16,425 and €7,858 at December 31, 2010, respectively).

Cash restricted for the Group and the Company at December 31, 2010 consists of €300 relating to the issuance of a letter of credit. There was no cash restricted for the Group and the Company as at December 31, 2011.

21. SHARE CAPITAL AND NET REVALUATION SURPLUS:

At December 31, 2010 and 2011, the Company's authorized, issued and fully paid share capital consisted of 13,297,300 common, registered shares of €2.94 par value each.

The Company's shareholders are Mr. Ioannis Filippou and Mr. Kyriakos Filippou, each of whom owns directly 50% of the Company's outstanding shares.

The amount of share capital at December 31, 2011 and 2010, includes €33,236 which represents gains resulting from the statutory (tax law) revaluations of fixed assets which have been capitalized according to the provisions of the respective laws. These revaluations have been reversed in the accompanying consolidated and separate financial statements with the reversal of the related net revaluation gains being reflected as a separate component of equity. According to the respective laws, the capitalized net revaluation gains are exempt from income tax provided that they are not distributed to shareholders (through redemption of the Company's share capital) within a period of five years following the revaluation date.

As at December 31, 2008, following the revaluation of land at fair value, revaluation surplus amounting to €43,054, net of deferred taxes of €7,130 was credited to the net revaluation surplus reserve. Furthermore, as at December 31, 2011, the Company proceeded to an update/revaluation of the fair value of land which resulted in a reduction of fair value by €2,551. The related amount has been recorded as a reduction to the land revaluation surplus net of deferred taxes of €510.

The Company's charter requires a vote of 90% for any sale or transfer of any amount of capital shares to be effected.

22. LEGAL, TAX FREE, SPECIAL AND FOREIGN EXCHANGE TRANSLATION RESERVES:

Legal, tax free and special reserves for the Group and the Company are analyzed as follows:

	December 31,	
	2011	2010
Legal reserve	2,739	2,739
Tax free reserves		
- Law 1892/1990 (Art. 12)	24,625	24,625
- Reserve for non taxable income	627	627
- Reserves established under various laws prior to 1978	104	104
	<u>25,356</u>	<u>25,356</u>
Special reserves		
- Law 1892/1990 (Art. 23a)	6,650	6,650
- Law 3296/2004	771	771
	<u>7,421</u>	<u>7,421</u>
	<u>35,516</u>	<u>35,516</u>

Legal Reserve:

Under Greek corporate law, corporations are required to transfer a minimum of 5% of their annual net profit as reflected in their statutory books to a legal reserve, until such reserve equals one-third of the outstanding share capital. The above reserve cannot be distributed during the existence of the Company.

Tax Free Reserves:

- (a) Under the provisions of Law 1892/1990 (Art. 12), corporations were allowed to establish tax free reserves equal to sixty percent of their pre-tax profits, as reflected in their statutory books, generated from manufacturing activities, after allowing for legal reserve, dividends and Board of Directors fees, but limited to sixty percent of the capital expenditures made in the respective year under this law. This incentive expired on December 31, 2004. According to the Greek tax regulations, this reserve is exempt from income tax, provided it is not distributed to shareholders. The Company has no intention of distributing this reserve and, accordingly, has not provided for deferred income tax liability that would be required in the event the reserve is distributed
- (b) Other tax free reserves have been recorded under various Greek laws. According to the Greek tax regulations, these reserves are exempt from income tax, provided they are not distributed to the shareholders. The Company has no

intention of distributing these reserves and, accordingly, has not provided for deferred income tax liability that would be required in the event these reserves are distributed.

If the above reserves are distributed then, income taxes will be payable at the then prevailing rates.

Special Reserves:

- (a) Under the provisions of Law 1892/1990 (Art. 23a) the Company submitted to the Greek State a business plan concerning the expansion and upgrading of certain production units, during the period from 1995 through 1997. The Company was obliged to record its own contribution as a special reserve out of each year's profits as reflected in the statutory books. The reserve cannot be distributed for a period of ten years from the completion of the business plan.
- (b) Under the provisions of Law 3296/2004 the Company was obliged to record, as a special reserve, the balance of the allowance for doubtful accounts receivable reflected in its statutory books which had not been off-set against specific account receivable balances.

Foreign Exchange Translation Reserve:

The functional currency of the Group's wholly owned subsidiary, FAGE U.K. Limited, is the British Pound (GB £) and of its USA wholly owned subsidiaries, FAGE USA, Corp., FAGE USA Holdings, Inc and FAGE USA Dairy Industry, Inc., is the U.S. \$. As at the reporting date, all balance sheet accounts of those subsidiaries are translated using the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the weighted average rate of exchange prevailing during the year. Translation gains/(losses) are reported in other reserves, a component of equity, whose balance amounted to €955 and €(1,315) at December 31, 2011 and 2010, respectively. On disposal of a foreign subsidiary (entity) resulting in a total or partial reduction in the ownership interest, the deferred cumulative amount recognized in equity attributable to that particular foreign subsidiary is reclassified to the consolidated statement of income.

On December 22, 2009 the Shareholders Meeting of FAGE USA Holdings, Inc. declared a dividend to FAGE Dairy Industry S.A. amounting to US\$35,000 (€24,360) on which withholding income tax of US\$10,857 (€7,556) are due as well as, the return of capital amounting to US\$84,600 (€62,643 at historical exchange rates or €58,405 at exchange rates existing on the date of the transaction). As a consequence, the corresponding foreign exchange losses of €4,238 recognized as of this date, were reclassified to retained earnings in the statement of changes in equity in 2009 financial statements as this capital repayment did not represent a reduction in the Company's ownership interest in FAGE USA Holdings, Inc.

