



**E-STAR ALTERNATIVE PLC.**

Consolidated Financial Statements prepared in accordance with  
International Financial Reporting Standards as adopted by the  
EUROPEAN UNION

for the year ended December 31, 2011

with Report of the Independent Auditor

**E-STAR ALTERNATIVE PUBLIC LIMITED COMPANY**  
Consolidated financial statements for the year ended at december 31, 2011



General information

**Members of Board of Directors**

Soós Csaba

Dr Molnos Dániel

Maximilian N. Teleki

George E. Pataki

**Member of Audit Committee**

Dr. Bakacsi Gyula

Csaba Balázs

Dácz Gábor

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**Auditor**

Deloitte Audit Ltd.

Budapest 1068, Dózsa György út 84/c



E-STAR ALTERNATIVE PUBLIC LIMITED COMPANY  
Consolidated financial statements for the year ended at december 31, 2011

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**E-STAR ALTERNATIVE PUBLIC LIMITED COMPANY**  
 Consolidated financial statements for the year ended at december 31, 2011

All data in euro

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income	Note	2011.	2010.
Revenue	6	65 887 694	27 574 738
Cost of sales	7	-43 963 536	-17 186 297
<b>Gross Profit</b>		<b>21 924 158</b>	<b>10 388 441</b>
Material cost	7	-5 626 874	-302 710
Personnel cost	8	-9 046 398	-1 261 663
Service used	9	-8 211 951	-2 146 859
Other expenditures	10	-3 688 803	-257 320
<b>Operation cost</b>		<b>-26 574 026</b>	<b>-3 968 552</b>
Depreciation	14	-2 241 423	-274 849
Impairment of tangible and intangible assets	14	-1 896 988	0
Net profit/loss from financial activities	11	-536 544	787 832
Share of profits of associates		0	-2 115
<b>Profit before tax</b>		<b>-9 324 823</b>	<b>6 930 757</b>
Income Tax	12	-569 366	-956 631
<b>Profit for the year</b>		<b>-9 894 189</b>	<b>5 974 126</b>
Profit attributable to:			
Owners of the company		-9 640 428	6 004 357
Non-controlling interests		-253 761	-30 230
<b>Earnings per share</b>		<b>-3,926</b>	<b>2,502</b>
Other comprehensive income			
Exchange difference on translating foreign operations		-4 192 964	-46 404
Total other comprehensive income		-4 192 964	-46 404
<b>Total comprehensive income</b>		<b>-14 087 153</b>	<b>5 927 722</b>
Profit attributable to:			
Owners of the company		-13 916 506	5 957 953
Non-controlling interests		-170 647	-30 230

.....  
 Csaba Soós, CEO

.....  
 Dániel Molnos, Director

December 28, 2012

*The notes set out on pages 11 to 66 are an inseparable part of these consolidated financial statements.*

# E-STAR ALTERNATIVE PUBLIC LIMITED COMPANY

Consolidated financial statements for the year ended at december 31, 2011

All data in euro

Consolidated statement of financial position

Consolidated statement of financial position - Assets		Note	2011.12.31	2010.12.31	2010.01.01
				Restated	Restated
Property, plant and equipment	14	24 686 794	4 915 891	7 360 923	
Intangible assets	13	24 042 591	21 269 772	52 992	
Investments in other companies	15	15 478	2 401	1 477	
Financial Asset	15	11 381 546	12 682 675	12 860 998	
Goodwill	16	4 701 402	75 000	81 354	
Other long term receivables		55 014	0	0	
Deferred tax assets	12	0	81 032	57 248	
<b>Total non-current assets</b>		<b>64 882 825</b>	<b>39 026 771</b>	<b>20 414 992</b>	
Inventories	18	1 935 993	866 645	76 702	
Trade receivables	19	9 801 378	15 001 911	6 196 417	
Other receivables due within a year	20	10 467 381	280 940	0	
Accruals and prepaid expenses	21	3 414 632	4 284 453	0	
Securities	22	848 853	1 657 710	26 030	
Cash and cash equivalents	23	3 590 358	4 723 830	541 194	
<b>Total current assets</b>		<b>30 058 595</b>	<b>26 815 489</b>	<b>6 840 343</b>	
<b>Total assets</b>		<b>94 941 420</b>	<b>65 842 260</b>	<b>27 255 335</b>	

Consolidated statement of financial position - Equity and liabilities		Note	2011.12.31	2010.12.31	2010.01.01
				Restated	Restated
Subscribed capital	24	94 937	86 345	86 345	
Reserves	25, 31	8 510 970	3 981 751	3 943 155	
Retained earnings		3 942 317	13 582 746	7 578 389	
<b>Equity attributable to owners of the Company</b>		<b>12 548 224</b>	<b>17 650 842</b>	<b>11 607 889</b>	
Non-controlling interests		2 355 349	-19 694	10 536	
<b>Total equity</b>		<b>14 903 573</b>	<b>17 631 148</b>	<b>11 618 425</b>	
Loans and other long term financial liabilities	29, 30	33 889 313	23 599 699	10 416 211	
Provisions	27	1 458 390	62 383	29 154	
Deferred tax liabilities	12	384 102	656 351	770 437	
Deferred income	32	3 252 849	0	0	
Other long-term liabilities	33	5 096 424	2 688 274	10 881	
<b>Total non-current liabilities</b>		<b>44 081 078</b>	<b>27 006 707</b>	<b>11 226 683</b>	
Trade payables	34	12 339 520	15 256 784	2 668 188	
Loans and other short term financial liabilities	29	13 089 496	4 050 271	1 742 040	
Provisions (current)	27	1 682 168	0	0	
Accruals and deferred income	34	6 918 811	1 624 466	0	
Other liabilities	12	1 926 774	272 884	0	
<b>Total current liabilities</b>		<b>35 956 769</b>	<b>21 204 405</b>	<b>4 410 227</b>	
<b>Total liabilities</b>		<b>80 037 847</b>	<b>48 211 112</b>	<b>15 636 910</b>	
<b>Total equity and liabilities</b>		<b>94 941 420</b>	<b>65 842 260</b>	<b>27 255 335</b>	

December 28, 2012

.....  
Csaba Soós, CEO

.....  
Dániel Molnos, Director

*The notes set out on pages 11 to 66 are an inseparable part of these consolidated financial statements.*

# E-STAR ALTERNATIVE PUBLIC LIMITED COMPANY



## Consolidated statement of changes in equity

	Attributable to equity holders of the parent						Total	Non-controlling interest	Total equity
	Share capital	Share premium	Translation reserve	Share-based payment reserve	Total reserves	Retained earnings			
Balance at January 1, 2010	86 345	3 943 155	-	-	3 943 155	5 284 367	9 313 867	10 536	9 324 403
Effect on restated changes	-	-	-	-	-	2 294 022	2 294 022	-	2 294 022
Balance at January 1, 2010 Restated	86 345	3 943 155	-	-	3 943 155	7 578 389	11 607 889	10 536	11 618 425
Profit or loss for the period						5 249 133	5 249 133	30 230	5 218 903
<b>Other comprehensive income</b>									
Foreign currency translation differences			-	46 404	-	46 404	46 404	-	46 404
<b>Comprehensive income</b>									
Share-based payment						-	-		-
Effect on restated changes					85 000	755 224	840 224		840 224
Balance at December 31, 2010	86 345	3 943 155	-	46 404	85 000	13 582 746	17 650 842	19 694	17 631 148
Profit or loss for the period						9 640 428	9 640 428	253 761	9 894 189
<b>Other comprehensive income</b>									
Foreign currency translation differences			-	4 276 079	-	4 276 079	4 276 079	83 114	4 192 965
<b>Comprehensive income</b>									
Acquisition related non-controlling interest								2 545 690	2 545 690
Share-based payment					223 130	223 130	223 130		223 130
Issue of shares / share increase	8 592	8 582 167			8 582 167		8 590 759		8 590 759
Balance at December 31, 2011	94 937	12 525 322	-	4 322 483	308 130	8 510 970	3 942 318	2 355 349	14 903 573

## Consolidated statement of cash flows

	2011	2010
<b>Cash flows from operating activities</b>		
Profit /loss for the period	-9 324 824	5 172 499
Depreciation and amortisation	2 241 422	1 058 485
Impairment of assets	4 951 235	0
Released liabilities	2 500 000	0
Gain on sale of fixed assets	566 486	0
Foreign exchange difference on translation	935 235	0
Changes in fair value of financial asset	119 799	0
Provisions	-1 325 250	33 974
Income tax expense	-1 024 985	159 709
Other long term receivables changes	-55 014	0
Deffered income	-1 041 449	0
<b>Adjustments to reconcile profit before tax to net cash flows</b>	<b>-1 457 345</b>	<b>6 424 666</b>
<b>Working capital adjustments</b>		
(Decrease)/ (increase) in trade and other receivables	13 680 886	-13 234 431
(Decrease) / (increase) prepayments and accrued income	869 821	0
Decrease in inventory	839 102	-791 905
(Decrease) /(increase) in trade, other payables and accruals	-8 993 629	14 388 764
<b>Net cash from operating activities</b>	<b>4 938 835</b>	<b>6 787 095</b>
<b>Cash flows from investing activities</b>		
Aquisitions of property, plant and equipment	-13 750 931	-19 518 403
Proceeds from property, plant and equipment sale	3 007 071	0
Aquisitions of subsidiaris net of cash	-19 279 794	0
Other investments	-13 077	0
<b>Cash flows from investing activities</b>	<b>-30 036 731</b>	<b>-19 518 403</b>
<b>Cash flows from financing activities</b>		
Proceeds from subscribed capital & reserves	8 590 758	0
Proceeds from borrowings	14 564 809	18 560 137
Changes in securities	808 857	-1 632 348
<b>Cash flows from financing activities</b>	<b>23 964 424</b>	<b>16 927 789</b>
Increase (decrease) in cash and cash equivalents	1 133 472	4 196 481
Cash and cash equivalents at beginning of year	4 723 830	527 350
<b>Cash and cash equivalents at end of year</b>	<b>5 857 302</b>	<b>4 723 832</b>

## 1. General information of the Reporting Entity

### 1.1. Basis for the modified consolidated financial statement

The board decided to modify and revise the previously approved and published consolidated financial statements during December, 2012. During the revision the Group made the following significant modification in its consolidated financial statements:

Modifications effects the consolidated statements of comprehensive income:

- The Company accounted other expense in amount of EUR 986,731, which items represents services to be invoiced to other Group members and it should have been consolidated in the consolidated financial statements published as of November, 30 2012.

Modifications in disclosures:

- The Group disclosed the statement of financial position at the beginning of the earliest comparative period which was effected by the retrospective adjustment
- The Group disclosed its contingent liabilities as at the balance sheet date, including the legal proceedings against the entities in the Group, and a description about the nature of the contingent liabilities, an estimation about its effects, and the corresponding uncertainties.
- The Group disclosed the average repayment deadlines, the aging of the receivables, the aging of the receivables that are past due but not impaired, and the corresponding comparative data.
- The Group disclosed the comparison of the tax expense of the current year to the profit or loss for the year.

### 1.2. General information

E-Star Alternative Plc. ("E-Star" or the "Company"), which is the parent company of the group ("Group"), is registered in Hungary. Its registered head office is at 1122 Budapest, Székács u. 29. The Company's legal predecessor was established on 29 June 2000 with the aim of implementing for its clients – primarily energy-related – investments, the cost of which are recouped from the savings they generate, and by operating these projects in the long term, efficiently supplying energy to its clients. On 7 March 2011 the Company changed its name to E-Star Alternative Plc., which was more in keeping with the Company's activities and international expansion. As of the balance sheet date, the Company's owners were as follows:

Owner	2011. december 31.	2010. december 31.
Percentage of ownership (%)		
Csaba Soós	24.34	40.95
OTP Alapkezelő Zrt.	10.84	16.54
Sandling Enterprises Limited	7.27	-
Utilico Emerging Markets Limited	5.42	-
Aegon Alapkezelő Zrt.	5.33	6.65
József Makra*	-	8.00
East Capital	-	(less than 5%)
Generali Gold KKE Share found	-	(less than 5%)
Free float	46.80	27.86
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

The Company provides its services in the context of an ESCO ("Energy Services Company") structure, which is a form of public-private partnership ("PPP") arrangement specific to the energy sector. It implements energy sector projects in proprietary investments, which it subsequently maintains and operates in the long term following completion of the initial investment. In this manner the Company uses the assets created in the investment to provide energy services, typically under an 8-15 year contract, depending on the rate of return.

The Company's revenues come from the savings that are realised in the course of the implementation under the long-term contracts as well as from the fees charged for operation and maintenance. A significant number of the Company's customers are municipalities.

The Company's most important business activities are the following:

- efficient heat and remote heat supply based on sustainable primary energy sources
- energy-efficient public lighting services based on modern voltage regulation.

After successful investments in Hungary, the Company embarked on regional expansion and has been increasingly active in the neighbouring countries, especially in Romania and in Poland.

## 2. The Basis for Preparing the Consolidated Financial Statements

The consolidated annual financial statements have been prepared in accordance with the International Financial Reporting Standards („IFRS”), also adopted by the EU. The International Financial Reporting Standards („IFRS”) contain the standards approved by the Commission of the European Communities and issued by the International Accounting Standards Board („IASB”) as well as the International Accounting Standards („IAS”) issued by the International Accounting Standards Committee („IASC”). They include further the interpretations of the International Financial Reporting Standards Interpretation Committee („IFRS IC”) and the Standing Interpretations Committee („SIC”) approved by the European Commission.

### The basis of consolidation

The consolidated financial statements include the financial statements of the Company and of business entities controlled by the Company, including special-purpose entities (the Company’s subsidiaries). Control means that the Company has enough power to control the financial and operating regulations of the entity in order to take benefit from its business operation.

The income and expense of subsidiaries acquired or disposed of during the year are presented in the consolidated comprehensive profit and loss statement starting from the actual date of acquisition till the actual date of disposal. The total income of the subsidiaries is due to the owners of the Company and of the non-controlling shares even if this would render the balance of the non-controlling shares to become negative.

If necessary, the financial statements of subsidiaries are modified in order to harmonize their financial policies with the financial policies applied by the other members of the Group.

Intra-group transactions, balances, revenues and expenses will be fully excluded at the date of consolidation.

