

**Report  
for the First Quarter of 2013  
of E-Star Alternative Energy Plc.  
“under bankruptcy protection”**

**31 May 2013**

E-Star Alternative Energy Plc. “under bankruptcy protection” (hereinafter: the Company) presents its financial results for the period between 1 January 2013 and 31 March 2013.

The report presents the Company’s operation based on the consolidated, **non-audited** financial data of the Company and its consolidated subsidiaries, as available on 31 May 2013.

Budapest-based Group heads enterprises operating in Hungary, Poland and Romania, the member companies of which are primarily engaged in heat generation and supply and, as a secondary line of business, with the supply of electrical energy, as well as the trading of energy within specific, clearly demarcated geographical territories of the aforementioned three countries. Besides this, certain companies in the Group are also engaged in projects for the modernisation and operation of public lighting systems in Hungary.

The financial reports concerning 2012 are still under review.

### **Presentation of the key factors impacting the operation and the business of the Company**

In the first quarter of 2013 the following business and other significant events with material impact on the Company’s results and future prospects took place:

The operation of E-Star Group (hereinafter: E-Star) in the first quarter of 2013 was basically influenced by the bankruptcy process of the mother company. The operation of E-Star is connected to three countries, thus the revenue (and as such profit) derives typically from those countries, whoever the bankruptcy of the Company influenced also the international relations of E-Star.

As the result of the company structure of E-Star the cash was generated in different geographical areas than the indebtedness of E-Star. The cash-flow problems were mainly cured by the loan of PLN 36 million drawn down in Poland in the third quarter of 2012 and subsequently through the sale of inter group company loan given to EC Gorlice, within the group.

Closing down Romanian projects stopped the cash bleeding in headquarter caused by Romanian operation. The agreements concluded with the non-paying municipalities and the State did not only mean one time, lump sum incomes, but E-Star also did not have to finance the gas costs of those projects during the heating season, however the cash generation was also lost at the same time.

The Company submitted a petition for initiation of bankruptcy proceeding pursuant to section (1) Article 7 of the Act on Bankruptcy Proceedings and Liquidation Proceedings to the Metropolitan Court with jurisdiction on the basis of resolution no. 16/ (02. 11.) 2012 of the Company’s General Meeting on 7 December 2012 because it could not comply with its due payment obligations within the deadline.

In line with the previous communication the aim of the bankruptcy process was that the Company concludes a settlement agreement with as big majority of creditors as possible.

The bankruptcy process was initiated based on the below reasons:

- GREP Zrt. initiated liquidation process against the Company

E-Star contests the claim of GREP Zrt., thus it has been registered as disputed claims in the bankruptcy process, but it was not able to enforce its claims in the liquidation process. Legal proceedings are still on-going between the parties.

- The Company was not able to repurchase its expired E-Star 2012/A bonds with a face value approximately HUF 200 million, thus the right of asserting their claims against the Company opened for bond owners which would have resulted shortly to liquidation.
- Raiffeisen Bank Zrt. terminated its existing loan agreements with the Company with immediate effect. The Company did not have the financial resources to immediately comply with the Bank's demands.

As the result of the negotiations with Raiffeisen Bank E-Star could buy back with a significant discount of approximately EUR 1.6 million its debts arising of the loans, of which the main part was the only secured claim against the Company. Pursuant to the opinion of the Company's Board of Directors it was a mile stone for the successful closing of the bankruptcy process.

E-Star was able to repurchase approximately 35% of the corporate bonds issued with an aggregate face value of HUF 10 billion in the fourth quarter of 2012. At the time of concluding the settlement agreement claims arising out of corporate bonds - not controlled by the Group - were only registered with an aggregate face value of HUF 6,1 billion in the bankruptcy process and only a face value of HUF 200 million was expired thereof. Pursuant to the Bankruptcy Act also the claims becoming due in the future (2014-2016) had to be registered. 97% of the registered claims arising from bonds were not expired claims, for which settlement the Company was supposed to undertake responsibility only in the future.

During the bankruptcy process the Company did not have to pay either it's, despite of the debt consolidation in 2012, still significant debts or interest in connection therewith because of the moratorium on payments.

