

**CONSOLIDATED QUARTERLY REPORT**  
**2011 Q4**

**For the period 01.10.2011 – 31.12.2011**

**BGS Energy Plus a. s.**



**14.02.2012**

Svetla nad Sazavou, Czech Republic

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**1 Selected consolidated financial results for the period of 1 January 2011 to 31 December 2011**

	1.1.2011 – 31.12.2011		1.1.2010 – 31.12.2010	
	CZK	EUR	CZK	EUR
<b>Income Statement</b>				
Revenues (with revenues from sales of own property and other operation revenues)	466 268	18 954	570 465	22 575
Consumption	422 445	17 173	538 401	21 306
Operating profit	43 823	1 781	32 064	1 269
EBITDA	56 043	2 278	37 950	1 502
- Of which Depreciation	10 056	409	8 550	338
EBIT	45 987	1 869	29 400	1 163
Profit/loss before taxation (EBT)	34 564	1 405	25 109	994
Profit/loss after taxation	20 834	847	17 679	700
<b>Balance sheet</b>				
Fixed Assets	243 364	9 433	119 167	4 755
Current Assets, of which:	302 489	11 724	262 234	10 464
- Short-term receivables	188 666	7 313	114 392	4 565
- Current financial assets	40 947	1 587	56 469	2 253
Total Assets	547 270	21 212	383 164	15 290
Equity	136 495	5 291	77 298	3 085
Short-term liabilities	160 481	6 220	119 194	4 756
Long-term liabilities including bank loans	249 436	9 669	31 719	1 266

Note: Exchange rates provided by the Czech National Bank

**2 Selected consolidated financial results for the period 1 October 2011 to 31 December 2011**

	1.10.2011 – 31.12.2011		1.10.2010 – 31.12.2010	
	CZK	EUR	CZK	EUR
<b>Income Statement</b>				
Revenues	88 424	3 494	207 527	8 348
Consumption	65 922	2 605	183 589	7 385
Operating profit	22 502	889	23 938	963
EBITDA (Profit + depreciation and Amortization + Interest expenses + Income tax )	29 054	1 148	26 382	1 061
- Of which Depreciation	5 007	198	4 957	199
EBIT (Profit + Interest expenses + Income tax )	24 047	950	21 425	862
Profit/loss before taxation (EBT)	19 057	753	18 240	734
Profit/loss after taxation	9 127	364	12 490	502
<b>Balance sheet</b>				
Fixed Assets	243 364	9 433	119 167	4 755
Current Assets, of which:	302 489	11 724	262 234	10 464
- Short-term receivables	188 666	7 313	114 392	4 565
- Current financial assets	40 947	1 587	56 469	2 253
Total Assets	547 270	21 212	383 164	15 290
Equity	136 495	5 291	77 298	3 085
Short-term liabilities	160 481	6 220	119 194	4 756
Long-term liabilities including bank loans	249 436	9 669	31 719	1 266

### 3 The management board's comments on factors and events that affect the achieved financial results

The BGS Group consolidated turnover for the period 01.01.2011 – 31.12.2011 exceeded CZK 466mio. This value was achieved above all thanks to the growth of EPC (Engineering-Procurement-Construction) projects, constructed by BGS Biogas a.s., which is already consolidated according to the full method and to the growth of production of electric power produced by Závídkovice biogas station, which is operating at above planned efficiency rates. Also our new biogas plants Suchdol and Cihost started to generate incomes.

The Group planned EBITDA for 2011 was **CZK 32,51mio** in reality we have achieved **CZK 56,04mio**. In comparison with 2010 it was higher by **48%**.

Operating profit of the Group is higher in comparison with the period 2010 by 37% due to increasing energy sales in our own biogas plants.

### 4 General information about the Issuer

Company Name: BGS Energy Plus a.s.  
 Company Address: Zamecka 7, 582 91 Světla nad Sazavou, Czech Republic  
 www: [www.bgs-energy.cz](http://www.bgs-energy.cz)  
 Ticker: BGS  
 ISIN: CZ0005121707  
 Authorized Advisor: CMS Corporate Management Services Sp. z o.o.

