# R.F. ENERGY HOLDING

# SOCIETE ANONYME


**Distinctive title : R.F. ENERGY S.A.**

**128 Vouliagmenis Avenue - 166 74**

**Glyfada, Attiki**

**P.C.Reg. No. 61197/01NT/B/06/149**


**ANNUAL FINANCIAL REPORT**

**January 1st, 2011 - December 31st , 2011**

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## STATEMENTS BY THE MEMBERS OF THE BOARD OF DIRECTORS

We

1 Ioannis Tsakiris, Vice-President of the
2 Board Georgios Fidakis, Managing Director
3 Ioannis Pantousis, Member of the Board

STATE THAT

To the best of our knowledge:

a. Financial Statements for the period 1/1/2011-31/12/2011, which have been prepared in accordance with international accounting standards in force, present all figures pertaining to assets, liabilities, shareholders equity and financial results of the Company R.F. ENERGY S.A., as well as of the companies included in the consolidation and jointly refered to as Group, in a truthful manner, and
b. The Board of Directors Annual Report on the annual Financial Statements presents in a truthful manner all such issues as development, financial performance and financial position of R.F. ENERGY S.A., and of the businesses included in Group consolidation, as well as any major risks and uncertainties that the Company and the Group may face.

**Glyfada, March 14th, 2012**

| Vice-President of the BoD | Managing Director | Board Member |
|---|---|---|
| Ioannis Tsakiris | Georgios Fidakis | Ioannis Pantousis |

**ANNUAL REPORT BY THE BOARD OF DIRECTORS OF R.F. ENERGY S.A. FOR THE 2011 FISCAL YEAR**

**(01.01.2011 - 31.12.2011)**

Dear Shareholders,

The Board of Directors of R.F. Energy S.A. furnishes its Annual Report for the 2011 fiscal year (01.01.2011 - 31.12.2011), which was prepared in accordance with the provisions of C.L. 2190/1920 (art. 136).

In this Report, information referring to the progress of different activities, the financial situation, the outcomes and the total progress of both the Company and the Group during this specific fiscal year, are concisely mentioned, as well as coming changes. Moreover, significant facts during 2011 fiscal year and their impact on the Annual Company and Consolidated Financial Statements, contingent risks for both the Company and the Group and important transactions between the Company and its related parties according to IFRS 24, are also reported.

Subsidiary companies to R.F. ENERGY S.A. as at 31/12/2011, are presented in the table below:

| **Name of subsidiary** | Business activity | Participation to share capital as at 31/12/2011 |
|---|---|---|
| ***Direct participation*** | | |
| KALLISTI ENERGIAKI S.A. | Energy Production | 100,00% |
| AIOLIKI KYLINDRIAS S.A. | Energy Production | 100,00% |
| CITY ELECTRIC S.A. | Energy Production | 100,00% |
| HYDROELECTRIKI ACHAIAS S.A. | Energy Production | 100,00% |
| R.F. ENERGY MISOCHORIA S.A. | Energy Production | 100,00% |
| R.F. ENERGY OMALIES S.A. | Energy Production | 100,00% |
| R.F. ENERGY KORAKOVRAHOS S.A. | Energy Production | 100,00% |
| R.F. ENERGY DEXAMENES S.A. | Energy Production | 100,00% |
| R.F. ENERGY LAKOMA S.A. | Energy Production | 100,00% |
| R.F. ENERGY PRARO S.A. | Energy Production | 100,00% |
| R.F. ENERGY TSOUKKA S.A. | Energy Production | 100,00% |
| R.F. ENERGY SCHIZALI S.A. | Energy Production | 100,00% |
| R.F. ENERGY KALAMAKI S.A. | Energy Production | 100,00% |
| R.F. ENERGY XESPORTES S.A. | Energy Production | 100,00% |
| AIOLIKI ADERES S.A. | Energy Production | 100,00% |

R.F. ENERGY S.A. is a holding company which business scope lies in development, management and exploitation of energy investing plans, focusing on Renewable Energy Sources. F.G. Europe S.A. participates in R.F. Energy's share capital, as at 31/12/2011, with a 37,5% share, MAKMORAL TRADING LIMITED with a 12,5% share and a company directly owned by Restis family with a 50% share.

## I. DEVELOPMENTS AND FINANCIAL PERFORMANCE OF THE COMPANY FOR THE PERIOD

Financial figures of the Company during fiscal year period 2011, compared to relevant figures in the previous fiscal period, are presented in the table below:

| | 31.12.11 | 31.12.10 | Amount | % |
|---|---|---|---|---|
| Revenue | 2.040 | 605 | 1.435 | 237 |
| Less : Cost of Sales | (1.965) | (546) | (1.419) | 260 |
| **Gross Profit** | **75** | **59** | **16** | **(27)** |
| Other income | - | - | - | - |
| Administrative expenses | (532) | (610) | 78 | (13) |
| Other expense | - | (114) | 114 | (100) |
| **Operating profit before taxation and finance cost** | **(457)** | **(665)** | **208** | **(31)** |
| Finance income | 60 | 401 | (341) | (85) |
| Finance cost | (145) | (2) | (143) | 7.150 |
| **Earnings before tax** | **(542)** | **(266)** | **(276)** | **104** |
| Income tax | 92 | 82 | 10 | 12 |
| **Net earnings after tax** | **(450)** | **(184)** | **(266)** | **145** |
| **TOTAL ACCUMULATED EARNINGS FOR THE PERIOD** | **(450)** | **(184)** | **(266)** | **145** |

**1. Revenue**

The Company is active in all stages of planning, development and operation of renewable energy production projects, starting from the initial design and planning, construction works, operation and maintenance. The Company also offers management, technology, marketing, consulting and financial management services to other companies.

Revenue from rendering of management, administration, development, organization and assignment of costs of energy projects in fiscal 2011 amounted to € 2.040, as opposed to € 605 in 2010, posting an increase of 237%.

Increase in revenue of R.F. ENERGY S.A. in fiscal 2011 was noted mainly due to subleased rental by subsidiaries for Evia Project.

**2. Gross Profit**

Gross Profit for the period amounted to € 75 against € 59 in the previous fiscal period, increased by 27%.

**3. Operating expenses (Operating and administration expenses)**

Operating and administration expenses during fiscal 2011 amounted to € (532) against € (610) in the previous fiscal period, posting a small decrease of 13%.

**4. Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)**

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) of the Company amounted to € (437) in fiscal 2011, as opposed to € (642) in the previous period, whereas EBITDA margin amounted to (21,42)%, as opposed to (106,12)% in the previous period.

**5. Finance Cost / Income**

| | 1/1-31/12/2011 | 1/1-31/12/2010 |
|---|---|---|
| Interest payable and similar expenses | (144) | - |
| Other bank expenses | (1) | 2 |
| **Total finance cost** | **(145)** | **(2)** |
| Finance income: | | |
| Interest receivable and similar income | 60 | 401 |
| **Total finance income** | **60** | **401** |
| **Net Finance Income** | **(85)** | **399** |

**6. Earnings / Losses Before Taxes**

The increase noted in revenue from services rendered (management services, administration services, development and planning of energy projects services) affected significantly the earnings/losses before tax for the Company, which posted an increase of (104)% and amounted to €(542), against €(266) in the previous corresponding period. The main reason is the increase in financial expenses.

**7. Taxes**

According to provisions of the Greek tax legislation, tax rate as at December 31, 2011 was 20%. The Greek tax legislation and respective provisions are subject to interpretation by the tax authorities. Income tax statements are submitted to the tax authorities on an annual basis but profit or loss stated for tax purposes, remain temporary until the tax authorities conclude audits of the tax statements and records of the company, at which time the respective tax liabilities of the company become final. Tax losses, if any, and in the amount recognized by tax authorities, can be carried forward to offset against profits for a period of five consecutive years after their occurrence.

| | **Company** | |
|---|---|---|
| | **1/1-31/12/2011** | **1/1-31/12/2010** |
| Income tax (current period) | - | - |
| Deferred tax | 92 | 75 |
| Provision for unaudited fiscal years | - | 7 |
| Special contribution | - | - |
| **Income Tax** | **(92)** | **(82)** |

The Company has not been audited by the tax authorities for fiscal 2010.

**8. Losses After Taxes**

Net losses after taxes in fiscal 2011 amounted to € (450) against € (184) in the previous corresponding period, representing an increase of 145%.

**BASIC FINANCIAL RATIOS**

Certain financial ratios which can express the Company's financial standing as at the end of fiscal 2011, are presented in the table below:

| | FY 2011 | FY 2010 |
|---|---|---|
| **DEBT LIABILITIES** | | |
| Liabilities / Equity | - | - |
| Liabilities to Banks / Equity | - | - |
| **LIQUIDITY** | | |
| Current ratio | 0,77 | 93,54 |
| Quick ratio | 0,77 | 93,54 |
| **SALES EFFICIENCY** | | |
| Gross results / Sales of inventories - Services | 3,68% | 9,75% |
| Net results / Sales of inventories - Services | 22,06% | 30,41% |

## II. DEVELOPMENTS AND FINANCIAL PERFORMANCE OF THE GROUP FOR THE YEAR END

Financial figures of the Group during fiscal year period 2011, compared to relevant figures in the previous fiscal year, are presented in the table below:

| | The Group | | Change | |
|---|---|---|---|---|
| | **1/1-31/12/2011** | **1/1-31/12/2010** | **Amount** | **%** |
| Revenue | 5.487 | 4.791 | 696 | 15 |
| Less : Cost of Sales | (3.151) | (3.274) | 123 | (4) |
| **Gross Profit** | **2.336** | **1.517** | **819** | **54** |
| Other income | 4 | 227 | (223) | (98) |
| Administrative expenses | (1.296) | (1.027) | (269) | 26 |
| Other expenses | - | (288) | 288 | (100) |
| **Operating profit before taxation and finance cost** | **1.044** | **429** | **615** | **143** |
| Finance income | 99 | 411 | (312) | (76) |
| Finance cost | (1.054) | (879) | (175) | 20 |
| **Earnings before taxes** | **89** | **(39)** | **128** | **(328)** |
| Income tax | (287) | (62) | (225) | 363 |
| **NET LOSS AFTER TAXES** | **(198)** | **(101)** | **(97)** | **96** |
| **TOTAL ACCUMULATED LOSS FOR THE PERIOD** | **(198)** | **(101)** | **(97)** | **96** |

**As regards to figures above, reference should be made to the following**

### 1. Revenue

Increase in revenue of the Group in fiscal 2011 by € 696, posting an increase of 15% was noted mainly as a result of the operation of the wind farm of its subsidiary company AIOLIKI ADERES S.A.

### 2. Gross Profit

Gross Profit of the Group for the period amounted to € 2.336 against € 1.517 in the previous fiscal period, increased by 54%. Said increase noted in Gross Profit can mainly be attributed to the abovementioned reasons.

### 3. Operating expenses (Operating and administration expenses)

Operating and administration expenses of the Group during 2011 are posting a decrease of € 101 or 9%, compared to those in 2010.

### 4. Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) of the Group amounted to € 2.736 in 2011, as opposed to € 2.277 in the previous fiscal period, whereas EBITDA margin amounted to 49,86%, as opposed to 47,53% in the previous period.

### 5. Finance Cost / Income

With regard to finance results for fiscal 2011, net finance expenses for the Group increased by € 176, compared to the previous period. Said increase is analyzed in the table below:

| | The Group | |
|---|---|---|
| | 1/1-31/12/2011 | 1/1-31/12/2010 |
| Finance cost: | | |
| - Interest payable (note 18) | (956) | (1.063) |
| - Bank and similar expenses | (13) | (10) |
| - Depreciation of raising loan costs | (30) | (27) |
| -Finance cost of provision for equipment removal | (55) | (40) |
| **Total finance cost** | **(1.054)** | **(879)** |
| Finance income: | | |
| - Interest receivable and similar income | 99 | 411 |
| **Total finance income** | **99** | **411** |
| **Net Finance Cost** | **(955)** | **(468)** |

### 6. Earnings Before Taxes

Despite the noted increase in Group's revenue, the Group posted earnings of € 89 in 2011 against losses of € (39) in 2010. The existence of earnings for the Group is due to significant increase in revenues.

### 7. Taxes

According to provisions of the Greek tax legislation, tax rate as at December 31, 2011 was 20%. The Greek tax legislation and respective provisions are subject to interpretation by the tax authorities. Income tax statements are submitted to the tax authorities on an annual basis but profit or loss stated for tax purposes, remain temporary until the tax authorities conclude audits of the tax statements and records of the company, at which time the respective tax liabilities of the company become final. Tax losses, if any, and in the amount recognized by tax authorities, can be carried forward to offset against profits for a period of five consecutive years after their occurrence. Companies participating in the consolidation make provision for any additional taxes and charges which may arise from future tax audits, to the extent the reliable estimation of these amounts is possible.

| | | |
|---|---|---|
| Income tax (current period) | (140) | (191) |
| Deferred tax | (145) | 155 |
| Provision for unaudited fiscal years | - | (21) |
| Other tax | (2) | (5) |
| **Income Tax** | **(287)** | **(62)** |

### 8. Losses after taxes

Net losses after taxes in fiscal 2011 amounted to €198 against € (101) in the previous corresponding period.

### BASIC FINANCIAL RATIOS

Financial figures of the Group during fiscal year period 2011, compared to relevant figures in the previous fiscal period, are presented in the table below:

| | FY 2011 | FY 2010 |
|---|---|---|
| **DEBT LIABILITIES** | | |
| Liabilities / Equity | 2,03 | 0,91 |
| Liabilities to Banks / Equity | 1,29 | 0,40 |
| **LIQUIDITY** | | |
| Current ratio | 2,77 | 7,36 |

| | | |
|---|---|---|
| Quick ratio | 2,77 | 7,36 |
| **SALES EFFICIENCY** | | |
| Gross results / Sales of inventories - Services | 42,57% | 31,65% |
| Net results / Sales of inventories - Services | 3,61% | 2,11% |

### III. SIGNIFICANT EVENTS DURING FISCAL YEAR

Shareholders of Aioliki Aderes S.A. convened in an Extraordinary General Assembly on January 4, 2011, and decided to re-increase in its equity by €9.930, through a share capital increase of €993 and disposal of shares above par of € 8.937.

