# ENEFI ENERGYEFFICIENCY PLC.

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2013

Prepared in accordance with International Financial Reporting Standards (IFRS)

## General information

**Members of Board of Directors**

Csaba Soós

Norbert Szivek

Tamás Vágány

**Member of Audit Committee**

Dr. Bakacsi Gyula

Csaba Balázs

Mikós Siska Dr.

Attila Fekete

Zoltán Poják

**Group Contacts**

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Web: www.enefi.hu

**Auditor**

BDO Hungary Audit Ltd.

1103 Budapest, Kőér utca 2/A

# ENEFI ENERGYEFFICIENCY PUBLIC LIMITED COMPANY
Consolidated financial statements for the year ended December 31, 2013

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1103 Budapest, Kőér utca 2/a.
Laurus Irodaházak C épület
1476 Budapest, Pf.138.

# Independent Auditor's Report

**to the Shareholders of ENEFI Energiahatékonysági Nyrt.**

## *Audit Report on consolidated annual financial statements*

We have audited the accompanying consolidated annual financial statements of **ENEFI Energiahatékonysági Nyrt. and its subsidiaries** for the year 2013, which consolidated financial statements comprise the consolidated balance sheet as at **31 December 2013** – which shows total assets of **EUR 41 098 701,** and the related consolidated statement of comprehensive income – which shows a profit for the year of **EUR 1 617 823 -**, consolidated statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## *Management's Responsibility for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for maintaining internal controls which are considered necessary by the management to prepare the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## *Auditor’s Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on the audit.
We conducted our audit in accordance with Hungarian National Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Basis for Qualified Opinion*

The Group recognised profits and items capitalised as intangible assets as part of sale and repurchase transactions concluded with a third party company in the amount of EUR 4,099,729 and EUR 47,623 in 2010 and 2011, respectively. No revenue may be recognised in connection with the above transactions under IAS 18 Revenue; in addition, the transactions in substance qualify as an intra-Group transfer of deliveries, for which the costs and benefits and the intercompany profit were not eliminated. The related intangible assets were measured by the Group in the 2013 and 2012 consolidated financial statements at fair value in accordance with the provisions of IFRIC 12 and the intangible assets associated with terminated projects were written off. Had the above transactions been correctly recognised, the Retained Earnings and Intangible assets would have been EUR 4,147,352 less as at January 1, 2012, and, as a result, the Comprehensive loss would have been EUR 4,147,352 lower for 2012 (there are no effects on the figures of 2013).

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***Qualified Opinion***

***In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated annual financial statements give a true and fair view of the equity and financial position of ENEFI Energiahatékonysági Nyrt. as at 31 December 2013 and of the result of its operation for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.***

***Other issues***

The Company's consolidated annual financial statements for 2012 were audited by Deloitte Auditing and Consulting Ltd. who issued a qualified audit opinion in the auditor's report dated on 6 September 2013.

***Other reporting requirements: Reporting on the consolidated business report***

We have examined the accompanying consolidated business report of ENEFI Energiahatékonysági Nyrt. for the financial year of 2013.
The management is responsible for the preparation and fair presentation of the consolidated business report in accordance with the Hungarian Accounting Law. Our responsibility is to assess whether or not the accounting information disclosed in the consolidated business report is consistent with the consolidated financial statements. Our work in respect of the consolidated business report was limited to assessing whether the consolidated business report is consistent with the consolidated financial statements and does not include reviewing other information originated from non audited financial records. In our opinion the 2013 consolidated business report of ENEFI Energiahatékonysági Nyrt. is consistent with the disclosures in the consolidated financial statements as of 31 December 2013.

Budapest, 20.03.2014

BDO Hungary Audit Ltd.
1103 Budapest, Kőér utca 2/A
Registration number: 002387

Zsuzsanna Nagy
Managing Director

Ferenc Baumgartner
Certified Auditor
Chamber registration No.:
002955

*This is the translation of the original Hungarian statutory report. In case of any discrepancies, the original Hungarian version prevails.*

# ENEFI ENERGYEFFICIENCY PUBLIC LIMITED COMPANY

Consolidated financial statements for the year ended December 31, 2013

Consolidated statement of comprehensive income

All data in EUR unless otherwise indicated

| | Note | 2013. | 2012. modified |
|---|---|---|---|
| **Countinued Operations** | | | |
| Revenue | 5 | 21 710 756 | 49 244 450 |
| Cost of sales | 6 | -12 952 287 | -35 269 767 |
| **Gross Profit** | | **8 758 469** | **13 974 683** |
| Personnel cost | 7 | -2 885 576 | -5 699 836 |
| Service used | 8 | -2 783 758 | -5 297 767 |
| Other revenue and expenditures, net | 9 | 4 372 263 | -16 278 874 |
| Depreciation | 13,15 | -1 992 713 | -2 827 182 |
| Impairment of Property, plant and equipment | 13,15 | -168 723 | -10 350 604 |
| Net profit/loss from financial activities | 10 | -1 293 453 | 5 243 250 |
| Net profit/loss from associated companies | 10 | -164 450 | 0 |
| **Profit before tax** | | **3 842 059** | **-21 236 330** |
| Income tax expense | 11 | -1 703 069 | 2 277 222 |
| **Profit for the year from continuing operations** | | **2 138 990** | **-18 959 108** |
| **Discountinued operations** | | | |
| Loss from discontinued operation | 12 | -521 167 | -3 863 412 |
| **Profit for the year** | | **1 617 823** | **-22 822 520** |
| Attributable to: | | | |
| Owners of the Company | | 1 755 538 | -24 461 943 |
| Non-controlling interests | | -137 715 | 1 639 423 |
| Other comprehensive income | | | |
| Foreign currency translation differences | 26 | 677 323 | 467 769 |
| Total other comprehensive income | 26 | 677 323 | 467 769 |
| **Total comprehensive income** | | **2 295 146** | **-22 354 751** |
| Attributable to: | | | |
| Owners of the Company | | 2 432 862 | -23 994 174 |
| Non-controlling interests | | -137 716 | 1 639 423 |
| **Earnings per share (EUR)** | | | |
| Countinued and discountinued operations | | | |
| Basic earning per share | 30 | 0,34 | -8,64 |
| Diluted earnings per share | 30 | 0,34 | -8,64 |
| Countinued operations | | | |
| Basic earning per share | 30 | 0,44 | -7,18 |
| Diluted earnings per share | 30 | 0,44 | -7,18 |

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Represents of ENEFI ENERGYEFFICIENCY Plc.

March 20, 2014.

# ENEFI ENERGYEFFICIENCY PUBLIC LIMITED COMPANY

Consolidated financial statements for the year ended December 31, 2013

Consolidated statement of financial position

All data in EUR unless otherwise indicated

| Consolidated statement of financial position - Assets | Note | 2013.12.31 | 2012.12.31 Restated | 2012.01.01 Restated |
|---|---|---|---|---|
| Property, plant and equipment | 15 | 18 440 763 | 21 746 806 | 24 686 794 |
| Intangible assets | 13 | 6 309 065 | 7 184 243 | 24 042 591 |
| Investments in affiliated companies | 14 | 860 907 | 0 | 0 |
| Investments in other companies | | 9 598 | 16 937 | 15 478 |
| Financial Asset | 16 | 4 438 889 | 5 159 282 | 11 381 546 |
| Goodwill | 17 | 0 | 62 219 | 4 701 402 |
| Other long term receivables | | 1 596 | 32 982 | 55 014 |
| Deferred tax assets | 11 | 1 257 568 | 2 687 222 | 0 |
| **Total non-current assets** | | **31 318 386** | **36 889 691** | **64 882 825** |
| Inventories | 19 | 2 528 838 | 3 378 860 | 1 935 993 |
| Trade receivables | 20 | 3 534 523 | 7 377 254 | 9 801 378 |
| Tax receivables | 21 | 46 629 | 128 580 | 665 924 |
| Other receivables due within a year | 21 | 1 570 484 | 3 275 522 | 9 801 457 |
| Accruals and prepaid expenses | 22 | 931 306 | 628 899 | 3 414 632 |
| Securities | 23 | 0 | 47 717 | 848 853 |
| Cash and cash equivalents | 24 | 1 168 535 | 3 856 270 | 3 590 358 |
| **Total current assets** | | **9 780 315** | **18 693 102** | **30 058 595** |
| **Total assets** | | **41 098 701** | **55 582 793** | **94 941 420** |

| Consolidated statement of financial position - Equity and liabilities | Note | 2013.12.31 | 2012.12.31 | 2012.01.01 |
|---|---|---|---|---|
| Share capital | 25 | 1 775 293 | 94 937 | 94 937 |
| Reserves | 26 | 64 819 306 | 11 863 717 | 10 691 360 |
| Treasury shares | 27 | -29 074 466 | 0 | 0 |
| Retained earnings | | -22 639 390 | -24 394 928 | 1 761 927 |
| **Equity attributable to owners of the Company** | | **14 880 743** | **-12 436 274** | **12 548 224** |
| Non-controlling interests | 28 | 1 624 328 | 3 174 267 | 2 355 349 |
| **Total equity** | | **16 505 071** | **-9 262 007** | **14 903 573** |
| Loans and other long term financial liabiities | 31 | 7 343 419 | 9 725 891 | 33 889 313 |
| Provisions | 29 | 1 405 937 | 1 061 477 | 1 458 390 |
| Deferred tax liabilities | 11 | 71 547 | 171 191 | 384 102 |
| Deferred income | 34 | 3 272 437 | 3 249 165 | 3 252 849 |
| Other long-term liabilities | 35 | 795 429 | 1 126 723 | 5 096 424 |
| **Total non-current liabilities** | | **12 888 769** | **15 334 447** | **44 081 078** |
| Trade payables | 36 | 4 345 799 | 7 193 110 | 12 339 520 |
| Loans and other short term financial liabilities | 31 | 1 395 493 | 28 582 218 | 13 089 496 |
| Provisionts (current) | 29 | 1 049 490 | 1 611 187 | 1 682 168 |
| Accruals and deferred income | 22 | 1 198 791 | 4 076 460 | 6 918 811 |
| Tax liabilities | 36 | 641 797 | 1 500 540 | 280 441 |
| Other liabilities | 36 | 3 073 491 | 6 546 838 | 1 646 333 |
| **Total current liabilities** | | **11 704 861** | **49 510 353** | **35 956 769** |
| **Total liabilities** | | **24 593 630** | **64 844 800** | **80 037 847** |
| **Total equity and liabilities** | | **41 098 701** | **55 582 793** | **94 941 420** |

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Represents of ENEFI ENERGYEFFICIENCY Plc.

March 20, 2014.

# ENEFI ENERGYEFFICIENCY PUBLIC LIMITED COMPANY

Consolidated financial statements for the year ended December 31, 2013

Consolidated statement of changes in equity

All data in EUR unless otherwise indicated

| | Attributable to equity holders of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Translation reserve | Share-based payment reserve | Total reserves | Treasury shares | Retained earnings | Total | Non-controlling interest | Total equity |
| **Balance at January 1, 2012 - Restated** | **94 937** | **12 525 322** | **- 2 142 092** | **308 130** | **10 691 360** | **-** | **1 761 927** | **12 548 224** | **2 355 349** | **14 903 573** |
| Profit or loss for the period | - | - | - | - | - | - | - 24 461 943 | - 24 461 943 | 1 639 423 | - 22 822 520 |
| **Other comprehensive income** | | | | | | | | | | |
| Foreign currency translation differences | - | - | 1 180 535 | - | 1 180 535 | - | - | 1 180 535 | - 712 766 | 467 769 |
| ***Comprehensive income*** | | | | | | | | | | |
| Acquisition related non-controlling interest | - | - | - | - | - | - | ***- 1 694 912*** | ***- 1 694 912*** | ***- 356 680*** | ***- 2 051 592*** |
| Elimination of non-controlling interest relating the sale of interests | - | - | - | - | - | - | - | - | ***248 941*** | ***248 941*** |
| Share-based payment | - | - | - | ***- 8 178*** | ***- 8 178*** | - | - | ***- 8 178*** | - | ***- 8 178*** |
| **Balance at December 31, 2012 - Restated** | **94 937** | **12 525 322** | **- 961 557** | **299 952** | **11 863 717** | **-** | **- 24 394 928** | **- 12 436 274** | **3 174 267** | **- 9 262 007** |
| Profit or loss for the period | - | - | - | - | - | | 1 755 538 | 1 755 538 | - 137 715 | 1 617 823 |
| **Other comprehensive income** | | | | | | | | | | |
| Foreign currency translation differences | - | - | 677 323 | - | 677 323 | - | - | 677 323 | - | 677 323 |
| ***Comprehensive income*** | | | | | | | | | | |
| Capital increase with share premium | 1 680 356 | 52 578 218 | - | - | 52 578 218 | - | - | 54 258 574 | - | 54 258 574 |
| Elimination of non-controlling interest relating the sale of interests | - | - | - | - | - | - | - | - | - 832 186 | - 832 186 |
| Divident paid for non controlling interest | - | - | - | - | - | - | - | - | - 580 038 | - 580 038 |
| Issued treasury shares during the bankrupcy procedure | - | - | - | - | - | - 29 074 466 | - | - 29 074 466 | - | - 29 074 466 |
| Share-based payment | - | - | - | - 299 952 | - 299 952 | - | - | - 299 952 | - | - 299 952 |
| **Balance at December 31, 2013 - Restated** | **1 775 293** | **65 103 540** | **- 284 234** | **-** | **64 819 306** | **- 29 074 466** | **- 22 639 390** | **14 880 743** | **1 624 328** | **16 505 071** |



*The notes set out on pages 8 to 61 are an inseparable part of these consolidated financial statements.*

Consolidated statement of cash flows

All data in EUR unless otherwise indicated

| | Note | 2013 | 2012 |
|---|---|---|---|
| **Cash flow from operations** | | | |
| Profit /loss for the period from continuing operations | | 2 138 990 | -18 959 108 |
| Profit/loss for the period from discontinued operations | 12 | -521 167 | -3 863 412 |
| Income tax revenue / expenditure (-) accounted for from profit/loss | | 1 703 069 | -2 261 928 |
| Income tax paid | | -368 337 | -499 036 |
| Depreciation and amortisation | | 1 992 713 | 2 962 676 |
| Impairment of assets | | 2 838 994 | 28 658 799 |
| Reversed impairment | | -2 509 619 | -2 437 178 |
| Gain on sale of fixed assets | 9 | 23 536 | -389 577 |
| Foreign exchange difference on translation | | 496 558 | -656 663 |
| Change in provisions | | 40 879 | -461 442 |
| Change in other long term receivables | | 0 | 19 441 |
| Change in other long term liabilities | | -331 294 | 45 655 |
| Loss from the sale of a subsidiary | | 1 520 418 | 2 702 170 |
| Change in deferred income | | 23 272 | -3 684 |
| Remitted creditors' claims in bankruptcy, unreported claims | 9 | -5 105 624 | 0 |
| Other non cash movement | | -299 952 | -8 178 |
| **Adjusted profit/loss in the year concerned:** | | **1 642 436** | **4 848 535** |
| | | | |
| **Change in operating capital** | | | |
| Change in financial assets | | -76 393 | 5 849 980 |
| Change in accounts receivable and other receivables | | 4 672 011 | -10 028 786 |
| Change in accruals | | -785 581 | 2 395 199 |
| Change in inventories | | 355 418 | -3 172 114 |
| Change in trade and other liabilities | | -6 688 918 | 2 642 492 |
| **Net cash from operating activities** | | **-881 027** | **2 535 306** |
| | | | |
| **Cash flows from investing activities** | | | |
| Payments related to purchasing property, plant and equipment | | -3 964 902 | -2 733 711 |
| Revenue from the sale of property, machines, equipment and financial instruments | | 1 843 121 | 5 334 475 |
| Net cash inflow related to the sale of subsidiaries | 18 | 1 571 761 | 3 000 865 |
| Other investments | | 7 339 | -1 459 |
| **Cash flows from investing activities** | | **-542 681** | **5 600 170** |
| | | | |
| **Cash flows from financing activities** | | | |
| Change in loans (take out-repayment) | | -731 707 | -8 670 700 |
| Dividend paid to non-controlling interests | | -580 037 | 0 |
| Changes in securities | | 47 717 | 801 136 |
| **Cash flows from financing activities** | | **-1 264 027** | **-7 869 564** |
| | | | |
| Increase (decrease) in cash and cash equivalents | | -2 687 735 | 265 912 |
| Cash and cash equivalents at beginning of year | | 3 856 270 | 3 590 358 |
| **Cash and cash equivalents at end of year** | | **1 168 535** | **3 856 270** |



