



**REPORT ON THE BUSINESS ACTIVITIES
AND RESULTS OF THE COMPANY
AŽD PRAHA s.r.o.
FOR THE FISCAL YEAR 2007/2008**

1. 10. 2007–30. 9. 2008



PRAHA

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Roztoky Púdy

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**General
Manager's
Foreword**



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



On behalf of the company management I would like to present the annual report for the 2007/2008 business year. The past year was another successful one for our firm, yet it was also very difficult. However, our results have met our expectations in all areas and are in accordance with the strategic plans of the firm. The most significant chapter was undoubtedly development of the systems, deployment of new, technically improved systems and improvements in their safety and reliability.

Great development of technologies and deployment of our systems at other small stations, but also at railway junctions, led to constantly expanding requirements of our customers for further functionalities of the interlocking systems and of other subsystems and for further connections and new features. Each new functionality, new or changed coupling, inevitably lead to their approval according to the legal regulations. We have been dealing even with this problem during the last year.

The largest project of the past year was undoubtedly the set of construction works known as the New Connection in Prague. By the implementation of our newest technologies, connections to the remote control systems and by the integration of parts of the initial unreconstructed equipment into the new system, we have demonstrated the scope, conceptuality and completeness of the technologies we offer and the qualifications of our technicians and specialists. Within the context of rationalisation projects we can mention completion of Bakov nad Jizerou–Česká Lípa railway line solution, for which we supplied our advanced technology adapted for this type of line. We have as well supplied our technology for the line sections Praha–Benešov–Tábor, Plzeň–Cheb and for many others.

Our company also continued to carry on works on the D1 motorway, where we participated in the construction of the information system. We have also finished our work on projects of revitalisation of station buildings and we have completed the project of residential buildings in Beroun and delivery of security technologies for the prison in Ilava.

During the last year we have also focused on our activities abroad, because one of the most important parts of our company's strategic plan is aimed at acquiring orders out of the Czech Republic. In this regard we achieved very good results last year. In Serbia we have completed our first electronic interlocking at the Vreoci

station within the TENT power plant, and we won the tender for the delivery of a second interlocking for the Obrenovac station. In Belarus works continued on other won projects of ESA-11 system applications for the Novopolock and Stěpjanka stations and we can be also proud of our success in Lithuania. Our business activities in Greece, Turkey, Egypt and Iran are also very successful. We are convinced that the quick pilot installation of our technologies in these regions will bring us an advantage over our competitors.

One of the essential priorities of our company even the last year was the development of new systems and involvement in European projects. Last year we have also invested considerable resources into research and development. I might briefly mention works on the ERTMS project, involvement in projects related to the interoperability platform, involvement in the SafeDMI project and in many others. In the area of new technologies we can stress further development of the electronic ESA-33 interlocking, completion of the development of the IRI interface, of the STM module in the context of ETCS and many other new technical solutions.

Certainly the greatest recognition for our company is the acceptance of AŽD Praha into the group of leading world companies associated in the UNISIG organisation.

Dear friends, at this place I cannot miss mentioning the accident occurred last year in Moravany station, which became the major problem of the year. Moravany accident in May 2008 with subse-

quent media campaign and associated accusations that our company and our ESA-11 system contributed to this accident resulted in blocking our export efforts, which was reflected not only externally but also internally within our company by some uncertainty and nervousness amongst our employees. Despite the fact that we have been systematically demonstrating and that we finally proved compliance of the behaviour of the interlocking system with Czech and European regulations, it was very difficult to assert this fact through the media. Last autumn two identical accidents occurred in Germany on the system of another manufacturer, and German authorities promptly and clearly fixed responsibilities and adopted measures. No blame or measure was put on the station safety equipment as it was the case in our country. All the measures concerned the railway vehicles and organisation of transport. I am convinced that it is necessary to seek unified approaches, procedures and unified measures for similar cases within European commissions and groups and within organisations like UNIFE, UNISIG, CER and others. Please allow me to thank all those who have trusted us and our systems. The new functionalities that which were put to ESA interlocking or which will be supplemented within the near future rule out even the theoretical possibility of a repetition of the Moravany case. In this way our system is becoming European leader in terms of safety.

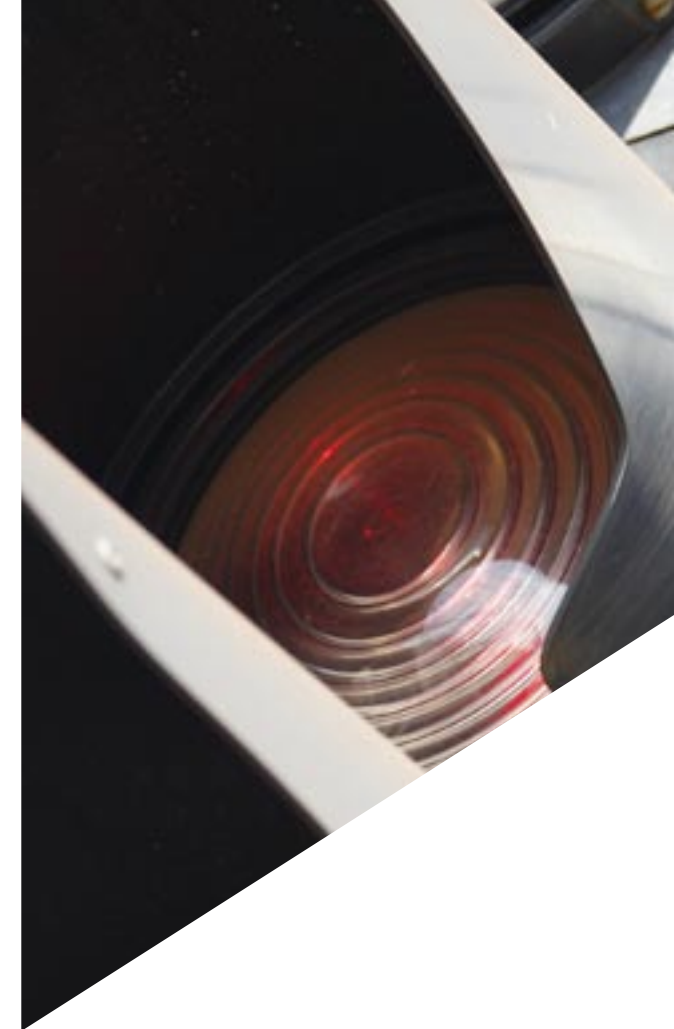
Dear friends, the past year was very dynamic, important and interesting for our company, although, as I have already mentioned,

very difficult. I would like to draw your attention to the other parts of the annual report, where the results attained last year are not only reflected in figures but are also described in detail. I would like to thank all the employees and partners whose work has contributed to the excellent results and good name of the company. I am aware of the fact that we were often working under very difficult conditions with short deadlines, and for this reason I am all the more appreciative of those who managed to perform successfully even such tasks.

I would also like to thank our business partners and customers who allowed us to use our abilities and our great potential. Their confidence is our greatest commitment for the future, and we continue to try to support them by working reliably and at the highest quality so that our technologies fulfil their purpose safely in the long-run. It is my wish that when the words professionalism, quality and fairness are heard, everyone will think of AŽD Praha.



Zdeněk Chrdle
Company's CEO and General Director



Company Bodies and Organisational Units



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.

General Assembly

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

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, 2008.