In February 2011, the Company acquired the remaing share (16%) of ten subsidiary companies operating in the energy sector in Evia Perfecture and now owns 100% of their shares.

According to a decision of the Extraordinary General Assembly on March 10, 2011 the share capital of RF Energy increased by € 666.668. The increase was in cash and covered by issuing 1.333.336 new shares with a nominal value of fifty cents (0,50) and price of one euro and fifty cents (1,50) each.

After the increase, the Company's share capital amounted to €14.666.668, divided into 29.333.336 nominal shares with nominal value of fifty cents (0,50) each.

Aioliki Aderes S.A. signed bond agreement up to an amount of € 35.065.600, for 12 years with a grace period of 24 months and floating rate Euribor plus a fixed margin of 3,80% and 4,00%, depending on the case and its subject of financing is: a) long-term financing of investment cost for the construction of three wind farms, b) short-term financing against subsidies approved by the decisions 52586/ΥΠΕ/5/01732/Ε/Ν.3299/04/19-11-2010 and 52589/ΥΠΕ/5/01840/Ε/Ν.3299/04/27-12-2010 and c) the medium-term financing to cover the VAT of investment cost of the three wind farms.

For the purpose of this loan, collateral have been used and the sole shareholder of Aioliki Aderes, RF Energy, has provided full and unconditional guarantee.

Within 2011, eight (8) subsidiaries received 14 Energy Production Licenses for wind farms with a total power of 279MW in South Evia, as a part of the wind energy project developed by the Company in this region.

During March and April 2011, the subsidiaries operating in the region of South Evia decided to increase its equity to cover costs and expenses incurred during the procedure of acquiring the Energy Production Licenses.

RF Energy, the sole shareholder of these companies, implemented the decisions of its subsidiaries and proceeded to pay the required, per company, amount, which amounted to €2.797.800,00, in total.

The Extraordinary General Assembly of its 100% subsidiary HYDROELECTRIKI ACHAIAS S.A. on 02/06/2011, decided to reduce its share capital by € 700.000 through cancellation of shares and cash back to shareholders. The decrease of share capital was attributed to the sole shareholder, RF Energy, with three disbursements, the last of which on 08/07/2011.

The Extraordinary General Assembly of its 100% subsidiary AIOLIKI KYLINDRIAS S.A. on 08/06/2011, decided to increase its share capital, through capitalization apparent reserve (reserve from disposal of shares above par) of €3.645.000 and issuance of 3.645.000 common nominal shares with a nominal value and disposal price of one euro each.

The Extraordinary General Assembly of its 100% subsidiary RF ENERGY OMALIES S.A. on 27/07/2011, decided to third consecutive increase of its equity by €270.000, through cash and issuance of 900 new common nominal shares with value of €30 and disposal price of €300 each.

The difference between nominal value and disposal price of €243.000 was credited to the account “Difference from issuance of shares above par”.

This increase was made, so that the Company could purchase land in the region of East Attiki, for the erection of Substation in Mesogia by the competent bodies.

In July 2011, the 100% subsidiaries KALLISTI ENERGIAKI S.A. and AIOLIKI KYLINDRIAS S.A. received the remaining amount of the approved public subsidy for their investment projects of € 3.704.080 and € 2.133.000 respectively, and proceeded, immediately, to pay off existing obligations.

The Extraordinary General Assembly of its 100% subsidiary AIOLIKI KYLINDRIAS S.A. on 06/09/2011, decided to increase its equity by €1.650.000. The increase was made in cash and covered through issuance of 165.000 new shares with a nominal value of one euro (1,00) and disposal price of ten euro (10,00) each.

The difference between nominal value and disposal price of €1.485.000 was credited to the account "Difference from issuance of shares above par".

The Extraordinary General Assembly of its 100% subsidiary RF ENERGY OMALIES S.A. on 12/09/2011, decided to fourth consecutive increase of its equity by €510.000, through cash and issuance of 1.700 new common nominal shares with value of €30 and disposal price of €300 each.

The difference between nominal value and disposal price of €459.000 was credited to the account "Difference from issuance of shares above par".

This increase was made, so that the Company could purchase land in the region of East Attiki, for the erection of Substation in Mesogia by the competent bodies.

The Extraordinary General Assembly of RF ENERGY S.A. on 23/09/2011, decided to reduce its share capital by € 4.106.667,04, through cash back to shareholders and immediate decrease of nominal value of shares from €0,50 to €0,36. After the decrease, the share capital of the Company amounted to € 10.560.000,96 divided into 29.333.336 nominal shares of €0,36 each.

Within October 2011, the subsidiary HYDROELECTRIKI ACHAIAS S.A., received the remaining amount of the approved public subsidy for their investment projects of €277.000.

The Extraordinary General Assembly of its 100% subsidiary HYDROELECTRIKI ACHAIAS S.A. on 26/10/2011, decided to reduce its share capital by € 300.000 through cancellation of shares and cash back to shareholders. Till 31/12/2011, HYDROELECTRIKI ACHAIAS S.A has attributed to its sole shareholder €250.000 with a remaining amount to pay of €50.000.
The Extraordinary General Assembly of its 100% subsidiary RF ENERGY OMALIES S.A. on 17/11/2011, decided to fifth consecutive increase of its equity by €280.200, through cash and issuance of 934 new common nominal shares with value of €30 and disposal price of €300 each.

The difference between nominal value and disposal price of €252.180 was credited to the account "Difference from issuance of shares above par".

This increase was made, so that the Company could purchase land in the region of East Attiki, for the erection of Substation in Mesogia by the competent bodies.

The Extraordinary General Assembly of its 100% subsidiary RF ENERGY OMALIES S.A. on 09/12/2011, decided to sixth consecutive increase of its equity by €291.000, through cash and issuance of 970 new common nominal shares with value of €30 and disposal price of €300 each.

The difference between nominal value and disposal price of €261.900 was credited to the account "Difference from issuance of shares above par".

This increase was made, so that the Company could purchase land in the region of East Attiki, for the erection of Substation in Mesogia by the competent bodies.

Shareholders of Aioliki Aderes S.A. convened in an Extraordinary General Assembly on December 14, 2011, and decided to increase in its equity by € 420.000 issuance of 4.200 new common nominal shares of €10 and disposal price €100 each.

The difference between nominal value and disposal price of €378.000 was credited to the account "Difference from issuance of shares above par".

The subsidiary companies which are engaged in the development of the huge wind project in Evoia, have submitted applications for the necessary production licenses. However, during 2009, production licenses were granted to other energy companies for the development of wind projects in locations that partially or completely overlap the locations of the wind projects of the subsidiaries companies. Therefore, in December 2009, the subsidiaries of R.F. ENERGY S.A. submitted to the Council of State applications for annulment of the production licenses issued by the Minister of Environment, Energy and Climate Change and applications against the positive opinions of RAE and the Special Environment Agency. The subsidiaries pleaded interest due to overlap in locations, as well as substantial procedural violation. In a letter, the attorney for the case declares that there are many chances for positive outcome of the case. However, until the date of the approval of the financial statements, the abovementioned applications have not been final.

## IV. SIGNIFICANT EVENTS OCCURRED POST BALANCE SHEET DATE

There are no other significant events having occurred after December 31, 2011 concerning the Company that should have been disclosed and bear the capacity to significantly affect any element of the Company's financial standing or ability to conduct business, as of the date of issuance of the document at hand.

## V. FUTURE OUTLOOK

The Company is in continuous search of suitable locations for the development and construction of Wind Energy Power Production Plants.

The Company is exploring merger and acquisitions opportunities of already developed or under development renewable energy projects

## VI. EXPANSION OF ACTIVITIES - INVESTMENTS - RESEARCH & DEVELOPMENT

The Company is actively paying great attention and effort with regard to research and implementation of new technological applications, and is constantly seeking suitable locations for the development and construction of renewable energy projects.

Management attended international conferences and other venues where the latest developments in the field of renewable energy were presented.

In search of suitable locations to develop renewable energy projects, the Company also installed meteorological masts in certain sites to assess the wind potential in order to develop wind parks.

Particularly, meteorological masts have been installed in various locations in the Prefectures of Arkadia, Evia, Argolida and Limnos to assess the wind potential.

## VII. ACCOUNTING PRINCIPALS IMPLEMENTED

In preparation of the Balance Sheet and Income Statement for the fiscal year 2011, the Company has applied the basic accounting principles of the International Financial Reporting Standards, as described in the Appendix of the 31/12/2011 Balance Sheet.

## VIII. ENVIRONMENTAL ISSUES - EMPLOYEE RELATIONS

The Company pays great significance to environmental issues, and undertakes any action necessary to protect environmental stability and promote environmental sensitivity. The Company works with experienced in environmental matters consultants.

## IX. RISKS AND UNCERTAINTIES

### 1. Financing risk

The Company works with related companies, of which the Company is the main shareholder, and to which the Company renders, based on contract agreements, services in the fields of management, financial management, marketing, and business development. Therefore, Management estimates that receivables from related parties bear no significant risk not to be collected. Moreover, the Company grows along with development of its projects, and as a result, no apparent risk of decrease in revenue exists.

### 2. Interest rate risk

The Company has substantial interest bearing assets in the amount of €400 (€1.895 for the Group) that are invested in compound time accounts in Yen (JPY) at a predetermined exchange rate. Said exchange rate is calculated based on the interbank market floating interest rate in Euro. Therefore revenue and operating cash flow is affected by a change in interest rates.

As at December 31st, 2011 Earnings After Tax for the Company would have been €3 (€14 for the Group) lower / higher, if interest rates had lower / higher by 90 base points, all other variables remaining unchanged.

Interest rate risk results from long-term and short-term borrowings in euro at a floating interest rate. The Company assesses its exposure to interest rate risk on a steady basis, also taking into consideration any chance of refinancing under different terms, as well as renewal of existing financing.

As at December 31st, 2011 Earnings After Tax for the Company would have been € 26 lower/higher, while those of the Group would have been € 346 lower/higher, if interest rates had decreased/ increased by 90 base points, all other variables remaining unchanged. This would have been caused mainly due to higher / lower finance expenses resulting from bank borrowings at a floating interest rate in Euro.

As a consequence, Earnings After Tax for the Company would have been € 22 (€ 332 for the Group) lower/higher, if interest rates had decreased/ increased by 90 base points, all other variables remaining unchanged.

| | | **Interest rate risk** | | |
|---|---|---|---|---|
| | ***+90 bps*** | | ***-90 bps*** | |
| | **Earnings before tax** | | **Earnings before tax** | |
| | **the Group** | **Company** | **the Group** | **Company** |
| **Financial assets** | | | | |
| Cash equivalents | 17 | 4 | (17) | (4) |
| Influence before tax | 17 | 4 | (17) | (4) |
| Income Tax 20% | (3) | (1) | 3 | 1 |
| **Total influence** | **14** | **3** | **(14)** | **(3)** |
| **Financial liabilities** | | | | |
| Loans | (432) | (32) | 432 | 32 |
| Influence before tax | (432) | (32) | 432 | 32 |
| Income Tax 20% | 86 | 6 | (86) | (6) |
| **Total influence** | **(346)** | **(26)** | **346** | **26** |
| **Total Net Influence** | **(332)** | **(22)** | **332** | **22** |

### 3. Liquidity risk

The management of liquidity risk includes both existence of enough cash and cash equivalents and the reassurance of credit standing through approved financing terms. The table below analyses the company's obligations, based on the remaining contractual duration at the date of the balance sheet in discounted bills with an average interest rate, as it was formed during Year 2011.

| **Company**<br>**December 31st, 2011** | **< 1 year** | **1-2 years** | **2-5 years** | **> 5 years** |
|---|---|---|---|---|
| Borrowings | 2.864 | 675 | 0 | 0 |
| Liabilities | 1.831 | - | - | - |
| **Total** | **4.695** | **675** | **0** | **0** |

| **The Group**<br>**December 31st, 2011** | **< 1 year** | **1-2 years** | **2-5 years** | **> 5 years** |
|---|---|---|---|---|
| Borrowings | 3.899 | 14.715 | 16.543 | 12.486 |
| Liabilities | 4.354 | - | - | - |
| **Total** | **8.253** | **14.715** | **16.543** | **12.486** |

The previous table analyses the Group's obligations, based on the remaining contractual duration at the date of the balance sheet. The amounts in the table refer to the nominal value of the obligation plus interest, and as a result, they may differ from the amounts included in the balance sheet.