*The notes set out on pages 8 to 61 are an inseparable part of these consolidated financial statements.*

## 1. General background

1.1. Introduction of the Group

ENEFI Energy Efficiency Plc. (formerly named: E-Star Alternative Plc., RFV Plc.) (called „ENEFI" or „Company"), which is the parent company of the group ("Group"), is registered in Hungary. Its registered head office is at 1134 Budapest, Klapka str. 11. 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. As of the balance sheet date, the Company's owners were as follows:

| Owner | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | Percentage of ownership (%) | |
| Treasury shares | 58,32 | 0 |
| OTP Alapkezelő Zrt. | 7,59 | 0 |
| Csaba Soós | 5,93 | 24,34 |
| Allianz Alapkezelő Zrt. | 5,35 | 0 |
| Nemzeti Eszközgazdálkodási Zrt. | 5,00 | 0 |
| Utilico Emerging Markets Limited | 0 | 5,42 |
| Free float | 17,81 | 70,24 |
| **Total** | **100** | **100** |

Initially, the Company implemented heat supply, public lighting and kitchen technology investments in Hungary, mostly in the municipal sphere. Owing to the changing economic and social expectations in our region, the demand for the solutions offered by our Company kept increasing, which permitted the Company, which was gaining strength and acquiring references in Hungary, to expand regionally as well.

Because municipalities in our region are underfinanced and the heating technology of public institutions is outmoded, significant savings can be realised, and therefore, starting from the 2010 business year, the Company/company group began to focus increasingly on the neighbouring countries, primarily Romania and Poland.

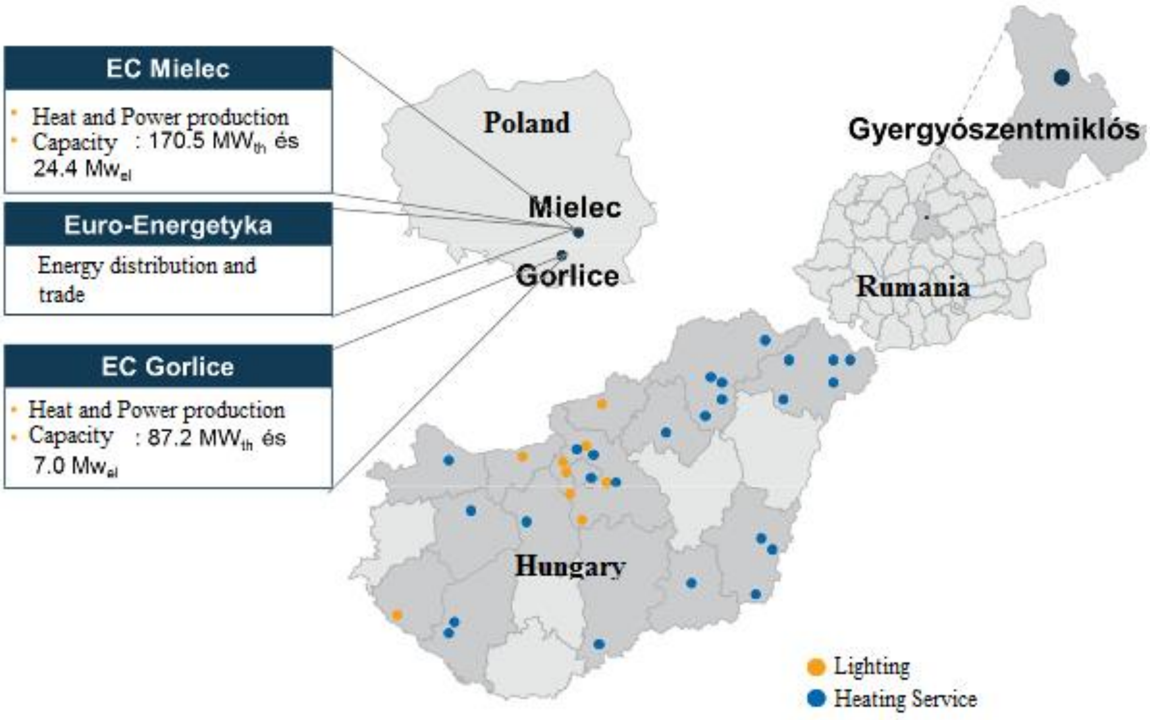
In the period since then, the Company has grown into an enterprise and a corporate group that plays an increasingly important role in implementing energy-saving projects in the Central-Eastern European region – based on the use of renewable energy, but at the same time it started to encounter increasing liquidity problems.

At present the Company is an actual stock exchange-listed ESCO (an Energy Service Company that implements energy savings) in Hungary. The Company developed individual solutions for each of its projects, independent of any technology or service provider. It implemented projects as a main contractor while securing the appropriate financing.

Today the business activities of the Company focus on the same goals as when it was founded, but the technologies used are continuously adjusted to worldwide leading technologies.

When preparing projects, ENEFI Energyefficiency Plc. first examined/examines the possibilities of streamlining its customers' energy consumption points, then realises investments that help achieve considerable savings. An added business value of the projects is that, after the investments are completed, ENEFI Energyefficiency Plc. provides innovative energy services, as well as operates and maintains the energy systems of its partners over the long run.

At the same time the Company operates as the holding centre of an energy group that is active in three Central European countries. The following figure illustrates, as of the beginning of 2013, the geographical distribution of the activities of the entire ENEFI Group:




*EC Gorlice was sold during the current business year

The Group's most important services (lines of business) are:

- efficient heating and district heating supply based on sustainable primary energy sources
- provision of energy-efficient public lighting services based on modern voltage regulations
- modernisation and exploitation of the efficiency of energy supply and transformation equipment
- energy generation, commerce and distribution 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.

<u>The basis of consolidation</u>

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.

| Name | Country of incorporation | 2013 Share ownership | 2013 Voting power | 2012 Share ownership | 2012 Voting power |
|---|---|---|---|---|---|
| EETEK Limited | Cyprus | 100% | 100% | 100% | 100% |
| E-Star ESCO Kft. (formerly RFV Esco Kft.) | Hungary | 100% | 100% | 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% |
| E-Star Management Zrt. (formerly RFV Management Kft.) | Hungary | 100% | 100% | 100% | 100% |
| E-Star Távhőfejlesztési Kft. | Hungary | 100% | 100% | 100% | 100% |
| E-Star Kockázati Tőkealap-kezelő Zrt. | Hungary | 100% | 100% | 100% | 100% |
| E-Star Reorganizáció - 01 Kft. | Hungary | 100% | 100% | - | - |
| E - Star Transzfer - 02 Kft. | Hungary | 100% | 100% | - | - |
| E - Star Debt - Equity - 03 Kft. | Hungary | 100% | 100% | - | - |
| E - Star Capital - Share - 04 Kft. | Hungary | 100% | 100% | - | - |
| Elektrocieplownia „Gorlice” Spółka z o. o.* | Poland | 73% | 73% | 73% | 73% |
| Elektrocieplownia Mielec Spółka z o. o. | Poland | 85% | 85% | 85% | 85% |
| E-Star Management Polska Spółka z o. o. | Poland | 100% | 100% | 100% | 100% |
| EC-Energetyka Spółka z o. o.* | Poland | 51% | 51% | 51% | 51% |
| E-Star Polska Spółka z o. o. | Poland | 100% | 100% | 100% | 100% |
| E-Star Centrul de Dezvoltare Regionala SRL | Romania | 100% | 100% | 100% | 100% |
| Termoenergy srl | Romania | 99% | 99% | 99% | 99% |
| SC Faapritek SA | Romania | 99.99% | 99.99% | 99.99% | 99.99% |
| E-Star Mures Energy SA | Romania | 99.99% | 99.99% | 99.99% | 99.99% |
| E-Star Alternative Energy SA | Romania | 99.99% | 99.99% | 99.99% | 99.99% |
| E-Star Energy Generation SA | Romania | 99.99% | 99.99% | 99.99% | 99.99% |
| E-Star Investment Management SRL ** | Romania | 100% | 100% | 100% | 100% |
| RFV Slovakia sro | Slovakia | 100% | 100% | 100% | 100% |
| E-Star CL Distriterm srl | Románia | 100% | 100% | 100% | 100% |
| E-Star OR District Heating SA | Románia | 100% | 100% | 100% | 100% |

* Sold in current year
**Liqidated in current year

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

2.1. The effect of adopting new and revised International Financial Reporting Standards and interpretations in the current (and/or prior) financial year

The Group applied all of the effective International Financial Reporting Standards during the preparation of the consolidated financial statements, which were adopted by the European Union.

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

IFRS 13 "Fair Value Measurement", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),

Amendments to IFRS 1 "First-time Adoption of IFRS" – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),

Amendments to IFRS 1 "First-time Adoption of IFRS" – Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013),

Amendments to IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),

Amendments to IAS 1 "Presentation of financial statements" – Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),

Amendments to IAS 12 "Income Taxes" – Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),

Amendments to IAS 19 "Employee Benefits" – Improvements to the Accounting for Post- employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),

Amendments to various standards "Improvements to IFRSs (cycle 2009-2011)" resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (amendments are to be applied for annual periods beginning on or after 1 January 2013),

IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

2.2. The new and revised Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

List of the new and revised issued Standards and interpretations at the date of balance sheet day, which are adopted by the EU:

IFRS 10 "Consolidated Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

IFRS 11 "Joint Arrangements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),

Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (revised in 2011) "Separate Financial Statements" – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014), Amendments to IAS 32 "Financial instruments: presentation" – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),

Amendments to IAS 36 "Impairment of assets" - Recoverable Amount Disclosures for Non- Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The Group apply only those standards which were effective as the balance sheet date.

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.

Based on the forecast of the board of directors, the new standards and modifcations presented above will not have material effect on the Group consolidated financial statements.

## 3. Significant accounting policies

3.1. Statement of compliance

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

3.2. 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.

3.3. 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.

3.4. 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.

3.5. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business 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.

For the Group accounting policy regarding the goodwill on aquisition of investment in affiliate see notes 3,6 below.

3.6. 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' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

### 3.7. Leases

Whether a transaction is a leasing transaction or if it contains such component depends on its content at the time of its conclusion. If the performance of the agreement depends on the use of a specific asset or if it assigns the right to use the asset, it must be considered to contain a leasing component and is therefore accounted for accordingly.

Financial leasing in the context of which the majority of the risk and rewards related to the ownership right to the leased asset is transferred to the Company is capitalised at the start of the lease at the fair value of the leased asset or at the present value of the minimum lease payments if it is lower. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liabilitiy. Financial costs are directly accounted for through profit/loss. The capitalised leased asset is amortised during the estimated useful life or the lease period, whichever is shorter. The initial costs incurred at the time when the financial lease contract is concluded increase the acquisition value of the leased asset and are accounted for under the term of the lease similarly to lease revenues. A lease in the context of which the lessor retains the majority of the risks and benefits related to the ownership right of the leased asset is accounted for an operative lease.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Prepaid rent represents title to perpetual usefruct 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 usefruct 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.

3.8. 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.

3.9. 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.

3.10. 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.

3.11. 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.

The financial statements were prepared in “EUR”, and the functional currency of individual subsidiaries is the same as that of individual countries. The Group chose EUR as the currency of presentation to make it easier for investors to interpret the financial statements.

3.12. 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.

3.13. 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.

3.14. 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.

3.15. 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 shared-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.

### 3.16. 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.

### 3.17. 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 |

3.18. 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.

3.19. Emission quotas

The Group receives emission rights free of charge in Hungary and in Poland in the context of the European Emissions Trading System. The rights are credited annually, the Group must return them on the basis of the actual emission.

The Group uses the net liability method when accounting for the emission rights it receives pursuant to which reserves are only accounted for when the actual emission exceeds the amount of emisison rights received and still held.

Emission rights purchased from third parties are registered at acquisition value and they are accounted for as reimbursement rights, in other words, they are allocated to emission liabilities and are re-valued at fair value.

3.20. 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.

3.21. 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.

3.22. 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.

3.23. 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 approch 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.

3.24. 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*

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.

3.25. 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.

3.26. 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.

3.27. Operating segments

An operating segment is a component of the business entity:

(a) which conducts business activities involving revenues and expenditures (including revenues and expenditures related to transactions that are conducted with other components of the same business entity).
(b) the operating results of which are regularly reviewed by the key operating decision maker of the business entity to be able to make a decision regarding the funds to be allocated to the segment and to evaluate its performance, and
(c) in respect of which separate financial information is available.

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

3.28. Comparative data

In the course of preparing its consolidated financial statements for 2013, the Group accounts for the figures of Elektrocidptownia "Gorlice" Spólka z.o.o., among sold business shares, as an activity that has been discontinued.

In order to ensure comparability with respect to consolidated numbers, the data in the financial statements with respect to the previous period is presented to apply to all the activities that were not considered discontinued activities until the balance sheet day of the most recently presented period.

