

**CONSOLIDATED QUARTERLY REPORT**  
**2012 Q4**

**For the period 1.1.2012 – 31.12.2012**

**BGS Energy Plus a. s.**



**12.2.2013**

Svetla nad Sazavou, Czech Republic

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**1 Selected consolidated financial results for the period 1 January 2012 to 31 December 2012**

	1.1.2012 – 31.12.2012		1.1.2011 – 31.12.2011	
	CZK	EUR	CZK	EUR
<b>Income Statement</b>				
Revenues (with revenues from sales of own property and other operation revenues)	809 607	32 230	466 268	18 954
Consumption	746 191	29 705	422 445	17 173
Operating profit	63 416	2 525	43 823	1 781
EBITDA	79 193	3 153	56 043	2 278
- Of which Depreciation	14 593	581	10 056	409
EBIT	64 600	2 572	45 987	1 869
Profit/loss before taxation (EBT)	53 849	2 144	34 564	1 405
Profit/loss after taxation	31 859	1 268	20 834	847
<b>Balance sheet</b>				
Fixed Assets	352 954	14 040	243 364	9 433
Current Assets, of which:	327 801	13 039	302 489	11 724
- Short-term receivables	233 896	9 304	188 666	7 313
- Current financial assets	49 549	1 971	40 947	1 587
Total Assets	683 267	27 178	547 270	21 212
Equity	131 409	5 227	136 495	5 291
Short-term liabilities	233 759	9 298	160 481	6 220
Long-term liabilities including bank loans	317 160	12 616	249 436	9 669

Note: Exchange rates provided by the Czech National Bank

**2 Selected consolidated financial results for the period 1 October 2012 to 31 December 2012**

	1.10.2012 – 31.12.2012		1.10.2011 – 31.12.2011	
	CZK	EUR	CZK	EUR
<b>Income Statement</b>				
Revenues	195 585	7 774	88 424	3 494
Consumption	176 073	6 998	65 922	2 605
Operating profit	19 512	776	22 502	889
EBITDA (Profit + depreciation and Amortization + Interest expenses + Income tax )	23 018	915	29 054	1 148
- Of which Depreciation	3 871	154	5 007	198
EBIT (Profit + Interest expenses + Income tax )	19 147	761	24 047	950
Profit/loss before taxation (EBT)	15 210	605	19 057	753
Profit/loss after taxation	9 706	386	9 127	364
<b>Balance sheet</b>				
Fixed Assets	352 954	14 040	243 364	9 433
Current Assets, of which:	327 801	13 039	302 489	11 724
- Short-term receivables	233 896	9 304	188 666	7 313
- Current financial assets	49 549	1 971	40 947	1 587

Total Assets	683 267	27 178	547 270	21 212
Equity	131 409	5 227	136 495	5 291
Short-term liabilities	233 759	9 298	160 481	6 220
Long-term liabilities including bank loans	317 160	12 616	249 436	9 669

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

The BGS Group consolidated turnover for the period 01.01.2012 – 31.12.2012 exceeded CZK 809mio, which is almost double compare to 2011 turnover. 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 and to the growth of production of electric power produced by Závídkovice biogas station, which is operating at above planned efficiency rates. All our biogas plants Suchdol and Cihost started to generate stable incomes. We also participate in Družstvo vlastníku Petrovec and Mlyn Okor results, which are consolidated according to equivalence method.

The Group EBITDA for 2012 was CZK 79mio, it is almost 50% higher compare to 2011.

### 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.

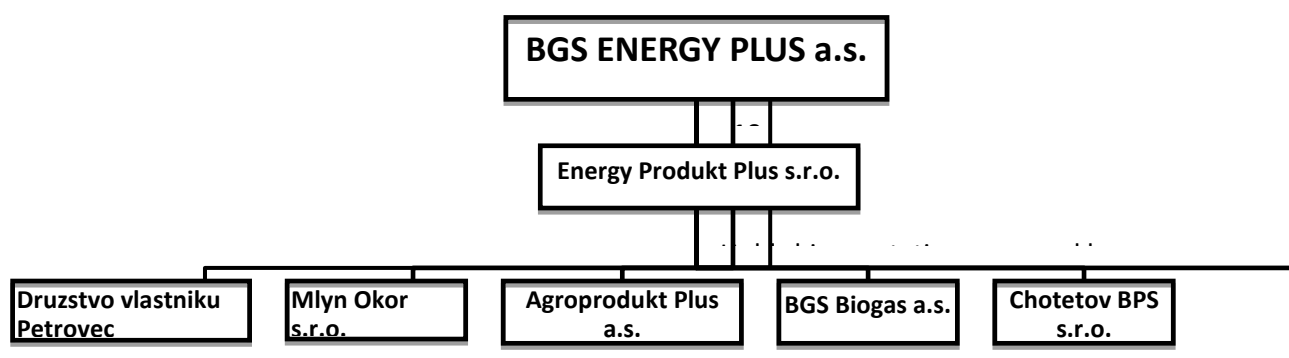
### 5 General information about the Group