Supervisory Board

Miroslav KUČERA

Specialist –Trade Department

Ing. Miroslav KOZÁK

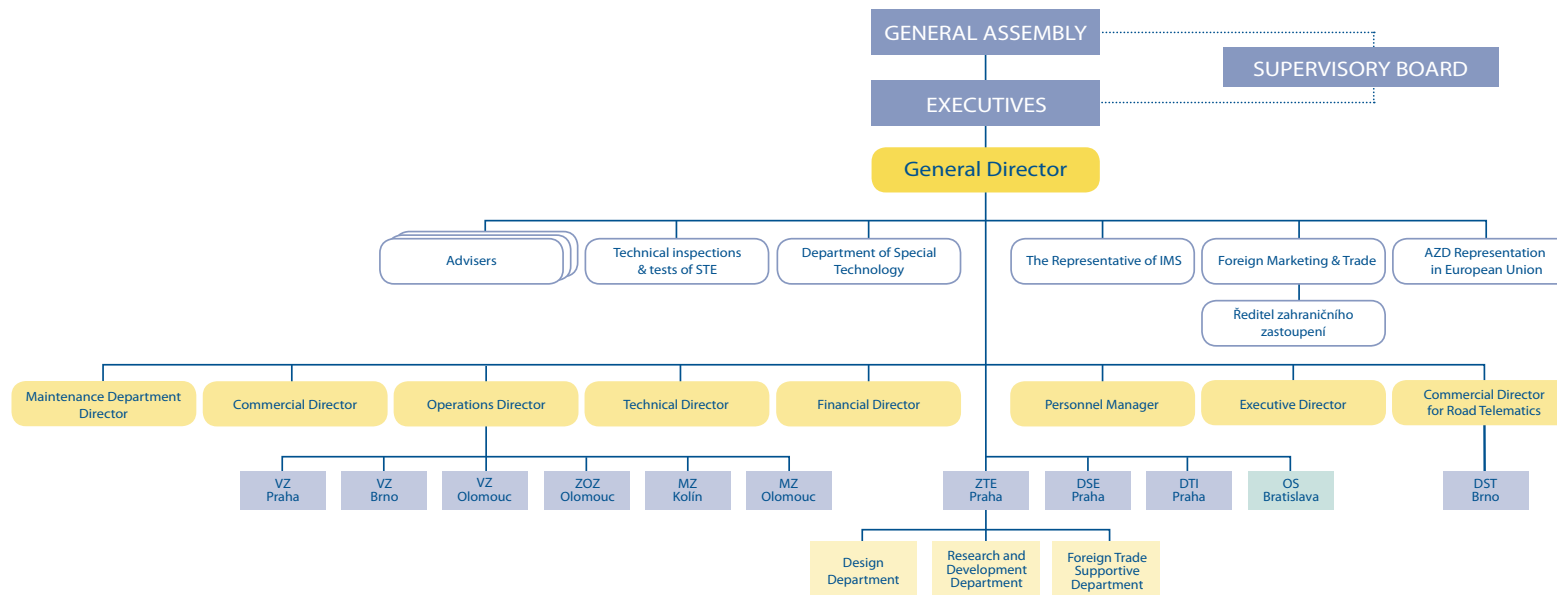
Financial Director

Ing. Richard VAVRDA

Deputy Director for Economics
Installation Plant Olomouc

Organisational Chart

State as at September 30, 2008



Význam zkratk:

- VZ – Production Plant
- MZ – Installation Plant
- ZOZ – Supplies and Sales Plant
- ZTE – Technika Plant
- DSE – Division of Service for Telecommunication and Signalling Technology
- DTI – Division Teleinformatika

- DST – Division of Road Technology Automation
- OS – AŽD Praha s.r.o., organization unit Bratislava
- IMS – Integrated management system (Quality, Environment ...)
- UTZ – specific technical equipment (STE)
- SZT – telecommunication and signalling technology

Comapany Head Office and Headquarters

AŽD Praha s.r.o.

Žirovnická 2/3146, 106 17 Praha 10

Phone: +420 267 287 111, Fax: +420 272 650 831

e-mail: info@azd.cz

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General Director

Ing. Zdeněk CHRDLÉ

Phone: +420 267 287 201, Fax: +420 272 656 142

Executive Director

Ing. František JECKEL

Phone: +420 267 287 749, Fax: +420 272 650 831

Operation Director

Ing. Jiří BAŤKA

Phone: +420 267 287 203, Fax: +420 272 656 139

Commercial Director

Ing. Petr LAPÁČEK

Phone: +420 267 287 416, Fax: +420 272 650 831

Financial Director

Ing. Miroslav KOZÁK

Phone: +420 267 287 190, Fax: +420 272 650 864

Technical Director

Ing. Roman JURČÍK

Phone: +420 267 287 361, Fax: +420 272 650 851

Personnel Manager

Ing. Miloslav SOVÁK

Phone: +420 267 287 196, Fax: +420 272 650 830

Commercial Director for Road Telematics

Ing. Vladimír KETNER

Phone: +420 267 287 284, Fax: +420 272 762 944

Organisational Units

Technika Plant

Director of the Technika Plant

Ing. Karel VIŠNOVSKÝ
AŽD Praha s.r.o., závod Technika
Žirovnická 2/3146, 106 17 Praha 10
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Deputy Director for Research and Development

Ing. Michal PAVEL
Phone: +420 267 287 364, Fax: 272 650 823

Deputy Director for Design

Ing. Josef BOREČEK
Phone: +420 267 287 259, Fax: +420 272 762 543

Production Plant Prague

Deputy Operation Director responsible for Production Plant Control

Ing. 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

Ing. Jolana HORSÁKOVÁ
AŽD Praha s.r.o., Výrobní závod Brno
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Phone: +420 549 122 101, Fax: +420 541 211 119

Production Plant Olomouc

Deputy Operation Director responsible for Production Plant Control

Ing. Stanislav SLAVÍČEK
AŽD Praha s.r.o., Výrobní závod Olomouc
Roháče z Dubé 6, P.O.Box č. 13, 772 11 Olomouc 2
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Installation Plant Kolín

Director of the Plant

Ing. Petr FALTUS
AŽD Praha s.r.o., Montážní závod Kolín
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Installation Plant Olomouc

Director of the Plant

Ing. Karel OPRAVIL

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Jiráskova 5, 772 00 Olomouc

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Logistic Plant Olomouc

Director of the Plant

Daniela VESELÁ

AŽD Praha s.r.o., Zásobovací a odbytový závod Olomouc

Železniční 1, 772 10 Olomouc

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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

Ing. Václav BARTŮNĚK

AŽD Praha s.r.o., divize Servisu sdělovací a zabezpečovací techniky

Žirovnická 2/3146, 106 17 Praha 10

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Division of Roads Technology Automation

Director of the Division

Ing. Zdeněk GRUBL

AŽD Praha s.r.o., divize Automatizace silniční techniky

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Phone: +420 541 421 540, Fax: +420 549 210 074

AŽD Praha s.r.o., Organisational Unit Bratislava

Director of the unit

Ing. František JECKEL

AŽD Praha s.r.o., organizační složka Bratislava

Priemyselná 6, 821 09 Bratislava

Phone: +421 258 282 301, Fax: +421 253 412 048

About us



AŽD Praha has been leading Czech supplier of control and signalling technologies for transport since fifties of the last Century. AŽD Praha is entirely Czech company, specialised in comprehensive supply of control-command, signalling, information and telecommunication solutions primarily for railway and road transportation. During the last several years our company has broadened its scope of activities into other field such as Road Telematics.

Thanks to comprehensiveness of its activities starting from the analysis of needs and development of the equipment through

Production focus

The Company is focused on comprehensive deliveries of control and safety systems for railway transport operation not only on the European corridor lines of the TEN-T network including their junctions, but also on the non-corridor lines. Installation of our systems brings to our customers network operation cost saving, which is evident above all for the so called secondary railway lines.