### X. TRANSACTIONS WITH RELATED PARTIES

The Company purchases commodities from related parties, and exchanges services with said parties. According to IAS 24 related parties are subsidiary companies, companies with common shareholders and/or management and any affiliates to such companies. Members of the Board of Directors and Top Management are also considered related parties. The table below presents payables and receivables from transactions with related parties.

| **Receivables from:** | **31/12/2011** | **31/12/2010** |
|---|---|---|
| KALLISTI ENERGIAKI S.A. | - | 2.850 |
| AIOLIKI KYLINDRIAS S.A. | 217 | 2.673 |
| CITY ELECTRIC S.A. | 261 | 178 |
| HYDROELECTRIKI ACHAIAS S.A. | 92 | 80 |
| R.F. ENERGY MISOCHORIA S.A. | 142 | 59 |
| R.F. ENERGY OMALIES S.A. | 96 | 96 |
| R.F. ENERGY KORAKOVRAHOS S.A. | 55 | 57 |
| R.F. ENERGY DEXAMENES S.A. | 27 | 61 |
| R.F. ENERGY LAKOMA S.A. | 39 | 54 |
| R.F. ENERGY PRARO S.A. | 137 | 54 |
| R.F. ENERGY SCHIZALI S.A. | 62 | 40 |
| R.F. ENERGY KALAMAKI S.A. | 92 | 42 |
| R.F. ENERGY TSOUKKA S.A. | 61 | 60 |
| R.F. ENERGY XESPORTES S.A. | 132 | 88 |
| AIOLIKI ADERES S.A. | 103 | 512 |
| **Total** | **1.959** | **6.915** |

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **Payables to:** | | |
| F.G. EUROPE S.A. | (11) | - |
| CITY ELECTRIC S.A. | (69) | 71 |
| R.F. ENERGY MISOCHORIA S.A. | - | - |
| R.F. ENERGY OMALIES S.A. | (180) | - |
| R.F. ENERGY KORAKOVRAHOS S.A. | - | - |
| R.F. ENERGY DEXAMENES S.A. | (10) | - |
| R.F. ENERGY LAKOMA S.A. | - | - |
| R.F. ENERGY PRARO S.A. | - | - |
| R.F. ENERGY SCHIZALI S.A. | - | - |
| R.F. ENERGY KALAMAKI S.A. | - | - |
| R.F. ENERGY TSOUKKA S.A. | - | - |
| R.F. ENERGY XESPORTES S.A. | - | - |
| **Total** | **(270)** | **71** |

| **Income:** | **1/1-31/12/2011** | **1/1-31/12/2010** |
|---|---|---|
| KALLISTI ENERGIAKI S.A. | 24 | 35 |
| AIOLIKI KYLINDRIAS S.A. | 18 | 18 |
| CITY ELECTRIC S.A. | 6 | 6 |
| HYDROELECTRIKI ACHAIAS S.A. | 24 | 24 |
| R.F. ENERGY MISOCHORIA S.A. | 246 | 10 |
| R.F. ENERGY OMALIES S.A. | 258 | 9 |
| R.F. ENERGY KORAKOVRAHOS S.A. | 318 | 10 |
| R.F. ENERGY DEXAMENES S.A. | 245 | 9 |
| R.F. ENERGY LAKOMA S.A. | 147 | 10 |
| R.F. ENERGY PRARO S.A. | 207 | 10 |
| R.F. ENERGY SCHIZALI S.A. | 63 | 10 |
| R.F. ENERGY KALAMAKI S.A. | 138 | 10 |
| R.F. ENERGY TSOUKKA S.A. | 147 | 10 |
| R.F. ENERGY XESPORTES S.A. | 159 | 9 |
| R.F. ENERGY GARBIS S.A. | - | 2 |
| R.F. ENERGY ZEFIROS S.A. | - | 2 |
| AIOLIKI ADERES S.A. | 36 | - |
| **Total** | **2.036** | **184** |

| | | |
|---|---|---|
| **Cost:** | | |
| Leases | (123) | (102) |
| **Total** | **(123)** | **(102)** |

| **Management:** | **The Group** | | **Company** | |
|---|---|---|---|---|
| | **31/12/2011** | **31/12/2010** | **31/12/2011** | **31/12/2010** |
| Receivables from Members of the BoD and Management | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** |

| **Members of the Board of Directors and Management:** | **The Group** | | **Company** | |
|---|---|---|---|---|
| | **1/1-31/12/2011** | **1/1-31/1/2010** | **1/1-31/12/2011** | **1/1-31/1/2010** |
| **Compensations - Other Benefits:** | | | | |
| Board of Directors Remuneration | (211) | (130) | (211) | (130) |
| **Total** | **(211)** | **(130)** | **(211)** | **(130)** |

## XI. ISO 9001-2000 QUALITY CERTIFICATION

R.F. ENERGY S.A. is organizing its operations in order to meet the Standards specified in ISO 9001:2000 Quality Management System.
Implementation of the Quality Management System is expected to considerably improve efficiency, contribute to optimal use of the Company's resources and human resources, and improve internal procedures and services offered to partners and clients.

## XII.COMPANY PUBLIC RELATIONS AND PROMOTION

Company's website has been published and is kept updated, thus more efficiently communicating the Company's recent news, corporate goals and corporate image.

**VICE-PRESIDENT OF BoD**

**IOANNIS TSAKIRIS**

# R.F. ENERGY HOLDING

# SOCIETE ANONYME

## Distinctive title : R.F. ENERGY S.A.

## 128 Vouliagmenis Avenue - 166 74

## Glyfada, Attiki P.C.Reg. No.

## 61197/01NT/B/06/149

# Annual Financial Statements for the period ended December 31st 2011 According to IFRS

**The Board of Directors of R.F. ENERGY S.A. approved the Consolidated Financial Statements on 14/03/2012. The Consolidated Financial Statements have been made available to the public at the Company's website, http:www.rfenergy.gr**

| Vice President of the Board of Directors | Managing Director | CHIEF ACCOUNTANT |
|---|---|---|
| IOANNIS TSAKIRIS<br>I.D. AA 002244 | GEORGIOS FIDAKIS<br>I.D. N 000657 | KONSTANTINOS KOURTESIS<br>R.G. 0035096 |

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THE REPORT HAS BEEN TRANSLATED FROM THE GREEK ORIGINAL VERSION

**Independent Certified Auditor's Accountant's Report**

To the Shareholders of
R.F. Energy S.A.

***Report on the financial statements***

We have audited the accompanying financial statements of R.F. Energy S.A. ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("the Group") which comprise the balance sheet as at December 31, 2011, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as endorsed by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Greek Auditing Standards, which are based on the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and information in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Group and the Company as of December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

***Report on Other Legal and Regulatory Requirements***

We have verified the consistency of the Board of Directors' Report with the accompanying financial statements with respect to the information that is required by articles 43a, 107 and 37 of C.L. 2190/1920.

Athens, March 14, 2012

The Certified Auditor Accountant

VASSILIOS KAMINARIS
SOEL No 20411

ERNST & YOUNG (HELLAS) CERTIFIED
AUDITORS ACCOUNTANTS S.A. 11th KM NT RD
ATHENS LAMIA
14451 METAMORFOSI
SOEL No 107

## Income Statement
## For the Period ended December 31, 2011
(All amounts in Euro thousands, unless otherwise specified)

| | | The Group | | Company | |
|---|---|---|---|---|---|
| | | 1/1- | 1/1- | 1/1- | 1/1- |
| | note. | 31/12/2011 | 31/12/2010 Restated | 31/12/2011 | 31/12/2010 |
| Sales | 6 | 5.487 | 4.791 | 2.040 | 605 |
| Cost of sales | 7 | (3.151) | (3.274) | (1.965) | (546) |
| **Gross profit** | | **2.336** | **1.517** | **75** | **59** |
| Other operating income | | 4 | 227 | - | - |
| Administrative expenses | 8 | (1.296) | (1.027) | (532) | (610) |
| Other operating expenses | | - | (288) | - | (114) |
| **Earnings before interests and taxes** | | **1.044** | **429** | **(457)** | **(665)** |
| Finance income | 9 | 99 | 411 | 60 | 401 |
| Finance costs | 9 | (1.054) | (879) | (145) | (2) |
| **Earnings before taxes** | | **89** | **(39)** | **(542)** | **(266)** |
| Income tax expense | 10 | (287) | (62) | 92 | 82 |
| **Net profit for the period** | | **(198)** | **(101)** | **(450)** | **(184)** |
| **Other Comprehensive Income after taxes** | | **-** | **-** | **-** | **-** |
| **Attributable as follows:** | | | | | |
| Equity holders of the Parent | | (198) | (78) | **-** | **-** |
| Minority interest | | - | (23) | **-** | **-** |
| **Net profit (after tax) attributable to the Group** | | **(198)** | **(101)** | **-** | **-** |

Certain amounts presented here do not correspond with the 2010 financial statements and reflect adjustments, as detailed in the notes.
Attached notes should be considered as part of the annual corporate and consolidated Financial Statements.

# R.F. ENERGY S.A.

**Balance Sheet**
**For the Period ended December 31, 2011**
(All amounts in Euro thousands, unless otherwise specified)

| | | The Group | | | Company | |
|---|---|---|---|---|---|---|
| | | 31/12/2011 | 31/12/2010 Restated | 31/12/2009 Restated | 31/12/2011 | 31/12/2010 |
| **ASSETS** | **note** | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | **13** | 75.867 | 34.364 | 36.271 | 10 | 20 |
| Software | | 388 | 419 | 144 | 5 | 10 |
| Intangible assets | **14** | 11.215 | 11.379 | 5.855 | - | - |
| Investments in subsidiaries | **15** | - | - | - | 38.331 | 23.086 |
| Long term receivables | | 25 | 22 | 22 | 17 | 17 |
| Deferred tax assets | **10** | 773 | 926 | 855 | 217 | 124 |
| Available for sale financial assets | **16** | 2.000 | 2.000 | **-** | 2.000 | 2.000 |
| **Total non-current assets** | | **90.268** | **49.110** | **43.147** | **40.580** | **25.257** |
| **Current assets** | | | | | | |
| Trade receivables | **11** | 20.329 | 18.480 | 16.821 | 3.697 | 9.067 |
| Cash and cash equivalents | **12** | 1. 895 | 7.985 | 30.541 | 424 | 7.770 |
| **Total current assets** | | **22.224** | **26.465** | **47.362** | **4.121** | **16.837** |
| **Total assets** | | **112.492** | **75.575** | **90.509** | **44.701** | **42.094** |
| **SHAREHOLDERS' EQUITY & LIABILITIES** | | | | | | |
| Share capital | **17** | 10.560 | 14.000 | 14.000 | 10.560 | 14.000 |
| Share premium | **17** | 28.999 | 27.723 | 27.714 | 29.066 | 27.739 |
| Reserves | | 89 | 62 | 33 | 9 | 9 |
| Retained earnings | | (2.547) | (2.264) | (2.145) | (304) | 146 |
| | | **37.101** | **39.521** | **39.602** | **39.331** | **41.894** |
| Minority interest | | - | 39 | 62 | - | - |
| **Total shareholders' equity** | | **37.101** | **39.560** | **39.664** | **39.331** | **41.894** |
| **LIABILITIES** | | | | | | |
| **Non-current liabilities** | | | | | | |
| Long term Borrowings | **18** | 43.467 | 12.695 | 11.235 | - | - |
| Retirement benefit obligations | | 34 | 32 | 22 | 15 | 20 |
| Deferred government grants | **19** | 21.724 | 18.276 | 11.347 | - | - |
| Provisions for long term liabilities | **21** | 1.423 | 687 | 647 | - | - |
| Deferred tax liabilities | **10** | 712 | 730 | 751 | - | - |
| **Total non-current liabilities** | | **67.360** | **34.420** | **24.002** | **15** | **20** |
| **Current liabilities** | | | | | | |
| Short term borrowings | **18** | 3.539 | 1.992 | 10.810 | 3.539 | - |
| Short term portion of long term borrowings | **18** | 1.031 | 994 | 864 | - | - |
| Current tax liabilities | | - | 78 | 259 | - | - |
| Trade and other payables | **19** | 3.461 | 531 | 14.910 | 1.816 | 180 |
| **Total current liabilities** | | **8.031** | **3.595** | **26.843** | **5.355** | **180** |
| **Total liabilities** | | **75.391** | **36.015** | **50.845** | **5.370** | **200** |
| **Total equity and liabilities** | | **112.492** | **75.575** | **90.509** | **44.701** | **42.094** |

Certain amounts presented here do not correspond with the 2010 financial statements and reflect adjustments, as detailed in the notes.
Attached notes should be considered as part of the annual corporate and consolidated Financial Statements.

**Consolidated Statement of Changes in Equity**
**For the Period ended December 31, 2011**
(All amounts in Euro thousands, unless otherwise specified)

| | Share Capital | Share Premium | Legal reserves | Retained Earnings | Total | Minorighty rights | Total Equity |
|---|---|---|---|---|---|---|---|
| **Balance on 1/1/2010** | **14.000** | **27.714** | **33** | **(2.145)** | **39.602** | **62** | **39.664** |
| Net loss for the fiscal year | | | 29 | (107) | **(78)** | (23) | **(101)** |
| **Total revenues** | | | | (107) | **(78)** | (23) | **(101)** |
| Legal reserves | | | | | | | **-** |
| Share issue expenses | | (3) | | | **(3)** | | **(3)** |
| Interruption of operation of subsidiary | | 12 | | (12) | | | **-** |
| **Balance on 31/12/2010** | **14.000** | **27.723** | **62** | **(2.264)** | **39.521** | **39** | **39.560** |
| | | | | | | | |
| **Balance on 1/1/2011** | **14.000** | **27.723** | **62** | **(2.264)** | **39.521** | **39** | **39.560** |
| Net loss for the fiscal year | - | - | - | (198) | **(198)** | | **(198)** |
| **Total revenues** | | | | (198) | **(198)** | | **(198)** |
| Decrease in minorighty rights | | | | | | (98) | (98) |
| Minorighty rights arised from change in participation stake of parent company in subsidiaries | | | | (59) | (59) | (59) | |
| Legal reserves | | | 27 | (27) | | | |
| Other | | | | (1) | (1) | | (1) |
| Share issue expenses | | (51) | | (51) | | | **(51)** |
| Share capital increase | 667 | 1.327 | - | - | **1.994** | - | **1.994** |
| Share capital decrease | (4.107) | | | | **(4.107)** | - | **(4.107)** |
| **Balance on 31/12/2011** | **10.560** | **28.999** | **89** | **(2.547)** | **37.701** | | **37.701** |

Certain amounts presented here do not correspond with the 2010 financial statements and reflect adjustments, as described in the notes. Attached notes should be considered as part of the annual corporate and consolidated Financial Statements.

**Corporate Statement of Changes in Equity For the Period ended December 31, 2011**
(All amounts in Euro thousands, unless otherwise specified)

| | Share Capital | Share Premium | Legal Reserves | Retained Earnings | Total |
|---|---|---|---|---|---|
| **Balance on 1/1/2010** | **14.000** | **27.739** | **9** | **330** | **42.078** |
| Net earnings for the fiscal year | | | | (184) | **(184)** |
| **Total revenues** | | | | **(184)** | **(184)** |
| **Balance on 31/12/2010** | **14.000** | **27.739** | **9** | **146** | **41.894** |
| **Balance on 1/1/2011** | **14.000** | **27.739** | **9** | **146** | **41.894** |
| Net earnings for the fiscal year | | | | (450) | **(450)** |
| **Total revenues** | | | | **(450)** | **(450)** |
| Share capital increase | 667 | 1.327 | | | **1.994** |
| Share capital decrease | (4.107) | | | | **(4.107)** |
| **Balance on 31/12/2011** | **10.560** | **29.066** | **9** | **(304)** | **39.331** |

Attached notes should be considered as part of the annual corporate and consolidated Financial Statements.

