FAGE INTERNATIONAL S.A.

QUARTERLY REPORT
For the Three Months
Ended March 31, 2018

May 9, 2018

This report (the “Quarterly Report”) sets forth certain information regarding the financial condition and results of operations of FAGE International S.A. and its subsidiaries (the “FAGE Group”) for the fiscal quarter ended March 31, 2018. The Quarterly Report includes a review, in English, of the FAGE Group’s unaudited financial information and analysis for the first quarter as well as certain other information.

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

For a description of accounting policies see Notes to the Consolidated Financial Statements in the FAGE Group’s 2017 Annual Report.

<u>Summary Analysis of Senior Notes Issued by FAGE INTERNATIONAL S.A. and FAGE USA DAIRY INDUSTRY, INC.</u>

On August 3, 2016, FAGE International S.A. ("FAGE International") and FAGE USA Dairy Industry, Inc. ("FAGE USA" and together with FAGE International, the "Issuers") issued $420,000,000 principal amount of their 5.625% Senior Notes due 2026 (the "Senior Notes") under an indenture, dated as of August 3, 2016 (the "Indenture"), by and among the Issuers, FAGE Dairy Industry S.A. ("FAGE Greece"), as guarantor, The Bank of New York Mellon, acting through its London Branch, as trustee, The Bank of New York Mellon, as paying and transfer agent, and The Bank of New York Mellon (Luxembourg) S.A., as registrar.

The Senior Notes have not 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 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. The Indenture is not required to be, nor will it be, qualified under the U.S. Trust Indenture Act of 1939, as amended.

A copy of the Indenture is available from FAGE International upon request. This Quarterly Report is being provided to Holders of the Senior Notes pursuant to Section 4.02 of the Indenture.

FAGE International is a public limited company (*société anonyme*) incorporated under the laws of Luxembourg on September 25, 2012. Its registered office is located at 5 rue des Primeurs, L-2361 Strassen, Grand Duchy of Luxembourg. FAGE International has a share capital of $1,000,000 and is registered with the Luxembourg Register of Commerce and Companies under number B 171651. FAGE International's website is home.fage. 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 FAGE Group include, unless the context requires otherwise, FAGE International S.A. and its consolidated subsidiaries (FAGE USA Holdings, Inc., FAGE USA Dairy Industry, Inc., FAGE USA, Corp., FAGE Dairy Industry S.A., FAGE U.K. Limited, FAGE Italia S.r.l. and FAGE Deutschland GmbH). The FAGE Group operates principally in the United States, the Hellenic Republic, also known as Greece, and, through its subsidiaries, elsewhere in Europe.

FAGE USA is a corporation which is organized under the laws of the State of New York and was incorporated on February 17, 2005. Its principal place of business is 1 Opportunity Drive, Johnstown Industrial Park, Johnstown, New York 12095, U.S.A. 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 International.

FAGE Greece is a *société anonyme* which is organized under the laws of the Hellenic Republic and was incorporated on December 30, 1977. Its principal place of business is located at 35 Hermou Street, 144 52 Metamorfossi, Athens, Greece. FAGE Greece's Greek tax identification number is 094061540.

Following the issuance of the Senior Notes, the Issuers redeemed, on September 2, 2016, all of the $400.0 million aggregate principal amount of their outstanding 9⅞% Senior Notes due 2020.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements. The following cautionary statements identify important factors that could cause our actual results to differ materially from those projected in the forward-looking statements made in this Quarterly Report. Any statements that are not statements of historical fact, including statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance, are forward-looking in nature. These forward-looking statements include statements regarding: our financial position; our expectations concerning future operations, strategy, margins, profitability, liquidity and capital resources; other plans and objectives for future operations; and all other statements that are not historical facts. These statements are often, but not always, made through the use of words or phrases such as "will likely result," "are expected to," "will continue," "believe," "is anticipated," "estimated," "intends," "expects," "plans," "seek," "projection," "future," "objective," "probable," "target," "goal," "potential," "outlook" and similar expressions. These statements involve estimates, assumptions and uncertainties which could cause actual results to differ materially from those expressed. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that these statements are based on reasonable assumptions, they are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those projected. It is also possible that any or all of the events described in forward-looking statements may not occur.

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

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 us or on our behalf, you should not place undue reliance on any of these forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors will emerge in the future, and it is not possible for us to predict which factors they will be. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.

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

DEFINITIONS

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

"2020 Senior Notes"....................	The 9⅞% Senior Notes due 2020 issued by FAGE International (as successor to FAGE Greece) and FAGE USA.
"Euro," "euro," "EUR" or "€".....	Euro, the currency of the European Union member states participating in the European Monetary Union.
"FAGE International"	FAGE International S.A., one of the Issuers of the Senior Notes.
"FAGE Greece".......................	FAGE Dairy Industry S.A., the Guarantor of the Senior Notes.
"FAGE Group," "Group," "we," "us" and "our"..............	FAGE International S.A., one of the Issuers of the Senior Notes and its consolidated subsidiaries described collectively as a corporate group except where the context requires otherwise.
"FAGE USA"..............................	FAGE USA Dairy Industry, Inc., one of the Issuers of the Senior Notes.
"Guarantor".............................	FAGE Greece.
"IFRS"...	International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.
"Indenture"..................................	The indenture governing the Senior Notes.
"Issuers"	FAGE International and FAGE USA.
"pounds," "GBP" or "£".............	Pounds sterling, the currency of the United Kingdom.
"Senior Notes"	The $420,000,000 principal amount of 5.625% Senior Notes due 2026 issued by FAGE International and FAGE USA on August 3, 2016 pursuant to the Indenture.
"U.S. dollar," "USD," "$" or "U.S.$"	United States dollar, the currency of the United States of America.
"U.S. GAAP"	Accounting principles generally accepted in the United States of America.

PRESENTATION OF FINANCIAL AND OTHER DATA

FAGE International and FAGE USA are the two primary obligors of the Senior Notes. Following the issuance of the Senior Notes on August 3, 2016, the Issuers redeemed, on September 2, 2016, all of the $400.0 million aggregate principal amount of their outstanding 2020 Senior Notes.

FAGE USA

FAGE USA, one of the Issuers of the Senior Notes, is an indirect, wholly owned subsidiary of FAGE International, the other issuer. FAGE USA is a corporation incorporated in the State of New York that engages in the production and distribution of dairy products. This Quarterly Report does not include separate financial statements for FAGE USA. The financial information of FAGE USA is fully consolidated into our consolidated financial statements, which are included elsewhere in this Quarterly Report.

Financial Information

The consolidated financial information for the FAGE Group has been presented as of and for the three months ended March 31, 2018 and 2017, and presents the consolidated net assets, financial position and results of operations of the FAGE Group during the periods presented. The consolidated financial statements of the FAGE Group have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union. You should read the consolidated financial statements of the FAGE Group included at the end of this Quarterly Report, including the notes thereto (collectively, the "Consolidated Financial Statements"), together with "Management's Discussion and Analysis of Financial Condition and Results of Operations." Some financial information in this Quarterly Report has been rounded and, as a result, the numerical figures shown as totals in this Quarterly Report may vary slightly from the exact arithmetic aggregation of the figures that precede them.

The FAGE Group has adopted the U.S. dollar as its reporting currency and FAGE International S.A. has adopted the U.S. dollar as its reporting and functional currency. Solely for your convenience, this Quarterly Report contains translations of certain euro amounts into U.S. dollars at specified rates. These U.S. dollar amounts do not represent actual U.S. dollar amounts, nor could such euro amounts necessarily have been converted into U.S. dollars at the rates indicated. Unless otherwise indicated, euro amounts have been translated into U.S. dollars at the rate of U.S. $1.2321 per euro, which was the equivalent rate of the euro as reported by the European Central Bank in its foreign exchange rates report as at March 31, 2018.

