

CONSOLIDATED QUARTERLY REPORT

2016 Q1

For the period 1.1.2016 – 31.3.2016

BGS Energy Plus a.s.

13 May 2016

Světlá nad Sázavou, Czech Republic

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## 1. Selected consolidated financial results for the period 1 January to 31 March 2016

	1.1.2016 - 31.3.2016		1.1.2015 - 31.3.2015	
	CZK 000	EUR 000	CZK 000	EUR 000
<b>Income Statement</b>				
Revenues	105 101	3 885	63 561	2 304
Consumption	96 175	3 555	51 434	1 864
Operating profit	8 926	330	12 127	440
EBITDA (Profit + depreciation and Amortization + Interest expenses + Income tax)	13 511	499	24 382	883
- of which Depreciation	9 936	367	7 758	281
EBIT (Profit + Interest expenses + Income tax)	8 921	330	16 624	602
Profit / loss before taxation (EBT)	909	34	10 604	384
Profit / loss after taxation	909	34	7 669	278
<b>Balance sheet</b>				
Fixed Assets	516 763	19 097	517 000	18 780
Current Assets, of which:	549 802	20 318	480 172	17 442
- long-term receivables	131 815	4 871	0	0
- short-term receivables	337 524	12 473	239 315	8 693
- current financial assets	14 531	537	22 213	807
Total Assets	1 068 153	39 473	998 195	36 258
Equity	287 247	10 615	245 220	8 907
Long-term liabilities	89 551	3 309	0	0
Short-term liabilities	223 197	8 248	214 202	7 781
Bank loans and other borrowings	461 991	17 073	536 447	19 486

Note: Exchange rates provided by the Czech National Bank

## 2. 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 1.1.2016 – 31.3.2016 exceeded CZK 105 mio. This value was achieved, above all, thanks to the generation of the electricity in own biogas plants and providing services to BGS clients.

The Group consolidated EBITDA for 1Q2016 is CZK 13 mio.

There are no 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	461199	595000	77%	1965527	2380000	83%
Suchdol nad Odrou	0,59	379049	348000	109%	1528180	1392000	110%
Čihošť	0,62	286072	383750	75%	1197785	1535000	78%
Skury	0,59	288408	348000	83%	1353073	1392000	97%
Ovesná Lhota	0,62	122899	383750	32%	1083535	1535000	71%

### 3. Forecasts of financial results

The issuer does not publish the forecasts of financial results.

### 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: Capital Solutions ProAlfa Sp. z o.o.

### 5. 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
Podhradí s.r.o.	Czech Rep.	100%	full consolidation
Agromilk, družstvo vlastníku	Czech Rep.	68,25%	full consolidation
BPS, Lhota, s.r.o.	Czech Rep.	60%	full consolidation
Forest-servis, s.r.o.	Czech Rep.	100%	full consolidation
Mlyn Okor s.r.o.	Czech Rep.	40%	equivalence method
BPS Ptení s.r.o.	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.

In the three-month period ended 31.3.2016, the Group did not discontinue any of its operations.

In the three-month period ended 31.3.2016, 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 at 31 March 2016

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

## 7. Shareholder structure

As of 31 March 2016 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
<b>Ales Radil</b>	3 819 666	25,11451	3 819 666	25,11451
<b>Radim Hruza</b>	3 819 666	25,11451	3 819 666	25,11451
<b>Zdenek Radil</b>	3 819 666	25,11451	3 819 666	25,11451
<b>Ales Radil, Radim Hruza, Zdenek Radil (as a common ownership)</b>	2	0,00001	2	0,00001

<b>Other investors</b>	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>

## 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	Bc. Oksana Batalova	4.9.1983	22.5.2014

### Supervisory Board

Position	Name	Dat of Birth	Position held since
Chairman	JUDr. Ing. Zdeněk Radil	31.1.1975	20.5.2009

## 9. Detailed consolidated financial results for the period of 1 January to 31 March 2016

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 to 31 March 2016 and the corresponding period in 2015.

Income Statement for the period of 1 January to 31 March 2016 with comparative results

		1.1.2016 - 31.3.2016		1.1.2015 - 31.3.2015	
		CZK 000	EUR 000	CZK 000	EUR 000
I.	Revenues from sales of third party goods	5	0	234	8
A	Cost of goods sold on third party goods	4	0	182	7
+	Trading margin	1	0	52	2
II.	Turnover from products, services and materials	58 485	2 162	61 301	2 222
B	Cost of products, services and materials	51 434	1 901	34 217	1 240
	Gross margin	7 052	261	27 136	984
C	Personnel costs	14 999	554	6 733	244
C.1.	Labour costs	11 089	410	4 925	179
C.3	Social security and health insurance costs	3 324	123	1 512	55
C.4.	Social costs	586	22	296	11
D	Taxes and charges	786	29	251	9
E	Depreciation	9 936	367	7 758	281
III.	Revenues from sales of own property	13 839	512	1 454	53
F	Value of small property	16 994	628	332	12

