

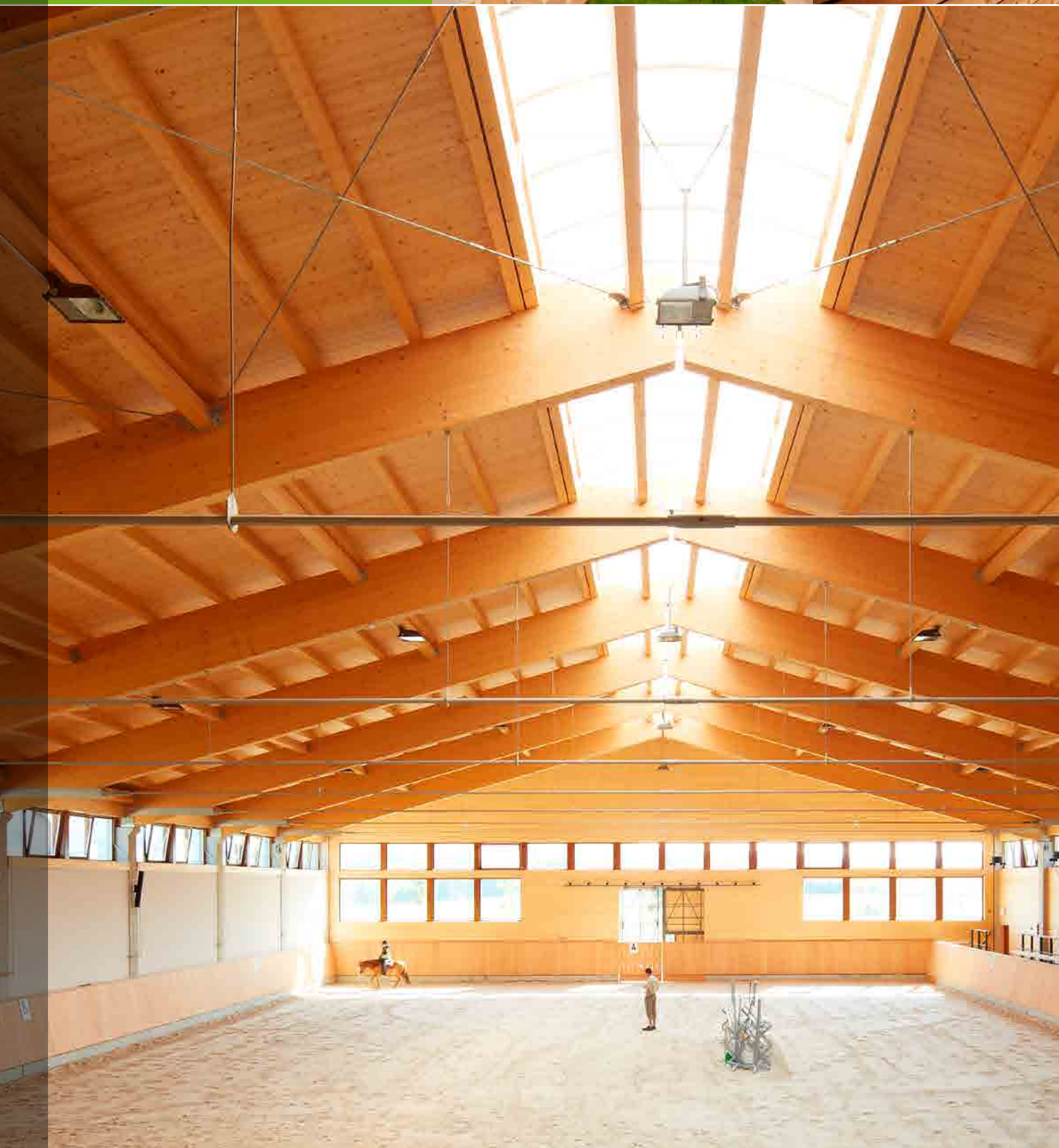
ANNUAL REPORT
2012

nbak[®]
stavební společnost



**1,100 m² for fun and
extraordinary challenges**

The Čapí hnízdo Farm – riding school
Olbramovice
07/2011–01/2012





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90 places for new beginnings

Na Radosti – Prague
06/2010–07/2011





INTRODUCTION OF BAK

BAK stavební společnost, a.s. is one of the largest and most experienced general contractors of land and water management structures in the Czech Republic. It currently has over 300 employees, who realise demanding construction of structures across the Czech Republic. Turnover reached CZK 1.95 billion in 2012.

The company was founded in 1991 when the Hradec Králové Construction Company was privatised. Since that time, the portfolio of completed construction projects numbers over one thousand buildings of varying size and technical complexity.

BAK primarily focuses on the construction of industrial buildings, housing and services. It mainly specialises in the modern construction of factories, shopping centres, hotel projects, amenities, water and environmental engineering and also the reconstruction of historic buildings. The company increasingly realises complex Design and Build systems, which includes project documentation and adherence to all legislative requirements.

Since 2005 BAK stavební společnost, a.s. has carried out its own development projects, especially in the eastern part of Czech Republic. In 2012, the company launched a revitalisation project for a former brewery in Vrchlábí which includes construction of a 78 unit apartment house called Residence Pivovar.

The company's long-term priorities include environmental protection, as well as a safe and healthy working environment. Since 1998, BAK has been certified in environmental management and occupational health and safety management in accordance with CSN ISO 14001 and CSN OHSAS 18001.

Vision – Mission – Values

Vision

In our home country, we want to be the best construction company with sustainable development for our employees, business partners and investors.

Mission

Be a reliable supplier in the field of construction for private and public investors.

Optimise the use of our capacities in order to achieve above-average profitability and the suitable development of our company.

Approach each construction project with a high level of enthusiasm and professionalism with the goal of meeting the needs of our customers.

Develop the creative potential of our employees so they are able to find the best solutions for our customers.

Always make partnership, trust and common goals a priority.

Be a model of social responsibility and show respect for the environment.

Values

Loyalty
Truth
Courage
Proactivity

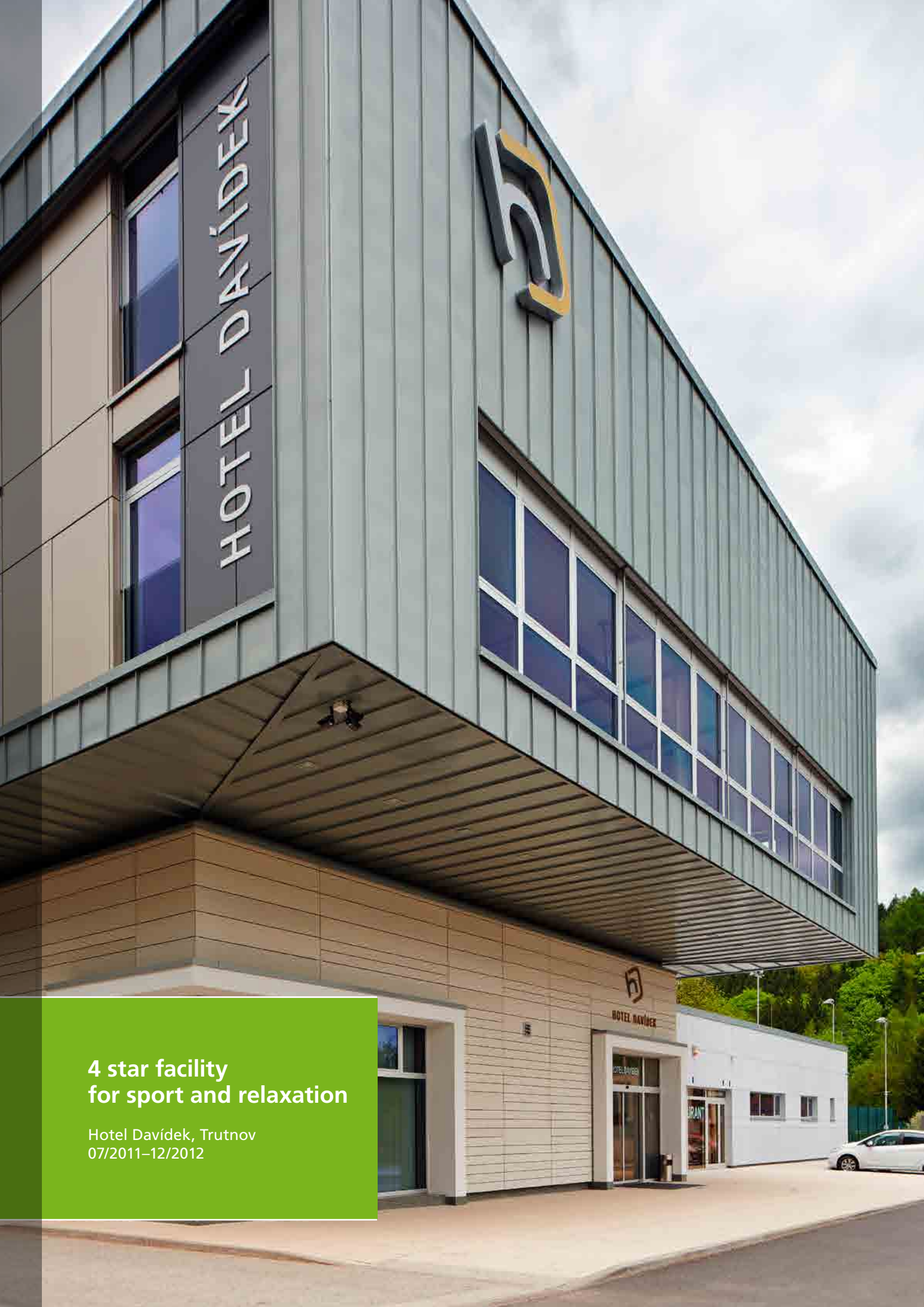
These values are the foundation of our company's culture and are reflected in the fundamental attitudes of our employees. They are part of our style of working and dictate our conduct when dealing with colleagues, investors, business partners and the public.





**12 minutes away from
the vibrant city center**

Harfa Park Prague
06/2010–08/2011



**4 star facility
for sport and relaxation**

Hotel Davídek, Trutnov
07/2011–12/2012

INTRODUCTION BY THE GENERAL DIRECTOR

Dear Ladies and Gentlemen,

The foreword of our annual report is traditionally a short summary of the construction BAK carried out during the past year and an outline of our plans for this year.

2012 marked the fifth year of the declining construction market in the Czech Republic. Paradoxically, it contributed significantly to the long awaited and necessary amendment to the law on public procurement. Contracting authorities endeavored to enter as many orders before the new law came into effect, which resulted in a large number of tenders that were not able to be evaluated by the end of 2012 and a large part of them having already been canceled. Construction which would have normally taken place during the second half of last year, and the resulting turnover, was pushed back due to this situation. This led to a significant loss of the supply of construction contracts, which in turn will mainly be reflected in construction industry turnover in 2013 and 2014.

Enquiries from the private sector stagnated last year. The volume of new residential construction reached a stable level, which corresponds to the long-term sustainable demand. Residential development can not be viewed as a source of significant growth. Similarly, investments in construction production capacities are more connected with the modernization of operations rather than an increase in capacity. Continued pressure on construction company margins is directly proportional to the excess capacity in the industry.

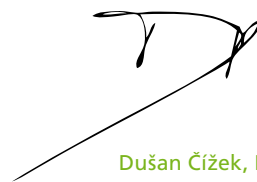
BAK was very successful again in 2012. We received orders for new residential projects by leading Czech and foreign investors, with the vast majority being our traditional partners.

We have started construction of the COMMERCIAL CENTRE PIVOVAR Děčín, a unique reconstruction project and extension of the historic industrial area. This project is the largest newly built shopping center in the Czech Republic. We received new contracts from ŠKODA AUTO, AGROFERT Group, LEGO and more. At the end of 2012, our company had signed new contracts worth more than 2 billion CZK.

We can see a further decline in building construction in 2013, mainly due to the aforementioned shift in procurement. The price war will continue and will hopefully contribute to the necessary reduction in capacity within this sector. Increased transparency in public procurement thanks to the new law and demand from the public could contribute to a greater chance of getting contracts for companies that comply with their codes of ethics.

We expect significant growth in turnover this year and will concentrate on maintaining a profit. Key for us will be to improve efficiency, maintain a high level of orders and retain a strong cash flow.

We wish all of our employees and business partners a successful year in 2013.



Dušan Čížek, MBA
CEO and Vice Chairman

2012 IN NUMBERS

The company has capital of CZK 504 million and employs an average of 309 full-time workers.