List of consolidated Entity

Name	Country of incorporation	2011		2010	
		Share ownership	Voting power	Share ownership	Voting power
EETEK Limited	Cyprus	100%	100%	-	-
E-Star ESCO Kft. (formerly RFV Esco Kft.)	Hungary	100%	100%	100%	100%
RFV Beruházó Kft.	Hungary	-	-	100%	100%
RFV Józsefváros Kft.	Hungary	49%	70%	49%	70%
E-Star Geotherm Kft. (formerly RFV Geotherm Kft.)	Hungary	100%	100%	100%	100%
Veszprém Megyei Non-profit Kft.	Hungary	49%	50%	49%	50%
Fejér Megyei Energia Nonprofit Kft.	Hungary	49%	51%	49%	51%
Patakő Energiaszolgáltató Nonprofit Kft.	Hungary	48%	50%	48%	50%
E-Star Management Zrt. (formerly RFV Management Kft.)	Hungary	100%	100%	100%	100%
Grep Zrt.	Hungary	-	-	25%	25%
Rába Energiaszolgáltató Kft.	Hungary	97%	97%	-	-
NRG Finance Kft.	Hungary	90%	90%	-	-
E-Star Távhőfejlesztési Kft.	Hungary	100%	100%	-	-
EPV Biogáz Kft.	Hungary	100%	100%	-	-
Euro-Energetyka Spółka z o. o.	Poland	51%	51%	-	-
Elektrociepownia „Gorlice” Spółka z o. o.	Poland	73%	73%	-	-
Elektrociepownia Mielec Spółka z o. o.	Poland	85%	85%	-	-
E-Star Management Polska	Poland	100%	100%	-	-
EC-Energetyka Spółka z o. o.	Poland	51%	51%	-	-
E-Star Polska	Poland	100%	100%	-	-
E-Star Centrul de Dezvoltare Regionala SRL (formerly RFV S.R.L)	Romania	100%	100%	100%	100%
Termoenergy srl	Romania	99%	99%	99%	99%
RFV Heat Energy SA	Romania	99.99%	99.99%	99.99%	99.99%
E-Star Mures Energy SA (formerly RFV Mures Energy SA)	Romania	99.99%	99.99%	99.99%	99.99%
E-Star Alternative Energy SA (formerly RFV Alternative Energy SA)	Romania	99.99%	99.99%	99.99%	99.99%
E-Star Energy Generation SA (formerly RFV Energy Generation SA)	Romania	99.99%	99.99%	99.99%	99.99%
E-Star ZA Distrterm srl (formerly RFV Distrterm srl)	Romania	51%	51%	51%	51%
E-Star AR Energy SA (formerly RFV AR Energy SA)	Romania	99.99%	99.99%	99.99%	99.99%
E-Star CL Distrterm srl (formerly RFV CL Distrterm srl)	Romania	100%	100%	100%	100%
E-Star OR District Heating SA (formerly RFV OR District Heating SA)	Romania	100%	100%	-	-
E-Star Investment Management SRL	Romania	100%	100%	-	-
RFV Slovakia sro	Slovakia	100%	100%	100%	100%

### 3. Application of new and revised International Financial Reporting Standards (IFRS)

#### 3.1. The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2011

The following amendments to the existing standards issued by the IASB and adopted by the EU are effective for the current period:

- IAS 24 (Amendment) "Related Party Disclosures" - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- IAS 32 (Amendment) "Financial Instruments: Presentation" – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for annual periods beginning on or after 1 February 2010),
- IFRS 1 (Amendment) "First-time Adoption of IFRS"- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, adopted by the EU on 30 June 2010 (effective for annual periods beginning on or after 1 July 2010),
- Various standards and interpretations (Amendment) "Improvements to IFRSs (2010)" resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 18 February 2011 (amendments are to be applied for annual periods beginning on or after 1 July 2010 or 1 January 2011 depending on standard/interpretation),
- IFRIC 14 (Amendment) "IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction" - Prepayments of a Minimum Funding Requirement, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", adopted by the EU on 23 July 2010 (effective for annual periods beginning on or after 1 July 2010).

The adoption of the above presented Amendments and new Standards and Interpretations had no significant impact on the Consolidated Financial Statements of the Group.

#### 3.2. Amendments to IFRSs effective on or after 1 January 2012, which are not yet endorsed by EU, not yet adopted

At the balance sheet date of these financial statements, the following Standards and Interpretations were issued but not yet effective:

IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015),

IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013),

IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013),

IFRS 12 "Disclosures of Involvement with Other Entities" (effective for annual periods beginning on or after 1 January 2013),

IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013),

IAS 27 (revised in 2011) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013),

IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013),

IFRS 1 (Amendment) "First-time Adoption of IFRS" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011),

IFRS 7 (Amendment) "Financial Instruments: Disclosures"- Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011),

IAS 1 (Amendment) "Presentation of financial statements" -Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012),

IAS 12 (Amendment) "Income Taxes" - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012),

IAS 19 (Amendment) "Employee Benefits" - Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after 1 January 2013),

IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).

The adoption of the above presented Amendments and new Standards and Interpretations would have no significant impact on the Consolidated Financial Statements of the Group.

#### 4. Significant accounting policies

##### 4.1. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU").

##### 4.2. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

##### 4.3. Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between the aggregate of the fair value of the consideration received and the fair value of any retained interest and the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

##### 4.4. Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39,

or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

#### 4.5. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 3.4 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

A bargain purchase could happen in a business combination that is a forced sale in which the seller is acting under compulsion. However, the recognition or measurement exceptions for particular items may also result in recognising a gain on a bargain purchase. Before recognising a gain on a bargain purchase, the Company as acquirer shall reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and shall recognise any additional assets or liabilities that are identified in that review. The Company as acquirer shall then review the procedures used to measure the amounts this IFRS requires to be recognised at the acquisition date for all aspects presented in IFRS 3 Business Combinations.

#### 4.6. Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

#### 4.7. Leases

Prepaid rent represents title to perpetual usufruct of land acquired by or granted to a group entity by the Polish State which is accounted for as an operating lease. The amount paid to acquire a title to perpetual usufruct of land is recognized as operating lease expense in profit or loss over the period of entitlement to use of the land.

There is no contract or agreement in the Group designated as financial lease.

#### 4.8. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The revenue from sales transactions is recorded on the date of performance in accordance with the terms and conditions of the relevant supply contracts. The sales revenue does not include value added tax. All income and expense is recognized in accordance with the comparability principle in the appropriate period.

The Group's revenue consist mainly of the services from efficient heat and remote heat supply based on sustainable primary energy sources and energy-efficient public lighting services based on modern voltage regulation. The revenue from rendering of services is recognized when all it could be measured reliably and the economic benefit will flow to the Group.

#### 4.9. Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

#### 4.10. Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### 4.11. Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

These consolidated financial statements are presented in Euro ("EUR"); the Company's functional currency is Hungarian forint ("HUF").

#### 4.12. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### 4.13. Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

#### 4.14. Retirement benefit costs

##### *Defined contribution plan*

One subsidiary of the Company operates a defined contribution pension plan for employees. Pension costs are charged against profit or loss as the related service is provided.

##### *Other long term employee benefits*

A provision is recognized for the amount of the present value of obligations under schemes at certain group companies which entitles employees to receive benefits at retirement.

The Group's net obligation in respect of other long-term employee benefits is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. Any actuarial gains or losses are recognized in profit or loss in the period in which they arise.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

#### 4.15. Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

The policy described above is applied to all equity-settled share-based payment transactions that were granted after 1 February 2010 and is effective until December 31, 2014. No amounts have been recognised in the consolidated financial statements in respect of other equity-settled share-based payments.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

No amounts have been recognized in the consolidated financial statements as cash-settled share-based payments.

#### 4.16. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period.

##### *Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

##### *Current and deferred tax for the year*

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

#### 4.17. Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their carrying amounts, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Structures	10 years
Plant and equipment	3-25 years
Vehicles	5 years

#### 4.18. Intangible assets

##### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

##### *Intangible assets acquired in business combination*

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

##### *Derecognition of intangible assets*

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

#### 4.19. Concession rights and emission quotas

Concession rights are intangible assets which arise on the acquisition of exclusive rights to supply certain partners with energy over a finite time period. Concession rights are recognized at cost and subsequently measured at cost less accumulated amortization and impairment losses.

Emission quotas ("CO2 quotas") are granted by governments annually, free of charge, to entities which emit greenhouse gases. The quotas are valid for a predetermined period of time. Such emission quotas are initially recognized as intangible assets at fair value which is the market price at the grant date. Subsequently the emission quotas are accounted for using the cost model, and then tested for impairment. Emission quotas are not amortized.

Emission quotas are reviewed to assess whether their net recoverable amount is lower than their carrying value at the reporting date. Net recoverable amount is the lower of value in use or fair value less cost to sell. As the value in use of emission quotas is approximately equal to their fair value less cost to sell and the cost to sell is not material, the recoverable amount of emission quotas is the average spot price of the emission quotas of the market obtainable data ([www.bluenext.com](http://www.bluenext.com)). Each emission quota is measured in the statement of financial position at the lower value and any impairment loss is recognized in profit or loss. Emission quotas which expire within a year are classified as current assets.

Throughout the period of their validity, emission quotas may be sold in the market. Therefore derecognition occurs when emission quotas are sold or returned to government against emitted greenhouse gases.

The Group can settle the obligations created by its emission of pollutants only by surrendering emission quotas to the government. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the date of the end of the reporting period. A provision for emitted CO2 quotas is recognized at the reporting date for the actual quantity of emitted greenhouse gas. Where the Group holds CO2 quotas, the provision is recognized based upon the carrying amount of CO2 quotas on hand at the reporting date. If the Group needs to purchase additional quotas to meet its liabilities, the provision for new purchases is recognized at the current market price of the quota as at the reporting date.

#### 4.20. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Any impairment loss related to tangible and intangible assets is recognized among depreciation in the comprehensive income.

#### 4.21. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out ("FIFO") basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

#### 4.22. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### *Contingent liabilities*

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 Revenue.

#### 4.23. Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

##### *Financial assets*

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM") investments, available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

##### *Financial assets at FVTPL*

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income.

*Held-to-maturity investments*

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, HTM investments are measured at amortised cost using the effective interest method less any impairment.

*Available for sale financial assets*

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables, HTM investments or FVTPL.

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Fair value is determined based on market prices or in case of reliable obtainable market prices, valuation mode is applied as alternative method. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured with a valuation model as an alternative approach and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

#### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

#### **4.24. Financial liabilities and equity instruments**

##### *Classification as debt or equity*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

*Financial liabilities*

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

*Other financial liabilities*

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

*Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### *Derivative financial instruments*

The Group enters into derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

There is no embedded derivative recognized in the Group's derivative transactions.

The Group doesn't apply hedge accounting; the concluded deals are futures for trading purposes recognized FVTPL.

#### 4.25. Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

#### 4.26. Service Concession Agreements

In accounting for public-to-private service concession agreements, the Group applies the following principles.

The provisions in interpretation 12 of the IFRIC are applied if the following conditions are met in case of a public-to-private service concession agreement: (a) the concession grantor has control over or can regulate what services, to whom and at what price are to be provided by the operator using the infrastructure; and (b) at the end of the agreement, the concession grantor will control, through ownership, beneficiary rights or otherwise, all the major residual assets relating to the infrastructure.

According to the terms of such agreements, the operator works as a service provider. The operator builds or develops the infrastructure used for providing public services (construction or development services), and operates and maintains the infrastructure for a definite period of time (operating services).

If certain contracts made with public authorities meet the above conditions then the infrastructure covered by such a contract will not be recognized in the Group's accounts as real estate property, machinery or equipment.

In the case of such contracts, the construction or development services provided by the Group will be presented at the actual value set out in the contract, whether received or receivable. The consideration set out in the contract will be accounted for as a financial asset or intangible asset.

Construction or development services provided by the Group will be presented as financial assets if, on the basis of the contract, the Group has an unconditional contractual right to receive funds from the concession grantor (local municipality) or at the latter's instruction in return for the construction or development services; and the concession grantor has no or hardly any chance for avoiding payment because the contract is lawfully enforceable. The Group is entitled to receive funds if the concession grantor provides a contractual guarantee that it will pay a fixed or calculable amount to the Group or pay the difference between the amounts received from the users of the public service and the fixed or calculable amount set out in the contract.

Construction or development services provided by the Group will be presented as intangible assets if, on the basis of the contract, the Group acquires the right (licence) to charge a fee on the users of the public service. In this case the costs of raising loans for the agreement will be capitalized during the construction or implementation phase of the agreement.

If the construction or development services provided by the Group are paid partly in cash and partly by intangible assets then the respective parts of the consideration so received will be accounted for separately.

If the Group has contractual obligations to maintain or restore the infrastructure taken over or developed by it then these obligations shall be accounted for in the financial statements at the value estimated at the time of preparing the statements.

#### 4.27. Operating segments

An operating segment is a distinguishable component of the Group that is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the

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management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

The Group determines and presents operating segments based on the information that is provided internally to the Board of Directors. The Board is the Group's chief operating decision maker. For this purpose the Group categorizes its operations into geographical segments. The segmentation was adopted when preparing these consolidated financial statements.

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4.28. Comparative data

The presentation currency from previous years have been changed from HUF to EUR. Therefore the comparison in respect of the base data of this consolidated financial statements with the last year's published consolidated financial statements is impracticable.

Some restructuring in the supplementary information were applied in order to have a better understanding of the operation of the Group. These reclassifications were not material to the consolidated financial statements.

The Group has established that in the consolidated financial statements for the year 2010 the IFRIC 12 Service Concession Agreements standard was erroneously not applied which was corrected in the consolidated financial statements for the year 2011.

The revaluation was made with a retroactive effect, the impact of which for the year 2010 is presented in the table below.

