**IRF European Finance Investments Ltd**

**Consolidated Interim Financial Statements**
**For the three-month period**
**ended 31 March 2013**

## In accordance with International Financial Reporting Standards

The accompanying consolidated interim financial statements of IRF European Finance Investments Ltd ("IRF") and its subsidiaries (together "the Group"), for the three-month period ended 31 March 2013 were approved by the Company's Board of Directors on 17 September 2013.

## Contents

## BOARD OF DIRECTORS

| Name | Position |
|---|---|
| Angeliki Frangou | Chairman, Non – Executive Director |
| Sheldon Goldman | Deputy Chairman, Non – Executive Director |
| Loukas Valetopoulos | Chief Executive Officer, Director |
| Alexander Meraclis | Secretary of the Company and Non – Executive Director |

## INTERIM MANAGEMENT REPORT FOR THE PERIOD ENDED 31 March 2013

### Financial highlights

*amounts in € '000*

| **Income statement items (three month period)** | **31 March 2013** | **31 March 2012** |
|---|---|---|
| Interest and similar income | 1,118 | 1,016 |
| Dividend income | - | - |
| Interest and similar charges | (3,354) | (2,646) |
| Impairment losses on available-for-sale portfolio | - | - |
| (Loss)/Profit for the period | (1,459) | (2,675) |
| Total comprehensive income for the period | (23,534) | (14,129) |
| Basic earnings per share (in euro/share) | (0.01) | (0.02) |

| **Balance sheet items** | **31 March 2013** | **31 December 2012** |
|---|---|---|
| Cash and cash equivalent | 3,155 | 2,538 |
| Trading portfolio | 27,904 | 25,622 |
| Investment portfolio | 37,113 | 59,187 |
| Total assets | 130,068 | 150,067 |
| | | |
| Loans | 187,404 | 183,961 |
| Total liabilities | 188,221 | 184,686 |
| | | |
| Total Equity | (58,153) | (34,619) |

| **Ratios** | | |
|---|---|---|
| Current assets / current liabilities | 0.22 | 0.20 |
| Total assets / total liabilities | 0.69 | 0.81 |
| Net loss after tax / total assets | (0.01) | (0.04) |

## Significant events

The European sovereign debt crisis has resulted in significant volatility in the equity and debt markets as well as most other asset classes. The decline in the Greek stock market has been more pronounced given the lengthy period required to resolve the Greek sovereign debt crises. This created substantial deterioration in the value of the Company's investments.

Due to the valuations losses, the company appears to have negative equity. The Company is considering all necessary initiatives to shore up its liquidity through debt restructuring, capital contributions from existing or new stockholders or other sources of financing.

On these grounds on July 31, 2013 it has been agreed with the Piraeus Bank (successor of Cyprus Popular Bank) that the outstanding payment of € 15.0 mil due on 28 March 2013 would be deferred until 30 September 2013.. In addition, the interest margin has decreased by 3% and IRF obtained waivers for compliance with total Assets to Total Liabilities ratio through March 31, 2013.

We have the expectation that we will soon reach to a more detailed restructuring plan. Moreover the major shareholders will provide an additional working capital facility of up to $ 300 th.

## Key risk factors

IRF is exposed mainly to market and credit risk relating to financial instruments. The existing budget deficits in the Hellenic Republic and the anaemic economic recovery have adversely affected investors' appetite for businesses in the Hellenic Republic and securities listed on the Athens Stock Exchange. An important factor that will significantly affect the markets is the success of the Greek government, to achieve the goals set by the International Monetary Fund and the European Union.

## Related parties transactions

All the related parties transactions during the first half presented in note14 to the financial statements.

## STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE THREE-MONTH REPORT AND THE CONDENSED SET OF FINANCIAL STATEMENTS

The directors are responsible for preparing the three-month report and the condensed set of financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law and in accordance with appropriate regulations of the listing authority, the directors have elected to prepare annual and interim financial statements in accordance International Financial Reporting Standards as adopted by the European Union.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors, to the best of their knowledge, state that:

- the condensed set of financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and specifically under IAS 34, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the interim management report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, description of important events that have occurred during the year together with a description of the principal risks and uncertainties that they face.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1981 of Bermuda. They are also responsible for safeguarding the assets of the company and taking reasonable steps for the prevention and detection of fraud and other irregularities.
In so far as the directors are aware:

- there is no relevant review information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant review information and to establish that the auditors are aware of that information.

Legislation in Bermuda governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders of IRF European Finance Investments Ltd

### Introduction

We have reviewed the accompanying interim consolidated statement of financial position of IRF European Finance Investments Ltd (the "**Company**") and its subsidiaries (the "**Group**") as of 31 March 2013 and the related interim consolidated statement of comprehensive income, changes in equity and cash flows for the three-month period then ended, and the selected explanatory notes.

Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards that have been adopted by the European Union and apply for interim financial information ("**IAS 34**"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Because of the matter described in the "Basis for Disclaimer of Conclusion" paragraph, however, we were not able to obtain sufficient appropriate evidence to provide a basis for a review opinion in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

### Basis for Disclaimer of Conclusion

The consolidated Financial Statements have been prepared under the assumption that the parent company and its operating subsidiaries will be able to continue as a going concern. As discussed in note 2.5 to the consolidated financial statements, Company's ability to continue as a going concern is dependent on the future developments regarding Greek debt crisis and capital markets which cannot be reliably forecasted and on negotiating a comprehensive financing plan with the Company's banks and other stakeholders. Due to the fact that these negotiations have not been concluded at the date of our review report, we have not been able to obtain sufficient appropriate evidence to provide a basis for the Group going concern.

### Disclaimer of Conclusion

Because of the significance of the matter described in the "Basis for Disclaimer of Conclusion" paragraph, we have not been able to obtain sufficient appropriate evidence relating to the Company's possibilities of achieving a comprehensive financing plan to provide a basis for a review opinion; and, accordingly, we do not express a Conclusion on these interim consolidated financial statements.

Athens, 20th of September 2013

The Chartered Accountants

| | |
|---|---|
| Vassilis Kazas | Dimitris Douvris |
| I.C.P.A. Reg.: No 13281 | I.C.P.A. Reg.: No. 33921 |

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Registry Number SOEL 127

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *Amounts presented in € '000* | Note | 1/1/-31/03/2013 | 1/1-31/03/2012 |
|---|---|---|---|
| **Income** | | | |
| Interest and similar income | 6 | 1,118 | 1,016 |
| Exchange differences | | 928 | (876) |
| Unrealised gain/ (loss) from valuation of financial assets at fair value through Profit & Loss | | 1,530 | 1,071 |
| Realised gain from disposal of Available-for-sale financial assets | | - | 44 |
| Unealised gain from valuation of derivative financial instruments | 5 | (1,572) | (1,153) |
| Share of profits of associates | | 9 | 6 |
| **Total operating income** | | **2,325** | **108** |
| **Expenses** | | | |
| Interest and similar charges | 6 | (3,354) | (2,646) |
| Management fees | | (25) | (25) |
| Other operating expenses | | (92) | (112) |
| Share of losses of associates | | - | - |
| **Total operating expenses** | | **(3,784)** | **(2,783)** |
| **Profit/(loss) for the period from continuing operations** | | **(1,459)** | **(2,675)** |
| **Less: Income tax** | | - | - |
| **(Loss) / Profit after tax** | | **(1,459)** | **(2,675)** |
| **Attributable to:** | | | |
| Owners Of the Parent Company | | (1,459) | (2,675) |
| **Other comprehensive income** | | | |
| **Items that will be reclassified subsequently to profits or loss** | | | |
| Available-for-sale financial assets - Current year gains (losses) | | (22,075) | (11,451) |
| Exchange Differences on translating foreign operations | | 0 | (3) |
| **Other comprehensive income for the period net of tax** | | **(22,074)** | **(11,454)** |
| **Total comprehensive income for the period net of tax** | | **(23,534)** | **(14,129)** |
| **Attributable to:** | | | |
| Owners Of the Parent Company | | (23,534) | (14,129) |
| **Earnings per share attributable to parent company's shareholders ( €/share )** | | | |
| - Basic and diluted | 13 | (0.01) | (0.02) |

*The notes on the following pages form an integral part of these consolidated interim financial statements.*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *Amounts presented in € '000* | Note | 31/03/2013 | 31/12/2012 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Debt securities | 9 | 51,322 | 50,909 |
| Derivative financial instruments | | 1,363 | 2,935 |
| Investments in associates | | 12 | 3 |
| Available-for-sale financial assets | 8 | 37,113 | 59,187 |
| **Total non-current assets** | | **89,809** | **113,034** |
| **Current Assets** | | | |
| Loans and receivables | | 9,085 | 8,741 |
| Financial assets at fair value through Profit & Loss | 7 | 27,904 | 25,622 |
| Other assets | | 115 | 132 |
| Cash and cash equivalents | | 3,155 | 2,538 |
| **Total current assets** | | **40,259** | **37,033** |
| **Total assets** | | **130,068** | **150,067** |
| **SHAREHOLDERS' EQUITY** | | | |
| **Equity** | | | |
| Share Capital | 12 | 162 | 162 |
| Share Premium | 12 | 378,927 | 378,927 |
| Revaluation Reserve | | 4,277 | 26,352 |
| Other reserves | | 9 | 9 |
| Retained Earnings / (losses) | | (441,528) | (440,069) |
| **Total equity attributable to owners of the Parent** | | **(58,153)** | **(34,619)** |
| Non-Controlling Interest | | - | - |
| **Total equity** | | **(58,153)** | **(34,619)** |
| **Liabilities** | | | |
| **Non-current** | | | |
| Due to Shareholders | 10 | 3,135 | 3,013 |
| Tax Liability | | - | - |
| **Total non-current liabilities** | | **3,135** | **3,013** |
| **Current liabilities** | | | |
| Short term loans | 11 | 184,269 | 180,948 |
| Other liabilities | | 818 | 725 |
| **Total current liabilities** | | **185,087** | **181,673** |
| **Total liabilities** | | **188,221** | **184,686** |
| **Total liabilities and equity** | | **130,068** | **150,067** |

