

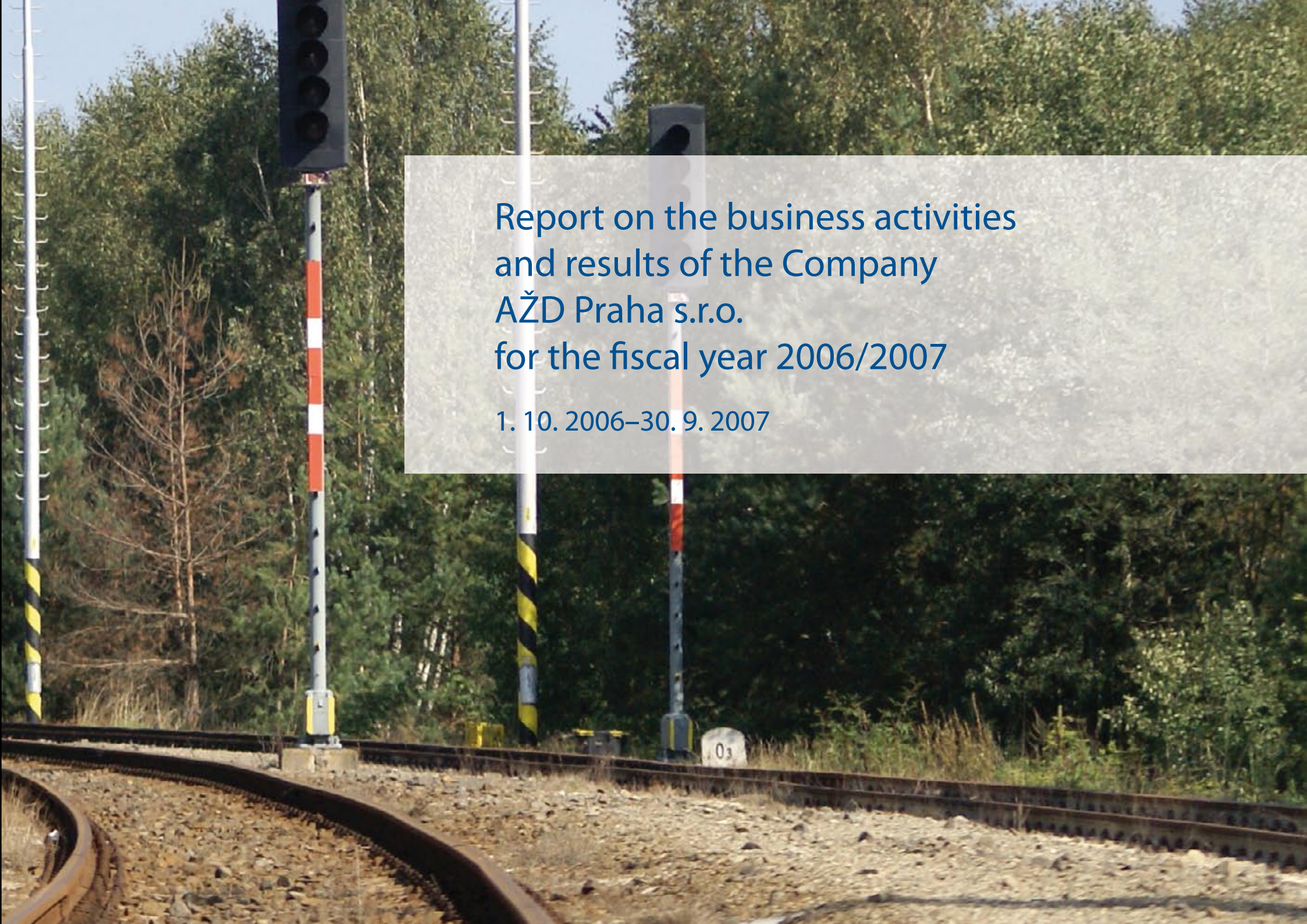
**ANNUAL REPORT**  
**2006/2007**  
AŽD Praha



P R A H A





The background image shows a railway track curving to the left. Several signal posts are visible, some with red and white stripes and others with yellow and black stripes. The tracks are surrounded by a dense forest of green trees under a clear blue sky. A small white marker with the number '03' is visible on the ground near the tracks.

Report on the business activities  
and results of the Company  
AŽD Praha s.r.o.  
for the fiscal year 2006/2007

1. 10. 2006–30. 9. 2007



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## General Manager's Foreword



**Dear Associates,  
Dear Business Partners,  
Dear Colleagues,**

It is my pleasant duty to address you in the foreword to this new annual report, which assesses and concludes the 2006/2007 fiscal year for our company AŽD Praha. It was a successful year, even if a very difficult one, a year of new projects and new technologies, a year of positive results on the domestic market and of dynamically developing activities abroad. The results presented make it clear that this year our company developed in accordance with its accepted strategy and plans. The company's progress is particularly evident in the field of development and implementation of the new technologies, in improving our human resources qualifications and their stabilization as well as in significant business activities on the domestic market and abroad. Thanks to extensive efforts of the entire company we succeeded in participating significantly in a large number of projects and of other investments, in submitting our bids to new tenders, in increasing the technical standard of our products and systems as well as in developing our company's activities in further areas of business.

The achieved economic results tie up with the favourable trend of past years, including increase of the company's turnover.

Participation of our company in the construction of the electronic toll system for highways and motorways significantly boosted this parameter. Our company acted in this project as one of leading subcontractors for the infrastructure area. This project was however a non-recurring one and we cannot count on this item again in the next fiscal year. An order for the construction of residential complex in Beroun had also a substantial effect on the



high level of the achieved turnover. The project will be completed by commissioning in the middle of 2008. The increasing volume of orders acquired abroad, in particular in Slovakia, Serbia, Belarus and Montenegro, is progressively having a favourable influence on our company's results. We should be aware of the fact that our company's expansion abroad is a matter of essential importance and that the company can compete for foreign orders just during the periods of its economic growth. All three aforementioned domains of activities have been bringing to the company not only financial gains, but also significant experience and valuable references.

We successfully finalised the development of the Radio-block system for regional lines and of the new LS 06 Automatic Train Protection System. In the technology field, we completed the stabilization of the ESA-33 electronic interlocking system. Subsequently we developed its further applications for SŽDC (Railway Infrastructure Administration) railway lines both in local and line versions. For the first time we implemented our own PZN-1 axle counter and our new KOA-1 track circuit system in the construction of an open line section. These systems comply with TSI interoperability requirements. Our work on the ETCS pilot project continued in cooperation with Ansaldo ASF as well as our work for Kapsch company on the construction of the other part of the GSM-R system. Important changes took place also in the field of road signalling technology. We have offered to our customers innovative technology for road traffic management, camera systems and telematics applications.

Our company contributed significantly to the realization of railway infrastructure projects in Czech Republic by supplying its signalling systems. We could name, for example, "Optimisation

of the Benešov u Prahy–Strančice line", "Optimisation of the Plzeň–Stříbro line", "Electrification of the Ostrava Svinov–Ostrava East line" and "Electrification of line section including Ostrava Main Station–Ostrava–Kunčice". Installation of the signalling system in railway tunnel on the Březno u Chomutova–Chomutov line section was a specific project, as it did not include just the signalling equipment, but also the supply of camera systems and management technology. The implementation of our CTC system as a part of the modernisation of the Tábor–Horní Cerekev line was also of major importance. In the field of road technology, we executed a number of significant projects – I could mention, for instance, our participation in the supplies of road technology for the Bánov and Dubí municipalities in Slovakia.

Our foreign activities show an annually rising trend. Foreign markets, where huge investments into infrastructure are expected, represent opportunities for our company in the near future. In this field we have to define clearly our programme for the managed transfer of technology to the regions where it is economically or otherwise beneficial. We can be proud of having achieved significant successes in Slovakia, Belarus, Serbia, Montenegro, Bulgaria and in a number of other countries. Our further activities will also be directed towards Egypt, Iran and Syria. For these markets we need not only financial means but, in particular, competent people who are ready and willing to promote our company's interests in conditions that are often very difficult.

In the field of customer care, our company was providing services based on a two-year contract for the maintenance of signalling systems on part of the first and second SŽDC (Railway Infrastructure Administration of the Czech Republic) railway corridors.

We have also been providing services in the field of road technology and newly on a part of the first stage of the toll system on highways and motorways.

AŽD Praha is diversifying its activities and actively entering further segments of the market. This involves e.g. the construction of residential complexes in Beroun, which is under execution by our subsidiary AŽD – Harmonie. I strongly believe that in the final phase this project will turn out to be profitable. In the field of the so called revitalisation of Czech Railways' railway stations, after Havlíčkův Brod station we took over the development of Kolín railway station and I expect that our long-term intentions will be fulfilled here as well.

Our production program aimed at securing buildings of special purpose - in particular prisons – appears promising as well. In the last year we implemented projects at the prisons in Sabinov, Banská Bystrica and Žilina. Ilava and Želiezovce prison projects are planned for the next year.

In the long-term perspective, AŽD Praha has been drawing funds from the European programmes for the innovation and development of equipment and technology. In this respect I should mention creation of the technological park in Mstětice, which will be completed this year, subsidies for the purchase of the latest technologies for production plants and subsidies for some development projects. Importance and recognition of the efforts made by our people and our company reflects in the participation of our representatives in a number of European commissions, Czech and European development programmes and associations. In response to the constantly increasing importance of the European integration we decided to open our permanent AŽD Prague office in Brussels.

