FAGE INTERNATIONAL S.A.

QUARTERLY REPORT
For the Nine and Three Months
Ended September 30, 2014

November 14, 2014

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, 2014. The Quarterly Report includes a review, in English, of the FAGE Group's unaudited financial information and analysis for the second 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 2013 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. ("Old FAGE Parent") and FAGE USA Dairy Industry, Inc. ("FAGE USA") issued $150,000,000 principal amount of their 9⅞% 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 Old FAGE Parent and FAGE USA, as co-issuers, FAGE Luxembourg S.A. (f/k/a 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, Old FAGE Parent and FAGE USA completed the placement of an additional $250,000,000 aggregate principal amount of their 9⅞% 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.

On September 30, 2014, Old FAGE Parent merged with and into FAGE Luxembourg. Simultaneously with the merger, FAGE Luxembourg (the surviving company in the merger) changed its name to FAGE International S.A. ("FAGE International"). In connection with the merger, FAGE International has expressly assumed all of the obligations of Old FAGE Parent and is now one of the primary obligors on the Senior Notes. References to FAGE International in this Quarterly Report shall mean FAGE International S.A., as the former parent company prior to the internal merger, and FAGE International S.A. (f/k/a FAGE Luxembourg S.A.), as the new parent company following the internal merger.

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 $1,000,000 and is registered with the Luxembourg Register of Commerce and Companies under number B 171651. 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 Dairy Industry S.A., FAGE U.K. Limited, FAGE USA Holdings, Inc., FAGE USA, Corp., FAGE USA Dairy Industry, Inc., FAGE Italia S.r.l., FAGE Deutschland GmbH, 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 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.

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

DEFINITIONS

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

"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., the Guarantor 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 USA"	FAGE USA Dairy Industry, Inc., one of the issuers of the Senior Notes.
"Guarantor".............................	FAGE Greece.
"IFRS"	International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.
"Indenture"	The indenture governing the Senior Notes.
"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 S.A. ("Old FAGE Parent"), which was incorporated on September 25, 2012 in Luxembourg and was beneficially owned and controlled by Messrs. Ioannis and Kyriakos Filippou, became the parent company for all of our subsidiaries. Our operations in Greece are conducted through our Greek subsidiary, FAGE Greece (our former parent company). Until September 30, 2014, our operations outside of Greece were conducted through our Luxembourg subsidiary, FAGE Luxembourg.

In connection with the restructuring, Old FAGE Parent became one of the two primary obligors (together with FAGE USA) of the Senior Notes. FAGE Greece, our principal Greek subsidiary, and FAGE Luxembourg entered into guarantees by which they fully and unconditionally guaranteed the obligations under the Senior Notes.

On September 30, 2014, Old FAGE Parent merged with and into FAGE Luxembourg. Simultaneously with the merger, FAGE Luxembourg (the surviving company in the merger) changed its name to FAGE International S.A. ("FAGE International"). In connection with the merger, FAGE International has expressly assumed all of the obligations of Old FAGE Parent and is now one of the primary obligors on the Senior Notes.

FAGE USA

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

Financial Information

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. (both before and after the September 30, 2014 internal merger) 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, 2014 and 2013, 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. $1.2583 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, 2014.

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

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

The Consolidated Financial Statements have been prepared as of and for the nine months ended September 30, 2014 and 2013, 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 is 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 Guarantor 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 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

Certain amounts shown for the nine and three months ended September 30, 2013 have been restated as a result of the adoption of IAS 19 (R), as further detailed in Note 2(d).

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,**	
	2014	**2013**	**2014**	**2013**
	(Unaudited)		**(Unaudited)**	
Sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	(60.6)	(61.9)	(60.7)	(62.4)
Gross profit	39.4	38.1	39.3	37.6
Selling, general and administrative expenses	(29.2)	(31.3)	(27.8)	(31.1)
Other income	0.1	0.1	0.3	0.1
Other expenses	(0.4)	(0.3)	-	(0.3)
Profit from operations	9.9	6.6	11.8	6.3
Financial income/(expenses), net	(5.6)	(7.7)	(5.4)	(6.6)
Foreign exchange (losses)/gains, net	0.2	-	0.3	0.1
Profit/(loss) before income taxes	4.5	(1.1)	6.7	(0.2)
Income tax (expense)/benefit	(0.2)	(1.6)	0.7	-
Net profit/(loss)	4.3%	(2.7)%	7.4%	(0.2)%

Nine months ended September 30, 2014 compared to nine months ended September 30, 2013

Sales. Our sales in value in the nine months ended September 30, 2014 amounted to $510.9 million, an increase of $79.4 million, or 18.4%, compared to sales in value of $431.5 million in the nine months ended September 30, 2013.

This increase is mainly due to:

- first, the increase in sales in volume by 12.8%;
- second, the positive impact of 0.9% on sales from the weakening of the U.S. dollar against the euro (the respective exchange rates for the nine months ended September 30, 2014 and 2013, were €1=$1.3487 and €1=$1.3184, respectively); and
- third, changes in the product mix and price increases during the nine months ended September 30, 2014.

The increase in sales in value was mainly due to increases in sales in value in the United States, Italy and the United Kingdom by 22.0%, 80.6% and 38.8%, respectively. Sales in value in Greece decreased by 2.6%.

Our sales outside of Greece accounted for 76.5% of our total sales in value for the nine months ended September 30, 2014 as compared to 71.4% for the nine months ended September 30, 2013.

The increase in our sales in volume in the nine months ended September 30, 2014 by 12.8% compared to the respective period of 2013 resulted from increases in sales in volume in the United States, Italy and the United Kingdom by 18.8%, 74.5% and 27.2%, respectively, which were partially offset by a decrease in sales in volume in Greece by 6.4%.

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 26.8% in the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013. The main reasons for the decrease in our sales in volume 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.

Gross profit. Gross profit for the nine months ended September 30, 2014 was $201.1 million, an increase of $36.6 million, or 22.2%, from $164.5 million for the nine months ended September 30, 2013. Gross profit as a percentage of sales for the nine months ended September 30, 2014 was 39.4%, compared to 38.1% for the respective period of 2013. The main reasons for this improvement were:

- first, price increases both in Europe and the United States; and
- second, changes in the product mix, primarily in Europe.

Gross profit in the United States was negatively impacted by the increase in the prices of milk used in the U.S. facility by 33.4% comparing the nine months ended September 30, 2014 and 2013.

Gross profit in Europe was positively impacted by the decrease in the prices of milk used in the Greek facilities by 22.7% comparing the nine months ended September 30, 2014 and 2013.

