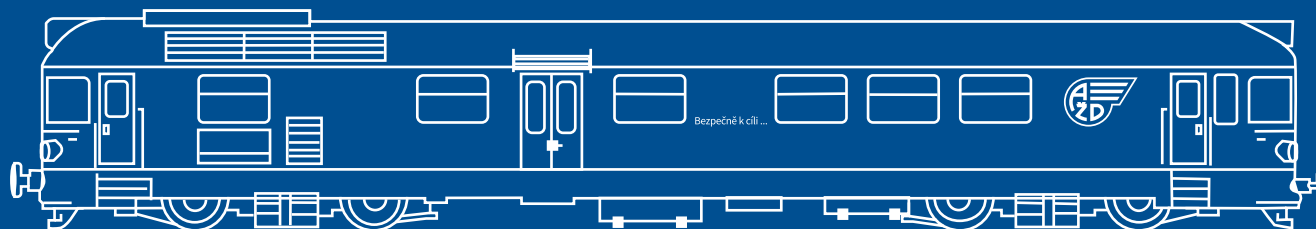


REPORT ON BUSINESS ACTIVITIES AND RESULTS OF



AŽD PRAHA S.R.O.
FOR THE FISCAL YEAR 2019/2020



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CONTENTS

INTRODUCTORY WORD OF GENERAL DIRECTOR	4
GOVERNING BODIES AND ORGANIZATIONAL UNITS	8
ORGANIZATIONAL STRUCTURE	14
PURPOSE OF BUSINESS ACTIVITY AND ITS ANTICIPATED DEVELOPMENT	18
PRODUCTION, INSTALLATION AND LOGISTIC ACTIVITIES	24
SERVICE ACTIVITIES	28
INTEGRATED MANAGEMENT SYSTEM	30
COMPLIANCE PROGRAM	32
GDPR	34
CHARITY ACTIVITIES	36
FINANCIAL MANAGEMENT OF THE COMPANY	38
FINANCIAL STATEMENT	46
SUPERVISORY BOARD'S REPORT	56

INTRODUCTORY WORD OF GENERAL DIRECTOR

I am glad that by good results we follow up with the positive development of the previous years. However, from the point of view of the person who is responsible for the company, I consider this year to be one of the best, but also the most difficult and most surprising.



Dear associates, business partners, dear friends,

let me introduce the annual report of the AŽD Praha s.r.o., which, based on legal requirements, describes the 2019/2020 fiscal year in the annotated, graphical and table forms.

I am glad that by good results we follow up with the positive development of the previous years. However, from the point of view of the person who is responsible for the Company, I consider this year to be one of the best, but also the most difficult and most surprising.

Therefore, I would first like to thank to all of you – associates, employees, business partners and friends for your confidence in our Company, our products and our people.

Despite what we have achieved, I must say that more than half of the year took place during the coronavirus pandemic and prepared us with obstacles and surprises that we have never seen in history, never had to face, and never had to deal with.

When the Covid-19 pandemic hit in March last year, we had no experience and we were often exposed to a huge fear of people about themselves, about their children, their loved ones, their parents.

Nobody knew what awaited us in the future. We had to react very quickly, we had to reassure people very quickly with our own example and convince them not to be afraid to come to work. Although we allowed some employees to work from home, most employees worked in their offices, in production, in foreign destinations on installations. Thanks to this, the Company managed to function well despite the pandemic. Although many other, especially foreign companies have operated or are operating only on a home office basis and many people have not been in the office at all during the year, we have been working, and for this we need to express our great appreciation and great praise to all our people and all our managers. If we didn't make it and succumbed to various bizarre ideas, proposals and panics, trust me, this year would not end so well. Most of our employees were going to work

with courage and responsibility and showed that working in a team, health protection and responsibility can lead us to the goal - to fulfill the set plan.

We had the best results in history. We can hear that year after year. But this is not a matter of course and every development does not go up in the long run. It is also necessary to anticipate a certain decline in investments in transport infrastructure, and no one knows how the post-pandemic situation will be reflected in these investments. I am therefore very pleased that we have continued to work on foreign contracts in Slovakia, Poland, Belarus, Serbia, Bosnia and Herzegovina, Montenegro, Croatia, Bulgaria and other countries. These foreign activities and their development will certainly be a natural complement to the expected outage in the domestic market.

The development of technology was also successful in the year under review. In particular, the ETCS program and its installation on our main lines, the installation of new electronic interlocking systems, level crossings and information systems have all been successfully implemented.

Our company had very good results in the field of metro, road telematics and many other very important activities.

Dear friends,

I would hate to miss out something in the list of our successes. Our company has really achieved a lot. And it would not be able to do it without its employees - loyal people, highly professional and hardworking. We value them very much and that is why we have adopted other motivational programs for our employees.

Of course, our Company does not forget about social activities either. Last year, we continued our cooperation with the AutTalk Foundation of Kateřina Sokolová, which supports families with autistic children.

We were helping the disabled and supporting a number of cultural and sports events as well as specific athletes.

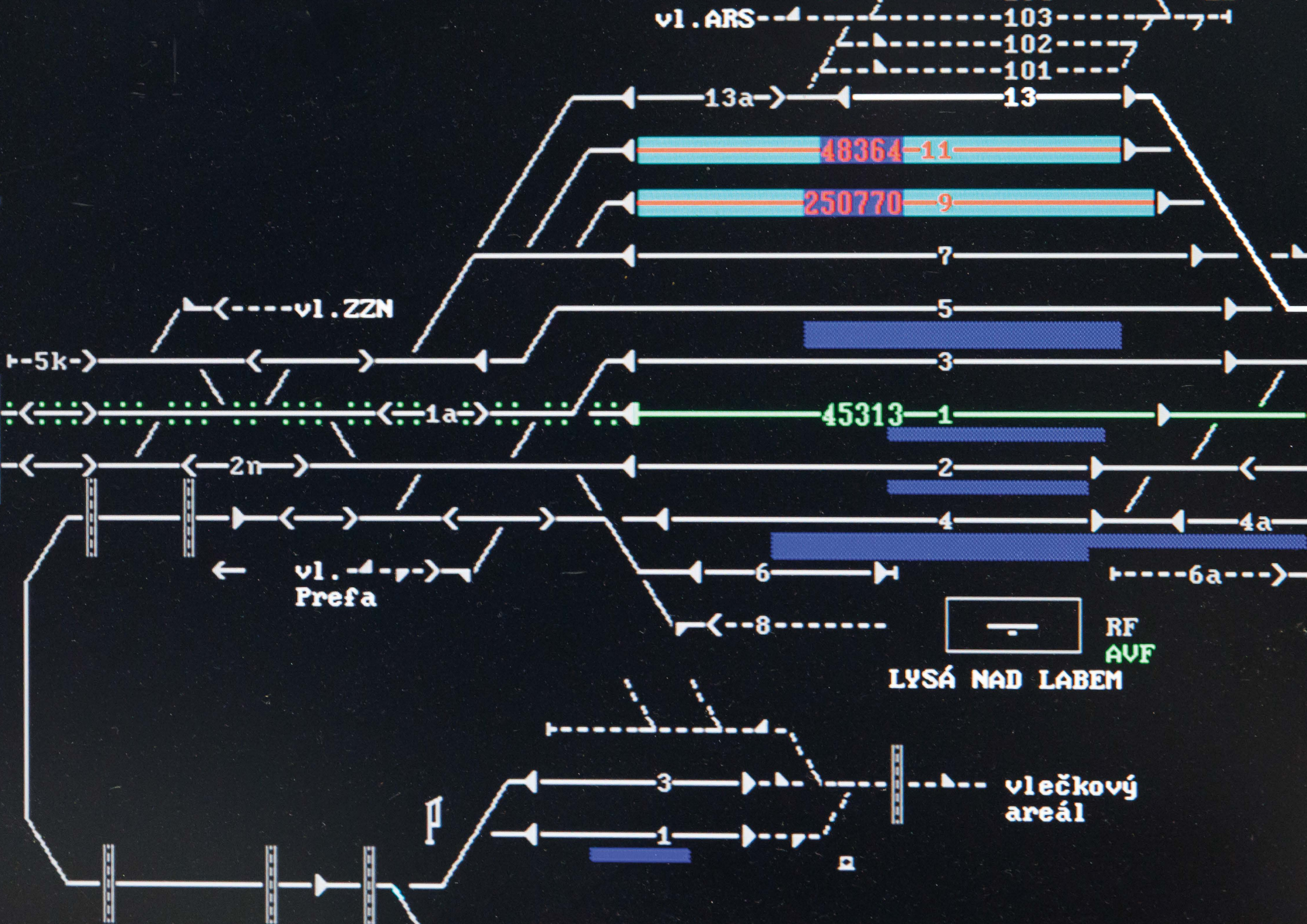
Every year we try to dedicate ourselves to the media image and promotion of our entire field by publishing the quarterly Reporter, which is popular not only within the Company AŽD Praha, but has also become a railway magazine for the general public.