Summary of Financial and Operational Indicators

(thousands CZK)	2007	2008	2009	2010	2011	2012
Assets and Liabilities						
Total Assets	1,192,580	2,086,787	2,071,160	1,564,779	1,865,288	1,665,288
Fixed Assets	283,041	736,656	735,900	730,518	689,589	655,924
Current Assets	906,260	1,343,552	1,329,462	829,795	1,168,104	1,006,221
Equity	277,094	705,898	513,745	537,221	546,447	503,581
Liabilities	835,373	1,213,350	1,388,778	914,390	1,185,864	975,419
Profit Structure						
Operating Profit	70,316	139,572	75,938	33,144	28,302	13,956
Financial results	(10,488)	(1,616)	(13,948)	(2,203)	(7,208)	994
Profit for the accounting period	41,458	103,000	51,442	20,547	12,013	13,002
EBITDA	80,107	160,320	124,765	87,130	75,202	66,027
Revenue structure						
Total revenue	2,237,011	3,104,879	2,651,415	1,848,889	2,029,127	1,863,036
of which are revenues from sales of our own products and services	2,218,093	3,099,049	2,619,961	1,886,628	1,946,583	1,914,985
Other income	65,040	85,098	53,100	96,170	72,375	89,529
Total turnover	2,302,051	3,189,977	2,704,515	1,945,059	2,101,502	1,952,565
Number of employees	648	560	498	446	414	309

Revenues from Construction Activities according to the Type of Construction (in "F" values)

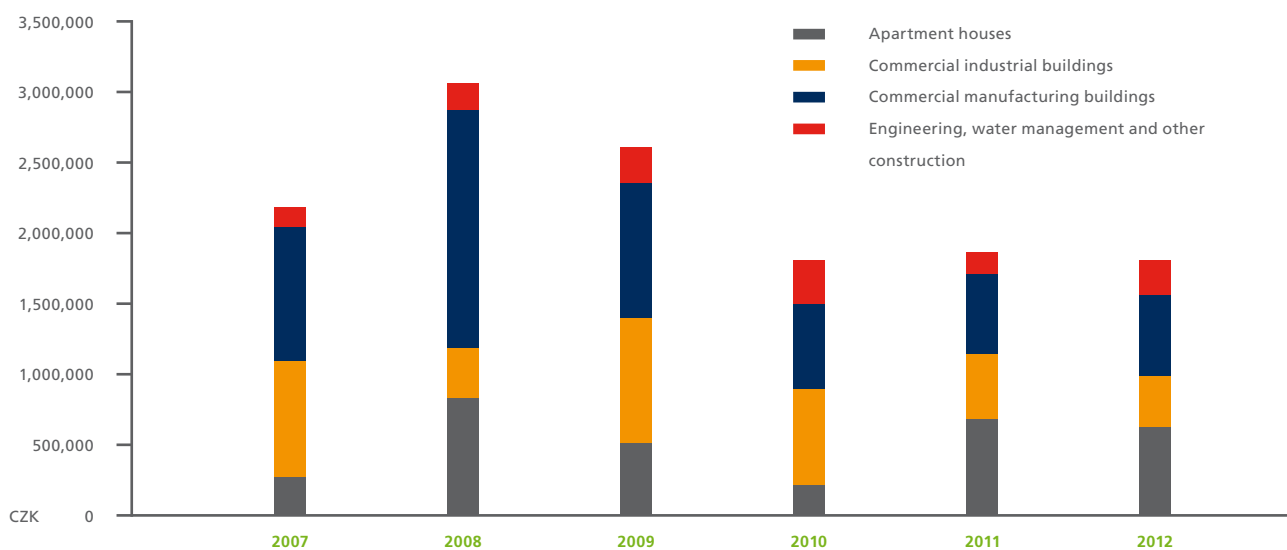
(thousands CZK)	2007	2008	2009	2010	2011	2012
Apartment houses	271,735	833,686	516,258	212,174	682,360	629,402
Commercial industrial buildings	820,621	355,333	886,876	686,867	463,055	360,850
Commercial manufacturing buildings	954,955	1,688,312	956,239	603,535	570,219	574,238
Engineering, Water Management and Other Construction	144,658	191,215	254,153	306,077	252,312	246,165

Revenue from Construction Activities, Broken Down by Sector

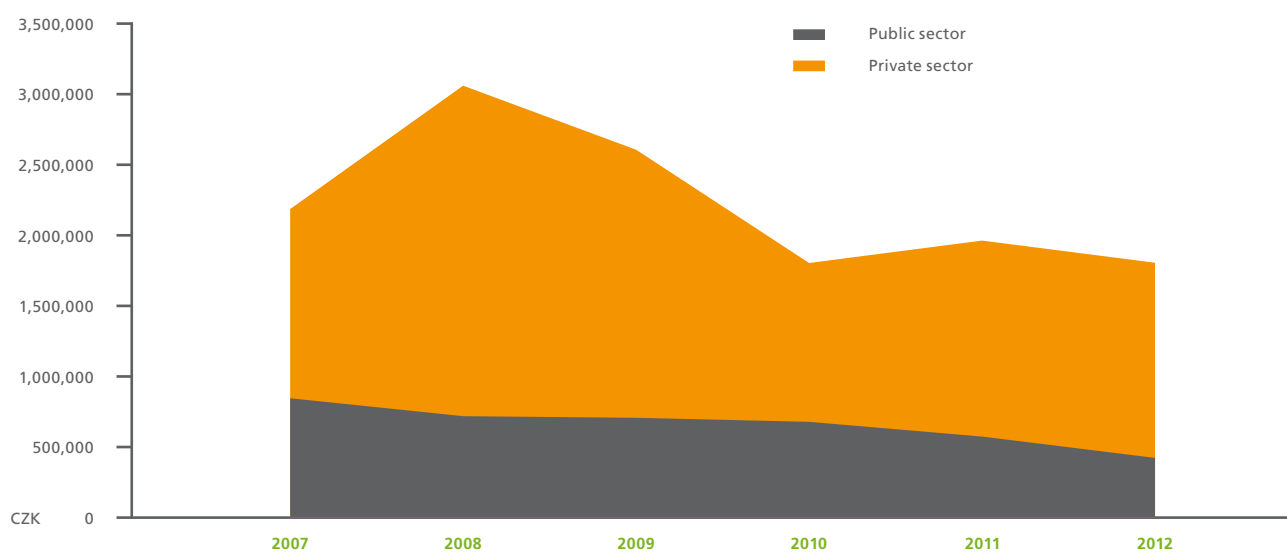
(thousands CZK)	2007	2008	2009	2010	2011	2012
Public	847,533	720,282	708,673	680,085	575,428	423,849
Private	1,344,436	2,348,264	1,904,853	1,128,568	1,392,518	1,386,806
Total	2,191,969	3,068,546	2,613,526	1,808,653	1,967,946	1,810,655

Turnover in 2012 amounted to CZK 1.95 billion.

Revenues by Type of Construction (in „F“ Values)



Revenues by Sector



NOT ONLY ABOUT CONSTRUCTION IN 2012

01

The start of construction for the Mezihoří residential complex in Prague for the major development company ORCO
www.orco.cz

02

03

Completion of the TRW Logistics Hall project – the world's leading supplier of aftermarket vehicle security equipment
www.trw.cz

The UFFO Community Centre in Trutnov shines on the world stage – placed within the top 168 cultural buildings in the world
www.uffo.cz

07

Ceremonial event celebrating the completion of the flood control project in Jaroměř
www.pla.cz

08

09

Intensive construction work continues on individual sections of the new cableway on Sněžka mountain
www.snezkalanovka.cz

Opening ceremony of the special water project in Mladá Boleslav – cleaning and sanitation of wastewater
www.vakmb.cz

04

Commencement of construction for the fifth phase of the Harfa Park residential project in Prague for the major development company FINEP
www.harfa-park.cz

05

06

The ceremonial laying of the foundation stone for the Mezihoří residential project in Prague as BAK started actual development of the project, and Residence Pivovar in Vrchlabí which couples the construction of a new apartment house and revitalisation of the former brewery
www.rezidencepivovar.cz

Ceremonial opening of a HENNLICH research and development centre in Litoměřice
www.hennlich.cz

Commencement of construction for the second stage of the Čámovka Residence housing project in Prague
www.camovka.cz

10

Launching of the Centrum Pivovar Děčín project, a multi-purpose centre with shops, restaurants and microbreweries
www.centrumpivovar.cz

11

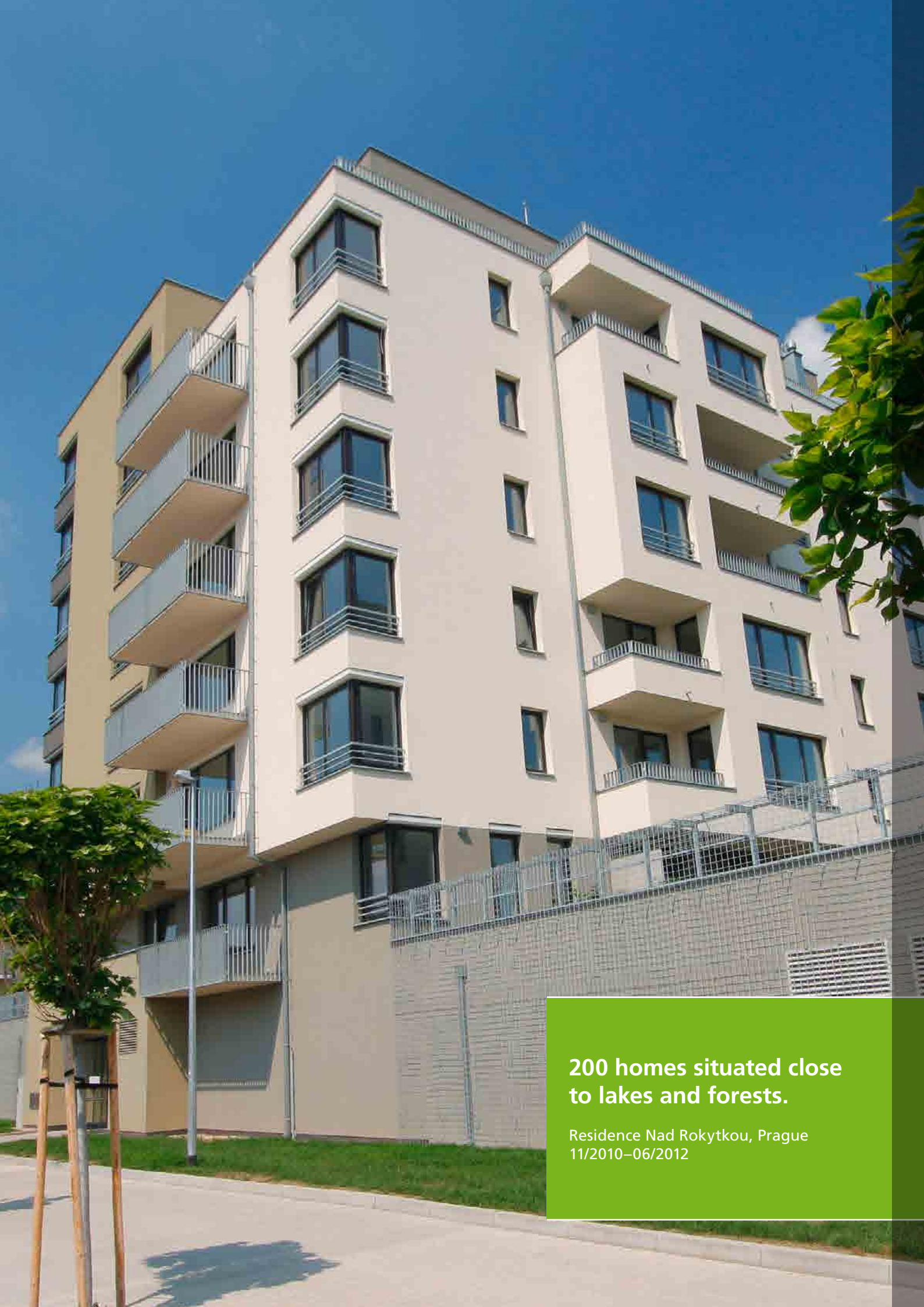
12

BAK won the title of the second best employer in the Hradec Králové region in the 2012 Employer of the Year competition
www.zamestnavatelroku.cz

TV Prima filmed construction of the Sněžka mountain cableway for one part of the Czech TV series "Těžká dřina" ("Hard Work")
www.primacool.cz

Completion of one of the most important industrial construction projects in the Czech Republic – new halls in Vrchlabí for the manufacturing of gear boxes for Škoda Auto
www.skoda-auto.cz

BAK has won a major contract for the completion of a new Lego manufacturing facility
www.lego.cz