Furthermore the Group has revealed that the reserves in the consolidated financial statements for the year 2012 contained an accounting error. Based on the decision of the Group this error was corrected in the current financial year.

| Consolidated statement of financial position – Assets | 2012.12.31 | Translation reserve correction | Effect of discountinued operations | 2012.12.31 Restated | 2012.01.01 Restated |
|---|---|---|---|---|---|
| Property, plant and equipment | 21 746 806 | 0 | 0 | 21 746 806 | 24 686 794 |
| Intangible assets | 7 184 243 | 0 | 0 | 7 184 243 | 24 042 591 |
| Investments in affiliated companies | 0 | 0 | 0 | 0 | 0 |
| Investments in other companies | 16 937 | 0 | 0 | 16 937 | 15 478 |
| Financial Asset | 5 159 282 | 0 | 0 | 5 159 282 | 11 381 546 |
| Goodwill | 62 219 | 0 | 0 | 62 219 | 4 701 402 |
| Other long term receivables | 32 982 | 0 | 0 | 32 982 | 55 014 |
| Deferred tax assets | 2 687 222 | 0 | 0 | 2 687 222 | 0 |
| **Total non-current assets** | **36 889 691** | **0** | **0** | **36 889 691** | **64 882 825** |
| Inventories | 3 378 860 | 0 | 0 | 3 378 860 | 1 935 993 |
| Trade receivables | 7 377 254 | 0 | 0 | 7 377 254 | 9 801 378 |
| Other receivables due within a year | 3 404 102 | 0 | 0 | 3 404 102 | 10 467 381 |
| Accruals and prepaid expenses | 628 899 | 0 | 0 | 628 899 | 3 414 632 |
| Securities | 47 717 | 0 | 0 | 47 717 | 848 853 |
| Cash and cash equivalents | 3 856 270 | 0 | 0 | 3 856 270 | 3 590 358 |
| **Total current assets** | **18 693 102** | **0** | **0** | **18 693 102** | **30 058 595** |
| **Total assets** | **55 582 793** | **0** | **0** | **55 582 793** | **94 941 420** |

| Consolidated statement of financial position - Equity and liabilities | 2012.12.31 | Translation reserve correction | Effect of discountinued operations | 2012.12.31 Restated | 2012.01.01 Restated |
|---|---|---|---|---|---|
| Share capital | 94 937 | 0 | 0 | 94 937 | 94 937 |
| Reserves | 9 146 866 | 2 716 851 | 0 | 11 863 717 | 10 691 360 |
| Treasury shares | 0 | 0 | 0 | 0 | 0 |
| Retained earnings | -21 678 078 | -2 716 851 | 0 | -24 394 928 | 1 761 927 |
| **Equity attributable to owners of the Company** | **-12 436 275** | **0** | **0** | **-12 436 275** | **12 548 224** |
| Non-controlling interests | 3 174 267 | 0 | 0 | 3 174 267 | 2 355 349 |
| **Total equity** | **-9 262 008** | **0** | **0** | **-9 262 008** | **14 903 573** |
| | | | | | |
| Loans and other long term financial liabiities | 9 725 891 | 0 | 0 | 9 725 891 | 33 889 313 |
| Provisions | 1 061 477 | 0 | 0 | 1 061 477 | 1 458 390 |
| Deferred tax liabilities | 171 191 | 0 | 0 | 171 191 | 384 102 |
| Deferred income | 3 249 165 | 0 | 0 | 3 249 165 | 3 252 849 |
| Other long-term liabilities | 1 126 723 | 0 | 0 | 1 126 723 | 5 096 424 |
| **Total non-current liabilities** | **15 334 447** | **0** | **0** | **15 334 447** | **44 081 078** |
| | | | | | |
| Trade payables | 7 193 111 | 0 | 0 | 7 193 111 | 12 339 520 |
| Loans and other short term financial liabilities | 28 582 218 | 0 | 0 | 28 582 218 | 13 089 496 |
| Provisions (current) | 1 611 187 | 0 | 0 | 1 611 187 | 1 682 168 |
| Accruals and deferred income | 4 076 460 | 0 | 0 | 4 076 460 | 6 918 811 |
| Other liabilities due within a year | 8 047 378 | 0 | 0 | 8 047 378 | 1 926 774 |
| **Total current liabilities** | **49 510 354** | **0** | **0** | **49 510 354** | **35 956 769** |
| | | | | | |
| **Total liabilities** | **64 844 801** | **0** | **0** | **64 844 801** | **80 037 847** |
| | | | | | |
| **Total equity and liabilities** | **55 582 793** | **0** | **0** | **55 582 793** | **94 941 420** |

| | 2012 | Translation reserve correction | Effect of discountinued operations | 2012 Restated |
|---|---|---|---|---|
| **Countinued Operations** | | | | |
| Revenue | 51 748 094 | 0 | -2 503 644 | 49 244 450 |
| Cost of sales | -36 688 267 | 0 | 1 418 500 | -35 269 767 |
| **Gross Profit** | **15 059 827** | **0** | **-1 085 144** | **13 974 683** |
| Personnel cost | -6 349 106 | 0 | 649 270 | -5 699 836 |
| Service used | -5 446 682 | 0 | 148 915 | -5 297 767 |
| Other revenue and expenditures, net | -16 356 538 | 0 | 77 664 | -16 278 874 |
| Depreciation | -2 962 676 | 0 | 135 494 | -2 827 182 |
| Impairment of Property, plant and equipment | -11 117 757 | 0 | 767 153 | -10 350 604 |
| Net profit/loss from financial activities | 5 754 381 | -536 461 | 25 330 | 5 243 250 |
| **Profit before tax** | **-21 418 551** | **-536 461** | **718 682** | **-21 236 330** |
| Income tax expense | 2 261 928 | 0 | 15 294 | 2 277 222 |
| **Profit for the year from continuing operations** | **-19 156 623** | **-536 461** | **733 976** | **-18 959 108** |
| **Discountinued operations** | | | | |
| Loss from discontinued operation | -3 129 436 | 0 | -733 976 | -3 863 412 |
| **Profit for the year** | **-22 286 059** | **-536 461** | **0** | **-22 822 520** |
| Attributable to: | | | | |
| Owners of the Company | -23 925 482 | 0 | 0 | -24 461 943 |
| Non-controlling interests | 1 639 423 | 0 | 0 | 1 639 423 |
| Other comprehensive income | | | | |
| Foreign currency translation differences | -68 692 | 536 461 | 0 | 467 769 |
| Total other comprehensive income | -68 692 | 536 461 | 0 | 467 769 |
| **Total comprehensive income** | **-22 354 751** | | | **-22 354 751** |
| Attributable to: | | | | |
| Owners of the Company | -23 994 174 | 0 | 0 | -23 994 174 |
| Non-controlling interests | 1 639 423 | 0 | 0 | 1 639 423 |
| **Earnings per share (EUR)** | | | | |
| Countinued and discountinued operations | | | | |
| Basic earning per share | -9,06 | | | -8,64 |
| Diluted earnings per share | -9,06 | | | -8,64 |
| Countinued operations | | | | |
| Basic earning per share | -7,88 | | | -7,18 |
| Diluted earnings per share | -7,88 | | | -7,18 |

Based on the tables above the following financial datas for the 2012.12.31 period does not agree with the disclosed financial statements:

| Name | Notes |
|---|---|
| Revenue | 5. |
| Cost of sales | 6. |
| Personnel cost | 7. |
| Service used | 8. |
| Other income-expenditure | 9. |
| Financial income | 10. |
| Income tax | 11. |
| Depreciation | 13, 15. |

Pursuant to the provisions fo IFRS 5 regarding publication, the Group presents the following in note 12:

- Revenues, expenditures and profit/loss before tax of discontinued activities
- relevant tax on profit pursuant to IAS 12 81(h);
- loss recognised in relation to the revaluation to fair value minus the sales costs, or the alienation of, assets constituting the discontinued activity.

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

With respect to the application of the Group's accounting policies, the management has to make decision, estimates and assumption as to the registration value of the assets and liabilities that cannot be clearly determined from other sources. The estimates and related assumptions are based on past experience and other factors that are considered relevant. The actual results may be different than these estimates.

The estimates and the assumptions on which they are based must be reviewed continuously. The modifications of accounting estimates must be recognised in the period when the modification was made if the modification only affects this period, or in the period when the modification was made and the periods after that if the modification affects the period under review as well as the future.

The following describes the critical decisions - with the exception of those that contain estimates - that the Group made in the context of the application of its accounting policies and which made the biggest impact on the amounts presented in the financial statements.

### 4.1. Provisions

Provision is recognized and measured based on IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The entites 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.

### 4.2. Valuation of concession rights

The Group is recognized the value of the project at Gyergyószentmiklós according to the standard of IFRIC 12 Service Concession Agreements. During the calculation the Company estimated the future net income of the project and determined the realiseable value less cost to sell. During the determination of the fair value the Company calculated with discounted future cash flows. These future cash flows represents the management's best estimation. The details of the concession contract is disclosed in the Note 13.

The company measured all components of the Hungarian portfolio both in terms of assets and contracts, that is, on the basis of the net present value calculations. These assets are presented between financial assets in the statement of financial position , their book value is 4,438,889 EUR as of December 31, 2013 and 5,159,282 EUR as of December 31, 2012.

4.3. Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the management determined that the useful lives of the properties, plants and equipments remained as in the previous years.

4.4. 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.

In respect of tangible and intangible assets, the recovery on the business entity's assets is tested in the context of an impairment test. The corrections that appear necessary on the basis of the impairment test are presented by the Group in these consolidated financial statements.

4.5. 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.

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

A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. 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.

In the current year the Group followed a conservative approach and calculated only with the future cash flows of the currently contracted projects and determined the future utilizable deferred tax asset in that way. This business plan does not consider the utilization of the future free cash generated by the current engagements. If the Group start to grow – according to the management plans, it would be available to reverse the currently booked impairment on deferred tax asset, which is as of December 31, 2013 4,158,482 EUR (2,729,023 EUR as of December 31, 2012).

The balance of the above presented net deferred tax asset is 1,257,568 EUR as of December 31, 2013 and 2,687,222 EUR as of December 31, 2012.

## 5. Revenue

*Continuing operations*

| | 2013 | 2012 Restated* |
|---|---|---|
| Heat sales | 12 725 435 | 17 503 496 |
| Electricity sales | 5 702 731 | 22 367 205 |
| District heating | 0 | 872 049 |
| Other (revenue) | 3 282 590 | 8 501 700 |
| **Total** | **21 710 756** | **49 244 450** |

*The restatements of the year 2012 is disclosed in the notes 3.28

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 party from external party.

## 6. Cost of sales

*Continuing operations*

| | 2 013 | 2012 Restated* |
|---|---|---|
| Material costs | 7 940 713 | 13 331 012 |
| Cost of mediated services | 3 398 473 | 7 907 474 |
| Cost of sold goods | 1 613 101 | 14 031 281 |
| **Total cost of sales** | **12 952 287** | **35 269 767** |

A significant portion of the value of intermediated services consists of the cost of public utility charges re-invoiced in the course of operation.

## 7. Personal Cost

*Continuing operations*

| | 2013 | 2012 Restated* |
|---|---|---|
| Wages and salaries | 2 146 459 | 4 380 588 |
| Social security contributions | 392 515 | 916 270 |
| Other employee benefits | 346 602 | 402 978 |
| **Total** | **2 885 576** | **5 699 836** |

The head count figure of the group is 183 as of December 31, 2013 and 449 as of December 31, 2012.

## 8. Service used

*Continuing operations*

| | 2013 | 2012 |
|---|---|---|
| Purchasing of distribution of electricity | 892 088 | 0 |
| Advisory fees | 518 374 | 1 544 756 |
| Rental fees | 447 155 | 1 124 629 |
| Maintanance costs | 335 855 | 709 767 |
| Legal fees | 236 562 | 605 429 |
| Property related services | 219 918 | 32 830 |
| Office, communication | 73 641 | 211 746 |
| Bank charges | 35 972 | 179 323 |
| Insurance fees | 9 064 | 11 295 |
| Car operation costs | 4 318 | 4 520 |
| Share coverage insurance fee | 0 | 444 603 |
| Maintenance of Navision system | 0 | 37 527 |
| Other services | 10 809 | 391 342 |
| **Service used** | **2 783 758** | **5 297 767** |

*The restatements of the year 2012 is disclosed in the notes 3.28

## 9. Other Revenue and expenditures

*Continuing operations*

| | 2013 | 2012 Restated* |
|---|---|---|
| **Other revenue** | | |
| Profit / loss on bankruptcy | 5 105 624 | 0 |
| Government grant for emission quotas | 238 874 | 338 133 |
| Other government grants | 0 | 438 885 |
| Other revenue | 243 570 | 0 |
| **Total** | **5 588 068** | **777 018** |
| **Other expenditures** | | |
| Performance penalties | 590 147 | 489 212 |
| Provisions made during the year | 393 891 | 0 |
| Other taxes | 90 555 | 989 851 |
| Goodwill impairment | 62 219 | 4 644 542 |
| Other government grants | 48 896 | 0 |
| Net loss on sale of plant, property and equipment | 23 536 | 389 577 |
| Impairment of assets | 6 563 | 10 303 516 |
| Others | 0 | 239 194 |
| **Total** | **1 215 806** | **17 055 892** |
| **Other revenue and expenditures, net** | **4 372 263** | **16 278 874** |

## 10.Financial income

*Continuing operations*

| | 2013 | 2012 Restated* |
|---|---|---|
| Net foreign currency gain (loss) | 642 568 | -931 487 |
| Interest income | 267 665 | 965 790 |
| Other finance income | 264 718 | 134 051 |
| Impairment of financial assets | -73 013 | 0 |
| Loss realised on share of subsidiaries | -103 126 | 1 192 859 |
| Interest expense | -2 037 096 | -5 506 658 |
| Other finance cost | -419 619 | -47 610 |
| Gain realised on bonds buyback program | 0 | 9 436 305 |
| **Net profit/loss from financial activities** | **-1 457 904** | **5 243 250** |

The loss on share of subsidiaries does not contains the loss of selling Elektrocieplownia “Gorlice” Spolka z o. o.. This loss is presented at the discontinued operations (notes 12.).

