

Report
of the Board of Directors
of
E-Star Alternative Plc.

**on the Company's 2011 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. hereby informs its shareholders and future investors as follows:

1. Information concerning the most important events taking place in the 2011 business year, as well as the management and the business policy of the Company

The 2011 business year was closed controversial and that caused the review of the strategy which started to take place at the end of the year. After closing the EETEK acquisition and a rapid organisational expansion in H1 2011 the company turned its strategic focus on operational excellence in December 2011. The Company restructured its HQ organisation in order to set up a much smaller and leaner corporate management structure.

The available financial resources made the acquisition of the EETEK Group possible, however the company was not able to execute the planned expansion in Romania and the original planned investments for 2011 had to be postponed for 2012 because of lack of additional financial sources in H2.

As regards the financial structure, major changes were caused by the successful bond issuance program in Hungary and by the secondary public offering.

E-Star bond programme I., launched in 2010, was successfully closed in August 2011. During 2011, the Company has sold bonds with total face value 6.215 billion HUF, which from the Company bought HUF 1.4589 billion HUF itself. These bonds have been sold on the OTC market.

The secondary public offering took place during June 2011. After the Registry Court's decision, the stocks were introduced on the Budapest and Warsaw Stock Exchanges in early July.

Parallel with the bond issue and SPO, E-Star continued negotiations related to refinancing across the entire Group, as part of which the financing banks will likely provide significant credit lines. These funds will be available for financing working capital increase and potentially to develop the postponed investments in Romania.

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

Consolidated statement of comprehensive income

| | Year ended 31/12/11 EUR | Year ended 31/12/10 EUR |
|--|----------------------------|-------------------------------|
| Continuing operations | | |
| Revenue | 65,517,592 | 28,660,491 |
| Cost of sales | (22,851,467) | (17,186,210) |
| Gross Profit | 42,666,125 | 11,474,281 |
| Material cost | (24,337,081) | (302,708) |
| Personnel cost | (9,061,089) | (1,176,659) |
| Service used | (10,398,613) | (2,146,849) |
| Other revenue and expenditures, net | 7,591,131 | (257,315) |
| Depreciation | (2,865,759) | (1,067,976) |
| Profit of operation | 3,594,714 | 6,522,774 |
| Net profit/loss from financial activities | (612,730) | (250,777) |
| Net profit/loss from associated companies | - | (2,116) |
| Profit before tax | 2,981,984 | 6,269,881 |
| Income tax expense | (2,964,617) | (1,051,006) |
| (Loss) / Profit for the year from continuing operations | (17,367) | 5,218,875 |
| Loss for the year from discontinued operations | (2,383,315) | - |
| (LOSS) / PROFIT FOR THE YEAR | (2,365,948) | 5,218,875 |
| Attributable to the Shareholders | (2,425,944) | 5,249,106 |
| Non-controlling interest | 59,996 | (30,231) |
| Other comprehensive losses | | |
| Foreign currency translation differences | (242,678) | (159,690) |
| Other comprehensive losses for the year | (242,678) | (159,690) |
| Total comprehensive (loss) / income for the year | (2,608,626) | 5,059,185 |

Consolidated statement of comprehensive income (continued)

| | Year ended 31/12/11 EUR | Year ended 31/12/10 EUR |
|--|-------------------------------|-------------------------------|
| Earnings per share | | |
| From continuing and discontinued operations | | |
| Basic | (0.940) | 2.175 |
| Diluted | (0.921) | 2.081 |
| | | |
| From continuing operations | | |
| Basic | (0.007) | 2.175 |
| Diluted | (0.007) | 2.081 |

Consolidated statement of financial position

| | Year ended 31/12/11 EUR | Year ended 31/12/10 EUR |
|---------------------------------|-------------------------------|-------------------------------|
| Assets | | |
| Property, plant and equipment | 65,733,279 | 27,680,043 |
| Intangible assets | 9,646,266 | 8,212,369 |
| Investments in associates | - | 2,400 |
| Investments in other companies | 15,478 | - |
| Goodwill | 54,336 | 74,999 |
| Other long term receivables | 55,014 | - |
| Deferred tax assets | - | 81,033 |
| Total non-current assets | 75,504,373 | 36,050,844 |
| | | |
| Inventories | 3,777,579 | 866,645 |
| Trade receivables | 10,581,289 | 15,001,910 |
| Other receivables | 13,748,875 | 280,939 |
| Prepayments | 2,803,039 | 4,284,454 |
| Securities | 972,753 | 1,657,712 |
| Cash and cash equivalents | 3,565,573 | 4,723,832 |
| Total current assets | 35,449,108 | 26,815,492 |
| Total assets | 110,953,481 | 62,866,336 |

Consolidated statement of financial position (continued)

| | Year ended 31/12/11 EUR | Year ended 31/12/10 EUR |
|--|----------------------------|-------------------------------|
| Equity | | |
| Share capital | 94,937 | 86,345 |
| Share premium | 12,525,322 | 3,943,155 |
| Retained earnings and Reserves | 5,702,358 | 10,347,825 |
| Equity attributable to Shareholders | 18,322,617 | 14,377,325 |
| Non-controlling interests | 138,344 | (19,694) |
| Total equity | 18,460,961 | 14,357,631 |
| Liabilities | | |
| Financial liabilities | 34,332,796 | 23,599,698 |
| Provisions | 1,023,558 | 62,382 |
| Deferred tax liabilities | 2,741,892 | 953,941 |
| Deferred income | 3,252,849 | - |
| Other long-term liabilities | 6,173,175 | 2,688,275 |
| Total non-current liabilities | 47,524,270 | 27,304,296 |
| Trade payables | 11,893,082 | 15,256,784 |
| Financial liabilities (current) | 12,758,742 | 4,050,272 |
| Provisions (current) | 1,553,678 | - |
| Accruals and deferred income | 6,097,276 | 1,624,465 |
| Other liabilities | 12,665,473 | 272,887 |
| Total current liabilities | 44,968,251 | 21,204,408 |
| Total liabilities | 92,492,521 | 48,508,704 |
| Total equity and liabilities | 110,953,481 | 62,866,336 |

At this stage, operational excellence is a higher priority for the Board of Directors than further growth.

- According to the opinion of the Board of Directors, further restructuring and cost-cutting measures are required, mainly in HQ.
- Liquidity must be maintained continuously. The solutions for restructuring and refinancing of the existing debt portfolio is currently under consideration – with special focus on refinancing of the outstanding corporate bonds expiring in 2014.
- Project divestitures are currently considered. Detailed reviews are in progress, and some negotiations have already been started.

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, 29 March 2012

E-Star Alternative Plc.
Board of Directors