

**CONSOLIDATED QUARTERLY REPORT**  
**2014 Q2**

**For the period 1.1.2014 – 30.6.2014**

**BGS Energy Plus a. s.**



**12.8. 2014**

Svetla nad Sazavou, Czech Republic

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**1 Selected consolidated financial results for the period 1 January 2014 to 30 June 2014**

	1.1.2014 – 30.6.2014		1.1.2013 – 30.6.2013	
	CZK	EUR	CZK	EUR
<b>Income Statement</b>				
Revenues (with revenues from sales of own property and other operation revenues)	202 717	7 876	261 120	10 145
Consumption	163 346	6 346	215 099	8 357
Operating profit	39 371	1 530	46 021	1 788
EBITDA	57 381	2 229	54 122	2 103
- Of which Depreciation	8 517	331	8 129	316
EBIT	48 864	1 898	45 993	1 787
Profit/loss before taxation (EBT)	41 173	1 600	40 008	1 554
Profit/loss after taxation	33 023	1 283	29 008	1 127
<b>Balance sheet</b>				
Fixed Assets	406 157	15 652	365 568	14 087
Current Assets, of which:	661 562	25 494	493 238	19 007
- Short-term receivables	492 355	18 973	244 073	9 406
- Current financial assets	28 976	1 117	41 448	1 597
Total Assets	1 068 671	41 182	860 388	33 156
Equity	242 242	9 335	185 590	7 152
Short-term liabilities	351 485	13 545	257 848	9 936
Long-term liabilities including bank loans	474 901	18 300	416 936	16 067

Note: Exchange rates provided by the Czech National Bank

**2 Selected consolidated financial results for the period 1 April 2014 to 30 June 2014**

	1.4.2014 – 30.06.2014		1.4.2013 – 30.06.2013	
	CZK	EUR	CZK	EUR
<b>Income Statement</b>				
Revenues	89 558	3 479	160 660	6 242
Consumption	61 294	2 381	125 746	4 886
Operating profit	28 264	1 098	34 914	1 356
EBITDA (Profit + depreciation and Amortization + Interest expenses + Income tax )	36 167	1 405	38 456	1 493
- Of which Depreciation	1 157	45	4 102	159
EBIT (Profit + Interest expenses + Income tax )	35 010	1 360	34 354	1 334
Profit/loss before taxation (EBT)	33 595	1 305	32 444	1 260
Profit/loss after taxation	27 495	1 068	23 420	910
<b>Balance sheet</b>				
Fixed Assets	406 157	15 652	365 568	14 087
Current Assets, of which:	661 562	25 494	493 238	19 007
- Short-term receivables	492 355	18 973	244 073	9 406
- Current financial assets	28 976	1 117	41 448	1 597
Total Assets	1 068 671	41 182	860 388	33 156

Equity	242 242	9 335	185 590	7 152
Short-term liabilities	351 485	13 545	257 848	9 936
Long-term liabilities including bank loans	474 901	18 300	416 936	16 067

**3 Brief description of the most important achievements or failures of the issuer during the period of the report as well as a description of the most important factors and events, in particular atypical ones, which impact the achieved results:**

The BGS Group consolidated turnover for the period 1.4.2014 – 30.6.2014 exceeded CZK 89 mio. This value was achieved, above all, thanks to the generation of the electricity in own biogas plants. Revenues from EPC (Engineering-Procurement-Construction) projects constructed by BGS Biogas a.s. were stable during that period.

The Group consolidated EBITDA for 2Q2014 is CZK 36 mio.

The first project in Poland was finished during the second quarter of 2014. There are no other atypical factors or events during the period.

