

REPORT ON BUSINESS ACTIVITIES AND RESULTS OF THE **AŽD PRAHA S.R.O. COMPANY**

FOR THE FISCAL YEAR 2014/2015



PRAHA



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CONTENTS

GENERAL MANAGER'S FOREWORD	4
MANAGING BODIES AND ORGANISATIONAL UNITS	9
WHO WE ARE	16
BUSINESS ACTIVITIES	18
RESEARCH AND DEVELOPMENT	22
PRODUCTION ACTIVITIES	24
INSTALLATION ACTIVITIES	28
DIVISION OF ROAD TECHNOLOGY AUTOMATION	30
DIVISION OF TELECOMMUNICATION AND SIGNALLING	
TECHNOLOGY SERVICE	32
LOGISTIC PLANT OLOMOUC	36
AŽD PRAHA, INTERNATIONAL COOPERATION AND	
EXTERNAL REALATIONS	40
INTEGRATED MANAGEMENT SYSTEM ENVIRONMENTAL	
PROTECTION	44
FINANCIAL MANAGEMENT OF COMPANY	48

INTRODUCTORY WORD



Dear members, business partners, colleagues, dear friends,

I am pleased to address you on the occasion of issue of the Annual Report of Activities and Results of AŽD Praha mapping the previous economic year as required by law. The openness of our purely Czech company is documented by the disclosure of series of information going beyond the scope of statutory requirements. The positive results of the previous years continued last year ranking it among the more successful ones. Even in difficult times we are in decent economic as well as financial situation gradually fulfilling the strategic programme both in technical and business sphere. This Annual Report will provide you with the information from all fields of our activity and business; the income from operations in standard items can be found in subsequent tables. I would like to thank all of you, our employees, business partners, members, friends and all who know and support our company. Our company could hardly exist and carry on business without you.

During the observed period the activities of AŽD Praha focused particularly on foreign markets. We were trying to accomplish one of the strategic goals – to increase the export and

balance the imaginary scales between the domestic and foreign activities. The biggest challenge for us was the Turkish market. Turkey occupies an important position in our foreign market with two contracts in the railway area and one in the road telematics area. However, it will be very important to finish the contracts successfully this year.

Our own top-class technologies and comprehensive technical solutions were our competitive advantage together with our flexibility, action and courage, by means of which we strengthened our position of a respected partner of our customers among national institutions as well as construction and technology companies.

In the sphere of technology we have continued with placing the fully electronic interlocking ESA 44 with new functions. The interlocking was also a subject of many foreign applications. New electronic features, interface for new LED signals and indicators and features in railyards, all of these are the prerequisites for success of the new interlocking. Modern line signalling systems and in particular the fully electronic and modular level crossing system PZZ-J were one of the achievements of the monitored year. New automatic train control system, telecommunication,

transmission and information systems, and last but not least, our own ETCS L2 which was put into operation on some sections, are the fundamental milestones of technical development. Another also very important technical system is an automated traffic control system according to the planned diagram and an independent system of conflict situations. We believe that the system will be put into operation this year and that it will bring the necessary reduction of operating staff and also greater effectiveness, flexibility and speed.

The sphere of road telematics has shown a significant growth of turnover over the past several years. The important contracts in the sphere of crossing controllers, public lighting construction, public transportation systems and many others both within the country and abroad, take a significant part in the total turnover of the company.

I must also mention the positive results of work for the Transport Enterprise in Prague and Brno and for the Metro.

The project of microscope production for FEI COMPANY continued successfully during the last year. We were evaluated as the best subcontractor of this American corporation. Our modern supplying and logistic centre in Olomouc manage to flexibly supply both do-

mestic and foreign customers and our own organizational units with our products.

In the previous year we were also an active member of European and domestic organizations and institutions. We managed to obtain a full membership in the organization called UNISIG; our participation in the work of UNIFE is insignificant.

Moreover, our company is not forgetting the sphere of social activities. We were helping the disabled and supporting many cultural and sport events as well as specific sportsmen.

Our company pays a big attention to a positive media image and the promotion of the whole branch. There is not only an internal magazine for our employees published by our company but also the quarterly journal Reportér, which has exceeded the imaginary border of AŽD Praha a long time ago becoming a railway magazine for a wide range of readers. Also the video magazine "Attention, a train!" is a show recognized to such extent that it is adopted also by some other television stations.

Dear friends,

I could go on with presenting the breakdown of other information on the economic year 2014/2015 but with respect to the limited space in this Report I have mentioned only the essential milestones of the previous year.

Thank you very much for your work, support and confidence.



Ing. Zdeněk Chrdle
General Manager



PRAHA

COMPANY BODIES



AŽD Praha s.r.o. (Company Identific. No. 48029483) is a purely Czech company owned by a long time stable group of owners. Pursuant to the Commercial Code of the Czech Republic, it is a limited liability company. It is registered in the Commercial Register administered by the Municipal Court in Prague, Section C, Insert 14616. From legislative and economic point of view, it constitutes a single legal entity.

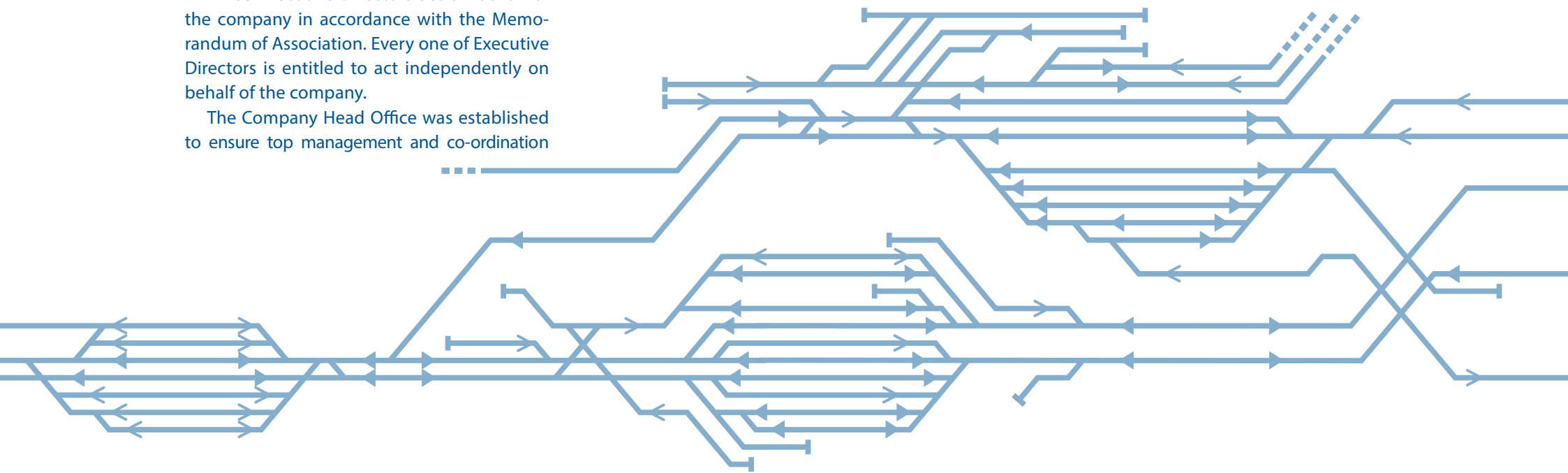
Three Executive Directors act on behalf of the company in accordance with the Memorandum of Association. Every one of Executive Directors is entitled to act independently on behalf of the company.

The Company Head Office was established to ensure top management and co-ordination

functions, and it manages and coordinates activities assuring implementation of the Company's subject of business.

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

The Company's bodies and representatives are mentioned in this Annual report according to the state as at September 30, 2015.



COMPANY BODIES

as at 30. 09. 2015

GENERAL ASSEMBLY

EXECUTIVES

Ing. Zdeněk CHRDLÉ

General Director – CEO

Ing. Roman JUŘÍK

Technical Director

Daniela VESELÁ

Director of Supplies and Sales (Logistic) Plant
Olomouc

SUPERVISORY BOARD

Ing. Miroslav KOZÁK

Financial Director

Ing. František FORMÁNEK

Partner

Petr ROTT

Partner

COMPANY HEAD OFFICE AND HEADQUARTERS

AŽD Praha s.r.o.

Žirovnická 2/3146, 106 17 Prague 10

Telephone: (+420) 267 287 111

E-mail: info@azd.cz

Internet: 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 & Production Director

Ing. Radek ZAMRAZIL

Telephone: (+420) 267 287 797

Telecommunication technology Director

Miroslav Hora

Telephone: (+420) 267 287 444

Director of Equity Holdings

Ing. Jiří BAŤKA

Telephone: (+420) 267 287 203

Commercial Director for Road Telematics

Ing. Vladimír KETNER

Telephone: (+420) 267 287 284

Commercial Export Director

Ing. Petr ŽATECKÝ

Telephone: (+420) 267 287 263

European Affairs Director

Ing. Vladimír KAMPÍK

Telephone: (+420) 267 287 437

Personnel Manager

Ing. Miloslav SOVÁK

Telephone: (+420) 267 287 754

ORGANIZATION UNITS

TECHNIKA PLANT

Director of the Plant

Ing. Karel VIŠNOVSKÝ
AŽD Praha s.r.o., Technika plant
Žirovnická 2/3146, 106 17 Prague 10
Telephone: 267 287 223

Deputy Director of Research and Development

Ing. Antonín DIVIŠ
Telephone: 267 287 364

Deputy Director of Design

Ing. Josef BOREČEK
Telephone: 267 287 259

PRODUCTION PLANT BRNO

Director of the Plant

Ing. Jolana HORSÁKOVÁ
AŽD Praha s.r.o., Production plant Brno
Křížíkova 32, 612 00 Brno – Královo Pole
Telephone: 549 122 101

PRODUCTION PLANT OLOMOUC

Director of the Plant

Ing. Stanislav SLAVÍČEK
AŽD Praha s.r.o., Production plant Olomouc
Roháče z Dubé 6, P.O.Box No. 13,
779 00 Olomouc 2
Telephone: 585 113 510

INSTALLATION PLANT KOLÍN

Ředitel závodu

Ing. Václav PAŘÍZEK
AŽD Praha s.r.o., Montážní závod Kolín
Polepská 724, 280 02 Kolín IV
Telefon: 321 720 692

INSTALLATION PLANT OLOMOUC

Director of the Plant

Ing. Zdeněk BĚBAR
AŽD Praha s.r.o., Installation plant Olomouc
Jiráskova 5, 779 00 Olomouc
Telephone: 585 113 660

SUPPLIES AND SALES (LOGISTIC) PLANT OLOMOUC

Director of the Plant

Daniela VESELÁ
AŽD Praha s.r.o., Supplies and Sales (Logistic)
Plant Olomouc
Železniční 1, 779 00 Olomouc
Telephone: 585 113 210