23. DIVIDENDS:

Under Greek corporate law, companies are required each year to declare from their profits, dividends of at least 35% of after-tax profit, after allowing for legal reserve, and certain profits from the sale of shares described under paragraph 1 of article 3 of Law 148/1967 of the paid-in share capital. The above provisions do not apply, if the General Shareholders Meeting by a majority of at least 65% resolves not to distribute profits. In this case, the non-distributed – profits are transferred to a “special reserves account”. The Company is obliged within four years from the formation of reserves to capitalise these reserves by the issuance of new shares which it grants free to the beneficiaries (par. 2 art. 3 of the Law 148/1967). The above provisions of par. 1 and 2 do not apply, if approved by the General Shareholders Meeting by a majority of at least 70% of the paid up share capital. Based on a recent tax law in Greece, upon distribution of dividends withholding taxes at a rate of 10% are applied on the dividend distributed.

Furthermore, Greek corporate law requires certain conditions to be met before dividends can be distributed, which are as follows:

- (a) No dividends can be distributed to the shareholders as long as the company's net equity, as reflected in its financial statements, is, or after such distribution, will be less than the outstanding capital plus non-distributable reserves and,
- (b) No dividends can be distributed to the shareholders as long as the unamortized balance of Preoperating Expenses, as reflected in its financial statements, exceeds the aggregate of distributable reserves plus retained earnings.

No dividends were paid during the years ended December 31, 2011 and 2010.

24. INTEREST BEARING LOANS AND BORROWINGS:

Interest bearing loans and borrowings are analyzed as follows:

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	THE GROUP		THE COMPANY	
	December 31,	December 31,	December 31,	December 31,
	2011	2010	2011	2010
(a) Senior Notes due 2015	101,482	101,482	101,482	101,482
(b) Senior Notes due 2020	115,929	112,259	23,186	22,452
Total long-term debt	217,411	213,741	124,668	123,934
Less: Unamortized issuance costs	(12,854)	(13,785)	(3,665)	(4,243)
	204,557	199,956	121,003	119,691

(a) Senior Notes due 2015:

In January 2005, the Group completed the issuance of debt securities (2015 Senior Notes) at an aggregate face amount of €130 million with maturity date on January 15, 2015. The net proceeds of the 2015 Senior Notes, after issuance costs, of €125.4 million were used to (i) redeem all of the previously outstanding debt securities plus accrued and interest thereon of approximately €74.5 million, (ii) the repayment of outstanding short-term borrowings under various lines of credit maintained by the Group with several banks of approximately €35.4 million and, (iii) the acquisition of its distributor in the United Kingdom (Note 13).

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 commencing on July 15, 2005. The 2015 Senior Notes are redeemable in whole or in part, at the option of the Group at any time on or after January 15, 2010. The 2015 Senior Notes are listed on the Irish Stock Exchange.

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

The 2015 Senior Notes Indenture contains certain covenants that, among other things, limit the type and amount of additional indebtedness that may be incurred by FAGE Dairy Industry S.A. and its subsidiaries and imposes certain limitations on investments, loans and advances, sales or transfers of assets, liens, dividends and other payments, the ability of FAGE Dairy Industry S.A. and its subsidiaries to enter into sale-leaseback transactions, certain transactions with affiliates and certain mergers. The Group is in compliance with the terms of the Indenture as of December 31, 2011 and December 31, 2010.

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 was disclosed as gain from repurchase of Senior Notes, in the 2009 consolidated statement of income. Moreover, during the year ended December 31, 2010 the Group redeemed €20,000 of the 2015 Senior Notes paying a premium for early repayment of €750 which is included in financial expenses.

(b) Senior Notes due 2020:

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

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

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

(c) Other Long-Term Loans:

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

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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. During the three months ended March 31, 2010 the outstanding balance of this debt was repaid.
- (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 at the time they were repaid within 2010.

Finance expenses on the Group's interest bearing loans and borrowings for the years ended December 31, 2011 and 2010, amounted to €19,418 (€10,330 for the Company) and €20,896 (€12,037 for the Company) respectively and are included in financial expenses in the accompanying consolidated statements of income (Note 7).

The annual principal payments required to be made on all loans subsequent to December 31, 2011 and 2010 are as follows:

	<u>December 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
Within one year	-	-
2-5 years	101,482	101,482
Over 5 years	115,929	112,259
	<u>217,411</u>	<u>213,741</u>

25. PENSION AND STAFF RETIREMENT INDEMNITIES:

- (a) **State Pension:** The Company's employees are covered by one of several Greek State sponsored pension funds. Each employee is required to contribute a portion of their monthly salary to the fund, with the Company also contributing a portion. Upon retirement, the pension fund is responsible for paying the employees retirement benefits. As such, the Company has no legal or constructive obligation to pay future benefits under this plan. The Group's contributions to the pension funds for the years ended December 31, 2011 and 2010 have been recorded to expenses and were €2,834 and €3,055, respectively.

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- (b) **Staff Retirement Indemnities:** Under Greek labor law, employees and workers are entitled to termination/retirement payments in the event of dismissal or retirement with the amount of payment varying in relation to the employee's or worker's compensation, length of service and manner of termination (dismissed or retired). Employees or workers who resign or are dismissed with cause are not entitled to termination payments. The indemnity payable in case of retirement is equal to 40% of the amount which would be payable upon dismissal without cause. In Greece, local practice is that pension plans are not funded. In accordance with this practice, the Company does not fund these plans. The Company charges operations for benefits earned in each period with a corresponding increase in pension liability. Benefit payments made each period to retirees are charged against this liability.