**200 homes situated close
to lakes and forests.**

Residence Nad Rokytkou, Prague
11/2010–06/2012

COMPANY BODIES AND MANAGEMENT

Board of Directors

Jaroslav Pečenka
(Chairman)

Dušan Čížek, MBA
(Vice-Chairman)

Jana Pečenková

Vratislav Blecha

Supervisory Board

Jan Betka
(Chairman)

Petr Machar

Karel Laš

Company Management

Dušan Čížek, MBA
(General Director)

Karel Laš
(Production Director)

Zbyněk Černý
(Purchasing Director)

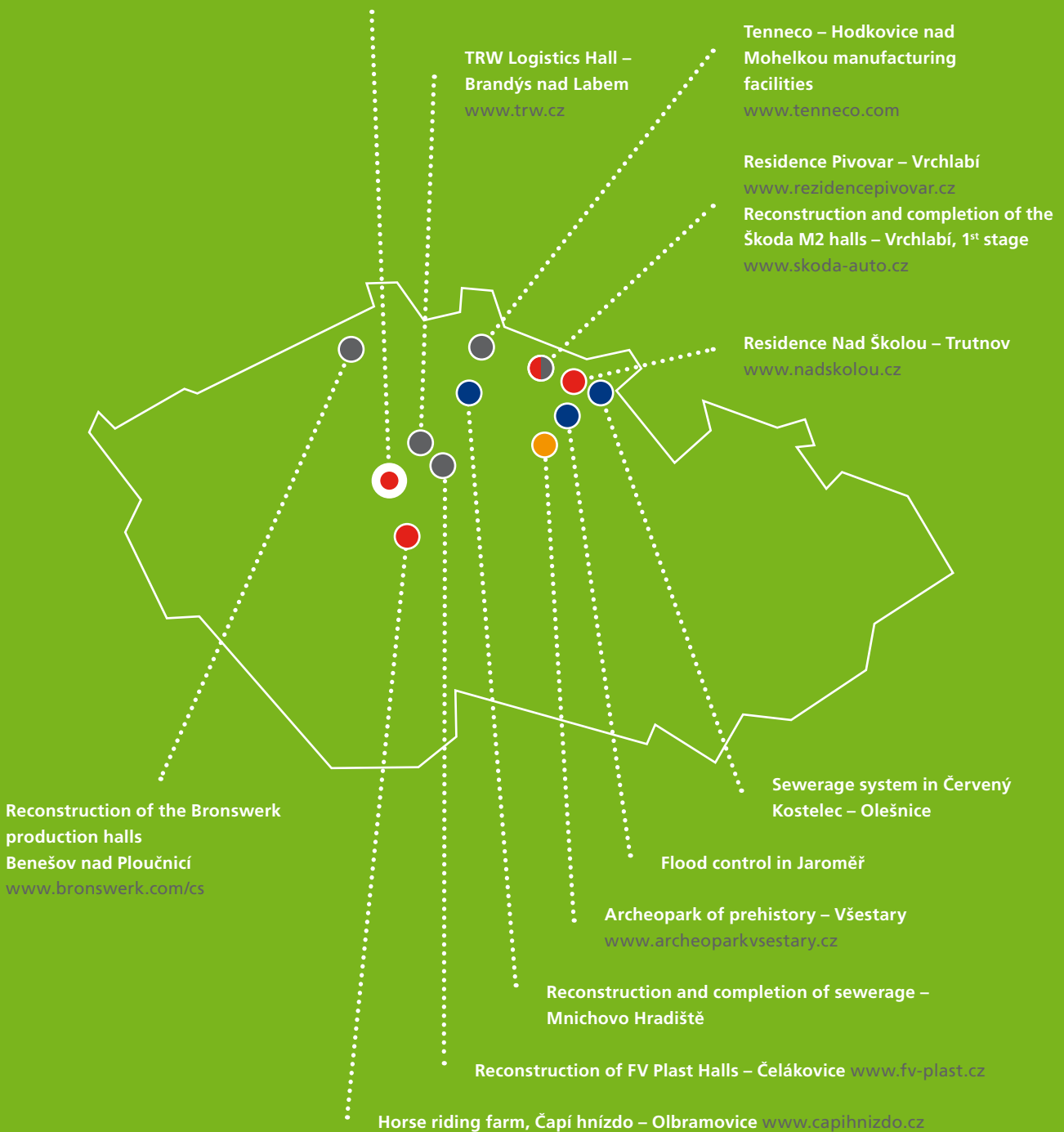
Marcela Čížková
(Financial Director)

Radek Mrázek, MBA
(Commercial Director)

MAJOR CONSTRUCTION COMPLETED IN 2012

Harfa Park Prague, 4th stage – Prague www.finep.cz
 Nové Letňany Central Group – Prague www.central-group.cz
 Na Radosti residence project – Prague www.na-radosti.cz
 Residence Čámovka, 1st stage – Prague www.camovka.cz
 Residence Nad Rokytkou, 3rd stage – Prague www.nadrokytkou.cz

- Construction of industry, trade and logistic buildings
- Construction of water management buildings
- Residential and hotel construction
- Construction of civil buildings





**8,000 m² for innovation
and production**

TRW Logistics center
Brandýs nad Labem
09/2011–03/2012



IMPORTANT AWARDS AND CERTIFICATES

BAK stavební společnost, a.s. has introduced an integrated management system (IMS) for the areas of quality, environment, and occupational safety and health in accordance with the CSN EN ISO 9001, CSN EN ISO 14001 and CSN OHSAS 18001 standards.

Meeting the IMS requirements, fulfilment of planned goals and identifying the performance of the organization is systematically reviewed by internal audits carried out by the company's internal auditors and by independent auditors from the certified organization QUALIFORM a.s.

In June 2012, BAK was successfully recertified for the environmental management system (EMS). After the re-certification audit, we received a new certificate (E 873 – 2) which is valid for the next three years.

ENVIRONMENTAL PROTECTION

BAK stavební společnost, a.s. consistently takes great care in its impact on the environment.

Fulfilment of the objectives given by the EMS regulatory system is also achieved through continued education of staff, optimisation of the technological processes for construction, the effective management of waste, increasing the share of recovered waste material weight to the total weight of demolition waste and soils, and increasing the proportion of sorted waste component use.

In 2012, the grading system of usable waste components was improved from the operation of offices and facilities in Trutnov, Prague, Kalná Voda, Hradec Králové and Jablonec nad Nisou, as well as fulfilling the goal No. 2/2012–2013 – purchase of new containers for separated waste and the involvement of the companies in the "Responsible Company" program from Ekocom.

For adherence to legal and other requirements, as well as our own commitments in the field of environmental protection, we will continue with our policy of following a preventative approach. Part of our range of controlled procedures is emergency preparedness, which includes material resources in emergency supplies for construction projects. This approach contributes to the continuous improvement of the company's environmental performance and involvement of the company in the prevention of pollution. This especially regards minimizing its own waste (reduction of 771 tons of total waste production in 2012 compared to 2011) and reducing the consumption of energy and raw materials.



BAK stavební společnost, a.s. consults and communicates with employees and the public about key questions in this field with the goal to learn about and respect their opinions and recommendations. We also receive other incentives to continuously improve the environmental profile of the company.

QUALITY MANAGEMENT

The integration of quality in various construction processes (technical and technological preparation of construction), and systematic control of production procedures in all of the key processes of construction in the past year have helped reduce the cost for repair of nonconformities, the cost of disposing of claimed defects and contribute to maintaining profit from construction.

The company regularly trains all employees in quality management, to meet the customers' demands on the quality of work performed, and applies this to the control of production materials and technologies which are beneficial to ensure the required quality of the buildings.

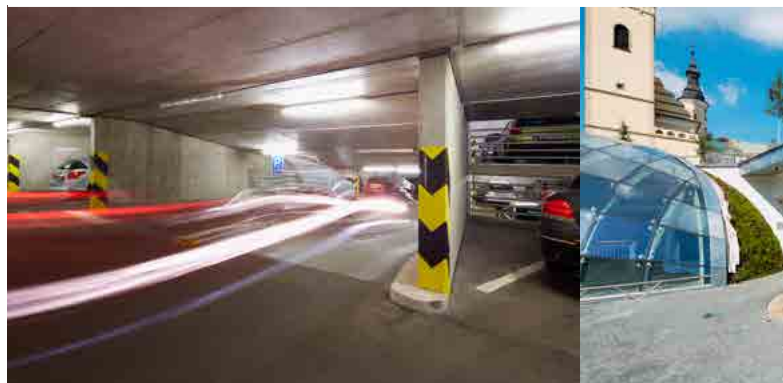
In the following period, we will closely monitor construction quality. We shall use a system of regular inspections of all buildings and internal audits. Particular attention will be focused mainly on increasing customer satisfaction and the quality of our suppliers. Presentations and trainings will further develop the knowledge and skills of our employees to improve their management, production skills and abilities.

NEW TECHNOLOGIES AND INNOVATIONS

In 2012, we further developed our own software to support production. Authorised users were given direct access to scanned construction contracts, incoming invoices and other documents related to the contract. We also developed and successfully implemented electronic records regarding accidents at work and waste disposal. The operational testing of this information system began with a unified system of invoicing for the investor.

In the company's Economic Department, a new application for the registration and pairing of accounting reserves for unbilled costs was directly connected with the registration of incoming invoices and applications for processing information from the insolvency register which is linked to its own database of business partners with records of debts and obligations.

BAK stavební společnost, a.s. is committed to improving product quality and process performance. Since 1998, the company has held quality management system certification for all construction activities.





77 parking spaces for the center without cars

Underground car park
Mladá Boleslav
08/2010–09/2011

STAFF

Our qualified staff is the guarantee of high quality services and the further development of the company. We know that success cannot be achieved without skilled and enterprising employees who work as a team.

Average Numbers and Structure

	2006	2007	2008	2009	2010	2011	2012
Salaried Employees	216	227	226	224	199	203	202
of which is:							
Management	13	14	18	18	19	19	18
Construction management	105	107	102	102	91	95	92
Technicians	39	47	59	50	49	49	49
Other salaried employees	59	59	47	54	40	40	43
Construction workers	428	421	352	290	264	224	122
Total	644	648	578	514	463	427	324

Structure of Education

	2006	2007	2008	2009	2010	2011	2012
University education	57	57	59	58	63	69	75
Higher education (post-secondary school graduation)	3	5	5	4	7	4	5
CSE graduates	171	173	156	148	124	119	121
General education graduates	8	5	4	6	6	5	6
Vocational school graduates	18	17	12	14	8	7	7
Vocational school	338	341	306	254	228	213	101
Completion of primary education	49	50	36	30	27	10	9
Total	644	648	578	514	463	427	324

System of Education

The company regularly provides for the improvement and deepening of its employees' skills in accordance with its objectives. This is mainly focused on providing the highest level of customer service.

The training plan for 2012 had been prepared based on an analysis of the training needs of all employees, from top managers to construction workers. Employees participated in soft skills training, specialised courses in legislation and PC courses. Language education is carried out on a continuous basis. English language courses are arranged in three-year cycles to prepare employees to take the Cambridge exam for obtaining a CPE Certificate for their corresponding language ability. In 2012, the company used the last portion of grant funds from the "Training of employees in the construction industry" project, given by RHK Brno, to train their managers and technicians.

Relations and Negotiations with Trade Unions

During November and December of 2012, the trade unions and company management held negotiations and agreed to the conditions for concluding a new collective agreement for 2013. This agreement was concluded on 31 December 2012. The subject of the negotiations was to determine and specify conditions related to labour relations, wages, social benefits and other rights of the workers. These negotiations also included occupational health and safety, the method of resolving disputes and claims arising from the collective agreement and the provision of employee benefits. The negotiated terms provide a number of advantages given by the company to its employees for the next year, in addition to those outlined within the Labour Code. In particular, this includes advantageous working conditions, family and leisure time, a secure future and comfortable lifestyle.

Overview of Employee Benefits

Working conditions

- Staff training and their professional development, language courses
- PC equipment, mobile phones, company cars
- Emphasis on occupational safety and health
- System of periodic medical examinations, monitoring the quality of the work environment
- Provision of work clothes, work and protective equipment
- Provision of corporate services to staff at remote sites and their accommodation

Family and free time

- Extra holidays for construction workers
- Extra holidays for workers which are doing an especially good job
- Paid leave for women
- Increase in paid leave for employees who have important personal matters to attend to
- Contributions to employees' sport activities
- Corporate and family events

Securing our employees' future and ensuring a comfortable lifestyle

- Contributions to pension plan
- Meal allowance
- Rewards for personal and work anniversaries
- Rewards for blood donors
- Rewards for personal anniversaries of employed seniors

Systematic Activities in OSH

A systematic approach to occupational safety and health is ensured by the established and maintained system of health and safety management according to CSN OHSAS 18001:2008. This approach ensures strict compliance with the measures laid down in identifying risks at individual workplaces and the requirements for OSH and fire prevention. These measures are also respected by suppliers.