Selling, general and administrative expenses. Selling, general and administrative expenses ("SG&A") for the nine months ended September 30, 2014 were $149.1 million, an increase of $14.2 million, or 10.5%, from $134.9 million for the nine months ended September 30, 2013. As a percentage of sales, selling, general and administrative expenses were 29.2% for the nine months ended September 30, 2014 and 31.3% for the comparable period of 2013. This was mainly due to the fact that, in the first nine months of 2014, third party fees, depreciation and payroll expense decreased as a percentage of sales.

Other income/(expenses), net. Net other expenses for the nine months ended September 30, 2014 and 2013 amounted to $(1.2) million.

Profit from operations. Profit from operations for the nine months ended September 30, 2014 was $50.8 million, an increase of $22.4 million, as compared to profit from operations of $28.4 million for the nine months ended September 30, 2013. As a percentage of sales, profit from operations was 9.9% for the nine months ended September 30, 2014 as compared to 6.6% for the respective period of 2013. This is mainly due to the increase in gross profit and the decrease in selling, general and administrative expenses as a percentage of sales.

Financial income/(expenses), net. Net financial expenses decreased by $4.5 million from $32.9 million for the nine months ended September 30, 2013 to $28.4 million for the nine months ended September 30, 2014. This decrease is mainly due to:

- first, the write-off of $1.3 million in the first quarter of 2013 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; and
- second, the capitalization of $3.5 million of interest expenses related to the new expansion of the U.S. yogurt facility in the nine months ended September 30, 2014 as compared to $0.7 million in the respective period of 2013 (see Note 6).

Financial income/(expenses), net as a percentage of sales was 5.6% for the nine months ended September 30, 2014 and 7.7% for the nine months ended September 30, 2013.

Foreign exchange gains/(losses), net. Net foreign exchange gains for the nine months ended September 30, 2014 were $0.8 million. Net foreign exchange losses for the nine months ended September 30, 2013 were $(0.1) million.

Profit/(loss) before income taxes. Profit before income taxes for the nine months ended September 30, 2014 was $23.2 million, compared to a loss before income taxes of $(4.5) million for the nine months ended September 30, 2013. Profit before income taxes as a percentage of sales was 4.5% for the nine months ended September 30, 2014. The improvement in profit before income taxes is mainly due to first, the increase in profit from operations and second, the decrease in financial income/(expenses), net.

Income tax expense. Income tax expense for the nine months ended September 30, 2014 was $1.3 million. Income tax expense for the nine months ended September 30, 2013 was $7.0 million. This improvement is mainly due to a deferred tax benefit resulting from New York Qualified Empire Zone Enterprise wage and investment credits related to the expansion of the New York yogurt facility carried forward to future years.

Net profit/(loss). Net profit for the nine months ended September 30, 2014 was $21.9 million, as compared to a net loss of $(11.6) million for the nine months ended September 30, 2013.

Three months ended September 30, 2014 compared to three months ended September 30, 2013

Sales. Our sales in value in the three months ended September 30, 2014 amounted to $170.9 million, an increase of $16.7 million, or 10.8%, compared to sales in value of $154.2 million in the three months ended September 30, 2013.

This increase is mainly due to:

- first, the increase in sales in volume by 6.3%; and
- second, changes in the product mix and price increases during the three months ended September 30, 2014.

This increase was partially offset by the negative impact of 1.0% on sales from the strengthening of the U.S. dollar against the euro (the respective exchange rates for the three months ended September 30, 2014 and 2013, were €1=$1.3050 and €1=$1.3338, respectively).

The increase in sales in value was mainly due to increases in sales in value in the United States, Italy and the United Kingdom by 14.7%, 61.6% and 37.6%, respectively. Sales in value in Greece decreased by 9.8%.

Our sales outside of Greece accounted for 76.1% of our total sales in value for the three months ended September 30, 2014 as compared to 70.6% for the three months ended September 30, 2013.

The increase in our sales in volume in the three months ended September 30, 2014 by 6.3% compared to the respective period of 2013 resulted from increases in sales in volume in the United States, Italy and the United Kingdom by 9.5%, 65.4% and 23.2%, respectively, which were partially offset by a decrease in sales in volume in Greece by 8.8%.

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 19.4% in the three months ended September 30, 2014 as compared to the three months ended September 30, 2013. The main reasons for the decrease in our sales volume 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.

Gross profit. Gross profit for the three months ended September 30, 2014 was $67.2 million, an increase of $9.2 million, or 15.9%, from $58.0 million for the three months ended September 30, 2013. Gross profit as a percentage of sales for the three months ended September 30, 2014 was 39.3%, compared to 37.6% for the respective period of 2013. The main reasons for this improvement were:

- first, the price increases both in Europe and the United States.; and
- second, the change in the product mix, primarily in Europe.

Gross profit in the United States was negatively impacted by the increase in the prices of milk used in the U.S. facility by 28.6% comparing the three months ended September 30, 2014 and 2013.

Gross profit in Europe was positively impacted by the decrease in the prices of milk used in the Greek facilities by 29.5% comparing the three months ended September 30, 2014 and 2013.

Selling, general and administrative expenses. Selling, general and administrative expenses ("SG&A") for the three months ended September 30, 2014 were $47.4 million, a decrease of $0.6 million, or 1.3%, from $48.0 million for the three months ended September 30, 2013. As a percentage of sales, selling, general and administrative expenses were 27.8% for the three months ended September 30, 2014 and 31.1% for the comparable period of 2013. This was mainly due to the fact that, in the three months ended September 30, 2014, third party fees, advertising costs, depreciation and payroll expense decreased as a percentage of sales.

Other income/(expenses), net. Net other income for each of the three months ended September 30, 2014 amounted to $0.5 million. Net other expenses for the three months ended September 30, 2013, amounted to $(0.3) million.

Profit from operations. Profit from operations for the three months ended September 30, 2014 was $20.2 million, an increase of $10.5 million, as compared to profit from operations of $9.7 million for the three months ended September 30, 2013. As a percentage of sales, profit from operations was 11.8% for the three months ended September 30, 2014 as compared to 6.3% for the respective period of 2013. This is mainly due to the increase in gross profit and the decrease in selling, general and administrative expenses as a percentage of sales.

Financial income/(expenses), net. Net financial expenses decreased by $0.9 million from $10.1 million for the three months ended September 30, 2013 to $9.2 million for the three months ended September 30, 2014. This decrease is mainly due to the capitalization of $1.5 million of interest expenses related to the new expansion of the U.S. yogurt facility as compared to $0.5 million in the respective period of 2013.