*The notes on the following pages form an integral part of these consolidated interim financial statements.*

Angeliki Frangou — Chairman, Non – Executive Director

Loukas Valetopoulos — Chief Executive Officer, Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| *Amounts presented in € '000* | Share Capital | Share Premium | Revaluation Reserve | Other Reserves | Retained Earnings / (losses) | Total attributable to owners of the Parent Company | Non-Controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **Opening balance as at 1st January 2013** | **162** | **378,927** | **26,352** | **9** | **(440,069)** | **(34,619)** | **-** | **(34,619)** |
| **Transactions with owners** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Net result for the period 01/01-31/03/2013** | | | | | **(1,459)** | **(1,459)** | | **(1,459)** |
| **Other comprehensive income:** | | | | | | | | |
| AFS gains/ (losses) directly recognized in equity | | | (22,075) | | | (22,075) | | (22,075) |
| Exchange differences on translating foreign operations | | | | | | | | |
| **Total comprehensive income / (loss) recognised for the period** | **-** | **-** | **(22,075)** | **-** | **(1,459)** | **(23,534)** | **-** | **(23,534)** |
| **Balance as at 31 March 2013** | **162** | **378,927** | **4,277** | **9** | **(441,528)** | **(58,153)** | **-** | **(58,153)** |

| *Amounts presented in € '000* | Share Capital | Share Premium | Revaluation Reserve | Other Reserves | Retained Earnings / (losses) | Total attributable to owners of the Parent Company | Non-Controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **Opening balance as at 1st January 2012** | **162** | **378,927** | **17,798** | **8** | **(433,435)** | **(36,540)** | | **(36,540)** |
| **Transactions with owners** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Net result for the period 01/01-31/03/2012** | | | | | **(2,675)** | **(2,675)** | **-** | **(2,675)** |
| **Other comprehensive income:** | | | | | | | | |
| AFS gains/ (losses) directly recognized in equity | | | (11,451) | - | | (11,451) | | (11,451) |
| Exchange differences on translating foreign operations | | | - | (3) | | (3) | | (3) |
| **Total comprehensive income / (loss) recognized for the period** | **-** | **-** | **(11,451)** | **(3)** | **(2,675)** | **(14,129)** | **-** | **(14,129)** |
| **Balance as at 31 March 2012** | **162** | **378,927** | **6,346** | **5** | **(436,110)** | **(50,670)** | **-** | **(50,670)** |

*The notes on the following pages form an integral part of these consolidated interim financial statements.*

## CONSOLIDATED CASH FLOW STATEMENT

| *Amounts presented in € '000* | **31/3/2013** | **31/3/2012** |
|---|---|---|
| **Cash flows from operating activities** | | |
| **(Loss)/Profit before tax of continuing operations** | **(1,459)** | **(2,675)** |
| *Adjustments for:* | | |
| Add: Impairment losses on financial assets | | - |
| (Profit) /loss from revaluation of financial assets at fair value through Profit & Loss | 42 | 82 |
| Share of (profit) /loss from associates | (9) | (6) |
| (Profit) / Loss from sale of A.F.S portfolio at fair value | - | (44) |
| Interest and other non cash expenses | 2,235 | 1,596 |
| Dividend received | | - |
| Exchange differences | (928) | 876 |
| ***Cash flows from operating activities before changes in working capital*** | ***(119)*** | ***(172)*** |
| **Changes in working capital:** | | |
| Net (increase)/decrease in other assets | 17 | 17 |
| Net increase/(decrease) in other liabilities | 92 | 91 |
| **Net cash flows from operating activities** | **(9)** | **(64)** |
| **Cash flows from investing activities** | | |
| Acquisition of available for sale financial assets | - | - |
| Proceeds from AFS portfolio | - | 2,724 |
| Interest received | 626 | 640 |
| **Net cash flow from investing activities** | **626** | **3,364** |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | - | 1,005 |
| Interest paid | - | (5,533) |
| **Net cash flow from financing activities** | **-** | **4,528** |
| **Net increase/(decrease) in cash and cash equivalents** | **617** | **(1,227)** |
| Cash and cash equivalents at the beginning of the period | 2,538 | 4,600 |
| Effect of exchange rate fluctuations on cash and cash equivalents | - | (2) |
| **Cash and cash equivalents at the end of the financial period** | **3,155** | **3,371** |

