



**FAGE DAIRY INDUSTRY S.A.**

**QUARTERLY REPORT  
For the Nine and Three months  
Ended September 30, 2011**

**November 14, 2011**

This report (the “Quarterly Report”) sets forth certain information regarding the financial condition and results of operations of FAGE Dairy Industry S.A., a Greek *société anonyme* (the “Company” or “FAGE”), for the nine and three months ended September 30, 2011. The Quarterly Report includes a review, in English, of the Company’s unaudited financial information and analysis for the third quarter as well as certain other information.

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

For a description of accounting policies see Notes to financial statements in FAGE’s 2010 annual report.

This report is organised as follows:

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

**Section B:** Recent Developments.

**Section C:** Unaudited interim condensed consolidated financial statements as of and for the nine and three months ended September 30, 2011.

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

The Company is a private limited company incorporated under the laws of the Hellenic Republic on December 30, 1977. Its principal place of business is located at, and the address of each of its directors and executive officers is, 35 Hermou Street, 144 52 Metamorfossi, Athens, Greece, and its telephone number is (30-210) 2892555. The Company's Greek tax identification number is 094061540. The Company's website is [www.fage.gr](http://www.fage.gr). The reference to this website is an inactive textual reference only and none of the information contained on this website is incorporated into this Quarterly Report. References to the Group include, unless the context requires otherwise, the Company and its consolidated subsidiaries (FAGE U.K. Limited, FAGE USA Holdings, Inc., FAGE USA, Corp., FAGE USA Dairy Industry, Inc., FAGE Italia S.r.l, FAGE Commercial S.A. (Xylouris), Zagas S.A., Agroktima Agios Ioannis S.A. and Iliator S.A.). The Company operates in the Hellenic Republic, also known as Greece, and has operating subsidiaries in the U.K., Italy and 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. The Guarantor's US Employer Identification Number is 11-3556476. The Guarantor was incorporated on June 26, 2000. The Guarantor is the Group's U.S. 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**

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

- risks associated with our high leverage and debt service obligations;
- the impact of restrictive debt covenants on our operating flexibility;
- uncertainties associated with general economic conditions in Greece, across Europe and the United States;

- factors affecting the Group's ability to compete in a competitive market; and
- uncertainties associated with the Group's ability to implement its business strategy.

These and other factors are discussed elsewhere in this Quarterly Report.

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

### **RESPONSIBILITY STATEMENT IN RESPECT OF THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

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

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

- the financial information for the nine months ended September 30, 2011 has been prepared in accordance with the applicable set of accounting standards adopted pursuant to the procedure provided for under Article 6 of the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- the financial statements for the nine months ended September 30, 2011 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;
- the interim management report includes a fair review of the important events that have occurred during the nine months ended September 30, 2011, and their impact on the Group financial information for the nine months ended September 30, 2011;
- the interim management report includes a fair review of related party transactions that have occurred for the nine months ended September 30, 2011, and that have materially affected the financial position or the performance of the Group during that period, and any changes in the related parties' transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first nine months of the current financial year.

#### **Industry Data**

This Quarterly Report contains information concerning the Greek dairy industry and market, the U.S. market for yogurt and the dairy markets of certain other countries. We operate in an industry in which it is difficult to obtain precise industry and market information. We have obtained the market and competitive position data in this Quarterly Report from industry publications and from surveys or studies conducted by third parties that we believe to be reliable, including research information produced by AC Nielsen Retail Measurement Services, a division of The Nielsen Company. For the United States, market and competitive position data included in this Quarterly Report is based primarily on our estimates. As part of its research for the report, Nielsen received market and company information from us. We cannot assure you of the accuracy and completeness of such information, and we have not independently verified the market and competitive position data contained in this Quarterly Report. In addition, in many cases, statements in this Quarterly Report regarding the Greek dairy industry and our competitive position in the industry are based on our experience and our own investigation of market conditions. There can be no assurance that any of these assumptions are accurate or correctly reflect our competitive position in the industry, and none of these internal surveys or information 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, the majority of our assets are located in Greece. As a result, it will be necessary for investors to comply with Greek law in order to obtain an enforceable judgment against any such foreign resident persons or assets of the Company, including an order to foreclose upon such assets. Although we have agreed under the terms of the Indentures pursuant to which the Senior Notes have been issued to accept service of process in the United States by an agent designated for such purpose, it may not be possible for investors to (i) effect service of process within the United States upon our officers, directors and certain experts named herein and (ii) realize in the United States upon judgments against such persons obtained in such courts predicated upon civil liabilities of such persons, including any judgments predicated upon U.S. federal securities laws, to the extent such judgments exceed such person's U.S. assets. We have been advised by G.S. Kostakopoulos & Associates, Greek counsel to the Group, that under the laws of Greece, a Greek court of competent jurisdiction (a) will, other than under certain limited circumstances, recognize and declare enforceable a final and enforceable judgment of a U.S. court having jurisdiction as determined under the Greek Code of Civil Procedure, which declares a liability on the Company or any of its directors or officers for a sum of money assessed as compensatory damages and which is sought to be enforced in Greece, and (b) may, except under certain circumstances, recognize and declare enforceable a final and enforceable judgment of a

U.S. court having jurisdiction which is predicated upon civil liabilities contemplated by the federal securities laws of the United States, although presently there is no precedent for such enforcement of liabilities contemplated by such securities laws.

**PROPRIETARY MARKS**

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

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

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

### Greek Dairy Market

The Greek dairy market experienced a decrease of 3.8% in volume and 0.6% in value, comparing the nine months ended September 30 of the years 2011 and 2010. The main reason for this decrease 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 3.6% in the milk market and 5.9% in the branded yogurt market. The volume in the packaged cheese market (excluding Feta cheese) increased by 1.9%, whereas the UHT milk and milk cream products decreased by 9.8% in volume, comparing the nine months ended September 30 of the years 2011 and 2010. Within the milk business, Fresh milk decreased by 3.2% in volume whereas Evaporated milk decreased by 8.1% comparing the nine months ended September 30 of the years 2011 and 2010. The ESL milk market increased by 0.7% in volume, whereas the dairy desserts market decreased by 9.3%, comparing the nine months ended September 30 of 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 ten months ended September 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 3.5% comparing the nine months ended September 30 of the years 2011 and 2010. This increase reflects a decrease of 18.9% in the Group's sales in volume in the domestic market and an increase of 55.4% in the Group's sales in volume in exports and international sales.

The Group's total sales in value increased by 14.5% comparing the nine months ended September 30 of the years 2011 and 2010. This increase reflects a decrease of 7.7% in the Group's sales in value in the domestic market and an increase of 41.5% in the Group's sales in value in the exports and international sales.

### The Group's Sales in the Domestic Market

The business environment in the Greek Dairy Market remained very competitive in the nine months ended September 30 of the year 2011, as a result of the continuation of significant promotional activities in the yogurt and milk businesses by all the big players in the domestic market. The Group's sales in volume in the domestic market decreased by 18.9% compared to the nine months ended September 30, 2011 and 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; and
- second, the fact that for the first two months of 2010, the Company sold its yogurt products through the "buy two and get one free" program and its milk products through the program of "price-offs" (reduction) of €0.20 and €0.30. Since March 1, 2010, the Company ceased its policy of selling its yogurt products through the "buy two and get one free" program, which had resulted in a decrease of approximately 33.0% off the list prices, and applied a new price list for its yogurt products, whereby the new prices represented on average 80.0% of the previous list prices. Furthermore, since March 1, 2010 and April 1, 2010, the Company has sold its milk products under the "GALA 10" line and "FARMA" line, respectively, at its list prices with no "price-offs".

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 18.9% in the Group's sales volume in the domestic market as compared to the nine months ended September 30, 2010, the respective decrease in the Group's sales value in the domestic market was 7.7%, mainly due to first, the price increases during the nine months ended September 30 of the years 2011 and 2010, and second, the fact that during the nine months ended September 30, 2011 there were no promotional activities as compared to the respective period of 2010 during which promotional activities took place.

During the nine months ended September 30, 2011, the Company was the market leader in branded yogurt in the domestic market, with a market share of 27.7%. For the packaged cheese business (excluding Feta cheese) the Company was the second player with a market share of 8.2%. Furthermore, the Company was the third player in the ESL milk business and the dairy desserts business with market shares of 16.0% and 13.3%, respectively. Finally, the Company is the third player in the UHT milk and milk creams business with a market share of 14.3%.

In September 2011 the Company re-launched its Fruyo<sup>®</sup> yogurt brand. Fruyo<sup>®</sup> 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 in volume increased by 55.4%, comparing the nine months ended September 30 of the years 2011 and 2010. This increase mainly came from the U.S. market, where the sales in volume increased by 70.9%. In the UK market, sales in volume increased by 23.9%, whereas in the Italian market the sales in volume increased by 33.6%. Exports sales to other countries decreased by 2.1% in volume.

The respective increase in the Group's export and international sales in value was 41.5%. The main reason for the lower percentage increase in sales in value, as compared to volume, was the strengthening of the euro against the US\$. The average exchange rates during the nine months ended September 30, 2011 and 2010 were: 1 €=1.4183US\$ and 1 €=1.3140US\$, respectively.

Export and international sales volume for the nine months ended September 30, 2011 represented 45.3% of the Group's total sales volume, as compared to 30.2% for the respective period of the year 2010. Furthermore, export and international sales in value for the nine months ended September 30, 2011 represented 55.7% of the Group's total sales in value, as compared to 45.1% for the respective period of the year 2010.

Export and international sales volume in yogurt represented 69.8% of the Group's total yogurt sales volume in the nine months ended September 30, 2011, as compared to 57.4% in the respective period of the year 2010.

