

E-Star Alternative Energy Service Plc.  
137190069-3530-114-01  
Statistical identity code  
01-10-045428  
Registration number

**E-Star Alternative Energy Service Plc.**

1122 Budapest, Székács u. 29.

Financial Statements  
Year ending 31 December  
2011

Date: Budapest, 24 September 2012

management of the company

E-Star Alternative Plc.  
 13719069-3530-114-01  
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"A" BALANCE SHEET Assets

2011. december 31.

data in HUF th

Number	Name of items	Previous year	Corrections of previous	Current year
a	b	e	d	e
1	A. Fixed assets	5 101 558	-	13 890 143
2	I. Intangible assets	57 812	-	58 533
3	Capitalized value of formation/restructuring			
4	Capitalized value of research and development			
5	Concessions, licenses and similar rights	492		761
6	Intellectual property	36 652		37 104
7	Goodwill	20 668		20 668
8	Advances and prepayments on intangible assets			
9	Adjusted value of intangible assets			
10	II. Tangible assets	1 107 013	-	936 592
11	Land and buildings and rights to immovables	18 670		17 516
12	Plant and machinery, vehicles	1 038 368		878 612
13	Other equipment, tools, fixtures and fittings, vehicles	48 310		40 464
14	Breeding stock			
15	Assets in course of construction			
16	Payments on account	1 665		
17	Adjusted value of tangible assets	-		
18	III. Financial investments	3 936 733	-	12 895 018
19	Long-term participations in affiliated companies	96 679		6 663 361
20	Long-term loans to affiliated companies	3 840 054		6 231 642
21	Other long-term participations			
22	Long-term loan to other companies linked by virtue of participating interests			
23	Other long-term loans			15
24	Long-term debt securities			
25	Adjusted value of financial investments			
26	Valuation difference of financial investments			

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"A" BALANCE SHEET Assets

2011. december 31.

data in HUF th

Sor- szám	A tétel megnevezése		Előző év	Előző év(ek) módosí- tásai	Tárgyév
a	b		e	d	e
27	<b>B.</b>	Current assets	4 637 071	-	5 630 500
28	I.	Stocks	238 476	-	268 016
29		Raw materials and consumables			
30		Work in progress and semi-finished products			
31		Animals for breeding and fattening and other livestock			
32		Finished products			
33		Goods	238 476		245 416
34		Advances and prepayments	-		22 600
35	II.	Receivables	3 708 936	-	3 546 545
36		Trade debtors	2 307 305		268 292
37		Receivables from affiliated companies	1 163 854		2 894 238
38		Receivables from other companies linked by virtue of participating interests			
39		Bills receivable			
40		Other receivables	237 777		384 015
41		Valuation difference of receivables			
42		Valuation difference of derivative instruments			
43	III.	Securities	460 761	-	1 549 021
44		Participating interests in affiliated companies			
45		Other participating interests			
46		Own shares and own partnership shares	222		
47		Debt securities held for trading	460 539		1 549 021
48		Valuation difference of securities			
49	IV.	Liquid assets	228 898	-	266 918
50		Cash in hand, checks	919		211
51		Bank deposits	227 979		266 707
52	<b>C.</b>	Accrued and deferred assets	180 967	-	290 609
53		Accrued income	179 319		283 048
54		Accrued expenses	1 648		7 561
55		Deferred expenses			
56		Total assets	9 919 596	-	19 811 252

Keltezés: Budapest, 24 September 2012

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"A" BALANCE SHEET Liabilities

2011. december 31.

data in HUF th

Sor- szám	A tétel megnevezése		Előző év	Előző év(ek) módosít- ásai	Tárgyév
a	b		e	d	e
57	D.	<i>Equity capital</i>	3 189 595	-	3 550 900
58	I.	Subscribed capital	24 000		26 400
59		including: ownership shares repurchased at face value			
60	II.	Subscribed capital unpaid (-)			
61	III.	Capital reserve	1 096 000		3 493 600
62	IV.	Retained earnings	369 192		1 326 105
63	V.	Tied-up reserve	753 826		743 491
64	VI.	Revaluation reserve	-	-	-
65		Valuation reserve for adjustments			
66		Fair value reserve			
67	VII.	Profit or loss for the year	946 577	-	2 038 696
68	E.	Provisions	17 254	-	6 542
69		Provisions for forward liabilities	17 254		
70		Provisions for forward expenses			6 542
71		Other provisions			
72	F.	Liabilities	6 425 676	-	14 610 927
73	I.	Subordinated liabilities	-	-	-
74		Subordinated liabilities to affiliated companies			
75		Subordinated liabilities to other companies linked by virtue of participating interests			
76		Subordinated liabilities to other economic entities			
77	II.	Long-term liabilities	4 788 787	-	9 994 850
78		Long-term loans			
79		Convertible bonds			
80		Debenture loans	3 785 000		8 581 900
81		Investment and development credits	827 380		890 974
82		Other long-term credits			
83		Long-term liabilities to affiliated companies	176 407		521 976
84		Long-term liabilities to other companies linked by virtue of participating interests			
85		Other long-term liabilities			-

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"A" BALANCE SHEET Liabilities

2011. december 31.

data in HUF th

Sor- szám	A tétel megnevezése	Előző év	Előző év(ek) módosítá- sai	Tárgyév
a	b	e	d	e
86	III. Current liabilities	1 636 889	-	4 616 077
87	Short-term bank loans	35		35
88	including: convertible bonds			
89	Other short-term loans	928 405		1 491 714
90	Advances received from customers			
91	Accounts payable	229 552		641 963
92	Bills payable			
93	Short-term liabilities to affiliated companies	117 195		919 328
94	Short-term liabilities to other companies linked by virtue of participating in	138 726		
95	Other short-term liabilities	222 976		1 563 037
96	Valuation difference of liabilities			
97	Valuation difference of derivative instruments			
98	G. Accrued and deferred liabilities	287 071	-	1 642 883
99	Deferred income	13 070		38 463
100	Deferred expenses	228 098		1 565 093
101	Accrued income	45 903		39 327
102	Total liabilities	9 919 596	-	19 811 252

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**A PROFIT AND LOSS ACCOUNT (nature of expense method)**

2011. december 31.

data HUF th

<b>Number</b>	<b>Name of items</b>	<b>Previous year</b>	<b>Corrections of previous</b>	<b>Current year</b>
<b>a</b>	<b>b</b>	<b>c</b>	<b>d</b>	<b>e</b>
1	1 Net domestic sales	1 392 557		1 228 074
2	2 Net external sales	2 003 486		-
3	<b>I.</b> Total sales (revenues) (01+02)	3 396 043	-	1 228 074
4	3 Variations in self-constructed assets			-
5	4 Own work capitalized			-
6	<b>II.</b> Own performance capitalized (+03+04)	-	-	-
7	<b>III.</b> Other income	35 582		858 095
8	including: impairment loss reversed	20 349	-	14 831
9	5 Raw materials and consumables	30 277		13 016
10	6 Contracted services	392 475		1 830 335
11	7 Other service activities	27 431		42 113
12	8 Original cost of goods sold	4		468 226
13	9 Value of services sold (mediated)	1 749 440		186 205
14	<b>IV.</b> Material costs (05+06+07+08+09)	2 199 627	-	2 539 895
15	10 Wages and salaries	153 409		116 144
16	11 Other employee benefits	12 129		7 826
17	12 Contributions on wages and salaries	53 563		30 601
18	<b>V.</b> Staff costs (10+11+12)	219 101	-	154 571
19	<b>VI.</b> Depreciation	124 925		130 194
20	<b>VII.</b> Other operating charges	92 530		1 442 230
21	including: impairment loss	14 843		1 316 121
22	<b>A.</b> Income from operations (I+II+III-IV-V-VI-VII)	795 442	-	- 2 180 721

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**"A" PROFIT AND LOSS ACCOUNT (nature of expense method)**

2011. december 31.

data HUF th

Number	Name of items	Previous year	Corrections of previous year(s)	Current year
a	b	c	d	e
23	13 Dividends and profit-sharing (received or due)			
24	including: from affiliated companies			
25	14 Capital gains on investments	49 530		
26	including: from affiliated companies			
27	15 Interest and capital gains on financial investments			
28	including: from affiliated companies			
29	16 Other interest and similar income (received or due)	306 408		915 195
30	including: from affiliated companies	273 745		808 206
31	17 Other income from financial transactions	644 354		1 226 266
32	including: valuation difference			
33	<b>VIII.</b> Income from financial transactions (13+14+15+16+17)	1 000 292	-	2 141 461
34	18 Losses on financial investments			
35	including: to affiliated companies			
36	19 Interest payable and similar charges	295 278		931 353
37	including: to affiliated companies	27 754		24 276
38	20 Losses on shares, securities and bank deposits	- 7 125		3 580
39	21 Other expenses on financial transactions	442 434		1 028 881
40	including: valuation difference			
41	<b>IX.</b> Expenses on financial transactions (18+19+20+21)	730 587	-	1 963 814
42	<b>B.</b> Profit or loss from financial transactions (VIII-IX)	269 705	-	177 648
43	<b>C.</b> Operating results (+A+B)	1 065 147	-	- 2 003 073
44	<b>X.</b> Extraordinary income	7 289		40 467
45	<b>XI.</b> Extraordinary expenses	38 450		63 947
46	<b>D.</b> Extraordinary profit or loss (X-XI)	- 31 161	-	- 23 480
47	<b>E.</b> Profit before tax (+C+D)	1 033 986	-	- 2 026 553
48	<b>XII.</b> Tax payable	87 409		12 142
49	<b>F.</b> After-tax profit (+E-XII)	946 577	-	- 2 038 696
50	22 After-tax profit (+E-XII)			
51	23 Dividends and profit-sharing paid (payable)			
52	<b>G.</b> Profit or loss for the year (+F+22-23)	946 577	-	- 2 038 696

Date: Budapest, 24 September 2012

management of the company

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**E-Star Alternative Energy Service Plc.**

Notes to the Financial  
Statements for the year  
ending 31 December

2011

## General notes

### Introduction to the Company

Company name: E-Star Alternative Energy Service Public Limited Company (change of name: on 17 February 2011, registered on 4 March 2011; former name: RFV Plc.)