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

## 11.Income tax

*Continuing operations*

| | 2013 | 2012 |
|---|---|---|
| Current tax | -325 407 | -558 875 |
| Local business tax | -42 930 | -64 036 |
| Deferred tax income | 94 727 | 5 082 194 |
| Impairment of deferred tax | -1 429 459 | -2 182 061 |
| **Total income tax** | **-1 703 069** | **2 277 222** |

*The restatements of the year 2012 is disclosed in the notes 3.28

The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Hungary- income tax (500 bHUF profits under) | 10% | 10% |
| Hungary- income tax (500 bHUF profits over) | 19% | 19% |
| Hungary - Local business Tax | 2% | 2% |
| Poland - Income tax | 19% | 19% |
| Romanian - Income tax | 16% | 16% |

| Impairment movement table | December 31, 2013 | December 31, 2012 |
|---|---|---|
| **Balance at January 1** | **2 729 023** | **546 952** |
| *Reversal of impairment* | -2 729 023 | -546 952 |
| *Impairment loss* | 4 158 482 | 2 729 023 |
| **Balance at December 31** | **4 158 482** | **2 729 023** |

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

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Deferred Tax Assets | 1 257 568 | 2 687 222 |
| Deferred Tax Liabilities | -71 547 | -171 191 |
| | **1 186 021** | **2 516 031** |

| Deferred Tax receivable (liability) | Balance as 31 December 2011 | Change | Balance as 31 December 2012 | Change | Balance as 31 December 2013 |
|---|---|---|---|---|---|
| Loss accruable under tax law | 312 460 | 4 303 417 | 4 615 877 | 275 796 | 4 891 673 |
| Impairment of assets | 604 881 | 228 730 | 833 611 | -318 697 | 514 914 |
| Tangible and intangible assets (including reserves for future investments) | -1 267 406 | 533 404 | -734 002 | -79 095 | -813 097 |
| Risk provision | 222 933 | 25 172 | 248 105 | 23 504 | 271 609 |
| Adjustment due to application of IFRIC 12 | 109 779 | 99 956 | 209 735 | 25 556 | 235 291 |
| Impairment of deferred tax asset | -546 962 | -2 182 061 | -2 729 023 | -1 429 459 | -4 158 482 |
| Adjustment regarding bond repurchase program | 0 | -148 968 | -148 968 | 148 968 | 0 |
| Other | 180 213 | 40 483 | 220 696 | 23 416 | 244 112 |
| **Net deferred tax receivables / (liabilities)** | **-384 102** | **2 900 133** | **2 516 031** | **-1 330 010** | **1 186 021** |

| | December 31, 2013 | December 31, 2012 Restated |
|---|---|---|
| IFRS Profit before tax (loss)/gain | 3 842 059 | -21 236 330 |
| Caluclated Corporate income tax | -384 206 | 2 123 633 |
| Local business tax | -42 930 | -64 036 |
| Effect of different tax rate of subsidiaries | -23 586 | -84 181 |
| Recognised impairment on DTA | -1 429 459 | 157 417 |
| Expenses not deductible for tax losses | -19 880 | -221 755 |
| Others | 196 993 | 366 144 |
| **Income Tax** | **-1 703 069** | **2 277 222** |

## 12. Discontinued operations

In the course of preparing its consolidated financial statements for 2013, the Group accounts for the figures of Elektrocidptownia “Gorlice” Spólka z.o.o., among sold business shares, as an activity that has been discontinued. According to the note 10. the Group accounts for the figures of Elektrocidptownia “Gorlice” Spólka z.o.o., among sold business shares, as an activity that has been discontinued.

| | 2013 | 2012 |
|---|---|---|
| Revenue | 1 032 332 | 2 503 644 |
| Other Gains | 1 201 180 | -77 664 |
| Total Gains | 2 233 512 | 2 425 980 |
| Expenses | -876 527 | -3 144 662 |
| Profit before tax | 1 356 985 | -718 682 |
| Attributable income tax expense | -27 959 | -15 294 |
| Loss on sale of interest | -1 574 780 | 0 |
| Impairment of receivables related to discountinued operations | -1 203 153 | 0 |
| Recognised loss on sale of interest in 2012 | 927 740 | 0 |
| Loss on discountinued operations in previous years | 0 | -3 129 436 |
| **Profit for the year form discontinued operations ( attributable to owners of the company)** | **- 521 167** | **- 3 863 412** |

| | 2013 | 2012 |
|---|---|---|
| Net cash inflows from operating activities | 199 806 | 365 091 |
| Net cash inflows from investing activities | -478 | -27 953 |
| Net cash inflows / outflows from financing activities | 1 739 828 | -25 330 |
| **Net cash inflows** | **1 939 156** | **311 808** |

## 13. Intangible assets

| | Concession rights | Software and other intangible assets | CO2 | Total |
|---|---|---|---|---|
| **Costs** | | | | |
| **January 1, 2012** | **22 748 146** | **1 136 297** | **1 209 511** | **25 093 954** |
| Additions | 95 807 | 22 869 | 970 005 | 1 088 681 |
| Assets of the newly purchased subsidiary, net | - | - | - | - |
| Disposals | - 670 958 | - 10 841 | - 1 064 370 | - 1 746 169 |
| Impairment | - 3 832 619 | - | - | - 3 832 619 |
| Transfer to assets held for sale | | - 34 342 | - | - 34 342 |
| Effects of movements in exchange rates | - 1 558 601 | 53 545 | - 145 141 | - 1 650 197 |
| **December 31, 2012** | **16 781 775** | **1 167 528** | **970 005** | **18 919 308** |
| Additions | - | - | 669 627 | 669 627 |
| Assets of the newly purchased subsidiary, net | - | - | - | - |
| Disposals | 74 751 | - 1 101 | - 970 005 | - 896 355 |
| Classification | 329 520 | - 329 520 | - | - |
| Transfer to assets held for sale | - | - 228 273 | - | - 228 273 |
| Effects of movements in exchange rates | - 165 017 | - 10 659 | - 22 347 | - 198 023 |
| **December 31, 2013** | **17 021 029** | **597 975** | **647 280** | **18 266 284** |
| **Amortization** | | | | |
| **January 1, 2012** | **931 406** | **119 958** | **-** | **1 051 364** |
| Amortization | 1 004 378 | 38 610 | - | 1 042 988 |
| Disposals | - 331 683 | - 70 888 | - | - 402 571 |
| Impairment loss | 9 951 900 | 87 799 | - | 10 039 699 |
| Reversal of impairment | - | - | - | - |
| Transfer to assets held for sale | - | - 3 532 | - | - 3 532 |
| Effects of movements in exchange rates | - 2 062 | 9 180 | - | 7 118 |
| **December 31, 2012** | **11 553 939** | **181 127** | **-** | **11 735 066** |
| Amortization | 707 737 | - 39 850 | - | 667 887 |
| Disposals | - | - 649 | - | - 649 |
| Impairment loss | - | 7 480 | - | 7 480 |
| Reversal of impairment | - 339 310 | - | - | - 339 310 |
| Transfer to assets held for sale | - | 13 504 | - | 13 504 |
| Effects of movements in exchange rates | - 125 739 | - 1 019 | - | - 126 758 |
| **December 31, 2013** | **11 796 627** | **160 592** | **-** | **11 957 219** |
| | | | | |
| **Carrying amounts** | | | | |
| At January 1, 2012 | 21 816 741 | 1 016 339 | 1 209 511 | 24 042 591 |
| At December 31, 2012 | 5 227 837 | 986 401 | 970 005 | 7 184 243 |
| At December 31, 2013 | 5 224 403 | 437 382 | 647 280 | 6 309 065 |

Concession right is related to the Company's Romanian project. These rights provide exclusive heat sales rights in the coming 15 and 20 years, respectively. . The Company recognised EUR 9,951,900 impairment with respect to the concession rights in relation to the termination of the Romanian project and the revaluation of the operating project. EUR 7,480 was recognised with respect to software and other intangible assets. As at 31 December 2012, the Comapny recognises concession rights only with respect to the Gyergyószentmiklós Project. The Company writes of the concession right in 25 years and accounts for impairment on software and other intangible assets with the linear method in 3 years.

| | Gyergószentmiklós (Gheorgheni) |
|---|---|
| **Description of the agreement** | E-STAR CDR signed a concession contract with the City of Gyergyószentmiklós for 25 years on 13.09.2010.<br>Thus it is the right and obligation of E-STAR CDR to operate distant heating in Gyergyószentmiklós and to administer the distant heating infrastructure.<br>The purposes of the contract are as follows:<br>- 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. |
| **Essential parts of the agreement from the viewpoint of cash-flow** | By signing the concession contract, E-STAR CDR assumes the following obligations:<br>- 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. |
| **Rights pertaining to the usage of the assets** | 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. |
| **Obligations regarding the service, rights with regard to expecting the provision of service** | **Obligations**: - Granted service licence<br>- 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.<br>**Rights**: - 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. |
| **Obligations regarding the procurement or construction of properties, machines and equipment** | Taking over the paying in-progress investments worth EUR 8,314,190, and carrying out the investments specified in the contract. |
| **Obligations to deliver, and rights to acquire specific assets at the end of the concession period** | 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. |
| **Options for renewal or termination** | 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). |
| **Other rights and obligations (e.g. essential large-scale repairs),** | 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. |
| **Changes to the agreement taking place during the period** | - |

## 14.Investments in affiliated companies

| | December 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| | Share in EUR | Share ownership | Share in EUR | Share ownership |
| Euro-Energetyka Spólka z. o. o. and it's subsidiary | 860 907 | 21,59% | 0 | 21,59% |
| Veszprém Megyei Non-Profit Kft. | 842 | 49% | 0 | 49% |
| Fejér Megyei Energia Nonprofit Kft. | 842 | 49% | 0 | 49% |
| **Total gross** | **862 591** | | **0** | |
| Impairment | -1 684 | | 0 | |
| **Total net** | **860 907** | | **0** | |

*that has been fully consolidated at 2012.12.31

## 15.Tangible assets

| | Land and buliding | Plant and equipment | Other equipment | Asset under construction | Total |
|---|---|---|---|---|---|
| **Costs or deemed costs** | | | | | |
| **January 1, 2012** | **8 138 487** | **17 026 669** | **379 404** | **1 937 290** | **27 481 850** |
| Additions | 126 348 | 1 822 577 | 57 367 | 2 615 036 | **4 621 328** |
| Capitalizations | 0 | 0 | 0 | -2 006 293 | **-2 006 293** |
| Assets of the newly purchased subsidiary, net | 0 | 0 | 0 | 0 | **0** |
| Disposals | -612 195 | -1 608 372 | -175 261 | 0 | **-2 395 828** |
| Classification | -10 277 | -2 030 022 | -44 564 | -865 104 | **-2 949 967** |
| Effects of movements in exchange rates | 313 055 | 1 191 867 | 37 940 | 327 058 | **1 869 920** |
| **December 31, 2012** | **7 955 418** | **16 402 719** | **254 886** | **2 007 987** | **26 621 010** |
| Additions | 296 628 | 290 929 | 63 369 | 3 295 275 | **3 946 201** |
| Capitalizations | 0 | 0 | 0 | -1 625 571 | **-1 625 571** |
| Assets of the newly purchased subsidiary, net | 0 | 0 | 0 | 0 | **0** |
| Disposals | -17 716 | -399 231 | -33 100 | -20 789 | **-470 836** |
| Sale of subsudiaries | -2 199 986 | -1 922 479 | -174 402 | -772 587 | **-5 069 454** |
| Effects of movements in exchange rates | -91 625 | -339 968 | -20 394 | -183 081 | **-635 068** |
| **December 31, 2013** | **5 942 719** | **14 031 970** | **90 359** | **2 701 234** | **22 766 282** |
| | | | | | |
| **Depreciation and impairment losses** | | | | | |
| **January 1, 2012** | **210 214** | **670 814** | **88 160** | **1 825 868** | **2 795 056** |
| Depreciation for the year | 508 208 | 1 281 232 | 130 248 | 0 | **1 919 688** |
| Disposals | -39 554 | 88 037 | -68 260 | -4 277 | **-24 054** |
| Impairment loss | 0 | 1 756 386 | 0 | 381 592 | **2 137 978** |
| Reversal of impairment | 0 | 0 | 0 | -1 059 920 | **-1 059 920** |
| Transfers to assets held for sale | -1 868 | -35 551 | -21 082 | -637 361 | **-695 862** |
| Effects of movements in exchange rates | -21 021 | -64 504 | -12 765 | -100 392 | **-198 682** |
| **December 31, 2012** | **655 979** | **3 696 414** | **116 301** | **405 510** | **4 874 204** |
| Depreciation for the year | 339 256 | 886 667 | 96 704 | 2 199 | **1 324 826** |
| Disposals | -2 351 | -332 405 | -18 690 | 0 | **-353 446** |
| Impairment loss | 0 | 5 052 | 0 | 684 992 | **690 044** |
| Reversal of impairment | 0 | -189 091 | 0 | 0 | **-189 091** |
| Sale of subsudiaries | -192 903 | -1 594 635 | -152 744 | 0 | **-1 940 282** |
| Effects of movements in exchange rates | -21 339 | -52 693 | -5 415 | -1 289 | **-80 736** |
| **December 31, 2013** | **778 642** | **2 419 309** | **36 156** | **1 091 412** | **4 325 519** |
| | | | | | |
| **Carrying amounts** | | | | | |
| At January 1, 2012 | 7 928 273 | 16 355 855 | 291 244 | 111 422 | **24 686 794** |
| At December 31, 2012 | 7 299 439 | 12 706 305 | 138 585 | 1 602 477 | **21 746 806** |
| At December 31, 2013 | 5 164 077 | 11 612 661 | 54 203 | 1 609 822 | **18 440 763** |

The Group recognised impairment in respect of its investments in an amount of EUR 684,881 and reversed impairment in an amount of EUR 189,091. The investments are related to the Hungarian and the Poland operation.

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 which impairment is related to the condensation turbine.

## 16. Service concession arrangements

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

| | 2013 | 2012 |
|---|---|---|
| Assets from service concession arrangements | 4 826 510 | 5 159 282 |

***Used assumption for net present value calculation***

The Group uses the individual IRR of the project at the moment of the deal to discount the future cashflows.

| Partner | Date | Maturity | 2013 | 2012 |
|---|---|---|---|---|
| Project 1 | 2007.07.24 | 2022.07.24 | 1 730 345 | 2 092 961 |
| Project 2 | 2009.09.28 | 2024.09.28 | 1 089 526 | 1 075 692 |
| Project 3 | 2005.10.15 | 2020.08.12 | 694 250 | 756 794 |
| Project 4 | 2005.11.24 | 2017.11.24 | 143 043 | 162 869 |
| Project 5 | 2005.06.13 | 2017.06.13 | 132 627 | 159 258 |
| Project 6 | 2005.06.29 | 2018.01.17 | 129 383 | 123 910 |
| Project 7 | 2006.11.30 | 2018.11.30 | 108 320 | 120 834 |
| Project 8 | 2006.01.17 | 2018.01.17 | 105 810 | 117 770 |
| Project 9 | 2006.05.15 | 2018.05.15 | 82 458 | 87 918 |
| Project 10 | 2004.07.05 | 2016.07.05 | 74 551 | 83 260 |
| Project 11 | 2005.06.21 | 2017.06.21 | 52 980 | 82 090 |
| Project 12 | 2005.12.29 | 2017.12.29 | 29 309 | 80 014 |
| Project 13 | 2008.09.15 | 2020.10.31 | 26 517 | 60 829 |
| Project 14 | 2008.05.20 | 2020.10.02 | 22 611 | 40 320 |
| Project 15 | 2009.08.24 | 2013.08.24 | 17 160 | 37 551 |
| Project 16 | 2006.12.04 | 2018.12.04 | 0 | 28 577 |
| Project 17 | 2007.01.01 | 2019.10.19 | 0 | 22 696 |
| Project 18 | 2005.09.20 | 2013.10.23 | 0 | 19 225 |
| Project 19 | 2008.07.16 | 2017.04.30 | 0 | 6 714 |
| | | **Total** | **4 438 889** | **5 159 282** |

## 17. Goodwill

| Goodwill | 2013 | 2012 |
|---|---|---|
| **December 31, 2012** | **62 219** | **4 701 402** |
| Impairment | -62 219 | -4 644 542 |
| Net foreign currency gain (loss) | 0 | 5 359 |
| **December 31, 2013** | **0** | **62 219** |

The Company wrote off the goodwill arisen on the EC. Energetyka Sp.z.o.o. in 2013.