In 2012, we managed to keep a low number of accidents at work for five years in a row. We had a total of 7 occupational injuries. From this total, 5 were minor injuries, one accident resulted in the temporal inability of the employee to continue working and one was a serious accident. This comes out to 2.26 injuries per 100 employees per year.

When carrying out challenging projects, our health and safety system is on a very good level compared to other construction companies. Within the harsh conditions of construction, we have managed to provide and coordinate safe working conditions to the satisfaction of our investors. Monitoring compliance with safety requirements is carried out by competent managers. This management is regularly monitored and evaluated according to OSH (checking of results) for the previous month. We also provide regular inspections of all workplaces by four qualified people – technicians for work safety and fire protection, who professionally assist management and individual managers in the specification of faults and the selection of appropriate measures for their correction and prevention.

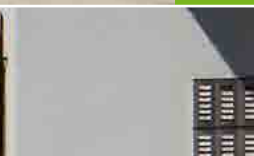
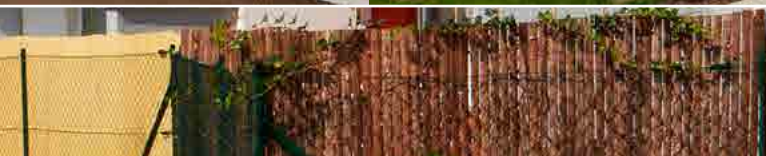
Continuous attention to increasing the knowledge of OSH and other regulations for employees, and the consistent monitoring of compliance with all health and safety regulations at our construction sites, helps us meet legal and other requirements. It also helps us meet our own obligations in the management of occupational health and safety. Judging by the results achieved in 2012, it is clear that our level of occupational health and safety is constantly improving.





12 floors for a dream living

Nové Letňany Central Group, Prague
08/2010–11/2011





**For pleasure
of triumphs and life**

Cultural, sports
and social projects
01/2012–12/2012



SPONSORSHIP AND SOCIAL RESPONSIBILITY

We are a socially responsible company that engages in corporate donations. Our top priority is always on the transparent and ethical relationships with our clients, suppliers and employees.

A socially responsible company fulfils its obligations on time, and treats its employees, customers, the environment, and the community in which it operates, with respect. BAK therefore supports charitable projects and works together with civil society organisations that are dedicated to community service projects. It has partnered with the civic association PROSTOR PRO, which provides help and support to children and adolescents through social and recreational services. Since 2009, it has collaborated with the Rotary Foundation, which develops humanitarian activities for gifted students, the disabled, the elderly and handicapped children.

Support is not limited only to sport activities. The education of young talent within the region, such as cross-country, volleyball, tennis and dance are also supported. In 2012, cooperation began with Michal Krčmář, who is the Czech biathlon representative. Michal is considered one of the great hopes for the future of the Czech biathlon. Sporting the BAK colours, the Prorace motorcycle racing team attended the Superbike World Championships. In the field of professional sports, we supported the women's basketball team BK KARA Trutnov and the second division hockey club HC Trutnov.



Projects that add to the cultural and social development of the region are also carried out. These include the international "Jazzinec" festival in Trutnov, which has been increasing in popularity within the region.

DEVELOPMENT OF THE CONSTRUCTION INDUSTRY IN 2012

BAK stavební společnost, a.s. launched, and successfully completed, several of their own development projects in Trutnov and Vrchlabí in 2012. They also participated in several other projects as both a contractor and financial partner. The same level of turnover as in previous years was able to be maintained, as well as an assurance of more contracts in the future.

The negative development of construction did not end in 2012. It seems that there is still a way to go before hitting bottom. Despite initial positive signals, the industry still experienced additional deep slumps during the year. The seriousness of the situation is highlighted by the fact that all indicators have declined for the fourth year in a row, with perhaps one exception, which is the average monthly nominal wage of workers in the construction sector. This wage crossed the psychological threshold of CZK thirty thousand (CZK 30,038) for the first time in 2012. It should also be noted that there has been a decline in the average registered number of employees by 4.4%. It is therefore clear that the construction industry is one of the areas most affected and its prospects, at least in the short and medium term, are not very optimistic. Evidence of this is in the form of the latest statistical data from the beginning of 2013.

In 2012, construction dropped by 6.5%. The main reason for this decline is due to a significant loss of production in the field of civil engineering, which amounted to 13.6% year on year. Building construction then accounts for a drop of 3.4%. If we compare 2012 to 2008, where construction reached its highest level, there is a drop of 17%. Unfortunately, the construction industry has not only reached a negative level compared to 2008, but also compared to 2005, in which there is a decline by 5.8%. 2005 is the base year used by the Czech Statistical Office.

There were about 39,000 construction contracts concluded in the Czech Republic in 2012, which means a decrease of 18.6%. Their value also declined by 18.4% to a total of CZK 146.1 billion. It is worth mentioning that financial statements show an annual decline of 31.4% in civil engineering. The average value of a construction contract in 2012 amounted to CZK 3.8 million.

Unfortunately, favourable data was not expected in construction or in the annual comparison of orders, where the decline was 29.4%. The value of construction contracts has

been reducing since the beginning of 2009. They are now financially comparable to the levels seen in 2002. A significant decline in construction was recorded mainly in public procurement, where there was an annual decrease of 19.4%. On the contrary, the value of private orders fell by "only" 9.3%. In particular, a decline was seen from 2007–2013 regarding the closure of a number of operational programs and individual calls for utilisation of EU funds.

The number of building permits issued in 2012 dropped by 8.8%. The number of building permits fell across a cross-section of construction, most strikingly in the field of residential buildings and other structures. Housing construction declined by 13.4% compared to 2011, Construction was started on a total of 23,853 flats. This makes it the smallest amount since 1998 and is a 45% decline compared to the boom in 2007. An interesting phenomenon is the building of homes and apartment houses for the elderly, in which there was a 37% increase. Unfortunately, even this significant growth fails to reverse the negative trend in total construction as this is projected to be only 0.7%.

A very bad situation is starting to be seen in the entire Central European construction industry, due to massive layoffs. Even well-known construction companies recorded a double-digit decline in turnover due to the reduced number of public contracts. One of the largest construction companies in Central Europe averted the threat of bankruptcy at the last minute and will have to begin drastic restructuring measures that will bring not only massive layoffs, but also adaptation of the company to the new situation on the market.

It is clear that a sit and wait strategy, or mere participation in a tender from public or private entities, will not be enough for the future success of any construction company on the market. It will be necessary to take a proactive approach and implement a policy of not only looking for new business opportunities, but creating them.

BOARD OF DIRECTORS REPORT

BAK stavební společnost, a.s., Company ID: 28402758, with a registered office at Vodní 177, postcode 541 01 Trutnov, Regarding the company's business activities and its assets as at 31 December 2012.

Board of Directors

The Board of Directors worked throughout the period of 1 January 2012 to 31 December 2012 and is made up of the following members:

Jaroslav Pečenka, Chairman of the Board of Directors
Dušan Čížek, MBA, Vice-Chairman of the Board of Directors
Jana Pečenková, Member of the Board of Directors
Vratislav Blecha, Member of the Board of Directors

Total turnover amounted to CZK 1,952,565 thousand, which is a decrease of 7% compared to 2011. Construction in the Czech Republic fell by 6.5% in 2012. Construction has seen a decrease for four years in a row. The number of concluded contracts throughout the year in the Czech Republic decreased by 18.6% and their volume by 18.4% (by CZK 146.1 billion). According to the VZ Journal, the volume of public construction contracts awarded was CZK 91 billion. This is a decrease of 18.1%.

The revenues from BAK construction activities, broken down by public and private sectors, are dominated by the private sector at 76.6%.

In terms of the structure of sales in 2012, the two dominant sectors are the residential buildings sector (34.8%), i.e. an absolute value of CZK 629,402 thousand, and the buildings and halls manufacturing sector (31.7%), i.e. an absolute value of CZK 574,238 thousand.

In 2012, BAK stavební společnost, a.s. achieved a profit after tax of CZK 13,002 thousand, which is a total return of 0.69%. In 2011, an overall return of 0.59% was achieved. Generally, low returns are mainly due to low price offers during the tender process and competition in the market due to the lower volume of contracts.

In 2012, BAK stavební společnost, a.s. resumed and continued its development activities, and in its 100% subsidiaries INGSERVIS Ltd. (Trutnov) and Onset Inc. (Vrchlabí).

The evolution of development (2009–2012) shows the stability of current liquidity indicators, protection of our assets and increase in productivity.

Evaluation of 2012 Goals

Indicator	Goal	Result
Revenues	CZK 2,500 million	CZK 1,863 million
Profit	CZK 10 million	CZK 13 million

Company's Goals for 2013

Indicator	Goal
Revenues	CZK 2,390 million
Profit	CZK 10 million

Board's Proposal for Distribution of Profit for 2012:

Board's proposal for distribution of profit for 2012	
Profit after tax	CZK 13,001,783.65
Allocation to reserve fund	CZK 0
Payment of dividends	CZK 0
Transfer to retained earnings	CZK 13,001,783.65

In Prague on 1 March 2013

Jaroslav Pečenka
Chairman of the Board of Directors



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



Jana Pečenková
Member of the Board of Directors



Vratislav Blecha
Member of the Board of Directors



SUPERVISORY BOARD REPORT

for the General Assembly of BAK stavební společnost, a.s.,
Company ID: 284 02 758, with a registered office at Vodní 177, postcode
541 01 Trutnov, registered in the Commercial Register of the Hradec Králové
Regional Court, Section B, File No. 2876

Composition of the Supervisory Board

Jan Betka, Chairman of the Supervisory Board

Petr Machar, Member of the Supervisory Board

Karel Laš, Member of the Supervisory Board

Supervisory Board Report from the Chairman of the Supervisory Board to the General Meeting of BAK stavební společnost, a.s., which was approved at its meeting on 4 March 2013.

The Supervisory Board met this past year, as required by the Articles of Association. The Supervisory Board had a total composition of 3 members and who are as follows: Jan Betka, Chairman of the Supervisory Board, Karel Laš, Member of the Supervisory Board and Petr Machar, Member of the Supervisory Board.

1. The meetings dealt with checking of the Board, its decisions, and the impact on the company. The Supervisory Board focused on monitoring the development and implementation of work on the company's major contracts, insuring its financial needs and taking the appropriate measures to minimise the negative impacts of the economic crisis within the field of construction.

2. The meeting of the Supervisory Board on 4 March 2013 concerned the annual financial statement for 2012 and the auditor's report from A & CE Audit, Ltd., Ptašinského 4, 602 00 Brno – KA C.R. Certificate No. 007 for the 2012 accounting year. The auditor's annual financial statement for 2012 substantiates the accuracy, and gives a true and fair view of the assets, liabilities, expenses, income and financial situation of BAK stavební společnost, a.s. as at 31 December 2012. It has been prepared in accordance with generally accepted accounting principles in the Czech Republic.

3. Based on the findings of the auditor's report, and taking into account the results of its own inspection activities, the Supervisory Board recommends for the General Assembly to approve the annual financial statement for 2012 and also the 1 March 2013 proposal of the Board to transfer the profit from 2012 of CZK 13,001,783.65 to retained earnings.

In Prague on 4 March 2013

Jan Betka
Chairman of the Supervisory Board



REPORT OF THE BOARD

BAK stavební společnost, a.s. headquartered at Vodní 177, 541 01 Trutnov, Company ID: 28402758 regarding relationships between the controlling and controlled entities and relations between the controlled entity and other entities controlled by the same controlling entity for 2012 prepared in accordance with § 66a) paragraph 9) of Act No. 513/1991 Coll. (The „Report on Relationships between Related Parties“)

1. The status of relationships for the company listed above:

- a) Controlling Entity: The controlling entity is the shareholder Jaroslav Pečenka, born 10 March 1949, who as of 30 March 2012 owns 90% of the common shares in certificated form of BAK stavební společnost, a.s.
- b) Other related parties: If BAK stavební společnost, a.s. has direct or indirect shareholding by a natural or legal person, then these parties enter into the control agreement. In 2011, it was the company ISP Hradec Králové, Inc. (Company ID: 601 12 590), DBT, Ltd. (Company ID: 474 72 669), and INGSERVIS, Ltd. (Company ID: 252 85 03). BAK stavební společnost, a.s. has a 100% share in all of these companies. BAK stavební společnost, a.s. also has a 100% stake in the company ONSET, Inc. (ID: 27380891)

2. Contract regarding work done and realised in a business relationship:

During the reporting period from 1 January 2012 to 31 December 2012, BAK stavební společnost, a.s. continued fulfilment under the contract for work ev. no. 243/09/7621 and in fulfilment of the new contract for work ev. no. 216/12/2020. BAK stavební společnost, a.s. continuously exhibited tax documents in accordance with the contract for work, which were invoiced by Mr. Jaroslav Pečenka and his wife Jana Pečenková, with prices according to the work actually carried out that was previously mentioned in the subject matter of the contract for work. The price for work was invoiced in the usual amount.