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
Mlyn Okor s.r.o.	Czech Rep.	40%	equivalence method
Družstvo vlastníků Petrovice	Czech Rep.	50%	equivalence method
Chotetov BPS s.r.o.	Czech Rep.	15%	not consolidated

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 31.12.2012 the Group did not discontinue any of its operations.

In the period of three months ended on 31.12.2012 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 December 2012

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 31 December 2012 the Issuer's shareholder structure was as follows:

<b>Shareholder</b>	<b>No. of shares</b>	<b>% of capital</b>	<b>No. Of votes at the Shareholders Meeting</b>	<b>% of votes at the Shareholders Meeting</b>
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 2012 to 31 December 2012 there have been no changes to the shareholders structure.

## 8 Statutory bodies of the issuer

### Board of Directors

<b>Position</b>	<b>Name</b>	<b>Date of Birth</b>	<b>Position held since</b>
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

<b>Position</b>	<b>Name</b>	<b>Date of Birth</b>	<b>Position held since</b>
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 2012 to 31 December 2012 there have been no changes in board of directors and Supervisory Board

## **9 Report on the Issuer's activities in 2012 Q4**

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

We finished on BPS Zavidkovice enlargement to 990 kW. So the energy output is already increasing. We have installed modern innovative technologies of bio-extrusion and special drying chamber for output biogas sewage what have resulted 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 output of the biogas plant was 108% of the planned output for the whole year 2012. So the efficiency is stable and high enough.

#### BGS Číhošť

This biogas plant was working for the first whole year. The average output was 90% of the planned energy output.

#### Agroprodukt

We have harvested totally more than 18t of corn. This amount cover 90% of our biogas plant consumption.

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

#### BGS Biogas

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.

We had very successful year. We have finished thirteen projects in 2012 with total energy installed output 6.220 kW.

During the fourth quarter of the year we have worked BPS Ovesna Lhota (620 kW), so now the biogas plant is almost prepared for plug in. This is our 100% owned biogas plant.

**C. Accounting activity**

Energy product plus s.r.o. provides accounting and human resources services. The company revenues from the activity in 4Q2012 were ca. CZK 2,7 mio.



## 10 Detailed consolidated financial results for the period of 1 January 2012 to 31 December 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 31 December 2012 and the corresponding period in 2011.

		1.1.2012 – 31.12.2012		1.1.2011 – 31.12.2011	
		CZK	EUR	CZK	EUR
I.	Revenues from sales of third party goods	216	9	0	0
A	Cost of goods sold on third party goods	42	2	0	0
+	Trading margin	174	7	0	0
II.	Turnover from products, services and materials	780 209	31 059	460 795	18 732
B	Cost of products, services and materials	682 062	27 152	382 069	15 531
	Gross margin	98 321	3 914	78 726	3 200
C	Personel costs	28 972	1 153	27 324	1 111
C. 1.	Labour costs	21 357	850	21 205	862
C. 2.	Board members compensations	0	0	0	0
C. 3.	Social security and health insurance costs	6 346	253	5 194	211
C. 4.	Social costs	1 269	51	925	38
D	Taxes and charges	383	15	265	11
E	Depreciation	14 593	581	10 056	409
III.	Revenues from sales of own property	11 755	468	679	28
F	Value of small property	7 567	301	477	19
VI.-VII.	Other operation revenues	17 427	694	4 794	195
I – J	Other operation costs	12 572	500	2 254	92
	Operating profit	63 416	2 525	43 823	1 781
XIV.	Financial revenues	5 082	202	5 336	217
Q	Financial costs	14 540	579	14 872	605
	Interests thereof	10 751	428	11 423	464
	Consolidated profit from financial operations	- 9458	-377	-9 536	-388
	Income tax for common activity	21 990	875	13 730	558
	Income tax for common activity due	21 990	875	13 730	558
R	Deferred tax for common activity	0	0	0	0
	Consolidated profit for common activity	31 968	1 273	20 557	836
XVI.	Extra incomes	530	21	0	0
S	Extra costs	1	0	0	0
XVII.	Passive consolidation difference clearance	264	11	51	2
	Active consolidation difference clearance	0	0	0	0
	Deferred income tax	0	0	0	0
	Extraordinary consolidated profit	793	32	51	2
	Consol. profit for acc. period without equivalent ratio	32 761	1 304	20 608	838
	Share in equivalency	-902	-36	226	9
	EBT	53 849	2 144	34 564	1 405
	EBIT	64 600	2 572	45 987	1 869
	EBITDA	79 193	3 153	56 043	2 278
	NET PROFIT/LOSS	31 859	1 268	20 834	847

