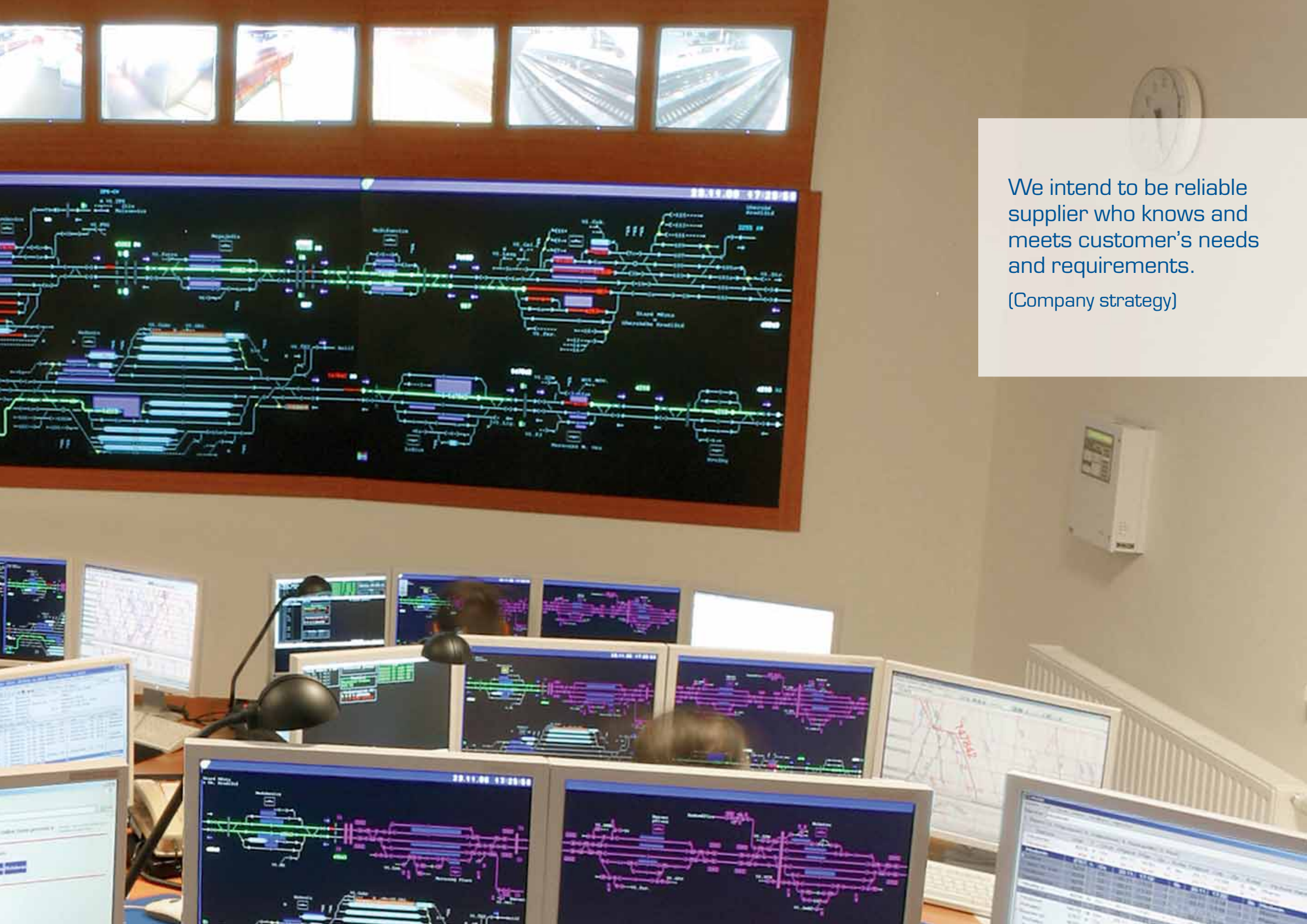
ANNUAL REPORT 2005/2006

AŽD PRAHA

PRAHA


PRAHA

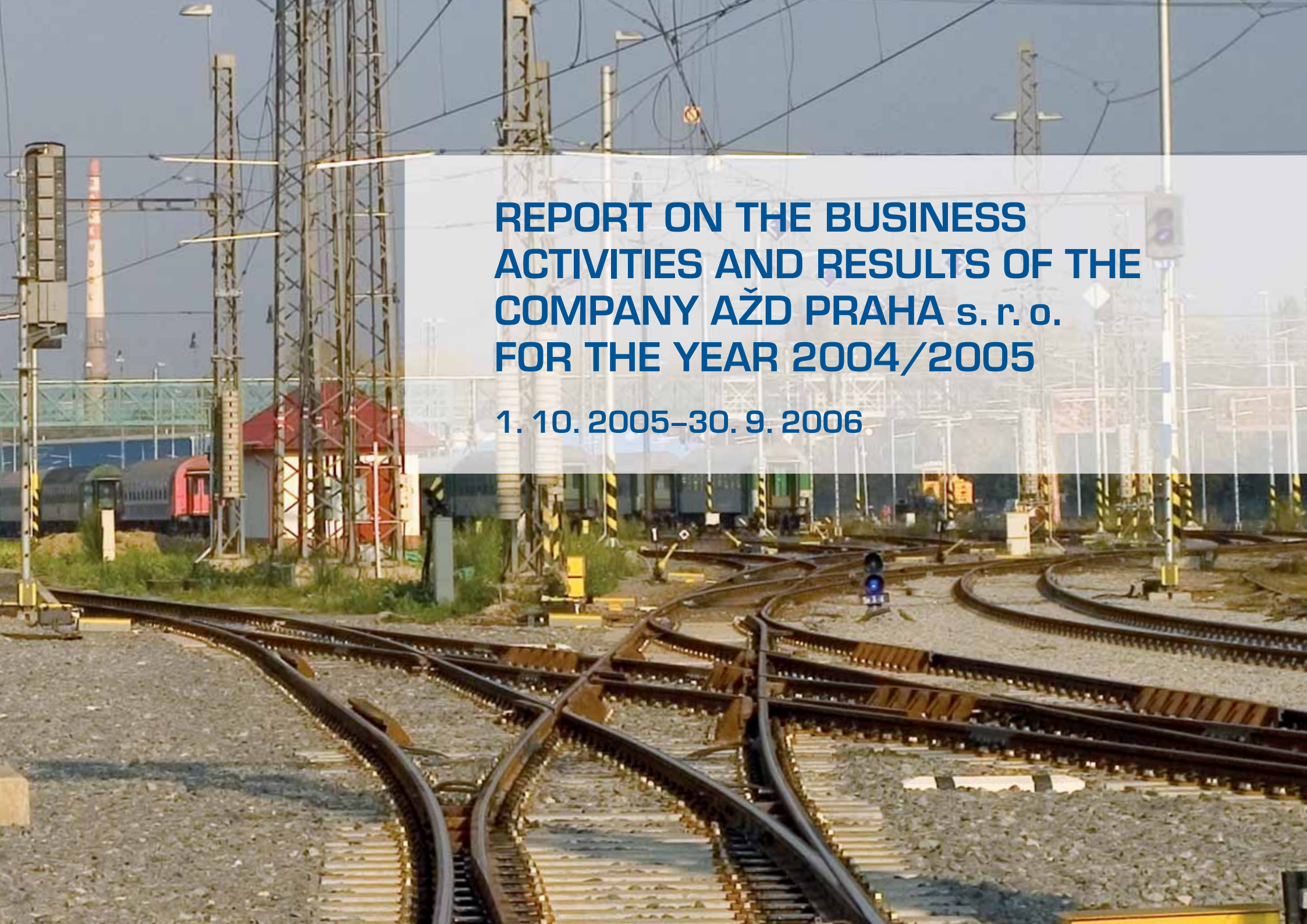
Central dispatchers' workplace (CDP) in Přerov



We intend to be reliable supplier who knows and meets customer's needs and requirements.

(Company strategy)

Railyard at Bohumín railway junction



REPORT ON THE BUSINESS ACTIVITIES AND RESULTS OF THE COMPANY AŽD PRAHA s. r. o. FOR THE YEAR 2004/2005

1. 10. 2005–30. 9. 2006

Signalised intersection in Kuřim

Contents

General Manager‘s Foreword

Dear Business Partners,
Associates,
and Colleagues:

With pleasure and satisfaction, I am happy to state that we have completed our second fiscal year, again in line with the approved plan. We have not only met, but even slightly surpassed, the monitored indicators. Hence, it is evident that the successful work of our Company continues, and, moreover, the Company is developing further. The strategic plan for the Company’s development is being met.
Again, we can be proud of significant technical advances, an expansion in our line of business, the execution of many construction projects both domestically and abroad, as well as of other achievements. Our Company has become a professional, stable, and fair partner on the European playing field. The fact that the Company is developing Czech technologies, supporting universities as well as secondary schools, connecting industry with education, and investing significant funds into technical development, places it among those organisations that contribute significantly to the education and skill of the Czech people. The fact that we are a successful Czech Company is not well accepted by some of our foreign partners, who do not hesitate to use various methods to change it. Their efforts can be countered, above all, by professionalism, fairness, and by fulfilling all of our undertakings. Let us, therefore, have a look back at some of the significant milestones of the past year.
In the technical area, we completed the activation of the traffic remote control system on the Plzeň–Žatec line, which was one of the so-called “rationalisation projects”. The goal was to increase the technical standard of operations and effectiveness of railway lines. The project action turned out extremely well and now it stands as a model for the next possible use of this system. The good news is also the commissioning of the central dispatcher workplace in Přerov, which remotely controls the line between Přerov and Břeclav. Now we are able to offer remote control on both corridor and regional lines including the optimum technology at reasonable price and fully failsafe operation. The third major goal was to put into operation a new version of the proven ESA® interlocking (version ESA® 33) at the Hluboká nad Vltavou and Jeřmanice railway stations. This allows for a higher application of electronics and the implementation of hot standby in station interlocking equipment. We have developed and now we are offering the new track circuit type, the KOA-1, designed to meet the prepared European TSI requirements with regard to resistance to interfering currents in both existing and future traction railway vehicles.
Naturally, works initiated in the previous fiscal year are continuing, above all i.e. the participation with the Italian company ANSALDO in the pilot project for the activation of the unified European systems ERTMS/ETCS. Furthermore we could present to the professional public the first results of the radio block, equipment prepared for secondary lines. The designed system of the top failsafe standard can improve performance and effectiveness at regional lines and significantly increase the traffic safety.
After the initial problems with putting into operation the Pendolino train sets we contributed significantly to the

introduction of these modern EMUs to Czech Railways by developing the compensator of dangerous currents awarded the gold medal at the International Engineering Fair in Brno. At present these trains are now taking passengers to capitals of neighbouring states as well – to Vienna and Bratislava.

In the field of construction for Railway Infrastructure Administration (SŽDC), we realized part of work on Corridor III and IV between Prague, České Budějovice and Cheb in the previous year. In Moravia we completed works on the Česká Třebová–Přerov line. We participated on modernisation of the Kadaň–Karlovy Vary line and several other lines. We also conducted a number of other activities, which, although smaller in size, were far from being insignificant. These for instance included supplies of level crossing systems nearby the towns of the Benešov and Vlašim.

We also continue to pursue our activities abroad. In Slovakia, we won contracts for the station interlocking equipment in the stations Poprad-Tatry and Prešov; we participated in the now-completed project for modernization of the Zvolen–Banská Bystrica line; and work was resumed in the area of Vranov nad Topľou. In India, the major part of the contract for the delivery of the electronic station interlocking equipment for 11 stations in the Andhra Pradesh state was fulfilled in this fiscal year (the project has now been fully completed). The long-prepared project for the modernization of Nikšić–Podgorica line in Montenegro is now under way in cooperation with OHL ŽS Brno. We won a new contract in Belarus, where we will deliver the interlocking equipment for the Polock railway station. The first stage of the work was the adaptation of the ESA® 11 interlocking to local standards and obtaining the required technical and safety approvals. As we are used to make a business abroad, we have established manufacturing cooperation with a local signalling equipment manufacturer located in the city of Brest. With the official participation of local politicians we opened the newly erected production and administrative buildings of our subsidiary, BALKAN SAST, in Sophia. We have already order intake there but we are also considering the transfer of certain parts of production for our entire AŽD group to Bulgaria.