There was a price increase of 2.0% in the Group's sales in the UK market and 3.8% on average in the Group's sales in the Italian market in the nine months ended September 30, 2011. As far as the other European countries are concerned, there were price increases of 3.5% on average in the nine months ended September 30, 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:

	Nine months ended September 30,		Three months ended September 30,	
	2011	2010	2011	2010
Sales .....	100.0%	100.0%	100.0%	100.0%
Cost of sales .....	(59.6)	(58.3)	(63.4)	(59.9)
Gross profit .....	40.4	41.7	36.6	40.3
Selling, general and administrative expenses .....	(32.4)	(33.4)	(29.2)	(32.9)
Other income .....	0.2	0.1	0.2	0.1
Other expenses .....	(0.1)	(0.7)	-	(0.1)
Profit from operations .....	8.1	7.7	7.6	7.4
Financial income/(expenses), net .....	(5.1)	(6.6)	(4.6)	(6.0)
Impairment gain/(loss) .....	-	(0.1)	-	0.1
Gain/(loss) on derivatives .....	-	(0.5)	(0.1)	0.6
Foreign exchange (losses)/gains, net .....	0.1	1.3	(0.4)	(0.4)
Profit before income taxes .....	3.1	1.8	2.5	1.7
Income taxes .....	(1.7)	(0.4)	(1.7)	(1.2)
Net profit .....	1.4%	1.4%	0.8%	0.5%

#### *Nine months ended September 30, 2011 compared to nine months ended September 30, 2010*

**Sales.** The Group's sales volume in the nine months ended September 30, 2011 increased by 3.5%, compared to the respective period of 2010. The sales in the nine months ended September 30, 2011 amounted to €290.1 million, whereas the respective amount for the nine months ended September 30, 2010 was 253.4 million, an increase of €36.7 million or 14.5%. This increase mainly resulted from the Group's exports and international sales in value which increased by 41.5%. This increase was partially offset by a decrease in the Group's sales in value in the domestic market by 7.7%. 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 nine months ended September 30, 2011 amounted to €10.3 million.

**Gross profit.** Gross profit for the nine months ended September 30, 2011 was €117.2 million, an increase of €11.4 million, or 10.8%, from €105.8 million for the nine months ended September 30, 2010. Gross profit as a percentage of sales for the nine months ended September 30, 2011 was 40.4% while in the respective period of 2010 it was 41.7%.

The main reasons for this decrease are:

- first, the strengthening of the euro against the US dollar; and
- second, there were increases in milk prices (as a raw material). The prices for milk collected in the domestic market in the nine months ended September 30, 2011 increased by 24.4%.

The prices for milk imported from the European market increased by 10.2%, whereas the prices for milk collected in the U.S. market and used for the U.S. yogurt facility increased by 27.8%.

**Selling, general and administrative expenses.** Selling, general and administrative expenses ("SG & A") for the nine months ended September 30, 2011 were €94.1 million, an increase of €9.4 million, or 11.1%, from €84.7 million for the nine months ended September 30, 2010. This mainly came from an increase in the advertising expenses for the U.S. operations. As a percentage of sales, SG & A was 32.4% for the nine months ended September 30, 2011 down from 33.4% for the comparable period of 2010.

*Other income/expenses, net.* Net other income for the nine months ended September 30, 2011 amounted to €0.4 million. Net other expenses for the nine months ended September 30, 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 nine months ended September 30, 2011 was €23.6 million, an increase of €4.1 million, as compared to a profit from operations of €19.5 million for the nine months ended September 30, 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 for the nine months ended September 30, 2011 decreased by €1.8 million, from €16.6 million for the nine months ended September 30, 2010 to €14.8 million for the nine months ended September 30, 2011. This decrease is mainly due to the fact that, for the nine months ended September 30, 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 the Senior Notes due in 2015, as well as €0.8 million in premium for the early redemption of €20.0 million Senior Notes due in 2015.

*Impairment loss.* Impairment loss for the nine months ended September 30, 2011 was €0.03 million. This loss relates to the impairment recognized on the available for sale financial assets. Impairment loss for the nine months ended September 30, 2010 was €0.3 million.

*Loss on derivatives.* During the nine months ended September 30, 2011 the Company entered into a forward contract in order to avoid sharp fluctuations in UK£/€ rate. As a result, at September 30, 2011 the unrealised loss from the valuation of this contract amounted to €0.1 million. During the nine months ended September 30, 2010, the Company entered into forward contracts in order to avoid sharp fluctuations in US\$/€ and UK£/€ rates. These contracts resulted in a loss of €1.2 million, out of which €1.1 million is a realised loss related to the US\$/€ contract which was terminated in the nine months ended September 30, 2010. The remaining balance of €0.1 million is related to the UK£/€ contract which resulted in an unrealised valuation loss as at September 30, 2010 since this contract expired on February 28, 2011.

*Foreign exchange losses (gains), net.* Foreign exchange gains for the nine months ended September 30, 2011 were €0.3 million mainly relating to cash at bank in US\$ and receivables in US\$ and UK sterling. For the nine months ended September 30, 2010, there were foreign exchange gains of €3.2 million. Out of this amount €2.8 million comes from realised foreign exchange gains arising from the collection of US\$ receivables in the nine months ended September 30, 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 nine months ended September 30, 2011 was €8.9 million, compared to profit before income taxes of €4.5 million for the nine months ended September 30, 2010.

*Income taxes.* Income tax expense for the nine months ended September 30, 2011 was €5.0 million. Income tax expense for the nine months ended September 30, 2010 amounted to €0.9 million.

*Net profit.* Net profit for the nine months ended September 30, 2011 was €3.9 million, as compared to net profit of €3.6 million for the respective period of 2010.

### ***Three months ended September 30, 2011 compared to three months ended September 30, 2010***

*Sales.* The Group's sales volume for the three months ended September 30, 2011 increased by 9.1% compared to the respective period of 2010. This increase came from an increase of 51.4% in the Group's sales volume in exports and international markets which was offset by a decrease of 12.6% in the Group's sales volume in the domestic market.

The decrease by 12.6% in the Group's sales volume in the domestic market is mainly attributable, first, to the sustained economic crisis in Greece and the imposition of austerity measures by the I.M.F., which have negatively impacted consumption in the domestic market, and second to the fact that the Company has ceased special promotional activities, whereas the other big players in the domestic market continued their aggressive promotional activities.

The increase in the Group's sales volume in exports and international markets by 51.4% mainly comes from an increase of 64.0% in the Group's sales in the U.S. market, a 28.6% increase in the Group's sales in the UK market, a 37.1% increase in the Group's sales in the Italian market and a 10.0% decrease in the Group's sales in other countries.

Sales in value increased by 18.7% from €86.3 million to €102.4 million, comparing the three months ended September 30, 2011 and 2010. This increase came from the Group's exports and international sales in value which increased by 37.8%. This increase was offset by a decrease of 0.5% in the Group's sales in value in the domestic market. Furthermore, the Group's sales in value in the three months ended September 30, 2011 were negatively impacted by the strengthening of the Euro against the US\$. The average exchange rates during the three months ended September 30, 2011 and 2010, were 1€=1.4071US\$ and 1€=1.3119US\$, respectively. The negative impact on net sales due to the exchange rate between the Euro and the US\$ was approximately €3.4 million.

*Gross profit.* The Group's gross profit in the three months ended September 30, 2011 amounted to €37.5 million as compared to €34.8 million in the three months ended September 30, 2010, an increase of €2.7 million, or 7.8%. The gross margin in the three months ended September 30, 2011 was 36.6% as compared to 40.3% for the respective period of 2010. This is mainly due: first, to the strengthening of the Euro against the US\$ and, second, the increase in milk prices. The prices for milk collected in the domestic market in the three months ended September 30, 2011 increased by 11.9%, as compared to the respective period of 2010. The prices for milk imported from European market increased by 16.0% whereas the prices for milk collected in the U.S. market and used for the U.S. yogurt facility increased by 34.8% on average, comparing the three months ended September 30, 2011 and 2010.

*Selling, general and administrative expenses.* SG&A for the three months ended September 30, 2011 were €29.9 million, an increase of €1.5 million, or 5.3%, from €28.4 million for the three months ended September 30, 2010. As a percentage of sales, SG &A was 29.2%



for the three months ended September 30, 2011, while the respective percentage for the three months ended September 30, 2010 was 32.9%.

*Other income/expenses, net.* Net other income for the three months ended September 30, 2011 amounted to €0.1 million. Net other income for the three months ended September 30, 2010 amounted to €0.1 million.

*Profit from operations.* Profit from operations for the three months ended September 30, 2011 was €7.8 million, an increase of €1.4 million, as compared to a profit from operations of €6.4 million for the three months ended September 30, 2010. This is mainly due first to the increase of gross profit and second to the decrease in the SG&A.

*Financial income/(expenses), net.* Financial income/(expenses), net for the three months ended September 30, 2011 were €4.7 million compared to €5.2 million for the respective period of 2010, a decrease of €0.5 million.

*Gain/Loss on derivatives.* Loss on derivatives for the three months ended September 30, 2011 amounted to €0.1 million which is related to a UK£/€ forward contract and concerns an unrealised loss as of September 30, 2011. Gain on derivatives for the three months ended September 30, 2010 amounted to €0.5 million which is related to a UK£/€ forward contract and concerns an unrealised loss as of September 30, 2010.

*Foreign exchange losses/(gains), net.* Foreign exchange losses for the three months ended September 30, 2011 were €0.4 million. Foreign exchange losses for the three months ended September 30, 2010 were €0.2 million.

*Profit before income taxes.* Profit before income taxes for the three months ended September 30, 2011 was €2.5 million, compared to a profit before income taxes of €1.5 million for the three months ended September 30, 2010. Profit before income taxes benefited from the increase in gross profit by €2.7 million, offset by the increase of SG&A by €1.5 million and the decrease in financial income/(expenses), net by €0.5 million.

*Income taxes.* Provision for income taxes for the three months ended September 30, 2011 was €1.8 million. Income tax expense for the three months ended September 30, 2010 was €1.0 million.