The video magazine “Attention Train“, which is also taken over by some television stations, is also very popular.

Finally, I would like to thank all those who support us, believe in us, keep their fingers crossed for us and, most importantly, help us.

I wish everyone good health and success.

Ing. Zdeněk Chrdle
CEO and General Director



GOVERNING BODIES AND ORGANIZATIONAL UNITS

The Company Head Office has been established to provide top managing and conducting functions, which manages and coordinates activities providing implementation of the Company's subject of business.

AŽD Praha s.r.o. (Company ID 480 29 483) is a solely Czech company owned by a long time stable group of owners. Within the meaning of the Act on Business Corporations and Cooperatives (Act on Business Corporations), it is a limited liability company. It is registered in the Commercial Register kept by the Municipal court in Prague under file number: C 14616. From a legislative and economic point of view, it constitutes a single legal person.

Three Executive Directors act on behalf of the company in accordance with the Memorandum of Association. Each of the Executive Directors is entitled to act on behalf of the Company independently.

The Company Head Office has been established to provide top managing and conducting functions, which manages and coordinates activities providing implementation of the Company's subject of business.

The Company labour-law relations were fulfilled during the evaluated fiscal period in compliance with the legislation of the Czech Republic and the Collective Agreement of the Company.

The Company's bodies and representatives are mentioned in this Report on Business Activities and Results according to the state as at 30 September 2020.

COMPANY BODIES

as at 30 September 2020

GENERAL ASSEMBLY

EXECUTIVES

Ing. Zdeněk CHRDLÉ

General Director - CEO

Ing. Roman JUŘÍK

Technical Director

Daniela VESELÁ

Internal Company Affairs Manager

SUPERVISORY BOARD

Ing. František FORMÁNEK

Partner

Petr ROTT

Partner

Ing. Miroslav KOZÁK

Financial Director

During the observed period of the 2019/2020 fiscal year, the governing bodies as well as the Supervisory body, was working in a stable composition.

AŽD Praha s.r.o.**HEAD OFFICE AND COMPANY REGISTERED OFFICE**

Žirovnická 3146/2, Záběhlce, 106 00 Praha 10

Telephone: +420 267 287 111

E-mail: info@azd.cz

www.azd.cz

General Director

Ing. Zdeněk CHRDLÉ

Telephone: +420 267 287 201

Commercial Director

Ing. Petr FALTUS

Telephone: +420 267 287 416

Financial Director

Ing. Miroslav KOZÁK

Telephone: +420 267 287 190

Technical Director

Ing. Roman JUŘÍK

Telephone: +420 267 287 361

Installation and Production Director

Ing. Radek ZAMRAZIL

Telephone: +420 267 287 797

Equity Holdings Director

Ing. Jiří BAŤKA

Telephone: +420 267 287 203

Road Telematics Commercial Director

Patrik REINIŠ

Telephone: +420 267 287 403

Commercial Export Director

Ing. Petr ŽATECKÝ

Telephone: +420 267 287 263

European Affairs Director

Ing. Vladimír KAMPÍK

Telephone: +420 267 287 437

Equity Merges Director

Ing. Vladimír KETNER

Telephone: +420 267 287 284

Personnel (HR) Manager

Blanka PREŠINSKÁ

Telephone: +420 267 287 301



Se 5

ORGANIZATIONAL UNITS

“TECHNIKA“ PLANT

Žirovnická 3146/2, Záběhlice, 106 00 Praha 10

Plant Director

Ing. Karel VIŠNOVSKÝ
Telephone: +420 267 287 223

Research and Development Deputy Director

Ing. Antonín DIVIŠ
Telephone: +420 267 287 363

Design Deputy Director

Ing. Josef BOREČEK
Telephone: +420 267 287 259

PRODUCTION PLANT BRNO

Křižíkova 465/32, 612 00 Brno – Královo Pole

Plant Director

Ing. Jolana HORSÁKOVÁ
Telephone: +420 549 122 101

PRODUCTION PLANT OLOMOUC

Roháče z Dubé 113/6, 779 00 Olomouc – Bělidla

Plant Director

Ing. Stanislav SLAVÍČEK
Telephone: +420 587 113 510

INSTALLATION PLANT KOLÍN

Polepská 724, 280 02 Kolín IV

Plant Director

Ing. Václav PAŘÍZEK
Telephone: +420 321 734 413

INSTALLATION PLANT OLOMOUC

Jiráskova 948/5, 779 00 Olomouc – Hodolany

Plant Director

Ing. Zdeněk BÉBAR
Telephone: +420 585 113 660

LOGISTICS PLANT OLOMOUC

Železniční 84/1, 779 00 Olomouc – Chválkovice

Plant Director

Ing. František GRAMBAL
Telephone: +420 585 113 210

TELEINFORMATICS DIVISION

Ukrajinská 1517/4, 100 00 Praha 10 – Vršovice

Division Director

Ing. Tomáš HANDL
Telephone: +420 274 012 612

TELECOMMUNICATION AND SIGNALLING TECHNOLOGY SERVICE DIVISION

Žirovnická 3146/2, Záběhlice, 106 00 Praha 10

Division Director

Ing. Václav BARTŮNĚK
Telephone: +420 311 404 151

**ROAD TECHNOLOGY AUTOMATION
DIVISION**

Křižíkova 465/32, 612 00 Brno – Královo Pole

Division Director

Ing. Jiří VAVRDA

Telephone: +420 541 421 540

AŽD Praha s.r.o.

ORGANIZATIONAL UNIT BRATISLAVA

Ružinovská 1G, 821 02 Bratislava,
Slovak Republic

Organizational Unit Director

Ing. Richard BOTKA

Telephone: +421 258 282 351

AŽD Praha s.r.o.

Dio Stranog društva Crna Gora

Vlada Martinovića B.B., 81 000 Podgorica,
Crna Gora

Organizational Unit Director

Otakar KAMENÍK

Telephone: +382 20 622 462

AŽD Praha s.r.o.

Poslovna jedinica Banja Luka

Jevrejska br. 37, 78 000 Banja Luka, BiH

Organizational Unit Director

Otakar KAMENÍK

Telephone: +387 51 491 255

AŽD Praha s.r.o.

**Merkezi Çek Cumhuriyeti Türkiye
İzmir Şubesi**

Kazımdirik Mah. 351 Sokak No: 3/1/101,
035263 Bornova / İzmir, Turkey

Organizational Unit Director

Jaroslav SPOUSTA

ORGANIZATIONAL STRUCTURE

During the 2019/2020 fiscal year, no
fundamental changes or activities occurred
in the field of labour law relations