The Hungarian projects of E-Star were grouped up based on their ability for payment in the second half of 2012. Further to the agreements concluded regarding its major projects E-Star terminated many agreements with its non-paying clients. The terminations of agreements were followed in most cases by successful negotiations and the previously existing debts of clients decreased significantly, thus E-Star reinstated the services for many of its clients. As the result thereof the payment ability of the remaining Hungarian portfolio increased significantly.

In Romania the operation was profitable without the terminated projects in Targu Mures and Zalau. The ratio of non-paying partners is healthy but despite of that E-Star is stressing to collect its receivables from non-paying customers.

The Polish operation is struggling with to uncertainty of the certificate system and the continuously decreasing electricity prices. Because of the uncertainty of the regulatory environment E-Star has stopped the operation of its 8,4 MWe gas engines in the first quarter and it seems to be projectable that the Polish operation will only be able to deliver half of the EBIDTA of 2012.

The Metropolitan Court ordered in its order No: 9.Cspk.01-12-000049/7 the publication of the announcement on the commencement of the bankruptcy proceedings of the Debtor in the Companies Bulletin. In accordance with the order the commencement day of the bankruptcy proceedings was the date of publishing the order in the Companies Bulletin, i.e. 13th December 2012.

The Metropolitan Court assigned HATÁRKÖ'93 Gazdasági Tanácsadó és Felszámoló Kft. (1135 Budapest, Csata u. 11. mfszt. 7.) as the administrator ("Administrator") of the Debtor.

The Company held four meetings on negotiation for the settlement with its creditors in the first quarter.

The Debtors and the Creditors held their first negotiation for the settlement with the creditors on 4th February 2013. 100% of the Creditors confirmed in the secured category and 91% of the Creditors confirmed in the unsecured category attended the negotiation for the settlement with the creditors so the meeting had a quorum. The Company prepared its proposal for settlement, including the offer in relation with the cash payment over a period of 15 years, which however was not accepted by the majority of the Creditors and the Creditors requested the revision of the offer by the management of the Company. Furthermore the Creditors did not approve the extension of the payment moratorium. The Company undertook to hold a new negotiation for the settlement with the Creditors, by which it shall revise its reorganisation program and proposal for settlement.

The majority of proposals made by Creditors (including the requests of the largest bondholders of the Debtor) prior to and during the first negotiation for the settlement with the Creditors supported the acquisition of shares in the Company and the loan/claim-capital conversion and the conversion of Creditor claims into 50 million pieces of shares was formed as the demand of the Creditors at the negotiation held.

The second (Modified) Reorganisation Program and Theoretical Settlement Proposal presented by the Company on the second negotiation for the Settlement with the Creditors held on 6th March 2013 was not accepted by the Creditors – although they agreed with its main characteristics. At the same time the Creditors of the Company agreed to extend the payment moratorium to 240 (two hundred and forty) days. The order on the extension of the payment moratorium was published under order No: 9.Cspk.01-12-000049/31. by the Metropolitan Court on 26th March 2013 in the Companies Bulletin. In accordance with the order the extended respite expires at 0:00 on 9th August 2013.

The Company published a new proposal on 10th March 2013 in which it determined the most significant points of the reorganisation program and the settlement with the creditors ("Theoretical Proposal for Settlement") aiming to obtain a theoretical authorisation from the majority of Creditors at the third negotiation for the settlement with the creditors due on 22nd March 2013 to implement the loan/capital conversion and to devise the details thereof.

The Theoretical Proposal for Settlement presented on the third negotiation for the settlement with the creditors of the Company held 22nd March 2013 was accepted by the Creditors of the Company and requested the Company to devise the details of the settlement with the Creditors.

Thereafter the Company prepared and submitted to the creditors the amended reorganization program and theoretical settlement proposal, which were supported by the vast majority of creditors on 26 April 2013, and settlement agreement was concluded by and between the Company and its creditors.

Pursuant to the settlement agreement the creditors shall acquire ordinary shares issued by the Company – up to maximum 50 million units – as consideration for their existing claims – following the waiver of interest, registration fee and a minor part of principal claims - pursuant to the conversion mechanism set out in the settlement agreement.

## Financial results

### Methodology

Since the second quarter of 2011 the Company has published its financial statements in euro.