If you are in the United States or otherwise familiar with U.S. GAAP but not familiar with IFRS, you should consult your own professional advisors for an understanding of the differences between IFRS and U.S. GAAP and how those differences could affect the financial information contained in this Quarterly Report.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in the financial statements.

The Consolidated Financial Statements have been prepared as of and for the three months ended March 31, 2018 and 2017, and are presented in U.S. dollars rounded to the nearest thousand. The Consolidated Financial Statements have been prepared under the historical cost convention except for available-for-sale financial assets, derivative financial instruments and land, which are measured at fair value.

The accounting policies set out in the notes to the Consolidated Financial Statements have been consistently applied to all periods presented except for changes arising through amendments or revisions to IFRS and the issuance of new accounting pronouncements. The amendments and revisions to IFRS as well as the new accounting pronouncements did not have a material effect on the Consolidated Financial Statements.

Industry Data

This Quarterly Report contains information concerning the U.S. market for yogurt, the Greek dairy market and the dairy markets of certain other countries in which we conduct business. 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, and Information Resources International. 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 dairy industry and our competitive position in the dairy industry are based on our experience and our own investigation of market conditions. There can be no assurance that any of these assumptions are accurate or correctly reflect our competitive position in the industry, and none of these internal surveys or information have been verified by independent sources, which may have estimates or opinions regarding industry-related information which differ from ours.

ENFORCEABILITY OF CIVIL LIABILITIES

FAGE International is a public limited company (*société anonyme*) incorporated under the laws of Luxembourg and FAGE Greece is organized under the laws of Greece. Certain executive officers and directors of the Issuers and the Guarantor and certain experts named herein presently reside outside of the United States, principally in Luxembourg and Greece. As a result, it will be necessary for investors to comply with Luxembourg or Greek law in order to obtain an enforceable judgment against any such foreign resident persons or assets of such entities, including an order to foreclose upon such assets. Although we have agreed under the terms of the Indenture pursuant to which the Senior Notes were 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) enforce any judgments in the United States against such persons obtained in U.S. 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 Loyens & Loeff, our Luxembourg counsel, that although there is no treaty between Luxembourg and the United States regarding the reciprocal enforcement of judgments, a valid, final and conclusive judgment against FAGE International obtained from a state or federal court of the United States, which remains in full force and effect, may be enforced through a court of competent jurisdiction in Luxembourg, subject to compliance with the following enforcement procedures (*exequatur*) set out in the relevant provisions of the Luxembourg New Code of Civil Procedure (*Nouveau Code de Procédure Civile*) and Luxembourg case law:

- the foreign court must properly have had jurisdiction to hear and determine the matter, both according to its own laws and to the Luxembourg international private law conflict of jurisdiction rules;

- the foreign court must have applied the law which is designated by the Luxembourg conflict of laws rules or, at least, the order must not contravene the principles underlying those rules (although some first instance decisions rendered in Luxembourg—which have not been confirmed by the Luxembourg Court of Appeal—no longer apply this condition);

- the decision of the foreign court must be enforceable in the jurisdiction in which it was rendered;

- the foreign court has acted in accordance with its own procedural laws;

- the judgment was obtained in compliance with the rights of the defendant (*i.e.*, following proceedings where the defendant had the opportunity to appear, was granted the necessary time to prepare its case and, if the defendant appeared, could present a defense);

- the decision of the foreign court must not have been obtained by fraud; and

- the decisions and the considerations of the foreign court must not be contrary to Luxembourg international public policy rules or have been given in proceedings of a tax, penal or criminal nature (which would include awards of damages made under civil liabilities provisions of the U.S. federal securities laws, or other laws, to the extent that the same would be classified by Luxembourg courts as being of a penal or punitive nature (for example, fines or punitive damages)) or rendered subsequent to an evasion of Luxembourg law (*fraude à la loi*). Ordinarily an award of monetary damages would not be considered as a penalty, but if the monetary damages include punitive damages such punitive damages may be considered as a penalty.

If an original action is brought in Luxembourg, without prejudice to specific conflict of law rules, Luxembourg courts may refuse to apply the designated law (i) if the choice of such foreign law was not made bona fide or (ii) if the foreign law was not pleaded and proved or (iii) if pleaded and proved, such foreign law was contrary to mandatory Luxembourg laws or incompatible with Luxembourg public policy rules. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought.

We have been advised by G.S. Kostakopoulos & Associates, Greek counsel to the FAGE Group, that, although there is no treaty between Greece and the United States regarding the reciprocal enforcement of judgments, a valid, final and conclusive judgment for a definite amount (both in respect of principal and interest) against FAGE Greece and/or its officers and directors from a state or federal court of the United States, which judgment remains in full force and effect, may be enforced without a further review on the merits through a court of competent jurisdiction in Greece, subject to compliance with the following enforcement procedures of Articles 323 and 905 of the Greek Code of Civil Procedure:

- the judgment is also enforceable under the laws of the jurisdiction concerned;

- the judgment is not contrary to mandatory provisions of Greek law, the principles of *bonos mores* or public order and international public policy, and the U.S. court has not applied laws held by Greek courts to be of a tax, penal, criminal or punitive nature. On this last point there is no precedent under Greek law; however, there is precedent with lower courts that have refused to declare U.S. judgments awarding punitive damages enforceable in Greece, in circumstances other than under U.S. securities laws, and have reduced the amount of damages enforceable in Greece to a figure deemed in the opinion of the Greek court to be compensatory;

- the judgment was issued by a competent court of the jurisdiction concerned, both according to Greek and U.S. law, and was confirmed by a competent Greek court, pursuant to the general principles of the Greek Code of Civil Procedure;

- it was established that the unsuccessful litigant in the proceedings leading to the judgment had not been deprived of its rights to participate in such proceedings other than by the application of the procedural rules of the jurisdiction concerned that apply to nationals and non-nationals of that jurisdiction; and

- the judgment is not contrary to a previous judgment issued by a competent Greek court involving the same dispute and constituting *res judicata.*

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

Results of Operations for the FAGE Group for the Three Months Ended March 31, 2018 and 2017

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

	Three months ended March 31,	
	2018	2017
Sales	100%	100%
Cost of sales	(53.4)	(50.3)
Gross profit	46.6	49.7
Selling, general and administrative expenses	(29.9)	(33.9)
Other income	0.2	0.1
Other expenses	(0.1)	(0.5)
Operating profit for the period	16.8	15.4
Financial income/(expenses), net	(4.3)	(4.0)
Foreign exchange gains/(losses), net	1.0	0.8
Profit before income taxes	13.5	12.2
Income tax expense	(3.2)	(3.5)
Net profit	10.3%	8.7%

Three months ended March 31, 2018 compared to three months ended March 31, 2017

Sales. Our sales in value for the three months ended March 31, 2018 amounted to $147.1 million, a decrease of $10.3 million, or 6.5%, compared to sales in value of $157.4 million for the three months ended March 31, 2017. This resulted mainly from a decrease in sales in value in the United States by 12.7%, which was partially offset by increases in sales in value in Greece, the United Kingdom and Italy by 4.4%, 10.0% and 0.7%, respectively.

