

Annual report



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BAK stavební společnost, a.s. company presentation

BAK stavební společnost, a.s. is one of the largest general contractors in building construction and water-management construction in the Czech Republic. It is also the largest construction company in the Hradec Králové region in terms of revenue. The company celebrated its twentieth birthday in 2011, succeeding the „Pozemní stavby Hradec Králové“ state enterprise in 1991 and building on experience garnered over more than forty years. Since then it has carried out over a thousand construction contracts of varying size and complexity throughout the Czech Republic.

The company mainly focuses on building construction, primarily buildings for industry, housing and services. Its main specialisation is the construction of production and logistics halls, commercial and administrative centres, residential and hotel projects, civic amenities, water-management structures, environmental structures and, last but not least, the reconstruction of monuments. It is able to deal with projects comprehensively using the Design and Build system, meaning that project documentation and all legislative matters are taken care of.

The company's extensive experience and financial stability means that since 2005 it has also carried out its own investment plans in the shape of development projects, mainly in the north-east of the Czech Republic.

It's long-term priorities include protecting the environment and occupational health and safety. BAK therefore holds an environmental management certificate and occupational health and safety certificate in line with ČSN ISO 14 001 and ČSN OHSAS 18001 standards after initially being awarded these in 1998.

Vision – mission - values

- **Vision**

We aim to be the best construction company in the land in which we live for our employees, business partners and investors.

- **Mission**

To be a reliable supplier of building work to private and public investors.

To achieve above-average profitability and dynamic development at the company by using our capacities to the full.

To approach each and every construction contract with the maximum application and professional qualification with the aim of satisfying our clients' needs.

To develop the creative potential of our employees in order to find the best solutions for our clients.

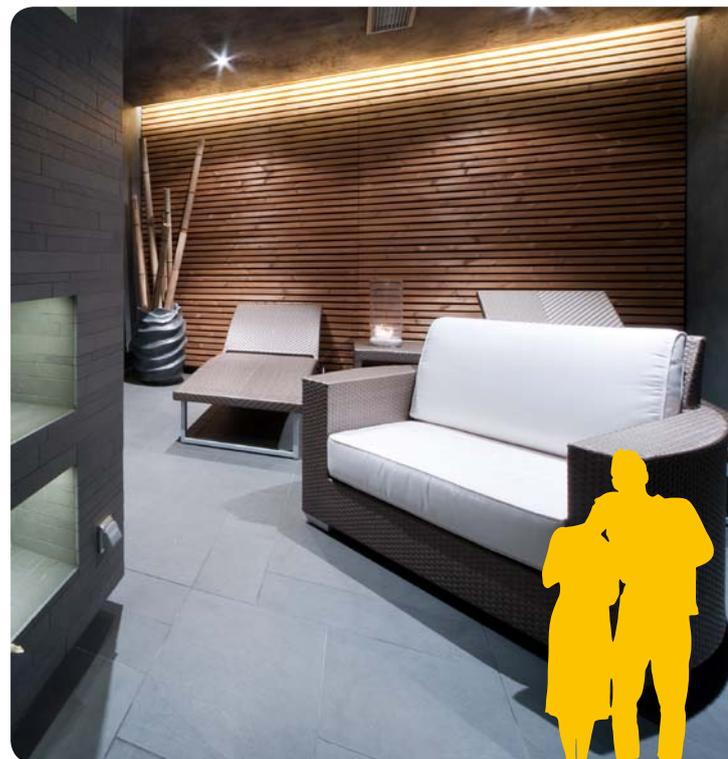
To always put partnership, trust and the achievement of common targets in first place.

To be an example of social responsibility and consideration to the environment.

- **Values**

- Loyalty
- Truth
- Courage
- Activity

These values are the foundations on which our company culture is built. They are reflected in the fundamental attitudes that our employees naturally adopt. They express the style of our work and our way of acting with colleagues, investors, business partners and the public.



A word of introduction from the Managing Director, Ing. Dušan Čížek, MBA

Ladies and gentlemen,

Another year has sped past and our company is publishing a new Annual Report. Allow me to say a few words of introduction.

The year 2011 was everything we expected of it. The amount of building work continued to fall, mainly due to the decline of public contracts. And in spite of considerable rejuvenation, private demand was unable to cover this shortfall. The situation improved in residential building, albeit in the Czech capital alone. There was revitalisation of investment in production and warehouse capacities, but the construction of commercial and office structure remains in decline.

Our company was successful in doing everything it wanted to. Even on a declining market we were able to increase year-on-year turnover by almost 10 %. In spite of the considerable pressure put on margins, we maintained profitable operations and our cash reserves further rose to 137 million crowns. Our strategy of previous years, when we concentrated on increasing company productivity and specialised in residential, industrial and water-management structures, has paid off.

We were again one of the largest builders of residential projects in Prague in 2011, working on 7 residential projects with more than 700 apartments. What is more, a considerable number of these projects were carried out for investors with whom we have worked in the past as a result of their satisfaction with our work.

The growth of the Czech motor industry brought us a number of new contracts for production plants, the most significant of which came at the end of the year: BAK stavební společnost, a.s. was chosen as the general contractor for a new production plant for the manufacture of automatic gearboxes for Škoda Auto in the town of Vrchlabí.

The year 2011 also brought what is probably the most prestigious contract in the history of the company: the years to come will see us build a cableway on the highest mountain in the Czech Republic, Sněžka, in association with Italian company Leitner.

So what do we expect of 2012? The situation in the industry will not get any better in the year to come. The volume of public contracts will continue to stagnate and the growth potential of the private sector will be negatively influenced by the continuing financial crisis within the eurozone. We expect further restrictions of production capacity in the industry coupled with a number of smaller and medium-sized companies leaving the market.

Our focus will be on further improving productivity and the optimum use of our resources. We enter 2012 with considerable reserves of work and cash as a strong partner to our customers and suppliers.

I wish all our employees and business partners a successful 2012.

Ing. Dušan Čížek, MBA

Managing Director and Vice-Chairman of the Board of Directors



The year 2011 in figures

The company has equity of CZK 546 million and employs an average of 414 full-time members of staff.

Overview of financial and operating indicators

(thousands of CZK)	2006	2007	2008	2009	2010	2011
Structure of assets and liabilities						
Total assets	1 114 427	1 192 580	2 086 787	2 071 160	1 564 779	1 865 288
Fixed assets	347 901	283 041	736 656	735 900	730 518	689 589
Current assets	760 891	906 260	1 343 552	1 329 462	829 795	1 168 104
Equity	294 940	277 094	705 898	513 745	537 221	546 447
Borrowed capital	674 512	835 373	1 213 350	1 388 778	914 390	1 185 864
Profit/loss structure						
Profit/loss	60 844	70 316	139 572	75 938	33 144	28 302
Financial profit/loss	1 256	-10 488	-1 616	-13 948	-2 203	-7 208
Profit/loss for accounting period	46 444	41 458	103 000	51 442	20 547	12 013
EBITDA	89 565	80 107	160 320	124 765	87 130	75 202
Revenue structure						
Total operations	2 357 406	2 237 011	3 104 879	2 651 415	1 848 889	2 029 127
of which: Sales of own products and services	2 369 325	2 218 093	3 099 049	2 619 961	1 886 628	1 946 583
Other revenue	42 590	65 040	85 098	53 100	96 170	72 375
Total turnover	2 399 996	2 302 051	3 189 977	2 704 515	1 945 059	2 101 502
Number of employees	644	648	560	498	446	414

Revenue from building sector according to type of construction (value „F“)

	2006	2007	2008	2009	2010	2011
Residential buildings	848 791	271 735	833 686	516 258	212 174	682 360
Non-residential buildings - non-production	778 551	820 621	355 333	886 876	686 867	463 055
Non-residential buildings - production	489 684	954 955	1 688 312	956 239	603 535	570 219
Underground services, water-management and other structures	194 519	144 658	191 215	254 153	306 077	252 312

Revenue from building activity by sector

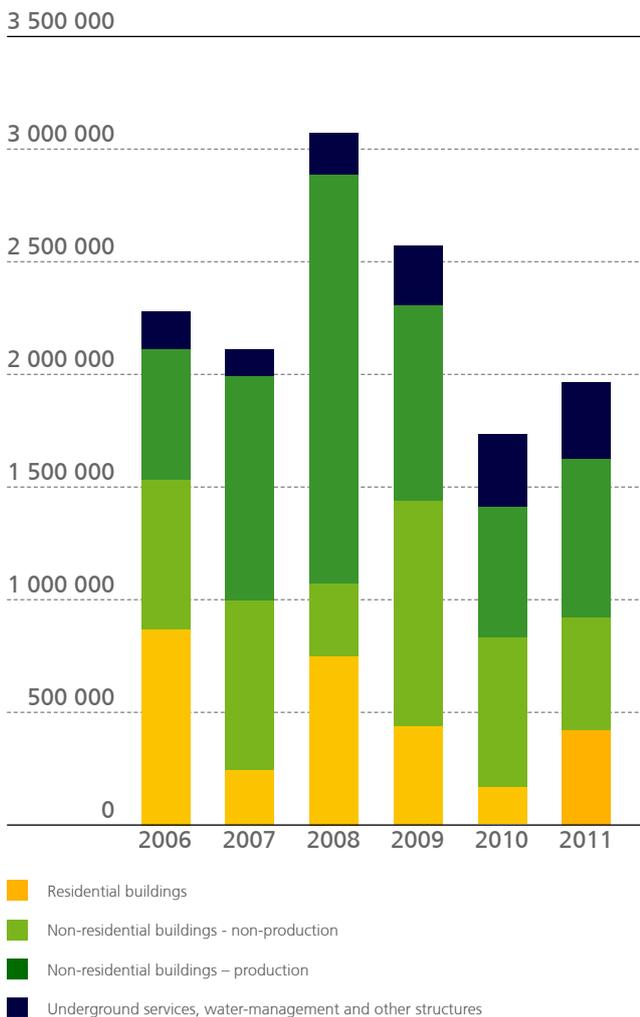
	2006	2007	2008	2009	2010	2011
Public	860 573	847 533	720 282	708 673	680 085	575 428
Private	1 450 972	1 344 436	2 348 264	1 904 853	1 128 568	1 392 518
Total	2 311 545	2 191 969	3 068 546	2 613 526	1 808 653	1 967 946



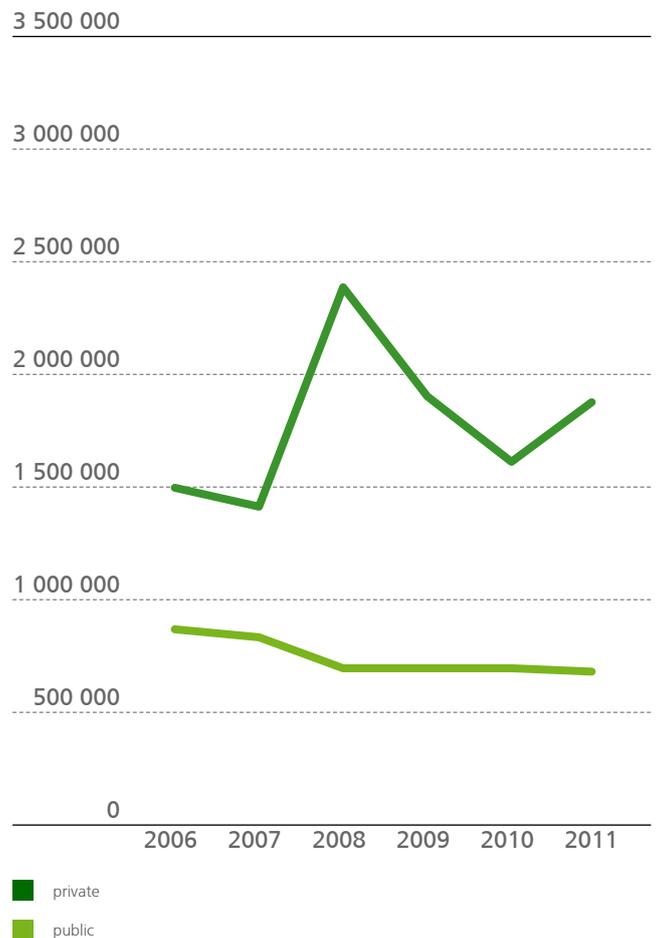
Nad Školou Apartment Houses - 1st phase Trutnov, 11/2008 - 12/2009

Company turnover in 2011 totalled CZK 2.1 thousand million.

