

**CONSOLIDATED QUARTERLY REPORT  
2012 Q2**

**For the period 1.1.2012 – 30.6.2012**

**BGS Energy Plus a. s.**



**10.8. 2012**

Svetla nad Sazavou, Czech Republic

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**1 Selected consolidated financial results for the period 1 January 2012 to 30 June 2012**

	1.1.2012 – 30.6.2012		1.1.2011 – 30.6.2011	
	CZK	EUR	CZK	EUR
<b>Income Statement</b>				
Revenues (with revenues from sales of own property and other operation revenues)	322 648	12 824	179 346	7 359
Consumption	302 902	12 309	160 279	6 576
Operating profit	19 746	785	19 067	782
EBITDA	25 263	1 004	21 123	867
- Of which Depreciation	7 012	279	3 360	138
EBIT	18 251	725	17 763	729
Profit/loss before taxation (EBT)	15 106	600	14 286	586
Profit/loss after taxation	11 956	475	10 786	443
<b>Balance sheet</b>				
Fixed Assets	258 525	10 083	209 903	8 620
Current Assets, of which:	328 341	12 806	257 591	10 579
- Short-term receivables	162 147	6 324	188 797	7 753
- Current financial assets	28 599	1 115	16 123	662
Total Assets	589 414	22 988	469 028	19 262
Equity	111 506	4 349	88 932	3 652
Short-term liabilities	239 118	9 326	191 988	7 885
Long-term liabilities including bank loans	234 930	9 337	188 160	7 727

Note: Exchange rates provided by the Czech National Bank

**2 Selected consolidated financial results for the period 1 April 2012 to 30 June 2012**

	1.4.2012 – 30.06.2012		1.4.2011 – 30.06.2011	
	CZK	EUR	CZK	EUR
<b>Income Statement</b>				
Revenues	236 842	9 324	113 518	4 658
Consumption	222 103	8 744	81 573	3 347
Operating profit	14 739	580	31 945	1 311
EBITDA (Profit + depreciation and Amortization + Interest expenses + Income tax )	18 281	720	31 975	1 312
- Of which Depreciation	4 452	175	1 681	69
EBIT (Profit + Interest expenses + Income tax )	13 829	544	30 294	1 243
Profit/loss before taxation (EBT)	11 770	463	28 620	1 174
Profit/loss after taxation	9 415	371	26 870	1 103
<b>Balance sheet</b>				
Fixed Assets	258 525	10 083	209 903	8 620
Current Assets, of which:	328 341	12 806	257 591	10 579
- Short-term receivables	162 147	6 324	188 797	7 753
- Current financial assets	28 599	1 115	16 123	662
Total Assets	589 414	22 988	469 028	19 262
Equity	111 506	4 349	88 932	3 652
Short-term liabilities	239 118	9 326	191 988	7 885
Long-term liabilities including bank loans	234 930	9 337	188 160	7 727

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

The BGS Group consolidated turnover for the period 1.4.2012 – 31.6.2012 exceeded CZK 236mio. This value was achieved, above all, thanks to the growth of EPC (Engineering-Procurement-Construction) projects constructed by BGS Biogas a.s., which is consolidated according to the full method.

The Group consolidated EBITDA for 2Q2012 is CZK 18mio.

### 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 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.

## 6 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>				

## 7 Shareholder structure

As of 30 June 2011 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>

## 8 Statutory bodies of the issuer

### Board of Directors

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

### Supervisory Board

Position	Name	Date of Birth	Position held since
Chairman	JUDr. Ing. Zdeněk Radil	31. 1. 1975	20. 5. 2009
Board member	Ing. Jaromir Peklo, PhD, MBA	30. 8. 1973	18. 6. 2009
Board member	Ing. Stepan Dlouhy	23. 8. 1977	18. 6. 2009

In the period from January 2012 to 30 June 2012 there have been no changes in board of directors and Supervisory Board

## 9 Report on the Issuer's activities in 2012 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 Zavidkovice biogas plant has been already working for 4 years, the plant was renewed by additional cogeneration unit MAN BGG 370 in 3Q 2011. The output will be increased to 990 kW with usage of the special bioextrusion machine during the 3Q2012.