Abbreviated company name: E-Star Alternative Plc.

#### Shareholders

Csaba Soós	24.34 %
OTP Alapkezelő Zrt.	10.84 %
Sandling Enterprises Limited	7.27 %
Utilico Emerging Markets Limited	5.42%
Aegon Alapkezelő Zrt.	5.33 %
Free Float	46.8%

Registered office: 1122 Budapest, Székács u. 29.

Branch office: 8413 Eplény, Veszprémi u. 66/A.

540043 Romania Mures Tg. Mures Str. Revolutiei Nr. 1 AP. 110

Company's representatives authorised to sign the financial statements: Csaba Soós 1038 Budapest, Hanga köz 1/E.

Dániel Molnos 1221 Budapest, Péter Pál utca 149/A.

Date of establishment as a privately held joint stock company: 1 March 2006, registered on: 12 June 2006.

Date of establishment as a publicly held joint stock company: 12 March 2007, registered on: 10 May 2007.

Tax number: 13719069-2-43

#### Activities:

- 3530'08 Steam- and air-conditioning (core activity)
- 4222'08 General construction of electrical and telecommunications civil engineering works
- 4321'08 Installation of electrical wiring and fittings
- 4312'08 Site preparation
- 4322 '08 Installation of plumbing, gas, heating and air conditioning
- 4329'08 Other building installation
- 6209'08 Other information technological services
- 7111 '08 Architectural activities
- 7112 '08 Engineering activities and related technical consultancy
- 7120 '08 Technical surveys and analysis
- 7219'08 Other research and experimental development in the fields of natural sciences and engineering
- 7490'08 Other professional, scientific and technical activities not elsewhere classified
- 8110'08 Facility management

- 4221'08 Construction of civil engineering works used for the transmission of liquid
- 3311'08 Repair of metal processing products
- 3312'08 Repair of industrial machinery and equipment
- 3314'08 Repair of industrial electrical machinery and equipment
- 4110'08 Management of building construction projects
- 4332'08 Assembly of carpentry and joinery structures
- 4525'08 Other construction work involving special trades i.e.
- 4671'08 Wholesale trade in fuels
- 7211'08 Bio-technological research and development
- 3521 '08 Manufacture of gas
- 7320 Public opinion polling
- 5248 Retail trade of other manufactured goods i.e.
- 4619 Wholesale of mixed products

#### Description of the Company:

The Company's legal predecessor was established on 29 June 2000 with the aim of implementing, for its clients – primarily energy-related – investments, the costs of which are recouped from the savings they generate, and by operating these projects in the long term, efficiently supplying energy to its clients. The Company provides its services in the context of an ESCO (Energy Service Company) structure, which is a form of PPP (public-private partnership) arrangement specific to the energy sector. It implements energy-sector projects in proprietary investments – the cost of which is typically recouped from the resulting energy savings – 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 (heat supply, public lighting, electrical energy saving services, etc.) to provide energy services, typically under an 8-15-year contract, depending on the rate of return. The Company has until now generally financed its projects from bank loans. The subsidiary projects and the EETEK transaction were financed, in addition to the bank loans, through the issuing of shares and bonds.

The most important services (business lines) of E-Star Alternative Plc. are as follows:

- Cost-effective electrical energy supply,
- Public lighting, lighting power regulation,
- Heat supply combined with the modernisation of heating systems,
- Electricity supply combined with the modernisation of interior lighting,
- Energy systems reconstruction and long-term heat supply for buildings constructed using prefabricated technologies.

#### Permanent holdings in associated companies:

Company	Ownership ratio	Registered
E-Star Geotherm Kft.	100%	1122 Budapest, Székács u. 29.
Patakhó Energiaszolgáltató Nonprofit Kft.	48%	3950 Sárospatak, Zrínyi u. 47.
E-Star Management Kft.	100%	1122 Budapest, Székács u. 29.
E-Star ZA Distriterm SRL	51%	Zalau, Str. Unirii nr. 13. et.1, ap.10 450155 jud. Salaj
E-Star Heat Energy SA	99.99%	Greorgheni, Piata Libertatii nr.14.etaj 2. jud Harghita, Romania

RFV Slovakia s.r.o.	100%	Hnústa, Francisciho nám 373., Slovakia, 98101
E-Star ESCO Kft.	100%	1122 Budapest, Székács u. 29.
RFV Józsefváros Kft.	49%	1122 Budapest, Székács u. 29.
E-Star Távhőfejlesztési Kft.	100%	1122 Budapest, Székács u. 29.
E-Star Mures Energy SA	99.99%	Targu Mures, 540043 str. Revolutiei nr.1
E-Star Alternative Energy SA	99.99%	Bucuresti, Sectorul 1, Str. Nicolae Iorga Nr.8. Cod: 10434
E-Star Energy Generation SA	99.99%	Zalau, Str. Unirii Nr. 13. Manager building, et.1, cam.3
Termoenergy SRL	99.5%	Gheorgheni, P-ta Libertatii nr .14. jud. Harghita
E-Star Centrul de Dezvoltare Regionala SRL	100%	Greorgheni, Piata Libertatii nr.14.etaj 14. Jud
E-Star Polska Sp. z.o.o.	0.05%	ul Zurawia 22,00-515 Warszawa, Polska
EETEK Limited	100%	Lemesou, 11 Galatariotis Building, 2nd floor 2112, Nicosia, Cyprus

## **Main features of the accounting policy**

The Company keeps its books and accounting records in compliance with the accounting principles set forth in Act C of 2000 on Accounting (hereinafter 'Act on Accounting'), as amended.

In its accounting policy, the Company sets out its valuation methods and procedures.

The annual financial statements include:

- balance sheet
- type 'A' income statement prepared using the total cost method;
- notes to the financial statements.

Auditing services provided by: Deloitte Könyvvizsgáló és Tanácsadó Kft.

Tamás Horváth

Address: HU-1068 Budapest, Dózsa György út 84. C. ép.

Registration No.: 003449

Accounting services provided by:

Katalin Budai

Address: 1026 Budapest, Pasaréti út 78.

Registration No.: 006500

Balance-sheet date: 31 December 2011

Date of balance sheet preparation: 31 July 2012

### **Applied valuation procedures and the means of accounting for depreciation:**

#### **Assets**

##### **Fixed assets**

- Within the group of intangible assets, property rights and intellectual products are written off over a period of three years.
- Tangible assets: In compliance with the Act on Accounting, the Company values tangible assets on a case-by-case basis.
- In the case of purchases, the acquisition cost is the gross price.
- Accounting for depreciation:
  - Tangible assets with an acquisition cost of less than HUF 100,000 are written down to zero in one sum when taken into use for their intended purpose.
  - In the case of tangible assets costing more than HUF 100,000, the straight-line method is applied.
  - Depreciation is recognised monthly, on a pro rata basis.
  - No depreciation is recognised on land and artworks.
- In accordance with the modification of the accounting policy in 2008 the company does not apply value adjustment.
- Assets that do not serve the Company's activities over the long term are reclassified as current assets.

- Unscheduled depreciation must be recognised on intangible and tangible assets if the carrying value of the intangible or tangible asset (excluding capital projects) is permanently and significantly higher than the market value of the same asset.
- If the carrying value of such assets is lower than the original acquisition cost of the assets, and the reasons for their valuation at a lower value no longer apply, or only part, the write-downs must be ceased in order to ensure a true and fair picture of their value, and the asset must be revalued at its market value (reversal).

**Financial investments:**

- In the case of investments embodying an ownership share, impairment must be recognised if the difference, entailing a loss, between the carrying value and the market value of the investment appears to be permanent, and is significant.

**Inventories:**

- Among inventories the Company recognises subcontractors' performances related to the maintenance of any secondary systems, which it invoices on at the appropriate time.

In addition to this the services connected to the projects in Romania are also stated here, which then are recharged upon the realisation of the projects.

