

# REPORT ON BUSINESS ACTIVITIES AND RESULTS

OF THE AŽD PRAHA COMPANY  
FOR THE FISCAL YEAR 2016/2017



*Photos published in the Annual Report are from the line No. 113 Čížkovice–Obrnice, on which AŽD Praha in cooperation with the Ústecký Region operates the T4 weekend touristic route on the Lovosice–Most line. In 2016, AŽD Praha bought the line in the Čížkovice–Obrnice section from the Railway Infrastructure Administration (SŽDC), and it forms a greater part of the Lovosice–Most line. The railway running through a picturesque country of the Bohemian Central Uplands is nicknamed Plum railway. In spring 2018, first steam trains returned to the Plum railway after long seventeen years.*

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FOR THE FISCAL YEAR 2016/2017



A close-up photograph of a black metal surface, likely part of a large industrial machine or vehicle. The surface is dark and shows signs of wear, including scratches and discoloration. A prominent feature is a red circular component with three dark, semi-circular cutouts, mounted on the surface. Below this component is a yellow rectangular identification plate with the number "464 008" printed in black. To the left, a small red handle is visible. The background is a light, overcast sky with some power lines.

464 008

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# GENERAL DIRECTOR'S FOREWORD

*We are in a steady economic and financial condition and we gradually fulfill the strategic program both in technical and business area.*



## Dear Friends, Associates, Colleagues and Business Partners,

It is my good duty to address you at the beginning of this Report on activities and results of the AŽD Praha company for the 2016/2017 fiscal year. In this annual report, we would like to inform you openly about our results, successes and failures. A lot of information given in it goes beyond legal requirements. In addition to description of all principal areas of company business, in tabular part of the report, you will find business results in predefined items.

The past fiscal year was not easy, either in many domestic areas or abroad. However, I am very glad, I can state in this place that our company has made

it well. We are in a steady economic and financial condition and we gradually fulfill the strategic program both in technical and business area. At this place, I would like to thank to you, employees of our company, business partners, associates, friends and to all, who know us. Without you all, who take sides with our company and express your support to us, we could exist and carry business only with difficulties.

The range of activities of AŽD Praha in the period under review focused especially on building of the European Train Control System ETCS, which should become the main system of the major part of lines both in our country and in Europe. However, implementation of this unified system brings a lot of complications not only for our railway, but also for railways in other countries due to a different development and so different parameters. By implementing of this system, we receive a European unity, interoperability and increasing of safety, but we lose flexibility of traffic, carry capacity and reducing of speed of many trains on railway network. Reducing of these negative impacts, which the implementation of ETCS will bring, was the main technical task of our company in the last year. Foreign markets were and are another important chapter. We tried to increase the share of export and to balance the imaginary weight between domestic and foreign activities. The great challenge for us, it was the market of Turkish Republic, where we finished two contracts in railway area and one contract in the field of road telematics. Very important destination for us is on a long-term

basis the market of Belarus, where we participate on building of corridor and backbone lines.

In the field of technology, we continued with application of the all-electronic interlocking ESA 44 with new functionalities. This interlocking was also subject of series of foreign applications. The new electronic elements, interface to new LED signals and LED indicators and to elements in the railyard, this all gives prerequisites for success to the new interlocking. The modern line equipment and especially the all-electronic and modular level crossing system PZZ-J was considerable success of the last year. Very important role in developing of our technology was using of the Čížkovice – Obrnice line for trial installation and testing of many new technologies. The new signal device, intelligent simplified warning boards suitable for regional lines, new point machine with a ball screw for higher speeds, point machine with internal locking and many other products and application – this all we could afford only due to own line – own testing polygon.

Repair of the line 113 Čížkovice – Obrnice and improvement of its parameters started the question, whether not to return to regular traffic on this line. We still negotiate with the Ústí Region very intensely. If this thing happened, it would be really the first historical event, when a regular traffic returned on the line just before its decay. It is clearly apparent, here that we spend our free funds especially for publicly beneficial activities in connection to our Czech railway.

Our company does not forget also the area of social activities. We supported tenths of sport and cultural events and conferences. We became partners of many technical publications both at home and abroad.

Every year, our company pays a great attention to the positive media image and promoting of the whole our branch. We publish not only our internal journal for our employees, but also the quarterly journal Reportér, which already long ago exceeded the imaginary borders of AŽD Praha and became a railway journal for a constantly wider range of readers. The „Pozor vlak (Attention Train)“ video-magazine has also become a respectable program to the extent that it is already taken over by some television stations.

Our participation in some worldwide exhibitions and fairs, in Istanbul, Belgrade, Plovdiv, Amsterdam, in Baku and others, was also very important, and further strengthened the position of AŽD Praha on the market.

Dear Friends,

There is a lot of information concerning the 2016/2017 fiscal year for our company, and which deserve attention. It was a difficult but exceedingly important year and I strongly believe that also in the next year 2017/2018 our company will continue in the positive trend.

I thank you once more for your work, support, and confidence.



Ing. Zdeněk Chrdle  
*CEO and General Director*





# MANAGING BODIES AND ORGANIZATIONAL UNITS

*The Company Head Office has been established to ensure top management and overall functions and it manages and coordinates activities aimed at implementation of the Company's subject of business.*

AŽD Praha s.r.o. (Company Id. No. 480 294 83) is a solely Czech company owned by a long time stable group of owners. Pursuant to the Commercial Code of Czech Republic, it is a limited liability company. It is incorporated in the Companies Register kept by the Municipal Court 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. Each of Executive Directors is entitled to act independently on behalf of the company.

The Company Head Office has been established to ensure top management and overall functions and it manages and coordinates activities aimed at implementation of the Company's subject of business.

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

The Company's bodies and representatives are mentioned in this Annual report according to the state as at September 30, 2017.

## **COMPANY BODIES**

as at 30. 09. 2017

### **GENERAL ASSEMBLY**

### **EXECUTIVES**

**Ing. Zdeněk CHRDLÉ**

*General Director - CEO*

**Ing. Roman JUŘÍK**

*Technical Director*

**Daniela VESELÁ**

*Internal Company Affairs Manager*

### **SUPERVISORY BOARD**

**Ing. Miroslav KOZÁK**

*Financial Director*

**Petr ROTT**

*Partner*

**Ing. František FORMÁNEK**

*Partner*

## HEADQUARTERS AND COMPANY HEAD OFFICE

### **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 and Production Director**

Ing. Radek ZAMRAZIL

Telephone: (+420) 267 287 797

### **Director of Equity Holdings**

Ing. Jiří BAŤKA

Telephone: (+420) 267 287 203

### **Commercial Director for Road Telematics**

Ing. Pavel HABARTA

Telephone: (+420) 267 287 400

### **Commercial Export Director**

Ing. Petr ŽATECKÝ

Telephone: (+420) 267 287 263

### **European Affairs Director**

Ing. Vladimír KAMPÍK

Telephone: (+420) 267 287 437

### **Director for Equity Merges**

Ing. Vladimír KETNER

Telephone: v267 287 234

### **Personal Manager**

Radana ASCHERLOVÁ, DiS.,MPA

Telephone: (+420) 267 287 412

## **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: (+420) 267 287 223

#### **Deputy Director of Research And Development**

Ing. Antonín DIVIŠ  
Telephone: (+420) 267 287 364

#### **Deputy Director of Design**

Ing. Josef BOREČEK  
Telephone: (+420) 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: (+420) 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 č. 13, 779 00 Olomouc 9  
Telephone: (+420) 585 113 510