Revenue by building sector (value "F")



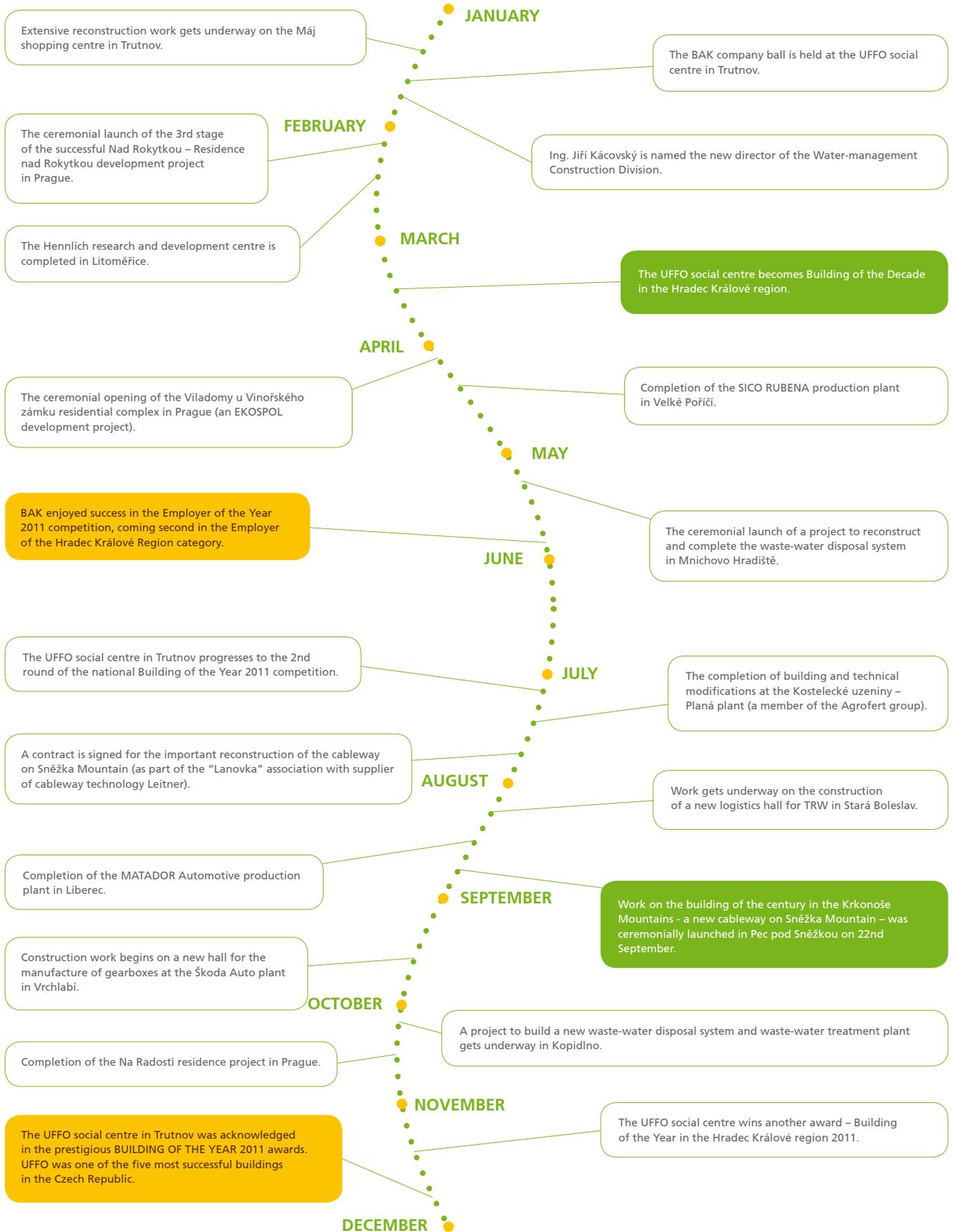
Revenue by sector

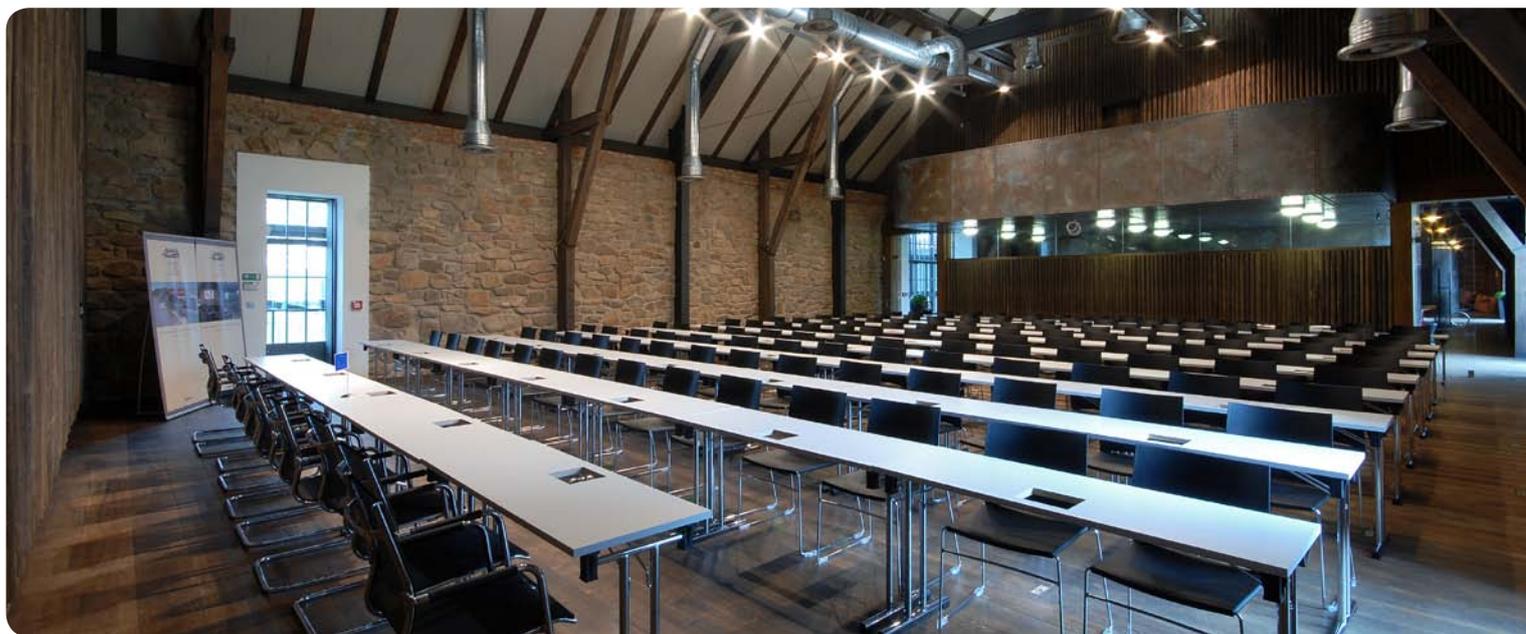




GIGA NOSNOST
10 000 kg

The year 2011 in buildings and more





Multifunctional Congress Centre "Stork's Nest"

Olbramovice, 10/2008 - 03/2010

Company bodies and management

Board of Directors

Ing. Jaroslav Pečenka (Chairman)
Ing. Dušan Čížek, MBA (Vice-Chairman)
Mgr. Jana Pečenková
Mgr. Vratislav Blecha

Supervisory Board

JUDr. Jan Betka (Chairman)
Ing. Arch. Petr Machar
Karel Laš

Company management

Managing Director

Ing. Dušan Čížek, MBA

Production Director

Karel Laš

Purchasing Director

Zbyněk Černý

Financial Director

Ing. Marcela Čížková

Private Sector Sales Director

Ing. Radek Mrázek

Public Sector Sales Director

Ing. Jan Hájek

Director of the General Building Contracts Division

Karel Laš

Director of the Water-management Construction Division

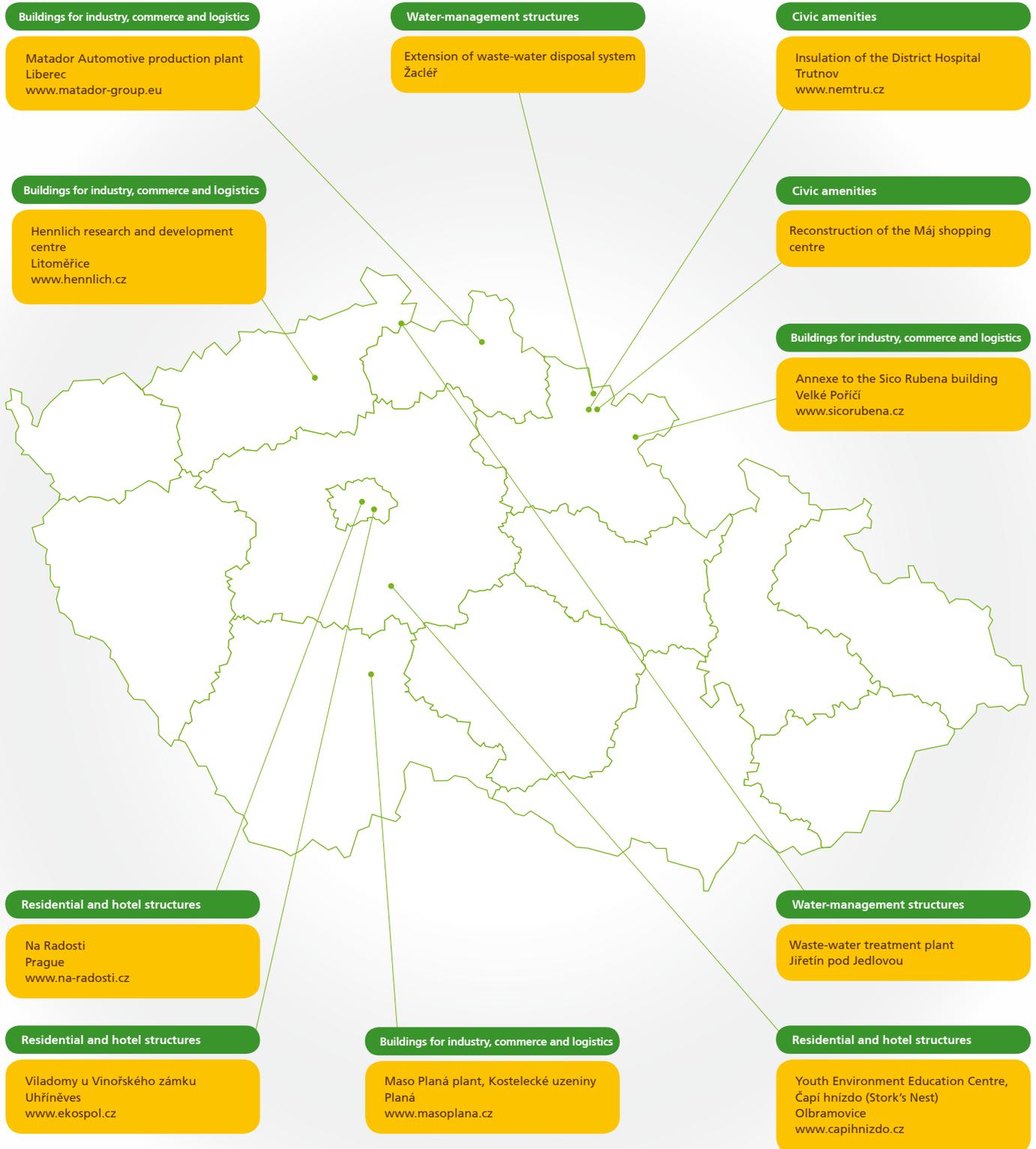
Ing. Jiří Kácovský



Hennich Research and Development Centre

Litoměřice, 05/2010 - 03/2011

Significant buildings completed in 2011



Prominent acknowledgements and certificates

BAK stavební společnost, a.s. has in place an integrated management system (IMS) for quality, environmental protection and occupational health and safety in accordance with the requirements of ČSN EN ISO 9001, ČSN EN ISO 14001 and ČSN OHSAS 18001 standards.