In the last fiscal year, we also made preparations for brand new activities and plans. It is my pleasure to inform you that these plans have become reality. First of all, we became involved in the Czech Railways plan to revitalise several railway station buildings. In line with the PPP economic principle, we are becoming investor and operator of the commercial activities in the buildings for three decades. In this regard, we have already signed a contract for the revitalisation of the railway station building in Havlíčkův Brod and are now expecting to sign a contract for the Kolín railway station. In the last year we were preparing plans for taking over the maintenance/service of signalling and interlocking equipment on some railway lines. Currently we have already taken over this activity on two lines of the Czech Railway network. The residential housing development project carried out by our subsidiary, AŽD – Harmonie, in Beroun and Králův Dvůr is also under way.

In 2006, we also participated in two major international exhibitions, namely the traditional International Engineering Fair in Brno and, most importantly, in the global

international railway technology fair InnoTrans 2006 in Berlin. We had our stand in the "Czech Town" – a complex of interconnected stands of the Czech Railway Industry Association member companies. This grouping of Czech companies raised not only the interest of a number of Czech visitors but also the European public.

Doing business it also means participating in publicly beneficial activities. I can state with satisfaction that our Company is active in this area, too. Our philosophy is to provide real help to those who need it regardless of an external effect. We have supported organisations such as the Jedlička Institute for the Physically Handicapped, as well as a number of sport organisations and individual events. We are sponsors of a number of universities and secondary schools, we support a number of cultural organisations, and we are also partners in a number of cultural events – children's festivals, concerts, exhibitions and number of historical activities. We support athletes from amongst our employees, and take joy in their success. Our Company is recognized in professional circles, both domestically and abroad. We are members of UNIFE, ACRI, Association of Industry and Transport, and we participate in a number of European programmes as well as in the discussions of the European Industrial committees. Our research experts teach as professors at universities.

This small space does not allow for a full account of what our Company achieved last year, and I apologise to everyone whose activities and contributions I have neglected to mention.

Dear Business partners – Suppliers, Subcontractors and Customers I would like to take this opportunity to thank you once again for your excellent cooperation with and confidence in our Company. I can also assure you that we shall continue to supply high quality, safe and reliable technology and equipment and that our motto "quickly, safely and reliably" as well as our vital principles like correctness, fairness and professionalism will continue.

Dear Partners and Colleagues, The year that we are evaluating, and account of which comes in the form of this Annual Report, was demanding, but successful, and creates good conditions for the forthcoming years. I can assure you that I appreciate greatly every contribution that you have made to the overall good results of the Company, regardless of its size. Thank you all for coping honourably with your sometimes very demanding tasks.

Further details of our results and activities are provided in the relevant parts of this Annual Report

Zdeněk Chrdle
Company's CEO & General Director

Fields of Business

Company Headquarters in Prague 10

AŽD Praha s.r.o. has been the leading Czech manufacturer and supplier of transport control, signalling, interlocking and communication systems for more than 50 years. Currently the Company develops successfully its activities at the domestic and foreign market and it is in possession of trade licence and other qualifying documents that allow develop the business activities in the field of signalling, interlocking, communication, information, control and automation technology, focused mainly on **the rail and road transport domain**. The Company provides the related commercial, research and development activities, design and manufacturing of the stationary and mobile systems, their installation, activation, testing, servicing, repairs and maintenance of both the internally made and purchased equipment, the activities related to the cable laying, installation and cable testing and to the installation of the communication networks of all types, carrying on of the road motor transport, the geodesic and cartographic activities as well as the purchasing and resale of the respective equipment. Thanks to complexity of provided services and economic strength and stability, the Company can offer an effective solution even of entirely specific customer requirements.

Besides its traditional business activities AŽD Praha focused in 2005/2006 on development of the following activity areas:

Road Telematics. Company headquarters comprises the Commercial Department of Road Telematics, carrying on commercial activities and development strategy within its domain on the domestic and also foreign markets. Besides the above mentioned it carries on business activities in "Instrument manufacturing, repairs and installation", the main products of which are instruments for measuring of speed, physical values of tunnels and means of transport. The Company plays an active role in the Association for Transport Telematics, it is involved in design of projects and grants of the Ministries of Transport and Education and it pursues lecturing and consultancy activities. During the last term the co-operation with BESIP Department of the Ministry of Transport of Czech Republic, the automobile clubs and the Municipalities increased significantly, primarily in the field of supply of the systems increasing road traffic safety and of the training equipment for its their future users.

Special Technology. The Special Technology Department´s broad range of activities is focused outside the Company main activity core business. It offers primarily services in the security domain and it provides special equipment for buildings. In the fields of security, access and fire safety it offers consultancy, preparation of studies, design work, supplies of equipment, installation, inspection and servicing. The range of activities of this department includes also manufacturing of individual separate parts or completed products for the external business partners.

Other Company activities carried on during the last accounting period include **engineering** and **housing development**. Within the total volume of AŽD business activities a major position belongs to **logistic services and activities** of the Logistic Plant Olomouc, provided to the parent company, daughter companies and also to external partners.

Zdeněk CHRDLE
General Director and CEO

František JECKEL
Executive Director

Alice DICKOVÁ
Executive Officer and
Deputy Director for Economics
Technika Plant

The Company Organisational Structure and bodies

AŽD Praha s.r.o. (Identification No. (IČO): 48029483) is a solely Czech Company owned for a long time by a stabile group of owners. It is a limited liability Company established pursuant to the Czech Commercial Code. It is entered in the Commercial Register administered by the Municipal Court in Prague, Section C, Entry No. 14616.
From legislative and economic point of view it constitutes a legal entity.

The Company is managed by Board of Executives, consisting of CEO – General Director and other two executives.
The Company Head Office has been established to provide for top management and co-ordination functions. It manages and coordinates activities aimed at implementation of the Company's subject of business.
In compliance with the Labour Code the Company labour relations for period 2005–2008 are stipulated in Collective Agreement signed on January 10, 2005.
The Company bodies and representatives stated within this Annual report are effective as of September 30, 2006.

General Assembly

Executives

Zdeněk CHRDLE
General Director, CEO

František JECKEL
Executive Director

Alice DICKOVÁ
Deputy Director for Economics
Technika Plant

Supervisory Board

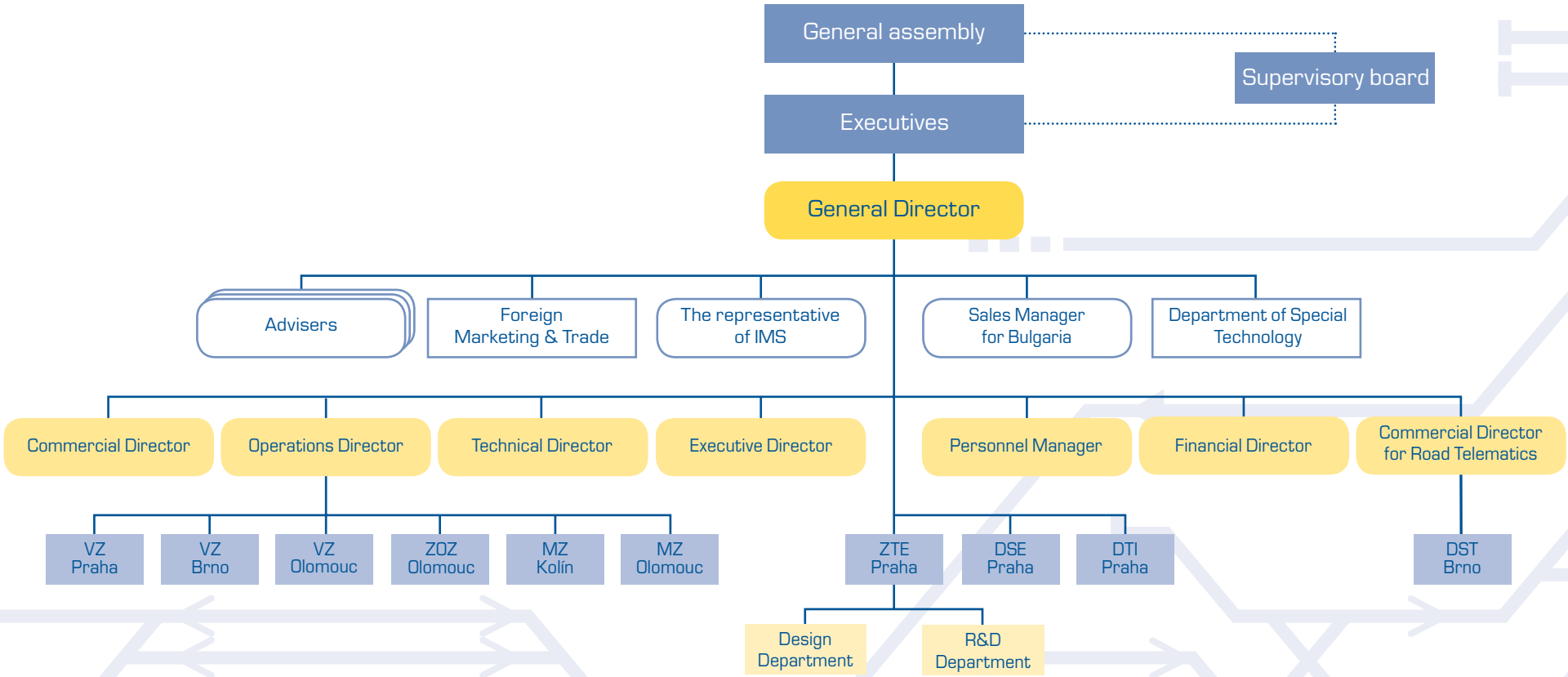
Miroslav KUČERA
Specialist – Trade Department

Miroslav KOZÁK
Financial Director

Richard VAVRDA
Deputy Director for Economics
Installation Plant Olomouc

Organisational chart

State as of 30. 9. 2006



Abbreviation notes:

VZ – Production Plant
MZ – Installation Plant
ZOZ – Logistic Plant
ZTE – Technika Plant
PRJ – Design Department
VAV – Research and Development
DSE – Division of Telecommunication and Signalling Technology Service
DTI – Division Teleinformatika
DST – Division of Road Technology Automation
IMS – Integrated Management System (Quality, Environment, …)

Company Head Office and Headquarters

AŽD Praha s.r.o.
Žirovnická 2/3146, 106 17 Praha 10
Phone: +420 267 287 111
Fax: +420 272 656 142
E-mail: info@azd.cz
Internet: www.azd.cz

General Director
Zdeněk CHRDLE
Phone: +420 267 287 201
Fax: +420 272 656 142

Financial Director
Miroslav KOZÁK
Phone: +420 267 287 190
Fax: +420 272 650 864

Executive Director
František JECKEL
Phone: +420 267 287 749
Fax: +420 272 650 831

Technical Director
Roman JUŘÍK
Phone: +420 267 287 361
Fax: +420 272 650 851

Operation Director
Jiří BAŤKA
Phone: +420 267 287 203
Fax: +420 272 656 139

Personnel Manager
Miloslav SOVÁK
Phone: +420 267 287 196
Fax: +420 272 650 830

Commercial Director
Miroslav REŠL
Phone: +420 267 287 749
Fax: +420 272 650 831

Commercial Director for Road Telematics
Vladimír KETNER
Phone: +420 267 287 234
Fax: +420 272 650 864

Organisational Units

Technika Plant Prague

Director of the Plant
Karel VIŠNOVSKÝ
AŽD Praha s.r.o., závod Technika Praha
Žirovnická 2/3146, 106 17 Praha 10
Phone: +420 267 287 223, fax: +420 272 650 823

Deputy Director for Research and Development
Michal PAVEL
Phone: +420 267 287 364, fax: +420 272 650 823

Deputy Director for Design
Josef BOREČEK
Phone: +420 267 287 259, fax: +420 272 762 543

Production Plant Prague

Deputy Operation Director responsible
for Production Plant Control
Martin ČERNÝ
AŽD Praha s.r.o., Výrobní závod Praha
Žirovnická 2/3146, 106 17 Praha 10
Phone: +420 267 287 193, fax: +420 272 656 147

Production Plant Brno

Deputy Operation Director responsible
for Production Plant Control
Jolana HORSÁKOVÁ
AŽD Praha s.r.o., Výrobní závod Brno
Křižíkova 32, 612 00 Brno-Královo Pole
Phone: +420 549 122 101, fax: +420 541 211 119