**Current assets****Receivables:**

The receivables included in the records on the balance-sheet date of 31 December are rated on a case-by-case basis as follows:

- full-value
- overdue
- doubtful
- unrecoverable receivables.

Based on an aging list, receivables are valued individually taking into account financial performance following the balance-sheet date, and impairment is recognised in the extent required.

**Liabilities****Equity**

- Subscribed capital: the nominal value recorded in the Company's articles of association and registered by the Company Court in compliance with the provisions of the Act on Accounting.
- Capital reserve: reserve placed at the disposal of the Company; if shares are issued, the capital surplus.
- Profit reserve: as per the accounting records.

- Committed reserves: items set out in the Act on Accounting as items to be carried over from the profit reserve. Development reserve: reserve occasionally set aside by the Company in compliance with the Act on Corporate Taxation, and reversed when new capital projects are capitalised. The amounts appropriated from the profit reserve due to the repurchase of own shares are stated here.
- Balance sheet profit: contribution made to the equity, equal to the amount stated in the income statement.

**Provisions:**

Funds set aside to the charge of the pre-tax profit for expected liabilities and future costs.

**Sales revenue:**

The Company reports as sales revenue its purchased and own-manufactured inventories sold, and the value of services performed, in respect of the reporting period. (Energy fees, public lighting, service fees, other revenue).

**Costs:**

Among its costs the company recognises the costs of materials purchased and services used, the costs of other services, wages and wage contributions, other expenses of personnel and depreciation, in respect of the reporting period.

**Criteria for separating extraordinary items**

The decision regarding whether to declare a business event as extraordinary is made by the Company in accordance with the provisions of its accounting policy.

**Intangible and tangible assets**

A presentation of the changes in tangible assets is contained in Annex 1 hereto.

**Permanent holdings in associated companies:**

<b>Name</b>	<b>Cost value of equity interest</b>	<b>Impairment</b>	<b>Reclassification (goodwill)</b>	<b>Increase</b>	<b>Book value</b>
E-Star ESCO Kft.	6 000			30 892	36 892
E-Star Táv hőfejlesztési	1 000				1 000
Termoenergy Srl.	38 500		20 669		17 831
Patakhó Energiaszolgáltató Nonprofit Kft.	240				240
E-Star Distriterm SRL	1 513	1 513			0
E-Star Heat Energy SA	6 485				6 485
E-Star Mures Energy SA	6 486				6 486
E-Star Alternative Energy SA	6 486				6 486
E-Star Energy Generation SA	6 486				6 486
E-Star Centru de Dezvoltare Regionala SRL	37 840				37 840
RFV Slovakia s.r.o.	2 066	2 066			0
RFV Józsefváros Kft.	1 470				1 470
E-Star Management Kft.	5 000				5 000
E-Star Geotherm Kft.	2 850	256			2 594
EETEK Limited	6 533 730				6 533 730
E-Star Polska	821				821
<b>Total:</b>	<b>6 656 973</b>	<b>3 835</b>	<b>20 669</b>	<b>30 892</b>	<b>6 663 361</b>

E-Star Alternative Plc. announced in 2011 that it had purchased the Polish and Hungarian holdings of the EETEK Group. The total purchase price was EUR 21 million. The Company financed the transaction mainly from loans and a bond issue.

In the course of the EETEK transaction E-Star acquired two Hungarian and three Polish entities:

**In Hungary:**

- at the Rába site in Győr, **Rába Energiaszolgáltató (RESZ) Kft.**, which performs energy services for industrial service providers, and its related assets
- at the sewage depot in Pécs, **EPV Biogáz Kft.**, which holds permits for establishing a bio-gas plant.

**In Poland:**

- **Heat and Power Plant Mielec Ltd.** (E-Star Elektrociepłownia Mielec Sp. z o. o) in South-East Poland, which performs heat and electricity generation activity in the territory of the Mielec Industrial Park, the key consumers of which are district heating companies owned by municipalities and the industrial consumers located in the industrial park
- **Heat and Power Plant Gorlice Ltd.** (E-Star Elektrociepłownia Gorlice Sp. z o. o), also in South-East Poland, the main client of which is a district heating company owned by the municipality
- **Euro-Energetyka Ltd.** (Euro-Energetyka Sp. z o. o) based in Mielec and engaged in the wholesale trading of electricity

As a part of the restructuring in Hungary, the ownership title to the EETEK Limited interests RESZ and EPV Biogáz Kft. devolved to NRG Finance Kft., which since the beginning of 2012 has been 90% owned by E-Star Alternative Plc.

As part of the restructuring in Poland, the ownership title to the shares held by E-Star Group was transferred from EETEK Limited in Cyprus to a Polish holding company, E-Star Polska Sp. z o.o., the sole owner of which is E-Star Alternative Plc.

The full conclusion of the transaction in Hungary could not take place in 2011 due to delays in negotiations with OTP Bank, which had intended to collaborate in the refinancing of the transaction. The transaction had still not been fully concluded by the time of preparing the financial statements.

**Loans granted to associated companies:**

*data in tHUF*

<b>Name</b>	<b>Previous</b>	<b>Reporting</b>
Loan RFV Józsefváros Kft.	155 047	133 174
Loan RFV SRL	2 340 506	4 299 774
Loan Patakhó Non Profit Kft.	6 375	0
Loan E-Star Geotherm Kft.	0	139
Loan E-Star Thermoenergy	0	10 583
Loan E-Star Mures Energy	623 466	1 377 294

Loan RFV Slovakia	12 269	73 842
Loan E-Star Distriterm	335 322	420 582
Loan E-Star Alternatív Energy	0	12 814
Loan E-Star Energy Generation	0	391 658
Loan E-Star Esco Kft.	290 359	533 023
Loan Veszprém Megyei Non-Profit	0	2 000
Loan interest Investment Management	0	8 472
Loan interest Patakhó Non-Profit	216	0
Loan interest E-Star Mures Energy	7 552	0
Loan interest RFV Slovakia	6 960	0
Loan interest E-Star Distriterm	1 697	0
Loan interest E-Star Esco Kft.	60 285	0
Impairment RFV Slovakia loan	0	-25 598
Impairment E-Star Mures Energy	0	-533 998
Impairment E-Star Energy Generation	0	-51 535
Impairment E-Star Distriterm	0	-420 582
<b>Total:</b>	<b>3 840 054</b>	<b>6 231 642</b>

The Company, as parent company, also took into account the financing requirements of its subsidiaries. In the case of the newly established companies, for the commencement of operation and the launch of projects, support in the form of loan capital was typically required, which the Parent Company provided at the terms and conditions determined in its internal regulations.

Other subsidiaries that have been in operation for a longer time can also receive a loan from the Parent Company, insofar as their financing position – for example due to strong seasonal impacts or substantial accounts receivable – justifies this.

The schedule for repayment of loans given to associated companies, in the case of subsidiaries that will be continuing their operations, has been determined based on their long-term business plans.

The impairment was recognised in relation to the closure of the Zaláu and Târgu Mureş projects.

The Company, taking into account the expected return, recognised 100% impairment in relation to the Zaláu project, and 19% impairment for the items related to the Târgu Mureş project.

#### Value and composition of current assets

*data in tHUF*

Name	Previous year	Reporting year
Inventories	238 476	268 016
Receivables	3 708 936	3 546 545

Securities	460 761	1 549 021
Liquid assets	228 898	266 918
<b>Total:</b>	<b>4 637 071</b>	<b>5 630 500</b>

Reported among inventories, in a value of HUF 298 343 thousand (in 2010 HUF 238 476 thousand) was the value of intermediated services that were not re-invoiced, a substantial proportion of which consists of the value of subcontractor performances ordered and taken into inventory in relation to the Romanian investments. The Company recognised impairment of HUF 52 927 thousand on intermediated services reported among inventories. Value reduced by impairment: HUF 245 416 thousand

Name	Previous year	Reporting year
Intermediated services	238 476	298 343
Impairment	0	-52 927
Intermediated services	238 476	245 416
Advances given for inventory	0	22 600
<b>Total:</b>	<b>238 476</b>	<b>268 016</b>

The impairment was recognised in relation to the closure of the Zalău and Târgu Mureş projects.

The Company, taking into account the expected return, recognised 100% impairment in relation to the Zalău project, and 19% impairment for the items related to the Târgu Mureş project.

The Company's main investment sites in Romania are the following:

- Gyergyószentmiklós
- Marosvásárhely
- Zilah

Besides these, the value of a non-reinvoiced investment related to Fejér County is also reported here.

The securities account contains Hungarian government bonds in a value of HUF 182 162 thousand (in 2010: HUF 460 761 thousand), the company's own bonds in a value of HUF 1 366 859 thousand (in 2010: HUF 222 thousand in own shares, and HUF 460 539 thousand in discount bills).

#### Breakdown of receivables:

Name	Previous year	Reporting year
Receivables from goods deliveries and services (debtors)	2 307 305	268 292

Receivables from associated companies	1 163 854	2 894 238
Other receivables	237 777	384 015
<b>RECEIVABLES</b>	<b>3 708 936</b>	<b>3 546 545</b>

We assess the claims on the basis of an aging list and also individually, taking into account the financial settlements made after the balance-sheet date, and recognise impairment in the appropriate extent.