This decrease in sales in value for the three months ended March 31, 2018, as compared to the three months ended March 31, 2017, is mainly due to: first, the decrease in our sales in volume by 6.2%; and second, the decrease in the average net selling price across all markets by 4.0%, which were partially offset by the positive impact of 5.0% on sales in value due to the weakening of the U.S. dollar against the Euro and the British Pound (the exchange rates for the three months ended March 31, 2018 and 2017, were 1€ = $1.2331 and 1€ = $1.0681 and 1£ = $1.4022 and 1£ = $1.2470, respectively).

Our sales in volume for the three months ended March 31, 2018 decreased by 6.2% as compared to the three months ended March 31, 2017. This resulted mainly from decreases in sales in volume in the United States, Italy and Greece by 8.3%, 2.3% and 6.1%, respectively.

Our sales in value outside of Greece accounted for 84.6% of our total sales in value for the three months ended March 31, 2018, as compared to 86.2% for the three months ended March 31, 2017.

Gross profit. Gross profit for the three months ended March 31, 2018 was $68.6 million, a decrease of $9.6 million, or 12.3%, from $78.2 million for the three months ended March 31, 2017. Gross profit as a percentage of sales for the three months ended March 31, 2018 was 46.6%, compared to 49.7% for the three months ended March 31, 2017. The main reasons for this decrease were: first, the increase in the prices of milk used in the U.S. facility by 7.6%; and second, the negative impact on cost of goods sold (2.1% of net sales) of the weakening of the U.S. dollar against the Euro and the British Pound. This decrease was partially offset by the decrease in the prices of milk used in the Greek facilities by 31.9%.

*Selling, general and administrative expenses. S*elling, general and administrative expenses ("SG&A") for the three months ended March 31, 2018 were $43.9 million, a decrease of $9.4 million, or 17.6%, from $53.3 million for the three months ended March 31, 2017. This decrease is mainly due to the decrease in advertising expenses. As a percentage of sales, SG&A was 29.9% for the three months ended March 31, 2018 and 33.9% for the three months ended March 31, 2017.

Other income/(expenses), net. Net other income for the three months ended March 31, 2018 amounted to $0.1 million. Net other expenses for the three months ended March 31, 2017 amounted to $0.6 million.

Operating profit. Operating profit for the three months ended March 31, 2018 was $24.7 million, an increase of $0.4 million, or 1.6%, as compared to operating profit of $24.3 million for the three months ended March 31, 2017. As a percentage of sales, operating profit was 16.8% for the three months ended March 31, 2018 as compared to 15.4% for the three months ended March 31, 2017. This is mainly due to the decrease in SG&A, which was partially offset by the decrease in gross profit.

Financial income/(expenses), net. Net financial expenses amounted to $6.3 million both for the three months ended March 31, 2017 and 2018. Financial income/(expenses), net as a percentage of sales was 4.3% for the three months ended March 31, 2018 and 4.0% for the three months ended March 31, 2017.

Foreign exchange (losses)/gains, net. Net foreign exchange gains for the three months ended March 31, 2018 were $1.4 million compared to net foreign exchange gains for the three months ended March 31, 2017 of $1.3 million.

Profit before income taxes. Profit before income taxes for the three months ended March 31, 2018 was $19.8 million, as compared to profit before income taxes of $19.3 million for the three months ended March 31, 2017.

Income tax expense. Income tax expense for the three months ended March 31, 2018 was $4.6 million, as compared to $5.6 million for the three months ended March 31, 2017.

Net profit. Net profit for the three months ended March 31, 2018 was $15.2 million, as compared to net profit of $13.7 million for the three months ended March 31, 2017.

Liquidity and Capital Resources

Our principal sources of liquidity are existing cash balances, cash flow from operations, debt raised from capital markets (including the Senior Notes) and available amounts under our various lines of credit maintained with several banks. Our principal liquidity needs are debt service (primarily interest on the Senior Notes), shareholder payments, capital expenditures and working capital. We believe that our available capital resources will be sufficient to fund our liquidity needs.

Sources of capital. We fund our operating costs through cash from operations and short-term borrowings under various lines of credit. The available credit lines for the FAGE Group as of March 31, 2018 amounted to $47.3 million, of which $35.0 million is provided by Citibank, N.A. in the United States and secured by accounts receivable and certain inventory of FAGE USA and €10.0 million ($12.3 million equivalent) was provided by a revolving credit line with Alpha Bank in Greece. Out of the available credit lines as of March 31, 2018, the unused portion amounted to $47.3 million (see Note 18). The available credit lines for the Group as of December 31, 2017 amounted to $47.0 million.

Cash at banks and cash equivalents as of March 31, 2018 amounted to $103.0 million compared to $128.5 million as of December 31, 2017 (See Note 15).

We believe that this amount of our cash at banks and cash equivalents ($103.0 million), together with the lines of credit, is sufficient to finance both the operations and the investment program of the FAGE Group.

Cash flow data

	Three months ended March 31,	
	2018	**2017**
	($ thousands)	
Cash flow from/(used in) operating activities	29,211	38,328
Cash flow from/(used in) investing activities	(11,930)	(7,837)
Cash flow from/(used in) financing activities	(44,310)	(24,731)
Effect of exchange rates changes on cash	1,541	605
Cash and cash equivalents at beginning of period	128,452	117,486
Cash and cash equivalents at period-end	**102,964**	**123,851**

Cash flow from/(used in) operating activities. Net cash from operating activities for the three months ended March 31, 2018 was $29.2 million, compared to net cash from operating activities of $38.3 million for the three months ended March 31, 2017. This is mainly due to working capital changes, which decreased from $5.3 million in the three months ended March 31, 2017 to $(1.8) million in the three months ended March 31, 2018. This decrease is mainly due to the decrease in trade accounts payable and due to related companies and the increase in trade and other receivables, partially offset by the increase in accrued and other current liabilities.

Cash flow from/(used in) investing activities. Net cash used in investing activities amounted to $11.9 million and $7.8 million for the three months ended March 31, 2018 and 2017, respectively. Out of the capital expenditures of $13.3 million in the first three months of 2018, $1.0 million related to capital expenditures (primarily maintenance) for the facilities in Greece, $0.8 million related to our new manufacturing facility in Luxembourg and $11.5 million related to capital expenditures for the U.S. facility.

Cash flow from/(used in) financing activities. Net cash used in financing activities for the three months ended March 31, 2018 was $44.3 million. This resulted from $12.0 million of interest paid, $12.3 million of repayment of short-term borrowings (consisting of a €10.0 million repayment to Alpha Bank in Greece) and $20.0 million of dividends and share premium paid. Net cash used in financing activities for the three months ended March 31, 2017 was $24.7 million, which reflects $12.7 million of interest paid and $12.0 million of dividends and share premium paid.

Other Financial Data

EBITDA (net profit/(loss) plus income tax (expense)/benefit, financial income/(expenses), net and depreciation and amortization) for the three months ended March 31, 2018 amounted to $33.8 million, as compared to $33.0 million for the three months ended March 31, 2017. The reconciliation of net profit to EBITDA is as follows:

	Three months ended March 31,	
	2018	**2017**
	($ thousands)	
Net profit...........................	15,221	13,668
Income tax expense...........	4,607	5,612
Financial (income)/expenses, net	6,303	6,317
Depreciation and amortization	7,659	7,366
EBITDA............................	**33,790**	**32,963**

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

The net debt (short-term borrowings plus long-term interest-bearing loans and borrowings less cash and cash equivalents) of the Group as of March 31, 2018 amounted to $308.2 million, as compared to $294.5 million as of December 31, 2017.