When calculating the Q1 2013 financial results, the Company applied the following cross currency exchange rates:

- HUF/EUR: 304,30
- PLN/EUR: 4,18
- RON/EUR: 4,42

The basis period (2012Q1/not-audited) of the statements for the period of 2013Q1 shows different numbers compared to the numbers published for the basis period. The modifications were caused because of the differences revealed during the annual audit process. Similar corrections are going to be undertaken by the Company in the subsequent quarterly reports during the subject year for their basis periods, both in income statement and balance sheet.

E-Star will apply the IFRIC 12 standards to its projects and its review in the preparation of the annual statement. These numbers are forming the basis of the interim – quarterly – reports. In this report the Company picked as basis the IFRIC 12 numbers applied for year 2012, which has been applied for 1. quarter of 2013 by proportioning the numbers. No further information or data emerged since the preparation of the calculation in March 2013.

The annual review shall be also applicable for deferred taxes.

In case of the numbers of E-Star Alternative Plc “under bankruptcy protection” – largely influencing the Hungarian numbers – no interest or default interest was applied under the existing moratorium on payments.

### Income Statement

Consolidated Income Statement	2013.01.01.- 2013.03.31.	2012.01.01.- 2012.03.31.*
Revenue	12 248 836	20 874 872
Cost of sales	-3 251 519	-7 731 674
<b>Gross Profit</b>	<b>8 997 317</b>	<b>13 143 198</b>
Material cost	-4 116 827	-6 320 209
Personnel cost	-1 103 401	-2 149 407
Service used	-633 055	-2 926 394
Other revenue and expenditures, net	-76 036	378 863
<b>Operation cost</b>	<b>-5 929 319</b>	<b>-11 017 146</b>
Depreciation	-734 112	-1 127 196
Net profit/loss from financial activities	-386 602	-3 382 751
<b>Profit before tax</b>	<b>1 947 284</b>	<b>-2 383 895</b>
Income tax expense	-452 668	-387 133

<b>Profit for the year</b>	<b>1 494 616</b>	<b>-2 771 028</b>
----------------------------	------------------	-------------------

<b>Discontinued operation</b>		
-------------------------------	--	--

Gain from discontinued operation	0	255 199
----------------------------------	---	---------

<b>Profit for the year</b>	<b>1 494 616</b>	<b>-2 515 829</b>
----------------------------	------------------	-------------------

Owners of the Company	1 178 004	-2 889 146
Non-controlling interests	316 612	373 317

Other comprehensive income		
Foreign currency translation differences	627 338	811 103

Total other comprehensive income	627 338	811 103
----------------------------------	---------	---------

<b>Total comprehensive income</b>	<b>2 121 954</b>	<b>-1 704 726</b>
-----------------------------------	------------------	-------------------

Profit attributable to:		
Owners of the company	2 090 988	-2 078 043
Non-controlling interests	30 970	373 317

\*Adjusted with discontinued operations.

## Notes to the Income Statement:

In the first quarter of 2013 sales revenue decreased by 40% compared to the same period last year. The drastic fall back is attributable to the closing of projects in Hungary and Romania and sales at the first place.

In Hungary E-Star lost about 2/3 of its market in the second half of 2012 as the result of the agreements with the non-paying municipalities on closing down single projects. Further the sale of RESZ and NRG, acquired as part of the EETEK acquisition in 2011, caused significant decreasing in revenue as well.

In Romania the projects in Zalau and Targu Mures were closed during 2012, thus no revenue had been realized from these projects by E-Star in the first quarter of 2013.

In Poland the lease agreement on the assets for electric energy distribution, necessary for the operation of Euro-Energetyka, was terminated by the lessor with a one year termination period. The negative effect thereof was experienced as of February 2013. In line with E-Star's former announcements Euro-Energetyka and Energia Europark, a company established by a third party and owning the assets leased by Euro Energetyka will merge in the near future. E-Star will not have majority (control) in the established new company, thus the numbers arising out of this activity will not strengthen the consolidated income statements of E-Star.

The revenue in the income statement is lower compared to the basis period (2012 Q1) because of the below components:

- approximately EUR – 3 M in Poland
- EUR -2.5 M in Romania
- EUR – 3 M from Hungarian operation

It is a significant achievement that the services resorted decreased by 25% compared to the same period of previous year. This number is already the result of drastic steps undertaken to achieve cost-effectiveness.

The significant improvement achieved at EBIDTA level is significantly influenced by the materially decreased personal expenditures resulting from rationalization.