DIVISION TELEINFORMATICS

Director of the Division

Pavel ZÁLESKÝ
AŽD Praha s.r.o., Division Teleinformatics Prague
Ukrajinská 4, 101 28 Prague 10 - Vršovice
Telephone: 274 012 612

*DIVISION OF SERVICE FOR
TELECOMMUNICATION AND
SIGNALLING TECHNOLOGY*

Director of the Division

Ing. Václav BARTŮŇEK
AŽD Praha s.r.o., Division of Service for
Telecommunication and Signaling Technology
Žirovnická 2/3146, 106 17 Prague 10
Telephone: 267 287 153

*DIVISION OF ROAD TECHNOLOGY
AUTOMATION*

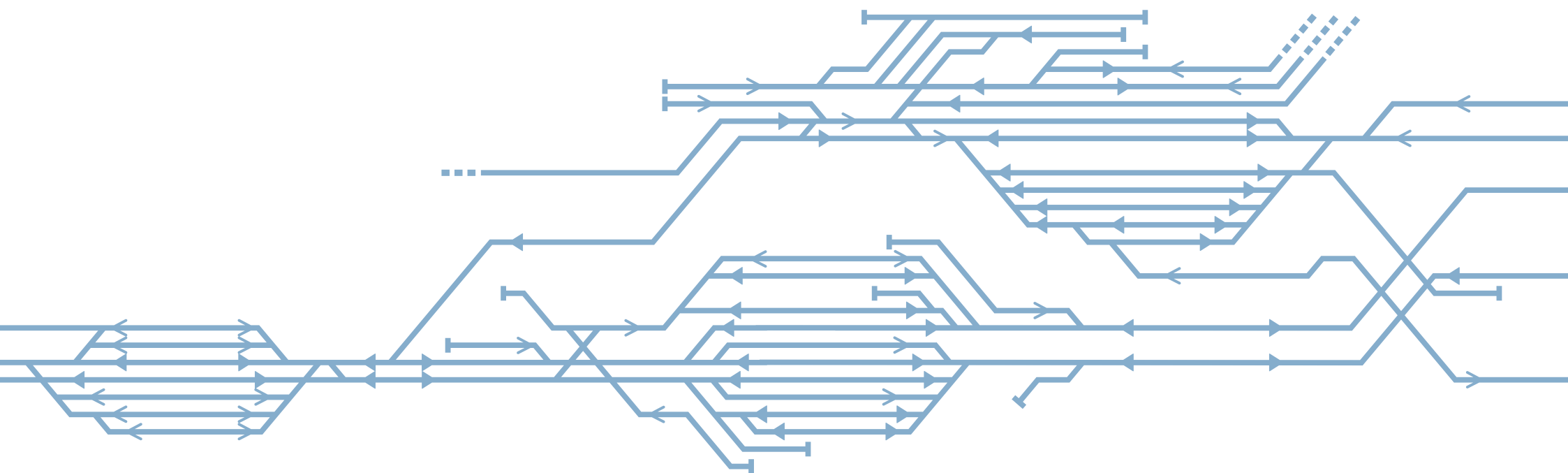
Director of the Division

Ing. Zdeněk GRUBL
AŽD Praha s.r.o., Division of Road Technology
Automation
Křížíkova 32, 612 00 Brno – Královo Pole
Telephone: 541 421 540

*AŽD Praha s.r.o.,
ORGANIZATION UNIT BRATISLAVA*

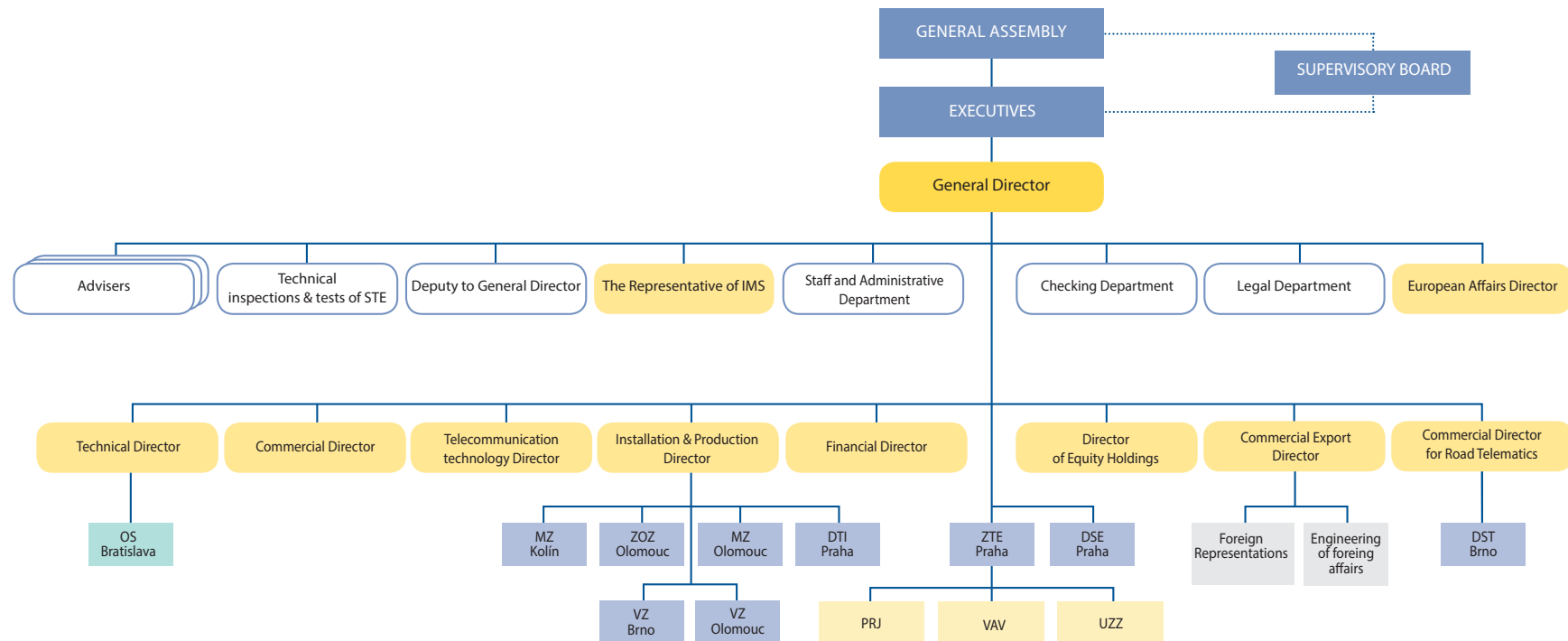
Director of the Unit

Ing. Štefan GLOVIČKO
AŽD Praha s.r.o., Organization unit Bratislava
Ružinovská 1G, 821 02 Bratislava
Telephone: (+421) 258 282 350



ORGANISATIONAL CHART

to 30.9.2015



Key:

VZ – Production Plant

MZ – Installation Plant

ZOZ – Supplies and Sales Plant

ZTE – Technika Plant

PRJ – Design

VAV – Research and Development

DSE – Division of Service for Telecommunication and Signalling Technology

DTI – Division Teleinformatika

DST – Division of Road Technology Automation

OS – Organization Unit

IMS – Integrated Management System (Quality, Environment,...)

UTZ – Specific Technical Equipment (STE)

UZZ – Foreign Trade Supportive Department

ACTIVITIES IN LABOUR-LAW RELATIONS

During the 2014/2015 fiscal year, no principal changes or activities occurred in the field of labour law relations. Mostly, common operative matters of the labour-law character were solved.

Changes of Statutory Bodies

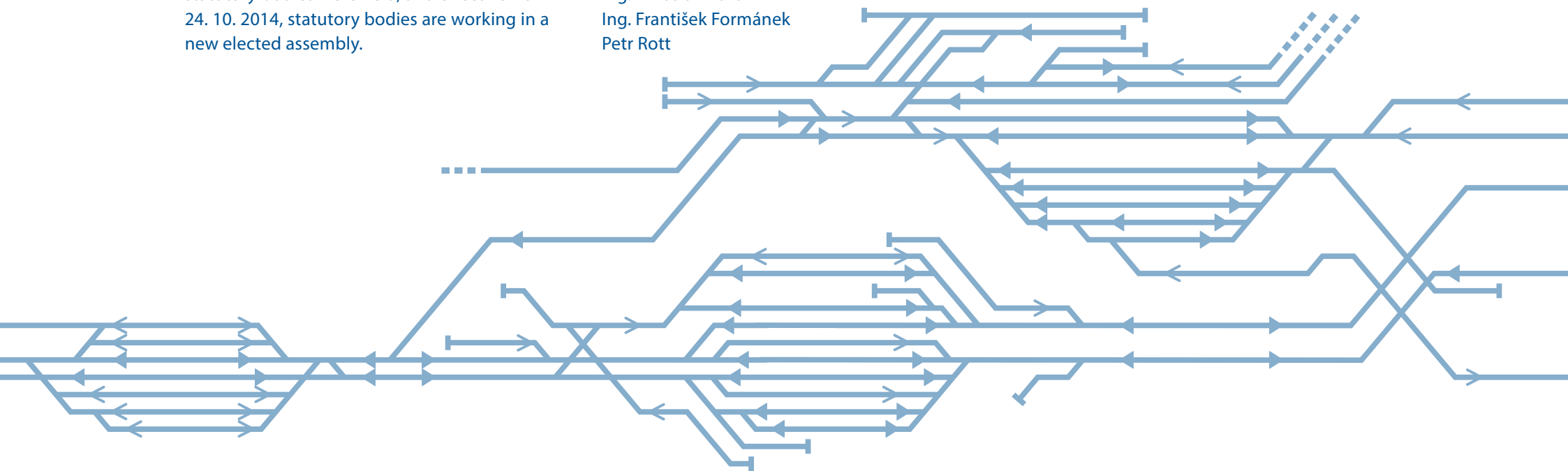
In the period after 30. 09. 2014 elections of statutory bodies were held, and effective from 24. 10. 2014, statutory bodies are working in a new elected assembly.