# R.F. ENERGY S.A.

**Consolidated Statement of Cash flows For the Period ended December 31, 2011**
(All amounts in Euro thousands, unless otherwise specified)

| | 1/1-31/12/2011 | 31/12/2010 |
|---|---|---|
| **Operating activities** | | |
| Earnings before tax | 88 | (39) |
| **Add / less adjustments for:** | | |
| Depreciation and amortization | 2.507 | 2.626 |
| Provisions | - | - |
| Exchange rate differences | - | - |
| Result of investment activity | | |
| (income, cost, profit and loss) | (99) | (411) |
| Interest paid and similar expenses | 1.054 | 879 |
| Recognized revenues from subsidies | (815) | (778) |
| Employee benefits | 2 | 10 |
| **Operating result before changes in working capital** | **3.473** | **2.287** |
| **Add / less adjustments for changes in working capital items:** | | |
| Decrease / (increase) of receivables | (3.701) | 344 |
| (Decrease) / increase of payables (except towards banks) | 2.935 | (14.802) |
| Decrease / (increase) of other long-term receivables | (3) | - |
| ***Total inflow / (outflow) from operating activities*** | **2.704** | **(12.171)** |
| Less: | | |
| Interest and similar expenses paid | (1.054) | (827) |
| Taxes paid | (235) | (579) |
| ***Total net inflow / (outflow) from operating activities (a)*** | **1.415** | **(13.577)** |
| **Investing activities** | | |
| Acquisitions, capital return, subsidiaries, joint ventures and other investments. | (99) | (2000) |
| (Purchase) of PPE and intangible assets, | (43.813) | (5.866 |
| Interest income | 99 | 411 |
| Acquisition of subsidiary | - | - |
| Revenues from subsidies | 6.115 | 5.704 |
| ***Total net inflow / (outflow) from investing activities (b)*** | **(37.698)** | **(1.751)** |
| **Financing activities** | | |
| Income from share capital increase | 1.944 | - |
| Share capital decrease | (4.107) | - |
| Proceeds from borrowings | - | - |
| Repayments of borrowings | 32.536 | (7.228) |
| Costs for capital withdrawal | - | - |
| ***Total net inflow / (outflow) from financing activities (c)*** | **30.193** | **(7.228)** |
| **Net increase / (decrease) in cash and cash equivalents (a) + (b) + (c)** | **(6.090)** | **(22.556)** |
| **Cash and cash equivalents at the starting of the fiscal year** | **7.985** | **30.541** |
| **Cash and cash equivalents at the end of the fiscal year** | **1.895** | **7.985** |

Attached notes should be considered as part of the annual corporate and consolidated Financial Statements.

**Company Statement of Cash flows For the Period ended December 31, 2011**
(All amounts in Euro thousands unless otherwise specified)

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **Operating activities** | | |
| Earnings before tax | (542) | (266) |
| **Add / less adjustments for:** | | |
| Depreciation and amortization | 20 | 23 |
| Provision | - | (28) |
| Result of investment activity (income, cost, profit and loss) | (60) | (401) |
| Interest paid and similar expenses | 145 | 2 |
| Employee benefits | (5) | 6 |
| **Operating result before changes in working capital** | **(442)** | **(608)** |
| **Add / less adjustments for changes in working capital items:** | | |
| Decrease / (increase) of receivables | 5.369 | (441) |
| (Decrease) / increase of payables (except towards banks) | 1.622 | (14.157) |
| Decrease / (increase) of other long-term receivables | - | - |
| ***Total inflow / (outflow) from operating activities*** | **6.549** | **(15.206)** |
| Less: | | |
| Interest and similar expenses paid | (145) | (2) |
| Taxes paid | 14 | 11 |
| ***Total net inflow / (outflow) from operating activities (a)*** | **6.418** | **(15.343)** |
| **Investing activities** | | |
| Acquisition of subsidiary, related party and other investment | (15.245) | (7.576) |
| Proceeds from sale of subsidiaries, associates and other investments | - | 13.168 |
| (Purchase) of PPE | (5) | 1 |
| Interest income | 60 | 401 |
| ***Total net inflow / (outflow) from investing activities (b)*** | **(15.190)** | **5.994** |
| **Financing activities** | | |
| Income from share capital increase | 1.994 | - |
| Share capital decrease | (4.107) | - |
| Proceeds from borrowings | - | - |
| Repayments of borrowings | 3.539 | - |
| Costs for capital withdrawal | - | - |
| ***Total net inflow / (outflow) from financing activities (c)*** | 1.426 | |
| **Net increase / (decrease) in cash and cash equivalents (a) + (b) + (c)** | **(7.346)** | **(9.349)** |
| **Cash and cash equivalents at the starting of the fiscal year** | **7.770** | **17.119** |
| **Cash and cash equivalents at the end of the fiscal year** | **424** | **7.770** |

Attached notes should be considered as part of the annual corporate and consolidated Financial Statements.

## 1. Incorporation and business activities of the Company

The Company was incorporated under Greek law in 2006, as a societe anonyme holding and management company. Its scope lies in participation in Greek or foreign companies with business activities in the energy production sector. The Company's duration has been set to 50 years. The Company's headquarters have been set to be in the Municipality of Glyfada, at 128 Vouliagmenis Avenue, GR 16674

In search of suitable locations to install renewable energy projects, the Company also installed meteorological masts in certain sites at Arkadia, Evia, Argolida, Thesprotia and Etolokarnania Prefectures to assess the wind potential in order to develop wind parks. Moreover, the Company is exploring merger and acquisitions of already developed renewable energy projects in Greek territory or abroad.

Company's current Board of Directors was reelected on the General Assembly of Shareholders on 21/01/2011. Its tenure expires on 30/6/2016 and it is comprised of the following members:

| NAME | POSITION |
|---|---|
| Victor Restis | President |
| Ioannis Tsakiris | Vice President |
| Georgios Fidakis | Managing Director |
| Ioannis Pantousis | Member |
| Nikolaos Pimblis | Member |

The Company's parent company, F.G. EUROPE S.A. participates in R.F. ENERGY's share capital by 37,5%. Due to the fact that Mr. G. Fidakis, (also the main shareholder and President of F.G. Europe S.A.) participates in the Company's share capital by 12,5% with another wholly owned company , and the Company shareholders have agreed to appoint the majority of the Board of Directors members from F.G. EUROPE S.A. thus it is understood that F.G. EUROPE S.A. controls management of R.F. ENERGY S.A. and consequently financial results of the Company are fully consolidated to the financial results of F.G. EUROPE S.A. Group of companies.

The Corporate and Consolidated Financial Statements for fiscal 2011 have been ratified by the Board of Directors on 14/3/2012.

## 2 Basic accounting principles

### 2.1 Framework of basic principles implemented in preparation of the Financial Statements

Financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as they have been adopted by the European Union, Financial Statements have been prepared under the historical cost convention, The principal accounting policies adopted in the preparation of the Financial Statements are described below, The preparation of the Financial Statements according to IFRS requires use of accounting estimates and use of judgment for the application of the accounting principles followed, Such cases are described in note 4, There are no Standards which have been implemented prior to having officially been put in force, Figures are presented in Euro thousands and all amounts have been rounded to the most approximate thousand.

## 2.2 New Standards, Interpretations, and Revised Standards

**New Interpretations which have been adopted since January 1st, 2011, but do not have any substantial impact on the Company's Fiscal Year 2011 Financial Statements**

- **IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)**
- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**
- **IAS 24 Related Party Disclosures (Amended)**
- **IAS 32 Classification on Right Issues (Amended)**

The following new standards, interpretations and amendments to standards have been issued and applied for accounting periods beginning on or after 1/1/2012 and have not been applied earlier by the company.

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

- **IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income**
  The amendment is effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company’s financial position or performance. This amendment has not yet been endorsed by the EU. The Company is in the process of assessing the impact of this amendment on the financial position or performance of the Company.

- **IAS 12 Income Taxes (Amended) – Recovery of Underlying Assets**
  The amendment is effective for annual periods beginning on or after 1 January 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The Company does not expect that this change would affect the financial statements.

- **IAS 19 Employee Benefits (Amended)**
  The amendment is effective for annual periods beginning on or after 1 January 2013. The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. Early application is permitted. The Company does not expect that this change would affect the financial statements.

- **IAS 19 Employee Benefits (Amended)**
  The amendment is effective for annual periods beginning on or after 1 January 2013. The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. Early application is permitted. The Company does not expect that this change would affect the financial statements.

- **IAS 28 Investments in Associates and Joint Ventures (Revised)**

The Standard is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 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. Earlier application is permitted. The Company does not expect that this change would affect the financial statements.

- **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities**
  The amendment is effective for annual periods beginning on or after 1 January 2014.This amendment clarifies the meaning of “currently has a legally enforceable right to set-off” and also clarifies 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 amendments to IAS 32 are to be retrospectively applied. Earlier application is permitted. However, if an entity chooses to early adopt, it must disclose that fact and also make the disclosures required by the IFRS 7 Offsetting Financial Assets and Financial Liabilities amendments. The Company does not expect that this change would affect the financial statements.

- **IFRS 7 Financial Instruments: Disclosures (Amended) - Enhanced Derecognition Disclosure Requirements**
  The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity’s continuing involvement in those derecognised assets. The amendment has only disclosure effects. The Company does not expect that this change would affect the financial statements.

- **IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities**
  The amendment is effective for annual periods beginning on or after 1 January 2013.The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity’s financial position. The amendments to IFRS 7 are to be retrospectively applied. The Company does not expect that this change would affect the financial statements.

- **IFRS 9 Financial Instruments - Classification and Measurement**
  The new standard is effective for annual periods beginning on or after 1 January 2015. IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. Phase 1 of IFRS 9 will have a significant impact on (i) the classification and measurement of financial assets and (ii) a change in reporting for those entities that have designated financial liabilities using the FVO. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the first half of 2012. Early application is permitted. The Company does not expect that this change would affect the financial statements.

- **IFRS 10 Consolidated Financial Statements**
  The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes 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 Company does not expect that this change would affect the financial statements.

- **IFRS 11 Joint Arrangements**
  The new standard is effective for annual periods beginning on or after 1 January 2013. 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 Company does not expect that this change would affect the financial statements.

- **IFRS 12 Disclosures of Involvement with Other Entities**
  The new standard is effective for annual periods beginning on or after 1 January 2013. 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 Company does not expect that this change would affect the financial statements.

- **IFRS 13 Fair Value Measurement**
  The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard should be applied prospectively and early adoption is permitted. The Company does not expect that this change would affect the financial statements.

- **IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine**
  The interpretation is effective for annual periods beginning on or after 1 January 2013.This interpretation only applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Costs incurred in undertaking stripping activities are considered to create two possible benefits a) the production of inventory in the current period and/or b) improved access to ore to be mined in a future period (striping activity asset). Where cost cannot be specifically allocated between the inventory produced during the period and the stripping activity asset, IFRIC 20 requires an entity to use an allocation basis that is based on a relevant production measure. Early application is permitted. The Company does not expect that this change would affect the financial statements.

### 2.3 Basis of Consolidation

#### 2.3.1 Subsidiary Companies

The consolidated financial statements include the financial statements of the parent company and all entities in which the parent company exercises control (its subsidiaries) as of December 31, 2011. Control is presumed to exist when the parent company has the power to control the financial and operating policies of the subsidiary so as to obtain benefits from its activities,
The acquisition of subsidiaries is accounted for using the purchase method of accounting that measures the acquirer's assets and liabilities at their fair value at the date of acquisition, The individual assets, liabilities and contingent liabilities acquired during a business combination are valued at the time of acquisition at fair values,

The cost exceeding the fair value of the acquisition is recorded as goodwill, if the total cost is below the fair value of the assets and liabilities the difference is charged directly to the statement of income of the respective period,

**2.3.1 Subsidiary Companies (continued)**

Minority interest is accounted for according to its percentage of the fair value, In subsequent periods any losses are allocated to minority interest according to its percentage plus the minority interest, Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group, The financial statements of the subsidiaries are adjusted appropriately to ensure consistency with the accounting policies of the Group,

All intercompany balances and transactions and any intercompany profit or loss on assets remaining within the Group are eliminated during the consolidation. The subsidiaries in separate financial statements are measured at cost less any accumulated provision for impairment.

**2.3.2 *Investments in Associates***

Includes companies in which the Group exercises significant influence however they are not subsidiaries or joint ventures. The Group's participating interests are recorded using the equity method. According to this method the participating interest in the associate company is carried at acquisition cost plus any change in the percentage of its equity held by the Group, less any provisions for impairment. The consolidated income statement shows the Group's share in the associate's results, while the amounts recorded by the associates directly in their equity, are recognized directly in Group's equity.

**2.4 Translations in foreign currency**

The Company's functional currency is the Euro, Transactions involving other currencies are changed into Euro using exchange rates which stand in effect at the time of each transaction, At the balance sheet dates, monetary assets and liabilities which are denominated in other currencies, are adjusted using the official exchange rates, Gains or losses resulting from currency exchange rate differences are included in the Income Statement.

**2.5 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value, Cost includes all directly related costs for the acquisition of the asset, Expenses in subsequent periods are capitalized in the cost amount of the related assets if they increase the useful life of the asset and / or its production potential or reduce its operating cost, Repairs and maintenance are charged to the income statement as incurred, The cost and related accumulated depreciation of assets retired or sold are removed from the accounts at the time of sale or retirement, and any gain or loss is included in the consolidated statements of income, The carrying values of property, plant and equipment are tested for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, When the carrying amount of the asset exceeds the estimated recoverable amount an impairment loss is recognized and the asset is written down to its recoverable amount, The recoverable amount is the greater between fair value less costs to sell and value in use, In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, According to IAS 16 the Company recognizes costs related to obligations arising from the removal of assets in the period of occurrence and in the extent in which an estimate of its fair value is feasible, The related costs of removal are capitalized in the assets carrying amount and are depreciated relatively.