Impairment on trade receivables (debtors):

Based on an individual assessment, in the reporting year impairment of HUF 86 494 thousand (in 2010: HUF 14 830 thousand) was recognised on the basis of ageing, and taking into account the financial settlement made up to the time of preparing the balance sheet. The impairment from 2010 was written back in full.

Name	Previous year	Reporting year
Debtors	2 322 135	354 786
Impairment	-14 830	-86 494
<b>Receivables from goods deliveries and services (debtors)</b>	<b>2 307 305</b>	<b>268 292</b>

Receivables from associated companies

Name	data in tHUF	
	Previous year	Reporting year
Debtor EETEK Limited.	0	777 825
Debtor RFV Józsefváros Kft.	9 894	88 111
Debtor E-Star Management Kft.	0	15 271
Debtor E-Star Geotherm Kft.	5	5
Debtor E-Star Beruházó Kft.	38 595	0
Debtor Thermoenergy SRL	35 371	0
Capital receiv. E-Star Management Kft.	0	894 381
Capital receiv. RFV Józsefváros Kft.	20 246	23 520
Capital receiv. E-Star Távhőfejlesztési Kft.	0	11 121
Capital receiv. E-Star Polska Sp. z.o.o.	0	1 058
Capital receiv. EPV Biogáz	0	323
Capital receiv. NRG Finance	0	6
Capital receiv. Veszprém Megyei Non-Profit Kft.	2 000	0
Capital receiv. E-Star Geotherm Kft.	109	0
Capital receiv. RFV SRL	603 000	0
Capital receiv. RFV Slovakia s.r.o.	47 500	0
Capital receiv. E-Star Mures Energy SA	45	0
Capital receiv. E-Star Heat Energy	6 760	0
Capital receiv. E-Star Alternative Energy SA	6 481	0
Capital receiv. E-Star Energy Generation SA	19 435	0

Capital receiv. E-Star Thermoenergy SRL	195 717	0
Capital receiv. Greep Zrt.	15	0
Interest receiv. RFV SRL	68 450	506 655
Interest receiv. E-Star Mures Energy SA	0	137 105
Interest receiv. E-Star Distriterm SRL	0	56 689
Interest receiv. E-Star ESCO Kft.	0	43 311
Interest receiv. E-Star Management Kft.	0	38 506
Interest receiv. E-Star Energy Generation SA	142	34 772
Interest receiv. RFV Slovakia	0	13 558
Interest receiv. Alternative Energy SA	82	1 481
Interest receiv. Thermoenergy SRL	3 695	846
Interest receiv. E-Star Távhőfejlesztési Kft.	0	270
Interest receiv. Veszprém Megyei Non-Profit Kft.	2	163
Interest receiv. E-Star Investment Management	0	140
Interest receiv. E-Star Geotherm Kft.	0	20
Interest receiv. E-Star Polska	0	5
Interest receiv. RFV Józsefváros Kft.	438	0
Interest receiv. E-Star Heat Energy	85	0
Group VAT receivable RFV Józsefváros Kft.	33 671	16 704
Group VAT receivable E-Star ESCO Kft.	72 116	2 102
Loan given – Csaba Soós	0	177 480
Interest on loan given – Csaba Soós	0	6 154
Other related party receiv. – E-Star CDR SRL	0	81 063
Other related party receiv. – E-Star Energy Generation	0	49 814
Other related party receiv. – E-Star Távhőfejlesztési Kft.	0	3 889
Shareholder's loan József Makra – HUF interest	0	387
Related party receiv. Impairment – E-Star Távhőfejlesztési Kft.	0	-47 365
Related party receiv. Impairment - E-Star Distriterm	0	-56 689
Various short-term other receiv. Csaba Soós	0	15 557
<b>Total</b>	<b>1 163 854</b>	<b>2 894 238</b>

The "other" line includes, inter alia, the interest on the company's bonds held by it, as well as deposit fees paid due to the forward transactions.

Other receivables

Name	data in tHUF	
	Previous year	Reporting year
Other receivables	1 389	149 728
Corporate tax	0	66 474
Other receivables Ben-Com-Mixt SRL	0	45 571
VAT difference from previous years	0	40 933
Trade debtors	1 973	33 339
Corporate Tax Romanian branch office	0	30 196
Local business tax settlement account	10 282	25 401
VAT settlement account	189 314	22 449
Security deposit Székács u. 29.	5 927	7 000
Security deposits	4 180	2 120
Advances given to suppliers	0	773
Pension insurance fund	0	213
Receivables from employees	750	204
Short-term loan Panelrekons	154	154
Vehicle tax	132	132
Other budgetary receivables	0	100
Customs security settlement	69	69
Group VAT receivable RFV Sárospatak	33	33
Employer's contribution	32	32
Bid security	0	25
Interest receiv. GREP Zrt.	0	2
Advances given for inventory	8 950	0
Loan DH-Szervíz Kft.	8 080	0
Foreign VAT	6 512	0
Impairment on VAT difference from previous years	0	-40 933
<b>Total</b>	<b>237 777</b>	<b>384 015</b>

**Accruals:**

Name	Previous	Reporting
Accrued income	179 319	283 048
Accrued expenses	1 648	7 561
<b>Total:</b>	<b>180 967</b>	<b>290 609</b>

Accrued income includes the heat fees due for the year 2011, which result from the re-invoicing of utility bills invoiced after the balance-sheet date, as well as the revenues related to the activity of the project in Romania.

**Change in equity (tHUF):**

Name	Subscribed capital	Capital reserves	Profit reserve	Committed reserves	Balance sheet result	Shareholder's equity
Opening balance	24 000	1 096 000	369 192	753 826	946 577	3 189 595
Increase	2 400	2 397 600	956 913	0	0	3 356 913
Decrease	0	0	0	10 335	2 985 273	2 995 608
Closing	26 400	3 493 600	1 326 105	743 491	-2 038 696	3 550 900

E-Star's capital structure was strengthened by a successful share offering held in June. The share value increase took the form of the sale, in a private offering, of two hundred and forty thousand shares, which resulted in a HUF 2.4 billion increase in shareholder's equity. The successful capital increase further strengthened E-Star's capital structure. This represented a 10% raise in share capital.

Change in profit reserve and committed reserve:

Name	<i>data in tHUF</i>	
	Profit reserve	Committed
Opening	369 192	753 826
Carry-over of profit/loss from 2010	946 577	0
Release of development reserve	105	-104
Release of committed reserve set aside for treasury	222	-222
Release of development reserve	10 009	-10 009
<b>Total:</b>	<b>1 326 105</b>	<b>743 491</b>

The opening balance of the committed reserve comprises the development reserve allocated from the 2009 profit for the implementation of future projects.

**Provisions:**

Of the provisions set aside in previous years, those set aside for tax-related liabilities, as well as the security deposit on rented premises, were released. From the provisions set aside for card-related contingent items, HUF 3 315 thousand was released.

*data in tHUF*

Name	Provision for expected liabilities
Opening	17 254
Release of provisions	-10 712
<b>Total:</b>	<b>6 542</b>

The company has no liabilities in relation to environmental protection.

**Liabilities:**

**Long-term liabilities:**

Debts from bond issuance:

The HUF 10 billion E-Star Bond Program I, launched in 2010, was successfully concluded in August 2011. In the course of 2011 the company group sold bonds with a total face value of HUF 6.125 billion. The last of these, with a face value of HUF 1.4589 billion, was subscribed by the group itself in the August offering.

*data in tHUF:*

Name	Previous year	Reporting year
Raiffeisen Bank long-term loan	827 380	672 224
Takarékbank long-term loan	0	218 750
<b>Total</b>	<b>827 380</b>	<b>890 974</b>

**A summary of the terms of the bank loans is contained in Annex 3.**

**Long-term liabilities to associated companies**

*data in tHUF:*

Name	Previous	Reporting
Loan E-Star ESCO Kft.	146 935	519 297
Loan E-Star Heat Energy	0	2 679
Loan interest E-Star Esco Kft.	29 472	0
<b>Total:</b>	<b>176 407</b>	<b>521 976</b>

**Short-term liabilities:**

Short-term loans from banks:

*data in tHUF:*

Name	Previous year	Reporting year
Commerzbank short-term loan	600 000	600 000
Takarékbank short-term loan	0	375 000
Negative-balance bank accounts	164 725	364 939
Raiffeisen Bank short-term loan	163 680	151 775
<b>Total</b>	<b>928 405</b>	<b>1 491 714</b>

A summary of the terms of the bank loans is contained in Annex 3.

As at the balance-sheet date, the balance of accounts payable (creditors) was HUF 229,552 thousand, as compared to HUF 292,840 thousand a year earlier.