## 18.Business Combinations

Datas for 2013:

| | Elektrocieplownia "Gorlice" Spolka z o.o. 2013 | Euro-Energetyka Spólka z. o. o. and it's subsidary 2013 | Veszprém Megyei Non-Profit Kft. 2013 | Fejér Megyei Energia Nonprofit Kft. 2013 | Total 2013 |
|---|---|---|---|---|---|
| Property, plant and equipment | 3 646 784 | 1 312 534 | 0 | 0 | **4 959 318** |
| Intangible assets | 241 041 | 0 | 0 | 1 | **241 042** |
| Goodwill | 0 | 61 132 | 0 | 0 | **61 132** |
| Total non-current assets | 3 887 825 | 1 373 666 | 0 | 1 | 5 261 492 |
| Inventories | 395 925 | 98 679 | 0 | 0 | **494 604** |
| Trade receivables | 421 208 | 97 377 | 0 | 0 | **518 585** |
| Other receivables | 57 928 | 62 530 | 208 143 | -129 | **328 472** |
| Accruals and prepaid expenses | 13 009 | 16 085 | 3 356 | 0 | **32 450** |
| Cash and cash equivalents | 110 702 | 93 012 | 36 | 9 003 | **212 753** |
| Total current assets | 998 772 | 367 682 | 211 535 | 8 874 | 1 586 863 |
| **Total assets** | **4 886 597** | **1 741 348** | **211 535** | **8 875** | **6 848 355** |
| Provisions | 192 194 | 0 | 0 | 0 | **192 194** |
| Deferred tax liabilities | 0 | 158 412 | 0 | 0 | **158 412** |
| Total non-current liabilities | 192 194 | 158 412 | 0 | 0 | 350 606 |
| Trade payables | 24 055 | 103 429 | 415 704 | 12 914 | **556 102** |
| Loans and other short term financial liabilities | 19 145 | 0 | 41 | 0 | **19 186** |
| Provisions (current) | 64 065 | 1 857 | 0 | 0 | **65 922** |
| Accruals and deferred income | 0 | 0 | 8 | 0 | **8** |
| Other liabilities due within a year | 143 839 | 2 749 | 2 687 | -482 | **148 793** |
| Total current liabilities | 251 104 | 108 035 | 418 440 | 12 432 | 790 011 |
| **Total liabilities** | **443 298** | **266 447** | **418 440** | **12 432** | **1 140 617** |
| **Net assets disposed of** | **4 443 299** | **1 474 901** | **-206 905** | **-3 557** | **5 707 738** |
| Net assets disposed of (for the Group) | 3 243 608 | 752 199 | -101 383 | -1 743 | 3 892 681 |
| **Gain/loss on disposal of subsidiary** | | | | | |
| Considaration received | 1 784 514 | 587 749 | 0 | 0 | **2 372 263** |
| Sold receivables | 1 275 498 | 0 | 0 | 0 | **1 275 498** |
| Net assets disposed of | 3 243 608 | 752 199 | -101 383 | -1 743 | **3 892 681** |
| **Realized (loss) / profit** | **-2 734 592** | **-164 450** | **101 383** | **1 743** | **-2 795 916** |
| **Considaration received** | | | | | |
| Considaration received in cash or cash equivalents | 1 784 514 | 0 | 0 | 0 | **1 784 514** |
| **Consideration received** | **1 784 514** | **0** | **0** | **0** | **1 784 514** |
| **Net cash inflow on disposal of a subsidiary** | | | | | |
| Considaration received in cash or cash equivalents | 1 784 514 | 0 | 0 | 0 | **1 784 514** |
| Less: cash and cash equivalent balances disposed of | -110 702 | -93 012 | -36 | -9 003 | **-212 753** |
| **Total consideration received** | **1 673 812** | **-93 012** | **-36** | -9 003 | **1 571 761** |

In June 2013 the E-Star Polska Spolka Z.o.o. solded the interest and the receivables of it's subsidiary Elektrocieplowina Gorlice Spolka z. o. o. for 7.4 million PLN (1.784.514 EUR).

In current year the Group decided on the merging of it's subsidiary the Euro-Energetyka Spolka z. o.o. to the Energia Euro Park Sp. z o.o. (EEPark). After the increase of EEPark share capital, the share capital will be divided into 32,982 shares. ESEC Mielec will hold 7,140 shares, i.e. 21.65% of shares in the value of the share capital of EEPark. A consolidation of Euro-Energetyka and EEPark will be effected by means of an increase of the share capital of EEPark from PLN 11,500,000.00 to PLN 16,491,000. The remaining shares will be owned by ARP SA, ESEC Mielec will have a pre-emptive right to purchase EEPark shares if they are sold by ARP SA.

After the increase of the share capital of EEPark, a merger of Euro-Energetyka and EEPark will be effected in the form of an acquisition of Euro-Energetyka by EEPark.

The conclusion of the consolidation agreement was aimed at enabling further participation of Company's subsidiaries in the electricity distribution in the "Euro Park" Special Economic Zone in Mielec. Previously, Euro-Energetyka used for this purpose a distribution network leased from ARP SA, however the lease agreement was terminated by ARP SA and EEPark became the owner of the distribution network. Euro-Energetyka thus lost the actual possibility of conducting its activities within the previous scope.

As a result of the consolidation agreement ESEC Mielec will become a shareholder in EEPark being the owner of the distribution network in the "Euro Park" Special Economic Zone with the value after the consolidation of approximately PLN 14,000,000 and conducting the activities related to the electricity trade and distribution in the Zone.

In the current financial year the Group lost the controll over Veszprém Megyei Non-Profit Kft. and Fejér Megyei Energia Nonprofit Kft., therefore - based on the decision of the management - these interest are presented as an associated companies in the consolidated financial statements.

Datas for 2012:

| | Patakhő Nonprofit Kft. 2012 | E-Star ZA Distriterm SRL 2012 | NRG Finance Csoport 2012 | Total 2012 |
|---|---|---|---|---|
| Property, plant and equipment | 1 701 295 | 94 974 | 457 836 | **2 254 105** |
| Intangible assets | 2 667 | 7 303 | 20 840 | **30 810** |
| Other long term receivables | - | 2 591 | - | **2 591** |
| Total non-current assets | 1 703 962 | 104 868 | 478 676 | 2 287 506 |
| Inventories | - | | 127 248 | **127 248** |
| Trade receivables | 1 427 837 | 53 980 | 3 231 082 | **4 712 899** |
| Other receivables | 528 898 | 2 498 | 5 575 403 | **6 106 799** |
| Accruals and prepaid expenses | 83 760 | 19 341 | 287 433 | **390 534** |
| Cash and cash equivalents | 42 375 | 2 641 | 54 467 | **99 483** |
| Total current assets | 2 082 870 | 78 460 | 9 275 633 | 11 436 963 |
| **Total assets** | **3 786 832** | **183 328** | **9 754 309** | **13 724 469** |
| | | | | |
| Provisions | 1 530 | - | 4 922 | **6 452** |
| Egyéb hosszú lejáratú kötelezettségek | 182 737 | - | - | **182 737** |
| Hosszú lejárítú kötelezettségek összesen | 184 267 | - | 4 922 | 189 189 |
| Trade payables | 2 828 389 | 2 075 910 | 1 647 983 | **6 552 282** |
| Accruals and deferred income | 1 136 | - | 414 278 | **415 414** |
| Other liabilities due within a year | 11 477 | 60 976 | 492 096 | **564 549** |
| Total current liabilities | 2 841 002 | 2 136 886 | 2 554 357 | 7 532 245 |
| **Total liabilities** | **3 025 269** | **2 136 886** | **2 559 279** | **7 721 434** |
| | | | | |
| **Net assets disposed of** | **761 563** | **- 1 953 558** | **7 195 030** | **6 003 035** |

| **Gain/loss on disposal of subsidiary** | | | | |
|---|---|---|---|---|
| Considaration received | 864 | - | 3 300 001 | **3 300 865** |
| Net assets disposed of | 761 563 | - 1 953 558 | 7 195 030 | **6 003 035** |
| **Realized (loss) / profit** | **- 760 699** | **1 953 558** | **- 3 895 029** | **- 2 702 170** |
| Attributable to non-controlling interest | 395 114 | - 1 020 449 | - 266 559 | **- 891 894** |

| **Considaration received** | | | | |
|---|---|---|---|---|
| Considaration received in cash or cash equivalents | 864 | - | 2 800 001 | **2 800 865** |
| Defferred income of sale | - | - | 500 000 | **500 000** |
| **Consideration received** | **864** | **-** | **3 300 001** | **3 300 865** |

| **Net cash inflow on disposal of a subsidiary** | | | | |
|---|---|---|---|---|
| Considaration received in cash or cash equivalents | 864 | - | 2 800 001 | **2 800 865** |
| Less: cash and cash equivalent balances disposed of | - 42 375 | - 2 641 | - 54 467 | **- 99 483** |
| **Total consideration received** | **- 41 511** | **- 2 641** | **2 745 534** | **2 701 382** |

## 19.Inventories

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Coal | 1 966 896 | 2 783 094 |
| Emission quotas | 0 | 222 140 |
| Other fuel | 0 | 3 436 |
| Other materials | 561 942 | 1 982 230 |
| **Inventories gross total** | **2 528 838** | **4 990 899** |
| Impairment of inventories | 0 | -1 612 039 |
| **Inventories nett total** | **2 528 838** | **3 378 860** |

## 20.Trade receiveable

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Trade receivables | 3 534 523 | 7 377 254 |

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Not past due | 2 461 122 | 5 377 852 |
| Past due 0-90 days | 562 874 | 1 729 258 |
| Past due 91-180 days | 524 748 | 493 318 |
| Past due 181-360 days | 321 288 | 1 057 069 |
| More than one year | 1 981 660 | 1 575 652 |
| **Trade receiveable gross total** | **5 851 692** | **10 233 149** |
| Impairment | -2 317 169 | -2 855 895 |
| **Trade receiveable total** | **3 534 523** | **7 377 254** |

In respect of receivables that were overdue on the balance sheet day but in terms of the probability of their influence - in the opinion of the Company's management - they do not pose a risk (or are covered with other assets or liabilities), the Company did not recognise impairment.

| Non-impaired overdue recevieable | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Past due 0-90 days | 562 874 | 1 168 608 |
| Past due 91-180 days | 510 526 | 493 318 |
| Past due 181-360 days | 0 | 337 476 |
| More than one year | 0 | 0 |
| **Total:** | **1 073 400** | **1 999 402** |

Impairment movement table:

| Impairment movement table | 2013 | 2012 |
|---|---|---|
| **Balance at January 1** | **2 855 895** | **1 561 771** |
| *Impairment of assets* | *1 338 402* | *2 671 382* |
| *Recognised through acquisition* | *0* | *0* |
| *Write back* | *-1 981 218* | *-1 193 395* |
| *Decrease from sale of subsidiary* | *0* | *-183 863* |
| *Effects of movements in exchange rates* | *104 090* | *0* |
| **Balance at December 31** | **2 317 169** | **2 855 895** |

When examining whether a given account receivable can be realised, the Group takes into account the changes, if any, in the quality of the receivable that occurred between the date of the loan provision and the end of the reporting period.

The payment deadline of accounts receivable is always 8 days.

## 21.Other receiveables

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Receivables related to concession rights | 3 610 124 | 3 638 066 |
| Loans given | 1 649 954 | 0 |
| Government grants | 1 120 830 | 613 641 |
| VAT reclaimable | 670 790 | 2 085 620 |
| Advance payments | 221 228 | 1 099 986 |
| Corporate income tax receivable | 46 629 | 128 580 |
| Other tax receivables | 72 388 | 86 659 |
| Other receivables | 923 134 | 3 473 099 |
| **Other receivables due within a year** | **8 315 077** | **11 125 651** |
| Impairment | -6 697 964 | -7 721 549 |
| **Other receivables total** | **1 617 113** | **3 404 102** |

## 22.Accurals

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Accrued revenue | 475 245 | 112 471 |
| Accrued expenses | 456 061 | 0 |
| Pre-paid rental fee | 0 | 516 428 |
| **Total** | **931 306** | **628 899** |

Revenues due consist of the revenues that were related to consumption in 2012 and were invoiced after the balance sheet day. Rental fees paid in advance typically consist of the rental fee of furnaces and other equipment paid to municipality customer in advance. The rental fee paid in advance is released in proportion to the term.

## 23.Securities

| | 2013 | 2012 |
|---|---|---|
| Other securities | 0 | 47 717 |
| **Total** | **0** | **47 717** |

## 24.Cash and cash equivalents

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Bank balances | 1 110 932 | 3 496 555 |
| Term deposits | 43 431 | 332 450 |
| Cash on hand | 14 172 | 17 157 |
| Restricted bank balances | 0 | 10 108 |
| **Cash and cash equivalents** | **1 168 535** | **3 856 270** |

## 25.Subscribed capital

| | December 31, 2013 piece | December 31, 2012 piece |
|---|---|---|
| Issued pieces shares (10 HUF par value/shares) | 52 531 445 | 2 640 000 |

| Registered capital on par value | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Balance at 1 January | 94 936 | 94 936 |
| Issued shares during the year at par value | 1 680 357 | 0 |
| **Balance at 31 December** | **1 775 293** | **94 936** |

| Movement of issued and fully paid shares | 2013 | 2012 |
|---|---|---|
| Balance at 1 January | 2 640 000 | 2 640 000 |
| Issued shares during the year (pieces) | 49 891 445 | 0 |
| **Balance at 31 December** | **52 531 445** | **2 640 000** |

## 26.Reserves

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Share premium | 65 103 540 | 12 525 322 |
| Equity-settled employee benefits | 0 | 299 952 |
| Foreign currency translation | -284 234 | -961 557 |
| **Total reserves** | **64 819 306** | **11 863 717** |

Movements of the reserves

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Balance at beginning of year | 11 863 717 | 10 691 360 |
| Movements | 52 955 589 | 1 172 357 |
| **Balance at the end of year** | **64 819 306** | **11 863 717** |

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

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Balance at beginning of year | 12 525 322 | 3 943 155 |
| Share premium recognised during bankrupcy proceedings | 52 578 218 | 0 |
| Share premium for issued shares during the year | 0 | 8 582 167 |
| **Balance at the end of year** | **65 103 540** | **12 525 322** |

Equity settled employee benefits reserve

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Balance at beginning of year | 299 952 | 308 130 |
| Movements | -299 952 | -8 178 |
| **Balance at the end of year** | **0** | **299 952** |

Foreign currency translation

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Balance at beginning of year | -961 557 | -2 142 092 |
| Net foreign exchange gains / losses (-) | 677 323 | 1 180 535 |
| **Balance at the end of year** | **-284 234** | **-961 557** |

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.