Principal Risks and Uncertainties for the Remaining Nine Months of 2018

Risk assessment and evaluation is an integral part of the management process throughout the FAGE 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 FAGE Group are summarized below:

- first, we are exposed to aggressive competition in our primary markets;
- second, we are exposed to currency exchange rate fluctuations, particularly in relation to the Euro (€) and the U.K. sterling (£);
- third, price fluctuations in raw materials could adversely affect the Group's manufacturing costs; and
- fourth, the current economic crisis could continue to adversely affect consumer spending for the Group’s products, particularly in Greece, Italy, the United Kingdom and the United States.

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 FAGE Group 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 are controlled by members of the Filippou family.

Account balances with related companies are as follows:

	March 31, 2018	December 31, 2017
	($ thousands)	
Due from:		
- Ioannis Nikolou ULP	520	508
- Evga S.A.	90	37
- Hellenic Quality Foods S.A.	11	120
- Vis S.A.	-	1
- Palace S.A.	131	162
	752	**828**
Due to:		
- Mornos S.A.	52	257
- Vis S.A.	101	-
- G. S. Kostakopoulos & Associates	-	3
- Alpha Phi S.à r.l.	-	351
- Theta Phi S.à r.l.	-	351
	153	**962**

Transactions with related companies for the three months ended March 31, 2018 and 2017, are analyzed as follows:

	Purchases from related parties		Sales to related parties	
	2018	2017	2018	2017
	($ thousands)			
Inventories, materials and supplies	6,802	8,726	1,299	119
Other services	1,922	1,910	-	-
	8,724	**10,636**	**1,299**	**119**

INDEX TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2018

FAGE INTERNATIONAL S.A.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(All amounts in thousands of U.S. dollars, except share and per share data)

(UNAUDITED)

	Notes	Three months ended March 31, 2018	Three months ended March 31, 2017
Sales		147,109	157,417
Cost of sales		(78,537)	(79,203)
Gross profit		**68,572**	**78,214**
Selling, general and administrative expenses	(6)	(43,938)	(53,305)
Other income		283	84
Other expenses		(189)	(703)
OPERATING PROFIT FOR THE PERIOD		**24,728**	**24,290**
Financial expenses	(7)	(6,449)	(6,328)
Financial income	(7)	146	11
Foreign exchange gains/(losses), net		1,403	1,307
PROFIT FOR THE PERIOD BEFORE INCOME TAXES		**19,828**	**19,280**
Income tax expense	(8)	(4,607)	(5,612)
NET PROFIT		**15,221**	**13,668**
Attributable to:		15,221	13,668
Equity holders of the parent		**15,221**	**13,668**
Earnings per share			
Basic and diluted		15.22	13.67
Weighted average number of shares, basic and diluted		**1,000,000**	**1,000,000**

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

FAGE INTERNATIONAL S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/LOSS
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(All amounts in thousands of U.S. dollars)

(UNAUDITED)

	Notes	Three months ended March 31, 2018	Three months ended March 31, 2017
Net profit for the period		**15,221**	**13,668**
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange gains on translation of foreign operations		3,499	1,402
Net unrealized gains/(losses) on available for sale financial assets		-	(29)
Income tax		-	8
	10	-	(21)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**3,499**	**1,381**
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains/(losses) on defined benefit plans		(5)	(14)
Income tax		1	4
		(4)	(10)
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		**(4)**	**(10)**
Other comprehensive income for the period, net of tax		**3,495**	**1,371**
Total comprehensive income for the period, net of tax		**18,716**	**15,039**
Attributable to:		18,716	15,039
Equity holders of the parent		18,716	15,039

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

FAGE INTERNATIONAL S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT MARCH 31, 2018
(All amounts in thousands of U.S. dollars)
(UNAUDITED)

	Notes	March 31, 2018	December 31, 2017
ASSETS			
Non-Current Assets			
Property, plant and equipment		456,506	449,393
Intangible assets		1,756	1,830
Goodwill	9	3,276	3,171
Available for sale financial assets	10	109	106
Other non-current assets	11	1,567	468
Deferred income taxes		85,525	87,737
Total non-current assets		**548,739**	**542,705**
Current Assets:			
Inventories	12	41,396	39,763
Trade and other receivables	13	88,948	77,698
Due from related companies	14	752	828
Prepaid income taxes		230	225
Cash and cash equivalents	15	102,964	128,452
Total current assets		**234,290**	**246,966**
TOTAL ASSETS		**783,029**	**789,671**
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of the Parent Company			
Share capital		1,000	1,000
Share premium		10,486	18,778
Other reserves		459	459
Land revaluation surplus		33,583	33,583
Reversal of fixed assets statutory revaluation surplus		(44,410)	(44,410)
Legal, tax free and special reserves		37,528	37,528
Retained earnings		247,462	243,949
Other components of equity		(17,913)	(21,408)
Total Equity		**268,195**	**269,479**
Non-Current Liabilities			
Interest-bearing loans and borrowings	16	411,157	410,949
Provision for staff retirement indemnities		3,867	3,753
Deferred income taxes		39,053	39,461
Total non-current liabilities		**454,077**	**454,163**
Current Liabilities:			
Trade accounts payable	17	26,209	22,841
Due to related companies	14	153	962
Short-term borrowings	18	-	11,993
Income taxes payable		2,855	1,205
Accrued and other current liabilities	19	31,540	29,028
Total current liabilities		**60,757**	**66,029**
Total liabilities		**514,834**	**520,192**
TOTAL EQUITY AND LIABILITIES		**783,029**	**789,671**

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

FAGE INTERNATIONAL S.A.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(All amounts in thousands of U.S. dollars)

(UNAUDITED)

	Share capital	Share premium	Land revaluation surplus	Reversal of fixed assets statutory revaluation surplus	Legal, tax free and special reserves	Other reserves	Retained earnings/ (losses)	Unrealized gains/(losses) on available for sale financial assets	Actuarial gains/ (losses)	Foreign exchange gains/ (losses)	Total equity
Balance December 31, 2017	**1,000**	**18,778**	**33,583**	**(44,410)**	**37,528**	**459**	**243,949**	**-**	**(288)**	**(21,120)**	**269,479**
Profit for the period	-	-	-	-	-	-	15,221	-	-	-	15,221
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-	(4)	3,499	3,495
Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	**-**	**-**	**15,221**	**-**	**(4)**	**3,499**	**18,716**
Dividend distribution from share premium	-	(8,292)	-	-	-	-	(11,708)	-	-	-	(20,000)
Balance, March 31, 2018	**1,000**	**10,486**	**33,583**	**(44,410)**	**37,528**	**459**	**247,462**	**-**	**(292)**	**(17,621)**	**268,195**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(All amounts in thousands of U.S. dollars)

(UNAUDITED)

	Share capital	Share premium	Land revaluation surplus	Reversal of fixed assets statutory revaluation surplus	Legal, tax free and special reserves	Other reserves	Retained earnings/ (losses)	Unrealized gains/(losses) on available for sale financial assets	Actuarial gains/ (losses)	Foreign exchange gains/ (losses)	Total equity
Balance December 31, 2016	**1,000**	**30,778**	**37,068**	**(44,410)**	**37,545**	**459**	**165,538**	**127**	**(250)**	**(35,884)**	**191,971**
Profit for the period	-	-	-	-	-	-	13,668	-	-	-	13,668
Other comprehensive income/(loss)	-	-	-	-	-	-	-	(21)	(10)	1,402	1,371
Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	**-**	**-**	**13,668**	**(21)**	**(10)**	**1,402**	**15,039**
Dividend distribution from share premium	**-**	(12,000)	-	-	**-**	-	-	-	-	-	(12,000)
Balance, March 31, 2017	**1,000**	**18,778**	**37,068**	**(44,410)**	**37,545**	**459**	**179,206**	**106**	**(260)**	**(34,482)**	**195,010**