Dear Friends,

The last year was a very dynamic, important and interesting one for our company. I refer to the other parts of this annual report where the results achieved last year are visible not only in figures, but also in the chapters in which our company's specific areas of activities are described in detail. I would like to thank all our employees and members whose work has contributed to the company's excellent results and to its good reputation. I am aware that the work was often done in very difficult conditions with short deadlines and the more I esteem those who managed to successfully complete such tasks.

I would also like to thank our business partners and customers who enabled us to make the most of our abilities and make use of our extensive potential. Their trust places us under a great obligation for the future and we will do our best to keep confirming it by our high quality and reliable work, so that our technology does its job for a long time in complete safety. When people hear the words 'professionalism', 'quality' and 'fairness', I wish them to think of AŽD Praha.



Ing. Zdeněk Chrdle  
Company's CEO and General Director



Ing. Zdeněk CHRDLÉ  
Company's CEO and General Director



Ing. František JECKEL  
Executive Director



Ing. Alice DICKOVÁ  
Executive Officer  
and Deputy for Economics of Technika Plant

# The Company Organisational Structure and Bodies

AŽD Praha s.r.o. (Identification No. (IČO): 48029483) is a solely Czech Company owned by long time 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. 4616. 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 two other executives.

The Company Head Office has been established to ensure 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, Labour-law provisions and Collective Agreement the Company labour relations were fulfilled during fiscal period. The Company bodies and representatives stated within this Annual report are effective as at September 30, 2007.

## Board of Executives

### Executives

**Ing. Zdeněk CHRDLÉ**  
The Company's CEO and General Director

**Ing. František JECKEL**  
Executive Director

**Ing. Alice DICKOVÁ**  
Deputy Director for Economics  
Technika Plant

### Supervisory board

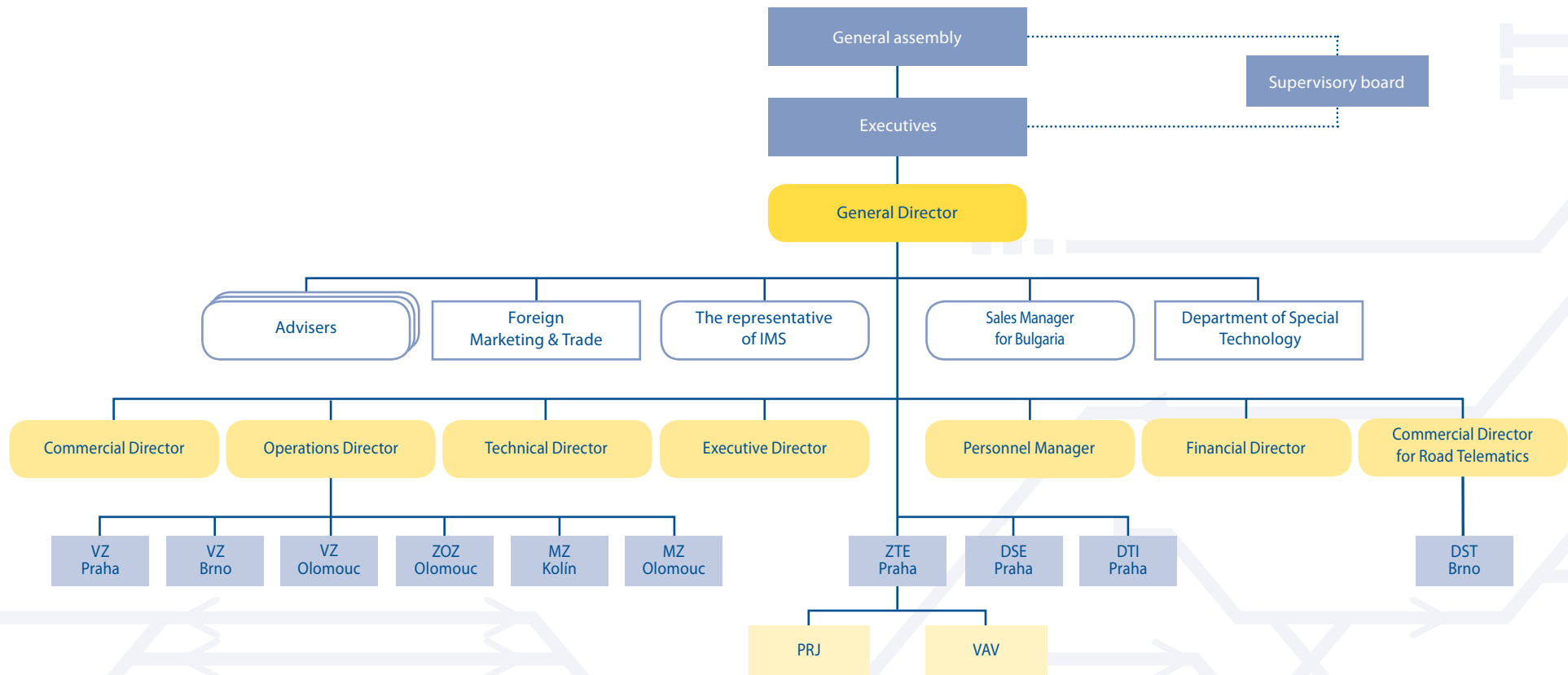
**Miroslav KUČERA**  
Specialist –Trade Department

**Ing. Miroslav KOZÁK**  
Financial Director

**Ing. Richard VAJRDA**  
Deputy Director for Economics  
Installation Plant Olomouc

# Organisational chart

State as at September 30, 2007



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

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Fax: +420 272 656 142

E-mail: [info@azd.cz](mailto:info@azd.cz)

Internet: [www.azd.cz](http://www.azd.cz)

#### **General Director**

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#### **Executive Director**

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#### **Operation Director**

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#### **Financial Director**

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## Organisational Units

### Technika Plant

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### Production Plant Prague

Deputy Operation Director responsible for Production Plant  
Control

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### Production Plant Brno

Deputy Operation Director responsible for Production Plant Control  
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### Production Plant Olomouc

Deputy Operation Director responsible  
for Production Plant Control

Ing. Stanislav SLAVÍČEK

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### **Installation Plant Olomouc**

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### **Division of Telecommunication and Signalling Technology Service**

Director of the Division  
Ing. Václav BARTŮNĚK

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technology service  
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Director of the Division  
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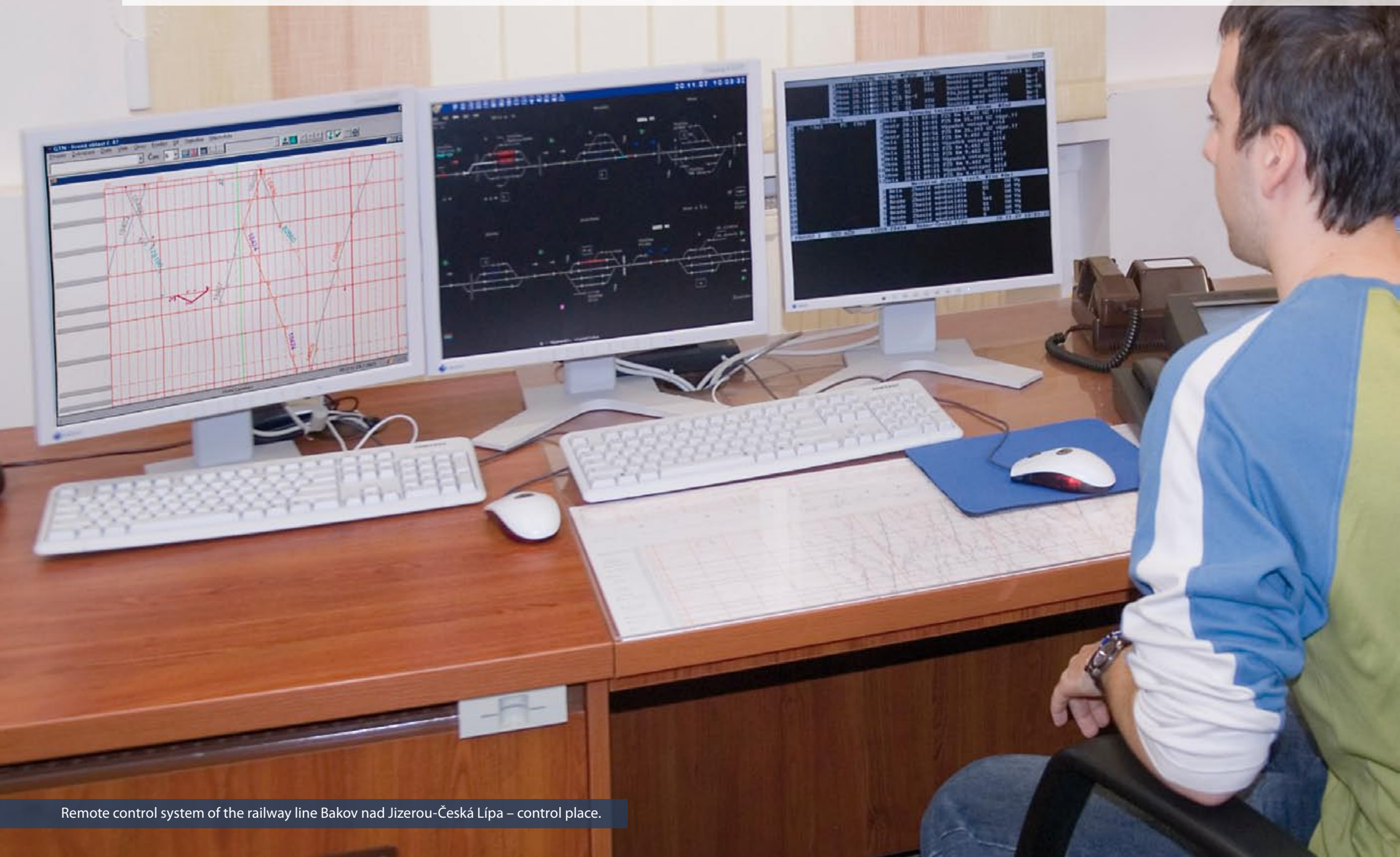
### **AŽD Praha s.r.o., ORGANISATIONAL UNIT BRATISLAVA**

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# About us



Remote control system of the railway line Bakov nad Jizerou-Česká Lípa – control place.