**Long-term liabilities to associated companies**

Name	Previous year	Reporting year
Capital liab. EETEK Limited	0	359 187
Capital liab. EC Mielec	0	175 922
Capital liab. Rába Energiaszolgáltató	0	151 712
Capital liab. E-Star Management Polska	0	34 479
Associated other s-term liab. E-Star Management Kft.	0	59 209
Debtor E-Star ESCO Kft.	0	25 755
Interest liab. EETEK Limited	0	7 888
Interest liab. E-Star ESCO Kft.	0	7 332
Interest liab. Rába Energiaszolgáltató	0	3 018
Interest liab. EC Mielec	0	2 858
Interest liab. E-Star Management Polska	0	1 136
Interest liab. E-Star Heat Energy	0	186
Creditor liab. RFV Slovakia s.r.o.	40 785	61 802
Creditor liab. E-Star Mures Energy	0	14 930
Creditor liab. E-Star ESCO Kft.	0	5 950
RFV Beruházó group VAT	64 403	0
Csaba Soós loan interest	9 054	0
Fejér County loan	2 876	0
Veszprém Megyei Non-Profit Kft.	27	0
Other liabilities - E-Star Geotherm Kft.	50	50
Other liabilities - E-Star ESCO Kft.	0	7 914
<b>Total:</b>	<b>117 195</b>	<b>919 328</b>

Other short-term liabilities*data in tHUF:*

Name	Previous year	Reporting year
Short-term debts related to bond issuance	0	1 418 100
Foreign VAT payable	146 853	100 949
Penalties imposed	0	24 992
Income settlement account	1 039	6 857
Group VAT liab. Nordica Skiarena Kft.	4 244	4 244
Special tax	2 028	2 028
Private pension fund contributions	0	1 997
Personal income tax liability	7 293	1 048
Group VAT liab. RFV Panelrekonstrukciós Kft.	0	864
Training contribution	1 537	752
Health insurance fund	0	631
Employer's healthcare contribution (EHO) liability	6	322
Trade debtors reclassification	197	253
Social security (TB) liability	8 155	0
Corporate tax	51 094	0
Other liabilities	530	0
<b>Total:</b>	<b>222 976</b>	<b>1 563 037</b>

**Accruals:***data in tHUF*

Name	Previous	Reporting
Accruals and deferred income	13 070	38 463
Accruals and deferred expenses	228 098	1 565 093
Deferred revenues	45 903	39 327
<b>Total:</b>	<b>287 071</b>	<b>1 642 883</b>

Among cost accruals, the costs that were invoiced in 2012 but were still related to the year 2011 are reported. Accrued costs and expenses comprise the costs and utility bills received after the balance-sheet date, which relate to consumption in November-December, as well as the interest payable on the bonds.

## Cost accruals

Name	Amount / THUF
Bond interest	575 055

2011 management fee (E-Star Management Kft.)	368 427
Consultancy	297 391
Gain/loss on forward transactions	134 640
Acquisition costs	115 686
Other charged-on costs (E-Star Management Kft.)	22 629
Auditing fee	18 900
Other	32 365
<b>Total:</b>	<b>1 565 093</b>

Among deferred revenues, the support disbursed to the Company in 2005 in relation to the investments in Érd and Balassagyarmat, as well as the remaining part of the support granted in relation to the Heat Canon in Eplény, reported among fixed assets in the year 2010 but not offset by depreciation.

### Items related to the income statement:

#### Breakdown of domestic sales revenue

*data in tHUF:*

Name	Reporting
Intermediated service, Józsefváros	340 127
Public lighting	230 054
Other sales revenue	228 537
Sales revenue from service fees	214 865
Sales revenue from energy fees	198
Sales revenue from rent	15 768
<b>Total:</b>	<b>1 228 074</b>

Of sales revenue, distribution of revenues from intra-Group sales, by company

*data in tHUF:*

Name	Reporting
EETEK Limited	776 925
RFV Józsefváros Kft.	340 127
E-Star Management Kft.	170
Patakhó Nonprofit Kft.	134
E-Star Esco Kft.*	-14

\*The Company invoices its subsidiaries for royalty fees, proportionately to the value of the investments. In 2011 the existing fees were reviewed, and the royalty fee for the previous year was credited.

Other revenues:

*data in tHUF:*

Name	Previous	Reporting year
Other revenue, EETEK Limited*	3 097	776 925
Intangible and tangible assets sold	3 800	55 251
Reversed impairment	20 349	14 831
Other revenue	1	10 731
Subsidies received	643	279
Default interest received	7 692	78
<b>Total:</b>	<b>35 582</b>	<b>858 095</b>

\*The re-invoiced value of consultants' and external advisors' fees related to the EETEK transaction was accounted for among Other revenues.

Material expenses:

*data in tHUF:*

Name	Previous	Reporting
Material costs	30 277	13 016
Cost of services used	392 475	1 830 335
Value of other services	27 431	42 113
Cost of goods sold	4	468 226
Cost of services sold (intermediated)	1 749 440	186 205
<b>Total:</b>	<b>2 199 627</b>	<b>2 539 895</b>

Reason for the decrease in services sold:

The value for services sold in 2010 includes the acquisition value of the invoiced Romanian projects. In 2011 there were no such transactions. The re-invoiced gas costs reported as intermediated services sold in 2010 were reclassified under the cost of goods sold.

Material costs, total:

*data in tHUF:*

Name	Previous	Reporting
Purchased fuel	19 599	7 671
Energy costs	1 944	3 658
Water charges	0	189
Office supplies, stationary	5 009	85
Material assets used within one year	0	14
Cleaning materials	214	0
Other material costs	3 511	1 399
<b>Total:</b>	<b>30 277</b>	<b>13 016</b>

Services used, total:

*data in tHUF:*

Name	Previous	Reporting
Management fee	0	368 427
Service fees (stock exchange, financing)	26 662	328 211
Management consultancy, expert fees	97 685	287 270
Legal expenses	0	235 449
Rent	98 873	93 870
Facility management costs	17 295	55 329
Accounting, tax advice, auditing fees	12 727	47 434
Maintenance costs	62 716	35 465
Advertising, training	16 170	19 547
Travel expenses	18 341	13 362
Postage and tel. expenses	14 048	4 654
Transport costs	410	4
Training, travel expenses	345	0
Other	27 203	341 313
<b>Total:</b>	<b>392 475</b>	<b>1 830 335</b>

The significant increase in the cost of services used can be attributed to the following:

- The increased legal, consulting, stock-exchange and financing expenses,
- The legal and consulting expenses resulting from the EETEK transaction
- In 2011 the Management Services were provided to the Company by E-Star Management Kft., and the fee for these is reported in the Management fees line.

Personnel expenses

*data in tHUF:*

Name	Previous	Reporting
Wages	153 409	116 144
Other expenses of personnel	12 129	7 826
Wage contributions	53 563	30 601
<b>Total:</b>	<b>219 101</b>	<b>154 571</b>

Other expenses

*data in tHUF:*

Name	Previous	Reporting
Taxes, duty	22 075	11
Impairment on loans given	0	1 135
Impairment on trade receivables	14 843	86
Book value of sold tangible assets	42 916	61
Impairment on inventories	0	52
Impairment on other receivables	0	40
Penalties, fines, demurrage, default interest	7 006	35
Expense affecting previous years	1 762	2 732

Rounding	1	1
Provisions	3 827	0
Subsidies given	100	0
Various other expenses	0	15 751
<b>Total:</b>	<b>92 530</b>	<b>1 442 230</b>

The increase in other expenses is caused by the impairment recognised on trade receivables and loans given.

*Expenses of financial transactions*

*data in tHUF:*

<b>Name</b>	<b>Previous</b>	<b>Reporting</b>
Interest payable	295 278	931 353
Interest payable to associated companies:	27 754	24 276
<i>Of which:</i>		
<i>Interest to owners</i>	16	1 857
EETEK Limited	0	7 888
E-Star ESCO Kft.	11 576	7 332
Rába Energiaszolgáltató Nyrt.	0	3 018
E-Star EC Mielec	0	2 858
E-Star Management Polska	0	1 137
E-Star Heat Energy SA	0	186
Veszprém Megyei Non-Profit Kft.	27	0
Other expenses of financial transactions	442 434	1 028 881
Impairment on equity holdings	-7 125	3 580
<b>Total:</b>	<b>730 587</b>	<b>1 963 814</b>

Income from financial transactions

Name	<i>data in tHUF:</i>	
	Previous	Reporting
Exchange rate gain on the sale of equity	49 530	0
Interest received	306 408	915 195
Interest received from associated companies:	273 745	808 206
<i>Of which:</i>		
E-Star SRL	67 736	434 509
E-Star Mures Energy SA	7 551	129
E-Star Distriterm SRL	1 699	54
Interest on bonds held by the Company	0	48 648
E-Star Esco Kft.	52 296	44 781
E-Star Management Kft.	0	38
E-Star Energy Generation SA	142	34 630
RFV Józsefváros Kft.	14 169	12 664
RFV Slovakia s.r.o.	4 018	6 598
E-Star Alternative Energy SA	80	1 400
Termoenergy SRL	125 692	846
E-Star Heat Energy SA	84	303
E-Star Távhőfejlesztési Kft.	0	271
Veszprém Megyei Nonprofit Kft.	52	192
Patakhó Energiaszolgáltató Nonprofit Kft.	216	155
E-Star Investment Management Kft.	0	140
E-Star Geotherm Kft.	0	11
E-Star Polska Sp. z.o.o.	0	7
Grep Zrt.	1	1
RFV Galgapower Kft.	9	0
Other income from financial transactions	644 354	1 226 266
<b>Total:</b>	<b>1 000 292</b>	<b>2 141 461</b>

Extraordinary items

Extraordinary revenues: development subsidies won in previous years and released in the given year totalled HUF 6 575 thousand, while the revenue related to the shareholding terminated upon the absorption of RFV Beruházó Kft. amounted to HUF 33 892 thousand. The Company reports among extraordinary expenses the amount of the subsidies given, which total HUF 60 947 thousand, and the book value of the shareholding terminated upon the absorption of RFV Beruházó Kft.