3. Contracts and transactions realised in the non-commercial sphere:

Mr. Jaroslav Pečenka has been working under contract at BAK stavební společnost, a.s. since 22 September 2008, and on the basis of this contract of employment from BAK stavební společnost, a.s., receives wages in accordance with this agreement. Furthermore, Jaroslav Pečenka concluded a contract with BAK stavební společnost, a.s. covering the terms of the performance of the members of the board, and because of this, was elected Chairman of the Board of the previously mentioned companies. On the basis of the 1 July 2009 contract, concerning his functions as Chairman of the Board of Directors, he is remunerated by BAK stavební společnost, a.s.

4. Contracts and transactions made between the controlled entity and other related parties:

Concerning the controlled entity and other related parties listed in point 1b) of the Report concerning relationships between related parties that were carried out in 2012, business relations were under conditions that are customary in trade. No harm was done to the controlled entity.

5. Conclusions of the report concerning relations between related parties:

During the reporting period from 1 January 2012 to 31 December 2012, there were no other relations or measures than those that are presented in this report. No other transactions, compensation and measures were taken. The company did not suffer damage as a result of the conclusion or adoption of contracts.

in Prague on 1 March 2013

Reviewed by the supervisory authority
in Prague on 30 March 2013


Jan Betka
Chairman of the Supervisory Board


Jaroslav Pečenka
Chairman of the Board of Directors


Jana Pečenková
Member of the Board of Directors


Dušan Čížek
Vice-Chairman of the Board of Directors


Vratislav Blecha
Member of the Board of Directors

FINANCIAL SECTION

- 32** Independent Auditor's Report to the Annual Report
- 33** Independent Auditor's Report to the Financial Statement
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INDEPENDENT AUDITOR'S REPORT TO THE ANNUAL 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 December 2012f the company BAK stavební společnost, a.s., based in Trutnov, Vodní 177, company Nr. 284 02 728.

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 2012 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 2012 is consistent, in all material respects, with the financial statements referred to above.

Report on review of the related party transactions

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 December 2012. 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 December 2012 contains material factual misstatements.

In Trutnov, date April 27, 2013

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

Leoš Kozohorský
Executive



Stanislav Freibert
Auditor, Certificate number 0710

Attachments: Annual Report to 31 December 2012, Report on review of the related party transactions.

INDEPENDENT AUDITOR'S REPORT TO THE FINANCIAL STATEMENT

for the shareholders and statutory bodies on the audit of the standard financial statements to 31 December 2012 of the company BAK stavební společnost, a.s. based in Trutnov, Vodní 177, company Nr. 284 02 758.

We have audited the financial statements of the company BAK stavební společnost, a.s. which is part of the annual statement 2012 and which comprise the balance sheet as of 31 December 2012, income statement, statement of changes in equity and cash flow statement including data in range from 2012, January 1 to 2012, December 31 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 Statement

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 December 2012, costs and revenues and of its financial performance and its cash flows for the date range from 2012, January 1 to 2012, December 31 in accordance with Czech accounting regulations.

In Trutnov, date 27 February 2013

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

Leoš Kozohorský
Executive



Stanislav Freibert
Auditor, Certificate number 0710

Attachments: Rozvaha, Balance Sheet, Profit and Loss Statement, Statement of Changes in Equity, Cash flow Statement, Appendix to Financial Statements at 31 December 2012

BALANCE SHEET IN FULL FORMAT AT 31 DECEMBER 2012 (IN CZK THOUSANDS)

Ref.	ASSETS	Line number	Current accounting period			Previous
			Gross	Adjustment	Net	accounting period Net
a	b	c	1	2	3	4
	TOTAL ASSETS (lines 02 + 03 + 31 + 63) = line 67	001	2,027,359	362,071	1,665,288	1,865,288
A.	Receivables for subscribed registered capital	002				
B.	Fixed assets (lines 04 + 13 + 23)	003	965,572	309,648	655,924	689,589
B. I.	Intangible fixed assets (lines 05 to 12)	004	3,718	3,673	45	107
B. I.	1. Incorporation costs	005	0	0	0	0
	2. Intangible result of research and development	006	0	0	0	0
	3. Software	007	3,718	3,673	45	107
	4. Valuable rights	008	0	0	0	0
	5. Goodwill (+/-)	009	0	0	0	0
	6. Other non-current intangible assets	010	0	0	0	0
	7. Intangible fixed assets in progress	011	0	0	0	0
	8. Advances provided for non-current intangible assets	012	0	0	0	0
B. II.	Fixed tangible assets (lines 14 to 22)	013	852,626	305,975	546,651	588,656
B. II.	1. Land	014	23,175	0	23,175	23,175
	2. Buildings	015	240,176	78,151	162,025	167,218
	3. Individual movables and sets of movables	016	127,921	105,021	22,900	29,011
	4. Permanent growths	017	0	0	0	0
	5. Breeding stock and draught animals	018	0	0	0	0
	6. Other fixed tangible assets	019	223	0	223	223
	7. Tangible fixed assets in progress	020	0	0	0	0
	8. Advances provided for fixed tangible assets	021	620	0	620	620
	9. Adjustments to acquired assets (+/-)	022	460,511	122,803	337,708	368,409
B. III.	Long-term financial assets (lines 24 to 30)	023	109,228	0	109,228	100,826
B. III.	1. Ownership interests in controlled companies	024	109,228	0	109,228	100,826
	2. Ownership interests in companies under substantial influence	025	0	0	0	0
	3. Other long-term securities and ownership interests	026	0	0	0	0
	4. Loans and credits-controlling comp., company under substantial influence	027	0	0	0	0
	5. Other long-term financial assets	028	0	0	0	0
	6. Long-term financial assets acquired	029	0	0	0	0
	7. Advances provided for long-term financial assets	030	0	0	0	0

Ref.	ASSETS	Line number	Current accounting period			Previous
			Gross	Adjustment	Net	accounting period Net
a	b	c	1	2	3	4
C.	Current assets (lines 32 + 39 + 48 + 58)	031	1,058,644	52,423	1,006,221	1,168,104
C. I.	Inventories (lines 33 to 38)	032	49,986	0	49,986	99,270
C. I.	1. Material	033	3,083	0	3,083	2,870
	2. Work in progress and semi-finished products	034	32,890	0	32,890	82,740
	3. Products	035	11,561	0	11,561	13,660
	4. Livestock	036	0	0	0	0
	5. Goods	037	0	0	0	0
	6. Advances for inventory	038	2,452	0	2,452	0
C. II.	Long-term receivables (lines 40 to 47)	039	5,720	0	5,720	14,331
C. II.	1. Trade receivables	040	520	0	520	595
	2. Receivables-controlling company	041	0	0	0	0
	3. Receivables-companies under substantial influence	042	0	0	0	0
	4. Receivables from partners,coop and association members	043	0	0	0	0
	5. Non-current advances provided	044	0	0	0	9,016
	6. Estimated accounts for assets	045	0	0	0	0
	7. Other receivables	046	5,200	0	5,200	4,720
	8. Deferred tax receivables	047	0	0	0	0
C. III.	Short-term receivables (lines 49 to 57)	048	902,671	52,423	850,248	917,236
C. III.	1. Trade receivables	049	767,113	42,369	724,744	769,925
	2. Receivables-controllin company	050	55,338	0	55,338	56,538
	3. Receivables-companies under substantial influence	051	0	0	0	0
	4. Receivables from partners,coop and association members	052	5,687	0	5,687	14,404
	5. Social security and health insurance	053	0	0	0	0
	6. State-tax receivables	054	12,170	0	12,170	28,926
	7. Short-term advances provided	055	30,273	10,054	20,219	19,624
	8. Estimated accounts for assets	056	11,267	0	11,267	1,579
	9. Other receivables	057	20,823	0	20,823	26,240
C. IV.	Short-term financial assets (lines 59 to 62)	058	100,267	0	100,267	137,267
C. IV.	1. Cash in hand	059	3,366	0	3,366	2,954
	2. Cash in banks	060	96,901	0	96,901	134,313
	3. Short-term securities and ownership interests	061	0	0	0	0
	4. Short-term financial assets acquired	062	0	0	0	0
D. I.	Accruals and deferrals (lines 64 to 66)	063	3,143	0	3,143	7,595
D. I.	1. Prepaid expenses	064	2,869	0	2,869	5,243
	2. Total prepaid expenses	065	0	0	0	0
	3. Accrued revenue	066	274	0	274	2,352

Ref.	LIABILITIES	Line number	Current accounting period	Previous accounting period
a	b	c	5	6
	TOTAL LIABILITIES (lines 68 + 85 + 118) = line 001	067	1,665,288	1,865,288
A.	Equity (lines 69 + 73 + 78 + 81 + 84)	068	503,581	546,447
A. I.	Registered capital (lines 70 to 72)	069	285,000	285,000
A. I.	1. Registered capital	070	285,000	285,000
A. I.	2. Own shares and ownership interests (-)	071		
	3. Changes in the registered capital (+/-)	072		
A. II.	Capital funds (lines 74 to 77)	073	(23,261)	(7,496)
A. II.	1. Share premium	074		
	2. Other capital funds	075		
	3. Valuation differences from revaluation of assets and liabilities(+/-)	076	(23,261)	(7,496)
	4. Valuation differences from revaluation upon transformation(+/-)	077		
A. III.	Reserved funds, indivisible fund and other funds created from profit (lines 79 + 80)	078	57,000	57,000
A. III.	1. Statutory reserve fund/indivisible fund	079	57,000	57,000
	2. Statutory and other funds	080		
A. IV.	Profit/loss of previous years (lines 82 + 83)	081	171,840	199,930
A. IV.	1. Retained profit of previous years	082	171,840	199,930
	2. Accumulated loss of previous years (-)	083		
A. V.	Profit/loss of current accounting period (lines 01 - 69 - 73 - 78 - 81 - 85 - 118) = line 60 profit and loss statement in full format	084	13,002	12,013
B.	Other sources (lines 86 + 91 + 102 + 114)	085	975,419	1,185,864
B. II.	Reserves (lines 87 to 90)	086	27,994	31,773
B. I.	1. Reserves by specific regulations	087	4,203	4,946
	2. Reserve for pensions and similar liabilities	088		
	3. Reserve for income-tax	089		3,064
	4. Other reserves	090	23,791	23,763

Ref.	LIABILITIES	Line number	Current accounting period	Previous accounting period
a	b	c	5	6
B. II.	Long-term liabilities (lines 92 to 101)	091	76,006	81,749
B. II.	1. Trade payables (long-term)	092		
	2. Liabilities-controlling company(long-term)	093		
	3. Liabilities-substantial influence (long-term)	094		
	4. Liabilities to partners,coop and association members	095		
	5. Long-term advances received	096		
	6. Bonds issued	097		
	7. Long-term bills of exchange payable	098		
	8. Estimated payables	099		
	9. Other payables	100	2,065	1,798
	10. Deferred tax liability	101	73,941	79,951
B. III.	Short-term liabilities (lines 103 to 113)	102	666,279	831,059
B. III.	1. Trade payables	103	592,018	741,329
	2. Liabilities-controlling company	104		
	3. Liabilities-substantial influence	105		
	4. Liabilities to partners,coop and association	106	5,585	25,481
	5. Liabilities to employees	107	21,775	27,328
	6. Liabilities for social security and health insurance	108	3,916	4,674
	7. State-taxes and state subsidies payable	109	1,215	1,985
	8. Current advances received	110	1,520	5,073
	9. Bonds issued	111		
	10. Estimated accounts for liabilities	112	39,692	25,189
	11. Other payables	113	558	
B. IV.	Bank loans and assistance (lines 115 to 117)	114	205,140	241,283
B. IV.	1. Long-term bank loans	115	67,940	105,140
	2. Short-term bank loans	116	137,200	136,143
	3. Short-term financial assistance	117		
C. I.	Accruals and deferrals (lines 119 + 120)	118	186,288	132,977
C. I.	1. Accrued expenses	119	5,209	2,361
	2. Deferred revenue	120	181,079	130,616