Production Plant Olomouc

Deputy Operation Director responsible
for Production Plant Control
Stanislav SLAVÍČEK
AŽD Praha s.r.o., Výrobní závod Olomouc
Roháče z Dubé 6, P. O. Box č. 13, 772 11 Olomouc 2
Phone: +420 585 113 700, fax: +420 585 311 424

Installation Plant Kolín

Director of the Plant
Petr FALTUS
AŽD Praha s.r.o., Montážní závod Kolín
Polepská 724, 280 02 Kolín IV
Phone: +420 321 720 692, fax: +420 321 720 692

Installation Plant Olomouc

Director of the Plant
Karel OPRAVIL
AŽD Praha s.r.o., Montážní závod Olomouc
Jiráskova 5, 772 00 Olomouc
Phone: +420 585 113 760, fax: +420 585 313 250

Logistic Plant Olomouc

Director of the Plant
Daniela VESELÁ
AŽD Praha s.r.o., Zásobovací a odbytový
závod Olomouc
Železniční 1, 772 10 Olomouc
Phone: +420 585 113 210, fax: +420 585 311 270

Division of Teleinformatics

Director of the Division
Miroslav HORA
AŽD Praha s.r.o., divize Teleinformatika Praha
Ukrajinská 4, 101 28 Praha 10-Vršovice
Phone: +420 274 012 612, fax: +420 274 012 611

Division of Telecommunication and Signalling Technology Service

Director of the Division
Václav BARTŮNĚK
AŽD Praha s.r.o., divize Servisu sdělovací
a zabezpečovací techniky Praha
Žirovnická 2/3146, 106 17 Praha 10
Phone: +420 272 650 818, fax: +420 272 656 162

Division of Road Technology Automation

Director of the Division
Ladislav MALÝ
AŽD Praha s.r.o., divize Automatizace
silniční techniky Brno
Křižíkova 32, 612 00 Brno-Královo Pole
Phone: +420 549 210 075, fax: +420 549 210 074

Integrated Management System

The AŽD Praha s.r.o. main priority is meeting customer requirements, needs and expectations by delivery of high quality products and services. An integral part of the Company management is the Integrated Management System providing a framework for strategic plans in area of Quality Management, Environment Management and Occupational Health and Safety Management. These plans are declared by the document Policy of the AŽD Praha Integrated Management System. The established Management System has been applied to Company activities and determines mutual relations between individual organisational units and departments. It also defines the responsibility for the processes guaranteeing quality of the final product delivered to a customer, minimising negative impacts to the environment and ensuring occupational health and safety.

Within continuous struggle to improve the effectiveness of the Integrated Management System, AŽD Praha creates relevant resources and implements progressive methods in all vital spheres of its activities according to Company strategic goals.

During the 2005/2006 business year after the Quality Management System, Environment Management System and Occupational Health & Safety Management System successive implementation the full management system integration was completed so that the relation between these systems is closer and more transparent.

From the documentation of the Integrated Management System and proving its eligibility, expediency and effectiveness point of view the Management System profited by reduction of the necessary administration work.

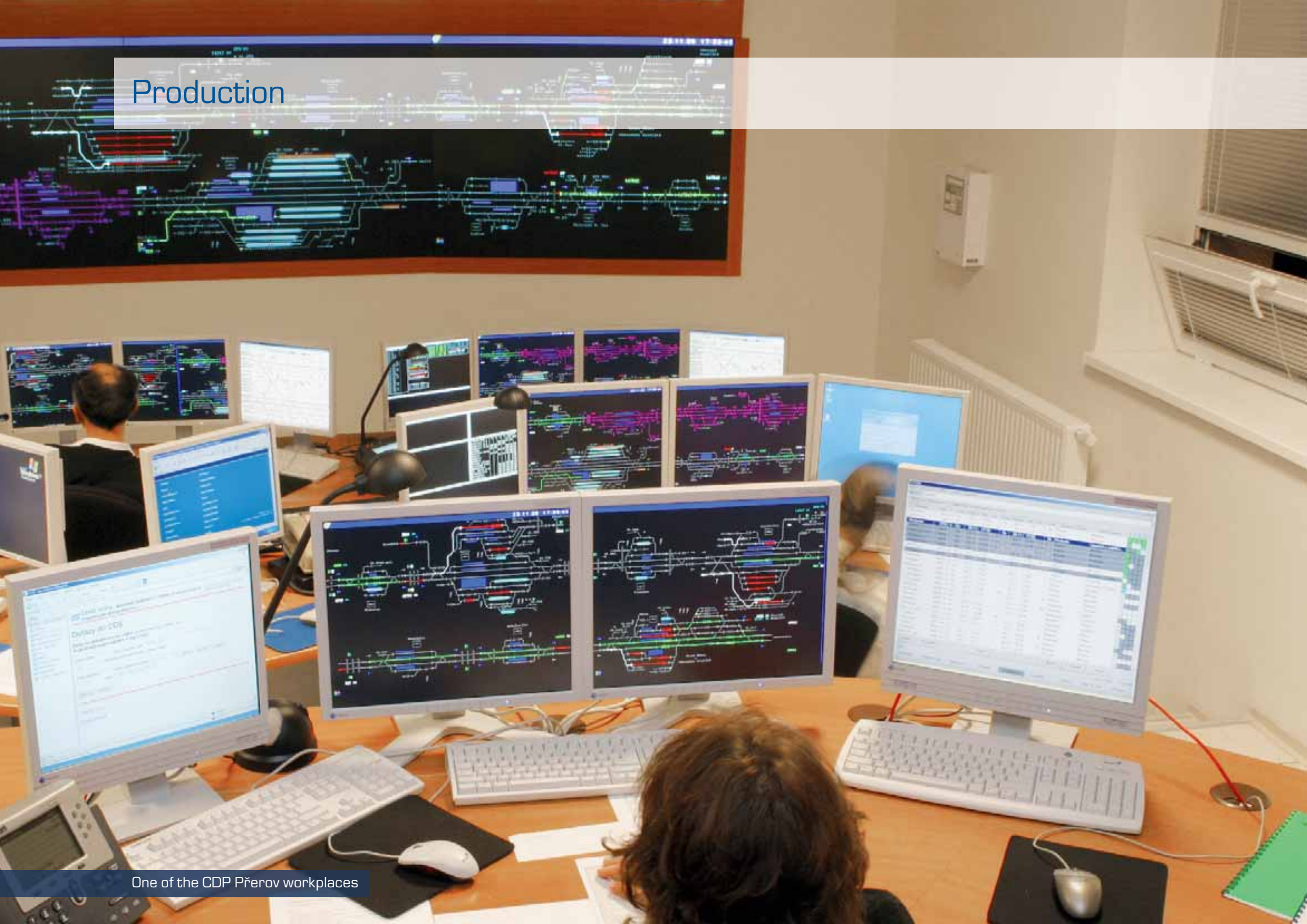
Consequently the Integrated Management System was re-certified. During the audit at the Company Headquarters the accredited certification body CQS declared compliance of the Quality Management System with ČSN EN ISO 9001, compliance of the Environmental Management System with ČSN EN ISO 14001 and compliance of Occupational Health & Safety Management System with OHSAS 18001.

Based on audit results, AŽD Praha was awarded by certificates from the international certification body IQNet Register. No. CZ-2345/2006, CZ-161/2006 and CZ-162/2006. Integration of all the mentioned management systems was acknowledged by “Golden Certificate” award.

Re-certification audits were also successful in all organisational units which are separately certified localities.

For our customers the certificates demonstrate evidence of modern management principles within AŽD Praha, guaranteeing product and service quality, the observance of environment protection and occupational health and safety approach. For us the ownership of Golden Certificate signifies an obligation to improve continuously all certified lines of business.

Production



One of the CDP Přerov workplaces

The basic element of the AŽD Praha business policy is maximum satisfaction of traditional and also new business partners. The Company objective is to offer its customers products and services of high standard not only from the technical concept and performance point of view but also from the view of costs and long term application. This objective cannot be reached without continuous purposeful activity focused on the development and perfection of the current manufacturing programme and also finding the new effective solutions including the application of the most modern scientific-technologically oriented know how. AŽD Praha owns a wide research and development base and support of the technical development programme is one of the long term priorities. Good competitive strength at both the domestic and also foreign market is an evidence of Company success in this sphere.

The main volume of Company production includes the electronic signalling and control systems for the railway traffic; primarily the station interlocking equipment, line signalling and level crossing systems including superior systems of remote control, the ATC/ATO systems and application of these systems in Metro and industrial transport. Concerning the non-railway branches the production comprises mainly equipment for the road and air transport. This equipment mostly forms a part of comprehensive control systems allowing failsafe and smooth real-time controlled transportation at the minimum operational costs. Design of these systems respects requirements of user friendly operation and in cooperation with the diagnostic equipment allows optimum maintenance. The basic element of control and signalling systems for railway transport is the electronic interlocking systems of ESA® 11 type in several modifications, which can be used for any railyard configuration of a single or several railway stations. The design concept of AŽD Praha systems complies with operating requirements different from domestic conditions and can be used also in other signalling systems. This design concept makes it possible to supply the ESA® interlocking system also to the world market. This system solution allows transmission of necessary data to the superior information systems e.g. ISOŘ, CEVIS, MIS as well as to the unified European Train Control System ETCS. During the period under review, the new generation of ESA® 33 electronic interlocking design with contactless control of wayside elements made a significant progress. Currently this new interlocking concept is tested in the railway traffic. Part of the station interlocking is safeguarding of points as well. For this purpose electromotive point machine EP 600 with jaw lock VZ 200 which eliminates reliably lateral forces and respects the thermal dilation of the point blades is supplied. The point machine system includes the end-position checking units and other structural elements like thrusting and lifting roller chairs. The system operating property was verified by trial operation tests and proved fully satisfactory for operation on lines for speed up to 230 km/h. To make installation easy and to enable machine tamping of points, point machines in hollow sleeper and in flange alignment are also supplied. As part of complex control and signalling system the various types of the line signalling equipment

Pendolino train set of 680 series – at shunting track in Prague

ensuring failsafe traffic in open line section are available. For bi-directional traffic on single or multi-track lines the electronic automatic block of ABE-1 type is manufactured. This equipment can be centralised up to 15 km distance between stations as a maximum. This system is equipped by coded track circuits for continuous automatic train protection and its design allows for proper application with the unified European Train Control System ETCS.

For power supply of signalling and interlocking systems the different modifications of the unified power supply source type UNZ which ensures an un-interrupted power supply from 6 kV railway distribution line, catenary overhead line of both tractions and also from the public distribution network can be supplied.

The upper layer of the station interlocking system and the automatic block is the DOZ remote control system rationalising and improving efficiency of the train control in the real time. Currently the supplied configuration enables the remote setting the routes at individual stations and within large track sections. Through the graphic-technology overlay DOZ enables transmission of the train numbers, automatic management of the traffic documentation, recording the train schedule fulfilment and forecasting the traffic situation development including proposals for solution of conflict situations caused by traffic irregularities.

A significant step to make the maintenance more effective and less costly is completed development of Local Diagnostic System LDS designed for collection, archiving, classification and monitoring of station interlocking, line signalling and level crossing system operation data.

To improve traffic safety at the railway lines and roads crossings, AŽD Praha manufactures the electronic level crossing system with universal application at all railway lines. The level crossing systems can be controlled by continuous or by point elements and are supplied in versions without barriers or with barriers.

For purpose to increase safety and automation of traction vehicles control the mobile part of the automatic train protection system of LS 90 type is supplied. This equipment enables evaluation and display of signal aspects transmitted continuously from the track to the moving train operator's console, check of the driver's vigilance and check of the movement train direction in the uncoded sections. The next product supplied by AŽD Praha is the automatic train operation system of CRV&AVV type, assigned for the automatic regulation of the train speed according to the maximum permitted speed values, depending on data transmitted by the automatic train protection system. The CRV&AVV upper layer ensures the train stop at a predetermined spot and optimises a train movement to keep the power consumption at the lowest level.

For safeguarding and automation of the train movements at Metro lines a special continuous automatic train protection system modified to match the conditions of Metro traffic is used. This equipment provides automatic train operation and stopping and can control the movement of trains also without human intervention.

In 2006 the development of equipment for unmanned turn of Metro trains in the terminal stations and system for checking the possible fall of persons into the railyard was completed. One of the important achievements

of the period under consideration is development and supply of compensator of dangerous currents generated by asynchronous drive of Pendolino 680 type train sets during its operation. This unique worldwide equipment has received "Certificate of competency" and has been used with a great success.