### ***INSTALLATION PLANT KOLÍN***

#### **Director of the Plant**

Ing. Václav PAŘÍZEK  
AŽD Praha s.r.o., Installation plant Kolín  
Polepská 724, 280 02 Kolín IV  
Telephone: (+420) 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 9  
Telephone: (+420) 585 113 660

### ***SUPPLIES AND SALES (LOGISTIC) PLANT OLOMOUC***

#### **Director of the Plant**

Ing. František GRAMBAL  
AŽD Praha s.r.o.,  
Supplies and Sales (Logistic) Plant Olomouc  
Železniční 1, 779 00 Olomouc 9  
Telephone: (+420) 585 113 210

### ***DIVISION TELEINFORMATICS***

#### **Director of the Division**

Ing. Tomáš Handl  
AŽD Praha s.r.o., Division Teleinformatics  
Ukrajinská 4, 101 28 Prague 10 – Vršovice  
Telephone: (+420) 274 012 612

### ***DIVISION OF TELECOMMUNICATION AND SIGNALLING TECHNOLOGY SERVICE***

#### **Director of the Division**

Ing. Václav BARTŮNĚK  
AŽD Praha s.r.o., Division of Telecommunication  
and Signaling Technology Service  
Žirovnická 2/3146, 106 17 Prague 10  
Telephone: (+420) 267 287 153

***DIVISION OF ROAD TECHNOLOGY  
AUTOMATION BRNO***

**Director of the Division**

Ing. Zdeněk GRUBL  
AŽD Praha s.r.o., Division of Road Technology  
Automation Brno  
Křížíkova 32, 612 00 Brno – Královo Pole  
Telephone: (+420) 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: (+420) +421 258 282 350

***AŽD Praha s.r.o.  
ORGANIZATION UNIT MONTENEGRO***

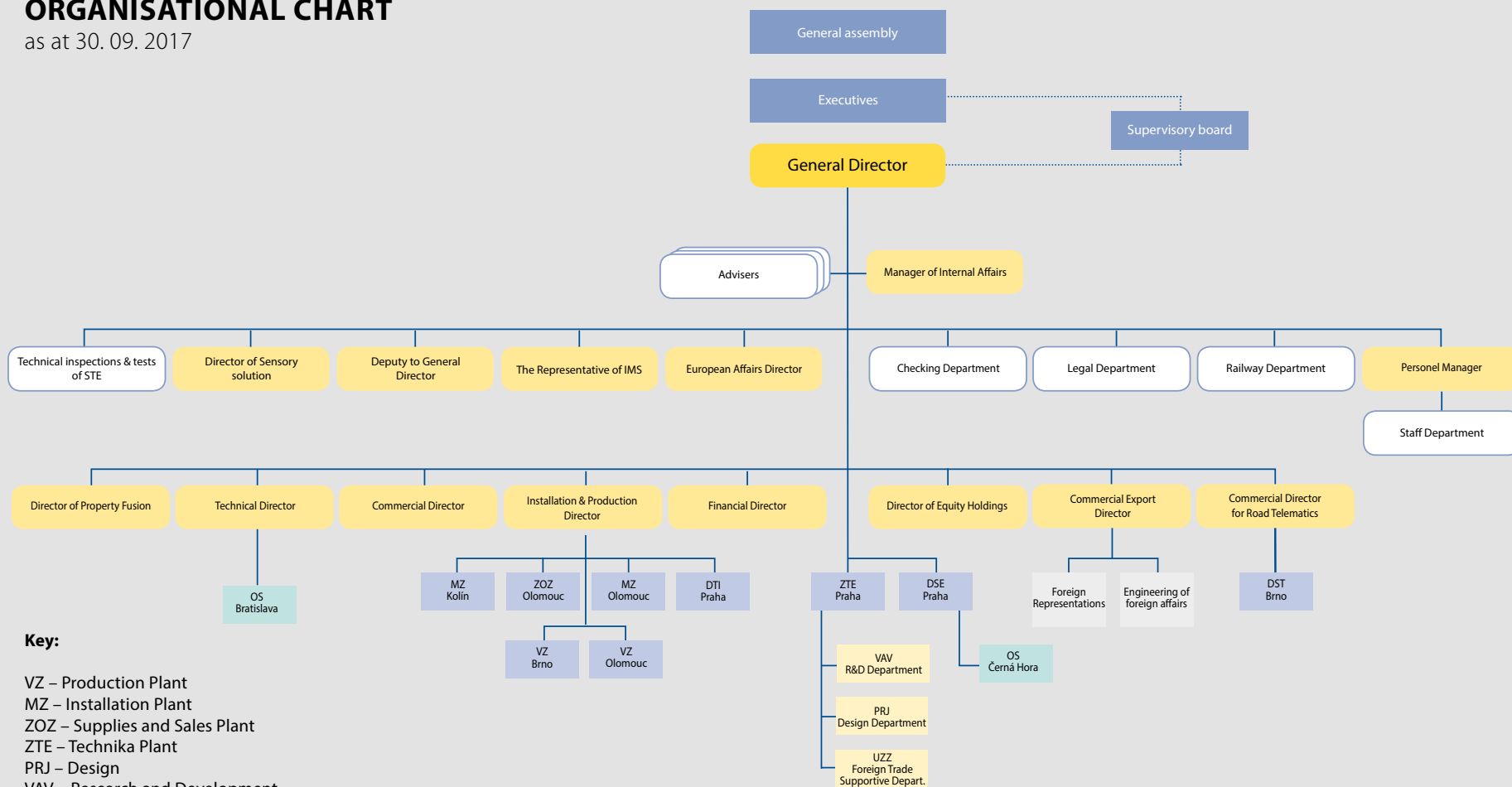
**Director of the Unit**

Zdeněk ŠAUER  
AŽD Praha s.r.o., Organization Unit Montenegro  
Sule Radova b.b., Podgorica, Crna Gora  
Telephone: (+420) + 382 69 35 33 44



# ORGANISATIONAL CHART

as at 30. 09. 2017



**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 Teinformatika
- DST – Division of Road Technology Automation
- OS – AŽD Praha s.r.o., 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 2016/2017 fiscal year, no principal changes or activities occurred in the field of labour law relations. Mostly, common operative matters of the labour-law nature were solved.

## **Comments on Organizational Scheme**

During the 2016/2017 fiscal year, organizational changes occurred, which influenced the organizational structure of the company.

The Organizational Scheme reflects the state as at 30. 09. 2017.

Based on the Decision of General Director on organizational changes, these organizational changes were made:

- with efficiency from 01. 10. 2016, the official position of Deputy Financial Director was established in the Finance Section of Company Head Offices;
- with efficiency from 01. 12. 2016, the official position of Director for Equity Merges was established within the General Director Section;
- with efficiency from 01. 01. 2017, within the General Director Section, there was esta-

blished Division of Sensory Solutions within tabular range of Division Director, Development Manager, SW solutions designer and HW solutions designer;

- on 31. 03. 2017, there was cancelled the previous Personnel and Administrative Department, and with efficiency from 01. 04. 2017, there was established a separate Personnel Department headed by HR Manager;
- at the same time, with efficiency from 01. 04. 2017, there was established Division of Railways and Railway Traffic structured as Railways Administration and Operation Department, Railway Traffic Operation Department with centres in Kolín and Lovosice, and Administration Department assuring especially the area of works transportation.

## **Statutory Body**

During the observed period of the 2016/2017 fiscal year, the statutory body worked in a stable assembly.