AŽD Praha has been a **leading Czech supplier** of transport, control, signalling systems and technology for **more than 50 years**.

AŽD Praha is an entirely Czech company, specialising in the **comprehensive supply of control, signalling, information and telecommunication technology primarily for railway and road transportation**. Recently the company has broadened its scope of activities to other fields such as housing development and security.

Due to **comprehensiveness** of its services starting from the analyses of requirements and development of equipment,

## Production focus

**Systems for the operation and safety of railway transport represent** the largest part of the company's production. They are supplied in different configurations for corridor and non-corridor lines including junctions and can be equipped by additional systems for diagnostics, graphic-technology documentation and remote control.

AŽD Praha also manufactures and supplies **wayside equipment** for control and securing the points, light signals and other equipment. The automatic train operation system is used with success in full commercial **operation of the Prague metro** and it enables an automatic control of the trains. AŽD signalling systems and equipment are used also for the railway sidings of industrial plants and mines.

through design, production and installation right up to the long term service, AŽD Praha offers **effective solution for the specific needs of its customers**.

In addition to its stable position on the domestic market, the Company is also **successful abroad**. The participation in reconstruction of the railway infrastructure in Slovakia ranks among the most significant foreign activities.

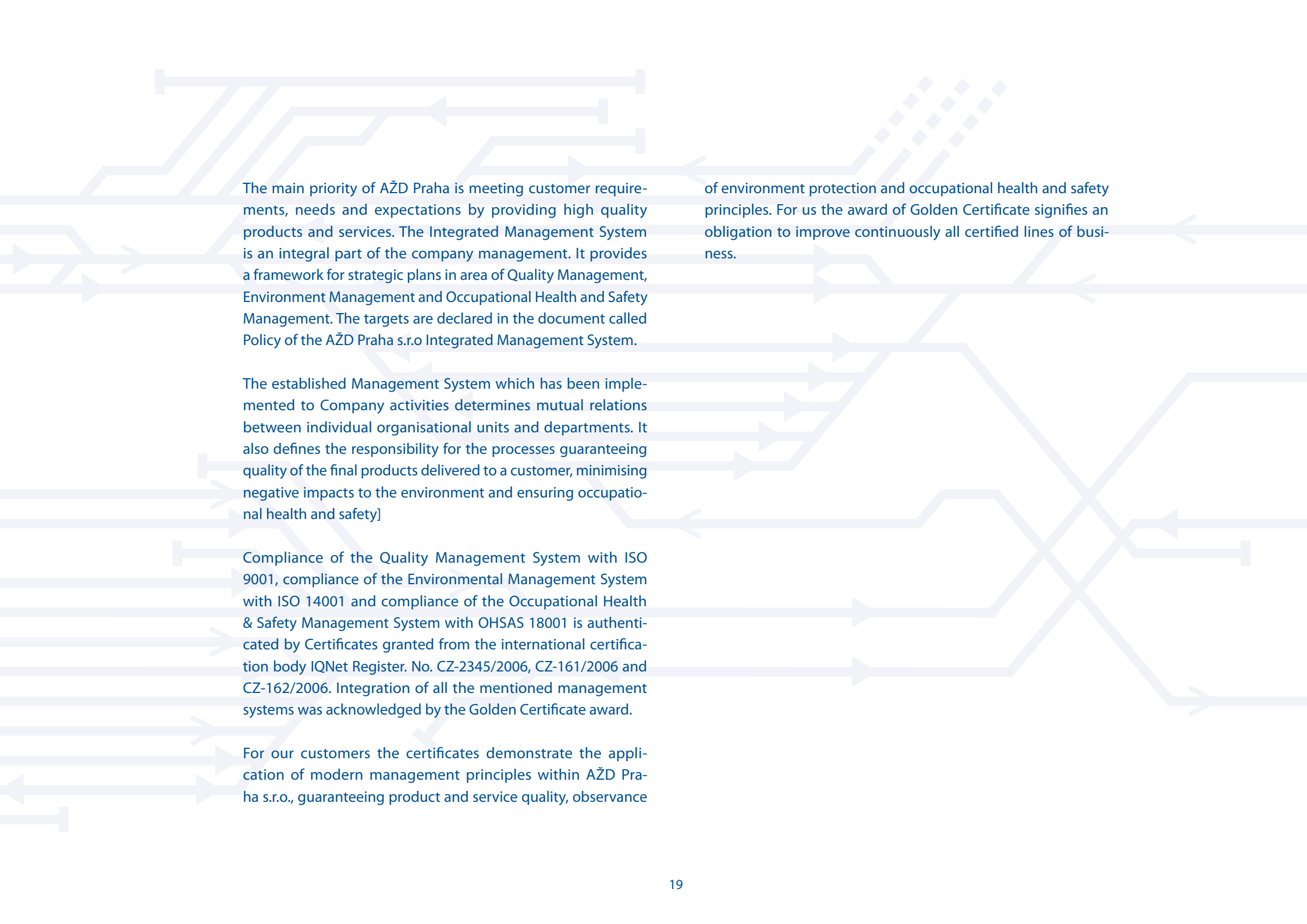
AŽD Praha and its daughter companies are also successful in India, Bulgaria, Serbia and Montenegro.

AŽD Praha also supplies control and signalling systems for the road transportation, e.g. for signalised intersections, traffic control in tunnels, parking and entry, identification of licence plates and checking the compliance with road traffic regulations. Application of **telecommunication and transmission technology** in the field of transport and beyond is provided by a separate Division of Teleinformatics.

The company's other activities include **logistics and development service, design, training and consulting**.

# Integrated Management System





The main priority of AŽD Praha is meeting customer requirements, needs and expectations by providing high quality products and services. The Integrated Management System is an integral part of the company management. It provides a framework for strategic plans in area of Quality Management, Environment Management and Occupational Health and Safety Management. The targets are declared in the document called Policy of the AŽD Praha s.r.o Integrated Management System.

The established Management System which has been implemented to Company activities determines mutual relations between individual organisational units and departments. It also defines the responsibility for the processes guaranteeing quality of the final products delivered to a customer, minimising negative impacts to the environment and ensuring occupational health and safety]

Compliance of the Quality Management System with ISO 9001, compliance of the Environmental Management System with ISO 14001 and compliance of the Occupational Health & Safety Management System with OHSAS 18001 is authenticated by Certificates granted 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 the Golden Certificate award.

For our customers the certificates demonstrate the application of modern management principles within AŽD Praha s.r.o., guaranteeing product and service quality, observance

of environment protection and occupational health and safety principles. For us the award of Golden Certificate signifies an obligation to improve continuously all certified lines of business.

## AŽD Praha and environmental protection



AŽD Praha has been permanently concentrated on energy savings, decreasing generation of waste, limiting water consumption and decreasing emissions of pollutants into the atmosphere. Protection of nature is a vital part of our production and installation processes which are environmentally friendly.

Besides the need for high technology level and outstanding equipment safety also the demands for equipment with the minimum environmental impact have been respected. It has been ensured by selecting the used input material by means of supervised production technology right up to operation and disposal.

By reaching the technological development objective especially aimed at implementation of the leadless soldering technology, AŽD Praha has met ***the Guidelines of the European Parliament and of the Commission 2002/95/ES of 27 January 2003 on limitation of specified dangerous substances in electronic and electrotechnical equipment.***



Warning board of the railway level crossing system.

# Production



Centralized remote control system of the railway line Břeclav-Přerov – control center.

AŽD Praha has been always concentrated on comprehensive solutions. In the field of the railway signalling and communication technology we provide products and services starting from development of signalling and communication systems, planning investments, manufacturing and completing necessary components right up to the full installation and provision of specialized services.

The Company's own production is provided by specialised production plants in Prague, Brno and Olomouc and it plays a significant role in this complete cycle. These three production plants perform especially the tasks of key suppliers of signalling and communication systems installed within the railway projects both in the Czech Republic and abroad. Additionally our products are also supplied to other companies active in supply and installation of railway signalling and communication systems.

A specific character of capital investment supplies for railways lies in their address application. This fact significantly increases the production demands and we are pleased to say that our production plants fulfilled all the requirements of our installation plants for supplying the address equipment during the past fiscal period. In addition the needs of the Division of Telecommunication and Signalling Technology Service for the necessary spare parts were also fulfilled.

In line with the global trends our company focuses on gradual industrialization of installation activities. In principle the initial debugging, testing and verification of the supplied equip-

ment is carried out under favourable conditions of production and installation plants, mostly in the Prague production plant premises, where several specialised fully equipped workplaces have been established for this purpose. Before the final installation at the site the address signalling systems for both railway stations and for line sections are completed and tested in the plant premises. In the near future we presume that all important turn-key projects on the domestic market and abroad will be implemented this way.