Executives:

Ing. Zdeněk Chrdle
Ing. Roman Juřík
Daniela Veselá

Supervisory Board:

Ing. Miroslav Kozák
Ing. František Formánek
Petr Rott





OPF52

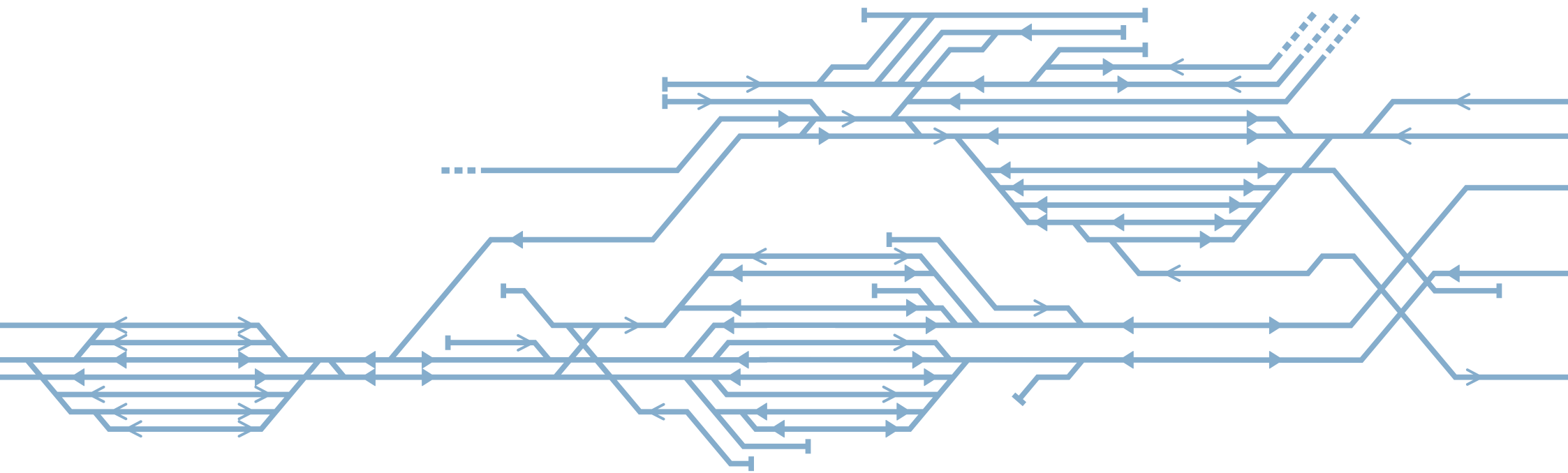
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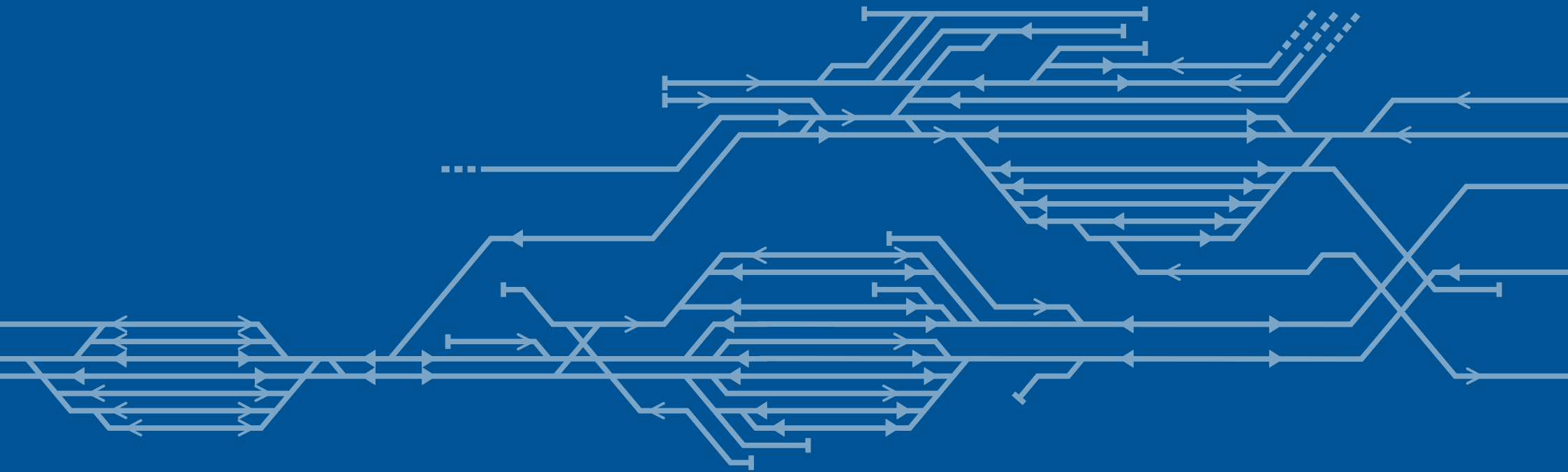
WHO WE ARE



The AŽD Praha company is the greatest Czech producer and supplier of control/command, signalling, information and telecommunication systems and technologies for railway and road transport. Owing to comprehensiveness, ranging from needs' analyses and development of equipment, through design, production, and installation to long-term servicing, the AŽD Praha offers efficient solutions of particular needs of its customers.



BUSINESS ACTIVITIES



The AŽD Praha company has reached an important position on the transport technology market in the field of signalling, control/command and telecommunication equipment for transport infrastructure. The long-term presence on this market confirmed that the AŽD Praha company is able to implement with success sophisticated projects in its field of business and to assure complex set of activities for successful managing of demanding orders. The company disposes of required personal and technical background for processing of design documentation, executing of installation works, assuring of deliveries. After implementing of the order, it is also able to assure the warranty and post warranty service.

Certifications owned by the AŽD Praha company allow to carry out all works on the railway infrastructure in appropriate business branches. It means, that after finishing of installation works, the company is able, by means of its own employers, to carry out commissioning of the technological equipment including ensuring of issue of all documents required for its operation and consequent administrative acts. The scope of company activities is not only focused on the field of installations, but also on the field of development and research. The extensive production of elements of signalling, control and communication systems is

the integral part of the company.

The company activities are secured regarding production quality, environmental protection and occupational safety and health. These criterions are confirmed by fulfilment of requirements of the ISO 9001, ISO 14001 and OHSAS 18001 standards by certificates issued by the international IQNet certifying body.

Anticipated Development of Activities

AŽD Praha company has focused in its main scope of activities on maximum usage of its potential resulting in economical and cost effective solutions. In the field of control, signalling and communication systems, the company used maximum possibilities of production and installation processes to achieve the task – to provide all required activities to satisfy the customer. The efficiency of the process must be supported by related programs of service and contracts in the field of maintenance and also repairs of the equipment. This course of action will allow the AŽD Praha company to maintain and develop its position on the domestic market.

The AŽD Praha company also proved the capability to operate on foreign markets. In this international environment, it implemented complete orders of technological units,

and achieved required knowledges enabling extension of activities abroad for the future. Technical level of the company and long-term experiences in the field of transport technologies bring a greater share on contracts on foreign markets.

BUSINESS ACTIVITIES IN THE FIELD OF FOREIGN ORDERS

Foreign orders show very dynamic progress. Centralization of foreign activities is the main aspect of the foreign trade of the AŽD Praha. Individual destinations, how are called the locations of interest, are always administrated by a specialized team of people. This team is usually put together in the moment, when an interesting contract is received, or a significant position on the foreign market is gained. These teams are placed under the unified head of Foreign Trade, which enables a better control over the foreign activities and coordination of implementation of contracts within the company. Under the head of Foreign Trade, the “Engineering of Foreign Orders” works successfully, providing management of implementation of individual foreign projects and monitoring of economic indicators of orders in the context of planning.

Destinations in the area of main interest of AŽD Praha are Lithuania, Belarus, Serbia, Montenegro, Bosnia and Herzegovina, Macedonia, Turkey, Greece, U.S.A., Bulgaria, and Malaysia. Newly, the company strives to penetrate the territories of Croatia, Rumania, and Iran.

COMMERCIAL ACTIVITIES IN THE SECTION OF ROAD TELEMATICS

The Commercial Section for Road Telematics (OBU STM) is focused on production and deliveries of intelligent systems and devices contributing to increasing of continuity and safety of road transport.

The OBU STM develops its activities successfully in Czech Republic and abroad, for example in Turkey, Azerbaydzhan, in Slovakia, in Bulgaria or Serbia.

In the market in Azerbaydzhan, thanks to activities of STM, the AŽD Praha company has received an important position by implementation of great contracts for delivery and commissioning of motorway information systems and line management system for motorways in Baku. In Turkey, the received and currently being implemented contract for complete building of an intelligent municipal traffic control system in Izmir town enabled to establish commercial negotiations also in other Turkish towns.

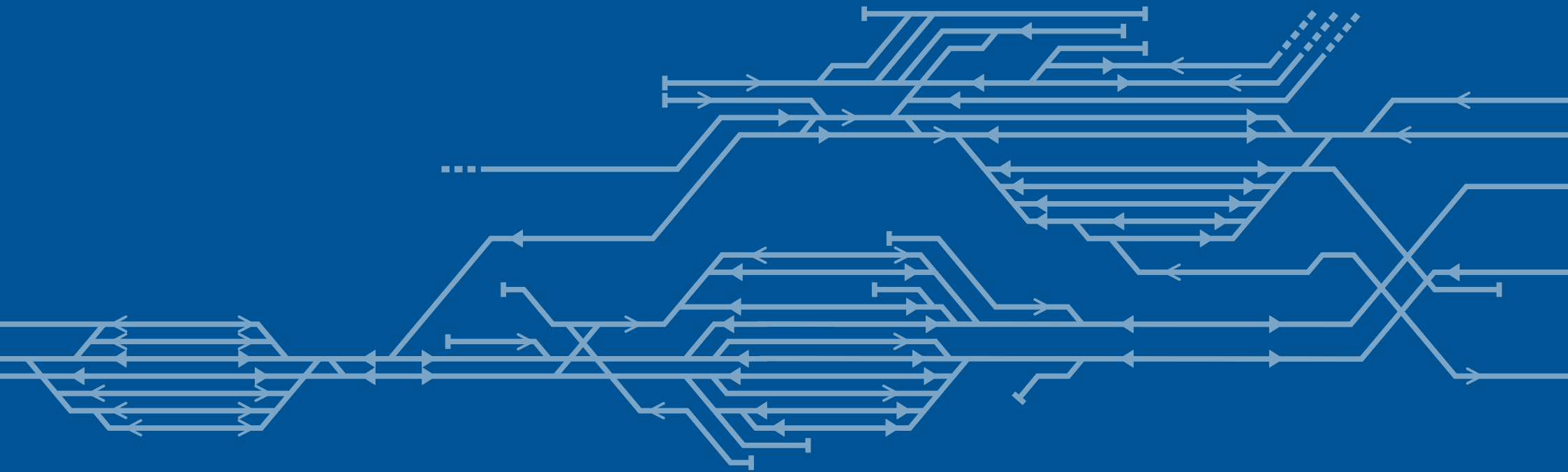
The STM section together with the implementation section - Division of Road Technology Automation (DST) gained its significant position on the market by their complex solutions of customers' needs, starting with the project documentation and engineering acti-

vities, production and installation to the maintenance and servicing of the technologies delivered. In addition to other activities, it offers to its customers also land communication safety audits.

Technical department, that assures own development of products used within road telematics, is part of the Commercial section STM.