Financial income/(expenses), net as a percentage of sales was 5.4% for the three months ended September 30, 2014 and 6.6% for the three months ended September 30, 2013.

Foreign exchange gains/(losses), net. Net foreign exchange gains for the three months ended September 30, 2014 were $0.5 million. Net foreign exchange gains for the three months ended September 30, 2013 were $0.1 million.

Profit/(loss) before income taxes. Profit before income taxes for the three months ended September 30, 2014 was $11.5 million, compared to a loss before income taxes of $(0.3) million for the three months ended September 30, 2013. This improvement is mainly due to first, the increase in profit from operations and second, the decrease in financial income/(expenses), net.

Income tax expense. Income tax benefit for the three months ended September 30, 2014 was $1.1 million. Income tax expense for the three months ended September 30, 2013 was $0.01 million.

Net profit/(loss). Net profit for the three months ended September 30, 2014 was $12.6 million, as compared to a net loss of $(0.3) million for the three months ended September 30, 2013.

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, 2014 amounted to $42.6 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 $7.6 million is provided by a revolving credit line with Alpha Bank in Greece. The undrawn amount under the credit lines as of September 30, 2014 was $39.4 million (see Note 18). The available credit lines for the Group as of December 31, 2013 amounted to $41.9 million, which were undrawn as of December 31, 2013.

Cash at banks and cash equivalents as of September 30, 2014 amounted to $36.7 million compared to $93.0 million on December 31, 2013 (See Note 15). This decrease is mainly due to capital expenditures for the expansion of the U.S. facility amounting to $81.7 million for the nine months ended September 30, 2014.

We believe that the amount of our cash at banks and cash equivalents ($36.7 million), together with our 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,	
	2014	**2013**
($ thousands)		
Cash flow from/(used in) operating activities	69,197	29,648
Cash flow from/(used in) investing activities	(86,174)	(31,905)
Cash flow from/(used in) financing activities	(33,466)	(41,235)
Effect of exchange rates changes on cash	(5,863)	3,345
Cash and cash equivalents at beginning of period	93,022	128,036
Cash and cash equivalents at period-end	**36,716**	**87,889**

Cash flow from/(used in) operating activities. Net cash from operating activities for the nine months ended September 30, 2014 was $69.2 million, compared to net cash from operating activities of $29.6 million for the respective period of 2013. This resulted primarily from:

- first, the increase in profit before taxes from a loss of $4.5 million in the nine months ended September 30, 2013 to profit before taxes of $23.2 million in the nine months ended September 30, 2014; and
- second, the increase in the working capital changes from $(15.9) million in the nine months ended September 30, 2013 to $2.1 million in the comparable period of 2014 (Cash Flow Statement).

Cash flow from/(used in) investing activities. Net cash used in investing activities amounted to $86.2 million and $31.9 million for the nine months ended September 30, 2014 and 2013, respectively. Out of the capital expenditures of $85.9 million in the first nine months of 2014, an amount of $81.7 million relates to capital expenditures for the expansion of the U.S. facility and $4.2 million relates to maintenance capex for the facilities in Greece.

Cash flow from/(used in) financing activities. Net cash used in financing activities for the nine months ended September 30, 2014 was $33.5 million, consisting of interest paid of $36.6 million and proceeds from short-term borrowings of $3.1 million (which consisted of €2.5 million borrowed from Alpha Bank in Greece). Net cash used in financing activities for the nine months ended September 30, 2013 was $41.2 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, 2014 amounted to $70.6 million, as compared to $47.6 million for the nine months ended September 30, 2013. The reconciliation of net profit/(loss) to EBITDA is as follows:

	Nine months ended September 30,	
	2014	**2013**
	($ thousands)	
Net profit/(loss)	21,860	(11,563)
Income tax expense/(benefit)	1,330	7,023
Financial (income)/expenses, net	28,449	32,874
Depreciation and amortization	18,926	19,224
EBITDA	70,565	47,558

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, 2014 amounted to $346.7 million, as compared to $285.3 million as of December 31, 2013.

Principal Risks and Uncertainties for the Remaining Three Months of 2014

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:

	September 30, 2014	**December 31, 2013**
Due from:		
- Ioannis Nikolou ULP	811	951
- Evga S.A.	3,380	3,111
- G.S. Kostakopoulos & Associates	9	-
	4,200	**4,062**
Due to:		
- Iofil S.A.	1,230	2,547
- Mornos S.A.	3,824	2,806
- Vis S.A.	901	236
- Agan S.A.	731	735
- Alpha Phi S.à r.l.	345	345
- Theta Phi S.à r.l.	345	345
	7,376	**7,014**

Transactions with related companies for the nine months ended September 30, 2014 and 2013, are analyzed as follows:

	Purchases from related parties		**Sales to related parties**	
	2014	**2013**	**2014**	**2013**
Inventories, materials and supplies	32,137	29,226	1,862	1,869
Advertising and media	4,933	4,347	-	-
Other services	6,484	13,138	-	-
	43,554	**46,711**	**1,862**	**1,869**

RECENT DEVELOPMENT

In October 2014, FAGE successfully settled its claim for UK Supreme Court costs in the Chobani litigation and the amount of damages payable by Chobani to FAGE and those amounts have been paid. This brings to a conclusion the Chobani litigation in FAGE’s favor.

FAGE INTERNATIONAL S.A.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS

FAGE INTERNATIONAL S.A.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2014

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

(UNAUDITED)

	Notes	Nine months ended September 30, 2014	Nine months ended September 30, 2013 (restated*)	Three months ended September 30, 2014	Three months ended September 30, 2013 (restated*)
Sales		510,927	431,525	170,922	154,209
Cost of sales		(309,779)	(267,035)	(103,694)	(96,245)
Gross profit		**201,148**	**164,490**	**67,228**	**57,964**
Selling, general and administrative expenses	5	(149,099)	(134,935)	(47,439)	(47,961)
Other income		649	455	462	191
Other expenses		(1,854)	(1,621)	(8)	(493)
PROFIT FROM OPERATIONS		**50,844**	**28,389**	**20,243**	**9,701**
Financial expenses	6	(28,587)	(32,940)	(9,249)	(10,142)
Financial income	6	138	66	17	26
Impairment loss		-	-	-	9
Foreign exchange (losses)/gains, net		795	(55)	498	118
PROFIT/(LOSS) BEFORE INCOME TAXES		**23,190**	**(4,540)**	**11,509**	**(288)**
Income tax (expense)/benefit	7	(1,330)	(7,023)	1,135	(6)
NET PROFIT/(LOSS)		**21,860**	**(11,563)**	**12,644**	**(294)**
Attributable to:					
Equity holders of the parent		21,860	(11,563)	12,644	(294)
		21,860	**(11,563)**	**12,644**	**(294)**
Earnings/(loss) per share					
Basic and diluted		437.18	(231.25)	252.87	(5.88)
Weighted average number of shares, basic and diluted		**50,002**	**50,002**	**50,002**	**50,002**

* Certain amounts shown for the nine and three months ended September 30, 2013 have been restated as a result of the adoption of IAS 19 (R), as further detailed in Note 2(d).