In addition to the production of railway signalling and telecommunication systems, which is our major activity, our Production Plants also fulfil orders for areas beyond the transport industry. As the most significant orders of this nature we can mention the extensive production of electronic microscopes and their components for the company FEI in our Brno production plant and large scale cooperation on engineering production for several other companies (John Craine, ISH Olomouc etc.) in our Olomouc production plant.



## Our projects



SKŘÍŇ 12 NAP

Vital computer of the electronic interlocking system ESA 11.

## Railway Technology

Railway systems installations in Czech Republic and abroad are carried out by three specialised organisational units. In the signalling technology, introduction of new modern technologies has been a characteristic feature of recent period. Among the most interesting technologies we can mention the new type of track circuits KOA1, new electronic elements for station interlocking systems and last but not least the PZN-1 axle counters.

In terms of corridor lines projects the principal orders were executed at the following line sections: „Optimisation of the Strančice–Praha–Hostivař line“, „Optimisation of the Benešov u Prahy–Strančice line“, „Modernisation of the Veselí n. L.–Tábor line – 1<sup>st</sup> part, the Doubí u Tábora–Tábor track section“, „Optimisation of the Plzeň–Stříbro line“. The aforementioned projects will increase the speed of modernised lines and will enable to increase the direct connection capacity between the northern and southern parts of Europe. Their completion will be a significant contribution to the European railway network.

Our installation plants also gained ground during rationalisation projects; for example in the Ostrava region where the project „Electrification of the line section including the PEÚ Ostrava hl. n. to Ostrava-Kunčice railway station“ was executed. Within this project an outdated interlocking system was replaced by the modern ESA 11 equipment from AŽD Praha production. In Northern Bohemia the project „Březno u Chomutova–Chomutov“ was completed and activated and in Moravia the „Reconstruction of the Jihlava–Havlíčkův Brod line“ is under way at present. Another project „Zdice–Prostivín line rationalisation“ is very important for traffic strengthening

and capacity increase. The other rationalisation projects which are currently in progress: „Electrification of the České Budějovice–České Velenice line“ and „Passage through the Ústí nad Labem junction“. It is also important to mention the project „Rationalisation of the Bakov–Česká Lípa line“ that was activated in December 2007. Thanks to its top technical level it resulted in significant savings for our business partners. For centralized traffic control of individual stations the new KSZZ communication system was used there. In 2007, an integration server for control and supervision of communication and information systems on the Přerov–Břeclav line was activated at Central Dispatcher's Workplace in Přerov.

One of the most important projects in which our Company is involved is the „New Connection of the Prague Main Station – Masaryk railway station– Libeň –Vysočany – Holešovice“ and „Modernisation of the Praha-Libeň–Praha–Běchovice line section“ including the Běchovice railway station, which had already been activated. When these projects are completed, a modern railway junction meeting all requirements of international railway transport will be created.

In the Slovak Republic the new ESA 11 interlocking system was put into operation in Poprad -Tatry railway station and in the „KIA Motors Slovakia Car Plant“. Currently the works on other projects of smaller volume are in progress in the Slovak Republic.

Within the framework of these turn-key projects AŽD Praha provides its advanced solutions on a high professional level.



Road crossing in the town of Kuřim equipped by MR-28 controller.

## Technology for Metro

During the period under review AŽD Praha activities within the Prague metro were also in progress. In the metro depot Hostivař monitoring of trial operation of ESA 11M+ electronic interlocking and preparation for its final evaluation took place.

On the IV C2 project of the Ládví–Letňany line our installation specialists implemented the ESA 11M+ electronic interlocking and made preparations for the supplier's tests.

Testing of the train set driverless turn-round in the terminal Dejvická station, which is an important step, was successfully performed on one testing train set. As the verification and testing of this new function took place our equipment received the Certificate of Competency for the trial test.

## Road Technology

The Division of Road Technology Automation specialises in the production of systems and technologies increasing the road transport effectiveness and safety. The commercial department of Road Telematics, which is a part of Company Headquarters, supports commercial activities in this product line and sets up the business strategy for domestic and foreign markets. During the past 2006/2007 fiscal year its activities besides the Czech Republic were successfully developed also in Slovakia, Bulgaria, Serbia and Poland. For these markets it offers and supplies the level crossing systems, light signalling, intelligent traffic systems based on the identification and automatic recognition of vehicle licence plates and detecting different traffic violations, telematic monitoring system and system making traffic more effective, parking control systems together with guidance systems for Park and Ride parking places at the city outskirts, road traffic information systems, highway electronic systems and tunnel signalling systems.

By installing light and signalling technologies in the railway tunnel at Březno u Chomutova including the camera system supervision registering the movement of unauthorised persons in tunnel vicinity

we linked to the successful project of information technology supply for the Valik highway tunnel at Plzeň city southern bypass.

Since the last year an increase of highway safety at roads for instance in Dubí or Bánov localities has been possible because of newly supplied camera systems measuring vehicle section speed. In other municipalities controllers controlling light signalling were installed. During the next year information radars will be installed at Prague 6.

As a contribution to prevent highway accidents we supplied technologies for children playgrounds in several cities throughout the Czech Republic.

Among other significant supplies is a dynamic co-ordination at intersections (optimisation of traffic flow control), traffic monitoring and lighting of pedestrian crossings installed in Banská Bystrica at Slovakia and the signalling system installed during the leak of ammonium in Lovochemie chemical plant at Lovosice.

The Division also provides restoration and development of light signalling systems at Prague intersections. According to the subcontractor's



agreement signed on 27 March 2007 by ELTODO dopravní systémy s.r.o. the project and engineering works started at 22 Prague's intersections. Within the II stage the automatic entry system EntryCon was installed at Třinecké železárny (Třinec Ironworks). Last but not least the trial operation of Valik Tunnel equipment was completed and within the service and maintenance agreement the service supply started.

## Service

The main responsibility of the Division of Telecommunication and Signalling Technology Service is the warranty and post warranty service, maintenance of telecommunication, signalling and information technology and other services resulting from the responsibility for work or equipment defects during the warranty period. As a priority the Division provides servicing of the new modernised technological installations of AŽD Praha, in particular the electronic station interlocking systems, the line signalling and level crossing systems and systems for remote control (CTC) including servicing the equipment related to point and barrier manufacturing program.

The Service Division provides service care for 197 station interlocking systems, 537 level crossing systems, 55 line sections of Electronic Automatic Block System installations, 55 open line signalling systems (Automatic Line Block Systems and reconstructed Automatic Blocks), CTC systems and related telecommunication and information equipment. From the start of the jaw lock production till the end of 2006/2007 fiscal year the Division was servicing 4844 installations of VZ 200 jaw locks.

Among others the warranty service has been carried out for METRO – Public Transit Operator of the City of Prague (reconstruction of the 3<sup>rd</sup>

The Division expects an increase of supplies during the next period regarding the road and telematics systems at domestic and foreign markets. At Havičkův Brod the supplies of telematic systems will be completed, installation works at tunnel systems of the Prague's City Circular will start and works at the „Extension of the Radlická streetcar line“ project will be concluded.

grade on the IV C1 line and service for Automatic Train Protection System and Automatic Train Operation System on the metro line A).

Division provides service of the compensators of dangerous currents at Pendolino train sets for the Czech Railways.

The Division is also active abroad. It provides servicing of the system supplied to the Slovak Railways as well as the systems installed in Belarus and Serbia.

The service activities has been carried out by the service groups and workplaces dislocated in Ústí nad Labem, Karlovy Vary, Prague, České Budějovice, Kolín, Pardubice, Olomouc, Brno, Břeclav and Ostrava. Because of an increased volume of the installed equipment the Ostrava service group was reinforced and made independent and the new service workplace in Plzeň was established on May 1, 2007. The other SZT (signalling and telecommunication technology) maintenance team operating in Skalice, Svitavy (destined for the Brno–Česká Třebová line) and in Moravský Písek (destined for the Hodonín–Nedakonice line) launched its activity on January 1, 2007.

AŽD Praha provides the service of its installations continuously 24 hours a day and 365 days a year according to the emergency need.

# Housing Development and Engineering



The relatively new but successful area of company activity is the housing development, primarily the co-operation with Harmonie Group company in the development of residential dwelling houses and participation in the Czech Railway project „Vital Railway Stations“.

Development of apartment houses (stage I) in Králův Dvůr was completed by the final building inspection of one hundred flats within four residential buildings. The overall completion of this development project is planned in December 2008 when other five residential buildings with 145 flats in total will be completed. The sale of residential flats is ensured by Harmonie Group and as at today only 12 flats are available and free.

Within the Czech Railway project called „Vital Railway Stations“ our company participated in tenders for revitalization of Havlíčkův Brod, Kolín, Nymburk, Poděbrady, Kralupy n. Vlt. and Kutná Hora-City railway stations.


After revitalization of Havlíčkův Brod railway station where the first stage of the project has already been finished the thirty year lease was signed in favour of our company.





# Logistics





The Head Office of the Company logistic centre is located in Olomouc. The Logistic Plant Olomouc provides the logistic support for all AŽD Praha organisational units throughout the Czech Republic territory as well as for daughter companies abroad.

The Logistic Plant is also an exclusive distributor of AŽD Praha own industrial products within the individual installation plants and Division of Teleinformatics. In addition the Plant is responsible for sales of the products to domestic customers and customers abroad.

