

**CONSOLIDATED QUARTERLY REPORT  
2010 Q2**

**For the period 1.4.2010 – 30.6.2010**

**BGS Energy Plus a. s.**



**24. 08. 2010**

Svetla nad Sazavou, Czech Republic

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**1 Selected consolidated financial results for the period 1 January 2010 to 30 June 2010**

	<b>1.1.2010 - 30.6.2010</b>		<b>1.1.2009 - 30.6.2009</b>	
	<b>CZK 000</b>	<b>EUR 000</b>	<b>CZK 000</b>	<b>EUR 000</b>
<b>Income Statement</b>				
Revenues	21 172	824	16 814	723
EBITDA (net profit + depreciation and Amortization + Interest expenses + Income tax )	6 351	247	8 488	365
- of which Depreciation	1 334	52	549	24
Profit/loss before taxation	4 184	163	7 081	304
Profit/loss after taxation	3 284	128	5 723	246
<b>Balance sheet</b>				
Fixed Assets	68 962	2 678	56 648	2 188
Current Assets, of which:	93 302	3 623	24 856	960
· Short-term receivables	47 023	1 826	7 689	297
· Current financial assets	26 445	1 027	4 017	155
Total Assets	163 829	6 362	92 316	3 566
Equity	90 745	3 524	15 415	595
Short-term liabilities	17 293	672	34 260	1 323
Long-term liabilities including bank loans	55 791	2 167	40 043	1 547

**2 Selected consolidated financial results for the period 1 April 2010 to 30 June 2010**

	<b>1.4.2010 - 30.6.2010</b>		<b>1.4.2009 - 30.6.2009 *</b>	
	<b>CZK 000</b>	<b>EUR 000</b>	<b>CZK 000</b>	<b>EUR 000</b>
<b>Income Statement</b>				
Revenues	9 764	382	8407	318
EBITDA (Operating profit + depreciation and Amortization + Interest expenses + Income tax )	3 892	152	4 244	160
- of which Depreciation	408	16	275	11
Profit/loss before taxation	3 081	120	3 541	133
Profit/loss after taxation	2 601	102	2 861	108
<b>Balance sheet</b>				
Fixed Assets	68 962	2 678	56 648	2 188
Current Assets, of which:	93 302	3 623	24 856	960
· Short-term receivables	47 023	1 826	7 689	297
· Current financial assets	26 445	1 027	4 017	155
Total Assets	163 829	6 362	92 316	3 566
Equity	90 745	3 524	15 415	595
Short-term liabilities	17 293	672	34 260	1 323
Long-term liabilities including bank loans	55 791	2 167	42 597	1 645

\* quarterly financials for Q2'2009 are derived by halving 1H'2009 results for P/L items as the company did not prepared 2Q financials in 2009

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

The BGS Group consolidated turnover for the period 01.1.2010 – 30.6.2010 exceeded CZK 21mio, the highest semiannual turnover achieved up to now. This value was achieved above all thanks to the growth of production of electric power produced by Závídkovice biogas station, which is operating at above planned efficiency rates.

Operating profit of the Group is lower in comparison with the period 2009 due to accounted costs connected with EPC projects construction and also with respect to Suchdol nad Odrou biogas plant construction. The Group will generate income from EPC projects in the third quarter as the projects will be invoiced to our customers. The Suchdol biogas plant will start operations in September, so additional income will be also generated which will positively affect the operating profit.

The consolidated turnover does not include any turnover on EPC (Engineering-Procurement-Construction) turnover as UTS Biogas a.s. is consolidated in to the Group results according to the equivalence method. The results of UTS Biogas a.s. appear in the consolidated financials at the net profit level.

Due to active marketing in the period UTS Biogas has generated large pipeline of EPC projects.

### 4 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  
 Ticker: BGS  
 ISIN: CZ0005121707  
 Authorized Advisor: CMS Corporate Management Services Sp. z o.o.

