



**FAGE INTERNATIONAL S.A.**

**QUARTERLY REPORT**  
**For the Nine and Three Months Ended**  
**September 30, 2020**

**November 11, 2020**

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 nine and three months ended September 30, 2020. The Quarterly Report includes a review, in English, of the FAGE Group’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 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 2019 Annual Report.

## **Summary Analysis of Senior Notes Issued by FAGE INTERNATIONAL S.A. and FAGE USA DAIRY INDUSTRY, INC.**

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 Greece Dairy Industry Single Member 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 145, Rue du Kiem, L-8030 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](http://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. (prior to its merger with and into FAGE USA Dairy Industry, Inc. on January 15, 2020), FAGE USA Dairy Industry, Inc., FAGE USA, Corp. (prior to its merger with and into FAGE USA Dairy Industry, Inc. on December 20, 2019), FAGE Greece Dairy Industry Single Member S.A. and FAGE U.K. Limited. The FAGE Group operates principally in the United States, the Hellenic Republic, also known as Greece, Luxembourg and the United Kingdom.

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 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.

## 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;
- any event that could have a material adverse effect on our brands or reputation, such as product contamination or protracted quality control difficulties; and
- uncertainties resulting from the recent COVID-19 pandemic.

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:

“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 Greece Dairy Industry Single Member 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) as 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.

### FAGE USA

FAGE USA, one of the Issuers of the Senior Notes, is a direct, 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 nine months ended September 30, 2020 and 2019, 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 (“IFRS”) 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 adopted the U.S. dollar as its reporting currency effective October 1, 2012 and FAGE International S.A. adopted the U.S. dollar as its reporting and functional currency effective October 1, 2012. 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. \$1.1708 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 September 30, 2020.

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 nine months ended September 30, 2020 and 2019, 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 the measurement of investments in equity instruments initially designated at fair value through other comprehensive income, 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 Information Resources International (“IRI”). 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 Theo V. Sioufas & Co., 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 Nine Months Ended September 30, 2020 and 2019

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

	Nine months ended September 30,		Three months ended September 30,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
Sales .....	100.0%	100.0%	100.0%	100.0%
Cost of sales .....	(59.1)	(61.3)	(58.7)	(63.9)
Gross profit .....	40.9	38.7	41.3	36.1
Selling, general and administrative expenses.....	(25.7)	(26.8)	(25.1)	(25.2)
Other income.....	0.1	0.2	0.1	0.5
Other expenses.....	(0.6)	(0.1)	(0.7)	(0.0)
Operating profit for the period.....	14.7	12.0	15.6	11.4
Financial income/(expenses), net .....	(4.4)	(4.7)	(4.6)	(4.5)
Foreign exchange gains/(losses), net.....	0.6	(0.2)	2.3	0.9
Profit before income taxes .....	10.9	7.1	13.3	7.8
Income tax expense .....	(2.3)	(1.0)	(2.7)	(0.5)
Net profit.....	8.6%	6.1%	10.6%	7.3%

#### *Nine months ended September 30, 2020 compared to nine months ended September 30, 2019*

*Sales.* Our sales in value for the nine months ended September 30, 2020 amounted to \$394.4 million, an increase of \$10.1 million, or 2.6%, compared to sales in value of \$384.3 million for the nine months ended September 30, 2019.

This increase in sales in value for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019, is mainly due to: first, to the increase in our sales in volume by 6.4%; and second the positive impact of 0.3% 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 nine months ended September 30, 2020 and 2019 were €1 = \$1.1299 and €1 = \$1.1218 and £1 = \$1.2755 and £1 = \$1.2706, respectively), which were partially offset by the decrease in the average net selling price across all markets by 4.1%. Our sales in value increased in the United States, the United Kingdom and Italy by 0.8%, 10.0% and 8.5%, respectively, which were partially offset by a decrease in sales in value in Greece by 0.7%.

Our sales in volume for the nine months ended September 30, 2020 increased by 6.4% as compared to the nine months ended September 30, 2019. This resulted mainly from an increase in sales in volume in the United States, the United Kingdom and Italy by 7.4%, 10.8% and 7.9% respectively, which were partially offset by a decrease in sales in volume in Greece by 1.8%.

Our sales in value outside of Greece accounted for 85.4% of our total sales in value for the nine months ended September 30, 2020, as compared to 84.9% for the nine months ended September 30, 2019.

*Gross profit.* Gross profit for the nine months ended September 30, 2020 was \$161.2 million, an increase of \$12.3 million, or 8.3%, from \$148.9 million for the nine months ended September 30, 2019. Gross profit as a percentage of sales for the nine months ended September 30, 2020 was 40.9%, compared to 38.7% for the nine months ended September 30, 2019. The main reason for this increase was the decrease in the prices of milk used in the U.S. facility by 12.2%, which was partially offset by the increase in the prices of milk used in the Greek facilities by 6.4%.

*Selling, general and administrative expenses.* Selling, general and administrative expenses ("SG&A") for the nine months ended September 30, 2020 were \$101.5 million, a decrease of \$1.5 million, or 1.5%, from \$103.0 million for the nine months ended September 30, 2019. As a percentage of sales, SG&A was 25.7% for the nine months ended September 30, 2020 and 26.8% for the nine months ended September 30, 2019. This decrease in SG&A is mainly due to the decrease in travel and entertainment costs.

*Other income/(expenses), net.* Net other expenses for the nine months ended September 30, 2020 amounted to \$1.6 million. Net other income for the nine months ended September 30, 2019 amounted to \$0.1 million.

*Operating profit.* Operating profit for the nine months ended September 30, 2020 was \$58.1 million, an increase of \$12.1 million, or 26.3%, as compared to operating profit of \$46.0 million for the nine months ended September 30, 2019. As a percentage of sales, operating profit

was 14.7% for the nine months ended September 30, 2020 as compared to 12.0% for the nine months ended September 30, 2019. This increase is mainly due to the decrease in SG&A and the increase in gross profit.

*Financial income/(expenses), net.* Net financial expenses for the nine months ended September 30, 2020 were \$17.3 million compared to \$18.1 million for the nine months ended September 30, 2019. Financial income/(expenses), net as a percentage of sales was 4.4% for the nine months ended September 30, 2020 and 4.7% for the nine months ended September 30, 2019.

*Foreign exchange (losses)/gains, net.* Net foreign exchange gains for the nine months ended September 30, 2020 were \$2.2 million compared to net foreign exchange losses for the nine months ended September 30, 2019 of \$0.5 million.