*The accompanying notes constitute an integral part of the financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

#### Country of incorporation

IRF was incorporated on 8 September 2005 under the Bermuda Companies Act 1981. The Company was initially listed on AIM on 14 November 2005 and on 19 January 2009 transferred to the Specialist Fund Market (the "**SFM**"), a regulated market operated by the London Stock Exchange plc. The Company's registered office is at Canon's Court 22 Victoria Street, Hamilton HM12, Bermuda.

#### Principal Activities

IRF was formed as an investing company to serve as a vehicle for the acquisition of controlling or non-controlling positions in both public and private entities.
IRF holds approximately 17.91% of the issued shares in Marfin Investment Group ('MIG') which, as at 31 March 2013, is the most significant investment in the Company's portfolio. MIG invests in private equity, privatisations and infrastructure projects and principally operates in Greece, Cyprus and South East Europe. All Greek equity holdings are publicly listed in stock exchanges. The Company does not operate in an industry where significant or cyclical variations as a result of seasonal activity are experienced during the financial year.

All Greek equity holdings and debt securities are publicly listed on the Athens Stock Exchange.

### 2. BASIS OF INTERIM FINANCIAL STATEMENT PREPARATION

#### 2.1 Statement of compliance

The condensed consolidated interim financial statements for the three month period ended 31 March 2013 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'. They do not include all of the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the audited financial statements for the year ended 31 December 2012. The financial information set out in this interim report does not constitute statutory financial statements pursuant to Section 84 of Bermuda Companies Act 1981.
The Group's statutory financial statements for the year ended 31 December 2012 were approved by the Board of Directors on 17 September 2013. The Independent Auditors disclaim their opinion as they were not able to obtain sufficient appropriate evidence to provide a basis for the Group going concern.

#### 2.2 Functional and presentation currency

The current financial statements are presented in Euro, which is the functional currency of the Group. All amounts are presented in thousand Euros unless mentioned otherwise. Due to rounding, percentages and numbers presented throughout the condensed interim consolidated financial statements may not match the counterparts in the financial statements. Amounts expressed in dollars, are US dollars.

#### 2.3 Comparative figures

For the preparation of the condensed consolidated statement of financial position, comprehensive income statement, and cash flow statement of the period ended 31 March 2013, comparatives as of 31 December and 31 March 2012 respectively, were used.

#### 2.4 Use of estimates

The preparation of the financial statements in accordance with the IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses.

Assumptions and estimates are reviewed on an ongoing basis and are revised based on experience and other factors. Revisions of the accounting estimates are recognised in the period in which estimates are revised and in any future periods affected. Assumptions and estimates include expectations on future event and outcomes that are considered as reasonable given the current conditions. Actual results may differ from these estimates.

### 2.5 Liquidity, Going Concern and Management's Plans

The European sovereign debt crisis has resulted in significant volatility in the equity and debt markets as well as most other asset classes. The decline in the Greek stock market has been more pronounced given the lengthy period required to resolve the Greek sovereign debt crises. This created substantial deterioration in the value of the Company's investments over the last 3 to 4 years.

The company has a strategic investment in Marfin Investment Group ("MIG"), which constitutes 69% of total assets. MIG has accumulated a significant group of assets in Greece, many of which are defensive in nature. MIG is listed on the Athens Stock Exchange, and its stock price has declined by 85% since 2009. The loss of value in our MIG investment has created negative book value of equity for the Company as at March 31, 2013.

Several factors have adversely affected the MIG investment, including the uncertainty relating to the on-going effects on business within Greece from the austerity measures adopted by the Greek government in combating the sovereign crisis. In addition, the auditor's opinion on the review report to the MIG 30.06.2013 financial statements contained certain concerns, including the fact that "current liabilities exceeded its current assets by approximately € 978,5 mil., a fact that may indicate the existence of uncertainty regarding Group's ability to continue as a going concern."

As a result of the substantial deterioration in value of the Company's investments in MIG and certain other investments, IRF did not satisfy the Total Assets to Total Liabilities loan ratio on March 31, 2013 For the € 170 million debt facility.

The Company was in compliance with its obligations until March 31, 2013. During 2013, IRF management was discussing with its lending institution a possible restructuring of the loan facility. However, the debt restructuring negotiations was delayed due to the underlying societal change, including (1) regulatory reform of the March 2013 agreement between Cyprus and the Eurogroup regarding the basic elements of a future program of macroeconomic adjustment, and (2) the subsequent acquisition of CPB's Greek branch by Piraeus bank.