RESEARCH AND DEVELOPMENT



RESEARCH AND DEVELOPMENT

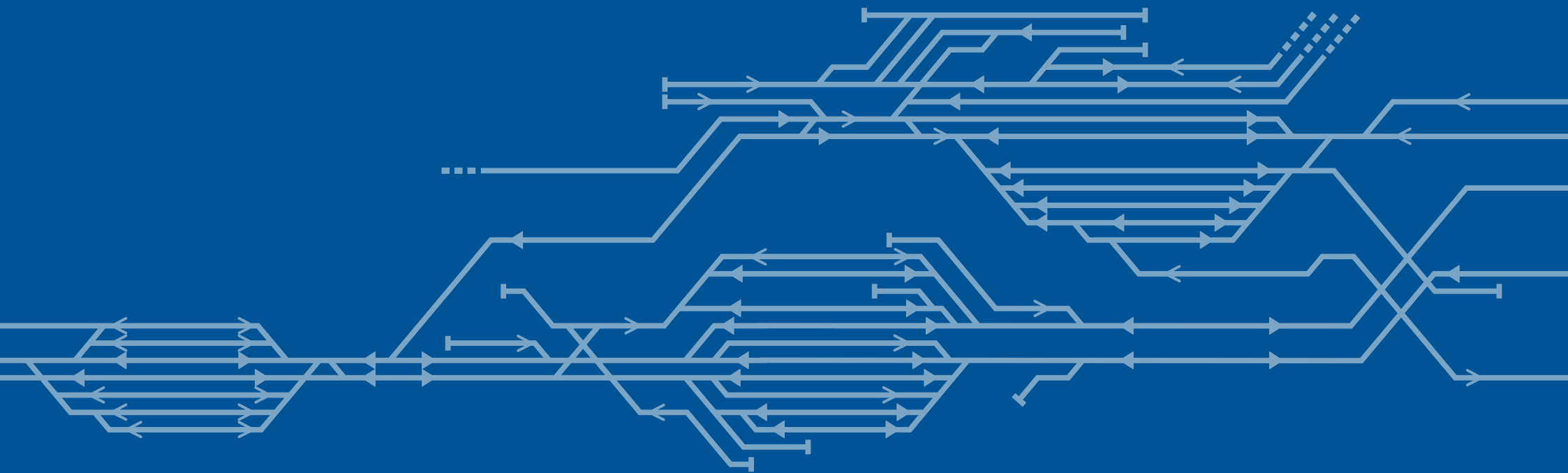
The AŽD Praha company is a long term and traditional supplier of railway signalling equipment and their individual components, especially for railway traffic and metro, and also the supplier of road traffic systems in the Czech and Slovak Republic. In addition, every year the company strengthens and confirms its position also on other foreign markets. This would be unconceivable without the strong and quality background, in this case own development capacities, which are the necessary condition of the successful company development.

While earlier it was necessary to replace gradually the traditional relay signalling equipment with electronic systems including passing from systems with inherent safety to systems with redundant safety, currently the research and development faces other challenges. Basically, it is both the new generation of electronic computer systems, and solutions of earlier non-traditional user benefits. With the development of technology and using of possibilities, which this technology offers, it is not sufficient only to develop simple replacements of equipment of previous generations. The aim is not only the simple operating and control of infrastructure elements, but the complex traffic control. Hence, it is necessary to develop new equipment, such as elements

of the so called intelligent infrastructure, which have to be incorporated in higher units and further to integrate with existing systems used by freighters and infrastructure administrators.

So, our exercise both in this country and abroad brings other challenges and duties for research and development. Developers take part in activities of the Czech UNMZ (Czech Office for Standards, Metrology and Testing) and in activities abroad, first of all in activities of working groups of CENELEC (European Committee for Electrotechnical Standardization) and UNISIG (Union Industry of Signalling) and so they actively participate in creating of standards and technical specifications for European railway industry.

PRODUCTION ACTIVITIES



PRODUCTION PLANT BRNO

In the production plant Brno (VZB), production is organized in two main fields – implementation of electronic and electro-technical configurations for railway signalling and telecommunication systems within the own industrial production and in the cooperative production of electromechanical subassemblies of vacuum technology for the FEI COMPANY.

In the field of own industrial company production, VZB specializes in the production of electronic and electro-technical configurations of railway signalling and telecommunication systems.

In this plant, there is concentrated production of basic electronic configurations on printed circuit boards, completion of electronic units, of superior electronic and electro-technical configurations and direct configurations of station interlocking, line signalling, level crossing and automatic train protection systems. An integral part of the production program of the VZB are also elements of light signals, telecommunication technology and wayside accessories of track circuit.

All production processes of installation of electronic configurations on printed circuit boards are technologically arranged so, that it could be possible to perform even the most

complicated configurations populated from both sides by externally mounted components in combination with components populated from both sides and with outlets to through holes. In terms of the production flow and used technological equipment, the assembly of electronic configurations is adjusted for piece, small-lot to medium-lot production of a large assortment of configurations. In the VZ Brno, all electronic configurations on printed circuit boards are manufactured and assessed in accordance with acceptance criteria of international standards IPC valid for the most demanding class 3. In all production processes, all regulations on protection of electronic configurations against the electrostatic discharge are strictly observed. Such adjusted production processes are applied not only for the assembly of electronic configurations of the own repetitive, prototype and sample production, but they are also successfully offered to external customers.

During the last 2014/2015 fiscal year, within the constant improvement and modernization of production processes, other technological equipment was provided and commissioned – pick-and-place automat for external (surface) mounting MYCRONIC MY200LX-14 and the second automated optical inspection system SAKI BF-Sirius for checking of population and starting of external mounting. To improve iden-

tifiability and deducibility of electronic configurations during production, the NUTEK LMC-S3 device for laser branding of 2D code, which is unique for every printed circuit board, was inserted in marking of printed circuit boards.

In the field of production measuring and testing, modernization of monitoring and measuring instruments and their regular metrological confirmation was carried out.

Within the cooperative production of electromechanical subassemblies of vacuum technology, the VZB belongs still to leading suppliers of the FEI COMPANY. The active approach of the AŽD Praha company to the cooperation with this important partner was appreciated during the Supplier Day by granting the SUPPLIER AWARD 2014 for the best supplier of the year.

In the field of environmental protection, the VZB strictly applies the minimization of impacts of production processes to environment. There are especially following preventive measures:

- Limited usage of lead soldering alloys
- Limited usage of substances dangerous for waters in cleaning processes of configurations on printed circuit boards and components for vacuum technology;
- Limited usage of dangerous substances and mixtures containing volatile organic matters in surface treatment technologies

- System of control mechanisms resulting in minimization of leakage of dangerous substances to environment

PRODUCTION PLANT OLOMOUC

Within the company, the Production plant Olomouc (VZO) has been on a long-term basis focused on the field of engineering production and electro-mechanical production.

VZO provides the production of especially wayside elements for safeguarding of points and level crossings, which have to be resistant not only against action of atmospheric influences but also against railway operation directly in the railyard.

Investments realized during recent years were directed mainly to cutting operation area, when several milling and turning centres were provided, mainly from the Japanese company MAZAK.

At present, the key machining centers are doubled so, that in case of any failure of machines, the production of key products, such as point machines, barrier drives and jaw locks, was not endangered.

Very good technological level of machining is also complemented with outstanding devices in the field of monitoring of production quality. 3D measuring digital centre LK G-90C,

very precise 3-coordinates measuring system, enabling checking of first produced pieces up to dimensions of 600 × 500 × 400 mm, portable 3D measuring coordinate device FARO Gage plus with measuring range up to 1 200 mm, and digital altimeter MAHR 1000mm.

VZO currently disposes of quality technology also in plate beating area. Punching press TruPunch 3000 and press brake CNC TruBend 5170 enabled to extend the production program with a cabinet assortment, which can be applied both within our company and for external partners.

Within new investments during the last years, the VZO realized the extensive modernization of paintshops where, beside construction modifications, the new technological devices were installed, so that this operation could meet very demanding criteria regarding environmental protection also for the future. At the same time, the quality of surface treatments was assured for products with five-years warranty period, which are placed in outdoor. In connection with this demand, evaluation of the system of currently used paints was carried out. Test of comparison of quality of the painting system in confrontation with systems of surface treatment of other three producers was carried out in the certified testing laboratory.

Based on it and based on results of economical assessment, VZO is currently being implemented system of surface treatments from a new supplier so as to assure even higher quality for key products.

In connection with demands of clients and customers of our company to evidence welding processes, the welding system in VZO is now certified according to ČSN EN ISO 9001:2009. To assure exact material specifications, the new Q2-ION spark spectrometer was provided, which is applied also for materials for machining and pressing.

In VZO, qualification of employers was finished according to demands of ČD v95/5 for preparation of certification according to ČSN EN 15085-2 CL-4, which is newly demanded by ČD a.s. (Czech Railways) for products of AŽD Praha intended for railway vehicles.

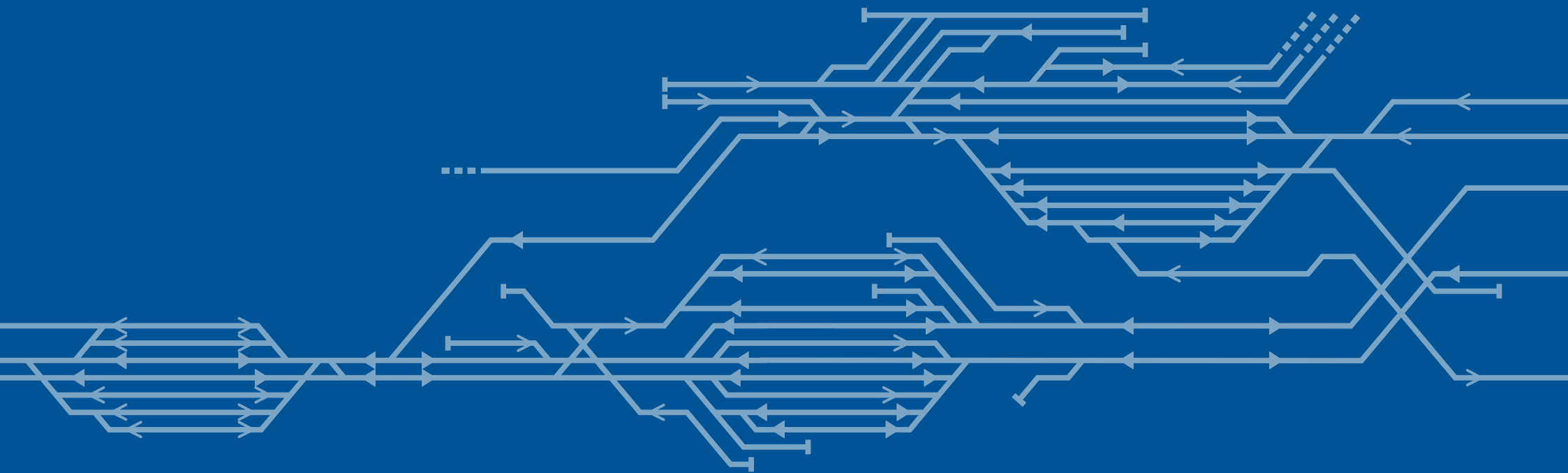
Together with the quality, these management systems are certified and integrated into the unified Integrated Management System.