Compliance with the requirements of the IMS, achieving planned targets and ensuring the productivity of the organisation are all systematically checked in internal audits by in-house auditors at the company and by the auditors of independent certification body QUALIFORM a.s.



The occupational safety management system was successfully recertified in July 2011, meaning that we received a new certificate (no. H 873 – 2) for a further 3 years after the recertification audit.

BAK won the prestigious “BUILDING OF THE YEAR 2011” award for its project involving a multi-purpose social centre for culture and leisure in Trutnov.



Youth Environment Education Centre "Stork's Nest"

Olbramovice, 04/2010 - 04/2011

Environmental protection

BAK stavební společnost, a.s. always devotes great attention and care to all requirements stemming from the impact it has on the environment.

We also achieve the targets set out in the environmental management system in place by providing employees with further training, by optimising the technological procedures of building production, through effective management of waste disposal, by increasing the weight percentage of material use of waste to a total weight of demolition waste and soil and by increasing the use percentage of sorted waste components.

We plan to continue preferentially using the preventative approach when complying with legal and other requirements and our own obligations in terms of environmental protection. The procedures managed include, among other, readiness for emergencies, including material resources in emergency kits for building contracts. This approach contributes towards the continual improvement of the company's environmental profile and engages the company in a pollution prevention programme, particu-

larly in terms of minimising our own waste production and reducing the consumption of energy, raw materials and materials.

BAK stavební společnost, a.s. communicates with employees and the public, discussing fundamental issues in this area with the aim of taking on-board and respecting their opinions and recommendations. In doing so we gain further input to ensure the onward improvement of the company's environmental profile.

Quality management system

BAK stavební společnost, a.s. devotes continual attention to improving the quality of production and the efficiency of its processes. The company has held a certificate for its quality management system for all building activity since 1998.

The integration of requirements on quality in individual building processes and the systematic control and demonstration of production conformity in all decisive processes of carrying out building contracts have in recent years helped us reduce the cost of rectifying non-conformity and warranty claim defects and have contributed to increasing profit from building production.

We will continue to pay considerable attention to the achievement of quality when carrying out building contracts in the years to come. To this end we will use the system of controls and internal audits in place. We primarily concentrate heightened attention on increasing our clients' satisfaction and on the quality of work delivered by our suppliers. The company intends to further develop its employees' knowledge and skills through presentations and training in order to improve their management and production abilities.



New technology and innovation

A new mail server, Kerio Connect, was put into trial operation in 2011. The application will improve the administration of e-mail accounts and make sure that user data is stored centrally. All company e-mails will gradually be transferred to this server in 2012 after its functioning has been checked on a large volume of data.

The Kerio Workspace application for controlled file sharing between company employees was also put into service based on our positive experience with Kerio Connect. Document sharing in this private cloud allows authorised employees to share files simply and with structure, which provides greater user comfort, limits unnecessary document sending by e-mail and provides access to the required information whenever and wherever.



Employees

Our qualified employees provide the guarantee of high quality services and onward company development. We therefore invest in their training and create opportunities for their personal and professional development.

The development of employment

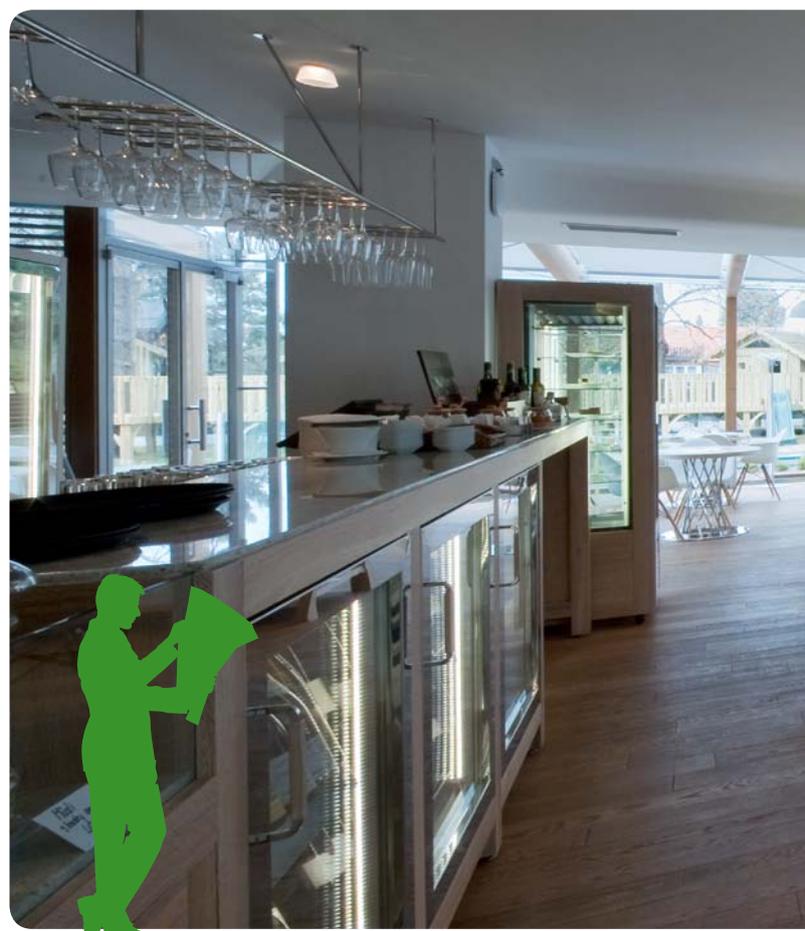
The average number of employees on record in 2011 fell by 8 % as part of measures designed to make savings.

Average numbers and structure

	2005	2006	2007	2008	2009	2010	2011
White-collar staff	215	216	227	226	224	199	203
of which: management	14	13	14	18	18	19	19
managing building work	87	105	107	102	102	91	95
technicians	45	39	47	59	50	49	49
other white-collar	70	59	59	47	54	40	40
Labourers	436	428	421	352	290	264	224
Total	651	644	648	578	514	463	427

Qualification structure

	2005	2006	2007	2008	2009	2010	2011
University education	57	57	57	59	58	63	69
Higher education (post school-leaving)	3	3	5	5	4	7	4
Secondary vocational education with school-leaving examinations	170	171	173	156	148	124	119
General education with school-leaving examinations	9	8	5	4	6	6	5
Secondary apprentice training with school-leaving examinations	26	18	17	12	14	8	7
Secondary apprentice training	348	338	341	306	254	228	213
Primary education	46	49	50	36	30	27	10
Total	651	644	648	578	514	463	427



Sports Centre "Sokolovna" Průhonice

Praha - Průhonice, 06/2009 - 07/2010



Training system

The system of employee training responds to the need to further educate all employees at the company, to make sure of their readiness to deal with current and future assignments and to contribute towards the competitiveness of the company and its ability to flexibly respond to the changing requirements of the market environment.

The annual training plan draws on an analysis of training needs among all groups of employees, from top managers to labourers. Courses and training sessions in areas such as soft skills, language courses and specialised courses and training in the sphere of legislation have all been incorporated in the plan. The year 2011 was the second in which the company drew on grant financing from the “Employee training in the building industry” project for its management and technician training, this project being run by the Regional Chamber of Commerce in Brno.

Relations and dealings with the trade union organisation

A collective agreement was signed with the trade union organisation in 2009 and is valid to the end of 2012. It relates to all employees employed at the company or in similar labour relations to it and to employees who do not fall

within a union organisation. The agreement lays down and specifies conditions relating to labour relations, the pay, social and other entitlements employees have within the work process and occupational health and safety. It also regulates procedure in fairly dealing with employee disputes and any entitlements arising from the collective agreement. The company provides its employees with a number of benefits over and above those laid down by the Labour Code in line with the terms and conditions set out in the collective agreement, in particular benefits relating to working conditions, family and free time, provision for the future and standard of life.



Hennlich Research and Development Centre

Litoměřice, 05/2010 - 03/2011

Overview of employee benefits:

Working conditions

- employee training and their professional development, language training;
- excellent technical amenities;
- PC, mobile telephones, company cars;
- major emphasis on occupational health and safety;
- a system of regular medical examinations, monitoring the quality of the work environment;
- the provision of work attire and protective aids;
- providing company transportation for employees to places of work which are further away.

Family, free time

- extra holiday time for labourers;
- extra holiday time for well-deserving employees;
- paid time off for women;
- increasing the amount of leave in the case of employees going through important life situations;
- contributions towards sporting activities for employees;
- organising company events.

Providing for the future and the living standard of our employees

- contribution towards private pension scheme;
- contributions towards meals;
- bonuses for special birthdays and work anniversaries;
- bonuses for giving blood;
- bonuses for special birthdays for working senior citizens.

Systematic activity in the sphere of occupational health and safety

We ensure a systematic approach to occupational health and safety by way of the occupational health and safety management system we have created and introduced and which we maintain in line with ČSN OHSAS 18001:2008 standards. This approach contributes towards our consistently respecting measures set out when risks are identified at individual workplaces and towards our requirement that suppliers too observe measures in occupational health and safety and fire prevention.

The company's occupational safety management system was successfully recertified in July 2011, meaning that we received a new certificate (no. H 873 – 2) for a further 3 years after the recertification audit.

The year 2011 was the fourth consecutive year in which we were able to maintain a low number of occupational injuries, in that there were only 14 throughout the year. This figure represents 3.3 occupational injuries per 100 employees for the year.

In comparison with other building companies, we have proven the high standard of our occupational health and safety system when carrying out demanding contracts. Indeed we have been able to ensure and coordinate conditions for safe work to the absolute satisfaction of the investor under demanding on-site conditions.

Inspections carried out last year by the relevant regional work inspectorates in the area of occupational health and safety did not reveal any significant shortcomings and our company was not hit with any fines.

Continual attention to increasing knowledge of legal and other regulations relating to occupational health and safety among employees at the company and thorough checks that all occupational health and safety regulations are being observed at the buildings under construction combine to help us meet legal and other requirements and our own commitments in the sphere of occupational health and safety. The results achieved in 2011 make it clear that our company continues to improve the standard of its occupational health and safety.



Sponsoring and social responsibility

We are interested in what goes on in society, particularly in those areas in which the government does not provide sufficient financial support. We therefore support charitable and social projects, cultural and social events, sports clubs and, last but not least, talented young sportsmen and women. Last year, in fact, we distributed more than two million one hundred thousand crowns to projects of social benefit.



BK KARA Trutnov

women's basketball team



Bene Dance Art Team

dance center for children and youth

In terms of social sponsoring, BAK is partner to the PROSTOR PRO civic association, which helps children and young people overcome difficult situations in life and find the required balance to their lives.

As far as culture is concerned, it mainly helps develop projects that bring further cultural and social development to life in the region. Such projects include the international Jazzinec festival in Trutnov, an event which is becoming more and more popular in the Hradec Králové region.

The company not only supports sporting events, but thinks ahead to the training of talented youngsters from

the running, volleyball, tennis and dance clubs in the regions in which it is active. In terms of top class sport, the company supports BK KARA Trutnov women's basketball team and second division ice hockey side HC Trutnov.

In 2011 BAK also became involved in work with the Sluneční primary school in Hostinné as part of the "Are we different?" and "Children create under the guidance of professional artists" projects, the aim of which was to support handicapped children and their artistic activity and to vindicate the meaningfulness of care in specialised schools.

We do not see social responsibility as a trend, but as a set of activities that help to make a better world.

Development of the building industry in 2011

Unfortunately, not even in 2011 did the building industry witness a turnaround in its long-term negative development. The recession that began in 2009 continued and the significant decline in branches of industry did not affect the building industry alone. The building industry was unable to free itself from the downward trend and continued in a further decline of productivity in spite of the fact that the year-on-year base for calculation was set so very low in light of the considerable slump in the industry (author's note: the year-on-year decline in the building industry in 2010 was 8.0 % after adjustment). At the same time, fears of possible bankruptcies among smaller and medium-sized building companies became reality, with these companies unable to find enough work for future years. And we also saw the fall of one of the most significant building companies of recent years, a company that, in terms of turnover, was consistently among the ten largest building companies in the Czech Republic.