The movements in the net liability in the accompanying consolidated statement of financial position are as follows:

	THE GROUP		THE COMPANY	
	December 31,		December 31,	
	2011	2010	2011	2010
Net liability at beginning of the year	2,674	2,719	2,674	2,719
Actual benefits paid by the Company	(1,348)	(1,967)	(1,348)	(1,967)
Expense recognised in the consolidated statements of income (Note 4)	1,529	1,922	1,529	1,922
Net liability at end of the year	2,855	2,674	2,855	2,674

An international firm of independent actuaries estimated the Group's liabilities arising from the obligation to pay retirement indemnities. The details and principal assumptions of the actuarial study as at December 31, 2011 and 2010, are as follows:

	THE GROUP		THE COMPANY	
	December 31,		December 31,	
	2011	2010	2011	2010
Present value of unfunded obligations	3,399	3,608	3,399	3,608
Unrecognised actuarial net loss	(544)	(934)	(544)	(934)
Net liability in balance sheet	2,855	2,674	2,855	2,674
Components of net periodic pension cost:				
Service cost	332	222	332	222
Interest cost	162	206	162	206
Amortisation of unrecognised net actuarial loss	74	49	74	49
Amortisation of unrecognised past service cost	-	9	-	9
Regular charge to operations	568	486	568	486
Additional cost of extra benefits	960	1,436	960	1,436
Total charge to operations	1,528	1,922	1,528	1,922
Reconciliation of benefit obligation:				
Present value of obligation at start of year	3,608	3,437	3,608	3,437
Service cost	332	222	332	222
Interest cost	162	206	162	206
Benefits paid	(1,348)	(1,967)	(1,348)	(1,967)
Additional cost of extra benefits	960	1,436	960	1,436
Actuarial net (gain)/loss	(315)	274	(315)	274
Present value of obligation at the end of year	3,399	3,608	3,399	3,608
Principal Assumptions:				
Discount rate	4.80%	4.50%	4.80%	4.50%
Rate of compensation increase	4.50%	4.50%	4.50%	4.50%
Increase in consumer price index	2.00%	2.00%	2.00%	2.00%

Additional cost of extra benefits relate to benefits paid to employees who became redundant. Most of these benefits were not expected within the terms of this plan and, accordingly, the excess of benefit payments over existing reserves have been treated as an additional pension charge. The additional pension charge for the years ended December 31, 2011 and 2010 amounted to €960 and €1,436, respectively.

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26. TRADE ACCOUNTS PAYABLE:

Trade accounts payable are analyzed as follows:

	THE GROUP		THE COMPANY	
	December 31,	December 31,	December 31,	December 31,
	2011	2010	2011	2010
Domestic suppliers	23,186	18,404	23,165	18,044
Foreign suppliers	22,312	11,521	6,891	5,448
	45,498	29,925	30,056	23,492

Included in trade accounts payable to foreign suppliers for the Group are balances denominated in foreign currencies amounting to €13,276 and €4,409 as of December 31, 2011 and 2010, respectively.

27. SHORT-TERM BORROWINGS:

Short-term borrowings are draw-downs under various lines of credit maintained by the Group and the Company with several banks. The use of these facilities for the Group and the Company is presented below:

	THE GROUP		THE COMPANY	
	December 31,	December 31,	December 31,	December 31,
	2011	2010	2011	2010
Credit lines available	50,643	30,226	12,000	19,000
Unused credit lines	(26,008)	(19,000)	(117)	(19,000)
Short-term borrowings	24,635	11,226	11,883	-

The weighted average interest rates on short-term borrowings for the years ended December 31, 2011 and 2010, was 5.98% and 4.07%, respectively.

Interest on short-term borrowings for the years ended December 31, 2011 and 2010, totalled €2,166 and €1,294, respectively, for the Group (€1,361 and €1,270, respectively, for the Company) and is included in interest expense in the accompanying consolidated statements of income (Note 7).

On December 17, 2010, FAGE USA Dairy Industry, Inc. jointly with FAGE, entered into an eighteen-month revolving loan agreement with Citibank N.A. This facility was cancelled when the Group entered into the new loan agreement (see below). At December 31, 2011 and 2010, the amount outstanding under this facility was \$0 and \$15,000 (€11,226) respectively. On October 27, 2011, FAGE USA Dairy Industry, Inc., jointly with FAGE and FAGE USA Holdings, Inc., as guarantors, entered into a sixty-month revolving loan agreement with Citibank N.A. The committed value is up to \$50,000 available at a minimum of \$ 1,000 (or maximum available) and \$500 increments thereafter. At the borrower's option, the loans are available on a one, two, three, or six-month interim basis. The loans carry an interest rate of corresponding interim LIBOR. plus 3.5% or Citigroup published Alternate Base Rate plus 2.5%, and interest is payable at each quarter and interim period end. The commitment is secured by accounts receivable amounting to €20,418 of both FAGE and FAGE USA Dairy Industry, Inc. (€4,864 attributable to FAGE and €15,554 attributable to FAGE USA Dairy Industry, Inc.). The maximum borrowing amount is determined by the computed borrowing base (percentage of eligible receivables) determined at each month's end. A condition of the agreement was the payoff and cancellation of the former \$15,000 facility (see above) which resulted in an initial borrowing of \$16,500 (€12,752) under the new agreement on October 27, 2011. At December 31, 2011, the amount outstanding under this facility was \$16,500 at an interim basis of six months with an applicable interest rate of 4.12%.

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28. ACCRUED AND OTHER CURRENT LIABILITIES:

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

	THE GROUP		THE COMPANY	
	December 31,	December 31,	December 31,	December 31,
	2011	2010	2011	2010
Taxes withheld:				
Payroll	311	270	311	270
Third parties	17	90	17	90
Milk producers	-	69	-	69
Other	348	279	348	279
	676	708	676	708
Advances from customers	799	871	1,606	1,671
Accrued interest	8,334	8,180	4,518	4,484
Social security funds payable	1,455	1,507	1,309	1,380
Accrued and other liabilities	5,611	5,401	1,498	2,246
	15,400	15,088	7,325	8,110
Total	16,875	16,667	9,607	10,489

29. SEGMENT INFORMATION:

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 European operations and the U.S. operations. Accordingly, no operating results by individual or group of products are produced and neither are the Group's assets and liabilities analyzed by various product groups. Intra-segment balances and transactions have been eliminated on consolidation.

