



FAGE INTERNATIONAL S.A.

**QUARTERLY REPORT
For the Nine and Three Months
Ended September 30, 2013**

November 12, 2013

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, 2013. 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 2012 Annual Report.

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

On January 29, 2010, FAGE International S.A. (“FAGE International”) and FAGE USA Dairy Industry, Inc. (“FAGE USA”) issued \$150,000,000 principal amount of their 9% Senior Notes due 2020 (the “Original Senior Notes”) under an indenture, dated as of January 29, 2010, as amended and supplemented (the “Indenture”), by and among FAGE International and FAGE USA, as co-issuers, FAGE Luxembourg S.à r.l., a wholly owned subsidiary of FAGE International (“FAGE Luxembourg”), and FAGE Dairy Industry S.A. (“FAGE Greece”), a wholly owned subsidiary of FAGE International, as guarantors, The Bank of New York Mellon, acting through its London Branch, as trustee, The Bank of New York Mellon, as U.S. registrar and paying agent, and the Bank of New York Mellon (Luxembourg) S.A., as Luxembourg registrar.

On December 17, 2012, FAGE International and FAGE USA completed the placement of an additional \$250,000,000 aggregate principal amount of their 9% Senior Notes due 2020 (the “Additional Senior Notes” and, together with the Original Senior Notes, the “Senior Notes”). The Additional Senior Notes comprise a single series with the Original Senior Notes for all purposes under the Indenture, which was further amended and supplemented to (i) add certain covenant provisions relating to the making of investments, asset disposals and other distributions to, engaging in affiliate transactions for the benefit of and providing credit support to FAGE Greece, (ii) add certain provisions to exclude FAGE Greece from triggering certain Events of Default (as defined therein), (iii) add customary terms relating to the prompt public disclosure of certain material events and (iv) make certain other amendments.

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 corporation which is organized under the laws of the Grand Duchy of Luxembourg and was incorporated on September 25, 2012. Its registered office is located at 5 rue du Kiem, L-1857 Luxembourg, Grand Duchy of Luxembourg. FAGE International has a share capital of \$50,002 and is registered with the Luxembourg Register of Commerce and Companies under number B 171645. FAGE International’s website is www.fage.eu. 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 Luxembourg S.à r.l., FAGE USA Holdings, Inc., FAGE USA Dairy Industry, Inc., FAGE USA, Corp., FAGE U.K. Limited, FAGE Italia S.r.l, FAGE Deutschland GmbH, FAGE Dairy Industry S.A., FAGE Commercial S.A. (Xylouris), Zagas S.A., Agroktima Agios Ioannis S.A. and Iliator S.A.).The FAGE Group operates principally in the United States, the Hellenic Republic, also known as Greece, and, through its subsidiaries, elsewhere in Europe.

FAGE USA is a corporation which is organized under the laws of the State of New York and was incorporated on February 17, 2005. Its principal place of business is 1 Opportunity Drive, Johnstown Industrial Park, Johnstown, New York 12095, U.S.A. FAGE USA’s U.S. Employer Identification Number is 83-0419718. FAGE USA is wholly owned by FAGE USA Holdings, Inc., a New York corporation, which in turn is wholly owned by FAGE Luxembourg.

FAGE Luxembourg is a private limited liability company (*société à responsabilité limitée*) which is organized under the laws of the Grand Duchy of Luxembourg and was incorporated on September 25, 2012. Its registered office is located at 5 rue du Kiem, L-1857 Luxembourg, Grand Duchy of Luxembourg. FAGE Luxembourg has a share capital of \$20,000 and is registered with the Luxembourg Register of Commerce and Companies under number B 171651.

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

Following the issuance of the Additional Senior Notes, FAGE International redeemed, on January 16, 2013, all of the €101.5 million aggregate principal amount of its outstanding 7½% Senior Notes due 2015.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

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

Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Quarterly Report. Among the key factors that may have a direct bearing on our results of operations are:

- risks associated with our high leverage and debt service obligations;
- the impact of restrictive debt covenants on our operating flexibility;
- uncertainties associated with general economic and political conditions in Greece, across Europe and in the United States;
- factors affecting our ability to compete in a competitive market;
- consumer demand for our products and loyalty to our brands;
- prices of raw materials that we use in our products;
- currency exchange rates and their effects on our financial condition, business and results of operations;
- the impact of present or future government regulations affecting our operations in the countries where we operate;
- uncertainties associated with our ability to implement our business strategy, including our expansion in the United States; and
- any event that could have a material adverse effect on our brands or reputation, such as product contamination or protracted quality control difficulties.

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

DEFINITIONS

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

“2015 Senior Notes”.....	The 7½% Senior Notes due 2015 issued by FAGE International (as successor to FAGE Greece).
“Additional Senior Notes”.....	The \$250,000,000 principal amount of 9⅞% Senior Notes due 2020 issued by FAGE International and FAGE USA on December 17, 2012 pursuant to the Indenture.
“Euro”, “euro”, “EUR” or “€”.....	Euro, the currency of the European Union member states participating in the European Monetary Union.
“FAGE International”.....	FAGE International S.A., one of the Issuers of the Senior Notes.
“FAGE Greece”.....	FAGE Dairy Industry S.A., one of Guarantors of the Senior Notes.
the “FAGE Group”, the “Group”, “we”, “us” and “our”.....	FAGE International S.A., one of the issuers of the Senior Notes and its consolidated subsidiaries (including any of their predecessors) described collectively as a corporate group except where the context requires otherwise.
“FAGE Luxembourg”.....	FAGE Luxembourg S.à r.l., one of the Guarantors of the Senior Notes.
“FAGE USA”.....	FAGE USA Dairy Industry, Inc., one of the issuers of the Senior Notes.
“Guarantors”.....	FAGE Greece and FAGE Luxembourg.
“IFRS”.....	International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union
“Indenture”.....	The indenture governing the Senior Notes.
“Original Senior Notes”.....	The \$150,000,000 principal amount of 9⅞% Senior Notes due 2020 issued by FAGE International (as successor to FAGE Greece) and FAGE USA on January 29, 2010 pursuant to the Indenture.
“pounds”, “GBP” or “£”.....	Pounds sterling, the currency of the United Kingdom.
“Senior Notes”.....	The Original Senior Notes and the Additional Senior Notes.
“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

Internal Restructuring

On October 1, 2012, the FAGE Group completed an internal restructuring designed to enhance the efficiency of its corporate structure and to better reflect the increasingly international nature of our business. As a result of the restructuring, FAGE International, which was incorporated on September 25, 2012 in Luxembourg and is beneficially owned and controlled by Messrs. Ioannis and Kyriakos Filippou, is the parent company for all of our subsidiaries. Our operations in Greece are conducted through our Greek subsidiary, FAGE Greece (our former parent company). Our operations outside of Greece currently are conducted through our newly formed Luxembourg subsidiary, FAGE Luxembourg.

In connection with the restructuring, FAGE International S.A., the new parent company, is now one of the two primary obligors (together with FAGE USA) on the Senior Notes. FAGE Greece, our principal Greek subsidiary, and FAGE Luxembourg, our principal subsidiary for our non-Greek operations, have entered into guarantees by which they have fully and unconditionally guaranteed the obligations under the Senior Notes. Guarantees by a Luxembourg entity are subject to certain limitations under Luxembourg law. See “Risk Factors—Risks Relating to Our Indebtedness and Our Structure—The insolvency laws and regulations of the European Union, Luxembourg and Greece may not be as favorable to holders of the Senior Notes as U.S. insolvency laws and regulations or those of other jurisdictions with which you may be familiar—Luxembourg guarantee limitations” in our 2012 Annual Report.

FAGE USA

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

Financial Information

Unless otherwise indicated, financial information in this Quarterly Report has been presented on a consolidated basis. For periods prior to the restructuring, the consolidated financial statements of the FAGE Group reflect the consolidation of FAGE Dairy Industry S.A. (our former parent company) and its subsidiaries. Beginning with the restructuring on October 1, 2012, the consolidated financial statements of the FAGE Group reflect the consolidation of FAGE International S.A. (the new parent company) and its subsidiaries. The effects of the restructuring on our consolidated financial statements were mainly related to (i) additional operating expenses for FAGE International, (ii) the tax liability for FAGE International and FAGE Luxembourg, (iii) the effect on our consolidated equity of share capital paid in the FAGE Group and certain reclassifications within equity to reflect the new legal structure and (iv) the recognition of a deferred tax asset relating to an increase in the tax basis of our intellectual property that was recognized in connection with the restructuring.

The consolidated financial information for the FAGE Group has been presented as of and for the nine months ended September 30, 2013 and 2012, 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. \$1.3505 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, 2013.

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 based on as of and for the nine months ended September 30, 2013 and 2012 and are presented in U.S. dollars rounded to the nearest thousand. The Consolidated Financial Statements have been prepared under the historical cost convention except for available-for-sale financial assets, derivative financial instruments and land, which are measured at fair value.

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

Industry Data

This Quarterly Report contains information concerning the U.S. market for yogurt, the Greek dairy market and the dairy markets of certain other countries in which we conduct business. We operate in an industry in which it is difficult to obtain precise industry and market information. We have obtained the market and competitive position data in this Quarterly Report from industry publications and from surveys or studies conducted by third parties that we believe to be reliable, including research information produced by Euromonitor International for the U.S. market and AC Nielsen Retail Measurement Services, a division of The Nielsen Company (“Nielsen”), for the Greek market. 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 and FAGE Luxembourg are organized under the laws of Luxembourg and FAGE Greece is organized under the laws of Greece. Certain of the executive officers and directors of the Issuers and the Guarantors and certain experts named herein presently reside outside of the United States, principally in Greece. In addition, a significant portion of our assets are located in 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) realize in the United States upon judgments against such persons obtained in such courts predicated upon civil liabilities of such persons, including any judgments predicated upon U.S. federal securities laws, to the extent such judgments exceed such person’s U.S. assets.