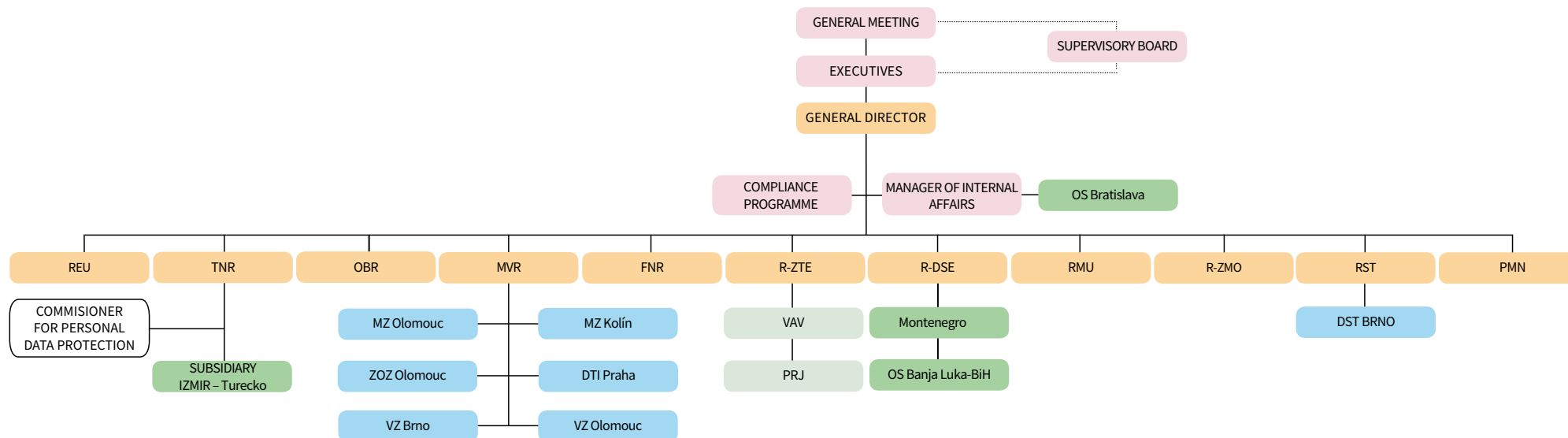
During the 2019/2020 fiscal year, no fundamental changes of activities occurred in the field of labour law relations. Mostly, common operative matters of labour law nature were resolved.



POZOR VLAK

ORGANISATIONAL CHART

State as at 30. 9. 2019



Abbreviations:

REU – European Affairs Director
 TNR – Technical Director
 OBR – Commercial Director
 MVR – Installation and Production Director
 FNR – Financial Director
 R-ZTE – “Technika” Plant Director
 R-DSE – DSE Director
 RMU – Director of Equity Holdings
 R-ZMO – Commercial Export Director
 RST – Road Telematics Commercial Director
 PMN – HR Manager

VZ – Production Plant
 MZ – Installation Plant
 ZOZ – Logistic Plant
 ZTE – “Technika” Plant
 PRJ – Design Department
 VAV – Research and Development Department
 DSE – Telecommunication and Signalling Technology Service Division
 DTI – Teleinformatics Division
 DST – Road Technology Automation Division
 OPS – Personnel and Administration Department
 OS – AŽD Praha s.r.o., organizational unit

PURPOSE OF BUSINESS ACTIVITY AND ITS ANTICIPATED DEVELOPMENT

AŽD has qualifications available that enable the Company to perform all work on the railway in the fields of signalling and telecommunication technology, including the latest trends, such as the use of new ETCS technologies, which are part of ERTMS.

AŽD Praha s.r.o. (further AŽD) is an important supplier of technological systems in the field of signalling, controlling, telecommunication and communication equipment of transport infrastructure. The decisive factor is the company's focus on rail transport. For its partners, it provides production, complete deliveries and installation of technological systems for signalling and management of railway transport infrastructure.

The Company has an experienced team of professionals and has its own technical background for complete procurement. It is able to cover all activities from the processing of design documentation to the implementation of deliveries and installation. After the completion of the order, it is a matter of course to provide warranty and post-warranty service.

AŽD disposes of certifications, that enable the Company to perform all needed works on the railway infrastructure in the field of signalling and telecommunication technology including state-of-the-art trends, such as the use of new ETCS technologies that are part of ERTMS.

After finishing of installation works, the Company carries out commissioning of technological equipment including prescribed tests and issuing of all required documents necessary for its safe operation.

The long-term presence on the railway market in the field of signalling and telecommunication technology has proven that the AŽD is able to

execute successfully complex constructions and not only in the field of its business, but also as a higher contractor, and to assure a complete set of activities for the successful finishing of difficult contracts including construction works from other branches.

The Infrastructure Manager - Správa železnic, státní organizace - is the most important customer. For this customer, the offers are processed in the form of public tenders in accordance with the rules of the Public Procurement Act. Our important partners in the field of railway transport include ČD, a.s. and ČD Cargo, a. s. The Company's participation in tenders as the suppliers for construction companies belongs to another important business activity. These companies usually belong to the largest construction suppliers on the Czech market.

AŽD not only deals with activities resulting from participation in public procurement, but also focuses on the modernization of existing facilities and research of new technologies.

In its procedures, it strives to use its potential for cost-effective and economically efficient solutions to achieve maximum safety in the field of transport. A process of related service, maintenance and equipment repair programs is also necessary to achieve this goal. All AŽD activities are guided by the effort to maintain the achieved position and the development of the company in future periods.

AŽD is member of ACRI, ERTMS, UNIFE, Shift2Rail, ČSS and SDT associations.

Road telematics

AŽD is also a supplier of systems and technologies for road transport. The Road Telematics Sales Department (OBU STM) is a part of the Company's Head Office.

As a supplier and integrator of telematics system solutions, it provides supplies of intelligent systems and equipment that contribute to optimized traffic flow management and the increase of efficiency and safety of road traffic.

The implementation unit of orders in the field of road telematics (STM) is the Division of Road Technology Automation Brno (DST). With its support, STM provides its customers with comprehensive telematic solutions for road transport, for transport in tunnels, for increase of safety in the form of restrictive and informative technologies and for public lighting. These include transport studies, engineering and design activities, comprehensive implementation activities, integration into existing systems, service and maintenance activities and devolved administration.

It successfully develops its activities in the Czech Republic, but also abroad, for example in Turkey and Azerbaijan.



Activities in the field of telematic solutions for road transport

In the fiscal year 2019/2020 we focused on the consolidation of teams in both STM / DST units, on the efficiency of orders and work in the CRM and ETO 1 information systems with maximum use of our own workforce at the implementation level. These are mainly strategic SSZ orders (light signaling equipment) within the Prague Project and significant SSZ installations in Brno, in tunnel technologies - the Pohůrka tunnel on the D3 highway. We focused mainly on the development and supply of camera systems and systems for the detection of traffic offenses not only on roads but also at railway crossings.

In cooperation with our subsidiaries, we supplied electronic information panels for public transport stops in Brno and Kladno. The supplies included hardware equipment connecting the panels with sources of information about the position of vehicles, as well as a software for the operation of the panels and for remote management.

There was also a further development of the educational microprocessor controller for children's traffic playgrounds. The controller contains a front intuitive touch panel with visualization of the intersection and its easy possibility of switching to automatic or manual mode or its easy control via a web application. Its name is MD-2+.

After the completion of an extensive project in Izmir, Turkey, the aim of which was to create a traffic management, control and information system, service work and deliveries of other technological solutions to public transport buses are underway.

Metro technology

The main activity of the Metro department (hereinafter OME) in the 2019/2020 fiscal year was ensuring the supply of equipment, technologies and services, particularly for Dopravní podnik hl. m. Prahy (DPP).

The largest contract was the construction of the Comprehensive Signalling System of the Prague Metro, which consists of both signalling systems on all metro lines and the Automatic Train Protection System on line B. Currently, the installation of the digital communication system VKV is being carried out on inter-station sections gradually at the entire metro network. The installation of the mobile part of the LZA Automatic Train Protection System continued on line B in 2019/2020. This activity will continue for another three years.

In 2020, the warranty and post-warranty service of LZA on metro lines A and B was provided by OME.

The technical development team of OME worked within the pilot project on the preparation of the platform wall and doors in the

Zličín station of the Prague metro. Train stop and train door open detectors also began to be tested at this station. The installation of the second reference module was also carried out in the AŽD premises, incorporating a number of comments and suggestions.

OME provides other smaller orders for DPP, such as the Replacement of DSŠ track receivers (relay receivers for two-band rail circuits) with new EFCPs (electronic phase sensitive sensors) at Malostranská, Hradčanská and Staroměstská stations, including overhaul and supply of new impedance bonds.

As part of foreign orders, OME has started delivering ACBM (automatic target metro braking) modules to Warsaw metro trains from Škoda Transportation. The contract will last at least until 2023.

The state of the purpose of the business activity and its expected development in the field of foreign orders

AŽD's foreign orders are developing very dynamically. The main aspect of AŽD's foreign trade is the centralization of foreign activities. The individual destinations, as sites of interest are called, are always managed by a specialized

team of people. Such team is usually created when an interesting order is won or a significant position is achieved in a certain foreign market. These teams are included under the heading of Foreign Trade, which allows better management of foreign activities and coordination of implementation of orders within the company. The „Engineering of Foreign Orders“ department which ensures the coordination of the implementation of individual foreign projects and monitors the economic indicators of the contracts in the context of planning, works successfully under the heading of Foreign Trade.

