

Report
of the Board of Directors
of
E-Star Alternative Energy Plc.
(Formerly RFV Regional Development Company Plc.)

**on the Company's 2010 business operations - its management, financial position and
business policy**

Complying with its obligation set forth in Act IV of 2006 on Economic Associations, the Board of Directors of E-Star Alternative Plc. herewith informs its shareholders and future investors as follows:

1. Information concerning the most important events taking place in the 2010 business year, as well as the management and the business policy of the Company

Overall, the 2010 business year was closed according to plan; all key objectives of the E-Star Group were achieved. The most important of these objectives include business development in Romania, the reorganisation of financing, and organisational development.

Expansion in Romania, which had begun in 2009, continued at a good pace. In addition to continuing the project in Gheorgheni, the Group also won tenders issued for the modernization and operation of the district heating networks in Zalău and Târgu Mureş. Significant progress was made in the implementation of all three projects as early as during the business year ending 31 December 2010. The majority of the investment projects in Gheorgheni had been completed by the end of the year and the local E-Star subsidiary successfully started providing services in all three towns. Services were launched without any significant problems, and retail, municipality and business customers alike have already, and on several occasions, remarked on what they see as a considerable improvement in the standard of service.

As regards financing, too, significant changes occurred: the Group began the switch-over from the project-based financing approach it has followed until now to corporate finance. Further significant external funds were raised, and thus in the 2010 business year, alongside the already existing bank credit facility, Commerzbank Zrt. disbursed a development loan of HUF 600 million, FHB Bank Zrt. allocated the Company a facility of HUF 200 million and Raiffeisen Zrt. allocated another facility of HUF 824,018 thousand (partially denominated in EUR). In addition, there was also a major bond issuance, in two tranches.

In the first round of the bond programme, subscription of the RFV 2014/A bonds was closed on 29 September 2010, with huge success: investors over-subscribed the issued bonds by 67% (subscription requests amounting to HUF 3.35 billion were submitted for the package, which had a total face value of HUF 2 billion) – despite the fact that the bonds were only available for subscription for the statutory

minimum period of 3 days. The Group regards it as a major success that, alongside more than 10 institutional investors, nearly 50% of the bonds were subscribed by retail investors.

The second round of subscription to the Group's RFV 2014/A bonds took place in the fourth quarter. Subscription of the RFV 2014/A bonds was commenced on 22 November 2010. Subscriptions for institutional investors closed on 26 November and for retail investors on 3 December 2010. In the space of just two weeks, investors subscribed bonds in a total value of HUF 1.8 billion.

The amount received from the bond programme has cemented the financial foundations for the company's expansion in Romania, reinforcing its strategy and growth prospects.

Parallel with the bond issue, the Group continued negotiations related to refinancing across the entire Group, as part of which the financing banks will provide, in addition to the refinancing of current loans, a significant credit line, available for unrestricted use, for the expansion of the Group both in Hungary and abroad.

With regard to its stock exchange presence, the Group considers it a major success and an important recognition of its efforts that in October 2010 it was included in the BUX basket, the benchmark index of the Budapest Stock Exchange. This clearly reflects the considerable interest and confidence that investors have in the Group.

As a result of the developments mentioned above, and in order to prepare the ground for its future business development, the Group continued with its organisational development drive. This, firstly, involves setting up the organisational structure required for the operation of the projects in Romania, installing the management of the Romanian subsidiaries and topping up the staff headcount, and at the same time it requires a significant increase in the headcount of the Budapest head office, partly by strengthening the middle management ranks.

The purpose of strengthening the organisation was primarily to ensure that it will be capable of performing the additional tasks resulting from the increased size and complexity of the Group, and that it will thereby be able to satisfy the requirements of a higher-volume and faster-paced business, while meeting the challenges posed by the Group's dynamic growth. There will be a considerable need for this in 2011, as business development activities have by no means ceased just because we have won the above-mentioned tenders. The Group is continuously seeking out and creating fresh project opportunities both in Hungary and Romania, while the organisation's preparations for entry into the market of another country are proceeding according to plan.

As a result of the above developments, the Group is now ready to continue along the path of dynamic growth that it set out on earlier.

It is important to note that although growth prospects for the Group remain excellent, in terms of growth indicators and return on sales we can expect more modest results going forward. This will, however, only be a consequence of the fact that the base figures used for calculating such indicators have, owing to the major successes achieved, increased in an extraordinary manner compared to the previous years, and for this reason significant growth in nominal terms will translate into smaller percentage increases.