Recent electricity production is summarized in the following table:

Power plant	MW	Monthly Production (kWh)	Projection (kWh)	Monthly perf.	Production YTD (kWh)	Projection YTD (kWh)	YTD perf.
Zavidkovice	0,99	553278	595000	93%	3631399	3570000	101%
Suchdol nad Odrou	0,59	367276	348000	105%	2175521	2088000	104%
Číhošť	0,62	253634	383750	66%	2013983	2302500	87%
Skury	0,59	220492	348000	63%	2096424	2088000	100%
Ovesná Lhota	0,62	365400	383750	95%	2265200	2302500	98%

**4 Forecasts of financial results**

The issuer does not publish the forecasts of financial results.

**5 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: Capital Solutions ProAlfa Sp. z o.o.

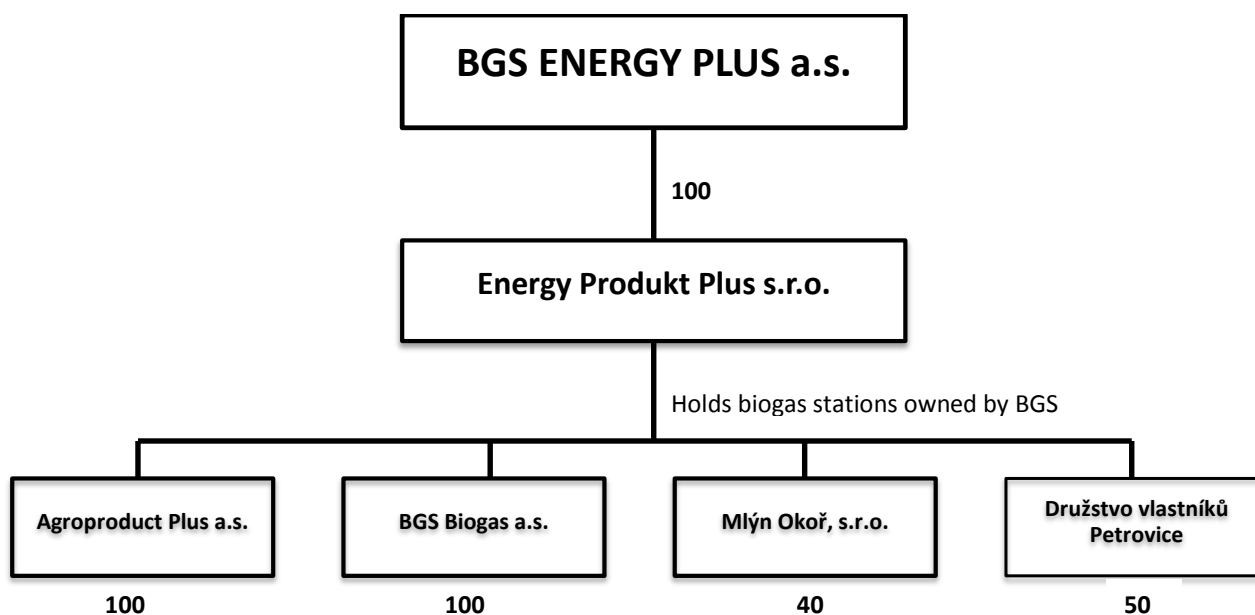
## 6 Description of the organisation of the group indicating consolidated entities

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 Biogas a.s.	Czech Rep.	100%	full consolidation
Podhradi s.r.o.	Czech Rep.	100%	Full consolidation
Mlyn Okor s.r.o.	Czech Rep.	40%	equivalence method
Družstvo vlastníků Petrovice	Czech Rep.	51%	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 three-month period ended 31.3.2014, the Group did not discontinue any of its operations.

In the three-month period ended 31.3.2014, 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.

## 7 Share capital of the Issuer

### SHARE CAPITAL AS AT 30 June 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>				

## 8 Shareholder structure

As of 30 June 2014 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>

## 9 Statutory bodies of the issuer

### Board of Directors

Position	Name	Date of Birth	Position held since
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CEO	Ales Radil	2. 2. 1973	20. 5. 2009
Board member	Radim Hruza	1.10. 1977	20. 5. 2009
Board member	Bc. Oksana Batalova	4.9. 1983	22. 5. 2014

**Supervisory Board**

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

### 10 Detailed consolidated financial results for the period of 1 January 2014 to 30 June 2014

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 2014 to 30 June 2014 and the corresponding period in 2013.