Segment information for the years ended December 31, 2011 and 2010, is analyzed as follows:

	Year ended December 31, 2011			
	European operations	U.S. operations	Eliminations	Consolidated
Revenues				
Net sales to external customers	208,664	176,491	-	385,155
Inter-segment sales	23,894	-	(23,894)	-
Segment revenues	232,558	176,491	(23,894)	385,155
Results				
Segment result net profit/(loss)	(13,609)	17,241	-	3,632
Other segment information:				
Capital expenditures:				
Tangible and intangible fixed assets	6,195	37,195	-	43,390
Depreciation and amortization	11,131	7,014	-	18,145
Impairment losses recognized in statement of income	124	-	-	124
Financial expenses	11,679	8,429	-	20,108
Loss on derivatives	218	-	-	218
Income tax (benefit)/expense	955	5,587	-	6,542

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	Year ended December 31, 2010			
	European operations	U.S. operations	Eliminations	Consolidated
Revenues				
Net sales to external customers	219,923	118,652	-	338,575
Inter-segment sales	19,191	-	(19,191)	-
Segment revenues	<u>239,114</u>	<u>118,652</u>	<u>(19,191)</u>	<u>338,575</u>
Results				
Segment result net profit/(loss)	<u>(14,839)</u>	<u>22,020</u>	<u>-</u>	<u>7,181</u>
Other segment information:				
Capital expenditures:				
Tangible and intangible fixed assets	<u>4,306</u>	<u>13,791</u>	<u>-</u>	<u>18,097</u>
Depreciation and amortization	<u>11,659</u>	<u>5,471</u>	<u>-</u>	<u>17,130</u>
Impairment losses recognized in statement of income	<u>199</u>	<u>-</u>	<u>-</u>	<u>199</u>
Financial expenses	<u>12,805</u>	<u>10,297</u>	<u>(1,414)</u>	<u>21,688</u>
Loss on derivatives	<u>1,195</u>	<u>-</u>	<u>-</u>	<u>1,195</u>
Income tax (benefit)/expense	<u>(1,492)</u>	<u>4,488</u>	<u>-</u>	<u>2,996</u>

The following table presents segment assets and liabilities of the Group as at December 31, 2011 and 2010.

December 31, 2011	European operations	U.S. operations	Eliminations	Consolidated
Segment assets	<u>234,391</u>	<u>194,583</u>	<u>(7,639)</u>	<u>421,335</u>
Segment liabilities	<u>201,537</u>	<u>147,097</u>	<u>(7,639)</u>	<u>340,995</u>
December 31, 2010	European operations	U.S. operations	Eliminations	Consolidated
Segment assets	<u>232,616</u>	<u>148,675</u>	<u>(5,454)</u>	<u>375,837</u>
Segment liabilities	<u>183,508</u>	<u>121,304</u>	<u>(5,454)</u>	<u>299,358</u>

30. 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 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 recognized 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 was recognized and included in the 2009 statements of income. Moreover, this amount has been set-off with other tax liabilities. 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

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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 Company.

- (iii) Until 1999, FAGE had for many years purchased UHT extended shelf life milk from a supplier, which in turn purchased the milk from a Belgian producer. As part of the financing arrangements, the Company issued a letter of guarantee to the Belgian company through a bank in Greece and, under the terms of the guarantee, FAGE agreed to pay to the bank any amounts required to be paid by it under the letter of guarantee. Following the discovery of dioxin-contaminated cattle feed in Belgium, the European Commission in June 1999 prohibited the export and distribution of affected products, including milk, and, in turn, the Greek Ministry of Agriculture prohibited the importation and distribution of such animal products originating from Belgium. As a result, FAGE withdrew all of the Belgian company's products from the Greek market, informed the Belgian company that it would not accept further shipments and returned certain shipments of milk to Belgium. In 2000, the Belgian company sought to enforce the letter of guarantee against the bank, which brought third party proceedings against FAGE. A decision was issued by the Court of First Instance in Athens which determined that the bank was required to pay the Belgian company the amount of €1.4 million, including an immediate payment of €0.3 million, and that FAGE was required to pay to the bank whatever amounts it was required to pay to the Belgian company. FAGE has filed an appeal contesting the above decisions, which was heard by the Appeals Court in Greece in September 2010. The Appeals Court of Greece issued the final decision No 5313/2010, according to which FAGE was required to pay the amount of €1.4 million. This amount was paid on February 9, 2011. FAGE has filed an appeal contesting the above decision before the Supreme Court of Greece, which will be heard in April 2012.
- (iv) Between 1998 and 2006, FAGE filed applications with the United States Patent and Trademark Office to register the FAGE TOTAL word mark and label designs for Greek strained yogurt and tzatziki. In 2000 and 2008, General Mills, Inc. ("General Mills") filed oppositions to these applications on the grounds that the mark FAGE TOTAL for yogurt and tzatziki is likely to cause confusion with General Mills' trademark TOTAL for wheat flakes and ready-to-eat cereal. On September 14, 2011, the Trademark Trial and Appeal Board (the "TTAB") held that there is a likelihood of confusion between General Mills' TOTAL mark for cereal and the FAGE TOTAL mark for yogurt, but also found that there was no evidence of confusion during thirteen (13) years of simultaneous use in the marketplace. However, the TTAB held that no likelihood of confusion existed between General Mills' TOTAL mark for cereal and the FAGE TOTAL mark for tzatziki and dismissed General Mills' opposition to FAGE's application to register its FAGE TOTAL mark for tzatziki.