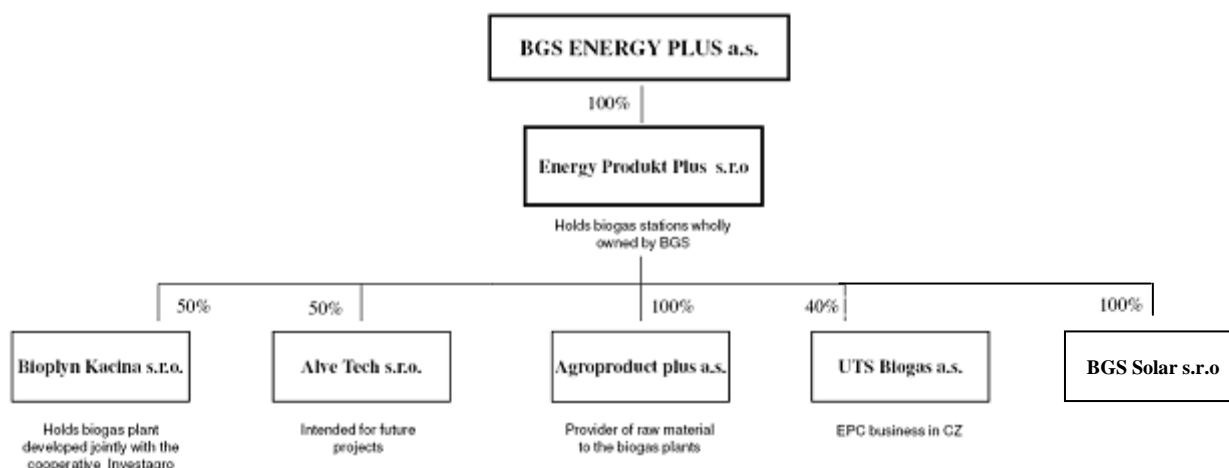
### 5 General information about the Group

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
ALVE Tech s.r.o.	Czech Rep.	50%	equivalence method
Bioplyn Kačina s.r.o.	Czech Rep.	50%	equivalence method
UTS Biogas a.s.	Czech Rep.	40%	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 30.6.2010 the Group did not discontinue any of its operations.

In the period of three months ended on 30.6.2010 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 30 June 2010

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 2010 to 30 June 2010 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
Director	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 2010 to 30 June 2010 there have been no changes in board of directors and Supervisory Board

## **9 Report on the Issuer's activities in 2010 Q2**

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 Závídkovice

The Závídkovice 620 kW biogas station has been operated for almost 2 years. Electricity production amounts to min. level of 95% of the feasible monthly production. The sustained production and potential of free capacity of the distribution system allowed for preparation and implementation of increase of the biogas station output to total 990kW. This plan shall be implemented by the end of the year in phases. The first phase shall include construction of the second silage trough and extension of the co-generation building for installation of new MAN 370kW engine.

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

The final negotiations concerning commissioning of the facility focusing mainly on administrative work are held there. From technological and constructional point of view the facility is prepared for operation and from 33rd week some trial runs will commence.

The plan is to invoice electricity produced in the biogas station with output of 590kW as early as for September 2010.

#### BGS Číhošť

Currently there is a tender for building of this station organized in the Číhošť 620kW biogas station. The time schedule proposes completion of the constructional and technological part of this station in the way so as the facility can be connected to the transmission grid under the conditions of the year 2010. The construction intends to utilize good practise from the previous projects, i.e. to enable stable and reliable operation for various kinds of raw materials thus providing for a wider range of flexibility in raw material supply to the facility.

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

#### UTS Biogas

A significant change for strengthening internal stability of business and supplying company UTS Biogas, a.s. in the BGS group is repurchase of shares from the German company UTS Biogastechnik GmbH. This step was implemented after mutual agreement, what shall enable parallel growth of both companies on different markets with concurrent business cooperation. From the point of view of BGS group, 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 Závídkovice biogas station as well as strong experience acquired by the very operation of the technology.

In 2Q the Telč biogas station that actually belongs among the state-of-the-art operations in the Czech Republic was commissioned festively. The festive opening was attended by important business partners of the BGS group and other new customers.

### **C. Accounting activity**

Energy product plus s.r.o. provides accounting and human resources services. The company revenues from the activity in 2Q2010 were ca. CZK 3,7 mio.



### 10 Detailed consolidated financial results for the period 1 January 2010 to 30 June 2010

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 2010 to 30 June 2010 and the corresponding period in 2009.

		000 CZK	000 EUR	000 CZK	000 EUR
		1.1- 30.6.2010	1.1- 30.6.2010	1.1- 30.6.2009	1.1- 30.6.2009
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	21 172	824	16 814	723
B	Cost of products, services and materials	8 906	347	5 964	256
	Gross margin	12 266	477	10 850	466
C	Personel costs	6 375	248	2 948	127
C. 1.	Labour costs	4 659	181	1 977	85
C. 2.	Board members compensations	0	0	133	6
C. 3.	Social security and health insurance costs	1 396	54	714	31
C. 4.	Social costs	320	12	124	5
D	Taxes and charges	44	2	2	0
E	Depreciation	1 334	52	549	24
III.	Revenues from sales of own property	995	39	0	0
F	Value of small property	847	33	0	0
VI.-VII.	Other operation revenues	69	3	0	0
I – J	Other operation costs	237	9	41	2
	Operating profit	4 493	175	7 310	314
XIV.	Financial revenues	40	2	13	1
Q	Financial costs	1 031	40	932	40
	Interests thereof	833	32	858	37
	Consolidated profit from financial operations	-1 030	-40	-919	-40
	Income tax for common activity	900	35	1 358	58
	Income tax for common activity due	900	35	1 358	58
R	Deferred tax for common activity	0	0	0	0
	Consolidated profit for common activity	2 563	100	5 033	216
XVI.	Extra incomes	0	0	0	0
S	Extra costs	0	0	0	0
XVII.	Passive consolidation difference clearance	95	4	64	3
	Active consolidation difference clearance	0	0	0	0
	Deferred income tax	0	0	0	0
	Extraordinary consolidated profit	95	4	64	3
	Consol. profit for acc. period without equivalent ratio	2 658	103	5 097	219
	Share in equivalency	626	24	626	27
	EBT	4 184	163	7 081	304
	EBIT	5 017	195	7 939	341
	EBITDA	6 351	247	8 488	365
	NET PROFIT/LOSS	3 284	128	5 723	246