Executives: Ing. Zdeněk Chrdle, Ing. Roman Juřík, and Daniela Veselá

Supervisory Board: Ing. Miroslav Kozák, Ing. František Formánek, and Petr Rott

## **Personal Changes**

On 30. 11. 2016, Ing. Vladimír Ketner finished his activities on the position of Commercial Director for Road Telematics, and at the same time, from 01. 12. 2016, he was established to position of Director for Equity Merges.

From 01. 12. 2016, Ing. Pavel Habarta was established to position of Commercial Director for Road Telematics.

On 31. 03. 2017, Ing. Miloslav Sovák finished his activities on the position of HR Manager. From 01. 04. 2017, Radana Ascherlová, DiS., MPA, was established to the position of HR Manager

On 30. 04. 2017, Pavel Záleský finished his activities on the position of Director of Teleinformatics Division. From 01. 05. 2017, Ing. Tomáš Handl was established to position of Director of Teleinformatics Division.

On 30. 09. 2017, Ing. Zdeněk Grubl finished his activities on the position of Director of Division of Road Technology Automation Brno.

On 30. 09. 2017, Radana Ascherlová, DiS., MPA finished her activities on the position of HR Manager.

## ***Organizational and personnel changes in period from 01. 10. 2017***

In the current course of the new fiscal year 2017/2018 these organizational changes have been made:

- with efficiency from 01. 10. 2017, there was specified the new organizational structure and systematization of working positions of the DTI Praha organization unit;
- with efficiency from 01. 10. 2017, Rationalization and Innovation Department was established in Technical Section of Company Head Office;
- with efficiency from 01. 10. 2017, new function position was established directly subordinated to Technical Director, and representative for protection of personal data with the aim of implementation of regulations of European Commission on personal data protection (General Data Protection Regulation).
- with efficiency from 01. 10. 2017, Ing. David Hruška was established to function of Director of Division of Road Technology Automation Brno.
- with efficiency from 01. 10. 2017, Radana Ascherlová, DiS., MPA was established to the function of Representative for Personal Data Protection.
- with efficiency from 01. 11. 2017, Blanka Prešinská was appointed to activities of HR Manager.



# SCOPE OF BUSINESS AND ITS ANTICIPATED DEVELOPMENT

*Foreign orders of AŽD Praha show very dynamic progress. Centralization of foreign activities is the main aspect of the foreign trade of the AŽD Praha.*

AŽD Praha is an important supplier in the field of transport technologies. Its position in the branch of signalling, control/command and communication equipment of traffic infrastructure is given by the fact, it is not only the company providing equipment installations, but it is also manufacturer of signalling and telecommunication equipment complexes.

The company has the needed team of workers and technical background for complete securing of orders, from processing of project documentation, securing of deliveries and performing of installation works. After execution of the contract, it is able to assure the warranty and post-warranty service, too.

Certificates issued for the AŽD Praha company enable to execute all works on the railway infrastructure in fields of signalling and telecommunication technology. This creates a precaution that after finishing of installation works, the company is able, by means of own workers, to execute commissioning of technological equipment, including assuring of issue of all documents required for its operation, and it is also able to assure required documents for consequent administrative acts.

The permanent, long-term presence on the market of signalling and telecommunication technology has proved that the AŽD Praha company is able to execute successfully complex projects in the branch of its business, and to assure complete set of activities for successful

managing of demanding contracts.

However, it does not deal only with activities resulting from participation in public contracts, but also with development and research of required technologies. This activity provides it with a prerequisite for maintaining of the achieved position even in the future.

In its procedures, the AŽD Praha company tries to use its potential for economic and economically efficient solutions to achieve the task, which is the contentment of the customer, while to achieve this task, the process of relating programs of service, maintenance and repairs of devices is necessary.

In terms of production quality, environmental conservation and occupational hygiene, the company is provided with required certification, and by fulfilment of requirements of standards ISO 9001, ISO 14001 and OHSAS 18001. Certificates have been issued by the International certifying body IQNet.

## **FOREIGN TRADE**

Foreign orders of AŽD Praha 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

specific foreign market is gained. These teams are placed under the unified head of Foreign Trade, as the "Engineering of Foreign Orders" department, they manage implementation of individual foreign projects, monitor economic indicators of orders in the context of planning, and enable so better managing of foreign activities a coordination of implementation of contracts within the company.

Destinations in the area of main interest of AŽD Praha are Slovakia, Lithuania, Belarus, Serbia, Montenegro, Bosnia and Herzegovina, Macedonia, Turkey, Iran, Bulgaria, and Malaysia. Newly, the company strives to penetrate the territories of Poland, Croatia, Slovenia, Latvia, and Georgia.

## ***Subsidiaries and organizational units of AŽD Praha abroad***

Development of foreign orders belongs to important attributes of the AŽD Praha company. As one of indicators showing the growth of the company foreign trade is the number of subsidiaries operating abroad. There are AZD BH in Bosnia and Herzegovina, and AZD Polska in Warsaw, providing support during implementation of running contracts, the AZDAP company providing coordination of business activities of AŽD Praha in Turkey, the MPC Servis company in Belarus, which provides all service activities connected with deliveries of the AŽD Praha for

Belarussian Railways. Further then, AZD SASI in Serbia, AZD Zagreb in Croatia, AZD Slovakia and AZD Bratislava in Slovakia, and BALKAN SAST in Bulgaria providing support at creating and implementation of foreign orders. Organizational units established in Montenegro, in Bosnia and Herzegovina and in Slovakia fulfil the function of local organizer and they create background intended mainly for installation works.

## **ROAD TELEMATICS**

The AŽD Praha company is a supplier of systems and technologies not only for railways but also for road transportation. Part of the company head office it is the Commercial Section for Road Telematics (OBU STM). Its activities are focused on production and deliveries of intelligent systems and devices contributing to optimized control of traffic flows and to increase efficiency and safety of operation on roads in towns, highways and in tunnels.

The offered products include both top management and information systems for road traffic and also individual equipment according to specific customer needs. It develops its activities successfully in Czech Republic and abroad, for example in Slovakia, in Turkey, Azerbaydzhan or Bulgaria.

The implementation section of contracts

for delivery of technologies for traffic management on roads and applications in the field of road telematics (STM), it is the Division of Road Technology Automation Brno (DST Brno). With its support, the STM provides its customers with complex solutions of their needs from advisory services, project documentation, operation development and engineering activities via production, delivery and installation up to maintenance and service of delivered technologies. DST Brno deals also with administration, maintenance, deliveries and renovations of public lighting including passportization and classification of communications (roads).

## **Activities in the Field of Research and Development within OBU STM**

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

In the 2016/2017 fiscal year, the department has focused on other development of camera systems for detection of driving offences. The aim was preferably to increase success in detection of vehicles and in recognizing of identification marks. In foreign contracts, technical department cooperated in finishing of a large project in Turkish Izmir.

## **Development of business activities of DST Brno**

The most important contracts of the 2016/2017 fiscal year, there are complements of information portals on TEN-T network, building of information system on Slovak motorway D3 Svrčinovec – Skalité, operation of the line management system of motorways in Azerbaydzhan joint with s general repair and reconstruction of railway.

We have also been able to complete a large project „Creating of fully adaptive control, checking and information system of traffic“ in Izmir town in Turkey.

During 2016/2017, the scheduled works on important long-term contracts continued. There were preferably service works and maintenance of electrical connections (HV, LV) and of overhead constructions of toll-gates on selected roads in Czech Republic and service works including maintenance of information system (PDZ/ ZPI, overhead structure and connection) of D1 motorway in Czech Republic.