On September 16, 2011, General Mills and General Mills IP Holdings II, LLC (collectively the "General Mills Claimants") commenced a lawsuit against FAGE, FAGE USA Holdings, Inc., and FAGE USA Dairy Industry, Inc. in the United States District Court for the District of Minnesota (the "Minnesota Litigation") claiming that FAGE's and FAGE USA Dairy Industry, Inc.'s use of FAGE TOTAL for yogurt infringes General Mills' TOTAL mark for cereal and constitutes unfair competition under the Lanham Act (15 U.S.C. § 1051, et seq.), Minnesota statutes and common law, and seeking an injunction prohibiting FAGE's and FAGE USA Dairy Industry, Inc.'s use of the FAGE TOTAL mark for yogurt and other dairy products, as well as damages, disgorgement of profits, treble damages and attorney's fees. On September 30, 2011, FAGE and FAGE USA Dairy Industry, Inc. commenced a lawsuit against the General Mills Claimants in the United States District court for the Northern District of New York (the "New York Litigation"), seeking: (a) an appeal of the TTAB decision refusing to register the FAGE TOTAL mark for yogurt pursuant to 15 U.S.C. § 1071(b); and (b) a declaration that FAGE's and FAGE USA Dairy Industry, Inc.'s use of FAGE TOTAL for yogurt and other dairy products does not infringe General Mills' TOTAL mark for wheat flake cereal. In January 2012, the General Mills Claimants filed a cancellation action with the TTAB seeking cancellation of FAGE's incontestable registration for FAGE TOTAL and design for Feta cheese.

The Group believes it has meritorious defenses to the claims asserted in the case pending in the U.S. District Court for the District of Minnesota and intends to defend itself vigorously. There are no claims for monetary damages asserted against the Group in any of the other pending actions described in this subparagraph (iv). In connection with the foregoing, management of the Group does not believe that the ultimate outcome of the pending actions described in this subparagraph (iv) is reasonably likely to have a material adverse effect on the Group's consolidated financial condition or results of operations.

- (v) In addition, the Group is a party to various lawsuits and arbitration proceedings in the normal course of business. The Group's management does not expect any of these other actions to have a material adverse effect on the Group's consolidated financial position or results of operations.

(b) Commitments:

(i) Service Agreements:

The Group has entered into agreements with Iofil, Evga and Palace, related companies, for the provision of corporate management and consulting services. These agreements expire in 2012.

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Future minimum amounts payable under these agreements for the Group as at December 31, 2011 and 2010, are as follows:

The Group and the Company	<u>December 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
Within 1 year	8,620	8,620
2-5 years	-	8,620
	<u>8,620</u>	<u>17,240</u>

(ii) Operating Lease Commitments:

As of December 31, 2011 and 2010, 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 2020.

Rental expense included in the accompanying consolidated statements of income for the years ended December 31, 2011 and 2010, amounted to €1,661 and €1,752, respectively.

Future minimum rentals payable under non-cancelable operating leases as at December 31, 2011 and 2010, are as follows:

	THE GROUP		THE COMPANY	
	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Within one year	505	680	411	680
2-5 years	876	913	662	913
Over 5 years	534	419	457	419
Total	<u>1,915</u>	<u>2,012</u>	<u>1,530</u>	<u>2,012</u>

(iii) Letters of Guarantee:

At December 31, 2011 and 2010, the Company had outstanding bank letters of guarantee in favor of various parties amounting to €1,725 and €1,744, 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 and, for the year ended December 31, 2011, capital expenditures for the U.S. investment amounted to €37,690 (including capitalized interest amounting to €1,464). 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 December 31, 2011, amounted to €6,712 which are all due within one year, of which an amount of €5,759 is denominated in US\$.

31. RISK MANAGEMENT OBJECTIVES AND POLICIES:

The Group's principal financial liabilities comprise of short-term borrowings, interest bearing loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to raise funds for the Group's operations and investments. The Group also has trade and other receivables and cash and cash equivalents that are derived directly from its operations. The Group also holds certain available for sale investments.

The Group is exposed to a) Market Risk (comprised mainly of interest rate risk, foreign exchange risk and fair value risk), b) Credit Risk and c) Liquidity Risk, which are further discussed below:

a) Market Risk

- (i) **Interest rate risk:** The Group is exposed to interest rate variances due to loans and borrowings which bear variable interest rates. As of December 31, 2011 and 2010, of the total loans and borrowings of €242,046 and €224,967, loans and borrowings of €24,635 and €11,226, respectively, bear variable interest rates (or percentages of 10.2% and 5.0%, respectively). The Group does not use derivative financial instruments to hedge the interest rate risk on its debt obligations. The following table demonstrates the sensitivity to reasonably possible change in the variable interest rates, with all other variables held constant, of the Group's profit before tax. There is no impact on the Group's equity.

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	<u>Increase/ decrease in basis points</u>	<u>Effect on profit before tax</u>
2011	+15	37
	-15	(37)
2010	+15	17
	-15	(17)

- (ii) **Foreign Currency Risk:** The Group enters into transactions denominated in foreign currencies related to the sales and purchases of goods. Therefore, the Group is exposed to market risk related to possible foreign currency fluctuations, which is however, mitigated to a certain extent by the set-off of credit and debit balances in the same currencies. Due to the fact that the Group has increased its international exposure due to the sales to the US and UK markets, its financial position and results of operations are increasingly subject to currency translation risks. As of December 31, 2011 and 2010, approximately 51.1% and 40.0%, respectively, of the Group's sales were denominated in currencies other than the functional currency of the Group which is the Euro, whilst almost 46.6% and 32.7%, respectively, of costs were denominated in foreign currencies. The following table demonstrates the sensitivity to a reasonably possible change in the US dollar and British pound exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	<u>Increase/ decrease in foreign currency rate</u>	<u>Effect on profit before tax</u>	<u>Effect on equity</u>
2011 US dollar	+5%	(1,038)	(139)
	-5%	1,038	139
GB pound	+5%	(33)	(2)
	-5%	33	2
2010 US dollar	+5%	1,253	1,490
	-5%	(1,253)	(1,490)
GB pound	+5%	15	22
	-5%	(15)	(22)

- (iii) **Fair Value Risk:** The carrying amounts reflected in the accompanying consolidated statement of financial position for cash and cash equivalents, trade and other receivables, trade and other payables and accrued and other current liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of available for sale financial assets in the accompanying consolidated statement of financial position reflect their fair value. The fair value of variable rate loans and borrowings and other long-term liabilities approximate their carrying amounts. The fair value of the Group's Senior Notes at December 31, 2011 and 2010 amounted to € 174,559 and €205,061, respectively.

b) Credit Risk: The Group's maximum exposure to credit risk, due to the failure of counter parties to perform their obligations as at December 31, 2011 and 2010, in relation to each class of recognized financial assets, is the carrying amount of those assets as indicated in the accompanying consolidated statement of financial position. Concentrations of credit risks are limited with respect to receivables due to the large number of customers comprising the Group's customer base. The Group generally does not require collateral or other security to support customer receivables. There was no customer which accounted for more than 10% of the Group's revenue or receivables.

c) Liquidity Risk: The Group manages liquidity risk by monitoring forecasted cash flows and ensuring that adequate banking facilities and reserve borrowing facilities are maintained. The Group has sufficient undrawn borrowing facilities that can be utilised to fund any potential shortfall in cash resources.