*Net profit.* Net profit for the three months ended September 30, 2011 was €0.8 million, an increase of €0.3 million as compared to a net profit of €0.5 million for the respective period of 2010.

**The Company's results for the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010 (FAGE DAIRY INDUSTRY S.A. only).**

	Nine months ended September 30,	
	2011	2010
	(€ thousands)	
Sales	155,166	162,051
Cost of sales	(110,071)	(113,813)
<b>Gross profit</b>	<b>45,095</b>	<b>48,238</b>
Selling, general and administrative expenses	(57,934)	(61,132)
Other income	11,849	8,092
Other expenses	(92)	(1,769)
<b>PROFIT/(LOSS) FROM OPERATIONS</b>	<b>(1,082)</b>	<b>(6,571)</b>
Financial expenses	(8,703)	(10,416)
Financial income	136	1,222
Impairment loss	(25)	(274)
Loss on derivatives	(75)	(1,210)
Foreign exchange gains/(losses), net	394	3,137
<b>LOSS BEFORE INCOME TAXES</b>	<b>(9,355)</b>	<b>(14,112)</b>
Income tax benefit	29	2,250
<b>NET LOSS</b>	<b>(9,326)</b>	<b>(11,862)</b>

## 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 September 30, 2011, amounted to €23.0 million. As of September 30, 2011, the Company maintained an accounts receivable agreement for financing of up to €16.8 million with ABN AMRO Bank.

On October 27, 2011, FAGE USA Dairy Industry, Inc. as borrower, and FAGE Dairy Industry S.A. and FAGE USA Holdings, Inc. as guarantors, entered into a sixty month revolving loan agreement with Citibank, N.A., as administrative agent. The committed value is up to \$50,000,000 available at a minimum of \$1,000,000 (or maximum available) and \$500,000 increments thereafter. At the borrower's option, LIBOR loans are available with interest periods of one, two, three or six months, with interest accruing at the corresponding LIBOR rate. 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, and 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 repayment and cancellation of the former \$15,000,000 facility, which resulted in an initial borrowing of \$16,500,000 under the new facility on October 27, 2011.

Cash at banks and cash equivalents on September 30, 2011, amounted to €38.3 million (See Note 16). This amount, together with the unused lines of credit, is sufficient to finance the investment program of the Group.

### Cash flow data.

	Nine months ended	
	September 30,	
(€ thousands)	2011	2010
Cash flow from/(used in) operating activities .....	39,099	6,117
Cash flow from/(used in) investing activities.....	(35,037)	(11,557)
Cash flow from/(used in) financing activities.....	(6,826)	16,292
Effect of exchange rates changes on cash.....	407	(2,281)
Cash and cash equivalents at beginning of period .....	40,683	28,907
Cash and cash equivalents at period-end.....	<u>38,326</u>	<u>37,478</u>

Net cash from operating activities for the nine months ended September 30, 2011 was €39.1 million, compared to net cash from operating activities of €6.1 million for the respective period of 2010. This improvement is mainly due:

- first to the increase in profit before income taxes by €4.4 million,
- second to the increase in the accounts payable by €22.7 million; and
- third, to a significant decrease in the income taxes paid, since in the nine months ended September 30, 2010 an amount of €8.3 million was paid which relates to the withholding income tax paid in January 2010 on the dividends paid from FAGE USA Holdings, Inc. to FAGE Dairy Industry S.A.

This improvement was moderated first, by the fact that the trade and other receivables as of September 30, 2011 increased by €6.3 million as compared to a decrease of €3.0 million for the respective period of 2010 and second, by an increase in the inventories by €7.0 million for the nine months ended September 30, 2011 which mainly comes from the significant increase in sales both in volume and value in the U.S. market. The respective increase in inventories for the nine months ended September 30, 2010 was €3.0 million.

*Cash flow used in investing activities.* Net cash used in investing activities amounted to €35.1 million and €11.6 million for the nine months ended September 30, 2011 and 2010, respectively. Out of capex of €35.0 million in the nine months ended September 30, 2011, an amount of €3.2 million relates to capex maintenance for the facilities in Greece and €31.9 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 the nine months ended September 30, 2011 was €6.8 million. This resulted from €11.9 million of proceeds from short-term borrowings and €18.7 million of interest paid. Net cash from financing activities for the nine months ended September 30, 2010 was €16.3 million, which reflects proceeds of €97.9 million from the issuance of the Senior Notes due in 2020, the repayment of interest-bearing loans and borrowings of €66.0 million and interest paid of €15.6 million.

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

## Financial Data-Ratios

EBITDA (profit before income taxes plus financial expenses/income, net plus amortisation and depreciation, see Notes 5, 7) for the nine months ended September 30, 2011 amounted to €36.8 million, as compared to €33.5 million for the nine months ended September 30, 2010. The net debt (interest-bearing loans and borrowings plus short-term borrowings minus cash and cash equivalents) of the Group for the nine months ended September 30, 2011 amounted to €184.4 million, as compared to €174.6 million for the nine months ended September 30, 2010.

## Principal Risks and Uncertainties for the Remaining Three Months of 2011

Risk assessment and evaluation is an integral part of the management process throughout the Group. Risks are identified and 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 current economic crisis could adversely affect consumer spending for the Group's products, particularly in Greece, Italy, the UK and the U.S.;
- second, the Group is exposed to currency exchange rate fluctuation, particularly in relation to the U.S. dollar and the UK sterling;
- third, price fluctuations in raw materials could adversely affect the Group's manufacturing costs; and
- fourth, the Group is exposed to aggressive competition in domestic and international markets.

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

### Related party transactions

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

Account balances with related companies are as follows:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<u>September 30,</u>	<u>December 31,</u>	<u>September 30,</u>	<u>December 31,</u>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Due from:				
-Ioannis Nikolou ULP	1,035	706	1,035	706
- Evga S.A.	-	394	-	394
	<b>1,035</b>	<b>1,100</b>	<b>1,035</b>	<b>1,100</b>
Due to:				
- Iofil S.A.	6,732	5,797	6,732	5,797
- Mornos S.A.	4,985	4,067	4,791	3,726
- Vis S.A.	1,365	1,022	1,365	1,022
- Agan S.A.	1,076	738	1,076	738
- Evga S.A.	147	-	147	-
	<b>14,305</b>	<b>11,624</b>	<b>14,111</b>	<b>11,283</b>

Transactions with related companies for the nine months ended September 30, 2011 and 2010 are analyzed as follows:

	<b>THE GROUP</b>			
	<b>Purchases from</b>		<b>Sales to</b>	
	<b>related parties</b>		<b>related parties</b>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Inventories, materials and supplies	26,332	29,205	2,153	2,920
Advertising and media	3,912	3,099	-	-
Other services	5,606	6,493	-	-
	<b>35,850</b>	<b>38,797</b>	<b>2,153</b>	<b>2,920</b>
	<b>THE COMPANY</b>			
	<b>Purchases from</b>		<b>Sales to</b>	
	<b>related parties</b>		<b>related parties</b>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Inventories, materials and supplies	24,733	27,142	2,153	2,920
Advertising and media	3,912	3,099	-	-
Other services	5,606	6,493	-	-
	<b>34,251</b>	<b>36,734</b>	<b>2,153</b>	<b>2,920</b>

## **SECTION B**

### **Recent Developments**

On October 27, 2011, FAGE USA Dairy Industry, Inc. as borrower, and FAGE Dairy Industry S.A. and FAGE USA Holdings, Inc. as guarantors, entered into a sixty month revolving loan agreement with Citibank, N.A., as administrative agent. The committed value is up to \$50,000,000 available at a minimum of \$1,000,000 (or maximum available) and \$500,000 increments thereafter. At the borrower's option, LIBOR loans are available with interest periods of one, two, three or six months, with interest accruing at the corresponding LIBOR rate. 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, and 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 repayment and cancellation of the former \$15,000,000 facility, which resulted in an initial borrowing of \$16,500,000 under the new facility on October 27, 2011.

**FAGE DAIRY INDUSTRY S.A.**

**SECTION C**

**INTERIM CONDENSED FINANCIAL STATEMENTS**

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FAGE DAIRY INDUSTRY S.A.

THE GROUP  
 CONSOLIDATED STATEMENT OF INCOME  
 FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

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

		THE GROUP			
		Nine months ended September 30,		Three months ended September 30,	
	Notes	2011	2010	2011	2010
Sales		290,071	253,377	102,364	86,299
Cost of sales		(172,874)	(147,621)	(64,852)	(51,534)
<b>Gross profit</b>		<b>117,197</b>	<b>105,756</b>	<b>37,512</b>	<b>34,765</b>
Selling, general and administrative expenses	6	(94,064)	(84,675)	(29,863)	(28,426)
Other income		537	197	159	59
Other expenses		(108)	(1,773)	(18)	(33)
<b>PROFIT FROM OPERATIONS</b>		<b>23,562</b>	<b>19,505</b>	<b>7,790</b>	<b>6,365</b>
Financial expenses	7	(14,948)	(16,601)	(4,765)	(5,203)
Financial income	7	148	32	55	1
Impairment gain/(loss)	11	(25)	(274)	(3)	59
Gain/(loss) on derivatives		(75)	(1,210)	(75)	533
Foreign exchange gains/(losses), net		349	3,160	(429)	(242)
Share of losses of associate accounted for under the equity method	10	(99)	(101)	(31)	(42)
<b>PROFIT BEFORE INCOME TAXES</b>		<b>8,912</b>	<b>4,511</b>	<b>2,542</b>	<b>1,471</b>
Income tax expense	8	(4,984)	(896)	(1,774)	(1,001)
<b>NET PROFIT</b>		<b>3,928</b>	<b>3,615</b>	<b>768</b>	<b>470</b>
Attributable to:					
Equity holders of the parent		3,928	3,615	768	470
		<b>3,928</b>	<b>3,615</b>	<b>768</b>	<b>470</b>
<b>Earnings per share</b>					
Basic and diluted		0.30	0.27	0.06	0.04
<b>Weighted average number of shares, basic and diluted</b>					
		<b>13,297,300</b>	<b>13,297,300</b>	<b>13,297,300</b>	<b>13,297,300</b>