All machining centres MAZAK have closed coolant and lubrication circuits and also the own working space. This not only improves the environmental protection, but also protection of workers and occupational safety, and so VZO has an active approach to this problematic.



Se 4 2

INSTALLATION ACTIVITIES



In the 2014/2015 fiscal year, all capacities of installation plants Olomouc, Kolín and of the division of Teleinformatics were fully occupied on constructions of RIA (SŽDC). These tendered constructions started immediately after handing over for implementation, and many of them were finished already in the monitored fiscal year. These were mainly large units and linear constructions, requiring high degree of professionalism and coordination up to the end of works. High increasing of production gradually passed to installations, where our experts took over tasks on individual sites under their coordination activities and with the help of top management and other contractors, the tasks were successfully managed.

In these constructions, the high technology of AŽD was used, in many cases, it helped to assure also these technologically demanded constructions in required terms, quality, operator comfort and safety. Comfort of the operating staff is assured by the technology of the station interlocking equipment ESA-44 including over-lay technical solutions, which for several years include EZS at track circuits, and VNPN at axles counters, the TRS device with the function of General Stop. These systems completed with quality diagnostics are necessary for modern traffic control. We cannot forget also other devices, such as GTN

(Graphic-technology overlay) directly for traffic employers.

In the review we cannot omit also other technological elements, which helped to modernize line parts of open line sections, e.g. ABE-1, CAB radio, Radio Block etc. The most recent trend is the remote traffic control and its placing in the central dispatching centre CDP. Great deserts belong to all employers and professionals, who participated in the whole process of building of these important constructions.

The Teleinformatics division also largely participated in safeguarding of telecommunication parts of constructions and by coordination of foreign contractors contributed to successful commissioning during final activations.

DIVISION OF ROAD TECHNOLOGY AUTOMATION



Division of Road Technology Automation Brno (DST) is a realization unit for deliveries of road traffic control technologies, and applications from the road telematics area. Its activities focus on the production, installation and complex servicing and maintenance of these systems. Activities of the DST Brno include also design activities, engineering, operation development, and advisory activities on the transport technology market.

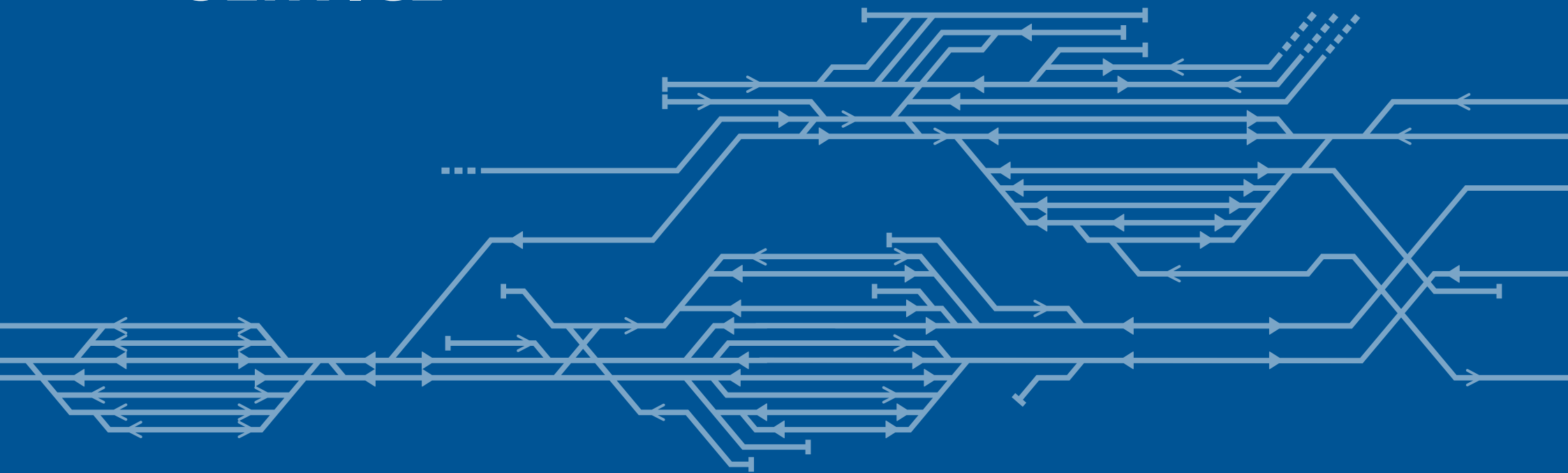
During the fiscal year, cooperation with the CROSS Zlín company on the great project „Building of fully adaptive control, checking, and information system of traffic“in Turkish town Izmir continued. This contract is focused on complex control and regulation of traffic in town, and includes systems of automatic video-detection of running through a red light, systems for measuring of section speed, systems for measuring of height of vehicles, traffic monitoring systems, preference of bus transport and rescue services, complex control and collecting of data of public traffic from the traffic control place (dispatching) including complete fitting of the fleet of buses of the transport company with technological equipment, system of intelligent bus stops of urban public transportation, information system of variable traffic signs, additional fitting of light signaled crossings with modern control sys-

tems, systems of traffic control on parking places and retaining systems of pedestrian zones. These devices and systems are controlled and supervised from the traffic control centre.

During 2014/2015, scheduled works on important long-term contracts continued. First of all, service works and maintenance of electric connections (VN-high voltage, NN-low-voltage) and portal structures of toll gates on selected roads in the Czech Republic, and further service works and maintenance of the information system (PDZ/ZPI, portal structures and connections) of D1 motorway.

In concurrency with the implementation activities, the DST continuously provided the warranty and post-warranty service of technologies for light signalization devices of crossroads (SSZ), service of barriers and gates for the Prague Public Transit Company, maintenance of technological equipment of selected tunnels in Brno, service of technological equipment in tunnels in Jihlava and Valík on the D5 motorway on the by-pass road of Plzeň city, and participated also in service of both tunnels on the Prague Ring Road (R1 road). To support the traffic prevention, the DST successfully delivered technologies for several children's traffic playgrounds for our villages and towns, for example for Jablůnkov and Karlovy Vary.

DIVISION OF TELECOMMUNICATION AND SIGNALLING TECHNOLOGY SERVICE



Division of Telecommunication and Signalling Technology Service (DSE) is an independent organizational unit the main task of which is providing service activities for the telecommunication and signalling systems.

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

DSE provides service activities preferably for the field of new modernized technological units, and especially electronic computer station interlocking, line signalling and level crossing systems and of remote control including

service of points and barrier program of AŽD Praha.

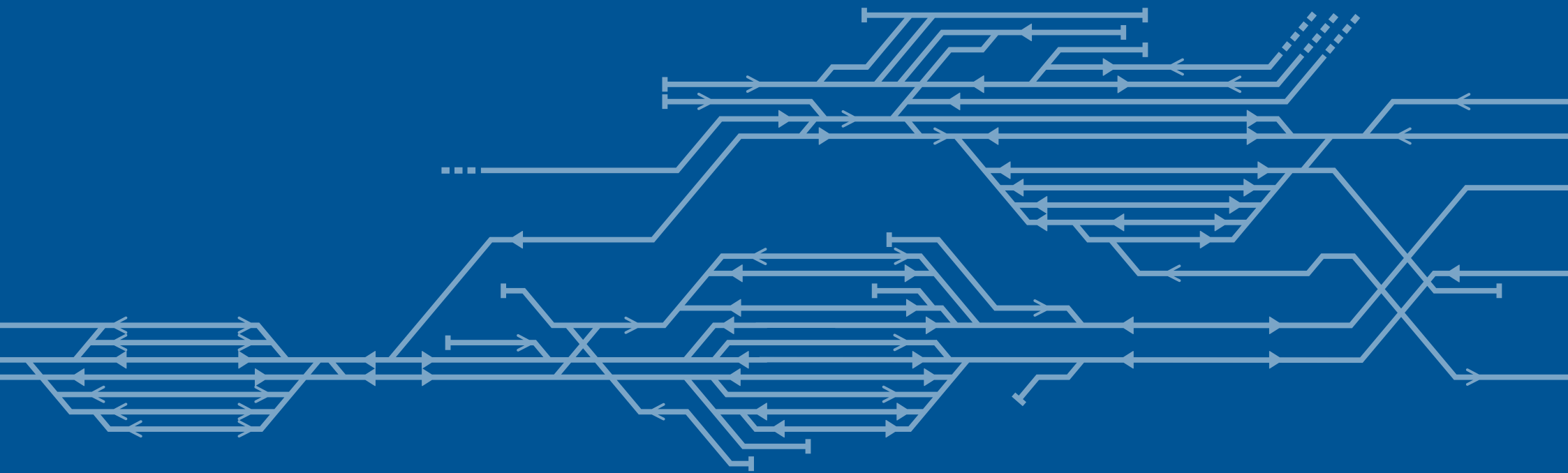
In the territory of the Slovak Republic, service is provided by service groups in Poprad, Bratislava and Žilina by means of the OS Bratislava, in Montenegro on the Nikšič-Podgorica line by means of the OJ Montenegro. Further, methodological control is carried out successfully in Belarus, AŽD subsidiary MPC Servis, and in Serbia, AŽD subsidiary SASI. Service supervision of delivered equipment is carried out in Lithuania, Iran, Greece,

Turkey and USA. In case of a complicated defect, the repair is provided directly by the visit of DSE employees.

The service activity is provided continuously 24 hours a day and 365 days a year based on continuous emergency services.



LOGISTIC PLANT OLOMOUC



The Logistics Plant with its seat in Olomouc is a logistic centre of AŽD Praha Co. It is divided into two executive sections, where the Logistic and Sales department provides simultaneously purchase and sale of our own products and other material, and Stock-keeping department, which disposes of its own automobile transport and ensures distribution of material overall territory of the Czech Republic and Slovakia. It also provides material distribution to certain foreign constructions.

Vehicles of ZOZ traveled more than one million kilometers per year. Due to assuring of timely deliveries for our plants and business partners, external transportation was also used for the whole fiscal year, and both for internal and foreign transport.

In the last period, we dispatched more than 18 000 palettes and almost 11 000 cable drums.

Due to increased dispatching and movement of goods in stock, we implemented an investment to increase the warehouse area by creating of stock intermediate floor of 265 m² during operation.

