

Report on Financing / liquidity /bond transactions



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**Information document for the General Meeting of Shareholders
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a. Liquidity status report of E-Star Alternative Plc.

The liquidity status of the Company are generally influenced by the status of the Hungarian operation. Introducing the Romanian and Polish situation are serving only informative purposes.

The liquidity status is shown on 2 tables. The first (A) presents the figures due at the current, while the second presents the figures for the six-week period started with the current week. From the second one, the versions has been prepared: the first (B1) assumes the the due, but not paid bond liabilities have to be paid. The second (B2) version assumes the repurchase of the bonds on the published 35% discount level. All other items are unchanged.

Major events effecting the liquidity status:

1. In cases of the following three places, the **service agreements** were executed by mutual agreements. According to these execution agreements, **gross 3,335,860 thousand HUF** are flowing into the Company. From this amount, **2,529,96 thousand HUF** came from exit fees:
 - In case of **Fejér&Veszprem county exits** the gross amount is **2,540,000 thousand HUF** (Fejér county: 400,516 thousand HUF accounts receivables + 1,523,761 thousand HUF exit fee, Veszprém county: 137,548 thousand HUF accounts receivables + 478,175 thousand HUF exit fee. The amount are arrived t the accounts of the Company in both cases (are incorporated in „Cash” row of the tables.)
Related to these transaction, total **1,079,062 thousand HUF loan-prepayment** are obligatory. From the incoming cash, only the exit fees are subject of VAT-liability, in a total amount of 425,608 thousand HUF, which is due in October and November.
 - In case of **Sarospatak** a gross amount of **795,860 thousand HUF** (268,000 thousand HUF accounts receivable + 527,860 thousand HUF exit fee) has been agreed. In the below tables, 180,00 thousand HUF + 527,860 thousand HUF was calculated. The exit fee will be financed by bank loan, which is currently under the request process and positive decision is expected.
Related to this transaction, **total 415,638 thousand HUF loan-prepayment and 211,000 thousand HUF other prepayment** are obligatory.
From the above mentions 169,200 thousand HUF VAT-obligation only 112,222 thousand belongs to the exit fee payment.
2. Accounts receivables **not expected to be paid from the following municipalities:** Hódmezővásárhely, Szamosszeg, Inke, Battonya, Arnót, Csurgó, Gesztely, Nagydobos.
In these locations, the Company are officially ceased its services.
In the case of Hódmezővásárhely, cca. 120,000 thousand HUF exit fee will be charged. It contains VAT-liability as well, in the amount of 25,500 thousand HUF.
These items are showing in „Accounts receivables” („Extraordinary accounts receivable” in the case of exit fee related to Hódmezővásárhely) and in „Accounts receivables – Not expected to be paid”

A, CURRENT LIQUIDITY SITUATION (44th week of 2012, from 29th of Oct to 4th of Nov)

ITEM	Hungary (000 HUF)	Romania (000 HUF)	Poland (000 HUF)	TOTAL (000 HUF)
Cash*	+ 2 541 000	+ 3 691	+ 1 046 321	+ 3 591 011
Accounts receivable	+ 517 018	+ 12 734	+ 201 061	+ 730 813
Extraordinary accounts receivable**	+ 120 000	0	0	+ 120 000
Accounts payable	- 667 011	- 83 905	- 213 281	- 964 197
Other payable or receivable items*** (Including VAT)	- 279 399	- 574	- 90 580	- 370 553
Debt service Bank loans****	1 557 742			1 557 742
Debt service Bonds****	581 090	0	0	581 090
LIQUIDITY POSITION 1.	+ 92 775	- 68 054	+ 943 521	+ 968 242
Accounts receivable – not expected to be paid	- 339 190	0	0	- 339 190
LIQUIDITY POSITION 2.	- 246 415	- 68 054	+ 943 521	+ 629 052

* including the amounts from the closing of Fejér and Veszprém county projects

** Hódmezővásárhely exit fee

** VAT obligations, where Veszprém (101 659) are extraordinary

*** including interest and capital payments and the following:

- due to Veszprém & Fejér closing (1 079 062)
- other default bank loan repayment (478 680)
- unpaid 2012/A bonds (nominal value (581 090))

**B1, SIX-WEEK LIQUIDITY SITUATION (44-49th week of 2012, from 29^h Oct to 9th Dec),
where liabilities of 2012/A bonds are shown on their nominal value**