We have been advised by 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 or FAGE Luxembourg obtained from a state or federal court of the United States, which judgment 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 of Article 678 *et seq.* of the Luxembourg New Code of Civil Procedure:

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

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

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

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

2012 amounts have been restated as a result of the change in the presentation currency as further detailed in Note 2(d) to the financial statements.

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

	Nine months ended September 30,		Three months ended September 30,	
	2013	2012	2013	2012
	(Unaudited)			
Sales.....	100.0%	100.0%	100.0%	100.0%
Cost of sales.....	(61.9)	(57.3)	(62.4)	(55.7)
Gross profit.....	38.1	42.7	37.6	44.3
Selling, general and administrative expenses.....	(31.3)	(30.1)	(31.1)	(31.4)
Other income.....	0.1	0.1	0.1	0.1
Other expenses.....	(0.3)	(0.1)	(0.3)	(0.1)
Profit from operations.....	6.6	12.6	6.3	12.9
Financial income/(expenses), net.....	(7.7)	(5.1)	(6.6)	(4.7)
Impairment loss.....	-	(0.1)	-	(0.1)
Loss on derivatives.....	-	(0.1)	-	(0.1)
Foreign exchange (losses)/gains, net.....	-	-	0.1	0.6
Profit/(loss) before income taxes.....	(1.1)	7.3	(0.2)	8.6
Income tax (expense)/benefit.....	(1.6)	17.1	-	53.6
Net profit/(loss).....	(2.7%)	24.4%	(0.2%)	62.3%

Nine months ended September 30, 2013 compared to nine months ended September 30, 2012

Sales. Our sales in value in the nine months ended September 30, 2013 amounted to \$431.5 million, an increase of \$13.8 million, or 3.3%, compared to sales of \$417.7 million in the nine months ended September 30, 2012. The increase in sales in value in the nine months ended September 30, 2013 was mainly due to increases in sales in value in the United States, Italy and the United Kingdom by 5.7%, 40.3% and 1.1%, respectively. These increases were partially offset by decreases in sales in value in Greece by 4.5%.

Our sales in volume in the nine months ended September 30, 2013 decreased by 0.2% compared to the respective period of 2012. This resulted from increases in sales in volume in the United States, Italy and the United Kingdom by 6.6%, 27.2% and 7.7%, respectively, which were offset by a decrease in sales in volume in Greece by 11.4%. The expansion of our existing product range, the change of our overall product mix towards new higher-value products, increasing household penetration and broader distribution are the main reasons for the sustained growth of our sales in value in the United States and other markets outside of Greece, which was 6.8% in the nine months ended September 30, 2013 as compared to the nine months ended September 30, 2012. The main reasons for the decrease in our sales in the Greek market were the sustained economic crisis in Greece and its impact on consumer demand, as well as our reduction of sales to less creditworthy clients in an attempt to reduce our credit exposure. The latter has had a negative impact on sales volume, but it also has diminished our risk of bad debt losses in light of the significant liquidity problems experienced by Greek retailers. Our sales outside of Greece accounted for 71.4% of our total sales in value in the first nine months of 2013, as compared to 69.1% in the respective period of 2012.

Gross profit. Gross profit for the nine months ended September 30, 2013 was \$164.5 million, a decrease of \$13.9 million, or 7.8%, from \$178.4 million for the nine months ended September 30, 2012. Gross profit as a percentage of sales for the nine months ended September 30, 2013 was 38.1%, compared to 42.7% for the respective period of 2012. The main reasons for this decrease were:

- the prices of milk used in our U.S. yogurt facility increased by 25.1% comparing the first nine months of 2013 and 2012; and
- the prices of milk used in our Greek facilities, which supply goods to all European countries including Greece, increased by 21.4% comparing the first nine months of 2013 and 2012.

The net negative impact on gross profit of the increase in milk prices comparing the nine months ended September 30, 2013 and 2012, was \$17.8 million, or 4.1% of net sales.

All the other factors participating in the manufacturing cost (labor cost, depreciation) remained at the same level comparing the third quarter of 2013 and 2012 (Notes 3, 4).

Selling, general and administrative expenses. Selling, general and administrative expenses (“SG&A”) for the nine months ended September 30, 2013 were \$134.9 million, an increase of \$9.4 million, or 7.5%, from \$125.5 million for the nine months ended September 30, 2012. This was mainly due to the increase in advertising costs from \$31.8 million in the first nine months of 2012 to \$41.3 million in the respective period of 2013, an increase of \$9.5 million. As a percentage of sales, selling, general and administrative expenses were 31.3% for the nine months ended September 30, 2013 and 30.1% for the comparable period of 2012.

Other income/(expenses), net. Net other expenses for the nine months ended September 30, 2013 amounted to \$1.2 million. Net other expenses for the nine months ended September 30, 2012 amounted to \$0.2 million.

Profit from operations. Profit from operations for the nine months ended September 30, 2013 was \$28.4 million, a decrease of \$24.2 million, as compared to profit from operations of \$52.6 million for the nine months ended September 30, 2012. This is mainly due to the decrease in gross profit and the increase in selling, general and administrative expenses. As a percentage of sales, profit from operations was 6.6% for the nine months ended September 30, 2013 as compared to 12.6% for the respective period of 2012.

Financial income/(expenses), net. Net financial expenses increased by \$11.4 million, from \$21.5 million for the nine months ended September 30, 2012 to \$32.9 million in the nine months ended September 30, 2013. This increase is mainly due to:

- first, the increase in the FAGE Group’s total debt, from \$318.5 million on September 30, 2012 (including \$150.0 million of Senior Notes due 2020, €101.5 million (\$131.2 million) of Senior Notes due 2015 and €28.8 million (\$37.3 million) of short-term borrowings) to \$377.7 million on September 30, 2013; and
- second, a write-off of \$1.3 million related to the outstanding balance of the unamortized costs of the issuance expenses of the Senior Notes due 2015, which were redeemed on January 16, 2013.

Financial income/(expenses), net as percentage of sales was 7.7% for the nine months ended September 30, 2013 and 5.1% for the nine months ended September 30, 2012.

Impairment loss. Impairment loss for the nine months ended September 30, 2012 was \$0.2 million. This loss related to the impairment recognized on the available for sale financial assets. There was no impairment loss for the nine months ended September 30, 2013.

Loss on derivatives. For the nine months ended September 30, 2013, there was no gain or loss on derivatives. Loss on derivatives for the nine months ended September 30, 2012 amounted to \$0.7 million.

Foreign exchange gains/(losses), net. Net foreign exchange losses for the nine months ended September 30, 2013 were \$0.1 million. Net foreign exchange gains for the nine months ended September 30, 2012 were \$0.03 million.

Profit/(loss) before income taxes. The loss before income taxes for the nine months ended September 30, 2013 was \$4.5 million, compared to profit before income taxes of \$30.3 million for the nine months ended September 30, 2012. The loss before income taxes as a percentage of sales was (1.1)% for the nine months ended September 30, 2013, whereas profit before income taxes as a percentage of sales was 7.3% for the nine months ended September 30, 2012. The main reasons for this decrease were the decrease in gross profit, the increase in selling, general and administrative expenses and the increased financial expenses.

Income tax expense. Income tax expense for the nine months ended September 30, 2013 was \$7.0 million, mainly related to income tax from the U.S. operations and the deferred tax resulting from the increase in the income tax rate applicable to FAGE Greece from 20% to 26%. Income tax benefit for the nine months ended September 30, 2012 was \$71.6 million, which was mainly due to the recognition of a deferred tax asset of \$80.5 million.

Net profit/(loss). The net loss for the nine months ended September 30, 2013 was \$11.6 million, as compared to net profit of \$101.9 million for the nine months ended September 30, 2012. The main reasons for this decrease were the decrease in gross profit, the increase in selling, general and administrative expenses and the increase in the financial expenses.

Three months ended September 30, 2013 compared to three months ended September 30, 2012

Sales. Our sales in value in the three months ended September 30, 2013 amounted to \$154.2 million, an increase of \$7.8 million, or 5.3%, compared to sales of \$146.4 million in the three months ended September 30, 2012. The increase in sales in value in the three months ended September 30, 2013 was mainly due to increases in sales in value in the United States, Italy, the United Kingdom and Greece by 2.8%, 46.0%, 7.3% and 4.3%, respectively.

Our sales in volume in the three months ended September 30, 2013 increased by 3.7% compared to the respective period of 2012. This resulted from increases in sales in volume in the United States, Italy and the United Kingdom by 6.0%, 33.5% and 18.8%, respectively, which were partially offset by a decrease in sales in volume in Greece by 4.0%. Our sales outside of Greece accounted for 70.6% of our total sales in value in the third quarter of 2013, as compared to 70.3% in the third quarter of 2012.

Gross profit. Gross profit for the three months ended September 30, 2013 was \$58.0 million, a decrease of 6.9 million, or 10.6%, from \$64.9 million for the three months ended September 30, 2012. Gross profit as a percentage of sales for the three months ended September 30, 2013 was 37.6%, compared to 44.3% for the respective period of 2012. The main reasons for this decrease were:

- the prices of milk used in our U.S. yogurt facility increased by 39.3% comparing the third quarter of 2013 and 2012; and
- the prices of milk used in our Greek facilities, which supply goods to all European countries including Greece, increased by 9.9% comparing the third quarter of 2013 and 2012.