**Additional explanatory notes**

The Company reports its staff headcount, wage costs and other personnel-related costs in the following table.

Ave. gen. staff headcount in 2011	Personnel costs (tHUF)	Other payments to personnel
2	146 745	7 826

## Remuneration of senior office-holders:

Gross honorarium	49 590 eFt
Commission fee	27 453 eFt
Gross salary payment	31 064 eFt

## Taxes on profit

The modifying items taken into account when determining the corporate tax are presented in Annex 2.

**Other explanatory data****Assumption of suretyship**

As of the balance-sheet date, E-Star Alternative Plc. had assumed suretyship in respect of the following loans taken out by E-Star ESCO Kft.:

*data in tHUF:*

Contract	Capital
333/00035 FHB loan	161 236

A maintenance contract relating to gas engines was concluded between GE Jenbacher GmbH & Co OHG (Achenseestr. 1-3, 6200 Jenbach, Ausztria) and EETEK Holding Energai-hatékonyasági Zrt. (1132 Budapest, Váci út 22-24.). EETEK Zrt. assigned all of its rights and obligations originating from said contract to NRG Finance Kft.-re (1111 Budapest, Bertalan L. u. 17.) in the framework of a tri-party agreement. E-Star Plc. has undertaken a suretyship in respect of NRG Kft.'s debts arising from the legal relationship described above.

A property rental contract was concluded between E-Star Plc. and Sinvest Székács 29 Kft. (1023 Budapest, Vérhalom utca 12-16. 1. ép.), which contract E-Star Plc. assigned to E-Star Management Kft. E-Star Plc. has undertaken a suretyship in respect of E-Star Management's debts arising from the legal relationship described above. These amount to EUR 203 thousand, and the guarantee expires on 31 May 2013.

A suretyship assumption contract was concluded between E-Star Plc. and E-Star Elektrociepłownia Mielec Spółka z o.o. (ul. Wojska Polskiego 3, 39-300 Mielec, Polska) on 17 August 2012, under which E-Star Plc. assumed a guarantee in relation to performance by E-Star Polska Sp. z o.o. under the agreement concluded between E-Star Elektrociepłownia Mielec Spółka z o.o. and the Municipality of the town of Mielec. The tri-party agreement was concluded in relation to the investment loan taken out by E-Star Polska Sp. z o.o., which amounts to PLN 36 000 thousand (disbursing bank: Bank Zachodni WBK S.A.). The amount of the suretyship is max. PLN 54 000 thousand + a PLN 20 000 thousand penalty in the event of a breach of contract committed by E-Star Polska Sp. z o.o.; the term of the contract is 15 years.

The Company has not undertaken and other guarantees or suretyships either within the company group or in relation to a third party.

**Indicators reflecting the Company's net-worth, financial and profitability position**

LIQUIDITY	2010	2011
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Liquidity ratio	=	$\frac{\text{Current assets}}{\text{Short term liabilities}}$	2.83	1.22
Liquidity quick ratio	=	$\frac{\text{Current assets} - \text{Inventories}}{\text{Short-term liabilities}}$	2.69	1.16

<b>DEBT SERVICING</b>			2010	2011
Interest margin	=	$\frac{\text{Operating profit/loss}}{\text{Interest paid and interest-type liabilities}}$	2.69	-2.34

<b>CAPITAL STRUCTURE</b>			2010	2011
Debt ratio	=	$\frac{\text{Liabilities}}{\text{Total assets}}$	0.65	0.74
Net debt ratio	=	$\frac{\text{Liabilities} - \text{Receivables}}{\text{Shareholder's}}$	0.85	3.12

The Company finances its activities, in a significant extent, from outside sources. The bulk of the liabilities consist primarily of repayable funds originating from the issue of bonds, and secondarily of loans originating from the use of bank financing.

The interest coverage ratio deteriorated in comparison to the previous year, since the operating profit was higher than in the corresponding period of the previous year, and the interest liability resulting from the loans also increased significantly.

The going-concern principle, the Company's liquidity position, and significant events occurring after the balance-sheet date:

In line with the deteriorating payment discipline of the municipalities, the Company and its subsidiaries are faced with growing liquidity problems. Almost 60% of the company group's accounts receivable originate from the Hungarian operations, and within these, the biggest problem is the default of the municipalities, which account for the bulk of the Hungarian receivables total.

In order to manage this situation the Company implemented the following solutions and measures in Q1 2012:

- Longer payment periods with regard to suppliers (additional 60 days and in some cases 90 days)
- selling the non-operational CO2 quota of RESZ and using the funds at the head office
- Using the proceeds from the partial sale of the strategic owner's share portfolio (reduction from 37% to 27%) (all this earned HUF 950 million for the Group)
- Corporate finance provided by RESZ to the Parent Company in the amount of almost EUR 2 million.
- Raising of a PLN 36 million loan from Bank Zahodni WBK S.A.

The significant indebtedness of the E-star group is presented in a distorted manner in E-star Plc.'s individual statement.

This is because, due to the holding structure, the individual projects are carried out by

separate project companies. All of the revenue generation takes place within these companies. The indebtedness, however, was typically manifested at parent-company level. This is where the issue of the bonds with a total face value of HUF 10 billion took place, as well as the raising of a number of balance sheet-based loans.

Due to the distorted capital structure that has emerged, it is particularly important to continue with the rationalisation steps taken by the management so far:

- Further cost rationalisation in respect of central costs, as the central corporate entity does not in itself generate sales revenues, since these typically arise at the project companies
- Creating secure cash flow between the parent company and the project companies
- Considerable simplification of the corporate structure, which has become over-complicated in the past two years, in the interests of ensuring greater transparency

The above steps, however, are not in themselves sufficient for ensuring the secure operation of the company (group).

During the past 7 months those projects that operated at a loss on a gross-margin or EBITDA basis have begun to be wound up. The Zaláu and Târgu Mures projects together generated a total negative EBITDA of approx. EUR 1.5 million, and thus the company group made efforts to maintain the project from cash flow generated elsewhere.

In the past six months the debts to Hungarian banks have decreased.

The bonds issued in October, at the time of their issuance, were put into circulation with the intention that they would be refinanced by the Company upon maturity. The non-performing Hungarian municipality (state) portfolio, however, not only caused liquidity problems at the Company, but also rendered the refinancing of the bonds unviable. Owing to the weak borrowing opportunities in Hungary, E-Star's management looked further afield, to Poland. The recently procured loan, however, has rendered manageable the bank debt servicing obligations and the trade receivables – which accumulated and were threatening the company's operation – thereby temporarily stabilising the company group's liquidity and offering a chance of survival.

Given these circumstances it can be stated that the maturing of bonds in October could impede the continuation of the enterprise in the near future.

The company has no hazardous waste.

Research and development costs did not arise in the reporting year.

A presentation of the futures transactions is contained in Annex 4.

Budapest, 24 September 2012

Csaba Soós  
Chairman of the Board – CEO

Dániel Molnos  
Board member

## Annex 1

Data in tHUF

Intangible assets	Foundation and restructuring	Experimental development	Property rights	Intellectual property	Goodwill	Advances given for intangible assets	Revaluation	Intangible assets, total
Gross value								
Opening value	0	0	1,395	48,420	20,668	0	0	70,483
Increase	0	0	13,526	0	0	0	0	13,526
Decrease	0	0	0	0	0	0	0	0
Reclassification	0	0	45,008	-46,553	0	0	0	-1,545
Closing value	0	0	59,929	1,867	20,668	0	0	82,464
Depreciation								
Opening value	0	0	903	11,768	0			12,671
Increase	0	0	11,922	0	0			11,922
Decrease	0	0	0	0	0			0
Reclassification	0	0	10,000	-10,662	0			-662
Closing value	0	0	22,825	1,106	0			23,931
Opening net value	0	0	492	36,652	20,668	0	0	57,812
Closing net value	0	0	37,104	761	20,668	0	0	58,533