Slovakia, Lithuania, Belarus, Poland, Serbia, Montenegro, Bosnia and Herzegovina, Turkey, Bulgaria and Malaysia are destinations in the area of AŽD's main interest. The company is now trying to spread its activities into the territory of Croatia, Slovenia, Georgia and Ukraine.

Subsidiaries and organizational units of AŽD Praha abroad

Development of foreign orders belongs to important attributes of AŽD. The number of subsidiaries operating abroad is one of the indicators of the company's Foreign Trade growth. AZD BH in Bosnia and Herzegovina, and AZD Polska in Warsaw provide support during implementation of running contracts, AZDAP

provides coordination of business activities of AŽD in Turkey, and MPC Servis in Belarus provides all service activities connected with deliveries of AŽD for Belarussian Railways. Furthermore, AZD SASI in Serbia, AZD Zagreb in Croatia, AZD Slovakia and AZD Bratislava in Slovakia and BALKAN SAST in Bulgaria provide support in creating and implementation of foreign orders. The organizational units established in Montenegro, Bosnia and Herzegovina and Slovakia perform the function of a local organizer in tenders for large infrastructure projects. They also create facilities mainly intended for installation work.



PRODUCTION, INSTALLATION AND LOGISTIC ACTIVITIES

Our Production and Installation Plants, in cooperation with the Logistic Plant, managed the tasks associated with the construction and reconstruction of the railway lines, and they provided, within their capacities, the installation and activation of the equipment for many important constructions, including repair works.

The Installation and Production Section is represented by six Plants, which participate in complete production, installation and logistic activities.

These are the Production Plant Brno (VZB), specializing in electronics and application products for station interlocking and line signalling systems and other partial electronic products. It also manufactures outdoor elements, such as signal lights and impedance bonds.

The Production Plant Olomouc (VZO) specializes in production of outdoor elements of signalling technology, such as signals, barrier drives, point machines, complete point programme and other elements for installation in the railyard. It also manufactures a wide range of cabinets for indoor and outdoor use.

In the area of installation and direct supplier's activities, the Installation Plant Kolín (MZK) and Installation Plant Olomouc (MZO) play the main role. They mainly assure the installation and activation of station interlocking, line signalling a level crossing technology.

The Teleinformatics Division (DTI) is the exclusive supplier of telecommunication technology within the Company.

The Logistics Plant with its seat in Olomouc (hereinafter ZOZ) is the main logistic centre of AŽD and provides comprehensive logistic activities, from purchasing and storage of materials for Production and Installation Plants to their

distribution directly to construction sites, both throughout the Czech Republic and also within the EU both for our organizational units and for external customers.

Installation Plants provide complete procurement activities on the construction sites.

A high level of installations is assured by qualified workers, which are continuously being trained for works in the field of new signalling technology and telecommunication systems. During the 2019/2020 fiscal year, the capacities of Installation Plants were concentrated on sections of railway corridors and secondary lines. By modernisation of lines and railway stations we assure high comfort of operation and safety. At the same time, we implement all constructions with modern technologies that we develop.

These are mainly systems of the modern station interlocking equipment of ESA-44 with the line signalling system ABE-1. The diagnostics of the equipment is also an integral part of it, and it accelerates checking of reliable operation of the equipment, including fast diagnosis of failures. Other elements, which are installed by our Installation Plants to increase safety are EZŠ systems (Evidence of Loss of Shunt) and VNPN (Warning of Non-Permitted Passing the Signal) with the General Stop function on the TRS system (Line Radio-System) on all concerned train routes, where human factor is eliminated to the maximum extent.

We continue with modernisation and introduction of new level crossing systems including new barrier drives (PZA-100 and PZA-200) to assure safe crossing of railways and roads.

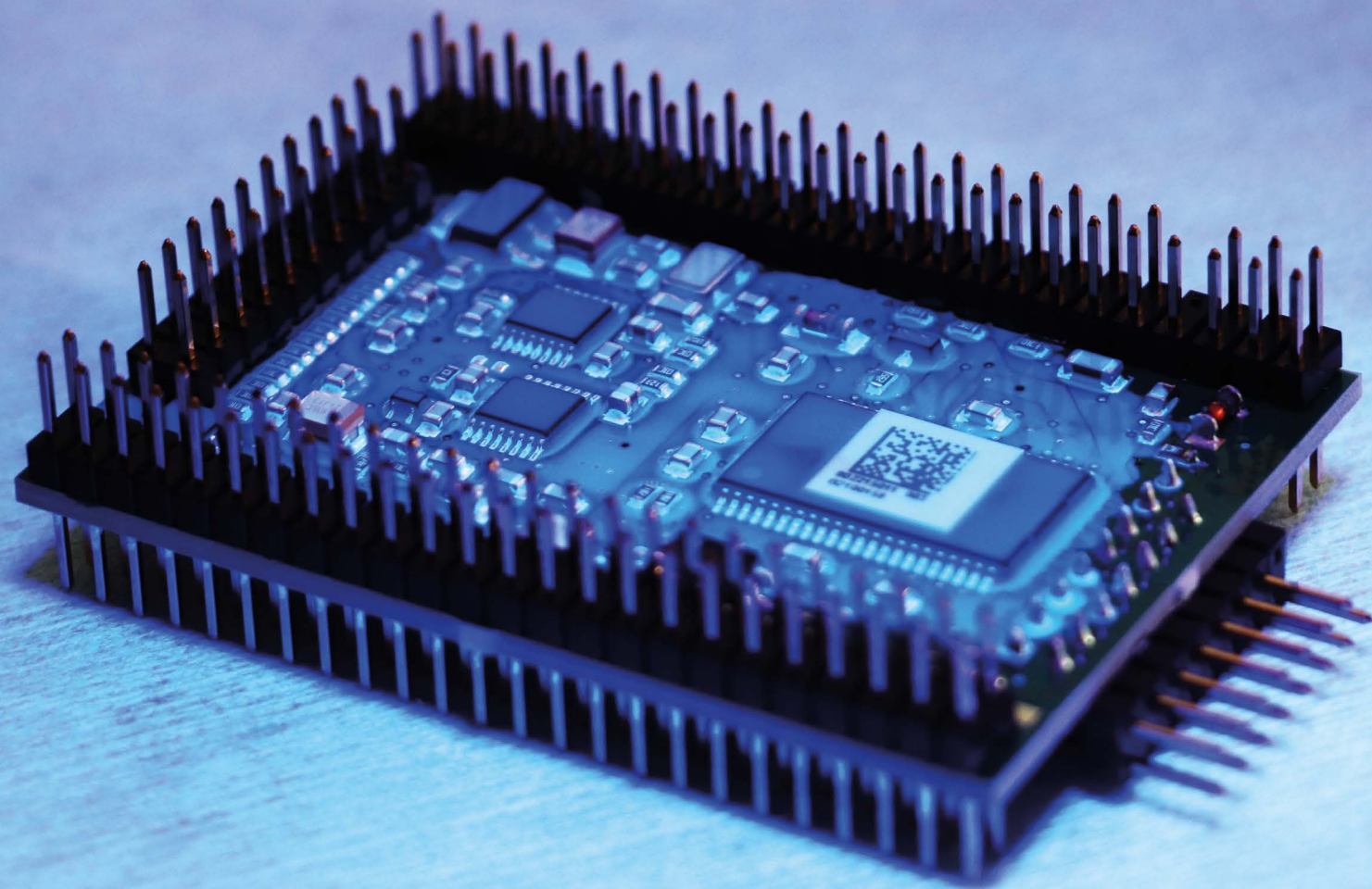
In the field of centralized traffic control (DOZ) we continue also with the extended offer and adding of new telecommunication systems with precise digital technology, including the integrated system of GTN (Graphic-Technology Overlay) for station dispatchers. In mobile units, we offer a more modern LS-06 (Automatic Train Protection System) device, which we install on railway vehicles. It is also necessary to mention the field of centralized traffic control from CDP (Central Traffic Control) in Prague and Přerov.