Prudent liquidity risk management implies the availability of funding through adequate amounts of committed credit facilities, cash and marketable securities and the ability to close out those positions as and when required by the business or project.

The table below summarizes the maturity profile of financial liabilities at December 31, 2011 and 2010, respectively, based on contractual undiscounted payments.

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Year ended December 31, 2011	1 to 12 months	2 to 5 years	Over	Total
			5 years	
	(€ in thousands)			
Interest bearing loans and borrowings	19,059	170,107	161,721	350,887
Short-term borrowings	25,991	-	-	25,991
Trade and other payables	54,606	-	-	54,606
	<u>99,656</u>	<u>170,107</u>	<u>161,721</u>	<u>431,484</u>
Year ended December 31, 2010	1 to 12 months	2 to 5 years	Over	Total
			5 years	
	(€ in thousands)			
Interest bearing loans and borrowings	18,697	176,269	167,686	362,652
Short-term borrowings	11,821	-	-	11,821
Trade and other payables	41,549	-	-	41,549
	<u>72,067</u>	<u>176,269</u>	<u>167,686</u>	<u>416,022</u>

THE COMPANY

Year ended December 31, 2011	1 to 12 months	2 to 5 years	Over	Total
			5 years	
	(€ in thousands)			
Interest bearing loans and borrowings	9,901	133,474	32,344	175,719
Short-term borrowings	12,714	-	-	12,714
Trade and other payables	39,008	-	-	39,008
	<u>61,623</u>	<u>133,474</u>	<u>32,344</u>	<u>227,441</u>
Year ended December 31, 2010	1 to 12 months	2 to 5 years	Over	Total
			5 years	
	(€ in thousands)			
Interest bearing loans and borrowings	9,828	140,795	33,537	184,160
Short-term borrowings	-	-	-	-
Trade and other payables	34,775	-	-	34,775
	<u>44,603</u>	<u>140,795</u>	<u>33,537</u>	<u>218,935</u>

Capital Management: The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations. The Group funds its operating costs through cash from operations and short-term borrowings under various lines of credit maintained with several banks. As of December 31, 2011, the available credit lines amounted to €50,643. Furthermore, the Group keeps a trade account receivable agreement for financing of up to €10,822 with ABN Amro Bank. The related agreement on December 31, 2010 amounted to €16,822.

	THE GROUP		THE COMPANY	
	December 31,		December 31,	
	2011	2010	2011	2010
	(€ in thousands)			
Interest bearing loans and borrowings	204,557	199,956	121,003	119,691
Short-term borrowings	24,635	11,226	11,883	-
Trade and other payables	54,606	41,549	39,008	34,775
Less cash and cash equivalents	<u>(34,342)</u>	<u>(40,683)</u>	<u>(24,249)</u>	<u>(24,283)</u>
Net debt	<u>249,456</u>	<u>212,048</u>	<u>147,645</u>	<u>130,183</u>
Total equity	<u>80,340</u>	<u>76,479</u>	<u>41,353</u>	<u>57,203</u>
Equity and net debt	<u>329,796</u>	<u>288,527</u>	<u>188,998</u>	<u>187,386</u>
Gearing ratio	<u>75.6%</u>	<u>73.5%</u>	<u>78.1%</u>	<u>69.5%</u>

Financial Instruments: Set out below is a comparison by category of carrying amounts and fair values of all of the financial instruments that are carried in the consolidated and separate financial statements:

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THE GROUP	Carrying amount		Fair value	
	December 31,		December 31,	
	2011	2010	2011	2010
	(€ in thousands)			
<i>Financial assets</i>				
Cash and cash equivalents	34,342	40,683	34,342	40,683
Available-for-sale investments	474	598	474	598
Trade receivables	47,825	35,512	47,825	35,512
<i>Financial liabilities</i>				
Short-term borrowings	24,635	11,226	24,635	11,226
Interest-bearing loans and borrowings:				
Variable rate borrowings	-	-	-	-
Fixed rate borrowings	204,557	199,956	204,557	205,061
THE COMPANY				
	Carrying amount		Fair value	
	December 31,		December 31,	
	2011	2010	2011	2010
	(€ in thousands)			
<i>Financial assets</i>				
Cash	24,249	24,283	24,249	24,283
Available-for-sale investments	474	598	474	598
Trade receivables	28,841	22,976	28,841	22,976
<i>Financial liabilities</i>				
Short-term borrowings	11,883	-	11,883	-
Interest-bearing loans and borrowings:				
Variable rate borrowings	-	-	-	-
Fixed rate borrowings	121,003	119,691	121,003	115,703

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuing technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the reporting period there were no transfers between the levels.

	THE GROUP		
	Fair value		
	2011	2010	
	(€ in thousands)		
<i>Financial assets</i>			
Available-for-sale investments	474	598	Level 1
<i>Financial liabilities</i>			
Fixed rate borrowings	174,559	205,061	Level 1
THE COMPANY			
	Fair value		
	2011	2010	
	(€ in thousands)		
<i>Financial assets</i>			
Available-for-sale investments	474	598	Level 1
<i>Financial liabilities</i>			
Fixed rate borrowings	93,061	115,703	Level 1

32. SUBSEQUENT EVENTS:

In March 2012, the Company established a subsidiary in Germany named FAGE Deutschland GmbH, which is expected to begin operations in June.