Tangible assets	Real estate and property rights	Technical plant and equipment	Other equipment	Livestock	Capital projects, renovations	Advances given for capital projects	Revaluation	Tangible assets, total
Gross value								
Opening value	19,174	1,411,625	70,640	0	0	1,665	0	1,503,104
Increase	0	4,761	4,912	0	9,673	0	0	19,346
Decrease	0	89,760	0	0	9,673	1,665	0	101,098
Reclassification	0	97	1,447	0	0	0	0	1,544
Closing value	19,174	1,326,723	76,999	0	0	0	0	1,422,896
Depreciation								
Opening value	504	373,257	22,330	0	0			396,091
Increase	1,154	101,740	15,378	0	0			118,272
Decrease	0	28,721	0	0	0			28,721
Reclassification	0	1,835	-1,173	0	0			662
Closing value	1,658	448,111	36,535	0	0			486,304
Opening net value	18,670	1,038,368	48,310	0	0	1,665	0	1,107,013
Closing net value	17,516	878,612	40,464	0	0	0	0	936,592

## Annex 2

	Previous year	Reporting year
Profit/loss before tax	1,033,986	-2,026,554
<i>Items increasing the tax base</i>	<b>375,038</b>	<b>1,608,477</b>
Depreciation recognised in accordance with the Act on Accounting	124,925	191,232
Provisions	3,827	0
Default interest / penalties accounted for as an expense	15	35,397
Impairment	14,843	1,316,121
Donations	21,762	60,947
Corporate hospitality	6,583	4741
Associated companies – loan interest	1,802	39
COGS within the territorial jurisdiction of Romania	158,365	
Carrying value of derecognised fixed assets	42,916	
<i>Items reducing the tax base</i>	<b>1,285,935</b>	<b>294,607</b>
Depreciation recognised in accordance with the Act on Accounting	203,255	262,487
Reversed impairment	20,349	14,831
Release of provisions	0	10,713
Subsidies received for development purposes	0	6,576
Carrying value of derecognised fixed assets	1,397	0
Generation of development reserve	390,000	0
Sales revenue outside the territorial jurisdiction of Romania	670,934	0
<b>Tax base</b>	<b>123,089</b>	<b>-712,684</b>
<b>Income from abroad</b>	<b>512,569</b>	<b>0</b>
<b>Corporate tax paid abroad</b>	<b>82,011</b>	<b>4,915</b>
<b>Domestic tax base</b>	<b>123,089</b>	<b>-712,684</b>
<b>Calculated corporate tax</b>	<b>17,898</b>	<b>0</b>
- Tax discount (support)	-12,450	0
<b>Total corporate tax</b>	<b>5,398</b>	<b>0</b>
<b>Expected tax</b>	<b>0</b>	<b>7,227</b>
<b>Profit/loss after tax</b>	<b>946,577</b>	<b>-2,038,696</b>
Total revenue		4,268,097
Value of intermediated services		186,205
COGS		468,226

Adjusted revenue (1+2+3+4-5-6+/-7)	3,613,666
Income-(profit) minimum (at annual level)	72,273
Expected income tax at 10%	7,227

## CASH\_FLOW STATEMENT

Item	Previous year	Reporting year
<b>CHANGE IN FINANCIAL INSTRUMENTS RESULTING FROM ORDINARY ACTIVITY (operating cash flow lines 1-13)</b>	<b>-</b>	<b>-</b>
Pre-tax profit/loss +/-	1,587,471	1,797,027
Recognised amortisation +	1,033,986	-2,026,554
Recognised impairment and write-back +/-	124,925	130,194
Difference between provisioning and use of provisions +/-	-5,519	1,301,291
Gain/loss from the sale of non-current assets +/-	3,826	-10,712
Change in trade liabilities +/-	39,116	-22,113
Change in other short-term liabilities +/-	-63,288	412,411
Change in accrued expense +/-	248,269	2,003,469
Change in trade receivables +/-	140,964	1,355,812
Current assets (exc. trade receivables and financial instruments) +/-	-	-
Change in accrued income +/-	2,213,833	1,967,350
Paid, payable tax (on profit) -	-835,111	-3,192,337
Paid, payable dividend, profit share -	26,603	-109,642
<b>CHANGE IN FINANCIAL INSTRUMENTS RESULTING FROM INVESTMENT ACTIVITY (investment cash flow lines 14-16)</b>	<b>-87,409</b>	<b>-12,142</b>
Procurement of non-current assets -	0	0
Sale of non-current assets +	-191,610	-6,505,063
Received dividend, profit share +	-195,410	-6,595,456
<b>CHANGE IN FINANCIAL INSTRUMENTS RESULTING FROM FINANCIAL TRANSACTIONS (financing cash flow lines 17-27)</b>	<b>3,800</b>	<b>90,393</b>
Revenue from the issuance of shares, raising of capital +	0	0
Revenue from the issuance of bonds, debt securities +	1,991,162	4,746,056
Credit and loans received +	0	2,400,000
Servicing, termination, redemption of long-term loans given, and bank deposits +	3,785,000	4,796,900
Non-repayable financial instruments received +	600,000	750,000
Withdrawal of shares, withdrawal of capital (lowering of capital) -	0	0
Servicing of bonds and debt securities -	0	0
Servicing, repayment of credit and loans -	0	0
Long-term loans given and bank deposits -	-192,950	-123,097
Non-repayable financial instruments given -	-	-
Change in long-term liabilities to founders and other long-term liabilities +/-	1,685,148	-3,423,316
<b>CHANGE IN FINANCIAL INSTRUMENTS (lines I., II., III.)</b>	<b>-27,000</b>	<b>0</b>
	-488,740	345,569
	<b>212,081</b>	<b>38,020</b>

## Annex 4

## DATA IN HUF

Product	Value date	Opening date	Direction	Quantity	Strike price	Market price	Daily change	Recognised margin
STR1203	3/14/12	12/12/11	Purchase	300	5,722	4,595	(2,310,000)	(36,120,000)
STR1203	3/14/12	12/12/11	Purchase	230	5,722	4,595	(1,771,000)	(27,692,000)
STR1203	3/14/12	12/12/11	Purchase	670	5,722	4,595	(5,159,000)	(80,668,000)
				<b>1,200</b>			<b>(9,240,000)</b>	<b>(144,480,000)</b>

## DATA IN HUF

Product	Value date	Opening date	Direction	Quantity	Strike price	Closure date	Closing price	Recognised margin
STR1103	3/18/11	12/17/10	Purchase	214.0	8,665	3/17/11	9,500	17,869,000
STR1103	3/18/11	12/17/10	Purchase	183.0	8,665	3/17/11	9,500	15,280,500
STR1103	3/18/11	12/17/10	Purchase	230.0	8,665	3/17/11	9,500	19,205,000
STR1103	3/18/11	12/17/10	Purchase	230.0	8,665	3/17/11	9,500	19,205,000
STR1103	3/18/11	12/17/10	Purchase	40.0	8,665	3/17/11	9,500	3,340,000
STR1103	3/18/11	12/17/10	Purchase	217.0	8,665	3/17/11	9,500	18,119,500
STR1103	3/18/11	1/14/11	Purchase	86.0	8,400	3/17/11	9,500	9,460,000
STR1106	6/17/11	3/17/11	Purchase	230.0	9,744	6/10/11	11,014	29,210,000
STR1106	6/17/11	3/17/11	Purchase	70.0	9,744	6/10/11	11,014	8,890,000
STR1106	6/17/11	3/17/11	Purchase	370.0	9,744	6/10/11	11,014	46,990,000
STR1106	6/17/11	3/17/11	Purchase	300.0	9,744	6/10/11	11,014	38,100,000
STR1106	6/17/11	3/17/11	Purchase	230.0	9,744	6/10/11	11,014	29,210,000
STR1109	9/16/11	6/10/11	Purchase	300.0	11,296	9/13/11	7,163	(123,990,000)
STR1109	9/16/11	6/10/11	Purchase	670.0	11,296	9/13/11	7,163	(276,911,000)
STR1109	9/16/11	9/13/11	Eladás	230.0	7,163	9/13/11	11,296	(95,059,000)
STR1112	12/16/11	9/13/11	Purchase	300.0	7,360	12/12/11	5,550	(54,300,000)
STR1112	12/16/11	9/13/11	Purchase	230.0	7,360	12/12/11	5,550	(41,630,000)
STR1112	12/16/11	9/13/11	Purchase	300.0	7,360	12/12/11	5,550	(54,300,000)
STR1112	12/16/11	9/13/11	Purchase	370.0	7,360	12/12/11	5,550	(66,970,000)