### 2.6 Cost of Borrowing

From January 1, 2009 borrowing costs that are directly related to the purchase, construction or production of assets and requiring considerable time to come to the desired position for use or sale, are capitalized as part of these asstes. All other borrowing costs are recognized as an expense when incurred, including interest and other expenses for raising loans.

### 2.7 Depreciation

Depreciation of property, plant and equipment is computed based on the straight-line method at rates, which approximate average economic useful lives reviewed on an annual basis. Leasehold improvements are amortized over the term of the lease.

Within the current fiscal year, the subsidiary company AIOLIKI KYLINDRIAS S.A. proceeded to adjust the rate at which depreciates the productive equipment, after documentation relating to its useful life from 15 years to 20. After this change, the depreciation rate decreased from 6,67% to 5%, starting from 01/07/2011. With the adoption of the new lower depreciation rate, the amount of recognized annual income from subsidies was adjusted accordingly. Within 2011, the useful life of Production Licenses of wind farms were adjusted to 40 years and those of hydroelectrical plants to 50 years.

The useful lives and depreciation rates assumed per asset category are set out below:

| | Years of useful life | Depreciation rate |
|---|---|---|
| • Hydroelectrical plant | 50 | 2% |
| • Leasehold improvements | 7 – 25 | 4% - 14% |
| • Plant and equipment | 7 – 15 | 5% - 24% |
| • Furniture and fixture | 4 – 7 | 14% - 25% |
| • Vehicles | 7 – 9 | 11% - 14% |
| • Intangible assets | 4 – 5 | 20% - 25% |
| • Energy production licenses | 40 | 2,5% |

(All amounts in Euro thousands unless otherwise specified)

### *2.8 Intangible assets*

Intangible assets consist of rights for use of forestry land, where Wind Parks are installed, purchased Wind Park licenses and software acquisition costs. The right of use of forestry land, where Wind Parks are installed, includes the related acquisition costs less accumulated amortization and possible impairment. The value of software includes the acquisition cost and all expenses incurred to develop the software in order to bring it to operating condition less accumulated amortization and possible impairment. Significant subsequent expenses are capitalized when such increase the software's capacity after initial specifications. Amortization of licenses and on the rights of use for land where Wind Parks are installed is accounted for, using the straight-line method over the duration of the contractual right for the production of energy (approximately 20 years), beginning from the period when each Wind Park starts operating. Amortization of software is accounted for based on the straight-line method over 3 years. The amortization of all the aforementioned items is included in the income statement.

### 2.9 Impairment of assets

Assets that are depreciated are tested of impairment each time there is an indication that the carrying amount is not recoverable, The recoverable amount is the maximum between the net selling price representing the possible proceeds from the sale of an asset in an arms' length transaction, after deduction of any additional direct cost for the sale of the asset, and the value in use representing the discounted future net cash flows from the continuing use and ultimate disposal of an asset using an appropriate discount rate, If the recoverable amount is less that the carrying amount the carrying amount is written down to the level of the recoverable amount, An impairment loss is recognized in the income statement of the related period occurred except if the asset was adjusted in value, when the loss reduces the special value adjustment reserve, When in subsequent periods the loss must be reversed the carrying amount of the asset is increased to of the reviewed estimated recoverable amount in the extent that the new carrying amount is not greater than the carrying amount that would result as if the impairment was never recorded in prior periods, The reversal of an impairment loss is recorded as income in the income statement except for the case that the asset was value adjusted, case in which the reversal of the impairment loss increases the related special value adjustment reserve, For the assessment of impairments, assets are ranked in the minimum cash flow class.

**2.10 Finance instruments**

Financial instruments of the Company are classified in one of the following categories:

**Financial assets or liabilities estimated at fair value with changes reflected in the income statement,** A financial asset or financial liability that meets either of the following conditions:

- It is classified as held for trading (including derivatives but excluding instruments designated for hedging purposes, acquired or designed for the purchase or repurchase purposes and finally those who are part of a portfolio including recognized financial instruments),
- Upon initial recognition it is designated by the entity as at fair value through the statement of income,
- On the balance sheet the transactions and the valuation at fair value are presented separately as derivative financial instruments, Changes in fair value of these derivatives are reflected in the income statement,

**Borrowings and receivables,** Non derivative financial assets with fixed or predetermined rates, which are not being traded in active markets, Borrowings and receivables do not include:

- Receivables from advance payments for the purchase of goods or services,

- Receivables from tax dealing, legally imposed by the State,

- Any non contractual element giving right to the company to raise claims in cash or in other financial elements,

Borrowings and receivables are included in the current assets, except those expiring within 12 months or more from the date of the balance sheet, In such case borrowings and receivables are recognized as other non-current assets (long-term receivables),

**Retainable Investments,** Non derivative financial assets of fixed or predetermined payment and set expiration date, which the Company has the ability and intention to retain until expiration,

**Available-for-sale financial assets,** Non derivative financial assets which are identified under this category or cannot be classified in any of the above categories, Available-for-sale financial assets are consequently valued at fair value and the resulting profit or loss is recognized in equity reserve, until those assets are sold or acknowledged as impairments, When sold, or when acknowledged as impairments, any such profit or loss is transferred to income statement, Impairment losses recognized in income statements cannot be reversed through income statements, Sale and/or purchase of investments is recognized as at the date of transaction, when it becomes binding for the Company to sell or purchase, as the case may be, the respective asset element, Investments are initially recognized at fair value, plus directly attributable to transaction cost, with the exception of directly attributable to the transaction cost of such elements that are valued at fair value with changes to results, Investments are written off when their respective rights to affect cash flows matures or is transferred and the Company has materially transferred all risks and rewards deriving from owning of such investments, Actual and contingent profit and loss deriving from changes in fair value of financial assets valued at fair value with changes to results, are directly recognized to results for the respective period at which they occurred, Fair value of financial assets which are marketable in active markets are determined by concurrent market conditions, Fair value of non-marketable elements is determined using valuation results, such as recent transaction analysis, comparison of currently traded in active markets assets and discounted cash flows, Non-marketable in an active market assets, classified under this category, fair value of which cannot be valued objectively, are valued at the cost of purchase,

At the date of Balance Sheet, the Company considers any events or facts evidencing that financial assets have been impaired, With regard to shares of companies classified as available-for-sale-financial assets, such event would be any significant or persistent decrease of fair value against cost of purchase, If such impairment is evidenced, loss aggregated to equity that being the difference between cost of purchase against fair value, is then transferred to income statement,

### 2.11 Receivables from customers

Accounts receivable are recognized and carried at originally invoiced amounts and subsequently are valued at amortized cost with the use of the effective interest rate less any impairment losses, Impairment losses (losses from doubtful accounts) are recognized when objective indication exists that the Group will be unable to collect all amounts due, The amount of impairment loss is the difference between the carrying amount of the receivables and the net present value of the discounted with the effective interest rate future cash flows, The amount of impairment loss is charged to the income statement, At each reporting period/date, all accounts receivable are assessed based on historical trends and statistical information and a provision is recorded for the probable and reasonably estimated loss for these accounts, All accounts receivable collection of which is not considered probable are written-off,

### 2.12 Cash and cash equivalents

Cash, time deposits and other highly liquid, low risk investments with original maturities of three months or less are considered to be cash equivalents,

### 2.13 Share Capital

Common shares are recognized in Equity, cost of issuance of new shares, net of deferred tax, are reflected as a deduction of Paid-in-Surplus, Share issuance costs related to business combinations are included in the cost carrying amount, he purchase cost of treasury shares less any income tax (if applicable) is presented as a deduction of equity unless the treasury shares are sold or cancelled, Gains or losses from the sale of treasury shares net of any direct transaction costs or income tax, if applicable, are presented as reserve in equity,

### 2.14 Borrowings

All loans and borrowings are initially recognized at fair value, net of issue costs associated with the borrowing, After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest rate method, Gains or losses through the amortization process are recognized in the statement of income,

### 2.15 Income Tax - Deferred income tax

Income Tax expense for the period consists of current and deferred taxes, i,e, the tax (or the tax discount) associated with income (or loss) that are reported, for accounting purposes, in the current period but will generate a tax liability or asset in future accounting periods, Income taxes are recognized in the income statement, except for tax with regard to transactions charged directly to equity, In the latter case, the tax is also charged directly to equity,

Current income taxes are recognized based on taxable income of the period, in accordance with the Greek tax laws for each of the consolidated subsidiaries, The current income tax is based on taxable profits of the Company adjusted according to the requirements of tax legislation and is calculated with the current tax rate in force, Deferred income taxes have been provided using the liability method on all temporary differences arising between financial reporting and tax bases of assets and liabilities, using enacted tax rates in effect in the years in which the differences are expected to reverse, Deferred taxes are calculated using the liability method for all temporary tax differences as of the balance sheet date between taxable base and accounting base of the assets and liabilities,

Expected impacts from temporary tax differences are recognized and recorded either as future (deferred) tax liabilities or as deferred tax assets, Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against the above and can be utilized, The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

The Company writes off deferred tax assets against deferred tax liabilities only in cases when the Company has a legal right to write off current tax assets against current tax liabilities and deferred tax assets and the deferred tax liabilities relate to income tax and are imposed by the same tax authority,

### 2.16 Employee Benefits

#### a) Short term benefits

Short term employee benefits are recorded on an accrual basis,

#### b) Provisions for Benefit Plans

The programs for employee benefits concerning their service termination are included in defined benefit plans according to IAS 19 - "Employee benefits", The obligations resulting from the defined benefit plans are calculated as the discounted fair value of the future benefits to employees accrued as of the balance sheet date, These obligations are calculated based on financial and actuarial assumptions, The net cost for the period / year is charged to the income statement and is comprised from the present value of accrued benefits during the period / year, the discounting of the future obligation, the cost of experience of service and actuarial gains or losses, Unrecorded cost of experience is recognized on a straight basis on the average remaining service time of the employees expected to receive benefits, For discounting purposes the interest rate of long term Greek Government bonds is used, According to the provisions of Law 2112/20 the Company pays compensation to employees dismissed or resigning depending on the length of service, their current remuneration and the reason for leaving (dismissal or retirement), The termination benefit in case of retirement amounts to 40% of the termination benefit in case of dismissal,

### 2.17 Provisions

Provisions are recognized when the Company has a present obligation (legal or accrued) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be calculated, If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, Where discounting is used, the increase of the provision due to the passage of time is recognized as a borrowing cost, Provisions are reviewed at each balance sheet date and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed, Provisions are used only for expenditures for which they were originally recognized, Contingent assets and contingent liabilities are not recognized,

### 2.18 Revenue recognition

Revenue consist of the fair value of the sale of goods and services, net of value-added tax, rebates and discounts, Revenue is recognized as follows:

- **Services rendered:** Revenue from services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction, assessed on the basis of the actual service provided as a proportion of the total cost,

- **Interest income:** Interest income is recognized on a time-proportion basis using the effective interest method,

### 2.19 Leases

Leases which transfer to the Company substantially all benefits and risks incidental to ownership of the item property are considered financial leases and are accounted for by the lessee as the acquisition of an asset and the incurrence of a liability, Financial charges are recognized directly to income, Finance leases, that transfer to the Company substantially all risk and benefits following the ownership of the leased asset are recorded as assets with amount equal to the initial lease amount, the fair value of the leased asset or if lower the present value of the minimum future lease payments, Lease payments are included in finance costs and deducted from the remaining liability, in such way that a constant interest rate applies to the remaining liability amount, Leased assets are depreciated in the shorter time between useful life of the asset and the lease period, Criterion for the classification of a lease as finance or operating is the type or transaction itself and not the type of agreement, If from a lease agreement arises that the lessor substantially holds all benefits and risks incidental to ownership of the asset, it is classified as an operating lease by the lessee and the rental payments are recognized as an expense as incurred,

### 2.20 Dividend distribution

Dividends payable to the shareholders are recognized and presented as liability in the period in which the General Shareholders Assembly approves them,

### 2.21 Government Grants

Government grants are initially recognized as deferred income on the balance sheet, when the reimbursement of the grant is fairly secure and the Group has met its required obligations, Grants related to the Groups expenses are recognized as other operating income on a systematic base in the period the related expenses are recognized, Grants related to the purchase cost of the Group's assets are recognized as other operating income on a systematic base according to the useful estimated life of the asset,

### 2.22 Long term receivables / payables

Long-term receivables and payables, which are interest free or bear interest significantly lower than the prevailing market rates, are recognized in their net present value, Differences between the present value and the face amounts are created as discount or premium and amortized as interest expense or income over the life of each receivable/payable,

### 2.23 Related parties

Related party transactions and balances are disclosed separately in the consolidated financial statements, Such related parties mainly refer to major shareholders, Management, companies with common ownership and/or management with the company and its consolidated subsidiaries, or other affiliates of these companies,

### 2.24 Capital Management

The Group's policy is the maintenance of a solid capital structure to have confidence of investors and creditors and to support its future growth, Management monitors Equity in its total excluding minority interests so that the ratio to liabilities subtracting the Company's deposits is approximately 3 to 1, Based on the data of the balance sheets the ratio of liabilities to equity for the years 2009 and 2008 was 1,29 and 0,88 respectively for the Group and 0,34 and 0,07 for the parent Company, The provisions of L, 2190/1920 impose the following restrictions concerning equity:

The purchase of treasury shares, except for the case of purchase for distribution to employees, cannot exceed 10% of the paid in share capital and cannot have as result the reduction of equity to a lower amount than the paid in share capital plus any reserves that are non distributable by law, In case the share capital is below the ½ of the paid in share capital the Board of Directors has to invite the General Assembly of shareholders within 6 months from the end of the fiscal year to decide about the dissolvement of the company or any other measure.
If the total equity is below 1/10 of the paid in share capital and the general assembly does not apply appropriate measures the company can be dissolved by court decision after the request of any party that has legal interest.
Yearly at least the 1/20 of net earnings is distributed to legal reserves that is used to compensate before any dividend distribution the debit balance of retained earnings, The distribution to reserves is not mandatory if its level is 1/3 of the paid in share capital,
The distribution of the yearly cash dividend is mandatory for 35% of the net earnings after the deduction of the legal reserve and the distribution to special valuation reserves from the fair value valuation of assets and liabilities at fair value, This is not applied if the general assembly of shareholders decides at least with 65% majority. In this case the not distributed dividend is presented in a special reserves account for capitalization and new shares are distributed without any charge to the beneficiaries shareholders within four years, Finally, with 70% majority the general assembly can decide the non distribution of dividends.