Balance	December 31, 2010				December 31, 2010
	Audited	Adjustment due to IFRIC 12	Related deferred tax	IFRS 2 modification	Restated
Property, plant and equipment	27 680 042	-22 764 151	0	0	4 915 891
Intangible assets	8 212 371	13 057 401	0	0	21 269 772
Investments in other companies	2 401	0	0	0	2 401
Financial Asset	0	12 682 675	0	0	12 682 675
Goodwill	75 000	0	0	0	75 000
Deferred tax assets	81 032	0	0	0	81 032
<b>Total non-current assets</b>	<b>36 050 845</b>	<b>2 975 925</b>	<b>0</b>	<b>0</b>	<b>39 026 770</b>
Inventories	866 645	0	0	0	866 645
Trade receivables	15 001 912	0	0	0	15 001 912
Other receivables due within a year	280 940	0	0	0	280 940
Accruals and prepaid expenses	4 284 453	0	0	0	4 284 453
Securities	1 657 710	0	0	0	1 657 710
Cash and cash equivalents	4 723 830	0	0	0	4 723 830
<b>Total current assets</b>	<b>26 815 490</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26 815 490</b>
<b>Total assets</b>	<b>62 866 335</b>	<b>2 975 925</b>	<b>0</b>	<b>0</b>	<b>65 842 260</b>
Share capital	86 345	0	0	0	86 345
Share premium	3 943 155	0	0	0	3 943 155
Share based payment reserve	0	0	0	85 000	85 000
Valuation reserve	-46 404	0	0	0	-46 404
Retained earnings	5 145 096	2 230 080	203 213	0	7 578 389
Current year profit attributable to Owners	5 249 133	745 844	94 380	-85 000	6 004 357
<b>Equity attributable to owners of the Company</b>	<b>14 377 325</b>	<b>2 975 925</b>	<b>297 592</b>	<b>0</b>	<b>17 650 842</b>
Non-controlling interests	-19 694	0	0	0	-19 694
<b>Total equity</b>	<b>14 357 631</b>	<b>2 975 925</b>	<b>297 592</b>	<b>0</b>	<b>17 631 148</b>
Financial liabilities	23 599 699	0	0	0	23 599 699
Provisions	62 383	0	0	0	62 383
Deferred tax liabilities	953 943	0	-297 592	0	656 351
Other long-term liabilities	2 688 274	0	0	0	2 688 274
<b>Total non-current liabilities</b>	<b>27 304 299</b>	<b>0</b>	<b>-297 592</b>	<b>0</b>	<b>27 006 707</b>
Trade payables	15 256 784	0	0	0	15 256 784
Financial liabilities (current)	4 050 271	0	0	0	4 050 271
Accruals and deferred income	1 624 466	0	0	0	1 624 466
Other liabilities	272 884	0	0	0	272 884
<b>Total current liabilities</b>	<b>21 204 405</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21 204 405</b>
<b>Total liabilities</b>	<b>48 508 704</b>	<b>0</b>	<b>-297 592</b>	<b>0</b>	<b>48 211 112</b>
<b>Total equity and liabilities</b>	<b>62 866 335</b>	<b>2 975 925</b>	<b>0</b>	<b>0</b>	<b>65 842 260</b>

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Profit/Loss	December 31, 2010				December 31, 2010
	Audited	Adjustment due to IFRIC 12	Related deferred tax	IFRS 2 modification	Restated
Revenue	28 660 637	-1 085 899	0	0	27 574 738
Cost of sales	-17 186 297	0	0	0	-17 186 297
<b>Gross Profit</b>	<b>11 474 340</b>	<b>-1 085 899</b>	<b>0</b>	<b>0</b>	<b>10 388 441</b>
Material cost	-302 710	0	0	0	-302 710
Personnel cost	-1 176 663	0	0	-85 000	-1 261 663
Service used	-2 146 859	0	0	0	-2 146 859
Other expenditures	-257 320	0	0	0	-257 320
<b>Operation cost</b>	<b>-3 883 552</b>	<b>0</b>	<b>0</b>	<b>-85 000</b>	<b>-3 968 552</b>
Depreciation	-1 067 983	793 134	0	0	-274 849
Net profit/loss from financial activities	-250 778	1 038 609	0	0	787 832
Share of profits of associates	-2 115	0	0	0	-2 115
<b>Profit before tax</b>	<b>6 269 913</b>	<b>745 844</b>	<b>0</b>	<b>-85 000</b>	<b>6 930 757</b>
Income Tax	-1 051 011	0	94 380	0	-956 631
<b>Profit for the year</b>	<b>5 218 902</b>	<b>745 844</b>	<b>94 380</b>	<b>-85 000</b>	<b>5 974 126</b>
Total changes effect on equity:	3 188 517				
Total changes effect on current year profit:	755 224				

## 5. Critical accounting judgments and key sources of estimation uncertainty

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognized in the period. Actual results could differ from those estimates. Significant areas of subjective judgement include:

### 5.1. Provisions

Provision is recognized and measured based on IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The entities of the Group is involved in a number of ongoing legal disputes. Based upon historical experience and expert reports, the Group assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for.

A provision is recognized by the Group when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provision for off-balance sheet items includes provision for litigation, provision for retirement and expected liabilities, provision for warranties arising from financing institutions and other provision.

### 5.2. Impairment of Goodwill

In determining the impairment of goodwill, one has to estimate the utility value of money-making units to which the goodwill is assigned. For calculating that utility value, it is essential that management estimate the future expected cash-flow of the money-making unit as well as the applicable discount rate because they are needed for calculating the present value.

The book value of goodwill as of 31 December 2011 was EUR 4,701,402 (on 31 December 2010 it was EUR 75,000)-

### 5.3. Useful lives of property, plant and equipment

As described at 4.17. above, the Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. The determination of the useful lives of assets is based on historical experience with similar assets. During the current year, the management determined that the useful lives of the properties, plants and equipments remained as in the previous years. Property, plant and equipment and intangible assets are recorded at cost and, except for goodwill, are depreciated or amortized on a straight-line basis over their estimated useful lives or, for gas engine parts, over the estimated machine hours. Due to the significance of property, plant and equipment in the statement of financial position of the Group, the impact of any changes in these assumptions could be material to the results of the Company.

### 5.4. Impairment of property, plant and equipment and intangible assets

Impairment on property, plant and equipment or on intangible assets is determined based on estimations concerning the recoverable amount of those assets. Changes in accounting estimates relating to asset impairment (estimates of the asset's fair value less cost to sell and value in use, the free cash flow estimate, considerations regarding the discount rate, etc.) could have a material impact on the results of the Group.

With respect to tangible fixed assets and intangible assets, we performed an impairment test to see whether the business entity's assets will return. The company appraised the components of its Hungarian portfolio both on the basis of the assets and of the contracts, i.e. using present-value calculations. It is an arguable fact that the book value of assets at 31.12.2011. is lower than the exit values derived from the contract. This statement can also be supported by the fact that in 2012 the contractual exit values indicated here were actually paid to the Company in respect of the biggest projects

### 5.5. Determining the Fair Value in case of Acquisitions

In case of acquisitions the Group determines the fair value of the assets and liabilities of the company or companies acquired.

The assets transferred by the acquiring entity in exchange for control over the acquired entity as well as any obligations assumed shall be valued at the fair value as at the time of the acquisition.

The costs of acquisition will be presented in the profit and loss statement.

5.6. Value of Employee Share Ownership Programs

The General Meeting on 22 January 2010 started an employee share ownership program for its executives and senior employees.

Under the share ownership program, the beneficiary becomes entitled to a buying option for registered, Category A, dematerialized common shares of E-Star in accordance with the terms of the program for a maximum period of five years.

The executives' share option program is open for the Group's top and medium-level executives. A condition for participation in the program is that an option contract for a maximum period of five years be concluded between the CEO and the Board of Directors, or between the other eligible executives and the CEO. The term of the option contract may be different for different beneficiaries. The establishment of an executive position itself, i.e. without concluding an option contract, does not provide the option rights. The terms of the option contract cannot be contrary to the conditions of the executive share option program.

The Group determines the fair value of options according to the Black-Scholes formula. The strike price of the option is the 5-year average price of E-Star common shares quoted on the Budapest Stock Exchange. In calculating the obligations arising from the share option program, the Group also took into consideration that several top executives had left the company during the year so these executives were no more entitled to exercise the share option.

5.7. Generating profit to create enough tax base to apply the deferred tax method

Deferred tax liability may only be accounted for if it is probable that the Group's future operation will generate a tax base against which such deferred tax can be applied. The management needs to make substantial assumptions with respect to the potential deferred tax, as well as about the time and amount of the profit which creates the tax base in view of the tax-planning strategy. The book value of the related deferred tax asset on 31 December 2011 was EUR 0, whereas on 31 December 2010 it was EUR 81,082.

## 6. Revenue

	2011	2010 Modified*
Electricity sales	26 980 961	0
Heat sales	26 681 196	18 266 918
Natural gas sales	2 111 708	0
District heating	1 219 498	272 252
Other (revenue)	8 894 331	9 035 568
<b>Total</b>	<b>65 887 694</b>	<b>27 574 738</b>

\*For modification see notes 4.28

The Group recognise its revenue mainly from sale of electricity and heat energy. The sold heat energy derived from the Group own production, the electricity derived partly from own production and partly from external party.

## 7. Cost of sales

	2011	2010
Material costs	18 823 636	0
Cost of sold goods	14 223 893	15
Cost of mediated services	10 916 007	17 186 282
<b>Total cost of sales</b>	<b>43 963 536</b>	<b>17 186 297</b>

## 8. Personal Cost

	2011	2010 Modified *
Wages and salaries	6 850 042	1 007 773
Social security contributions	1 518 914	209 861
Other employee benefits	677 442	44 029
<b>Total</b>	<b>9 046 398</b>	<b>1 261 663</b>

\*For modification see notes 4.28

The head count figure of the group is 504 as of December 31, 2011 and 198 as of December 31, 2010.

## 9. Service used

	2011	2010
Advisory fees	3 082 242	571 486
Rental fees	1 528 412	548 377
Legal fees	1 004 605	0
Maintanance costs	505 873	352 439
Maintenance of Navision system	465 844	0
Office, communication	370 652	149 281
Bank charges	250 538	0
Property related services	71 388	3 285
Insurance fees	46 636	0
Other services	885 761	521 991
<b>Service used</b>	<b>8 211 951</b>	<b>2 146 859</b>

## 10. Other Revenue and expenditures

	2011	2010
<b>Other revenue</b>		
Other government grants	875 778	661 766
Government grant for emission quotas	1 111 607	958 245
Cost compensation due to acquisition	2 500 000	0
<b>Total</b>	<b>4 487 385</b>	<b>1 620 011</b>
<b>Other expenditures</b>		
Impairment of assets	3 640 537	723 534
CO2 impariment	1 691 454	0
Other taxes	1 141 345	1 025 689
Performance penalties	290 333	69 852
Net loss on sale of plant, property and equipment	5 273	8 256
Others	1 407 246	50 000
<b>Total</b>	<b>7 189 457</b>	<b>1 877 331</b>
<b>Other revenue and expenditures, net</b>	<b>3 688 803</b>	<b>257 320</b>

## 11. Financial income

	2011	2010 Modified*
Net foreign currency gain (loss)	3 188 785	-436 271
Interest income	858 184	231 583
Other finance income	2 683	4 937 517
Interest expense	-4 173 390	-1 044 728
Other finance cost	-412 806	-2 900 269
<b>Net profit/loss from financial activities</b>	<b>-536 544</b>	<b>787 832</b>

\*For modification see notes 4.28

Revenues from other financial transactions include deferred liquidated damages payable by suppliers under development projects.

Expenses of financial transactions mostly include the impact of year-end revaluation of foreign currency denominated items.

## 12. Income tax

	2011	2010 Modified*
Current tax	816 755	448 322
Local tax	233 302	157 755
Deferred tax (income) / expense	-1 027 653	350 554
Impairment of deferred tax	546 962	0
<b>Income tax</b>	<b>569 366</b>	<b>956 631</b>

\*For modification see notes 4.28

The applicable tax rates are the follows in the Countries where the Group perform relevant economic activity

	December 31, 2011	December 31, 2010
Hungary - Corporate income tax (under 500 M HUF profit)	10%	10%
Hungary - Corporate income tax (above 500 M HUF profit)	19%	19%
Hungary - Local tax	2%	2%
Poland - Corporate income tax	19%	19%
Romania - Corporate income tax	16%	16%

The deferred tax assets and liabilities presented in the table below.

	December 31, 2011	December 31, 2010	January 1, 2010
Deferred Tax Assets	0	81 032	57 248
Deferred Tax Liabilities	-384 102	-656 351	-770 437
	<b>-384 102</b>	<b>-575 319</b>	<b>-713 189</b>

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Deferred Tax receivable (liability)	Balance as 31 December 2009	Change	Balance as 31 December 2010	Change	Balance as 31 December 2011
Loss accruable under tax law	57 337	-57 337	0	312 460	312 460
Impairment of receivables	43 177	-35 442	7 735	597 146	604 881
Tangible and intangible assets (including reserves for future investments)	-875 688	-11 195	-886 883	-380 523	-1 267 406
Risk provision	5 547	692	6 239	216 694	222 933
Adjustment due to application of IFRIC 12	56 438	241 152	297 590	-187 811	109 779
Impairment of deferred tax asset	0	0	0	-546 962	-546 962
Other	0	0	0	180 213	180 213
<b>Net deferred tax receivables / (liabilities)</b>	<b>-713 189</b>	<b>137 870</b>	<b>-575 319</b>	<b>191 217</b>	<b>-384 102</b>

	31 December 2011	31 December 2010
IFRS Profit before tax (loss)/gain	-9 324 823	6 930 757
Calculated Corporate income tax	-932 482	693 076
Local business tax	233 302	157 755
Associates results reported net of tax	-146 211	45 850
Tax losses for which no deferred income tax asset was recognised	786 208	0
Expenses not deductible for tax losses	542 003	10 772
Others	86 546	49 178
<b>Income Tax</b>	<b>569 366</b>	<b>956 631</b>

### 13. Intangible assets

	Concession rights	Software and other intangible assets	CO2	Concession rights and related assets (IFRIC 12)	Total
<b>Costs</b>					
January 1, 2010		70 875	0	0	70 875
Additions	8 158 774	125 354		13 057 401	21 341 529
Effects of movements in exchange rates	-72 503	-3 034			-75 537
<b>December 31, 2010 Modified</b>	<b>8 086 271</b>	<b>193 195</b>	<b>0</b>	<b>13 057 401</b>	<b>21 336 867</b>
Additions	48 947	370 510	2 514 356	1 638 097	4 571 910
Assets of the newly purchased subsidiary, net	38 587	658 739	2 922 210		3 619 536
Disposals	0	-219	-2 791 521		-2 791 740
Impairment			-1 249 086		-1 249 086
Transfer to assets held for sale	0	-5 529	0		-5 529
Effects of movements in exchange rates	-121 157	-80 399	-186 448		-388 004
<b>December 31, 2011</b>	<b>8 052 648</b>	<b>1 136 297</b>	<b>1 209 511</b>	<b>14 695 498</b>	<b>25 093 954</b>
<b>Amortization</b>					
January 1, 2010	0	17 883	0	0	17 883
Amortization	13 525	36 616	0		50 141
Effects of movements in exchange rates	-120	-809	0		-929
<b>December 31, 2010</b>	<b>13 405</b>	<b>53 690</b>	<b>0</b>	<b>0</b>	<b>67 095</b>
Amortization	340 897	83 482	0	586 349	1 010 728
Disposals	0	-219	0		-219
Reversal of impairment	0	-2 373	0		-2 373
Effects of movements in exchange rates	-9 245	-14 622	0		-23 867
<b>December 31, 2011</b>	<b>345 057</b>	<b>119 958</b>	<b>0</b>	<b>586 349</b>	<b>1 051 364</b>
<b>Carrying amounts</b>					
At January 1, 2010	0	52 992	0	0	52 992
At December 31, 2010	8 072 866	139 505	0	13 057 401	21 269 772
At December 31, 2011	7 707 591	1 016 339	1 209 511	14 109 149	24 042 590

\*For modification see notes 4.28

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Concession rights are related to the Company's two Romanian projects. These rights provide exclusive heat sales rights in the coming 15 and 20 years, respectively.

