

**CONSOLIDATED QUARTERLY REPORT**  
**2014 Q3**

**For the period 1.1.2014 – 30.9.2014**

**BGS Energy Plus a. s.**



**12.11. 2014**

Svetla nad Sazavou, Czech Republic

**Table of contents**

<b>1</b>	<b>Selected consolidated financial results for the period 1 January 2014 to 30 September 2014 .....</b>	<b>3</b>
<b>2</b>	<b>Selected consolidated financial results for the period 1 July 2014 to 30 September 2014.....</b>	<b>3</b>
<b>3</b>	<b>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:.....</b>	<b>4</b>
<b>4</b>	<b>Forecasts of financial results.....</b>	<b>4</b>
<b>5</b>	<b>General information about the Issuer .....</b>	<b>4</b>
<b>6</b>	<b>Description of the organisation of the group indicating consolidated entities.....</b>	<b>5</b>
<b>7</b>	<b>Share capital of the Issuer .....</b>	<b>6</b>
<b>8</b>	<b>Shareholder structure .....</b>	<b>6</b>
<b>9</b>	<b>Statutory bodies of the issuer .....</b>	<b>7</b>
<b>10</b>	<b>Detailed consolidated financial results for the period of 1 January 2014 to 30 September 2014 .....</b>	<b>7</b>
<b>11</b>	<b>Detailed consolidated financial results for the period 1 July 2014 to 30 September 2014... ..</b>	<b>10</b>
<b>12</b>	<b>The factors which will influence the results achieved by the Group - Description of threats and risks.....</b>	<b>13</b>
<b>13</b>	<b>Exchange rates .....</b>	<b>17</b>
<b>14</b>	<b>Information on the number of persons employed by the issuer converted into FTEs .....</b>	<b>17</b>
<b>15</b>	<b>Management Board declaration.....</b>	<b>17</b>
<b>16</b>	<b>Investors Relations contact.....</b>	<b>18</b>

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

	1.1.2014 – 30.9.2014		1.1.2013 – 30.9.2013	
	CZK	EUR	CZK	EUR
<b>Income Statement</b>				
Revenues (with revenues from sales of own property and other operation revenues)	247 425	8 965	518 047	20 119
Consumption	210 738	7 636	443 768	17 234
Operating profit	36 687	1 329	74 279	2 885
EBITDA	66 775	2 419	89 957	3 493
- Of which Depreciation	12 624	457	12 695	493
EBIT	54 151	1 962	77 262	3 000
Profit/loss before taxation (EBT)	37 046	1 342	65 617	2 548
Profit/loss after taxation	26 196	949	44 647	1 734
<b>Balance sheet</b>				
Fixed Assets	435 297	15 829	366 749	14 248
Current Assets, of which:	587 906	21 378	586 362	22 780
- Short-term receivables	336 174	12 225	387 276	15 046
- Current financial assets	97 317	3 539	40 315	1 566
Total Assets	1 024 197	37 244	954 707	37 090
Equity	236 143	8 587	201 219	7 817
Short-term liabilities	277 136	16 313	321 128	12 476
Long-term liabilities including bank loans	510 874	18 577	432 261	16 793

Note: Exchange rates provided by the Czech National Bank

**2 Selected consolidated financial results for the period 1 July 2014 to 30 September 2014**

	1.7.2014 – 30.09.2014		1.7.2013 – 30.09.2013	
	CZK	EUR	CZK	EUR
<b>Income Statement</b>				
Revenues	44 708	1 626	256 927	9 966
Consumption	82 300	2 993	228 669	8 870
Operating profit	-37 592	-1 367	28 258	1 096
EBITDA (Profit + depreciation and Amortization + Interest expenses + Income tax )	9 394	342	35 835	1 390
- Of which Depreciation	4 107	149	4 566	177
EBIT (Profit + Interest expenses + Income tax )	5 287	192	31 269	1 213
Profit/loss before taxation (EBT)	-4 127	-150	25 609	993
Profit/loss after taxation	-7 827	-285	15 639	607
<b>Balance sheet</b>				
Fixed Assets	435 297	15 829	366 749	14 248
Current Assets, of which:	587 906	21 378	586 362	22 780
- Short-term receivables	336 174	12 225	387 276	15 046
- Current financial assets	97 317	3 539	40 315	1 566
Total Assets	1 024 197	37 244	954 707	37 090

Equity	236 143	8 587	201 219	7 817
Short-term liabilities	277 136	16 313	321 128	12 476
Long-term liabilities including bank loans	510 874	18 577	432 261	16 793

### 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 till 30.9.2014 exceeded CZK 247 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. has declined due to the completion of major projects.