*Profit before income taxes.* Profit before income taxes for the nine months ended September 30, 2020 was \$43.0 million, as compared to profit before income taxes of \$27.4 million for the nine months ended September 30, 2019. This increase is mainly due to the decrease in SG&A and the increase in gross profit.

*Income tax expense.* Income tax expense for the nine months ended September 30, 2020 was \$9.1 million, as compared to \$4.0 million for the nine months ended September 30, 2019.

*Net profit.* Net profit for the nine months ended September 30, 2020 was \$34.0 million, as compared to net profit of \$23.4 million for the nine months ended September 30, 2019.

### ***Three months ended September 30, 2020 compared to three months ended September 30, 2019***

*Sales.* Our sales in value for the three months ended September 30, 2020 amounted to \$133.4 million, an increase of \$7.5 million, or 6.0%, compared to sales in value of \$125.9 million for the three months ended September 30, 2019.

This increase in sales in value for the three months ended September 30, 2020, as compared to the three months ended September 30, 2019, is mainly due to: first, the increase in our sales in volume by 5.6%; and second, the positive impact of 3.0% 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 September 30, 2020 and 2019 were €1 = \$1.1832 and €1 = \$1.1025 and £1 = \$1.3103 and £1 = \$1.2216, respectively), which were offset by the decrease in the average net selling price across all markets by 2.6%. Our sales in value increased in the United States, the United Kingdom, Greece and Italy by 1.0%, 18.4%, 4.2% and 20.4%, respectively.

Our sales in volume for the three months ended September 30, 2020 increased by 5.6% as compared to the three months ended September 30, 2019. This resulted mainly from an increase in sales in volume in the United States, the United Kingdom and Italy by 5.6%, 11.3% and 10.2%, respectively, which were partially offset by a decrease in sales in volume in Greece by 3.0%.

Our sales in value outside of Greece accounted for 84.3% of our total sales in value for the three months ended September 30, 2020, as compared to 84.1% for the three months ended September 30, 2019.

*Gross profit.* Gross profit for the three months ended September 30, 2020 was \$55.2 million, an increase of \$9.8 million, or 21.6%, from \$45.4 million for the three months ended September 30, 2019. Gross profit as a percentage of sales for the three months ended September 30, 2020 was 41.3%, compared to 36.1% for the three months ended September 30, 2019. The main reason for this increase was the decrease in the prices of milk used in the U.S. facility by 18.2% which was slightly offset by an increase in the price of milk used in the Greek facilities by 0.4%.

*Selling, general and administrative expenses.* Selling, general and administrative expenses (“SG&A”) for the three months ended September 30, 2020 were \$33.5 million, an increase of \$1.8 million, or 5.7%, from \$31.7 million for the three months ended September 30, 2019. As a percentage of sales, SG&A was 25.1% for the three months ended September 30, 2020 and 25.2% for the three months ended September 30, 2019. This increase in SG&A is mainly due to an increase in advertising costs.

*Other income/(expenses), net.* Net other expenses for the three months ended September 30, 2020 amounted to \$0.8 million. Net other income for the three months ended September 30, 2019 amounted to \$0.6 million.

*Operating profit.* Operating profit for the three months ended September 30, 2020 was \$20.9 million, an increase of \$6.6 million, or 46.2%, as compared to operating profit of \$14.3 million for the three months ended September 30, 2019. As a percentage of sales, operating profit was 15.6% for the three months ended September 30, 2020 as compared to 11.4% for the three months ended September 30, 2019. This increase is mainly due to the increase in gross profit.

*Financial income/(expenses), net.* Net financial expenses for the three months ended September 30, 2020 were \$6.1 million compared to \$5.7 million for the three months ended September 30, 2019. Financial income/(expenses), net as a percentage of sales was 4.6% for the three months ended September 30, 2020 and 4.5% for the three months ended September 30, 2019.

*Foreign exchange (losses)/gains, net.* Net foreign exchange gains for the three months ended September 30, 2020 were \$2.9 million compared to \$1.2 million for the three months ended September 30, 2019.

*Profit before income taxes.* Profit before income taxes for the three months ended September 30, 2020 was \$17.7 million, as compared to profit before income taxes of \$9.9 million for the three months ended September 30, 2019. This increase is mainly due to the increase in gross profit.

*Income tax expense.* Income tax expense for the three months ended September 30, 2020 was \$3.6 million, as compared to \$0.6 million for the three months ended September 30, 2019.

*Net profit.* Net profit for the three months ended September 30, 2020 was \$14.1 million, as compared to net profit of \$9.3 million for the three months ended September 30, 2019.

## 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 September 30, 2020 amounted to \$35.0 million, all of which was provided by Citibank, N.A. in the United States and secured by accounts receivable and certain inventory of FAGE USA. Out of the available credit lines as of September 30, 2020, the unused portion amounted to \$35.0 million (See Note 18). The available credit lines for the Group as of December 31, 2019 amounted to \$35.0 million.

Cash at banks and cash equivalents as of September 30, 2020 amounted to \$182.9 million compared to \$156.7 million as of December 31, 2019 (See Note 15).

We believe that this amount of our cash at banks and cash equivalents (\$182.9 million), together with the line of credit, is sufficient to finance both the operations and the investment program of the FAGE Group.

### Cash flow data.

	<b>Nine months ended</b>	
	<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>(\$ thousands)</b>	
Cash flow from/(used in) operating activities .....	86,994	62,081
Cash flow from/(used in) investing activities .....	(15,585)	(9,731)
Cash flow from/(used in) financing activities .....	(44,456)	(43,622)
Effect of exchange rates changes on cash.....	(754)	1,698
Cash and cash equivalents at beginning of period.....	156,683	129,787
Cash and cash equivalents at period-end .....	<b>182,882</b>	<b>140,213</b>

*Cash flow from/(used in) operating activities.* Net cash from operating activities for the nine months ended September 30, 2020 was \$87.0 million, compared to net cash from operating activities of \$62.1 million for the nine months September 30, 2019. This increase is mainly due to the increase in operating profit.

*Cash flow from/(used in) investing activities.* Net cash used in investing activities amounted to \$15.6 million for the nine months ended September 30, 2020. Out of the \$17.8 million in capital expenditures in the first nine months of 2020, \$10.3 million related to capital expenditures for the U.S. facility, \$5.3 million related to capital expenditures (primarily maintenance) for the facilities in Greece and \$2.2 million related to our new manufacturing facility. Please see Note 23 to the consolidated financial statements included in this Report. Net cash used in investing activities amounted to \$9.7 million for the nine months ended September 30, 2019.