### 5 General information about the Group

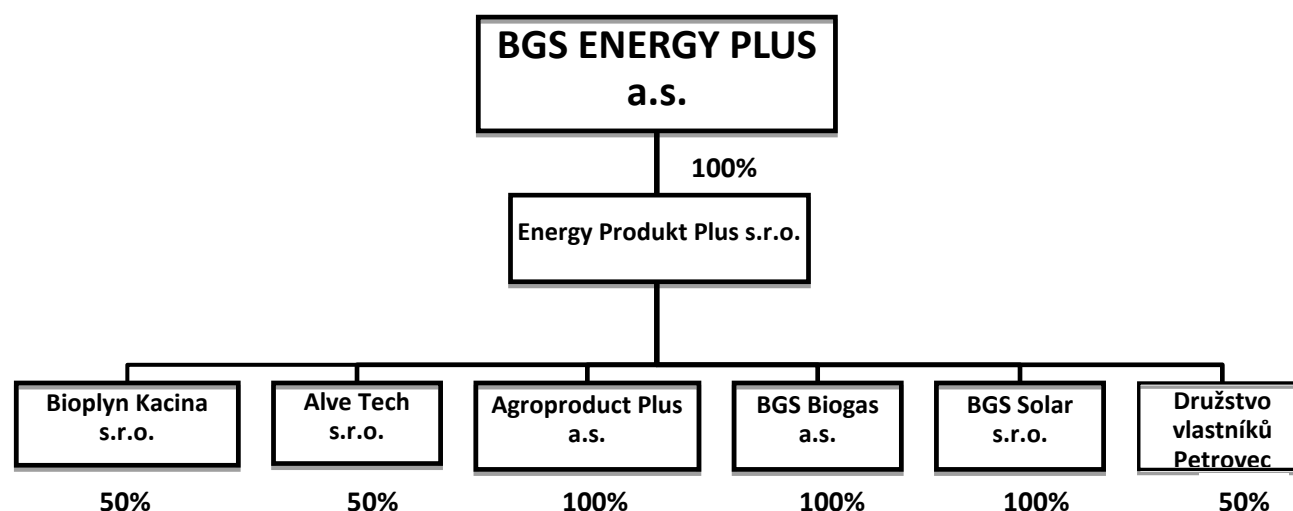
The following table presents the Group's structure and the holding company's stake in the entities comprising the Group:

Entity name	Country of registration	% of share capital held by the holding company	Consolidation method
Energy produkt plus s.r.o.	Czech Rep.	100%	full consolidation
Agroprodukt plus a.s.	Czech Rep.	100%	full consolidation
BGS Solar s.r.o.	Czech Rep.	100%	full consolidation
BGS Biogas a.s.	Czech Rep.	100%	full consolidation
ALVE Tech s.r.o.	Czech Rep.	50%	equivalence method
Bioplyn Kačina s.r.o.	Czech Rep.	50%	equivalence method
Družstvo vlastníků Petrovec	Czech Rep.	50%	equivalence method

BGS Energy Plus a.s. is a group of companies involved in electricity and heat production from power plants powered by biogas. The group builds biogas plants for its own account as well as for clients on engineering,

procurement and construction (EPC) basis. BGS Energy Plus a.s. is a holding company, responsible for the full cycle of energy production, from growing and management of agricultural substrates, through engineering and construction management, technology procurement as well as biogas plants ownership and management.

Company structure:



In the period of three months ended on 31.12.2011 the Group did not discontinue any of its operations.

In the period of three months ended on 31.12.2011 the Group did not make any changes to its structure, including mergers, acquisitions, sale of the Group's entities, long-term investments, divisions, restructuring or discontinuation of operations.

## 6 Share capital of the Issuer

### SHARE CAPITAL AS OF 31 December 2011

Series/ issue	Type of shares	Type of preference	Limitation of right to shares	Number of shares
A	bearer	No	Yes	<b>11 459 000</b>
B	bearer	No	No	<b>3 750 000</b>
<b>Total number of shares</b>				<b>15 209 000</b>
<b>Total share capital in CZK</b>				<b>15 209 000</b>
<b>Nominal value per share = CZK 1,00</b>				

Each of the owners of series A shares, Mr. Ales Radil, Mr. Radim Hruza, and Mr. Zdenek Radil, has undertaken not to dispose in any way any of his series A shares for 18 months from the first date of the Issuer's introduction to the NewConnect alternative trading system, as a result of the lock-up undertaking.