# INSTALLATION AND PRODUCTION ACTIVITIES

*Our installation plants overcame with honor the tasks related to construction and reconstruction of the railway traffic route, and they assured within their capacities finishing and activation of many important constructions and repair works.*



The Installation and Production Section (MVU) is represented by six plants, which participate on complete production, installation and logistic activities. It is Production plant Brno (VZB) specializes in electronics, Production plant Olomouc (VZO), the domain of which are wayside elements of signalling technology and program of cabinets. The main logistic centre of the AŽD Praha company is the Logistic plant in Olomouc (ZOZ), which provides purchasing and storage of materials for production and installation activities and their distribution directly to construction places all over the Czech Republic. Within the company, the exclusive supplier of telecommunication technology is the Division of Teleinformatics.

In the area of installation and direct supplier activities, there operate Installation plant Kolín and Installation plant Olomouc, and mainly for the signaling technology. Installation plants assure the complete supplying activities on constructions. High level of installations is assured by qualified workers, which are continuously being prepared for works in the field of new introduced signalling technology and telecommunication systems. During the fiscal year, capacities of installation plants were concentrated on sections of railway corridors and secondary lines. By modernization of lines including railway stations, the AŽD Praha assures high comfort of operation and safety, and with modern technologies, which develops, also eliminates human errors.

There are mainly systems of the modern station interlocking equipment of ESA 44 with the line signalling equipment ABE-1. The diagnostics of the own equipment is also an integral part of it, and it accelerates checking of reliable operation of the equipment, including fast diagnostic of failures. Other elements, which are installed by our installation plants to increase the safety, there 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 equipment (Line Radio-System) on all concerned train routes. At the same time, there are introduced new level crossing systems to assure safe crossing of railways and roads. In the field of remote control of stations DOZ, we continue also with the extended offer and adding of new telecommunication systems with precise digital technology including the incorporated GTN system (Graphic-Technology Overlay) for traffic workers. In mobile units, we offer more modern device LS06, which we install on railway vehicles. It is also necessary to mention the field of remote traffic control from CDP (Central Traffic Control) and equipment based on ETCS.

Our installation plants overcame with honor the tasks related to construction and reconstruction of the railway traffic route, and they assured within their capacities finishing and activation of many important constructions and repair works.

In the field of production, AŽD Praha has two organization units. In VZB, there are produced

electronic configurations and there is performed completing of signalling systems on address base of station interlocking, line signalling and level crossing systems. Important part of production program is formed by elements of light signals, telecommunication technology and accessories of track circuits. VZO has program of cabinets and production of wayside elements for safeguarding of points and level crossings in its portfolio. Modern technologies used in our production plants assure the quality of our production. These latest production processes, procedures and selected materials also minimize the negative impact to environment.

Within increasing of quality of supplied systems, it is important the coordination of activities on all levels from design works, production up to the own installation and putting of the system to permanent operation. This coordination is provided by the Installation and Production Section (MVU), which cooperates with all elements of processes from construction handover to execute the production, installation up to the final activation of equipment.

# SERVICE ACTIVITIES

*The service activities are performed by service groups and workplaces located in the cities Ústí nad Labem, Karlovy Vary, Prague, České Budějovice, Kolín, Pardubice, Olomouc, Brno, Ostrava and Plzeň.*

Division of Telecommunication and Signalling Technology Service (hereinafter only DSE) is an independent organization unit the main activity 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.

Service activities are preferably provided for the field of new modernized technological units, and especially electronic computer station interlocking, line signalling and level crossing systems and systems of remote control including servicing of points and barrier program of AŽD Praha.

The service activities are performed by service groups and workplaces located in the cities Ústí nad Labem, Karlovy Vary, Prague, České Budějovice, Kolín, Pardubice, Olomouc, Brno, Ostrava and Plzeň.

The service activity is provided continuously 24 hours a day and 365 days a year by means of continuous emergency services.

# INTEGRATED MANAGEMENT SYSTEM

*The IMS is as a standard verified by regular audits of the CQS certifying body. Based on the successful result of the re-certification audit, which took place from 21 March to 23 March 2017.*

The fulfilment of requirements and needs of customers is one of priorities of AŽD Praha. To achieve this target, the company management system is used among others – the so called Integrated Management System (IMS), which protects processes for assuring of quality of products and services and strategic targets in the field of quality, environment and occupational health and safety, summary declared in the document „Politics of Integrated Management System of AŽD Praha s.r.o.“.

The company management in its leading role permanently creates a pressure on increasing of efficiency and effectivity of IMS – AŽD Praha, for

which it creates corresponding sources and implements progressive methods in all decisive processes further to strategic company targets.

The IMS is as a standard verified by regular audits of the CQS certifying body. Based on the successful result of the re-certification audit, which took place from 21 March to 23 March 2017, the AŽD Praha - RSP, DSE and ZTE received new certificates from the CQS level and the international certifying body IQNet:

All other re-certification audits on all organizational units, which are independent certified places, passed also successfully, and these units received new certificates from the level of certification body EZU.

The granted certificates provide to our customers guarantee of observance of modern management principles in AŽD Praha, assuring of quality of products and services, environmentally friendly approach, and assurance of occupational health and safety.

<b>VALID TO 19. 04. 2020</b>	<b>CQS CERTIFICATE (REG. NO.)</b>	<b>IQNET CERTIFICATE (REG. NO.)</b>
COMPLIANCE WITH REQUIREMENTS OF STANDARD ČSN EN ISO 9001:2016 (ISO 9001:2015)	CQS 2050/2017	CZ-2050/2017
COMPLIANCE WITH REQUIREMENTS OF STANDARD ČSN EN ISO 14001:2016 (ISO 14001:2015)	CQS 44/2017	CZ-45/2017
COMPLIANCE WITH REQUIREMENTS OF STANDARD ČSN OHSAS 18001:2018 (BS OHSAS 18001:2007)	CQS 45/2017	CZ-45/2017

# FINANCIAL MANAGEMENT OF COMPANY

*The Operational program Transport II from European funds is not fully prepared, and hence drop of building of railway constructions occurred. This situation started to project to the gradual decreasing of turnover of our company.*

The Operational program Transport II from European funds is not fully prepared, and hence drop of building of railway constructions occurred. This situation started to project to the gradual decreasing of turnover of our company. The company turnover for the 2016/2017 fiscal year decreased to CZK 6,9 billion, which is 67 % of the previous period. Therefore, the company management intensifies the entry to 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 for stabilization and prosperity of the company.

The number of company employers in the end of the period monitored was 1 722, which is the year-to-year reducing by 93 employers.

Our company spent totally CZK 284 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 invoices is set forth in the tender conditions of most contracts. Through the contractual distribution of the due dates of individual parts of

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

The company's financing shows a stabilized state; the turnover proportionally reflects in obligations from trade relations.

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.

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

The company holds controlling and substantial interests in 23(twenty-three) subsidiaries, from which 11 (eleven) subsidiaries are abroad (Slovakia (4), Bulgaria, Serbia, Belarus, Croatia, Bosnia and Herzegovina, Turkey, Poland).

No significant events fundamentally affecting the company's business occurred in the period between 30.09. 2017 and the time when this report was compiled.

The assumed development of the company's business is stabilized and so this creates conditions for further development of the company both at home and abroad.