Selling, general and administrative expenses. Selling, general and administrative expenses (“SG&A”) for the three months ended September 30, 2013 were \$48.0 million, an increase of \$1.9 million, or 4.1%, from \$46.1 million for the three months ended September 30, 2012. This was mainly due to the increase in advertising costs. As a percentage of sales, selling, general and administrative expenses were 31.1% for the three months ended September 30, 2013 and 31.4% for the comparable period of 2012.

Other income/(expenses), net. Net other expenses for the three months ended September 30, 2013 amounted to \$0.3 million. Net other income for the three months ended September 30, 2012 amounted to \$0.1 million.

Profit from operations. Profit from operations for the three months ended September 30, 2013 was \$9.7 million, a decrease of \$9.2 million, as compared to profit from operations of \$18.9 million for the three months ended September 30, 2012. This is mainly due to the decrease in gross profit. As a percentage of sales, profit from operations was 6.3% for the three months ended September 30, 2013 as compared to 12.9% for the respective period of 2012.

Financial income/(expenses), net. Net financial expenses increased by \$3.2 million, from \$6.9 million for the three months ended September 30, 2012 to \$10.1 million in the three months ended September 30, 2013. This increase is mainly due to the increase in debt from \$318.5 million on September 30, 2012 (including \$150.0 million of Senior Notes due 2020, €101.5 million (\$131.2 million) of Senior Notes due 2015 and €28.8 million (\$37.3 million) of short-term borrowings) to \$377.7 million on September 30, 2013.

Financial income/(expenses), net as percentage of sales was 6.6% for the three months ended September 30, 2013 and 4.7% for the three months ended September 30, 2012.

Impairment loss. Impairment loss for the three months ended September 30, 2012 was \$0.1 million. This loss related to the impairment recognized on the available for sale financial assets. Impairment gain for the three months ended September 30, 2013 amounted to \$0.01 million.

Loss on derivatives. Loss on derivatives for the three months ended September 30, 2012 amounted to \$0.2 million. For the three months ended September 30, 2013 there was no gain or loss on derivatives as the related contract expired in 2012.

Foreign exchange gains/(losses), net. Net foreign exchange gains for the three months ended September 30, 2013 were \$0.1 million. Net foreign exchange gains for the three months ended September 30, 2012 were \$1.0 million.

Profit/(loss) before income taxes. The loss before income taxes for the three months ended September 30, 2013 was \$0.3 million, compared to profit before income taxes of \$12.7 million for the three months ended September 30, 2012. The loss before income taxes as a percentage of sales was (0.2)% for the three months ended September 30, 2013 whereas the profit before income taxes as a percentage of sales was 8.6% for the three months ended September 30, 2012.

Income tax expense. Income tax expense for the three months ended September 30, 2013 was \$0.01 million, which was mainly due to an increase in the current income tax by \$1.6 million and a decrease in the deferred income tax by \$1.6 million in the three months ended September 30, 2013. Income tax benefit for the three months ended September 30, 2012 was \$78.5 million, which was mainly due to the recognition of a deferred tax asset of \$80.5 million.

Net profit/(loss). The net loss for the three months ended September 30, 2013 was \$0.3 million, as compared to net profit of \$91.1 million for 2012. The main reasons for this decrease were the decrease in gross profit and gross margin, the increase in selling, general and administrative expenses and the increased financial expenses.

Liquidity and Capital Resources

Our principal sources of liquidity are existing cash balances, cash flow from operations 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, 2013 amounted to \$41.8 million, of which \$35.0 million is provided by Citibank N.A. in the United States and secured by accounts receivable and certain inventory of FAGE USA Dairy Industry, Inc., and \$6.8 million is provided by a revolving credit line with Alpha Bank in Greece. The entire amount of these credit lines was undrawn as of September 30, 2013 (see Note 18). The available credit lines for the Group as of September 30, 2012 amounted to \$65.5 million, of which \$37.3 million were utilized as of September 30, 2012.

Cash at banks and cash equivalents as of September 30, 2013 amounted to \$87.9 million compared to \$128.0 million on December 31, 2012 (See Note 15).

We believe that this amount (\$87.9 million), together with the unused lines of credit, is sufficient to finance both the operations and the investment program of the FAGE Group.

Cash flow data.

	Nine months ended September 30,	
	2013	2012
(\$ thousands)		
Cash flow from/(used in) operating activities.....	29,648	36,006
Cash flow from/(used in) investing activities.....	(31,905)	(11,306)
Cash flow from/(used in) financing activities.....	(41,235)	(20,759)
Effect of exchange rates changes on cash.....	3,345	(584)
Cash and cash equivalents at beginning of period.....	128,036	44,435
Cash and cash equivalents at period-end.....	<u>87,889</u>	<u>47,792</u>

Cash flow from/(used in) operating activities. Net cash from operating activities for the nine months ended September 30, 2013 was \$29.6 million, compared to net cash from operating activities of \$36.0 million for the respective period of 2012. This resulted from a decrease in the operating profit before working capital changes from \$75.0 million in the nine months ended September 30, 2012 to \$49.7 million in the comparable period of 2013 (Cash Flow Statement).

Cash flow from/(used in) investing activities. Net cash used in investing activities amounted to \$31.9 million and \$11.3 million for the nine months ended September 30, 2013 and 2012, respectively. Out of the capital expenditure of \$32.0 million in the first nine months of 2013, an amount of \$3.9 million relates to maintenance capital expenditure for the facilities in Greece and \$28.1 million relates to capital expenditure for the expansion of the U.S. facility (including \$0.7 million of capitalized interest).

Cash flow from/(used in) financing activities. Net cash used in financing activities for the nine months ended September 30, 2013 was \$41.2 million. This resulted from \$6.3 million net proceeds from short and long-term borrowings and \$47.5 million of interest paid. Net cash used in financing activities for the nine months ended September 30, 2012 was \$20.8 million, which reflects net proceeds of \$5.4 million from short and long-term borrowings and interest paid of \$26.2 million.

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, 2013 amounted to \$47.6 million, as compared to \$71.4 million for the nine months ended September 30, 2012. The reconciliation of net profit/(loss) to EBITDA is as follows:

	Nine months ended	
	September 30,	
	2013	2012
	(\$ thousands)	
Net profit/(loss)	(11,563)	101,934
Income tax expense/(benefit) .	7,023	(71,645)
Financial (income)/expenses, net	32,874	21,489
Depreciation and amortization	19,224	19,610
EBITDA	<u>47,558</u>	<u>71,388</u>

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, 2013 amounted to \$289.8 million, as compared to \$255.4 million as of September 30, 2012.

Principal Risks and Uncertainties for the Remaining Three Months of 2013

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 FAGE 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; and
- fourth, the current economic crisis could continue to adversely affect consumer spending for the Group's products, particularly in Greece, Italy, the United Kingdom and the United States.

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

Related party transactions

The FAGE Group purchases goods and services from and makes sales of goods to certain related companies in the ordinary course of business. Such related companies consist of affiliates or companies which are controlled by members of the Filippou family.

Account balances with related companies are as follows:

	<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Due from:		
-Ioannis Nikolou ULP	1,207	1,024
- Evga S.A.	2,661	1,761
- Agan S.A.	-	57
	<u>3,868</u>	<u>2,842</u>
Due to:		
- Iofil S.A.	2,616	1,710
- Mornos S.A.	4,087	2,435
- Vis S.A.	268	257
- Agan S.A.	1,034	-
- Palace S.A.	-	243
- G.S. Kostakopoulos & Associates	-	408
- Alpha Phi S.à r.l.	495	598
- Theta Phi S.à r.l.	495	598
	<u>8,995</u>	<u>6,249</u>

Transactions with related companies for the nine months ended September 30, 2013 and 2012, are analyzed as follows:

	<u>Purchases from</u> <u>related parties</u>		<u>Sales to</u> <u>related parties</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Inventories, materials and supplies	29,226	30,145	1,869	1,964
Advertising and media	4,347	1,672	-	-
Other services	13,138	8,585	-	-
	<u>46,711</u>	<u>40,402</u>	<u>1,869</u>	<u>1,964</u>

FAGE INTERNATIONAL S.A.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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FAGE INTERNATIONAL S.A.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2013

(All amounts in thousands of U.S. dollars, except share and per share data)

(UNAUDITED)

	Notes	Nine months ended September 30,		Three months ended September 30,	
		2013	2012 (restated*)	2013	2012 (restated*)
Sales		431,525	417,681	154,209	146,394
Cost of sales		(267,035)	(239,322)	(96,245)	(81,511)
Gross profit		164,490	178,359	57,964	64,883
Selling, general and administrative expenses	5	(134,935)	(125,519)	(47,961)	(46,059)
Other income		455	594	191	230
Other expenses		(1,621)	(786)	(493)	(129)
PROFIT FROM OPERATIONS		28,389	52,648	9,701	18,925
Financial expenses	6	(32,940)	(21,497)	(10,142)	(6,935)
Financial income	6	66	8	26	1
Impairment loss	10	-	(242)	9	(97)
Loss on derivatives		-	(655)	-	(195)
Foreign exchange gains/(losses), net		(55)	27	118	964
PROFIT/(LOSS) BEFORE INCOME TAXES		(4,540)	30,289	(288)	12,663
Income tax (expense)/benefit	7	(7,023)	71,645	(6)	78,469
NET PROFIT/(LOSS)		(11,563)	101,934	(294)	91,132
Attributable to:					
Equity holders of the parent		(11,563)	101,934	(294)	91,132
		(11,563)	101,934	(294)	91,132
Earnings/(loss) per share					
Basic and diluted		(231.25)	2,038.60	(5.88)	1,822.57
Weighted average number of shares, basic and diluted		50,002	50,002	50,002	50,002

*2012 amounts have been restated as a result of the change in the presentation currency as further detailed in Note 2(d) to the financial statements.