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

**FAGE DAIRY INDUSTRY S.A.**  
**THE COMPANY**  
**SEPARATE STATEMENT OF INCOME**  
**FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010**

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

	Notes	THE COMPANY			
		Nine months ended September 30,		Three months ended September 30,	
		2011	2010	2011	2010
Sales		155,166	162,051	52,823	51,565
Cost of sales		(110,071)	(113,813)	(38,984)	(38,140)
<b>Gross profit</b>		<b>45,095</b>	<b>48,238</b>	<b>13,839</b>	<b>13,425</b>
Selling, general and administrative expenses	6	(57,934)	(61,132)	(20,075)	(19,589)
Other income		11,849	8,092	4,213	3,060
Other expenses		(92)	(1,769)	(15)	(32)
<b>LOSS FROM OPERATIONS</b>		<b>(1,082)</b>	<b>(6,571)</b>	<b>(2,038)</b>	<b>(3,136)</b>
Financial expenses	7	(8,703)	(10,416)	(2,954)	(2,952)
Financial income	7	136	1,222	52	253
Impairment gain/(loss)	11	(25)	(274)	(3)	59
Gain/(loss) on derivatives		(75)	(1,210)	(75)	533
Foreign exchange gains/(losses), net		394	3,137	(436)	(311)
<b>LOSS BEFORE INCOME TAXES</b>		<b>(9,355)</b>	<b>(14,112)</b>	<b>(5,454)</b>	<b>(5,554)</b>
Income tax benefit	8	29	2,250	145	753
<b>NET LOSS</b>		<b>(9,326)</b>	<b>(11,862)</b>	<b>(5,309)</b>	<b>(4,801)</b>

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

FAGE DAIRY INDUSTRY S.A.

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME  
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010  
(All amounts in thousands of Euro)

For the nine months ended September 30,				
Notes	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
<b>Net profit/(loss) for the period</b>	<b>3,928</b>	<b>3,615</b>	<b>(9,326)</b>	<b>(11,862)</b>
Exchange gains/(losses) on translation of foreign operations	460	(452)	-	-
Net unrealised gains/(losses) on available for sale financial assets	31	(218)	31	(218)
Income tax	(6)	54	(6)	54
11	25	(164)	25	(164)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>485</b>	<b>(616)</b>	<b>25</b>	<b>(164)</b>
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<b>4,413</b>	<b>2,999</b>	<b>(9,301)</b>	<b>(12,026)</b>
Attributable to:				
Equity holders of the parent	4,413	2,999		
	<b>4,413</b>	<b>2,999</b>		

For the three months ended September 30,				
Notes	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
<b>Net profit/(loss) for the period</b>	<b>768</b>	<b>470</b>	<b>(5,309)</b>	<b>(4,801)</b>
Exchange gains/(losses) on translation of foreign operations	2,395	(1,660)	-	-
Net unrealised gains/(losses) on available for sale financial assets	31	(131)	31	(131)
Income tax	(6)	33	(6)	33
11	25	(98)	25	(98)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>2,420</b>	<b>(1,758)</b>	<b>25</b>	<b>(98)</b>
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<b>3,188</b>	<b>(1,288)</b>	<b>(5,284)</b>	<b>(4,899)</b>
Attributable to:				
Equity holders of the parent	3,188	(1,288)		
	<b>3,188</b>	<b>(1,288)</b>		

The accompanying notes are an integral part of these financial statements



FAGE DAIRY INDUSTRY S.A.

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION  
AT SEPTEMBER 30, 2011

(All amounts in thousands of Euro)

	Notes	THE GROUP		THE COMPANY	
		September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment		249,221	227,357	124,869	129,104
Intangible assets		3,170	3,870	1,969	2,538
Goodwill	9	4,791	4,799	3,418	3,418
Investments in subsidiaries		-	-	13,608	12,608
Investments in associate accounted for under the equity method	10	35	134	828	828
Available for sale financial assets	11	88	88	88	88
Other non-current assets	12	382	417	325	360
Deferred income taxes		19,490	16,458	-	-
<b>Total non-current assets</b>		<b>277,177</b>	<b>253,123</b>	<b>145,105</b>	<b>148,944</b>
<b>Current Assets:</b>					
Inventories	13	31,598	24,643	22,130	18,908
Trade and other receivables	14	57,576	52,252	44,632	38,898
Due from related companies	15	1,035	1,100	1,035	1,100
Prepaid income taxes		2,176	2,027	167	148
Available for sale financial assets	11	517	510	517	510
Current asset from continuing involvement in transferred trade receivables	14	397	370	397	370
Cash and cash equivalents	16	38,326	40,683	22,404	24,283
Cash restricted		964	300	-	300
<b>Total</b>		<b>132,589</b>	<b>121,885</b>	<b>91,282</b>	<b>84,517</b>
Assets classified as held for sale	3	829	829	679	679
<b>Total current assets</b>		<b>133,418</b>	<b>122,714</b>	<b>91,961</b>	<b>85,196</b>
<b>TOTAL ASSETS</b>		<b>410,595</b>	<b>375,837</b>	<b>237,066</b>	<b>234,140</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the parent Company</b>					
Share capital		39,094	39,094	39,094	39,094
Land revaluation surplus		35,924	35,924	35,924	35,924
Reversal of fixed assets statutory revaluation surplus		(33,236)	(33,236)	(33,236)	(33,236)
Accumulated profit/(losses)		4,423	495	(29,421)	(20,095)
Legal, tax free and special reserves		35,516	35,516	35,516	35,516
Other components of equity		(830)	(1,315)	25	-
		<b>80,891</b>	<b>76,478</b>	<b>47,902</b>	<b>57,203</b>
<b>Non-controlling interests</b>		<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>
<b>Total Equity</b>		<b>80,892</b>	<b>76,479</b>	<b>47,902</b>	<b>57,203</b>
<b>Non-Current Liabilities</b>					
Interest-bearing loans and borrowings	17	199,794	199,956	119,890	119,691
Provision for severance pay on retirement		2,748	2,674	2,748	2,674
Deferred income taxes		32,803	26,737	8,645	8,807
<b>Total non-current liabilities</b>		<b>235,345</b>	<b>229,367</b>	<b>131,283</b>	<b>131,172</b>
<b>Current Liabilities:</b>					
Trade accounts payable	18	39,282	29,925	24,880	23,492
Due to related companies	15	14,305	11,624	14,111	11,283
Short-term borrowings	19	22,979	11,226	11,870	-
Income taxes payable		297	179	116	131
Current liability from continuing involvement in transferred trade receivables	14	397	370	397	370
Accrued and other current liabilities	20	17,098	16,667	6,507	10,489
<b>Total current liabilities</b>		<b>94,358</b>	<b>69,991</b>	<b>57,881</b>	<b>45,765</b>
<b>Total liabilities</b>		<b>329,703</b>	<b>299,358</b>	<b>189,164</b>	<b>176,937</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>410,595</b>	<b>375,837</b>	<b>237,066</b>	<b>234,140</b>

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

FAGE DAIRY INDUSTRY S.A.

THE GROUP  
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011  
 (All amounts in thousands of Euro)

	Share capital	Land revaluation surplus	Reversal of Fixed Assets Statutory Revaluation Surplus	Legal, tax free and special reserves	Retained earnings/ (Accumulated deficit)	Unrealised gains/(losses) on available for sale financial assets	Foreign exchange gains/(losses)	Total	Non-controlling interests	Total equity
Balance, December 31, 2010	39,094	35,924	(33,236)	35,516	495	-	(1,315)	76,478	1	76,479
Profit for the period	-	-	-	-	3,928	-	-	3,928	-	3,928
Other comprehensive income/(loss)	-	-	-	-	-	25	460	485	-	485
Total comprehensive income/(loss)	-	-	-	-	3,928	25	460	4,413	-	4,413
Balance, September 30, 2011	39,094	35,924	(33,236)	35,516	4,423	25	(855)	80,891	1	80,892

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

	Share capital	Land revaluation surplus	Reversal of Fixed Assets Statutory Revaluation Surplus	Legal, tax free and special reserves	Retained earnings/ (Accumulated deficit)	Unrealised gains/(losses) on available for sale financial assets	Foreign exchange gains/(losses)	Total	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	-	-	-	-	3,615	-	-	3,615	-	3,615
Other comprehensive income/(loss)	-	-	-	-	-	(164)	(452)	(616)	-	(616)
Total comprehensive income/(loss)	-	-	-	-	3,615	(164)	(452)	2,999	-	2,999
Balance, September 30, 2010	39,094	35,924	(33,236)	35,516	(3,071)	-	(1,682)	72,545	1	72,546

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

FAGE DAIRY INDUSTRY S.A.