## Balances Sheet

Consolidated statement of financial position - Assets		2013.03.31	2012.12.31
Property, plant and equipment		22 494 269	23 294 037
Intangible assets		7 165 514	7 184 243
Investments in other companies		12 224	16 937
Financial Asset (IFRIC 12)		5 159 282	5 159 282
Goodwill		62 219	62 219
Other long term receivables		30 244	32 982
Deferred tax assets		3 716 565	3 716 565
<b>Total non-current assets</b>		<b>38 640 317</b>	<b>39 466 265</b>
Inventories		1 030 843	3 378 860
Trade receivables		6 683 934	7 937 996
Other receivables due within a year		8 366 558	6 733 511
Accruals and prepaid expenses		626 378	628 899
Securities		87 133	47 717
Cash and cash equivalents		2 049 493	3 856 209
<b>Total current assets</b>		<b>18 844 339</b>	<b>22 583 192</b>
<b>Total assets</b>		<b>57 484 656</b>	<b>62 049 457</b>
Consolidated statement of financial position - Equity and liabilities		2013.03.31	2012.12.31
Share capital		94 937	94 937
Reserves		15 919 776	15 006 789
Retained earnings		-19 864 554	-21 042 557
<b>Equity attributable to owners of the Company</b>		<b>-3 849 841</b>	<b>-5 940 831</b>
Non-controlling interests		3 579 226	3 548 260
<b>Total equity</b>		<b>-270 615</b>	<b>-2 392 571</b>
Financial liabilities		9 003 678	10 456 849
Provisions		912 416	1 061 477
Deferred tax liabilities		172 714	171 191
Deferred income		3 178 400	3 249 165
Other long-term liabilities		1 605 823	1 126 723
<b>Total non-current liabilities</b>		<b>14 873 031</b>	<b>16 065 405</b>
Trade payables		4 497 712	7 193 148
Financial liabilities (current)		26 189 343	28 145 841
Provisions (current)		581 487	1 611 187
Accruals and deferred income		3 142 577	3 613 836
Other liabilities		8 471 121	7 812 611
<b>Total current liabilities</b>		<b>42 882 240</b>	<b>48 376 623</b>
<b>Total liabilities</b>		<b>57 755 271</b>	<b>64 442 028</b>
<b>Total equity and liabilities</b>		<b>57 484 656</b>	<b>62 049 457</b>

## Basic Operations of the Company

Name of the company:	E-STAR Alternative Energy Service Plc.
„cs.a.”	
Abbreviated name of the company:	E-STAR Alternative Plc. „cs.a.”
Registered seat:	29. Székács utca, Budapest, 1122
Tax number:	13719069-2-43
Country of registered seat:	Hungary
Phone number:	+361 279 3550
Fax:	+361 279 3551
Governing Law:	Hungarian
Initial Public Offering:	Budapest Stock Exchange Warsaw Stock Exchange

The Company operates in the form of public limited corporation.

## Predecessors of the Company and Changes in Corporate Form

The Company was founded as a limited liability company then it was converted into a private limited corporation and subsequently into a public limited corporation as follows:

*Regionális Fejlesztési Vállalat Korlátolt Felelősségű Társaság (Regional Development Company Limited Liability Company)*

Date of foundation:	17/05/2000
Date of registration:	29/06/2000
Date of termination:	12/06/2006

*Regionális Fejlesztési Vállalat zártkörűen működő Részvénytársaság (Regional Development Company Private Limited Corporation)*

Date of registration:	12/06/2006
-----------------------	------------

*RFV Regionális Fejlesztési, Beruházó, Termelő és Szolgáltató Nyilvánosan Működő Részvénytársaság (RFV Regional Development, Investment, Production and Service Public Limited Corporation)*

Date of change:	12/03/2007
-----------------	------------

The Initial Public Offer of the shares took place at the Budapest Stock Exchange on 29<sup>th</sup> May 2007.

*E-STAR Alternative Energy Service Plc.*

Date of change:	17/02/2011
Date of registration:	04/03/2011

## Registered Capital of the Company

The current registered capital of the company is HUF 26,400,000 i.e. twenty-six million and four hundred thousand forints, the complete amount of which is cash.

## Shares of the Company



The registered capital consists of 2,640,000 pieces of registered, dematerialised, regulated, publicly offered ordinary shares, the par value of which is HUF 10, each.

### **Term of the Operation of the Company**

The Company was founded for an indefinite period of time.