PROFIT AND LOSS STATEMENT IN FULL FORMAT AT 31 DECEMBER 2012 (IN CZK THOUSANDS)

Ref.	Description	Line number	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 (lines 01 - 02)	03		
II.	Production (lines 05 to 07)	04	1,863,036	2,029,127
II.1.	Sales of own products and services	05	1,914,985	1,946,583
2.	Change in inventory for own production	06	(51,949)	82,544
3.	Work capitalization	07		
B.	Production consumption (lines 09 + 10)	08	1,639,286	1,772,724
B.1.	Consumption of material and utilities	09	83,882	139,100
B.2.	Services	10	1,555,404	1,633,624
+	Added value (lines 03 + 04 - 08)	11	223,750	256,403
C.	Personnel expenses (lines 13 to 16)	12	164,931	206,621
C.1.	Wages and salaries	13	120,127	146,675
C.2.	Remuneration to board members	14	3,480	9,267
C.3.	Social security and health insurance costs	15	39,184	47,815
C.4.	Social costs	16	2,140	2,864
D.	Taxes and charges	17	4,770	5,223
E.	Depreciation of non-current intangible and tangible assets	18	46,282	46,892
III.	Sales of fixed assets and material (lines 20 + 21)	19	11,326	14,118
III.1.	Sales of fixed assets	20	2,833	8,712
III.2.	Sales of material	21	8,493	5,406
F.	Net book value of non-current assets and material sold (lines 23 + 24)	22	8,281	6,469
F.1.	Net book value of fixed assets sold (lines 23 + 24)	23	142	1,647
F.2.	Material sold	24	8,139	4,822
G.	Changes in reserves and adjustments in production sector	25	2,582	10,404
IV.	Other operating revenues	26	30,538	44,992
H.	Other operating expenses	27	24,812	11,602
V.	Transfer of operating revenues	28		
I.	Transfer of operating expenses	29		
*	Operating profit/loss [lines 11 - 12 - 17 - 18 + 19 - 22 - (+/-25) + 26 - 27+ (-28) - (-29)]	30	13,956	28,302
VI.	Revenues from sales of securities and shares	31	36,893	
J.	Securities and shares sold	32	30,510	
VII.	Revenues from long-term financial assets (lines 34 to 36)	33	2,187	2,187
VII.1.	Revenues from holdings in controlled companies and companies under substantial influence	34	2,187	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 short-term financial assets	37		
K.	Financial assets expenses	38		
IX.	Revenues from revaluation of securities and derivatives	39		469
L.	Costs of revaluation of securities and derivatives	40	1,997	2,205
M.	Changes in reserves and adjustments in financial sector	41		
X.	Interest received	42	7,192	3,020
N.	Interest paid	43	5,248	7,216
XI.	Other financial revenues	44	1,392	7,589

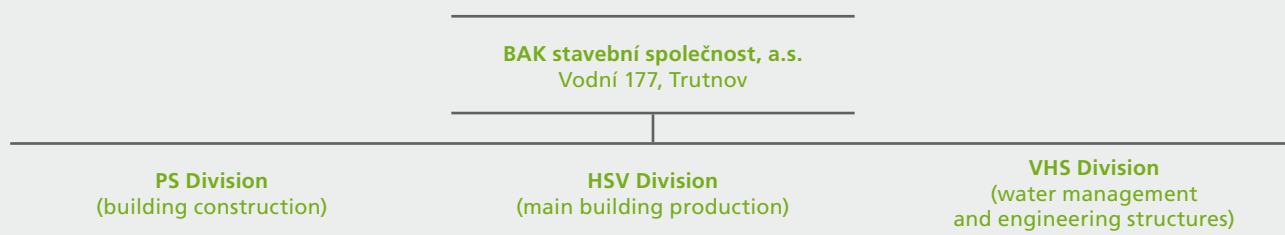
Ref.	Description	Line number	Balance in the accounting period	
			current	previous
a	b	c	1	2
O.	Other financial expenses	45	8,915	11,052
XII.	Transfer of financial revenues	46		
P.	Transfer of financial expenses	47		
*	Financial profit/loss [lines 31 - 32 + 33 + 37 - 38 + 39 - 40 - (+/-41) + 42 - 43 + 44 - 45 + (-46) - (-47)]	48	994	(7,208)
Q.	Income tax on ordinary activities (lines 50 + 51)	49	1,581	9 081
Q.1.	– due	50	7,591	13,020
Q.2.	– deferred	51	(6,010)	(3,939)
**	Profit/loss on ordinary activities (lines 30 + 48 - 49)	52	13,369	12,013
XIII.	Extraordinary revenues	53		
R.	Extraordinary expenses	54	453	
S.	Income tax on extraordinary activities (lines 56 + 57)	55	(86)	
S.1.	– due	56	(86)	
S.2.	– deferred	57		
*	Extraordinary profit/loss (lines 53 - 54 - 55)	58	(367)	
W.	Transfer of share in profit to partners	59		
***	Profit/loss for the accounting period (+/-) (lines 52 + 58 - 59)	60	13,002	12,013
****	Pre-tax profit/loss (+/-) (lines 30 + 48 + 53 - 54)	61	14,497	21,094

NOTES TO THE FINANCIAL STATEMENT FOR THE PERIOD 1 JANUARY 2012–31 DECEMBER 2012 IN ACCORDANCE WITH DECREE NO. 500/2002 COLL., SECTION 39 (BALANCE SHEET DATE 31 DECEMBER 2012)

General Information

1. Description of the Accounting Entity

Company Name:	BAK stavební společnost, a.s.
Registered Office:	Trutnov, Vodní 177, postcode 541 01
Identification Number:	28402758
Legal Form:	joint stock company
Principal Activities:	building construction, reconstruction and demolition, engineering activity in investment construction, lease and rental of real estate, apartments and non residential premises, road freight transport
Date of Incorporation of the Company:	26 May 2008
Registered Capital:	CZK 284,999,780 (100% paid)
Balance Sheet Date:	31 December 2012
Date of Production of the Financial Statement:	25 February 2013
Entities Holding over 20% of the Company's Registered Capital:	Jaroslav Pečenka, 90% share
Changes in the Board of Directors and the Supervisory Board:	No changes took place in 2012.
Other Changes Recorded in the Business Register:	No changes took place in 2012.
Organisational Structure of the Accounting Entity and Major Changes in the Last Accounting Period:	No changes took place in 2012.



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

Board of Directors	Supervisory Board
Jaroslav Pečenka (Chairman)	Jan Betka (Chairman)
Dušan Čížek, MBA (Vice Chairman)	Petr Nachar
Jana Pečenková	Karel Laš
Vratislav Blecha	

2. Ownership Interest or Contractual Ownership Interest in the Accounting Entity of Other Companies

The following changes took place in ownership interest in 2012:

- on 29 February 2012 the purchase of 100%, i.e. 150 ordinary shares in the company ONSET a.s., company ID number (IČ) 27380891, in the total nominal value of CZK 30,000,000 at the acquisition price CZK 54,410,240.31,
- sale of 100%, i.e. 34 ordinary shares in the company BAK Slovensko, a.s., company ID number (IČ) 44606087, (50% sold on 16 May 2012 and the remaining 50% sold on 30 October 2012). The acquisition price of the investment was CZK 30,510,085.

BAK stavební společnost, a.s. concluded management contracts according to the section 190b et. seq. of Act No. 513/91 Coll. of the Commercial Code with the following company:

- ISP Hradec Králové, a.s.
- DBT, s.r.o.
- INGSERVIS s.r.o.

Contracts were filed in the collection of documents at the Registry Court.

Ownership interest exceeding 20%

Company name	ID No.	BAK's share in registered capital at 31 December 2012	Equity at 31 December 2012 in CZK thousands	Profit/loss for the year 2012 in CZK thousands
ISP Hradec Králové, a.s.	60112590	100%	58,364	11,768
DBT, s.r.o.*	47472669	100%	18,077	(2,305)
INGSERVIS s.r.o.*	25285033	100%	107	54
ONSET a.s.*	27380891	100%	32,681	(318)

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

3. Company Employees, Personnel Expenses

Number/amount (in CZK thousands)	2012	of whom managers	2011	of whom managers
Average number of employees	309	6	414	6
Payroll costs	120,127	11,235	146,675	15,051
Remuneration to committee members	3,480	720	9,267	720
Social security costs	39,184	2,617	47,815	3,634
Social costs	2,140	24	2,864	119
Total personnel expenses	164,931	14,596	206,621	19,524

4. Cash and Other Provisions

Loans, credits and other provisions to members of statutory, management and supervisory boards were not provided with the exception of one short-term loan amounting to CZK 100,000.000. Selected members of the statutory, management and supervisory bodies are entitled to use a service car for private purposes and this provision is the subject of tax in accordance with the valid legal regulations.

ACCOUNTING METHODS, GENERAL ACCOUNTING PRINCIPLES AND VALUATION METHODS USED

1. Accounting System

- a) BAK stavební společnost, 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 Commercial Register. The accounting period is a calendar year. The accounting is conducted in Czech crowns.
- b) Financial Statements of the company BAK stavební společnost, 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. 001–023

The chart of accounts is created by Decree No. 500/2002 Coll., and also by ČÚS. This includes synthetic and analytic accounts which are established according to the requirements for managing and controlling the company BAK stavební společnost, a.s. and also according to the Income Tax Act 586/1992 Coll., i.e. classification of accounts into costs and revenues, tax acceptable, tax non-acceptable and with respect to the obligation to pay VAT in accordance with Act 235/2004 Coll. on VAT tax, as amended.

- c) The accounting is maintained by using computer technology which is used for the AZPRO accounting software by PROSPEKS-IT, a.s.

2. Assets Valuation Methods

a) Inventory

Booking of inventory

Inventories are booked in the A method of accounting procedures according to accounting standard No. 15.

Release of stock from the warehouse

The FIFO method is used for releasing stock from the inventory.

Inventory valuation

Valuation of purchased inventories – material is valued at the actual acquisition cost which includes:

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

Valuation of internally produced inventory

The internally produced inventory is valued at internal costs (direct material, direct wages, OPN etc) and production overheads.

b) Fixed assets

ba) Intangible fixed assets

Intangible fixed assets in the company are considered as assets which are valued at more than CZK 60,000 in individual cases and where the time of usability is longer than one year.

Low value intangible fixed assets are considered as assets where the time of usability is longer than 1 year and the input price does not exceed the amount of CZK 60,000.

Low-value intangible fixed assets are booked in the company upon acquisition, directly into costs on account 518 – Services.

Intangible fixed assets are recorded on accounts:

- 013 – software
- 014 – valuable rights

bb) Tangible fixed assets

Tangible fixed assets in the company are such assets where the input price upon acquisition exceeds CZK 40,000 and where the time of usability is longer than one year.

Accessories to tangible fixed assets are items forming a set with the main component and are part of the evaluation valuation and recording (accessories are included with the delivery of the main component or are consequently added by technical improvement).

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

Tangible fixed assets are sets of movables with individual technical and economic uses where the input price is higher than CZK 40,000 and the operating-technical functions are longer than one year. Some types of assets, due to their character, have to be recorded as a set, e.g. scaffolding, rack storage systems, conveyor belts, etc.

Valuation of fixed assets

Fixes assets are valued at:

- a) acquisition price at the time of the purchase,
- b) internal costs,
- c) reproduction acquisition price.

In addition, the reproduction price at the level of the price of the leasing item is used for the evaluation of fixed assets purchased after termination of the leasing contract.

Records of fixed assets

Fixed assets are recorded in the following items:

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

bc) Low-value tangible assets

Low-value tangible assets are considered to be those assets where the time of usability is longer than one year and the input price is higher than CZK 500 and does not exceed the amount of CZK 40,000.

Low value tangible assets are booked in the company as follows:

When acquired low value tangible assets are booked as material in stock, then in the same month, a stock release note is prepared which releases them into the operating records. Low value tangible assets are booked in a single form into the costs. The set of assets in the operative records serves for the stocktaking of assets.

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

c) Long-term financial assets

Long-term financial assets are recorded in the company at the end of the accounting period in the following items: 061 – Holdings in controlled companies

Valuation of securities and ownership interests

When purchased – pursuant to Section 25, par. 1, letter f) of the Accounting Act, the valuation is in the acquisition price. The acquisition costs are the purchase price of a piece of assets and related costs (fees and commissions, brokers' and lawyers' fees, payments to experts). Interest on loans and payment of securities deposits are not included in the costs.