*Cash flow from/(used in) financing activities.* Net cash used in financing activities for the nine months ended September 30, 2020 was \$44.5 million. This resulted from \$23.8 million of interest paid, \$20.0 million of dividends paid to our shareholders from retained earnings, and \$0.7 million of payments of lease liabilities. Net cash used in financing activities for the nine months ended September 30, 2019 was \$43.6 million, which mainly reflects \$22.9 million of interest paid, \$20.0 million of dividends paid to our shareholders and \$0.7 million of payments of lease liabilities.

## Other Financial Data

EBITDA (net profit/(loss) plus income tax (expense)/benefit, financial income/(expenses), net and depreciation and amortization) for the nine months ended September 30, 2020 amounted to \$86.6 million, as compared to \$70.5 million for the nine months ended September 30, 2019. The reconciliation of net profit to EBITDA is as follows:

	<b>Nine months ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
	(\$ thousands)	
Net profit.....	33,961	23,438
Income tax expense .....	9,078	4,001
Financial (income)/expenses, net	17,346	18,103
Depreciation and amortization	26,250	24,986
<b>EBITDA .....</b>	<b>86,635</b>	<b>70,528</b>

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 September 30, 2020 amounted to \$230.5 million, as compared to \$256.0 million as of December 31, 2019.

## Principal Risks and Uncertainties for the Remainder of 2020

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 the domestic Greek market;
- 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;
- 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; and
- fifth, the outbreak of COVID-19, a pandemic that is affecting our global business and operations.

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:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
	<b>(\$ thousands)</b>	
Due from:		
- Dimitrios Nikolou Single Member P.C.	502	478
- EMFI S.A.	116	47
- Hellenic Quality Foods S.A.	453	462
	<b>1,071</b>	<b>987</b>
Due to:		
- Mornos S.A.	115	5
- Vis S.A.	6	10
- Palace S.A.	-	15
	<b>121</b>	<b>30</b>

Transactions with related companies for the nine months ended September 30, 2020 and 2019, are analyzed as follows:

	<b>Purchases from related parties</b>		<b>Sales to related parties</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>(\$ thousands)</b>			
Inventories, materials and supplies	11,729	12,887	164	125
Other services	5,518	5,522	-	-
	<b>17,247</b>	<b>18,409</b>	<b>164</b>	<b>125</b>

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AS OF AND FOR THE NINE- AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2020**

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**FAGE INTERNATIONAL S.A.**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020**  
(All amounts in thousands of U.S. dollars, except share and per share data)

**(UNAUDITED)**

		<b>Nine-month period ended September 30,</b>	
	Notes	<b>2020</b>	<b>2019</b>
Sales		394,389	384,260
Cost of sales		(233,155)	(235,374)
<b>Gross profit</b>		<b>161,234</b>	<b>148,886</b>
Selling, general and administrative expenses	(5)	(101,502)	(103,007)
Other income		294	841
Other expenses		(1,881)	(702)
<b>OPERATING PROFIT FOR THE PERIOD</b>		<b>58,145</b>	<b>46,018</b>
Financial expenses	(6)	(18,680)	(18,732)
Financial income	(6)	1,334	629
Foreign exchange gains/(losses), net		2,240	(476)
<b>PROFIT FOR THE PERIOD BEFORE INCOME TAXES</b>		<b>43,039</b>	<b>27,439</b>
Income tax expense	(7)	(9,078)	(4,001)
<b>NET PROFIT</b>		<b>33,961</b>	<b>23,438</b>
Attributable to:		33,961	23,438
Equity holders of the parent		<b>33,961</b>	<b>23,438</b>
<b>Earnings per share</b>			
Basic and diluted		33.96	23.44
<b>Weighted average number of shares, basic and diluted</b>		<b>1,000,000</b>	<b>1,000,000</b>

The accompanying notes are an integral part of these financial statements

**FAGE INTERNATIONAL S.A.**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2020**  
(All amounts in thousands of U.S. dollars, except share and per share data)

**(UNAUDITED)**

	Notes	<b>Three-month period ended September 30,</b>	
		<b>2020</b>	<b>2019</b>
Sales		133,423	125,917
Cost of sales		(78,262)	(80,514)
<b>Gross profit</b>		<b>55,161</b>	<b>45,403</b>
Selling, general and administrative expenses	(5)	(33,499)	(31,668)
Other income		116	629
Other expenses		(899)	(22)
<b>OPERATING PROFIT FOR THE PERIOD</b>		<b>20,879</b>	<b>14,342</b>
Financial expenses	(6)	(6,230)	(6,206)
Financial income	(6)	168	523
Foreign exchange gains/(losses), net		2,883	1,206
<b>PROFIT FOR THE PERIOD BEFORE INCOME TAXES</b>		<b>17,700</b>	<b>9,865</b>
Income tax expense	(7)	(3,565)	(614)
<b>NET PROFIT</b>		<b>14,135</b>	<b>9,251</b>
Attributable to:		14,135	9,251
Equity holders of the parent		<b>14,135</b>	<b>9,251</b>
<b>Earnings per share</b>			
Basic and diluted		14.14	9.25
<b>Weighted average number of shares, basic and diluted</b>		<b>1,000,000</b>	<b>1,000,000</b>

The accompanying notes are an integral part of these financial statements



**FAGE INTERNATIONAL S.A.**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/LOSS  
FOR THE NINE-AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2020**  
(All amounts in thousands of U.S. dollars)

(UNAUDITED)

<u>Notes</u>	Nine-month period ended September 30,		Three-month period ended September 30,	
	2020	2019	2020	2019
<b>Net profit for the period</b>	<b>33,961</b>	<b>23,438</b>	<b>14,135</b>	<b>9,251</b>
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Exchange gains/(losses) on translation of foreign operations	2,212	(2,546)	2,660	(2,286)
<b>Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>	<b>2,212</b>	<b>(2,546)</b>	<b>2,660</b>	<b>(2,286)</b>
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:				
Remeasurement losses on defined benefit plans	(51)	291	32	371
Income tax	12	(83)	(8)	(103)
	(39)	208	24	268
<b>Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods</b>	<b>(39)</b>	<b>208</b>	<b>24</b>	<b>268</b>
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>2,173</b>	<b>(2,338)</b>	<b>2,684</b>	<b>(2,018)</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>36,134</b>	<b>21,100</b>	<b>16,819</b>	<b>7,233</b>
Attributable to:	36,134	21,100	16,819	7,233
Equity holders of the parent	<b>36,134</b>	<b>21,100</b>	<b>16,819</b>	<b>7,233</b>