Implementation of the ETCS system, which we have already installed on several line sections and are preparing other sections, where we are in various stages of development, forms a completely separate chapter. We also participate in the installation of the ETCS onboard system on railway vehicles.

The installation and Production Unit (MVU), which coordinates individual procedures during production and installation, also participates in balanced full use of production and installation capacities. Within increasing the quality of supplied systems, our Installation and Production Plants are being continuously modernised by using the latest production

technologies. Workers in Installation Plants are maintaining their qualification in the field of new developed technologies and working procedures. These latest technologies, processes and procedures assure high quality products and the used materials also minimise negative impacts on the environment.

Our Production and Installation Plants, in cooperation with the Logistics Plant, managed the tasks related to the construction and reconstruction of the railway lines, and they provided, within their capacities, installation and activation of the equipment for many important constructions including repair works.



SERVICE ACTIVITIES

Service activities are provided continuously 24 hours a day and 365 days a year, based on emergency services not only in the Czech Republic, but also abroad.

The Telecommunication and Signalling Technology Service Division (DSE) is an independent organizational unit whose main activity is to provide the service for the telecommunication and signalling systems.

It performs services resulting from the liability for defects in the work (equipment) during the warranty period (warranty service activity), and further post warranty service activities and maintenance for the area of telecommunication, signalling and information equipment.

It executes service activities preferably for the field of new modernised technological complexes, particularly electronic station interlocking, line signalling and level crossing safeguarding equipment and centralized traffic control systems including the service of the point and barrier programme of AŽD.

For tracks owned by AŽD, DSE provides an organization of the maintenance of signalling systems.

The service activities are performed by means of service groups located in Brno, České Budějovice, Karlovy Vary, Kolín, Olomouc, Ostrava, Pardubice, Praha, Plzeň and Ústí nad Labem.

The service activity is provided continuously, 24 hours a day and 365 days a year, based on emergency services not only within the Czech Republic but also abroad.

INTEGRATED MANAGEMENT SYSTEM

As part of the continuous increase in the efficiency and effectiveness of the integrated management system, AŽD creates appropriate resources and introduces progressive methods in all crucial areas of its activity in connection with the strategic goals of the Company.

The fulfilment of demands, needs and expectations of customers is the main priority of AŽD.

The Integrated Management System is a part of Company management, by means of which it assures fulfilment of strategic aims and demands in the field of quality, environment, occupational health and safety and safety of information.

The created management system is applied to the subject of business of the Company. It defines mutual relations between the individual organizational units and departments and specifies the responsibility for processes securing the quality of the final product provided to the customer, the minimisation of negative environmental impacts, occupational health and safety, safety of information in the field of administration of commercial assets related to engineering and supplier activities as well as design and development tasks.

The visions of the management system are enshrined in the „Integrated Management System Policy“.

The last recertification of the Integrated Management System was performed in 2020.

During this audit the accredited CQS certifying body stated the compliance of the Quality Management System with the requirements of ČSN EN ISO 9001:2016, the compliance of the Environmental Management System with the requirements of ČSN EN ISO 14001:2016 and

the compliance of the Occupational Health and Safety Management System with the requirements of ČSN ISO 45001:2018.

Based on the successful result of the audit, AŽD Praha s.r.o. was granted certificates from the level of the international certification body CQS / IQNet with registration numbers CZ-2033/2020, CZ-44/2020 and CZ-45/2020 valid until 19 April 2023.

In 2020, based on the commitment to continuous improvement, the business units of the company's Head Office and R&D workplaces were certified, as part of the 2nd change, in terms of information security management in accordance with ČSN EN ISO / IEC 27001: 2014 and the corresponding certificate CZ-261/2018, valid until 19 December 2021, was issued to AŽD by the accredited certification body CQS / IQNet.

As a part of the continuous increase in the efficiency and effectiveness of the integrated management system, AŽD creates appropriate resources and introduces progressive methods in all crucial areas of its activities in connection with the strategic goal of the Company.

COMPLIANCE PROGRAMME

Being in line with the Compliance Program is not only our duty, but also a privilege, because only in this way our Company can be a modern, strong, responsible and beneficial to our surroundings.

The AŽD has implemented the Compliance Programme as a complex system of conduct for the Company and its employees in compliance with the legal regulations and internal Company directives on moral and ethic principles with the aim to define and show that AŽD has accepted and introduced sufficient preventive and checking measures, directing to avoid the unlawful conduct of its managers and employees.

The Company clearly declares its values and strictly rejects any unlawful act. In order to comply with the above requirements and especially to maintain the level of knowledge of employees, the company continues their periodic training in the form of e-learning and subsequent verification of their knowledge in the form of an electronic test.

The company is aware of the need for the existence and functionality of the Compliance Program. It perceives two main tasks of the Compliance program - Compliance program as a real shield to protect the whole Company from incidents, the source of which can be outside and inside the Company and Compliance program as a tool to promote compliance with a healthy corporate culture - revision of guidelines, due diligence of business partners, mutually respectful employee's behavior outside and inside the Company, etc.

The documents that constitute the Compliance Program prove that the existence of the Compliance Program and the active operation and cooperation of the Company's management with employees thus clearly indicates not only the management's trust in employees, but also the employees' trust in management. This mutual trust makes AŽD a compact unit, which, in addition to unquestionable professional competence, may bring a certain added value to its current and future partners.

Being in line with the Compliance Program is not only our duty, but also a privilege, because only in this way our Company can be a modern, strong, responsible and beneficial to our surroundings.

GDPR

In the area of processes, both the obligation to keep records of processing activities and a process for reporting risky cases of personal data breaches to the supervisory authority were introduced.

The AŽD fully complies with the Regulation of the European Parliament and Council (EU) 2016/679 (GDPR) and Act No. 110/2019 Sb., and Act No. 111/2019 Sb.

In 2019/2020, the existing directives concerning the processing of personal data were revised and supplemented at AŽD.

In the area of documentation, amendments corresponding to the requirements of the GDPR were concluded and sufficient guarantees on the compliance of processors were requested with the requirements of the GDPR. Furthermore, the used documentation and working procedures were modified, as well as the documentation for the camera system on the AŽD Litoměřice Horní nádraží - Most line.

In the area of processes, both the obligation to keep records of processing activities and a process for reporting risky cases of personal data breaches to the supervisory authority were introduced.

In the area of processed data, the rights to personal data in information systems and repositories were formalized.

In the area of monitoring, balance tests were performed on cameras on the AŽD Litoměřice Horní nádraží - Most line (on trains and at railway stations) to verify whether the administrator's legitimate interest outweighs the rights of passengers to privacy. The necessity of all cameras was assessed with regard to the specified purposes.

CHARITY ACTIVITIES

Last year, AŽD continued its charitable activities in cooperation with the AutTalk Foundation of Kateřina Sokolová, the main goal of which is to raise awareness of autism.

Last year, AŽD continued its charitable activities in cooperation particularly with the AutTalk Foundation of Kateřina Sokolová, the main goal of which is to raise awareness of autism. As a part of events supporting this foundation, we became the general partner of the second year of the RUN AUT 2020, which took place at the Hvězda park in Prague in September. We also supported specific parent groups of the association „We are facing the autistic people“ in Olomouc and we also contributed financially to fifteen families caring for an autistic child.

Also due to the difficult situation related to Covid-19 disease, AŽD decided to support the Boskovice Hospital s.r.o. The donation was used to purchase a PCR device to diagnose Covid-19 disease. The device was delivered and is located at the Department of Microbiology. Testing on the device enables very accurate and at the same time fast diagnostics. After inserting the sample, the result is known within about 40 minutes, which greatly facilitates the work with suspected patients who come to the hospital and it is necessary, with regard to the further provision of health care, to determine their epidemiological status as soon as possible.

FINANCIAL MANAGEMENT OF THE COMPANY

The expected development of the Company's activities is stabilized, thus creating a precondition for further development of the Company in the Czech Republic and abroad.

The Company's turnover in the amount of CZK 8,5 billion for the 2019/2020 fiscal year is comparable year-on-year with the previous period. By optimizing the Company's costs and organizations, better year-on-year economic results were achieved.

In the evaluated period, the Company had 1,763 employees, which is a year-on-year increase of 40 employees.

Our Company spent a total of CZK 296 million on research and development.