The Group consolidated EBITDA till the end of September is CZK 67 mio. The profitability of the Group went up significantly as the EBITDA margin was 27% for the year 2014 in comparison of 17% EBITDA margin in 2013 which means increase by 59%.

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	457339	595000	77%	5469190	5950000	92%
Suchdol Odrou	nad 0,59	373589	348000	107%	3696082	3480000	106%
Čihošť	0,62	315829	383750	82%	3081058	3837500	80%
Skury	0,59	377295	348000	108%	3411473	3480000	98%
Ovesná Lhota	0,62	376800	383750	98%	3466600	3837500	90%

### 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 Svetla 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.

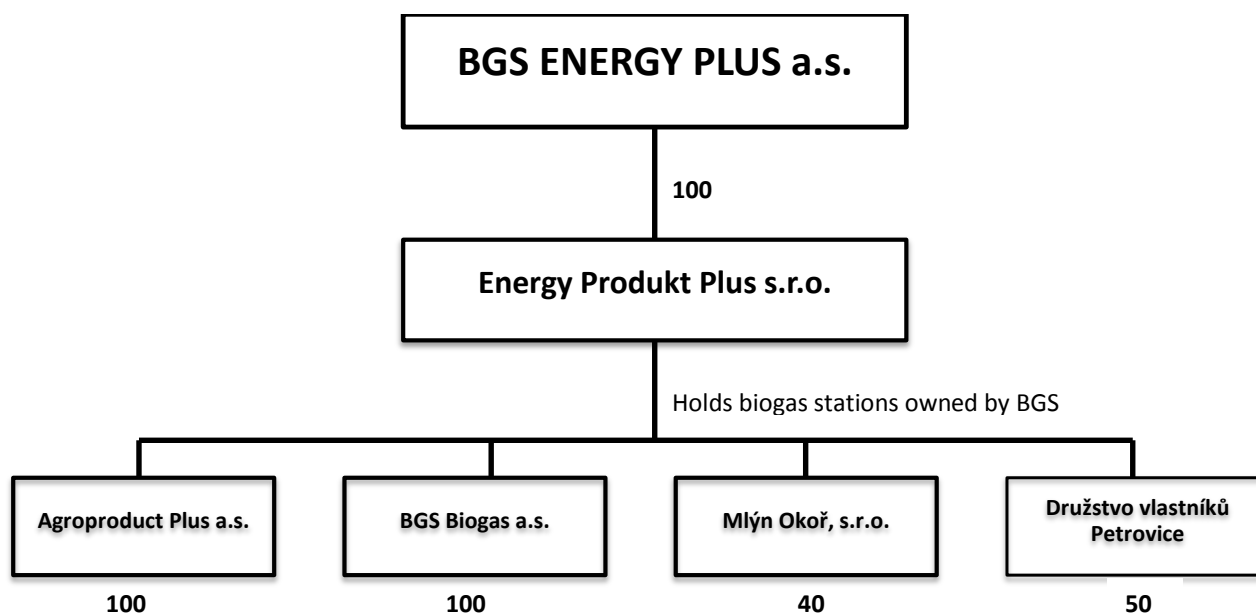
## 6 Description of the organisation of the group indicating consolidated entities

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
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

Position	Name	Date of Birth	Position held since
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 September 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 September 2014 and the corresponding period in 2013.