The company is fully compliant with the related provisions imposed by law concerning equity,

(All amounts in Euro thousands unless otherwise specified)

**Financial Risk Management**

### 3.1 Financial risk factors

Financial risk factors:

***a. Foreign exchange risk:*** The Company is not exposed to foreign exchange risk,

***b. Credit risk:*** The Company is not exposed to credit risk,

***c. Cash flow risk:*** The Company is exposed to cash flow risk that may arise through the fluctuation of variable interest rates and may cause positive or negative fluctuations in cash inflows and/ or outflows of assets and/ or liabilities connected with these variable interest rates. The ratio of fixed to variable rates of bank lending is 20% to 80%.

***d. Market risk:*** The Company has not entered into hedging contracts, resulting from exposure to price vatiation of raw material or other commodities used for production,

### 4. Important accounting assumptions and estimates

Preparation of financial statements in compliance with IFRS requires Management to make estimates and assumptions that may affect the reported amounts of assets and liabilities, required disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period, Reasonable use of available information and subjective judgement are important elements of an assumption, Actual results may differ from estimates and deviations may significantly affect Financial Statements, The Company makes estimates and assumptions with regard to the outcome of future events, The majority of estimates concerns assets depreciation and calculation of deferred taxes, Management's estimates and assumptions are under continuous review based on historical data and expectations of future events, that are deemed higly probable based on current facts,

### 5. Share capital structure

The Company sees to it that its share capital structure is persistant to respective conditions of the subsidy programs in which the Company has entered.

**6. Revenue**

| | the Group | | Company | |
|---|---|---|---|---|
| | **1/1-31/12/2011** | **1/1-31/12/2010** | **1/1-31/12/2011** | **1/1-31/12/2010** |
| Revenue from energy sector | 5.487 | 4.791 | - | - |
| Revenue from services rendered | - | - | 2.040 | 605 |
| **Total** | **5.487** | **4.791** | **2.040** | **605** |

**7. Cost of sales**

| | the Group | | Company | |
|---|---|---|---|---|
| | **1/1-31/12/2011** | **1/1-31/12/2010** | **1/1-31/12/2011** | **1/1-31/12/2010** |
| Recovered exp. from participations to subsidies | - | - | (1.854) | (431) |
| Depreciation of production licenses | (163) | (150) | - | - |
| Personnel salaries and expenses | (146) | (137) | (111) | (106) |
| Third party expenses | (65) | (73) | - | - |
| Supplies to third parties | (891) | (1.097) | - | (4) |
| Tax and stamp duty | (164) | (147) | - | - |
| Other expenses | (25) | (6) | - | (5) |
| Depreciation | (2.544) | (2.442) | - | - |
| Operating provisions | 32 | - | - | - |
| Depreciation of subsidies | 815 | 778 | - | - |
| **Total** | **(3.151)** | **(3.124)** | **(1.965)** | **(546)** |

(All amounts in Euro thousands unless otherwise specified)

### 8. Administrative expenses

| | the Group | | Company | |
|---|---|---|---|---|
| | 1/1-31/12/2011 | 1/1-31/12/2010 | 1/1-31/12/2011 | 1/1-31/12/2010 |
| Personnel salaries and expenses | (483) | (526) | (199) | (297) |
| Third party fees and expenses | (180) | (97) | (57) | (45) |
| Supplies to third parties | (178) | (180) | (137) | (152) |
| Tax and stamp duty | (75) | (39) | (19) | (10) |
| Other expenses | (358) | (146) | (107) | (77) |
| Depreciations | (27) | (34) | (18) | (24) |
| Provisions | 5 | (5) | 5 | (5) |
| **Total** | **(1.296)** | **(1.027)** | **(532)** | **(610)** |

### 9. Finance income / (expense)

| | the Group | | Company | |
|---|---|---|---|---|
| | 1/1-31/12/2011 | 1/1-31/12/2010 | 1/1-31/12/2011 | 1/1-31/12/2010 |
| Finance expense: | | | | |
| - Interest payable (note 18) | (956) | (802) | (144) | - |
| - Bank and similar expenses | (13) | (10) | (1) | 2 |
| - Depreciation of raising loan costs | (30) | (27) | - | - |
| -Finance cost of provision for equipment removal | (55) | (40) | - | - |
| - Bank charges and other commissions | - | - | - | - |
| - Exchange rate differences (expenses) | - | - | - | - |
| **Total finance expenses** | **(1.054)** | **(879)** | **(145)** | **(2)** |
| Finance income: | | | | |
| - Interest receivable and similar income | 99 | 411 | 60 | 401 |
| - Exchange rate differences (income) | - | - | - | - |
| **Total finance income** | **99** | **411** | **60** | **401** |
| **Net finance expenses** | **(955)** | **(468)** | **(85)** | **399** |

### 10. Income Tax

| | the Group | | Company | |
|---|---|---|---|---|
| | 1/1-31/12/2011 | 1/1-31/12/2010 | 1/1-31/12/2011 | 1/1-31/12/2010 |
| Income tax (current period) | (140) | (191) | | |
| Deferred tax | (145) | 155 | 92 | 75 |
| Provisions for unaudited fiscal years | - | (21) | - | 7 |
| Other tax | (2) | (5) | - | - |
| **Income tax recognized** | (287) | (62) | 92 | 82 |

According to provisions of the Greek tax legislation, tax rate as at December 31, 2011 was 20%. The headquarters of all the companies participating in the consolidation are in Greece, while these companies submit their income statements to the Greek tax authorities. The Greek tax legislation and respective provisions are subject to interpretation by the tax authorities. Income tax statements are submitted to the tax authorities on an annual basis but profit or loss stated for tax purposes, remain temporary until the tax authorities conclude audits of the tax statements and records of the company, at which time the respective tax liabilities of the company become final. Tax losses, if any, and in the amount recognized by tax authorities, can be carried forward to offset against profits for a period of five consecutive years after their occurrence.

(All amounts in Euro thousands unless otherwise specified)

Based on reasonable estimates, to the extent possible, consolidated companies make provisions for any contingent tax burden which may occur in future tax audits.

Consolidated companies have not been audited for the periods presented in the table below:

| Company | Unaudited period |
|---|---|
| RF ENERGY S.A. | 2010 |
| KALLISTI ENERGIAKI S.A. | 2009-2010 |
| AIOLIKI KYLINDRIAS S.A. | 2009-2010 |
| CITY ELECTRIC S.A. | 2010 |
| HYDROELECTRIKI ACHAIAS S.A. | 2010 |
| R.F. ENERGY MISOCHORIA S.A. | 2010 |
| R.F. ENERGY OMALIES S.A. | 2010 |
| R.F. ENERGY KORAKOVRACHOS S.A. | 2010 |
| R.F. ENERGY DEXAMENES S.A. | 2010 |
| R.F. ENERGY LAKOMA S.A. | 2010 |
| R.F. ENERGY PRARO S.A. | 2010 |
| R.F. ENERGY TSOUKKA S.A. | 2010 |
| R.F. ENERGY SCHIZALI S.A. | 2010 |
| R.F. ENERGY KALAMAKI S.A. | 2010 |
| R.F. ENERGY XESPORTES S.A. | 2010 |
| AIOLIKI ADERES S.A. | 2010 |

| | **The Group** | | **Company** | |
|---|---|---|---|---|
| | **1/1-31/12/2011** | **1/1-31/12/2010** | **1/1-31/12/2011** | **1/1-31/12/2010** |
| **Deferred tax on assets** | | | | |
| - Transferred tax loss | 743 | 830 | 195 | 97 |
| - Share capital increase | 25 | 26 | 14 | 22 |
| - Deletion of installation costs | 41 | 91 | - | - |
| -Provision for equipment removal | 47 | 34 | - | - |
| - Other | 9 | - | 4 | 1 |
| -Provision for staff | 7 | 7 | 3 | 4 |
| **Deferred tax on liabilities** | 7 | | 4 | |
| - Government grants | (2) | - | - | - |
| - Operating licenses | (712) | (730) | - | - |
| - Depreciation expense borrowing | (29) | (43) | - | - |
| - Other | - | (19) | - | - |
| -Depreciation of assets | (26) | - | - | - |
| -Capitalisation of interest | (43) | - | - | - |
| **Net deferred tax** | **60** | **196** | **216** | **124** |

| | | | | |
|---|---|---|---|---|
| Deferred tax on assets | 772 | 926 | 216 | 124 |
| Deferred tax on liabilities | (712) | (730) | - | - |
| **Net deferred tax** | **(60)** | **196** | **216** | **124** |

The agreement between the nominal and real rate follows.

(All amounts in Euro thousands unless otherwise specified)

| | The Group | | Company | |
|---|---|---|---|---|
| | 1/1-31/12/2011 | 1/1-31/12/2010 | 1/1-31/12/2011 | 1/1-31/12/2010 |
| Earnings/loss before tax | 88 | (39) | (542) | (266) |
| Tax corresponding to nominal tax rate (2010: 24% and 2009: 25%) | 18 | (9) | (130) | (64) |
| Tax losses with no deferred tax recognized | 166 | 25 | - | - |
| Decrease in tax rates | 92 | (10) | 30 | (11) |
| Provision for unaudited fiscal years | - | (21) | - | (7) |
| Accounting differences | 11 | - | 8 | - |
| Other | - | **35** | **-** | **-** |
| | **287** | **62** | **(92)** | **(82)** |
| **Real tax rate** | 326% | (159)% | 17% | 30,8% |

### 11. Trade and other Receivables

| | The Group | | Company | |
|---|---|---|---|---|
| | 1/1-31/12/2011 | 1/1-31/12/2010 | 1/1-31/12/2011 | 1/1-31/12/2010 |
| Trade and other Receivables | 1.435 | 463 | - | - |
| Postdated cheques | - | - | - | - |
| Greek state - Debited VAT | 3.555 | 1.567 | 109 | 72 |
| Subsidies' receivables (note 19) | 11.560 | 13.411 | - | - |
| Transit Debit Balances | 1.722 | 1.934 | 1.397 | 1.686 |
| Receivables from related parties | - | - | 1.959 | 6.986 |
| Down payments to suppliers | 45 | 96 | - | 96 |
| Blocked bank deposits (note 17) | 2.003 | 992 | - | - |
| Other | 9 | 17 | 232 | 227 |
| **Total** | **20.329** | **18.480** | **3.697** | **9.067** |

### 12. Cash and cash equivalent

| | The Group | | Company | |
|---|---|---|---|---|
| | 31/12/2011 | 31/12/2010 | 31/12/2011 | 31/12/2010 |
| Cash at hand | 13 | 23 | 4 | 12 |
| Sight and time deposits | 1.882 | 7.962 | 420 | 7.758 |
| **Total** | **1.895** | **7.985** | **424** | **7.770** |

Cash and cash equivalents pertain to cash at hand and cash deposits available on sight.

(All amounts in Euro thousands unless otherwise specified)

## 13. Plants, property and equipment

| The Group | Land | Buildings | Plant and Machinery | Vehicles | Furniture and miscellaneous equipment | Capital commitments underway | Total |
|---|---|---|---|---|---|---|---|
| **31/12/2010** | | | | | | | |
| Cost of Purchase | - | 5.005 | 33.931 | 4 | 89 | 1.289 | **40.327** |
| Accumulated depreciation | - | (732) | (5.157) | (3) | (71) | - | **(5.963)** |
| **Net Book Value on 31/12/10** | **-** | **4.273** | **28.774** | **1** | **18** | **1.298** | **34.364** |
| | | | | | | | |
| **1/1- 31/12/2011** | | | | | | | |
| Additions | 1.054 | - | 36.190 | 10 | 5 | 1.784 | **44.001** |
| Sales/ Transfers | - | - | - | | - | - | **-** |
| Depreciations | - | (269) | (2.214) | (1) | (14) | - | **(2.498)** |
| | | | | | | | |
| **31/12/2011** | | | | | | | |
| Cost of Purchase | 1.054 | 9.963 | 70.121 | 14 | 94 | 3.082 | **84.328** |
| Accumulated depreciation | - | (1.001) | (7.371) | (4) | (85) | - | **(8.461)** |
| **Net Book Value on 31/12/2011** | **1.054** | **8.962** | **62.750** | **10** | **9** | **3.082** | **75.867** |

| The Company | Buildings | Vehicles | Furniture and miscellaneous equipment | Capital commitments underway | Total |
|---|---|---|---|---|---|
| **31/12/2010** | | | | | |
| Cost of Purchase | 5 | 2 | 66 | - | **73** |
| Accumulated depreciation | (2) | - | (51) | - | **(53)** |
| **Net Book Value on 31/12/10** | **3** | **2** | **15** | **-** | **20** |
| **1/1- 31/12/2011** | | | | | |
| Additions | - | - | 2 | - | **-** |
| Sales/ Transfers | - | - | - | - | **-** |
| Depreciations | - | (1) | (11) | - | **(12)** |
| **31/12/2011** | | | | | |
| Cost of Purchase | 5 | 2 | 68 | - | **75** |
| Accumulated depreciation | **(2)** | **(1)** | **(62)** | **-** | **(65)** |
| **Net Book Value on 31/12/2011** | 3 | 1 | 6 | - | **10** |

### 14. Intangible fixed assets and surplus value

In previous periods's Balance Sheets, Group has recognized intangible fixed assets with infinite life-span (Production License), which resulted from the acquisition process in which certain subsidiaries were engaged, in the amount of €13,865, while this amount during the current fiscal year adjusted and reduced by €1.968, which is the recognized deferred tax, amounting to €11.897. Within the current fiscal year, the useful life of Production Licenses of wind farms was adjusted to 40 years and those of hydropower plants to 50 years. Depreciation of €469 and €163 were recorded for previous years and the current one, respectively.