**Balance Sheet for the of 1 January 2012 to 31 December 2012 with comparative results**

		1.1.2012 – 31.12.2012		1.1.2011 – 31.12.2011	
		CZK	EUR	CZK	EUR
	<b>TOTAL ASSETS</b>	683 267	27 178	547 270	21 212
A	Receivables - subscribed capital	0	0	0	0
B	Fixed assets	352 954	14 040	243 364	9 433
B I.	Long-term intangible asset	794	32	98	4
B II.	Long-term tangible asset	333 725	13 275	241 071	9 344
	1. Land	4 260	169	3 554	138
	2. Buildings	62 360	2 481	37 228	1 443
	3. Individual tangible assets (chattels)	55 835	2 221	39 925	1 547
	5. Livestoch (herd and draught animals)	4 140	165	4 005	155
	7. Uncompleted long-term property	204 876	8 149	153 903	5 965
	9. Difference in valuation of purchased property	2 254	90	2 456	95
B III.	Financial investment	22 403	891	5 430	210
B IV.	Consolidation differences positive/ negative	-3 274	875	-2 505	-97
B V.	Shares from equity method	-694	16	-730	-28
C	Current assets	327 801	13 039	302 489	11 724
C I.	Inventories	44 356	1 764	68 390	2 651
C II.	Long-term receivables	0	0	4 486	174
C III.	Short-term receivables	233 896	9 304	188 666	7 313
C IV.	Current liquid funds	49 549	1 971	40 947	1 587
	1. Cash and cash equivalentents	8 899	354	10 941	424
	2. Bank accounts	38 810	1 544	30 006	1 163
	3. Purchased short-term investment	1 840	73	0	0
D	Accrual and deferral of assets	2 512	100	1 417	55
		<b>1.1.2012 – 31.12.2012</b>		<b>1.1.2011 – 31.12.2011</b>	
		<b>CZK</b>	<b>EUR</b>	<b>CZK</b>	<b>EUR</b>
	<b>EQUITY AND LIABILITIES</b>	683 267	27 178	547 270	21 212
A	Equity	131 409	5 227	136 495	5 291
A I.	Registered share capital	15 209	605	17 209	667
A II.	Reserved capital	36 750	1 462	36 762	1 425
A III.	Retained earning	2 982	119	37 683	1 461
A IV.	net profit of previous period	44 609	1 774	23 775	922
A V.	net profit without minorities	31 859	1 267	20 834	808
1.	Net profit of common period	32 761	1 303	20 608	799
2.	Share of profit in equivalency	-902	-36	226	9
A VI.	Passive consolidation difference	0	0	0	
A VII.	Consolidation reserve fund	0	0	232	9
B	LIABILITIES	550 919	21 914	409 917	15 888
B I.	Reserves	0	0	0	0
B II.	Long-term liabilities excluding bank loans	33 705	1 341	9 225	358
B III.	Short-term liabilities	233 759	9 298	160 481	6 220
B IV.	Bank loans	283 455	11 275	240 211	9 311
	1. Long-term loans	274 612	10 923	179 309	6 950
	2. Short-term loans	7 052	281	8 852	343
	3. Short term borrowings	1 791	71	52 050	2 017
C	Accrual and deferral of liabilities	939	37	858	33

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 October to 31 December 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 October to 31 December 2012 and the corresponding period in 2011.