2. Presentation of the annual financial statements of the E-Star Group consolidated according to IFRS, and of the standalone annual financial statements of E-Star Alternative Plc.

2.1 The consolidated balance sheet and income statement of E-Star Alternative Plc. for the 2010 business year, prepared according to IFRS

Consolidated Balance Sheets 31 December 2010 (IFRS)	2009 31 December HUF Thousand	2010 31 December HUF Thousand	Variance 2010 vs. 2009
ASSETS			
Non-current assets			
Property, plant and equipment	4 830 113	7 693 668	59%
Intangible assets	14 330	2 282 628	15829%
Goodwill	22 034	20 846	-5%
Investments in associates	400	668	67%
Deferred tax assets	15 505	22 523	45%
Total non-current assets	4 882 382	10 020 333	105%
Current assets			
Inventories	20 774	240 884	1060%
Trade and other receivables	1 760 222	5 438 732	209%
Financial assets	7 050	460 761	6436%
Cash and cash equivalents	146 577	1 312 988	796%
Total current assets	1 934 623	7 453 365	285%
Total assets	6 817 005	17 473 698	156%
LIABILITIES			
Equity			
Capital Stock	24 000	24 000	0%
Additional paid-in capital	1 096 000	1 096 000	0%
Retained earnings	1 430 154	2 876 178	101%
	2 550 154	3 996 178	57%
Minority interests	1 316	-5 474	-516%
Total equity	2 551 470	3 990 704	56%
Non-current liabilities			
Long-term borrowings	2 798 965	6 559 536	134%
Deferred tax liability	213 740	265 149	24%
Other long-term liabilities	10 843	764 545	6951%
Total non-current liabilities	3 023 548	7 589 230	151%
Current liabilities			
Short-term borrowings	471 814	1 125 773	139%
Trade and other payables	770 173	4 767 991	519%
Total current liabilities	1 241 987	5 893 764	375%
Total equity and liabilities	6 817 005	17 473 698	156%

Consolidated Income Statement 31 December 2010 (IFRS)	2009 31 December	2010 31 December	Variance 2010 vs. 2009
	HUF Thousand	HUF Thousand	
Sales and Revenues	3 910 906	7 895 392	102%
Cost of goods sold	-1 783 406	-4 734 457	165%
Gross profit	2 127 500	3 160 935	49%
Cost of materials	106 088	83 390	-21%
Personnel cost	121 620	324 146	167%
Cost of services	350 054	591 413	69%
Other revenues and expenses, net	74 533	70 886	-5%
Total operating expenses	652 295	1 069 835	64%
EBITDA	1 475 205	2 091 100	42%
Depreciation and amortisation	-187 951	-294 206	57%
Net finance income/loss	-188 405	-69 084	-63%
Profit in associates	0	-583	-100%
Profit before taxes	1 098 849	1 727 227	57%
Income tax	-297 837	-289 531	-3%
Profit after taxes	801 012	1 437 696	79%
Other profit	0	0	0%
Net income	801 012	1 437 696	79%

2.2 The standalone balance sheet and income statement of E-Star Alternative Plc. for the 2010 business year

		31 December 2010		HUF Thousand
	Description of the item	Previous year	Adjustments of previous year(s)	Subject year
	b	e	d	e
A.	Fixed assets	4 108 169	-	5 101 558
I.	INTANGIBLE ASSETS	30 467	-	57 812
	Capitalised value of foundation – reorganisation			
	Capitalised value of research and development			
	Rights representing material value	-		492
	Intellectual products	9 799		36 652
	Goodwill	20 668		20 668
	Advances on intangible assets			
	Value adjustment of intangible assets			
II.	TANGIBLE ASSETS	1 141 425	-	1 107 013
	Real estate and the related rights representing material value			18 670
	Technical equipment, machinery, vehicles	1 128 619		1 038 368
	Other equipment, fixtures, vehicles	9 356		48 310
	Breeding stock			
	Investment projects, renovations			
	Advances on investment	3 450		1 665
	Value adjustment of tangible assets			-
III.	FIXED FINANCIAL ASSETS	2 936 277	-	3 936 733
	Long-term participations in associated enterprises	61 643		96 679
	Long-term loans in associated enterprises	2 874 234		3 840 054
	Other long-term participations	400		
	Long-term loans to undertakings linked by virtue of other participating interest			
	Other long-term loans granted			
	Long-term debt securities			
	Value adjustment of fixed financial assets			
	Valuation difference of fixed financial assets			