The complex signalling solution includes electronic interlocking in different configurations, line-side control equipment, level crossing and power supply systems. These systems are upgraded by complete diagnostics and by the possibility of remote control from

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

In addition to its stable position on the domestic market, the Company is also successful abroad where it expands its activities also on non-European markets.

Products of AŽD Praha can be found on railway lines from Malaysia through India, Belarus to the Slovak and Czech Republic and on the lines from Finland to Bulgaria.

one dispatcher's centre. We supply complete technologies providing support and solution for routine and emergency situations during dispatcher's work.

AŽD Praha also manufactures and supplies wayside equipment such as point machines, light signals and other equipment. AŽD automatic train operation system which is used with success in full commercial operation of Metro enables even an entirely automatic operation of trains. Our signalling systems and equipment are used also on the railyards of industrial plants and mines. AŽD Praha also supplies control and signalling systems for the road trans-



portation, e.g. for signalised intersections, traffic control in tunnels, parking and entry, identification of licence plates and checking the compliance with road traffic regulations as well as information systems for drivers on highways.

Application of telecommunication and transmission technology in the field of transport and beyond is provided by a separate Division of Teleinformatics, successfully participating in the project of construction of European system ERTMS/GSM-R in the Czech Republic. The company's other activities include logistic services, housing development, design, training and consulting.

Certification

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, Environmental Management, and Occupational Health and Safety Management. These targets are declared in the document called Policy of the AŽD Praha Integrated Management System.

The established Management System which has been applied to Company subject of 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. For our customers the certificates demonstrate the application of modern management principles within AŽD Praha, guaranteeing product and service quality observance of environmental protection and occupational health and safety principles.

**Development
of business
activities**



AŽD Praha is a significant system integrator, producer and supplier of traffic control, signalling and telecommunication systems. The company has been successful in developing its activities in domestic and foreign markets and it is equipped with trade licence and additional documents that qualify it to conduct business with signalling, information, control and automation technology, as well as with electronic telecommunications. The company focuses primarily on the comprehensive delivery of systems for control and safety of railway traffic. It provides competent services, including commercial activities, research and development, design, production of stationary and mobile equipment, installation of its own products or those of other producers, integration of new elements into existing control systems, activation, testing, repairs and maintenance of all delivered equipment and work related to laying, installing and measuring cables as well as installation of electronic telecommunication technology and the purchase and sale of products.

In light of the comprehensive nature of its provided services, its economic strength and stability and its strong research and development base, the company is able to meet even very specific requirements from its clients.

In addition to its traditional business activities, AŽD Praha has developed commercial activities in the fields of road telematics, specialised technology and logistics.



Road Telematics

During the upcoming year, the Commercial Division of Road Telematics, along with the Division of Roads Technology Automation, shall focus their activities primarily on acquiring additional, potential long-term work orders and shall endeavour to further establish our technologies in foreign markets.

Special Technology

The special technology department is focused on activities beyond the scope of the main subject of the company's commercial operations, primarily on the provision of services connected with safeguarding and special equipping of objects. In the area of object safety, access and fire-prevention equipment, company offers counselling, preparation of studies, delivery of equipment, along with installation, maintenance and regular revisions, and the partial or comprehensive production of specialised equipment according to the clients' requirements.

Logistics

A key area in the successful implementation of our clients' needs on site and on time is ensuring logistical services and activities,

not only for the parent company and its various organisational divisions, but also for subsidiary companies and external partners, both domestically and abroad. These activities are provided by the Logistic Plant Olomouc.

Anticipated development in activities

During the new fiscal year, AŽD Praha shall actively react to changes and trends in the current market, especially in regards to control and signalling systems for railway transportation. The major aim of our activities is to satisfy the needs of our clients, to the best of our abilities, and to enable them to use our services in most effective way. Activities related to the main subject of the company's commercial operations will be further developed, especially in the field of warranty and post-warranty service and maintenance.

At the same time, the company shall focus on maintaining the market position it has achieved. Commercial and fundamental technical development leading to the introduction of new products with increased utility value (e.g. for securing of lines operated in accordance with D3 Regulation) and innovations to already introduced products represent a key area, in which the company can take advantage of its experience. This will enable the company to take part in important railway projects in the Czech Republic and further to develop its activities abroad.

Financial Department

The construction of multiple dwelling houses in Králův Dvůr is completed and building inspection of phase II – 142 flats in the last four blocks of flats – has been requested. The Harmonie Group a.s. company shall take care of selling the flats.

In the global project of Czech Railways called „ Living Stations“, our company participated in the tender for these railway stations: Havlíčkův Brod, Kolín, Nymburk, Poděbrady, Kralupy nad Vltavou and Kutná Hora City.

A contract for a thirty-year lease has been signed for the Havlíčkův Brod railway station, where the second phase of the project has already been completed. A significantly more extensive contract for a thirty-year lease concerning the Kolín railway station was signed last year. Negotiations are conducted also for other localities.



Integrated management system



The main priority of AŽD Praha is meeting customer requirements, needs and expectations by providing high quality products and services.

In the competitive environment related to the subject of the company's commercial activities, AŽD Praha ranks highest in cooperation with clients and in maintaining an active approach to issues concerning the quality and reliability of deliveries.

AŽD Praha maintains a general awareness of the fact that all processes, activities and products can lead to impacts on the environment.

The company's activities concerning the environment are detailed and evaluated in the yearly report „The Environmental Profile of AŽD Praha s.r.o.“ where trends in various components of the environment are followed. As expected, the report concerning last period of time shows positive results.

At the same time, the company ensures the occupational health and safety of all its employees at the workplace, to the full extent. The identification of possible hazards and the minimising of risks are systematically carried out in compliance with employee health protection needs. An annual evaluation is included in the “Annual report on accident rate and Occupational Health and Safety in AŽD Praha s.r.o. “.

An Integrated Management System, meeting ISO 9001, ISO 14001 and OHSAS 18001 requirements, has been implemented as a significant instrument leading to continuous improvement in the field of quality, environmental protection and occupational health and safety protection at the workplaces.

Compliance with the requirements of aforementioned standards has been evaluated, as usual, by an auditor from the independent certification body CQS. An audit executed within company's headquarters as well as within all the independently certified organisational divisions verified the effectiveness of the integrated management system and the fact that the necessary conditions have been duly implemented in order to meet goals set in this area.

The sustained certificates issued by international certification body IQNet, No. CZ-2345/2006, CZ-161/2006 and CZ-162/2006 give a clear evidence of complying with principles of modern management, ensuring the quality of our products and services, acting conservatively towards the environment and ensuring occupational health and safety protection at the workplaces.

**AŽD Praha and
Environmental
Protection**



The company is permanently mindful of the issue regarding environmental protection. Significant attention has been drawn to the field of design and implementation works, as well as to the field covering research and development and broad spectrum of technologically and ecologically demanding industrial production.



Production Plants



A significant advantage of the AŽD Praha Company is the fact that since its establishment, i.e. more than 50 years ago, in the main subject matter of its activity - production, deliveries and assembly of signalling and telecommunication systems - it has always focused on comprehensiveness of deliveries, i.e. on the complete supplier cycle. The company wants to continue this long-term tradition in its future activities as well, so its customers deservedly appreciate that the company is able to fully provide comprehensive services and deliveries (starting from the development of signalling and telecommunication systems through the design of investment projects, production, assembly and testing of the systems, installation within the particular investment projects and ending with the subsequent specialized after-sales services). All these activities are based on the latest knowledge and development trends.

The Company's own production of critical components and units has always played a significant role in this complete cycle. It is provided by three specialised production plants (in Prague, Brno and Olomouc) performing the task of key suppliers of signalling and telecommunication systems installed by own AŽD installation plants within the railway projects both in the Czech Republic and abroad. But at the same time these production plants perform the task of a supplier of the mentioned products for other domestic and foreign companies active in supply and installation of railway signalling and telecommunication systems.