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

FAGE INTERNATIONAL S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/LOSS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2014

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

(UNAUDITED)

		Nine months ended September 30,		Three months ended September 30,	
	Notes	**2014**	**2013**	**2014**	**2013**
			(restated*)		(restated*)
Net profit/(loss) for the period		**21,860**	**(11,563)**	**12,644**	**(294)**
Other comprehensive income to be reclassified to profit or Loss in subsequent periods:					
Effect of change of income tax rate on deferred income tax on land revaluation surplus		-	(2,151)	-	(96)
Exchange gains/(losses) on translation of foreign operations		(19,355)	5,085	(17,347)	7,328
Net unrealized gains/(losses) on available for sale financial assets	10	(78)	30	38	54
Deferred income taxes on unrealized gains/(losses) on available for sale financial assets		20	(8)	(10)	(14)
		(58)	22	28	40
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**(19,413)**	**2,956**	**(17,319)**	**7,272**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Net actuarial losses		(89)	(110)	(4)	(38)
Deferred income taxes on net actuarial losses		23	29	1	10
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		**(66)**	**(81)**	**(3)**	**(28)**
Other comprehensive income/(loss) for the period, net of deferred income taxes		**(19,479)**	**2,875**	**(17,322)**	**7,244**
Total comprehensive income/(loss) for the period, net of deferred income taxes		**2,381**	**(8,688)**	**(4,678)**	**6,950**
Attributable to:					
Equity holders of the parent		2,381	(8,688)	(4,678)	6,950
		2,381	**(8,688)**	**(4,678)**	**6,950**

* Certain amounts shown for the nine and three months ended September 30, 2013 have been restated as a result of the adoption of IAS 19 (R), as further detailed in Note 2(d).

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

FAGE INTERNATIONAL S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT SEPTEMBER 30, 2014

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

	Notes	September 30, 2014	December 31, 2013
ASSETS			
Non-Current Assets			
Property, plant and equipment		409,757	355,991
Intangible assets		3,652	3,802
Goodwill	8	6,186	6,667
Available for sale financial assets	10	111	121
Other non-current assets	11	986	958
Deferred income taxes		117,440	109,346
Total non-current assets		**538,132**	**476,885**
Current Assets:			
Inventories	12	45,113	43,578
Trade and other receivables	13	101,812	100,812
Due from related companies	14	4,200	4,062
Prepaid income taxes		27	527
Available for sale financial assets	10	568	693
Cash and cash equivalents	15	36,716	93,022
Total current assets		**188,436**	**242,694**
TOTAL ASSETS		**726,568**	**719,579**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent Company			
Share capital		1,000	50
Share premium		50,778	51,728
Other reserves		459	459
Land revaluation surplus		42,948	42,948
Reversal of fixed assets statutory revaluation surplus		(44,410)	(44,410)
Accumulated profit/(losses)		112,264	90,404
Legal, tax free and special reserves		46,334	46,334
Other components of equity		(6,717)	12,762
		202,656	**200,275**
Non-controlling interests		**1**	**1**
Total Equity		**202,657**	**200,276**
Non-Current Liabilities			
Interest-bearing loans and borrowings	16	380,244	378,342
Provision for staff retirement indemnities		4,729	5,055
Deferred income taxes		53,942	51,652
Total non-current liabilities		**438,915**	**435,049**
Current Liabilities:			
Trade accounts payable	17	38,061	45,148
Due to related companies	14	7,376	7,014
Short-term borrowings		3,146	-
Income taxes payable		2,178	745
Accrued and other current liabilities	19	34,235	31,347
Total current liabilities		**84,996**	**84,254**
Total liabilities		**523,911**	**519,303**
TOTAL EQUITY AND LIABILITIES		**726,568**	**719,579**

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, 2014
(All amounts in thousands of U.S. dollars)

(UNAUDITED)

	Share capital	Share premium	Land revaluation surplus	Reversal of Fixed Assets Statutory Revaluation Surplus	Legal, tax free and special reserves	Other reserves	Retained earnings/ (losses)	Unrealized gains/(losses) on available for sale financial assets	Actuarial gains/ (losses)	Foreign exchange gains/ (losses)	Total	Non-controlling interests	Total equity
Balance December 31, 2013	**50**	**51,728**	**42,948**	**(44,410)**	**46,334**	**459**	**90,404**	**119**	**(724)**	**13,367**	**200,275**	**1**	**200,276**
Profit for the period	-	-	-	-	-	-	21,860	-	-	-	21,860	-	21,860
Share capital increase	950	(950)	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income/(loss)	-	-	-	-	-	-	-	(58)	(66)	(19,355)	(19,479)	-	(19,479)
Total comprehensive income/(loss)	**950**	**(950)**	**-**	**-**	**-**	**-**	**21,860**	**(58)**	**(66)**	**(19,355)**	**2,381**	**-**	**2,381**
Balance, September 30, 2014	**1,000**	**50,778**	**42,948**	**(44,410)**	**46,334**	**459**	**112,264**	**61**	**(790)**	**(5,988)**	**202,656**	**1**	**202,657**

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	Actuarial gains/ (losses)	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**	**(665)**	**3,520**	**208,135**	**1**	**208,136**
Loss for the period	-	-	-	-	-	-	(11,563)	-	-	-	(11,563)	-	(11,563)
Other comprehensive income/(loss)	-	-	(2,151)	-	-	-	-	22	(81)	5,085	2,875	-	2,875
Total comprehensive income/(loss)	**-**	**-**	**(2,151)**	**-**	**-**	**-**	**(11,563)**	**22**	**(81)**	**5,085**	**(8,688)**	**-**	**(8,688)**
Balance, September 30, 2013 *	**50**	**51,728**	**42,994**	**(44,410)**	**47,456**	**459**	**93,271**	**40**	**(746)**	**8,605**	**199,447**	**1**	**199,448**

* Certain amounts shown for the nine months ended September 30, 2013 have been restated as a result of the adoption of IAS 19 (R), as further detailed in Note 2(d).