Building production in 2011 fell a further 3.1 % in constant prices in 2011, representing a fall of 10.8 % on the last year of boom – 2008. Building construction recorded a year-on-year decline of 0.3 % and civil engineering fell by 8.7 %. The negative development of the building industry also had a significant impact on employment in the sector, which fell year-on-year by 5.9 %, with practically no companies employing more than 50 members of staff being able to avoid making considerable redundancies. The number of building contracts in 2011 did rise year-on-year by 18.1 %, but the total value fell year-on-year by 12.2 % and totalled CZK 173 thousand million, building construction accounting for CZK 74.2 thousand million of that figure, a year-on-year decline of 10.7 %, and civil engineering accounting for CZK 98.8 thousand million, a year-on-year fall of 13.3 %. The average value of newly signed building contracts in 2011 was CZK 3.7 million, 25.6 % lower year-on-year. The stock of work from the perspective of individual contracts for building companies rose year-on-year by 3.5 %, but the financial value fell by 16.8 %. Building permits issued in 2011 remained more or less at the same level, rising only by 1.4 % year-on-year, with an orientational value of such buildings of CZK 339.9 thousand million, a decline of a further 14.8 % on 2010. Even the number of apartments on which work got underway saw a year-on-year decline of 2.1 %, with work beginning on some 27,535 apartments in 2011. The number of apartments completed in 2011, meanwhile, fell year-on-year by 21.4 % to stand at 28,628.

These statistics show a clear trend, with a significant decline in the volume of public and private investment throughout the building industry and the continuation of negative development in terms of the value of individual contracts. Where there was growth in certain branches of the building industry, this was only quantitative growth and not growth in terms of the value of contracts; this is a very bad sign for the future.

Not even the drawing of money provided to the Czech Republic by the European Union as part of Structural Funds was able to avert a decline in the building trade. It is true, however, that the drawing of money from Structural Funds is very strongly influenced by the period for which Operational Programmes were announced and which comes to an end in 2013. Operational Programmes are therefore gradually drawing to a close and only those projects for which applications have already been submitted will be carried out; we cannot therefore expect them to bring any significant turnaround in the unfavourable situation experienced by the economy as a whole, including the building industry. The actual drawing of funds from various Operational Programmes was unfortunately negatively influenced by suspicions of improper use of EU resources, with certain calls for proposals being discontinued entirely in certain Operational Programmes for this reason.

The building contracts market did not offer too many fundamental opportunities. Nonetheless, BAK stavební společnost, a.s. was successful in a tender to find a general contractor for the reconstructed cableway on Sněžka Mountain and a contractor for the new Škoda Auto gearbox production plant. These partial successes provide us with motivation in the battle for further building work that BAK stavební společnost, a.s. will bid for in the future.

BAK stavební společnost, a.s. was able to hold on to its position in the building industry in spite of the generally unfavourable economic situation, and not just in the building industry, to maintain its turnover and to even increase this by almost 10 % year-on-year.



Multifunctional Congress Centre "Stork's Nest"

Olbramovice, 10/2008 - 03/2010

Report of the Board of Directors

of the company BAK stavební společnost, a.s.

Company Identification Number: 28402758, with its registered office at: Vodní 177, 541 01 Trutnov, on business activity at the company and the level of its assets as at 31.12.2011.

Members of the Board of Directors

The Board of Directors was made up of the following members in the following positions throughout the period from 1.1.2011 to 31.12.2011:

Ing. Jaroslav Pečenka, Chairman of the Board of Directors

Ing. Dušan Čížek, MBA, Vice-Chairman of the Board of Directors

Mgr. Jana Pečenková, Member of the Board of Directors

Mgr. Vratislav Blecha, Member of the Board of Directors

Bc. Libor Štěpán, Member of the Board of Directors (Mr. Štěpán's membership of the Board of Directors at the company was terminated on 7.9.2011)

Sales and profitability

Sales at the company totalled CZK 2,101,502 thousand. This was an increase in company sales of 8 % in comparison with 2010. We should consider this increase positive given that building production in 2011 fell year-on-year by 3.1 % in general. The total value of building contracts signed annually in the Czech Republic fell by 12.2 %. The number of building permits issued in 2011 rose by 1.4 % year-on-year, with an orientational value of such buildings of CZK 339.9 thousand million, a decline of 14.8 % on 2010.

In terms of the revenue structure in 2011, the main area of sales was the apartment sector (34.7 %), with an absolute value of CZK 682,360 thousand.

The private sector prevailed in terms of revenue from construction when divided into public and private sector, accounting for 70.8 %. The public sector has more or less maintained a stable level of building production at BAK stavební společnost, a.s. in terms of volume:

2009	27.1 %
2010	37.6 %
2011	29.2 %

BAK stavební společnost, a.s. achieved net profit of CZK 12,013 thousand in 2011, representing a total profitability to revenue ratio of 0.59 %. Total profitability of 1.11 % was achieved in 2010. The decline in profitability was mainly caused by the lower calculated covering contribution to competition as part of market competition and the lower volume of individual building work in which it was not possible to limit fixed costs.

Evaluation of company targets for 2011

Indicator	Target	Reality
Value of company revenue	CZK 2,200 million	CZK 2,102 million
Volume of profit	CZK 20 million	CZK 12 million



Reconstruction of Grabstejn Castle

Hrádek nad Nisou, 11/2007 - 11/2009

Company targets for 2012

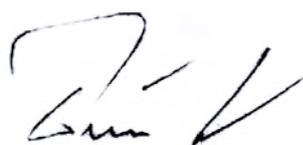
Indicator	Target
Value of company revenue	CZK 2,500 million
Volume of profit	CZK 10 million

Distribution of profit

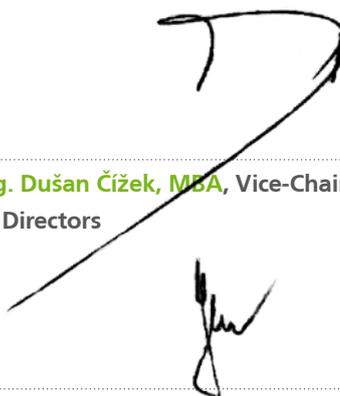
Proposal of the Board of Directors for the distribution of profit for 2011:

Net profit:	12,013,336.85 CZK
Allocation to reserve fund:	0.00 CZK
Payment of dividends:	5,000,000.00 CZK
Transfer to retained earnings account:	7,013,336.85 CZK

Prague, 23.3.2012



Ing. Jaroslav Pečenka, Chairman of the Board of Directors



Ing. Dušan Čížek, MBA, Vice-Chairman of the Board of Directors



Mgr. Jana Pečenková, Member of the Board of Directors

Mgr. Vratislav Blecha, Member of the Board of Directors



Report of the Supervisory Board

for the general meeting of BAK stavební společnost, a.s.,
Company Identification Number: 28402758, with its registered office at: Trutnov,
Vodní č.p. 177, Postcode 541 01, entered in the Commercial Register maintained
at the Regional Court in Hradec Králové, section B, entry 2876 (hereafter "BAK").

Members of the Supervisory Board:

JUDr. Jan Betka, Chairman of the Supervisory Board
Ing. arch. Petr Machar, Member of the Supervisory Board
Karel Laš, Member of the Supervisory Board

The Chairman of the Supervisory Board presents the general meeting of BAK stavební společnost, a.s. with the Report of the Supervisory Board, which was approved at its meeting of 11.4.2012.

The Supervisory Board met in the course of the period ended in the way imposed on it by the company constitution. The Supervisory Board had a full complement of 3 members throughout the year 2011, the following members working in the following positions: JUDr. Jan Betka, Chairman of the Supervisory Board, Ing.arch. Petr Machar, Member of the Supervisory Board, and Karel Laš, Member of the Supervisory Board.

1. The Supervisory Board checked the scope of activity of the Board of Directors, its decisions and impacts on economic activity at the company. The activity of the Supervisory Board primarily focused on monitoring the development and fulfilment of work on significant contracts at the company, the assurance of financing for company needs and the achievement of measures aimed at minimising the impacts of the continuing economic crisis in the building trade.
2. At its meeting of 11.4.2012, the Supervisory Board of the company considered the annual financial statements for 2011 and the auditor's report of A&CE Audit, s.r.o., Ptašinského 4, 602 00 Brno, Chamber of Auditors of the Czech Republic Certificate No. 007, for the accounting period of the year 2011. It is the opinion of the auditor that the annual financial statements for the year 2011 provide, from the factual perspective, a fair and honest view of the assets, liabilities, costs, revenues and financial situation at BAK stavební společnost, a.s. as at 31.12.2011 and are compiled in accordance with the accounting regulations in force in the Czech Republic.
3. Based on the findings presented in the auditor's report and with consideration for the results of its own auditing activity, the Supervisory Board recommends that the general meeting approve the financial state-

ments for the year 2011 and the proposal of the Board of Directors for the distribution of income on operations for the year 2011, i.e. the transfer of profit of CZK 7,013,336.85 into the retained earnings account; and the payment of dividends to shareholders of a further amount of CZK 5,000,000 for the year 2011.

Prague, 11.4.2012



JUDr. Jan Betka, Chairman of the Supervisory Board



Production hall Sico Rubena

Velké Pořící 11/2010 - 04/2011

Statutory Body Report

of the company BAK stavební společnost, a.s. with the registered office at: Vodní 177, 541 01 Trutnov, Company identification Number: 28402758 of relations between the controlling and controlled persons and of relations between the controlled and other persons controlled by the same controlling person in 2011 made pursuant to Section 66a) of Subsection 9 of Act No. 513/1991 Coll. (hereinafter referred to as „Report of relations between interconnected persons“).

1. Company's position in the aforementioned relations:

a) Controlling person: Controlling person is shareholder Ing. Jaroslav Pečenka, D.O.B. 10 March 1949, who as to the 30th March 2012 holds 90% of common shares in his name as warrants of the company BAK stavební společnost, a.s.

b) Other interconnected persons: In the event that the company BAK stavební společnost, a.s. has direct or indirect capital participation with a natural or juristic person, such persons enter into relevant controlling contracts. In 2011, the companies included were ISP Hradec Králové, a.s. (Company identification No. 60112590), DBT, s.r.o. (Company identification No. 47472669) and INGSERVIS s.r.o., (Company identification No. 2528503). In all the companies above, the company BAK stavební společnost, a.s. has a 100% share.

BAK stavební společnost, a.s. also has a 100% share in BAK Slovakia, a.s., Slovak Republic (Company identification No. 44606087).

2. Contract for Work made and realized in a business relation:

In the accounting period from 1 January 2011 to 31 December 2011, the company BAK stavební společnost, a.s. continued fulfilling the Contract for Work with record No. 243/09/761. The company BAK stavební společnost, a.s. continually issued tax receipts in accordance with the Contract for Work, invoicing Mr. Ing. Jaroslav Pečenka and his wife Mgr. Jana Pečenkova a sum according to the actually performed work made on the formerly stated subject of the Contract for Work. The price for work was invoiced in the usual amount and the issued tax receipts according to SOD were subsequently duly paid.

3. Contracts and transactions made out of the business sphere:

Mr. Ing. Jaroslav Pečenka has worked for the company BAK stavební společnost, a.s. based on an employment contract as of 22 September 2008 and on the basis of this employment contract he has received a salary from the company BAK stavební společnost, a.s. in accordance with the contract.

Mr. Ing. Jaroslav Pečenka further made a contract of the conditions of performing the position of a body member with the company BAK stavební společnost, a.s., since he was selected the chairman of the board of directors of the aforementioned company. On the basis of the contract of performing the position as of 1 July 2009 he has been paid by the company BAK stavební společnost, a.s. remuneration as the chairman of the board of directors of the company BAK stavební společnost, a.s.