## 7 Shareholder structure

As of 30 June 2010 the Issuer's shareholder structure was as follows:

Shareholder	No. of shares	% of capital	No. Of votes at the Shareholders Meeting	% of votes at the Shareholders Meeting
Ales Radil	3 819 666	25,11451	3 819 666	25,11451
Radim Hruza	3 819 666	25,11451	3 819 666	25,11451
Zdenek Radil	3 819 666	25,11451	3 819 666	25,11451
Ales Radil, Radim Hruza, Zdenek Radil (as a common ownership)	2	0,00001	2	0,00001
Other investors	3 750 000	24,656	3 750 000	24,656
<b>TOTAL</b>	<b>15 209 000</b>	<b>100.00%</b>		<b>100.00%</b>

In the period from 1 January 2011 to 31 December 2011 there have been no changes to the shareholders structure.

## 8 Statutory bodies of the issuer

### Board of Directors

Position	Name	Date of Birth	Position held since
CEO	Ales Radil	2. 2. 1973	20. 5. 2009
Board member	Radim Hruza	1.10. 1977	20. 5. 2009
Board member	Ing. Jindra Radilova	26.5. 1971	20. 5. 2009

### Supervisory Board

Position	Name	Date of Birth	Position held since
Chairman	JUDr. Ing. Zdeněk Radil	31. 1. 1975	20. 5. 2009

Board member	Ing. Jaromir Peklo, PhD, MBA	30. 8. 1973	18. 6. 2009
Board member	Ing. Stepan Dlouhy	23. 8. 1977	18. 6. 2009

In the period from January 2011 to 31 December 2011 there have been no changes in Board of Directors and Supervisory Board

## **9 Report on the Issuer's activities in 2011 Q4**

BGS Group has three main areas of activity: (A) Development and operation of own biogas plants, (B) Construction of biogas plants for third parties on EPC basis, (C) Accounting services for large corporates.

### **A. Development and operation of own biogas plants**

#### BGS Zavidkovice

We are still working on BPS Zavidkovice enlargement to 990 kW. Some of the work was already done, so the energy output is already increasing.

The second phase shall consist in the installation of modern innovative technologies of bio-extrusion and special drying chamber for output biogas sewage what shall result in reduction of specific consumption of raw materials due to higher efficiency of processing of the plant input potential as well as in reduction of costs of sewage disposal.

#### BGS Suchdol nad Odrou

We have got permission for permanent operation in Suchdol biogas plant. Now we built here noise barrier.

#### BGS Číhošť

We plugged in BPS Cihost in November 2011. So we have also already invoiced produced energy in November, we got 80% energy output from the installed capacity in December. It was the most rapid biogas plant start from the whole portfolio which we have ever built.

#### Agroprodukt

We have finished corn harvest in October. We have harvested totally 6.216t of corn. We have sown 75ha of winter barley. All fields are fertilized and ploughed, so they were well prepared for winter.

### **B. Construction of biogas plants for third parties on EPC basis**

#### BGS Biogas

This commercial company may offer more advantageous conditions of deliveries on the Czech and neighbouring foreign market of Central and Eastern Europe, consisting especially in more attractive prices, flexible service with the centre built directly in the Zavidkovice biogas station as well as strong experience acquired by the very operation of the technology.

We were working on some clients projects building during the 4Q2011 (BPS Ostas, BPS Skury, BPS Plevnice and BPS Hostka). At the same time we have finished BPS Suchdol, so now the biogas plant is fully in order with project. This is our own biogas plant and we produce here almost 100% capacity from the total installed input.

**C. Accounting activity**

Energy product plus s.r.o. provides accounting and human resources services. The company revenues from the activity in 4Q2011 were ca. CZK 2,6 mio.



## 10 Detailed consolidated financial results for the period of 1 January 2011 to 31 December 2011

The tables below provide the **consolidated** and **unaudited** financial statements of BGS Energy Plus a.s. in accordance with **Czech Accounting Standards** for the period 1 January 2011 to 31 December 2011 and the corresponding period in 2010.