Deliveries for investment projects in the railway field are demanding and complicated mainly since individual projects considerably differ from each other, i.e. every project is specific – addressed. Therefore, we can proudly conclude that in spite of the above mentioned demands all the production plants fully met all the requirements for deliveries of technologies in the past fiscal period. It should also be highly appreciated the ability of the production plants to flexibly respond to changes in schedule sequences of individual projects, which also frequently and substantially interfere into production organization. The production plants have also successfully provided the required parts and assemblies for the needs of the Division of Telecommunication and Signalling Technology service.

Due to continuous development of signalling and telecommunication technology towards more advanced electronic systems everywhere in the world, and of course also in the AŽD Praha, new ways of improving the quality as well as the efficiency of the entire production process to achieve lower prices are being observed. Therefore, the company took the path of professional specialization of its production plants recently. Today, the Production Plant Olomouc is involved in engineering production, the Production Plant Brno focuses on the production of complex electronic systems (including its own high-quality production and testing of printed-circuit boards) while the Production Plant Prague specializes in completion, debugging and testing of completed addressed systems.

However, the Production Plant Prague has also directed its focus at the production of special cabinets to which equipment produced by AŽD Praha is built in. For this purpose the Production Plant Prague has developed (and keeps innovating) the “cabinet programme” which enables to produce and deliver special cabinets of various types, e.g. cabinets with a stable inner temperature or cabinets with an increased resistance against electromagnetic disturbances (EMC cabinets).

The basic requirement for the technologies delivered by individual production plants is safety and reliability. This goal can be achieved thanks to the fact that the production plants are equipped with latest technologies in accordance with the focus and specialization of the particular organizational unit. Several years ago already the Production Plant Olomouc acquired efficient and software controlled MAZAK INTEGREX 200 III ST and MAZAK Variaxis 730-SX machining centres, which were complemented by another MAZAK VTC 300 CII machining centre, TOS Čelákovice cylindrical grinding machine and FARO digital measurement arm in 2007. Last year, the plant also received a TruBend 5170 press brake and CNC shears (both from the renowned TRUMPH Company) whose purchase was partly financed from EU funds. All the new machines make it possible to reduce the number of handling operations (minimize the frequency of workpiece clamping) and enable more comprehensive and more precise machining of large parts as cabinets of point machines, barrier boxes and others. The Production Plant Brno

continuously develops and complements most up to date technologies both for the high-quality production and testing of multi-layer printed-circuit boards and for the production of complex electronic devices. Also, the Production Plant Prague is continuously innovating its technology for the production of the cabinet programme (it has purchased a modern TruPunch 3000 punching press from TRUMPH Company) and a number of testing devices for debugging and testing of complete systems.

Besides the production of railway signalling and telecommunication systems, which represent the principal object of their activity, the production plants also fulfil orders from other sectors than transport. Among the most important ones we can mention broad production of microscopes for the FEI Company in the Production Plant Brno or widespread cooperation production of the engineering character in the Production Plant Olomouc for several companies (John Craine, ISH Olomouc and others).

The current equipment of the Production Plant Prague fully allows test complete systems of station interlocking and line signalling systems before their final assembly in the construction sites.

The high technological standard of the production base of the AŽD Praha is based on modern technology corresponding to global trends and a highly-qualified team of experts in the sphere of signalling, electronics and engineering.

AŽD Praha also pursued activities in the sphere of deliveries for the Prague's Metro. It monitored the trial operation of the ESA 11M+ electronic interlocking system in the Hostivař Metro depot and made preparations for the final evaluation.

Within the construction of the IC C2 Ládví–Letňany Metro section the technology of the ESA 11M+ electronic interlocking was installed and preparations for supplier tests were made.

Other important project was the testing of the unmanned turn of the metro train function implemented in the Dejvická station. This new function was verified and tested and the equipment received a Certificate of Competency necessary for the trial operation.



**Installation
activity**



Railway projects in the Czech Republic and abroad are supplied by three specialised organisational units. Its capacity as in previous years was used primarily on investment projects of the main business partner SŽDC (Railway Infrastructure Administration), i.e. corridor constructions, railway junctions and rationalisation projects and also outside the area of the Czech Republic.

An extensive use of new modern technologies has been a characteristic feature of recent period. It concerns the new type of track circuits KOA-1, new electronic elements for station interlocking systems EIP (ESA-33), and last but not least the PZN-1 axel counters and the new communication system KSZZ for remote control of individual stations.

During the period under review the following principal projects concerning railway corridors were implemented: „Optimisation of the Strančice–Praha Hostivař line“, „Optimisation of the Benešov u Prahy–Strančice line“, „Modernisation of the Veselí n. L.–Tábor 1. part, the Doubí u Tábora–Tábor“ line section, „Optimisation of the Horní Dvořiště border–České Budějovice line“, „Optimisation of the Plzeň–Stříbro line“, „Modernisation of line section Červenka–Zábřeh na Moravě“. These projects will enable to increase the speed and also direct connection capacity to all parts of Europe.

In terms of junction projects it is necessary to recall the following most important projects: „New Connection of the Prague Main Station, the Masaryk railway station–Libeň, Vysočany, Holešovice“, „Modernisation of the west part of the Prague Main Station, 2nd part, platforms I–IV“ and „The automatic block system Libeň–Holešovice“, which modernised the railway connection within the Prague’s Centre and created the modern traffic junction meeting all requirements of the International railway transport. Other junction projects were „Passage through the Kolín junction“ and „Passage through the Ústí nad Labem junction“.

Other rationalisation projects were executed on secondary lines. The most important of them are e.g. „Rationalisation of the Bakov nad Jizerou–Česká Lípa line“, where seven railway stations are controlled remotely, „Reconstruction of Jihlava–Havlíčkův Brod line“, „Reconstruction of the Nesovice railway station 1st part“, „Reconstruction of the Uherský Ostroh railway station“. The project for „Electrification of the railway line Letohrad–Lichkov inclusive installation of interlocking system“ progressed under extremely difficult conditions. For remote control of three railway stations a new KSZZ communication system was used. Within all aforementioned projects the PZZ – RE, PZZ- AC, PZZ- EA level crossing systems were installed.

In this fiscal year fifteen projects were completed or partially completed and other seventeen projects were in progress.



Construction activities within the Prague's Metro were also in progress and the project „Metro IV. C2 – Installation of signalling equipment on Ládví–Letňany line“ was completed within the extension of line C.

In the area of foreign installations an activity increase was noticed. In Serbia and in Montenegro installation works on contracts from the last year were in progress. In Serbia it concerns primarily construction of level crossing systems and significant project called „Modernisation of signalling in Vreoce and Obrenovac JP TENT power plant, Serbia railway sidings“. In the Vreoce railway station the interlocking system (ESA11-SB) was put into the trial operation as a first part of the siding complex which will include modernisation of six stations in total. In addition the preparation works for implementation of the Obrenovac railway station continued. In Montenegro the project „Modernisation and electrification of the Podgorica–Nikšič line“ for the general contractor OHL ŽS, a.s., was in progress. Installation of the signalling, telecommunication and level crossing systems for the entire line took place in the Spuž and Danilovgrad railway station. At the end of 2007 the new ESA-11 interlocking system was put in operation in „KIA Motors Slovakia Car Plant“ in the Slovak Republic.

In Belarus the ESA11-BC Interlocking was successfully activated in the Polock railway station. Nowadays, additional projects are being prepared abroad for instance in Belarus and Lithuania.