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

FAGE INTERNATIONAL S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014
(All amounts in thousands of U.S. dollars)
(UNAUDITED)

	Notes	September 30, 2014	September 30, 2013 (restated*)
Operating activities			
Profit/(loss) before income taxes		23,190	(4,540)
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	4	18,926	19,224
Provision for severance pay on retirement		146	745
Provision for doubtful accounts receivable	13	1,269	941
Financial income	6	(138)	(66)
Financial expenses	6	28,587	32,940
(Gain)/loss on disposal of property, plant and equipment		(55)	427
Operating profit before working capital changes		**71,925**	**49,671**
(Increase)/Decrease in:			
Inventories	12	(1,535)	(4,037)
Trade and other receivables	13	(2,270)	(19,314)
Due from related companies	14	(138)	(1,026)
Increase/(Decrease) in:			
Trade accounts payable	17	(7,087)	3,626
Due to related companies	14	362	2,746
Accrued and other current liabilities	19	12,806	2,096
Working capital changes		**2,138**	**(15,909)**
Income taxes paid		(4,366)	(3,426)
Payment of staff indemnities		(472)	(666)
(Increase)/decrease in other non-current assets	11	(28)	(22)
Net Cash from Operating Activities		**69,197**	**29,648**
Investing Activities:			
Capital expenditure for property, plant and equipment		(85,946)	(31,974)
Additions to intangible assets		(425)	(203)
Proceeds from disposal of property, plant and equipment		59	206
Interest and other related income received	6	138	66
Net Cash used in Investing Activities		**(86,174)**	**(31,905)**
Financing Activities:			
Proceeds from short and long-term borrowings		3,146	12,842
Repayments of short and long-term borrowings		-	(6,540)
Interest paid		(36,612)	(47,537)
Net Cash used in Financing Activities		**(33,466)**	**(41,235)**
Net increase/(decrease) in cash and cash equivalents		**(50,443)**	**(43,492)**
Effect of exchange rates changes on cash		**(5,863)**	**3,345**
Cash and cash equivalents at beginning of period	15	**93,022**	**128,036**
Cash and cash equivalents at September 30	15	**36,716**	**87,889**

* Certain amounts shown for the nine months ended September 30, 2013 have been restated as a result of the adoption of IAS 19 (R), as further detailed in Note 2(d).

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

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 $1,000 and is registered with the Luxembourg Register of Commerce and Companies under number B 171651.

References to the Group include, unless the context requires otherwise, FAGE International and its consolidated subsidiaries (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.). FAGE International operates principally in the United States, the Hellenic Republic, also known as Greece, and, through its subsidiaries, elsewhere in Europe.

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 S.A. ("Old FAGE Parent") 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 Old FAGE Parent as the parent was 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). Until September 30, 2014, the Group's operations outside of Greece were conducted through a Luxembourg subsidiary, FAGE Luxembourg S.A. (f/k/a FAGE Luxembourg S.à r.l.) ("FAGE Luxembourg").

On September 30, 2014, Old FAGE Parent merged with and into FAGE Luxembourg. Simultaneously with the merger, FAGE Luxembourg (the surviving company in the merger) changed its name to FAGE International S.A. ("FAGE International"). In connection with the merger, FAGE International has expressly assumed all of the obligations of Old FAGE Parent and is now one of the primary obligors on the Senior Notes.

The Group's total number of employees as of September 30, 2014 and 2013, was approximately 1,037 and 1,011, 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, 2013. 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, 2013 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, 2014 and which did not have any impact on the financial position or performance of the Group:

- **IAS 28 Investments in Associates and Joint Ventures (Revised)**
  The Standard is effective for annual periods beginning on or after 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 amendment 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 9 Financial Instruments: Classification and Measurement and subsequent amendments to IFRS 9 and IFRS 7-Mandatory Effective Date and Transition Disclosures; Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39**
  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 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. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The subsequent package of amendments issued in November 2013 initiates further accounting requirements for financial instruments. These amendments: a) bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; b) allow the changes to address the so-called "own credit" issue that were already included in IFRS 9 Financial Instruments to be applied in isolation without the need to change any other accounting for financial instruments; and c) remove the January 1, 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements. These standards and subsequent amendments have not yet been endorsed by the European Union ("EU"). The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

- **IFRS 10 Consolidated Financial Statements; IAS 27 Separate Financial Statements**
  The new standard is effective for annual periods beginning on or after January 1, 2014. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities.

  IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. 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, 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 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, 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 new standard will have an impact on its financial position or results of operations.

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

- **IFRS 14 Regulatory Deferral Accounts**
  The standard is effective for annual periods beginning on or after January 1, 2016. The IASB has a project to consider the broad issues of rate regulation and plans to publish a Discussion Paper on this subject in 2014. Pending the outcome of this comprehensive rate-regulated activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. This standard has not yet been endorsed by the EU. The Group does not expect that the standard will have an impact on its financial position or results of operations.

- **IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets**
  This amendment is effective for annual periods beginning on or after January 1, 2014. These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or Cash Generating Units (CGUs) for which an impairment loss has been recognized or reversed during the period. The Group does not expect that the amendment will have an impact on its financial position or results of operations.

- **IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting**
  This amendment is effective for annual periods beginning on or after January 1, 2014. Under the amendment there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. The Group does not expect that the amendment will have an impact on its financial position or results of operations.

- **IAS 19 Defined Benefit Plans (Amended): Employee Contributions**
  The amendment is effective from July 1, 2014. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. 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.

- **IFRIC Interpretation 21: Levies**
  The interpretation is effective for annual periods beginning on or after January 1, 2014. The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a

result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This interpretation has not yet been endorsed by the EU. The Group does not expect that the interpretation will have an impact on its financial position or results of operations.

- The IASB has issued the **Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after July 1, 2014. These annual improvements have not yet been endorsed by the EU. The Group does not expect that the amendments will have an impact on its financial position or results of operations.

  - ***IFRS 2 Share-based Payment:*** This improvement amends the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition” (which were previously part of the definition of “vesting condition”).

  - ***IFRS 3 Business combinations:*** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.

  - ***IFRS 8 Operating Segments:*** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

  - ***IFRS 13 Fair Value Measurement:*** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

  - ***IAS 16 Property, Plant and Equipment:*** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

  - ***IAS 24 Related Party Disclosures:*** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

  - ***IAS 38 Intangible Assets:*** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

- The IASB has issued the **Annual Improvements to IFRSs 2011 – 2013 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after July 1, 2014. These annual improvements have not yet been endorsed by the EU. The Group does not expect that the amendments will have an impact on its financial position or results of operations.