FAGE DAIRY INDUSTRY S.A.

Corporation's registrar number: 13219/01AT/B/86/87 - Address: 35, Hermou St. 144 52 Metamorfossi

CONDENSED FINANCIAL DATA AND INFORMATION FOR THE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2011

(Published in accordance with art.4 of the law 3556/2007, the relevant Decisions of the Hellenic Capital Market Commission and I.F.R.S, applicable for Companies preparing annual consolidated and separate financial statements) -
(All amounts in thousands of Euro, except share and per share data)

The purpose of the following information and financial data is to provide users with general financial information about the financial position and the results of operations of FAGE DAIRY INDUSTRY SA. Therefore, we recommend the users of the financial data and information, before making any investment decision of proceeding to any transaction with the Group or the Company, to obtain the necessary information from the website, where the consolidated and separate company financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the E.U, are available, together with the auditors' report, when required.

COMPANY'S INFORMATION DATA

Financial Statements Approval Date : 27 of March, 2012
Company's Website : www.fage.gr
Auditor / Certified Accountant : Christodoulos Seferis
Auditing Company : ERNST & YOUNG (Ε/Μ/ΑΣ) A.E.
Type of Auditors' Opinion: Unqualified

Composition of the Board of Directors :

Ioannis Filippou - Lifelong Honorary Chairman of the Board
Kyriakos Filippou - Lifelong Honorary Chairman of the Board
Athanassios-Kyros Filippou - Chairman of the Board
Athanassios Filippou - Chief Executive Officer and Director
Dimitrios Filippou - Vice Chairman and Director
Dimitra Filippou - Director

Spyros Gianpapas - Director
Christos Koloventzos - Director
Christos Krommydas - Director
Alexis Alexopoulos - Director
Emmanuel Papaefthimiou - Director

DATA FROM STATEMENT OF FINANCIAL POSITION (CONSOLIDATED AND SEPARATE)

(all amounts in thousands of Euro)

	THE GROUP ⁽¹⁾		THE COMPANY (FAGE S.A.)	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
ASSETS				
Property, plant and equipment	253,556	227,357	122,186	129,104
Intangible assets	3,270	3,870	2,026	2,538
Other non current assets	26,753	21,896	17,267	17,302
Inventories	29,199	24,643	19,560	18,908
Trade and other receivables	67,255	52,252	46,152	38,898
Cash and cash equivalents	34,342	40,683	24,249	24,283
Other current assets	6,284	4,307	2,990	2,428
Assets classified as held for sale	676	829	526	679
TOTAL ASSETS	421,335	375,837	234,956	234,140
EQUITY AND LIABILITIES				
Share capital	39,094	39,094	39,094	39,094
Other components of equity	41,245	37,384	2,259	18,109
Total Equity attributable to equity holders of the parent (a)	80,339	76,478	41,353	57,203
Non controlling Interests (b)	1	1	-	-
Total Equity (c)= (a) + (b)	80,340	76,479	41,353	57,203
Interest bearing loans and borrowings	204,557	199,956	121,003	119,691
Other long-term liabilities	39,531	29,411	11,530	11,481
Short-term borrowings	24,635	11,226	11,883	-
Other current liabilities	72,272	58,765	49,187	45,765
Total liabilities (d)	340,995	299,358	193,603	176,937
TOTAL EQUITY AND LIABILITIES (c) + (d)	421,335	375,837	234,956	234,140

DATA FROM STATEMENT OF COMPREHENSIVE INCOME (CONSOLIDATED AND SEPARATE)

(all amounts in thousands of Euro)

	THE GROUP ⁽¹⁾		THE COMPANY (FAGE S.A.)	
	01/01/2011-31/12/2011	01/01/2010-31/12/2010	01/01/2011-31/12/2011	01/01/2010-31/12/2010
Sales	385,155	338,575	201,046	213,290
Gross profit	153,052	142,708	58,281	65,040
Profit/(loss) before income taxes, financial and investing results	30,594	29,821	(477)	(5,858)
Profit/(loss) before income taxes	10,174	10,177	(13,253)	(15,803)
Net profit/(loss) (A)	3,632	7,181	(13,809)	(14,264)
Attributable to:				
Equity holders of the parent	3,632	7,181	-	-
Non controlling interests	-	-	-	-
Earnings/(loss) per share Basic and diluted	0.27	0.54	-	-
Profit/(loss) before income taxes, financial, investing results and depreciation and amortisation	48,739	46,951	10,413	5,455
Other comprehensive income /(loss) after income taxes (B)	229	(249)	(2,041)	(164)
Total comprehensive income /(loss) after income taxes (A+B)	3,861	6,932	(15,850)	(14,428)
Attributable to:				
Equity holders of the parent	3,861	6,932	-	-
Non controlling interests	-	-	-	-

ADDITIONAL DATA AND INFORMATION (all amounts in thousands of Euro)

1. The consolidated financial statements as at December 31, 2011 and December 31, 2010 include the financial statements of FAGE Dairy Industry S.A. (FAGE, the Company) and its subsidiaries listed below which have been wholly consolidated :

	Equity interest	Country of incorporation	Unaudited periods
	31/12/2011	31/12/2010	
FAGE S.A.	Parent	Greece	2008-2011
Agroktima Agios Ioannis S.A.	100%	Greece	2010-2011
Zagas S.A.	100%	Greece	2007-2011
Iliator S.A.	97%	Greece	2010-2011
FAGE Commercial S.A.	100%	Greece	2010-2011
FAGE Italia S.r.l.	100%	Italy	2003-2011
FAGE U.K. Limited	100%	United Kingdom	2006-2011
FAGE USA Holdings, Inc	100%	U.S.A	2000-2011
FAGE USA Corp.	100%	U.S.A	2009-2011
FAGE USA DAIRY INDUSTRY INC.	100%	U.S.A	2005-2011