During the 2006/2007 fiscal year, 3,1 milliards of products, material and other commodities passed through the Logistic Plant stores. From that 1,8 milliards of products were destined for internal AŽD production (i.e. 58 %) and 1,3 milliards of products were destined for customers abroad (i.e. 42 %).

Logistics also includes other related services provided by the Logistic Plant. For instance the customs and freight services, completion of consignments or equipment and other services according to individual demands.

Besides regular and common tasks associated with meeting installation and production demands for the Czech Railway projects and satisfying other customer needs throughout the Czech Republic (primarily by cable supply) during the past fiscal year, the logistic centre also provided supplies for projects implemented by AŽD Praha abroad. Under auspices

of Logistic Plant the installation Plant Olomouc executed the pilot project in Belarus (activation of ESA 11-BC interlocking in the railway station Polock) and participated in projects at Slovakia either directly (e.g. installation of outdoor equipment in the Poprad railway station) or in co-operation with other local companies (e.g. Adotel Hex and AŽD Košice).

# Research and development



Datacom Technologies

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AŽD Praha has its own research and development capacities and their application is an essential condition of a successful Company activity at the domestic markets and also abroad. Company expends considerable funds in technical development. It leads to new technological solution for products and new systems and also to continuous innovation of practically entire production range and company supplies.

The crucial volume of Company production includes the electronic signalling and control systems for the railway transportation. This corresponds with the research and development focus. During the 2006/2007 fiscal year the works on innovation of station interlocking, line signalling and level crossing systems were going on. Also the prototypes of station interlocking system with contactless control of wayside elements were tested in the real operation, intensive verification of new electronic track circuits took place and works on preparation of the first stage verification of the signalling communication system were finalised. The activities concerning implementation of ETCS pilot project at the Poříčany–Kolín line section including development of new components on the basis of unified architecture of signalling systems continued successfully as well.

Among other activities it can be highlighted the innovation of individual elements of point program and functional testing the new Automatic Train Protection system prototype. Central dispatcher's workplace in Přerov from where traffic on the Přerov–Břeclav line is controlled was put into the operation. Also the development of the signalling system destined for second

dary lines including related telecommunication system and other equipment continued and verification of the new type of the level crossing system took place. Works on development of CTC (centralized traffic control) for signalling and interlocking systems and related diagnostics were further carried on. Considerable part of development capacity was assigned for applications of the signalling and interlocking systems abroad (Slovakia, Belarus, Montenegro, Bulgaria etc.).

In the considered period the research and development in the field of road technology was focused on upgrading the intersection controllers of MR series by OCIT communication protocol which synchronises the interface to similar equipment supplied by different manufacturers and provides interconnection with the central control system. Further the development of High Vision system assigned for highways was carried on. The development of intelligent telematic camera systems based on recognition of vehicle licence plates formed considerable share of system innovation activities. In the first quarter of 2007 it was developed a special microprocessor controller MD-1 integrating intersection light signalling and railway level crossing control for children playgrounds. For instance children traffic playground in Zlín can boast about this system.

# Activities abroad



Dispatcher control place of the railway station Polock in Bielorrussia.



As concerns achievements abroad the fiscal period 2006/2007 was very interesting for AŽD Praha. Company has successfully participated in international tender for modernisation of the Kaunas–Kybartai line in Lithuania and in tender for reconstruction of the Polock–Vitebsk railway line in Balarus. The planned start of implementation of both extensive projects is year 2008.

AŽD Praha achieved also other great progress in Serbia where installation of level crossing systems in Bajmok, Negotin, Nová Raška and Ratina railway stations was successfully finished. In addition we have started works on supply of ESA 11-SB station interlocking system for the TENT Obrenovac power plant. In Montenegro, where Company realizes the project for modernisation of the Podgorica–Nikšič line, the most favourable offer for 4 level crossing systems designated for Nikšič ironworks was submitted by AŽD Praha.

Within the frame of our other activity we supplied 3 intersection controllers of MR 28 type to Bulgaria.

The foreign trade department also reacted to direct demands of oreign clients and currently is preparing export of 900 signals to Syria and significant amount of EP 600 point machines to Malaysia, Spain and Turkey.

The other very important milestone of the company activities abroad was expansion of the commercial representation in Egypt (Cairo) and Belgium (Brussels) and establishment of service teams by our daughter companies (AŽD SASI – Serbia and Montenegro, Balkan SAST – Bulgaria) or externally by co-operating partners (Belarus, India).



Warning board of the level crossing system for Serbian Railways.

## Socially beneficial activities



As a stable and financially strong company, AŽD Praha is strongly aware of its responsibility to help people in need. Therefore the company is involved in support of numerous social welfare actions and 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 ecological forms of transport. Every year the company supports the European action “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 transport in the Czech Republic, AŽD Praha traditionally supports the railway museums in Lužná u Rakovníka and Hradec Králové, as well as, the Railway Model Club in Lysá nad Labem or Winged Wheel Endowment under Czech Technical Museum. Every year we are also supporting the celebrations of the Railway Day taking place in several regions of Czech Republic.

## 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 2006/2007 AŽD Praha shared in support of several important and 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.

Together with the Technical College of Communications and Computer Science the AŽD prepared special study program

for education in the field of signalling and telecommunication technology for railway transportation.

On the occasion of the 300th Anniversary of ČVUT (Czech Technical University) foundation the festive ceremony became a significant and enjoyable social event ranking between the major actions supported by our Company in 2007.

Cooperation with the Technical University of the ČVUT in Prague is very close and therefore AŽD Praha promised significant financial support purposefully bound to development of model train railyard in the near future.





## Culture

In cultural field AŽD Praha supported, for example, the Concert of Stars at Žofín palace, Theatre Festival ZLOMVAZ 2007 or Championship of the Czech Republic in ballroom dancing DANCE. Further, AŽD Praha financially contributed to the organisation of the nationwide children's folksong festival ZPĚVÁČEK and helped handicapped children from Hustopeč Junior Elementary School to finance the rehabilitative stay in Italy.

## 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.

Recently the International Championship of the Czech Republic in rowing simulator ride extended the sport activities supported by our company.



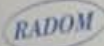
# Financial performance



PRAHA



PRAHA



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PRAHA



The 2006/2007 fiscal year was another successful year following the good results of previous years.

The company's commercial turnover in the amount of CZK 5.6 billion for the 2006/2007 fiscal year was the highest turnover in the whole history of the company with interannual turnover increase by CZK 1.853 billion. The company's economical results for the mentioned period are better than results in previous years.

In the period monitored, the number of the company's employees increased to 1721.

The number of employees increased primarily in the company's research and development for which CZK 219 billion was expended in total.

The composition of assets is significantly affected by receivables after due date because the specification of most orders determine 120 days for invoices due date.

In the assessed period, the company showed non-tax reserves for the new generation of electronic signalling systems that are in long-term trial operation and for which the company confirmed five-year guarantee.

The status of the company's financing is stabilized since the turnover increase was proportionately reflected in accounts payable and in drawdown of bank loans.

The company does not acquire any assets by financial lease and has neither liabilities payable concerning the health and social insurance or arrears of taxes.

The company has established organizational units not only in the Czech Republic, but also in the Slovak Republic and Montenegro.

The company exercised the substantial and crucial influence in ten subsidiaries in the Czech Republic and in five subsidiaries abroad (i.e. in Slovakia, Bulgaria and Serbia). The company's intentions for the assessed period have been met and partly exceeded.

Since September 30, 2007 until the date of preparation of this report, no significant events affecting the company's activities have occurred.

The assumed development of AŽD Praha's activities is very positive and conditions for its further development have been established.

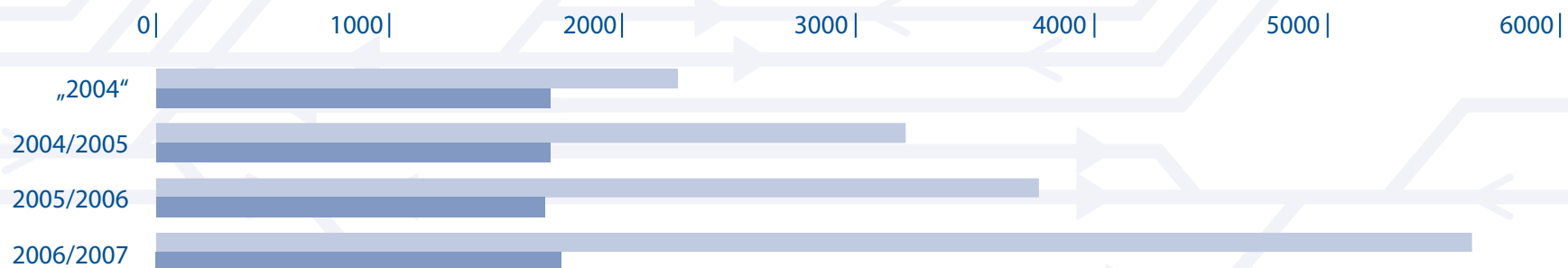
# Main financial indicators

Business year 2004/2005 begins from 1. 10. 2004 and ends 30. 9. 2005.