In the field of telecommunication technology the Company programme includes manufacturing of a number of special telecommunication devices e.g. innovated public address system TORNZ for local announcement from multi-line subscriber set or from a common telephone set. The TORNZ system also enables remote passenger information in unattended railway stops. Besides the above mentioned railway production line AŽD Praha manufactures equipment for road traffic control especially traffic lights, parking and entry systems, equipment for identification and registration of road vehicles including detection and registry of traffic violations. In the second half of 2006 within the pilot project in Jihlava, advanced camera detection system RedCon registering traffic violations at light controlled intersections was put into operation. Data received from RedCon are transmitted to the city information system and can be used to recover fines for traffic violation and also for monitoring and regulation of road traffic. Currently a considerable attention has been paid to the road telematics, telecommunications and radio technology comprising GSM data transmission between monitored equipment and the service centre.

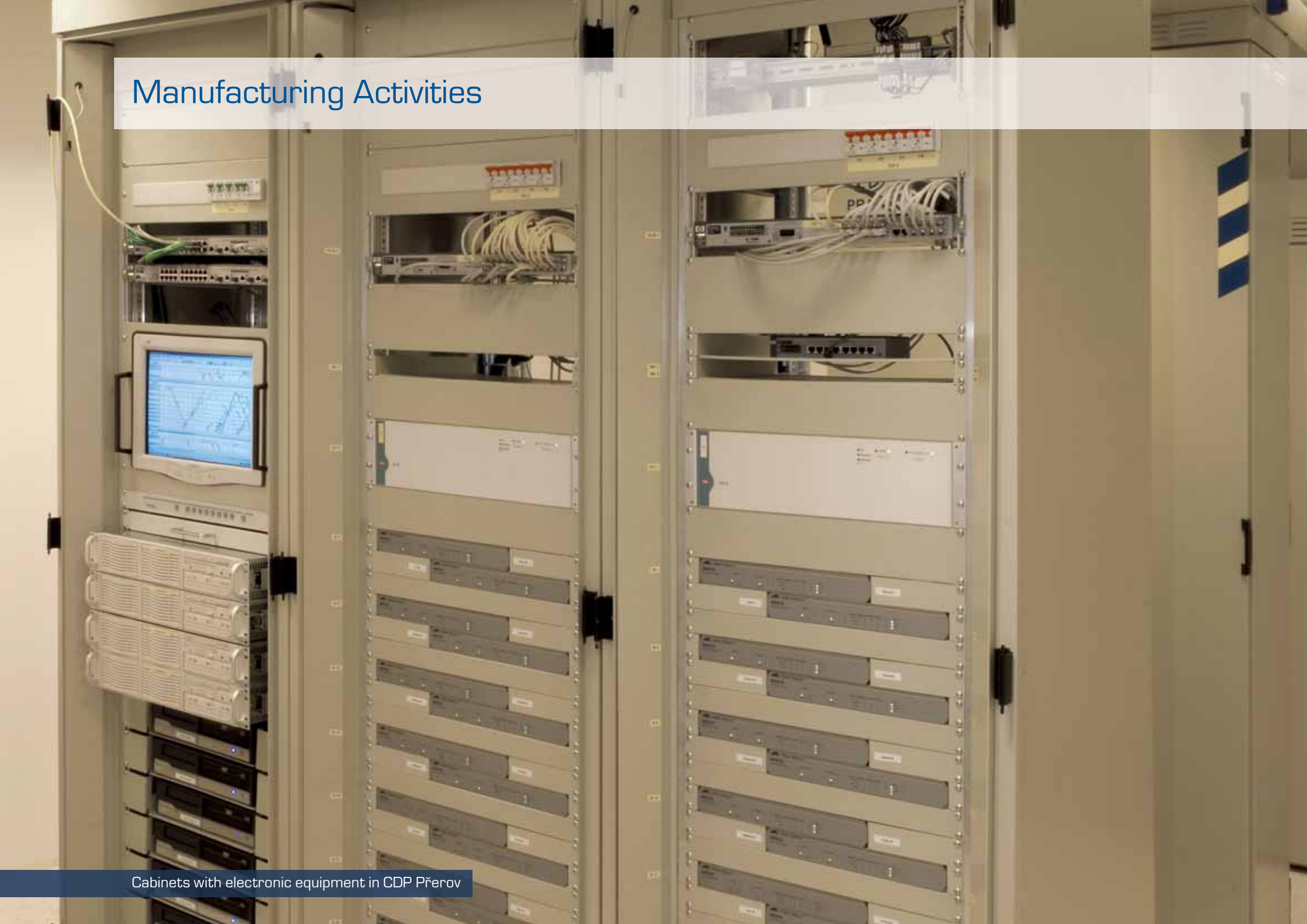
At the end of the period under consideration the Valík tunnel at D5 highway near Plzeň was put into operation. Inside this tunnel the new technologies for measuring of traffic data including physical values and for detection of traffic violations including measuring of vehicle mass were integrated. The complex system including tunnel illumination, road signalling, SOS signal box and highway traffic information system is interconnected by radio and data network with the tunnel control centre. It is the first such equipped tunnel at the Czech Republic territory.

In line with the Company strategy, new products and systems for the traditional and also developing fields are being prepared with an objective to create perspective programmes in other market segments.

To attract new graduates from universities and to increase education in research and development of new railway traffic technologies a project, under Czech Technical University and Research Railway Institute auspices, to built the Science and Technology Park in Mstětice, partially covered from European Union funds is being prepared.

PZZ-EA Electronic level crossing system nearby Teplice

Manufacturing Activities



Cabinets with electronic equipment in CDP Přerov

The typical feature and also significant comparative advantage of AŽD Praha is its orientation to complex services starting from analyses of customer needs over development and manufacturing of equipment up to installation and long term service. A significant share in this closed cycle is represented by the Company own production often of the unique key components for the equipment supplied. The Company production is provided by the Production Plants in Praha, Brno and Olomouc.

Supplies for the railway investment projects are typical, primarily by the fact that they differ substantially from case to case. In the considered period all requirements of Installation Plants for supply of new products within their own investment projects and also requirements of Division of Telecommunication and Signalling Technology Service for supply of spare parts were fully met.

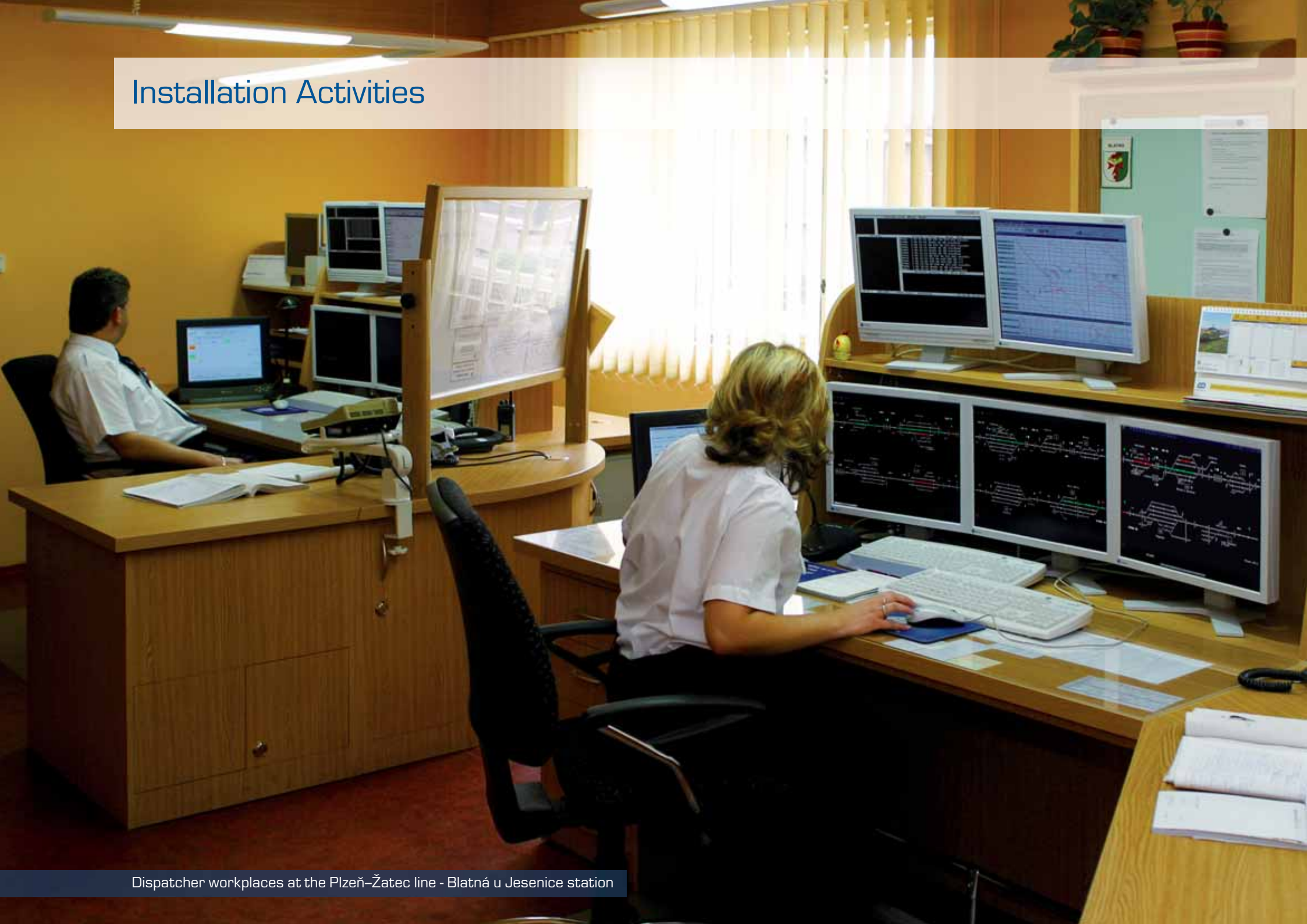
The demand to reach a high technological level and effectiveness of the Company production results in specialisation and rationalisation of division of labour among all Production Plants. Currently almost all the "engineering" production is concentrated into the Production Plant Olomouc, while the production of complex electronic systems including own production and testing of PCBs is carried out by Production Plant Brno. The Production Plant Praha is focused primarily on the assembly, debugging and testing of the address equipment and development of an integrated "cabinet program". Within this program it manufactures special cabinets where the signalling equipment is installed.

Specialisation of the Production Plants makes it possible to gradually equip these plants by the most modern technology and, along with increase of product quality, to decrease production costs. The Production Plant Olomouc was equipped by unique high performance and electronically controlled machining centres MAZAK INTEGREX 200 III ST, MAZAK Variaxis 730-SX, allowing complex machining even large components like cabinets for electromotive point machines, cabinets for barrier drive etc. In the Production Plant Brno the production of complicated electronic components is continuously kept at the highest technological level. It concerns for instance procurement of the automatic optical X -ray inspection system.

In the line with the world trends, the Company focuses on gradual industrialisation of the installation activities. It means the initial debugging and verification of the supplied equipment functionality is carried out within Production and Installation Plants and under their conditions. The first part of this process is carried out just in Production Plant Praha premises, where several specialised fully equipped workplaces were built. It is expected that in future all important investment projects, primarily the foreign projects, will be implemented this way.

Besides the production of the railway signalling and telecommunication systems which is the main activity subject, the Production Plants also execute orders from areas beyond the transport industry. Among such most significant activities it belongs extensive production of electronic microscopes and their components in the Production Plant Brno (for FEI Company) or the large scale cooperation production of engineering character for several Companies (John Craine, Honeywell, Moravochem and other) in Production Plant Olomouc.

Installation Activities



Dispatcher workplaces at the Plzeň–Žatec line - Blatná u Jesenice station

At the beginning of the 2005/2006 financial period, the AŽD Praha installation capacities were concentrated at several projects within Ostrava-Svinov–Opava východ line section and Optimisation of the Česká Třebová–Krasíkov corridor line, modernization of Rudoltice railway station with the related project for Optimisation of the Zábřeh–Krasíkov line section situated at Česká Třebová–Přerov connecting branch. Installation works at some other important railway stations and line sections were successively completed, e.g. projects for the Optimisation of the Bohumín railway junction, Remote control of interlocking equipment on the Plzeň–Žatec line and modernisation of the Přerov–Olomouc line section at Grygov and Brodek u Přerova railway stations. The project for Electrification of the Kadaň–Karlovy Vary line was also completed. Additional system commissioning took place in the Mohelnice railway station including the line segment in Moravičany and Lukavice direction within the project for Optimisation of Červenka–Zábřeh na Moravě line.