The aforementioned amounts are presented in the table:

| | | | | Production License | Έναρξη παραγωγής | Years | | |
|---|---|---|---|---|---|---|---|---|
| **Subsidiary** | Initial classification | **value (thousands)** | **Def. tax** | **from** | **till** | **Date** | **Subsidiary** | Initial classification |
| KALLISTI | ΑΠ | 1.440 | | 2005 | 2045 | 24/04/2008 | KALLISTI | ΑΠ |
| AIOLIKI KYLINDRIAS | ΑΠ | 760 | | 2003 | 2043 | 15/04/2009 | AIOLIKI KYLINDRIAS | ΑΠ |
| HYDROELECTRICI (Κακό Γεφύρι) | Surplus value | 2.789 | (795) | 2001 | 2051 | 30/06/2005 | HYDROELECTRICI (Κακό Γεφύρι) | Surplus value |
| HYDROELECTRICI (Αγ. Ανδρέας) | Surplus value | 1.185 | | 2004 | 2054 | 20/02/2009 | HYDROELECTRICI (Αγ. Ανδρέας) | Surplus value |
| CITY ELECTRIC | Surplus value | 50 | | | | | CITY ELECTRIC | Surplus value |
| AIOLIKI ADERES | ΑΠ | 5.673 | | 2006 | 2046 | 06/12/2011 | AIOLIKI ADERES | ΑΠ |
| | | 11.897 | | | | | | |

(All amounts in Euro thousands unless otherwise specified)

Recording made by the company to account the depreciation are:

| Credit/Debit | **01.01,2010** | **31.12,2010** | **31.12.2011** |
|---|---|---|---|
| Intangible (Licenses) – Ag. Depreciation | (320) | (150) | (163) |
| Deffered Tax on Liabilities | 48 | 18 | 18 |
| Retained Earnings | 272 | 132 | 145 |

As a result, the intangible assets are:

*Amounts in €*

| **01.01.2010** | **Depreciation** | **Additions** | **31.12.2010** | **Depreciation** | **31.12.2011** |
|---|---|---|---|---|---|
| 5.855 | (150) | 5.673 | 11.378 | (163) | 11.215 |

Amounts under Licenses pertain to the acquisition of subsidiary companies Aioliki Kylindrias S.A. and Kallisti Energiaki S.A. which occurred in 2007. Amounts under Surplus pertain to the acquisition of subsidiaries City Electric S.A. and Hydroelectriki Achaias S.A. which occurred in 2008 and the acquisition of AIOLIKI ADERES S.A. , which occurred in 2010.

**15. Investment in subsidiaries and related companies**

The Extraordinary General Assembly of its 100% subsidiary HYDROELECTRIKI ACHAIAS S.A. on 02/06/2011, decided to reduce its share capital by € 700.000 through cancellation of shares and cash back to shareholders. The decrease of share capital was attributed to the sole shareholder, RF Energy, with three disbursements, the last of which on 08/07/2011.

The Extraordinary General Assembly of its 100% subsidiary AIOLIKI KYLINDRIAS S.A. on 08/06/2011, decided to increase its share capital, through capitalization apparent reserve (reserve from disposal of shares above par) of €3.645.000 and issuance of 3.645.000 common nominal shares with a nominal value and disposal price of one euro each.

The Extraordinary General Assembly of its 100% subsidiary RF ENERGY OMALIES S.A. on 27/07/2011, decided to third consecutive increase of its equity by €270.000, through cash and issuance of 900 new common nominal shares with value of €30 and disposal price of €300 each.

The difference between nominal value and disposal price of €243.000 was credited to the account "Difference from issuance of shares above par".

This increase was made, so that the Company could purchase land in the region of East Attiki, for the erection of Substation in Mesogia by the competent bodies.

The Extraordinary General Assembly of its 100% subsidiary AIOLIKI KYLINDRIAS S.A. on 06/09/2011, decided to increase its equity by €1.650.000. The increase was made in cash and covered through issuance of 165.000 new shares with a nominal value of one euro (1,00) and disposal price of ten euro (10,00) each.

The difference between nominal value and disposal price of €1.485.000 was credited to the account "Difference from issuance of shares above par".

The Extraordinary General Assembly of its 100% subsidiary RF ENERGY OMALIES S.A. on 12/09/2011, decided to fourth consecutive increase of its equity by €510.000, through cash and issuance of 1.700 new common nominal shares with value of €30 and disposal price of €300 each.

The difference between nominal value and disposal price of €459.000 was credited to the account "Difference from issuance of shares above par".

This increase was made, so that the Company could purchase land in the region of East Attiki, for the erection of Substation in Mesogia by the competent bodies.

The Extraordinary General Assembly of its 100% subsidiary HYDROELECTRIKI ACHAIAS S.A. on 26/10/2011, decided to reduce its share capital by € 300.000 through cancellation of shares and cash back to shareholders. Till 31/12/2011, HYDROELECTRIKI ACHAIAS S.A has attributed to its sole shareholder €250.000 with a remaining amount to pay of €50.000.
The Extraordinary General Assembly of its 100% subsidiary RF ENERGY OMALIES S.A. on 17/11/2011, decided to fifth consecutive increase of its equity by €280.200, through cash and issuance of 934 new common nominal shares with value of €30 and disposal price of €300 each.

The difference between nominal value and disposal price of €252.180 was credited to the account "Difference from issuance of shares above par".

This increase was made, so that the Company could purchase land in the region of East Attiki, for the erection of Substation in Mesogia by the competent bodies.

The Extraordinary General Assembly of its 100% subsidiary RF ENERGY OMALIES S.A. on 09/12/2011, decided to sixth consecutive increase of its equity by €291.000, through cash and issuance of 970 new common nominal shares with value of €30 and disposal price of €300 each.

The difference between nominal value and disposal price of €261.900 was credited to the account "Difference from issuance of shares above par".

(All amounts in Euro thousands unless otherwise specified)

This increase was made, so that the Company could purchase land in the region of East Attiki, for the erection of Substation in Mesogia by the competent bodies.

Shareholders of Aioliki Aderes S.A. convened in an Extraordinary General Assembly on December 14, 2011, and decided to increase in its equity by € 420.000 issuance of 4.200 new common nominal shares of €10 and disposal price €100 each.

The difference between nominal value and disposal price of €378.000 was credited to the account "Difference from issuance of shares above par".
The remaining balance of the investment of the company is analysed as follows:

| Subsidiaries | 31/12/2011 | 31/12/2010 |
|---|---|---|
| KALLISTI ENERGIAKI S.A. | 6.370 | 6.370 |
| AIOLIKI KYLINDRIAS S.A. | 6.699 | **5.049** |
| CITY ELECTRIC S.A. | 170 | 170 |
| HYDROELECTRIKI ACHAIAS S.A. | 3.817 | 4.817 |
| R.F. ENERGY MISOCHORIA S.A. | 349 | 51 |
| R.F. ENERGY OMALIES S.A. | 2.002 | 50 |
| R.F. ENERGY KORAKOVRAHOS S.A. | 498 | 51 |
| R.F. ENERGY DEXAMENES S.A. | 419 | 50 |
| R.F. ENERGY LAKOMA S.A. | 276 | 51 |
| R.F. ENERGY PRARO S.A. | 276 | 50 |
| R.F. ENERGY SCHIZALI S.A. | 276 | 51 |
| R.F. ENERGY KALAMAKI S.A. | 218 | 50 |
| R.F. ENERGY TSOUKKA S.A. | 276 | 50 |
| R.F. ENERGY XESPORTES S.A. | 276 | 50 |
| AIOLIKI ADERES S.A. | 16.526 | 6.176 |
| | **38.331** | **23.086** |

The Company, in the beginning of 2011, acquired the remaining share (16%) of ten subsidiaries operating in the energy sector in the Perfecture of Evia and now owns 100% of their shares.

The participation share of the Company in the aforementioned subsidiaries are on 31/12/2011, as follows:

| NAME OF SUBSIDIARY | PARTICIPATION SHARE 31/12/2011 | PARTICIPATION SHARE 31/12/2010 |
|---|---|---|
| KALLISTI ENERGIAKI S.A. | 100,00% | 100,00% |
| AIOLIKI KYLINDRIAS S.A. | 100,00% | 100,00% |
| CITY ELECTRIC S.A. | 100,00% | 100,00% |
| HYDROELECTRIKI ACHAIAS S.A. | 100,00% | 100,00% |
| R.F. ENERGY MISOCHORIA S.A. | 100,00% | 84,00% |
| R.F. ENERGY OMALIES S.A. | 100,00% | 84,00% |
| R.F. ENERGY KORAKOVRAHOS S.A. | 100,00% | 84,00% |
| R.F. ENERGY DEXAMENES S.A. | 100,00% | 84,00% |
| R.F. ENERGY LAKOMA S.A. | 100,00% | 84,00% |
| R.F. ENERGY PRARO S.A. | 100,00% | 84,00% |
| R.F. ENERGY SCHIZALI S.A. | 100,00% | 84,00% |
| R.F. ENERGY KALAMAKI S.A. | 100,00% | 84,00% |
| R.F. ENERGY TSOUKKA S.A. | 100,00% | 84,00% |
| R.F. ENERGY XESPORTES S.A. | 100,00% | 84,00% |
| AIOLIKI ADERES S.A. | 100,00% | 100,00% |

## 16.Available for sale financial assets

The Extraordinary General Assembly of 28/06/2010 amended its objects and decided to take part in the company's financial institutions. then, the company decided to take part in the share capital increase of FBB, and On 20/07/2010 has acquired 680,300 common registered voting shares of an amount of € 2.000. The best evidence of fair value is the published price in an active market.

## 17. Share Capital (all amounts mentioned pertain to euro)

On 01/01/2011, the Company's share capital amounts to €14.000.000, consisting of 28.000.000 common nominal shares, with nominal value of €0,50 each.

According to the decision of the Extraordinary General Assembly of 10/03/2011, the Company's share capital increases by €666.668. The increase will be paid in cash and covered by the issuance of 1.333.336 new shares with nominal value of €0,50 and disposal value of €1,50 each.

The difference between the nominal value of €0,50 and the disposal value of €1,50, amounting to €1.333.336 will be credited to the account "Difference from issuance of shares above par".

After the increase, the Company's share capital will amount to €14.666.668, divided into 29.333.336 nominal shares with nominal value of €0,50.

Finally, according to the decision of the Extraordinary General Assembly of 23/09/2011, the Company's share capital decreased by €4.106.667,04. The decrease will be paid in cash and covered by decrease of nominal value of the common shares from €0,50 to €0,36, for the total company's share capital.

After the decrease, the Company's share capital amounts to €10.560.000,96, divided into 29.333.336 common shares with nominal value of €0,36 each.

(All amounts in Euro thousands unless otherwise specified)

### 18. Borrowings

| | The Group | | Company | |
|---|---|---|---|---|
| **Long – term borrowings** | **31/12/2011** | **31/12/2010** | **31/12/2011** | **31/12/2010** |
| **Long – term borrowings** | 44.825 | 13.861 | - | - |
| Uniliquidated raising loan cost | (327) | (172) | - | - |
| | **44.498** | **13.689** | - | - |
| Long –term liabilities payable within the next 12 months | (1.058) | (1.021) | - | - |
| Short-term part of unliquidated raising loan cost | 27 | 27 | - | - |
| | **(1.031)** | **(994)** | - | - |
| Long-term part of borrowings | **43.467** | **12.695** | - | - |
| **Short-term borrowings** | **3.539** | **1.992** | **3.539** | - |

The Company received, in January 2001, funding of €2.500 with interest rate of EURIBOR 3M plus margin (4,00%). This grant will expire on 20/07/2012. To receive this grant, the Company has recommended on securities available.

The Company, on 30/12/2011, entered into a Credit Agreement with open current account of €1.000.000,which was released the same day. The interest rate on this loan is floating EURIBOR 3M plus fixed margin 6,50%.

For this grant, corporate guarantee and pledge up on time deposits maintained by the 100% subsidiary KALLISTI ENERGIAKI S.A. were given, which amounts to €730.000 on 31/12/2011, and undertook by 31/03/2012 to pledge on an additional amount of €270.000, implementing relevant promissory letter delivered.

The amount of given guarantees and the relevant pledge will amount throughout to 100% of the existing balance of the loan received by the parent company and be equally impaired on the specific contractual payment on behalf of the parent company.

In July 2011, the 100% subsidiaries KALLISTI ENERGIAKI S.A. and AIOLIKI KYLINDRIAS S.A. received the remaining balance of the approved public subsidy for their investment plan, of €3.704 and €2.133 respectively and proceeded immediately to pay off their existing trade and bank obligations.

Aioliki Aderes S.A. , according to the decision of BoD on 05/05/2011, signed bond agreement up to an amount of € 35.065.600, for 12 years with a grace period of 24 months and floating rate Euribor plus a fixed margin of 3,80% and 4,00%, depending on the case and its subject of financing is: a) long-term financing of investment cost for the construction of three wind farms, b) short-term financing against subsidies approved by the decisions 52586/ΥΠΕ/5/01732/Ε/Ν.3299/04/19-11-2010 and 52589/ΥΠΕ/5/01840/Ε/Ν.3299/04/27-12-2010 and c) the medium-term financing to cover the VAT of investment cost of the three wind farms. Till 31/12/2011, an amount of €31.660 has been disbursed, while an amount of €326 is related to capitalized interest for grace period.

For the purpose of this loan, collateral have been used and the sole shareholder of Aioliki Aderes, RF Energy, has provided full and unconditional guarantee.

Additionally, according to the term of the loan, the company has pledged its future receivables coming from the Power Purchase Agreement with HTSO, bank deposits and on insurance policies and contracts that has to maintain.

Interest payable of all the above loans amounted for the period ended at December 31$^{st}$, 2011 and 2010 to € 956 and € 802, respectively.

During 2011, total quittances of sum €2.986 against the above existing long-term loans raised by the Group, were realized.