Business year „2004“ was a transition period of 9 months from 1.1.2004 till 30.9.2004 caused by shifted accounting period as at Sep.1 of calendar year (due to this fact the data of this period are not fully evidential)

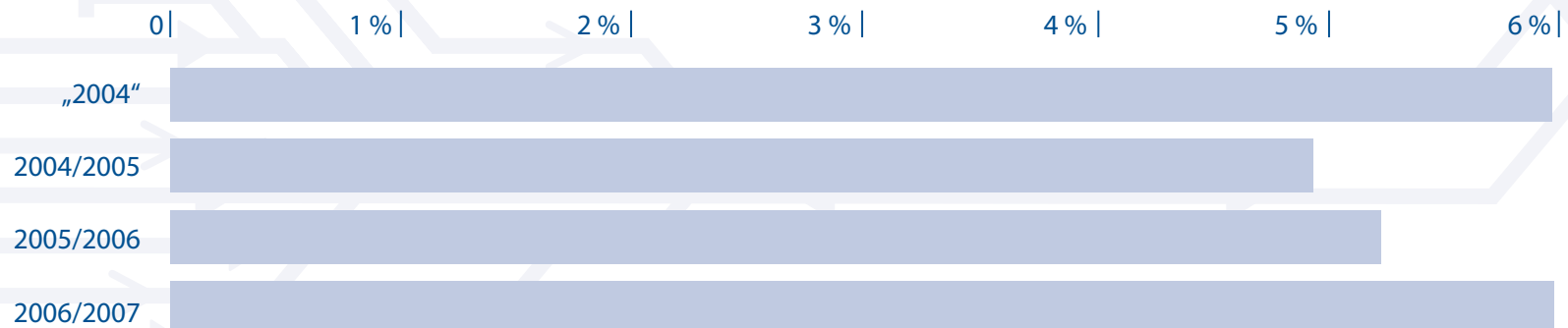
Indicator/period	„2004“	2004/2005	2005/2006	2006/2007
Turnover in mill. CZK	2 212 181	3 198 921	3 762 091	5 615 059
Profit after tax	129 804	152 318	190 000	327 671
Profit from turnover %	5,87	4,76	5,05	5,83
Value added tax	636 966	741 583	877 435	1 273 103
Bank loans	102 513	136 784	560 550	1 113 581
Employees-full time equivalent	1 677	1 671	1 647	1 721

## Turnover/Employees-full time equivalent

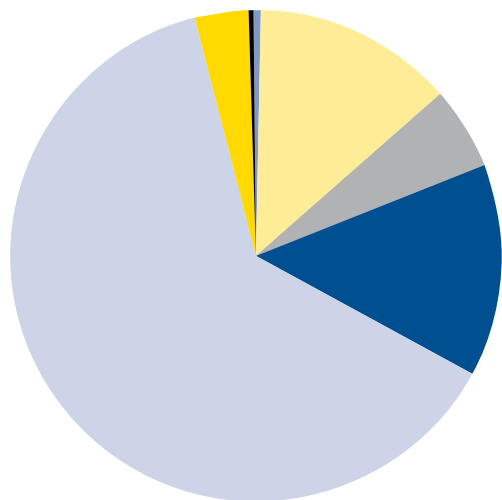


Turnover in mill. CZK  
Employees-full time equivalent

## Profit from turnover

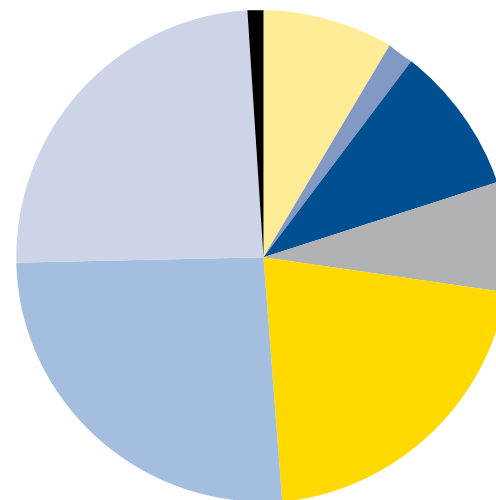


Composition of assets as at 30. 9. 2007  
(in thousands of CZK)



Long-term intangible fixed assets	27 520
Long-term tangible fixed assets	590 320
Long-term financial assets	252 175
Reserves	621 193
Liabilities	2 858 821
Financial assets	162 014
Accruals	8 091
<b>Assets total</b>	<b>4 520 134</b>

Composition of liabilities as at 30. 9. 2007  
(in thousands of CZK)



Registered capital	384 436
Capital funds	-645
Funds from profit	75 450
Retained earnings from previous years	444 623
Profit of 2006/2007	327 671
Reserves	966 720
Liabilities	1 174 174
Bank loans and other creditors	1 113 581
Accruals	34 124
<b>Liabilities total</b>	<b>4 520 134</b>

## Balance sheet

as at 30. 9. 2007 (in thousands of CZK)

Marking	ASSETS	Row No.	Current accounting period			Previous period
			Gross	Adjustment	Net	Net
a	b	c	1	2	3	4
	<b>TOTAL ASSETS (r. 02 + 03 + 31 + 62)</b>	001	4 990 699	470 565	<b>4 520 134</b>	3 310 176
A.	Receivables from subscriptions	002				
B.	<b>Fixed assets (r. 04 + 13 + 23)</b>	003	1 292 626	422 611	<b>870 015</b>	841 511
B. I.	<b>Intangible fixed assets (r. 05 to 12)</b>	004	66 231	38 711	<b>27 520</b>	28 949
B. I. 1	Incorporation expenses	005	74	74		
2	Research and development	006				
3	Software	007	57 562	35 088	<b>22 474</b>	25 193
4	Valuable rights	008	4 374	3 506	<b>868</b>	
5	Goodwill	009				
6	Other intangible fixed assets	010	389	43	<b>346</b>	
7	Intangible fixed assets under construction	011	3 832		<b>3 832</b>	3 756
8	Advance payments for intangible fixed assets	012				
B. II.	<b>Tangible fixed assets (r. 14 to 22)</b>	013	947 940	357 620	<b>590 320</b>	578 818
B. II. 1	Lands	014	57 565		<b>57 565</b>	58 109
2	Constructions	015	454 212	135 994	<b>318 218</b>	333 196
3	Equipment	016	598 047	404 488	<b>193 559</b>	204 754
4	Perennial corps	017				
5	Breeding and draught animals	018				



Marking	ASSETS	Row No.	Current accounting period			Previous period
			Gross	Adjustment	Net	Net
a	b	c	1	2	3	4
	6 Other tangible fixed assets	019				
	7 Tangible fixed assets under construction	020	29 376		<b>29 376</b>	3 943
	8 Advance payments for tangible fixed assets	021	108		<b>108</b>	79
	9 Adjustment to acquired assets	022	-191 368	-182 862	<b>-8 506</b>	-21 263
B. III.	<b>Long-term financial assets (r. 24 to 30)</b>	023	278 455	26 280	<b>252 175</b>	233 744
B. III. 1	Shares in controlled and managed organizations	024	68 555	26 280	<b>42 275</b>	43 435
	2 Shares in accounting units with substantial influence	025	1 099		<b>1 099</b>	1 071
	3 Other securities and shares	026	110 014		<b>110 014</b>	110 014
	4 Loans to controlled and managed organizations and to accounting unit with substantial influence	027	98 787		<b>98 787</b>	79 224
	5 Other financial investments	028				
	6 Other financial investments	029				
	7 Advance payments for long-term financial assets	030				
C.	<b>Current assets (r. 32 + 39 + 47 + 57)</b>	031	3 689 982	47 954	<b>3 642 028</b>	2 461 184
C. I.	<b>Inventory (r. 33 to 38)</b>	032	621 193		<b>621 193</b>	601 741
C. I. 1	Materials	033	377 454		<b>377 454</b>	286 373
	2 Work in progress and semi-products	034	198 978		<b>198 978</b>	302 729
	3 Finished products	035				

Marking	ASSETS	Row No.	Current accounting period			Previous period
			Gross	Adjustment	Net	Net
a	b	c	1	2	3	4
4	Animals	036				
5	Merchandise	037				
6	Advance payments for inventory	038	44 761		<b>44 761</b>	12 639
C. II.	<b>Long-term receivables (r. 40 to 46)</b>	039	831 677	40 150	<b>791 527</b>	286 857
1	Trade receivables	040	624 106		<b>624 106</b>	66 807
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 receivable	045	41 769	40 150	<b>1 619</b>	41 251
7	Deffered tax receivable	046	165 802		<b>165 802</b>	178 799
C. III.	<b>Short-term receivables (r. 48 to 56)</b>	047	2 075 098	7 804	<b>2 067 294</b>	1 488 242
C. III. 1	Trade receivables	048	1 935 156	7 070	<b>1 928 086</b>	1 259 042
2	Receivables from controlled and managed organizations	049	120 957		<b>120 957</b>	166 213
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				

Marking	ASSETS	Row No.	Current accounting period			Previous period
			Gross	Adjustment	Net	Net
a	b	c	1	2	3	4
6	Due from state - tax receivable	053	6 693		<b>6 693</b>	46 515
7	Other deposits given	054				
8	Estimated receivable	055	811		<b>811</b>	12 103
9	Other receivables	056	11 481	734	<b>10 747</b>	4 369
C. IV.	<b>Short-term financial assets (r. 58 to 61)</b>	057	162 014		<b>162 014</b>	84 344
C. IV. 1	Cash	058	23 210		<b>23 210</b>	16 044
2	Bank accounts	059	138 804		<b>138 804</b>	68 300
3	Short-term securities and ownership interests	060				
4	Short-term financial assets acquired	061				
D. I.	<b>Accruals (r. 63 to 65)</b>	062	8 091		<b>8 091</b>	7 481
D. I. 1	Deferred expenses	063	7 429		<b>7 429</b>	6 365
2	Complex deferred costs	064				
3	Deferred income	065	662		<b>662</b>	1 116