		1.1.2011 – 31.12.2011		1.1.2010 – 31.12.2010	
		CZK	EUR	CZK	EUR
I.	Revenues from sales of third party goods	0	0	0	0
A	Cost of goods sold on third party goods	0	0	0	0
+	Trading margin	0	0	0	0
II.	Turnover from products, services and materials	460 795	18 732	551 251	21 814
B	Cost of products, services and materials	382 069	15 531	504 686	19 972
	Gross margin	78 726	3 200	46 565	1 843
C	Personel costs	27 324	1 111	20 149	797
C. 1.	Labour costs	21 205	862	14 841	587
C. 2.	Board members compensations	0	0	0	0
C. 3.	Social security and health insurance costs	5 194	211	4 350	172
C. 4.	Social costs	925	38	958	38
D	Taxes and charges	265	11	199	8
E	Depreciation	10 056	409	8 550	338
III.	Revenues from sales of own property	679	28	1 301	51
F	Value of small property	477	19	1 239	49
VI.-VII.	Other operation revenues	4 794	195	17 913	709
I – J	Other operation costs	2 254	92	3 578	142
	Operating profit	43 823	1 781	32 064	1 269
XIV.	Financial revenues	5 336	217	2 918	115
Q	Financial costs	14 872	605	8 599	340
	Interests thereof	11 423	464	4 291	170
	Consolidated profit from financial operations	-9 536	-388	-5 681	-225
	Income tax for common activity	13 730	558	7 430	294
	Income tax for common activity due	13 730	558	7 430	294
R	Deferred tax for common activity	0	0	0	0
	Consolidated profit for common activity	20 557	836	18 953	750
XVI.	Extra incomes	0	0	0	0
S	Extra costs	0	0	0	0
XVII.	Passive consolidation difference clearance	51	2	0	0
	Active consolidation difference clearance	0	0	0	0
	Deferred income tax	0	0	0	0
	Extraordinary consolidated profit	51	2	0	0
	Consol. profit for acc. period without equivalent ratio	20 608	838	18 953	750
	Share in equivalency	226	9	-1 274	-50
	EBT	34 564	1 405	25 109	994
	EBIT	45 987	1 869	29 400	1 163
	EBITDA	56 043	2 278	37 950	1 502
	NET PROFIT/LOSS	20 834	847	17 679	700

**Balance Sheet as of 31 December 2011 with comparative results**

		31.12.2011		31.12.2010	
		CZK	EUR	CZK	EUR
	<b>TOTAL ASSETS</b>	547 270	21 212	383 164	15 290
A	Receivables - subscribed capital	0	0	0	0
B	Fixed assets	243 364	9 433	119 167	4 755
B I.	Long-term intangible asset	98	4	298	12
B II.	Long-term tangible asset	241 071	9 344	124 089	4 952
	1. Land	3 554	138	982	39
	2. Buildings	37 228	1 443	35 471	1 415
	3. Individual tangible assets (chattels)	39 925	1 547	36 344	1 450
	5. Livestock (herd and draught animals)	4 005	155	2 074	83
	7. Uncompleted long-term property	153 903	5 965	46 580	1 859
	9. Difference in valuation of purchased property	2 456	95	2 658	106
B III.	Financial investment	5 430	210	3 097	124
B IV.	Consolidation differences positive/ negative	-2 505	-97	-8 617	-344
B V.	Shares from equity method	-730	-28	300	12
C	Current assets	302 489	11 724	262 234	10 464
C I.	Inventories	68 390	2 651	86 887	3 467
C II.	Long-term receivables	4 486	174	4 486	179
C III.	Short-term receivables	188 666	7 313	114 392	4 565
C IV.	Current liquid funds	40 947	1 587	56 469	2 253
	1. Cash and cash equivalents	10 941	424	11 908	475
	2. Bank accounts	30 006	1 163	44 561	1 778
	3. Purchased short-term investment	0	0	0	0
D	Accrual and deferral of assets	1 417	55	1 763	70
		31.12.2011		31.12.2010	
		CZK	EUR	CZK	EUR
	<b>EQUITY AND LIABILITIES</b>	547 270	21 212	383 164	15 290
A	Equity	136 495	5 291	77 298	3 085
A I.	Registered share capital	17 209	667	15 209	607
A II.	Reserved capital	36 762	1 425	36 750	1 466
A III.	Retained earning	37 683	1 461	1 564	62
A IV.	net profit of previous period	23 775	922	6 096	243
A V.	net profit without minorities	20 834	808	17 679	705
1.	Net profit of common period	20 608	799	18 953	756
2.	Share of profit in equivalency	226	9	-1 274	-51
A VI.	Passive consolidation difference	0		0	0
A VII.	Consolidation reserve fund	232	9	0	0
B	LIABILITIES	409 917	15 888	285 329	11 386
B I.	Reserves	0	0	0	0
B II.	Long-term liabilities excluding bank loans	9 225	358	31 719	1 266
B III.	Short-term liabilities	160 481	6 220	119 194	4 756
B IV.	Bank loans	240 211	9 311	134 416	5 364
	1. Long-term loans	179 309	6 950	37 359	1 491
	2. Short-term loans	8 852	343	38 226	1 527
	3. Short term borrowings	52 050	2 017	58 791	2 346
C	Accrual and deferral of liabilities	858	33	20 537	820