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

FAGE INTERNATIONAL S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2020

(All amounts in thousands of U.S. dollars)

(UNAUDITED)

	Notes	September 30, 2020	December 31, 2019
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		423,917	428,848
Right-of-use leased assets	8	1,036	1,651
Intangible assets		2,164	2,519
Goodwill	9	2,729	2,702
Available for sale financial assets	10	103	99
Other non-current assets	11	209	293
Deferred income taxes		78,378	80,681
<b>Total non-current assets</b>		<b>508,536</b>	<b>516,793</b>
<b>Current Assets:</b>			
Inventories	12	41,496	40,538
Trade and other receivables	13	62,459	51,334
Due from related companies	14	1,071	987
Prepaid income taxes		2,789	3,947
Cash and cash equivalents	15	182,882	156,683
<b>Total current assets</b>		<b>290,697</b>	<b>253,489</b>
<b>TOTAL ASSETS</b>		<b>799,233</b>	<b>770,282</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Share capital		1,000	1,000
Share premium		4,547	4,547
Other reserves		459	459
Land revaluation surplus		34,599	34,599
Reversal of fixed assets statutory revaluation surplus		(44,410)	(44,410)
Legal, tax free and special reserves		52,016	52,016
Retained earnings		260,439	246,478
Other components of equity		(24,640)	(26,813)
<b>Total Equity</b>		<b>284,010</b>	<b>267,876</b>
<b>Non-Current Liabilities</b>			
Interest-bearing loans and borrowings	16	413,364	412,662
Provision for staff retirement indemnities		4,056	3,877
Deferred income taxes		31,808	31,831
Non-current liabilities from finance leases	8	232	790
<b>Total non-current liabilities</b>		<b>449,460</b>	<b>449,160</b>
<b>Current Liabilities:</b>			
Trade accounts payable	17	26,178	24,373
Due to related companies	14	121	30
Short-term borrowings	18	-	-
Income taxes payable		2,709	1,568
Accrued and other current liabilities	19	35,968	26,442
Current liabilities from finance leases	8	787	833
<b>Total current liabilities</b>		<b>65,763</b>	<b>53,246</b>
<b>Total liabilities</b>		<b>515,223</b>	<b>502,406</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>799,233</b>	<b>770,282</b>

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

FAGE INTERNATIONAL S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

(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)	Actuarial gains/(losses)	Foreign exchange gains/(losses)	Total equity
<b>Balance December 31, 2019</b>	<b>1,000</b>	<b>4,547</b>	<b>34,599</b>	<b>(44,410)</b>	<b>52,016</b>	<b>459</b>	<b>246,478</b>	<b>(609)</b>	<b>(26,204)</b>	<b>267,876</b>
Profit for the period	-	-	-	-	-	-	33,961	-	-	33,961
Other comprehensive loss	-	-	-	-	-	-	-	(39)	2,212	2,173
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,961</b>	<b>(39)</b>	<b>2,212</b>	<b>36,134</b>
Dividends distribution	-	-	-	-	-	-	(20,000)	-	-	(20,000)
<b>Balance, September 30, 2020</b>	<b>1,000</b>	<b>4,547</b>	<b>34,599</b>	<b>(44,410)</b>	<b>52,016</b>	<b>459</b>	<b>260,439</b>	<b>(648)</b>	<b>(23,992)</b>	<b>284,010</b>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

(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)	Actuarial gains/(losses)	Foreign exchange gains/(losses)	Total equity
<b>Balance December 31, 2018</b>	<b>1,000</b>	<b>6,839</b>	<b>34,404</b>	<b>(44,410)</b>	<b>52,016</b>	<b>459</b>	<b>242,761</b>	<b>(552)</b>	<b>(25,474)</b>	<b>267,043</b>
Profit for the period	-	-	-	-	-	-	23,438	-	-	23,438
Other comprehensive loss	-	-	-	-	-	-	-	208	(2,546)	(2,338)
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,438</b>	<b>208</b>	<b>(2,546)</b>	<b>21,100</b>
Dividends distribution	-	(2,292)	-	-	-	-	(17,708)	-	-	(20,000)
<b>Balance, September 30, 2019</b>	<b>1,000</b>	<b>4,547</b>	<b>34,404</b>	<b>(44,410)</b>	<b>52,016</b>	<b>459</b>	<b>248,491</b>	<b>(344)</b>	<b>(28,020)</b>	<b>268,143</b>

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

PAGE INTERNATIONAL S.A.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020**  
 (All amounts in thousands of U.S. dollars)

(UNAUDITED)

	Notes	September 30,	
		2020	2019
<b>Operating Activities:</b>			
Profit before income taxes		43,039	27,439
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	4	25,621	24,054
Amortization of right-of-use leased assets	4, 8	629	932
Provision for staff retirement indemnities		435	427
Provision for doubtful account receivable	5, 13	67	(8)
Financial income	6	(1,334)	(629)
Financial expenses	6	18,664	18,710
Finance leasing interest expense	6	16	22
Gain on disposal of property, plant and equipment		12	61
<b>Operating profit before working capital changes</b>		<b>87,149</b>	<b>71,008</b>
<b>(Increase)/Decrease in:</b>			
Inventories	12	(958)	(853)
Trade and other receivables	13	(11,192)	2,965
Due from related companies	14	(84)	84
<b>Increase/(Decrease) in:</b>			
Trade accounts payable	17	1,805	(4,210)
Due to related companies	14	91	245
Accrued and other current liabilities	19	15,432	(940)
<b>Working capital changes</b>		<b>5,094</b>	<b>(2,709)</b>
Income taxes paid		(4,862)	(6,604)
Payment of staff indemnities		(471)	(567)
(Increase)/decrease in other non-current assets	11	84	(9)
Decrease in other non-current liabilities		-	962
<b>Net Cash from Operating Activities</b>		<b>86,994</b>	<b>62,081</b>
<b>Investing Activities:</b>			
Capital expenditure for property, plant and equipment		(17,793)	(14,727)
Additions to intangible assets		(131)	(734)
Proceeds from disposal of property, plant and equipment and reversal of advances for construction in progress not realized		1,005	5,101
Interest and other related income received	6	1,334	629
<b>Net Cash used in Investing Activities</b>		<b>(15,585)</b>	<b>(9,731)</b>
<b>Financing Activities:</b>			
Payment of leased liabilities	8	(631)	(765)
Interest paid		(23,825)	(22,857)
Dividends and share premium paid to equity holders of the parent		(20,000)	(20,000)
<b>Net Cash used in Financing Activities</b>		<b>(44,456)</b>	<b>(43,622)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>26,953</b>	<b>8,728</b>
<b>Effect of exchange rates changes on cash</b>		<b>(754)</b>	<b>1,698</b>
<b>Cash and cash equivalents at beginning of period</b>	15	<b>156,683</b>	<b>129,787</b>
<b>Cash and cash equivalents at September 30</b>	15	<b>182,882</b>	<b>140,213</b>