One third of the composition of assets is influenced by receivables, these are mainly receivables due, as the long-term maturity of invoices is already specified in the tender conditions of most projects. The Company also supports saleability, particularly for foreign orders, by contractually spreading the maturity of individual parts of the work performed. Reported receivables are creditworthy and are paid on time.

In the period under review, the Company reported non-tax provisions for a new generation of electronic signalling systems, which are in long-term trial operation and for which the Company confirmed five-year guarantees.

The financing of the Company is stable, the turnover is proportionally reflected in trade payables.

The Company does not acquire assets in the form of financial lease and has no payables for health and social insurance or tax arrears.

The Company has organizational units established in the Slovak Republic, Turkey, Montenegro, Bosnia and Herzegovina.

The Company exercises a decisive and significant influence in 23 subsidiaries, of which in 11 subsidiaries abroad (Slovakia 4x), Bulgaria, Serbia, Belarus, Croatia, Bosnia and Herzegovina, Turkey, Poland.

From 30 September 2020 until the report was prepared, no significant events fundamentally affecting the Company's activities took place.

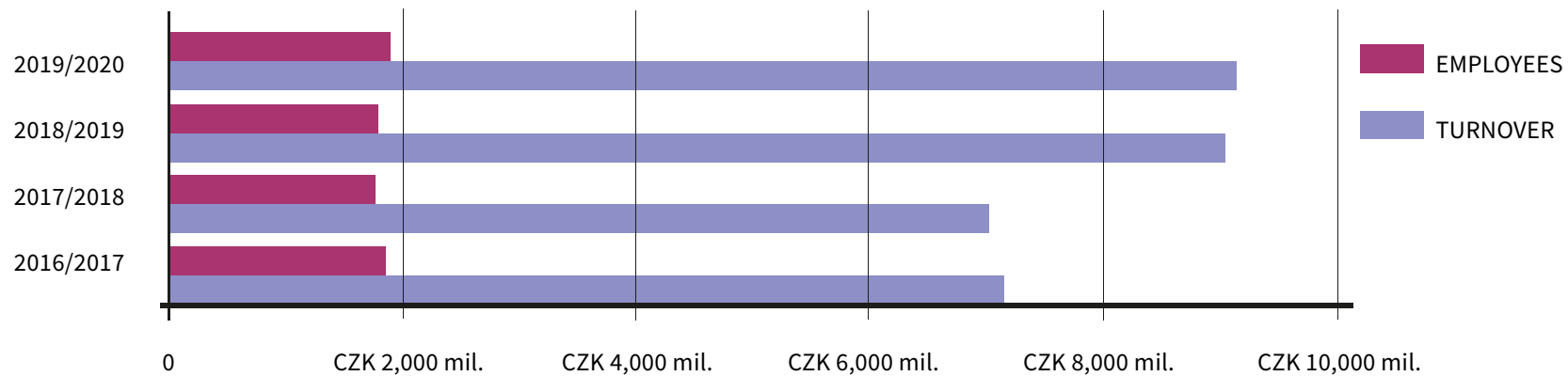
The expected development of the Company's activities is stabilized and thus there is a precondition created for the further development of the Company in the Czech republic and abroad.



**Main financial indicators of AŽD Praha s.r.o.
for the period 2019/2020 – from 1 October 2019 to 30 September 2020**

The Company monitors its results in business periods beginning always from 1 October and lasting till 30 September of the following year.

Indicator/period	2016/2017	2017/2018	2018/2019	2019/2020
Turnover (in mil. CZK)	6 890	6 782	8 580	8 595
Employees – full time equivalent	1 722	1 683	1 723	1 763

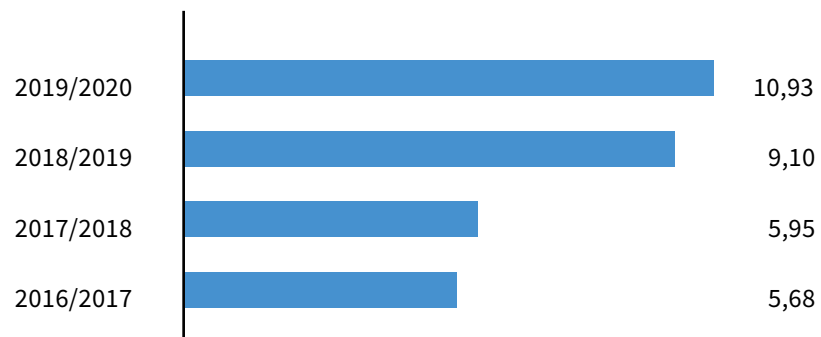




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Profit from turnover in %

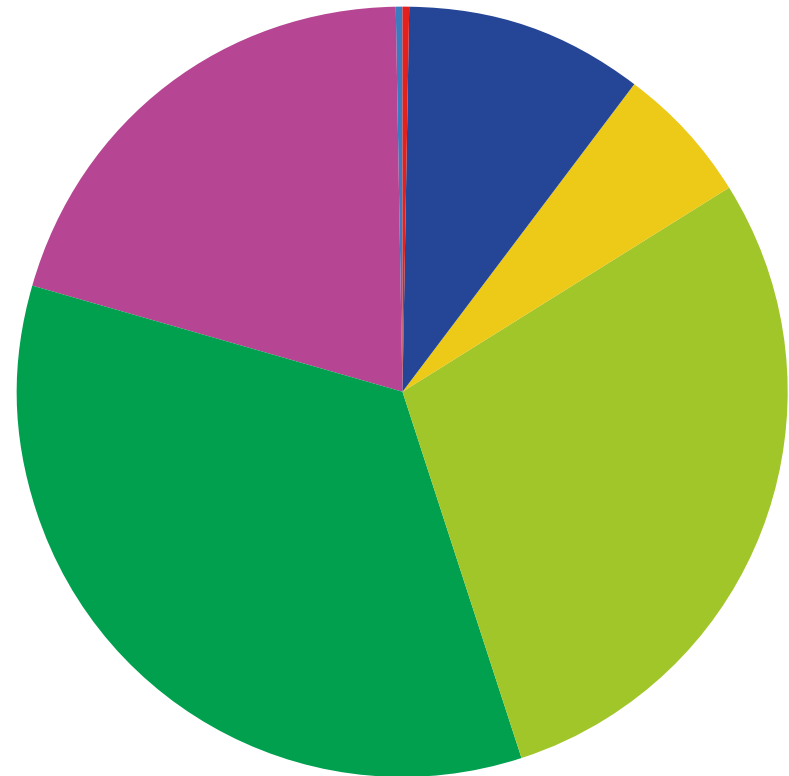
Indicator/period	2016/2017	2017/2018	2018/2019	2019/2020
Profitability on turnover in %	5,68	5,95	9,10	10,93



Indicator/period	2016/2017	2017/2018	2018/2019	2019/2020
Turnover (in thous. CZK)	6 890 247	6 782 063	8 580 264	8 595 662
Profit after tax	391 288	403 367	781 151	939 370
Profit from turnover in %	5,68	5,95	9,10	10,93
Added value	1 540 339	1 841 467	2 227 851	2 737 264
Bank loans	0	0	0	0
Employees-full time equivalent	1 722	1 683	1 723	1 763

Composition of assets as at 30 September 2020 (in thous. CZK)

	Long-term intangible fixed assets	20 381
	Long-term tangible fixed assets	716 898
	Long-term financial assets	403 137
	Inventories	2 013 799
	Receivables	2 407 702
	Financial assets	1 419 527
	Accruals	16 389
	Assets total	6 997 833



Composition of liabilities as at 30 September 2020 (in thous. CZK)

	Registered capital	384 436
	Capital funds	7 139
	Funds from profit	1 562 369
	Retained earnings from previous years	732 148
	Profit of 2019/2020 fiscal year	939 370
	Reserves	1 788 628
	Liabilities	1 582 845
	Bank loans and other creditors	0
	Accruals	898
	Liabilities total	6 997 833



FINANCIAL STATEMENT

Balance sheet and profit/loss
account as at 30 September 2020.