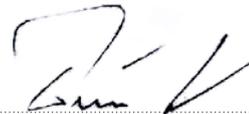
4. Contracts and transactions made between the controlled person and other interconnected persons:

In 2011, the controlled person and other interconnected persons stated in point 1b) of this Report of relations between interconnected persons had business relations under the conditions usual in a business relation. There was no harm caused to the controlled person.

5. Conclusion of the Report of relations between interconnected persons:

In the accounting period from 1 January 2011 to 31 December 2011 there were no other relations or measures than such which are stated herein. No other fulfillments, considerations and measures were made. The company was caused no harm as a consequence of entering into the contracts or taking of measures.

Prague, 30.3.2012



Ing. Jaroslav Pečenka, chairman of board of directors



Ing. Dušan Čížek, MBA, vice-chairman of board of directors

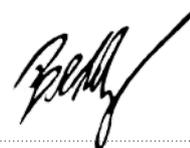


Mgr. Jana Pečenková, member of board of directors



Mgr. Vratislav Blecha, member of board of directors

Examined by the supervisory board in Prague, 30.3.2012



JUDr. Jan Betka, chairman of the supervisory board



If you live in harmony with nature, you will never be poor.
If you live according to what others think, you will never be rich.

LUCIUS ANNAEUS SENECA (4 BC – 65 AD) ROMAN PHILOSOPHER, DRAMATIST, POET AND LEADING POLITICIAN

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Independent Auditor's Report

for the shareholders and statutory bodies on the audit of the standard financial statements to 31.12. 2011 of the company BAK stavební společnost, a.s. based in Trutnov, Vodní 177, company identification number: 28402758.

We have audited the financial statements of the company BAK stavební společnost, a.s. which is part of the annual statement 2011 and which comprise the balance sheet as of 31.12.2011, income statement, statement of changes in equity and cash flow statement including data in range from 2011, January 1st to 2011, December 31th and Appendix to the financial statement including a summary of significant accounting policies and other explanatory notes. Company BAK stavební společnost, a.s. is presented in Note 1 within the appendix to these financial statements.

Statutory Body's Responsibility for the Financial Statements

The statutory body of the company BAK stavební společnost, a.s. is responsible for the preparation of financial statements that give a true and fair view in accordance with Czech accounting regulations and for such internal control as statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those laws and regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion Unqualified

In our opinion, the financial statements give a true and fair view of the assets and liabilities of the company BAK stavební společnost, a.s. as of 31.12.2011, costs and revenues and of its financial performance and its cash flows for the date range from 2011, January 1st to 2011, December 31th in accordance with Czech accounting regulations.

In Trutnov, date February 27, 2012

A&CE Audit, s. r. o.

Ptašinského 4, 602 00 Brno

Certificate number 007



Ing. Leoš Kozohorský, Executive

Ing. Stanislav Freibert, Auditor, Certificate number 0710

Attachments: Balance Sheet to 31.12.2011, Profit and Loss Statement to 31.12.2011, Statement of changes in equity to 31.12.2011, Cash flow statement to 31.12.2011, Appendix to Financial Statements.

Independent Auditor's Report

for the shareholders and statutory bodies on the audit of the annual report and the review of the related party transactions report as of 31.12.2011 of the company BAK stavební společnost, a.s., based in Trutnov, Vodní 177, company identification number: 28402728.

1. Report on the Audit of the Annual Report

We have reviewed the consistency of the annual statement BAK stavební společnost, a.s. for the year 2011 with the financial statements which are included in this annual report. The correctness of the annual report is the responsibility of the statutory body of the company BAK stavební společnost, a.s. Our responsibility is to express an opinion on the consistency of the annual report and the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the information included in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the information included in the annual report of the company BAK stavební společnost, a.s. for the year 2011 is consistent, in all material respects, with the financial statements referred to above.

2. Report on Review of the Related Party Transaction

We have audited the material correctness of the data in report on review of the related party transactions BAK stavební společnost, a.s. for the year ended 31.12.2011. The correctness of the report on review of the related party transactions is the responsibility of the statutory body of the company BAK stavební společnost, a.s. Our responsibility is to express an opinion to the report on review of the related party transactions based on our audit.

We conducted our review in accordance with the Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the related party transactions report is free of material misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the related party transactions report and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the information contained in the related party transactions report of the company BAK stavební společnost, a.s. for the year ended 31.12.2011 contains material factual misstatements.

In Trutnov, date April 29, 2012

A&CE Audit, s. r. o.
Ptašínského 4, 602 00 Brno
Certificate number 007



Ing. Leoš Kozohorský, Executive




Ing. Stanislav Freibert, Auditor, Certificate number 0710

Attachments: Annual Report to 31.12.2011, Report of relations between interconnected persons.

Balance Sheet in Full Format at 31.12.2011 (in thousand CZK)

Ref.	ASSETS	Line	Current accounting period			Previous account- ing period
			Gross	Adjustment	Net	Net
a	b	c	1	2	3	4
	TOTAL ASSETS (l. 02 + 03 + 31 + 63) = l. 67	001	2 200 769	335 481	1 865 288	1 564 779
A.	Receivables for subscribed registered capital	002				
B.	Non-current assets (l. 04 + 13 + 23)	003	969 628	280 039	689 589	730 518
B. I.	Non-current intangible assets (l. 05 až 12)	004	3 718	3 611	107	76
B. I.	1. Incorporation costs	005				
	2. Intangible result of research and development	006				
	3. Software	007	3 718	3 611	107	76
	4. Valuable rights	008				
	5. Goodwill (+/-)	009				
	6. Other non-current intangible assets	010				
	7. Non-current intangible assets in progress	011				
	8. Advances provided for non-current intangible assets	012				
B. II.	Non-current tangible assets (l. 14 až 22)	013	865 084	276 428	588 656	628 627
B. II.	1. Land	014	23 175	0	23 175	22 830
	2. Buildings	015	240 143	72 925	167 218	172 694
	3. Individual movables and sets of movables	016	140 412	111 401	29 011	33 150
	4. Permanent growths	017				
	5. Breeding stock and draught animals	018				
	6. Other non-current tangible assets	019	223		223	223
	7. Non-current tangible assets in progress	020				
	8. Advances provided for non-current tangible assets	021	620		620	620
	9. Adjustments to acquired assets (+/-)	022	460 511	92 102	368 409	399 110
B. III.	Non-current financial assets (l. 24 až 30)	023	100 826		100 826	101 815
B. III.	1. Holdings in controlled companies	024	100 826		100 826	101 815
	2. Holdings in companies under substantial influence	025				
	3. Other non-current securities and holdings	026				
	4. Loans and credits-controlling comp., company under substantial influence	027				
	5. Other non-current financial assets	028				
	6. Non-current financial assets acquired	029				
	7. Advances provided for non-current financial assets	030				
C.	Current assets (l. 32 + 39 + 48 + 58)	031	1 223 546	55 442	1 168 104	829 795
C. I.	Inventories (l. 33 až 38)	032	99 270		99 270	18 099
C. I.	1. Material	033				
	2. Work in progress and semi-finished products	034				
	3. Products	035				
	4. Livestock	036				
	5. Goods	037				
	6. Advances for inventory	038				

Ref.	ASSETS	Line	Current accounting period			Previous account-
			Gross	Adjustment	Net	ing period
a	b	c	1	2	3	4
C. II.	Non-current receivables (I. 40 až 47)	039	14 331		14 331	18 691
C. II.	1. Trade receivables	040	595		595	660
	2. Receivables-controlling company	041				
	3. Receivables-companies under substantial influence	042				
	4. Receivables from partners,coop and association members	043				
	5. Non-current advances provided	044	9 016		9 016	18 031
	6. Estimated accounts for assets	045				
	7. Other receivables	046	4 720		4 720	
	8. Deferred tax receivables	047				
C. III.	Current receivables (I. 49 až 57)	048	972 678	55 442	917 236	682 917
C. III.	1. Trade receivables	049	817 938	48 013	769 925	564 754
	2. Receivables-controllin company	050	56 538		56 538	63 400
	3. Receivables-companies under substantial influence	051				
	4. Receivables from partners,coop and association members	052	14 404		14 404	22 837
	5. Social security and health insurance	053				
	6. State-tax receivables	054	28 926		28 926	9055
	7. Current advances provided	055	27 053	7 429	19 624	15 911
	8. Estimated accounts for assets	056	1 579		1 579	2 897
	9. Other receivables	057	26 240		26 240	4063
C. IV.	Current financial assets (I. 59 až 62)	058	137 267		137 267	110 088
C. IV.	1. Cash in hand	059	2 954		2 954	1 726
	2. Cash in banks	060	134 313		134 313	108 362
	3. Current securities and holdings	061				
	4. Current financial assets acquired	062				
D. I.	Accruals and deferrals (I. 64 až 66)	063	7 595		7 595	4 466
D. I.	1. Prepaid expenses	064	5 243		5 243	4 466
	2. Total prepaid expenses	065				
	3. Accrued revenue	066	2 352		2 352	

Ref.	LIABILITIES	Line	Current accounting period	Previous accounting period
a	b	c	5	6
	TOTAL LIABILITIES (l. 68 + 85 + 118) = l. 001	067	546 447	537 221
A.	Equity (l. 69 + 73 + 78 + 81 + 84)	068	285 000	285 000
A. I.	Basic Capital (l. 70 až 72)	069	285 000	285 000
A. I.	1. Basic Capital	070	285 000	285 000
	2. Own shares and holdings (-)	071		
	3. Changes int the registered capital (+/-)	072		
A. II.	Capital funds (l. 74 až 77)	073	-7 496	-4 709
A. II.	1. Capital in excess of industry	074		
	2. Other capital funds	075		
	3. Valuation differences from revaluation of assets and liabilities(+/-)	076	-7 496	-4 709
	4. Valuation differences from revaluation upon transformation(+/-)	077		
A. III.	Reserved funds, indivisible fund and other funds created from profit (l. 79 + 80)	078	57 000	57 000
A. III.	1. Statutory reserve fund/non-distributable fund	079	57 000	57 000
	2. Statutory and other funds	080		
A. IV.	Profit/Loss of previous years (l. 82 + 83)	081	199 930	179 383
A. IV.	1. Retained profit of previous years	082	199 930	179 383
	2. Accumulated loss of previous years (-)	083	199 930	179 383
A. V.	Profit/Loss of current accounting period (l. 01 - 69 - 73 - 78 - 81 - 85 - 118) = l. 60 profit and loss statement in full format	084	12 013	20 547
B.	External sources (l. 86 + 91 + 102 + 114)	085	1 185 864	914 390
B. I.	Reserves (l. 87 až 90)	086	31 773	23 246
B. I.	1. Reserves by specific regulations	087	4 946	9 293
	2. Reserve for pensions and similar liabilities	088		
	3. Reserve for income-tax	089	3 064	993
	4. Other reserves	090	23 763	12 960
B. II.	Non-current liabilities (l. 92 až 101)	091	81 749	83 890
B. II.	1. Trade payables (non-current)	092		
	2. Liabilities-controlling company(non-current)	093		
	3. Liabilities-substantial influence (non-current)	094		
	4. Liabilities to partners,coop and association members	095		
	5. Non-current advances received	096		
	6. Bonds issued	097		
	7. Non-current bills of exchange payable	098		
	8. Estimated accounts for liabilities	099		
	9. Other payables	100	1 798	
	10. Deferred tax liability	101	79 951	83 890

Ref.	LIABILITIES	Line	Current accounting period	Previous accounting period
a	b	c	5	6
B. III.	Current liabilities (l. 103 až 113)	102	831 059	624 714
B. III.	1. Trade payables	103	741 329	503 976
	2. Liabilities-controlling company	104		
	3. Liabilities-substantial influence	105		
	4. Liabilities to partners,coop and association	106	25 481	45 738
	5. Liabilities to employees	107	27 328	37 757
	6. Liabilities for social security and health insurance	108	4 674	4 848
	7. State-taxes and state subsidies payable	109	1 985	1 342
	8. Current advances received	110	5 073	3 772
	9. Bonds issued	111		
	10. Estimated accounts for liabilities	112	25 189	27 281
	11. Other payables	113		6 444
B. IV.	Bank loans and assistance (l. 115 až 117)	114	241 283	182 540
B. IV.	1. Long-term bank loans	115	105 140	142 340
	2. Short-term bank loans	116	136 143	40 200
	3. Short-term financial assistance	117		
C. I.	Accruals and deferrals (l. 119 + 120)	118	132 977	113 168
C. I.	1. Accrued expenses	119	2 361	13 439
	2. Deferred revenue	120	130 616	99 729