Marking	LIABILITIES	Row No.	Current period	Previous period
a	b	c	5	6
	<b>TOTAL LIABILITIES (r. 67 + 84 + 117)</b>	066	<b>4 520 134</b>	3 310 176
A.	<b>Equity (r. 68 + 72 + 77 + 80 + 83)</b>	067	<b>1 231 535</b>	1 058 057
A. I.	<b>Registered capital (r. 69 to 71)</b>	068	<b>384 436</b>	384 436
A. I. 1	Registered capital	069	<b>384 436</b>	384 436
2	Company's own shares and ownership interests (-)	070		
3	Changes of registered capital	071		
A. II.	<b>Capital funds (r. 73 to 76)</b>	072	<b>-645</b>	-993
A. II. 1	Share premium	073		
2	Other capital funds	074	<b>358</b>	358
3	Diferences from revaluation of assets and liabilities	075	<b>-1 003</b>	-1 351
4	Diferences from revaluation in transformation	076		
A. III.	<b>Reserve funds, statutory reserve account for cooperatives, and other retained earnings (r. 78 + 79)</b>	077	<b>75 450</b>	65 950
A. III. 1	Legal reserve fund / indivisible fund	078	<b>73 732</b>	64 232
2	Statutory and other funds	079	<b>1 718</b>	1 718
A. IV.	<b>Profit/loss - previous year (r. 81 + 82)</b>	080	<b>444 623</b>	418 664
A. IV. 1	Retained earnings from previous years	081	<b>444 623</b>	418 664
2	Accumulated losses from previous years	082		

Marking	LIABILITIES	Row No.	Current period	Previous period
a	b	c	5	6
A. V.	<b>Profit/loss - current year (+/-)</b> <b>/r. 01 - (+ 68 + 72 + 77 + 80 + 84 + 117)/</b>	083	<b>327 671</b>	190 000
B.	<b>Other sources (r. 85 + 90 + 101 + 113)</b>	084	<b>3 254 475</b>	2 199 431
B. I.	<b>Reserves (r. 86 to 89)</b>	085	<b>966 720</b>	834 317
B. I. 1	Reserves under special statutory regulations	086	<b>43 026</b>	46 281
2	Reserves for pension and similar payables	087		
3	Income tax reserves	088	<b>80 189</b>	
4	Other reserves	089	<b>843 505</b>	788 036
B. II.	<b>Long-term payables (r. 91 to 100)</b>	090	<b>26 135</b>	5 475
B. II. 1	Trade payables	091	<b>26 135</b>	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	Deferred tax liability	100		

Marking	LIABILITIES	Row No.	Current period	Previous period
a	b	c	5	6
B. III.	<b>Short-term payables (r. 102 to 112)</b>	101	<b>1 148 039</b>	799 089
B. III. 1	Trade payables	102	<b>869 847</b>	553 977
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	<b>20</b>	20
5	Payroll	106	<b>151 115</b>	132 727
6	Payables to social securities and health insurance	107	<b>35 743</b>	26 639
7	Due from state - tax liabilities and subsidies	108	<b>54 007</b>	24 650
8	Short-term deposits received	109	<b>16 811</b>	26 050
9	Issues bonds	110		
10	Estimated payables	111	<b>20 441</b>	35 026
11	Other payables	112	<b>55</b>	
B. IV.	<b>Bank loans and financial accomodations (r. 114 to 116)</b>	113	<b>1 113 581</b>	560 550
B. IV. 1	Long-term bank loans	114		
2	Short-term bank loans	115	<b>1 113 581</b>	560 550
3	Short-term accomodations	116		
C. I.	<b>Accruals (r. 118 + 119)</b>	117	<b>34 124</b>	52 688
C. I. 1	Accrued expenses	118	<b>33 328</b>	52 532
2	Deffered revenues	119	<b>796</b>	156

## Profit/Loss statement as at 30. 9. 2007 (in thousands of CZK)

Marking	TEXT	Row No.	Statement for period	
			Current	Previous
a	b	c	1	2
I.	Revenues from sold goods	01	<b>927 120</b>	673 823
A.	Expenses on sold goods	02	<b>813 726</b>	629 936
+	<b>Sale margin (r. 01-02)</b>	03	<b>113 394</b>	43 887
II.	<b>Production (r. 05+06+07)</b>	04	<b>5 054 753</b>	3 363 812
II. 1	Revenues from own products and services	05	<b>4 266 008</b>	2 352 695
2	Change in inventory of own products	06	<b>-103 102</b>	108 804
3	Capitalisation	07	<b>891 847</b>	902 313
B.	<b>Production consumption (r. 09+10)</b>	08	<b>3 895 044</b>	2 530 264
B. 1	Consumption of material and energy	09	<b>3 451 008</b>	2 203 168
B. 2	Services	10	<b>444 036</b>	327 096
+	<b>Added value (r. 03+04-08)</b>	11	<b>1 273 103</b>	877 435
C.	<b>Personnel expenses</b>	12	<b>799 120</b>	703 545
C. 1	Wages and salaries	13	<b>585 130</b>	524 524
C. 2	Remuneration of board members	14		
C. 3	Social security expenses and health insurance	15	<b>211 773</b>	176 961
C. 4	Other social expenses	16	<b>2 217</b>	2 060
D.	Taxes and fees	17	<b>5 066</b>	2 332
E.	Depreciations of intangible and tangible assets	18	<b>91 188</b>	78 438

Marking	TEXT	Row No.	Statement for period	
			Current	Previous
a	b	c	1	2
III.	<b>Revenues from disposals of fixed assets and materials (r. 20+21 )</b>	19	<b>406 326</b>	538 399
III. 1	Revenues from disposals of fixed assets	20	<b>3 323</b>	1 934
2	Revenues from disposals of materials	21	<b>403 003</b>	536 465
F.	<b>Net book value of disposed fixed assets and materials (r. 23+24 )</b>	22	<b>256 265</b>	433 317
F. 1	Net book value of sold fixed assets	23	<b>2 680</b>	1 397
F. 2	Net book value of sold material	24	<b>253 585</b>	431 920
G.	Change in operating reserves and adjustments and complex deferred costs	25	<b>80 204</b>	-5349
IV.	Other operating revenues	26	<b>49 422</b>	40 727
H.	Other operating expenses	27	<b>32 045</b>	27 910
V.	Transfer of operating revenues	28		
I.	Transfer of operating expenses	29		
*	<b>Operating profit/loss /(r.11-12-17-18+19-22-25+26-27+(-28)-(-29)/</b>	30	<b>464 963</b>	216 368
VI	Revenues from sales of securities and ownership interests	31		35
J.	Sold securities and ownership interests	32		78
VII.	<b>Revenues from long-term financial assets ( r. 34 + 35 + 36)</b>	33	<b>11 514</b>	30 247



Marking	TEXT	Row No.	Statement for period	
			Current	Previous
a	b	c	1	2
VII. 1	Revenues from shares in controlled and managed organizations and in accounting units with substantial influence	34	<b>11 514</b>	30 247
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	<b>1 480</b>	-2 200
X.	Interest revenues	42	<b>11 714</b>	10 445
N.	Interest expenses	43	<b>30 165</b>	9 713
XI.	Other financial revenues	44	<b>46 057</b>	6 916
O.	Other financial expenses	45	<b>52 845</b>	40 232
XII.	Transfer of financial revenues	46		
P.	Transfer of financial expenses	47		
*	<b>Profit / loss from financial operations ( transactions )</b> <b>/(r.31-32+33+37-38+39-40-41+42-43+44-45-(-46)+(-47))//</b>	48	<b>-15 205</b>	-180

Marking	TEXT	Row No.	Statement for period	
			Current	Previous
a	b	c	1	2
Q.	<b>Income tax on ordinary income (r. 50 + 51)</b>	49	<b>122 087</b>	26 188
Q. 1	– Due tax	50	<b>109 090</b>	21 930
Q. 2	– Tax deferred	51	<b>12 997</b>	4 258
**	<b>Operating profit / loss ordinary activity (r. 30 + 48 - 49)</b>	52	<b>327 671</b>	190 000
XIII.	Extraordinary revenues	53		
R.	Extraordinary expenses	54		
S.	<b>Income tax on extraordinary income (r. 56 + 57)</b>	55		
S. 1	– Due tax	56		
S. 2	– Tax deferred	57		
*	<b>Operating profit / loss extraordinary activity (r. 53 - 54 - 55 )</b>	58		
T.	Trasfer profit ( loss ) to partners (+/-)	59		
***	<b>Profit / loss of current accounting period (+/-) (r. 52 + 58 - 59)</b>	60	<b>327 671</b>	190 000
	<b>Profit / loss before tax (+/-) (r. 30 + 48 + 53 - 54)</b>	61	<b>449 758</b>	216 188

# Auditor's Report

on Verification of Final Accounts from Oct. 1, 10. 2006 to Sept. 30, 2007

designated to the associates of Company stated below:

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, design, development, service, consulting and engineering of communication, signalling and automation systems – business conducted by industrial methods.

## Auditor's report

On the basis of the audit carried out, we prepared the following report on final accounts constituting a part of this Annual Report on December 18, 2007:

"We have verified the attached final accounts of the above-mentioned company, i.e. balance sheet as at September 30, 2007, profit and loss statement, summary of changes to the equity capital and cash flow for the period from October 1, 2006 to September 30, 2007 and the annex to these final financial accounts including a description of accounting methods applied. Further data and information on AŽD Praha s.r.o. are stated in the annex to these final accounts.