It is in the intentions of IRF management to continue to seek to restructure the debt in a manner that will allow the company's underlying investments to mature. Accordingly, on 31 July 2013 the company obtained waivers from its lender for compliance with Total Assets to Total Liabilities ratio through March 31, 2013. Furthermore the applicable margin for the facility decreased from 7% to 4% and the outstanding payment of € 15 million due on 28 March 2013 was deferred. This amount shall be added to the amount payable on 30 September 2013. Furthermore as of 31 March 2013, IRF had net current liabilities of € 145 million and no additional borrowing capacity under its credit facility.

The Company's ability to service its indebtedness will depend on its future plans, which will be affected by prevailing economic conditions and financial, business and other factors.

The Company is considering all necessary initiatives to shore up its liquidity through debt restructuring, capital contributions from existing or new stockholders or other sources of financing. There is no assurance, however, that management plans would be achieved on a timely basis or on satisfactory terms, if at all.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting.

### 2.6 Risks and uncertainties

The principal risks and uncertainties facing the Company have not changed since the publication of the last annual financial statements. A detailed explanation can be found in the notes to the last annual financial statements.

## 3. SUMMARY OF IMPORTANT ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 31 December 2012. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

The following amendments and interpretations of the IFRS have been issued by IASB and their application is mandatory from or after 01/01/2013. The most significant Standards and Interpretations are as follows:

- **Amendments to IAS 1 "Presentation of Financial Statements" – Presentation of Items of Other Comprehensive Income**

In June 2011, the IASB issued the amendment to IAS 1 "Presentation of Financial Statements". The amendments pertain to the way of other comprehensive income items presentation. The amendments affect the consolidated financial statements.

- **IFRS 13 "Fair Value Measurement"**

In May 2011, IASB issued IFRS 13 "Fair Value Measurement". IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Neither does it change the requirements of other IFRSs regarding the items measured at fair value and makes no reference to the way the changes in fair value are presented in the Financial Statements. The standard affects the consolidated financial statements.

- **Amendments to IAS 19 "Employee Benefits"**

In June 2011, the IASB issued the amendment to IAS 19 "Employee Benefits". The amendments aim to improve the issues related to defined benefit plans. The revised version eliminates the "corridor method" and requires the recognition of remeasurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income. Furthermore, this version changes the measurement and presentation of certain components of defined benefit cost. Under the revised standard, the Group/Company restates its reported results throughout the comparative periods in accordance with the prescribed transitional provisions of IAS 19 and in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The amendments do not affect the consolidated financial statements.

- **IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"**

In October 2011, IASB issued IFRIC 20. The Interpretation clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognized as an asset, how the asset is initially recognized, and subsequent measurement. The interpretation is not applicable to the Group's operations.

- **Amendments to IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities**

In December 2011, IASB published new requirements for disclosures that enable users of Financial Statements to make better comparison between IFRS and US GAAP based financial statements. The amendments may affect the consolidated financial statements.

- **Amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards" - Government loans**

In March 2012, IASB issued amendment to IFRS 1, which gives IFRS first-time adopters the option, on a loan by loan basis, of applying the IFRS requirements retrospectively provided that the necessary information to apply the requirements to a particular government loan was obtained at the time of initially accounting for that loan. The amendment does not affect the consolidated financial statements.

- **Annual Improvements 2009–2011 Cycle**

In May 2012, IASB issued Annual Improvements 2009–2011 Cycle, a collection of amendments to 5 International Financial Reporting Standards (IFRSs), as its latest set of annual improvements. The amendments are not significant and have not a material impact on Group's financial statements.

### 3.1 Operating segments

IFRS 8 "Operating Segments" (issued in 2006 and applied by companies for periods starting on or after 01/01/2009), requires a "management approach" to the Group's presentation of financial information under segment reporting. Information disclosed is basically information that the management uses for internal reporting so as to assess the productivity of segments, as well as the manner in which resources are allocated. Such reporting might differ from information used during the preparation of the statement of financial position and profit or loss.

The directors determined that IRF's continuing business, as an investment company, would be managed by the directors as a whole and no segmental information would be reported to the CEO. Therefore, IRF does not present segmental financial information.