## 27.Treasury Shares

| Movements of pieces of treasury shares | December 31, 2013 piece | December 31, 2012 piece |
|---|---|---|
| Opening | 0 | 0 |
| Shares recognised during bankrupcy proceedings | 30 638 646 | 0 |
| Decreasing | 0 | 0 |
| **Closing (piece)** | **30 638 646** | **0** |
| Attributable to subsidiary | 1 261 432 | 0 |

| Movements of pieces of treasury shares | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Opening | 0 | 0 |
| Shares recognised during bankrupcy proceedings | 29 074 466 | 0 |
| Decreasing | 0 | 0 |
| **Movements of treasury shares in book value** | **29 074 466** | **0** |
| Attributable to subsidiary | 771 339 | 0 |

## 28.Non-controlling interest

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Balance at beginning of year | 3 174 267 | 2 355 349 |
| Share of profit for the year | -137 716 | 1 639 423 |
| Dividend paid to non-controlling interests | -580 037 | 0 |
| Disposal of the non-controlling interests related to sold subsidiary | -832 186 | 248 942 |
| Additional non-controlling interests arising on disposal of interest in NRG group | 0 | -356 680 |
| Net foreign exchange gains/ losses (-) | 0 | -712 767 |
| **Balance at end of year** | **1 624 328** | **3 174 267** |

## 29.Provisions

| | Emission quotas | Employee benefits | Other | Total |
|---|---|---|---|---|
| **January 1, 2012** | **1 304 208** | **1 087 249** | **749 101** | **3 140 558** |
| **Current portion of provisions (-)** | **1 229 475** | **169 494** | **283 199** | **1 682 168** |
| **Non-current portion of provisions** | **74 733** | **917 755** | **465 902** | **1 458 390** |
| Provisions made during the year | 1 117 165 | 134 227 | 651 342 | 1 902 734 |
| Provisions used during the year | -1 380 430 | -437 753 | -742 656 | -2 560 839 |
| Provisions reversed during the year | 0 | -18 639 | 0 | -18 639 |
| Acquired provisions during year | 0 | 0 | 0 | 0 |
| Effects of movements in exchange rates | 110 653 | 101 438 | -3 240 | 208 851 |
| **December 31, 2012** | **1 151 596** | **866 522** | **654 547** | **2 672 665** |
| **Current portion of provisions (-)** | **1 147 521** | **137 359** | **326 307** | **1 611 187** |
| **Non-current portion of provisions** | **4 075** | **729 162** | **328 240** | **1 061 477** |
| Provisions made during the year | 659 416 | 41 482 | 494 010 | 1 194 908 |
| Provisions used during the year | -938 969 | -118 732 | -77 785 | -1 135 486 |
| Provisions reversed during the year | 0 | 0 | 0 | 0 |
| Acquired provisions during year | -176 976 | -263 378 | 0 | -440 354 |
| Effects of movements in exchange rates | -25 440 | 184 965 | 4 170 | 163 695 |
| **December 31, 2013** | **669 627** | **710 858** | **1 074 942** | **2 455 427** |
| **Current portion of provisions (-)** | 669 627 | 94 989 | 284 874 | **1 049 490** |
| **Non-current portion of provisions** | **0** | **615 869** | **790 068** | **1 405 937** |

## 30.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.

| Basic and diluted EPS | 2013 | 2012 |
|---|---|---|
| Profit for the period attributable to ordinary shareholders from continuing operations | 2 138 990 | -18 959 108 |
| Profit for the period attributable to ordinary shareholders from discontinuing operations | -521 167 | -3 863 412 |
| Weighted average number of ordinary shares (shares) | 4 808 585 | 2 640 000 |
| **Basic EPS from continuing operations (EUR/pieces)** | **0,44** | **-7,18** |
| **Basic EPS from discontinuing operations (EUR/pieces)** | **-0,11** | **-1,46** |
| | | |
| **Total basic EPS** | **0,34** | **-8,64** |
| Number of ordinary shares grantable at a discount | 0 | 0 |
| **Diluted EPS from continuing operations(EUR/pieces)** | **0,44** | **-7,18** |
| **Diluted EPS from discontinuing operations(EUR/pieces)** | **-0,11** | **-1,46** |
| | | |
| **Total diluted EPS** | **0,34** | **-8,64** |

## 31.Loans and borrowings

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Liabilities from bond issues | 0 | 22 048 922 |
| Secured bank loans | 8 711 879 | 12 998 509 |
| Other loans | 0 | 3 217 673 |
| Finance lease liabilities | 27 033 | 43 005 |
| **Financial liabilities** | **8 738 912** | **38 308 109** |
| Current portion of liabilities from bond issues | 0 | 22 048 922 |
| Current portion of secured bank loans | 1 388 258 | 3 309 186 |
| Current portion of other loans | 0 | 3 212 254 |
| Current portion of finance lease liabilities | 7 235 | 11 856 |
| **Total current liabilities** | **1 395 493** | **28 582 218** |
| Non-current portion of liabilities from bond issues | 0 | 0 |
| Non-current portion of secured bank loans | 7 323 621 | 9 689 323 |
| Non-current portion of other loans | 0 | 5 419 |
| Non-current portion of finance lease liabilities | 19 798 | 31 149 |
| **Total non-current liabilities** | **7 343 419** | **9 725 891** |

Bank loans

| Bank name | Closing date | Reference interest | Margin % | Currency | December 31, 2013 | December 31, 2012 |
|---|---|---|---|---|---|---|
| BzWBK | 2017.05.31 | WIBOR | 3,00% | PLN | 7 715 565 | 8 591 065 |
| BzWBK | 2018.12.31 | WIBOR | 2,50% | PLN | 996 314 | 2 488 119 |
| Raiffeisen | 2017.09.01 | BUBOR | 2,75% | HUF | 0 | 1 420 207 |
| FHB | 2018.03.09 | BUBOR | 4,85% | HUF | 0 | 302 751 |
| NFOS | 2013.12.20 | n/a | 2,38% | PLN | 0 | 196 367 |
| | | | | | **8 711 879** | **12 998 509** |
| **Due in one year** | | | | | **1 388 258** | **2 572 809** |

Other than bank loan

| Provider | Closing date | Reference interest | Margin % | Currency | December 31, 2013 | December 31, 2012 |
|---|---|---|---|---|---|---|
| Soós Csaba | 2013.01.31 | BUBOR | 4,00% | HUF | 0 | 2 894 983 |
| Egyéb hitelek | - | - | - | - | 0 | 322 690 |
| **Összesen** | | | | | **0** | **3 217 673** |

## 32.Obligations from Bond Issues

The 10 billion HUF E-star bond issue program no. I started in 2010 and it was successfully closed in 2013 with the bankruptcy agreement. The nominal value of each issued bond was HUF 100,000.

| Bonds - Hungary | | | | |
|---|---|---|---|---|
| **Type** | **Auction date** | **Interest rate %** | **December 31, 2013** | **December 31, 2012** |
| E-STAR 2012/A | 2012.10.24 | FIX 8,93% | 0 | 711 598 |
| RFV 2014/A | 2014.02.12 | FIX 10,44% | 0 | 15 498 118 |
| E-STAR 2015/A | 2015.02.12 | FIX 10,24% | 0 | 2 473 486 |
| E-STAR 2016/C | 2015.02.12 | EURIBOR + 5% | 0 | 3 365 720 |
| **Total bonds** | | | **0** | **22 048 922** |
| | | | | |
| **Due within one year** | | | **0** | **22 048 922** |

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Total issued bonds | 0 | 34 211 426 |
| Treasury bonds | 0 | 12 162 504 |
| **Total bonds, net** | **0** | **22 048 922** |

## 33.Employee Share Ownership Program

| Movement in the present value of the defined benefit obligation | 2013 | 2012 |
|---|---|---|
| **Defined benefit obligation as at January 1** | 1 120 280 | 1 187 830 |
| Current service costs | 39 611 | 58 920 |
| Interest expense | 34 339 | 63 200 |
| Benefits paid | -83 521 | -156 714 |
| Actuarial gains and losses | 10 188 | 1 191 |
| FX difference | 0 | -34 147 |
| Business combinations | -90 026 | 0 |
| **Defined benefit obligation as at December 31** | **1 030 871** | **1 120 280** |
| ***Expense recognizes in profit and loss*** | | |
| Current service costs | 39 611 | 58 920 |
| Interest expense | 34 339 | 63 200 |
| Actuarial gains and losses | 10 188 | 17 201 |
| **Total expense recognized in profit or loss** | **84 138** | **139 321** |

| ***Actuarial assumptions*** | **2013** | **2012** |
|---|---|---|
| Discount rate as at 31 December | 4,69% | 4,72% |
| Future salary increases | 2,51% | 2,61% |

This table contains the expenditures of the Executive Share Option Program of the Poland segment. The values of the liability will be presented in the notes 36.

299.952 EUR amount accured benefits has been reversed related the Executive Share Option Program in current year.

## 34. Deferred Income

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Government grants | 3 541 247 | 3 886 843 |
| **Total deferred income** | **3 541 247** | **3 886 843** |
| Current portion of government grants received | 268 810 | 637 678 |
| **Total current deferred income** | **268 810** | **637 678** |
| Non-current portion of government grants received | 3 272 437 | 3 249 165 |
| **Total non-current deferred income** | **3 272 437** | **3 249 165** |

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 PLN (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.

## 35. Other long term liability

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Other long term liability regarding Romanian concession rights | 444 931 | 606 489 |
| Long term liability from interest rate swap | 350 498 | 489 085 |
| Other long term liability | 0 | 31 149 |
| **Total** | **795 429** | **1 126 723** |

The other long term liabilities contains the long term liability of the concession rights of the projects of Romania and the interest rate swaps of the Poland segment.

## 36. Other short term liabilities

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Liabilities from employee share ownership program | 1 030 871 | 1 120 280 |
| Liabilities from concession contracts (current) | 806 412 | 300 000 |
| Other taxes payable | 641 797 | 1 500 540 |
| Liabilities related to investments | 508 828 | 0 |
| Received punishment | 340 505 | 0 |
| Social security | 132 773 | 433 049 |
| Wages and salaries | 126 089 | 170 108 |
| Advance payment received | 125 | 120 |
| Vindicatum GH ltd. Loan principal | 0 | 2 602 127 |
| Share coverage insurance premium | 0 | 509 211 |
| Other liabilities | 127 887 | 1 411 943 |
| **Other liabilities** | **3 715 288** | **8 047 378** |

## 37.Realated Party Transactions

Related party out of consolidation

| Related party | Nature of the related party | Reference |
|---|---|---|
| Csaba Soós | A Társaság részvényese | 1. Note |

The balances of transactions with the above affiliated partners at the balance sheet date are as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| **Transactions affecting the balance sheet** | | |
| Loan liabilities to related party - Csaba Soós | 0 | 2 894 983 |
| **Total** | **0** | **2 894 983** |
| | | |
| **Transactions affecting the comprehensive income** | | |
| Receivables against related party- Csaba Soós | 216 376 | 0 |
| Remitted interest under bankrupcy by related party | 131 862 | 0 |
| Interest income from related party | 9 174 | 0 |
| **Total** | **357 412** | **0** |

The terms and conditions of loans received from and granted to affiliated partners are in line with the market conditions.

The commitment fee of the share collateral presented in Note 36 was incurred in relation to the following matter. In the course of the period concerned, Csaba Soós, the key strategic owner of the company, Chairman of the Board of Directors and CEO, made available to the Company a varying number of the E-Star shares in its possession as collateral, which was requried by the Comapany's business partners, as compensation for which the Company settled costs under customary market conditions in return for making the shares available as collateral.

In the year concerned the Group purchased from Csaba Soós, the key shareholder, 100% of the shares of Fondelec for a compensation of EUR 400,000.

The remuneration of the Board of Directors, Supervisory Board in 2013:

| | 2013 | 2012 |
|---|---|---|
| Gross honorarium | 47 032 | 10 469 |
| Commission fee | 22 962 | 78 002 |
| **Total** | **69 994** | **88 471** |

## 38.Segment information

Segment information for the year 2013:

| | Hungary 2013 | Rumania 2013 | Poland 2013 | Other 2013 | Total 2013 |
|---|---|---|---|---|---|
| Property, plant and equipment | 1 562 288 | 855 253 | 16 023 222 | - | **18 440 763** |
| Intangible assets | 86 383 | 5 213 394 | 1 009 288 | - | **6 309 065** |
| Investments in affiliated companies | - | | 860 907 | - | **860 907** |
| Investments in other companies | - | - | 9 598 | - | **9 598** |
| Financial Asset (IFRIC 12) | - | 4 438 889 | - | - | **4 438 889** |
| Goodwill | - | - | - | - | **-** |
| Other long term receivables | - | 1 596 | - | - | **1 596** |
| Deferred tax assets | 1 223 521 | - | 34 047 | - | **1 257 568** |
| Total non-current assets | 2 872 192 | 10 509 132 | 17 937 062 | - | 31 318 386 |
| Inventories | - | 394 439 | 2 134 399 | - | **2 528 838** |
| Trade receivables | 641 052 | 528 998 | 2 351 676 | 12 797 | **3 534 523** |
| Other receivables due within a year | 1 191 765 | 139 499 | 222 659 | 63 190 | **1 617 113** |
| Accruals and prepaid expenses | 841 093 | 3 447 | 86 766 | - | **931 306** |
| Securities | - | - | - | - | **-** |
| Cash and cash equivalents | 344 355 | 173 376 | 650 441 | 363 | **1 168 535** |
| Total current assets | 3 018 265 | 1 239 759 | 5 445 941 | 76 350 | 9 780 314 |
| **Total assets** | **5 890 457** | **11 748 891** | **23 383 003** | **76 350** | **41 098 701** |
| Financial liabilities | - | - | 7 343 419 | - | **7 343 419** |
| Provisions | 717 283 | - | 688 654 | - | **1 405 937** |
| Deferred tax liabilities | - | - | 71 547 | - | **71 547** |
| Deferred income | - | - | 3 272 437 | - | **3 272 437** |
| Other long-term liabilities | - | 444 931 | 350 498 | - | **795 429** |
| Total non-current liabilities | **717 283** | **444 931** | **11 726 555** | **-** | **12 888 769** |
| Trade payables | 655 453 | 2 245 605 | 1 398 450 | 46 291 | **4 345 799** |
| Financial liabilities (current) | - | 99 | 1 395 394 | - | **1 395 493** |
| Provisions (current) | - | - | 1 049 490 | - | **1 049 490** |
| Accruals and deferred income | 517 745 | - | 268 478 | 412 568 | **1 198 791** |
| Other liabilities | 1 285 426 | 1 018 333 | 1 410 821 | 708 | **3 715 288** |
| Total current liabilities | **2 458 624** | **3 264 037** | **5 522 633** | **459 568** | **11 704 861** |
| Total liabilities | **3 175 907** | **3 708 968** | **17 249 188** | **459 568** | **24 593 630** |
| Revenue | 2 989 538 | 1 057 318 | 17 663 900 | - | **21 710 756** |
| Cost of sales | -2 419 493 | -1 144 094 | -1 447 993 | - | **-5 011 580** |
| Gross Profit | **570 045** | **-86 775** | **16 215 907** | **-** | **16 699 177** |
| Material cost | -29 457 | -63 199 | -7 848 051 | - | **-7 940 707** |
| Personnel cost | -514 083 | -318 061 | -2 053 432 | - | **-2 885 576** |
| Service used | -892 205 | -371 112 | -1 508 022 | -12 419 | **-2 783 758** |
| Other revenue and expenditures, net | 7 293 863 | 568 451 | -1 345 908 | -2 144 143 | **4 372 263** |
| Operation cost | **5 858 118** | **-183 920** | **-12 755 414** | **-2 156 563** | **-9 237 779** |
| Depreciation | -387 032 | -407 296 | -1 198 385 | - | **-1 992 713** |
| Impairment of PPE | 71 128 | 332 230 | -572 081 | - | **-168 723** |
| Net profit/loss from financial activities | 911 653 | -1 992 166 | -170 518 | -42 422 | **-1 293 453** |
| Net profit/loss from associated companies | - | - | -164 450 | - | **-164 450** |
| **Profit before tax** | **7 023 912** | **-2 337 927** | **1 355 059** | **-2 198 985** | **3 842 059** |
| Income tax expense | -1 554 402 | -78 | -148 589 | - | **-1 703 069** |
| Loss from discontinued operation | | | -521 167 | | **-521 167** |
| **Profit for the year** | **5 469 510** | **-2 338 005** | **685 303** | **-2 198 985** | **1 617 823** |
| Attributable to: | | | | | |
| Owners of the Company | 5 469 510 | -2 338 005 | 823 022 | -2 198 985 | **1 755 538** |
| Non-controlling interests | - | - | -137 715 | - | **-137 715** |