		1.1.2014 – 30.6.2014		1.1.2013 – 30.6.2013	
		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	181 346	7 045	250 227	9 721
B	Cost of products, services and materials	140 082	5 442	189 479	7 361
	Gross margin	41 264	1 603	60 748	2 360
C	Personel costs	9 424	366	11 068	430
C. 1.	Labour costs	6 849	266	8 192	318
C. 2.	Board members compensations	0	0	0	0
C. 3.	Social security and health insurance costs	2 111	82	2 343	91
C. 4.	Social costs	464	18	533	21
D	Taxes and charges	165	6	222	9
E	Depreciation	8 517	331	8 129	316
III.	Revenues from sales of own property	11 391	443	5 081	197
F	Value of small property	3 286	128	1 490	58
VI.-VII.	Other operation revenues	9 980	388	5 812	226
I – J	Other operation costs	1 872	73	4 711	183
	Operating profit	39 371	1 530	46 021	1 788
XIV.	Financial revenues	11 699	455	2 467	96
Q	Financial costs	8 459	329	7 042	274
	Interests thereof	7 691	299	5 985	233
	Consolidated profit from financial operations	3 240	126	-4 575	-178
	Income tax for common activity	8 150	317	11 000	427
	Income tax for common activity due	8 150	317	11 000	427
R	Deferred tax for common activity	0	0	0	0
	Consolidated profit for common activity	34 461	1 339	30 446	1 183
XVI.	Extra incomes	0	0	0	0
S	Extra costs	0	0	0	0
XVII.	Passive consolidation difference clearance	-246	-10	-246	-10
	Active consolidation difference clearance	0	0	0	0
	Deferred income tax	0	0	0	0
	Extraordinary consolidated profit	-246	-10	-246	-10
	Consol. profit for acc. period without equivalent ratio	34 215	1 329	30 200	1 173
	Share in equivalency	-1 192	-46	-1 192	-46
	EBT	41 173	1 600	40 008	1 554
	EBIT	48 864	1 898	45 993	1 787
	EBITDA	57 381	2 229	54 122	2 103
	NET PROFIT/LOSS	33 023	1 283	29 008	1 127