		31 December 2010		HUF Thousand	
	Description of the item	Previous year	Adjustments of previous year(s)	Subject year	
	b	e	d	e	
B.	CURRENT ASSETS	651 199	-	4 637 071	
I.	INVENTORIES	26 448	-	238 476	
	Materials				
	Work in progress				
	Animals for breeding and fattening and other livestock				
	Finished products				
	Goods	4 249		238 476	
	Prepayments	22 199		-	
II.	RECEIVABLES	600 884	-	3 708 936	
	Trade debtors (receivables from customers)	87 953		2 307 305	
	Receivables from associated enterprises	118 788		1 163 854	
	Receivables from undertakings linked by virtue of other participating interest				
	Bills receivable				
	Other receivables	394 143		237 777	
	Valuation difference of receivables				
	Positive valuation difference of derivative transactions				
III.	SECURITIES	7 050	-	460 761	
	Participations in associated enterprises				
	Other shares and participations				
	Own shares, own business shares / quotas			222	
	Debt securities held for trading	7 050		460 539	
	Valuation difference of securities				
IV.	LIQUID ASSETS	16 817	-	228 898	
	Cash, cheques	455		919	
	Bank deposits	16 362		227 979	
C.	Prepaid expenses and accrued income	207 570	-	180 967	
	Accrued income	207 471		179 319	
	Prepaid costs and expenses	99		1 648	
	Deferred expenditures				
	Total assets	4 966 938	-	9 919 596	

		31 December 2010		HUF Thousand	
	Description of the item	Previous year	Adjustments of previous year(s)	Subject year	
	b	e	d	e	
D.	SHAREHOLDERS' EQUITY	2 270 018	-	3 189 595	
I.	ISSUED CAPITAL	24 000		24 000	
	thereof: treasury shares repurchased at face value				
II.	ISSUED BUT NOT PAID CAPITAL (-)				
III.	CAPITAL RESERVES	1 096 000		1 096 000	
IV.	RETAINED EARNINGS FROM PREVIOUS YEARS	190 597		369 192	
V.	NON-DISTRIBUTABLE RESERVES	363 604		753 826	
VI.	REVALUATION RESERVE	-	-	-	
	Reserve from valuation difference				
	Reserve from fair valuation difference				
VII.	PROFIT PER BALANCE SHEET	595 817		946 577	
E.	PROVISIONS	13 428	-	17 254	
	Provisions for expected liabilities	13 428		17 254	
	Provisions for future expenses				
	Other provision				
F.	LIABILITIES	2 537 385	-	6 425 676	
I.	SUBORDINATED LIABILITIES	-	-	-	
	Subordinated liabilities to related companies				
	Subordinated liabilities to other investees				
	Subordinated liabilities to other enterprises				
II.	LONG TERM LIABILITIES	1 795 576	-	4 788 787	
	Long term credits				
	Convertible bonds				
	Debts on the issue of bonds			3 785 000	
	Investment and development loans	996 987		827 380	
	Other long term loans	-			
	Long term liabilities to related companies	798 589		176 407	
	Long term liabilities to other investees				
	Other long term liabilities				

		31 December 2010		HUF Thousand	
	Description of the item	Previous year	Adjustments of previous year(s)	Subject year	
	b	e	d	e	
III.	SHORT TERM LIABILITIES	741 809	-	1 636 889	
	Short term credits	16 020		35	
	- thereof: Convertible bonds				
	Short term loans	351 748		928 405	
	Advance payments received from customers				
	Trade accounts payable	292 840		229 552	
	Bills of exchange payable				
	Short term liabilities to related companies	12 594		117 195	
	Short term liabilities to other investees			138 726	
	Other short term liabilities	68 607		222 976	
	Valuation difference of liabilities				
	Negative valuation difference of derivatives				
G.	ACCRUED EXPENSES AND DEFERRED INCOME	146 107	-	287 071	
	Deferred revenues	34 310		13 070	
	Accrued expenses	104 293		228 098	
	Deferred income	7 504		45 903	
	TOTAL LIABILITIES AND SHEREHOLDERS' EQUITY	4 966 938	-	9 919 596	