THE COMPANY  
SEPARATE STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011  
(All amounts in thousands of Euro)

	Share capital	Land revaluation surplus	Reversal of Fixed Assets Statutory Revaluation Surplus	Legal, tax free and special reserves	Retained earnings/ (Accumulated deficit)	Unrealised gains/(losses) on available for sale financial assets	Total equity
<b>Balance, December 31, 2010</b>	<b>39,094</b>	<b>35,924</b>	<b>(33,236)</b>	<b>35,516</b>	<b>(20,095)</b>	-	<b>57,203</b>
Loss for the period	-	-	-	-	(9,326)	-	(9,326)
Other comprehensive income	-	-	-	-	-	25	25
<b>Total comprehensive income/(loss)</b>	-	-	-	-	<b>(9,326)</b>	<b>25</b>	<b>(9,301)</b>
<b>Balance, September 30, 2011</b>	<b>39,094</b>	<b>35,924</b>	<b>(33,236)</b>	<b>35,516</b>	<b>(29,421)</b>	<b>25</b>	<b>47,902</b>

THE COMPANY  
SEPARATE STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010  
(All amounts in thousands of Euro)

	Share capital	Land revaluation surplus	Reversal of Fixed Assets Statutory Revaluation Surplus	Legal, tax free and special reserves	Accumulated losses	Unrealised gains/(losses) on available for sale financial assets	Total equity
<b>Balance, December 31, 2009</b>	<b>39,094</b>	<b>35,924</b>	<b>(33,236)</b>	<b>35,516</b>	<b>(5,831)</b>	<b>164</b>	<b>71,631</b>
Loss for the period	-	-	-	-	(11,862)	-	(11,862)
Other comprehensive income/(loss)	-	-	-	-	-	(164)	(164)
<b>Total comprehensive income/(loss)</b>	-	-	-	-	<b>(11,862)</b>	<b>(164)</b>	<b>(12,026)</b>
<b>Balance, September 30, 2010</b>	<b>39,094</b>	<b>35,924</b>	<b>(33,236)</b>	<b>35,516</b>	<b>(17,693)</b>	-	<b>59,605</b>

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

FAGE DAIRY INDUSTRY S.A.

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011  
(All amounts in thousands of Euro)

	Notes	THE GROUP		THE COMPANY	
		September 30,		September 30,	
		2011	2010	2011	2010
<b>Operating activities</b>					
Profit/(loss) before income taxes		8,912	4,511	(9,355)	(14,112)
Adjustments to reconcile to net cash provided by operating activities:					
Depreciation and amortisation	5	13,079	12,404	8,104	8,151
Provision for severance pay on retirement		1,147	1,813	1,147	1,813
Provision for doubtful accounts receivable	6	953	936	938	935
Financial income	7	(148)	(32)	(136)	(1,222)
Financial expenses	7	14,947	16,601	8,703	10,416
Valuation of derivatives		75	34	75	34
(Gain)/loss on disposal of property, plant and equipment		(10)	2	(10)	(1)
Impairment loss on available for sale financial assets	11	25	274	25	274
Losses on equity investees accounted for under the equity method	10	99	101	-	-
<b>Operating profit before working capital changes</b>		<b>39,079</b>	<b>36,644</b>	<b>9,491</b>	<b>6,288</b>
<b>(Increase)/Decrease in:</b>					
Restricted cash		(664)	(1,180)	300	(300)
Inventories	13	(6,955)	(2,992)	(3,222)	(1,096)
Trade and other receivables	14	(6,277)	2,996	(6,672)	6,436
Due from related companies	15	65	(115)	65	58,287
<b>Increase/(Decrease) in:</b>					
Trade accounts payable	18	9,357	(13,346)	1,388	(10,221)
Due to related companies	15	2,681	1,419	2,828	989
Accrued and other current liabilities	20	4,995	5,291	(1,652)	3,240
<b>Working capital changes</b>		<b>3,202</b>	<b>(7,927)</b>	<b>(6,965)</b>	<b>57,335</b>
Income taxes paid		(2,127)	(20,976)	(173)	(615)
Payment of staff indemnities		(1,073)	(1,617)	(1,073)	(1,617)
(Increase)/decrease in other non-current assets		18	(7)	18	(1,385)
<b>Net Cash from/(used in) Operating Activities</b>		<b>39,099</b>	<b>6,117</b>	<b>1,298</b>	<b>60,006</b>
<b>Investing Activities:</b>					
Capital expenditure for property, plant and equipment		(35,053)	(11,096)	(3,081)	(3,124)
Additions to intangible assets		(225)	(507)	(225)	(507)
Proceeds from disposal of property, plant and equipment		93	14	33	14
Interest and other related income received	7	148	32	136	1,222
Increase in subsidiaries' share capital		-	-	(1,000)	(700)
<b>Net Cash used in Investing Activities</b>		<b>(35,037)</b>	<b>(11,557)</b>	<b>(4,137)</b>	<b>(3,095)</b>
<b>Financing Activities:</b>					
Proceeds from short and long-term borrowings		11,870	97,888	11,870	22,008
Repayment of short and long-term borrowings		-	(66,000)	-	(66,000)
Interest paid		(18,696)	(15,596)	(10,674)	(11,864)
<b>Net Cash from/(used in) Financing Activities</b>		<b>(6,826)</b>	<b>16,292</b>	<b>1,196</b>	<b>(55,856)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(2,764)</b>	<b>10,852</b>	<b>(1,643)</b>	<b>1,055</b>
<b>Effect of exchange rates changes on cash</b>		<b>407</b>	<b>(2,281)</b>	<b>(236)</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of period</b>	16	<b>40,683</b>	<b>28,907</b>	<b>24,283</b>	<b>17,742</b>
<b>Cash and cash equivalents at September 30</b>	16	<b>38,326</b>	<b>37,478</b>	<b>22,404</b>	<b>18,797</b>

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

**FAGE DAIRY INDUSTRY S.A. AND SUBSIDIARIES**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

(Amounts in all tables and notes are presented in thousands of Euro unless otherwise stated)

**1. CORPORATE INFORMATION:**

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

Its objectives and purposes, as specified in its Memorandum and Articles of Association, include the production and trading of dairy products, the distribution of other food products and the trading, import and export and representation of firms in Greece and abroad in connection with such products. The Company operates in the Hellenic Republic and has operating subsidiaries in the U.K., Italy and the U.S. The Group's products are sold under the *FAGE*<sup>®</sup> and other related trademarks.

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

The Group's total number of employees for the nine months ended September 30, 2011 and 2010, was 1,046 and 1,080, respectively.

**2. BASIS OF PRESENTATION:**

**(a) Basis of Preparation of Financial Statements:** The accompanying interim condensed consolidated and separate financial statements have been prepared under the historical cost convention, except for the valuation of available for sale financial assets and derivative financial instruments that have been measured at fair value. The carrying values of recognized assets and liabilities that are hedged items in fair value hedges that would otherwise be carried at cost are adjusted to record changes in the fair values attributable to the risks that are being hedged. These Interim Condensed Consolidated Financial Statements comply with IFRS, applicable for Interim Financial Reporting, have been prepared by management in accordance with IAS 34 (Interim Financial Reporting). The Interim Condensed Consolidated and separate Financial Statements do not include all the information and disclosure required in the Annual Consolidated Financial Statements and should be read in conjunction with the Group's Annual Consolidated Financial Statements as of December 31, 2010. The interim condensed consolidated financial statements are presented in thousands of Euro, except when otherwise indicated.

**(b) Significant Accounting Policies:** The interim condensed consolidated financial statements have been prepared using accounting policies consistent with those adopted for the preparation of the annual consolidated financial statements as of December 31, 2010 and which are comprehensively presented in the notes of the annual financial statements, except for the adoption of the following new and amended IFRS and IFRIC interpretations which became effective for the accounting periods beginning January 1, 2011 and which did not have any impact on the financial position or performance of the Group:

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

The following new standards, amendments to standards and interpretations have been issued but are not effective for the current period. They have not been early adopted and the Group and the Company is currently assessing possible impacts on the financial statements from their adoption.

- **IFRS 7 Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities (Amended)**  
The amendment is effective for annual periods beginning on or after July 1, 2011. The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitisations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments broadly align the relevant disclosure requirements of IFRS and US GAAP. This amendment has not yet been endorsed by the EU.
- **IAS 12 Deferred tax: Recovery of Underlying Assets (Amended)**  
The amendment is effective for annual periods beginning on or after January 1, 2012. This amendment concerns the determination of deferred tax on investment property measured at fair value and also incorporates SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Assets into IAS 12 for non-depreciable assets measured using the revaluation model in IAS 16. The aim of this amendment is to include a) 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 and b) a requirement that deferred tax on non-

**FAGE DAIRY INDUSTRY S.A. AND SUBSIDIARIES**  
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depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. This amendment has not yet been endorsed by the EU.

- **IFRS 9 Financial Instruments – Phase 1 Classification and Measurement**  
The new standard is effective for annual periods beginning on or after January 1, 2013. Phase 1 of this new IFRS addresses classification and measurement of financial instruments. 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. Early adoption is permitted. This standard has not yet been endorsed by the EU.
- **IFRS 10 Consolidated Financial Statements**  
The new standard is effective for annual periods beginning on or after January 1, 2013. 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. Examples of areas of significant judgment include evaluating de facto control, potential voting rights or whether a decision maker is acting as a principal or agent. IFRS 10 replaces the part of IAS 27 *Consolidated and Separate Financial Statements* related to consolidated financial statements and replaces SIC 12 *Consolidation — Special Purpose Entities*. This standard has not yet been endorsed by the EU.
- **IFRS 11 Joint Arrangements**  
The new standard is effective for annual periods beginning on or after January 1, 2013. IFRS 11 eliminates proportionate consolidation of jointly controlled entities. Under IFRS 11, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under IFRS 11, and the accounting for those arrangements will generally be consistent with prior accounting treatment. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses. IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. This standard has not yet been endorsed by the EU.
- **IFRS 12 Disclosures of Interests in Other Entities**  
The new standard is effective for annual periods beginning on or after January 1, 2013. IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures also will be required such as disclosing the judgments made to determine control over another entity. IFRS 12 replaces the requirements previously included in IAS 27, IAS 31 and IAS 28 *Investments in Associates*. This standard has not yet been endorsed by the EU.
- **IFRS 13 Fair Value Measurement**  
The new standard is effective for annual periods beginning on or after January 1, 2013. The main reason of issuance of IFRS 13 is to reduce complexity and improve consistency in application when measuring fair value. It 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 by IFRS. IFRS 13 consolidates and clarifies the guidance on how to measure fair value and also to increase convergence with USGAAP which has also been amended by FAASB. This standard should be applied prospectively and early adoption is permitted. This standard has not yet been endorsed by the EU.
- **IAS 27 Separate Financial Statements (amended)**  
This amendment is effective for annual periods beginning on or after January 1, 2013. As a result of the new standards IFRS 10, IFRS 11 and IFRS 12, this standard was amended to contain accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 Separate Financial Statements requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. Earlier application is permitted. This amendment has not yet been endorsed by the EU.
- **IAS 28 Investments in Associates and Joint Ventures (amended)**  
The Standard is effective for annual periods beginning on or after January 1, 2013. As a result of the new standards IFRS 10, IFRS 11 and IFRS 12, this standard was amended to prescribe the accounting for investments in associates and set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. Earlier application is permitted. This amendment has not yet been endorsed by the EU.
- **IAS 19 Employee Benefits (amended)**  
The amendment is effective for annual periods beginning on or after January 1, 2013. The amended IAS 19 proposes major changes to the accounting for employee benefits, including the removal of the option for deferred recognition of changes in pension plan assets and liabilities (known as the "corridor approach"). The result is greater balance sheet volatility for those entities currently applying the corridor approach. These amendments will limit the changes in the net pension asset (liability) recognised in profit or loss to net interest income (expense) and

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service costs. Expected returns on plan assets will be replaced by a credit to income based on the corporate bond yield rate. In addition, the revised standard requires immediate recognition of past service costs as a result of plan amendments (in the income statement) and requires termination benefits to be recognised only when the offer becomes legally binding and cannot be withdrawn. Early application is permitted. This amendment has not yet been endorsed by the EU.