Profit and Loss Statement in Full Format at 31.12.2011 (in thousand CZK)

Ref.	Description	Line	Balance in the accounting period	
			current	previous
a	b	c	1	2
I.	Sales of goods	01		
A.	Cost of goods sold	02		
+	Sale margin (I. 01 - 02)	03		
II.	Operations (I. 05 až 07)	04	2 029 127	1 848 889
II. 1.	Sales of own products and services	05	1 946 583	1 886 628
2.	Change in inventory for own production	06	82 544	-37 943
3.	Work capitalization	07		204
B.	Operating consumption (I. 09 + 10)	08	1 772 724	1 541 155
B. 1.	Consumption of material and utilities	09	139 100	119 127
B. 2.	Services	10	1 633 624	1 422 028
+	Added value (I. 03 + 04 - 08)	11	256 403	307 734
C.	Personnel expenses (I. 13 až 16)	12	206 621	214 934
C. 1.	Wages and salaries	13	146 675	151 457
C. 2.	Remuneration to board members	14	9 267	9 591
C. 3.	Social security and health insurance costs	15	47 815	51 305
C. 4.	Social costs	16	2 864	2 581
D.	Taxes and charges	17	5 223	3 652
E.	Depreciation of non-current intangible and tangible assets	18	46 892	45 985
III.	Sales of non-current assets and material (I.20 + 21)	19	14 118	18 798
III. 1.	Sales of non-current assets	20	8 712	3 879
III. 2.	Sales of material	21	5 406	14 919
F.	Net book value of non-current assets and material sold (I. 23 + 24)	22	6 469	16 314
F. 1.	Net book value of non-current assets sold	23	1 647	2 387
F. 2.	Material sold	24	4 822	13 927
G.	Changes in reserves and adjustments in production sector	25	10 404	-16 625
IV.	Other operating revenues	26	44 992	49 658
H.	Other operating expenses	27	11 602	78 786
V.	Transfer of operating revenues	28		
I.	Transfer of operating expenses	29		
*	Operating profit/loss [I. 11 - 12 - 17 - 18 + 19 - 22 - (+/-25) + 26 - 27+ (-28) - (-29)]	30	28 302	33 144
VI.	Revenues from sales of securities and shares	31		
J.	Securities and shares sold	32		

Ref.	Description	Line	Balance in the accounting period	
			current	previous
a	b	c	1	2
VII.	Revenues from non-current financial assets (l. 34 až 36)	33	2 187	
VII. 1.	Revenues from holdings in controlled companies and companies under substantial influence	34	2 187	
VII. 2.	Revenues from other non-current securities and shares	35		
VII. 3.	Revenues from other non-current financial assets	36		
VIII.	Revenues from current financial assets	37		
K.	Financial assets expenses	38		
IX.	Revenues from revaluation of securities and derivatives	39	469	3 940
L.	Costs of revaluation of securities and derivatives	40	2 205	
M.	Changes in reserves and adjustments in financial sector	41		
X.	Interest received	42	3 020	2 382
N.	Interest paid	43	7 216	10 204
XI.	Other financial revenues	44	7 589	21 392
O.	Other financial expenses	45	11 052	19 713
XII.	Transfer of financial revenues	46		
P.	Transfer of financial expenses	47		
*	Financial profit/loss [l. 31 - 32 + 33 + 37 - 38 + 39 - 40 - (+/-41) + 42 - 43 + 44 - 45 + (-46) - (-47)]	48	-7 208	-2 203
Q.	Income tax on ordinary activities (l. 50 + 51)	49	9 081	10 394
Q. 1.	- due	50	13 020	17 014
Q. 2.	- deferred	51	-3 939	-6 620
**	Profit/Loss on ordinary activities (l. 30 + 48 - 49)	52	12 013	-12 597
XIII.	Extraordinary revenues	53		
R.	Extraordinary expenses	54		
S.	Income tax on extraordinary activities (l. 56 + 57)	55		
S. 1.	- due	56		
S. 2.	- deferred	57		
*	Extraordinary profit/loss (l. 53 - 54 - 55)	58		
W.	Transfer of share in profit to partners	59		
***	Profit/Loss for the accounting period (+/-) (+/-) (ř. 52 + 58 - 59)	60	12 013	-12 597
****	Pre-tax profit/loss (+/-) (ř. 30 + 48 + 53 - 54)	61	21 094	-2 203

Notes to the financial statement

For the period 1.1.2011 - 31.12.2011

In accordance with Decree No. 500/2002 Coll. §39 (Balance sheet date 31.12.2011)

General Information

1. Description of the accounting entity

Company name:	BAK stavební společnost, a.s.
Registered office:	Trutnov, Vodní 177, post code 54101
Identification number:	28402758
Legal form:	joint stock company
Principal activities:	building construction, reconstruction and demolition, engineering activities in investment construction, lease and rental of properties, apartments and non-residential space, road freight transport
Date of incorporation:	26. May 2008
Registered capital:	284,999,780 CZK (100% paid)
Balance sheet date:	31.12.2011
Date of the financial statement:	23.2.2012
Entities holding over 20% of the company's registered capital:	Ing. Jaroslav Pečenka, 90% share
Changes to the Board of Directors and Supervisory Board:	In 2011 Ing. Jaroslav Pečenka was elected again as chairman of the Board of Directors, Mgr. Jana Pečenková and Mgr. Vratislav Blecha were elected as members of the Board of Directors. Bc. Libor Štěpán was removed from the office of a member of the Board of Directors.
Other Changes Recorded in the Business Register:	No changes took place in 2011.
Organizational Structure of the Accounting Entity and Major Changes in the Last Accounting Period:	No changes took place in 2011.



Members of the Statutory and Supervisory Boards at the Balance Sheet Date:

Board of Directors	Supervisory Board
Ing. Jaroslav Pečenka (Chairman)	JUDr. Jan Betka (Chairman)
Ing. Dušan Čížek, MBA (Vice-Chairman)	Ing. arch. Petr Machar
Mgr. Jana Pečenková	Karel Laš
Mgr. Vratislav Blecha	

2. Company's holdings or contractual holdings in other companies

BAK stavebni společnost a.s. has finalized controlling interest contracts in accordance with §190b and Decree No. 513/91 Coll. of the Commercial Code with the following companies:

- ISP Hradec Králové, a.s. (formerly ATOL, a.s.)
- DBT, s.r.o.
- INGSERVIS s.r.o.

Contracts were filed in the Collection of Documents at the Registry Court.

Holdings exceeding 20%

Company name	I.D. No.	BAK's share of basic capital at 31.12.2009	Equity at 31.12.2010 in CZK thousands.	Profit/loss for the year 2010 in CZK thousands.
ISP Hradec Králové, a.s.	60112590	100%	48 783	9 422
DBT, s.r.o. *	47472669	100%	20 383	-9 119
INGSERVIS s.r.o. *	25285033	100%	53	199
BAK Slovensko, a.s. **	44606087	100%	31 607	-70

* The figures relating to the equity and Profit/loss for DBT, INGSERVIS and BAK Slovensko, a.s. are only preliminary because the financial statements of these companies have not been finalized by the date of these Notes to the Financial Statement.

** The figures relating to the equity and the profit/loss of the company BAK Slovensko have been converted from euros to CZK at the rate prescribed by the Czech National Bank as of 31.12.2011 at a rate of 25.800 CZK/Euro.

3. Company employees, personnel expenses

Number/amount in thousand CZK	2010	of whom managers	2009	of whom managers
Average number of employees	414	6	446	6
Payroll costs	146 675	15 051	151 457	10 331
Remuneration to committee members	9 267	720	9 591	1 661
Social security costs	47 815	3 634	51 305	2 091
Social costs	2 864	119	2 581	107
Total personnel expenses	214 934	14 190	246 165	21 039

4. Cash or other provisions

Loans, credits and other provisions to members of statutory, managing and supervisory boards were not provided, with exception of one short-term loan amounting to CZK 200 thousand.

Accounting methods, general accounting policies and valuation methods used

1. System of accounting

- a) BAK stavebni spolecnost a.s. is a legal entity with its registered office in the Czech Republic. The accounting entity has been conducting accounting procedures continuously since the company was recorded in the Business Registry. The accounting period is a calendar year. The accounting is conducted in Czech crowns (CZK).
- b) Financial statements of BAK stavebni spolecnost a.s. were compiled on the basis of
- Act No. 563/1991 Coll., on accounting, in the wording of subsequent amendments
 - Decree No. 500/2002 Coll., implementing certain provisions of Act No. 563/1991, on accounting in the wording of subsequent amendments
 - Czech Accounting Standards for Businesses No. 001 – 0233

The chart of accounts is made by Decree 500/2002 Coll., and also by CUS. It includes synthetic and analytic accounts which are established according to the requirements for managing and controlling the company BAK stavebni spolecnost, a.s. and also according to the Income Tax Act 586/1992 Coll. which involves separating the accounts relating to tax deductible and non-deductible expenses and income and according to the recording obligations of GST in accordance with the Act 235/2004 Coll. regarding GST in the later amendments.

- c) Computer technology is used for the accounting. AZPRO software by the PROSPEKS-IT, a.s. Brno company is used.

2. Assets valuation methods

a) Inventory

Recording of inventory

Inventory is recorded in the A accounting method.

Release of stock from inventory

The FIFO method is used for the release of stock from inventory.

Inventory valuation

Inventory – raw material purchased – is valued at the actual acquisition cost which includes:

- purchase price
- directly related costs (transport, customs, insurance, discounts, etc.)

Valuation of internally produced inventory

Internally produced inventory is valued at internal costs (material, wages, OPN etc) and production overhead.

b) Non-current assets

ba) Non-current intangible assets

Individual intangible assets which are valued at more than 60,000 CZK with a usage of more than one year are recorded in the company as non-current intangible assets.

Low value non-current intangible assets are intangible assets with a usage of more than one year and are valued at less than 60,000 CZK.

Low value non-current intangible assets are recorded in the company when acquired directly to costs in the account 518—Services.

Intangible non-current assets are recorded in the accounts:

- 013 – Software
- 014 – Acquired rights

bb) Non-current tangible assets

Non-current tangible assets in the company are tangible assets with an acquisition cost more than 40,000 CZK and a usage of more than one year.

Additional parts forming a set with a main component are considered accessories of the tangible asset, and they are valued and recorded together as a set. (Accessories are part of the delivery of the main component, or are added to it subsequently, i.e. the component is technically appreciated).

If the additional parts do not create one set with the main component they are treated as individual movables.

Non-current tangible assets are also sets of movables with individual technical and economic uses whose acquisition cost is more than 40,000 CZK and have an operational and technical function longer than one year. Due to their nature, certain types of assets have to be recorded as a set. For example scaffoldings, rack storage systems, conveyor belts, etc.

Valuation of non-current assets

Non-current assets are valued at:

- a) acquisition price at time of purchase
- b) internal costs,
- c) replacement costs

In addition, non-current assets purchased at the end of the lease are valued at the replacement cost of the leased object.

Records of non-current assets

Non-current tangible assets are recorded in the following accounts:

- 021 - buildings
- 022 - individual movables, sets of movables and other non-current assets
- 031 - land
- 032 - works of art

bc) Low value tangible assets

Assets with a usage longer than one year and a value from 500 CZK to 40.000 CZK are treated as low value tangible assets.

Low value tangible assets are recorded in the company accounts as follows:

When acquired low value tangible assets are recorded as material in stock. In the same month, a stock release note is prepared which releases them into operating records. Low value tangible assets are recorded as an expense. Assets listed in operating records then serve for stocktaking of assets.