2. The accounting principles applied are consistent with those applied in the previous year except for the adoption of new amended or revised accounting standards and interpretations as mentioned in note 2. 3. There are no mortgages, charges or liens on the Group's real estate. 4. No judicial decisions or legal proceedings have emerged which are likely to have a material adverse effect on the business, financial condition or prospects of the Group. 5. The total number of employees for FAGE S.A. as at December 31, 2011 was approximately 833 and for the group 1,098. As of December 31, 2010 the total number of employees for FAGE S.A. was approximately 871 and for the group 1,013. 6. Transactions and account balances with the related parties, for the Group and the Company are as follows:

	Group		Company	
	2011	2010	2011	2010
Sales to	2,544	3,265	41,975	34,628
Purchases from	44,142	49,274	42,040	46,678
Due from	2,014	1,100	6,963	6,101
Due to	9,108	11,624	9,759	12,432
Compensation paid to directors and executive officers	6,926	6,500	4,530	4,163

7. Other comprehensive income net of tax for the Group includes for the years 2011 and 2010 devaluation of land €(2,041) and €0, respectively, exchange gains/(losses) on translation of foreign operations €2,270 and €(85), respectively and net unrealised (losses) on available for sale financial assets €0 and €(164), respectively. Other comprehensive income net of tax for the Company includes for the years 2011 and 2010 devaluation of land €(2,041) and €0, respectively and net unrealised (losses) on available for sale financial assets €0 and €(164), respectively. 8. The most significant events that have occurred after December 31, 2011 are presented in the Note 32 of the financial statements.

DATA FROM STATEMENT OF CASH FLOWS (CONSOLIDATED AND SEPARATE)

(all amounts in thousands of Euro)

	THE GROUP ⁽¹⁾		THE COMPANY (FAGE S.A.)	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Operating Activities:				
Profit/(loss) before income taxes	10,174	10,177	(13,253)	(15,803)
Adjustments to reconcile to net cash provided by operating activities:				
Depreciation and amortisation	18,145	17,130	10,890	11,313
Provision for staff retirement indemnities	1,529	1,922	1,529	1,922
Provision for doubtful accounts receivable	1,275	1,658	1,250	1,325
Financial income	(188)	(126)	(174)	(1,455)
Financial expenses	20,108	21,688	11,618	13,333
Valuation of derivatives	218	19	218	19
(Gain)/loss on disposal of property, plant and equipment	4	(1)	7	(1)
Devaluation of land at fair value	153	-	153	-
Impairment loss on investments in subsidiaries	-	-	1,000	1,049
Impairment loss on available for sale financial assets	124	199	124	199
Losses on equity investees accounted for under the equity method	134	76	-	-
Operating profit before working capital changes	51,676	52,742	13,362	11,901
(Increase)/Decrease in:				
Restricted cash	300	(300)	300	(300)
Inventories	(4,556)	(1,051)	(652)	1,131
Trade and other receivables	(16,278)	(7,033)	(8,504)	976
Due from related companies	(914)	(288)	(914)	58,114
Increase/(Decrease) in:				
Trade accounts payable	15,573	(5,911)	6,564	(5,658)
Due to related companies	(2,516)	(265)	(2,331)	(547)
Accrued and other current liabilities	(164)	2,077	(1,135)	1,705
Working capital changes	(8,555)	(12,771)	(6,672)	55,421
Income taxes paid	(2,760)	(18,831)	(178)	(1,133)
Payment of staff indemnities	(1,348)	(1,967)	(1,348)	(1,967)
(Increase)/decrease in other non-current assets	33	(33)	35	16,073
(Increase)/decrease in other non-current liabilities	36	-	-	-
Net Cash from (used in) Operating Activities	39,082	19,140	5,199	80,295
Investing Activities:				
Capital expenditure for property, plant and equipment	(42,786)	(17,378)	(5,489)	(3,496)
Additions to intangible assets	(604)	(719)	(604)	(719)
Proceeds from disposal of property, plant and equipment	150	62	75	62
Interest and other related income received	188	126	174	1,455
Increase in subsidiaries' share capital	-	-	(1,000)	(700)
Net Cash used in Investing Activities	(43,052)	(17,909)	(6,844)	(3,398)
Financing Activities:				
Proceeds from short and long-term borrowings	24,635	106,530	11,883	18,915
Repayments of short and long-term borrowings	(11,593)	(77,900)	-	(77,900)
Interest paid	(18,758)	(16,441)	(11,004)	(12,342)
Net Cash from/(used in) Financing Activities	(5,716)	12,189	879	(71,327)
Net increase/ (decrease) in cash and cash equivalents	(9,686)	13,420	(766)	5,570
Effect of exchange rates changes on cash	3,345	(1,644)	732	971
Cash and cash equivalents at beginning of year	40,683	28,907	24,283	17,742
Cash and cash equivalents at December 31	34,342	40,683	24,249	24,283

DATA FROM STATEMENT OF CHANGES IN EQUITY (CONSOLIDATED AND SEPARATE)

(all amounts in thousands of Euro)

	THE GROUP ⁽¹⁾		THE COMPANY (FAGE S.A.)	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Total equity as at January 1, including non controlling interests				
(01/01/2011 and 01/01/2010, respectively)	76,479	69,547	57,203	71,631
Total comprehensive income / (loss), net of tax (7)	3,861	6,932	(15,850)	(14,428)
Total equity as at December 31, including non controlling interests	80,340	76,479	41,353	57,203

METAMORFOSSI 27 / 03 / 2012

CHAIRMAN OF THE BOARD
ATHANASSIOS-KYROS FILIPPOU
ID T 126291

CHIEF EXECUTIVE OFFICER
ATHANASSIOS FILIPPOU
ID £ 699586

CHIEF FINANCIAL AND ADMINISTRATIVE OFFICER
CHRISTOS KOLOVENTZOS
ID AB 575496 - RE NO ECG 0031200