- **IAS 1 Presentation of Financial Statements (amended)**

The amendment is effective for annual periods beginning on or after July 1, 2012. This amendment changes the grouping of items presented in Other Comprehensive Income. 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 which will never be reclassified. This amendment has not yet been endorsed by the EU.

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

### 3. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS:

Assets held for sale as at each of September 30, 2011 and December 31, 2010 amounted to €829 for the Group and €679 for the Company.

In September 2008, the Group in the context of its efforts to improve its profitability, decided to withdraw from the business of Feta cheese and Graviera of Crete, both from the domestic and international markets, since both these operations were highly unprofitable. The Group started negotiations with various companies to disinvest by selling all the property, plant and equipment of the plants which are related either to the milk collection stations (Zagas S.A., Aliveri or ex-cheese producer Tamyna) or to the facilities at Ioannina (which was producing Feta cheese) and Crete (concerning the subsidiary FAGE Commercial S.A. or ex-Xylouris S.A. which was producing 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 September 30, 2011 and December 31, 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 interim condensed consolidated and separate financial statements is analysed as follows:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>Nine months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Wages and salaries	23,809	24,613	16,105	18,279
Social security costs	4,853	5,164	4,132	4,566
Provision for severance pay on retirement	1,147	1,813	1,147	1,813
Other staff costs	1,766	1,580	605	694
<b>Total payroll</b>	<b>31,575</b>	<b>33,170</b>	<b>21,989</b>	<b>25,352</b>
Less: amounts charged to cost of production	(15,342)	(15,283)	(10,311)	(11,526)
amounts capitalized to tangible and intangible assets	(411)	(633)	(411)	(633)
<b>Payroll expensed (Note 6)</b>	<b>15,822</b>	<b>17,254</b>	<b>11,267</b>	<b>13,193</b>

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

**FAGE DAIRY INDUSTRY S.A. AND SUBSIDIARIES**  
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(Amounts in all tables and notes are presented in thousands of Euro unless otherwise stated)

**5. DEPRECIATION AND AMORTISATION:**

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

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>Nine months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Depreciation on property, plant and equipment	12,153	11,465	7,293	7,329
Amortisation of intangible assets	926	939	811	822
<b>Total depreciation and amortisation</b>	<b>13,079</b>	<b>12,404</b>	<b>8,104</b>	<b>8,151</b>
Less: amounts charged to cost of production	(9,995)	(8,933)	(5,923)	(5,875)
<b>Depreciation and amortisation expensed (Note 6)</b>	<b>3,084</b>	<b>3,471</b>	<b>2,181</b>	<b>2,276</b>

**6. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:**

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

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>Nine months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Shipping and handling costs	26,804	25,092	17,884	19,922
Advertising costs	27,488	18,346	10,929	9,392
Third party fees	13,756	12,747	10,431	10,284
Payroll (Note 4)	15,822	17,254	11,267	13,193
Depreciation and amortisation (Note 5)	3,084	3,471	2,181	2,276
Repairs and maintenance	1,057	1,410	956	1,337
Travelling and entertainment	1,202	1,456	886	1,172
Allowance for doubtful accounts (Note 14)	953	936	938	935
Other	3,898	3,963	2,462	2,621
<b>Total</b>	<b>94,064</b>	<b>84,675</b>	<b>57,934</b>	<b>61,132</b>

Compensation paid to directors and executive officers for the nine months ended September 30, 2011 and 2010, included in payroll and third party fees, amounted to €4,894 and €4,893, respectively, for the Group and €3,298 and €3,483, respectively, for the Company. Of these amounts, €3,684 and €3,006 have been paid to the shareholders and family members in the nine months ended September 30, 2011 and 2010, respectively, for the Group and €2,729 and €2,173, respectively, for the Company.

**7. FINANCIAL INCOME/(EXPENSES):**

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

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>Nine months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Financial expenses on loans and borrowings	(14,414)	(15,922)	(7,693)	(9,502)
Interest on short-term borrowings	(1,526)	(864)	(1,008)	(864)
Other	(121)	(118)	(64)	(99)
	(16,061)	(16,904)	(8,765)	(10,465)
Less: amounts capitalized in property, plant and equipment	1,113	303	62	49
<b>Total financial expenses</b>	<b>(14,948)</b>	<b>(16,601)</b>	<b>(8,703)</b>	<b>(10,416)</b>
Interest earned on cash at banks and on time deposits	145	29	134	29
Other financial income	3	3	2	1,193
<b>Total financial income</b>	<b>148</b>	<b>32</b>	<b>136</b>	<b>1,222</b>
<b>Total financial income/(expenses), net</b>	<b>(14,800)</b>	<b>(16,569)</b>	<b>(8,567)</b>	<b>(9,194)</b>

Interest expense for the nine months ended September 30, 2010 includes 2020 Senior Notes interest which amounted to €7,526 for the Group (€1,006 for the Company), amortised costs due to loan repayments which amounted to €674 for the Group (and the Company) and premium due to early repayment of 2015 Senior Notes in the amount of €750 for the Group (and the Company).



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(Amounts in all tables and notes are presented in thousands of Euro unless otherwise stated)

**8. 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 analysed as follows:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>Nine months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Current income taxes:				
—current income tax expense	2,095	8,662	139	116
Deferred income tax expense(benefit)	2,889	(7,766)	(168)	(2,366)
<b>Total income tax reported in the statements of income</b>	<b>4,984</b>	<b>896</b>	<b>(29)</b>	<b>(2,250)</b>

**9. SUBSIDIARIES:**

The interim condensed consolidated financial statements as at September 30, 2011, include the financial statements of FAGE Dairy Industry S.A. and its subsidiaries listed below:

	<b>Equity interest</b>		<b>Country of incorporation</b>	
	<b>September 30,</b>	<b>December 31,</b>		
	<b>2011</b>	<b>2010</b>		
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	U.S. 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 ownership and operation of the Group's U.S. yogurt production facility and the distribution of its products in the U.S.

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

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>September 30,</b>	<b>December 31,</b>	<b>September 30,</b>	<b>December 31,</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
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	1,089	1,097	-	-
<b>Total</b>	<b>4,791</b>	<b>4,799</b>	<b>3,418</b>	<b>3,418</b>

Goodwill is tested annually for impairment in the context of the annual financial statements in December of each year and when circumstances indicate that the carrying value may be impaired. The Group identifies two cash generating units, the European and the U.S. The Group's impairment test for goodwill is based on value in use calculations for each cash generating unit to which

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goodwill has been allocated and the discounted cash flow model is used. The key assumptions used to determine the recoverable amount for the different cash generating units were discussed in the notes to the annual financial statements for the year ended December 31, 2010. No events or circumstances were identified as at September 30, 2011 indicating that the carrying value of goodwill has been impaired.

**10. 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 €99 and €101 have been recognized in the accompanying consolidated statements of income for the nine months ended September 30, 2011 and 2010, respectively. The carrying value of the investment in Bizios as at September 30, 2011 and December 31, 2010, amounted to €35 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 September 30, 2011 and December 31, 2010.

**11. AVAILABLE FOR SALE FINANCIAL ASSETS:**

Available for sale financial assets are analysed as follows:

<b>The Group and the Company</b>	<b>September 30, 2011</b>	<b>December 31, 2010</b>
<b>Shares—listed:</b>		
Vis S.A.	286	254
Elbisco Holdings S.A.	231	256
	<b>517</b>	<b>510</b>
<b>Shares—unlisted:</b>		
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.

For the nine months ended September 30, 2010 gains of €25, net of deferred income taxes were recognized and reported in other comprehensive income while for the nine months ended September 30, 2011 and 2010, losses of €25 and €274, respectively, were recognized and reported in the statement of income, as it was determined that the related investments had been impaired.