  - ***IFRS 3 Business Combinations:*** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

  - ***IFRS 13 Fair Value Measurement:*** This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.

  - ***IAS 40 Investment Properties:*** This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and an investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

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

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

(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) The Group applied IAS 19 (Revised 2011) for the first time in its 2013 Annual Report. The figures for the nine months ended September 30, 2013 have been restated for comparative purposes.

3. PAYROLL COST:

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

	September 30,	
	2014	**2013**
Wages and salaries	33,933	32,378
Social security costs	6,026	6,012
Provision for severance pay on retirement	146	745
Other staff costs	4,194	3,458
Total payroll	**44,299**	**42,593**
Less: amounts charged to cost of production	(22,962)	(22,198)
amounts capitalized to tangible and intangible assets	(1,331)	(1,059)
Payroll expensed (Note 5)	**20,006**	**19,336**

4. DEPRECIATION AND AMORTIZATION:

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

	September 30,	
	2014	**2013**
Depreciation of property, plant and equipment	18,498	18,814
Amortization of intangible assets	428	410
Total depreciation and amortization	**18,926**	**19,224**
Less: amounts charged to cost of production	(14,255)	(14,625)
Depreciation and amortization expensed (Note 5)	**4,671**	**4,599**

5. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

Selling, general and administrative expenses in the accompanying consolidated statement of profit or loss are analyzed as follows:

	September 30,	
	2014	**2013**
Shipping and handling costs	42,586	35,709
Advertising costs	50,084	41,298
Third party fees	21,551	25,054
Payroll (Note 3)	20,006	19,336
Depreciation and amortization (Note 4)	4,671	4,599
Repairs and maintenance	1,048	1,401
Travelling and entertainment	1,018	2,042
Allowance for doubtful accounts	1,269	941
Other	6,866	4,555
Total	**149,099**	**134,935**

Compensation paid to directors and executive officers for the nine months ended September 30, 2014 and 2013, included in payroll and third party fees, amounted to $8,558 and $3,097, respectively. Of these amounts, $6,476 and $1,503 have been paid to members of the Filippou family in the nine months ended September 30, 2014 and 2013, respectively.

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

6. FINANCIAL INCOME/(EXPENSE):

Financial income/(expense) in the accompanying consolidated statement of profit or loss is analyzed as follows:

	September 30,	
	2014	**2013**
Financial expenses on loans and borrowings	(31,518)	(33,132)
Interest on short-term borrowings	(487)	(358)
Other	(114)	(188)
	(32,119)	(33,678)
Less: amounts capitalized in property, plant and equipment	3,532	738
Total financial expenses	**(28,587)**	**(32,940)**
Interest earned on cash at banks and on time deposits	53	66
Other financial income	85	-
Total financial income	**138**	**66**
Total financial income/(expense), net	**(28,449)**	**(32,874)**

7. INCOME TAXES:

In accordance with Luxembourg tax regulations, the corporate tax rate for fiscal years 2013 and 2014 is 29.2%.

The provision for income taxes reflected in the accompanying consolidated statement of profit or loss is analyzed as follows:

	September 30,	
	2014	**2013**
Current income taxes:		
—current income tax charge	6,299	5,741
Deferred income tax charge/(benefit)	(4,969)	1,282
Total income tax reported in the statement of profit or loss.......	**1,330**	**7,023**

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.

As part of the restructuring, in September 2012, FAGE Dairy Industry S.A. formed a new Luxembourg subsidiary, FAGE Luxembourg. 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 September 2012, Old FAGE Parent became the owner of all of the shares of FAGE Dairy Industry S.A.

On October 1, 2012, FAGE Dairy Industry S.A. transferred all of the shares of FAGE Luxembourg to Old FAGE Parent, 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.

As a result of the restructuring, Old FAGE Parent, a Luxembourg corporation which was incorporated on September 25, 2012 and was beneficially owned and controlled by Messrs. Ioannis and Kyriakos Filippou, became the parent company for all of the Group's subsidiaries. Management concluded that, as the beneficial owners of the Group remained the same, the Group of Old FAGE Parent was 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). Until September 30, 2014, the Group's operations outside of Greece were conducted through a Luxembourg subsidiary, FAGE Luxembourg.

In connection with the restructuring, on October 1, 2012, Old FAGE Parent became the primary obligor of the 2015 Senior Notes and one of the two primary obligors (together with FAGE USA Dairy Industry, Inc.) of the 2020 Senior

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

Notes. FAGE Dairy Industry S.A., the principal Greek subsidiary, and FAGE Luxembourg , 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.

On September 30, 2014, Old FAGE Parent merged with and into FAGE Luxembourg. Simultaneously with the merger, FAGE Luxembourg (the surviving company in the merger) changed its name to FAGE International S.A. ("FAGE International"). In connection with the merger, FAGE International has expressly assumed all of the obligations of Old FAGE Parent and is now one of the primary obligors on the Senior Notes.

The consolidated financial statements as at September 30, 2014 include the financial statements of FAGE International S.A. and its subsidiaries listed below:

	Equity interest September 30, 2014	**Country of incorporation**	
FAGE USA Holdings, Inc. (subgroup analyzed below)	100.0%	USA	Holding company of FAGE USA Dairy Industry, Inc., and FAGE USA, Corp.
FAGE Dairy Industry S.A. (subgroup analyzed below)	100.0%	Greece	Greek operating subsidiary with its primary activity being the operation of the Group's Greek production facilities and distribution of its products mainly in Europe.
FAGE Italia S.r.l.	100.0%	Italy	Distribution network covering Italy
FAGE U.K. Limited	100.0%	United Kingdom	Distribution network covering the United Kingdom
FAGE Deutschland GmbH	100.0%	Germany	Distribution network covering Germany

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

	Equity interest September 30, 2014	**Country of incorporation**	
FAGE USA Dairy Industry, Inc.	100.0%	USA	U.S. operating subsidiary with its primary activity being the operation of the Group's U.S. yogurt production facility and the distribution of its products in the U.S.
FAGE USA, Corp.	100.0%	USA	U.S. operating subsidiary with its primary activity being the provision of sales and marketing services to FAGE USA Dairy Industry, Inc.