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

**FAGE INTERNATIONAL S.A.**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020**

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

**1. CORPORATE INFORMATION:**

FAGE International S.A. (“FAGE International”) is a corporation organized under the laws of the Grand Duchy of Luxembourg on September 25, 2012. Its registered office is located at 145, Rue du Kiem, L-8030 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 Group include, unless the context requires otherwise, FAGE International and its wholly owned subsidiaries consolidated therewith:

- FAGE USA Holdings, Inc., United States (merged with and into FAGE USA Dairy Industry, Inc. on January 15, 2020)
- FAGE USA, Corp., United States (merged with and into FAGE USA Dairy Industry, Inc. on December 20, 2019)
- FAGE USA Dairy Industry, Inc., United States
- FAGE Greece Dairy Industry Single Member S.A., Greece
- FAGE U.K. Limited, United Kingdom

The FAGE Group operates principally in the United States, the Hellenic Republic, also known as Greece, Luxembourg and, directly or through its subsidiaries, elsewhere in Europe and the rest of the world.

**2. BASIS OF PRESENTATION:**

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

They have been prepared under the historical cost convention except for the measurement of investments in equity instruments initially designated at fair value through other comprehensive income, derivative financial instruments and land, which have been measured at fair value. 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, 2019. The interim condensed consolidated financial statements are presented in thousands of U.S. dollars, except when otherwise indicated.

The preparation of financial statements, in accordance with IFRS, requires the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies which have been adopted. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.5 to the consolidated financial statements included in the 2019 Annual Report.

- (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 Group’s annual consolidated financial statements as of and for the year ended December 31, 2019 and which are comprehensively presented in the notes to the annual financial statements.
- (c) **Basis of consolidation:** The consolidated financial statements comprise the financial statements of FAGE International and its subsidiaries as at September 30, 2020.

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

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

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

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

**(d) Changes in Accounting Policies and Disclosures**

***New and Amended Standards and Interpretations***

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

***Definition of a Business – Amendments to IFRS 3***

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. Entities do not have to revisit any such transactions that occurred in prior periods. Management has assessed that the amendments have no impact on the Group's consolidated financial position or results of operations.

***Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7***

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). The amendments are effective for annual periods beginning on or after January 1, 2020. Once applicable, the amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed. Management assessed that the amendment has no impact on the Group's consolidated financial position or results of operations as the Group does not use hedge accounting.

***Definition of Material – Amendments to IAS 1 and IAS 8***

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments are effective for annual periods beginning on or after January 1, 2020. Management has assessed that the amendment has no impact on the Group's consolidated financial position or results of operations.

***Amendments to the Conceptual Framework for Financial Reporting***

The IASB has revised its conceptual framework. The framework is not an IFRS standard, and none of the concepts override those in any standard or any requirements in a standard. Its purpose is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards. Management has assessed that the conceptual framework amendments have no impact on the Group's consolidated financial position or results of operations.

***Covid-19-Related Rent Concessions – Amendment to IFRS 16***

In May 2020, the IASB amended IFRS 16 Leases to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent *concessions* arising as a direct consequence of the COVID-19 pandemic. The amendment does not apply to lessors. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendments are effective beginning on or after June 1, 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at May 28, 2020. Lessees will apply the practical expedient retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied. Management has assessed that the conceptual framework amendments have no impact on the Group's consolidated financial position or results of operations.

**(e) Standards issued but not yet effective and not early adopted**

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The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

***IFRS 17, Insurance Contracts***

The standard is effective for annual periods beginning on or after January 1, 2023 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.

***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. The IASB has postponed the effective date of this amendment to 2023. The amendments have 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.

***Reference to the Conceptual Framework – Amendments to IFRS 3***

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for "liabilities and contingent liabilities. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards. The amendments are effective for annual periods beginning on or after January 1, 2022 and have not yet been endorsed by the EU. The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards (March 2018).

***Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16***

The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments are effective beginning on or after January 1, 2022 and have not yet been endorsed by the EU. The amendments must be applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

***Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37***

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments are effective beginning on or after January 1, 2022 and have not yet been endorsed by the EU. The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

***Classification of Liabilities as Current or Non-current - Amendments to IAS 1***

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments are effective beginning on or after January 1, 2023 and have not yet been endorsed by the EU. Entities need to carefully consider whether there are any aspects of the amendments that suggest that terms of their existing loan agreements should be renegotiated. The amendments must be applied retrospectively.

***Interest Rate Benchmark Reform (Phase 2) – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16***

On August 27, 2020, the IASB published Interest Rate Benchmark Reform – Phase 2. The amendments provide temporary relief measures which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments are effective for annual periods beginning on or after January 1, 2021 and mandatory, with earlier application permitted, but not yet endorsed by the EU. Hedging relationships must be reinstated if the hedging

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relationship was discontinued solely due to changes required by IBOR reform and would not have been discontinued if the Phase 2 amendments had been applied at that time. While application is retrospective, an entity is not required to restate prior periods. Management assessed that the amendments have no impact on the Group's consolidated financial position or results of operations as the Group does not use hedge accounting.

**3. PAYROLL COST:**

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

	<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>
Wages and salaries	33,922	34,486
Social security costs	4,300	4,508
Provision for staff retirement indemnities	461	565
Other staff costs	4,234	4,492
<b>Total payroll</b>	<b>42,917</b>	<b>44,051</b>
Less: amounts charged to cost of production	(21,706)	(22,676)
amounts capitalized to tangible and intangible assets	(693)	(320)
<b>Payroll expensed (Note 5)</b>	<b>20,518</b>	<b>21,055</b>

The Group's total number of employees as of September 30, 2020 and 2019, was approximately 859 and 909, respectively.