BALANCE SHEET

In full extent

As at 30 September 2020 (in thous. CZK)

Identification	ASSETS	Row no.	Current accounting period			Previous period
			Gross	Adjustment	Netto	Netto
a	b	c	1	2	3	4
	TOTAL ASSETS (r. 2 + 3 + 37 + 74)	001	8 724 998	1 727 165	6 997 833	6 512 529
A.	Receivables from subscriptions	002				
B.	Fixed assets (r. 4 + 14 + 27)	003	2 720 257	1 579 841	1 140 416	1 229 190
B. I.	Long-term intangible fixed assets (r. 5 + 6 + 9 + 10 + 11)	004	168 881	148 500	20 381	24 897
B. I. 1.	Intangible results of research and development	005				
B. I. 2.	Other valuable rights	006	162 897	147 569	15 328	21 452
2. 1.	Software	007	160 375	145 668	14 707	20 552
2. 2.	Other valuable rights	008	2 522	1 901	621	900
B. I. 3.	Goodwill	009				
B. I. 4.	Other long-term intangible fixed assets	010	5 420	931	4 489	2 274
B. I. 5.	Advance payments for long-term intangible fixed assets and intangible fixed assets under construction.	011	564		564	1 171
5. 1.	Advance payments for long-term intangible fixed assets	012				313
5. 2.	Long-term intangible fixed assets under construction	013	564		564	858
B. II.	Long-term tangible fixed assets (r. 15 + 18 + 19 + 20 + 24)	014	2 021 068	1 304 170	716 898	779 276
B. II.1.	Lands and Constructions	015	693 098	321 941	371 157	384 386
1. 1.	Lands and Constructions	016	146 786		146 786	146 856
1. 2.	Constructions	017	546 312	321 941	224 371	237 530
B. II. 2.	Equipment (tangible movables and their sets)	018	1 326 425	982 229	344 196	353 239
B. II. 3.	Evaluation difference to acquired assets	019				
B. II. 4.	Other Long-term tangible fixed assets	020				
4. 1.	Breeding of permanent crops	021				
4. 2.	Adult animals and their groups	022				
4. 3.	Other long-term tangible fixed assets	023				

Identification	ASSETS	Row no.	Current accounting period			Previous period
			Gross	Adjustment	Netto	Netto
a	b	c	1	2	3	4
B. II. 5.	Advance payments for long-term tangible fixed assets and tangible fixed assets under construction	024	1 545		1 545	41 651
5. 1.	Advance payments for long-term tangible fixed assets	025				20 089
5. 2.	Long-term tangible fixed assets under construction	026	1 545		1 545	21 562
B. III.	Long-term financial assets (r. 28 to 34)	027	530 308	127 171	403 137	425 017
B. III. 1.	Shares - controlled or managing entity	028	476 963	124 450	352 513	374 393
B. III. 2.	Loans- controlled or managing entity	029	2 721	2 721		
B. III. 3.	Shares – substantial influence	030	48 624		48 624	48 624
B. III. 4.	Loans - substantial influence	031				
B. III. 5.	Other long-term securities and shares	032				
B. III. 6.	Loans - others	033				
B. III. 7.	Other long-term financial assets	034	2 000		2 000	2 000
7. 1.	Another long-term financial assets	035				
7. 2.	Advance payments for long-term fin.assets	036	2 000		2 000	2 000
C.	Current assets (r. 38 + 46 + 68 + 71)	037	5 988 352	147 324	5 841 028	5 265 917
C. I.	Inventory (r. 39 + 40 + 41 + 44 + 45)	038	2 013 799		2 013 799	1 628 092
C. I. 1.	Materials	039	942 234		942 234	871 366
C. I. 2.	Work in progress and semi-products	040	1 063 044		1 063 044	704 830
C. I. 3.	Products and merchandise	041	153		153	8
3. 1.	Products	042				
3. 2.	Merchandise	043	153		153	8
C. I. 4.	Young and other animals and their groups	044				
C. I. 5.	Advance payments for inventory	045	8 368		8 368	51 888
C. II.	Receivables (r. 47 + 57)	046	2 555 026	147 324	2 407 702	2 604 189
C. II. 1.	Long-term receivables (r. 47 to 51)	047	503 980		503 980	450 772
1. 1.	Trade receivables	048	196 179		196 179	139 152

Identification	ASSETS	Row no.	Current accounting period			Previous period
			Gross	Adjustment	Netto	Netto
a	b	c	1	2	3	4
1. 2.	Receivables from controlled and managing entity	049				
1. 3.	Receivables-substantial influence	050				
1. 4.	Deferred tax receivable	051	306 311		306 311	310 981
1. 5.	Other receivables	052	1 490		1 490	639
1. 5. 1.	Receivables from partners	053				
1. 5. 2.	Long-term deposits given	054	1 490		1 490	639
1. 5. 3.	Estimated receivable	055				
1. 5. 4.	Other receivables	056				
C. II. 2.	Short-term receivables (r. 58 to 61)	057	2 051 046	147 324	1 903 722	2 153 417
2. 1.	Trade receivables	058	1 838 945	80 701	1 758 244	2 012 794
2. 2.	Receivables from controlled and managing entity	059	72 814	66 623	6 191	3 852
2. 3.	Receivables-substantial influence	060				
2. 4.	Other receivables	061	139 287		139 287	136 771
2. 4. 1.	Receivables from partners	062				
2. 4. 2.	Social security and health insurance	063				
2. 4. 3.	Due from state - tax receivable	064	71 260		71 260	104 148
2. 4. 4.	Other deposits given	065	51 403		51 403	25 836
2. 4. 5.	Estimated receivable	066	10 442		10 442	4 538
2. 4. 6.	Other receivables	067	6 182		6 182	2 249
C. III.	Short-term financial assets (r. 69 + 70)	068				
C. III. 1.	Shares - controlled and managing entity	069				
C. III. 2.	Other short-term financial assets	070				
C. IV.	Finances (r. 72 + 73)	071	1 419 527		1 419 527	1 033 636
C. IV. 1.	Cash	072	3 133		3 133	2 622
C. IV. 2.	Bank accounts	073	1 416 394		1 416 394	1 031 014
D.	Accruals (r. 75 to 77)	074	16 389		16 389	17 422
D. 1.	Deferred expenses	075	15 874		15 874	17 422
D. 2.	Complex deferred costs	076				
D. 3.	Deferred income	077	515		515	

Identification	LIABILITIES	Row no.	Current period	Previous period
a	b	c	5	6
	TOTAL LIABILITIES (r. 79 + 101 + 141)	078	6 997 833	6 512 529
A.	Equity (r. 80 + 84 + 92 + 95 + 99 + 100)	079	3 625 462	2 826 979
A. I.	Registered capital (r. 81 to 83)	080	384 436	384 436
A. I. 1.	Share capital	081	384 436	384 436
A. I. 2.	Registered capital	082		
A. I. 3.	Changes in registered capital	083		
A. II.	Premium and capital funds (r. 84 + 85)	084	7 139	573
A. II. 1.	Premium	085		
A. II. 2.	Capital funds (r. 87 to 91)	086	7 139	573
2. 1.	Other capital funds	087	555	555
2. 2.	Revaluation differences of assets a. liabilities (+/-)	088	6 584	18
2. 3.	Revaluation differences in transformation (+/-)	089		
2. 4.	Differences from transformations (+/-)	090		
2. 5.	Differences from evaluation in transformations (+/-)	091		
A. III.	Funds from earnings (r. 93 + 94)	092	1 562 369	1 561 163
A. III. 1.	Other reserve funds	093	1 558 732	1 558 732
A. III. 2.	Statutory and other funds	094	3 637	2 431
A. IV.	Profit / loss - previous year (r. 96 to 98)	095	732 148	99 656
A. IV. 1.	Retained earnings from previous years	096	732 148	99 656
A. IV. 2.	Accumulated losses from previous years (-)	097		
A. IV. 3.	Other profit/loss – previous years (+/-)	098		
A. V.	Profit / loss - current year	099	939 370	781 151
A. VI.	Decided on advance payment of dividends (-)	100		
B. + C.	Other sources (r. 102 + 107)	101	3 371 473	3 684 784
B.	Reserves (r. 103 to 106)	102	1 788 628	1 789 798