Beyond the scope of Corridor activities a considerable number of projects were activated which although smaller in size, but far from being insignificant from the railway and road safety point of view. Within projects focused on the railyard reconstruction and safeguarding of level crossings it ranks, among the most significant projects, Reconstruction of points and interlocking equipment in Most railway depot, reconstruction of level crossing system in the Mutějovice–Svojetín, Liberec–Tanvald, Rokycany–Nezvěstice line sections and Construction of the level crossing system in the Vlašim railway station.

An important step within the introduction of new technologies is activation of signalling and interlocking systems at projects Modernisation of the Hluboká nad Vltavou railway station and Reconstruction of station interlocking at the Jeřmanice railway station on the Pardubice–Liberec line, where ESA® 33 and KOA1 track circuits were installed.

The construction works in progress and at the newly tendered projects continues by installation of temporary signalling equipment e.g. within the projects New Connection of the Prague Main Station, Reconstruction of Masaryk railway station–Libeň line, where this equipment was activated in the Main Station historic building. At projects Optimisation of the Plzeň–Stříbro line and Optimisation of the Stráncice–Praha-Hostivař line the works also continue.

The newly started-up projects on the České Budějovice–České Velenice, Jihlava–Havlíčkův Brod, Benešov–Stráncice, Bakov–Česká Lípa and other line sections will gradually be realized based on individual business conditions.

In the field of foreign orders the activation of 11 station interlocking systems in India is being completed and installation works at the Podgorica–Nikšič line in Montenegro and in the Polock railway station in Belarus were started.

Division of Teleinformatics

Railway vehicle equipped by technology for measuring of GSM-R network parameters

Within the AŽD Praha Company the Division of Teleinformatics (DTI) supplies and installs different types of communication, transmission and also other telecommunication systems and equipment in the range from small components to large complex units. Together with other organisational units and daughter companies the Division cooperates on the design of the integrated telecommunication and interlocking equipment for individual railway stations and also for complete railway lines. Cooperation on rationalisation projects including remote control of interlocking equipment ranks among the most successful. A significant volume of orders is executed in cooperation with other Company organisational units. Beyond the railway area the Division provides own commercial policy.

In the 2005/2006 fiscal period the project "Effective toll collection on the roads and highways" executed for Kapsch company was among the most significant Division activities. In the railway field one of the most important activity is the participation in project "Electrification of the Kadaň–Karlovy Vary line", share in the rationalisation project "Remote control of the interlocking equipment on the Plzeň–Žatec line" and participation in the installation of the remote control system at the second railway Corridor on Břeclav–Přerov line. Among individually implemented actions was the project of extremely large level crossing in Vlašim, modernisation of station interlocking equipment in the Teplice v Čechách railway station and implementation of modernisation project on the Hostivice–Středokluky track section. To support cooperation among Installation Plants the Division supplies telecommunication equipment for the Corridor projects, e.g. on the Plzeň–Stříbro, Stráncice–Hostivař track sections and at the Ústí nad Labem junction, and for the non-corridor projects e.g. on Horní Cerekev–Tábor and České Budějovice–České Velenice track sections.

Division of Telecommunication and Signalling Technology Service

Metro railyard of line C in Holešovice station

Within the Company the service of telecommunication and signalling equipment is carried out by an independent organisational unit – Division of Telecommunication and Signalling Technology Service Prague (DSE).
The Division main objective is to provide warranty and post warranty service and maintenance for telecommunication, signalling and information systems. In this regard it is necessary to mention that the Division provides 60 months guarantee for a substantial parts of this systems.
As a priority the Division provides servicing of the new modernised technological installations, in particular the computerised station interlocking, line signalling and level crossing systems and systems for remote control including servicing of all products related to AŽD Praha point and barrier manufacturing program.
The Division carried out services for 162 station interlocking systems, 462 level crossing systems, 50 track sections with the Electronic Automatic Block System, 62 other line signalling systems (Automatic Line Block Systems and reconstructed Automatic Blocks), remote control equipment and related telecommunication and information systems. From the start of the jaw lock production till the end of 2006 the Division was servicing 4388 installations of VZ 200 jaw locks in total.
The warranty service has also been provided for METRO - Public Transport Operator of the City of Prague (overhauls of 3rd grade on the IVC1 Line and service for ATP/ATO system on the A Line) and for the equipment supplied and installed at the Slovak Railways. In India the service supervision of equipment supplied for Indian Railways was secured.
The service activities were carried out by the service groups and workplaces located in Ústí nad Labem, Karlovy Vary, Prague, České Budějovice, Kolín, Pardubice, Olomouc, Brno, Břeclav ana Ostrava. Because of increased number of equipment in the area the Division (DSE) made the Ostrava service group independent. In the period under review the Division has also prepared conditions to take over the maintenance of signalling and interlocking equipment.
Services were provided continuously 24 hours a day and 365 days a year.

Division of Road Technology Automation

Complex control system of Valík tunnel at D5 Expressway

The road transport field ranks among the most important non-railway activities of the Company. The Division of Road Technology Automation Brno (DST) independently provides development, design, production, installation, service and consulting services in this field of road technology and develops strategy outlined by Road Telematics Commercial Department of the Company Headquarters.

In the 2005/2006 fiscal year the Division put on the market new applications of camera technologies in area of systems increasing road safety and prevention of traffic violations and a crime rate. Among already realized projects can be stated installation of RedCon System in Jihlava, MUR-05 in Dubí and Bánov and installation of considerable number of microprocessor controller variants designed for control of signals at intersections and pedestrian crossings in Czech Republic and also abroad. Other types of equipment include systems for controlled parking, Park and Ride systems and vehicle entry and exit control systems based on automatic identification of a vehicle registration plate. The most important projects include installation of EntryCon System at Třinecké železárny and at the NATO air base in Čáslav. The largest completed project of the past fiscal period is a complex supply of control, signalling and monitoring systems in Valík tunnel at D5 highway near Plzeň. Besides other advantages this system can monitor physical values related to the tunnel traffic and detect and register traffic violations regarding vehicle overloading. Among other implemented innovations belongs e.g. installation of active and passive safety elements at pedestrian crossings in Kolín and equipment for several children traffic playgrounds. In general it can be stated that in the past fiscal year the Division not only strengthened its position and became an important supplier of technology for control and improvement of road traffic safety but it continues to develop its potential in this area.

Housing Development and Engineering

Kolín railway station vestibule

During last years the service area in Czech Republic has been developing fast and brings very interesting concept of a stable and long term business undertaking. AŽD Praha does not fall behind and uses opportunities resulting from the main subject of this business – participation in remarkable traffic building projects.
For this reason at the Company strategy meeting a proposal for expansion of the Company activities also in the service area was adopted. Therefore on October 1st 2005 the new Construction and Power Engineering Department (ISE) was incorporated into the Financial Department of the Company Headquarters. At the end of 2005 this Department completed the development of polyfunctional building in the centre of the city of Beroun including a heat exchanger and air conditioning system.
For the next service development an offer for cooperation with Harmonie Group which prepares housing development projects was accepted. Therefore a joint company called AŽD – Harmonie incorporating activities of both founders has been established. AŽD Praha provides organisation of building development including financing and Harmonie Group provides marketing, design preparation, acquisition of land, zoning procedure, building permission proceedings, advertising and sale of a building.
Currently AŽD – Harmonie works on implementation of the next joint project at Beroun-Králův Dvůr locality. It concerns one of the largest housing construction projects outside the city of Prague called Královský Horizont with 225 accommodation units including garages in 9 villa - houses.

At the same time preparation works of some other interesting housing development projects ensuring the Company perspectives are in progress.
The next part of AŽD Praha housing development activities is cooperation within the Czech Railways project called Vital Railway Stations. In this project AŽD Praha is the major participant trying to strengthen its position in the area of railway traffic and housing development. Currently AŽD Praha succeeded in tender for revitalisation of three railway stations included in the mentioned project. It concerns Havlíčkův Brod railway station realization of which is going to start in the near future followed by large revitalisation project of Kolin railway station and also Nymburk railway station. Additional projects of "Vital Railway stations" program are being prepared.

The Company Logistic Centre

One of the storage halls of the Logistic Centre in Olomouc

Within AŽD Praha the logistic activities are carried out by the Logistic Plant Olomouc (ZOZ) for all the organisational units and also for the domestic and daughter companies abroad. The significant Logistic Plant (ZOZ) activity includes also services provided for the external partners.

During the past business year the Logistic Plant (ZOZ), in cooperation with Company Headquarters and other organisational units, ensured the highest volume of orders from the total extent and also the service diversification point of view, at consideration of a price increase factor of some commodities. Besides procuring the economically and technologically optimal material, the Logistic Plant (ZOZ) has also ensured their packaging and delivery to a site on schedule though the manufacturing or the installation procedure was frequently changed. Also the expanding number of countries, where Company actively operates, brings new tasks from the material procurement point of view. Traditionally the maximum volume of the foreign logistic activities primarily concerns Slovak Republic and even other activities e.g. in Serbia, Montenegro, Belarus and Bulgaria are also developing successfully.

In the 2005/2006 financial year the ensured supplies amounted CZK 2,2 billions, of which the supplies of AŽD Praha organisational units amounted CZK 1 235 millions and supplies of entities other than the parent company amounted CZK 965 millions.

A big support for successful management of the Logistic Plant (ZOZ) tasks is the new Information System put into full operation exactly with the start of the 2005/2006 business year. In the logistic area the Information System was successfully co-ordinated with the bookkeeping and financial programmes and even its introduction to manufacturing sphere is being prepared.

Socially Beneficial activities

Ensemble of Šternberk Primary Art School, whose participation at International Youth Festival in Shizuok, Japan, were supported by AŽD Praha

As a stable and financially strong company, AŽD Praha is strongly aware of its responsibility to help those in need. That is why the company is involved in the community in various ways and supports numerous social welfare organisations.

In view of the company main production area – the development, manufacture and installation of railway transportation systems, AŽD Praha has focused its social responsibility on events supporting the environment and ecological forms of transport. Every year the company supports the European Day "Without Cars" organised by the Children of the Earth Association, whose main goal is to point out, at least once a year, the major ecological and health problems – damage of our health, life and the environment caused by automobile transport. Among the events linked to the railway in the Czech Republic, AŽD Praha traditionally supports the railway museums in Lužná u Rakovníka and Hradec Králové, as well as, for example, the Railway Model Club in Lysá nad Labem or Winged Wheel Endowment under Technical Museum.

This year the Company became the general partner of the Jindřichův Hradec local railway on the occasion of the one hundredth anniversary of the Jindřichův Hradec narrow gauge railway.

Culture. In culture, AŽD Praha supported, for example, the Concert of Stars 2006 at Žofín Palace or the folk band Spiritual Quintet. For children, AŽD Praha contributed to the organisation of the nationwide children's folksong festival, ZPĚVÁČEK 2006 and helped the Šternberk Art School to take part in the International Music Festival in Shizuoka, Japan.

Education and Science. AŽD Praha considers education support as one of its key activities. The signalling technology, specifically in the area of railway traffic, is not currently one of the most popular or modern fields of study. For this reason there is a true shortage of experts in this field. In 2005/2006 AŽD Praha shared in support of several important, specialised secondary schools and universities in the Czech Republic including the Czech Technical University in Prague (ČVUT), the Technical University in Brno, the University of Pardubice and the Technical College and Industrial School of Transport in Prague.

Sport. Sport and active leisure are also spheres supported by AŽD Praha. This support is not only focused on sport events, but also on groups and clubs involved in sporting activities. The company has supported the HC Lasselsberger Plzeň Hockey Club since 2005 and many other smaller, local clubs such as the Sport Club in Rožnov pod Radhoštěm.