		1.1.2014 – 30.9.2014		1.1.2013 – 30.9.2013	
		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	215 745	7 817	500 267	19 428
B	Cost of products, services and materials	176 919	6 410	405 310	15 740
	Gross margin	38 826	1 407	94 957	3 688
C	Personel costs	14 361	520	17 121	665
C. 1.	Labour costs	10 462	379	12 883	500

C. 2.	Board members compensations	0	0	0	0
C. 3.	Social security and health insurance costs	3 208	116	3 396	132
C. 4.	Social costs	691	25	842	33
D	Taxes and charges	302	11	226	9
E	Depreciation	12 624	457	12 695	493
III.	Revenues from sales of own property	16 781	608	7 078	275
F	Value of small property	3 487	126	3 136	122
VI.-VII.	Other operation revenues	14 899	540	10 702	416
I – J	Other operation costs	3 045	110	5 280	205
	Operating profit	36 687	1 329	74 279	2 885
XIV.	Financial revenues	19 333	700	6 136	238
Q	Financial costs	18 536	672	13 360	519
	Interests thereof	17 105	620	11 645	452
	Consolidated profit from financial operations	797	29	-7 224	-281
	Income tax for common activity	10 850	393	20 970	814
	Income tax for common activity due	10 850	393	20 970	814
R	Deferred tax for common activity	0	0	0	0
	Consolidated profit for common activity	26 634	965	46 085	1 790
XVI.	Extra incomes	0	0	0	0
S	Extra costs	0	0	0	0
XVII.	Passive consolidation difference clearance	-246	-9	-246	-10
	Active consolidation difference clearance	0	0	0	0
	Deferred income tax	0	0	0	0
	Extraordinary consolidated profit	-246	-9	-246	-10
	Consol. profit for acc. period without equivalent ratio	26 388	956	45 839	1 780
	Share in equivalency	-192	-7	-1 192	-46
	EBT	37 046	1 342	65 617	2 548
	EBIT	54 151	1 962	77 262	3 000
	EBITDA	66 775	2 419	89 957	3 493
	NET PROFIT/LOSS	26 196	949	44 647	1 734

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

		1.1.2014 – 30.9.2014		1.1.2013 – 30.9.2013	
		CZK	EUR	CZK	EUR
	TOTAL ASSETS	1 024 197	37 244	954 707	37 090
A	Receivables - subscribed capital	0	0	0	0
B	Fixed assets	435 297	15 829	366 749	14 248
B I.	Long-term intangible asset	0	0	2	0
B II.	Long-term tangible asset	416 328	15 139	347 843	13 514
	1. Land	9 028	328	6 177	240
	2. Buildings	164 256	5 973	82 539	3 207
	3. Individual tangible assets (chattels)	147 929	5 379	84 870	3 297
	5.	2 933	107	0	0
	7. Uncompleted long-term property	90 281	3 283	172 154	6 688
	9. Difference in valuation of purchased property	1 901	69	2 103	82
B III.	Financial investment	24 172	879	24 570	955



B IV.	Consolidation differences positive/ negative	-7 879	-287	-8 342	-324
B V.	Shares from equity method	2 676	97	2 676	104
C	Current assets	587 906	21 378	586 362	22 780
C I.	Inventories	63 691	2 316	158 771	6 168
C II.	Long-term receivables	90 724	3 299	0	0
C III.	Short-term receivables	336 174	12 225	387 276	15 046
C IV.	Current liquid funds	97 317	3 539	40 315	1 566
	1. Cash and cash equivalents	9 878	359	19 589	761
	2. Bank accounts	85 599	3 113	18 886	734
	3. Purchased short-term investment	1 840	67	1 840	71
D	Accrual and deferral of assets	994	36	1 596	62
		<b>1.1.2014 – 30.9.2014</b>		<b>1.1.2013 – 30.9.2013</b>	
		<b>CZK</b>	<b>EUR</b>	<b>CZK</b>	<b>EUR</b>
	<b>EQUITY AND LIABILITIES</b>	<b>1 024 197</b>	<b>37 244</b>	<b>954 707</b>	<b>37 090</b>
A	Equity	236 143	8 587	201 219	7 817
A I.	Registered share capital	15 109	549	15 109	587
A II.	Reserved capital	36 790	1 338	36 790	1 429
A III.	Retained earning	1 948	71	1 585	62
A IV.	net profit of previous period	156 139	5 678	103 126	4 006
A V.	net profit without minorities	26 195	953	44 647	1 735
1.	Net profit of common period	26 387	960	45 839	1 781
2.	Share of profit in equivalency	-192	-7	-1 192	-46
A VI.	Passive consolidation difference	0	0	0	0
A VII.	Consolidation reserve fund	-38	-1	-38	-1
B	LIABILITIES	788 010	28 655	753 389	29 269
B I.	Reserves	0	0	0	0
B II.	Long-term liabilities excluding bank loans	62 263	2 264	21 760	845
B III.	Short-term liabilities	277 136	10 078	321 128	12 476
B IV.	Bank loans	448 611	16 313	410 501	15 948
	1. Long-term loans	310 352	11 286	397 396	15 439
	2. Short-term loans	1 331	48	1 762	68
	3. Short term borrowings	136 928	4 979	11 343	441
C	Accrual and deferral of liabilities	44	2	99	4
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