Identification	LIABILITIES	Row no.	Current period	Previous period
a	b	c	5	6
B. 1.	Reserves for pension and similar payables	103		
B. 2.	Income tax reserves	104	114 383	84 110
B. 3.	Reserves under special statutory regulations	105		
B. 4.	Other reserves	106	1 674 245	1 705 688
C.	Payables (r. 108 + 123)	107	1 582 845	1 894 986
C. I.	Long-term payables (r. 109 + 112 až 119)	108	134 889	114 700
C. I. 1.	Issued bonds (r. 110 + 111)	109		
1.1.	Convertible bonds	110		
1.2.	Other bonds	111		
C. I. 2.	Payables to credit institutions	112		
C. I. 3.	Long-term advances received	113	279	304
C. I. 4.	Trade payables	114	134 610	114 396
C. I. 5.	Long-term notes payables	115		
C. I. 6.	Payables - controlled or managing entity	116		
C. I. 7.	Payables - substantial influence	117		
C. I. 8.	Deferred tax liability	118		
C. I. 9.	Payables - other (r. 120 to 122)	119		
9. 1.	Payables to partners	120		
9. 2.	Estimated payables (passive)	121		
9. 3.	Other payables	122		
C. II.	Short-term payables (r. 124 + 127 to 133)	123	1 447 956	1 780 286
C. II. 1.	Issue bonds (r. 125 + 126)	124		
1.1.	Convertible bonds	125		
1.2.	Other bonds	126		

Identification	LIABILITIES	Row no.	Current period	Previous period
a	b	c	5	6
C. II. 2.	Payables to credit institutions	127		
C. II. 3.	Short term deposits received	128	178 279	119 151
C. II. 4.	Trade payables	129	927 815	1 179 830
C. II. 5.	Short-term notes payable	130		
C. II. 6.	Payables - controlled or managing entity	131		
C. II. 7.	Payables – significant influence	132		
C. II. 8.	Payables - others (r. 134 to 140)	133	341 862	481 305
8. 1.	Payables from partners	134	20	106 520
8. 2.	Short-term financial assistance	135		
8. 3.	Payables from employees	136	135 457	128 333
8. 4.	Payables to social security and health insurance institutions	137	83 297	78 661
8. 5.	Due from state - tax liabilities and subsidies	138	34 240	76 423
8. 6.	Estimated payables	139	61 542	36 756
8. 7.	Other payables	140	27 306	54 612
D.	Accruals (r. 142 + 143)	141	898	766
D. 1.	Accrued expenses	142	731	657
D. 2.	Deferred revenues	143	167	109

PROFIT / LOSS ACCOUNT

In full extent

As at 30 September 2020 (in thous. CZK)

Identification	TEXT	Row no.	Fiscal period	
			Current	Previous
a	b	c	1	2
I.	Revenues from sold products and services	01	7 231 635	7 345 295
II.	Revenues from sold goods	02	678 970	623 603
A.	Performance consumption (r. 4 to 6)	03	6 932 721	7 236 304
A. 1.	Expenses on sold goods	04	553 035	522 226
A. 2.	Consumption of material and energy	05	4 955 698	5 460 398
A. 3.	Services	06	1 423 988	1 253 680
B.	Change in inventory of own products (+/-)	07	-357 014	-189 514
C.	Capitalization (-)	08	-1 397 720	-1 305 743
D.	Personnel expenses	09	1 594 762	1 495 102
D.1.	Wages	10	1 188 246	1 119 528
D.2.	Social security expenses and health insurance and other expenses (r. 12 + 13)	11	406 516	375 574
2. 1.	Social security expenses and health insurance	12	379 331	356 132
2. 2.	Other expenses	13	27 185	19 442
E.	Depreciations in operating area (r. 15 + 18 + 19)	14	144 791	67 663
E. 1.	Depreciations of intangible and tangible fixed assets (r. 16 + 17)	15	128 446	116 430
1. 1.	Depreciations of intangible and tangible assets – permanent	16	128 446	116 430
1. 2.	Depreciations of intangible and tangible assets – temporary	17		
E. 2.	Depreciations of inventory	18		-5 423
E. 3.	Depreciations of receivables	19	16 345	-43 344

Identification	TEXT	Row no.	Fiscal period	
			Current	Previous
a	b	c	1	2
III.	Other operating revenues (r. 21 to 23)	20	533 467	486 681
III. 1.	Revenues from disposals of fixed assets	21	1 317	1 298
III. 2.	Revenues from disposals of materials	22	446 947	451 356
III. 3.	Other operating revenues	23	85 203	34 027
F.	Other operating expenses (r. 25 to 29)	24	364 112	255 661
F. 1.	Net book value of sold fixed assets	25	11	47
F. 2.	Net book value of disposed material	26	283 289	285 881
F. 3.	Taxes and fees	27	5 915	6 051
F. 4.	Reserves in operating area and complex deferred costs	28	-31 836	-96 489
F. 5.	Other operating expenses	29	106 733	60 171
*	Operating profit / loss (+/-) (r. 1 + 2 - 3 - 7 - 8 - 9 - 14 + 20 - 24)	30	1 162 420	896 106
IV.	Revenues from long-term financial assets – shares (r. 32 + 33)	31	76 314	93 302
IV. 1.	Revenues from shares – controlled or managing entity	32	76 314	75 302
IV. 2.	Other revenues from shares	33		18 000
G.	Expenses for sold shares	34		3 500
V.	Revenues from other long-term financial assets (r. 36 + 37)	35		
V. 1.	Revenues from other long-term financial assets – controlled or managing entity	36		
V. 2.	Other revenues from other long-term financial assets	37		
H.	Expenses associated with other long-term financial assets	38		
VI.	Interest revenues and similar revenues (r. 40 + 41)	39	4 035	6 584
VI. 1.	Interest revenues and similar revenues – controlled or managing entity	40	4 035	6 584
VI. 2.	Other interest revenues and similar revenues	41		

Identification	TEXT	Row no.	Fiscal period	
			Current	Previous
a	b	c	1	2
I.	Depreciations and reserves in financial area	42	28 630	
J.	Interest expenses and similar expenses (r. 44 + 45)	43		
J. 1.	Interest expenses and similar expenses – controlled or managing entity	44		
J. 2.	Other interest expenses and similar expenses	45		
VII.	Other financial revenues	46	71 241	24 799
K.	Other financial expenses	47	130 321	83 331
*	Profit / loss from financial operations / transactions (+/-) (r. 31 - 34 + 35 - 38 + 39 - 42 - 43 + 46 - 47)	48	-7 361	37 854
**	Profit/loss before taxation (+/-) (r. 30 + 48)	49	1 155 059	933 960
L.	Income tax (r. 51 + 52)	50	215 689	152 809
L. 1.	Due income tax	51	211 018	127 647
L. 2.	Income tax defferred (+/-)	52	4 671	25 162
**	Profit/loss after tax (r. 49 - 50)	53	939 370	781 151
M.	Transfer of dividends to partners (+/-)	54		
***	Profit/loss of current accounting period (+/-) (r. 53 - 54)	55	939 370	781 151
*	Net sales for current accounting period = I.+II.+III.+IV.+V.+VI.+VII. (r. 1 + 2 + 20 + 31 + 35 + 39 + 46)	56	8 595 662	8 580 264

SUPERVISORY BOARD's REPORT

During the evaluated period the Supervisory Board provided activities pursuant to the Civil Code, Memorandum of Association and observed the General Assembly resolutions.

SUPERVISORY's BOARD REPORT OF AŽD PRAHA S. R. O.

FOR BUSINESS RESULTS OF THE COMPANY FOR THE 2019/2020 FISCAL YEAR

During the evaluated period the Supervisory Board provided activities pursuant to the Civil Code, Memorandum of Association and observed the General Meeting resolutions.

At its regular meetings with the Executive Directors the Supervisory Board was informed on the fulfilment of accepted intentions of the Executive Plan, on the Company's business results, the Company's financial situation, the organizational changes and on the implementation of the Company's business activities in the Czech Republic and abroad.

The Supervisory Board got acquainted with the submitted business results of AŽD Praha s.r.o. as at 30 September 2020 and approves them without any objection or complements.

Having discussed the matter with the executives the Supervisory Board advises the General Assembly to approve the business results of AŽD Praha s.r.o. as at 30 September 2020 including the financial statement and profit distribution proposal.

Ing. František Formánek

Petr Rott

Ing. Miroslav Kozák

In Prague on 30 December 2020



This Annual Report has been elaborated in compliance with the valid Accounting Act and reflects the state as at 30 September 2020

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