Corporate Rules of Disclosure and Place of Publishing Announcements

### **History and Basic Operations of the Company**

The Company (or its predecessor) was founded on 29<sup>th</sup> June 2000 to implement primarily energetic developments returning from savings for its customers, with the long term operation of which it shall supply power for its customers effectively.

Initially the Company implemented successful heating supply, public lighting and kitchen technology developments in Hungary, primarily in the municipality sector. Due to the changing economic and social requirement in our region, the demand for the solutions offered by the Company increased, which allowed the regional expansion of the Company becoming stronger and obtaining references in Hungary.

Since the municipalities are rather under-financed in our region, the heating technology of public institutions is also obsolete, significant savings may be achieved, therefore the attention of the Company / corporate group has turned towards the surrounding countries, especially Romania and Poland since the beginning of 2010.

Since then the Company has become one of the more and more determining Companies or corporate groups of Central Eastern Europe implementing projects based on the use of renewable energy and aimed at saving energy, meanwhile it has continuously faced stronger and stronger liquidity problems.

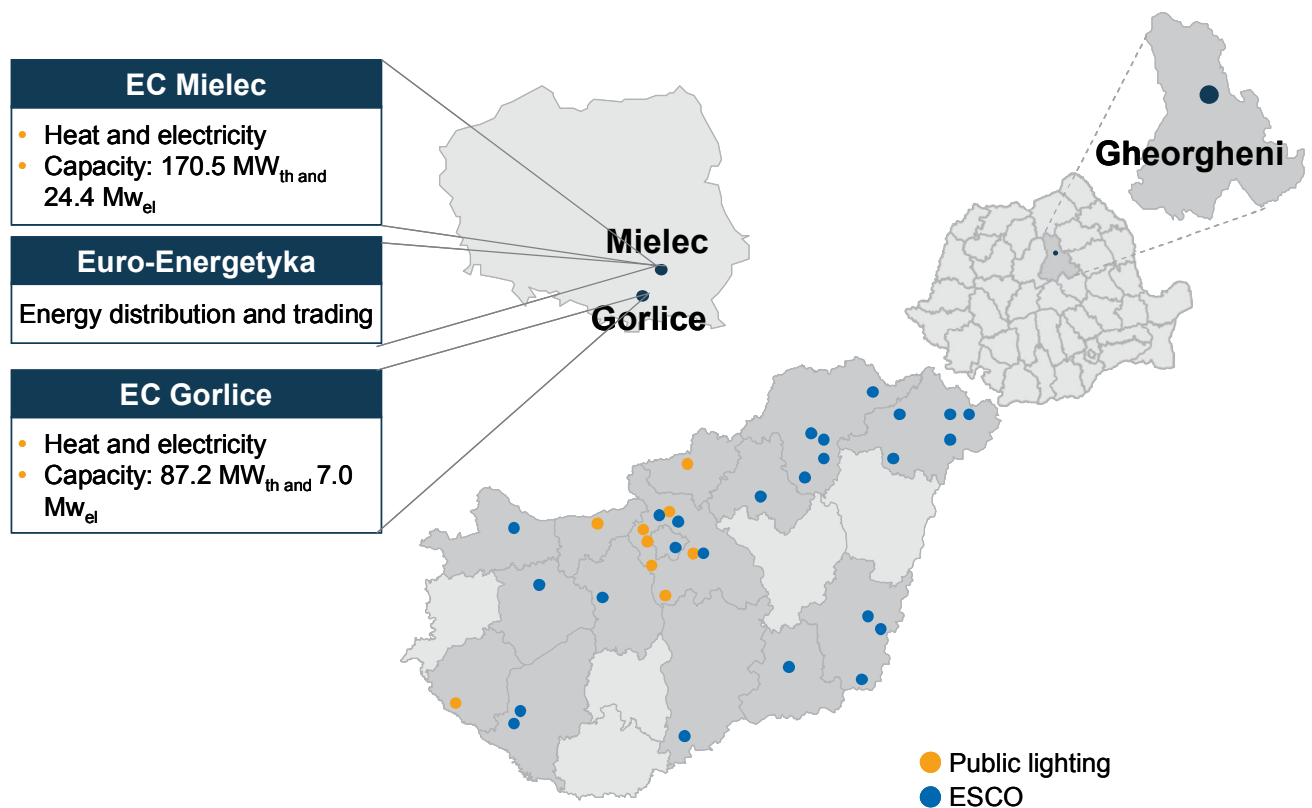
The Company is currently the only real, so-called ESCO company (Energy Service Company, i.e. a company implementing energy saving) on the stock exchange in Hungary. The Company developed individual solutions for each project, which are independent from any technology and supplier. The developed projects were implemented with the inclusion of appropriate financing.