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

FAGE INTERNATIONAL S.A.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2013

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

(UNAUDITED)

	Notes	For the nine months ended September 30,		For the three months ended September 30,	
		2013	2012 (restated*)	2013	2012 (restated*)
Net profit/(loss) for the period		(11,563)	101,934	(294)	91,132
Effect of income tax rates on deferred tax change		(2,151)	-	(96)	-
Exchange gains/(losses) on translation of foreign operations		5,085	521	7,328	1,569
Net unrealized gains/(losses) on available for sale financial assets		30	-	54	(111)
Income tax		(8)	-	(14)	22
	10	22	-	40	(89)
Other comprehensive income/(loss) for the period, net of tax		2,956	521	7,272	1,480
Total comprehensive income/(loss) for the period, net of tax		(8,607)	102,455	6,978	92,612
Attributable to:					
Equity holders of the parent		(8,607)	102,455	6,978	92,612
		(8,607)	102,455	6,978	92,612

*2012 amounts have been restated as a result of the change in the presentation currency as further detailed in Note 2(d) to the financial statements.

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

FAGE INTERNATIONAL S.A.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT SEPTEMBER 30, 2013

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

	Notes	<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
ASSETS			
Non-Current Assets			
Property, plant and equipment		343,411	327,177
Intangible assets		3,196	3,388
Goodwill	8	6,516	6,411
Available for sale financial assets	10	119	116
Other non-current assets	11	494	472
Deferred income taxes		109,820	110,285
Total non-current assets		<u>463,556</u>	<u>447,849</u>
Current Assets:			
Inventories	12	43,356	39,319
Trade and other receivables	13	123,466	105,093
Due from related companies	14	3,868	2,842
Prepaid income taxes		729	3,065
Available for sale financial assets	10	575	532
Cash and cash equivalents	15	87,889	128,036
Cash held for redemption of 2015 Senior Notes and accrued interest thereon	15	-	138,934
Total current assets		<u>259,883</u>	<u>417,821</u>
TOTAL ASSETS		<u>723,439</u>	<u>865,670</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent Company			
Share capital		50	50
Share premium		51,728	51,728
Other reserves		459	459
Land revaluation surplus		42,994	45,145
Reversal of fixed assets statutory revaluation surplus		(44,410)	(44,410)
Accumulated profit/(losses)		93,271	104,834
Legal, tax free and special reserves		47,456	47,456
Other components of equity		8,645	3,538
		<u>200,193</u>	<u>208,800</u>
Non-controlling interests		<u>1</u>	<u>1</u>
Total Equity		<u>200,194</u>	<u>208,801</u>
Non-Current Liabilities			
Interest-bearing loans and borrowings	16	377,737	375,920
Provision for severance pay on retirement		4,019	3,848
Deferred income taxes		53,410	50,240
Total non-current liabilities		<u>435,166</u>	<u>430,008</u>
Current Liabilities:			
Trade accounts payable	17	55,245	51,619
Due to related companies	14	8,995	6,249
Short-term borrowings	18	-	132,632
Income taxes payable		229	250
Accrued and other current liabilities	19	23,610	36,111
Total current liabilities		<u>88,079</u>	<u>226,861</u>
Total liabilities		<u>523,245</u>	<u>656,869</u>
TOTAL EQUITY AND LIABILITIES		<u>723,439</u>	<u>865,670</u>

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

FAGE INTERNATIONAL S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013
(All amounts in thousands of U.S. dollars)

(UNAUDITED)

	Share capital	Share premium	Land revaluation surplus	Reversal of Fixed Assets Statutory Revaluation Surplus	Legal, tax free and special reserves	Other reserves	Retained earnings/(losses)	Unrealized gains/(losses) on available for sale financial assets	Foreign exchange gains/(losses)	Total	Non-controlling interests	Total equity
Balance, December 31, 2012	50	51,728	45,145	(44,410)	47,456	459	104,834	18	3,520	208,800	1	208,801
Loss for the period	-	-	-	-	-	-	(11,563)	-	-	(11,563)	-	(11,563)
Effect of income tax rates on deferred tax change	-	-	(2,151)	-	-	-	-	-	-	(2,151)	-	(2,151)
Other comprehensive income/(loss)	-	-	-	-	-	-	-	22	5,085	5,107	-	5,107
Total comprehensive income/(loss)	-	-	(2,151)	-	-	-	(11,563)	22	5,085	(8,607)	-	(8,607)
Balance, September 30, 2013	50	51,728	42,994	(44,410)	47,456	459	93,271	40	8,605	200,193	1	200,194

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012
(All amounts in thousands of U.S. dollars)

(UNAUDITED)

	Share capital	Land revaluation surplus	Reversal of Fixed Assets Statutory Revaluation Surplus	Legal, tax free and special reserves	Retained earnings/(losses)	Unrealized gains/(losses) on available for sale financial assets	Foreign exchange gains/(losses)	Total	Non-controlling interests	Total equity
Balance, December 31, 2011*	52,237	45,145	(44,410)	47,456	3,990	-	(466)	103,952	1	103,953
Profit for the period*	-	-	-	-	101,934	-	-	101,934	-	101,934
Other comprehensive income/(loss)*	-	-	-	-	-	-	521	521	-	521
Total comprehensive income/(loss)*	-	-	-	-	101,934	-	521	102,455	-	102,455
Balance, September 30, 2012*	52,237	45,145	(44,410)	47,456	105,924	-	55	206,407	1	206,408

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

*2011 and 2012 amounts have been restated as a result of the change in the presentation currency as further detailed in Note 2(d) to the financial statements.

FAGE INTERNATIONAL S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013
(All amounts in thousands of U.S. dollars)
(UNAUDITED)

	Notes	September 30,	
		2013	2012 (restated*)
Operating activities			
Profit/(loss) before income taxes		(4,540)	30,289
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	4	19,224	19,610
Provision for severance pay on retirement		745	1,274
Provision for doubtful accounts receivable	13	941	1,384
Financial income	6	(66)	(8)
Financial expenses	6	32,940	21,497
Valuation of derivatives		-	655
(Gain)/loss on disposal of property, plant and equipment		427	14
Impairment loss on available for sale financial assets	10	-	242
Operating profit before working capital changes		49,671	74,957
(Increase)/Decrease in:			
Inventories	12	(4,037)	(3,275)
Trade and other receivables	13	(19,314)	(23,019)
Due from related companies	14	(1,026)	8
Increase/(Decrease) in:			
Trade accounts payable	17	3,626	(7,361)
Due to related companies	14	2,746	(2,131)
Accrued and other current liabilities	19	2,096	6,884
Working capital changes		(15,909)	(28,894)
Income taxes paid		(3,426)	(8,610)
Payment of staff indemnities		(666)	(1,132)
(Increase)/decrease in other non-current assets	11	(22)	(315)
Net Cash from Operating Activities		29,648	36,006
Investing Activities:			
Capital expenditure for property, plant and equipment		(31,974)	(11,222)
Additions to intangible assets		(203)	(290)
Proceeds from disposal of property, plant and equipment		206	198
Interest and other related income received	6	66	8
Net Cash used in Investing Activities		(31,905)	(11,306)
Financing Activities:			
Proceeds from short and long-term borrowings		12,842	33,895
Repayments of short and long-term borrowings		(6,540)	(28,486)
Interest paid		(47,537)	(26,168)
Net Cash used in Financing Activities		(41,235)	(20,759)
Net increase/(decrease) in cash and cash equivalents		(43,492)	3,941
Effect of exchange rates changes on cash		3,345	(584)
Cash and cash equivalents at beginning of period	15	128,036	44,435
Cash and cash equivalents at September 30	15	87,889	47,792

*2012 amounts have been restated as a result of the change in the presentation currency as further detailed in Note 2 (d) to the financial statements

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

FAGE INTERNATIONAL S.A. AND SUBSIDIARIES
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

(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 5 rue du Kiem, L-1857 Luxembourg, Grand Duchy of Luxembourg. FAGE International has a share capital of \$50,002 and is registered with the Luxembourg Register of Commerce and Companies under number B 171645.

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

FAGE International succeeded the previous parent of the Group, FAGE Dairy Industry S.A., following the Group’s internal restructuring completed on October 1, 2012 which was designed to enhance the efficiency of the Group’s corporate structure and to better reflect the increasingly international nature of the Group’s business. The reorganization is further detailed in Note 8 to the financial statements.

As a result of the restructuring, FAGE International S.A. became the parent company for all of the Group’s subsidiaries. Management has concluded that, as the beneficial owners of the Group remained the same, the Group with FAGE International as the parent is a continuation of the Group which had FAGE Dairy Industry S.A. as its parent. Since October 1, 2012, the Group’s operations in Greece are conducted through the Greek subsidiary, FAGE Dairy Industry S.A. (the former parent company). The Group’s operations outside of Greece currently are conducted through the Luxembourg subsidiary, FAGE Luxembourg S.à r.l.

The Group's total number of employees as of September 30, 2013 and 2012, was approximately 1,011 and 1,016, respectively.

2. BASIS OF PRESENTATION:

(a) **Basis of Preparation of Financial Statements:** The accompanying interim condensed consolidated financial statements have been prepared under the historical cost convention, except for the valuation of available for sale financial assets and derivative financial instruments and land, which have been measured at fair value, and they comply with International Financial Reporting Standards (IFRS). The carrying values of recognized assets and liabilities that are hedged items in fair value hedges that would otherwise be carried at cost are adjusted to record changes in the fair values attributable to the risks that are being hedged. These Interim Condensed Consolidated Financial Statements have been prepared by management in accordance with IAS 34 (Interim Financial Reporting). The Interim Condensed Consolidated Financial Statements do not include all the information and disclosure required in the Annual Consolidated Financial Statements and should be read in conjunction with the Group’s Annual Consolidated Financial Statements as of December 31, 2012. The interim condensed consolidated financial statements are presented in thousands of U.S. dollars, except when otherwise indicated.