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VI.-VII.	Other operation revenues	32 772	1 212	572	21
I - J	Other operation costs	2 022	75	1 389	51
	Operating profit	8 926	330	12 127	440
XIV.	Financial revenues	2 628	97	5 048	183
Q	Financial costs	7 218	267	6 668	242
	Interests thereof	6 675	247	6 020	218
	Consolidated profit from financial operations	-4 590	-170	-1 620	-59
	Income tax for common activity	0	0	2 935	106
	Income tax for common activity due	0	0	2 935	106
	Consolidated profit for common activity	4 336	160	7 572	274
XIII.	Extra income	3	0	12	0
R.	Extra expenses			0	
XVII.	Passive consolidation difference clearance	2 999	111	288	10
	Extraordinary consolidated profit	3 676	136	300	11
	Consol.profit for acc.period without equivalent ratio	8 012	296	7 872	285
	Share in equivalency	909	34	7 682	278
	EBT	8 921	330	10 604	384
	EBIT	13 511	499	16 624	602
	EBITDA	23 447	867	24 382	883
	NET PROFIT / LOSS	8 921	330	7 669	278

Balance Sheet for the period of 1 January to 31 March 2016 with comparative results

		1.1.2016 - 31.3.2016		1.1.2015 - 31.3.2015	
		CZK 000	EUR 000	CZK 000	EUR 000
TOTAL ASSETS		1 068 153	39 473	998 195	36 258
A	Receivables - subscribed capital	0	0	0	0
B	Fixed assets	516 763	19 097	517 000	18 780
B. I.	Long-term intangible asset	0	0	949	34
B II	Tangible fixed assets	493 053	18 221	497 192	18 060
B II.1.	Land	32 615	1 205	29 912	1 087
B II. 2.	Building	234 057	8 650	184 207	6 691
B II.3	Machinery, equipment, vehicles, fixtures and fittings	127 777	4 722	187 037	6 794
B II. 5		3 284	121	3 035	110
B II.7.	Tangible fixed assets under construction	85 202	3 149	91 201	3 313
B II.9	Difference in valuation of purchased property	1 649	61	1 800	65
B III.	Financial assets	17 324	640	19 098	693
B IV.	Consolidation differences positive / negative	-3 708	-137	-4 080	-148
B V.	Shares from equity method	10 094	373	3 841	140
C	Current assets	549 802	20 318	480 172	17 442
C I.	Inventories	65 932	2 437	88 939	3 231
C II.	Long-term receivables	131 815	4 871	129 705	4 711
C III.	Short-term receivables	337 524	12 473	239 315	8 693
C IV.	Current financial assets	14 531	537	22 213	807
C IV. 1	Cash and cash equivalents	2 071	77	3 302	120
C IV. 2	Bank accounts	10 620	392	17 071	620

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C IV. 3	Short-term securities and shares	1 840	68	1 840	67
D	Prepayments and acc.income	1 587	59	1 023	37
	<b>EQUITY AND LIABILITIES</b>	<b>1 068 153</b>	<b>39 474</b>	<b>998 195</b>	<b>36 258</b>
A	Equity	287 247	10 615	245 220	8 907
A I.	Registered share capital	15 209	562	15 209	552
A II.	Reserved capital	36 750	1 358	36 750	1 335
A III.	Reserves, indivisible reserve and other revenue reserves	505	19	1 318	48
A IV.	Retained earning	230 372	8 513	183 167	6 653
A V.	Profit / loss of current account.period	7 000	259	7 479	272
A V. 1.	Net profit of common period	7 338	271	7 682	279
A V. 2	Share of profit in equivalency	-338	-12	-203	-7
A VII.	Consolidation reserve fund	-2 589	-96	1 297	47
B	<b>LIABILITIES</b>	<b>774 739</b>	<b>28 630</b>	<b>750 649</b>	<b>27 267</b>
B II.	Long-term liabilities	89 551	3 309	54 391	1 976
B III.	Short-term liabilities	223 197	8 248	214 202	7 781
B IV.	Bank loans and borrowings	461 991	17 073	482 056	17 510
B IV. 1	Long-term loans	331 242	12 241	408 667	14 844
B IV. 2	Short-term bank loans	1 357	50	1 359	49
B IV.3	Short-term borrowings	129 392	4 782	72 030	2 616
C	Accruals and deferred income	1 089	40	929	34
D	Minority equity	5 078	188	1 397	51
D I.	Minority capital stock	718	27	749	27
D II.	Minority capital funds	498	18	522	19
D III.	Minority profit funds incl. previous period	3 743	138	-65	-2
D IV.	Minority P/L of common period	120	4	190	7

## 10. 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 company's 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's 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.

### 11. Exchange rates

The following exchange rates were applied:

From	To	For Balance Sheet statement calculations	For Income Statement calculations
1.1.2015	31.3.2015	27,53	27,59
1.1.2016	31.3.2016	27,06	27,05

Source: Czech National Bank

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.

## **12. 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.

## **13. 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, 2016

## **14. Investors Relations contact**

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