Within implementation of all investment projects our Company guarantees supplies of advanced technology on a high professional level for our partners and customers.

Road Telematics



OBU STM

Commercial department for Road Telematics (OBU STM) is a part of the Company Head Office. This department supports commercial activities in area of systems and technologies increasing the road transport effectiveness and safety. During the past 2007/2008 fiscal year its activities were successfully developed in the Czech Republic, Slovakia, Bulgaria and Slovenia. Among the most important and crucial products it ranks the intersection systems for control of light signalling, intelligent traffic systems based on the identification and automatic recognition of vehicle licence plates and detecting different traffic violations, parking control systems and guidance systems for Park and Ride parking places, monitoring systems, city central control systems, tunnel control and signalling systems, highway electronic systems and information systems. Contracts are executed as a package services inclusive the design documentation, engineering, production, installation, maintenance and last but not least the service of supplied technologies.

The commercial department for Road Telematics also carry on the trade „Production, repairs and installation of measuring instruments“, including systems for measuring speed, systems for measuring physical values in road tunnels and systems for measuring physical values of road vehicles (height, weight, etc.)

Road Telematics is a long-term and active member of SDT CR (Association for the Road Telematics) and provides lecturing and consulting activities and participates in projects granted by the Ministry of Transportation and the Ministry of Education of the Czech Republic.

DST Brno

The Division of Road Technology Automation (DST) is the realization unit and specialises itself in supply of road traffic control technologies and applications of Road Telematics with the focus on production, installation, maintenance and service. A significant part of the Division is the design activity including engineering, operational development and consulting in the field of transportation technology market within the strategy given by commercial department OBU STM (Road Telematic commercial department).

During the 2007/08 fiscal year DST was successful in obtaining a long term perspective contract to provide service and maintenance of electronic toll collection system at the respective highway sections, expressways and the first class roads throughout the Czech Republic. At the same time preparation for servicing of information system interconnected with ZPI (equipment for traffic information) and PDZ (variable traffic signs) installed on D1 motorway took place. Also service and

maintenance of the Valík highway tunnel at Plzeň city southern bypass and the railway tunnel Březno u Chomutova including the camera system supervision registering the movement of unauthorised persons in tunnel vicinity is continuously provided. In addition there started the design works for supply of technologies to the Malovanka and Blanka tunnels in Prague, for the Malovanka tunnel the supply for the first stage of traffic control was executed.

To optimise the traffic flow control in the Brno city centre the Division provided supply of technological equipment for traffic control and collection of parking fees in the closed parking place, including the remote control supervision. Preparation works for implementation of road signalling system with MHD vehicle preference in three localities of Brno city are under way.

The Division contributed to improving the pedestrian safety on city roads e.g. by installation of additional lighting of pedestrian crossings signs with LED footlight in Olomouc, by supply of the light control for pedestrian crossing in Mnichovice supplemented by a radar with measuring speed of passing vehicles and stopping vehicles on the red light in case of exceeding the speed limit. The signal control at intersections in the cities throughout the Czech Republic, Slovakia and Bulgaria remain a significant element in improvement of traffic and pedestrian safety.

The Division supplies significantly contribute to highway accident

prevention. Among others several children playgrounds in the Czech Republic are equipped with training signalling technologies. Division also provides installation of information radars and service and maintenance for operated camera systems measuring the sectional speed and passing on red.

Important projects realized

Prague – Pobřežní, 2nd stage – supply of light signalling systems for intersections

Prague – Radlická – extension of the tram line – supply of light signalling system for the intersection with priority of mass urban transportation supplemented by centralized traffic control system located in the Prague Public Transport Company.

Havlíčkův Brod – dynamic traffic coordination at intersections, optimisation of traffic flow control

Kolín – supply of light signalling systems and intersection traffic dynamic coordination system

Service and maintenance of electronic toll collection system at the respective highway sections, expressways and the first class roads throughout the Czech Republic

Design activities and engineering for supply of light signalling systems at Prague's intersections within the fifteen year restoration and development project and for supply of technology improving the pedestrian safety and traffic flow in Praha 10 City district.

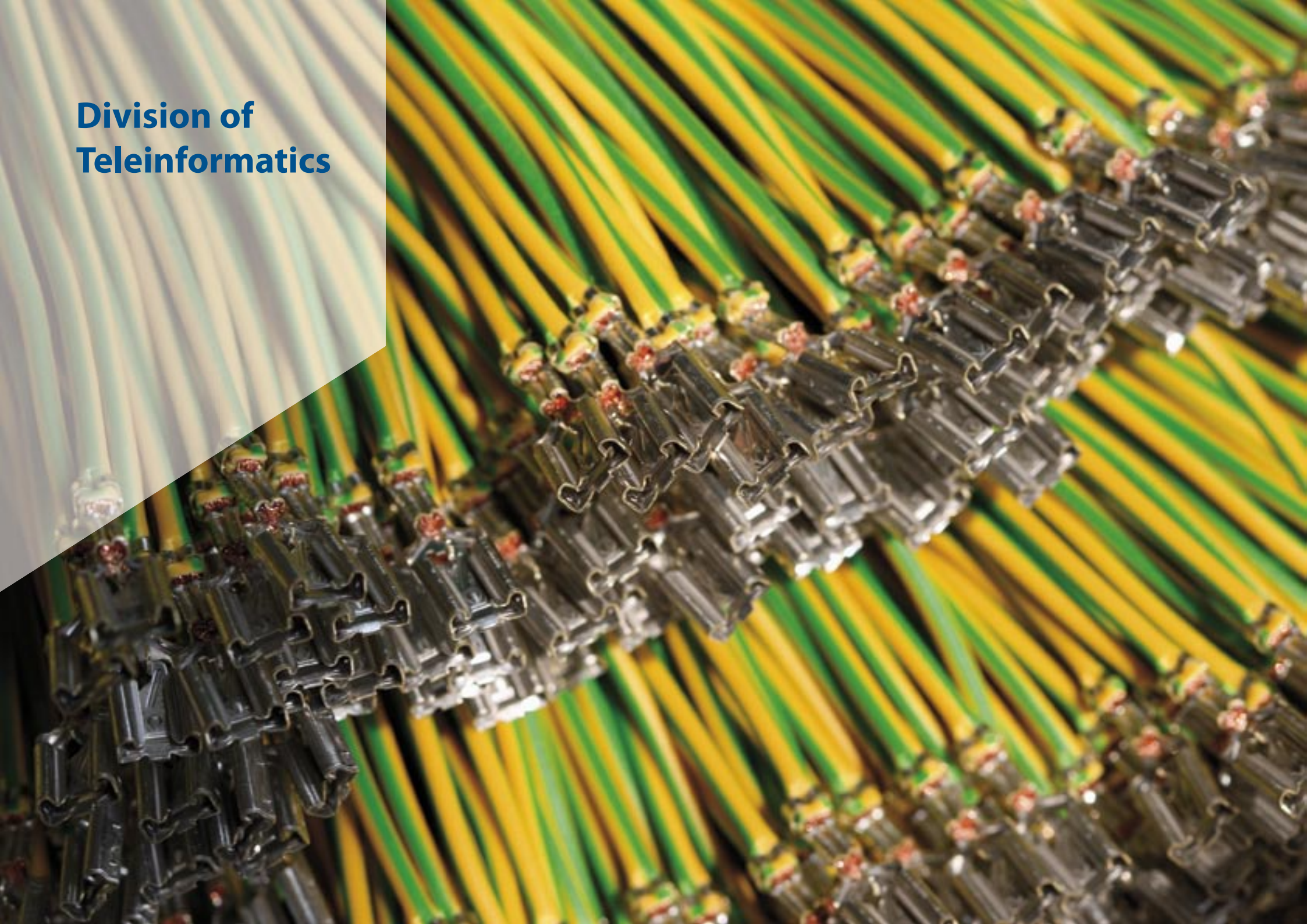
Research and development activities

During the past 2007/2008 fiscal year the successful development of own interface for OCIT communication protocol within MR type intersection controllers has maintained high quality of the system at the European level. This protocol facilitates central synchronisation and coordination of systems supplied by different manufacturers.