**Annex 5  
Bankloans**

Identifier	Current position	Starting date	Maturity date	Interest rate %	Collaterals
Commerzbank Zrt.	600,000	2010.04.16	2012.03.23	BUBOR+2,5	Guaranty, (1), Pledge on claims: 1
Raiffeisen Bank Zrt.					
H-104/2006	4,248	2007.01.26	2014.12.28	9,625	Guaranty, (1), Pledge on claims: 1
H-104/2006	6,371	2008.06.06	2014.12.28	9,625	Guaranty, (1), Pledge on claims: 1
H-108/2006	6,826	2007.03.10	2014.12.28	9,625	Guaranty, (1), Pledge on claims: 1
H-108/2006	6,800	2008.03.05	2014.12.28	9,625	Guaranty, (1), Pledge on claims: 1
H-109/2006	1,959	2007.03.07	2014.12.28	9,625	Guaranty, (1), Pledge on claims: 1
H-109/2006	1,626	2008.03.05	2014.12.28	9,625	Guaranty, (1), Pledge on claims: 1
H-18/2004	8,179	2004.10.20	2013.11.15	9,250	Guaranty, (1), Pledge on claims: 1
H-18/2006	10,488	2006.05.11	2014.02.28	9,625	Guaranty, (1), Pledge on claims: 1
H-19/2004	12,271	2004.11.17	2014.09.15	9,250	Guaranty, (1), Pledge on claims: 1
H-19/2006	5,334	2006.05.10	2014.02.28	9,625	Guaranty, (1), Pledge on claims: 1, Sales income cash assigned to bank
H-24/2007	7,696	2007.05.03	2015.03.06	9,250	Guaranty, (1), Pledge on claims: 1
H-26/2006	10,267	2006.09.26	2014.03.28	9,625	Guaranty, (1), Pledge on claims: 1
H-3/2006	4,330	2006.04.10	2013.11.28	9,625	Guaranty, (1), Pledge on claims: 1
H-35/2005	1,269	2005.08.29	2015.01.28	9,625	Guaranty, (1), Pledge on claims: 1
H-44/2006	9,159	2006.10.16	2014.06.28	9,625	Guaranty, (1), Pledge on claims: 1, Sales income cash assigned to bank
H-53/2005	8,199	2005.08.29	2013.07.28	9,625	Guaranty, (1), Pledge on claims: 1
H-54/2005	6,038	2005.10.04	2013.07.28	9,625	Guaranty, (1), Pledge on claims: 1, Sales income cash assigned to bank
H-56/2006	3,620	2006.09.27	2014.06.28	9,625	Guaranty, (1), Pledge on claims: 1
H-56/2006	5,431	2008.06.06	2014.06.28	9,625	Guaranty, (1), Pledge on claims: 1
H-56/2007	63,102	2007.08.23	2017.09.01	9,250	Bankguaranty: (1), Pledge on claims: 1, Option 1
H-56/2007	15,197	2007.09.06	1900.01.00	9,250	Bankguaranty: (1), Pledge on claims: 1, Option 1
H-56/2007	12,483	2007.09.21	2017.09.01	9,250	Bankguaranty: (1), Pledge on claims: 1, Option 1
H-56/2007	4,088	2007.11.08	2017.09.01	9,250	Bankguaranty: (1), Pledge on claims: 1, Option 1
H-56/2007	107,429	2007.11.09	2017.09.01	9,250	Bankguaranty: (1), Pledge on claims: 1, Option 1
H-56/2007	52,767	2007.11.29	2017.09.01	9,250	Bankguaranty: (1), Pledge on claims: 1, Option 1
H-56/2007	70,581	2008.05.15	2017.09.01	9,250	Bankguaranty: (1), Pledge on claims: 1, Option 1
H-56/2007	14,228	2008.06.06	2017.09.01	9,250	Bankguaranty: (1), Pledge on claims: 1, Option 1
H-56/2007	11,880	2008.06.25	2017.09.01	9,250	Bankguaranty: (1), Pledge on claims: 1, Option 1
H-56/2007	32,916	2008.03.05	2017.09.01	9,250	Bankguaranty: (1), Pledge on claims: 1, Option 1
H-56/2007	7,927	2008.03.05	2017.09.01	9,250	Bankguaranty: (1), Pledge on claims: 1, Option 1
H-56/2008	6,511	2008.03.05	2017.09.01	9,250	Bankguaranty: (1), Pledge on claims: 1, Option 1
H-56/2009	2,123	2008.03.05	2017.09.01	9,250	Bankguaranty: (1), Pledge on claims: 1, Option 1
H-56/2010	56,037	2008.03.05	2017.09.01	9,250	Bankguaranty: (1), Pledge on claims: 1, Option 1
H-56/2011	27,524	2008.03.05	2017.09.01	9,250	Bankguaranty: (1), Pledge on claims: 1, Option 1
H-56/2007	36,881	2008.05.15	2017.09.01	9,250	Bankguaranty: (1), Pledge on claims: 1, Option 1
H-56/2007	7,435	2008.06.06	2017.09.01	9,250	Bankguaranty: (1), Pledge on claims: 1, Option 1
H-56/2008	6,208	2008.06.25	2017.09.01	9,250	Bankguaranty: (1), Pledge on claims: 1, Option 1

H-6/2004	2,541	2004.08.31	2013.06.28	9,625	Guaranty, (1), Pledge on claims: 1 , Sales income cash assigned to bank
H-7/2008	24,834	2008.03.21	2016.02.29	9,625	Guaranty, (1), Pledge on claims: 1
H-72/2007	3,271	2007.10.08	2015.09.11	9,250	Guaranty, (1), Pledge on claims: 1
H-83/2005	7,650	2005.12.13	2013.10.28	9,625	Guaranty, (1), Pledge on claims: 1
H-84/2005	14,483	2005.12.08	2013.10.28	9,625	Guaranty, (1), Pledge on claims: 1
H-96/2005	10,553	2006.03.17	2013.11.28	9,625	Guaranty, (1), Pledge on claims: 1 , Sales income cash assigned to bank
H-98/2005	105,230	2005.12.30	2015.11.30	10,120	
Magyar Takarékszövet	593,750	2011.07.05	2013.06.30	BUBOR+3,25	Guaranty (1), security deposit
<b>Total</b>	<b>2,017,749</b>				

## **Business Report**

### **E-Star Alternative Plc. Non- consolidated Business report.**

(Company Registration number: 01-10-045428, seat: 1122 Budapest. Székács street 29. )

#### **for the activities of the financial year of 2011.**

The company had closed a significant and complex year by the end of 2011. Its main financial indicators and business processes changed significantly as a result of its acquisition during the course of 2011. This effect had a tremendous impact on all levels of the company. Therefore in itself comparisons of 2010 and 2011 is of no use since the 2011 numbers portray several major deviation from the year of 2010 that will be explained in detail. The company had reached minus 2.180.721 thousand HUF loss as its operation result and 19.811.252 thousand HUF as its balance sheet total. The results of this severe drop are in fact caused by one single item of 1.316.121 thousand HUF as impairment losses that stem from IC loans given to Romanian Targu Mures and Zalau businesses and their corresponding losses as these businesses are being closed.

Net domestic revenue dropped to 1.228.074 thousand HUF from previous year which constitutes a drop of 12 % while the company had no export revenue to realize in 2011 as opposed to 2010 when export revenue stemming from the realization of Romanian investment projects the company realized 2.003.486 thousand HUF. The company also realized a special one time income of 858.095 thousand HUF that stems from a set off agreement made in relation to the EETEK acquisition. Regarding its expense structure it does also portray a significant change of structure from previous years as sold and intermediated cost of services were dropping to 186.205 thousand HUF from 2010's 1.749.440 while used services expenses increased to 1.830.335 thousand HUF. Moreover cost of good sold augmented to 468.226 thousand HUF. Overall, the total material type expenses increased significantly with 2.539.895 thousand HUF. HR related expenses dropped by 30 %.

The increase of the company's balance sheet total to 19.811.252 thousand HUF is the result of following items: i) increase in the long term holdings of affiliated undertakings 6.663.361 thousand HUF ii) long term loans to affiliated undertakings 6.231.642. thousand HUF. These invested financial holdings amount to 12.895.018 thousand HUF as opposed to 3.936.733 thousand HUF of 2010. These items present the effects of the EETEK transaction and its related contracts. iii). Therefore it can be stated that the company's total invested assets segment grew from 5.101.558 thousand HUF to 13.890.143 thousand HUF as the result of the above while current assets grew by 21 % to 5.630.500 thousand HUF within which the biggest item was receivables towards affiliated undertakings. In the financial holdings part the company held 1.549.021 thousand HUF as the company had its own bonds in the nominal value of 11.200 thousand HUF from the type 2014/A E-Star Corporate bonds and 436.900

thousand HUF from the type 2015/A E-Star Corporate bonds while cash at hand remained at the same level.

In terms of the major developments of 2011 regarding the financial situation and indebtedness of the company the following items have a major effect for 2011. Both long term and short term financial obligation grew significantly as the bond program had been closed successfully during the course of 2011. Regarding the short term financial and non financial obligation increased significantly, which is the result of the continuously worsening Hungarian buyers' portfolio which had an effect in the every increasing supplier's debt of the company. In effect this number almost tripled in 2011. In terms of its short term loans towards affiliated undertakings the company's 2011 919.328 thousand HUF amount is eight fold that of 2010 as the company effected the payment of the EETEK transaction and used the funds of its affiliated companies.

Within the company's capital structure total equity to balance sheet total is 18 % whereby capital reserves grew to 3.493.600 thousand HUF. The capital reserve comprises the executed the Secondary Public Offering in the amount of 9,5 M EUR and the related difference between the nominal value and the corresponding market value.

In total the company's financial situation had weakened during the course of 2011 as the issuer of the Corporate Bonds was the Hungarian mother company which mean a growing indebtedness and lower coverage ratios for the company, meanwhile revenue dropped significantly and buyers payment profile had worsened.