Installations achieved and other activities

Opening ceremony of the II. Conference of Telecommunication and Signalling Technology in České Budějovice

October–November 2005

General partner at **"2nd Conference of telecommunication and signalling technology" in city of České Budějovice**

Participation at **Prime Minister's business mission in Serbia**

Presentation within **Railway 2006** Conference in Prague

Equipment of **chidren's playground in Jihlava**

Ostrava-Svinov–Opava východ ● DOZ (CTC) remote control system

Děhylov–Háj ve Slezsku ● sectional control by ESA® 11

Háj ve Slezsku ● ESA® 11 station interlocking system

Třebovice ● ESA® 11 station interlocking system

Děhylov ● ESA® 11 station interlocking system

Třebovice–Rudoltice ● ABE-1 line signalling system

Rudoltice ● ESA® 11 station interlocking system

Střelice–Hrušovany nad Jizerou ● PZZ-EA level crossing system

Hoštejn ● ESA® 11 station interlocking system

Hoštejn–Krasíkov ● ABE-1 line signalling system

Bohumín ● ESA® 11 station interlocking systém

Lanžhot–state boarder ● AH-88A line signalling system

Lanžhot ● ESA® 11 station interlocking system

Mutějovice–Svojetín ● PZZ-RE level crossing system

Svojetín ● ESA® 11 station interlocking system

Bohumín–Chalupki ● AH-88A line signalling system

Ústí nad Labem (ul. Předmostí, Špitálské nám.) ▼ intersection controlled by signalling systems

Lučenec (SR) ▼ intersection controlled by signalling systems

● installations achieved in the field of railway transport
▼ installations achieved in the field of road transport

Jan Zahradník, the Commissioner of the South Bohemia Region during a talk with conference participants in Česke Budějovice

Festive takeover of Quality Certificate from the Austrian Federal Railways (ÖBB)

January–March 2006

Ing. Zdeněk Chrdle appointed to ACRI Executive Board as Commitee Chairman of signalling and interlocking technology

Receiving **ÖBB Quality Certificate** enabling participation in tenders floated by this company

Prticipation at **Eurotraffic** International Exhibition – **GRAND PRIX award**

Čáslav, NATO Air base ▼ EntryCon entry system

April–June 2006

Participation at **"Technika" Exposition in Beograd**

Participation at **C.S.I.L Logistic and Transport Fair, Bratislava**

Participation at Conference **EURNEX – ŽEL 2006, Žilina**

Participation at **Czech RailDays Fair, Ostrava**

Třemošná u Plzně ● ESA® 11 station interlocking system

Horní Bříza ● ESA® 11 station interlocking system

Plasy ● ESA® 11 station interlocking system

Kaznějov ● ESA® 11 station interlocking system

Metro A, Depo Hostivař ● ESA® 11 M+ station interlocking system

Klášterec nad Ohří ● ESA® 11 station interlocking system

Perštejn ● AHP-03 line signalling system

Perštejn–Stráž nad Ohří ● AHP-03 line signalling system

Stráž nad Ohří ● ESA® 11 station interlocking system

Kadaň ● AHP-03 line signalling equipment connection

Vladimír Ketner, Commercial Director for Road Telematics with GRAND PRIX award at Eurotraffic Fair

Closing ceremony of the CTC rationalisation project at the Plzeň–Žatec line in Podbořany station

Vroutek ● ESA® 11 station interlocking system

Podbořany ● ESA® 11 station interlocking system

Kaštice ● ESA® 11 station interlocking system

Žabokliky ● ESA® 11 station interlocking system

Kadaň–Karlovy Vary ● sectional control by ESA® 11

Plzeň–Žatec ● DOZ (CTC) remote control system

Vlašim–Benešov ● PZZ-RE level crossing system

Rokycany–Nezvěstice ● PZZ-RE level crossing system

Grygov ● ESA® 11 station interlocking system

Grygov–Olomouc TZZ ● ABE-1 line signalling system

Liberec–Tanvald, 1. stavba ● PZZ-AC level crossing system

Most ● ESA® 11 station interlocking system

Pelhřimov ● ESA® 11 station interlocking system

Dobrá Voda u Pelhřimova ● ESA® 11 station interlocking system

Dobrá Voda u Pelhřimova–Pelhřimov ● sectional control by ESA® 11

Horní Cerekev–Dobrá Voda ● AHP-03 line signalling system

Olomouc (ul. Roháče z Dubé) ▼ intersection controlled by signalling system

Kolín (Jaselská ul.) ▼ intersection controlled by signalling system

Dubí ▼ MUR-05 control system

Commercial negotiations at C.S.I.L. Fair in Bratislava

Section of AŽD Praha within exposition of Association of the Czech Railway Industry (ACRI) at InnoTrans Fair in Berlin

July – September 2006

Participation at **International Engineering Fair in Brno**
– award from **Electrotechnical Industry**

Participation at **InnoTrans Berlin Fair**

Support of action "**Meeting of rail draisines"** at Zubrnice railroad

Equipment of **children's playground in Třeboň**

Presentation of Bohumin dispatcher's control place within
"New Technology Days"

General partner for **Centennial Anniversary celebrations**
of Jindřichův Hradec local railway

Křimice–Kozolupy ● AHP-03 line signalling system

Dluhonice–Brodek ● ABE-1 line signalling system

Mohelnice ● ESA® 11 station interlocking system

Kuřim (nám. 1. května) ▼ intersection controlled by signalling system

Ústí nad Labem (Fibichova, Panská/Revoluční, Brněnská streets)
▼ intersection controlled by signalling systems

Třinec, Třinecké železárny (Ironwoks) ▼ highlighting of the pedestrian crossing

Kolín ▼ highlighting of the pedestrian crossing

Banská Bystrica (SR) ▼ intersection controlled by signalling system

Dálnice D5, tunel Valík ▼ complex control system

Jihlava ▼ RedCon control system

Bánov ▼ MUR-05 control system

Public of InnoTrans Fair

Company Financial Results

Zdeněk Chrdle, AŽD Praha Company's CEO & General Director during inauguration of Technological Production oriented base of Balkan SAST in Sophia with participation of Peter Vasilev Mutafciev, the Bulgarian Ministry of Transport

The Company has completed second business year ending on the date 30. 9. of the calendar year.
The Company's business year 2005/2006 was another successful year taking up the excellent results of previous years.
In the business year 2005/2006 the Company's sales turnover was higher compared to previous calendar year by CZK 563 millions and the business results in total are therefore more positive than in previous years.
Among others Company increased its activities abroad in Slovak Republic and in Montenegro, where subsidiaries has been set up. In addition nine domestic and five daughter companies abroad (Slovakia, Bulgaria and Serbia) are under significant control of AŽD Praha s.r.o.
Within the period considered the number of Company employees decreased to 1648. In this period the company personnel policy has been significantly focused onto research and development, where CZK 217 millions were invested.
During this period the company declared exempt fiscal reserves for the new generation of electronic signalling and interlocking systems, warranted for five years of service life, which are being under long-term trial operation.
Composition of assets is significantly influenced by receivables. Because of 120 day's due date the major part of these receivables is not overdue.
Company financing has proceeded in a positive way while the turnover growth was proportionally projected into business commitments and drawing of bank loans.

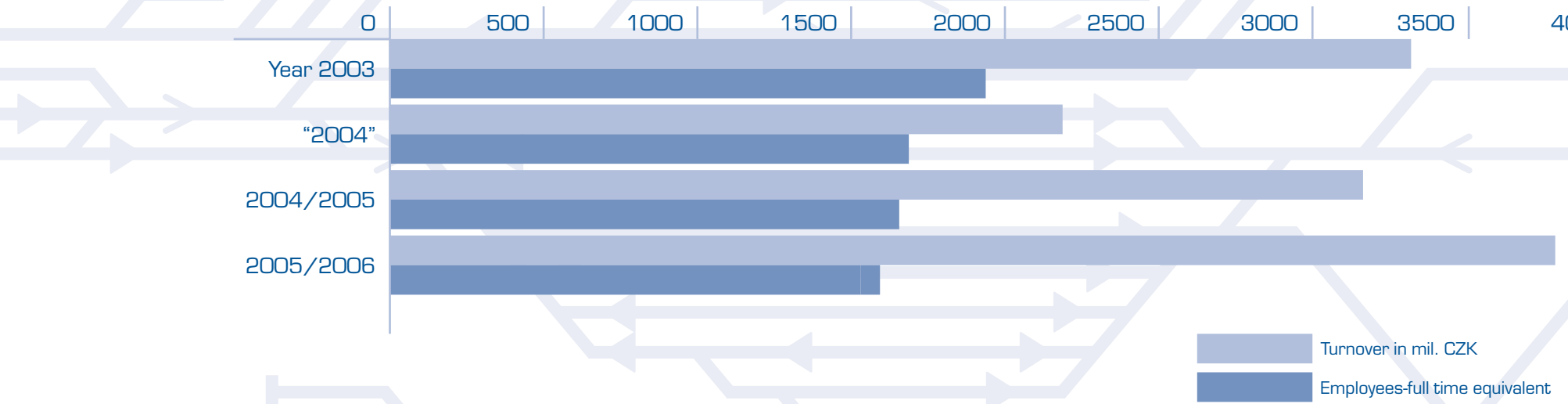
No Company assets have been required by means of financial leasing and no overdue liabilities of social and health insurance and tax debts have been registered.
In the course of this fiscal period the Company objectives were achieved and exceeded in some cases.
The Company business development is very positive and the presumption of other expansion creates significant business prospects.

Main Financial Indicators of AŽD Praha s.r.o.

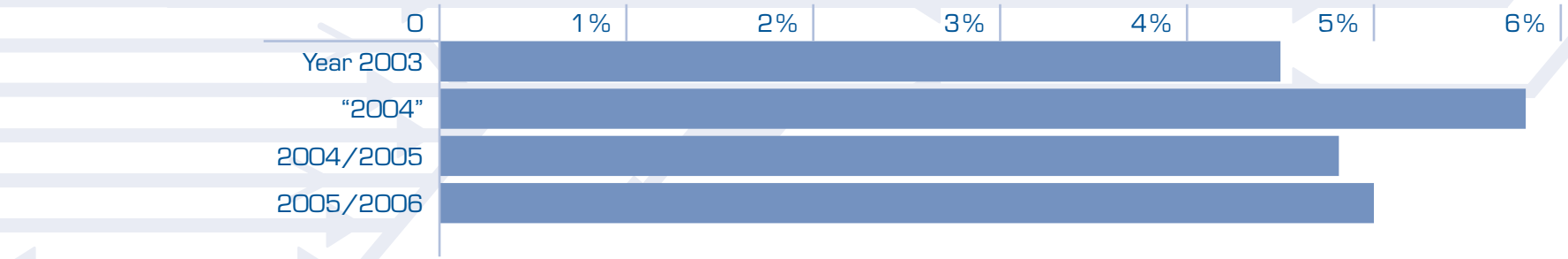
For business year 2005/2006 – from 1. 10. 2005 till 30. 9. 2006
Business year "2004" was a transition period of 9 months from 1. 1. 2004 till 30. 9. 2004 caused by shifted accounting period as of Sep.1 of calendar year (due to this fact the data of this period are not fully evidential)

Indicator / period	Year 2003	rok "2004"	2004/2005	2005/2006
Turnover in ths CZK	3 324 128	2 212 181	3 198 921	3 762 091
Profit after tax in ths CZK	151 805	129 804	152 318	190 000
Profit from turnover %	4,57	5,82	4,76	5,05
Value added tax in ths CZK	1 047 239	636 966	741 583	877 435
Bank loans in ths CZK	215 048	102 513	136 784	560 550
Employees-full time equivalent	1 822	1 677	1 671	1 648

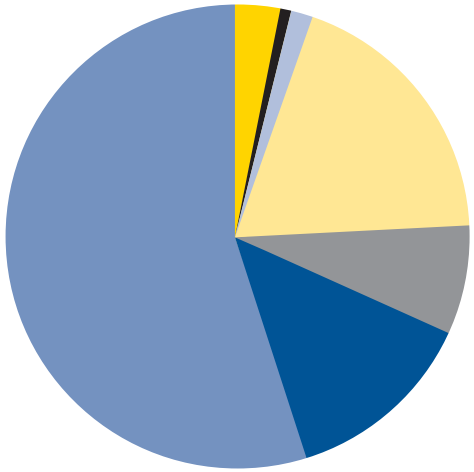
Turnover/full time equivalent of employees