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D	Minority equity	0	0	0	0
D I.	Minority capital stock	0	0	0	0
D II.	Minority capital funds	0	0	0	0
D III.	Minority profit funds incl. previous period	0	0	0	0
D IV.	Minority P/L of common period	0	0	0	0

### 11 Detailed consolidated financial results for the period of 1 October to 31 December 2011

The tables below provide the **consolidated** and **unaudited** financial statements of BGS Energy Plus a.s. in accordance with **Czech Accounting Standards** for the period of 1 October to 31 December 2011 and the corresponding period in 2010.

		1.10.2011 – 31.12.2011		1.10.2010 – 31.12.2010	
		CZK	EUR	CZK	EUR
I.	Revenues from sales of third party goods	0	0	0	0
A	Cost of goods sold on third party goods	0	0	0	0
+	Trading margin	0	0	0	0
II.	Turnover from products, services and materials	86 133	3 403	200 361	8 060
B	Cost of products, services and materials	44 095	1 742	170 245	6 848
	Gross margin	42 038	1 661	30 116	1 211
C	Personel costs	15 057	595	7 603	306
C. 1.	Labour costs	12 280	485	5 601	225
C. 2.	Board members compensations	0	0	0	0
C. 3.	Social security and health insurance costs	2 422	96	1 673	67
C. 4.	Social costs	355	14	329	13
D	Taxes and charges	186	7	142	6
E	Depreciation	5 007	198	4 957	199
III.	Revenues from sales of own property	609	24	-63	-3
F	Value of small property	442	17	346	14
VI.-VII.	Other operation revenues	1 682	66	7 229	291
I – J	Other operation costs	1 135	45	296	12
	Operating profit	22 502	889	23 938	963
XIV.	Financial revenues	43	2	2 083	84
Q	Financial costs	3 891	154	6 043	243
	Interests thereof	4 990	197	3 005	121
	Consolidated profit from financial operations	-3 895	-154	-3 911	-157
	Income tax for common activity	9 930	392	5 930	239
	Income tax for common activity due	9 930	392	5 930	239
R	Deferred tax for common activity	0	0	0	0
	Consolidated profit for common activity	8 727	345	14 097	567
XVI.	Extra incomes	0	0	0	0
S	Extra costs	0	0	0	0
XVII.	Passive consolidation difference clearance	0	0	-107	-4
	Active consolidation difference clearance	0	0	0	0
	Deferred income tax	0	0	0	0
	Extraordinary consolidated profit	0	0	-107	-4
	Consol. profit for acc. period without equivalent ratio	8 727	345	13 990	563
	Share in equivalency	400	16	-1 500	-60
	EBT	19 057	753	18 240	734
	EBIT	24 047	950	21 425	862
	EBITDA	29 054	1 148	26 382	1 061
	NET PROFIT/LOSS	9 127	364	12 490	502