#### BGS Suchdol nad Odrou

The Suchdol biogas plant is operated in cooperation with Agrosamak,a.s. It is already working 1,5 year. The second storage fermentor was constructed, so it is possible to utilize also already fermented material. The project to use the biogas plant originated heat is prepared to heat municipal and private buildings.

#### BGS Číhošť

The Cihost biogas plant has been working almost one year. At this moment the plant is working at 90%, so it is according with planned numbers.

#### BGS Ovesna Lhota

The Ovesna Lhota biogas plant is under construction now. The storage sump was built during the 2Q2012.

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

During the second quarter 2012, BGS Biogas has finalized biogas stations for clients and some of them were transferred to clients for trial tests. The last one in 2Q2012 was biogas plant Hostka. The biogas plant Hluboka is also almost prepared to transfer to client in July 2012.

Beside these construction work BGS Biogas is continuously working on preparation of new projects for agricultural sector.

**C. Accounting activity**

Energy product plus s.r.o. provides accounting and human resources services. The company revenues from the activity in 2Q2012 were ca. CZK 2,5 mio.

**10 Detailed consolidated financial results for the period of 1 January 2012 to 30 June 2012**

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 2012 to 30 June 2012 and the corresponding period in 2011.

		1.1.2012 – 30.6.2012		1.1.2011 – 30.6.2011	
		CZK	EUR	CZK	EUR
I.	Revenues from sales of third party goods	462	18	0	0
A	Cost of goods sold on third party goods	42	2	0	0
+	Trading margin	420	17	0	0
II.	Turnover from products, services and materials	311 928	12 398	179 266	7 356
B	Cost of products, services and materials	273 322	10 863	147 662	6 059
	Gross margin	39 026	1 551	31 604	1 297
C	Personel costs	14 284	568	8 579	352
C. 1.	Labour costs	10 514	418	6 147	252
C. 2.	Board members compensations	0	0	0	0
C. 3.	Social security and health insurance costs	3 114	124	1 982	81
C. 4.	Social costs	656	26	450	18
D	Taxes and charges	255	10	106	4
E	Depreciation	7 012	279	3 360	138
III.	Revenues from sales of own property	9 012	358	0	0
F	Value of small property	5 776	230	0	0
VI.-VII.	Other operation revenues	1 246	50	80	3
I – J	Other operation costs	2 211	88	572	23
	Operating profit	19 746	785	19 067	782
XIV.	Financial revenues	1 166	46	3 003	123
Q	Financial costs	5 169	205	6 346	260
	Interests thereof	3 145	125	3 477	143
	Consolidated profit from financial operations	-4 003	-159	-3 343	137
	Income tax for common activity	3 150	125	3 500	144
	Income tax for common activity due	3 150	125	3 500	144
R	Deferred tax for common activity	0	0	0	0
	Consolidated profit for common activity	12 593	501	12 224	602
XVI.	Extra incomes	2	0	0	0
S	Extra costs	1	0	0	0
XVII.	Passive consolidation difference clearance	264	10	-246	10
	Active consolidation difference clearance	0	0	0	0
	Deferred income tax	0	0	0	0
	Extraordinary consolidated profit	265	11	-246	10
	Consol. profit for acc. period without equivalent ratio	12 858	511	11 978	492
	Share in equivalency	-902	-36	-1 192	49
	EBT	15 106	600	14 286	586
	EBIT	18 251	725	17 763	729
	EBITDA	25 263	1 004	21 123	867
	NET PROFIT/LOSS	11 956	475	10 786	443