Amounts paid to directors and executive officers included in payroll are described in Note 5.

**4. DEPRECIATION AND AMORTIZATION:**

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

	<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>
Depreciation of property, plant and equipment	25,120	23,595
Amortization of right-of-use leased assets	629	932
Amortization of intangible assets	501	459
<b>Total depreciation and amortization</b>	<b>26,250</b>	<b>24,986</b>
Less: amounts charged to cost of production	(21,161)	(19,451)
<b>Depreciation and amortization expensed (Note 5)</b>	<b>5,089</b>	<b>5,535</b>

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

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

	<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>
Shipping and handling costs	29,871	29,425
Advertising costs	28,535	28,758
Third party fees	10,655	10,199
Payroll (Note 3)	20,518	21,055
Depreciation and amortization (Note 4)	5,089	5,535
Repairs and maintenance	789	939
Travelling and entertainment	495	1,167
Allowance for doubtful account (Note 13)	67	(8)
Other	5,483	5,937
<b>Total</b>	<b>101,502</b>	<b>103,007</b>



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Compensation paid to directors and executive officers for the nine months ended September 30, 2020 and 2019, included in payroll and third party fees, amounted to \$8,765 and \$8,042, respectively. Of these amounts, \$5,166 and \$5,248 have been paid to the shareholders and members of the Filippou family for the nine months ended September 30, 2020 and 2019, respectively.

**6. FINANCIAL INCOME AND EXPENSES:**

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

	<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>
Financial expenses on loans and borrowings (Note 16)	(18,420)	(18,380)
Interest on short-term borrowings (Note 18)	(100)	(99)
Amortization of fees for revolving credit facility	(44)	(44)
Finance leasing interest expense (Note 8)	(16)	(22)
Other	(100)	(187)
<b>Total financial expenses</b>	<b>(18,680)</b>	<b>(18,732)</b>
Interest earned on cash at banks and on time deposits	1,334	629
<b>Total financial income</b>	<b>1,334</b>	<b>629</b>
<b>Total financial income/(expense), net</b>	<b>(17,346)</b>	<b>(18,103)</b>

**7. INCOME TAXES:**

In accordance with Luxembourg tax regulations, the corporate tax rate applied by companies for fiscal years 2020 and 2019 is 24.94%.

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

	<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>
Income taxes:		
Current income tax expense	7,161	4,094
Deferred income tax expense	1,917	(93)
<b>Total income tax reported in the statements of income</b>	<b>9,078</b>	<b>4,001</b>

**8. FINANCE LEASES AND LIABILITIES:**

The impact of IFRS 16 adoption for the nine months ended September 30, 2020 and 2019, is as follows:

	<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
<b>Right-of-use leased assets January 1</b>	<b>1,651</b>	<b>2,619</b>
Amortization of right-of-use leased assets (Note 4)	(629)	(932)
Write-downs	(8)	-
Foreign currency remeasurement	22	-
<b>Right-of-use leased assets September 30</b>	<b>1,036</b>	<b>1,687</b>
<b>Liabilities</b>		
<b>Total liabilities from finance leases January 1</b>	<b>1,623</b>	<b>2,619</b>
Liabilities from finance lease – rental expenses	(631)	(765)
Interest expenses from finance leases	16	22
Write-downs	(10)	-
Foreign currency remeasurement	21	-
<b>Total liabilities from finance leases September 30</b>	<b>1,019</b>	<b>1,876</b>

Analyzed to:

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Non-current liabilities from finance leases	232	962
Current liabilities from finance leases	787	914
<b>Total liabilities from finance leases September 30</b>	<b>1,019</b>	<b>1,876</b>
	<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Impact on Profit or Loss Statement</b>		
Interest expenses from leases	(16)	(22)
Amortization of right-of-use leased assets	(629)	(932)
Liabilities from leases – rental expenses	631	765
Write-downs	2	-
<b>Gross Impact on Profit or Loss Statement September 30</b>	<b>(12)</b>	<b>(189)</b>
Deferred tax	3	49
<b>Net Impact on Profit or Loss Statement September 30</b>	<b>(9)</b>	<b>(140)</b>

**9. CONSOLIDATED SUBSIDIARIES AND GOODWILL:**

**CONSOLIDATED SUBSIDIARIES**

The consolidated financial statements as of September 30, 2020, include the financial statements of FAGE International and its subsidiaries listed below:

	<u>Equity interest</u> <u>September 30,</u> <u>2020</u>	<u>Country of</u> <u>incorporation</u>	
FAGE USA Dairy Industry, Inc.	100.0%	USA	U.S. operating subsidiary with its primary activity being the operation of the Group's U.S. production facility and the distribution of its products in the U.S.
FAGE Greece Dairy Industry Single Member S.A.	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.
FAGE U.K. Limited	100.0%	United Kingdom	Distribution network covering the United Kingdom.

**GOODWILL**

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

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Foods Hellas S.A. (FAGE Greece Dairy Industry Single Member S.A.)	1,517	1,456
FAGE U.K. Limited	1,212	1,246
<b>Total</b>	<b>2,729</b>	<b>2,702</b>

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.

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The annual impairment test for goodwill was based on the value in use approach as described in Note 2.5(d) of the 2019 Annual Report, 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 12.1% and cash flows beyond the five-year period were extrapolated using a 0.0% 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.

**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:

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
<b>Shares—unlisted:</b>		
Packing Hellas Development S.A.	103	99
<b>Total Available for Sale Financial Assets in Non-Current Assets</b>	<u><b>103</b></u>	<u><b>99</b></u>

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 they are included in the consolidated statement of profit or loss.