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

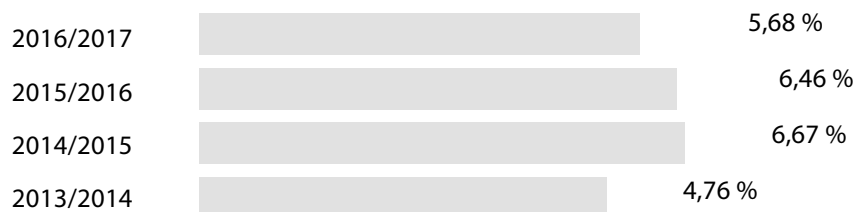
For the period 2016/2017 – from 01. 10. 2016 to 30. 09. 2017

The company monitors its results in business periods beginning always from 01. 10. and lasting till 30.09. of the next year

Indicator / period	2013/2014	2014/2015	2015/2016	<b>2016/2017</b>
Turnover (thous.CZK)	6 175 622	11 840 069	9 961 322	<b>6 890 247</b>
Profit after tax	293 977	790 026	643 033	<b>391 288</b>
Profit from turnover %	4,76	6,67	6,46	<b>5,68</b>
Value added tax	1 282 217	2 644 871	2 672 170	<b>1 534 113</b>
Bank loans	833 888	263 281	0	<b>0</b>
Employees-full time equivalent	1 667	1 773	1 815	<b>1 722</b>

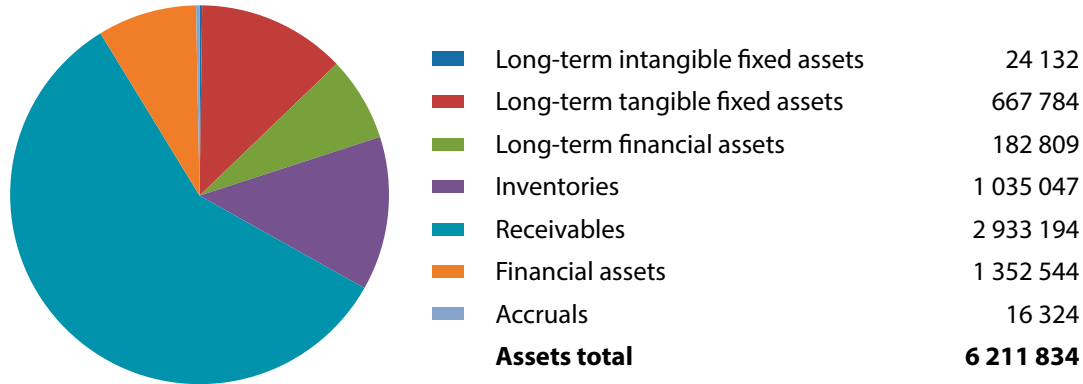
### ***Profit from turnover***

Indicator / period	2013/2014	2014/2015	2015/2016	<b>2016/2017</b>
Profit from turnover %	4,76	6,67	6,46	<b>5,68</b>

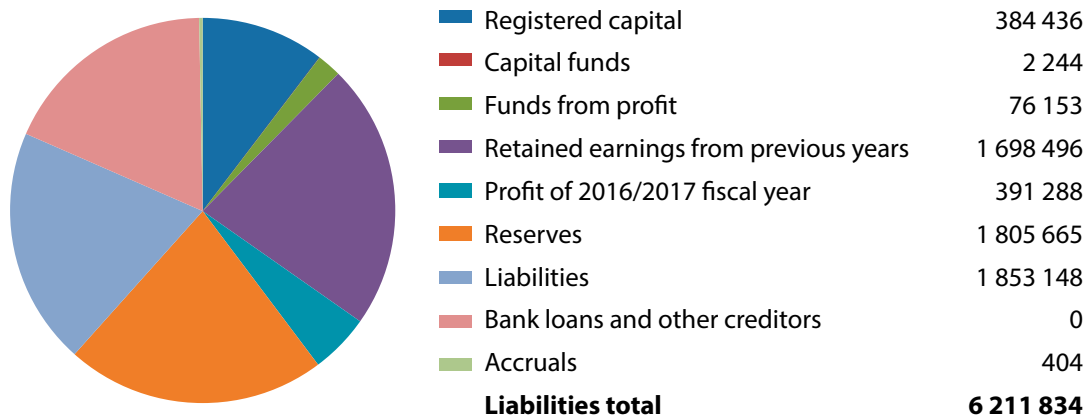


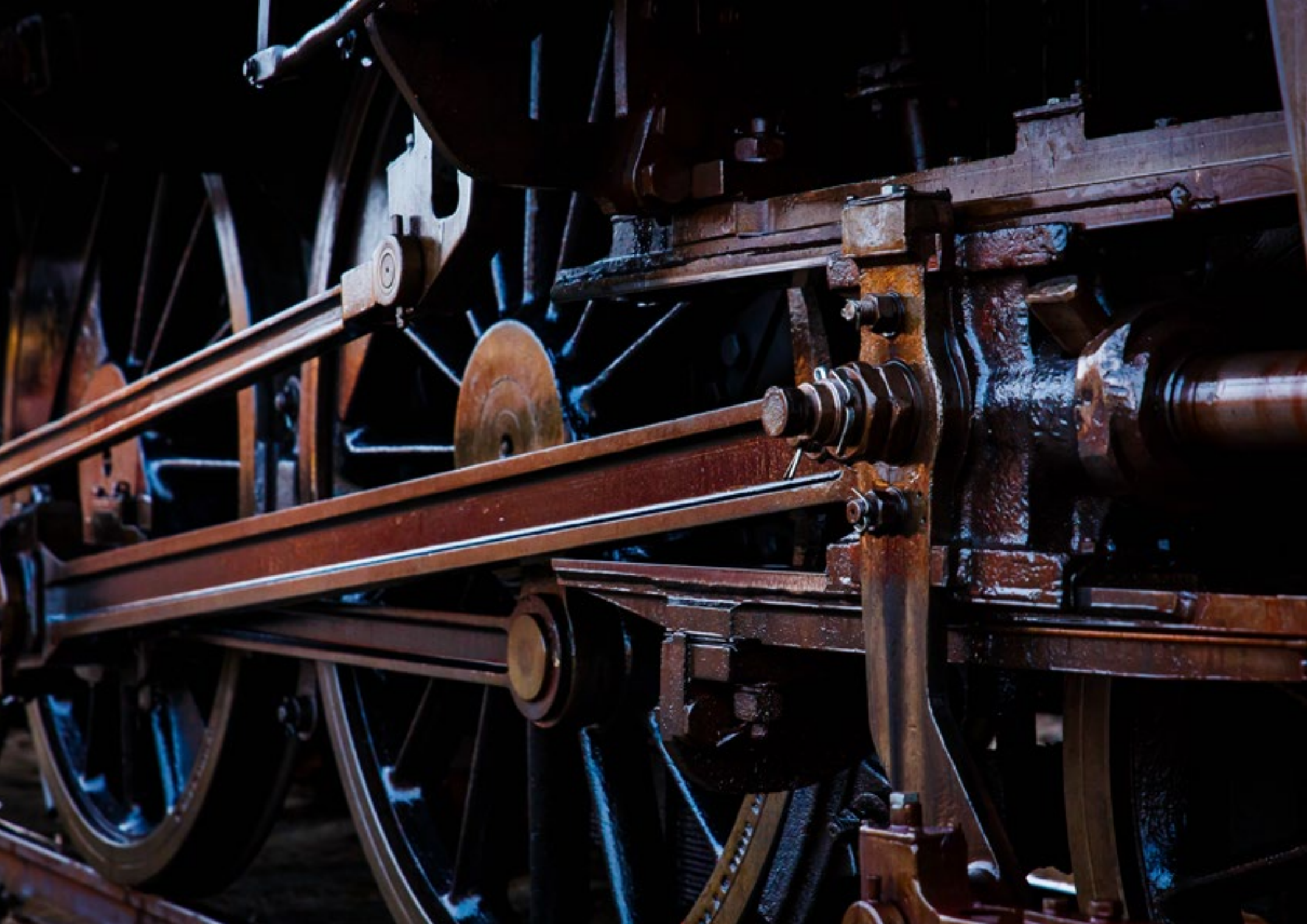


Composition of assets as at 30. 09. 2017 (in thous. CZK)



Composition of Liabilities as at 30. 09. 2017 (in thous. CZK)





# BALANCE SHEET

as at 30. 09. 2017 (in thous. CZK.)