The focus of the business operations of the Company today is still on the same efforts as it was at the time of foundation, however the technologies applied are continuously adapted to the forefront of the world.

During the preparation of the projects, E-STAR Alternative Plc. first examined/examines the opportunities of rationalising use at the sites of energy consumption of the customers, and then it implements developments, through which significant amounts of energy can be saved. A further business value of the projects is that E-STAR Alternative Plc. provides innovative energetic services following the implementation of the developments and operates and maintains the energy systems of the partners in long terms.

The Company also operates as the holding centre of a corporate group working in the energetic sector in three Central European countries.

The geographical distribution of the operations of the entire E-STAR corporate group as of beginning of 2012 is presented below:



The most important services (branches) of the entire group are the following:

- efficient thermal energy and district heating supply based on sustainable primary energy sources
- providing energy-efficient public lighting services on the basis of modern voltage control
- modernisation and exploitation of efficiency in energy supply and transformation equipment

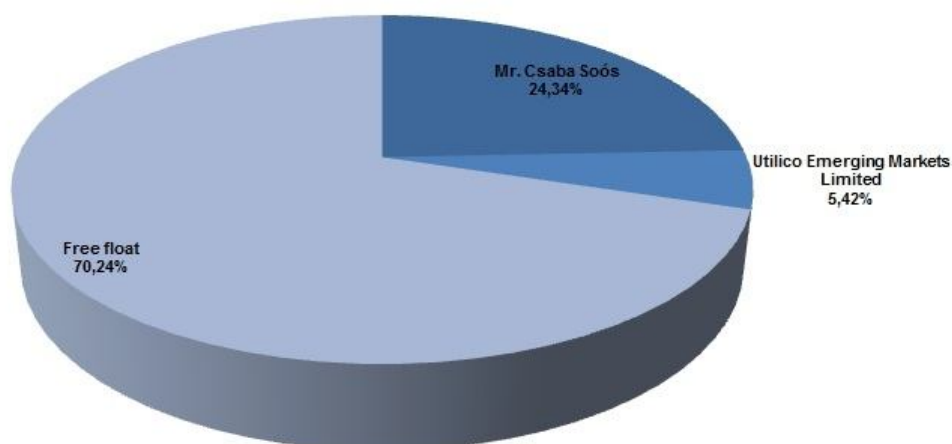
The list of business operations of the Company has been supplemented with the following primary business operation through the acquisition of the EETEK corporate group:

- energy production, trade and distribution in Poland.

### Ownership Structure

E-STAR Alternative Plc. is a public limited corporation at the Budapest and the Warsaw Stock Exchanges. The Company issued a total number of 2,640,000 ordinary shares at the par value of HUF 10 per piece. The shares are traded on the stock exchanges continuously, so the ownership structure is changing day by day. On the basis of the provisions of the Act on Capital Market, any owner obtaining over 5% ownership, shall notify the Company and PSZÁF about this fact, which shall announce it through the official communication channels. In accordance with the provisions of the Act the notification liability is also compulsory upon breaking certain ownership rates.

The current ownership structure of E-STAR Alternative Plc. is the following (on 18<sup>th</sup> January 2013):



Over 70% of the shares of the Company belong to the so called 'free float', i.e. is owned by owners below 5%. Founder of the predecessor of the Company, Chief Executive Officer and Chairman of the Board of Directors of the Company, Csaba Soós possesses the highest number of shares (24.34%, i.e. 642,445 ordinary shares) among the named owners.

Furthermore one equity fund, Utilico Emerging Markets Limited registered abroad possesses named ownership ratio (5.42%, i.e. 143,088 ordinary shares).

Auditor of the Company:

The responsibility of the selected auditor of the Company is to take care of conducting the audition determined in the Act on Accounting and especially determining whether the balance sheet of the business association in accordance with the Act on Accounting meets the legal regulations, furthermore whether it provides a reliable and real picture of the proprietary and financial situation of the Company as well as the results of its operations.