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

Other non-current assets are analyzed as follows:

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Utility deposits	191	236
Other	18	57
	<u><b>209</b></u>	<u><b>293</b></u>

**12. INVENTORIES:**

Inventories are analyzed as follows:

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Merchandise	233	298
Finished and semi-finished products	17,990	16,681
Raw materials and supplies	23,273	23,559
	<u><b>41,496</b></u>	<u><b>40,538</b></u>

**13. TRADE AND OTHER RECEIVABLES:**

Trade and other receivables are analyzed as follows:

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	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
<b>Trade:</b>		
—In U.S. dollars	20,997	18,059
—In foreign currencies	35,009	27,549
	<b>56,006</b>	<b>45,608</b>
—Less: allowance for doubtful accounts	(2,773)	(2,671)
	<b>53,233</b>	<b>42,937</b>
 <b>Other:</b>		
—Value added tax	7,137	8,097
—Prepaid expenses	2,024	1,000
—Advances to suppliers	646	592
—Various debtors	1,342	554
	<b>11,149</b>	<b>10,243</b>
—Less: allowance for doubtful accounts	(1,923)	(1,846)
	<b>9,226</b>	<b>8,397</b>
	<b>62,459</b>	<b>51,334</b>

The change in the allowance for doubtful accounts between December 31, 2019 and September 30, 2020 was as follows:

	<u>Trade</u>	<u>Other</u>	<u>Total</u>
<b>Balance at December 31, 2019</b>	<b>2,671</b>	<b>1,846</b>	<b>4,517</b>
Provision (Note 5)	67	-	67
Utilization	(68)	-	(68)
Foreign currency remeasurement	103	77	180
<b>Balance at September 30, 2020</b>	<b>2,773</b>	<b>1,923</b>	<b>4,696</b>

Accounts receivable of \$68 and \$0 were written-off during the nine months ended September 30, 2020 and 2019, respectively.

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.

**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:

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Due from:		
- Dimitrios Nikolou Single Member P.C.	502	478
- EMFI S.A.	116	47
- Hellenic Quality Foods S.A.	453	462
	<b>1,071</b>	<b>987</b>
Due to:		
- Mornos S.A.	115	5
- Vis S.A.	6	10
- Palace S.A.	-	15
	<b>121</b>	<b>30</b>

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Transactions with related companies for the nine months ended September 30, 2020 and 2019, are analyzed as follows:

	<b>Purchases from related parties</b>		<b>Sales to related parties</b>	
	<b>Nine months ended September 30, 2020</b>	<b>2019</b>	<b>Nine months ended September 30, 2020</b>	<b>2019</b>
<b>Inventories, materials and supplies</b>				
- Mornos S.A.	9,755	10,297	8	8
- Vis S.A.	729	645	5	5
- Hellenic Quality Foods S.A.	633	959	-	5
- Palace S.A.	612	986	-	-
- EMFI S.A.	-	-	92	48
- Dimitrios Nikolou Single Member P.C.	-	-	59	59
	<b>11,729</b>	<b>12,887</b>	<b>164</b>	<b>125</b>
<b>Other services</b>				
- Alpha Phi	2,700	2,700	-	-
- Theta Phi	2,700	2,700	-	-
- Dimitrios Nikolou Single Member P.C.	118	122	-	-
	<b>5,518</b>	<b>5,522</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>17,247</b>	<b>18,409</b>	<b>164</b>	<b>125</b>

Purchases of inventories, materials and supplies from related parties represent approximately 6.3% and 7.0% of the Group's total purchases for the nine months ended September 30, 2020 and 2019, respectively.

Other services from related parties represent approximately 13.9% and 14.0% of the Group's total costs for the nine months ended September 30, 2020 and 2019, respectively.

**15. CASH AND CASH EQUIVALENTS:**

Cash and cash equivalents are analyzed as follows:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Cash in hand	96	103
Cash at banks	182,786	156,580
	<b>182,882</b>	<b>156,683</b>

Cash at banks earn 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 \$1,334 and \$629 for the nine months ended September 30, 2020 and 2019, respectively, and is included in financial income in the accompanying consolidated statements of profit or loss (Note 6).

Cash and cash equivalents for the Group at September 30, 2020 consisted of \$17,215 denominated in foreign currencies and \$165,667 in U.S. dollars (\$11,319 and \$145,364, respectively, at December 31, 2019).

There was no restricted cash at September 30, 2020 or December 31, 2019.

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

Interest bearing loans and borrowings are analyzed as follows:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Senior Notes due 2026	420,000	420,000
Less: Unamortized issuance costs	(6,636)	(7,338)
	<b>413,364</b>	<b>412,662</b>

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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 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 September 30, 2020.

Finance expenses on the Group's interest-bearing loans and borrowings for the nine months ended September 30, 2020 and 2019, amounted to \$18,420 and \$18,380, respectively, and are included in financial expenses in the accompanying consolidated statements of profit or loss (Note 6).

The annual principal payments required to be made on all loans subsequent to September 30, 2020 and December 31, 2019 are as follows:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
2 – 5 years	-	-
Over 5 years	420,000	420,000
	<b>420,000</b>	<b>420,000</b>

**17. TRADE ACCOUNTS PAYABLE:**

Trade accounts payable are analyzed as follows:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Suppliers in U.S. dollars	13,379	14,441
Suppliers in other currencies	12,799	9,932
	<b>26,178</b>	<b>24,373</b>

**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:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Credit lines available	35,000	35,000
Unused credit lines	(35,000)	(35,000)
<b>Short-term borrowings</b>	<b>-</b>	<b>-</b>

As of September 30, 2020 and 2019, the Group had no short-term borrowings.

Interest on short-term borrowings for the nine months ended September 30, 2020 and 2019, totaled \$100 and \$99 respectively, for the Group and is included in interest expense in the accompanying consolidated statements of profit or loss (Note 6).

Amortization of fees for the revolving credit facility of FAGE USA Dairy Industry, Inc. for the nine months ended September 30, 2020 and 2019, amounted to \$44 and \$44, respectively, and is included in interest expense in the accompanying consolidated statements of profit or loss (Note 6).

The available credit lines for the FAGE Group as of September 30, 2020 amounted to \$35,000 all of which was provided by Citibank, N.A. in the United States and secured by accounts receivable and certain inventory of FAGE USA Dairy Industry, Inc.