**CHANGES IN SHAREHOLDERS' EQUITY for the of 1 January 2014 to 30 September 2014 with comparative results**

		<b>1.1.2014 – 30.9.2014</b>		<b>1.1.2013 – 30.9.2013</b>	
		<b>CZK</b>	<b>EUR</b>	<b>CZK</b>	<b>EUR</b>
Ident.	CHANGES IN SHAREHOLDERS' EQUITY				
<b>A. Subscribed capital in Companies register entered</b>					
A.1.	Opening balance	15 109	549	15 109	587
A.4.	Closing balance	15 109	549	15 109	587
<b>C. Subscribed capital (A. +/- B).with account (-)</b>					

C.1.	Opening balance	15 109	549	15 109	587
C.6.	Closing balance A. +/- B. incl.	15 109	549	15 109	587
<b>D. Share premium</b>					
D.1.	Opening balance	36 190	1 316	36 190	1 406
D.4.	Closing balance	36 190	1 316	36 190	1 406
<b>F. Other profit reserves</b>					
F.1.	Opening balance	1 585	58	1 585	62
F.2.	Increase	363	13		
F.4.	Closing balance	1 948	71	1 585	62
<b>I. Credit from account periods</b>					
I.1.	Opening balance	141 135	5 132	103 126	4 006
I.2.	Increase	8 404	306		
I.4.	Closing balance	156 139	5 678	103 126	4 006
<b>K. Profit/loss for the period after tax</b>					
K.1	Opening balance	26 195	953	44 641	1 734
K.3	Decrease	38	1	38	1
K.4	Closing balance	26 151	952	44 609	1 735
<b>Equity in total (summation C to K)</b>					
X.1	Opening balance	221 414	8 051	201 251	7 819
X.2	Increase	8 161	297		
X.3	Decrease	38	1	38	1
X.4	Closing balance	236 143	8 587	201 219	7 817

### 11 Detailed consolidated financial results for the period 1 July 2014 to 30 September 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 July 2014 to 30 September 2014 and the corresponding period in 2013.

		1.7.2014 – 30.9.2014		1.7.2013 – 30.9.2013	
		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	34 399	1 251	250 040	9 699
B	Cost of products, services and materials	36 837	1 340	215 831	8 372
	Gross margin	-2 438	-89	34 209	1 327
C	Personel costs	4 937	180	6 053	235
C. 1.	Labour costs	3 613	131	4 691	182
C. 2.	Board members compensations	0	0	0	0
C. 3.	Social security and health insurance costs	1 097	40	1 053	41
C. 4.	Social costs	227	8	309	12
D	Taxes and charges	137	5	4	0
E	Depreciation	4 107	149	4 566	177
III.	Revenues from sales of own property	5 390	196	1 997	77
F	Value of small property	201	7	1 646	64
VI.-VII.	Other operation revenues	4 919	179	4 890	190