For the evaluation of financial assets at the balance sheet date, the revaluation of equivalences method was used for shares which represent participation with a decisive or substantial influence. The evaluation differences were booked to the analytical accounts of account 061 against account 414 – Differences in the valuation from the revaluation of assets and liabilities.

Subsidiary	Acquisition cost of share	Equity at 31 December 2011	Valuation of financial investment by equivalent method at 31 December 2012	Valuation difference from revaluation equivalent at 31 December 2012	Valuation difference from revaluation equivalent at 1 January 2012
ISP Hradec Králové, a.s., Praha 4	20,238,400.00	58,363,146.06	58,363,146.06	38,124,746.06	28,544,002.91
DBT, s.r.o., Trutnov	43,068,721.80	18,076,510.27	18,076,510.27	(24,992,211.53)	(22,685,503.82)
INGSERVIS s.r.o., Trutnov	12,707,000.00	107,347.89	107,347.89	(12,599,652.11)	(12,653,561.11)
ONSET a.s., Trutnov	54,410,240.31	32,681,073.08	32,681,073.08	(21,729,167.23)	0.00
BAK Slovensko, a. s., Bratislava, Slovensko					1,096,822.39
Share of securities/deposits – substantial influence	130,424,362.11	109,228,077.30	109,228,077.30	(21,196,284.81)	(5,698,239.63)

3. Depreciation Plan

a) Tax depreciations

Tax depreciations are governed by Act No. 586/1992 Coll., on income tax, as amended.

For tangible fixed assets already depreciated at 31 December 1992, the proportional depreciation method was used.

From 1 January 1993, for newly acquired fixed assets, the accelerated depreciation method is used. For assets acquired, for example, by investment, free of charge transfer, the acquiring party continues to depreciate the assets as the former owner did.

b) Accounting depreciations

Newly acquired fixed assets are classified pursuant to the internal regulation of BAK stavební společnost, a.s. on recording, evaluation and depreciation of fixed assets into the respective depreciation groups according to Section 30 and the Amendment to Act No. 586/92 Coll., on income tax.

Fixed assets begin to be depreciated in the following month after classification into use. For 2012, the accounting depreciation rates were set according to the following table:

The stated accounting depreciation for individual asset items do not change throughout the whole period of the accounting depreciation. In some cases, a longer or shorter time of accounting depreciation may be stated than mentioned in the table, e.g. for the purchase of older (used) assets or in the case of expected higher wearing (scaffolding, casing) etc. In 2012, this concerned purchased older cars ID number (IČ): 3877, 3878 and 3883.

Account 021 buildings acquired before 1996 are depreciated at the rate stated on the basis of the calculation according to expert opinion No. 103/95/K of Mr. Kalous.

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

c) Depreciation of equipment of construction site equipment

For the purpose of accounting, as well as taxes, construction side equipment is depreciated in compliance with Act No. 586/92 Coll. Section 30 par. 6. This applies to other equipment on the construction site under the building Act, where annual depreciation is stipulated as the ratio of the input price and the stated duration of the construction site.

d) Depreciation plan for the association of companies

The accounting and tax depreciation is the responsibility of the member of the association who is authorized by the contract on association as the authorized body to keep accounting records.

4. Validation Difference to Acquired Assets and Depreciation

Within the domestic fusion by merger, the evaluation difference to the acquired assets was originated in the amount of CZK 460,511 thousand. This evaluation difference is proportionally depreciated in the accounting for a period of 180 months. For the 2012 year, the 12 months of depreciation was recorded in the amount of CZK 30,701 thousand.

5. Adjustments to Assets

Balance (in CZK thousands)	31 December 2012	31 December 2011
Adjustments to tangible fixed tangible assets	0	0
Adjustments to long-term financial assets	0	0
Adjustments to inventory	0	0
Adjustments to short-term receivables	52,423	55,442

- In the 2012 accounting period, adjustments were created to receivables at the level according to the Act on reserves, No. 593/92 Coll., and also accounting adjustments receivables which were not enforced in a legal manner.
- No adjustments were made to the tangible fixed assets in the 2012 accounting period as there was no reason to do so.
- No adjustment has been made to the inventory stock in the 2012 accounting period as there was no reason to do so.
- Adjustments to long-term financial assets are not created. Long-term financial assets are evaluated by the equivalent method.

6. Conversion of Foreign Currency to Czech Currency

According to the Act on accounting, Section 4, par. 12 the company BAK stavební společnost, a.s. keeps accounting records in the Czech currency and is obliged to convert foreign currency into Czech currency. Assets and liabilities expressed in a foreign currency are converted by the company BAK stavební společnost, a.s. to Czech currency using the exchange rate of the FC market published by ČNB at the stated time:

- The implementation of the accounting case during the acquisition of assets in a foreign currency, during the origination of a receivable in a foreign currency and during the origination of a liability in a foreign currency (in this case, no foreign exchange difference originates).
- The implementation of the accounting case during the movement of assets, receivables and liabilities in a foreign currency and in the case of the variation of exchange rates compared with the accounting, see point a) (originated exchange difference during the accounting period).
- The balance sheet day by which the assets are recalculated, receivables and liabilities in foreign currency according to the Foreign Currency Act, i.e. FC quotation of ČNB, in the case of BAK stavební společnost a.s. at 31 December of the respective calendar year (the foreign currency exchange difference originates at the balance sheet day).

The company BAK stavební společnost a.s. uses exchange rates in the form:

- Valid exchange rates announced by ČNB on the date of the implementation of accounting cases. The actual exchange rate at the respective date announced by ČNB means the exchange rate announced in the afternoon.
- The company BAK stavební společnost, a.s. does not use fixed exchange rates. According to the Act on accounting, the fixed rate is stated for a previously specified time period and is restricted by one accounting period, e.g. annual rate, monthly rate, etc.

Exchange rates other than the daily exchange rates announced by ČNB are used by the company BAK stavební společnost, a.s. in special cases where this concerns the purchase and re-sale of foreign currency (SWAP transactions), when for the conversion of foreign currencies to CZK, commercial bank rates are used which are stated in the confirmation for such transactions.

7. Change in Validation, 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 Tangible Fixed Assets (in CZK thousands)

Account	Individual movables and sets of movables	Acquisition cost (account 022)	Accumulated depreciation (account 082)
022 01 – Individual movables		55,874	44,050
	Cranes, lifting equipment	1,977	1,674
	Tools, pumps, compressors	3,763	3,460
	Office equipment	3,730	3,566
	Scaffolding, casing, fencing	2,372	2,063
	Building machinery	23,589	22,417
	Building site cabins, storage facilities	15,465	10,123
	Others	4,987	4,747
022 02 – Movables up to CZK 40,000		2,988	2,988
022 04 – Vehicles		68,769	53,693
022 29 – On site equipment		290	290
Account total 022		127,921	105,021

2. Summary of Changes in the Balance of Fixed Assets (in CZK thousands)

Structure	Intangible fixed assets	Real estate		Tangible fixed assets							Tangible fixed assets TOTAL	
Change		Land	Building, 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		
A Gross value of non-current assets												
A1	as at 1 January 2012	3,718	23,175	240,143	65,283	71,180	436	3,513	223	620	460,511	865,084
A2 Acquisition of non-current assets												
	a) purchase		33	315	4,109							4,457
	b) own construction											0
	c) other (transfers among accounts, scaffolding, leasing)											0
A3 Disposal of fixed assets												
	a) sale			(7,776)	(5,734)							(13,510)
	b) liquidation and damage			(1,948)	(786)	(146)	(525)					(3,405)
	c) other											0
A*	Gross value as at 31 December 2012	3,710	23,175	240,176	55,874	68,769	290	2,988	223	620	460,511	852,626
B New valuation												
C Reduction of fixed assets value												
C1	Accumulated depreciation as at 1 January 2012	3,611	0	72,925	53,470	53,982	436	3,513	0	0	92,102	276,428
C2	Adjustments as at 1 January 2012											0
C3	Depreciation in current year and net book value when sold	62		5,226	4,304	6,231					30,701	46,462
C4	Additions to and drawing of adjustments during the period											0
C5	Accumulated depreciation of disposed fixed assets				(9,724)	(6,520)	(146)	(525)				(16,915)
C6	Other (leasing, transfers, returns)											0
C*	Accumulated depreciation as at 31 December 2012	3,673	0	78,151	48,050	53,693	290	2,988	0	0	122,803	305,975
D	Net value of fixed assets as at 31 December 2012	45	23,175	162,025	7,824	15,076	0	0	223	620	337,708	546,651
E	Net value of fixed assets as at 1 January 2012	107	23,175	167,218	11,813	17,198	0	0	223	620	368,409	588,656

3. Receivables

Balance (in CZK thousands)	31 December 2012	31 December 2011
a) net total overdue receivables*	45,900	119,349
among them overdue up to 30 days	12,294	23,433
among them overdue up to 90 days	6,711	36,575
among them overdue up to 360 days	3,928	38,827
among them overdue more to 360 days	22,967	20,514
b) Receivables from companies included in the consolidated group	143,614	68,054
ISP Hradec Králové, a.s., Prague 4 (ID No.: 60112590)	225	183
DTB, s.r.o., Trutnov (ID No.: 47472669)	50,038	52,749
INGSERVIS s.r.o., Trutnov (ID No.: 25285033)	28,081	15,122
ONSET a.s. Trutnov (ID No.: 27380891)	65,270	0
c) adjustments to receivables (account 391)	52,423	55,442
adjustments to receivables from comp. in bankruptcy (§8 Decree 593/1992 Coll.)	20,666	20,686
adjustments to receivables Section 8a par. 1, 2, 3 of Act No. 593/1992 Coll.	13,738	8,514
adjustments to receivables (Section 8c Act No. 593/1992 Coll., on reserves)	86	227
adjustments to receivables (accounting)	17,933	26,015

Note: In 2012 there was expansion of the consolidated unit by the company ONSET a.s.

Receivables outstanding for more than five years: Josef MÖLLER-RELOM, company ID number (IČ) 10472801 in the amount CZK 520 thousand.

Other long-term receivables

- other receivables: CZK 5,200 thousand long-term fixed installments for the supplier credit: Town of Žacléř, the last instalment payable by 08/2015.

4. Assets Pledged or Encumbered with

a) right of lien

Property register	Title number
Trutnov	4978
Jablonec nad Nisou	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	Establishment and operation of electrical line – equipment of distribution system (ČEZ)
Jablonec nad Nisou	6967	Easement use of electricity repair and maintenance, right of passage, water pipeline connection and laying, low voltage electrical line

Bank guarantees

Bank guarantees provided as guarantee at 31 December 2012 are CZK 386,216 thousand.

At 31 December 2011 the amount was CZK 382,889 thousand.

5. Statutory and Other Reserves

In CZK thousands	Opening balance at 1 January 2012	Additions	Withdrawals	Closing balance at 31 December 2012
Reserves for repair of assets – Decree 593/92 Coll. Section 7	4,946	169	912	4,203
Reserves for income tax – in liabilities	13,064		13,064	0
– plus advances paid – account 341	(10,000)			0
Total liability (show on line 89 of balance sheet)	3,064			0
Reserves for deficiencies in guaranteed completed projects *	13,173		610	12,563
Reserves for legal disputes	3,193	1,183		4,376
Reserves for association for defects covered by a guarantee	7,397		545	6,852
Total reserves	31,773			27,994
Reserve for income tax – in receivables		(7,619)		(7,619)
– plus paid advances – account 341				11,475
Final liability reported on the line 54 of the Balance Sheet				3,856

6. Calculation of Deferred Tax

Description	Deferred tax in CZK thousands	P / (Z)
A Calculation of deferred tax at 31 December 2012	(73,941)	Z
A1 Account 021 – difference calculated on comparable accounting and tax acquisition costs	(454)	Z
A2 Account 021 – difference calculated on comparable accounting and tax acquisition costs, calculated as the difference between accounting and tax depreciation over 7 years	(3,030)	Z
A3 Account 022 – difference in all accounting and tax net book values	(2,054)	Z
A4 Adjustments to receivables	0	P
A5 The association non-tax deductible reserves for guarantee cost	3,309	P
A6 Non-tax deductible reserves for legal disputes	831	P
A7 Influence of non-tax reserves on social security to the reserves for bonuses	116	P
A8 Difference in accounts for deferred tax and total deferred tax/15 years	(8,495)	Z
A9 Influence of valuation differences on acquired assets	(64,164)	Z
B Calculation of deferred tax at 31 December 2011	(79,951)	Z
B1 Account 021 – difference calculated on non-comparable accounting and tax acquisition costs	(424)	Z
B2 Account 021 – difference calculated on non-comparable accounting and tax acquisition costs, calculated as the difference between accounting and tax depreciation over 7 years	(2,888)	Z
B3 Account 022 – difference of all accounting and tax net book values	(2,430)	Z
B4 Adjustments to receivables	0	P
B5 The association non-tax deductible reserves for guarantee costs	2,329	P
B6 Non-tax deductible reserves for legal disputes	606	P
B7 Influence of non-tax reserves on social security to the reserves for bonuses	124	P
B8 Difference in accounts for deferred tax and total deferred tax/15 years	(7,270)	Z
B9 Influence of valuation differences on acquired assets	(69,998)	Z
C Difference (reduction of liabilities entered in accountancy total in the accounting period concerned)	6,010	

- For the calculation, the rate valid for 2013 was used, i.e. 19%.
- Starting from 2007 for a period of 15 years, the calculation of the deferred tax is spread over the difference from the balance of the deferred tax and the calculated deferred tax. Therefore, for 2012 it is 6/15 of the difference.
- The balance of the booked long-term deferred tax liability as at the decisive date of 31 December 2012 is CZK 73,941,310.00.
- After the booking of all impacts and differences in accounting tax, the booked prices from the revaluation of buildings: the deferred liability is CZK 86,683,516.00.