**Balance Sheet for the of 1 January 2012 to 30 June 2012 with comparative results**

		1.1.2012 – 30.6.2012		1.1.2011 – 30.6.2011	
		CZK	EUR	CZK	EUR
	<b>TOTAL ASSETS</b>	589 414	22 988	469 028	19 262
A	Receivables - subscribed capital	0	0	0	0
B	Fixed assets	258 525	10 083	209 903	8 620
B I.	Long-term intangible asset	214	8	91	4
B II.	Long-term tangible asset	256 396	10 000	210 068	8 627
	1. Land	3 554	139	894	37
	2. Buildings	44 071	1 719	23 113	949
	3. Individual tangible assets (chattels)	38 476	1 501	34 099	1 400
	5.	4 824	188		
	7. Uncompleted long-term property	163 116	6 362	149 405	6 136
	9. Difference in valuation of purchased property	2 355	92	2 557	105
B III.	Financial investment	5 883	229	5 410	222
B IV.	Consolidation differences positive/ negative	-3 274	-128	-8 342	-343
B V.	Shares from equity method	-694	-27	2 676	110
C	Current assets	328 341	12 806	257 591	10 579
C I.	Inventories	84 900	3 311	52 671	2 163
C II.	Long-term receivables	52 695	2 055	0	0
C III.	Short-term receivables	162 147	6 324	188 797	7 753
C IV.	Current liquid funds	28 599	1 115	16 123	662
	1. Cash and cash equivalents	15 673	611	4 200	172
	2. Bank accounts	11 228	438	11 923	490
	3. Purchased short-term investment	1 698	66	0	0
D	Accrual and deferral of assets	2 548	99	1 534	63
		<b>1.1.2012 – 30.6.2012</b>		<b>1.1.2011 – 30.6.2011</b>	
		<b>CZK</b>	<b>EUR</b>	<b>CZK</b>	<b>EUR</b>
	<b>EQUITY AND LIABILITIES</b>	589 414	22 988	469 028	19 262
A	Equity	111 506	4 349	88 932	3 652
A I.	Registered share capital	15 209	593	15 209	625
A II.	Reserved capital	36 750	1 433	36 750	1 509
A III.	Retained earning	2 982	116	1 068	44
A IV.	net profit of previous period	44 609	1 740	25 157	1 033
A V.	net profit without minorities	11 956	466	10 786	43
1.	Net profit of common period	12 858	501	11 978	492
2.	Share of profit in equivalency	-902	-35	-1 192	-49
A VI.	Passive consolidation difference	0	0	0	0
A VII.	Consolidation reserve fund	0	0	-38	-2
B	LIABILITIES	474 048	18 489	380 148	15 612
B I.	Reserves	0	0	0	0
B II.	Long-term liabilities excluding bank loans	35 431	1 382	14 124	580
B III.	Short-term liabilities	239 118	9 326	191 988	7 885
B IV.	Bank loans	199 499	7 781	174 036	7 147
	1. Long-term loans	181 458	7 077	147 072	6 040
	2. Short-term loans	16 250	634	15 621	642
	3. Short term borrowings	1 791	70	11 343	466
C	Accrual and deferral of liabilities	682	27	-52	-2
D	Minority equity	3 178	124	0	0

D I.	Minority capital stock	881	34	0	0
D II.	Minority capital funds	687	27	0	0
D III.	Minority profit funds incl. previous period	1610	63	0	0
D IV.	Minority P/L of common period	0	0	0	0

### 11 Detailed consolidated financial results for the period 1 April 2012 to 30 June 2012

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 2012 to 30 June 2012 and the corresponding period in 2011.

		1.4.2012 – 30.6.2012		1.4.2011 – 30.6.2011	
		CZK	EUR	CZK	EUR
I.	Revenues from sales of third party goods	462	18	0	0
A	Cost of goods sold on third party goods	42	2	0	0
+	Trading margin	420	17	0	0
II.	Turnover from products, services and materials	226 154	8 904	113 476	4 656
B	Cost of products, services and materials	200 426	7 891	74 780	3 069
	Gross margin	26 148	1 029	38 696	1 588
C	Personel costs	9 293	366	4 638	190
C. 1.	Labour costs	6 908	272	3 337	137
C. 2.	Board members compensations	0	0	0	0
C. 3.	Social security and health insurance costs	1 962	77	1 055	43
C. 4.	Social costs	423	17	246	10
D	Taxes and charges	191	8	65	3
E	Depreciation	4 452	175	1 681	69
III.	Revenues from sales of own property	9 012	355	0	0
F	Value of small property	5 776	227	0	0
VI.-VII.	Other operation revenues	1 214	48	42	2
I – J	Other operation costs	1 922	76	409	17
	Operating profit	14 739	580	31 945	1 311
XIV.	Financial revenues	318	13	982	40
Q	Financial costs	2 814	111	2 869	118
	Interests thereof	2 059	81	1 674	69
	Consolidated profit from financial operations	-2 496	-98	-1 887	-77
	Income tax for common activity	2 355	93	1 750	72
	Income tax for common activity due	2 355	93	1 750	72
R	Deferred tax for common activity	0	0	0	0
	Consolidated profit for common activity	9 888	389	28 308	1 162
XVI.	Extra incomes	2	0	0	0
S	Extra costs	1	0	0	0
XVII.	Passive consolidation difference clearance	229	9	-246	-10
	Active consolidation difference clearance	0	0	0	0
	Deferred income tax	0	0	0	0
	Extraordinary consolidated profit	230	9	-246	-10
	Consol. profit for acc. period without equivalent ratio	10 118	398	28 062	1 151
	Share in equivalency	-703	-28	-1 192	-49
	EBT	11 770	463	28 620	1 174
	EBIT	13 829	544	30 294	1 243
	EBITDA	18 281	720	31 975	1 312
	NET PROFIT/LOSS	9 415	371	26 870	1 103