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

The statutory body of AŽD Praha s.r.o. is responsible for compilation and true view of the final accounts in compliance with Czech accounting regulations. This responsibility includes a proposal, introduction and procurement of an internal inspection during the compilation and true representation of the final accounts to avoid any significant inaccuracies caused by fraud or error, as well as selection and application of appropriate accounting methods and performance of appropriate accounting estimates based on the existing situation.

## Auditor's responsibility

Our task is to provide an opinion concerning final accounts on the basis of the performed audit. We have performed the audit in compliance with the Auditor's Act, the International Auditor's Standards and related application clauses of the Chamber of Auditors of the Czech Republic. In compliance with these regulations we are obliged to adhere to the ethic standards and to plan and perform the audit to obtain reasonable certainty that the final accounts contain no significant inaccuracies.

The audit includes performance of auditing procedures with the objective to obtain evidence on the amounts and facts stated in the final accounts. The selection of the relevant procedures depends on the auditor's judgment including an assessment of the risks. When assessing such risks the auditor takes into consideration internal inspections which are relevant for compilation and true view of the final accounts. The objective of internal inspections assessment is to propose appropriate auditing procedures but not to comment on the effectiveness of the internal inspections. The audit also includes an assessment of the suitability of the accounting methods used, appropriateness of accounting estimates as well as assessment of the overall final accounts presentation. We believe that the obtained evidence provides sufficient and appropriate base for providing our statement.

Auditor's statement (Without objections):

***Pursuant to our opinion, the final accounts of AŽD Praha Company are in all significant aspects providing a true and faithful image of the assets, liabilities and financial situation as at September 30, 2007, and of the expenses, revenues, business results and cash flow achieved during the period from October 1, 2006 to September 30, 2007 in compliance with the Accounting Act and relevant regulations of the Czech Republic.***

#### **Report on Relationship of Interconnected Persons**

We have also checked the factual accuracy of the data stated in the Report on the Relationship between Interconnected Persons of AŽD Praha s.r.o. as at September 30, 2007. Management of AŽD Praha s.r.o. is responsible for preparation of this Report. Our task is to provide a statement on this Report on the basis of the verification performed. We have performed the verification in compliance with the Auditor's Standards and related application clauses of the Chamber of Auditors of the Czech Republic. These standards require to plan and to perform the respective verification with the objective to obtain a medium degree of certainty that the Report on the Relationship contains no significant inaccuracy. The verification is focused particularly to questioning the company's employees, to analytical procedures and to selective check of the factual accuracy of data. Therefore, the verification provides a lower degree of certainty than the audit. We have not audited the Report on Relationship and therefore the auditor's statement is not provided. On the basis of our verification, we have discovered no significant inaccuracies of the data stated in the Report on Relationship.

#### **Report on the Annual Report**

We have also verified compliance of AŽD Praha s.r.o. Annual Report with the above-mentioned final accounts. Management of AŽD is responsible for the accuracy of the Annual Report. Our task is to provide a statement on compliance of the Annual Report with the final accounts on the basis of the performed verification.

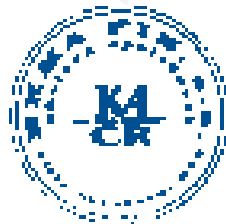
We have prepared the verification in compliance with the Auditor's Standards and related application clauses of the Chamber of Auditors of the Czech Republic. These standards require to plan and to perform the respective verification by the auditor with the objective to obtain reasonable certainty that the information contained in the Annual Report are in compliance with the relevant final accounts. We are convinced that the verification performed provides an appropriate base for providing the auditor's statement.

***Pursuant to our opinion, the information stated in the Annual Report of AŽD Praha s.r.o. as at September 30, 2007 is in compliance with the above-mentioned final accounts in all respects.***

Date: February 7, 2008



**Ing. Pavel Šrámek**  
Chairman of the Board of Directors



**Ing. Jana Buková**, Auditor  
Auditor's certificate No. 1214

# Supervisory Board's Annual Report

Business Results of AŽD Praha s. r. o.

for Fiscal Period from Oct. 1, 2006 to Sep. 30, 2007

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. Supervisory Board further states that the successful company economical tred of previous years was retained.

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 1, 2006 to September 30, 2007 and with the statement of the Ekma Fin a.s. auditor Ing. Jana Buková dated on February 7, 2008 and fully endorses this statement.

Pursuant to statement of auditor the Supervisory Board concluded that the final accounts were faithfully reflecting the assets, liabilities and equity capital as at Sep. 30, 2007. The business results achieved during this 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.



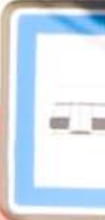
Miroslav Kučera  
Supervisory Board Chairman, AŽD Praha s.r.o.

Prague Feb. 8, 2008





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CHAPLINOVO NÁMĚSTÍ

LINKA

SMĚR

ODJEZD  
ZA MIN

12 Sídl. Barrandov  
14 Sídl. Barrandov

2  
7

Tilého náměstí

Lamacova ulice

Hilmarova ulice

Chaplinovo náměstí

Pošta

Bus: 120 192-246-247-248-514-601

12 Palmovka Lehovce 54

13 Smíchov 14

20 Anděl Divoký



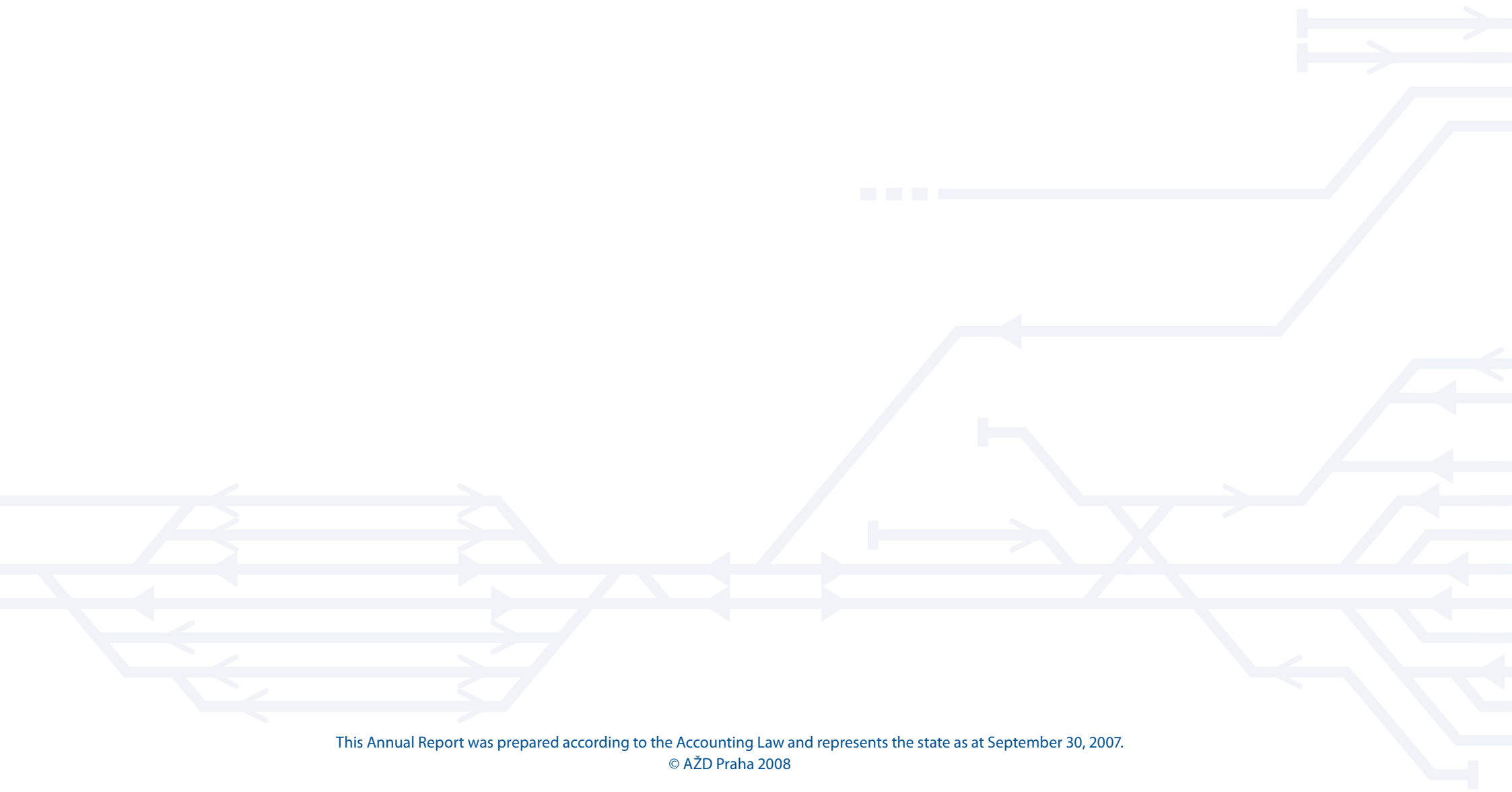
VSTUP  
ZAKÁZÁN

CHAPLINOVO  
NÁMĚSTÍ

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This Annual Report was prepared according to the Accounting Law and represents the state as at September 30, 2007.  
© AŽD Praha 2008