The Company continued on development of intelligent telematics camera systems and elements of the High Vision system designed for monitoring and evaluation of the traffic flow at multi-lane roads.



**Division of
Teleinformatics**



In the past fiscal period the Division of Teleinformatics (DTI) completed the organisational changes, including recruitment of new employees. Both installation divisions recruited new electro mechanics and also technicians.

Recruitment of Technical section was completed with the objective to considerably improve the employee quality thereby improving the technical level of the entire DTI.

Within the Company DTI provides supply and installation of completely secured lines (primarily the lines equipped by the Radio transmission system) and within the Company it provides supply of the integrated telecommunication system for both installation plants (currently at the CTC level).

In 2008 we participated on the development of the following important lines: „Plzeň–Stříbro, Stránčičce–Hostivař, Stránčičce–Benešov, Prague Main railway station – information systems, České Budějovice–Velenice, Tábor–Doubí, Zdice–Protivín, the Břeclav railway junction, the Brno railway junction, the Kolín railway junction“ and other.

During the past fiscal period DTI participated in development of GSM-R in the Kolín–Brno–Břeclav line section and contributed to the „highway“ field by development of information system at D1 motorway. DTI will continue to be active in both these fields

and also negotiations concerning further development of GSM-R on the Břeclav–Přerov–Petrovice u Karviné line are currently under way. Also in the „road technology“ field intensive negotiations regarding supply of the control traffic system by revised traffic signs for D1 motorway continue.

Together with the commercial section of Road Telematics activities in the field of the new traffic control systems for the City of Prague are being pursued.

In the „Metro“ field, DTI cooperates with the department of Special Technology, primarily during supply and installation of fibre optic cables.

**Division of
Telecommunication
and Signalling
Technology Service**



The Division of Telecommunication and Signalling Technology Service (DSE) is a separate organisational unit and performs the service activities for telecommunication and signalling systems installed.

It provides services resulting from the responsibility for equipment faults during the warranty (warranty service) and further pursues post warranty service and maintenance of telecommunication, signalling and information technology.

As a priority the Division provides servicing of the new modernised technological installations, in particular, the electronic station interlocking systems, the line signalling and level crossing systems and systems for remote control (CTC), including servicing the point and barrier manufacturing program of AŽD Praha.

Within the Czech Railways network the Service Division takes care of 229 station interlocking systems, 609 level crossing systems, 66 line sections equipped with electronic Automatic Line Block systems, and other 92 line signalling systems (automatic line block systems and reconstructed relay based Automatic Blocks), systems of remote control and related telecommunication and information technology. From the launch of the jaw lock production till the end of 2007/2008 fiscal year the Division was taking care of 5365 installations of VZ 200 jaw locks.

Among others the warranty service has been carried out for METRO – Public Transport Operator of the City of Prague (reconstruction of

the 3rd stage on the IV. C1 line and installation of ATP/ATO on the Metro line A). The Division provides service of the compensators of dangerous currents at train sets of 680 series (Pendolino). Also the methodological guidance and service supervision of systems supplied to Slovakia, Belarus and Serbia is successfully carried out. In the case of complicated defect the removal of the fault is solved directly by visit of DSE employees.

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, Ostrava and Plzeň.

The maintenance department provides the maintenance of telecommunication and signalling technology in Skalice, Svitavy (for the Brno – Česká Třebová line) and Moravský Písek (for the Hodonín - Nedakonice line section) maintenance centres.

The service activity is provided continuously 24 hours a day and 365 days a year according to the emergency need.

Logistic Plant



The AŽD Praha logistic centre is the Logistics Plant with Head Office in Olomouc. The Logistic Plant provides complex 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 own industrial products and within logistic services it provides supply to individual installation and production plants and Division of Teleinformatics and Division of Service. Within its business activity the Logistic Plant provides purchasing and implementation of supplies and material – primarily cables and all assortments related to cable laying and connecting.

During the 2007/2008 fiscal year, products material, and other commodities in amount of CZK 3,3 billions passed through the stores of the Logistic Plant, from that products destined for internal AŽD production in amount of CZK 2,2 billions (67 %) and products for customers abroad in amount of CZK 1,1 billions (33 %).

Logistics also includes other related services and activities provided by the Logistic Plant – completion of consignments or assembly units, the custom and freight services and other services according to individual demands.

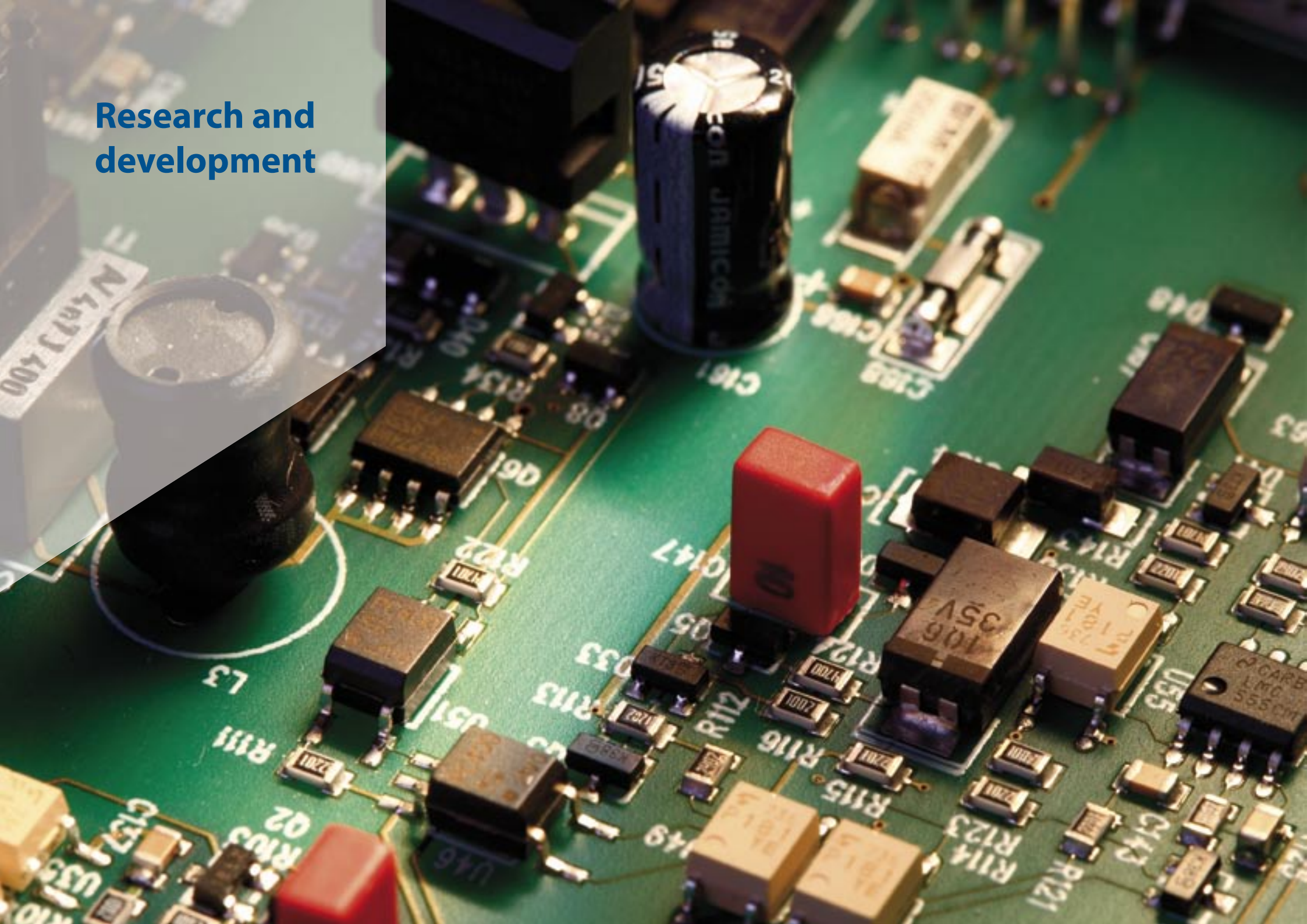
Besides regular and common responsibilities associated with meeting installation and production demands for the Czech and Slovak Railway

projects and satisfying other customer needs, the logistics centre also provided supplies for projects implemented by AŽD Praha abroad.