Gyergyószentmiklós (Gheorgheni)	
<b>Description of the agreement</b>	E-STAR CDR signed a concession contract with the City of Gyergyószentmiklós for 25 years on 13.09.2010. Thus it is the right and obligation of E-STAR CDR to operate distant heating in Gyergyószentmiklós and to administer the distant heating infrastructure. The purposes of the contract are as follows: - Operating distant heating in Gyergyószentmiklós in conformity with the commercial conditions. Improving the living conditions of the consumers by providing effective and good-quality heating service. Permanent development of the heating system. Environment protection.
<b>Essential parts of the agreement from the viewpoint of cash-flow</b>	By signing the concession contract, E-STAR CDR assumes the following obligations: - EUR 74,079, annual concession fee. For the whole contracting period this is 1,851,980, which is payable in the first 6 years of the contract, in an equal quarterly breakdown. Taking over debts of EUR 604,744 from the previous service provider, which is payable within 3 months from signing the contract. Taking over a banking credit instalment of EUR 891,266 from the previous service provider .Paying in-progress investments made in 2009 in the amount of EUR 8,314,190, payable within 3 months from signing the contract.
<b>Rights pertaining to the usage of the assets</b>	Upon the expiry of the concession contract, all assets related to the distant heating system must be transferred to the city of Gyergyószentmiklós free of charge.
<b>Obligations regarding the service, rights with regard to expecting the provision of service</b>	<b>Obligations:</b> - Granted service licence - Obligation to provide service, providing continuous service, observing the operational parameters and performance requirements prescribed in the task block and in the distant heating regulations, supporting the price modification and submitting it for approval, paying the concession fee by the deadline, carrying out the investment and fulfilling other obligations assumed in the contract ,in the case where the contract expires or it is terminated, providing service until return to the concession grantor, but at most for 90 days.Taking over 20 distant heating employees. <b>Rights:</b> - Direct Service right, collecting the charge for distance heating,applying the distant heating price, submitting a modification proposal, submitting a contract modification proposal, terminating the contract if the contracting partner fails to meet its obligations.
<b>Obligations regarding the procurement or construction of properties, machines and equipment</b>	Taking over the paying in-progress investments worth EUR 8,314,190, and carrying out the investments specified in the contract.
<b>Obligations to deliver, and rights to acquire specific assets at the end of the concession period</b>	The assets received under concession and the investments undertaken and completed by the concessionaire go over into the ownership of the party granting the concession free of any charges and encumbrances.
<b>Options for renewal or termination</b>	Concession for another 12.5 years is possible after the expiry of the 25 years as agreed by the parties at that time. Termination of contract by any party if the contract is violated by the contracting partner or by the concession grantor if required by a local interest (subject to the payment of damages).
<b>Other rights and obligations (e.g. essential large-scale repairs),</b>	It is the obligation of E-STAR CDR to carry out all maintenance work and other required investments during the term of the concession contract.
<b>Changes to the agreement taking place during the period</b>	-

	Marosvásárhely (Targu Mure)
<b>Description of the agreement</b>	<p>E-STAR signed a concession contract with the City of MAROSVÁSÁRHELY for 25 years on 26.10.2010.</p> <p>Subject matter of the contract is to provide distant heating service in Marosvásárhely, i.e. operating 15 boiler houses and the related distant heating network as well as providing heating and hot/cold water to the residents, institutions and business entities.</p> <p>The purposes of the contract are as follows:</p> <ul style="list-style-type: none"> <li>- Operating distant heating in Marosvásárhely in conformity with the commercial conditions. Improving the living conditions of the consumers by providing effective and good-quality heating service. Permanent development of the heating system.</li> <li>- Environment protection.</li> </ul>
<b>Essential parts of the agreement from the viewpoint of cash-flow</b>	<p>The concession period is 25 years, which can be extended with at most half of the ordinary contracting period after the expiry of the term and upon agreement by the parties; Concession fee: EUR 2 million for the first 15 years, and EUR 2 million for another 10 years.</p>
<b>Rights pertaining to the usage of the assets</b>	<p>Upon granting the concession, the city gives assets into use that are to be returned, but these may not be encumbered. The concessionaire assumed the obligation to invest at the value of EUR 13.5 million in 2 years, and to make a further invest of EUR 1.44 million in the case of every further 1000 consumers. At most to the value of EUR 26,351,059 within 25 years: 20% of this is covered from own funds and 80% from other resources.</p> <ul style="list-style-type: none"> <li>- Upon the expiry of the concession contract, these assets are transferred into the ownership of the concession grantor free of charge and encumbrances. At the same time, the own assets used by the concessionaire in the course of the concession may be transferred into the concession grantor's ownership upon the expiry of the contract, against payment.</li> </ul>
<b>Obligations regarding the service, rights with regard to expecting the provision of service</b>	<p>The service provision requirements and rights are the same as the service provision requirements and rights laid down in the distant heating regulations and approved in the resolution of the Municipality, i.e.:</p> <p><b>Obligations:</b></p> <ul style="list-style-type: none"> <li>- Granted service licence, obligation to provide service, obligation to provide assets, Providing continuous service, observing the operational parameters and performance requirements prescribed in the task block and in the distant heating regulations, obligation to provide information to the Municipality in 48 hours, supporting the price modification and submitting it for approval, carrying out the investment and fulfilling other obligations assumed in the contract, taking over 22 distant heating employees.</li> </ul> <p><b>Rights:</b> - Direct Service right, collecting the charge for distance heating, applying the distant heating price, submitting a modification proposal, submitting a contract modification proposal, collecting distant heating price subsidy, terminating the contract if the contracting partner fails to meet its obligations, If the contract expires or is terminated, providing service until take-over by the concession grantor, but at most for 90 days.</p>
<b>Obligations regarding the procurement or construction of properties, machines and equipment</b>	<p>Completing the investment plan specified in the contract.</p>
<b>Obligations to deliver, and rights to acquire specific assets at the end of the concession period</b>	<p>The assets received under concession and the investments undertaken and completed by the concessionaire go over into the ownership of the concession grantor free of any charges and encumbrances.</p>
<b>Options for renewal or termination</b>	<p>After the first 15 years, the condition of continued operation is the payment of the further concession fee of EUR 2 million.</p> <p>Concession for another 12.5 years is possible after the expiry of the 25 years as agreed by the parties at that time. Termination of contract by any party if the contract is violated by the contracting partner, or by the concession grantor if required by a local interest (subject to the payment of damages).</p>
<b>Other rights and obligations (e.g. essential large-scale repairs),</b>	<p>It is the obligation of E-STAR MURES ENERGY SA to carry out all maintenance work and other required investments during the term of the concession contract.</p>

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**Changes to the agreement taking place during the period**

E-STAR MURES ENERGY unilaterally terminated the concession contract on 8 June 2012 as the Municipality failed to meet its obligations assumed in the contract.

Description of the agreement	Zilah (Zalau)
<b>Description of the agreement</b>	E-STAR ZA DISTRITERM SRL signed a concession contract with the City of ZILAH for 49 years on 20.10.2010. Subject matter of the contract is to provide and administer distant heating services in Zilah. The purposes of the contract are as follows: - Operating distant heating in Zilah in conformity with the commercial conditions, improving the living conditions of the consumers by providing effective and good-quality heating service, permanent development of the heating system, environment protection, , providing continuous distant heating services, providing resources necessary for the operation of the distant heating service
<b>Essential parts of the agreement from the viewpoint of cash-flow</b>	Concession period: 49 years, - concession fee: EUR 13,890 /year, invoiced in a monthly breakdown (EUR 1157 /month) - the value of investments assumed in the concession contract for the period between 2011 and 2016 is EUR 14,959,000, to be implemented in the following manner: - 2011: EUR 5,859,000 - 2012: EUR 1,680,000 - 2013: EUR 1,820,000 - 2014: EUR 1,820,000 - 2015: EUR 2,030,000 - 2016: EUR 1,750,000 - The trunk line must be purchased from Uzina Electrica Zalau - The assets used for providing the service must be purchased from DGADP Zalau
<b>Rights pertaining to the usage of the assets</b>	Upon granting the concession, the city gives assets into use that are to be returned upon the expiry of the concession contract. - Upon the expiry of the contract, investments carried out by the concessionaire with regard to the distant heating system shall go over into the ownership of the concession grantor free of charges and encumbrances. At the same time, the own assets used by the concessionaire in the course of the concession may be transferred into the concession grantor's ownership upon the expiry of the contract, against payment.
<b>Obligations regarding the service, rights with regard to expecting the provision of service</b>	The service provision requirements and rights are the same as the service provision requirements and rights laid down in the distant heating regulations and approved in the resolution of the Municipality, i.e.: <b>Obligations:</b> - Granted service licence, obligation to provide service, providing continuous service, observing the operational parameters and performance requirements prescribed in the task block and in the distant heating regulations, supporting the price modification and submitting it for approval, carrying out the investment and fulfilling other obligations assumed in the contract, taking over 20 distant heating employees, If the contract is terminated, providing service until take-over by the concession grantor, but at most for 6 months. <b>Rights:</b> - Direct Service right, collecting the charge for distance heating, applying the distant heating price, submitting a modification proposal, Submitting a contract modification proposal, Collecting distant heating price subsidy, terminating the contract if the contracting partner fails to meet its obligations.
<b>Obligations regarding the procurement or construction of properties, machines and equipment</b>	Completing the investment plan specified in the contract.
<b>Obligations to deliver, and rights to acquire specific assets at the end of the concession period</b>	The assets received under concession and the investments undertaken and completed by the concessionaire go over into the ownership of the party granting the concession free of any charges and encumbrances.
<b>Options for renewal or termination</b>	Termination of contract by any party if the contract is violated by the contracting partner or by the concession grantor if required by a local interest (subject to the payment of damages).

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**Other rights and obligations (e.g. essential large-scale repairs),**

It is the obligation of E-STAR to carry out all maintenance work and other required investments during the term of the concession contract.

**Changes to the agreement taking place during the period**

E-STAR ZA DISTRITERM unilaterally terminated the concession contract on 14 June 2012 as the Municipality failed to meet its obligations assumed in the contract.

#### 14. Tangible assets

	Land and buliding	Plant and equipment	Other equipment	Asset under construction	Total
<b>Costs or deemed costs</b>					
<b>January 1, 2010</b>	0	818 006	0	6 619 371	7 437 377
Additions	0	4 669 443	0		4 669 443
Capitalizations	0	0	0	-6 316 284	-6 316 284
Transfers to assets held for sale	0	0	0	0	0
Effects of movements in exchange rates	0	-449 354	0	-123 198	-572 552
<b>December 31, 2010 Modified*</b>	0	5 038 095	0	179 889	5 217 984
Additions	4 375 084	5 705 833	292 485	11 587 171	21 960 573
Capitalizations	0	0	0	-10 373 402	402
Assets of the newly purchased subsidiary, net	4 731 576	9 980 985	220 150	977 642	15 910 353
Disposals	-10 557	-431 065	-34 621	-227 510	-703 753
Transfers to assets held for sale	0	-104 727	5 182	-128 932	-228 477
Effects of movements in exchange rates	-957 616	-3 162 452	-103 792	-77 568	-4 301 428
<b>December 31, 2011</b>	8 138 487	17 026 669	379 404	1 937 290	27 481 850
<b>Depreciation and impairment losses</b>					
<b>January 1, 2010</b>	0	76 454	0	0	76 454
Depreciation for the year	0	222 644	0	0	222 644
Effects of movements in exchange rates	0	2 995	0	0	2 995
<b>December 31, 2010 Modified*</b>	0	302 093	0	0	302 093
Depreciation for the year	226 050	859 998	144 646	0	1 230 694
Disposals	-340	-130 805	-11 857	0	-143 002
Impairment loss	0	6 568	0	1 892 536	1 899 104
Reversal of impairment	0	0	-4 196	2 080	-2 116
Transfers to assets held for sale	0	-10 346	0	0	-10 346
Effects of movements in exchange rates	-15 496	-356 694	-40 433	-68 748	-481 371
<b>December 31, 2011</b>	210 214	670 814	88 160	1 825 868	2 795 056
<b>Carrying amounts</b>					
At, January 1, 2010	0	741 552	0	6 619 371	7 360 923
At December 31, 2010	0	4 736 002	0	179 889	4 915 891
At, December 31, 2011	7 928 273	16 355 855	291 244	111 422	24 686 794

\*For modification see notes 4.28

The Group accounted for impairment of EUR 1,892,536 in respect of its investment projects.

This impairment arose mainly in Romania where the designs and feasibility studies relating to the terminated Mures and Zalau projects were written off. In addition, the Group also accounted for impairment in respect of its Gorlice subsidiary in an amount of EUR 504,262 which impairment is related to the condensation turbine.