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

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

	Equity interest September 30, 2014	Country of incorporation	
FAGE Commercial S.A. (Xylouris)	100.0%	Greece	Commercial
Zagas S.A.	100.0%	Greece	Cheese producer—non-operating
Agroktima Agios Ioannis S.A.	100.0%	Greece	Agricultural and farm development ceased operations
Iliator S.A.	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:

	September 30, 2014	December 31, 2013
Foods Hellas S.A. (FAGE Dairy Industry S.A.)	1,631	1,787
Voras S.A. (FAGE Dairy Industry S.A.)	2,670	2,926
FAGE Italia S.r.l.	357	392
FAGE U.K. Limited	1,528	1,562
Total	**6,186**	**6,667**

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

Bizios S.A. (Bizios) was incorporated on November 10, 1997. During 1997, FAGE Dairy Industry S.A. purchased 45% of the voting shares for cash consideration of $6,274. FAGE's investment in Bizios was accounted for using the equity method. In October 2013, FAGE sold its 45% share in Bizios for total consideration of $1,151, which amount was recorded as a gain in the consolidated statement of profit or loss for the year ended December 31, 2013.

10. AVAILABLE FOR SALE FINANCIAL ASSETS:

Available for sale financial assets are analyzed as follows:

	September 30, 2014	December 31, 2013
Shares—listed and unlisted:		
Vis S.A. (listed)	372	477
Elbisco Holdings S.A. (**delisted in 2012**)	196	216
Total Available for Sale Financial Assets in Current Assets	**568**	**693**
Shares—unlisted:		
Packing Hellas Development S.A.	111	121
Total Available for Sale Financial Assets in Non-Current Assets	**111**	**121**

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.

For the nine months ended September 30, 2014 and 2013, gains/(losses) of $(58) and $22, respectively (net of deferred income taxes of $20 and $(8), respectively), were recognized and reported in other comprehensive income/(loss).

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

11. OTHER NON-CURRENT ASSETS:

Other non-current assets are analyzed as follows:

	September 30, 2014	December 31, 2013
Utility deposits	413	429
Other	573	529
	986	**958**

12. INVENTORIES:

Inventories are analyzed as follows:

	September 30, 2014	December 31, 2013
Merchandise	3,056	1,995
Finished and semi-finished products	16,703	16,905
Raw materials and supplies	25,354	24,678
	45,113	**43,578**

13. TRADE AND OTHER RECEIVABLES:

Trade and other receivables are analyzed as follows:

	September 30, 2014	December 31, 2013
Trade:		
—In U.S. dollars	38,956	28,294
—In foreign currencies	48,150	50,365
	87,106	**78,659**
—Less: allowance for doubtful accounts	(3,297)	(3,521)
	83,809	**75,138**
Other:		
—Value added tax	8,958	14,832
—Prepaid taxes, other than income taxes	4	4
—Prepaid expenses	4,091	5,026
—Advances to suppliers	8,468	8,988
—Various debtors	6,243	6,584
	27,764	**35,434**
—Less: allowance for doubtful accounts	(9,761)	(9,760)
	18,003	**25,674**
	101,812	**100,812**

The consolidated income statements for the nine months ended September 30, 2014 and 2013, reflect a charge of $1,269 and $941, respectively, for additional allowance for doubtful accounts.

There was no write-off of accounts receivable during the nine months ended September 30, 2014 and 2013.

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

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.

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

Account balances with related companies are as follows:

	September 30, 2014	December 31, 2013
Due from:		
- Ioannis Nikolou ULP	811	951
- Evga S.A.	3,380	3,111
- G.S. Kostakopoulos & Associates	9	-
	4,200	**4,062**
Due to:		
- Iofil S.A.	1,230	2,547
- Mornos S.A.	3,824	2,806
- Vis S.A.	901	236
- Agan S.A.	731	735
- Alpha Phi S.à r.l.	345	345
- Theta Phi S.à r.l.	345	345
	7,376	**7,014**

Transactions with related companies for the nine months ended September 30, 2014 and 2013, are analyzed as follows:

	Purchases from related parties		Sales to related parties	
	2014	2013	2014	2013
Inventories, materials and supplies	32,137	29,226	1,862	1,869
Advertising and media	4,933	4,347	-	-
Other services	6,484	13,138	-	-
	43,554	**46,711**	**1,862**	**1,869**

Purchases of inventories, materials and supplies, represent approximately 11% and 13% of the Group's total purchases for the nine months ended September 30, 2014 and 2013, respectively.

Advertising, media buying and other services represent approximately 20% and 32% of the Group's total respective costs for the nine months ended September 30, 2014 and 2013, respectively.

15. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are analyzed as follows:

	September 30, 2014	December 31, 2013
Cash in hand	144	363
Cash at banks	36,572	92,659
	36,716	**93,022**

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 $53 and $66 for the nine months ended September 30, 2014 and 2013, respectively, and is included in financial income in the accompanying consolidated statement of profit or loss.

Cash and cash equivalents at September 30, 2014 consists of $20,202 denominated in foreign currencies and $16,514 in U.S. dollars ($21,166 and $71,856 at December 31, 2013, respectively).

Furthermore, as at December 31, 2012, the Group had a cash deposit of $138,934 separately disclosed in the consolidated statement of financial position for the redemption of the 2015 Senior Notes and accrued interest thereon. In January 2013, it was used to extinguish the 2015 Senior Notes together with accrued interest thereon.

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

16. INTEREST BEARING LOANS AND BORROWINGS:

Interest bearing loans and borrowings are analyzed as follows:

	September 30, 2014	December 31, 2013
Senior Notes due 2020	400,000	400,000
Less: Unamortized issuance costs	(19,756)	(21,658)
	380,244	**378,342**

(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.

(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, 2013 and September 30, 2014.

Finance expenses on the Group's interest-bearing loans and borrowings for the nine months ended September 30, 2014 and 2013, amounted to $31,518 and $33,132, respectively, and are included in financial expenses in the accompanying consolidated statement of profit or loss (Note 6).

The annual principal payments required to be made on all loans subsequent to September 30, 2014 and December 31, 2013 are as follows:

	September 30, 2014	December 31, 2013
Over 5 years	400,000	400,000
	400,000	**400,000**

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

17. TRADE ACCOUNTS PAYABLE:

Trade accounts payable are analyzed as follows:

	September 30, 2014	December 31, 2013
Suppliers in U.S. dollars	12,939	13,261
Suppliers in other currencies	25,122	31,887
	38,061	**45,148**

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:

	September 30, 2014	December 31, 2013
Credit lines available	42,550	41,900
Unused credit lines	(39,404)	(41,900)
Short-term borrowings	**3,146**	**-**

The weighted average interest rate on short-term borrowings for the nine months ended September 30, 2014 and 2013, was 7.81% and 5.30%, respectively.