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

FAGE INTERNATIONAL S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(All amounts in thousands of U.S. dollars)
(UNAUDITED)

	Notes	March 31, 2018	March 31, 2017
Profit before income taxes		19,828	19,280
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	5	7,659	7,366
Provision for staff retirement indemnities		51	45
Financial income	7	(144)	(7)
Financial expenses	7	6,261	6,328
(Gain)/loss from valuation of non-current assets on fair value		186	(4)
Gain on disposal of property, plant and equipment		(9)	(41)
Operating profit before working capital changes		**33,832**	**32,967**
(Increase)/Decrease in:			
Inventories	12	(1,633)	(2,996)
Trade and other receivables	13	(11,250)	(7,346)
Due from related companies	14	76	(79)
Increase/(Decrease) in:			
Trade accounts payable	17	3,368	7,708
Due to related companies	14	(809)	12,401
Accrued and other current liabilities	19	8,454	(4,417)
Working capital changes		**(1,794)**	**5,271**
Income taxes paid		(1,498)	(109)
Payment of staff indemnities		(44)	-
(Increase)/decrease in other non-current assets	11	(1,285)	199
Net Cash from Operating Activities		**29,211**	**38,328**
Investing Activities:			
Capital expenditure for property, plant and equipment		(13,273)	(9,358)
Additions to intangible assets		(46)	(41)
Proceeds from disposal of property, plant and equipment		1,245	1,555
Interest and other related income received	7	144	7
Net Cash used in Investing Activities		**(11,930)**	**(7,837)**
Financing Activities:			
Repayments of short and long-term borrowings		(12,331)	-
Interest paid	7	(11,979)	(12,731)
Dividends and share premium paid to equity holders of the parent		(20,000)	(12,000)
Net Cash used in Financing Activities		**(44,310)**	**(24,731)**
Net increase/(decrease) in cash and cash equivalents		**(27,029)**	**5,760**
Effect of exchange rates changes on cash		1,541	605
Cash and cash equivalents at beginning of period	15	128,452	117,486
Cash and cash equivalents at March 31	15	**102,964**	**123,851**

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

	March 31, 2018	March 31, 2017
Net Cash used in Operating Activities	-	(286)
Net Cash from Investing Activities	-	1,495
Net Cash from/(used in) Financing Activities	-	-
	-	**1,209**

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

1. CORPORATE INFORMATION:

FAGE International is a public limited company (*société anonyme*) incorporated under the laws of Luxembourg on September 25, 2012. Its registered office is located at 5 rue des Primeurs, L-2361 Strassen, Grand Duchy of Luxembourg. FAGE International has a share capital of $1,000 and is registered with the Luxembourg Register of Commerce and Companies under number B 171651.

References to the FAGE Group include, unless the context requires otherwise, FAGE International S.A. and its consolidated subsidiaries (FAGE USA Holdings, Inc., FAGE USA Dairy Industry, Inc., FAGE USA, Corp., FAGE Dairy Industry S.A., FAGE U.K. Limited, FAGE Italia S.r.l. and FAGE Deutschland GmbH). The FAGE Group operates principally in the United States, the Hellenic Republic, also known as Greece, and, through its subsidiaries, elsewhere in Europe.

The Group's total number of employees as of March 31, 2018 and 2017, was approximately 1,019 and 1,051, respectively.

2. BASIS OF PRESENTATION:

(a) Basis of Preparation of Financial Statements: The accompanying interim condensed consolidated financial statements have been prepared under the historical cost convention, except for the valuation of available for sale financial assets and derivative financial instruments and land, which 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 have been prepared by management in accordance with IAS 34 (Interim Financial Reporting). The interim condensed consolidated financial statements do not include all the information and disclosure required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as of and for the year ended December 31, 2017. The interim condensed consolidated financial statements are presented in thousands of U.S. dollars, except when otherwise indicated.

(b) 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.

(c) Significant Accounting Policies: The interim condensed consolidated financial statements have been prepared using accounting policies consistent with those adopted for the preparation of the Group’s annual consolidated financial statements as of and for the year ended December 31, 2017 and which are comprehensively presented in the notes of the annual financial statements, except for the adoption of new or amended IFRIC Standards and Interpretations effective as of January 1, 2018. These changes are as follows:

- **IFRS 9: Financial Instruments: Classification and Measurement**
  The standard is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. Management considers that the amendment has no impact on the Group’s consolidated financial position or results of operations.

- **IFRS 15: Revenue from Contracts with Customers**
  The standard is effective for annual periods beginning on or after January 1, 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard’s requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. In 2017, the Group performed a detailed impact assessment of IFRS 15. The Group assessed that the new standard will not have a significant impact on its consolidated statement of financial position or equity or on the related disclosures.

- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**
  The Clarifications apply for annual periods beginning on or after January 1, 2018. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15: *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations, amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of the control principle and of providing additional guidance for accounting of licensing, intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. Management assessed that such amendment is not likely to have a material effect on the Group's consolidated financial position or results of operations.

- **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**
  The Amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU. Management has assessed that the amendment will not have an impact on the Group's consolidated financial position or results of operations.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management is in the process of assessing what effects the amendment will have on the Group's consolidated financial position and results of operations.

- **IAS 40: Transfers to Investment Property (Amendments)**
  The Amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of, investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU. Management has assessed that the Amendments will not have an impact on the Group's consolidated financial position or results of operations.

- **IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration**
  The Interpretation is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU. Management has assessed that the Interpretation will not have an impact on the Group's consolidated financial position or results of operations.

The **IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after January 1, 2017, for IFRS 12 Disclosure of Interests in Other Entities and on or after January 1, 2018, for

IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. Management has assessed that the amendments will not have an impact on the Group's consolidated financial position or results of operations.

- ***IFRS 1 First-time Adoption of International Financial Reporting Standards:*** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities applicable for first-time adopters.
- ***IAS 28 Investments in Associates and Joint Ventures:*** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- ***IFRS 12 Disclosure of Interests in Other Entities:*** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale or as discontinued operations in accordance with IFRS 5.

Standards issued but not yet effective and not early adopted

- **Amendments to IFRS 9: Prepayment Features with Negative Compensation**
The standard is effective for annual periods beginning on or after January 1, 2019 and has not yet been endorsed by the EU. Management considers that the amendment will not have an impact on the Group's consolidated financial position or results of operations.

- **IFRS 16: Leases**
The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exceptions. Lessor accounting is substantially unchanged. The standard has not yet been endorsed by the EU. Management is in the process of assessing what effects the amendment will have on the Group's consolidated financial position or results of operations.

- **IFRS 17: Insurance Contracts**
The standard is effective for annual periods beginning on or after January 1, 2021 and has not yet been endorsed by the EU. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features issued. Management does not expect that this standard will have an impact on the Group's consolidated financial position or results of operations.

- **IFRIC INTERPRETATION 23: Uncertainty over Income Tax Treatments**
The Interpretation is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognize and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. This Interpretation has not yet been endorsed by the EU. Management is currently assessing whether the Interpretation will have any impact on the Group's consolidated financial position or results of operations.