During the past year Logistic Plant continued the material supply for projects in Podgorica-Nikšič for the Montenegro Railways where the Spuž railway station was put into operation. In Serbia the Logistics Plant provided supply of equipment for TENT power plant. In the Slovak Republic the Logistics Plant completed supplies of material for construction of factory sidings in Car Plant KIA MOTORS Slovakia and MOBIS Slovakia and in addition supplies for modernisation of the Prešov railway station were completed. Also supplies of material for project “Modernisation of the Žilina-Krásno n. Kysucou line” were started and supplies of cable harnesses for Whirlpool were provided on the continuous basis.

We can state that during the 2007/2008 fiscal year, from stores of the Logistics Plant, the largest volume of material and products, so far in the Plant entire history, was dispatched.

Research and development



Absolute majority of the AŽD Praha production is the result of own development. The Company has its own highly qualified research and development capacities and their application is an essential condition of a successful Company activity at the domestic markets and also abroad.

But the considerable funds which the Company expends for technical development are an investment which the Company receives back in a form of products and innovated or completely new technological solutions.

The crucial volume of the Company production forms the electronic signalling and control systems for the railway transportation. This corresponds with the research and development focus. In the area of research and development of products and systems used for signalling and control of the railway transportation:

- the works on innovation of station interlocking, line signalling and level crossing systems and their individual elements, systems for remote control of signalling and traffic control, telecommunication technology, diagnostics of signalling equipment and other were going on,
- trial operations of the station interlocking system with contactless control of wayside elements (track circuits, level crossing systems and all other newly developed or innovated applications) took place,
- new electronic track circuits were validated and put into the operation,

- other applications of the telecommunication systems for signalling were prepared within trial operations,
- cooperation on implementation of ETCS pilot project at the Poříčany–Kolín line section continued, the newly developed units were subjected to functional and integration tests,
- other development works concerning innovation of individual elements of the point program were in progress,
- works on preparation of the trial operation for the new Automatic Train Protection System prototype were in progress,
- development of the signalling equipment for secondary lines including related telecommunication and other systems continued,
- development of the entirely new level crossing system started
- considerable part of development capacity was assigned for applications of the signalling systems abroad.

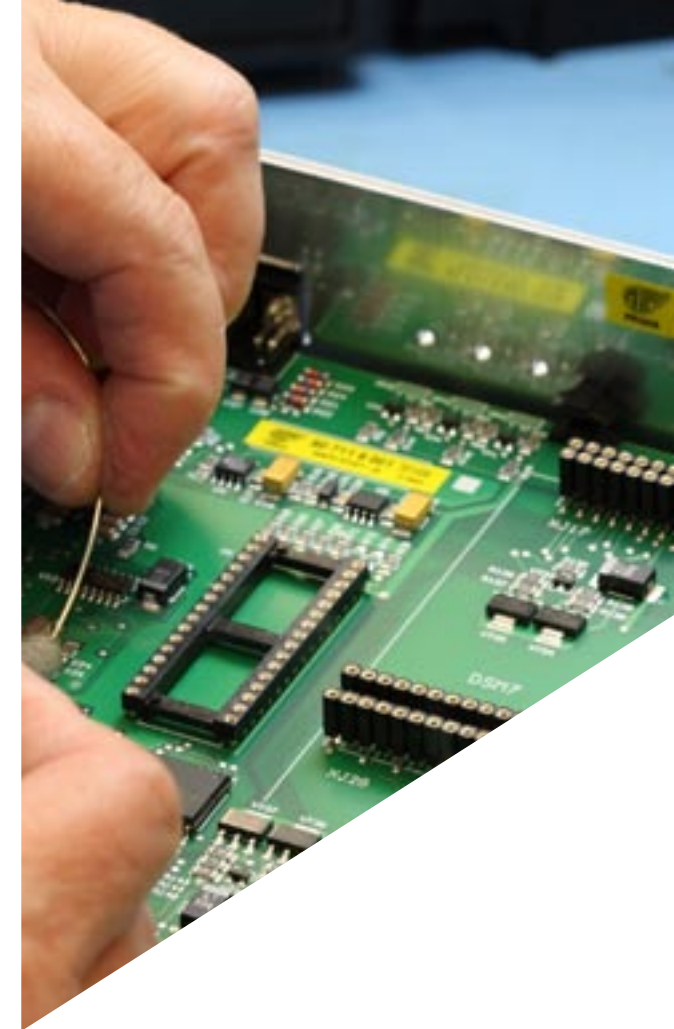
In the area of research and development for other (non-railway) products and systems the development continued primarily in area of road telematics by additional development of intersection controllers, camera and monitoring systems.

AŽD Praha and EU



Approximately 75% of laws adopted at national levels originated in legislation coming from Brussels. For standards and technical specifications this figure is even higher, and in 100% of cases the central bodies of the EU decides which projects will be supported by EU funds. Our company has been monitoring events in the EU for a long time. We participate in the decision-making process both directly and via international cooperation with other manufacturers from the railway industry and owners of infrastructure from EU countries.

On 1st January 2008 the permanent Representation of AŽD Praha for the European Union was opened in Brussels. The aim of the establishment of a representative office was to ensure close contact with the legislative process in the field of railway equipment which constitutes the main field of trading of our company. The demands for technical validations and level of the standardisation requirements in the area of transportation technology are very high. Our company invests very considerable money into research and development and knowledge of new specifications and directives at the time of their creation and not at the end of a legislative process lasting up to three years is very important.



Financial Performance



The fiscal year 2007/2008 was another successful year following the good results of the previous years.

The company's commercial turnover amounting to CZK 5.6 billion for the fiscal year 2007/2008 was higher than the past year's turnover based upon a year-to-year comparison. The turnover in the previous fiscal period 2006/2007 was extremely large due to special order „Effective toll collection on roads in the Czech Republic“, notwithstanding the turnover in the last monitored period was slightly increased. The company's economical results were thus close to the extraordinary results achieved in the previous year.

In the period monitored, the number of the company's employees increased to 1,835. In particular, the number of the company's employees involved in research and development was further increased, and in total CZK 224 million was spent for research and development in the period monitored.

The composition of assets is significantly affected by receivables within the due date because the conditions of most orders determine 120 days for invoice due date.

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

The status of company's financing was stabilized since the turnover was proportionately reflected in accounts payable and in draw-down of bank loans.

The company has not acquired any assets through finance lease and has no liabilities payable under the health and social insurance or arrears of taxes.

The company has branches in the Slovak Republic and Montenegro.

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

Since September 30, 2008 until the date of preparation of this report, no significant events occurred affecting the company's activities.