Identif.	ASSETS	Row number.	Current accounting period			Previous period
			Gross	Adjustment	Net	Net
a	b	c	1	2	3	4
	TOTAL ASSETS (r. 2+3+37+74)	001	7 663 183	1 451 349	6 211 834	7 126 401
A.	Receivables from subscriptions	002			0	
B.	Fixed assets (r. 4+14+27)	003	2 186 453	1 311 728	874 725	938 594
B. I.	Intangible fixed assets (r.5+6+9+10+11)	004	137 525	113 393	24 132	20 083
B. I. 1.	Intang. results of research a. development	005			0	
B. I. 2.	Valuable rights	006	136 914	112 925	23 989	20 046
2.1.	Software	007	134 606	111 829	22 777	19 614
2.2.	Other valuable rights	008	2 308	1 096	1 212	432
B. I. 3.	Goodwill	009			0	
B. I. 4.	Other intangible fixed assets	010	489	468	21	37
B. I. 5.	Advance payments for intangible fixed assets and Intang. fixed assets under constr.	011	122	0	122	0
5.1.	Advance payments for intang.fixed assets	012			0	
5.2.	Intangible fixed assets under construction	013	122		122	
B. II.	Tangible fixed assets(r.15+18+19+20+24)	014	1 719 993	1 052 209	667 784	693 482
B. II.1.	Lands and Constructions	015	683 731	274 244	409 487	409 335
1.1.	Lands and Constructions	016	140 744		140 744	140 343
1.2.	Constructions	017	542 987	274 244	268 743	268 992
B. II. 2.	Equipment	018	1 026 135	777 965	248 170	263 088
B. II. 3.	Invaluation difference to acquired assets	019			0	
B. II. 4.	Other tangible fixed assets	020	0	0	0	0
4.1.	Breeding of permanent crops	021			0	
4.2.	Adult animals and their groups	022			0	
4.3.	Another tangible fixed assets	023			0	

Identif.	ASSETS	Row number.	Current accounting period			Previous period
			Gross	Adjustment	Net	Net
a	b	c	1	2	3	4
B. II. 5.	Advance payments for tangib. fixed assets and Tangible fixed assets under construct.	024	10 127	0	10 127	21 059
5.1.	Advance payments for tangib. fixed assets	025	254		254	1 019
5.2.	Tangible fixed assets under construction	026	9 873		9 873	20 040
B. III.	Long-term financial assets (r.28 to 34)	027	328 935	146 126	182 809	225 029
B. III. 1.	Shares - controlled or manag. organization	028	221 325	89 140	132 185	176 405
B. III. 2.	Loans- controlled or manag. organization	029	56 986	56 986	0	
B. III. 3.	Shares – substantial influence	030	48 624		48 624	48 624
B. III. 4.	Loans - substantial influence	031			0	
B. III. 5.	Other long-term securities and shares	032			0	
B. III. 6.	Loans - others	033			0	
B. III. 7.	Other long-term financial assets	034	2 000	0	2 000	0
7.1.	Another long-term financial assets	035			0	
7.2.	Advance payments for long-term fin.assets	036	2 000		2 000	
C.	Current assets (r.38+46+68+71)	037	5 460 406	139 621	5 320 785	6 178 584
C. I.	Inventory (r. 39+40+41+44+45)	038	1 035 047	0	1 035 047	1 100 952
C. I. 1.	Materials	039	619 975		619 975	522 805
C. I. 2.	Work in progress and semi-products	040	371 946		371 946	577 824
C. I. 3.	Products and merchandise	041	4	0	4	0
3.1.	Products	042			0	
3.2.	Merchandise	043	4		4	
C. I. 4.	Young and other animals and their groups	044			0	
C. I. 5.	Advance payments for inventory	045	43 122		43 122	323
C. II.	Receivables (r.47+57)	046	3 072 815	139 621	2 933 194	4 023 053
C. II. 1.	Long-term receivables (r. 47 to 51)	047	663 733	0	663 733	806 565
1.1.	Trade receivables	048	331 468		331 468	443 775
1.2.	Receivables from controlled and manag. Organizat.	049			0	
1.3.	Receivables-substantial influence	050			0	
1.4.	Differed tax receivable	051	331 683		331 683	362 332
1.5.	Other receivables	052	582	0	582	458
1.5.1.	Receivables from partners	053			0	

Identif.	ASSETS	Row number.	Current accounting period			Previous period
			Gross	Adjustment	Net	Net
a	b	c	1	2	3	4
1.5.2.	Long-term deposits given	054	582		582	138
1.5.3.	Estimated receivable	055			0	
1.5.4.	Other receivables	056			0	320
C. II. 2.	Short-term receivables (r.58 to 61)	057	2 409 082	139 621	2 269 461	3 216 488
2.1.	Trade receivables	058	1 950 070	92 872	1 857 198	2 967 002
2.2.	Receivables from controlled and manag. Organizat.	059	60 842	46 749	14 093	4 219
2.3.	Receivables-substantial influence	060			0	
2.4.	Other receivables	061	398 170	0	398 170	245 267
2.4.1.	Receivables from partners	062			0	354
2.4.2.	social security and health insurance	063			0	
2.4.3.	Due from state - tax receivable	064	280 891		280 891	100 407
2.4.4.	Other deposits given	065	104 291		104 291	111 672
2.4.5.	Estimated receivable	066	4 718		4 718	2 466
2.4.6.	Other receivables	067	8 270		8 270	30 368
C. III.	Short-term financial assets (r.69+70)	068	0	0	0	0
C. III. 1.	Shares - controlled and manag. Organizat	069			0	
C. III. 2.	Other short-term financial assets	070			0	
C. IV.	Finances (r.72+73)	071	1 352 544	0	1 352 544	1 054 579
C. IV. 1.	Cash	072	3 307		3 307	10 220
C. IV. 2.	Bank accounts	073	1 349 237		1 349 237	1 044 359
D.	Accruals (r.75 to 77)	074	16 324	0	16 324	9 223
D. 1.	Deferred expenses	075	12 624		12 624	9 106
D. 2.	Complex deferred costs	076			0	
D. 3.	Deferred income	077	3 700		3 700	117