ITEM	Hungary (000 HUF)	Romania (000 HUF)	Poland (000 HUF)	TOTAL (000 HUF)
Accounts receivable	+ 670 548	+ 78 977	+ 1 219 508	+ 1 969 032
Extraordinary accounts receivable*	647 860	0	0	647 860
Accounts payable	- 674 874	- 125 554	- 1 201 574	- 2 002 002
Other payable or receivable items*** <i>(Including VAT)</i>	- 757 570	- 12 590	- 392 874	- 1 163 034
Debt service Bank loans****	2 108 144	0	0	2 108 144
Debt service Bonds****	581 090	0	0	581 090
LIQUIDITY POSITION 3.A	- 262 271	- 55 477	+ 671 381	+ 353 633
Accounts receivable – not expected to be paid	- 339 190	0	0	- 339 190
LIQUIDITY POSITION 4.A	- 601 461	- 55 477	+ 671 381	+ 14 443

* Hódmezővásárhely and Sárospatak exit fee

** VAT obligations, where Veszprém & Fejér & Sárospatak are extraordinary

*** including interest and capital payments, where the major items are the following:

Veszprém & Fejér & Sárospatak closing (1 705 7000)

other default bank loan repayment (403 144)

B2, SIX-WEEK LIQUIDITY SITUATION (44-49th week of 2012, from 29^h Oct to 9th Dec), where liabilities of 2012/A bonds are shown on their discounted (35%) value

ITEM	Hungary (000 HUF)	Romania (000 HUF)	Poland (000 HUF)	TOTAL (000 HUF)
Accounts receivable	+ 670 548	+ 78 977	+ 1 219 508	+ 1 969 032
Extraordinary accounts receivable*	647 860	0	0	647 860
Accounts payable	- 674 874	- 125 554	- 1 201 574	- 2 002 002
Other payable or receivable items*** (Including VAT)	-757 570	- 12 590	- 392 874	- 1 163 034
Debt service Bank loans****	2 108 144	0	0	2 108 144
Debt service Bonds****	186 760	0	0	186 760
LIQUIDITY POSITION 3.B	+ 132 059	- 55 477	+ 671 381	+ 747 963
Accounts receivable – not expected to be paid	- 339 190	0	0	- 339 190
LIQUIDITY POSITION 4.B	- 207 131	- 55 477	+ 671 381	+ 408 773

Notes to the presented figures:

- **Extraordinary items:** Sárospatak and Hódmezővásárhely exit fee
- **Extraordinary VAT:** Related to Fejér and Veszprém county, Sárospatak and Hódmezővásárhely exit-fee
- **Red font highlights liquidity gap situation (cash shortage) in liquidity rows**
- Mean Group-level figures, without IC (inter-company) items
- Calculated as at 15^h of October 2012
- Available resources from overdrafts are incorporated in “cash” row (without calculating a limit increase)
- Do not contain cash in/cash out items caused by stock price changes
- Do not contain additional debts
- Do not contain the liability from repaying the subordinated loan to Mr. Csaba Soós
- Are not based upon accounting closing, so do not match 100% with definitions of accounting standards
- Used exchange rates in calculations:

RON/HUF	62,7
PLN/HUF	68,7
EUR/HUF	284,6

b. Outstanding liabilities towards Hungarian Banks

Overview of outstanding amounts towards Hungarian Banks, as at 24th of October 2012 (million HUF):

	M HUF Overdue	M HUF Other	M HUF Total
Towards Raiffeisen Bank	408	2 154	2 562
E-Star Nyrt	235	616	851
Overdraft facility	200		200
Project-related loans	26	616	642
Terminated loans:			
<i>Szamosszeg*</i>	9,3		
E-Star ESCO Kft.	173,1	1 538	1 711
Towards Commerzbank	35,5	-	36
Towards Takarékbank	17	60	77
Towards FHB	-	93	93
Grand total	461	2 306	2 767

* has been terminated by the Bank due to the termination of the related project by E-Star

Notes to the presented table:

- Does not contain the effects of the proposed repaying of the loans related to Sárospatak, Fejér and Veszprém Country projects (gross 1.7 billion Hungarian Forints)
- The Loan Agreement related to the project with Hódmezővásárhely has not been terminated by the Bank

c. Outstanding liabilities related to bonds

E-Star issued corporate bonds in face value of gross. 10,000,000,000 Hungarian Forints during the years 2010-11. The category of the bonds "E-Star 2012/A" is with a maturity date of 24th of October 2012, in total face value of 1,418,000,000 Hungarian Forints.