Profit from turnover

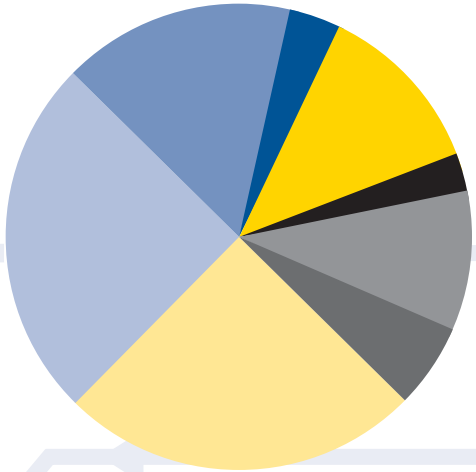


Composition of Assets as at Sep. 30, 2006 (in thous. CZK)



Long-term intangible fixed assets	28 949
Long-term tangible fixed assets	578 818
Long-term financial assets	233 744
Inventories	601 741
Receivables	1 775 099
Financial assets	84 344
Accruals	7 481
Assets total	**3 310 176**

Composition of Liabilities as at Sep. 30, 2006 (in thous.CZK)



Registered capital	384 436
Capital funds	-993
Funds from profit	65 950
Retained earnings from previous years	418 664
Profit of 2005/2006	190 000
Reserves	834 317
Liabilities	804 564
Bank loans and other creditors	560 550
Accruals	52 688
Liabilities total	**3 310 176**

Balance sheet

as at 30. 9. 2006 (in thous. CZK)

Identif.	ASSETS	Row No.	Current accounting period			Previous period
			Gross	Adjustment	Net	Net
a	b	c	1	2	3	4
	TOTAL ASSETS (r. 02 + 03 + 31 + 62)	001	3 681 883	371 707	**3 310 176**	2 591 262
A.	Receivables from subscriptions	002				
B.	**Fixed assets (r. 04 + 13 + 23)**	003	1 193 861	352 350	**841 511**	800 080
B. I.	**Intangible fixed assets (r. 05 to 12)**	004	56 968	28 019	**28 949**	22 593
B. I. 1	Incorporation expenses	005	74	74		2
2	Research and development	006				
3	Software	007	49 683	24 490	**25 193**	22 109
4	Valuable rights	008	3 455	3 455		
5	Goodwill	009				
6	Other intangible fixed assets	010				
7	Intangible fixed assets under construction	011	3 756		**3 756**	482
8	Advance payments for intangible fixed assets	012				

Identif.			ASSETS	Row No.	Current accounting period			Previous period
					Gross	Adjustment	Net	Net
a			b	c	1	2	3	4
B.	II.		**Tangible fixed assets (r. 14 to 22)**	013	878 349	299 531	**578 818**	521 502
B.	II.	1	Lands	014	58 109		**58 109**	57 552
		2	Constructions	015	455 203	122 007	**333 196**	337 496
		3	Equipment	016	552 383	347 629	**204 754**	158 283
		4	Perennial corps	017				
		5	Breeding and draught animals	018				
		6	Other tangible fixed assets	019				
		7	Tangible fixed assets under construction	020	3 943		**3 943**	1 860
		8	Advance payments for tangible fixed assets	021	79		**79**	332
		9	Adjustment to acquired assets	022	-191 368	-170 105	**-21 263**	-34 021
B.	III.		**Long-term financial assets (r. 24 to 30)**	023	258 544	24 800	**233 744**	255 985
B.	III.	1	Shares in controlled and managed oranizations	024	68 235	24 800	**43 435**	39 726
		2	Shares in accounting units with substantial influence	025	1 071		**1 071**	1 073
		3	Other securities and shares	026	110 014		**110 014**	110 000
		4	Loans to controlled and managed organizations and to accounting unit with substantial influence	027	79 224		**79 224**	105 186
		5	Other financial investments	028				
		6	Financial investments acquired	029				
		7	Advance payments for long-term financial assets	030				

Identif.			ASSETS	Row No.	Current accounting period			Previous period
					Gross	Adjustment	Net	Net
a			b	c	1	2	3	4
C.			**Current assets (r. 32 + 39 + 47 + 57)**	031	2 480 541	19 357	**2 461 184**	1 786 504
C.	I.		**Inventory (r. 33 to 38)**	032	601 741		**601 741**	443 654
C.	I.	1	Materials	033	286 373		**286 373**	229 987
		2	Work in progress and semi-products	034	302 729		**302 729**	194 174
		3	Finished products	035				
		4	Animals	036				
		5	Merchandise	037				
		6	Advance payments for inventory	038	12 639		**12 639**	19 493
C.	II.		**Long-term receivables (r. 40 to 46)**	039	286 857		**286 857**	201 900
C.	II.	1	Trade receivables	040	66 807		**66 807**	18 098
		2	Receivables from controlled and managed organizations	041				
		3	Receivables from accounting units with substantial influence	042				
		4	Receivables from partners, cooperative members and association members	043				
		5	Estimated receivable	044				
		6	Other receivables	045	41 251		**41 251**	745
		7	Deffered tax receivable	046	178 799		**178 799**	183 057
C.	III.		**Short-term receivables (r. 48 to 56)**	047	1 507 599	19 357	**1 488 242**	1 047 164
C.	III.	1	Trade receivables	048	1 274 899	15 857	**1 259 042**	912 855

Identif.			ASSETS	Row No.	Current accounting period			Previous period
					Gross	Adjustment	Net	Net
a			b	c	1	2	3	4
		2	Receivables from controlled and managed organizations	049	166 213		**166 213**	20 989
		3	Receivables from accounting units with substantial influence	050				
		4	Receivables from partners, cooperative members and association members	051				
		5	Receivables from social security and health insurance	052				
		6	Due from state – tax receivable	053	46 515		**46 515**	105 931
		7	Other deposits given	054				
		8	Estimated receivable	055	12 103		**12 103**	567
		9	Other receivables	056	7 869	3 500	**4 369**	6 822
C.	IV.		**Short-term financial assets (r. 58 to 61)**	057	84 344		**84 344**	93 786
C.	IV.	1	Cash	058	16 044		**16 044**	2 308
		2	Bank accounts	059	68 300		**68 300**	91 478
		3	Short-term securities and ownership interests	060				
		4	Short-term financial assets acquired	061				
D.	I.		**Accruals (r. 63 to 65)**	062	7 481		**7 481**	4 678
D.	I.	1	Deferred expenses	063	6 365		**6 365**	3 861
		2	Complex deferred costs	064				
		3	Deferred income	065	1 116		**1 116**	817

Identif.			LIABILITIES	Row No.	Current period	Previous period
a			b	c	5	6
			TOTAL LIABILITIES (r. 67 + 84 + 117)	066	**3 310 176**	2 591 262
A.			**Equity (r. 68 + 72 + 77 + 80 + 83)**	067	**1 058 057**	1 069 688
A.	I.		**Registered capital (r. 69 to 71)**	068	**384 436**	384 436
A.	I.	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	**-993**	-577
A.	II.	1	Share premium	073		
		2	Other capital funds	074	**358**	358
		3	Diferences from revaluation of assets and liabilities (+/–)	075	**-1 351**	-935
		4	Diferences from revaluation in tranformation (+/–)	076		
A.	III.		**Reserve funds, statutory reserve account for cooperatives, and other retained earnings (r. 78 + 79)**	077	**65 950**	57 949
A.	III.	1	Legal reserve fund / indivisible fund	078	**64 232**	56 616
		2	Statutory and other funds	079	**1 718**	1 333
A.	IV.		**Profit / loss – previous year (r. 81 + 82)**	080	**418 664**	475 562
A.	IV.	1	Retained earnings from previous years	081	**418 664**	475 562
		2	Accumulated losses from previous years	082		
A.	V.		**Profit / loss – current year (+/–) r. 01 – (+ 68 + 72 + 77 + 80 + 84 + 117)**	083	**190 000**	152 318

Identif.			LIABILITIES	Row No.	Current period	Previous period
a			b	c	5	6
B.			**Other sources (r. 85 + 90 + 101 + 113)**	084	**2 199 431**	1 481 854
B.	I.		**Reserves (r. 86 to 89)**	085	**834 317**	865 164
B.	I.	1	Reserves under special statutory regulations	086	**46 281**	37 210
		2	Reserves for pension and similar payables	087		
		3	Income tax reserves	088		43 168
		4	Other reserves	089	**788 036**	784 786
B.	II.		**Long-term payables (r. 91 to 100)**	090	**5 475**	
B.	II.	1	Trade payables	091	**5 475**	
		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		
		6	Issues bonds	096		
		7	Long-term notes payables	097		
		8	Estimated payables	098		
		9	Other payables	099		
		10	Deffered tax liability	100		

Identif.			LIABILITIES	Row No.	Current period	Previous period
a			b	c	5	6
B.	III.		**Short-term payables (r. 102 to 112)**	101	**799 089**	479 906
B.	III.	1	Trade payables	102	**553 977**	312 407
		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	**20**	20
		5	Payroll	106	**132 727**	106 190
		6	Payables to social securities and health insurance	107	**26 639**	14 338
		7	Due from state - tax liabilities and subsidies	108	**24 650**	12 462
		8	Short-term deposits received	109	**26 050**	12 471
		9	Issues bonds	110		
		10	Estimated payables	111	**35 026**	14 503
		11	Other payables	112		7 515
B.	IV.		**Bank loans and financial accomodations (r. 114 to 116)**	113	**560 550**	136 784
B.	IV.	1	Long-term bank loans	114		
		2	Short-term bank loans	115	560 550	136 784
		3	Short-term accomodations	116		
C.	I.		**Accruals (r. 118 + 119)**	117	52 688	39 720
C.	I.	1	Accrued expenses	118	52 532	39 109
		2	Deffered revenues	119	156	611

Profit and loss statement

as at 30. 9. 2006 (in thous. CZK)

Identif.		TEXT	Row No.	Fiscal period	
				Current	Previous
a		b	c	1	2
I.		Revenues from sold goods	01	**673 823**	621 554
A.		Expenses on sold goods	02	**629 936**	598 555
+		**Sale margin (r. 01 – 02)**	03	**43 887**	22 999
II.		**Production (r. 05 + 06 + 07)**	04	**3 363 812**	2 818 411
II.	1	Revenues from own products and services	05	**2 352 695**	2 161 854
	2	Change in inventory of own products	06	**108 804**	65 446
	3	Capitalisation	07	**902 313**	591 111
B.		**Production consumption (r. 09 + 10)**	08	**2 530 264**	2 099 827
B.	1	Consumption of material and energy	09	**2 203 168**	1 888 590
B.	2	Services	10	**327 096**	211 237
+		**Added value (r. 03 + 04 – 08)**	11	**877 435**	741 583
C.		**Personnel expenses**	12	**703 545**	634 375
C.	1	Wages and salaries	13	**524 524**	470 685
C.	2	Renumeration of board members	14		
C.	3	Social security expenses and health insurance	15	**176 961**	161 629
C.	4	Other social expenses	16	**2 060**	2 061
D.		Taxes and fees	17	**2 332**	2 295
E.		Depreciations of intangible and tangible assets	18	**78 438**	68 290

Identif.		TEXT	Row No.	Fiscal period	
				Current	Previous
a		b	c	1	2
III.		**Revenues from disposals of fixed assets and materials (r. 20 + 21)**	19	**538 399**	251 128
III.	1	Revenues from disposals of fixed assets	20	**1 934**	1 206
	2	Revenues from disposals of materials	21	**536 465**	249 922
F.		**Net book value of diposed fixed assets and materials (r. 23 + 24)**	22	**433 317**	157 567
F.	1	Net book value of sold fixed assets	23	**1 397**	855
F.	2	Net book value of sold material	24	**431 920**	156 712
G.		Change in operating reserves and adjustments and complex deferred costs (+/–)	25	**-5 349**	-102 820
IV.		Other operating revenues	26	**40 727**	69 766
H.		Other operating expenses	27	**27 910**	25 230
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	**216 368**	277 540
VI.		Revenues from sales of securities and ownership interests	31	**35**	15 482
J.		Sold securities and ownership interests	32	**78**	5 794

Identif.	TEXT	Row No.	Fiscal period	
			Current	Previous
a	b	c	1	2
VII.	**Revenues from long-term financial assets (r. 34 + 35 + 36)**	33	**30 247**	2 412
VII. 1	Revenues from shares in controlled and managed organizations and in accounting units with subsantial influence	34	**30 247**	2 412
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	**-2 200**	19 000
X.	Interest revenues	42	**10 445**	6 246
N.	Interest expenses	43	**9 713**	7 139
XI.	Other financial revenues	44	**6 916**	5 033
O.	Other financial expenses	45	**40 232**	37 727
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	**-180**	-40 487