Identif.	LIABILITIES	Row	Current period	Previous period
a	b	c	5	6
	TOTAL LIABILITIES (r.79+101+141)	078	6 211 834	7 126 401
A.	Equity (r.80+84+92+95+99+100)	079	2 552 617	2 474 522
A. I.	Registered capital (r.81 to 83)	080	384 436	384 436
A. I. 1.	Registered capital	081	384 436	384 436
A. I. 2.	Own shares (-)	082		
A. I. 3.	Changes of registered capital	083		
A. II.	Premium and capital funds (r.84+85)	084	2 244	8 144
A. II. 1.	Premium	085		
A. II. 2.	Capital funds (r.87 to 91)	086	2 244	8 144
2.1.	Other capital funds	087	555	555
2.2.	Revaluation differences of assets a. liabilities (+/-)	088	1 689	7 589
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	76 153	75 964
A. III. 1.	Other reserve funds	093	73 732	73 732
A. III. 2.	Statutory and other funds	094	2 421	2 232
A. IV.	Profit / loss - previous year (r.96 to 98)	095	1 698 496	1 362 945
A. IV. 1.	Retained earnings from previous years	096	1 698 496	1 362 945
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	391 288	643 033
A. VI.	Decided on advance payment of dividends (-)	100		
B.+ C.	Other sources (r.102+107)	101	3 658 813	4 651 535
B.	Reserves (r.103 to 106)	102	1 805 665	1 986 289

Identif.	LIABILITIES	Row	Current period	Previous period
a	b	c	5	6
B. 1.	Reserves for pension and similar payables	103		
B. 2.	Income tax reserves	104		69 276
B. 3.	Reserves under special statutory regulations	105		
B. 4.	Other reserves	106	1 805 665	1 917 013
C.	Payables (r.108+123)	107	1 853 148	2 665 246
C. I.	Long-term payables (r.109+112 to 119)	108	144 375	158 415
C. I. 1.	Issued bonds (r.110+111)	109	0	0
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	183	179
C. I. 4.	Trade payables	114	144 192	158 236
C. I. 5.	Long-term notes payables	115		
C. I. 6.,	Payables - controlled or manag. organizat.	116		
C. I. 7.	Payables - substantial influence	117		
C. I. 8.	Deffered tax liability	118		
C. I. 9.	Payables - other (r.120 to 122)	119	0	0
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	1 708 773	2 506 831
C. II. 1.	Issue bonds (r.125+126)	124	0	0
1.1.	Convertible bonds	125		
1.2.	Other bonds	126		
C. II. 2.	Payables to credit institutions	127		
C. II. 3.	Short term deposits received	128	439 288	485 819

Identif.	LIABILITIES	Row	Current period	Previous period
a	b	c	5	6
C. II. 4.	Trade payables	129	923 156	1 621 681
C. II. 5.	Short- term notes payables	130		
C. II. 6.,	Payables - controlled or manag. organizat.	131		
C. II. 7.	Payables - substantial influence	132		
C. II. 8.	Payables - others (r.134 to 140)	133	346 329	399 331
8.1.	Payables from partners	134	122 020	112 020
8.2.	Short term accommodations	135		
8.3.	Payables from employers	136	104 865	125 491
8.4.	Payables to social securities and health insurance	137	64 237	74 758
8.5.	Due from state - tax liabilities and subsidies	138	30 470	35 822
8.6.	Estimated payables	139	18 462	32 416
8.7.	Other payables	140	6 275	18 824
D.	Accruals (r.142+143)	141	404	344
D.1.	Accrued expenses	142	271	313
D.2.	Deferred revenues	143	133	31



## PROFIT / LOSS ACCOUNT

As at 30. 09. 2017 (in thous. CZK)

Identific.	TEXT	Row	Fiscal period	
			Current	Previous
a	b	c	1	2
I.	Revenues from sold products and services	01	6 037 905	8 911 111
II.	Revenues from sold goods	02	391 040	667 932
A.	Performance consumption (r.4 to 6)	03	5 376 713	7 897 309
A.1.	Expenses on sold goods	04	330 983	579 914
A.2.	Consumption of material and energy	05	4 124 275	6 088 002
A.3.	Services	06	921 455	1 229 393
B.	Change in inventory of own products (+/-)	07	260 106	279 601
C.	Capitalization (-)	08	-741 987	-1 270 037
D.	Personnel expenses	09	1 251 669	1 320 039
D.1.	Wages	10	932 331	986 894
D.2.	Social security expenses and health insurance and other expenses (r.12+13)	11	319 338	333 145
2.1.	Social security expenses and health insurance	12	304 844	319 180
2.2.	Other expenses	13	14 494	13 965
E.	Depreciations in operating area (r.15+18+19)	14	64 002	170 370
E.1.	Depreciations of intangible and tangible fixed assets (r.16+17)	15	112 858	103 254
1.1.	Depreciations of intangible and tangible assets - permanent	16	112 858	103 254
1.2.	Depreciations of intangible and tangible assets - temporary	17		
E.2.	Depreciations of inventory	18	-54 211	4 211
E.3.	Depreciations of receivables	19	5 355	62 905

Identific.	TEXT	Row	Fiscal period	
			Current	Previous
a	b	c	1	2
III.	Other operating revenues (r.21 to 23)	20	300 858	541 721
III.1.	Revenues from disposals of fixed assets	21	1 906	2 333
III.2.	Revenues from disposals of materials	22	256 819	477 994
III.3.	Another operating revenues	23	42 133	61 394
F.	Other operating expenses (Y.25 a~ 29)	24	72 351	995 345
F.1.	Net book value of sold fixed assets	25	929	30
F.2.	Net book value of sold material	26	128 177	299 653
F.3.	Taxes and fees	27	7 367	8 223
F.4.	Reserves in operating area and complex deferred costs	28	-106 229	632 829
F.5.	Other operating expenses	29	42 107	54 610
*	Operating profit / loss (+/-) (r.1+2-3-7-8-9-14+20-24)	30	446 949	728 137
a	b	c	1	2
IV.	Revenues from long-term financial assets - shares (r.32+33)	31	138 578	100 693
IV.1.	Revenues from shares - controlled or manag. organizat.	32	134 078	100 693
IV.2.	Other revenues from shares	33	4 500	
G.	Expenses for sold shares	34	106 250	
V.	Revenues from other long-term financial assets (r.36+37)	35	0	0
V.1.	Revenues from other long-term financial assets - controlled or manag. organizat.	36		
V.2.	Other revenues from other long-term financial assets	37		
H.	Expenses associated with other long-term financial assets	38		7
VI.	Interest revenues and similar revenues (r.40+41)	39	5 260	10 538
VI.1.	Interest revenues and similar revenues - controlled or manag. organizat.	40	5 260	10 538

Identific.	TEXT	Row	Fiscal period	
			Current	Previous
a	b	c	1	2
VI.2.	Other interest revenues and similar revenues	41		
I.	Depreciations and reserved in financial area	42	-67 956	
J.	Interest expenses and similar expenses (r.44+45)	43	0	1 072
J.1.	Interest expenses and similar expenses - controlled or manag. organizat.	44		1 072
J.2.	Other Interest expenses and similar expenses	45		
VII.	Other financial revenues	46	16 606	8 927
K.	Other financial expenses	47	123 977	65 024
*	Profit / loss from financial operations ( transactions (+/-) (r.31-34+35-38+39-42-43+46-47)	48	-1 827	54 055
**	Profit/loss before taxation (+/-) (r.30+48)	49	445 122	782 192
L.	Income tax (r.51+52)	50	53 834	139 159
L.1.	Due income tax	51	23 185	256 005
L.2.	Income tax defferred (+/-)	52	30 649	-116 846
**	Profit/loss after taxation (r.49-50)	53	391 288	643 033
M.	Transfer of dividends to partners (+/-)	54		
***	Profit /loss of current accounting period (+/-) (r.53-54)	55	391 288	643 033
*	Net sales for current accounting period = I.+II.+III.+IV.+V.+VI.+VII. (r.1+2+20+31+35+39+46)	56	6 890 247	10 240 922

# SUPERVISORY BOARD'S REPORT, INDEPENDENT AUDITOR'S REPORT

*Pursuant to my opinion, the final accounts provide a true and faithful image of the assets, and liabilities of the AŽD Praha s.r.o. company as at 30.09.2017, and of the expenses and revenues of the company, its business results and cash flow achieved during the year ending on 30.09.2017 in compliance with Czech accounting regulations.*

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

## FOR BUSINESS RESULTS OF COMPANY FOR THE 2016–2017 FISCAL YEAR

During the evaluated period, the Supervisory Board provided activities pursuant to 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 fulfilment 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.