All date in EUR unless otherwise indicated

Segment information for the year 2012:

| | Hungary 2012 | Rumania 2012 | Poland 2012 | Other 2012 | Total 2012 |
|---|---|---|---|---|---|
| Property, plant and equipment | 680 250 | 881 272 | 20 185 284 | - | **21 746 806** |
| Intangible assets | 39 719 | 5 561 583 | 1 582 941 | - | **7 184 243** |
| Investments in other companies | - | - | 16 937 | - | **16 937** |
| Financial Asset (IFRIC 12) | 5 159 282 | - | - | - | **5 159 282** |
| Goodwill | - | - | 62 219 | - | **62 219** |
| Other long term receivables | - | 32 982 | - | - | **32 982** |
| Deferred tax assets | 2 687 222 | - | - | - | **2 687 222** |
| Total non-current assets | 8 566 473 | 6 475 837 | 21 847 381 | - | 36 889 692 |
| Inventories | 60 | 521 854 | 2 856 946 | - | **3 378 860** |
| Trade receivables | 1 858 836 | 448 137 | 4 640 255 | 430 026 | **7 377 254** |
| Other receivables due within a year | 553 453 | 1 643 775 | 1 143 684 | 63 190 | **3 404 102** |
| Accruals and prepaid expenses | 620 222 | 3 571 | 5 106 | - | **628 899** |
| Securities | - | - | 47 717 | - | **47 717** |
| Cash and cash equivalents | 2 111 082 | 99 764 | 1 645 061 | 363 | **3 856 270** |
| Total current assets | 5 143 653 | 2 717 101 | 10 338 769 | 493 579 | 18 693 102 |
| **Total assets** | **13 710 126** | **9 192 938** | **32 186 150** | **493 579** | **55 582 793** |
| Financial liabilities | 804 831 | - | 8 921 060 | - | **9 725 891** |
| Provisions | 328 492 | - | 732 985 | - | **1 061 477** |
| Deferred tax liabilities | - | - | 171 191 | - | **171 191** |
| Deferred income | - | - | 3 249 165 | - | **3 249 165** |
| Other long-term liabilities | - | 606 489 | 520 234 | - | **1 126 723** |
| Total non-current liabilities | **1 133 323** | **606 489** | **13 594 635** | **-** | **15 334 447** |
| Trade payables | 1 791 355 | 2 446 552 | 2 908 949 | 46 255 | **7 193 111** |
| Financial liabilities (current) | 25 865 761 | 318 961 | 2 397 496 | - | **28 582 218** |
| Provisions (current) | - | - | 1 611 187 | - | **1 611 187** |
| Accruals and deferred income | 3 025 969 | - | 637 923 | 412 568 | **4 076 460** |
| Other liabilities | 6 414 785 | 547 252 | 1 084 633 | 708 | **8 047 378** |
| Total current liabilities | **37 097 870** | **3 312 765** | **8 640 188** | **459 531** | **49 510 354** |
| Total liabilities | **38 231 193** | **3 919 254** | **22 234 823** | **459 531** | **64 844 801** |
| Revenue | 8 561 222 | 4 791 941 | 35 891 287 | - | **49 244 450** |
| Cost of sales | -4 839 784 | -3 584 641 | -26 845 342 | - | **-35 269 767** |
| Gross Profit | **3 721 438** | **1 207 300** | **9 045 945** | **-** | **13 974 683** |
| Personnel cost | -1 584 538 | -947 545 | -3 817 023 | - | **-5 699 836** |
| Service used | -2 710 277 | -620 945 | -1 953 656 | -12 889 | **-5 297 767** |
| Other revenue and expenditures, net | -10 760 005 | -5 145 350 | -373 539 | - | **-16 278 874** |
| Depreciation | -406 476 | -1 022 659 | -1 398 047 | - | **-2 827 182** |
| Impairment of PPE | -1 457 495 | -8 893 109 | 0 | - | **-10 350 604** |
| Net profit/loss from financial activities | 3 602 629 | -1 184 771 | -498 946 | 1 143 948 | **3 062 860** |
| **Profit before tax** | **-6 877 873** | **-16 607 079** | **1 004 734** | **1 131 059** | **-21 236 330** |
| Income tax expense | 2 842 297 | - | -565 075 | - | **2 277 222** |
| Loss from discontinued operation | -3 129 436 | - | 733 976 | - | **-3 863 412** |
| **Profit for the year** | **-7 165 012** | **-16 607 079** | **1 173 635** | **1 131 059** | **-22 822 520** |
| Attributable to: | | | | | |
| Owners of the Company | -8 393 438 | -16 607 079 | -592 485 | 1 131 059 | **-24 461 943** |
| Non-controlling interests | 1 228 426 | - | 410 997 | - | **1 639 423** |

## 39.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

39.1. 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.

39.2. 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, 2013 | RON | PLN | HUF |
|---|---|---|---|
| Receivables | 671 943 | 2 661 101 | 2 673 910 |
| Trade payables | -3 708 869 | -8 510 375 | -3 175 907 |
| Revenue | 1 625 770 | 17 663 900 | 11 195 054 |
| Expenditures | -4 296 005 | -19 748 761 | -5 796 672 |
| External loans | -99 | -8 740 163 | 0 |
| **Net position** | **-5 707 260** | **-16 674 298** | **4 896 385** |

| December 31, 2012 | RON | PLN | HUF |
|---|---|---|---|
| Receivables | 6 349 212 | 8 640 803 | 2 854 534 |
| Trade payables | -3 564 470 | -7 964 459 | -9 116 001 |
| Revenue | 4 791 941 | 38 394 936 | 15 569 436 |
| Expenditures | -10 891 449 | -34 043 935 | -15 000 382 |
| External loans | 0 | -8 921 060 | -25 761 167 |
| **Net position** | **-3 314 766** | **-3 893 715** | **-31 453 580** |

39.3. 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.

The Company's exchange rate sensitivity for the year 2013.12.31 presented in the table below:

| Movements in exchange rate (%) | Excange rate | | | Effect for current year result |
|---|---|---|---|---|
| | EUR/HUF | EUR/RON | EUR/PLN | |
| 97,69% | 0,0033 | | | |
| | | 0,2181 | 0,2356 | 403 907 |
| | | 0,2233 | 0,2243 | -113 106 |
| | | 0,2284 | 0,2467 | -630 120 |
| 100,00% | 0,0034 | | | |
| | | 0,2181 | 0,2356 | 517 014 |
| | | 0,2233 | 0,2411 | 0 |
| | | 0,2284 | 0,2467 | -517 014 |
| 102,31% | 0,0034 | | | |
| | | 0,2181 | 0,2356 | 630 120 |
| | | 0,2233 | 0,2243 | 113 106 |
| | | 0,2284 | 0,2467 | -403 907 |

We prepared the calculation for 31 December, 2012. also:

| Movements in exchange rate (%) | Excange rate | | | Effect for current year result |
|---|---|---|---|---|
| | EUR/HUF | EUR/RON | EUR/PLN | |
| 97,69% | 0,0033 | | | |
| | | 0,2198 | 0,2398 | 893 094 |
| | | 0,2250 | 0,2243 | 726 578 |
| | | 0,2302 | 0,2511 | 560 062 |
| 100,00% | 0,0034 | | | |
| | | 0,2198 | 0,2398 | 166 516 |
| | | 0,2250 | 0,2455 | 0 |
| | | 0,2302 | 0,2511 | -166 516 |
| 102,31% | 0,0035 | | | |
| | | 0,2198 | 0,2398 | -560 062 |
| | | 0,2250 | 0,2243 | -726 578 |
| | | 0,2302 | 0,2511 | -893 094 |

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:

| | 2013 | 2012 |
|---|---|---|
| Effective interest rate: | 6,5% | 12,79% |

39.4. Sensitivity analysis

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

December 31, 2013

| Movements in interest rate: | 6% | 6,5% | 7% |
|---|---|---|---|
| Interest payable: | -43 695 | 0 | 43 695 |

December 31, 2012

| Movements in interest rate: | 12,3% | 12,8% | 13,3% |
|---|---|---|---|
| Interest payable: | **-221 513** | **0** | **221 513** |

39.5. 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.

Liquidity and interest risk table:

| December 31, 2013 | | | | | | |
|---|---|---|---|---|---|---|
| In Euro | Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | Contractual | Carrying |
| Loans and borrowings | 1 582 803 | 829 921 | 7 877 046 | 0 | 10 289 769 | 8 738 912 |
| Other Long term liability | 0 | 350 042 | 445 387 | 0 | 795 429 | 795 429 |
| Trade and other payables | 9 259 877 | 0 | 0 | 0 | 9 259 877 | 9 259 877 |
| **Total financial liabilities** | **10 842 680** | **1 179 963** | **8 322 433** | **0** | **20 345 075** | **18 794 218** |

| December 31, 2012 | | | | | | |
|---|---|---|---|---|---|---|
| In Euro | Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | Contractual | Carrying |
| Loans and borrowings | 28 582 218 | 0 | 9 725 891 | 9 725 891 | 38 308 109 | 38 308 109 |
| Other long term liability | 0 | 563 362 | 563 362 | 0 | 1 126 723 | 1 126 723 |
| Trade and other payables | 15 240 489 | 0 | 0 | 0 | 15 240 489 | 15 240 489 |
| **Total financial liabilities** | **43 822 707** | **563 362** | **10 289 253** | **9 725 891** | **54 675 321** | **54 675 321** |

39.6. 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.

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Not past due | 2 461 122 | 5 377 852 |
| Past due 0-90 days | 562 874 | 1 729 258 |
| Past due 91-180 days | 524 748 | 493 318 |
| Past due 181-360 days | 321 288 | 1 057 069 |
| More than one year | 1 981 660 | 1 575 652 |
| **Trade receivable gross total** | **5 851 692** | **10 233 149** |

## 40. Description of bankrupcy procedures and subsequent events after the reporting period

As it is well known from the many public announcements of the Company, based on decision no. 16/2012 (02.11) of the General Assembly, the Company filed an application to the Metropolitan Court of Justice for the commencement of bankruptcy proceedings in accordance with Paragraph (1) Art. 7. of Act no. XLIX. of 1991 (hereinafter referred to as Bankruptcy Act). The reason for submitting the application for the commencement of bankruptcy proceedings was that the Company was not able to meet its due payment obligations in time.

In its order no. 9.Cspk.01-12-000049/7 the Metropolitan Court of Justice ordered the publication of the announcement on the commencement of the bankruptcy proceedings against the Company in the Companies Bulletin. According to the decision, the commencement day of the bankruptcy proceedings was the publication date of the decision in the Companies Bulletin i.e., the 13th day of December 2012.

The following main factors influenced the Company in making the decision to initiate the bankruptcy proceedings:

- The Company had in its records financial obligations of approximately HUF 200 Million in E-Star 2012/A series bonds that remained unpaid on the expiry date and therefore the bondholders became entitled to initiate liquidation proceedings against the Company,
- Raiffeisen Bank terminated its loan agreements concluded with the Company by prompt notice,
- GREP Ltd. initiated liquidation proceedings against the Company.

The non-fulfilment of the bond obligation seriously threatened the operation of the Company as following the expiry of certain deadlines the delay could have resulted in the termination of other bonds with later expiry dates and the commencement of liquidation proceeding as well.

At the time when the bond debt of HUF 200 Million became due, the overdue receivables in the books of the Company against the Hungarian municipalities exceeded the amount HUF 1 Billion.

The non-payments of the Hungarian municipalities played a major role in turning the operation of the Company in Hungary financially impossible despite the rationalizing measures that had been made in 2012. Considering the financially impossible situation and the municipality clientele where the payment problems have become obvious by that time, despite their previously good connections with the Company the financing banks required ever accelerating prepayments.

In accordance with the Bankruptcy Act during the bankruptcy proceedings of the Company creditors with non-expired and non-due claims arising from bonds expiring in 2014, 2015, and 2016 had to notify their claims as well therefore the Company had to meet its obligations prematurely also for these later expiring securities i.e. the Company had to reach an agreement with its creditors in relation with these debts too.

On the 26th of April 2013 a Settlement with the Creditors was reached between the Company and its creditors, which was backed by a substantial majority of the creditors (80.81% of the creditors present voted yes and 1.07% of them voted no while 18.12% of the creditors were not present at the bankruptcy meeting; their vote was counted as “no” in accordance with the Bankruptcy Act).

According to the Settlement with the Creditors, by concluding the Settlement with the Creditors the Company and the Creditors made all creditor claims involved in the Settlement with the Creditors expired by mutual consent.

From the claims registered during the bankruptcy proceedings against the Company, by accepting the Settlement with the Creditors the Creditors cancelled all claims over the capital claim, with particularly the interest claims, allowance claims and other fee claims.

In its decision dated on 30th August 2013 the Metropolitan Regional Court partly changed the decision of the Metropolitan Court and accepting the content of the Company’s appeal it approved the settlement with the creditors and terminated the bankruptcy proceedings.

After the settlement with the creditors had become final the Company started the execution thereof without delay. The execution consisted of two fundamental steps. First: capital increase, issuance of the shares to be allocated according to the settlement with the creditors. Second: introduction of the issued shares to the stock exchange and distribution thereof to the creditors.

The Board of Directors made the decision on the capital increase based on the resolution of the Shareholders’ Meeting which was registered at the registry court on the 16th September 2013.

In order to prepare the second step of the execution of the settlement with the creditors the Company prepared the consolidated report required for the introduction of the shares to the Budapest Stock Exchange. The Company filed the consolidated report to the Hungarian Financial Supervisory Authority on 22nd September 2013 and it was approved by the Hungarian National Bank (HFSA has been integrated into the HNB meanwhile) on 31st October 2013.

In its announcements the Company was continuously informing the creditors and the investors about the current status of the settlement with the creditors and about the obligations required for the execution thereof.

The shareholders determined on the Extraordinary General Meeting as of February 13, 2014 to decrease the subscribed capital with the elimination of the Company' 25,358,866 pieces 10, HUF nominal value treasury shares. As a result of the transaction the Company's issued dematerialized shares decrease from 52.531.445 pieces to 27.172.579 with 10,-huf nominal value.

Disputes with the financial authority of Romania: Firstly the court determined their competence regarding the bankruptcy procedure against the Company, secondly they rejected the plaint of the financial authority.

The Company and the E-Star CDR were informed by the Romanian Ministry of Justice official website that the E-Star CDR is under bankruptcy procedure and RVA MUREŞ INSOLVENCY SPECIALISTS SPRL. was nominated as liquidator. The E-Star CDR is not under bankruptcy or liquidation, as it is stated the certificate of incorporation which was asked from the company register as of February 13, 2014.

The Company disclosed the fourth quarterly report for the year 2013. as of February, 28. 2014.

The country court of Maros was rejected the claim of the Company and upheld the formulated and completed counterclaim of country town Marosvásárhely. Based on the decision above, the court qualified as an unsubstantiated the Company's statement regarding the termination for the concession right, which breaches of contracts was acknowledged by country town Marosvásárhely.The decision is not legally binding, and the resolution with explanation has not been sent to the Company. However taking into consideration the Romanian practice of justice and own experiences, - which are complained on international level due to shortage of fairness – the Company does not expect any further recovery from these receivables and accounted 100% impairment on these assets on consolidated level.

The Company made an agreement out of court with the successor of Budapest Sport Egyesület, who is Magyar Testgyakorlók Köre. As a result of the agreement the Company withdrew its plaintiff. This lawsuit have not been cancelled yet.