## 15. Service concession arrangements

### Financial asset at fair value accounted to profit and loss.

	2011	2010 modified	January 1, 2010
Assets from service concession arrangements	11 381 546	12 682 675	12 860 998

### Used assumption for net present value calculation

	2011	2010	01.01.2010
NPV discount rate at balance sheet date	7,85%	7,55%	7,55%

Partner	Date	Maturity	2011	2010
Projekt 1	2008.09.19	2023.09.19	901 391	995 367
Projekt 2	2005.10.15	2020.10.15	718 554	797 121
Projekt 3	2005.12.29	2017.12.29	82 455	95 239
Projekt 4	2006.05.15	2018.05.15	88 614	100 541
Projekt 5	2004.07.05	2016.07.05	83 980	95 763
Projekt 6	2006.11.30	2018.11.30	117 977	131 483
Projekt 7	2009.09.28	2024.09.28	1 008 567	1 094 229
Projekt 8	2009.05.29	2024.05.29	3 548 406	3 915 127
Projekt 9	2005.06.21	2017.06.21	83 850	96 483
Projekt 10	2006.01.17	2018.01.17	126 451	153 458
Projekt 11	2008.07.16	2017.04.30	7 144	8 603
Projekt 12	2008.09.15	2020.10.31	60 292	69 210
Projekt 13	2006.08.14	2018.08.14	431 115	477 219
Projekt 14	2006.12.04	2018.12.04	28 074	31 467
Projekt 15	2007.07.24	2022.07.24	1 929 443	2 085 232
Projekt 16	2005.11.24	2017.11.24	163 254	185 276
Projekt 17	2006.07.06	2018.07.06	102 673	115 478
Projekt 18	2005.06.13	2017.06.13	164 918	192 146
Projekt 19	2008.05.20	2020.10.02	37 803	40 840
Projekt 20	2010.06.30	2025.06.30	912 028	1 062 437
Projekt 21	2005.09.20	2013.10.23	33 245	47 198
Projekt 22	2006.08.07	2018.10.06	88 981	100 092
Projekt 23	2007.01.01	2019.10.19	22 125	23 928
Projekt 24	2005.06.29	2017.09.28	126 072	144 887
Projekt 25	2007.09.27	2011.07.01	0	26 335
Projekt 26	2009.08.24	2013.08.24	167 847	201 645
Projekt 27	2005.10.03	2018.04.18	237 667	269 714
Projekt 28	2004.09.07	2016.09.07	108 619	126 157
<b>Total</b>			<b>11 381 546</b>	<b>12 682 675</b>

## 16. Goodwill

Goodwill	2011	2010
<b>december 31, 2010</b>	<b>75 000</b>	<b>0</b>
Acquired Goodwill through business combination	56 860	75 000
Goodwill recognised through acquisition	4 644 542	0
Impairment	-75 000	0
<b>december 31, 2011</b>	<b>4 701 402</b>	<b>75 000</b>

The Group allocated the goodwill arisen from the EETEK acquisition to its cash-making units. Since each of the acquired subsidiaries operates a power plant, the Group considers its newly acquired subsidiaries as the smallest cash-making units. According to this, the goodwill was allocated to the cash-making units as follows:

The Group allocated goodwill to the power plants.

	2011	2010
E-Star Mielec Sp.z o.o.	3 219 176	0
Euro Energetyka Sp.z.o.o.	1 110 710	0
E-Star Gorlice Sp.z o.o.	314 656	0
EC. Energetyka Sp.z.o.o.	56 860	0
Termoenergy SRL.	0	75 000
<b>Összesen</b>	<b>4 701 402</b>	<b>75 000</b>

The Company wrote off the goodwill arisen on the Romanian power plant in the previous year. No impairment was accounted for the goodwill arisen in the current year.

## 17. Business Acquisitions

### EETEK acquisition

The group acquired the EETEK Group in 2011 and then made several contracts for the restructuring of the acquired firms. The firms acquired and transferred from the group during the restructuring process were not included in the consolidated financial statements. The reason for this was that the primary goal of the acquisition was to acquire EETEK's production capacities in Poland as well as the Rába and Pécs projects from EETEK's production capacities in Hungary. In view of this, only these acquired subsidiaries were included in the consolidated annual financial statements starting from 1 January 2011. This measure is in line with the principle of prudence as these companies were recorded with a lower equity capital and turnover in the group's consolidated account compared to the portfolio acquired in the first step, and the goodwill value was also significantly lower.

The transaction as a whole can be derived from the summary and the context of the numerous contracts made in relation to the restructuring program and the related assignments, set-offs and financial transactions, and the logics in the calculations used are a basic and integral part of the contracts. The time differences of the transactions are due to the complexity of the transactions and the set of conditions of contracting and implementing which are not unusual with similar transactions. These time differences cannot cause any accounting problems arising from the given contracts.

The acquisition costs of the business shares originally planned as part of the whole acquisition are presented in the table below:

	Contractual purchase price (EUR)	Actual historical cost (EUR)
Acquisition of 100% ownership of the EETEK Group	21,000,000	21,000,000
Acquisition of the Rába business share by NRG Finance Kft.	2,887,747	0
Acquisition of the Pécs business share by NRG Finance Kft.	111,000	0
Acquisition of 30% ownership of NRG Finance Kft.	3,633,000	3,633,000
Acquisition of 60% ownership of NRG Finance Kft.	500,000	500,000
<b>Total</b>		<b>25,133,000</b>

The Rába and Pécs project business shares were acquired by means of setting off accounts receivable which were acquired by the Group after the 100% acquisition of the EETEK Group. As a consequence, the costs of the acquisition of these business shares are deemed to be included in the purchase price of EUR 21,000,000.

Under the restructuring process, simultaneously with the acquisition of business shares, an agreement was made on the acquisition of the assets and concession rights related to the Rába project in a value of EUR 7,794,597. Of the total purchase price, EUR 4,497,597 was settled by means of set-off while the remaining EUR 3,000,000 is outstanding and has not been settled until this date.

### Accounting treatment of the acquisition

The primary goal of the acquisition was to acquire EETEK's production capacities in Poland as well as the Rába and Pécs projects from EETEK's production capacities in Hungary. In view of the primary goal of the acquisition, the subsidiaries acquired during the acquisition were consolidated in the annual financial statements starting from 1 January 2011.

Allocation of the purchase price relating to the acquisition of business shares.

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	Cyprus	Poland	Hungary	Total
<b>Assets</b>				
Property, plant and equipment	0	15 438 142	472 211	15 910 353
Perpetual usufruct	0	623 144	0	623 144
Intangible assets	0	40 503	33 754	74 257
Goodwill	0	63 648	0	63 648
Other investments	0	295 849	0	295 849
<b>Total non-current assets</b>	<b>0</b>	<b>16 461 286</b>	<b>505 965</b>	<b>16 967 251</b>
Assets classified as held for sale	0	0	0	0
Inventories	0	1 799 749	118 741	1 918 490
Emission quotas	0	2 592 704	329 430	2 922 134
Other investments (current)	7 815 505	71 195	0	7 886 700
Current tax assets	0	24 403	0	24 403
Trade and other receivables	86 944	7 812 449	4 600 822	12 500 215
Cash and cash equivalents	292 071	2 040 698	137 437	2 470 206
<b>Total current assets</b>	<b>8 194 520</b>	<b>14 341 198</b>	<b>5 186 430</b>	<b>27 722 148</b>
<b>Total assets</b>	<b>8 194 520</b>	<b>30 802 484</b>	<b>5 692 395</b>	<b>44 689 399</b>
<b>Liabilities</b>				
Related party loans	0	-1 192 000	-223 062	-1 415 062
Bank loans and borrowings	0	-682 264	0	-682 264
Deferred income	0	-4 105 660	-188 638	-4 294 298
Provisions	0	-1 098 113	-14 110	-1 112 223
Deferred tax liabilities	0	-288 805	0	-288 805
<b>Total non-current liabilities</b>	<b>0</b>	<b>-7 366 842</b>	<b>-425 810</b>	<b>-7 792 652</b>
Liabilities classified as held for sale	0	0	0	0
Related party loans (current)	0	-1 473 250	0	-1 473 250
Dividend payables	0	0	-841 756	-841 756
Bank loans and borrowings (current)	0	-351 698	0	-351 698
Trade and other payables	0	-3 630 079	-3 428 136	-7 058 215
Deferred income (current)	0	-36 226	-47 160	-83 386
Provisions (current)	0	-2 917 232	-373 970	-3 291 202
<b>Total current liabilities</b>	<b>0</b>	<b>-8 408 485</b>	<b>-4 691 022</b>	<b>-13 099 507</b>
<b>Total liabilities</b>	<b>0</b>	<b>-15 775 327</b>	<b>-5 116 832</b>	<b>-20 892 159</b>
<b>Non-controlling interest</b>	<b>0</b>	<b>-763 091</b>	<b>0</b>	<b>-763 091</b>
<b>NET ASSETS</b>	<b>8 194 520</b>	<b>14 264 066</b>	<b>575 563</b>	<b>23 034 149</b>
<b>Consideration of non controlling interest</b>	<b>0</b>	<b>-2 474 759</b>	<b>-70 931</b>	<b>-2 545 690</b>
<b>NET ASSET acquired</b>	<b>8 194 520</b>	<b>11 789 307</b>	<b>504 632</b>	<b>20 488 459</b>

Purchase price	25 133 000
<i>already paid</i>	21 750 000
<i>Still payable</i>	3 383 000
Goodwill	4 644 541

	RÁBA Energiaszol gátlató Kft.	EPV Biogáz Kft.	NRG Finance Kft.	EETEK Limited	E-Star Mielec Sp.z o.o.	E-Star Gorlice Sp.z o.o.	E-Star Polska Sp. z.o.o.	E-Star Management Polska	Total
<b>Result attributable to owners (profit)/ loss</b>	-710 125	-171 133	247 862	-214 616	-858 214	301 182	5 096	190 845	<b>-1 209 103</b>

## 18. Inventories

	December 31, 2011	December 31, 2010
Chargable immadiated services	684 929	577 325
Coal	1 257 291	288 445
Other fuel	3 813	875
<b>Inventories gross total</b>	<b>1 946 033</b>	<b>866 645</b>
Impairment of inventories	-10 040	0
<b>Inventories nett total</b>	<b>1 935 993</b>	<b>866 645</b>

## 19. Trade receivable

	December 31, 2011	December 31, 2010
Trade receivables	11 050 009	15 001 910
	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Not past due	7 229 683	8 908 989
Past due 0-90 days	2 098 546	5 891 485
Past due 91-180 days	411 055	85 317
Past due 181-360 days	1 049 918	118 690
More than one year	573 947	125 308
<b>Trade receivable gross total</b>	<b>11 363 149</b>	<b>15 129 789</b>
Impairment	-1 561 771	-127 879
<b>Trade receivable total</b>	<b>9 801 378</b>	<b>15 001 910</b>

The receivables which are overdue but not impaired are qualified as a non risky receivables because the management is confident that the customer will settle the overdue invoice or it is covered by liability payable or it is covered with collateral.

Non-impaired overdue receivable	December 31, 2011	December 31, 2010
Past due 0-90 days	2 098 546	5 891 485
Past due 91-180 days	411 055	85 317
Past due 181-360 days	62 094	116 118
More than one year	0	0
<b>Total:</b>	<b>2 571 695</b>	<b>6 092 921</b>

### Impairment movement table:

Changes of impairments	2011	2010
<b>Balance at January 1</b>	<b>127 879</b>	<b>221 090</b>
Impairment of assets	2 496 418	53 359
Additions due to acquisition	300 147	
Reversal of impairment	- 90 927	- 146 570
Effects of movements in exchange rates	384 492	
<b>Balance at December 31, 2011</b>	<b>3 218 010</b>	<b>127 879</b>

The average payment deadline, when the Group issue new outgoing invoice is 8 days.

## 20. Other receivables

	December 31, 2011	December 31, 2010
Receivables from EETEK Zrt.	4 774 714	0
VAT reclaimable	2 415 686	0
Corporate income tax receivable	665 924	0
Given loan to related party	583 836	0
Deposit on derivatives	428 067	0
Advance payments	169 468	0
Other tax receivables	8 338	280 940
Other receivables	1 579 698	0
<b>Other receivables due within a year</b>	<b>10 625 731</b>	<b>280 940</b>
Impairment	-158 350	0
<b>Other receivables total</b>	<b>10 784 081</b>	<b>280 940</b>

## 21. Accruals

	December 31, 2011	December 31, 2010
Accrued revenue	82 810	644 986
Pre-paid rental fee	2 384 939	2 643 579
Others	946 883	995 888
<b>Total</b>	<b>3 414 632</b>	<b>4 284 453</b>

## 22. Securities

	2011	2010
Hungarian treasury discount bond	579 136	1 657 710
Other securities	269 717	0
<b>Total</b>	<b>848 853</b>	<b>1 657 710</b>

## 23. Cash and cash equivalents

	December 31, 2011	December 31, 2010
Bank balances	2 039 478	4 716 261
Call deposits	947 197	0
Restricted bank balances	582 809	0
Cash on hand	20 874	7 569
<b>Cash and cash equivalents</b>	<b>3 590 358</b>	<b>4 723 830</b>

## 24. Subscribed capital

	December 31, 2011	December 31, 2010
Issued pieces shares (10 HUF par value/shares)	2 640 000	2 400 000
<b>Registered capital on par value</b>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Balance at 1 January	86 345	86 345
Issued shares during the year at par value	8 591	0
<b>Balance at 31 December</b>	<b>94 936</b>	<b>86 345</b>

<b>Movement of issued and fully paid shares</b>	<b>2011</b>	<b>2010</b>
Balance at 1 January	2 400 000	2 400 000
Issued shares during the year (pieces)	240 000	0
<b>Balance at 31 December</b>	<b>2 640 000</b>	<b>2 400 000</b>

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The Company implemented a capital increase in the reporting period. As a result of this, it has sold 240,000 pieces of newly issued share with a nominal value of HUF 10, each.

## 25. Reserves

	December 31, 2011	December 31, 2010
Share premium from IPO (Initial Public Offering)	12 525 322	3 943 155
Equity-settled employee benefits	308 130	85 000
Foreign currency translation	-4 322 482	-46 404
<b>Total Reserves</b>	<b>8 510 970</b>	<b>3 981 751</b>

	December 31, 2011	December 31, 2010
Balance at beginning of year	3 981 751	3 943 155
Movements	4 529 219	38 596
<b>Balance at the end of year</b>	<b>8 510 970</b>	<b>3 981 751</b>

The general reserve is used from time to time to transfer profits from retained profits. There is no policy of regular transfer.