I – J	Other operation costs	1 173	43	569	22
	Operating profit	-37 592	-1 367	28 258	1 096
XIV.	Financial revenues	7 634	278	3 669	142
Q	Financial costs	10 077	367	6 318	245
	Interests thereof	9 414	342	5 660	220
	Consolidated profit from financial operations	-2 443	-89	-2 649	-103
	Income tax for common activity	2 700	98	9 970	387
	Income tax for common activity due	2 700	98	9 970	387
R	Deferred tax for common activity	0	0	0	0
	Consolidated profit for common activity	-19 451	-708	15 639	607
XVI.	Extra incomes	0	0	0	0
S	Extra costs	0	0	0	0
XVII.	Passive consolidation difference clearance	0	0	0	0
	Active consolidation difference clearance	0	0	0	0
	Deferred income tax	0	0	0	0
	Extraordinary consolidated profit	0	0	0	0
	Consol. profit for acc. period without equivalent ratio	-7 827	-285	15 639	607
	Share in equivalency	0	0	0	0
	EBT	-4 127	-150	25 609	993
	EBIT	5 287	192	31 269	1 213
	EBITDA	9 394	342	35 835	1 390
	NET PROFIT/LOSS	-6 827	-248	15 639	607

**Balance Sheet for the period 1 July 2014 to 30 September 2014 with comparative results**

		1.7.2014 – 30.9.2014		1.7.2013 – 30.9.2013	
		CZK	EUR	CZK	EUR
	<b>TOTAL ASSETS</b>	1 024 197	37 244	954 707	37 090
A	Receivables - subscribed capital	0	0	0	0
B	Fixed assets	435 297	15 829	366 749	14 248
B I.	Long-term intangible asset	0	0	2	0
B II.	Long-term tangible asset	416 328	15 139	347 843	13 514
	1. Land	9 028	328	6 177	240
	2. Buildings	164 256	5 973	82 539	3 207
	3. Individual tangible assets (chattels)	147 929	5 379	84 870	3 297
	5.	2 933	107	0	0
	7. Uncompleted long-term property	90 281	3 283	172 154	6 688
	9. Difference in valuation of purchased property	1 901	69	2 103	82
B III.	Financial investment	24 172	879	24 570	955
B IV.	Consolidation differences positive/ negative	-7 879	-287	-8 342	-324
B V.	Shares from equity method	2 676	97	2 676	104
C	Current assets	587 906	21 378	586 362	22 780
C I.	Inventories	63 691	2 316	158 771	6 168
C II.	Long-term receivables	90 724	3 299	0	0
C III.	Short-term receivables	336 174	12 225	387 276	15 046
C IV.	Current liquid funds	97 317	3 539	40 315	1 566
	1. Cash and cash equivalents	9 878	359	19 589	761
	2. Bank accounts	85 599	3 113	18 886	734
	3. Purchased short-term investment	1 840	67	1 840	71
D	Accrual and deferral of assets	994	36	1 596	62
		1.7.2014 – 30.9.2014		1.7.2013 – 30.9.2013	
		CZK	EUR	CZK	EUR
	<b>EQUITY AND LIABILITIES</b>	1 024 197	37 244	954 707	37 090
A	Equity	236 143	8 587	201 219	7 817
A I.	Registered share capital	15 109	549	15 109	587
A II.	Reserved capital	36 790	1 338	36 790	1 429
A III.	Retained earning	1 948	71	1 585	62
A IV.	net profit of previous period	189 161	6 879	132 134	5 133
A V.	net profit without minorities	-6 827	-248	15 639	608
1.	Net profit of common period	-6 827	-248	15 639	608
2.	Share of profit in equivalency	-192	-7	0	0
A VI.	Passive consolidation difference	0	0	0	0
A VII.	Consolidation reserve fund	-38	-1	-38	-1
B	LIABILITIES	788 010	28 655	753 389	29 269
B I.	Reserves	0	0	0	0
B II.	Long-term liabilities excluding bank loans	62 263	2 264	21 760	845
B III.	Short-term liabilities	277 136	10 078	321 128	12 476
B IV.	Bank loans	448 611	16 313	410 501	15 948
	1. Long-term loans	310 352	11 286	397 396	15 439
	2. Short-term loans	1 331	48	1 762	68
	3. Short term borrowings	136 928	4 979	11 343	441
C	Accrual and deferral of liabilities	44	2	99	4
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	30.9.2013	25,74	25,75
01.07.2013	30.9.2013	25,74	25,78
01.01.2014	30.9.2014	27,50	27,49
01.07.2014	30.9.2014	27,50	27,60

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, November 13, 2014

**16 Investors Relations contact**

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