(b) **Significant Accounting Policies:** The interim condensed consolidated financial statements have been prepared using accounting policies consistent with those adopted for the preparation of the Group’s Annual Consolidated Financial Statements as of December 31, 2012 and which are comprehensively presented in the notes of the annual financial statements, except for the adoption of the following new and amended IFRS and IFRIC interpretations which became effective for the accounting periods beginning January 1, 2013 and which did not have any impact on the financial position or performance of the Group:

- **IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income**

The amendment is effective for annual periods beginning on or after July 1, 2012. The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or “recycled”) to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group’s financial position or performance. The Group does not expect that the amendment will have an impact on its financial position or results of operations.

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- **IAS 19 Employee Benefits (Revised)**
The amendment is effective for annual periods beginning on or after January 1, 2013. The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The Group expects that the revised standard will have an impact on its financial position and results of operations mainly due to the fact that the revised standard removes the corridor mechanism, which will lead to recognition of the full defined benefit liability through recognition of the previously unrecognized actuarial loss with a corresponding debit in the opening balance of the equity of the earliest period presented in those financial statements. An additional small impact is expected in the results of operations as actuarial gains and losses will be recorded directly through other comprehensive income.
- **IAS 28 Investments in Associates and Joint Ventures (Revised)**
The Standard is effective for annual periods beginning on or after January 1, 2013. For companies that apply IFRS as adopted by the EU, the effective date is January 1, 2014. As a consequence of the new IFRS 11 Joint arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The Group does not expect that the revision to the standard will have an impact on its financial position or results of operations.
- **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities**
The amendment is effective for annual periods beginning on or after January 1, 2014. These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The Group does not expect that the amendment will have an impact on its financial position or results of operations.
- **IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities**
The amendment is effective for annual periods beginning on or after January 1, 2013. The amendment requires an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity’s financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The Group does not expect that the amendment will have an impact on its financial position or results of operations.
- **IFRS 9 Financial Instruments: Classification and Measurement**
The new standard is effective for annual periods beginning on or after January 1, 2015. IFRS 9, as issued, reflects the first phase of the IASB’s work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to January 1, 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. This standard has not yet been endorsed by the EU. The Group does not expect that the new standard will have an impact on its financial position or results of operations.
- **IFRS 11 Joint Arrangements**
The new standard is effective for annual periods beginning on or after January 1, 2013. For companies that apply IFRS as adopted by the EU, the effective date is January 1, 2014. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted

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for using the equity method. The Group does not expect that the new standard will have an impact on its financial position or results of operations.

- **IFRS 12 Disclosures of Interests in Other Entities**

The new standard is effective for annual periods beginning on or after January 1, 2013. For companies that apply IFRS as adopted by the EU, the effective date is January 1, 2014. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The Group does not expect that the standard will have an impact on its financial position or results of operations.

- **IFRS 13 Fair Value Measurement**

The new standard is effective for annual periods beginning on or after January 1, 2013. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group does not expect that the new standard will have an impact on its financial position or results of operations.

- The IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards and the related Basis for Conclusions. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The effective date for the amendments is for annual periods beginning on or after January 1, 2013. This project has not yet been endorsed by the EU. The Group does not expect that the amendment will have an impact on its financial position or results of operations.

- **IAS 1 Presentation of Financial Statements:** This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period.
- **IAS 16 Property, Plant and Equipment:** This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.
- **IAS 32 Financial Instruments, Presentation:** This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.
- **IAS 34 Interim Financial Reporting:** The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

- **Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)**

The guidance is effective for annual periods beginning on or after January 1, 2014. The IASB issued amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The amendments change the transition guidance to provide further relief from full retrospective application. The “date of initial application” in IFRS 10 is defined as “the beginning of the annual reporting period in which IFRS 10 is applied for the first time”. The assessment of whether control exists is made at “the date of initial application” rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons, the IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. This guidance has not yet been endorsed by the EU. The Group does not expect that the amendment will have an impact on its financial position or results of operations.

- **Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)**

The amendment is effective for annual periods beginning on or after January 1, 2014. The amendment applies to a particular class of business that qualify as investment entities. The IASB uses the term “investment entity” to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organizations, venture capital organizations, pension funds, sovereign wealth funds and other investment funds. Under IFRS 10 Consolidated Financial Statements, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). The Investment Entities amendment provides an exception to the consolidation requirements in IFRS 10 and requires investment entities to measure particular subsidiaries

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at fair value through profit or loss, rather than consolidate them. The amendment also sets out disclosure requirements for investment entities. This amendment has not yet been endorsed by the EU. The Group does not expect that the amendment will have an impact on its financial position or results of operations.

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

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

(d) On October 1, 2012, the Group adopted the U.S. dollar as its presentation currency, which is also the functional currency of the new parent of the Group.

Presentation currency:

Management decided that effective October 1, 2012 the Group's presentation currency shall be the U.S. dollar, the currency in which the majority of the Group's operations, as well as its loans, are denominated. The comparative information has been restated in U.S. dollars in accordance with the requirements of IAS 21 and IAS 8. The 2012 comparative financial information and associated notes have been retranslated from euros to U.S. dollars using the procedures outlined below:

- assets and liabilities were translated into U.S. dollars at closing rates of exchange on the relevant reporting dates;
- income and expenses were translated into U.S. dollars at average rates of exchange as they are a suitable proxy for the prevailing rates at the date of transactions;
- differences resulting from the retranslation on the opening balance of net assets and the results for the period have been recorded in Other Comprehensive Income (which have not impacted the total value of equity, but have resulted in reclassifications between previously reported translation differences and retained earnings; and
- share capital, share premium and other reserves were translated at historical rates prevailing at the dates of the transactions.

The exchange rates used were:

December 31, 2011: €1: \$1.2939, GBP1: \$1.5490

December 31, 2012: €1: \$1.3194, GBP1: \$1.6167

Nine months ended September 30, 2012 average: €1: \$1.2890, GBP1: \$1.5870

Nine months ended September 30, 2013 average: €1: \$1.3184, GBP1: \$1.5442

Functional currency:

As noted earlier, as a result of the reorganization, FAGE International S.A. has succeeded FAGE Dairy Industry S.A. as parent of the Group. As a significant majority of the new parent's revenues and costs are earned and incurred in U.S. dollars and having considered the aggregate effect of all relevant factors, management concluded that the functional currency of the new parent, since its incorporation, shall be the U.S. dollar.

3. PAYROLL COST:

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

	September 30,	
	2013	2012
Wages and salaries	32,378	32,903
Social security costs	6,012	6,165
Provision for severance pay on retirement	745	1,276
Other staff costs	3,458	2,595
Total payroll	42,593	42,939
Less: amounts charged to cost of production	(22,198)	(22,112)
amounts capitalized to tangible and intangible assets	(1,059)	(1,092)
Payroll expensed (Note 5)	19,336	19,735

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4. DEPRECIATION AND AMORTIZATION:

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

	September 30,	
	2013	2012
Depreciation on property, plant and equipment	18,814	18,183
Amortization of intangible assets	410	1,427
Total depreciation and amortization	19,224	19,610
Less: amounts charged to cost of production	(14,625)	(13,861)
Depreciation and amortization expensed (Note 5)	4,599	5,749

5. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

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

	September 30,	
	2013	2012
Shipping and handling costs	35,709	35,467
Advertising costs	41,298	31,827
Third party fees	25,054	24,042
Payroll (Note 3)	19,336	19,735
Depreciation and amortization (Note 4)	4,599	5,749
Repairs and maintenance	1,401	1,533
Traveling and entertainment	2,042	1,562
Allowance for doubtful accounts	941	1,384
Other	4,555	4,220
Total	134,935	125,519

Compensation paid to directors and executive officers for the nine months ended September 30, 2013 and 2012, included in payroll and third party fees, amounted to \$3,097 and \$7,511, respectively. Of these amounts, \$1,503 and \$5,835 have been paid to members of the Filippou family in the nine months ended September 30, 2013 and 2012, respectively.

6. FINANCIAL INCOME/(EXPENSE):

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

	September 30,	
	2013	2012
Financial expenses on loans and borrowings	(33,132)	(19,867)
Interest on short-term borrowings	(358)	(1,905)
Other	(188)	(117)
	(33,678)	(21,889)
Less: amounts capitalized in property, plant and equipment	738	392
Total financial expenses	(32,940)	(21,497)
Interest earned on cash at banks and on time deposits	66	8
Other financial income	-	-
Total financial income	66	8
Total financial income/(expense), net	(32,874)	(21,489)

7. INCOME TAXES:

In accordance with Luxembourg tax regulations, the corporate tax rate applied by companies for fiscal year 2012 was 28.8%. According to the tax law for the year 2013 onwards the tax rate will be 29.2%.

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The provision for income taxes reflected in the accompanying consolidated statements of income is analyzed as follows:

	<u>September 30,</u>	
	<u>2013</u>	<u>2012</u>
Current income taxes:		
—current income tax charge	5,741	11,111
Deferred income tax charge/(benefit)	1,282	(82,756)
Total income tax reported in the statements of income.....	<u>7,023</u>	<u>(71,645)</u>

As part of the restructuring which took place in September 2012, the FAGE Group increased the tax basis of its intellectual property. The tax basis of its intellectual property has been assessed at \$630.5 million as compared to its carrying value of \$1.1 million. Management, considering the tax deductibility profile of the related asset as well its recoverability, recognized a deferred tax asset of \$80.5 million during the nine months ended September 30, 2012 using the substantively enacted tax rate of 29.2% (applicable for year 2013 and onwards) over an amount of \$187.4 million and 29.2% over 20% of the remaining amount of \$442.0 million.