- **IFRSs 2015 – 2017 Cycle**. The amendments are effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The standards affected, and the subjects of the amendments, are IFRS 3: Business Combinations and IFRS 11: Joint Arrangements – previously held interest in a joint operation, IAS 12: Income Taxes – income tax consequences of payments on financial instruments classified as equity and IAS 23: Borrowing Costs – borrowing costs eligible for capitalization. These amendments have not yet been endorsed by the EU. Management has assessed that the amendments will not have an impact on the Group's consolidated financial position or results of operations.

(Amounts in all tables and notes are presented in thousands of U.S. dollars unless otherwise stated)

3. ASSETS AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE:

During the three months ended March 31, 2017, the Group sold to a third party machinery and equipment related to the Amyntaio facility.

4. PAYROLL COST:

Payroll cost in the accompanying interim condensed consolidated financial statements is analyzed as follows:

	March 31,	
	2018	**2017**
Wages and salaries	10,940	11,419
Social security costs	1,353	1,573
Provision for staff retirement indemnities	44	45
Other staff costs	1,875	1,818
Total payroll	**14,212**	**14,855**
Less: amounts charged to cost of production	(6,874)	(7,922)
amounts capitalized to tangible and intangible assets	(138)	(107)
Payroll expensed (Note 6)	**7,200**	**6,826**

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

5. DEPRECIATION AND AMORTIZATION:

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

	March 31,	
	2018	**2017**
Depreciation of property, plant and equipment	7,506	7,210
Amortization of intangible assets	153	156
Total depreciation and amortization	**7,659**	**7,366**
Less: amounts charged to cost of production	(6,187)	(5,906)
Depreciation and amortization expensed (Note 6)	**1,472**	**1,460**

6. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

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

	March 31,	
	2018	**2017**
Shipping and handling costs	10,090	11,299
Advertising costs	16,522	25,170
Third party fees	5,327	5,628
Payroll (Note 4)	7,200	6,826
Depreciation and amortization (Note 5)	1,472	1,460
Repairs and maintenance	346	366
Travelling and entertainment	492	466
Other	2,489	2,090
Total	**43,938**	**53,305**

Compensation paid to directors and executive officers for the three months ended March 31, 2018 and 2017, included in payroll and third party fees, amounted to $3,033 and $1,937, respectively. Of these amounts, $2,184 and $1,435 have been paid to members of the Filippou family for the three months ended March 31, 2018 and 2017, respectively.

(Amounts in all tables and notes are presented in thousands of U.S. dollars unless otherwise stated)

7. FINANCIAL INCOME AND EXPENSES:

Financial income/(expense) in the accompanying consolidated financial statements is analyzed as follows

	March 31,	
	2018	**2017**
Financial expenses on loans and borrowings	(6,040)	(6,102)
Interest on short-term borrowings	(169)	(127)
Amortization of fees for revolving credit facility	(15)	(12)
Interest expense on non-current assets	(188)	-
Other	(37)	(87)
Total financial expenses	**(6,449)**	**(6,328)**
Interest earned on cash at banks and on time deposits	144	7
Interest income on non-current assets	2	4
Total financial income	**146**	**11**
Total financial income/(expense), net	**(6,303)**	**(6,317)**

8. INCOME TAXES:

In accordance with Luxembourg tax regulations, the corporate tax rate for fiscal year 2018 is 26.01% (2017: 27.08%).

Income tax expense reflected in the accompanying consolidated statements of profit or loss is analyzed as follows:

	March 31,	
	2018	**2017**
Income taxes:		
Current income tax expense	3,144	3,508
Deferred income tax expense	1,463	2,104
Total income tax reported in the statements of income	**4,607**	**5,612**

9. CONSOLIDATED SUBSIDIARIES AND GOODWILL

CONSOLIDATED SUBSIDIARIES

The consolidated financial statements as at March 31, 2018 and December 31, 2017 include the financial statements of FAGE International and its subsidiaries listed below:

	Equity interest			
	March 31, 2018	**December 31, 2017**	**Country of incorporation**	
FAGE USA Holdings, Inc. (subgroup analyzed below)	100.0%	100.0%	USA	Holding company of FAGE USA Dairy Industry, Inc., and FAGE USA, Corp.
FAGE Dairy Industry S.A.	100.0%	100.0%	Greece	Greek operating subsidiary with its primary activity being the operation of the Group's Greek production facilities and distribution of its products in Greece.

(Amounts in all tables and notes are presented in thousands of U.S. dollars unless otherwise stated)

FAGE Italia S.r.l.	100.0%	100.0%	Italy	Distribution network covering Italy
FAGE U.K. Limited	100.0%	100.0%	United Kingdom	Distribution network covering the United Kingdom
FAGE Deutschland GmbH	100.0%	100.0%	Germany	Distribution network covering Germany; under liquidation

FAGE USA Holdings, Inc. subgroup has the following subsidiaries:

	Equity interest			
	March 31, 2018	**December 31, 2017**	**Country of incorporation**	
FAGE USA Dairy Industry, Inc.	100.0%	100.0%	USA	U.S. operating subsidiary with its primary activity being the operation of the Group's U.S. yogurt production facility and the distribution of its products in the U.S.
FAGE USA, Corp.	100.0%	100.0%	USA	U.S. operating subsidiary with its primary activity being the provision of sales and marketing services to FAGE USA Dairy Industry, Inc.

GOODWILL

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

	March 31, 2018	**December 31, 2017**
Foods Hellas S.A. (FAGE Dairy Industry S.A.)	1,597	1,554
FAGE Italia S.r.l.	350	341
FAGE U.K. Limited	1,329	1,276
Total	**3,276**	**3,171**

	THE GROUP
Balance at January 1, 2017	**2,827**
Less: Foreign currency remeasurement	344
Balance at December 31, 2017	**3,171**
Less: Foreign currency remeasurement	105
Balance at March 31, 2018	**3,276**

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

(Amounts in all tables and notes are presented in thousands of U.S. dollars unless otherwise stated)

The annual impairment test for goodwill was based on the value in use approach as described in Note 2.5(d), which was used to determine the recoverable amount of the cash generating units of the Group to which goodwill is allocated. Cash flow projections are based on financial forecasts approved by management covering a five-year period. The pre-tax discount rate applied to cash flow projections was 11.5% and cash flows beyond the five-year period were extrapolated using a 2.0% growth rate, which is the expected average growth rate for the Group's industry.

Management did not identify any impairment at the Group level as a result of this test. As of March 31, 2018, no impairment indications were identified by management.

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

10. AVAILABLE FOR SALE FINANCIAL ASSETS:

Available for sale financial assets are analyzed as follows:

	March 31, 2018	December 31, 2017
Shares—listed and unlisted:		
Vis S.A. (listed)	-	-
Elbisco Holdings S.A. (unlisted)	-	-
Total Available for Sale Financial Assets in Current Assets	**-**	**-**
Shares—unlisted:		
Packing Hellas Development S.A.	109	106
Total Available for Sale Financial Assets in Non-Current Assets	**109**	**106**

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

The aforementioned investments have been classified as available for sale and are carried at their fair value with the difference in the fair values reflected in other comprehensive income/(loss) unless a significant or prolonged decline exists, in which case it is included in the consolidated statement of profit or loss.

For the three months ended March 31, 2017, losses of $21 net of deferred income taxes were recognized and reported in equity. During 2017, the Group sold its shares in Vis S.A. and Elbisco S.A.

11. OTHER NON-CURRENT ASSETS:

Other non-current assets are analyzed as follows:

	March 31, 2018	December 31, 2017
Utility deposits	511	420
Other	1,056	48
	1,567	**468**

In the Other non-current assets balance as of March 31, 2018, an amount of $1,007 is included which concerns molds (used for the production of packaging materials) sold to the related party Mornos S.A. and this amount is going to be paid back in equal instalments in the next five years.