(All amounts in Euro thousands unless otherwise specified)

## 19. Trade and other payables

| | the Group | | Company | |
|---|---|---|---|---|
| | **31/12/2011** | **31/12/2010** | **31/12/2011** | **31/12/201(** |
| Payables to related parties (note 24) | - | - | 270 | 71 |
| Trade payables to suppliers | 1.852 | 206 | 32 | 36 |
| Cheques payables | - | 6 | - | - |
| Accrued expenses | 102 | - | 22 | 54 |
| Provision for unaudited fiscal years | - | 48 | - | 5 |
| Liability for share capital increase | - | - | 571 | - |
| Creditors | 938 | 157 | 870 | 14 |
| Accrued interests on loans | 217 | 114 | - | - |
| Other | 352 | - | 51 | - |
| **Total** | **3.461** | **531** | **1.816** | **180** |

## 20. State subsidies

| | the Group | | Εταιρεία | |
|---|---|---|---|---|
| | **31/12/2011** | **31/12/2010** | **31/12/2011** | **31/12/2010** |
| Subsidies | 18.276 | 19.055 | - | - |
| Depreciation of subsidies | 3.853 | | | |
| Additional for Aderes | 410 | - | - | - |
| Additional subsidy | (815) | (779) | - | - |
| | **21.724** | **18.276** | **-** | **-** |

The subsidiary company KALLISTI ENERGIAKI S.A., within the current fiscal year, received the remaining balance of the approved state subsidy for its investment plan, of €3.704.The depreciation of received state subsidies on behalf of the company for the development of the wind park in location "Tsouka" in Municipalities of Skiritida and Valtetsiou in Argolida Prefecture, have been amounted to € 465 during the current period.

The subsidiary company AIOLIKI KYLINDRIAS S.A., within 2011, received the remaining balance of the approved state subsidy for its investment plan of € 2.133. The depreciation of received state subsidies on behalf of this subsidiary for the development of the wind park in location "Lofoi Kylindrias" in Municipality of Doirani in Kilkis Prefecture, have been amounted to € 236during the current period.

The depreciation of received state subsidies on behalf of the subsidiary HYDROELECTRIKI ACHAIAS S.A. for the development of a small hydroelectrical station in location "Boufaskia" in Municipality of Aigio, have been amounted to € 37 during the current period. After the beginning of the operation of the small hydroelectrical station in location "Agios Andreas", the subsidiary, within 2011, received € 300, 50% of the approved state subsidy for the abovementioned project, and proceeded to accumulative depreciation of the subsidy from the date of commencement of operation of the SHP in the location "Agios Andreas ", amounting to € 57.

The subsidiary company AIOLIKI ADERES S.A. received a number 52586/YPE/5 / 01732/E/N.3299/04/19-11-2010 approval to join the investment in the investment law 3299/2004 as amended by the Ministry of Economy and Finance for the construction of wind farms in locations " Sampales" and " Astrapi".

The approved amount of total granted investment amounts to € 28.899 and as a result the state subsidy amounts to € 11.560.

(All amounts in Euro thousands unless otherwise specified)

### 21. Long-term provisions- Enviromental restoration

The Company, under the existing legislation, has the obligation ath the end of the production license and if that is not renewed, to decommission the technical equipment of the wind farms and restore the surrounding environment of the establishment area.

| | Environmental restoration | Total |
|---|---|---|
| **On 31/12/2010** | **687** | **687** |
| Addition of Aioliki Aderes S.A. | 749 | 749 |
| Change in useful life of Aioliki Kylindrias S.A. 's assets | (68) | (68) |
| Financial cost | 55 | 55 |
| **On 31/12/2011** | **1.423** | **1.423** |

### 22. Interest rate and liquidity risks

**Interest rate risk**
The Company has substantial interest bearing assets in the amount of €400 (€1.895 for the Group) that are invested in compound time accounts in Yen (JPY) at a predetermined exchange rate. Said exchange rate is calculated based on the interbank market floating interest rate in Euro. Therefore revenue and operating cash flow is affected by a change in interest rates.

As at December 31st, 2011 Earnings After Tax for the Company would have been €3 (€14 for the Group) lower / higher, if interest rates had lower / higher by 90 base points, all other variables remaining unchanged.

Interest rate risk results from long-term and short-term borrowings in euro at a floating interest rate. The Company assesses its exposure to interest rate risk on a steady basis, also taking into consideration any chance of refinancing under different terms, as well as renewal of existing financing.As at December 31st, 2011 Earnings After Tax for the Company would have been € 26 lower/higher, while those of the Group would have been € 346 lower/higher, if interest rates had decreased/ increased by 90 base points, all other variables remaining unchanged. This would have been caused mainly due to higher / lower finance expenses resulting from bank borrowings at a floating interest rate in Euro.As a consequence, Earnings After Tax for the Company would have been € 22 (€ 332 for the Group) lower/higher, if interest rates had decreased/ increased by 90 base points, all other variables remaining unchanged.

**Interest rate risk**

| | **+90 bps** | | **-90 bps** | |
|---|---|---|---|---|
| | **Earnings before tax** | | **Earnings before tax** | |
| | **the Group** | **Company** | **the Group** | **Company** |
| **Financial assets** | | | | |
| Cash equivalents | 17 | 4 | (17) | (4) |
| Influence before tax | 17 | 4 | (17) | (4) |
| Income Tax 20% | (3) | (1) | 3 | 1 |
| **Total influence** | **14** | **3** | **(14)** | **(3)** |
| **Financial liabilities** | | | | |
| Loans | (432) | (32) | 432 | 32 |
| Influence before tax | (432) | (32) | 432 | 32 |
| Income Tax 20% | 86 | 6 | (86) | (6) |
| **Total influence** | **(346)** | **(26)** | **346** | **26** |
| **Total Net Influence** | **(332)** | **(22)** | **332** | **22** |

(All amounts in Euro thousands unless otherwise specified)

### Liquidity risk

The liquidity risk management includes ensuring that sufficient cash and cash equivalents and ensuring credit through approved funding limits . The table below analyzes the liabilities of the Company and the Group , based on remaining contractual life at the balance sheet date under consideration

| Company December 31st, 2011 | < 1 year | 1-2 years | 2-5 years | > 5 years |
|---|---|---|---|---|
| Borrowings | 2.864 | 675 | - | - |
| Liabilities | 1.831 | - | - | - |
| **Total** | **4.695** | **675** | **-** | **-** |

| the Group December 31st, 2011 | < 1 year | 1-2 years | 2-5 years | > 5 years |
|---|---|---|---|---|
| Borrowings | 3.899 | 14.715 | 16.543 | 12.486 |
| Liabilities | 4.354 | - | - | - |
| **Total** | **8.253** | **14.715** | **16.543** | **12.486** |

The previous table analyses the Group's obligations, based on the remaining contractual duration at the date of the balance sheet. The amounts in the table refer to the nominal value of the obligation plus interest, and as a result, they may differ from the amounts included in the balance sheet.

### 23. Legal reserves

According to the provisions of Greek company legislation, the creation of legal reserves, with the annual transfer of an amount equal to 5% of the annual earnings after tax, is compulsory till the level of the reserves becomes equal to 1/3 of share capital. The legal reserves are only distributed in case of dissolution, but they can be offset with accumulated losses.

### 24.Transactions with related parties

The Company purchases commodities from related parties, and exchanges services with said parties. According to IAS 24 related parties are subsidiary companies, companies with common shareholders and/or management and any affiliates to such companies. Members of the Board of Directors and Top Management are also considered related parties. The table below presents payables and receivables from transactions with related parties.

| Receivables from: | 31/12/2011 | 31/12/2010 |
|---|---|---|
| KALLISTI ENERGIAKI S.A. | - | 2.850 |
| AIOLIKI KYLINDRIAS S.A. | 217 | 2.673 |
| CITY ELECTRIC S.A. | 261 | 178 |
| HYDROELECTRIKI ACHAIAS S.A. | 92 | 80 |
| R.F. ENERGY MISOCHORIA S.A. | 142 | 59 |
| R.F. ENERGY OMALIES S.A. | 96 | 96 |
| R.F. ENERGY KORAKOVRAHOS S.A. | 55 | 57 |
| R.F. ENERGY DEXAMENES S.A. | 27 | 61 |
| R.F. ENERGY LAKOMA S.A. | 39 | 54 |
| R.F. ENERGY PRARO S.A. | 137 | 54 |
| R.F. ENERGY SCHIZALI S.A. | 62 | 40 |
| R.F. ENERGY KALAMAKI S.A. | 92 | 42 |
| R.F. ENERGY TSOUKKA S.A. | 61 | 60 |
| R.F. ENERGY XESPORTES S.A. | 132 | 88 |
| AIOLIKI ADERES S.A. | 103 | 512 |
| **Total** | **1.959** | **6.915** |

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **Payables to:** | | |
| F.G. EUROPE S.A. | (11) | - |
| CITY ELECTRIC S.A. | (69) | 71 |
| R.F. ENERGY MISOCHORIA S.A. | - | - |
| R.F. ENERGY OMALIES S.A. | (180) | - |
| R.F. ENERGY KORAKOVRAHOS S.A. | - | - |
| R.F. ENERGY DEXAMENES S.A. | (10) | - |
| R.F. ENERGY LAKOMA S.A. | - | - |
| R.F. ENERGY PRARO S.A. | - | - |
| R.F. ENERGY SCHIZALI S.A. | - | - |
| R.F. ENERGY KALAMAKI S.A. | - | - |
| R.F. ENERGY TSOUKKA S.A. | - | - |
| R.F. ENERGY XESPORTES S.A. | - | - |
| **Total** | **(270)** | **71** |

| **Income:** | **1/1-31/12/2011** | **1/1-31/12/2010** |
|---|---|---|
| KALLISTI ENERGIAKI S.A. | 24 | 35 |
| AIOLIKI KYLINDRIAS S.A. | 18 | 18 |
| CITY ELECTRIC S.A. | 6 | 6 |
| HYDROELECTRIKI ACHAIAS S.A. | 24 | 24 |
| R.F. ENERGY MISOCHORIA S.A. | 246 | 10 |
| R.F. ENERGY OMALIES S.A. | 258 | 9 |
| R.F. ENERGY KORAKOVRAHOS S.A. | 318 | 10 |
| R.F. ENERGY DEXAMENES S.A. | 245 | 9 |
| R.F. ENERGY LAKOMA S.A. | 147 | 10 |
| R.F. ENERGY PRARO S.A. | 207 | 10 |
| R.F. ENERGY SCHIZALI S.A. | 63 | 10 |
| R.F. ENERGY KALAMAKI S.A. | 138 | 10 |
| R.F. ENERGY TSOUKKA S.A. | 147 | 10 |
| R.F. ENERGY XESPORTES S.A. | 159 | 9 |
| R.F. ENERGY GARBIS S.A. | - | 2 |
| R.F. ENERGY ZEFIROS S.A. | - | 2 |
| AIOLIKI ADERES S.A. | 36 | - |
| **Total** | **2.036** | **184** |

| **Cost:** | | |
|---|---|---|
| Leases | (123) | (102) |
| **Total** | **(123)** | **(102)** |

**Management:**

| | The Group | | Company | |
|---|---|---|---|---|
| | **31/12/2011** | **31/12/2010** | **31/12/2011** | **31/12/2010** |
| Receivables from Members of the BoD and Management | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** |

| **Members of the Board of Directors and Management:** | The Group | | Company | |
|---|---|---|---|---|
| | **1/1-31/12/2011** | **1/1-31/1/2010** | **1/1-31/12/2011** | **1/1-31/1/2010** |
| **Compensations - Other Benefits:** | | | | |
| Board of Directors Remuneration | (211) | (130) | (211) | (130) |
| **Total** | **(211)** | **(130)** | **(211)** | **(130)** |

### 25. Commitments, contingent liabilities and uncertainties

In 2008 Company's subsidiaries filed applications to RAE and the Ministry of Development for the issuance of Production Licenses for Wind Power Energy Production Plants, located at various sites in Evia Prefecture, and with 387MW capacity in total. Subsequently meteorological masts were erected in said site locations in order to measure wind potential while parent Company R.F. ENERGY S.A. provides to its subsidiaries administrative, development and management services on this project. Moreover Company's subsidiaries have taken actions to receive approval from competent authorities to develop this project.

During 2010, subsidiaries of the Group submitted to RAE and the Ministry of Energy and Climate Change (YP.E.K.A.) completed files with applications for relevant production licenses from wind stations in the southern Evia, with total capacity of 144MW. Therefore, the group of wind farms being developed by subsidiaries of the Group in the southern Evia has total capacity of 531MW. Said Production Licenses have not been granted as of the date of issuance of the document at hand

Within 2011, subsidiaries of the Group submitted to RAE and the Ministry of Energy and Climate Change (YP.E.K.A.) completed files with applications for relevant production licenses from wind stations in the southern Evia, with total capacity of 57MW, while an application for production license from wind farm of 9MW was withdrawn. Therefore, the group of wind farms being developed by subsidiaries of the Group in the southern Evia has total capacity of 579MW

Within fiscal year 2011 Production Licenses of total 279MW were granted to 14 wind farms of the group, while 7 of these farms have been granted with Temporary Connection Terms by HTSO. Finally, in December 2011, Study of Environmental Impact of the wind farms was submitted, so that Approval of Environmental Terms coulb be granted.

Within fiscal year 2009 several Production Licenses were granted to unrelated companies for Wind Power Energy Production Plants located at sites which are at close proximity to Company owned projects, for which Company's subsidiaries have applied for Production Licenses. Due to this fact, in December 2009 the Company proceeded to legal action against Decisions by the Ministry of Energy and Environment, RAE, and the Special Committee for the Environment. Action was filed to the Council of State, requesting annulment of said Production Licenses which were issued in favor of unrelated companies, on the basis of impingement of the Company's subsidiaries' lawful rights (as Company's subsidiaries have also filed applications for Production Licenses for Wind Power Energy Production Plants located in the area, and no decision has been reached yet), and material breach of substantial legal and statutory provisions. As of the date of issuance of the document at hand the Council of State has not convened on the case matter.

Moreover, on December 31, 2011, the parent company R.F. ENERGY S.A. has guaranteed loans of its subsidiaries of total balance of € 31.986, which have been paid off gradually by 2023.

### 26. Post Balance Sheet events

There are no other substantial events having occurred after December 31st, 2011 concerning the Company which ought to have been disclosed or that bear the capacity to significantly affect any element of the published financial statements.