	December 31, 2011	December 31, 2010
Balance at beginning of year	3 943 155	3 943 155
Share premium for issued shares during the year	8 582 167	0
<b>Balance at the end of year</b>	<b>12 525 322</b>	<b>3 943 155</b>

### Equity settled employee benefits reserve

	December 31, 2011	December 31, 2010 Modified*
Balance at beginning of year	85 000	0
Share based payment during the year	223 130	85 000
<b>Balance at the end of year</b>	<b>308 130</b>	<b>85 000</b>

\*For modification see notes 4.28

### Foreign currency translation

	December 31, 2011	December 31, 2010
Balance at beginning of year	-46 404	0
Exchange difference arising on translation of foreign difference	-4 276 078	-46 404
<b>Balance at the end of year</b>	<b>-4 322 482</b>	<b>-46 404</b>

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

## 26. Non-controlling interest

	December 31, 2011	December 31, 2010
Balance at beginning of year	-19 694	10 536
Share of profit from the year	-253 761	-30 230
Share of other comprehensive income from the year	83 114	0
Non controlling interest arised through EETEK aquisition (see notes 17)	2 545 690	0
<b>Balance at the end of year</b>	<b>2 355 349</b>	<b>-19 694</b>

## 27. Provisions

	Emission quotas	Employee benefits	Other	Total
<b>January 1, 2010</b>	<b>0</b>	<b>0</b>	<b>29 154</b>	<b>29 154</b>
Provisions made during the year	0	0	32 846	32 846
Effects of movements in exchange rates	0	0	383	383
<b>December 31, 2010</b>	<b>0</b>	<b>0</b>	<b>62 383</b>	<b>62 383</b>
<b>Current portion of provisions (-)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Non-current portion of provisions</b>	<b>0</b>	<b>0</b>	<b>62 383</b>	<b>62 383</b>
Provisions made during the year	1 404 874	144 639	313 859	1 863 372
Provisions used during the year	-2 656 887	-107 700	-74 989	-2 839 576
Provisions reversed during the year	0	-1 941	0	-1 941
Acquired provisions during year	2 754 215	1 183 395	465 815	4 403 425
Effects of movements in exchange rates	-197 994	-131 144	-17 967	-347 105
<b>December 31, 2011</b>	<b>1 304 208</b>	<b>1 087 249</b>	<b>749 101</b>	<b>3 140 558</b>
<b>Current portion of provisions (-)</b>	<b>1 229 475</b>	<b>169 494</b>	<b>283 199</b>	<b>1 682 168</b>
<b>Non-current portion of provisions</b>	<b>74 733</b>	<b>917 755</b>	<b>465 902</b>	<b>1 458 390</b>

The exchange rate differences arisen when converting the profits and net assets relating to the Group's foreign operations into the Group's reporting currency are accounted for directly in the general other profits and are accrued in the conversion reserve of foreign currencies. Foreign exchange rate differences previously accumulated in the conversion reserve of foreign currencies are reclassified in the general profit when the foreign operation is sold.

The general reserve is used by the Group from time to time to reclassify profits from retained earnings. There is no accounting policy for regular reclassifications.

## 28. Earnings per share

The earnings per share index is calculated in a way that the earnings of the reporting year due to the shareholders are divided by the weighted average of the number of common shares.

On 1 July 2011, the Group issued 240,000 pieces of share with a nominal value of HUF 10, each, i.e. in a total nominal value of HUF 2,400,000.

In the year 2010, an employee share ownership program was started, as a result of which the diluted earnings per share figure differs from the undiluted EPS index.

Basic and diluted EPS	2011	2010 Modified*
Profit for the period attributable to ordinary shareholders	-9 894 189	6 004 357
Weighted average number of ordinary shares (shares)	2 520 000	2 400 000
<b>Basic EPS (EUR/pieces)</b>	<b>-3,926</b>	<b>2,502</b>
Number of ordinary shares grantable at a discount	51 944	108 254
<b>Diluted EPS (EUR/pieces)</b>	<b>-3,847</b>	<b>2,394</b>

\*For modification see notes 4.28

## 29. Loans and borrowings

	2011.december 31.	2010 december 31.
Liabilities from bond issues	27 443 385	13 617 557
Secured bank loans	19 528 423	13 465 408
Other loans	7 001	567 005
<b>Financial liabilities</b>	<b>46 978 809</b>	<b>27 649 970</b>
Current portion of liabilities from bond issues	4 576 950	0
Current portion of secured bank loans	8 505 545	4 050 271
Current portion of other loans	7 001	0
<b>Total current liabilities</b>	<b>13 089 496</b>	<b>4 050 271</b>
Non-current portion of liabilities from bond issues	22 866 435	13 617 557
Non-current portion of secured bank loans	11 022 878	9 415 136
Non-current portion of other loans	0	567 005
<b>Total non-current liabilities</b>	<b>33 889 313</b>	<b>23 599 698</b>

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Bank loans

Bank name	Closing date	Reference interest	Margin %	Currency	2011. december 31.	2010. december 31.
Raiffeisen	2013.11.15	BUBOR	2,50%	HUF	26 000	42 975
Raiffeisen	2013.12.28	BUBOR	2,50%	HUF	13 764	22 428
Raiffeisen	2013.06.28	BUBOR	2,50%	HUF	8 077	13 459
Raiffeisen	2014.02.28	BUBOR	2,50%	HUF	33 340	52 927
Raiffeisen	2014.09.15	BUBOR	2,50%	HUF	39 008	57 803
Raiffeisen	2014.02.28	BUBOR	2,50%	HUF	16 956	26 919
Raiffeisen	2015.03.06	BUBOR	2,50%	HUF	24 464	34 780
Raiffeisen	2014.03.28	BUBOR	2,50%	HUF	32 637	51 214
Raiffeisen	2014.12.28	BUBOR	2,50%	HUF	4 034	5 803
Raiffeisen	2014.06.28	BUBOR	2,50%	HUF	28 775	44 289
Raiffeisen	2013.07.28	BUBOR	2,50%	HUF	26 063	46 177
Raiffeisen	2013.07.28	BUBOR	2,50%	HUF	19 194	34 006
Raiffeisen	2014.06.28	BUBOR	2,50%	HUF	29 115	43 770
Raiffeisen	2017.09.01	BUBOR	2,75%	HUF	1 701 720	2 207 750
Raiffeisen	2015.09.11	BUBOR	2,50%	HUF	10 398	14 323
Raiffeisen	2013.10.28	BUBOR	2,50%	HUF	24 318	40 813
Raiffeisen	2013.10.28	BUBOR	2,50%	HUF	46 039	77 276
Raiffeisen	2015.11.30	BUBOR	3,00%	HUF	334 510	393 593
Raiffeisen	2013.11.28	BUBOR	2,50%	HUF	33 546	60 449
Raiffeisen	2014.12.28	BUBOR	2,50%	HUF	33 756	48 915
Raiffeisen	2014.12.28	BUBOR	2,50%	HUF	43 318	72 767
Raiffeisen	2014.12.28	BUBOR	2,50%	HUF	11 396	16 517
Raiffeisen	2016.02.29	BUBOR	2,50%	HUF	78 943	106 449
Magyar Takarékszövetkezet		BUBOR				0
i Bank	2013.06.30		3,25%	HUF	1 887 437	
Raiffeisen	2015.06.30	EURIBOR	4,00%	HUF	204 082	354 251
Raiffeisen	2015.06.30	BUBOR	2,50%	HUF	121 750	140 959
Raiffeisen	2015.09.11	BUBOR	2,50%	HUF	31 544	43 447
Raiffeisen	2018.10.31	BUBOR	3,50%	HUF	1 258 445	1 584 997
Raiffeisen	2014.11.28	BUBOR	2,75%	HUF	172 541	196 593
Raiffeisen	2017.09.30	BUBOR	2,75%	HUF	1 224 570	1 582 939
FHB	2018.03.09	BUBOR	4,85%	HUF	512 544	530 470
Raiffeisen	2020.03.31	BUBOR	4,00%	HUF	634 627	713 157
Raiffeisen	2020.03.31	EURIBOR	5,50%	EUR	311 800	309 584
Raiffeisen	2020.03.31	EURIBOR	5,50%	EUR	1 559 001	1 647 459
Commerzbank	2012.03.23	BUBOR	2,50%	HUF	1 907 305	2 168 762
Raiffeisen folyószán	n/a	n/a	n/a	HUF	1 160 083	677 388
NFOS	2013.12.20	n/a	2,38%	PLN	726 327	0
BzWBK	2018.12.31	WIBOR	2,50%	PLN	3 249 885	0
BzWBK	2012.09.30	WIBOR	1,65%	PLN	1 947 111	0
					<b>19 528 423</b>	<b>13 465 408</b>
<b>Due in one year</b>					<b>8 014 650</b>	<b>4 050 271</b>

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*Financial covenants*

Based on the loan agreement between E-Star Nyrt. and Commerzbank, the Company is obliged to keep its EBITDA index above 3.5. If the index is not kept at this level, the loan becomes immediately due and payable.

Other than bank loan

Provider	Currency	December 31, 2011	December 31, 2010
Wienstrom Gmbh	PLN	7 001	0
Soós Csaba	HUF	0	32 481
Sáropatak nonprofit Kft.	HUF	0	35 225
Makra József	HUF	0	499 299
<b>Total</b>		<b>7 001</b>	<b>567 005</b>

**30. Obligations from Bond Issues**

The 10 billion HUF E-star bond issue program no. I started in 2010 was successfully closed in August 2011. During 2011 the Group issued bonds in a total nominal value of EUR 13,949,040 of which, during the latest issue in August, it subscribed for bonds itself in a nominal value of EUR 4,221,820. The nominal value of each issued bond was HUF 100,000.

Bonds - Hungary					
Type	Auction date	Maturity	Interest rate	December 31, 2011	December 31, 2010
RFV 2014/A	2010.09.27	2014.02.12	FIX 10,44%	6 288 648	7 213 970
RFV 2014/A	2010.11.22	2014.02.12	FIX 10,44%	4 375 358	4 937 757
RFV 2014/A	2010.11.22	2014.02.12	FIX 10,44%	1 298 875	1 465 830
RFV 2014/A	2011.03.03	2014.02.12	FIX 10,44%	2 621 909	0
RFV 2014/A	2011.03.03	2014.02.12	FIX 10,44%	1 168 472	0
E-STAR 2015/A	2011.05.24	2015.02.12	FIX 10,24%	1 091 176	0
E-STAR 2016/C	2011.05.24	2015.02.12	EURIBOR + 5%	4 547 333	0
E-STAR 2015/A	2011.05.24	2016.05.30	FIX 10,24%	1 474 665	0
E-STAR 2012/A	2011.06.27	2012.10.24	FIX 8,93%	2 121 936	0
E-STAR 2012/A	2011.07.29	2012.10.24	FIX 8,93%	2 455 019	0
<b>Total bonds</b>				<b>27 443 385</b>	<b>13 617 557</b>
<b>Due within one year</b>				<b>4 576 950</b>	<b>0</b>

	2011.december 31.	2010.december 31.
Total issued bonds	31 789 105	13 617 557
Treasury bonds	4 345 720	0
<b>Total bonds, net</b>	<b>27 443 385</b>	<b>13 617 557</b>

### 31. Employee Share Ownership Program

Movement in the present value of the defined benefit obligation	2011	2010 Modified*
<b>Defined benefit obligation as at acquisition (January 1, 2011)</b>		
Current service costs	917 473	-
Interest expense	56 302	30 159
Benefits paid	49 022	45 350
Actuarial gains and losses	-75 960	-
	-2 427	9 491
<b>Defined benefit obligation as at December 31</b>	<b>944 410</b>	<b>85 000</b>
<b>Expense recognizes in profit and loss</b>		
Current service costs	56 365	30 159
Interest expense	49 022	45 350
Actuarial gains and losses	-2 427	9 491
<b>Total expense recognized in profit or loss</b>	<b>102 960</b>	<b>85 000</b>

\*For modification see notes 4.28

<b>Actuarial assumptions</b>	<b>2011</b>	<b>2010</b>
Discount rate as at 31 December	5,50%	5,50%
Future salary increases	3,50%	3,50%

Based on the General Meeting's decision on 22 January 2010, the Company started an Executive Share Option Program. Under the option program, up to one-fifth of share options can be redeemed after one year in employment and the employee can exercise the option first on 22 January 2011. In the following years, employees can redeem also one-fifth of the share options per year.

The following persons can participate in the executive share option program if they meet the conditions set out in the program:

1. The Company's Chief Executive Officer on the basis of a decision by the Board of Directors,
2. The Deputy CEO(s) on the basis of a decision by the Chief Executive Officer,
3. Other person(s) in executive positions on the basis of a decision by the Chief Executive Officer

The Company is entitled to conclude option contracts between 01.02.2010. and 31.12.2014. for a maximum period of five years. The program offers for sale registered, Category A dematerialized common shares of E-Star for up to 3.7% of its equity capital in accordance with the provisions the program. The maximum percentage of shares to be acquired by the beneficiary is set out in the option contract to be made between the Company and the beneficiary for a maximum period of five years.

The lowest option price per share determined for a given beneficiary is the average stock exchange price weighted by the trade on the last 30 days before the beneficiary has accepted in writing the written offer for an executive position in the Company and for participation in the share option program.

The beneficiary is entitled to exercise their contractual option right relating to the current year starting from the first stock exchange trading day of the year following the year covered by the option contract (starting date of entitlement) until six months after expiry of the option contract at the latest.

### 32. Deferred Income

	December 31, 2011	December 31, 2010
Government grants	3 447 421	0
Other deferred income	705 564	0
<b>Total deferred income</b>	<b>4 152 985</b>	<b>0</b>
Current portion of government grants received	194 572	0
Current portion of other deferred income	705 564	0
<b>Total current deferred income</b>	<b>900 136</b>	<b>0</b>
Non-current portion of government grants received	3 252 849	0
<b>Total non-current deferred income</b>	<b>3 252 849</b>	<b>0</b>

One of the Polish subsidiaries of the Group has expanded its capacities. During 2011 they installed 2 new gas engines which meant a significant expansion of capacity and also decreased the emission of pollutants by the Group thanks to the environmentally friendly technology. The Company received EU subsidies in an amount of PLN 14.8 million (EUR 3,814,924) for the gas engine purchase. The subsidies were accounted for in accordance with the IAS 20 Standard on Accounting for Government Grants.

### 33. Other long term liability

	December 31, 2011	December 31, 2010
Other long term liability regarding Romanian concession rights	4 878 745	2 688 274
Other long term liability	217 679	0
<b>Total</b>	<b>5 096 424</b>	<b>2 688 274</b>

### 34. Other short term liabilities

	December 31, 2011	December 31, 2010
Social security	376 623	16 367
Wages and salaries	344 418	24 665
Other taxes payable	280 441	27 942
Advance payment received	43 802	0
Other liabilities	881 490	203 910
<b>Other liabilities</b>	<b>1 926 774</b>	<b>272 884</b>

### 35. Related Party Transactions

Related party out of consolidation

Related party	Nature of the related party	Reference
Csaba Soós	Main shareholder	Note 1
József Makra	Significant shareholder*	Note 1

\*Mr. József Makra sold his share in 2011 so he can no more be regarded as an affiliated partner as of 31.12.2011.  
 The balances of transactions with the above affiliated partners at the balance sheet date are as follows:

	December 31, 2011	December 31, 2010
Receivables against related party- Csaba Soós	583 836	0
Amount payable to related party - József Makra	0	499 014
Amount payable to related party - Csaba Soós	0	32 568
<b>Net balance</b>	<b>583 836</b>	<b>-531 582</b>

The terms and conditions of loans received from and granted to affiliated partners are in line with the market conditions.  
 The Group did not account for impairment in respect of accounts receivable from affiliated companies either in 2011 or in 2010.