		31 December 2010		HUF Thousand
	Description of the item	Previous year	Adjustments of previous year(s)	Subject year
	b	c	d	e
1	Net domestic sales	2 785 538		1 392 557
2	Net export sales			2 003 486
I.	Net sales revenues (01+02)	2 785 538	-	3 396 043
3	Change in self-produced stocks ±			
4	Own work capitalised			
II.	Own performance capitalised (±03+04)	-	-	-
III.	Other income	15 238		35 582
	of this: impairment write-back	-		20 349
5	Cost of raw materials and consumables	14 469		30 277
6	Services consumed	221 592		392 475
7	Cost of other services	8 234		27 431
8	Cost of goods sold	14 345		4
9	Cost of services sold (referred)	1 542 638		1 749 440
IV.	Material-type costs (05+06+07+08+09)	1 801 278	-	2 199 627
10	Wages and salaries	24 538		153 409
11	Other personnel costs	3 294		12 129
12	Wage contributions	8 087		53 563
V.	Staff costs (10+11+12)	35 919	-	219 101
VI.	Depreciation write-off	105 454		124 925
VII.	Other expenditures	92 030		92 530
	of this: impairment	20 349		14 843
A.	INCOME FROM OPERATIONS (I±II+III-IV-V-VI-VII)	766 095	-	795 442

		31 December 2010		HUF Thousand
	Description of the item	Previous year	Adjustments of previous year(s)	Subject year
	b	c	d	e
13	Dividends and profit sharing received (due)			
	of this: received from associated enterprises			
14	Exchange rate gain from the sale of participations	-		49 530
	of this: received from associated enterprises			
15	Interest and exchange rate gain on fixed financial assets			
	of this: received from associated enterprises			
16	Other interest and interest-type income received (due)	102 137		306 408
	of this: received from associated enterprises	70 809		273 745
17	Other income from financial transactions	21 757		644 354
	of this: valuation difference			
VIII.	Income from financial transactions (13+14+15+16+17)	123 894	-	1 000 292
18	Exchange rate loss on fixed financial assets			
	of this: to associated enterprises			
19	Interest and interest-type expenses to be paid	181 642		295 278
	of this: to associated enterprises	27 609		27 754
20	Impairment on participations, securities and bank deposits	7 782		- 7 125
21	Other expenditures on financial transactions	28 000		442 434
	of this: valuation difference			
IX.	Expenditures on financial transactions (18+19±20+21)	217 424	-	730 587
B.	PROFIT ON FINANCIAL TRANSACTIONS (VIII-IX)	- 93 530	-	269 705
C.	PROFIT ON ORDINARY ACTIVITIES (±A±B)	672 565	-	1 065 147
X.	Extraordinary income	1 969		7 289
XI.	Extraordinary expenses	523		38 450
D.	EXTRAORDINARY PROFIT (X-XI)	1 446	-	- 31 161
E.	PROFIT BEFORE TAXES (±C±D)	674 011	-	1 033 986
XII.	Tax liability	78 194		87 409
F.	PROFIT AFTER TAXES (±E-XII)	595 817	-	946 577
22	Use of accumulated profit reserves for dividends and profit sharing			
23	Dividends and profit sharing approved			
G.	RETAINED EARNINGS (±F+22-23)	595 817	-	946 577

Although the actual figures indicate that the consolidated profit of the Group is somewhat below the figures projected by the management for 2010, the growth achieved can still be considered outstanding.

The Company's management continues to believe that current growth can be maintained in the future, for the following reasons:

- As a result of organisational development efforts, a team of professionals has been put together with adequate resources in virtually all areas that are required for future business development and the management of day-to-day operations.
- Based on the experience of the past few years, investor confidence is sufficiently high to ensure that raising additional external funds will not present any difficulties in the future either. Negotiations on the matter of refinancing are now at an advanced stage, and the Group is confident that these talks will end successfully.
- Based on the success achieved in Romania, we are confident that the positive references obtained so far, as well as the substantial business management and development experience

gained by the Company in relation to Romania, will significantly reduce the risks associated with any new Romanian projects implemented in the future. At the same time, this experience will also assist the Company in its entry into the market of the new target country.

- The Group continues to regard the sustainable utilisation of renewable energy as an objective, and this should contribute to the achievement of our growth targets – either through a more efficient energy-resource portfolio, or through the improvement in financial results that will stem from it.

In the medium term, the Group is still striving to become the leading energy service company in the region specialising in energy efficiency, sustainability and the use of renewable energy.

3. Presentation of the Corporate Governance report

Complying with the relevant statutory requirements, the Board of Directors of E-Star Alternative Plc. has prepared a report on Corporate Governance, which is published as an annex to the present financial report, with the aim of informing the shareholders appropriately.

Budapest, 28 March 2010

E-Star Alternative Plc.
Board of Directors