8. CONSOLIDATED SUBSIDIARIES AND GOODWILL:

CONSOLIDATED SUBSIDIARIES

On October 1, 2012, the Group completed an internal restructuring designed to enhance the efficiency of the Group's corporate structure and to better reflect the increasingly international nature of the Group's business.

In a first step of the restructuring, in September 2012, FAGE Dairy Industry S.A. formed a new Luxembourg subsidiary, namely FAGE Luxembourg S.à r.l. The latter entity became the holder of all non-Greek subsidiaries and intellectual property of the FAGE Group, after they were transferred by FAGE Dairy Industry S.A. to this entity upon its incorporation through a contribution in kind on September 25, 2012.

In a second step of the restructuring, which was completed on October 1, 2012, FAGE Dairy Industry S.A. transferred all of the shares of FAGE Luxembourg S.à r.l. to FAGE International S.A., while the latter through a substitution agreement assumed the obligations of FAGE Dairy Industry S.A. with respect to the Senior Notes due 2015 and 2020 with an exchange of promissory notes issued by FAGE Dairy Industry S.A. of an equal nominal amount and all of the shares of FAGE Dairy Industry S.A. were transferred to FAGE International S.A.

As a result of the restructuring, FAGE International S.A., a Luxembourg corporation which was incorporated on September 25, 2012 and is beneficially owned and controlled by Messrs. Ioannis and Kyriakos Filippou, became the parent company for all of the Group's subsidiaries. Management has concluded that, as the beneficial owners of the Group remained the same, the Group of FAGE International S.A. is a continuation of the FAGE Dairy Industry S.A. Group. Since October 1, 2012, the Group's operations in Greece are conducted through the Greek subsidiary, FAGE Dairy Industry S.A. (the former parent company). The Group's operations outside of Greece currently are conducted through the Luxembourg subsidiary, FAGE Luxembourg S.à r.l.

In connection with the restructuring, on October 1, 2012, FAGE International S.A., the new parent company, became the primary obligor on the 2015 Senior Notes and one of the two primary obligors (together with FAGE USA Dairy Industry, Inc.) on the 2020 Senior Notes. FAGE Dairy Industry S.A., the principal Greek subsidiary, and FAGE Luxembourg S.à r.l., the principal subsidiary for the non-Greek operations, entered into new guarantees by which they have fully and unconditionally guaranteed the obligations under the Senior Notes.

The consolidated financial statements as at September 30, 2013 and December 31, 2012, include the financial statements of FAGE International S.A. and its subsidiaries listed below:

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	<u>Equity interest</u>		<u>Country of incorporation</u>	
	<u>September 30, 2013</u>	<u>December 31, 2012</u>		
FAGE Luxembourg S.à r.l. (subgroup analyzed below)	100.0%	100.0%	Luxembourg	Holding company of FAGE USA Holdings, Inc., FAGE Italia S.r.l., FAGE U.K. Limited and FAGE Deutschland GmbH.
FAGE Dairy Industry S.A. (subgroup analyzed below)	100.0%	100.0%	Greece	Greek operating subsidiary with primary activity the operation of the Group's Greek production facilities and distribution of its products in Greece.

FAGE Luxembourg S.à r.l. subgroup has the following subsidiaries:

	<u>Equity interest</u>		<u>Country of incorporation</u>	
	<u>September 30, 2013</u>	<u>December 31, 2012</u>		
FAGE USA Holdings, Inc. (subgroup analyzed below)	100.0%	100.0%	USA	Holding company of FAGE USA Dairy Industry, Inc., and FAGE USA, Corp.
FAGE Italia S.r.l.	100.0%	100.0%	Italy	Distribution network covering Italy
FAGE U.K. Limited	100.0%	100.0%	United Kingdom	Distribution network covering the United Kingdom
FAGE Deutschland GmbH	100.0%	100.0%	Germany	Distribution network covering Germany

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

	<u>Equity interest</u>		<u>Country of incorporation</u>	
	<u>September 30, 2013</u>	<u>December 31, 2012</u>		
FAGE USA Dairy Industry, Inc.	100.0%	100.0%	USA	U.S. operating subsidiary with primary activity the operation of the Group's U.S. yogurt production facility and the distribution of its products in the U.S.
FAGE USA, Corp.	100.0%	100.0%	USA	U.S. operating subsidiary with primary activity the provision of sales and marketing services to FAGE USA Dairy Industry, Inc.

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FAGE Dairy Industry S.A. subgroup has the following subsidiaries:

	<u>Equity interest</u>		<u>Country of incorporation</u>	
	<u>September 30, 2013</u>	<u>December 31, 2012</u>		
FAGE Commercial S.A. (Xylouris)	100.0%	100.0%	Greece	Commercial
Zagas S.A.	100.0%	100.0%	Greece	Cheese producer—non- operating
Agroktima Agios Ioannis S.A.	100.0%	100.0%	Greece	Agricultural and farm development ceased operations
Iliator S.A.	97.0%	97.0%	Greece	Construction—non- operating

GOODWILL

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

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Foods Hellas S.A. (FAGE Dairy Industry S.A.)	1,750	1,710
Voras S.A. (FAGE Dairy Industry S.A.)	2,866	2,800
FAGE Italia S.r.l.	375	375
FAGE U.K. Limited	1,525	1,526
Total	<u>6,516</u>	<u>6,411</u>

9. INVESTMENT IN ASSOCIATE ACCOUNTED FOR UNDER THE EQUITY METHOD:

Bizios S.A. (Bizios) was incorporated on November 10, 1997. During 1997, the Group purchased 45% of the voting shares for a cash consideration of \$6,089.

The FAGE Group's investment in Bizios is accounted for using the equity method. The carrying value of the investment in Bizios as at each of September 30, 2013 and December 31, 2012 amounted to \$0.

10. AVAILABLE FOR SALE FINANCIAL ASSETS:

Available for sale financial assets are analyzed as follows:

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Shares:		
Vis S.A. (listed)	363	326
Elbisco Industrial and Commercial Food S.A. (unlisted)	212	206
	<u>575</u>	<u>532</u>
Shares:		
Packing Hellas Development S.A. (unlisted)	119	116

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

In 2012 Elbisco Industrial and Commercial Food S.A. was delisted from the Athens Stock Exchange.

The above-mentioned investments have been classified as available for sale and are carried at their fair market value with the difference in the market values reflected in other reserves.

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For the nine months ended September 30, 2012, losses of \$242 net of deferred income taxes were recorded and reported in the statement of income, as it was determined that the related investments had been impaired. For the nine months ended September 30, 2013, gains of \$40 net of deferred income taxes were recognized and reported in equity.

11. OTHER NON-CURRENT ASSETS:

Other non-current assets are analyzed as follows:

	<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Utility deposits	420	420
Other	74	52
	<u>494</u>	<u>472</u>

12. INVENTORIES:

Inventories are analyzed as follows:

	<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Merchandise	2,256	1,381
Finished and semi-finished products	16,593	16,256
Raw materials and supplies	24,507	21,682
	<u>43,356</u>	<u>39,319</u>

13. TRADE AND OTHER RECEIVABLES:

Trade and other receivables are analyzed as follows:

	<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Trade:		
—In U.S. dollars	33,089	24,399
—In foreign currencies	56,972	54,434
	<u>90,061</u>	<u>78,833</u>
—Less: allowance for doubtful accounts	(3,404)	(3,242)
	<u>86,657</u>	<u>75,591</u>
Other:		
—Value added tax	20,749	20,348
—Prepaid taxes, other than income taxes	2	1
—Prepaid expenses	11,006	5,158
—Advances to suppliers	8,966	9,298
—Various debtors	5,684	3,292
	<u>46,407</u>	<u>38,097</u>
—Less: allowance for doubtful accounts	(9,598)	(8,595)
	<u>36,809</u>	<u>29,502</u>
	<u>123,466</u>	<u>105,093</u>

The consolidated income statements for the nine months ended September 30, 2013 and 2012, reflect a charge of \$941 and \$1,384, respectively, for additional allowance for doubtful accounts.

During the nine months ended September 30, 2013 and 2012, accounts receivable of \$157 and \$57, respectively, were written-off.

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

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14. RELATED PARTIES:

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

Account balances with related companies are as follows:

	<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Due from:		
- Ioannis Nikolou ULP	1,207	1,024
- Evga S.A.	2,661	1,761
- Agan S.A.	-	57
	<u>3,868</u>	<u>2,842</u>
Due to:		
- Iofil S.A.	2,616	1,710
- Mornos S.A.	4,087	2,435
- Vis S.A.	268	257
- Agan S.A.	1,034	-
- Palace S.A.	-	243
- G.S. Kostakopoulos & Associates	-	408
- Alpha Phi S.à r.l.	495	598
- Theta Phi S.à r.l.	495	598
	<u>8,995</u>	<u>6,249</u>

Transactions with related companies for the nine months ended September 30, 2013 and 2012, are analyzed as follows:

	<u>Purchases from</u> <u>related parties</u>		<u>Sales to</u> <u>related parties</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Inventories, materials and supplies	29,226	30,145	1,869	1,964
Advertising and media	4,347	1,672	-	-
Other services	13,138	8,585	-	-
	<u>46,711</u>	<u>40,402</u>	<u>1,869</u>	<u>1,964</u>

Purchases of inventories, materials and supplies represent approximately 13% and 14% of the Group's total purchases for the nine months ended September 30, 2013 and 2012, respectively.