**12. OTHER NON-CURRENT ASSETS:**

Other non-current assets are analysed as follows:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>September 30, 2011</b>	<b>December 31, 2010</b>	<b>September 30, 2011</b>	<b>December 31, 2010</b>
Long-term notes receivable at amortized cost	-	6	-	6
Less: current maturities, included in trade and other account receivable	-	(6)	-	(6)
	-	-	-	-
Utility deposits	299	287	242	230
Other	83	130	83	130
	<b>382</b>	<b>417</b>	<b>325</b>	<b>360</b>

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**13. INVENTORIES:**

Inventories are analysed as follows:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>September 30,</b>	<b>December 31,</b>	<b>September 30,</b>	<b>December 31,</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Merchandise	1,891	1,767	782	825
Finished and semi-finished products	15,242	9,864	10,656	7,760
Raw materials and supplies	14,465	13,012	10,692	10,323
	<b>31,598</b>	<b>24,643</b>	<b>22,130</b>	<b>18,908</b>

**14. TRADE AND OTHER RECEIVABLES:**

Trade and other receivables are analysed as follows:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>September 30,</b>	<b>December 31,</b>	<b>September 30,</b>	<b>December 31,</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Trade:</b>				
—In Euro	24,092	24,406	23,160	18,884
—In foreign currencies	19,117	13,121	8,520	5,624
	<b>43,209</b>	<b>37,527</b>	<b>31,680</b>	<b>24,508</b>
—Less: allowance for doubtful accounts	(1,893)	(2,015)	(1,724)	(1,532)
	<b>41,316</b>	<b>35,512</b>	<b>29,956</b>	<b>22,976</b>
<b>Other:</b>				
—Value added tax	11,970	11,781	11,884	11,769
—Prepaid taxes, other than income taxes	294	631	-	-
—Prepaid expenses	303	403	151	399
—Advances to suppliers	7,352	7,360	6,543	6,559
—Various debtors	2,376	1,854	1,054	1,405
	<b>22,295</b>	<b>22,029</b>	<b>19,632</b>	<b>20,132</b>
—Less: allowance for doubtful accounts	(6,035)	(5,289)	(4,956)	(4,210)
	<b>16,260</b>	<b>16,740</b>	<b>14,676</b>	<b>15,922</b>
	<b>57,576</b>	<b>52,252</b>	<b>44,632</b>	<b>38,898</b>

The Company keeps an accounts receivable agreement for financing of up to €16.8 million with ABN AMRO Bank.

Moreover, an amount of €397 is disclosed both in current assets and current liabilities as of September 30, 2011 (€370 as of December 31, 2010) representing its continuing involvement in the transferred trade receivables.

The consolidated income statement for the nine months ended September 30, 2011 has been charged with €953 (€956 for the nine months ended September 30, 2010) for additional allowance for doubtful accounts, while the respective amounts charged in the separate income statement were €938 for the nine months ended September 30, 2011 and €935 for the nine months ended September 30, 2010.

During the nine months ended September 30, 2011 accounts receivable amounting to €329 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.

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

**15. DUE FROM (TO) RELATED COMPANIES:**

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

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Account balances with related companies are as follows:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>September 30, 2011</b>	<b>December 31, 2010</b>	<b>September 30, 2011</b>	<b>December 31, 2010</b>
Due from:				
- Ioannis Nikolou ULP	1,035	706	1,035	706
- Evga S.A.	-	394	-	394
	<b>1,035</b>	<b>1,100</b>	<b>1,035</b>	<b>1,100</b>
Due to:				
- Iofil S.A.	6,732	5,797	6,732	5,797
- Mornos S.A.	4,985	4,067	4,791	3,726
- Vis S.A.	1,365	1,022	1,365	1,022
- Agan S.A.	1,076	738	1,076	738
- Evga S.A.	147	-	147	-
	<b>14,305</b>	<b>11,624</b>	<b>14,111</b>	<b>11,283</b>

Transactions with related companies for the nine months ended September 30, 2011 and 2010, are analyzed as follows:

<b>THE GROUP</b>	<b>Purchases from related parties</b>		<b>Sales to related parties</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Inventories, materials and supplies	26,332	29,205	2,153	2,920
Advertising and media	3,912	3,099	-	-
Other services	5,606	6,493	-	-
	<b>35,850</b>	<b>38,797</b>	<b>2,153</b>	<b>2,920</b>

<b>THE COMPANY</b>	<b>Purchases from related parties</b>		<b>Sales to related parties</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Inventories, materials and supplies	24,733	27,142	2,153	2,920
Advertising and media	3,912	3,099	-	-
Other services	5,606	6,493	-	-
	<b>34,251</b>	<b>36,734</b>	<b>2,153</b>	<b>2,920</b>

Purchases of inventories, materials and supplies represent approximately 17% and 21% of the Group's total purchases for the nine months ended September 30, 2011 and 2010, respectively (for the Company, 27% and 26%, respectively).

Advertising, media buying and other services represent approximately 29% and 39% of the Group's total costs for the nine months ended September 30, 2011 and 2010, respectively (for the Company, 58% and 60%, respectively).

**THE COMPANY:**

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

	<b>September 30, 2011</b>	<b>December 31, 2010</b>
<b>Due from:</b>		
Agroktima Aghios Ioannis	240	238
Iliator	47	45
Zagas	97	92
FAGE Italia S.r.l.	3,438	2,586
FAGE USA Dairy Industry, Inc.	7,532	-
FAGE U.K. Limited	2,666	2,040
	<b>14,020</b>	<b>5,001</b>
<b>Due to:</b>		
FAGE Commercial S.A. (ex Xylouris)	(812)	(800)
FAGE USA Dairy Industry, Inc.	-	(349)
	<b>(812)</b>	<b>(1,149)</b>

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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:

	<b>Nine months ended</b>	
	<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>Revenues from:</b>		
Sales of inventories	18,246	14,746
Other income-Royalties from FAGE USA Dairy Industry, Inc.	11,316	7,905
Financial income from FAGE USA Dairy Industry, Inc.	-	1,189
	<b>29,562</b>	<b>23,840</b>

**16. CASH AND CASH EQUIVALENTS:**

Cash and cash equivalents are analysed as follows:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>September 30,</b>	<b>December 31,</b>	<b>September</b>	<b>December 31,</b>
	<b>2011</b>	<b>2010</b>	<b>30,</b>	<b>2010</b>
			<b>2011</b>	<b>2010</b>
Cash in hand	202	200	170	177
Cash at banks	38,124	40,483	22,234	24,106
	<b>38,326</b>	<b>40,683</b>	<b>22,404</b>	<b>24,283</b>

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 €145 and €29 for the nine months ended September 30, 2011 and 2010, respectively, for the Group and to €134 and €29, respectively, for the Company, and is included in financial income in the accompanying consolidated statements of income (Note 7).

Cash and cash equivalents for the Group at September 30, 2011 consists of €16,880 denominated in foreign currencies and €21,446 in Euro (€32,621 and €8,062 at December 31, 2010, respectively).

Cash and cash equivalents for the Company at September 30, 2011 consists of €1,373 denominated in foreign currencies and €21,031 in Euro (€16,425 and €7,858 at December 31, 2010, respectively).

Cash restricted for the Group at September 30, 2011 consists of €964 relating to the issuance of a letter of credit.

**17. INTEREST BEARING LOANS AND BORROWINGS:**

Interest bearing loans and borrowings are analyzed as follows:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>September 30,</b>	<b>December 31,</b>	<b>September 30,</b>	<b>December 31,</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
(a) Senior Notes due 2015	101,482	101,482	101,482	101,482
(b) Senior Notes due 2020	111,086	112,259	22,217	22,452
Total long-term debt	212,568	213,741	123,699	123,934
Less: Unamortized issuance costs	(12,774)	(13,785)	(3,809)	(4,243)
	<b>199,794</b>	<b>199,956</b>	<b>119,890</b>	<b>119,691</b>

**(a) Senior Notes due 2015:**

In January 2005, the Company 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 (i) to redeem all of the previously outstanding debt securities plus accrued and interest thereon of approximately €74.5 million, (ii) for the repayment of outstanding short-term borrowings under various lines of credit maintained by the Company with several banks of approximately €35.4 million and (iii) for the acquisition of the Company’s distributor in the United Kingdom (Note 9).

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

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

The 2015 Senior Notes Indenture contains certain covenants that, among other things, limit the type and amount of additional indebtedness that may be incurred by FAGE Dairy Industry S.A. and its subsidiaries and imposes certain limitations on investments, loans and advances, sales or transfers of assets, liens, dividends and other payments, the ability of FAGE Dairy Industry S.A. and its subsidiaries to enter into sale-leaseback transactions, certain transactions with affiliates and certain mergers. The Group is in compliance with the terms of the Indenture as of September 30, 2011 and December 31, 2010.

During 2008, the Company 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 Company 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 nine months ended September 30, 2010 the Company 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 Company and FAGE USA Dairy Industry, Inc. completed the issuance of debt securities (2020 Senior Notes) at an aggregate face amount of \$150 million with maturity date on February 1, 2020. The net proceeds of the 2020 Senior Notes, after issuance costs, of approximately €95.5 million were used (i) to 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 11.30% per annum), payable semi-annually on each February 1 and August 1 and commenced on August 1, 2010. The 2020 Senior Notes are redeemable in whole or in part at the option of the Group at any time on or after February 1, 2015.

The indebtedness evidenced by the 2020 Senior Notes constitutes a general joint and several unsecured senior obligation of the Company and FAGE USA Dairy Industry, Inc. 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 the Company and FAGE USA Dairy Industry, Inc.

**(c) Other Long-Term Loans:**

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

This bond bears nominal interest at a rate of Euribor plus 1.85 % per annum payable semi-annually on each April 27 and October 27, commencing on April 27, 2008. The principal amount of the debt securities is repayable in nine 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 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 three months ended March 31, 2010 the outstanding balance of this debt was repaid.

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- (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 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 a 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 paid within 2010 and as of December 31, 2009.

Finance expenses on the Group's interest bearing loans and borrowings for the nine months ended September 30, 2011 and 2010, amounted to €14,414 (€7,693 for the Company) and €15,922 (€9,502 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 September 30, 2011 and December 31, 2010 are as follows:

	<u>September 30,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
Within one year	-	-
2-5 years	101,482	101,482
Over 5 years	111,086	112,259
	<u>212,568</u>	<u>213,741</u>

**18. TRADE ACCOUNTS PAYABLE:**

Trade accounts payable are analysed as follows:

	<u>THE GROUP</u>		<u>THE COMPANY</u>	
	<u>September 30,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>	<u>September 30,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
Domestic suppliers	18,211	18,404	18,217	18,044
Foreign suppliers	21,071	11,521	6,663	5,448
	<u>39,282</u>	<u>29,925</u>	<u>24,880</u>	<u>23,492</u>

Included in trade accounts payable to foreign suppliers for the Group are balances denominated in foreign currencies amounting to €11,851 and €4,409 as of September 30, 2011 and December 31, 2010, respectively.