Auditor of the Company:

Name:	Deloitte Könyvvizsgáló és Tanácsadó Ltd..
Registered seat:	1068 Budapest, Dózsa György út 84/c.
Company registration number:	01-09-071057
Chamber registration number:	000083

Person personally responsible for audition:

Name:	Tamás Horváth Certified Public Accountant
Home address:	1029 Budapest, Ördögárok u. 100.
Mother's name:	Veronika Grosz
Auditor licence number:	003449

## Scope of consolidation of E-Star Alternative Plc.

The scope of consolidation of E-Star Alternative Plc. covers the following subsidiaries on the last day of the reporting period:

	Company name	Country	Share Capital	Share in equity (%)	Voting rights (%)
1	E-Star Alternatív Nyrt.	Hungary	26 400 000 HUF	-	-
2	E-Star ESCO Kft.	Hungary	3 000 000 HUF	100%	100%
3	E-Star Geotherm Kft.	Hungary	3 000 000 HUF	100%	100%
4	E-Star Management Zrt.	Hungary	5 000 000 HUF	100%	100%
5	E-Star Távhőfejlesztési Kft.	Hungary	1 000 000 HUF	100%	100%
6	Veszprém Megyei Fűtés- és Melegvíz-szolgáltató Non-Profit Kft.	Hungary	510 000 HUF	49%	50%
7	RFV Józsefváros Szolgáltató Kft.	Hungary	3 000 000 HUF	49%	70%
8	Fejér Megyei Energiaszolgáltató Nonprofit Kft.	Hungary	510 000 HUF	49%	51%
9	RFV Slovak s.r.o.	Slovakia	200 000 SKK	100%	100%
10	E-Star Polska Spółka z o. o.	Poland	31 965 600 PLN	100%	100%
11	E-Star Management Polska Spółka z o. o.	Poland	5 250 500 PLN	100%	100%
12	Euro-Energetyka Spółka z o. o.	Poland	500 000 PLN	51%	51%
13	E-Star Elektrociepłownia Gorlice Spółka z o. o.	Poland	19 842 500 PLN	73%	73%
14	E-Star Elektrociepłownia	Poland	9 994 000 PLN	85.37%	85.37%


	Mielec Spółka z o. o.				
15	EC-Energetyka Spółka z o. o.	Poland	300 000 PLN	51.66%*	51.66%*
16	Termoenergy SRL	Romania	6 960 RON	99.50%	99.50%
17	E-Star Centrul de Dezvoltare Regionala SRL	Romania	525 410 RON	100%	100%
18	E-Star ZA Distriterm SRL	Romania	40 000 RON	51%	51%
19	E-Star Energy Generation SA	Romania	90 000 RON	99.99%	99.99%
20	E-Star Mures Energy SA	Romania	90 000 RON	99.99%	99.99%
21	E-Star Alternative Energy SA	Romania	90 000 RON	99.99%	99.99%
22	E-Star Heat Energy SA	Romania	90 000 RON	99.99%	99.99%
23	E-Star CL Distriterm SRL	Romania	200 RON	100%	100%
24	E-Star OR District Heating SA	Romania	90 000 RON	99.99%	99.99%
25	E-Star Investment Management SRL	Romania	15 000 RON	99.93%	99.93%
26	EETEK Limited	Cyprus	1 000 000 EUR	100%	100%
27	E-STAR Kockázati Tőkealap-kezelő Zártkörűen Működő Részvénytársaság	Hungary	HUF 5,000,000	100%	100%

\* Euro Energetyka is a 48.34% owner of EC Energetyka's shares and voting rights.

#### Issuer's declaration

Issuer declares that the consolidated first quarter of 2012 financial statements were prepared on the basis of IFRS and to the best of its knowledge, presents a true and fair picture of the Issuer and of the assets, liabilities and financial position of the companies included in the consolidation, as well as of profit and loss.

Budapest, 31 May 2013



Csaba Soós  
Chairman of the Board of Directors  
of E-Star Alternative Plc. "under bankruptcy protection"

Issuer declares that the consolidated management report presents a true and fair picture of the position, development and performance of the Issuer and of the companies included in the consolidation.

Budapest, 31 May 2013



Csaba Soós  
Chairman of the Board of Directors  
of E-Star Alternative Plc. "under bankruptcy protection"