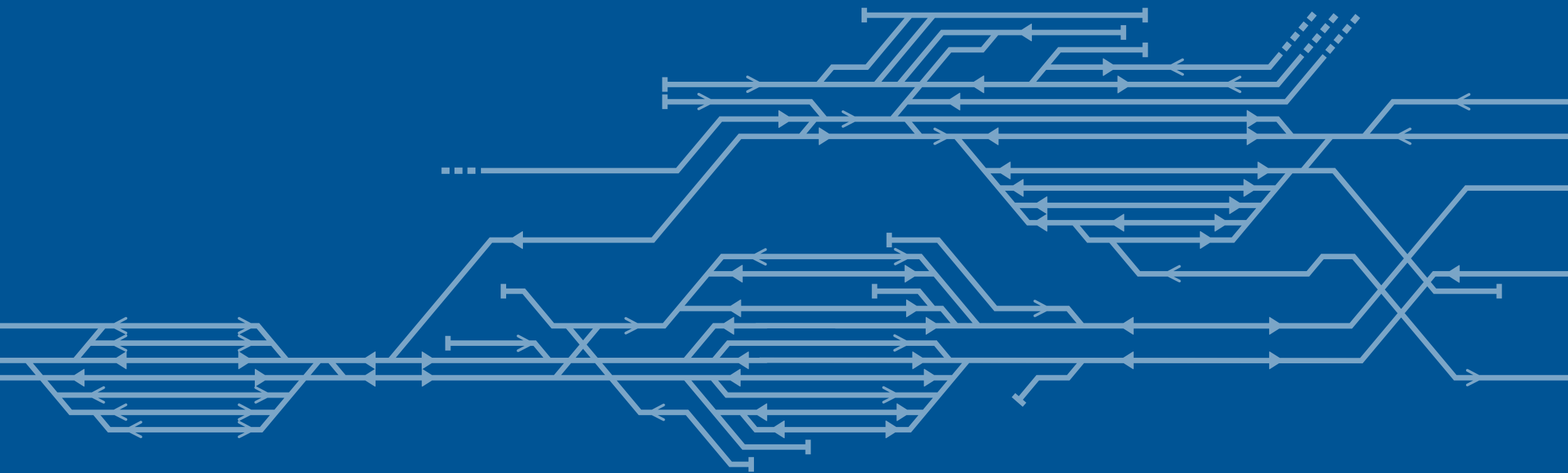
The plant closely cooperates with both installation plants and division of Teleinformatics on individual constructions, and provides operative (prompt) deliveries in extraordinary

situations. In the 2014/2015 fiscal year, deliveries of technology and material for the historically up to now greatest number of investment constructions of RIA (SŽDC) took place in this country.

The Economy department that at the same time processes also evaluation of foreign contracts ensures the complex economic agenda in ZOZ.

The 2014/2015 fiscal year was very demanding also in the field of personnel policy, where thanks to significant increasing of orders, working demands increased. Therefore, 26 new employers were recruited, especially for the section of warehouse, supply and accounting. In this year, we succeeded to rejuvenate and professionalize significantly the employee base. Hence, in the next period, we are expecting rather stabilization in this field.

AŽD PRAHA, INTERNATIONAL COOPERATION, EXTERNAL RELATIONS



In the field of international research, development and standardization, important cooperation continues especially in the area of European Union.

AŽD Praha is still very active within the UNIFE, which has proved as a very efficient tool for coordinating of activities in the field of research, development, marketing and lobbying for interests of the railway sector.

Our company has other activities within the Rail Forum Europe (RFE) organisation with its registered office in Brussels. RFE is an interest group of members of the European Parliament, and acts as a discussion platform between members of the European parliament and the railway transport branch.

Beside the international cooperation, our company is an active member of ACRI, where in this year, we also significantly participated in the operation of the Centre of technical standardization in CEN and CENELEC areas.

Further, we are active in institutions on national level. However here, we re-assessed membership of our company in individual associations and unions, which resulted in termination of membership in those of them, which were found as not too beneficial for us.

AŽD Praha remains established as a respectable and reliable partner in the area of control and signalling systems for transport with a very

responsible approach to norms-making, international legislation and own and international research and development.

INTEGRATED MANAGEMENT SYSTEM AND ENVIRONMENTAL PROTECTION



INTEGRATED MANAGEMENT SYSTEM AND ENVIRONMENTAL PROTECTION

The relationship of the AŽD Praha company to the environment is based on basic principles of the sustainable development policy, and the long-term business strategy of the company is represented by a permanent improvement of offered services, implementation of more perfect internal processes and quality improvement of products delivered to our customers. The company pays a steady attention to the environmental problems, and both in the field of the design activities, preparation of constructions and their consequent implementation, and in the segment of production activities, from the research and development and consequently across the spectrum of the extensive technologically and ecologically demanding own industrial production.

To control and minimize the negative impacts on environment and health of employees, the company has introduced a certified Environmental Management System according to the ČSN EN ISO 14 001 (EMS). The company strictly observes all legal and other requirements related to the environmental protection, and observance of them is demanded also of all our suppliers of products and services.

Company activities on the field of environmental protection are evaluated every year in the report „Environmental profile of AŽD Praha s.r.o. company“, and trends in individual components of environment are monitored. Statistic data covering the last eleven years enable to evaluate trends of a water consumption, mass volumes of production of hazardous and others wastes, consumption of chemical substances and mixtures, numbers of named sources of air pollution including costs for their operation and measuring, energy consumption (electricity, heat energy, gas) and quantity of consumed fuels including actual financial expenses. This all is observed and monitored in relation to the company’s financial turnover and range of production and installation activities and nature of constructions.

In the field of waste management, the waste disposal hierarchy in compliance with EU is observed– prevention of waste originating → preparation for reuse → recycling → other use (e.g. energy) → disposal (e.g. waste disposal). The system of systematic waste sorting into marked collecting measures was introduced. Wastes are sorted not only in production plants, but also at construction sites during installation works of our plants. All wastes from production and installation activities are han-

ded-over only to authorized entities.

Organizational units, handling with substances harmful for waters, have prepared emergency plans for the case of deterioration of waters quality.

Trend of the company is a gradual replacement of dangerous chemical substances and mixtures with substances more friendly to the environment and health of employees. Every year, training of employers on all management levels about handling the chemical substances and mixtures including environmental protection and occupational safety is carried out.

In the field of air conservation, our company operates several named sources of air pollution, and in the field of surface treatment and heat sources. For all sources, proper production records are kept, sources of pollution are checked so that they are operated in compliance with the valid legislation. We strictly observe specified emission limits.

Energy consumptions depending on the company turnover are also evaluated, and we are looking for another way to savings with regard to increasing of prices for energies. Energy losses are reduced by planned replacements of windows and external insulation of building enclosures.

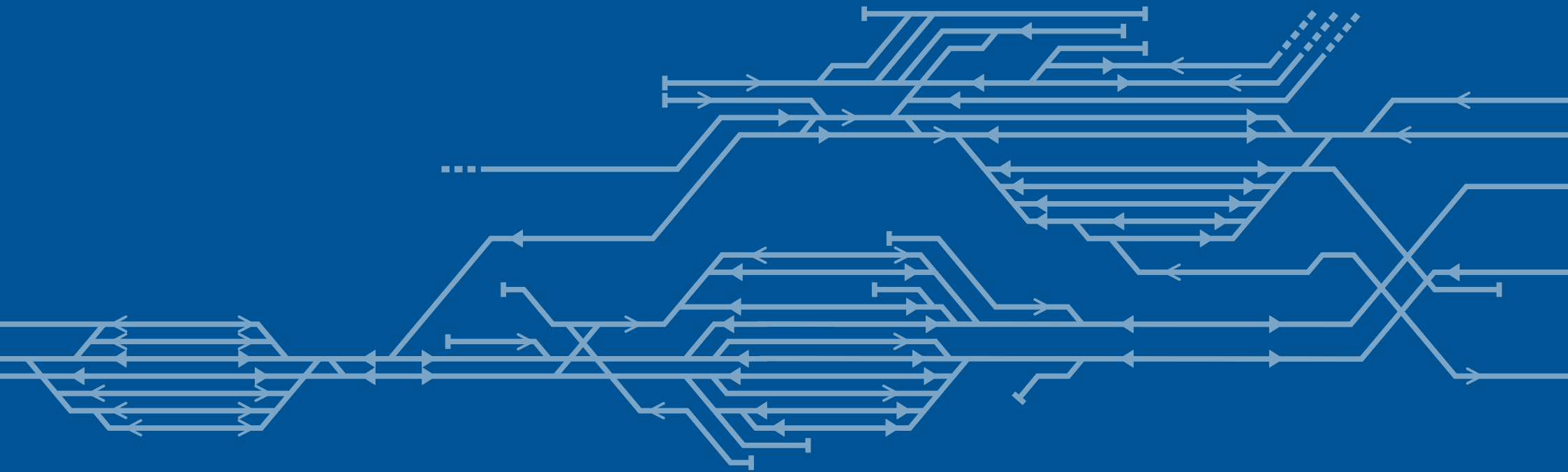
In 2015, works influencing the given energy saving of buildings either started or finished. It was especially replacement of windows non-conforming with regard to insulation, and external insulation and renovation of facades of production and administrative buildings on organizational units RSP, MZK, MZO and VZO.

Problematics and duties resulting from the European Agreement concerning the International Carriage of dangerous Goods on Roads (ADR agreement) is assured by means of the internal safety advisor, who was appointed the ecologist of the company.

In 2015, neither administrative proceedings started nor any penalty was inflicted on the AŽD Praha company, regarding environment. Currently, no problems, conflicts or defects have been identified in the field of environment.



FINANCIAL MANAGEMENT OF COMPANY



Despite the increase of volume of construction works in CR, company management continues the entry on foreign markets, where we gradually successfully apply our new technologies. Signalling systems for each foreign location are adapted to local legislation, transport regulations and they continue the already operated technology and customs, including a control in the appropriate language. In most foreign countries, the whole signalling system must again undergo the local process of approval. Thus, the entry to foreign markets is significantly demanding in terms of technology, business, and time, but it is a long-time solution aimed at stabilization and prosperity of the company.

The number of company employees in the end of the period monitored was 1773, which is the year-to-year increasing by 106 employees.

Our company spent totally CZK 213 million for the research and development in the period monitored.

More than half of the composition of our assets is affected by receivables, which are mostly receivables within the due date, since a long due date period of our invoices is set forth in the tender conditions of most our contracts. Through the contractual distribution of the due dates of individual parts of the work, the company supports the sale, especially in the

case of foreign contracts. Shown receivables are recoverable and paid within the due dates.

In the fiscal period, the company showed non-tax reserves for a new generation of electronic signalling systems, which undergo a long-term testing operation and for which our company confirmed five-year guarantees.

Our company's financing is stabilized; the turnover is proportionally reflected in trade creditors accounts and drawing on bank loans.

The company acquires no assets through financial lease and has neither due liabilities in the field of the health and social insurance nor tax underpayments.