Interest on short-term borrowings for the nine months ended September 30, 2014 and 2013, was $487 and $358, respectively.

19. ACCRUED AND OTHER CURRENT LIABILITIES:

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

	September 30, 2014	December 31, 2013
Payroll	569	655
Third parties	13	15
Milk producers	9	8
Other	355	212
	946	**890**
Advances from customers	281	899
Accrued interest	6,584	16,502
Social security funds payable	831	1,783
Accrued and other liabilities	25,593	11,273
	33,008	**29,558**
Total	**34,235**	**31,347**

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, 2014 and 2013, is analyzed as follows:

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

	Nine months ended September 30, 2014			
	European operations	U.S. operations	Eliminations	Consolidated
Revenues				
Net sales to external customers	202,849	308,078	-	510,927
Inter-segment sales	90,208	-	(90,208)	-
Segment revenues	293,057	308,078	(90,208)	510,927
Results				
Profit/(loss) before income taxes	10,528	12,662	-	23,190
Segment result net profit/(loss)	6,519	15,341	-	21,860
Other segment information:				
Capital expenditures:				
Tangible and intangible fixed assets	4,648	81,723	-	86,371
Depreciation and amortization	9,289	9,637	-	18,926
Financial expenses	15,849	12,738	-	28,587
Income tax benefit/(expense)	(4,008)	2,678	-	(1,330)

	Nine months ended September 30, 2013			
	European operations	U.S. operations	Eliminations	Consolidated
Revenues				
Net sales to external customers	178,987	252,538	-	431,525
Inter-segment sales	70,750	-	(70,750)	-
Segment revenues	249,737	252,538	(70,750)	431,525
Results				
Profit/(loss) before income taxes	(14,859)	10,319	-	(4,540)
Segment result net profit/(loss)	(19,140)	7,577	-	(11,563)
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)

The following table presents segment assets and liabilities of the Group as at September 30, 2014 and December 31, 2013.

September 30, 2014	European operations	U.S. operations	Eliminations	Consolidated
Segment assets	398,065	382,805	(54,302)	726,568
Segment liabilities	291,827	286,386	(54,302)	523,911

December 31, 2013	European operations	U.S. operations	Eliminations	Consolidated
Segment assets	407,685	341,932	(30,038)	719,579
Segment liabilities	288,120	261,221	(30,038)	519,303

21. CONTINGENCIES AND COMMITMENTS:

(a) Litigation and claims:

(i) On September 25, 2012, FAGE UK Limited and FAGE Dairy Industry S.A. sued Chobani UK Limited and Chobani, Inc. of the USA (collectively "Chobani") 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. 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 it has since made, and Chobani subsequently made a further substantial payment in settlement of the balance of FAGE's legal costs. The High Court Funds Office has also returned to FAGE the security monies previously ordered. Permission to appeal on the passing off issue 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 allow new grounds for appeal. Consideration of the application for permission to do so was ordered by the Court to be dealt with at the full appeal hearing. The appeal was heard on December 10 and 11, 2013.

The Court of Appeal delivered its judgment on January 28, 2014. The FAGE companies won on all issues with costs of the appeal being awarded against Chobani. The Court found that the trial judge had been correct in his findings that FAGE's case in passing off succeeded and that the permanent injunction should be maintained. The Court rejected the new grounds of appeal and refused permission for them to be added by way of amendment to the existing grounds of appeal.

Chobani then asked the Court of Appeal for permission to appeal further to the UK Supreme Court. The Court refused permission to appeal on both procedural and substantive grounds. The Judge ordered Chobani to make to FAGE a substantial payment on account of its Court of Appeal costs.

On February 25, 2014, Chobani applied directly to the UK Supreme Court for permission to appeal. On March 12, 2014, FAGE filed objections to Chobani's application. On July 23, 2014, the UK Supreme Court refused Chobani permission to appeal and awarded FAGE its costs of the Supreme Court application.

On September 3, 2014, Chobani asked the UK Supreme Court to explain why a referral of the case to the Court of Justice of the European Union had not been made. On September 8, 2014, the UK Supreme Court informed Chobani that, as permission to appeal had been refused, the UK Supreme Court could not make the referral that Chobani had requested.

(ii) Following the imposition of a fine on FAGE Dairy Industry S.A., by virtue of Decision No. 369/V/2007 of the Plenary Session of the Hellenic Competition Commission, which fine has been already fully written off, 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 Company believes are entirely without merit. Similar lawsuits against other dairy companies already have been dismissed.

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

(iii) 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 had agreements with Iofil, Evga and Palace, related companies, for the provision of corporate management and consulting services. These agreements expired in 2013.

There were no future minimum amounts payable under these agreements for the Group as at September 30, 2014 and December 31, 2013.

(ii) Operating Lease Commitments:

As of September 30, 2014 and December 31, 2013, 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 statement of profit or loss for the nine months ended September 30, 2014 and 2013, amounted to $2,048 and $1,531, respectively.

Future minimum rentals payable under non-cancelable operating leases as at September 30, 2014 and December 31, 2013 are as follows:

	September 30, 2014	December 31, 2013
Within one year	875	703
1-5 years	2,601	1,781
Over 5 years	940	344
Total	**4,416**	**2,828**

(iii) Finance Lease Commitments:

As of September 30, 2014, the Group has entered into finance leases covering packaging machinery at its facility in Amyntaio, Greece. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	September 30, 2014		December 31, 2013	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	128	98	-	-
1-5 years	192	156	-	-
Total minimum lease payments	320	254	-	-
Less amounts representing finance charges	(66)	-	-	-
Present value of minimum lease payments	**254**	**254**	**-**	**-**

(iv) Letters of Guarantee:

At September 30, 2014 and December 31, 2013, the Group had outstanding bank letters of guarantee in favor of various parties amounting to $1,807 and $475, respectively. Such guarantees have been provided for the good execution of agreements.

(v) Investment in USA:

To meet increasing demand in the U.S. market, the Group is engaged in expanding the production and warehouse capacity of its U.S. facility. The Group has signed agreements with various suppliers and contractors related to this expansion. Future minimum amounts payable under these agreements as at September 30, 2014 amounted to $30,174, $27,279 of which is due within one year. Of the total future amounts payable, $14,764 is denominated in Euro.

22. SUBSEQUENT EVENT:

In October 2014, FAGE successfully settled its claim for UK Supreme Court costs in the Chobani litigation and the amount of damages payable by Chobani to FAGE and those amounts have been paid. This brings to a conclusion the Chobani litigation in FAGE’s favor.