		1.10.2012 – 31.12.2012		1.10.2011 – 31.12.2011	
		CZK	EUR	CZK	EUR
I.	Revenues from sales of third party goods	-303	-12	0	0
A	Cost of goods sold on third party goods	0	0	0	0
+	Trading margin	-303	-12	0	0
II.	Turnover from products, services and materials	178 272	7 086	86 133	3 403
B	Cost of products, services and materials	155 049	6 163	44 095	1 742
	Gross margin	22 920	911	42 038	1 661
C	Personel costs	7 130	283	15 057	595
C. 1.	Labour costs	5 242	208	12 280	485
C. 2.	Board members compensations	0	0	0	0
C. 3.	Social security and health insurance costs	1 606	64	2 422	96
C. 4.	Social costs	282	11	355	14
D	Taxes and charges	44	2	186	7
E	Depreciation	3 871	154	5 007	198
III.	Revenues from sales of own property	1 634	65	609	24
F	Value of small property	654	26	442	17
VI.-VII.	Other operation revenues	15 982	635	1 682	66
I – J	Other operation costs	9 325	371	1 135	45
	Operating profit	19 512	776	22 502	889
XIV.	Financial revenues	557	22	43	2
Q	Financial costs	5 353	213	3 891	154
	Interests thereof	3 937	156	4 990	197
	Consolidated profit from financial operations	-4 796	-191	-3 895	-154
	Income tax for common activity	5 504	219	9 930	392
	Income tax for common activity due	5 504	219	9 930	392
R	Deferred tax for common activity	0	0	0	0
	Consolidated profit for common activity	9 212	366	8 727	345
XVI.	Extra incomes	494	20	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	494	20	0	0
	Consol. profit for acc. period without equivalent ratio	9 706	386	8 727	345
	Share in equivalency	0	0	400	16
	EBT	15 210	605	19 057	753
	EBIT	19 147	761	24 047	950
	EBITDA	23 018	915	29 054	1 148
	NET PROFIT/LOSS	9 706	386	9 127	364

**Balance Sheet for the period 1 October to 31 December 2012 with comparative results**

		1.10.2012 – 31.12.2012		1.10.2011 – 31.12.2011	
		CZK	EUR	CZK	EUR
	<b>TOTAL ASSETS</b>	683 267	27 178	547 270	21 212
A	Receivables - subscribed capital	0	0	0	0
B	Fixed assets	352 954	14 040	243 364	9 433
B I.	Long-term intangible asset	794	32	98	4
B II.	Long-term tangible asset	333 725	13 275	241 071	9 344
	1. Land	4 260	169	3 554	138
	2. Buildings	62 360	2 481	37 228	1 443
	3. Individual tangible assets (chattels)	55 835	2 221	39 925	1 547
	5. Livestock (herd and draught animals)	4 140	165	4 005	155
	7. Uncompleted long-term property	204 876	8 149	153 903	5 965
	9. Difference in valuation of purchased property	2 254	90	2 456	95
B III.	Financial investment	22 403	891	5 430	210
B IV.	Consolidation differences positive/ negative	-3 274	875	-2 505	-97
B V.	Shares from equity method	-694	16	-730	-28
C	Current assets	327 801	13 039	302 489	11 724
C I.	Inventories	44 356	1 764	68 390	2 651
C II.	Long-term receivables	0	0	4 486	174
C III.	Short-term receivables	233 896	9 304	188 666	7 313
C IV.	Current liquid funds	49 549	1 971	40 947	1 587
	1. Cash and cash equivalents	8 899	354	10 941	424
	2. Bank accounts	38 810	1 544	30 006	1 163
	3. Purchased short-term investment	1 840	73	0	0
D	Accrual and deferral of assets	2 512	100	1 417	55
		CZK	EUR	CZK	EUR
	<b>EQUITY AND LIABILITIES</b>	683 267	27 178	547 270	21 212
A	Equity	131 409	5 227	136 495	5 291
A I.	Registered share capital	15 209	605	17 209	667
A II.	Reserved capital	36 750	1 462	36 762	1 425
A III.	Retained earning	2 982	119	37 683	1 461
A IV.	net profit of previous period	66 762	2 656	35 482	1 375
A V.	net profit without minorities	9 706	386	9 127	354
1.	Net profit of common period	9 706	386	8 727	338
2.	Share of profit in equivalency	0	0	400	16
A VI.	Passive consolidation difference	0	0	0	0
A VII.	Consolidation reserve fund	0	0	232	9
B	LIABILITIES	550 919	21 914	409 917	15 888
B I.	Reserves	0	0	0	0
B II.	Long-term liabilities excluding bank loans	33 705	1 341	9 225	358
B III.	Short-term liabilities	233 759	9 298	160 481	6 220
B IV.	Bank loans	283 455	11 275	240 211	9 311
	1. Long-term loans	274 612	10 923	179 309	6 950
	2. Short-term loans	7 052	281	8 852	343
	3. Short term borrowings	1 791	71	52 050	2 017
C	Accrual and deferral of liabilities	939	37	858	33
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

## **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	31.12.2011	25,80	24,60
01.10.2011	31.12.2011	25,80	25,31
01.01.2012	31.12.2012	25,14	25,12
01.10.2012	31.12.2012	25,14	25,16

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, \_\_\_ 2013

### 15 Investors Relations contact

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