## 4. STRUCTURE OF THE GROUP

The structure of the Group as at 31 March 2013 and 31 December 2012:

| Name | Country | Direct and indirect holding | Relation that dictated the consolidation | Note |
|---|---|---|---|---|
| **IRF EUROPEAN FINANCE INVESTMENTS LIMITED** | **BERMUDA** | **Parent** | | |
| MIMOSA TRADING SA | MARSHALL ISLANDS | 100% | Percentage Ownership | Direct Stake |
| MYRTLE TRADING COMPANY | MARSHALL ISLANDS | 100% | Percentage Ownership | Direct Stake |
| IRF US INVESTMENTS INC | USA | 100% | Percentage Ownership | Direct Stake |
| **ASSOCIATES** | | | | |
| S.GOLDMAN ASSET MANAGEMENT LLC | USA | 49% | | Indirect stake through "IRF US" |

### Information on consolidation

**MIMOSA TRADING SA:** This company is duly incorporated and filed articles of incorporation under the provisions of the Marshall Islands Business Corporation Act on 6 July 2007. IRF is the owner of five hundred (500) fully paid and non-assessable shares of the capital stock of the corporation. The aggregate number of shares of stock that this company is authorized to issue is five hundred (500) registered and/or bearer shares without par value.

**MYRTLE TRADING COMPANY:** This company is duly incorporated and filed articles of incorporation under the provisions of the Marshall Islands Business Corporation Act on 6 July 2007. IRF is the owner of five hundred (500) fully paid and non-assessable shares of the capital stock of the corporation. The aggregate number of shares of stock that this company is authorized to issue is five hundred (500) registered and/or bearer shares without par value.

**IRF US INVESTMENTS INC:** IRF US Investments inc. **(IRF US)** is a wholly owned subsidiary under the laws of the State of Delaware. IRF US's only activity is to hold the 49% interest in S.Goldman Asset Management LLC **(SGAM)**. IRF US is fully consolidated in IRF's Group financial statements.

**S.Goldman Asset Management LLC (SGAM)** is a limited liability company formed in 2009, under the law of the State of Delaware. IRF US holds a 49% interest in SGAM. SGAM is an investment manager on a "managed account" and fund basis. SGAM is classified as an associate company and it is consolidated under the equity method. One of IRF's non – executive directors controls the aforementioned company, which provides investment advisory services and receives a management fee under an investment advisory agreement.

## 5. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments per valuation technique:
**Level 1:** Investments that are valued at fair value based on quoted (unadjusted) prices in active markets for identical assets or liabilities.
**Level 2:** Investments that are valued at fair value, using valuation techniques for which all inputs, which have a significant fair value, are based (either directly or indirectly) on observable market data.
**Level 3:** Investments that are valued at fair value, using valuation techniques, in which the data, significantly affecting the fair value, are not based on observable market data. At this level are included investments of which the determination of fair value is based on unobservable market data (five years business plan), using however observable market data also (Beta, Net Debt / Enterprise Value identical firms in specific industrial sectors such as those included in calculate the WACC).

***Financial derivatives fair value determination***
Level 3 instrument refers to MIG's bond embedded derivative. As observable prices are not available on 31 March 2013 IRF used a valuation technique based on observable market data to derive the fair value.

The key parameters employed were a) the share price volatility of MIG's shares and b) the discount rate (the Euro Swap Rate as well as a risk premium whose computation took into account the spreads of bonds of the Hellenic Republic).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

Within the three-month reporting period there were no transfers between Levels 1,2 and 3.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

**As at 31 March 2013**

| *Amounts presented in € '000* | **LEVEL 1** | **LEVEL 2** | **LEVEL 3** |
|---|---|---|---|
| **Assets** | | | |
| Listed securities and debentures | 37,665 | 27,352 | - |
| Unlisted derivatives | - | - | 1,363 |
| **Total** | **37,665** | **27,352** | **1,363** |
| **Liabilities** | | | |
| Listed debentures | - | - | - |
| Listed derivatives | - | - | - |
| **Total** | **-** | **-** | **-** |
| **Net fair value** | **37,665** | **27,352** | **1,363** |

## As at 31 December 2012

| *Amounts presented in € '000* | LEVEL 1 | LEVEL 2 | LEVEL 3 |
|---|---|---|---|
| **Assets** | | | |
| Listed securities and debentures | 60,052 | 24,758 | - |
| Unlisted derivatives | - | - | 2,935 |
| **Total** | **60,052** | **24,758** | **2,935** |
| **Liabilities** | | | |
| Listed debentures | - | - | - |
| Listed derivatives | - | - | - |
| **Total** | **-** | **-** | **-** |
| **Net fair value** | **60,052** | **24,758** | **2,935** |

The following table presents the movement in level 3 instruments for the year ended 31 December 2012.

| *Amounts presented in € '000* | **Derivatives** |
|---|---|
| Opening balance | 2,935 |
| Gains and losses recognized in profit and loss | (1,527) |
| **Closing balance** | **1,363** |
| Total gains or losses for the year included in the statement of comprehensive income for assets held at the end of the year. | - |

Sensitivity analysis test were performed in order to be testing the sensitivity of the base model results to volatility changes. If the Volatility of MIG's share used in the valuation model was decreased by approximately 10%, this would have resulted in a decrease in value of € 0.42 million and if increased by 10% the increase in value would have been € 0.42 million.