Balance Sheet for the period 1 January 2010 to 30 June 2010 with comparative results

		000 CZK	000 EUR	000 CZK	000 EUR
		1.1-30.6.2010	1.1-30.6.2010	1.1-30.6.2009	1.1-30.6.2009
	TOTAL ASSETS	163 829	6 362	92 316	3 566
A	Receivables - subscribed capital	0	0	9 459	365
B	Fixed assets	68 962	2 678	56 648	2 188
B I.	Long-term intangible asset	75	3	105	4
B II.	Long-term tangible asset	68 944	2 677	57 090	2 205
	1. Land	340	13	577	22
	2. Buildings	24 585	955	226	9
	3. Individual tangible assets (chattels)	27 172	1 055	3 736	144
	5. Uncompleted long-term property	14 088	547	47 724	1 843
	9. Difference in valuation of purchased property	2 759	107	4 827	186
B III.	Financial investment	490	19	0	0
B IV.	Consolidation differences positive/ negative	-2 505	-97	-2 505	-97
B V.	Shares from equity method	1 958	76	1 958	76
C	Current assets	93 302	3 623	24 856	960
C I.	Inventories	15 415	599	13 150	508
C II.	Long-term receivables	4 419	172	0	0
C III.	Short-term receivables	47 023	1 826	7 689	297
C IV.	Current liquid funds	26 445	1 027	4 017	155
	1. Cash and cash equivalents	4 136	161	3 211	124
	2. Bank accounts	22 309	866	806	31
	3. Purchased short-term investment	0	0	0	0
D	Accrual and deferral of assets	1 565	61	1 353	52

		000 CZK	000 EUR	000 CZK	000 EUR
		1.1-30.6.2010	1.1-30.6.2010	1.1-30.6.2009	1.1-30.6.2009
	EQUITY AND LIABILITIES	163 829	6 362	92 316	3 566
A	Equity	90 745	3 524	15 415	595
A I.	Registered share capital	15 415	599	15 415	595
A II.	Reserved capital	36 556	1 420	12	0
A III.	Retained earning	37 132	1 442	13	1
A IV.	net profit of previous period	-1 874	-73	-5 980	-78
A V.	net profit without minorities	3 284	128	5 723	221
1.	Net profit of common period	2 658	103	5 097	197
2.	Share of profit in equivalency	626	24	626	24
A VI.	Passive consolidation difference	0	0	0	0
A VII.	Consolidation reserve fund	232	9	232	9
B	LIABILITIES	73 084	2 838	76 857	2 969
B I.	Reserves	0	0	0	0
B II.	Long-term liabilities excluding bank loans	0	0	0	0
B III.	Short-term liabilities	17 293	672	34 260	1 323
B IV.	Bank loans	55 791	2 167	42 597	1 645
	1. Long-term loans	39 690	1 541	40 043	1 547
	2. Short-term loans	0	0	0	0
	3. Short term borrowings	16 101	625	2 554	99
C	Accrual and deferral of liabilities	0	0	44	2
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 2010 to 30 June 2010

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 2010 to 30 June 2010 and the corresponding period in 2009.