**The Supervisory Board familiarized with submitted business results of the AŽD Praha s.r.o. company as at 30. 09. 2017, 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. 2017 including the final accounts and profit distribution proposal.**



Ing. František Formánek



Petr Rott



Ing. Miroslav Kozák

In Prague, on 12. 02. 2018

## ***Independent Auditor's Report***

### ***AŽD Praha s.r.o.***

For the verified period from  
01.10.2016 to 30.09.2017

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

### **Auditor's statement**

I have made an audit of the attached final accounts of the AŽD Praha s.r.o. company (herein after also "Company") compiled based on Czech accounting regulations, which consists of a balance sheet as at 30.09.2017, profit and loss statement, summary of changes to the equity capital, and cash flow summary for the period ending on 30.09.2017 and the annex to these final accounts, including a description of substantial accounting methods applied, and other explanatory information. Data on the Company are given in the introduction of annex to this Final Accounts.

**Pursuant to my opinion, the final accounts provide a true and faithful image of the assets, and liabilities of the AŽD Praha s.r.o. company as at 30.09.2017, and of the expenses and revenues of the company, its business results and cash flow achieved during the year ending on 30.09.2017 in compliance with Czech accounting regulations.**

### **Statement basis**

I have performed the audit in compliance with Auditors' Act and standards of the Chamber of Auditors of the Czech Republic for audit, which eventually complement and modify the International Standards for Audit (ISA) by means of related application clauses. My responsibility defined by these regulations is described more in detail in the section Auditor's Responsibility for Audit of Final Account. In compliance with Auditors' Act and the Code of Ethics agreed by the Chamber of Auditors of the Czech Republic, I am independent on the Company, and I met also other ethic obligations resulting from given regulations. I truly believe that the obtained evidence provides a sufficient and appropriate base for providing my statement.

### **Other information given in Annual Report**

Other information is, in compliance with Section 2, letter b) of the Auditors' Act, information referred in the annual report, in addition to the final accounts and my Auditor's report. The Executive of the company is responsible for other information.

My statement to the final accounts does not relate to other information. Nevertheless, it is part of my duties related to audit of the final accounts to familiarize with other information and to judge, whether other information is not in a significant (material) discrepancy with the final accounts or with my knowledges on the

accounting entity received during auditing, or whether this information otherwise does not prove significantly (materially) incorrect. I also judge, whether other information has been in all significant (material) aspects compiled in compliance with appropriate legal regulations. We understand with this judgement, whether other information comply with demands of legal regulations for formalities and the process of elaborating of other information in the significance (materiality) context, i.e. whether the possible noncompliance with given requirements would be able to influence the conclusion of the entity based on other information.

Based on executed procedures, to the extent that I am able to judge, I state that other information, describing facts, which are also the subject of review in the final accounts, is in all significant (material) aspects in compliance with the final accounts and other information were elaborated in compliance with legal regulations according to the above given paragraph.

Further, I am obligated to mention whether based on the knowledge and awareness on the company, which I have found during auditing, other information does not include significant (material) subject inaccuracies. Within given procedures, I have not found any significant (material) subject inaccuracies in received other information.

### **Responsibility of Executives and Supervisory Board for Final Accounts**

The Company Executives are responsible for compilation of the Final accounts providing true and faithful image in compliance with Czech accounting regulations and for such internal control system, which they deem necessary for compilation of the final accounts so that this final account would not include any significant (material) inaccuracies caused due to deception or error.

During compilation of the final accounts, the Company Executives are obligated to judge whether the company is able to persist continuously, and if it is relevant, to describe in Annex of the final account facts relating to its continuous duration and to apply the assumption of continuous duration at compilation of the final accounts, with the exception of the case, when Executives plan to liquidate the Company or to terminate its business or when they have no other real possibility than to do so.

The supervisory board is responsible for supervision of the process of accounting statements in Company.

### **Auditor's Responsibility for Audit of Financial Accounts**

My goal is to obtain a reasonable certainty, that the final accounts as a whole does not include any significant (material) inaccuracies caused due to deception or error and to issue an Auditor's Report containing the Auditor's Statement. The reasonable degree of certainty is a great degree of certainty, nevertheless, it is not a guarantee, the audit executed in compliance with above given regulations will in all cases detect the possible existing significant (material) inaccuracy in final accounts. Inaccuracies can originate due to deception or errors and are viewed as significant (material), when it is possible to assume really, they could individually or in summary influence economical decisions, which will be made by users of the final accounts based on them.

During auditing based on above given regulations, it is my duty to apply my expert opinion and to keep professional skepticism during the whole audit. Further, I am obligated to:

- Identify and evaluate risks of significant (material) inaccuracy of final accounts caused by deception or error, to propose and to execute audit procedures responding to these risks and to receive sufficient and suitable evidences, based on which I would be able to express the statement. The risk, I will not find a significant (material) inaccuracy, which has occurred due to deception is greater than the risk of non-finding of a significant (material) inaccuracy caused by an error, because the deception can include collusions, falsification, willful defaults, incorrect declarations or avoidance of internal checks

- Familiarize with internal control system of the Company relevant for audit to such extent, I would be able to propose audit procedures suitable with regard to given circumstances, not to be able to express my opinion about efficiency of its internal control system.
- Judge suitability of applied accounting rules, appropriateness of made accounting estimations and information, which have been given regarding this problem by the company Executive in the annex to final accounts,
- Judge suitability of application of the assumption of continuous duration for compilation of final accounts by executive board, and whether, with regard to the collected evidences, is there a significant (material) uncertainty resulting from events or conditions, which can significantly question the ability of the company to continue continuously. If I will find that such significant (material) uncertainty exists, it is my duty to highlight in the auditor's report information given in this regard in the annex of final accounts, and when this information is insufficient, to issue a modified statement. My conclusions relating to the ability of Company to continue continuously come from evidences, which I have received as at the date of my report. Nevertheless, future events or conditions can result in the fact, the Company will lose its ability of continuous duration.
- Evaluate the total presentation, layout and content of final accounts, including annex, and further whether the final accounts show the underlying transaction and events in a manner, which results in true displaying.

It is my duty to inform the Executives and Supervisory Board among others about the planned extent and timing of the audit and on significant findings, I have found during its course, including found significant insufficiencies in internal control system.

In Prague, on February 8, 2017



Ing. Jiřina Štolcpartová  
Auditor's certificate No. 1780





## **MANDATORY ANNEXES:**

Annex No. 1: Annex to Final Accounts of AŽD Praha s.r.o. for 2016/2017

Annex No. 2: Summary of Cash Flows

Annex No. 3: Summary of Changes of Equity Capital for 2016/2017 fiscal year



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This annual report has been elaborated in accordance with the valid Accounting Act, and it reflects the state as at 30. 09. 2017.

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