Our company established organisational units in the Slovak Republic, Montenegro, Bosnia and Herzegovina.

No significant events fundamentally affecting our company's business occurred in the period between September 30, 2015 and the time when this report was compiled.

The assumed development of the company's business is stabilized due to received orders, which fully use the company capacity.

This creates conditions for further development of the company both at home and abroad.

MAIN FINANCIAL INDICATORS OF AŽD PRAHA S.R.O.

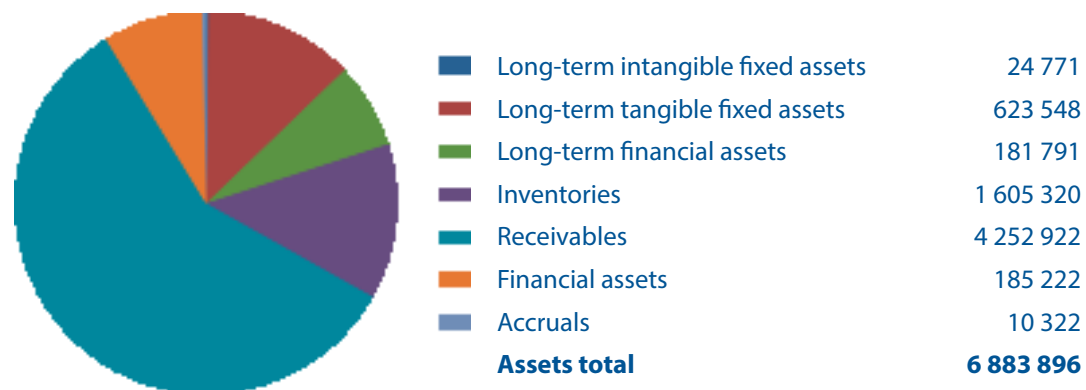
For business year 2014/2015 - from 1.10.2014 till 30.9.2015

Company accounting period is always from 1.10 till 30.9. of subsequent year

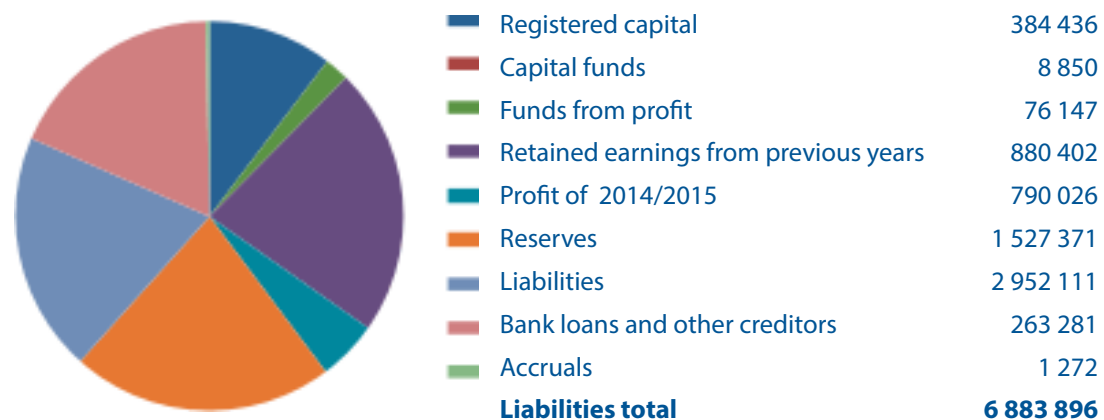
Indicator/period	2011/2012	2012/2013	2013/2014	2014/2015
Turnover in thous. CZK	4 140 424	4 670 819	6 175 622	11 840 069
Profit after tax	205 700	230 817	293 977	790 026
Profit from turnover %	4,97	4,94	4,76	6,67
Value added tax	1 043 082	1 135 068	1 282 217	2 644 871
Bank loans	701 143	690 160	833 888	263 281
Employees-full time equivalent	1 526	1 553	1 667	1 773



COMPOSITION OF ASSETS AS AT SEP. 30, 2015 (in thous. CZK)



COMPOSITION OF LIABILITIES AS AT SEP. 30, 2015 (in thous.CZK)



SKRIN 13 EIP



BALANCE SHEET

as at 30.09.2015

Identif. a			ASSETS b	Row c	Current accounting period			Previous period
					Gross 1	Adjustment 2	Net 3	Net 4
			TOTAL ASSETS (r. 02 + 03 + 31 + 62)	001	8 227 490	1 343 594	6 883 896	4 943 686
A.			Receivables from subscriptions	002			0	0
B.			Fixed assets (r. 04 + 13 + 23)	003	2 000 339	1 170 229	830 110	815 221
B.	I.		Intangible fixed assets (r.05 to 12)	004	121 645	96 874	24 771	15 034
B.	I.	1	Incorporation expenses	005			0	0
		2	Research and development	006			0	0
		3	Software	007	115 893	91 695	24 198	14 282
		4	Valuable rights	008	5 263	4 744	519	532
		5	Goodwill (+/-)	009			0	0
		6	Other intangible fixed assets	010	489	435	54	71
		7	Intangible fixed assets under construction	011			0	149
		8	Advance payments for intangible fixed assets	012			0	0
B.	II.		Tangible fixed assets (r.14 to 22)	013	1 534 825	911 277	623 548	559 975
B.	II.	1	Lands	014	133 826		133 826	133 830
		2	Constructions	015	465 185	243 908	221 277	223 134
		3	Equipment	016	924 234	667 369	256 865	198 477
		4	Perennial corps	017			0	0
		5	Breeding and draught animals	018			0	0
		6	Other tangible fixed assets	019			0	0
		7	Tangible fixed assets under construction	020	9 802		9 802	2 420

Identif. a			ASSETS b	Row c	Current accounting period			Previous period
					Gross 1	Adjustment 2	Net 3	Net 4
		8	Advance payments for tangible fixed assets	021	1 778		1 778	2 114
		9	Adjustment to acquired assets	022			0	0
B.	III.		Adjustment to acquired assets	023	343 869	162 078	181 791	240 212
B.	III.	1	Shares in controlled and managed organizations	024	303 818	151 831	151 987	135 649
		2	Shares in accounting units with substantial influence	025	29 804		29 804	29 805
		3	Other securities and shares	026			0	69 808
		4	Loans to controlled and managed organizations and to accounting unit with substantial influence	027	10 247	10 247	0	4 950
		5	Other financial investments	028				0
		6	Financial investments acquired	029				0
		7	Advance payments for long-term financial assets	030				0
C.			Current assets (r. 32 + 39 + 47 + 57)	031	6 216 829	173 365	6 043 464	4 109 072
C.	I.		Inventory (r.33 to 38)	032	1 655 320	50 000	1 605 320	1 422 500
C.	I.	1	Materials	033	695 709		695 709	619 152
		2	Work in progress and semi-products	034	911 398	50 000	861 398	769 069
		3	Finished products	035			0	0
		4	Animals	036			0	0
		5	Merchandise	037			0	0
		6	Advance payments for inventory	038	48 213		48 213	34 279
C.	II.		Long-term receivables (r. 40 to 46)	039	957 552	0	957 552	652 925
C.	II.	1	Trade receivables	040	710 634		710 634	522 891
		2	Receivables from controlled and managed organizations	041			0	0
		3	Receivables from accounting units with substantial influence	042			0	0

Identif. a			ASSETS b	Row c	Current accounting period			Previous period
					Gross 1	Adjustment 2	Net 3	Net 4
		4	Receivables from partners, cooperative members and association members	043			0	0
		5	Estimated receivable	044			0	0
		6	Long-term deposits given	044a	1 432		1 432	1 334
		7	Other receivables	045			0	0
		8	Deferred tax receivable	046	245 486		245 486	128 700
C.	III.		Short-term receivables (r. 48 to 56)	047	3 418 735	123 365	3 295 370	1 991 727
C.	III.	1	Trade receivables	048	2 949 570	47 372	2 902 198	1 714 139
		2	Receivables from controlled and managed organizations	049	95 493	75 993	19 500	140 956
		3	Receivables from accounting units with substantial influence	050			0	0
		4	Receivables from partners, cooperative members and association members	051	1 433		1 433	3 428
		5	Receivables from social security and health insurance	052				0
		6	Due from state - tax receivable	053	105 352		105 352	35 453
		7	Other deposits given	054	173 058		173 058	85 968
		8	Estimated receivabl	055	71 212		71 212	9 833
		9	Other receivables	056	22 617		22 617	1 950
C.	IV.		Short-term financial assets (r. 58 to 61)	057	185 222	0	185 222	41 920
C.	IV.	1	Cash	058	2 602		2 602	2 743
		2	Bank accounts	059	182 620		182 620	39 177
		3	Short-term securities and ownership interests	060			0	0
		4	Short-term financial assets acquired	061			0	0
D.	I.		Accruals (r. 63 to 65)	062	10 322	0	10 322	19 393

D.	I.	1	Deferred expenses	063	10 225		10 225	19 387
		2	Complex deferred costs	064			0	0
		3	Deferred income	065	97		97	6

Identif. a	LIABILITIES b		Row c	Current period	Previous period
	TOTAL LIABILITIES (r. 67 + 84 + 117)		066	6 883 896	4 943 686
A.	Equity (r. 68 + 72 + 77 + 80 + 83)		067	2 139 861	1 597 578
A.	I.	Registered capital (r. 69 to 71)	068	384 436	384 436
		1 Registered capital	069	384 436	384 436
		2 Company's own shares and ownership interests (-)	070		
		3 Changes of registered capital	071		
A.	II.	Capital funds (r. 73 to 76)	072	8 850	10 493
A.	II.	1 Share premium	073		
		2 Other capital funds	074	555	555
		3 Differences from revaluation of assets and liabilities	075	8 295	9 938
		4 Differences from revaluation in transformation	076		
A.	III.	Reserve funds, statutory reserve account for coope- ratives, and other retained earnings (r. 78 + 79)	077	76 147	75 941
A.	III.	1 Legal reserve fund / indivisible fund	078	73 732	73 732
		3 Statutory and other funds	079	2 415	2 209
A.	IV.	Profit / loss - previous year (r. 81 + 82)	080	880 402	832 731
A.	IV.	1 Retained earnings from previous years	081	880 402	832 731
		2 Accumulated losses from previous years	082		
A.	V.	Profit / loss - current year (+/-) r. 01 - (+ 68 + 72 + 77 + 80 + 84 + 117)	083	790 026	293 977