Advertising, media buying and other services represent approximately 32% and 25% of the Group's total respective costs for the nine months ended September 30, 2013 and 2012, respectively.

15. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are analyzed as follows:

	<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Cash in hand	368	421
Cash at banks	87,521	127,615
	<u>87,889</u>	<u>128,036</u>

Cash at banks earns interest at floating rates based on monthly bank deposit rates. Interest earned on cash at banks and time deposits is accounted for on an accrual basis and amounted to \$66 and \$8 for the nine months ended September 30, 2013 and 2012, respectively, and is included in financial income in the accompanying consolidated statements of income.

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Cash and cash equivalents at September 30, 2013 consists of \$15,037 denominated in foreign currencies and \$72,852 in U.S. dollars (\$11,477 and \$116,559, respectively, at December 31, 2012).

Furthermore, as at December 31, 2012, the Group had cash in an amount of \$138,934, which was deposited for the redemption of the 2015 Senior Notes and accrued interest and which was used to extinguish in January 2013 the 2015 Senior Notes together with accrued interest, which was separately disclosed in the statement of financial position. This amount was paid on January 16, 2013.

16. INTEREST BEARING LOANS AND BORROWINGS:

Interest bearing loans and borrowings are analyzed as follows:

	<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Senior Notes due 2020	400,000	400,000
Less: Unamortized issuance costs	<u>(22,263)</u>	<u>(24,080)</u>
	<u>377,737</u>	<u>375,920</u>

(a) Senior Notes due 2015:

All of the remaining outstanding 2015 Senior Notes were repaid in January 2013, together with accrued interest thereon. As a result, at December 31, 2012, the 2015 Senior Notes are disclosed as short-term debt (See Note 18).

(b) Senior Notes due 2020:

In January 2010, the Group completed the issuance of debt securities (2020 Senior Notes) at an aggregate face amount of \$150 million with maturity date on February 1, 2020. The net proceeds of the 2020 Senior Notes, after issuance costs, of approximately \$125.7 million were used to (i) redeem \$26.4 million of the 2015 Senior Notes and \$60.7 million of other long-term debt, and, (ii) the balance for capital expenditures and other general corporate purposes.

In December 2012, the Group completed the issuance of additional debt securities (2020 Senior Notes) at an aggregate face amount of \$250 million with maturity date on February 1, 2020. The net proceeds of these 2020 Senior Notes (after issuance premium and issuance costs) of approximately \$239.5 million were used to (i) redeem \$138.9 million of the 2015 Senior Notes and the coupon accrued to that date, (ii) repay \$22.6 million of short-term borrowings and (iii) the balance for capital expenditures and other general corporate purposes.

The 2020 Senior Notes bear nominal interest at a rate of 9.875% per annum (effective rate 10.75% per annum), payable semi-annually on each February 1 and August 1 commencing on August 1, 2010. The 2020 Senior Notes are redeemable in whole or in part, at the option of the Group, at any time on or after February 1, 2015.

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

The 2020 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 imposes 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 Indenture as of December 31, 2012 and September 30, 2013.

Finance expenses on the Group's interest-bearing loans and borrowings for the nine months ended September 30, 2013 and 2012, amounted to \$33,132 and \$19,867, respectively, and are included in financial expenses in the accompanying consolidated statements of income (Note 6).

The annual principal payments required to be made on all loans subsequent to September 30, 2013, December 31, 2012 and September 30, 2012 are as follows:

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	<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>	<u>September 30,</u> <u>2012</u> (restated*)
Within one year	-	-	-
1-5 years	-	-	131,216
Over 5 years	400,000	400,000	150,000
	<u>400,000</u>	<u>400,000</u>	<u>281,216</u>

*2012 amounts have been restated as a result of the change in the presentation currency as further detailed in Note 2 (d).

17. TRADE ACCOUNTS PAYABLE:

Trade accounts payable are analyzed as follows:

	<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Suppliers in U.S. dollars	23,955	14,438
Suppliers in other currencies	31,290	37,181
	<u>55,245</u>	<u>51,619</u>

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:

	<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>	<u>September 30,</u> <u>2012</u> (restated*)
Credit lines available	41,752	50,000	65,516
Unused credit lines	(41,752)	(50,000)	(28,225)
Short-term borrowings	<u>-</u>	<u>-</u>	<u>37,291</u>
2015 Senior Notes classified as short-term borrowings	<u>-</u>	<u>132,632</u>	<u>-</u>

*2012 amounts have been restated as a result of the change in the presentation currency as further detailed in Note 2 (d).

The weighted average interest rate on short-term borrowings for the nine months ended September 30, 2013 and 2012, was 5.30% and 6.38%, respectively.

Interest on short-term borrowings for the nine months ended September 30, 2013 and 2012, totaled \$358 and \$1,905, respectively, and is included in interest expense in the accompanying consolidated statements of income.

2015 Senior Notes amounting to \$132,632 as at December 31, 2012 were classified as short-term borrowings as they were repaid on January 16, 2013 together with interest accrued to that date, while the balance of unamortized expenses of \$1.3 million was transferred to the statement of income.

19. ACCRUED AND OTHER CURRENT LIABILITIES:

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

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	<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Payroll	208	429
Third parties	8	141
Milk producers	51	67
Other	1,119	423
	<u>1,386</u>	<u>1,060</u>
 Advances from customers	 50	 1,070
 Accrued interest	 6,607	 21,204
Social security funds payable	956	1,715
Accrued and other liabilities	14,611	11,062
	<u>22,174</u>	<u>33,981</u>
Total	<u>23,610</u>	<u>36,111</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, 2013 and 2012, is analyzed as follows:

	<u>Nine months ended September 30, 2013</u>			
	<u>European operations</u>	<u>U.S. operations</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenues				
Net sales to external customers	178,987	252,538	-	431,525
Inter-segment sales	70,750	-	(70,750)	-
Segment revenues	<u>249,737</u>	<u>252,538</u>	<u>(70,750)</u>	<u>431,525</u>
 Results				
Segment result net profit/(loss)	<u>(19,140)</u>	<u>7,577</u>	<u>-</u>	<u>(11,563)</u>
 Other segment information:				
Capital expenditures:				
Tangible and intangible fixed assets	4,060	28,117	-	32,177
Depreciation and amortization	10,089	9,135	-	19,224
Financial expenses	17,424	15,516	-	32,940
Income tax (benefit)/expense	4,411	2,612	-	7,023

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	Nine months ended September 30, 2012			
	European operations	U.S. operations	Eliminations	Consolidated
Revenues				
Net sales to external customers	178,441	239,240	-	417,681
Inter-segment sales	31,015	-	(31,015)	-
Segment revenues	<u>209,456</u>	<u>239,240</u>	<u>(31,015)</u>	<u>417,681</u>
Results				
Segment result net profit/(loss)	<u>81,380</u>	<u>20,852</u>	<u>(298)</u>	<u>101,934</u>
Other segment information:				
Capital expenditures:				
Tangible and intangible fixed assets	<u>4,424</u>	<u>7,088</u>	<u>-</u>	<u>11,512</u>
Depreciation and amortization	<u>10,920</u>	<u>8,690</u>	<u>-</u>	<u>19,610</u>
Impairment losses recognized in statement of income	<u>242</u>	<u>-</u>	<u>-</u>	<u>242</u>
Financial expenses	<u>11,343</u>	<u>10,154</u>	<u>-</u>	<u>21,497</u>
Loss on derivatives	<u>655</u>	<u>-</u>	<u>-</u>	<u>655</u>
Income tax (benefit)/expense	<u>(81,563)</u>	<u>9,918</u>	<u>-</u>	<u>(71,645)</u>

Amounts for the nine months ended September 30, 2012 have been restated as a result of the change in the presentation currency of the Group. The following table presents segment assets and liabilities of the Group as at September 30, 2013 and December 31, 2012.

September 30, 2013	European operations	U.S. operations	Eliminations	Consolidated
Segment assets	<u>404,904</u>	<u>344,059</u>	<u>(25,524)</u>	<u>723,439</u>
Segment liabilities	<u>285,691</u>	<u>263,078</u>	<u>(25,524)</u>	<u>523,245</u>
December 31, 2012	European operations	U.S. operations	Eliminations	Consolidated
Segment assets	<u>555,427</u>	<u>335,634</u>	<u>(25,391)</u>	<u>865,670</u>
Segment liabilities	<u>423,798</u>	<u>258,462</u>	<u>(25,391)</u>	<u>656,869</u>

21. CONTINGENCIES AND COMMITMENTS:

(a) Litigation and claims:

- (i) In September 2006, the Greek Competition Authority initiated an investigation into price fixing in the Greek dairy market. FAGE Dairy Industry S.A. was one of the 17 Greek domestic and foreign companies that have been identified in the investigation. In December 2007, the Greek Competition Authority announced the imposition of fines on certain dairy companies and supermarkets in Greece, including FAGE Dairy Industry S.A. The fine imposed on FAGE Dairy Industry S.A. amounted to \$12,402. The Group understands that the total fines announced by the Competition Authority against all of the identified companies amount to approximately \$100,934. FAGE Dairy Industry S.A. challenged the amount of the fine in the courts in Greece and a provision of \$12,402 was recognized and included in the financial statements as at December 31, 2007. During 2009 there was an irrevocable decision in favor of FAGE Dairy Industry S.A. and the fine was reduced by \$4,424. Accordingly, a benefit of \$4,424 was recognized and included in the 2009 statements of income. Moreover, this amount has been set-off with other tax liabilities. We have also challenged at the Supreme Administrative Court the legality of the imposition of the fine itself. The case has not yet been heard.