If low value tangible assets of higher value are purchased, then they are recorded in line with the accrual concept over two years.

c) Non-current financial assets

Non-current financial assets are recorded in the company at the end of the accounting period in the following accounts: account 061—Holdings in controlled companies

Values of securities and holdings:

When purchased – as interpreted in Section 25 par. 1 (f) of the Accounting Act, securities and holdings are valued at the acquisition cost. The acquisition cost is the purchase price of an asset and related costs (fees and commissions, brokers' and lawyers' fees, payments to experts). Interest on loans and payments of securities deposits are not included in costs.

In the period under review the equivalent method for majority or controlling holdings was used. The differences in valuation were recorded in the analytic account 061 and against account 414 – Differences in valuation from revaluation of assets and liabilities.

Subsidiary	Acquisition cost of share	Equity at 31.12.2011	Valuation of financial investment by equivalent method at 31.12.2011	Valuation difference from revaluation equivalent at 31.12.2011	Valuation difference from revaluation equivalent at 1.1.2011
ISP Hradec Kralove, a.s., Praha 4	20 238 400,00	48 782 402,91	48 782 402,91	28 544 002,91	21 309 083,93
DBT, s.r.o., Trutnov	43 068 721,80	20 383 217,98	20 383 217,98	-22 685 503,82	-13 566 524,93
INGSERVIS s.r.o., Trutnov	12 707 000,00	53 438,89	53 438,89	-12 653 561,11	-12 707 000,00
BAK Slovensko, a.s., Bratislava, SK	30 510 085,00	31 606 907,39	31 606 907,39	1 096 822,39	255 587,33
Share value/investm. - decisive influence	106 524 206,80	100 825 967,17	100 825 967,17	-5 698 239,63	-4 708 853,67

3. Depreciation plan**a) Depreciation for tax purposes**

Depreciation for tax purposes is governed by the Income Taxes Act No. 586/1992 Coll., as amended.

Straight-line depreciation method has been used for non-current tangible assets already depreciated as at 31.12.1992.

From 01.01.1993 accelerated depreciation method has been used for newly acquired non-current tangible assets. In the case of assets acquired for example through deposit or free of charge transfer, the acquiring party continues to depreciate the assets as the former owner began.

b) Accounting depreciation

Newly acquired non-current assets are categorized in line with the BAK stavebni spolecnost, a.s. internal corporate instruction on recording, valuation and depreciation of non-current assets in the respective depreciation categories in accordance with §30 and the Enclosure to the Income Taxes Act No. 586/92 Coll.

The depreciation of non-current assets begins in the following month after the asset has been put to use. For 2011 the accounting depreciation rates were set according to the following table:

The accounting depreciation category set for individual assets does not change over the entire depreciation period. In certain cases, longer or shorter depreciation period than those listed in the table above may be determined, for example if an older (used) asset is purchased, or if higher wear and tear is anticipated (e.g. scaffolding, platforms etc.).

Account 021: buildings acquired before 1996 are depreciated at a rate set on the basis of Ing. Kalous' appraisal opinion No. 103/95/K.

Depreciation category	Depreciation period in months
1	36
2	60
3	120
4	240
5	360
6	600

c) Depreciation of equipment of the construction site

For the purpose of accounting as well as taxes, equipment of the construction site is depreciated in compliance with Section 30(6) of Act. No.586/92 Coll. This applies to other equipment on the construction site under the Building Act, where yearly depreciation is stipulated as a quotient of the acquisition cost and the stipulated duration of the construction site.

d) Depreciation plan for the association of companies

It is a participant of the association authorized to keep accounting records on behalf of the association that is responsible for the accounting and tax depreciation.

4. Valuation Difference to Acquired Assets and Its Depreciation

Within the framework of an intra-state amalgamation a valuation difference arose in the acquired assets in the amount of 460,511 thousand CZK. This valuation difference has been depreciated in the straight-line accounting method for the period of 180 months. For the year 2011 the 12 months of the depreciation was recorded in the amount of 30,701 thousand CZK.

5. Adjustments to assets

- In the period under review of the year 2011 adjustments were made to receivables in accordance with the decree relating to reserves 593/92 coll. and also accounting adjustments to receivables which are not yet recoverable by law.
- No adjustment has been made to the non-current assets in the accounting period 2011.
- No adjustment has been made to the inventory stock in the accounting period 2011 as there was no reason for it.
- An adjustment to the non-current financial assets was not made. Non-current assets are evaluated by the equivalent method.

Balance in thousands CZK as at	31.12.2011	31.12.2010
Adjustments to non-current tangible assets	0	0
Adjustments to non-current financial assets	0	0
Adjustments to inventory	0	0
Adjustments to current receivables	55 442	45 965

6. Conversion of foreign currencies to the Czech currency

By the Accounting Act § 4 par.12 the company BAK stavěbní společnost a.s. conducts accounting procedures in the Czech currency and has a duty to convert foreign currencies to the Czech currency. Assets and liabilities expressed in foreign currencies are converted by BAK stavěbní společnost a.s. into the Czech currency at the rate on the exchange market announced by the Czech National Bank at the time of:

- Realization of the accounting transaction of the acquisition of assets in foreign currencies, at the time receivables occur in foreign currencies and liabilities arise in foreign currencies (in this case no exchange rate difference occurs).
- Realization of the accounting transaction of movement of assets, receivables and liabilities in foreign currencies and at the same time variation of exchange rates from the accounting entry as in a) (here exchange rate difference arise during the accounting period).
- Balance date, at which the assets, receivables and liabilities are recalculated in foreign currencies by the Foreign Exchange Act which means using the rate of the CNB, in the case of BAK stavěbní společnost a.s. as at 31.12. of the relevant calendar year (the rate difference arises to the balance date).

The company BAK stavěbní společnost a.s. uses rates in the form of:

- Valid exchange rates announced by the CNB at the date of realization of the accounting transactions. Actual rate of the relevant date announced by the CNB means the rate announced in the afternoon period.
- The company BAK stavěbní společnost a.s. is not using fixed rates. The fixed rate according to the Accounting Act

is assessed as a future projection for a specified period and is restricted by one accounting period, e.g. annual rate, monthly rate etc.

The company BAK stavebni spolecnost a.s. uses other than daily rates announced by the CNB in special cases when it concerns the purchase and resale of foreign currencies (SWAP operations), when for conversion of foreign currencies to CZK the rate of commercials banks are used which are listed in the confirmations of these transactions

7. Changes in valuation, depreciation and accounting procedures

There were no changes during the accounting period.

Additional information to the Balance Sheet and Profit and Loss Statement

1. Main categories of non-current tangible assets (in thousand CZK)

Account	Individual movables and sets of movables	Acquisition cost (account 022)	Accumulated depreciation (account 082)
022 01	Individual movables	65 283	53 470
	Cranes, lifting equipment	2 040	1 704
	Tools, pumps, compressors	4 337	3 868
	Office equipment	3 975	3 860
	Scaffolding, casing, fencing	10 122	9 483
	Building machinery	23 817	20 553
	Building site cabins, storage facilities	15 584	9 051
	Others	5 408	4 951
022 02	Movables up to 40.000 CZK	3 513	3 513
022 04	Vehicles	71 180	53 982
022 29	On site equipment	436	436
Account total 022		140 412	111 401

2. Summary of changes in non-current assets (in thousand CZK)

Change	Structure	Non-current tangible assets										
		Non-current intangible assets	Immovables	Non-current tangible assets								
		Land	Buildings, structures	Equipments and machinery	Transport vehicles	Equipments for construction site	Low value tangible assets	Other tangible assets	Rendered deposits on low value tang. assets	Differences in valuation	Non-current tangible assets TOTAL	
A	Gross value of non-current assets											
A1	as at 1.1.2011	3 630	22 830	240 853	79 201	77 681	441	4 683	223	620	460 511	887 043
A2	Acquisition of non-current assets											
	a) purchase	94	1 311	18	808	6 400						8 537

Structure	Immovables					Non-current tangible assets						Non-current tangible assets TOTAL
	Change	Non-current intangible assets	Land	Buildings, structures	Equipment and machinery	Transport vehicles	Equipment for construction site	Low value tangible assets	Other tangible assets	Rendered deposits on low value tang. assets	Differences in valuation	
b) own construction												0
c) other (transfer among accounts, scaffolding)						583						583
A3 Disposal of non-current assets												
a) sale			-966	-728	-8 145	-12 401						-22 240
b) liquidation and damage		-6			-3 873	-1 083	-5	-1 170				-6 131
c) other					-2 708							-2 708
A* Gross value as at 31.12.2011	3 718	23 175	240 143	65 283	71 180	436	3 513	223	620	460 511	865 084	
B New valuation												
C Reduction of non-current assets value												
C1 Accumulated depreciation as at 1.1.2011	3 554		68 159	62 687	61 045	441	4 683	0	0	61 401	258 416	
C2 Adjustments as at 1.1.2011												0
C3 Depreciation in current year and net book value when sold	63		5 494	5 509	5 838			0	0	30 701	47 542	
C4 Additions to and drawings of adjustments during the period												0
C5 Accumulated depreciation of disposed non-current assets	-6		-728	-12 018	-13 484	-5	-1 170					-27 405
C6 Other (leasing, transfers, returns]				-2 708	583							-2 125
C* Accumulated depreciation as at 31.12.2011	3 611	0	72 925	53 470	53 982	436	3 513	0	0	92 102	276 428	
D Net value of non-current assets as at 31.12.2011	107	23 175	167 218	11 813	17 198	0	0	223	620	368 409	588 656	
E Net value of non-current assets as at 1.1.2011	76	22 830	172 694	16 514	16 636	0	0	223	620	399 110	628 627	

3. Receivables

Balance in thousand CZK as at	31.12.2011	31.12.2010
a) net total overdue receivables*	119 349	72 682
– among them overdue up to 30 days	23 433	10 884
– among them overdue up to 90 days	36 575	3 720
– among them overdue up to 360 days	38 827	51 252
– among them overdue more than 360 days	20 514	6 826

Balance in thousand CZK as at	31.12.2011	31.12.2010
b) Receivables from companies included in the consolidated group	68 054	88 202
– ISP Hradec Králové, a.s., Praha 4 (ID: 60112590)	183	657
– DBT, s.r.o., Trutnov (ID: 47472669)	52 749	63 836
– INGSERVIS s.r.o., Trutnov (ID 25285033)	15 122	23 709
c) adjustments to receivables (account 391)	55 442	45 965
– adjustments for receivables from comp. in bankruptcy (§8 Decree 593/1992 Coll. about reserves)	20 686	20 634
– adjustments to receivables acc. § 8 par. 1, 2, 3 of Act No. 593/1992 Coll., on reserves	8 514	3 688
– adjustments for receivables (§8c Act No. 593/1992 Coll., on reserves)	227	151
– adjustments for receivables (accounting)	26 015	21 492
d) write offs of receivables (account 546)	884	67 940
– advanced receivables (tax deductible)	0	5 244
– other write offs of receivables (tax deductible)	214	59 490
– total write offs of receivables (accounting-tax non-deductible)	670	3 206

* Note: as of the date of these Notes to Financial Statement a sum amounting to CZK 68,084 thousand was paid towards the overdue receivables.

Receivables outstanding for more than five years: Josef MÖLLER–RELOM, ID No. 10472801 in the amount of 595 thousand CZK.

Other non-current receivables: in the amount of CZK 9,016 thousand as a security deposit, in fact part of the deposit, for the town of Trutnov relating to the order for the construction of the community centre due in 5/2013.

- **other receivables:** CZK 4,720 thousand long-term even instalments of the supplier credit Town of Žacléř, the last instalment payable by 12/2014

4. Assets pledged or encumbered with

a) right of lien:

Property register	Title number
Trutnov	4978
Jablonec n. N.	6967
Kalná Voda	893
Hradec Králové, Pouchov, Věkoše	11650

b) easement:

Property register	Title number	Easement
Hradec Králové, Pouchov, Věkoše	11650	Electric cable, water and sewerage pipelines
Jičín	6325	Lines - establishment of distribution system (ČEZ)
Jablonec n. N.	6967	Easement use of electricity repair and maintenance, right of passage, water pipeline connection and laying, low voltage electrical line

Bank guarantees

Bank guarantees given as a guarantee are at 31.12.2011 CZK 382,889 thousand.