Identif.	TEXT	Row No.	Fiscal period	
			Current	Previous
a	b	c	1	2
Q.	**Income tax on ordinary income (r. 50 + 51)**	49	**26 188**	84 735
Q. 1	– Due tax	50	**21 930**	42 717
Q. 2	– Tax deferred	51	**4 258**	42 018
**	**Operating profit / loss ordinary activity (r. 30 + 48 – 49)**	52	**190 000**	152 318
XIII.	Extraordinery revenues	53		
R.	Extraordinery expenses	54		
S.	**Income tax on extraordinery income (r. 56 + 57)**	55		
S. 1	– Due tax	56		
S. 2	– Tax deferred	57		
*	**Operating profit / loss extraordinary activity (r. 53 – 54 – 55)**	58		
T.	Trasfer profit (loss) to partners (+/–)	59		
***	**Profit / loss of current accounting period (+/–) (r. 52 + 58 – 59)**	60	**190 000**	152 318
	Profit / loss before tax (+/–) (r. 30 + 48 + 53 – 54)	61	**216 188**	237 053

Auditor's Report

On Verification of Final Accounts from Oct. 1, 2005 to Sep. 30, 2006

Company identification:	**AŽD Praha s.r.o.**
Registered address:	Praha 10, Žirovnická 2/3146
Business ID (ICO):	48 02 94 83
Main scope of business:	Research, production and trade in the field of telecommunications, signaling, information, control and automation technology, mainly in transport

It is hereby confirmed the audit of final accounts of AŽD Praha Company was duly carried out. The Company Board of Executives is responsible for preparation of final accounts in question. The Auditor's report is destined for associates of AŽD Praha Company.
The audit has been carried out in compliance with the Audit Act and International Auditor Standards with related amendments issued by the Chamber of Auditors of the Czech Republic. Pursuant to Standards requirements the audit has been scheduled and carried out so that the auditor acquires a reasonable certainty that the final accounts do not contain any major inaccuracies. Audit includes:

- selectively performed verification of the completeness and provability of the sums and data given in the final accounts,
- assessment of the correctness and eligibility of accounting methods and key estimates carried out by the Company,
- evaluation of the final accounts information capability.

We are convinced that the audit carried out provides a reasonable basis for expression of opinion which is contained here below in the statement to the final accounts.

Statement (Without objections):
As per our opinion, the final accounts of AŽD Praha s. r. o. are in all significant aspects providing a faithful and clean image of the assets, liabilities, and financial situation as at Sep. 30, 2006, and of the expenses, incomes and business results achieved during the period from Oct. 1, 2005 till Sep. 30, 2006 in compliance with the Accounting Act and relevant regulations of the Czech Republic.

Date: Jan. 19, 2007.

Ladislav Chaloupka, Auditor
Auditor's Certificate No. 1219
Statutory representative of EKMA FIN, a.s.

Supervisory Board's Annual Report

Business Results of AŽD Praha s. r. o. for Fiscal Period from Oct. 1, 2005 to Sep. 30, 2006

In the course of whole fiscal period the Supervisory Board observed the generally binding regulations, Partnership Deed and General Assembly resolutions.
At its regular meetings with the executive officers the Supervisory Board dealt with the business results and how the current problems, immediately influencing the Company's activities, are being solved.

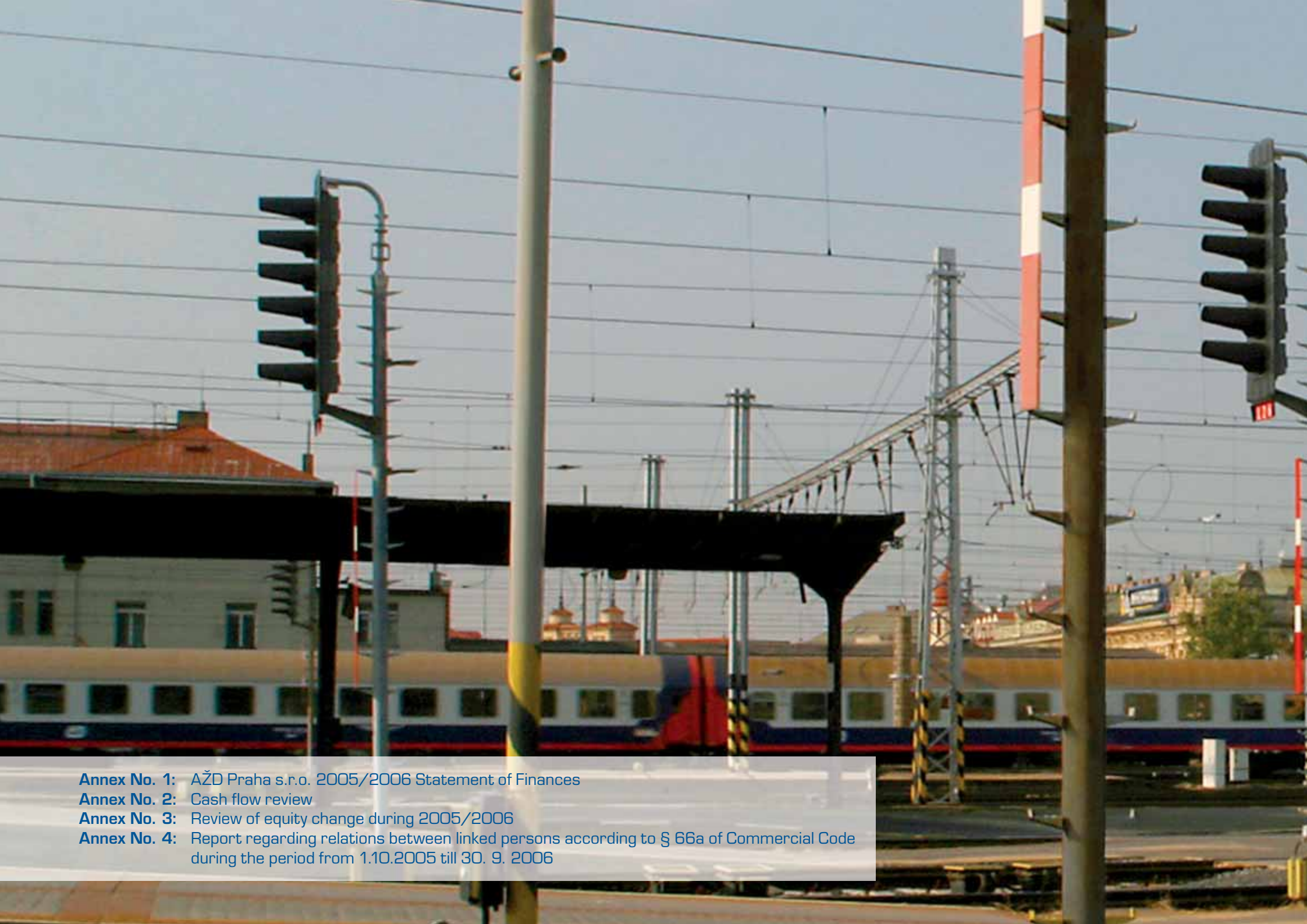
The Supervisory Board hereby state that the negotiations and activities of executive officers complied, in all the cases, with Partnership Deed and other binding legal regulations and no infringement was noted.

The Supervisory Board made itself familiar with the contents of the Company's annual final accounts for the period from October 2005 to September 2006 and with the statement of the Ekma Fin a.s. auditor Mr. Ladislav Chaloupka dated on Jan. 19, 2007 and fully endorse this statement.

Pursuant to statement of auditor the Supervisory Board concluded that the final accounts were faithfully reflecting the assets, liabilities and owned capital as at Sep. 30, 2006. The business results achieved during the fiscal period were in compliance with the widely binding and accounting laws and relevant regulations of Czech Republic.
The Supervisory Board therefore advises the General Meeting to approve these final accounts including the submitted profit division proposal.

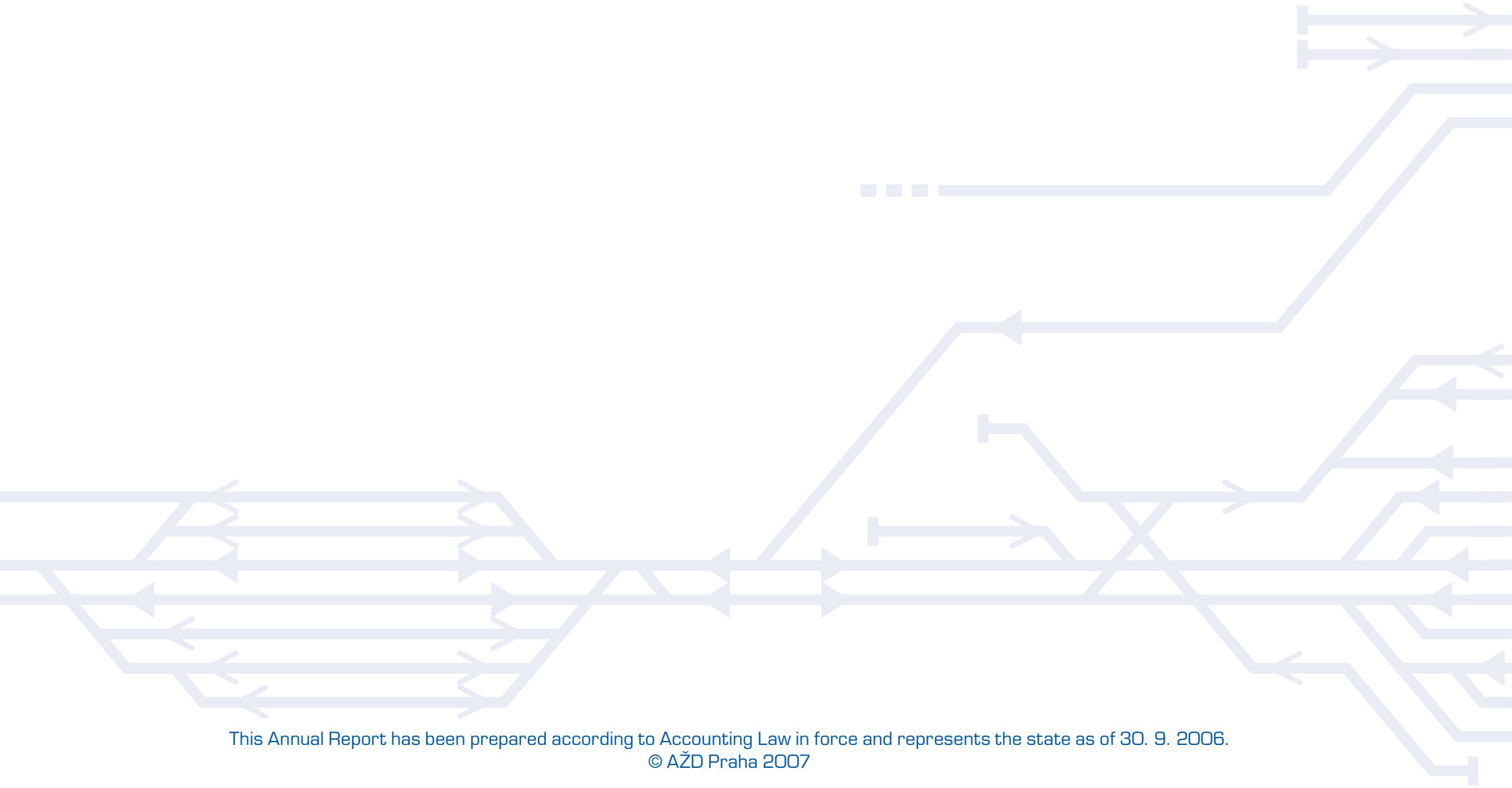
Miroslav Kučera
Supervisory Board Chairman, AŽD Praha s.r.o.

In Prague Jan. 24, 2007



Annex No. 1: AŽD Praha s.r.o. 2005/2006 Statement of Finances
Annex No. 2: Cash flow review
Annex No. 3: Review of equity change during 2005/2006
Annex No. 4: Report regarding relations between linked persons according to § 66a of Commercial Code during the period from 1.10.2005 till 30. 9. 2006

Railyard at Praha Main Station



This Annual Report has been prepared according to Accounting Law in force and represents the state as of 30. 9. 2006.