(Amounts in all tables and notes are presented in thousands of U.S. dollars unless otherwise stated)

12. INVENTORIES:

Inventories are analyzed as follows:

	March 31, 2018	December 31, 2017
Merchandise	3,681	204
Finished and semi-finished products	14,472	16,276
Raw materials and supplies	23,243	23,283
	41,396	**39,763**

13. TRADE AND OTHER RECEIVABLES:

Trade and other receivables are analyzed as follows:

	March 31, 2018	December 31, 2017
Trade:		
—In U.S. dollars	27,161	27,119
—In foreign currencies	50,698	37,474
	77,859	**64,593**
—Less: allowance for doubtful accounts	(4,351)	(4,257)
	73,508	**60,336**
Other:		
—Value added tax	9,824	10,298
—Prepaid expenses other than income tax	8	-
—Prepaid expenses	995	2,825
—Advances to suppliers	3,355	3,292
—Various debtors	3,453	3,084
	17,635	**19,499**
—Less: allowance for doubtful accounts	(2,195)	(2,137)
	15,440	**17,362**
	88,948	**77,698**

The change in the allowance for doubtful accounts between December 31, 2017 and March 31, 2018 was as follows:

	Trade	Other	Total
Balance at December 31, 2017	**4,257**	**2,137**	**6,394**
Foreign currency remeasurement	94	58	152
Balance at March 31, 2018	**4,351**	**2,195**	**6,546**

There was no write-off of accounts receivable during the three months ended March 31, 2018 and 2017.

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 finalized.

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14. RELATED PARTIES:

The Group 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 Group.

Account balances with related companies are as follows:

	March 31, 2018	December 31, 2017
Due from:		
- Ioannis Nikolou ULP	520	508
- Evga S.A.	90	37
- Hellenic Quality Foods S.A.	11	120
- Vis S.A.	-	1
- Palace S.A.	131	162
	752	**828**
Due to:		
- Mornos S.A.	52	257
- Vis S.A.	101	-
- G. S. Kostakopoulos & Associates	-	3
- Alpha Phi S.à r.l.	-	351
- Theta Phi S.à r.l.	-	351
	153	**962**

Transactions with related companies for the three months ended March 31, 2018 and 2017, are analyzed as follows:

	Purchases from related parties		Sales to related parties	
	Three months ended March 31,		Three months ended March 31,	
	2018	2017	2018	2017
Inventories, materials and supplies				
- Mornos S.A.	4,460	3,262	1,238	(2)
- Vis S.A.	398	612	1	3
- Hellenic Quality Foods S.A.	1,340	3,283	-	-
- Agan S.A.	-	1,569	-	-
- Palace S.A.	604	-	-	
- Evga S.A.	-	-	46	104
- Ioannis Nikolou ULP	-	-	14	14
	6,802	**8,726**	**1,299**	**119**
Other services				
- Alpha Phi	900	900	-	-
- Theta Phi	900	900	-	-
- G. S. Kostakopoulos & Associates	87	81	-	-
- Ioannis Nikolou ULP	35	29	-	-
	1,922	**1,910**	-	-
Total	**8,724**	**10,636**	**1,299**	**119**

Purchases of inventories, materials and supplies from related parties represent approximately 11% and 12% of the Group's total purchases for the three months ended March 31, 2018 and 2017, respectively.

Advertising, media buying and other services from related parties represent approximately 10% and 7% of the Group's total costs for the three months ended March 31, 2018 and 2017, respectively.

(Amounts in all tables and notes are presented in thousands of U.S. dollars unless otherwise stated)

15. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are analyzed as follows:

	March 31, 2018	December 31, 2017
Cash in hand	146	79
Cash at banks	102,818	128,373
	102,964	**128,452**

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 $144 and $7 for the three months ended March 31, 2018 and 2017, respectively, and is included in financial income in the accompanying consolidated statements of profit or loss (Note 7).

Cash and cash equivalents for the Group at March 31, 2018 consists of $24,812 denominated in foreign currencies and $75,152 in U.S. dollars ($55,943 and $72,509, respectively, at December 31, 2017).

There was no restricted cash at March 31, 2018 or December 31, 2017.

16. INTEREST BEARING LOANS AND BORROWINGS:

Interest bearing loans and borrowings are analyzed as follows:

	March 31, 2018	December 31, 2017
Senior Notes due 2026	420,000	420,000
Less: Unamortized issuance costs	(8,843)	(9,051)
	411,157	**410,949**

On August 3, 2016, the Group completed the issuance of debt securities (the Senior Notes) at an aggregate face amount of $420 million with maturity date on August 15, 2026. The net proceeds of the Senior Notes (after issuance premium and issuance costs) of approximately $410.0 million were used to redeem all of the outstanding 2020 Senior Notes and the coupon accrued to that date.

The Senior Notes bear interest at a rate of 5.625% per annum, payable semi-annually in arrears on each February 15 and August 15 commencing on February 15, 2017. The Senior Notes are redeemable, in whole or in part, at the option of the Group, at any time on or after August 15, 2021. The indebtedness evidenced by the Senior Notes constitutes a general unsecured senior obligation of FAGE International S.A. and ranks *pari passu* in right of payment with all other senior indebtedness and ranks senior in right of payment to all subordinated indebtedness of FAGE International S.A.

The Senior Notes Indenture contains certain covenants that, among other things, limit the type and amount of additional indebtedness that may be incurred by FAGE International S.A. and its subsidiaries and impose certain limitations on investments, loans and advances, sales or transfers of assets, liens, dividends and other payments, the ability of FAGE International S.A. and its subsidiaries to enter into sale-leaseback transactions, certain transactions with affiliates and certain mergers. The Group was in compliance with the terms of the Senior Notes Indenture as of March 31, 2018.

Finance expenses on the Group's interest-bearing loans and borrowings for the three months ended March 31, 2018 and 2017, amounted to $6,040 and $6,102, respectively, and are included in financial expenses in the accompanying consolidated statements of profit or loss (Note 7).

The annual principal payments required to be made on all loans subsequent to March 31, 2018 and December 31, 2017 are as follows:

	March 31, 2018	December 31, 2017
2 – 5 years	-	-
Over 5 years	420,000	420,000
	420,000	**420,000**

(Amounts in all tables and notes are presented in thousands of U.S. dollars unless otherwise stated)

17. TRADE ACCOUNTS PAYABLE:

Trade accounts payable are analyzed as follows:

	March 31, 2018	December 31, 2017
Suppliers in U.S. dollars	17,317	15,175
Suppliers in other currencies	8,892	7,666
	26,209	**22,841**

18. SHORT-TERM BORROWINGS:

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

	March 31, 2018	December 31, 2017
Credit lines available	47,321	46,993
Unused credit lines	(47,321)	(35,000)
Short-term borrowings	**-**	**11,993**

The weighted average interest rates on short-term borrowings for the three months ended March 31, 2018 and 2017, were 5.44% and 6.60%, respectively.

Interest on short-term borrowings for the three months ended March 31, 2018 and 2017, totaled $169 and $127 respectively, for the Group and is included in interest expense in the accompanying consolidated statements of profit or loss (Note 7). Amortization of fees for the revolving credit facility of FAGE USA Dairy Industry, Inc. for the three months ended March 31, 2018 and 2017, amounted to $15 and $12 respectively, and is included in interest expense in the accompanying consolidated statements of profit or loss (Note 7).