The estimated fair values of classes of other financial instruments measured at amortised cost at 30 June 2013 are:

| Amounts presented in € '000 | **Book value** | | **Fair value** | |
|---|---|---|---|---|
| | **31/3/2013** | **31/12/2012** | **31/3/2013** | **31/12/2012** |
| **Financial assets** | | | | |
| Debt securities | 51,321 | 50,909 | 48,556 | 39,956 |
| Loans and receivables | 9,085 | 8,741 | 9,085 | 8,741 |
| **Financial liabilities** | | | | |
| Long term loans | 3,135 | 3,013 | 3,135 | 3,013 |
| Short term loans | 184,269 | 180,948 | 184,269 | 180,948 |

The carrying amount of the following financial assets and liabilities is considered a reasonable approximation of fair value: other receivables, cash and cash equivalents and other payables.

## 6. INTEREST INCOME / EXPENSE

| *Amounts presented in € '000* | 1/1-31/3/2013 | 1/1-31/3/2012 |
|---|---|---|
| **Interest and similar income** | | |
| From deposits in financial institutions | 1 | 9 |
| From securities | 1,038 | 927 |
| From loans and receivables | 79 | 81 |
| **Total** | **1,118** | **1,016** |
| | | |
| **Interest and similar expenses** | | |
| Due to financial institutions | (3,322) | (2,612) |
| Due to shareholders | (32) | (33) |
| Other interest related expenses | (0) | (1) |
| **Total** | **(3,354)** | **(2,646)** |

## 7. TRADING PORTFOLIO AND OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT & LOSS

| *Amounts presented in € '000* | 31/3/2013 | 31/12/2012 |
|---|---|---|
| **Trading Portfolio** | | |
| Investment fund units | 27,352 | 24,758 |
| Securities | 552 | 864 |
| | **27,904** | **25,622** |

## 8. INVESTMENT PORTFOLIO

| *Amounts presented in € '000* | 31/3/2013 | 31/12/2012 |
|---|---|---|
| **Available for sale portfolio** (at fair value) | | |
| Equity securities | 37,113 | 59,187 |
| **Total** | **37,113** | **59,187** |

Investment in MIG constitutes the major investment in IRF's portfolio as at 31 March 2013. After the disposal of the remaining investment of IRF in CPB (ex MPB) during 2012, IRF's interest in Cyprus is limited only to the indirect investments of MIG, while it holds no securities or other financial instruments issued in Cyprus.

## 9. DEBT SECURITIES

| *Amounts presented in € '000* | 31/3/2013 | 31/12/2012 |
|---|---|---|
| **Debt securities** | | |
| Corporate entities bonds | 51,322 | 50,909 |
| | **51,322** | **50,909** |

During the 3d quarter of 2013, pursuant to the decisions of the General Meeting of Shareholders and the decisions of the Board of Directors of MIG, IRF participated in MIG's new Convertible Bond Loan (CBL) issuance by exercising its pre-subscription rights as an existing bondholder through exchanging the bonds issued by MIG on 19/03/2010.The new bonds have a duration of 7 years, bearing an annual interest rate of 6.3%.
As at 31 March 2013 and 31 December 2012 the bond was unrated based on Moody's (or other equivalent) rating system.

## 10. LONG TERM LOANS

| *Amounts presented in € '000* | 31/3/2013 | 31/12/2012 |
|---|---|---|
| **Long term borrowings** | | |
| Due to shareholders | 3,135 | 3,013 |
| **Total** | **3,135** | **3,013** |

The loan from shareholders is in USD, bears an interest of 3 month LIBOR plus 4.0% spread per annum and is repayable on March, 2015. Interest and principal amount will be repaid at maturity day. As at March 31, 2013 the accumulated accrued interest amounts to €165th. (2012: 133 th.). During April 2013 shareholders provided with an additional funding of $ 120 th. bearing an interest of 3 month LIBOR plus 4.0% spread per annum repayable on December, 2014.

## 11. SHORT TERM LOANS

| *Amounts presented in € '000* | 31/3/2013 | 31/12/2012 |
|---|---|---|
| **Short term borrowings** | | |
| Due to financial institutions | 184,269 | 177,329 |
| Accrued interest | - | 3,618 |
| **Total** | **184,269** | **180,948** |

The balance "Due to financial institutions" relates to the long term loan facility of IRF. On 20 July 2010 the Company signed an agreement to refinance the loan for a 5-year period. The loan had a total interest of Euribor plus 4% spread. The first reduction instalment was scheduled to be paid in March 2013.

As at March 31, 2012, the Company was not in compliance with the financial covenants relating to Total Assets to Total Liabilities ratio for the existing loan, and the instalment of accrued interest were past due. During April 2012 the Company repaid the accrued interest that was past due.