**Balance Sheet for the period 1 April 2012 to 30 June 2012 with comparative results**

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	1. Land	3 554	139	894	37
	2. Buildings	44 071	1 719	23 113	949
	3. Individual tangible assets (chattels)	38 476	1 501	34 099	1 400
	5.	4 824	188		
	7. Uncompleted long-term property	163 116	6 362	149 405	6 136
	9. Difference in valuation of purchased property	2 355	92	2 557	105
B III.	Financial investment	5 883	229	5 410	222
B IV.	Consolidation differences positive/ negative	-3 274	-128	-8 342	-343
B V.	Shares from equity method	-694	-27	2 676	110
C	Current assets	328 341	12 806	257 591	10 579
C I.	Inventories	84 900	3 311	52 671	2 163
C II.	Long-term receivables	52 695	2 055	0	0
C III.	Short-term receivables	162 147	6 324	188 797	7 753
C IV.	Current liquid funds	28 599	1 115	16 123	662
	1. Cash and cash equivalents	15 673	611	4 200	172
	2. Bank accounts	11 228	438	11 923	490
	3. Purchased short-term investment	1 698	66	0	0
D	Accrual and deferral of assets	2 548	99	1 534	63
		1.4.2012 – 30.6.2012		1.4.2011 – 30.6.2011	
		CZK	EUR	CZK	EUR
	<b>EQUITY AND LIABILITIES</b>	589 414	22 988	469 028	19 262
A	Equity	111 506	4 349	88 932	3 652
A I.	Registered share capital	15 209	593	15 209	625
A II.	Reserved capital	36 750	1 433	36 750	1 509
A III.	Retained earning	2 982	116	1 068	44
A IV.	net profit of previous period	47 150	1 839	9 073	373
A V.	net profit without minorities	9 415	367	26 870	1 103
1.	Net profit of common period	10 118	395	28 062	1 152
2.	Share of profit in equivalency	-703	-27	-1 192	-49
A VI.	Passive consolidation difference	0	0	0	0
A VII.	Consolidation reserve fund	0	0	-38	-2
B	LIABILITIES	474 048	18 489	380 148	15 612
B I.	Reserves	0	0	0	0
B II.	Long-term liabilities excluding bank loans	35 431	1 382	14 124	580
B III.	Short-term liabilities	239 118	9 326	191 988	7 885
B IV.	Bank loans	199 499	7 781	174 036	7 147
	1. Long-term loans	181 458	7 077	147 072	6 040
	2. Short-term loans	16 250	634	15 621	642
	3. Short term borrowings	1 791	70	11 343	466
C	Accrual and deferral of liabilities	682	27	-52	-2
D	Minority equity	3 178	124	0	0

D I.	Minority capital stock	881	34	0	0
D II.	Minority capital funds	687	27	0	0
D III.	Minority profit funds incl. previous period	1610	63	0	0
D IV.	Minority P/L of common period	0	0	0	0

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

### **Business operational risks**

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

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

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

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

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

There will always be risks involved in the operation and installation of BG power stations, the installation of BG power stations for third parties as well as the production of input material for the BG power plants. The build-up of these business areas is occurring simultaneously, thus posing high demands on management resources. The Issuer operates in a highly dynamic industry experiencing exponential growth, thereby posing very high demands on the 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
01.01.2011	30.6.2011	24,35	24,37
01.04.2011	30.6.2011	24,35	24,37
01.01.2012	30.6.2012	25,64	25,16
01.04.2012	30.6.2012	25,64	25,40

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 12, 2012

**15 Investors Relations contact**

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