		000 CZK	000 EUR	000 CZK	000 EUR
		1.4- 30.6.2010	1.4- 30.6.2010	* 1.4- 30.6.2009	1.4- 30.6.2009
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	9 764	382	8 407	318
B	Cost of products, services and materials	3 878	152	2 982	112
	Gross margin	5 886	230	5 425	205
C	Personel costs	3 217	126	1 474	56
C. 1.	Labour costs	2 361	92	988	38
C. 2.	Board members compensations	0	0	66	2
C. 3.	Social security and health insurance costs	715	28	357	14
C. 4.	Social costs	141	6	62	2
D	Taxes and charges	1	0	1	0
E	Depreciation	408	16	275	11
III.	Revenues from sales of own property	702	27	0	0
F	Value of small property	1	0	0	0
VI.-VII.	Other operation revenues	67	3	0	0
I – J	Other operation costs	77	3	20	1
	Operating profit	2 951	115	3 655	138
XIV.	Financial revenues	25	1	6	0
Q	Financial costs	581	23	466	18
	Interests thereof	403	16	429	16
	Consolidated profit from financial operations	-580	-23	-460	-18
	Income tax for common activity	480	19	679	26
	Income tax for common activity due	480	19	679	26
R	Deferred tax for common activity	0	0	0	0
	Consolidated profit for common activity	1 891	74	2 516	95
XVI.	Extra incomes	0	0	0	0
S	Extra costs	0	0	0	0
XVII.	Passive consolidation difference clearance	84	3	32	1
	Active consolidation difference clearance	0	0	0	0
	Deferred income tax	0	0	0	0
	Extraordinary consolidated profit	84	3	32	1
	Consol. profit for acc. period without equivalent ratio	1 975	77	2 548	96
	Share in equivalency	626	24	313	12
	EBT	3 081	120	3 541	133
	EBIT	3 484	136	3 970	150
	EBITDA	3 892	152	4 244	160
	NET PROFIT/LOSS	2 601	102	2 861	108

\* quarterly financials for Q2'2009 are derived by halving 1H'2009 results for P/L items as the company did not prepared 2Q financials in 2009

**Balance Sheet for the period 1 April 2010 to 30 June 2010 with comparative results**

		000 CZK	000 EUR	000 CZK	000 EUR
		1.4-30.6.2010	1.4-30.6.2010	1.4-30.6.2009	1.4-30.6.2009
	TOTAL ASSETS	163 829	6 362	92 316	3 566
A	Receivables - subscribed capital	0	0	9 459	365
B	Fixed assets	68 962	2 678	56 648	2 188
B I.	Long-term intangible asset	75	3	105	4
B II.	Long-term tangible asset	68 944	2 677	57 090	2 205
	1. Land	340	13	577	22
	2. Buildings	24 585	955	226	9
	3. Individual tangible assets (chattels)	27 172	1 055	3 736	144
	5. Uncompleted long-term property	14 088	547	47 724	1 843
	9. Difference in valuation of purchased property	2 759	107	4 827	186
B III.	Financial investment	490	19	0	0
B IV.	Consolidation differences positive/ negative	-2 505	-97	-2 505	-97
B V.	Shares from equity method	1 958	76	1 958	76
C	Current assets	93 302	3 623	24 856	960
C I.	Inventories	15 415	599	13 150	508
C II.	Long-term receivables	4 419	172	0	0
C III.	Short-term receivables	47 023	1 826	7 689	297
C IV.	Current liquid funds	26 445	1 027	4 017	155
	1. Cash and cash equivalents	4 136	161	3 211	124
	2. Bank accounts	22 309	866	806	31
	3. Purchased short-term investment	0	0	0	0
D	Accrual and deferral of assets	1 565	61	1 353	52

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		000 CZK	000 EUR	000 CZK	000 EUR
		1.4-30.6.2010	1.4-30.6.2010	1.4-30.6.2009*	1.4-30.6.2009*
	EQUITY AND LIABILITIES	163 829	6 362	92 316	3 566
A	Equity	90 745	3 524	15 415	595
A I.	Registered share capital	15 415	599	15 415	595
A II.	Reserved capital	36 556	1 420	12	0
A III.	Retained earning	37 132	1 442	13	1
A IV.	net profit of previous period	-1 191	-46	-3 118	32
A V.	net profit without minorities	2 601	101	2 861	110
1.	Net profit of common period	1 975	77	2 548	98
2.	Share of profit in equivalency	626	24	313	12
A VI.	Passive consolidation difference	0	0	0	0
A VII.	Consolidation reserve fund	232	9	232	9
B	LIABILITIES	73 084	2 838	76 857	2 969
B I.	Reserves	0	0	0	0
B II.	Long-term liabilities excluding bank loans	0	0	0	0
B III.	Short-term liabilities	17 293	672	34 260	1 323
B IV.	Bank loans	55 791	2 167	42 597	1 645
	1. Long-term loans	39 690	1 541	40 043	1 547
	2. Short-term loans	0	0	0	0
	3. Short term borrowings	16 101	625	2 554	99
C	Accrual and deferral of liabilities	0	0	44	2
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

\* quarterly financials for Q2'2009 are derived by halving 1H'2009 results for P/L items as the company did not prepared 2Q financials in 2009

## **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 embargoes 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 CZK/EURO were applied:

from	to	for Balance Sheet statement calculations	for Income Statement calculations
01.01.2009	30.06.2009	25,89	23,26
01.04.2009	30.06.2009	25,89	26,48
01.1.2010	30.6.2010	25,75	25,69
01.04.2010	30.06.2010	25,75	25,59

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, August 24, 2010

**15 Investors Relations contact**

Jindra Radilova  
 Phone: +420 603 448866  
 Email: jindra.radilova@bgs-energy.cz