**Balance Sheet as of 31 December 2011 with comparative results**

		31.12.2011		31.12.2010	
		CZK	EUR	CZK	EUR
	<b>TOTAL ASSETS</b>	547 270	21 212	383 164	15 290
A	Receivables - subscribed capital	0	0	0	0
B	Fixed assets	243 364	9 433	119 167	4 755
B I.	Long-term intangible asset	98	4	298	12
B II.	Long-term tangible asset	241 071	9 344	124 089	4 952
	1. Land	3 554	138	982	39
	2. Buildings	37 228	1 443	35 471	1 415
	3. Individual tangible assets (chattels)	39 925	1 547	36 344	1 450
	5. Livestoch (herd and draught animals)	4 005	155	2 074	83
	7. Uncompleted long-term property	153 903	5 965	46 580	1 859
	9. Difference in valuation of purchased property	2 456	95	2 658	106
B III.	Financial investment	5 430	210	3 097	124
B IV.	Consolidation differences positive/ negative	-2 505	-97	-8 617	-344
B V.	Shares from equity method	-730	-28	300	12
C	Current assets	302 489	11 724	262 234	10 464
C I.	Inventories	68 390	2 651	86 887	3 467
C II.	Long-term receivables	4 486	174	4 486	179
C III.	Short-term receivables	188 666	7 313	114 392	4 565
C IV.	Current liquid funds	40 947	1 587	56 469	2 253
	1. Cash and cash equivalents	10 941	424	11 908	475
	2. Bank accounts	30 006	1 163	44 561	1 778
	3. Purchased short-term investment	0	0	0	0
D	Accrual and deferral of assets	1 417	55	1 763	70
		31.12.2011		31.12.2010	
		CZK	EUR	CZK	EUR
	<b>EQUITY AND LIABILITIES</b>	547 270	21 212	383 164	15 290
A	Equity	136 495	5 291	77 298	3 085
A I.	Registered share capital	17 209	667	15 209	607
A II.	Reserved capital	36 762	1 425	36 750	1 466
A III.	Retained earning	37 683	1 461	1 564	62
A IV.	net profit of previous period	35 482	1 375	11 285	446
A V.	net profit without minorities	9 127	354	12 490	502
1.	Net profit of common period	8 727	338	13 990	562
2.	Share of profit in equivalency	400	16	-1 500	-60
A VI.	Passive consolidation difference	0	0	0	0
A VII.	Consolidation reserve fund	232	9	0	0
B	LIABILITIES	409 917	15 888	285 329	11 386
B I.	Reserves	0	0	0	0
B II.	Long-term liabilities excluding bank loans	9 225	358	31 719	1 266
B III.	Short-term liabilities	160 481	6 220	119 194	4 756
B IV.	Bank loans	240 211	9 311	134 416	5 364
	1. Long-term loans	179 309	6 950	37 359	1 491
	2. Short-term loans	8 852	343	38 226	1 527
	3. Short term borrowings	52 050	2 017	58 791	2 346
C	Accrual and deferral of liabilities	858	33	20 537	820
D	Minority equity	0	0	0	0

D I.	Minority capital stock	0	0	0	0
D II.	Minority capital funds	0	0	0	0
D III.	Minority profit funds incl. previous period	0	0	0	0
D IV.	Minority P/L of common period	0	0	0	0

## **12 The factors which will influence the results achieved by the Group - Description of threats and risks**

### **Business operational risks**

The company is a holding company, therefore risks identified here below pertain to the company as well as to the operating entities within the BGS group of companies. Any reference to the company is also understood as reference to any entity within the group, unless explicitly stated otherwise.

#### ***Legislative, regulatory and market risks:***

The economic viability of energy production using BGS installations depends on Feed-in-Tariff (FiT) systems, which are in effect based on material cross-subsidies from all energy users in a given jurisdiction. The FiT system can be negatively affected by a number of factors including, but not limited to, a reduction or elimination in the FiT or green bonus per kWh produced, an elimination or reduction of the indexation of the FiT, a shortening of the period for which the FiT applies to BGS installations. At this time there are differing legal opinions in relation to the actual duration of the FiT for BGS installations in the Czech Republic as the duration explicitly specified by law is 15 years whereas the latest applicable regulatory notice by the Czech Energy Regulator specifies 20 years which is the period most importantly recognized by the financing banks.

Any future changes to the adopted regulations may have a material negative impact on the company business and its financial results.

#### ***Operational risks and harm to personnel and property:***

There will always be risks involved in the operation and installation of BG power stations, the installation of BG power stations for third parties as well as the production of input material for the BG power plants. The build-up of these business areas is occurring simultaneously, thus posing high demands on management resources. The Issuer operates in a highly dynamic industry experiencing exponential growth, thereby posing very high demands on the company's resources and its ability to deliver on projected goals.