Also in April, 2012, the Company agreed with the lending bank to restructure its existing loan agreement and obtained waivers from its lender for compliance with Total Assets to Total Liabilities ratio through March 31, 2013. Under this agreement, the Company will not pay any interest amount through March 31, 2013, and such accrued, but unpaid interest will be semi-annually capitalized. The interest margin was increased by 3% per annum, throughout the capitalization period, and the maturity date remains unchanged. The capitalized interest presented in the "Due to financial institutions" account includes the four past due interest instalments and amounts to € 14.105 million (2012: two past due interest instalments amount to € 7.153 mil).

The long term loan facility was initially agreed with the Greek Branch of Cyprus Popular Bank – CPB- (formerly Marfin Popular Bank). At 2013 IRF management was in the process of debt restructuring and obtaining a new waiver from the lenders. However at March 26th, 2013 Piraeus Bank signed an agreement to acquire all of the Greek deposits, loans and branches of Cyprus Popular Bank (CPB), Bank of Cyprus, and Hellenic Bank. The agreement follows the proposal submitted in response to the invitation addressed to Greek banks by the Greek Government, the Bank of Greece and the Hellenic Financial Stability Fund (HFSF), with regard to the acquisition of the branch network and operations of the 3 Cypriot banks in Greece.

Following the CPB's Greek branch acquisition the debt restructuring and waiver discussions delayed. On these grounds on July 31, 2013 it has been agreed with the Piraeus Bank that the outstanding payment of € 15 million due on 28 March 2013 is deferred. This amount shall be added to the amount payable on September 30, 2013 and shall be paid on that date. On the same date, IRF obtained waivers from its lender for compliance with Total Assets to Total Liabilities ratio through September 31, 2013 and the interest margin has decreased by 3%.

## IRF European Finance Investments Ltd

### 12. SHARE CAPITAL & SHARE PREMIUM

| *Amounts presented in € '000* | Number of common shares | Nominal value $ | Number of preference shares | Nominal value $ | Share capital in $ | Share capital | Share premium | Total |
|---|---|---|---|---|---|---|---|---|
| Opening balance at 1 January 2013 | 137,315,633 | 0.0015 | 49,833,858 | 0.0001 | 206 | 162 | 378,927 | 379,089 |
| **Closing balance at 31 March 2013** | **137,315,633** | **0.0015** | **49,833,858** | **0.0001** | **206** | **162** | **378,927** | **379,089** |

### 13. LOSS PER SHARE

Basic earnings per share are calculated by dividing the net loss attributable to shareholders by the weighted average number of shares in issue during the year.

| | 1/1/-31/3/2013 | 1/1/-31/3/2012 |
|---|---|---|
| **Basic Earnings per share** | | |
| Loss attributable to the Parent Company's Shareholders (in €' 000) | (1,459) | (2,675) |
| Weighted average number of shares in issue | 137,315,633 | 137,315,633 |
| Basic and diluted earnings per share ( €/Share ) | **(0.01)** | **(0.02)** |

### 14. RELATED PARTIES TRANSACTIONS

### 14.1 Transactions between companies included in consolidation

| *Amounts presented in € '000* | 31/3/2013 | 31/12/2012 |
|---|---|---|
| **Asset accounts** | | |
| Other Assets | 28 | 28 |
| **Total** | **28** | **28** |
| | | |
| **Liability accounts** | | |
| Other liabilities | 2,186 | 2,187 |
| **Total** | **2,186** | **2,187** |

The aforementioned balances of the Company have been eliminated from the consolidated financial statements.

### 14.2 Transactions with Management and Members of the Board of Directors

No salaries or loans were paid to the Directors of the Company for the period.

| *Amounts presented in € '000* | 31/3/2013 | 31/12/2012 |
|---|---|---|
| **Liability accounts** | | |
| Other Liabilities | 175 | 150 |
| **Total** | **175** | **150** |

| | 31/3/2013 | 31/3/2012 |
|---|---|---|
| **Expenses** | | |
| Remuneration | (25) | (25) |
| Insurance | (15) | (15) |
| **Total** | **(40)** | **(40)** |

## 15. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

### 15.1 Contingent legal liabilities

As at 31 March 2013, there was no litigation pending against the Group in connection with its activities.

### 15.2 Assets given as collateral

All investment portfolio and cash accounts of IRF are assigned as collateral to IRF's long term loan.

## 16. POST FINANCIAL POSITION DATE EVENTS

Apart from the aforementioned in the notes, there are no events posterior to the Financial Statements, regarding either the Group requiring reference by the IFRS.

## 17. APPROVAL OF INTERIM FINANCIAL STATEMENTS

Athens, 17 September 2013

| | |
|---|---|
| Angeliki Frangou | Loukas Valetopoulos |
| Chairman, Non – Executive Director | Chief Executive Officer, Director |