**19. 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:

	<u>THE GROUP</u>		<u>THE COMPANY</u>	
	<u>September 30,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>	<u>September 30,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
Credit lines available	22,979	30,226	11,870	19,000
Unused credit lines	-	(19,000)	-	(19,000)
<b>Short-term borrowings</b>	<u>22,979</u>	<u>11,226</u>	<u>11,870</u>	<u>-</u>

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The weighted average interest rates on short-term borrowings for the nine months ended September 30, 2011 and 2010, was 5.90% and 4.65%, respectively.

Interest on short-term borrowings for the nine months ended September 30, 2011 and 2010, totalled €1,526 and €864, respectively, for the Group (€1,008 and €864, respectively, for the Company) and is included in interest expense in the accompanying consolidated statements of income (Note 7).

Furthermore, the Company keeps an account receivable agreement for financing of up to €16.8 million with ABN AMRO Bank.

**20. ACCRUED AND OTHER CURRENT LIABILITIES:**

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

	THE GROUP		THE COMPANY	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
<b>Taxes withheld:</b>				
Payroll	160	270	160	270
Third parties	5	90	5	90
Milk producers	56	69	56	69
Other	183	279	183	279
	<b>404</b>	<b>708</b>	<b>404</b>	<b>708</b>
Advances from customers	<b>25</b>	<b>871</b>	<b>838</b>	<b>1,671</b>
Accrued interest	3,541	8,180	2,078	4,484
Social security funds payable	783	1,507	646	1,380
Accrued and other liabilities	12,345	5,401	2,541	2,246
	<b>16,669</b>	<b>15,088</b>	<b>5,265</b>	<b>8,110</b>
<b>Total</b>	<b>17,098</b>	<b>16,667</b>	<b>6,507</b>	<b>10,489</b>

**21. SEGMENT INFORMATION:**

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 nine months ended September 30, 2011 and 2010, is analysed as follows:

	Nine months ended September 30, 2011			
	European operations	U.S. operations	Eliminations	Consolidated
<b>Revenues</b>				
Net sales to external customers	160,782	129,289		290,071
Inter-segment sales	18,246	-	(18,246)	-
Segment revenues	<b>179,028</b>	<b>129,289</b>	<b>(18,246)</b>	<b>290,071</b>
<b>Results</b>				
Segment result net profit/(loss)	<b>(10,004)</b>	<b>13,932</b>	<b>-</b>	<b>3,928</b>
<b>Other segment information:</b>				
Capital expenditures:				
Tangible and intangible fixed assets	3,351	31,927	-	35,278
Depreciation and amortization	8,280	4,799	-	13,079
Impairment losses recognized in statement of income	25	-	-	25
Financial expenses	8,752	6,196	-	14,948
Loss on derivatives	75	-	-	75
Income tax benefit/(expense)	(207)	(4,777)	-	(4,984)



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	<b>Nine months ended September 30, 2010</b>			
	<b>European operations</b>	<b>U.S. operations</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Revenues</b>				
Net sales to external customers	166,480	86,897	-	253,377
Inter-segment sales	14,747	-	(14,747)	-
Segment revenues	<u>181,227</u>	<u>86,897</u>	<u>(14,747)</u>	<u>253,377</u>
<b>Results</b>				
Segment result net profit/(loss)	<u>(12,557)</u>	<u>16,172</u>	<u>-</u>	<u>3,615</u>
<b>Other segment information:</b>				
Capital expenditures:				
Tangible and intangible fixed assets				
	<u>3,698</u>	<u>7,905</u>	<u>-</u>	<u>11,603</u>
Depreciation and amortization	<u>8,408</u>	<u>3,996</u>	<u>-</u>	<u>12,404</u>
Impairment losses recognized in statement of income				
	<u>274</u>	<u>-</u>	<u>-</u>	<u>274</u>
Financial expenses	<u>10,180</u>	<u>7,610</u>	<u>(1,189)</u>	<u>16,601</u>
Loss on derivatives	<u>1,210</u>	<u>-</u>	<u>-</u>	<u>1,210</u>
Income tax benefit/(expense)	<u>2,235</u>	<u>(3,131)</u>	<u>-</u>	<u>(896)</u>

The following table presents segment assets and liabilities of the Group as at September 30, 2011 and December 31, 2010.

**September 30, 2011**

	<b>European operations</b>	<b>U.S. operations</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Segment assets</b>	<u>237,192</u>	<u>188,234</u>	<u>(14,831)</u>	<u>410,595</u>
<b>Segment liabilities</b>	<u>198,404</u>	<u>146,130</u>	<u>(14,831)</u>	<u>329,703</u>

**December 31, 2010**

	<b>European operations</b>	<b>U.S. operations</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Segment assets</b>	<u>232,616</u>	<u>148,675</u>	<u>(5,454)</u>	<u>375,837</u>
<b>Segment liabilities</b>	<u>183,508</u>	<u>121,304</u>	<u>(5,454)</u>	<u>299,358</u>

**22. CONTINGENCIES AND COMMITMENTS:**

**(a) Litigation and claims:**

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

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- (ii) In July 2007, there was a press report suggesting that a preliminary investigation by a State prosecutor had led to sufficient evidence being gathered to charge Greece's four largest dairy companies (including FAGE) with price fixing. According to the report, the State prosecutor is expected to request that the related dairy companies be charged with serial extortion, a criminal offence. During his investigation, the State prosecutor questioned a number of milk producers who alleged that the four companies threatened to stop buying milk from them if they did not lower their prices. The State prosecutor alleged that there was evidence to suggest that the dairy firms colluded and acted as a cartel to force down the price at which they purchased milk. However, FAGE believes that its policy concerning the prices paid to milk producers was on an arm's length basis consistent with proper market practices and that the allegations were unfounded. To date, no charges have been brought against the Company.
- (iii) In addition, the Group is a party to various lawsuits and arbitration proceedings in the normal course of business. According to the Group's management and its legal advisors, all of the lawsuits are expected to be settled without any material adverse effect on the Group's consolidated financial position and consolidated results of operations.
- (iv) 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 September 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 filed an appeal contesting the above decisions, which was heard by the Appeals Court in Greece in September 2010. The Appeals Court of Greece has 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.
- (v) 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 breakfast 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 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 and FAGE USA in the United States District Court for the District of Minnesota (the "Minnesota Litigation") claiming that FAGE's and FAGE USA'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'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 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's use of FAGE TOTAL for yogurt and other dairy products does not infringe General Mills' TOTAL mark for wheat flake cereal.

**(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 September 30, 2011 and December 31, 2010, are as follows:

<b>The Group and the Company</b>	<u><b>September 30,</b></u>	<u><b>December 31,</b></u>
	<b>2011</b>	<b>2010</b>
Within 1 year	8,620	8,620
2-5 years	2,155	8,620
	<u><b>10,775</b></u>	<u><b>17,240</b></u>

**(ii) Operating Lease Commitments:**

As of September 30, 2011 and December 31, 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 nine months ended September 30, 2011 and 2010, amounted to €1,264 and €1,329, respectively.

Future minimum rentals payable under non-cancelable operating leases as at September 30, 2011 and December 31, 2010, are as follows:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<u><b>September 30,</b></u>	<u><b>December 31,</b></u>	<u><b>September 30,</b></u>	<u><b>December 31,</b></u>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Within one year	559	680	470	680
2-5 years	933	913	709	913
Over 5 years	531	419	456	419
Total	<u><b>2,023</b></u>	<u><b>2,012</b></u>	<u><b>1,635</b></u>	<u><b>2,012</b></u>

**(iii) Letters of Guarantee:**

At September 30, 2011 and December 31, 2010, the Company had outstanding bank letters of guarantee in favor of various parties amounting to €2,596 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 FACE USA is engaged in expanding production and warehouse capacity. For the nine months ended September 30, 2011, capital expenditures for the U.S. investment amounted to €31,927 (including capitalized interest amounting to €1,051). 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 September 30, 2011, amounted to €13,142, which are all due within one year, of which an amount of €9,993 is denominated in US\$.

**23. FINANCIAL ASSETS AND LIABILITIES:**

**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 nine-month periods ended September 30, 2011 and 2010 there were no transfers between any levels of fair value hierarchy. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

**24. PRESENTATION CHANGE:**

The amount of share capital at December 31, 2010 and 2009, included €33,236 which represented 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 IFRS consolidated and separate financial statements with the reversal of the related net revaluation gains being reflected as a separate component of equity. According to applicable laws, the capitalized

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Fixed Assets Statutory revaluation surplus is exempt from income tax provided that it is not distributed to shareholders (through redemption of the Company's share capital) within a period of five years following the revaluation date.

Furthermore, 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 a separate component of equity.

The Company and the Group up to December 31, 2010 was reflecting the two above described reserves (reversal of Fixed Assets statutory revaluation surplus and reserve from revaluation of land at fair value) net, in one component of equity namely "net revaluation surplus". In the current period, the Group and the Company determined that presentation of these reserves as two separate equity components will provide more relevant information.

**25. SUBSEQUENT EVENTS:**

On October 27, 2011, FAGE USA Dairy Industry, Inc. as borrower, and FAGE Dairy Industry S.A. and FAGE USA Holdings, Inc. as guarantors, entered into a sixty month revolving loan agreement with Citibank, N.A., as administrative agent. 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, LIBOR loans are available with interest periods of one, two, three or six months, with interest accruing at the corresponding LIBOR rate. 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, and 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 repayment and cancellation of the former \$15,000 facility, which resulted in an initial borrowing of \$16,500 under the new facility on October 27, 2011.