The available credit lines for the FAGE Group as of March 31, 2018 amounted to $47,321 of which $35,000 was provided by Citibank, N.A. in the United States and secured by accounts receivable and certain inventory of FAGE USA Dairy Industry, Inc. and $12,321 was provided by a revolving credit line with Alpha Bank in Greece.

19. ACCRUED AND OTHER CURRENT LIABILITIES:

The amount reflected in the accompanying consolidated statements of financial position is analyzed as follows:

	March 31, 2018	December 31, 2017
Taxes withheld:		
Payroll	445	1,066
Third parties	528	643
Other	4	3
	977	**1,712**
Advances from customers	**698**	**1,022**
Accrued interest	3,048	8,989
Social security funds payable	774	1,327
Accrued and other liabilities	26,043	15,978
	29,864	**26,294**
	31,540	**29,028**

(Amounts in all tables and notes are presented in thousands of U.S. dollars unless otherwise stated)

20. SEGMENT INFORMATION:

The Group produces dairy products and operates primarily in the United States, Greece and other European countries. Due to the nature of the products and the manner in which they are marketed to customers, the business is operated and managed as one business segment distinguished between the European operations and the U.S. 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 three months ended March 31, 2018 and 2017, is analyzed as follows:

	Three months ended March 31, 2018			
	European operations	U.S. operations	Eliminations	Consolidated
Revenues				
Net sales to external customers	57,155	89,954	-	147,109
Inter-segment sales	40,355	-	(40,355)	-
Segment revenues	97,510	89,954	(40,355)	147,109
Results				
Profit/(loss) before income taxes	14,554	5,274	-	19,828
Segment result net profit/(loss)	11,059	4,162	-	15,221
Other segment information:				
Capital expenditures:				
Tangible and intangible fixed assets	1,848	11,471	-	13,319
Depreciation and amortization	2,080	5,579	-	7,659
Financial expenses	(4,218)	(2,231)	-	(6,449)
Income tax expense	3,495	1,112	-	4,607

	Three months ended March 31, 2017			
	European operations	U.S. operations	Eliminations	Consolidated
Revenues				
Net sales to external customers	54,326	103,091	-	157,417
Inter-segment sales	40,116	-	(40,116)	-
Segment revenues	94,442	103,091	(40,116)	157,417
Results				
Profit/(loss) before income taxes	10,872	8,408	-	19,280
Segment result net profit/(loss)	8,225	5,443	-	13,668
Other segment information:				
Capital expenditures:				
Tangible and intangible fixed assets	4,820	4,579	-	9,399
Depreciation and amortization	1,845	5,521	-	7,366
Financial expenses	4,098	2,230	-	6,328
Income tax expense	2,647	2,965	-	5,612

(Amounts in all tables and notes are presented in thousands of U.S. dollars unless otherwise stated)

The following table presents segment assets and liabilities of the Group as at March 31, 2018 and December 31, 2017.

March 31, 2018	**European operations**	**U.S. operations**	**Eliminations**	**Consolidated**
Segment assets	371,288	444,540	(32,799)	783,029
Segment liabilities	336,994	210,639	(32,799)	514,834

December 31, 2017	**European operations**	**U.S. operations**	**Eliminations**	**Consolidated**
Segment assets	392,812	434,847	(37,988)	789,671
Segment liabilities	353,072	205,108	(37,988)	520,192

21. CONTINGENCIES AND COMMITMENTS:

(a) Litigation and claims:

(i) From time to time, lawsuits have been filed against FAGE Dairy Industry S.A. by milk producers claiming damages and loss of income due to alleged violations of the rules of Greek anti-trust law relating to the Company's case with the Hellenic Competition Commission, which was irrevocably closed in 2013. There are currently two of these lawsuits pending against FAGE Dairy Industry S.A. before Greek courts, which the Company believes are entirely without merit. The claims of the foregoing plaintiffs so far have been rejected.

(ii) The Group is involved in various other legal proceedings incidental to the conduct of its business. Management does not believe that the outcome of any of these other legal proceedings will have a material adverse effect on the Group's financial condition or results of operations. The Group maintains product liability insurance that it believes is adequate at the present time in light of the Group's prior experience.

(b) Commitments:

(i) Operating Lease Commitments:

As of March 31, 2018 and 2017, 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 2022.

Rental expense included in the accompanying consolidated statements of profit or loss for the three months ended March 31, 2018 and 2017, amounted to $864 and $777, respectively.

Future undiscounted minimum rentals payable under non-cancelable operating leases as at March 31, 2018 and December 31, 2017, are as follows:

	March 31, 2018	**December 31, 2017**
Within one year	1,666	1,488
1-5 years	3,367	2,846
Total	**5,033**	**4,334**

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(ii) Letters of Guarantee:

At March 31, 2018 and December 31, 2017, the Group had outstanding bank letters of guarantee in favor of various parties amounting to $439 and $760, respectively. Such guarantees have been provided for the good execution of agreements and for participation in the related biddings.

(iii) Investment in USA:

The Group has signed agreements with various suppliers and contractors related to modifications and improvements to its U.S. facility. Future minimum amounts payable under these agreements as at March 31, 2018 amounted to $22,847 all of which is due within the next 15 months. Of the total future amounts payable, $15,861 is denominated in Euro.

(iv) Investment in New Facility in Luxembourg:

The Group has signed agreements with various suppliers and contractors related to the new manufacturing facility in Luxembourg. Future minimum amounts payable under these agreements as at March 31, 2018 amounted to $28,331 all of which is denominated in Euro. Most of these amounts are due between one and five years.

22. RISK MANAGEMENT OBJECTIVES AND POLICIES

a) ***Credit Risk:*** The Group's maximum exposure to credit risk, due to the failure of counterparties to perform their obligations as at March 31, 2018 and December 31, 2017, in relation to each class of recognized financial assets, is the carrying amount of those assets as indicated in the accompanying consolidated statement of financial position. Concentrations of credit risks are limited with respect to receivables due to the large number of customers comprising the Group's customer base. The Group generally does not require collateral or other security to support customer receivables. There was no customer that accounted for more than 10% of the Group's revenue or receivables.

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

	Carrying amount		**Fair value**	
	March 31, 2018	**December 31, 2017**	**March 31, 2018**	**December 31, 2017**
Non-financial assets				
Land	75,125	73,968	75,125	73,968
Financial assets				
Cash and cash equivalents	102,964	128,452	102,964	128,452
Available-for-sale investments	109	106	109	106
Other non-current assets	1,567	468	1,567	468
Trade and other receivables	88,948	77,698	88,948	77,698
Due from related companies	752	828	752	828
Financial liabilities				
Interest-bearing loans and borrowings	411,157	410,949	390,600	406,350
Short-term borrowings	-	11,993	-	11,993
Trade accounts payables	26,209	22,841	26,209	22,841
Due to related companies	153	962	153	962
Accrued and other liabilities	31,540	29,028	31,540	29,028

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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.

	Fair value		Fair value hierarchy
	March 31, 2018	December 31, 2017	
Financial assets:			
Available-for-sale investments	-	-	Level 1
Available-for-sale investments	109	106	Level 2
Financial liabilities:			
Fixed-rate borrowings	390,600	406,350	Level 1

23. SUBSEQUENT EVENTS

To simplify its administrative organization and structure by reducing the number of legal entities and to improve operating efficiencies, the Group has commenced the execution of a merger between FAGE International and FAGE Italia S.r.l. via absorption of the latter by the former, with FAGE International being the surviving company. The merger is expected to be completed during 2018.