**Balance Sheet for the of 1 January 2014 to 30 June 2014 with comparative results**

		1.1.2014 – 30.6.2014		1.1.2013 – 30.6.2013	
		CZK	EUR	CZK	EUR
	<b>TOTAL ASSETS</b>	1 068 671	41 182	860 388	33 156
A	Receivables - subscribed capital	0	0	0	0
B	Fixed assets	406 157	15 652	365 568	14 087
B I.	Long-term intangible asset	0	0	2	0
B II.	Long-term tangible asset	375 662	14 476	346 782	13 363
	1. Land	7 513	290	5 614	216
	2. Buildings	137 351	5 293	83 551	3 220
	3. Individual tangible assets (chattels)	141 716	5 461	86 124	3 319
	5.		0	0	0
	7. Uncompleted long-term property	87 130	3 358	169 341	6 526
	9. Difference in valuation of purchased property	1 952	75	2 152	83
B III.	Financial investment	36 161	1 393	24 450	942
B IV.	Consolidation differences positive/ negative	-8 342	-321	-8 342	-321
B V.	Shares from equity method	2 676	103	2 676	103
C	Current assets	661 562	25 494	493 238	19 007
C I.	Inventories	51 214	1 974	127 394	4 909
C II.	Long-term receivables	89 017	3 430	80 323	3 095
C III.	Short-term receivables	492 355	18 973	244 073	9 406
C IV.	Current liquid funds	28 976	1 117	41 448	1 597
	1. Cash and cash equivalents	11 884	458	19 259	742
	2. Bank accounts	15 252	588	20 349	784
	3. Purchased short-term investment	1 840	71	1 840	71
D	Accrual and deferral of assets	952	37	1 582	61
		<b>1.1.2014 – 30.6.2014</b>		<b>1.1.2013 – 30.6.2013</b>	
		<b>CZK</b>	<b>EUR</b>	<b>CZK</b>	<b>EUR</b>
	<b>EQUITY AND LIABILITIES</b>	1 068 671	41 182	860 388	33 156
A	Equity	242 242	9 335	185 590	7 152
A I.	Registered share capital	15 109	582	15 109	582
A II.	Reserved capital	36 518	1 407	36 790	1 418
A III.	Retained earning	1 947	75	1 585	61
A IV.	net profit of previous period	155 683	5 999	103 137	3 974
A V.	net profit without minorities	33 023	1 273	29 007	1 118
1.	Net profit of common period	34 215	1 319	30 199	1 164
2.	Share of profit in equivalency	-1 192	-46	-1 192	-46
A VI.	Passive consolidation difference	0	0	0	0
A VII.	Consolidation reserve fund	-38	-1	-38	-1
B	LIABILITIES	826 386	31 845	674 784	26 003
B I.	Reserves	0	0	0	0
B II.	Long-term liabilities excluding bank loans	61 227	2 359	21 338	822
B III.	Short-term liabilities	351 485	13 545	257 848	9 936
B IV.	Bank loans	413 674	15 941	395 598	15 245
	1. Long-term loans	395 008	15 222	368 407	14 197
	2. Short-term loans	7 323	282	15 848	611
	3. Short term borrowings	11 343	437	11 343	437
C	Accrual and deferral of liabilities	43	2	14	1
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 1 April 2014 to 30 June 2014

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 April 2014 to 30 June 2014 and the corresponding period in 2013.

		1.4.2014 – 30.6.2014		1.4.2013 – 30.6.2013	
		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	69 710	2 708	150 479	5 846
B	Cost of products, services and materials	53 905	2 094	110 423	4 290
	Gross margin	15 805	614	40 056	1 556
C	Personel costs	2 603	101	5 650	430
C. 1.	Labour costs	1 918	74	4 211	164
C. 2.	Board members compensations	0	0	0	0
C. 3.	Social security and health insurance costs	673	26	1 238	48
C. 4.	Social costs	12	0	201	8
D	Taxes and charges	41	2	148	6
E	Depreciation	1 157	45	4 102	159
III.	Revenues from sales of own property	11 309	439	5 014	195
F	Value of small property	3 286	128	1 490	58
VI.-VII.	Other operation revenues	8 539	332	5 167	201
I – J	Other operation costs	207	8	3 934	153
	Operating profit	28 264	1 098	34 914	1 356
XIV.	Financial revenues	8 744	340	524	20
Q	Financial costs	1 853	72	2 792	108
	Interests thereof	1 416	55	1 910	74
	Consolidated profit from financial operations	6 620	257	-1 195	-46
	Income tax for common activity	6 100	237	9 024	351
	Income tax for common activity due	6 100	237	9 024	351
R	Deferred tax for common activity	0	0	0	0
	Consolidated profit for common activity	28 710	1 339	24 695	959
XVI.	Extra incomes	0	0	0	0
S	Extra costs	0	0	0	0
XVII.	Passive consolidation difference clearance	-281	-11	-281	-11
	Active consolidation difference clearance	0	0	0	0
	Deferred income tax	0	0	0	0
	Extraordinary consolidated profit	-281	-11	-281	-11
	Consol. profit for acc. period without equivalent ratio	28 598	1 329	24 413	948
	Share in equivalency	-1 103	-43	-993	-39
	EBT	33 595	1 305	32 444	1 260
	EBIT	35 010	1 360	34 354	1 334
	EBITDA	36 167	1 405	38 456	1 493
	NET PROFIT/LOSS	27 495	1 068	23 420	910