7. Long-term Bank Loans

Purpose of the loan	Interest rate	Maturity	Balance as of 31 December 2012 in 000' CZK	Amount Due in next 12 months	Long-term portion	Security
Acquisition loan	1M PRIBOR + 1.65% p.a.*	20 December 2015	105,140	37,200	67,940	blank bill, right of lien to securities
Total LT loans			105,140	37,200	67,940	

* Note: flexible rate 1M PRIBOR fixed with interest swap of 16 August 2011 at 1.57% p.a.

8. Assets Not Listed in the Balance Sheet (Off Balance Sheet Accounts)

Type of asset (in CZK thousands)	Opening balance at 1 January 2012	Increases	Decreases	Closing balance at 31 December 2012
Leasing (leased assets)	0	0	0	0
Low value tangible assets	27,233	1,844	5,368	23,709
Low value intangible assets	2,830	109	2	2,937
Secured bank guarantees (BAK=beneficiary)	77,490	44,212	11,387	110,224
Receivables from bank drafts	0	0	0	0
Receivables from derivate operations	28,432	98,184	28,065	98,551
Total	135,985	144,258	44,822	235,421

9. Liabilities

Balance (in CZK thousands)	31 December 2012	31 December 2011
a) Total payables overdue	2,509	0
b) Payables to companies included in the consolidated group	425	370
ISP Hradec Králové, a.s. Praha 4 (ID No.: 60112590)	0	0
DBT s.r.o., Trutnov (ID No.: 47472669)	276	290
INGSERVIS s.r.o., Trutnov (ID No.: 25285033)	39	80
DBT s.r.o., Trutnov (ID No.: 47472669)	110	0

10. Liabilities Not Listed in the Balance Sheet (Off Balance Sheet Accounts)

Type of liability (in CZK thousands)	Opening balance as of 1 January 2012	Increases	Decreases	Closing balance as at 31 December 2012
Liabilities from lease contracts	0	0	0	0
Bank guarantees KB (see table)	242,965	120,065	95,751	267,279
Bank guarantees ČSOB (see table)	14,752	74,703	4,000	85,455
Bank guarantees CS (see table)	176,143	75,992	98,399	153,736
Bank guarantees UniCredit (see table)	136,566	18,006	39,286	115,286
Bank guarantees ING (see table)	0	0	0	0
Liabilities from derivative operations	29,760	98,743	27,329	101,174
Pending warranty claims	8,124	1,174	0	9,298
Total	608,310	388,683	264,765	732,228

Classification of bank guarantees (balance as of 31 December 2012 in CZK thousands)	KB	ČS	UniCredit	ČSOB	ING	Total
Lender	23,600	600	0	6,500	0	30,700
Implementation	42,060	108,408	0	44,859	0	195,327
Guarantee	174,106	44,728	115,286	34,096	0	368,216
Invoice payment	1,072	0	0	0	0	1,072
Returning of advances	26,441	0	0	0	0	26,441
Total	267,279	153,736	115,286	85,445	0	621,756

11. Financial Leases (in CZK thousands)

The company does not have any leased property in the form of financial leasing at 31 December 2012.

12. Expenses for Remuneration of Statutory Auditor (in CZK thousands)

Service	Remuneration in 2012	Note
Mandatory audit of financial statement	282	Including consolidated FS
Other services	85	Contract for expert assistance
Total	367	

13. Revenues by Activity

Activity (in CZK thousands)	2012	2011
Construction	1,872,282	2,054,714
Equipment rental	3,945	3,721
Freight transport	0	3,973
Complexes	13,143	14,301
Other	63,195	24,793
Total	1,952,565	2,101,502
of which is abroad	0	1,295

14. Risks Arising from Legal Disputes

Risks arising from legal disputes actively maintained by the company BAK stavební společnost, a.s. were taken into consideration on the basis of the analysis conducted according to the standpoints of lawyers representing the company in the respective legal disputes, in the Financial Statement at 31 December 2012 so as not to influence the view of the level of reported assets (mainly receivables), particularly by the creation of the respective adjusting entries.

Concerning disputes conducted against the company BAK stavební společnost, a.s., a similar analysis was conducted concerning the possible impact on the financial statement at 31 December 2012. Non-tax reserves for legal disputes created up to the end of the third quarter of 2011 in the amount of CZK 3,193 thousand remain; in 2012 the amount of CZK 1,183 thousand. The final balance of the reserves for legal disputes at 31 December 2012 is CZK 4,376 CZK.

EQUITY

Comments to the list of changes in equity for the year 2012

- a) The ordinary general meeting of the company BAK stavební společnost, a.s., held on 17 April 2012 approved the payment of dividends for shareholders in the amount of CZK 5,000,000. The payment of dividends was preceded by the positive written standpoint of KB, ČSOB, UCB and ČS.
- b) The General Meeting of the company BAK stavební společnost, a.s., taking place on 17 April 2012, approved the transfer of the remaining part of the profit for the period from 1 January 2011 to 31 December 2011 (after taxation and payment of dividends) in the amount of CZK 7,013,336.85 to the account for non-distributed profit from previous years.
- c) The level of equity reflects the booking of the finding by the Senate of the Arbitration Court as of 6 November 2012, when concerning the dispute from 2008, the amount of CZK 35,102,501.69 was applied against the company BAK stavební společnost, a.s. This fact was booked to the debit of the non distributed profit from previous years so that the correction of costs from previous years was reflected into the equity, because it did not apply to the common accounting period of 2012.
- d) Revaluation of assets and liabilities
The shares and ownership interests were revaluated in the accounting period in subsidiaries using the equivalence method with the overall impact on the year-on-year change of the equity at 31 December 2012 in the amount CZK 15,498,045.18 (decrease of equity). The influence was reflected in the group by the purchase of shares in the company ONSET, a.s., which reported a loss in the previous accounting period, i.e. in this first year there was a significant impact in equivalence, see the table. In the following years, as a result of the activity and business of the company ONSET, a.s. it is expected to produce a profit from this business, i.e. the increase of equity and the improvement of the evaluation of financial investments in the equivalence method.
- Moreover, the revaluation using the interest swap real value was booked (fixing flexible rate 1M PRIBOR in long-term acquisition credit – point 7. of the notes) with the total impact on the change in the equity by 31 December 2012, when the balance at 31 December 2012 of the evaluation of derivatives was (CZK -2,064,738.28); in the current accounting period the year-on-year difference was booked in the amount of CZK 266,829.64.
- e) Profit or loss for the current accounting period
In 2012 there was an accounting profit after taxation in the amount of CZK 13,001,783.65 with the turnover (total revenues) CZK 1,952,565,365.64.

REVIEW OF CHANGES IN EQUITY

Items of equity	Profit/loss	Registered capital	Capital fund	Funds		Retained profit of previous years	Unsettled loss from previous years	Change in equity
				reserve	other funds			
Balance at the beginning of accounting period	12,013	285,000	(7,496)	57,000	0	199,930	0	546,447
Increase of registered capital	0							0
Payment of dividends	0							0
Revaluation of assets and liabilities	0		(15,765)					(15,765)
Contribution to reserve	0			0				0
Contribution to statutory funds	0							0
Retained profit	(12,013)							(5,000)
Other withdrawals	0							(35,103)
Profit/Loss of current period	13,002							13,002
Final balance at 31 December 2012	13,002	285,000	(23,261)	57,000	0	171,840	0	503,581

Changes

CASH FLOW

			2012	2011
P.	Cash and cash equivalents at the beginning of the accounting period		137,267	110,088
Cash flow from main activities (operating activity)				
Z.	Accounting profit or loss from ordinary activities before tax (+/-)		14,950	21,094
A.	1	Corrections by non-monetary transactions	44,896	51,384
A.	1	1 Depreciation of fixed assets (+) with exception of depreciated cost of sold fixed assets, depreciation of liabilities	46,382	46,924
A.	1	2 Changes in adjustments and reserves (+/-)	(3,779)	8,527
A.	1	3 Profit (-) / loss (+) from sale of fixed assets	(9,074)	(7,065)
A.	1	4 Revenues from dividends and profit shares (-)	(2,187)	(2,187)
A.	1	5 Interest paid (+) and interest received (-) except for capital interest	(1,944)	4,196
A.	1	6 Corrections by other non-monetary transactions	15,498	989
A.	*	Net cash flow from operating activities before tax, changes in working capital and extraordinary entries	59,846	72,478
A.	2	Changes in non-monetary sector of working capital	18,923	7,838
A.	2	1 Change in receivables from operating activities (+/-), assets accounts	80,051	(233,088)
A.	2	2 Change in current liabilities from operating activities (+/-), temporary liabilities accounts	(110,412)	322,097
A.	2	3 Change in inventories (+/-)	49,284	(81,171)
A.	2	4 Change in current financial assets other than cash and its equivalent (+/-)	0	0
A.	**	Net cash flow from operating activities before tax and extraordinary entries	78,769	80,316
A.	3	Interest paid except for capital interest (-)	(5,248)	(7,216)
A.	4	Interest received (+)	7,192	3,020
A.	5	Income tax paid on ordinary activities and back taxes from previous periods (-)	(1,581)	(9,081)
A.	6	Income and expenses connected with extraordinary accounting cases representing extraordinary profit, incl. paid income tax from extraordinary activities	(367)	0
A.	7	Accepted dividends and share in profit (+)	0	0
A.	***	Net cash flow from operating activities	78,765	67,039
Cash flow from investment activities				
B.	1	Expenses related to acquisition of fixed assets (-)	(58,867)	(8,631)
B.	2	Income from sale of fixed assets (+)	39,726	8,712
B.	3	Loans and credits to related entities (+/-)	0	0
B.	***	Net cash flow from investment activities	(19,141)	81
Cash flow from financial activities				
C.	1	Impact of changes in fixed payables or such current payables relating to financial activities (e.g. operation credits) to cash and cash equivalents	(42,943)	(39,341)
C.	2	Impact of changes in equity on cash and cash equivalents	(53,681)	(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	0
C.	2	2 Share in equity paid to partners (-)	(5,000)	0
C.	2	3 Other cash deposits by partners and shareholders (+)	0	0
C.	2	4 Loss paid by partners (+)	0	0
C.	2	5 Direct payments debited to the funds (-)	(50,868)	(2,787)
C.	2	6 Dividends and shares paid including tax (-), accepted dividends (+)	2,187	2,187
C.	***	Net cash flow from financial activities	(96,624)	(39,941)
F.	Net increase or decrease of cash		(37,000)	27,179
R.	Balance of cash and cash equivalents at the end of accounting period		100,267	137,267
	including – Cash and valuables (Balance Sheet C.IV.1.)		3,366	2,954
	– Bank accounts (Balance Sheet C.IV.2.)		96,901	134,313
	– Short-term securities and ownership interests (Balance Sheet C.IV.3.)		0	0
	– Other		0	0

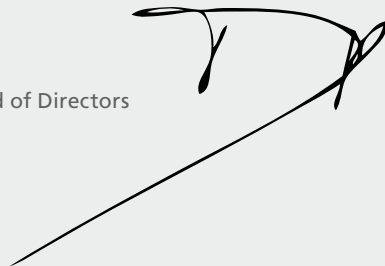
SUBSEQUENT EVENTS AFTER THE FINANCIAL STATEMENT AT 31 DECEMBER 2012

No significant events were recorded.

Date: 25 February 2013

Signature of statutory representative:

Dušan Čížek, MBA
Vice Chairman of the Board of Directors

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the left.

CONTACTS



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