The operating risks relating to the development of BG projects and the installation and operation of BG power stations include among others unexpected failure or damage to the biogas technology and other technical equipment, theft or sabotage, or adverse weather conditions causing production interruptions and damage. The Issuer seeks to prevent loss or damages from such occurrences by concluding insurance contracts, planning regular extensive maintenance, contractual regulations and emergency routines. However, there will always be some exposure to technical and operational risks, with unforeseen problems leading to unexpectedly high lost revenues, operating costs, substantial losses, additional investments, etc., which may have a material negative effect on the Issuer's operating results and its financial position. Additionally, the occurrence of any of these risks could hurt the company reputation.

#### ***Technological risks:***

The technology involved in the production of biogas is characterized by incremental developments. Currently the company does not own any patents for the technology used in relation to BG technologies. However, the development of new technology may fundamentally change the economics of electricity

production by biogas combustion and biogas production as such. For various reasons the company may not gain access to this new technology, which may put it at a significant disadvantage to its competitors. New technology may therefore have material adverse effects on the company operating results, investment returns and financial condition.

***Construction and performance risk:***

A BG power station is based on several technical components, e.g. fermentors, raw material feeder, electro-installation, gas treatment system, cogeneration units, pipe-lines, control system, pumping devices, mixing device, wiring, converters, transformers and grid connection devices. There is always risk associated with the construction and installation of BG power stations. Despite efforts made to reduce such risks, there can be no assurances that delays and cost overruns will not occur. Furthermore, the Issuer might be dependent upon the ability of sub-contractors to install particular BG power station component that meet specifications, performance parameters, quality standards and delivery schedules of the Issuer. Delays, cost overruns or the underperformance of installed BG power stations could have a material adverse impact on the company operating results, investment returns and financial position.

The biogas production draws on biomass fermentation process which is a time proven technology. However, the stability of the biogas production process respectively the stability of biogas power plant performance depends on stability of certain operating parameters, e.g. composition of the raw material mix, raw material quality, presence of undesirable substances, temperature and acidity in fermentors. Unstable performance of installed BG power stations could have a material adverse impact on the company operating results, investment returns and financial position.

The company is required to maintain inventories, which at times may amount to several months of operations. Such inventories may deteriorate, inflame, or be destructed in any other way, which will have a material impact on the company ability to continue operations.

***Contractual risks:***

The company business depends on contracts with multiple parties including, but not limited to, land owners, banks, investors, joint venture partners, raw material suppliers, contractors, energy utilities and electricity customers. Each contract normally involves a substantial value or consideration to the company. Furthermore, some of the contracts might be governed by foreign law, which may create both legal and practical difficulties in case of a dispute or conflict. The company currently operates in a jurisdiction and in future in other jurisdictions where the ability to protect contractual and other legal rights may be limited compared to jurisdictions with more well-established legal systems.

Certain important contracts, have not yet been concluded. This may be the case in relation to the projects already in operation (Zavidkovice) as well as those under planning. Timing to conclude various agreements, may be limited by market conditions, willingness of the counterparty, or dictated by best judgement of the Issuer's management. As the company operates in a dynamic, competitive and new market environment, it is required to start operations and/or incur costs, without the possession of all written agreements. This may result in losses to the company, and impact its financial position, without the ability to seek recourse against its counterparty.

Contracts already concluded can be cancelled, by the Issuer or its counterparty. Even though the company will use its best efforts to fulfil all its obligations stipulated in such contracts, it may not avoid that some contracts are cancelled, which may have a material negative impact on its operations.



***Competitive situation:***

The development and operation of BG power stations might become highly competitive in the future. The company competes with other companies with an equal or larger resource base for suitable location and land plots, grid connectivity, human resources, raw materials etc. There can be no assurance that the company will be able to respond to existing and new sources of competition. Competition may therefore have material adverse effects on the Issuer's operating results, investment returns and financial condition.

***Uninsured losses:***

The development and the operation of BG power plants are subject to a number of risks and hazards, including adverse environmental conditions, theft, technical failure, changes in the regulatory environment and force majeure. Although the company maintains some insurance to protect against certain of these risks, the Issuer's insurance will not cover all the potential risks associated with the development and operation of BG installations. Unanticipated occurrences, insured or uninsured, could have a material adverse effect on the company operating results and financial condition.