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

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

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
<b>Taxes withheld:</b>		
Payroll	688	575
Third parties	402	447
Other	149	173
	<u>1,239</u>	<u>1,195</u>
Advances from customers	<b>330</b>	<b>1,111</b>
Accrued interest	2,987	8,893
Social security funds payable	613	1,122
Accrued and other liabilities	30,799	14,121
	<u>34,399</u>	<u>24,136</u>
	<u>35,968</u>	<u>26,442</u>

**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 nine months ended September 30, 2020 and 2019, is analyzed as follows:

	<u>Nine months ended September 30, 2020</u>			
	<u>European operations</u>	<u>U.S. operations</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Revenues</b>				
Net sales to external customers	<u>166,930</u>	<u>227,459</u>	<u>-</u>	<u>394,389</u>
<b>Profit/(loss) before income taxes</b>	<u>24,473</u>	<u>18,566</u>	<u>-</u>	<u>43,039</u>
Income tax expense	<u>4,674</u>	<u>4,404</u>	<u>-</u>	<u>9,078</u>
<b>Segment result net profit/(loss)</b>	<u>19,799</u>	<u>14,162</u>	<u>-</u>	<u>33,961</u>
Income tax expense	<u>4,674</u>	<u>4,404</u>	<u>-</u>	<u>9,078</u>
Depreciation and amortization	<u>6,181</u>	<u>20,069</u>	<u>-</u>	<u>26,250</u>
Financial expenses/(income), net	<u>12,921</u>	<u>4,425</u>	<u>-</u>	<u>17,346</u>
<b>Other segment information:</b>				
Capital expenditures:				
Tangible and intangible fixed assets	<u>7,637</u>	<u>10,287</u>	<u>-</u>	<u>17,924</u>

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	<b>Nine months ended September 30, 2019</b>			
	<b>European operations</b>	<b>U.S. operations</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Revenues</b>				
Net sales to external customers	158,714	225,546	-	384,260
<b>Profit/(loss) before income taxes</b>	<b>19,108</b>	<b>8,331</b>	-	<b>27,439</b>
Income tax expense	2,124	1,877	-	4,001
<b>Segment result net profit/(loss)</b>	<b>16,984</b>	<b>6,454</b>	-	<b>23,438</b>
Income tax expense	2,124	1,877	-	4,001
Depreciation and amortization	6,207	18,779	-	24,986
Financial expenses/(income), net	13,695	4,408	-	18,103
<b>Other segment information:</b>				
Capital expenditures:				
Tangible and intangible fixed assets	5,845	9,616	-	15,461

The following table presents segment assets and liabilities of the Group as at September 30, 2020 and December 31, 2019.

<b>September 30, 2020</b>	<b>European operations</b>	<b>U.S. operations</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Segment assets</b>	422,509	443,513	(66,789)	799,233
<b>Segment liabilities</b>	379,648	202,364	(66,789)	515,223
<b>December 31, 2019</b>	<b>European operations</b>	<b>U.S. operations</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Segment assets</b>	402,638	426,928	(59,284)	770,282
<b>Segment liabilities</b>	362,811	198,879	(59,284)	502,406

**21. CONTINGENCIES AND COMMITMENTS:**

**(a) Litigation and claims:**

- (i) From time to time, lawsuits have been filed against FAGE Greece by milk producers claiming damages and loss of income due to alleged violations of the rules of Greek anti-trust law relating to FAGE Greece's case with the Hellenic Competition Commission, which was irrevocably closed in 2013. There are currently two of these lawsuits pending against FAGE Greece before the Greek Courts of First Instance, which the Group 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.



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**(b) Commitments:**

**(i) Operating Lease Commitments:**

As of September 30, 2020 and 2019, 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 nine months ended September 30, 2020 and 2019, amounted to \$1,248 and \$1,722, respectively.

The table below sets forth the undiscounted minimum rentals payable under operating leases at September 30, 2020 and December 31, 2019:

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Within one year	1,032	988
1-5 years	272	1,049
Over 5 years	-	-
Total	<u>1,304</u>	<u>2,037</u>

**(ii) Letters of Guarantee:**

At September 30, 2020 and December 31, 2019, the Group had outstanding bank letters of guarantee in favor of various parties amounting to \$18 and \$210, respectively. Such guarantees have been provided for the good execution of agreements.

**(iii) Investment in the United States:**

To remain current in the U.S. market, the Group is engaged in modifications to the Johnstown facility. The Group has signed agreements with various suppliers and contractors related to these modifications. Future minimum amounts payable under these agreements as at September 30, 2020 amounted to \$2,113 all of which is due within the next 6 months. Of the total future amounts payable, \$885 is denominated in Euro.

**(iv) Investment in New Facility:**

The Company has decided to construct a new manufacturing facility to meet increasing European demand. The Company has determined to abandon its earlier plans to construct the new manufacturing facility in Luxembourg and is seeking an alternative location for the facility. Please see Note 23. The Group has signed agreements with various suppliers and contractors related to this construction. Future minimum amounts payable under these agreements as at September 30, 2020 amounted to \$30,162 all of which are 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 September 30, 2020 and December 31, 2019, 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 6.6% of the Group's receivables or revenue.

**(b) Financial Instruments**

Set forth below is a comparison by category of carrying amounts and fair values as of September 30, 2020 and 2019, of all of the financial instruments that are carried in the consolidated financial statements:

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	<b>Carrying amount</b>		<b>Fair value</b>	
	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<i>Non-financial assets</i>				
Land	72,582	71,294	72,582	71,294
<i>Financial assets</i>				
Cash and cash equivalents	182,882	156,683	182,882	156,683
Available-for-sale investments	103	99	103	99
Trade and other receivables	62,459	51,334	62,459	51,334
Due from related companies	1,071	987	1,071	987
<i>Financial liabilities</i>				
Interest-bearing loans and borrowings	413,364	412,662	407,547	382,200
Short-term borrowings	-	-	-	-
Trade accounts payable	26,178	24,373	26,178	24,373
Due to related companies	121	30	121	30
Accrued and other liabilities	35,968	26,442	35,968	26,442

**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.

	<b>Fair value</b>		<b>Fair value hierarchy</b>
	<b>September 30, 2020</b>	<b>December 31, 2019</b>	
<i>Financial assets:</i>			
Available-for-sale investments	103	99	Level 2
<i>Financial liabilities:</i>			
Fixed-rate borrowings	407,547	382,200	Level 1

**23. SUBSEQUENT EVENTS:**

- (a) We are actively monitoring the coronavirus disease of 2019, or COVID-19, and its potential impact on our supply chain and operations, including our sales in the U.S., the U.K. Italy and Greece. In addition to existing travel restrictions, countries may continue to close borders, continue to impose prolonged quarantines, and further restrict travel, which may significantly impact the ability of our employees to get to their places of work to produce products, or may significantly hamper our products from moving through the supply chain. We cannot predict when such restrictions will be lifted.
- (b) The Company has determined to abandon its earlier plans to construct a new manufacturing facility in Luxembourg and is seeking an alternative location in the region. The Company has reached an agreement with the local government pursuant to which the government will repurchase the land that it had sold to the Company for the facility at the original purchase price of 27,643,800 Euros. The repurchase is expected to close in the fourth quarter of 2020. In the opinion of management, any and all other impacts resulting from the decision will not materially affect the financial position of the Company.