**Balance Sheet for the period 1 April 2014 to 30 June 2014 with comparative results**

		1.4.2014 – 30.6.2014		1.4.2013 – 30.6.2013	
		CZK	EUR	CZK	EUR
	<b>TOTAL ASSETS</b>	1 068 671	41 182	860 388	33 156
A	Receivables - subscribed capital	0	0	0	0
B	Fixed assets	406 157	15 652	365 568	14 087
B I.	Long-term intangible asset	0	0	2	0
B II.	Long-term tangible asset	375 662	14 476	346 782	13 363
	1. Land	7 513	290	5 614	216
	2. Buildings	137 351	5 293	83 551	3 220
	3. Individual tangible assets (chattels)	141 716	5 461	86 124	3 319
	5.		0	0	0
	7. Uncompleted long-term property	87 130	3 358	169 341	6 526
	9. Difference in valuation of purchased property	1 952	75	2 152	83
B III.	Financial investment	36 161	1 393	24 450	942
B IV.	Consolidation differences positive/ negative	-8 342	-321	-8 342	-321
B V.	Shares from equity method	2 676	103	2 676	103
C	Current assets	661 562	25 494	493 238	19 007
C I.	Inventories	51 214	1 974	127 394	4 909
C II.	Long-term receivables	89 017	3 430	80 323	3 095
C III.	Short-term receivables	492 355	18 973	244 073	9 406
C IV.	Current liquid funds	28 976	1 117	41 448	1 597
	1. Cash and cash equivalents	11 884	458	19 259	742
	2. Bank accounts	15 252	588	20 349	784
	3. Purchased short-term investment	1 840	71	1 840	71
D	Accrual and deferral of assets	952	37	1 582	61
		<b>1.4.2014 – 30.6.2014</b>		<b>1.4.2013 – 30.6.2013</b>	
		<b>CZK</b>	<b>EUR</b>	<b>CZK</b>	<b>EUR</b>
	<b>EQUITY AND LIABILITIES</b>	1 068 671	41 182	860 388	33 156
A	Equity	242 242	9 335	185 590	7 152
A I.	Registered share capital	15 109	582	15 109	582
A II.	Reserved capital	36 518	1 407	36 790	1 418
A III.	Retained earning	1 947	75	1 585	61
A IV.	net profit of previous period	161 122	6 209	108 724	4 190
A V.	net profit without minorities	27 495	1 060	23 420	910
1.	Net profit of common period	28 598	1 103	24 413	948
2.	Share of profit in equivalency	-1 103	-43	-993	-39
A VI.	Passive consolidation difference	0	0	0	0
A VII.	Consolidation reserve fund	-38	-1	-38	-1
B	LIABILITIES	826 386	31 845	674 784	26 003
B I.	Reserves	0	0	0	0
B II.	Long-term liabilities excluding bank loans	61 227	2 359	21 338	822
B III.	Short-term liabilities	351 485	13 545	257 848	9 936
B IV.	Bank loans	413 674	15 941	395 598	15 245
	1. Long-term loans	395 008	15 222	368 407	14 197
	2. Short-term loans	7 323	282	15 848	611
	3. Short term borrowings	11 343	437	11 343	437
C	Accrual and deferral of liabilities	43	2	14	1
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

There were no changes to the applied accounting rules within the period.

## **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 companies 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 companies 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 companies 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
01.01.2013	30.6.2013	25,95	25,74
01.04.2013	30.6.2013	25,95	25,74
01.01.2014	30.6.2014	25,95	25,74
01.04.2014	30.6.2014	25,95	25,74

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 Information on the number of persons employed by the issuer converted into FTEs**

There is 60 FTEs working for BGS Group of companies that are consolidated.

**15 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, August 14, 2014

**16 Investors Relations contact**

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