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In addition, following the imposition of this fine, FAGE Dairy Industry S.A. and several other dairy companies have had to defend against lawsuits brought by milk producers claiming damages and loss of income. There are currently two of these lawsuits pending against FAGE Dairy Industry S.A., which the Group believes that are entirely without merit. Similar lawsuits against other dairy companies already have been dismissed.

- (ii) In July 2007, there was a press report suggesting that a preliminary investigation by a State prosecutor had led to sufficient evidence being gathered to charge Greece's four largest dairy companies (including FAGE Dairy Industry S.A.) with price fixing. According to the report, the State prosecutor is expected to request that the related dairy companies be charged with serial extortion, a criminal offence. During his investigation, the State prosecutor questioned a number of milk producers who alleged that the four companies threatened to stop buying milk from them if they did not lower their prices. The State prosecutor alleged that there was evidence to suggest that the dairy firms colluded and acted as a cartel to force down the price at which they purchased milk. However, FAGE Dairy Industry S.A. believes that its policy concerning the prices paid to milk producers was on an arm's length basis consistent with proper market practices and that the allegations were unfounded. To date, no charges have been brought against FAGE Dairy Industry S.A.
- (iii) Until 1999, FAGE Dairy Industry S.A. had for many years purchased UHT extended shelf life milk from a supplier, which in turn purchased the milk from a Belgian producer. As part of the financing arrangements, FAGE Dairy Industry S.A. issued a letter of guarantee to the Belgian company through a bank in Greece and, under the terms of the guarantee, FAGE Dairy Industry S.A. agreed to pay to the bank any amounts required to be paid by it under the letter of guarantee. Following the discovery of dioxin-contaminated cattle feed in Belgium, the European Commission in June 1999 prohibited the export and distribution of affected products, including milk, and, in turn, the Greek Ministry of Agriculture prohibited the importation and distribution of such animal products originating from Belgium. As a result, FAGE Dairy Industry S.A. withdrew all of the Belgian company's products from the Greek market, informed the Belgian company that it would not accept further shipments and returned certain shipments of milk to Belgium. In 2000, the Belgian company sought to enforce the letter of guarantee against the bank, which brought third party proceedings against FAGE Dairy Industry S.A. A decision was issued by the Court of First Instance in Athens which determined that the bank was required to pay the Belgian company the amount of \$1.8 million, including an immediate payment of \$0.4 million, and that FAGE Dairy Industry S.A. was required to pay to the bank whatever amounts it was required to pay to the Belgian company. FAGE Dairy Industry S.A. has filed an appeal contesting the above decisions, which was heard by the Appeals Court in Greece in September 2010. The Appeals Court of Greece issued the final decision No 5313/2010, according to which FAGE Dairy Industry S.A. was required to pay the amount of \$1.8 million. This amount was paid on February 9, 2011. FAGE Dairy Industry S.A. filed an appeal contesting the above decision before the Supreme Court of Greece, which was heard in May 2012. The Supreme Court of Greece issued a decision, which rejected the plea of FAGE Dairy Industry S.A. in the Court of Cassation and ordered a retrial (de novo trial) on the Belgian company's counter-petition.
- (iv) On September 25, 2012, FAGE UK Limited and FAGE Greece sued Chobani UK Limited and Chobani, Inc of the USA for extended passing off in the Chancery Division of the English High Court. The claim related to the Defendants' launch of a range of "Greek Yoghurt" products in the United Kingdom which were made in the USA. The FAGE companies applied for an interim injunction.

On October 17, 2012, the Chobani companies served a defense and counterclaim. The latter alleged that the FAGE companies committed a trade libel by making some statements about the Chobani "Greek Yoghurt" products in a letter of September 14, 2012 to the Camden Trading Standards Office in London. On October 22, 2012, the FAGE companies served a reply and defense to the counterclaim and strenuously denied the allegations of trade libel.

The application for an interim injunction was heard on October 31, 2012 in London. On November 8, 2012, the Court granted FAGE's application and ordered that, on the Chobani companies undertaking to the Court not from December 1, 2012 to advertise, offer for sale, sell or supply any yogurt product bearing the expression "GREEK YOGURT" or "GREEK YOGHURT", an expedited trial should start on or soon after February 18, 2013.

The trial was held from February 19 to February 27, 2013. The Judge handed down his judgment on March 26, 2013. In it, he upheld FAGE's rights in extended passing off for "Greek Yoghurt" and held that FAGE's claim to restrain Chobani from passing-off its American-made yoghurt in the UK with the description "Greek Yoghurt" had succeeded, and granted a permanent injunction to that effect.

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Chobani's counterclaim in trade libel was dismissed. The Judge ordered that Chobani should pay FAGE's legal costs of the proceedings and make a substantial payment on account which they have since made. The High Court Funds Office has also returned to FAGE the security monies previously ordered. Permission to appeal was refused by the trial judge, but was granted by the Court of Appeal itself. On September 18, 2013, Chobani filed an application for permission to rely on new grounds of appeal. Permission to do so has not yet been granted by the Court of Appeal. The appeal will be heard starting on or soon after December 9, 2013, lasting two days.

- (v) On January 30, 2013, the FAGE Group issued extended passing-off proceedings against Danone Limited for launching its new Danio "Greek Yoghurt" products in the UK, made in Poland. The FAGE Group was granted an ex parte injunction on January 30, 2013, and this injunction was maintained inter partes on February 6, 2013. Danone served a defense on April 15, 2013. On June 14, 2013, following discussions between the parties and their legal advisers, the proceedings were settled to the parties' mutual satisfaction.
- (vi) We are involved in various other legal proceedings incidental to the conduct of our business. Management does not believe that the outcome of any of these other legal proceedings will have a material adverse effect on our financial condition or results of operations. We maintain product liability insurance that we believe is adequate at the present time in light of our prior experience.

(b) Commitments:

(i) Service Agreements:

The Group has entered into agreements with Iofil, Evga and Palace, related companies, for the provision of corporate management and consulting services. These agreements expire in 2013.

Future minimum amounts payable under these agreements for the Group as at September 30, 2013 and December 31, 2012 are as follows:

	<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Within 1 year	1,492	5,832
	<u>1,492</u>	<u>5,832</u>

(ii) Operating Lease Commitments:

As of September 30, 2013 and December 31, 2012, the Group has entered into a number of operating lease agreements relating to the rental of buildings and transportation equipment most of which expire on various dates through 2020.

Rental expense included in the accompanying consolidated statements of income for the nine months ended September 30, 2013 and 2012, amounted to \$1,531 and \$1,272, respectively.

Future minimum rentals payable under non-cancelable operating leases as at September 30, 2013 and December 31, 2012 are as follows:

	<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Within one year	779	568
1-5 years	2,128	1,203
Over 5 years	229	703
Total	<u>3,136</u>	<u>2,474</u>

(iii) Letters of Guarantee:

At September 30, 2013 and December 31, 2012, the Group had outstanding bank letters of guarantee in favor of various parties amounting to \$439 and \$415, respectively. Such guarantees have been provided for the good execution of agreements and for the participation in biddings.

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(iv) Investment in USA:

To meet increasing demand in the U.S. market the Group is engaged in expanding production and warehouse capacity of its U.S. facility. The Group has signed agreements with various suppliers and contractors related to the expansion of the Johnstown plant. Future minimum amounts payable under these agreements as at September 30, 2013 amounted to \$41,072 of which, \$36,257 is due within one year. Of the total future amounts payable, \$16,004 is denominated in Euro.

22. SUBSEQUENT EVENTS:

(i) Bizios Sale

On October 30, 2013, the Group sold its 45% share in Bizios S.A. for total consideration of \$1,486 (Note 9).

(ii) General Mills Litigation

In 2000 and 2008, General Mills, Inc. (together with its affiliates, "General Mills") filed oppositions to our U.S. trademark applications for the FAGE TOTAL word mark and label designs for Greek strained yogurt and tzatziki. On September 14, 2011, the Trademark Trial and Appeal Board (the "TTAB") held that there is a likelihood of confusion between General Mills' TOTAL mark for cereal and the FAGE TOTAL mark for yogurt, but also found that there was no evidence of confusion during 13 years of simultaneous use in the marketplace. The TTAB dismissed General Mills' opposition to our application to register our FAGE TOTAL mark for tzatziki.

On September 16, 2011, General Mills commenced a lawsuit against us in U.S. federal district court alleging infringement of General Mills' TOTAL mark for cereal and unfair competition, and seeking damages and injunctive relief. On September 30, 2011, we commenced a separate lawsuit against General Mills in U.S. federal district court appealing the TTAB decision refusing to register our FAGE TOTAL mark for yogurt and seeking a declaration that our use of FAGE TOTAL does not infringe General Mills' TOTAL mark. The U.S. federal district court cases were consolidated in 2012 into a single case with the U.S. District Court for the Northern District of New York (the "Court"). Also in 2012, General Mills filed an action with the TTAB seeking cancellation of our incontestable registration for FAGE TOTAL and design for Feta cheese.

On November 1, 2013, this litigation was settled pursuant to a Settlement Agreement executed by the parties. Pursuant to the Settlement Agreement, the Court dismissed all claims in the litigation with prejudice, and it ordered the U.S. Patent and Trademark Office to issue our U.S. Application Serial Nos. 77/037,793; 77/037,808; 77/037,835; 77/037,851; 77/037,869; 77/037,897; 77/037,905; and 77/037,924 for FAGE TOTAL and design marks to registration and to dismiss General Mills' opposition to those applications. General Mills also dismissed with prejudice its TTAB cancellation proceeding against FAGE's registration for FAGE TOTAL and design for Feta cheese. No monetary relief was awarded and the parties were ordered to bear their own costs and fees related to the litigation and all proceedings before the U.S. Patent and Trademark Office.