	2011
Gross honorarium	178 381
Contracted honorarium	98 752
Gross salary	111 741
<b>Total</b>	<b>388 874</b>

In 2010 the remuneration of the Board of Directors was HUF 850,000 per month, the Supervisory Board's remuneration was HUF 200,000 per month between 1 January and 1 October 2010., and HUF 300,000 per month from 1 October 2010. The Audit Committee performed their tasks for no remuneration.

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## 36. Segment information

	Hungary	Rumania	Poland	Other	Total
	2011	2011	2011	2011	2011
Property, plant and equipment	1 981 339	2 470 947	20 234 507	0	24 686 794
Intangible assets	490 721	21 743 346	1 808 524	0	24 042 591
Investments in other companies	0	0	15 478	0	15 478
Financial Asset	11 381 546	0	0	0	11 381 546
Goodwill	4 644 542	0	56 860	0	4 701 402
Other long term receivables	49	54 966	0	0	55 015
Deferred tax assets	0	0	0	0	0
<b>Total non-current assets</b>	<b>18 498 197</b>	<b>24 269 259</b>	<b>22 115 369</b>	<b>0</b>	<b>64 882 825</b>
Inventories	170 686	61 920	1 703 387	0	1 935 993
Trade receivables	5 043 459	1 324 273	3 445 603	-11 957	9 801 378
Other receivables due within a year	7 368 087	2 498 239	542 665	58 390	10 467 381
Accruals and prepaid expenses	2 760 904	633 405	20 323	0	3 414 632
Securities	578 373	0	270 480	0	848 853
Cash and cash equivalents	1 533 595	688 748	1 367 653	362	3 590 358
<b>Total current assets</b>	<b>17 455 104</b>	<b>5 206 585</b>	<b>7 350 111</b>	<b>46 795</b>	<b>30 058 595</b>
<b>Total assets</b>	<b>35 953 301</b>	<b>29 475 844</b>	<b>29 465 480</b>	<b>46 795</b>	<b>94 941 420</b>
Loans and other long term financial liabilities	31 027 312	0	2 862 001	0	33 889 313
Provisions	138 441	398 370	921 579	0	1 458 390
Deferred tax liabilities	160 078	0	224 024	0	384 102
Deferred income	0	0	3 252 849	0	3 252 849
Other long-term liabilities	164 740	4 878 745	52 939	0	5 096 424
<b>Total non-current liabilities</b>	<b>31 490 571</b>	<b>5 277 115</b>	<b>7 313 392</b>	<b>0</b>	<b>44 081 078</b>
Trade payables	6 408 419	3 802 441	2 099 776	28 884	12 339 520
Loans and other short term financial liabilities	10 019 532	0	3 069 964	0	13 089 496
Provisions (current)	0	128 489	1 553 679	0	1 682 168
Accruals and deferred income	5 073 363	724 364	208 344	912 740	6 918 811
Other liabilities	989 189	-87 056	1 023 933	708	1 926 774
<b>Total current liabilities</b>	<b>22 490 503</b>	<b>4 568 238</b>	<b>7 955 696</b>	<b>942 332</b>	<b>35 956 769</b>
<b>Total liabilities</b>	<b>53 981 074</b>	<b>9 845 353</b>	<b>15 269 088</b>	<b>942 332</b>	<b>80 037 847</b>
Revenue	26 902 836	7 647 992	31 336 866	0	65 887 694
Cost of sales	-20 924 469	-5 160 267	-17 878 800	0	-43 963 536
<b>Gross Profit</b>	<b>5 978 367</b>	<b>2 487 725</b>	<b>13 458 066</b>	<b>0</b>	<b>21 924 158</b>
Material cost	-272 320	-339 486	-5 015 069	0	-5 626 875
Personnel cost	-3 777 499	-1 387 436	-3 881 463	0	-9 046 398
Service used	-6 283 138	-785 287	-1 035 390	-108 135	-8 211 950
Other expenditures	-993 646	-1 843 688	-845 073	-6 396	-3 688 803
<b>Operation cost</b>	<b>-11 326 603</b>	<b>-4 355 897</b>	<b>-10 776 995</b>	<b>-114 531</b>	<b>-26 574 026</b>
Depreciation	-433 626	-957 223	-850 574	0	-2 241 423
Impairment of tangible and intangible assets	0	-1 899 104	2 116	0	-1 896 988
Net profit/loss from financial activities	-2 683 765	2 413 200	-261 049	-4 930	-536 544
Share of profits of associates	0	0	0	0	0
<b>Profit before tax</b>	<b>-8 465 628</b>	<b>-2 311 298</b>	<b>1 571 564</b>	<b>-119 461</b>	<b>-9 324 823</b>
Income Tax	53 632	-8	-622 990	0	-569 366
<b>Profit for the year</b>	<b>-8 411 996</b>	<b>-2 311 306</b>	<b>948 574</b>	<b>-119 461</b>	<b>-9 894 189</b>
Owners of the company	-8 009 166	-2 311 301	799 500	-119 461	-9 640 428
Non-controlling interests	-402 836	0	149 074	0	-253 761

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Financial position	HUN		ROM		PLN		Other		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Property, plant and equipment	1 981 339	12 239 104	2 470 947	15 274 352	20 234 507	0	0	0	24 686 794	27 513 456
Intangible assets	490 721	144 781	21 743 346	8 067 588	1 808 524	0	0	0	24 042 591	8 212 369
Inventories	1 157 417	866 645	61 920	0	1 703 387	0	0	0	2 922 724	866 645
Trade receivables	5 043 459	9 331 146	1 324 273	5 670 765	3 445 603	0	-11 957	0	9 801 378	15 001 910
Assets not allocated to segment	28 267 095		3 875 358		2 273 459		58 752		34 474 664	0
<b>Total Assets</b>	<b>36 940 031</b>		<b>29 475 844</b>		<b>29 465 480</b>		<b>46 795</b>		<b>95 928 150</b>	<b>51 594 380</b>
Trade payables and other liabilities	6 408 418	2 229 397	3 802 441	13 179 637	2 099 776	0	28 884		12 339 519	15 409 034
Liability not allocated to segment	47 572 654		6 042 912		13 169 312		913 448		67 698 326	0
<b>Total liabilities</b>	<b>53 981 072</b>		<b>9 845 353</b>		<b>15 269 088</b>		<b>942 332</b>		<b>80 037 845</b>	<b>15 409 034</b>

Comprehensive income	HUN		ROM		PLN		Other		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenue	26 902 836	22 824 486	7 647 992	9 894 632	31 336 866	0	0	0	65 887 694	32 719 119
Earnings before financial transaction	-4 361 506	6 064 922	-1 868 171	1 334 244	2 681 071	0	-114 531		-3 663 137	7 399 165
Depreciation	-433 626	975 150	-2 856 327	70 282	-850 574	0	0		-4 140 527	1 045 433
Net profit/loss from financial activities	-2 683 766		2 413 200		-261 049	0	-4 930		-536 545	0
Net profit/loss from associate									0	0
Profit before tax	-7 478 898		-2 311 298		1 571 564	0	-119 461		-8 338 093	0
Current tax	53 632		-8		-622 990	0	0		-569 366	0
<b>Comprehensive income for the year</b>	<b>-7 425 266</b>		<b>-2 311 306</b>		<b>948 574</b>		<b>-119 461</b>		<b>-8 907 459</b>	<b>0</b>

### 37. Management of Financial and Market Risks

The Group is exposed to risks relating to the changes of market and financial conditions. These changes may have an impact on the profit as well as on the value of the assets and liabilities. The purpose of financial risk management is to continuously diminish risks through operative and financing measures.

The Group is exposed to the following risks:

- Market risk
  - Currency risk
  - Interest risk
- Liquidity risk
- Credit risk

#### 37.1. Market risk

The Group's operations are primarily exposed to the financial risk relating to the changes of exchange rates and interest rates. The Group does not purchase derivative financial instruments to cover its interest rate and exchange rate risks.

#### 37.2. Currency risk

The Group makes transactions also in foreign currencies therefore it is exposed to exchange rate risk. The Group manages exchange rate risks by means of forward currency transactions in accordance with its relevant regulation.

The Group's selling prices are primarily determined in HUF, PLN and RON and payments are also received mostly in these currencies. The Group operates primarily in Hungary, Poland and in Romania.

The management periodically reviews contracts made in foreign currencies and considers the opportunity of managing the relevant risk by means of derivative transactions.

The Group's foreign currency denominated assets and liabilities were valued at the end of the reporting period as follows.

December 31, 2011	RON	PLN	HUF
Receivables	5 261 551	7 350 111	24 099 517
Trade payables	-9 845 353	-9 337 123	-13 349 110
Revenue	10 061 192	31 336 866	26 852 867
Expenditures	-12 372 490	-29 261 040	-33 843 662
External loans	0	-5 931 965	-38 414 330

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Net position	-6 895 100	-5 843 151	-34 654 718
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December 31, 2010	RON	PLN	HUF
Receivables	5 670 765	0	10 197 791
Trade payables	-13 179 637	0	2 229 397
Revenue	9 894 632	0	22 824 486
Expenditures	-1 404 526	0	7 040 072
External loans	0	0	-10 830 976
Net position	981 234	0	31 460 771

### 37.3. Sensitivity analysis:

Transactions are mostly made in RON, HUF or PLN, our exposure to exchange rates were evaluated on the basis of the fluctuation of the exchange rates of these three currencies.

December 31, 2011	Exchange rate			Effect for current year result
	EUR/HUF	EUR/RON	EUR/PLN	
97,69%	0,0031	0,2260	0,2191	1 094 778
		0,2313	0,2243	800 524
		0,2366	0,2295	506 270
100,00%	0,0032	0,2260	0,2191	294 254
		0,2313	0,2243	0
		0,2366	0,2295	-294 254
102,31%	0,0033	0,2260	0,2191	-506 270
		0,2313	0,2243	-800 524
		0,2366	0,2295	-1 094 778

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We prepared the calculation for 31 December, 2010. also:

December 31, 2010	Exchange rate			Effect for current year result
	EUR/HUF	EUR/RON	EUR/PLN	
97,69%	0,0035	0,2292	0,2458	-749 410
		0,2346	0,2516	-726 744
		0,2401	0,2574	-704 077
100,00%	0,0036	0,2292	0,2458	-9 487
		0,2346	0,2516	13 180
		0,2401	0,2574	35 846
102,31%	0,0037	0,2292	0,2458	704 077
		0,2346	0,2516	726 744
		0,2401	0,2574	749 410

Risk of changing interest rate

Interest rate risk is the risk that future cash-flows from certain financial assets and liabilities may fluctuate due to the changes in market interest rates.

A change in market interest rates may pose a risk for the Group in the case of variable-interest long-term loans and bonds.

The effective interest rates payable by the Group as at 31 December 2011 on its outstanding loans were as follows:

	2011	2011
Effective interest rate:	9,19%	3,78%

37.4. Sensitivity analysis

A 50 base point change in the interest environment would cause the following change in the Group's profitability:

December 31, 2011

Movements in interest rate:	8,69%	9,19%	9,69%
Interest payable:	-235 514	0	235 514

December 31, 2010

Movements in interest rate:	3,28%	3,78%	4,28%
Interest payable:	-138 250	0	138 250

37.5. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations. Liquidity risk must be managed eventually by the Board of Directors. The Group manages its liquidity risk by keeping a proper level of reserves, bank credit lines, reserve loan raising opportunities; and by continuously monitoring its planned and actual cash-flow data as well as by reconciling the expiry dates of financial assets and liabilities.

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37.6. Liquidity and interest risk table:

<b>December 31, 2011</b>						
In Euro	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Contractual	Carrying
Loans and borrowings	12 421 240	5 974 526	36 185 898	1 868 222	56 449 886	47 102 708
Other long term liability	0	203 857	611 571	4 280 996	5 096 424	5 096 424
Trade and other payables	14 266 293	0	0	0	14 266 293	14 266 293
<b>Total financial liabilities</b>	<b>26 687 533</b>	<b>6 178 383</b>	<b>36 797 469</b>	<b>6 149 218</b>	<b>75 812 603</b>	<b>66 465 425</b>

<b>December 31, 2010</b>						
In Euro	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Contractual	Carrying
Loans and borrowings	4 050 271	0	14 239 505	18 335 284	36 625 060	27 649 969
Other Long term liability	0	107 531	322 593	2 258 150	2 688 274	2 688 274
Trade and other payables	15 529 668	0	0	0	15 529 668	15 529 668
<b>Total financial liabilities</b>	<b>19 579 939</b>	<b>107 531</b>	<b>14 562 098</b>	<b>20 593 434</b>	<b>54 843 002</b>	<b>45 867 911</b>

37.7. Credit risk

Credit risk is the risk that a debtor defaults on its contractual obligations which may cause a financial loss to the Group.

Most of the Group's customers are large multinational firms, local municipalities, or listed firms or subsidiaries of companies controlled by local municipalities.

Most of the Group's customers have been doing business with the Group for years and credit losses have been very rare. As a result of the current market environment, watching the creditworthiness of partners on a day-to-day basis became one of the most important tasks of the management.

<b>December 31, 2011</b>	
Not due	7 644 564
Due within 0-90 days	2 098 546
Due within 91-180 days	411 055
Due within 181-360 days	1 049 918
Due over 360 days	573 947
<b>Total receivables</b>	<b>11 778 030</b>

**38. Material Events after the Reporting Period**

E-Star has terminated its heating service contract made with the Municipality of the County Town of Hódmezővásárhely with immediate effect on 24 June 2012. The immediate termination of contract was due to the fact that the Municipality has not met its payment obligations against E-Star for about one year, and did not appear to be willing to pay its debt exceeding one hundred million forints despite repeated payment notices and a proposal for reconciliation. As a result of the termination of contract, E-Star starting from 1 July no more provides natural gas to the Municipality's institutions covered by the contract and stops operating its heating systems, and will enforce its contractual claims against the Municipality including its claim for unpaid fees exceeding HUF one hundred million (service fee and heating fee) plus a compensation for the termination of contract (whose amount also exceeds one hundred million forints).

The Company terminated its contract with the Municipality of Vámospércs by mutual consent on 29 June 2012. According to the agreement, the Municipality paid its substantial debt on the date of termination and the parties settled accounts with each other during the month of July also with respect to the compensation payable according to the agreement.

The Company's Târgu Mureş (Marosvásárhely) subsidiary, E-Star Mureş Energy S.A., after several unsuccessful negotiations, called upon the Municipality of the County Town of Târgu Mureş in June 2012 to meet its obligations undertaken in the concession contract. After the service of this notice, the final negotiations held between the parties on 7 June 2012 did not bring any success, as the Municipality was unable to support its claim that it has met its contractual obligations. therefore the Company decided to terminate the contract. Accordingly, E-Star Mureş Energy S.A. on 8 June 2012 terminated its concession contract no. 301/2010 made with the Municipality of the County Town of Târgu Mureş on 26 October 2010.