As of 31.12.2010 the balance was CZK 350,571 thousand.

5. Statutory and other reserves

In thousand CZK	Opening balance at 1.1.2011	Additions	Withdrawals	Closing balance at 31.12.2011
Reserves for repair of assets - Decree 593/92 Coll.§ 7	9 293	309	4 656	4 946
Reserves for income tax	17 150	13 064	17 150	13 064
- plus advances paid - account 341	-16 157			-10 000
Total liability (shown on line 89 of balance sheet)	993			3 064
Reserves for deficiencies in guaranteed completed projects *	3 670	9 503	0	13 173
Reserves for legal expenses	1 330	1 863	0	3 193
Reserves for association for defects covered by a guarantee	7 960		563	7 397
Total reserves	23 246			31 773

6. Calculation of deferred tax

Description	Deferred tax in thousand CZK	P (+) / Z (-)
A Calculation of deferred tax at 31.12.2011	-79 951	Z
A1 Account 021 - difference calculated on comparable accounting and tax acquisition costs	-424	Z
A2 Account 021 - difference calculated on non-comparable accounting and tax acquisition costs, calculated as a difference between accounting and tax depreciation over 7 years	-2 888	Z
A3 Account 022 - difference of all accounting and tax net book values	-2 430	Z
A4 Adjustments to receivables		P
A5 The association's non-tax deductible reserves for guarantee costs	2 329	P
A6 Non-tax deductible reserves for legal costs	606	P
A7 Influence of non-tax reserves on social security to the reserves for bonuses	124	P
A8 Difference of accounts deferred tax and total deferred tax/15 years	-7 270	Z
A9 Influence of valuation differences on acquired assets	-69 998	Z
B Calculation of deferred tax at 31.12.2010	-83 890	Z
B1 Account 021 - difference calculated on comparable accounting and tax acquisition costs	-388	Z
B2 Account 021 - difference calculated on non-comparable accounting and tax acquisition costs, calculated as a difference between accounting and tax depreciation over 7 years	-2 765	Z
B3 Account 022 - difference of all accounting and tax net book values	-2 635	Z
B4 Adjustments to receivables	1 236	P
B5 The association's non-tax deductible reserves for guarantee costs	1 680	P
B6 Non-tax deductible reserves for legal costs	253	P
B7 Influence of non-tax reserves on social security to the reserves for bonuses	531	P
B8 Difference of accounts deferred tax and total deferred tax/15 years	-5 971	Z
B9 Influence of valuation differences on acquired assets	-75 831	Z
C Difference (reduction of liabilities entered in accountancy total in the accounting period concerned)	3 939	

- Tax rate was quoted at 19% which is the rate valid for 2012.
- Starting in 2007 for a period of 15 years the calculation of deferred tax is spread over the difference from the balance of the deferred tax and calculated deferred tax. Therefore for 2011 it is 5/15 of the difference.
- The balance of the recorded non-current deferred tax liability as of the decisive date of 31.12.2011 is CZK 79,951,037.00.
- After calculation of all differences between accounting and net values of reassessed properties the deferred liability was CZK 94,490,674.00 CZK.

7. Long-term bank loans

Purpose of the Loan	Interest rate	Term	Balance at 31.12.2011	Amount Due in next 12 months	Long-term portion	Security
Acquisition loan CP	1M PRIBOR + 1,65% p.a.*	20. 12. 2015	142 340	37 200	105 140	BS, ZP k CP
TOTAL LT loans			142 340	37 200	105 140	

* note: flexible rate 1M PRIBOR fixed with interest swap from 16.08.2011 at 1.57% p.a.

8. Assets not listed in the balance sheet (accounts off balance sheet)

Type of asset (thousand CZK)	Opening balance at 1.1.2011	Increases	Decreases	Closing balance at 31.12.2011
Leasing (leased assets)	61	0	61	0
Low value tangible assets	26 398	5 372	4 537	27 233
Low value intangible assets	2 670	164	4	2 830
Secured bank guarantees (BAK=beneficiary)	82 827	13 740	19 077	77 490
Receivables from bank drafts	65	0	65	0
Receivables from derivative operations	24 737	28 432	24 737	28 432
TOTAL	136 758	47 708	48 481	135 985

9. Liabilities

Balance In thousand CZK at	31.12.2011	31.12.2010
a) Total payables overdue	0	0
b) Payables to companies included in the consolidated group *	370	291
– ISP Hradec Kralove,a.s. Praha 4 (ID: 60112590)	0	0
– DBT s.r.o., Trutnov (ID: 47472669)	290	225
– INGSERVIS s.r.o., Trutnov (ID: 25285033)	80	66

10. Liabilities not listed in the balance sheet (accounts off balance sheet)

Type of liability (in thousand CZK)	Opening balance as of 1.1.2011	Increases	Decreases	Closing balance as of 31.12.2011
Liabilities from lease contracts	72		72	0
Bank guarantees KB (see table)	297 171	64 894	119 100	242 965
Bank guarantees ČSOB (see table)	0	72 049	57 297	14 752
Bank guarantees CS (see table)	166 866	170 982	161 705	176 143
Bank guarantees UniCredit (see table)	173 952	3 926	41 312	136 566
Bank guarantees ING (see table)	18 080	10 000	28 080	0
Liabilities from derivative operations	22 927	29 760	22 927	29 760
Pending warranty claims	5 429	2 695		8 124
TOTAL	684 497	354 306	430 493	608 310

Bank guarantees (balance at 31.12.2011 in thousand CZK)	KB	ČS	UniCredit	ČSOB	ING	Total
Tenders	4 100	1 400	0	4 000	0	9 500
Implementation	51 164	113 214	12 032	0	0	176 410
Guarantee	186 074	61 529	124 534	10 752	0	382 889
Invoice payment	1 627	0	0	0	0	1 627
TOTAL	242 965	176 143	136 566	14 752	0	570 426

11. Financial leases (in thousand CZK)

As of 31.12.2011 the company doesn't have any leased property in the form of financial leasing.

12. Expenses for remuneration of statutory auditor (in thousand CZK)

Service	Remuneration in 2010	Note
Mandatory audit of financial statement	282	including consolidated FS
Other services	85	Contract for expert assistance
TOTAL	367	

13. Revenues by activity (in thousand CZK)

Activity (in thousand CZK)	year 2011	year 2010
Construction	2 054 714	1 865 343
Equipment rental	3 721	3 256
Freight transport	3 973	3 382
Complexes	14 301	15 413
Other	24 793	57 665
Total	2 101 502	1 945 059
of which is abroad	1 295	0

14. Risks arising from legal matters

Risks arising from legal cases which are currently active by BAK stavěbní společnost a.s. were based on the analysis made by legal representatives for the company and were taken into account in the financial statement as at 31.12.2010 so that the risks will not impact the recorded assets (especially receivables), especially by making the necessary adjustments.

Connected with legal cases which involve BAK stavěbní společnost a.s., a similar analysis was carried out to assess the financial impact on the financial statement as at 31.12.2011. Based on this analysis, the non-tax deductible reserve for legal cases is in the amount of 1,330 thousand CZK which was made in 2008 remains in place at 31.12.2011, and in 2011 the sum amounting to CZK 1 863 thousand was created additionally.

Equity

A. Comments on the list of changes in equity for the year 2011:

The Board of Directors of BAK stavebni spolecnost,a.s. at the regular general meeting on 21.03.2011 approved the transfer of after tax profit from the period 01.01.2010 to 31.12.2010, in the amount of CZK 20,546,606.11 to the profit retained from the previous years account. The balance of the profit retained account as at 31.12.2011 is CZK 199,929,642.93.

B. Dividends

Dividends were not paid in the given accounting period.

C. Revaluation of Assets and Liabilities

In the accounting period the revaluation of shares and equity holdings in the subsidiary companies was implemented by the equivalent method with the total impact on the equity intermediate changes as of 31.12.2011 of CZK 989,385.96 (see point 2c) of these notes).

Then, revaluation using interest swap real value was accounted (fixing flexible rate 1M PRIBOR in long-term acquisition credit - point 7 of the notes) with total impact to change in the equity amount of CZK 1,797,908.64 as of 31.12.2011.

D. Profit/Loss of the Current Accounting Period

In the year 2011 there was an accounting profit after tax in the amount of CZK 12,013,336.85 of the turnover (total revenues) CZK 2,101,502,661.26.

Review of changes in equity

Equity entries	Profit/loss	Basic capital	Capital funds	Funds reserve	others	Retained profit previous years	Unsettled losses previous years	Change in equity
Balance at beginning of accounting period	20 547	285 000	-4 709	57 000	0	179 383	0	537 221
Increase in basic capital	0							0
Dividend payments	0							0
Revaluation of assets and liabilities	0		-2 787					-2 787
Allocation to reserve fund	0			0				0
Allocation to other funds	0							0
Retained profit	-20 547					20 547		0
Other withdrawals	0							0
Profit/Loss of current year	12 013							12 013
Balance as at 31.12.2011	12 013	285 000	-7 496	57 000	0	199 930	0	546 447

Subsequent Events after the Financial Statement of 31.12.2011

No significant events were recorded.

Cash flow

P. Cash and the cash equivalents at the beginning of the accounting period	110 088	
Cash flow from main activities (operating activity)		
Z.	Accounting profit or loss from ordinary activities before tax (+/-)	21 094
A. 1	Corrections by non-monetary transactions	51 384
A. 1 1	Depreciation of assets (+) with exception of depreciated cost of sold non-current assets, depreciation of liabilities	46 924
A. 1 2	Changes in adjustments and reserves (+/-)	8 527
A. 1 3	Profit (-) / loss (+) from sale of non-current assets	-7 065
A. 1 4	Yield from dividends and profit shares (-)	-2 187
A. 1 5	Interest paid (+) and interest received (-) except for capital interest	4 196
A. 1 6	Corrections by other non-monetary transactions	989
A. *	Net cash flow from operating activities before tax, changes in working capital and extraord. entries	72 478
A. 2	Changes in non-monetary sector of working capital	7 838
A. 2 1	Change in receivables from operating activities (+/-), assets accounts	-233 088
A. 2 2	Change in current liabilities from operating activities (+/-), liabilities accounts	322 097
A. 2 3	Change in inventories (+/-)	-81 171
A. 2 4	Change in current financial assets other than cash and its equivalent	0
A. **	Net cash flow from operating activities before tax and extraordinary entries	80 316
A. 3	Interest paid except for capital interest (-)	-7 216
A. 4	Interest received (+)	3 020
A. 5	Income tax paid on ordinary activities and back taxes from previous periods (-)	-9 081
A. 6	Income and expenses connected with extraordinary accounting cases representing extraordinary profit, incl. paid income tax from extraord. activities	0
A. 7	Accepted dividends and share in profit (+)	0
A. ***	Net cash flow from operating activities	67 039
Cash flow from investment activities		
B. 1	Expenses related to acquisition of non-current assets (-)	-8 631
B. 2	Income from sale of non-current assets (+)	8 712
B. 3	Loans and credits to related entities (+/-)	0
B. ***	Net cash flow from investment activities	81
Cash flow from financial activities		
C. 1	Impact of changes in non-current payables or such current payables relating to financial activities (e.g. operation credits) to cash and cash equivalents	-39 341
C. 2	Impact of changes in equity on cash and cash its equivalents	-600
C. 2 1	Increase of cash related to increase of registered capital, capital in excess of industry or reserve fund, incl. advances made towards the increase (+)	0
C. 2 2	Share in equity paid to partners (-)	0
C. 2 3	Other cash deposits by partners and shareholders (+)	0
C. 2 4	Loss paid by partners (+)	0
C. 2 5	Direct payments debited to the funds (-)	-2 787
C. 2 6	Dividends and shares paid including tax (-), accepted dividends (+)	2 187
C. ***	Net cash flow from financial activities	-39 941
F. Net increase or decrease of cash	27 179	
R. Balance of cash and cash equivalents at the end of accounting period	137 267	

Date (compilation of financial statement): 23.2.2012

Signature of statutory representative:



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Ing. Dušan Čížek, MBA, Vice-Chairman of the Board of Directors

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