All bonds issued by E-Star:

TOTAL ISSUED BONDS BY TYPES					
Type	Face value (HUF)	Pieces	Interest	Interest payment	Maturity*
E-STAR 2012/A	1 418 100 000	14 181	FLAT, 8.925%, Annually	24th October	2012.10.24
RFV 2014/A	5 902 700 000	59 027	FLAT, 10.440%, Annually	12th of February	2014.02.12
E-STAR 2015/A	1 248 700 000	12 487	FLAT, 10.240%, Annually	12th of February	2015.02.12
E-STAR 2016/C	1 430 500 000	14 305	VARIABLE, 6m BUBOR+5.00% surcharge, Annually	30th of November, 30th of May	2016.05.30
Total issued bonds (HUF)	10 000 000 000	100 000			

* Repayment at maturity in all cases

Starting last week, E-Star started a bond repurchase program in order to moderate its liabilities mainly related to 2012/A bonds, before their maturity. The Program was executed and funded by the available free cash of the Company (mainly from the selling of NRG Finance Kft. quota and restructuring some of the suppliers debts).

Figures of the Bond Repurchase Program:

HUF Nominal value	Bond repurchase program October 2012	Bond types				
		2012/A	2014/A	2015/A	2016/C	Total
Date	Total issued amount	1 418 100 000	5 902 700 000	1 248 700 000	1 430 500 000	10 000 000 000
2012.10.15-25.	Repurchased nominal value	884 500 000	128 800 000	10 000 000	3 800 000	1 027 100 000
	gross rate of repurchasing	35%	26%	26%	26%	
	cash outflow for repurchasing	309 575 000	33 488 000	2 600 000	988 000	346 651 000

If we estimate the Bond's Cash-Flow using the current stock of outstanding bonds, the paying duties of E-Star would be as follows during the period 2012.10-2013.12.:

<i>Data in HUF</i>			
ESTIMATED CF OF OUTSANDING BONDS	Capital repayment	Interest repayment	Total repayment duty
2012.10.24	533 600 000	47 623 800	581 223 800
2012.11.30		82 391 925	82 391 925
2013.02.12		683 792 840	683 792 840
2013.05.30		82 391 925	82 391 925
2013.11.30		82 391 925	82 391 925
Total	533 600 000	978 592 415	1 512 192 415

d. Conclusions and proposed resolutions

- i) The above presented figures and the numbers in A point B/2 sub-point shows that the **continuation of the current OTC bond repurchasing program is suggested** at discounts proposed earlier as it would significantly reduce the debt profile of the company and would allow the company to “delever” and increase shareholder value on the short and medium term.
- ii) As an alternative to bond repurchasing program and to prop up the company's balance sheet and allow it to concentrate on shareholder value maximization and secure the medium term reorganization plans **a debt to equity swap may be necessary and suggested**. In such a scenario the current debt holder (Bond holders) would be able to convert their debt to equity in the company in a way that the company would issue new equity. While some existing shareholder may be given some warrants as an option. Details of the new issue (conversion ratio, size of issue, terms of issue, tranches, conditions, public or closed, prospectus) will be scrutinized in line with the decision made by the General Meeting of Shareholders on 2nd of November 2012 in the Liquidity Agenda point.
- iii) The Company is continuously working to get a “bridge-loan”, which would be a dedicated financial source and would exclusively serve the purpose to repurchasing the bonds on the discounted level.
- iv) To summarize it is fundamental that the company **has the permission to continue with its bond repurchasing program as stipulated in point ii) and enacts in case it is necessary and proves to be a viable option the debt equity swap**. It is possible that a combination of the two solutions (i, and ii,) should be applied. To proceed with the swap the following major elements must be analysed:
 - knowing how much debt and what classes/tranches must be converted to equity
 - agreeing on the types of equity that is to be issued to new equity holders
 - agreeing on if the issue will be closed/public.
 - because of the suggested size a prospectus may be called for.

- quantifying the allocation of the existing equity holders and converting creditors
- any tax considerations that may be applicable for converting authorities