The Company decided to close down its project in Zaláu (Zilah). As the local municipality rejected E-Star's proposals for making the Zaláu project economically viable, there remained no opportunity to make it a feasible project.

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As a result of this, the relevant contract became impossible to perform, and the Company started to dismantle its entire operation in Zalău, which is expected to be completed in the third quarter of 2012.

The project in Gheorgheni (Gyergyószentmiklós) has a stable profit-making potential, and additional development projects are also in progress this year. According to the Company's survey, only one quarter of heating customers use hot water service as well. E-Star has played an eminent role in the expansion, implementation and financing of this latter service.

In June 2012, after many months of negotiations, E-Star Polska Sp. z o.o., the Company's 100%-owned Polish holding company received a binding financing offer of PLN 36 million from Bank Zachodni WBK S.A-tól (BZ WBK), one of the biggest Polish commercial and investment banks. The loan contract was signed on June 15.

The Company's strategic main stakeholder and chairman of the Board of Directors, Mr. Csaba Soós sold 264,000 shares from his portfolio at an average price of HUF 4,000 in the month of January 2012. He made available 90% of the proceeds of the transaction as a subordinated loan to the Company thereby reinforcing the Company's liquidity situation and its future commitment and trust that the Company will be able to manage its accounts receivable in the fiscal year 2012.

The Company made an agreement with the Municipality of the Town of Sárospatak on terminating the cooperation agreement between the parties by mutual consent.

On 14 October 2012, the Company terminated its service contracts with the municipalities of Arnót, Battonya, Csurgó, Gesztely and Inke with immediate effect due to the non-payment of service fees.

Service and other related contracts made by E-Star ESCO Kft., the Hungarian Government and the jointly owned company have been terminated. After the allowance made by E-Star ESCO Kft, the Hungarian Government undertook a 8-day deadline to pay E-Star ESCO Kft. its debts related to the projects in Fejér County (HUF 1,924,277,124 gross) and in Veszprém County (HUF 615,722,876 gross). E-Star ESCO Kft. will buy the Hungarian Government's share in the jointly owned companies at a nominal value.

The Company decided to repurchase the E-STAR2012/A,RFV2014/A,E-STAR2015/A,E-STAR2016/A bonds below the nominal value.

In October 9, 2012, the Company sold its business share held in NRG Finance Kft.

On 8 December 2012 the company announced on that bankruptcy proceedings lodged an application to the competent Authority, which the company a further decision of the Authority received a temporary suspension of payments.

The bankruptcy procedure was decreed as of December 13, 2012.

## 39.Going Concern Principle, the Company' Liquidity Status

The company group got into a very difficult liquidity situation by the end of 2011. It had several internal and external reasons, but the most important of all was that the financial plan was not realized as scheduled on the basis of our lawful claims based on existing contracts in the case of local municipalities that generate the biggest part of the cash-flow. Realizing the financing risks arising from these cases of non-payment, the management developed a plan in order to maintain the Company's going-concern status. This plan contained the following major steps:

### 1.) Introduction of cost-cutting measures

These showed primarily in a radical cut on central costs. As a result, HQ costs decreased from EUR 9 million in 2011 (of which EUR 2.5 million was made up of various external consultants' fees) to EUR 1.5 million by the end of 2012. This significant cost reduction will fully show its impact only in 2013 as cost cutting in 2012 was introduced in several steps and with significant one-off collateral costs (e.g. severance pays).

### 2.) Terminating loss-making projects

The Group stopped its loss-making projects (in Târgu Mures and Zalau). It accounted for impairment for the investments made by the subsidiaries E-Star Mures Energy S.A., E-Star ZA Distriterm Srl. and E-Star Energy Generation Srl. that previously conducted these activities on the basis of concessions.

The above projects generated EUR 1.5 million loss per year so their termination will improve the company's liquidity situation in 2012 by the same amount.

### 3.) Termination of non-paying local municipality project contracts and selling them to the municipalities.

We managed to terminate the service contract by mutual consent for several such projects in 2012. Of these, in the case of the three biggest projects (Fejér and Veszprém County, Sárospatak Municipality) the group earned total gross revenues of HUF 3,335,860,000, of which the individual exit-fees made up HUF 2,529,796,000 gross.

The contracts with Fejér and Veszprém Counties were closed with HUF 2,540,000,000 gross (Fejér County: HUF 400,516,000 unpaid bills + HUF 1,523,761,000 redemption value, Veszprém County: HUF 137,548,000 unpaid bills + HUF 478,175,000 redemption value). The two transactions were connected with a total early loan repayment of HUF 1,079,062,000.

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The contract with Sárospatak was closed with HUF 795,860,000 gross (HUF 268,000,000 unpaid bills + HUF 527,860,000 redemption value). This transaction is connected with a project loan of HUF 415,638,000 and another loan of HUF 211,000,000.

#### 4.) Debt consolidation

As a result of the above measures, the Company could provisionally manage its liquidity problems and stabilize the Company's day-to-day operation. At the same time, the funds that become available as a result of rationalization measures will not provide full coverage for the Company to meet its obligations from bond issues that become due in October 2012. In order to minimise the risk of non-payment of bond-related debts, the Company started a bond repurchase program in which it made an offer to repurchase bonds at a price below the nominal value.

The main data of the debt consolidation in the year 2012 are summarised in the table below:

E-Star group exposure	31.12.2011	10.12.2012
<b>ThEUR</b>		
Raiffeisen Bank	8 458	4 585
OTP	829	0
FHB	512	321
Commerzbank	1 928	0
Takarékbank	1 887	0
BZWBK	5 196	8 544
NFOS	726	582
Bond payables	27 443	13 617
<b>Total financial liabilities</b>	<b>46 979</b>	<b>27 649</b>

## 40. Presentation of off-balance sheet items, and its effect on Financial statements

Claimant	Respondent	Subject of the claim	Expected outcome
Fővárosi Csatornázási Művek Zrt.	E-Star Alternatív Energiaszolgáltató Nyrt.	payment of service fee	The debt has already been paid (there is still a claim for the legal costs), the lawsuit will be terminated on the first day of trial or before.
Nagy János private entrepreneur	E-Star Alternatív Energiaszolgáltató Nyrt. and E-Star ESCO Kft.	payment of contractor's fee	The claimant's claim is likely to be legally founded, however it is not duly supported as regards its amount. It is expected that the respondent will be ordered to pay a certain amount of damages. In case the respondent loses the case, GREP Zrt. undertook to pay all the debts of E-Star.
GREP Zrt.	E-Star Alternatív Energiaszolgáltató Nyrt. and E-Star ESCO Kft.	payment of contractor's fee	The lawsuits have been suspended at the joint request of the parties. The parties have started to prepare for out-of-court negotiations. The defendant will probably be ordered to pay some of the amount claimed.
E-Star Alternatív Energiaszolgáltató Nyrt.	Budapest Sports Association	payment of contractual fees	The parties have started to prepare for out-of-court negotiations. No recovery is possible unless there is an agreement.
E-Star Alternatív Energiaszolgáltató Nyrt.	Nagydobos Village Municipality	payment of contractual fees	In our opinion, our claim can be enforced in the lawsuit.
E-Star Alternatív Energiaszolgáltató Nyrt.	Szamoszeg Village Municipality	payment of contractual fees	In our opinion, our claim can be enforced in the lawsuit.
E-Star ESCO Kft.	Hódmezővásárhely County Town Municipality	payment of contractual fees	In our opinion, our claim can be enforced in the lawsuit.

Based on the reports by the Managing Directors of the Romanian subsidiaries, the Romanian subsidiaries of the company group have the following lawsuits:

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Claimant	Respondent	Subject of the claim	Current status	Expected outcome
E- Star Mures Energy SA	Târgu Mures Financial Office	appeal against a public administration order Amount: 82,713 RON	in progress	Before the administrative order was issued, our company had requested the tax office to reduce the amount claimed under the lawsuit (taxes on wages) by a VAT refund claim of 1,238,448 RON. In view of the above, we believe that our Company's position is founded.
E- Star Mures Energy SA	Târgu Mures Financial Office	appeal against a public administration order Amount: 1,986,286 RON (Release of the Nyrt. – SP from their joint payment obligation)	in progress	Since our company does not owe anything to the Romanian subsidiary of E-Star Nyrt under any commercial transaction, we believe that the appealed administrative order was unlawful and our claim is founded.
Compania Aquaserv SA	E- Star Mures Energy SA	payment of fees per consumer contract Total claim: 77,248.21 RON	The claim has been approved	Our company was unable to pay the service fee therefore the claim can be forwarded for execution.
E- Star Mures Energy SA	Environmental Protection Office – Sibiu office	appeal against a public administration order Amount: 20,000 RON	in progress	Our Company satisfied the legal requirement by sending the requested plan within the deadline, however the analysis fee was paid on the first day after the expiry of the deadline. In our opinion, by sending the plan within the deadline, we met the legal requirements therefore our appeal against the administrative order is founded.
E- Star Mures Energy SA	Mures County Consumer Protection Office – Mures County: respondent	appeal against a public administration order Amount: 333,91 RON	in progress	In our opinion, the Company proceeded lawfully by sending an invoice for its losses caused by the other party due to the unlawful disconnection, therefore our appeal against the administrative order is founded.
E-On Energie Romania	E- Star Mures Energy SA	payment of fees per consumer contract. Total claim: 5,441,260,69 RON	The claim has been approved	Our company was unable to pay the service fee therefore the claim can be forwarded for execution.
E- Star Mures Energy SA	Mures County Financial Office	appeal against a public administration order Amount: 1,110,991 RON.	in progress	In our opinion, the administrative order was unlawfully issued against our Company by refusing our VAT refund claim and ordering us to pay additional VAT. In our opinion, the appeal against the administrative order is founded.
E-Star Mures Energy SA	13 retail consumers	payment of fees per consumer contract. Total: 205,543.92 RON	in progress	Unless the service fee is paid in the meantime, the debt subject to the claim will be adjudged by the Court and the relevant amounts can be collected by our Company.
E-Star CDR SRL	72 retail consumers	payment of fees per consumer contract	in progress	Unless the service fee is paid in the meantime, the debt subject to the claim will be adjudged by the Court and the relevant amounts can be collected by our Company.
E-Star CDR SRL	Hargaz Harghita Gaz SA and Gospodarie Oraseneasca SA (GO SA)	petition for establishing partial invalidity of the contract - claiming refund of the contractual fee paid: 851,820.85 RON	in progress	In our opinion, the Company lawfully claims from the gas supplier the amount paid by Termoenergy and then by our Company but not recognized by GO SA.

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Termoenergy SRL	Hargaz Harghita Gaz SA and Gospodarie Oraseneasca SA	petition for establishing partial invalidity of the contract - claiming refund of the contractual fee paid: 851,820.85 RON	in progress	In our opinion, the Company lawfully claims from the gas supplier the amount paid by our Company and then by CDR but not recognized by GO SA.
Termoenergy SRL	Gheorgheni municipality – financial department	appeal against a public administration order Amount: 191,846 RON	in progress	In our opinion, the claim of the public administration organization is unfounded, therefore our appeal against the administrative order is lawful.
Fluid Group Hagen SRL	E-Star Investment Management SRL	payment of contractual fees. Claim: 81,291.20 RON	The claim has been approved	Our company was unable to pay a part of the service fee therefore the claim has been forwarded for execution which is in progress.
Fluid Group Hagen SRL	E-Star Investment Management SRL	Petition for liquidation due to non-payment of contractual fees. Claim: 73,896.85 RON * New lawsuit (filed with the respondent on 28.11.2012.)	in progress	Not paid, the Company may be qualified as insolvent and may be liquidated.
E-Star ZA Distrierm SRL	21 retail consumers	payment of fees per consumer contract. Total claim: 33,503.26 RON	in progress	Unless the service fee is paid in the meantime, the debt subject to the claim will be adjudged by the Court and the relevant amounts can be collected by our Company.
Zalau County Town Municipality*	E-Star ZA Distrierm SRL	temporary use of backbone line (1st urgency procedure). 0 RON	in progress	Case won.
Zalau County Town Municipality*	E-Star ZA Distrierm SRL	temporary use of backbone line (2nd urgency procedure). Claim: 0 RON	in progress	In our opinion, the case can be won by our Company.
Uzina Electrica (CET)	E-Star ZA Distrierm SRL	payment of contractual fees (payment notice). Claim: 1,023,813,35 RON	suspended	In our opinion, the case can be won by our Company.
Uzina Electrica (CET)	E-Star ZA Distrierm SRL	payment of contractual fees (liquidation proceedings). Claim: 1,023,813,35 RON	In progress	We did not pay the full amount of the last heat energy bill – the amount claimed is 1,023,000 RON There were negotiations in order to compensate with the value of the backbone line but as no agreement was reached, CET submitted its petition for liquidation on 28 September. Creditors must report their claims until 27 December The first creditors' meeting will take place on 15 January The first hearing will be held on 06 February The Company submitted an appeal on 26 November but no date has been set for the hearing yet The procedure is not suspended during the appeal, it will only be suspended against a security deposit.

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E-Star ZA Distriterm SRL	Tubvest Colect SRL	payment of contractual fees. Claim: 81,291.20 RON	The claim has been approved	The price set out in a purchase contract (143,142.50 RON) was not paid. This claim is secured by a bill of exchange issued by another firm. We requested execution against the firm that issued the bill of exchange. At the same time, we also filed a criminal report and started a civil lawsuit as well against Tubvest. The execution and the criminal investigation against the firm that issued the bill of exchange are in progress. In the civil lawsuit, our claim was approved and the debtor was ordered to pay 188,851 RON (with interest).
E-Star Energy Generation SA	Sălaj County Financial Office	appeal against a public administration order Claim: 150,031 RON	In progress	Appeal against a public administration order The Financial Office believes that our Company is not entitled to claim VAT refund of RON 150,031, of which RON 133,779 relates to the invoice issued by Com Mix SRL and RON 15,413 relates to the renovation work at the head office, while the rest is composed of minor items.
E-Star Energy Generation SA	Zalau Financial Office	appeal against a public administration order Claim: 46,439 RON	in progress	Our Company regards the administrative order as unlawful. In our opinion, the appeal against the administrative order is founded.

## 41. Approval of financial statements

These consolidated financial statements were authorized for issue as at December 28, 2012.

December 28, 2012 Budapest

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Csaba Soós, CEO

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Dániel Molnos, Director