***Dependence on key personnel:***

The company development and prospects are dependent upon the continued services and performance of its senior management and other key personnel. Due to the current strong development of the Czech economy in general and the dramatic increase in activities relating to the development of renewable energy installations in the country, the demand for people is high and the costs are increasing. There is always risk associated with wage levels for qualified personnel in such market environments. Financial difficulties or other factors could also adversely affect the company ability to retain key employees. The loss of the services of any key personnel may have negative effects on the company operating results and financial condition.

In addition, the company business is subject to continued expansion, and thus dependent upon further employment of personnel.

**Environmental risk**

The company operations are subject to numerous national and supra-national, environmental, health and safety laws, regulations, treaties and conventions (together, "Operational Regulations"), including, inter alia, those controlling the discharge of materials into the environment, requiring removal and cleanup of environmental contamination, establishing certification, licensing, health and safety, taxes, labour and training standards, operation of the BG power stations or otherwise relating to the protection of human health and the environment. The amendment or modification of existing Operational Regulations or the adoption of new Operational Regulations curtailing or further regulating the operation of BG installations could have a material adverse effect on the company operating results and financial condition. The company cannot predict the extent to which future earnings or capital expenditures may be affected by compliance with such new Operational Regulations.

In addition, the company may be subject to significant fines, penalties or liability if it does not comply with any such existing or future Operational Regulation.

During the lifespan of a BG power plant certain environmental changes, in particular poor crop and significant reduction of farming activity, can have a negative impact on performance and thus the financial performance and position of the company.

### **Financial risks**

The company has invested significant efforts and financial resources into negotiating rental agreements, acquiring raw materials, organizing and executing the joint venture business with UTS, building a professional team, and incurred legal and license fees. If there is a material adverse change in the general prospects for electricity production by biogas combusting, the value of the company tangible and intangible assets would be impaired and the company would be required to take a charge against its earnings. In general, the company future sales and investment returns are uncertain and depend on a variety of factors, many of which will be beyond the company control.

### **Political, economical and other uncertainties**

Changes in the regulatory, legislative and fiscal framework (including tax rules) governing the production of electricity by combusting biogas could have a material impact on the Issuer's operations. In particular, changes in FiT regimes and capital subsidies schemes will constitute a material risk factor for the company operations in foreign countries.

Companies operating internationally are also subject to various risks including risks of war, terrorist activities, political, civil or labour disturbances and embargoes. The company currently operates in the Czech Republic and may decide to operate in other new European Union member countries including Slovakia, Slovenia, Hungary, Bulgaria and Romania as well as other emerging European countries. Operations in emerging European countries may present risks that are not encountered in countries with well-established economic and political systems, including:

- Economic instability, which could make it difficult for the Issuer to anticipate future business conditions in these markets, cause delay in projects that have been awarded to the Issuer and subject the Issuer to volatile markets;
- Political instability, which may make customers less willing to make investments in such regions, and complicate dealings with governments regarding permits, licenses and other regulatory matters;
- Boycotts and embargos that may be imposed by the international community on countries in which the company operates, which could affect the company ability to operate in such countries;
- The imposition of unexpected taxes or other payments on the company revenues in these markets; and
- The introduction of exchange controls and other restrictions by foreign governments.

In addition, the legal and regulatory systems of the emerging European markets identified above may be less developed and less well enforced than in more developed countries. The company ability to protect contractual and other legal rights in those regions may thus be limited compared to regions with more well established markets. The Issuer cannot offer any assurance that the company exposure to conditions in emerging European countries will not have a negative effect on its financial condition and results in operations.

**13 Exchange rates**

The following exchange rates were applied:

from	to	for Balance Sheet statement calculations	for Income Statement calculations
01.01.2010	31.12.2010	25,06	25,27
01.10.2010	31.12.2010	25,06	24,86
01.01.2011	31.12.2011	25,80	24,60
01.10.2011	31.12.2011	25,80	25,31

Source: Czech National Bank

Balance Sheet applicable exchange rate represents the exchange rate as of the last day of the month ending the relevant period.

Income Statement exchange rate represents the average of exchange rates effective on the last day of each month within the relevant period.

**14 Management Board declaration**

We hereby confirm that according to our best knowledge the information about BGS Energy Plus a.s. contained in this report is correct as of the publication of this document and that it fairly reflects the Company's financial situation and business activities.

Prague, \_\_\_2012

**15 Investors Relations contact**

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