Dr. Tibor Botos a shareholder and former registered creditor in the bankruptcy procedure of the Company brought a lawsuit to the Capital Courthouse regarding the overrule of Company' capital increase warrant furthermore asked for the court review and overrule of the decision were made on the Company' Annual General Meeting.

The Company made an agreement out of court with GREP Zrt. As a part of the agreement the Company undertook to pay 12 M HUF in a form of a sharebase payment with ENEFI treasury shares (366 HUF/shares). During the lawsuit the original receivables was 16 M HUF capital and 16 M HUF incidental expense. This lawsuit have not been cancelled yet.

The Company also made an agreement out of the court with Hódmezővásárhely Megyei Jogú Város Önkormányzat, as a result of the agreement 200 M HUF receivable will recover. The full amount of the receivable was collected by the E-Star Esco Kft. as of March 20, 2014, as this is a subsequent event transaction, the accounting treatment of this event will be accounted in 2014 financial year. The parties asked the cancellation of the lawsuit, which have not been occurred yet.

The profit and loss with the elimination of the effect of bankrupcy:

| | 2013. Basic | Eliminated from the effect of bankruptcy 2013. |
|---|---|---|
| **Countinued Operations** | | |
| Revenue | 21 710 756 | 21 710 756 |
| Cost of sales | -12 952 287 | -12 952 287 |
| **Gross Profit** | **8 758 469** | **8 758 469** |
| Personnel cost | -2 885 576 | -2 885 576 |
| Service used | -2 783 758 | -2 324 568 |
| Other revenue and expenditures, net | 4 372 263 | -375 650 |
| Depreciation | -1 992 713 | -1 992 713 |
| Impairment of Property, plant and equipment | -168 723 | -168 723 |
| Net profit/loss from financial activities | -1 293 453 | -1 293 453 |
| Net profit/loss from associated companies | -164 450 | -164 450 |
| **Profit before tax** | **3 842 059** | **-446 664** |
| Income tax expense | -1 703 069 | -1 703 069 |
| **Profit for the year from continuing operations** | **2 138 990** | **-2 149 733** |
| **Discountinued operations** | | |
| Loss from discontinued operation | -521 167 | -521 167 |
| **Profit for the year** | **1 617 823** | **-2 670 900** |
| Attributable to: | | |
| Owners of the Company | 1 755 538 | -2 533 181 |
| Non-controlling interests | -137 719 | -137 719 |
| Other comprehensive income | | |
| Foreign currency translation differences | 677 323 | 677 323 |
| Total other comprehensive income | 677 323 | 677 323 |
| **Total comprehensive income** | **2 295 146** | **-1 993 577** |
| Attributable to: | | |
| Owners of the Company | 2 432 862 | -1 855 861 |
| Non-controlling interests | -137 716 | -137 716 |
| **Earnings per share (EUR)** | | |
| Countinued and discountinued operations | | |
| Basic earning per share | 0,34 | -0,32 |
| Diluted earnings per share | 0,34 | -0,32 |
| Countinued operations | | |
| Basic earning per share | 0,44 | -0,26 |
| Diluted earnings per share | 0,44 | -0,26 |

List of factors affecting profit/loss due to bankrupcy

| | |
|---|---|
| Released interest | 3 685 600 |
| Non-announced receivables (to bankruptcy procedure) | 1 420 024 |
| Made provision due to the non-announced receivables (to bankruptcy procedure) | -136 789 |
| Provision made for Romanian tax authority' receivable | -220 923 |
| Advisory fee occurred due to the bankruptcy procedure | -459 190 |
| **Total** | **4 288 723** |

## 41.Presentation of off-balance sheet items and their impact on financial statements

Based on the best estimate of the management, the Group made provision for the expected financial impact of legal matters in respect of which the Group may incur a loss. The management considered generating reserves justified in respect of the following matters:

- The lawsuit initiated by János Nagy sole trader

Based on the estimate of the management, no further provision had to be accounted in respect of other litigations by the Group.

| Plaintiff | Respondent | Subject of dispute |
|---|---|---|
| Tibor Botos, dr. | ENEFI Energy Efficiency Plc. | Judicial review of corporate resolutions |
| Tibor Botos, dr. | ENEFI Energy Efficiency Plc. | Judicial review of corporate resolutions |
| Tibor Botos, dr. | ENEFI Energy Efficiency Plc. | annulment of decree on registering corporate changes |
| Nagy János contractor | ENEFI Energy Efficiency Plc. | HUF 26,084,436 + VAT, plus interest and other charges |
| ENEFI Energy Efficiency Plc. | Municipality of Nagydobos | HUF 38,193,548 + interest and other charges |
| ENEFI Energy Efficiency Plc. | Municipality of Szamosszeg | HUF 12,419,219 + interest and other charges |
| Nagy János contractor | E-Star ESCO Ltd. | HUF 10,951,056 + VAT, plus interest and other charges |
| E-Star ESCO Kft. | City of Hódmezővásárhely | HUF 238,579,655 + interest and other charges |
| E- Star Mures Energy SA | Financial Office of Targu Mures | appeal against administrative order – in the amount of RON 82,713 |
| E- Star Mures Energy SA | Financial Office of Targu Mures | appeal against administrative order – in the amount of RON 1,986,286 (to release the company from its joint and several payment obligation with the permanent sediu of ENEFI Energy Efficiency Plc.) |
| Compania Aquaserv SA | E- Star Mures Energy SA | payment of outstanding fees pursuant to agreements with customers – in the amount of RON 77,248.21 |
| E- Star Mures Energy SA | Environmental Office – branch office in Szeben | appeal against administrative order – in the amount of RON 20,000 |
| E- Star Mures Energy SA | Office for Consumer Protection in Mures County | appeal against administrative order – in the amount of RON 333.91 |
| E-On Energie Romania | E- Star Mures Energy SA | payment of outstanding fees pursuant to agreements with customer – in the amount of RON 5,441,260.69 |
| E- Star Mures Energy SA | Financial Office of Mures County | appeal against administrative order – in the amount of RON 1,110,991 |
| E-Star Mures Energy SA | **223** residential consumer | payment of outstanding fees pursuant to agreements with customers |
| Elsaco Electronic SRL | E- Star Mures Energy SA | contractual receivables – in the amount of RON 43,735.08 period: 09.04.2012 – 24.09.2012 |
| ISCIR | E- Star Mures Energy SA | contractual receivables – in the amount of RON 7,272.83 period: 13.03.2012 – 08.10.2012 |
| E- Star Mures Energy SA | | bankruptcy process – 08.02.2013 |

| | | |
|---|---|---|
| E-Star Mures Energy SA | Municipality of Targu Murees | indemnity in connection with breaching of Concession agreement, payment of public heating subsidies and payment of outstanding fees pursuant to agreements with consumers – in the amount of RON 124,040,531.19<br>The City requested in its recourse claim to establish that the termination of the concession agreement was against the agreement |
| E-Star CDR SRL | **411** residential consumer | payment of outstanding fees pursuant to agreements with consumers |
| E-Star CDR SRL and Termoenergy SRL | Hargaz Harghita Gaz SA and Gospodarie Oraseneasca SA | establishment of the partial rescission of contract – reclaiming the already paid contractual fees – in the amount of RON 851,820.85 |
| E-Star CDR SRL and Termoenergy SRL | Hargaz Harghita Gaz SA and Gospodarie Oraseneasca SA | asking the court for explanation re its decision in the above referred process |
| Termoenergy SRL | City of Gheorgheni – financial department | appeal against administrative order – in the amount of RON 191,846 |
| Termoenergy SRL | City of Gheorgheni – financial department | appeal against the foreclosure of administrative order referred to above – in the amount of RON 191,846 |
| Fluid Group Hagen SRL | E-Star Investment Management SRL | payment of contractual fee – in the amount of RON 81,291.20 |
| Fluid Group Hagen SRL | E-Star Investment Management SRL | liquidation process based on the failure of payment of contractual fee – in the amount of RON 73,896.85 - new process registered on 28. 11. 2012 |
| Financial Office of Mures County | ENEFI Energy Efficiency Plc. (formerly: E-Star Alternative Plc.) and its permanent sediu of | Request No 1390/1371/2013 for ordering the insolvency proceeding against the company in front of the Court of Mures County based on the tax receivables against the company's permanent sediu in the amount of **RON 9,895,031.** The process had been initiated based on two different receivables which are currently not to be made valid against the company:<br>- RON 1,978,453 and default interests which had been submitted to the administrator of ENEFI without payment of registration fee, thus it was rejected by Határkő in letter No 77/2013 and 180/2013<br>- RON 7,602,324 and default interests what had been established in decision No 451/2013.06.25. of the financial authority during the bankruptcy process and failed to register it with the administrator within the deadline set out by law, thus lost its right to make it valid against the company |
| ENEFI Energy Efficiency Plc. (formerly: E-Star Alternative Plc.) | Financial Office of Mures County | 10816/320/2013 –<br>Mortgage right annulment. |
| ENEFI Energy Efficiency Plc. (formerly: E-Star Alternative Plc.) | Financial Office of Mures County | 8362/320/2013<br>Mortgage right annulment. |
| ENEFI Energy Efficiency Plc. (formerly: E-Star Alternative Plc.) | Financial Office of Mures County | 8360/320/2013<br>Mortgage right annulment. |
| ENEFI Energy Efficiency Plc. (formerly: E-Star Alternative Plc.) | Financial Office of Mures County | 4663/102/2013 -<br>70930/2013.08.07- enforcement annulment – in the amount of RON: 7.602.338,00 |
| Uzina Electrica (CET) | E-Star ZA Distriterm SRL | 5461/84/2012<br>for payment of contractual fee (payment order) – in the amount of RON 1,023,813.35 |
| Uzina Electrica (CET) | E-Star ZA Distriterm SRL | 4892/84/2012<br>payment of contractual fee (liquidation proceedings) – in the amount of RON 1,023,813.35 |
| E-Star ZA Distriterm SRL | I&O liquidator<br>Municipality of the City of Zalau | 4892/84/2012-a2<br>- objection against the table of creditors – in the amount of RON 3,605,881 |
| ENEFI Energy Efficiency Plc. | I&O liquidator | 4892/84/2012-a2 (from a3) |

| | | |
|---|---|---|
| | | - objection against the table of creditors – in the amount of RON 1,490,757 |
| | | 4892/84/2012-a2 (from a4) |
| E-Star Management Zrt. | I&O liquidator | - objection against the table of creditors – in the amount of RON 1,239,664 |
| | | 4892/84/2012-a2 (from a5) |
| E-Star Investment Management Srl. | I&O liquidator | - objection against the table of creditors – in the amount of RON 566,795 |
| | E-Star ZA Distriterm SRL | 5209/84/2012 |
| Municipality of the City of Zalau | ENEFI Energy Efficiency Plc. (formerly: E-Star Alternative Plc.) | termination of concession agreement, for declaration of the sale and purchase agreement of primer heating system to be void |
| | E-Star ZA Distriterm SRL | 4892/84/2012-a6 |
| I&O liquidator | ENEFI Energy Efficiency Plc. (formerly: E-Star Alternative Plc.) | declaration of the sale and purchase agreement of primer heating system to be void and that E-Star Alternative Plc. acted in bad faith concluding the agreement, thus lost its right to be registered as creditor with the consideration of the primer heating system in the amount of RON 4,062,518.02 |
| | I&O liquidator | 4892/84/2012-a7 |
| Municipality of the City of Zalau | E-Star ZA Distriterm SRL | challenging the liquidator's report based on the insolvency act |
| | I&O liquidator | 4892/84/2012-a8 |
| Financial Office of Salaj County | E-Star ZA Distriterm SRL | acceptance of registration request by creditor after the deadline passed – in the amount of RON 932,730 |
| | E-Star ZA Distriterm SRL | 4892/84/2012-a9 |
| I&O liquidator | ENEFI Energy Efficiency Plc. (formerly: E-Star Alternative Plc.) | declaration of agreement for professional services No 422/20. 07. 2010 and the agreement on assuming obligations to be void – in the amount of RON 3,542,610 |
| | Ben-Com-Mixt SRL | |
| | E-Star ZA Distriterm SRL | 4892/84/2012-a10 |
| I&O liquidator | E-Star Management Zrt. | declaration of agreement for professional services No 1911/07. 10. 2011 and the invoices issued based thereon to be void |
| ENEFI Energy Efficiency Plc. (formerly: E-Star Alternative Plc.) | I&O liquidator | 4892/84/2012-a11 |
| E-Star ZA Distriterm SRL | | challenging the liquidator's report |
| ENEFI Energy Efficiency Plc. (formerly: E-Star Alternative Plc.) | I&O liquidator | 4892/84/2012-a12 |
| E-Star ZA Distriterm SRL | | declaration of the resolution passed by creditors' committee to be void |
| ENEFI Energy Efficiency Plc. (formerly: E-Star Alternative Plc.) | | 4892/84/2012-a13 |
| E-Star ZA Distriterm SRL | I&O liquidator | challenging the liquidator's report |
| | | declaration of the resolution passed by creditors' committee to be void |
| | | 3740/84/2013 |
| Municipality of the City of Zalau | ENEFI Energy Efficiency Plc. (formerly: E-Star Alternative Plc.) | 3863/84/2013 |
| | | 2 urgency processes to return the primer heating system pipelines for temporary usage |
| E-Star Energy Generation SA | Financial Office of Szilágy County | appeal against administrative order – in the amount of RON 150,031 |
| ENEFI Energy Efficiency Plc. (formerly: E-Star Alternative Plc.) | Financial Office of Szilágy County | appeal against administrative order – in the amount of RON 932,730 |
| E-Star Management Zrt. | | |
| E-Star ZA Distriterm SRL | | |
| Dariusz Petryka | E-Star Management Polska Sp. z o.o. | proceeding in connection with termination of employment contract |

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|---|---|---|
| Dariusz Petryka | E-Star Management Polska Sp. z o.o. | compensation for unlawful termination of employment contract – in the amount of PLN 6,000 |
| E-Star Elektrociepłownia Mielec Sp. z o.o. | Budpol S.A. | requesting the payment for heat provided under service contract – in the amount of PLN 11,303 |

## 42. Approval of financial statements

The Annual General Meeting of ENEFI Energy Efficiency Plc. held on 20 March, 2014, approved the 2013 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS) showing a balance sheet total of 41 098 701 EUR and profit for the year of 2 295 146 EUR. The Board of Directors approved the issuance of the consolidated financial statement presented, however the Annual General Meeting of the owners authorised to approve the consolidated financial statements and may request changes before acceptance. Based on prior years experience the probability of the request for change from the Annual General Meeting of the owners is relatively small and unprecedented in the past.

## 43. Statements

We caution you that a number of important factors could cause actual results to differ materially from statements for the future.

Statement of responsibility – We declare that the Consolidated Financial Statements which have been prepared in accordance with the applicable accounting standards and the best knowledge, give a true and fair view of the assets, liabilities, financial position and profit or loss of ENEFI Energy Efficiency Plc. and its undertakings included in the consolidation, development and performance of the Company and its undertakings included in the consolidation, together with a description of the principal risks and uncertainties of its business.

Budapest, March 20, 2014

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Represents of ENEFI ENERGYEFFICIENCY Plc.