Identif. a		LIABILITIES b		Row c	Current period	Previous period
B.		Other sources (r. 85 + 90 + 101 + 113)		084	4 742 763	3 343 934
B.	I.	Reserves (r. 86 to 89)		085	1 527 371	752 636
B.	I.	1	Reserves under special statutory regulations	086		
		2	Reserves for pension and similar payables	087		
		3	Income tax reserves	088	229 718	26 193
		4	Other reserves	089	1 297 653	726 443
B.	II.	Long-term payables (r. 91 to 100)		090	118 709	61 568
B.	II.	1	Trade payables	091	118 598	61 457
		2	Payables to controlled and managed organizations	092		
		3	Payables to accounting units with substantial influence	093		
		4	Payables from partners, cooperative members and association members	094		
		5	Long-term advances received	095	111	111
		6	Issues bonds	096		
		7	Long-term notes payables	097		
		8	Estimated payables	098		
		9	Other payables	099		
		10	Deffered tax liability	100		
B.	III.	Short-term payables (r. 102 to 112)		101	2 833 402	1 695 842
B.	III.	1	Trade payables	102	1 930 968	986 955
		2	Payables to controlled and managed organizations	103		
		3	Payables to accounting units with substantial influence	104		
		4	Payables from partners, cooperative members and association members	105	104 020	52 020
		5	Payroll	106	122 261	85 493

Identif.		LIABILITIES		Row	Current period period	Previous period
a		b		c		
		6	Payables to social securities and health insurance	107	72 926	50 837
		7	Due from state - tax liabilities and subsidies	108	35 253	23 484
		8	Short-term deposits received	109	396 143	446 241
		9	Issues bonds	110		
		10	Estimated payables	111	171 831	49 512
		11	Other payables	112		1 300
B.	IV.		Bank loans and financial accomodations (r. 114 to 116)	113	263 281	833 888
B.	IV.	1	Long-term bank loans	114		
		2	Short-term bank loans	115	263 281	833 888
		3	Short-term accomodations	116		
C.	I.		Accruals (r. 118 + 119)	117	1 272	2 174
C.	I.	1	Accrued expenses	118	333	284
		2	Deffered revenues	119	939	1 890

PROFIT / LOSS ACCOUNT

as at 30.09.2015

Identif. a	TEXT b	row c	Fiscal period	
			Current 1	Previous 2
I.	Revenues from sold goods	01	879 835	506 603
A.	Expenses on sold goods	02	755 500	471 344
+	Sale margin (r. 01-02)	03	124 335	35 259
II.	Production (r. 05+06+07)	04	11 700 106	6 312 252
II.	1 Revenues from own products and services	05	10 016 136	4 728 159
	2 Change in inventory of own products	06	142 342	456 389
	3 Capitalisation	07	1 541 628	1 127 704
B.	Production consumption (r. 09+10)	08	9 179 570	5 065 294
B.	1 Consumption of material and energy	09	8 387 169	4 512 992
B.	2 Services	10	792 401	552 302
+	Added value (r. 03+04-08)	11	2 644 871	1 282 217
C.	Personnel expenses	12	1 221 630	987 301
C.	1 Wages and salaries	13	907 663	731 525
C.	2 Remuneration of board members	14	1 902	1 800
C.	3 Social security expenses and health insurance	15	298 911	241 575
C.	4 Other social expenses	16	13 154	12 401
D.	Taxes and fees	17	5 740	4 379
E.	Depreciations of intangible and tangible assets	18	81 410	62 531
III.	Revenues from disposals of fixed assets and materials (r. 20+21)	19	578 095	328 751
III.	1 Revenues from disposals of fixed assets	20	1 263	8 021
	2 Revenues from disposals of materials	21	576 832	320 730
F.	Net book value of disposed fixed assets and materials (r. 23+24)	22	305 997	206 767
F.	1 Net book value of sold fixed assets	23	179	6 191

Identif. a	TEXT b	row c	Fiscal period		
			Current 1	Previous 2	
F.	2	Net book value of sold material	24	305 818	200 576
G.		Change in operating reserves and adjustments and complex deferred costs (+ / -)	25	584 561	2 997
	IV.	Other operating revenues	26	35 796	41 384
H.		Other operating expenses	27	39 378	36 664
	V.	Transfer of operating revenues	28		
I.		Transfer of operating expenses	29		
	*	Operating profit / loss (r. 11 – 12 – 17 – 18 + 19 – 22 – 25 + 26 – 27 + (–28) – (–29))	30	1 020 046	351 713
	VI	Revenues from sales of securities and ownership interests	31	105 565	24
J.		Sold securities and ownership interests	32	69 859	240
	VII.	Revenues from long-term financial assets (r. 34 + 35 + 36)	33	53 306	47 795
	VII.	1 Revenues from shares in controlled and managed organizations and in accounting units with substantial influence	34	53 306	47 795
	VII.	2 Revenues from others securities and ownership interests	35		
	VII.	3 Revenues from other long-term financial assets	36		
	VIII.	Revenues from short-term financial assets	37		
K.		Expenses associated with financial assets	38		
	IX.	Revenues from revaluation of securities and derivatives	39		
L.		Cost of revaluation of securities and derivatives	40		
M.		Change in financial reserves and adjustments	41	101 333	15 711
	X.	Interest revenues	42	7 258	5 467
N.		Interest expenses	43	4 584	7 089
	XI.	Other financial revenues	44	21 735	61 050
O.		Other financial expenses	45	75 402	67 314

Identif. a	TEXT b	row c	Fiscal period	
			Current 1	Previous 2
XII.	Transfer of financial revenues	46		
P.	Transfer of financial expenses	47		
*	Profit / loss from financial operations (transactions) (r. 31 – 32 + 33 + 37 – 38 + 39 – 40 – 41 + 42 – 43 + 44 – 45 – (-46) + (-47))	48	-63 314	23 982
Q.	Income tax on ordinary income (r. 50 + 51)	49	166 706	81 718
Q.	1 Due tax	50	283 492	57 587
Q.	2 Tax deferred	51	-116 786	24 131
**	Operating profit / loss ordinary activity (r. 30 + 48 – 49)	52	790 026	293 977
XIII.	Extraordinary revenues	53		
R.	Extraordinary expenses	54		
S.	Income tax on extraordinary income (r. 56 + 57)	55	0	0
S.	1 Due tax	56		
S.	2 Tax deferred	57		
*	Operating profit / loss extraordinary activity (r. 53 - 54 -55)	58	0	0
T.	Trasfer profit (loss) to partners (+/-)	59		
***	Profit / loss of current accounting period (+/-) (r. 52 + 58 - 59)	60	790 026	293 977
	Profit / loss before tax (+/-) (r. 30 + 48 + 53 - 54)	61	956 732	375 695

INDEPENDENT AUDITOR'S REPORT

for the verified period from 01.10.2014 to 30.09.2015

This report is intended for associates (partners) of the AŽD Praha s.r.o. company

I have made an audit of the attached final accounts of the AŽD Praha s.r.o. company, Company Id. No.48029483, registered office Prague 10, Žirovnická 2/3146, post code 10617, for the period ending on 30.09.2015. This final accounts consists of a balance sheet as at 30.09.2015, profit and loss statement for the year ending on 30.09.2015, summary of changes to the equity capital for the period ending on 30.09.2015, cash flow summary for the period ending on 30.09.2015 and the annex to these final accounts, including a description of accounting methods applied, and other explanatory information. Data on the AŽD Praha s.r.o. company are given in relevant points of the annex of this final accounts

Responsibility of the statutory body of the accounting entity for the final accounts

The statutory body of AŽD Praha s.r.o. companies is responsible for compilation of the final accounts and for true view of facts in it in compliance with Czech accounting regulations, and for such internal inspection system, which it considers necessary for compilation of the final accounts so, that it does not include any significant (material) inaccuracies caused by fraud or error.

Auditor's Responsibility

My responsibility is to provide an opinion concerning these final accounts based on the audit performed. I have performed the audit in compliance with International Auditor's Standards and related application clauses of the Chamber of Auditors of the Czech Republic. These standards require me to observe the ethical demands and to plan and perform the audit to obtain reasonable certainty that the final accounts contain no significant (material) inaccuracies.

The audit includes performance of auditing procedures aimed at obtaining evidence on the amounts and facts stated in the final accounts. The selection of the auditing procedures depends on the auditor's judgment including an assessment of the risks of significant (material) inaccuracies in final accounts caused by fraud or error. When assessing such risks, the auditor takes into consideration internal inspection system, which is relevant for compilation of the final accounts and true view of facts in it. The objective of the assessment is to propose appropriate auditing procedures, but not to comment on the effectiveness of internal inspection system of the accounting unit. The audit also includes an assessment of the suitability of the accounting methods used, reasonability of accounting estimations made by management as well as assessment of the overall presentation of the final accounts.

I truly believe that the obtained evidence provides a sufficient and appropriate base for providing my statement.

Auditor's statement

Pursuant to my opinion, the final accounts of the AŽD Praha s.r.o. company provide in compliance with Czech accounting regulations a true and faithful image of the assets, and liabilities of the AŽD Praha s.r.o. company as at 30.09.2015, of the expenses and revenues of the company, its business results and cash flow achieved during the year ending on 30.09.2015 in compliance with Czech accounting regulations.



.....
Ing. Jiřina Stolcpartová
Auditor's certificate No.:1780

SUPERVISORY BOARD'S REPORT OF AŽD PRAHA S.R.O. FOR BUSINESS RESULTS FOR THE 2014-2015 FISCAL YEAR

In the course of the whole fiscal period, the Supervisory Board provided activities pursuant to provisions of the Commercial Code, Partnership Deed (Memorandum of Association) and observed General Assembly resolutions.

At its regular meetings with Executives, the Supervisory Board was informed on fulfillment of accepted intentions of Executive Plan, on company's business results, the company's financial situation, the organizational changes and company's activities implementation at home and abroad.

On February 15, 2016, the Supervisory Board was acquainted with the course and results of the performed audit and with the final report of an independent auditor elaborated by the auditor Ing. Jiřina Štolcpartová.

Auditor's statement:

Pursuant to my opinion, the final accounts of the AŽD Praha s.r.o. company provide in compliance with Czech accounting regulations a true and faithful image of the assets and liabilities of the AŽD Praha s.r.o. company as at 30.09.2015, of the expenses and revenues of the company, its business results and cash flow achieved during the year ending on 30.09.2015 in compliance with Czech accounting regulations.

The Supervisory Board familiarized with the submitted business results of the AŽD Praha s.r.o. company as at 30. 09. 2015, approves them without any objections or complements.

The Supervisory Board therefore, after discussion with Executives, advises the General Assembly to approve the business results of the AŽD Praha s.r.o. company as at 30. 09. 2015 including the final accounts and profit distribution proposal.



Ing. František Formánek



Petr Rott



Ing. Miroslav Kozák

In Prague, on 15.02.2016

MANDATORY APPENDICES:

ANNEX 1: Annex to AŽD Praha s.r.o. Final Accounts for 2014/2015

ANNEX 2: Cash Flow Summary

ANNEX 3: Summary of changes to Equity Capital for 2014/2015

ANNEX 4: Report on Relations between Related Parties in accordance with provision of Article 66a of Czech Commercial Code for 2014/2015

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