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

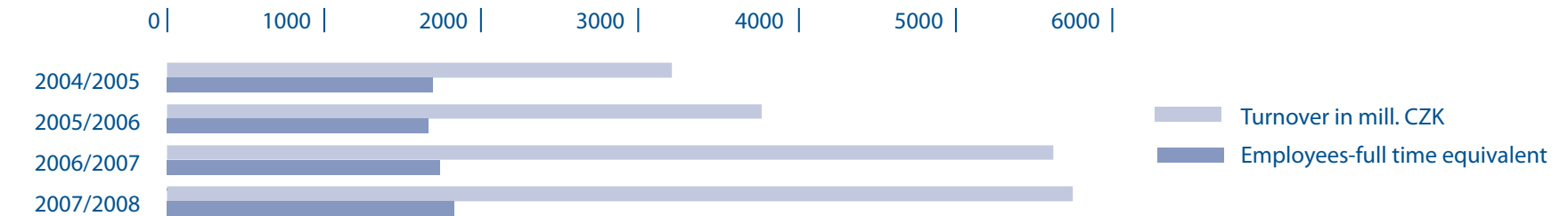
Main Financial Indicators of AŽD Praha s.r.o.

For the period of 2007/2008 – from October 1, 2007 to September 30, 2008

The company monitors its results in fiscal periods always commencing on October 1 and ending on September 30 of the subsequent year.

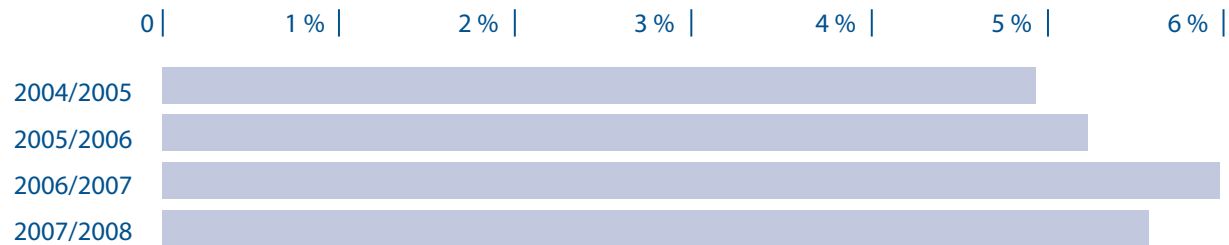
Indicator/period	2004/2005	2005/2006	2006/2007	2007/2008
Turnover in CZK	3 198 921	3 762 091	5 615 059	5 622 130
Profit after tax	152 318	190 000	327 671	304 656
Turnover profit rate %	4,76	5,05	5,83	5,41
Value added tax	741 583	877 435	1 273 103	1 296 396
Bank loans	136 784	560 550	1 113 581	1 598 526
Employees-full time equivalent	1 671	1 647	1 721	1 835

Turnover/Employees full-time equivalent



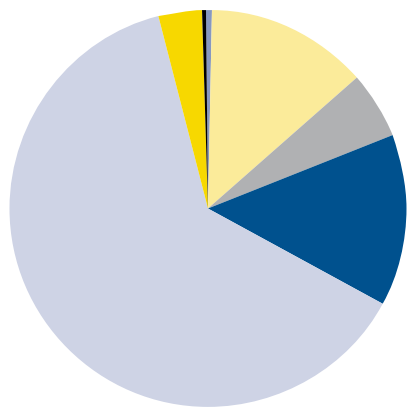
Indicator/period	2004/2005	2005/2006	2006/2007	2007/2008
Turnover in CZK million	3 199	3 762	5 615	5 622
Employees-full time equivalent	1 671	1 647	1 721	1 835

Turnover profit rate



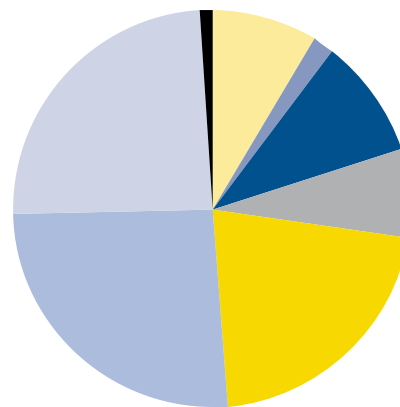
Indicator/period	2004/2005	2005/2006	2006/2007	2007/2008
Turnover profit rate %	4,76	5,05	5,83	5,41

Composition of assets as at September 30, 2008



Long-term intangible fixed assets	23 861
Long-term tangible fixed assets	562 387
Long-term financial assets	388 115
Inventory	629 030
Liabilities	3 340 500
Financial assets	91 406
Accruals	11 608
Total assets	5 046 907

Composition of liabilities as at September 30, 2008



Registered capital	38 4436
Capital funds	-1 503
Funds from profit	73 877
Retained earnings from previous years	588 765
Profit of 2007/2008	304 656
Reserves	866 009
Liabilities	1 197 794
Bank loans and other creditors	1 598 526
Accruals	34 347
Total liabilities	5 046 907

Balance sheet

as at September 30, 2008 (in CZK thousands)

Marking	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	5 589 711	542 804	5 046 907	4 520 134
A.	Receivables from subscriptions	002				
B.	Fixed assets (r. 04 + 13 + 23)	003	1 454 545	480 182	974 363	870 015
B. I.	Intangible fixed assets (r. 05 to 12)	004	75 621	51 760	23 861	27 520
B. I. 1	Incorporation expenses	005	79	79		
2	Research and development	006				
3	Software	007	68 789	47 913	20 876	22 474
4	Valuable rights	008	4 374	3 660	714	868
5	Goodwill	009				
6	Other intangible fixed assets	010	389	108	281	346
7	Intangible fixed assets under construction	011	1 990		1 990	3 832
8	Advance payments for intangible fixed assets	012				
B. II.	Tangible fixed assets (r. 14 to 22)	013	975 250	412 863	562 387	590 320
B. II. 1	Lands	014	57 788		57 788	57 565
2	Constructions	015	453 543	149 025	304 518	318 218
3	Equipment	016	644 258	455 206	189 052	193 559
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	11 029		11 029	29 376
8	Advance payments for tangible fixed assets	021				108
9	Adjustment to acquired assets	022	-191 368	-191 368		-8 506
B. III.	Long-term financial assets (r. 24 to 30)	023	403 674	15 559	388 115	252 175
B. III. 1	Shares in controlled and managed organizations	024	76 411	15 559	60 852	42 275
2	Shares in accounting units with substantial influence	025	699		699	1 099
3	Other securities and shares	026	110 255		110 255	110 014
4	Loans to controlled and managed organizations and to accounting unit with substantial influence	027	216 309		216 309	98 787
5	Other financial investments	028				
6	Other financial investments	029				
7	Advance payments for long-term financial assets	030				
C.	Current assets (r. 32 + 39 + 47 + 57)	031	4 123 558	62 622	4 060 936	3 642 028
C. I.	Inventory (r. 33 to 38)	032	630 680	1 650	629 030	621 193
C. I. 1	Materials	033	284 599	1 650	282 949	377 454
2	Work in progress and semi-products	034	337 501		337 501	198 978
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	8 580		8 580	44 761
C. II.	Long-term receivables (r. 40 to 46)	039	630 687	42 796	587 891	791 527
1	Trade receivables	040	424 371		424 371	624 106
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	42 809	42 796	13	1 619
7	Deffered tax receivable	046	163 507		163 507	165 802
C. III.	Short-term receivables (r. 48 to 56)	047	2 770 785	18 176	2 752 609	2 067 294
C. III. 1	Trade receivables	048	2 605 767	18 176	2 587 591	1 928 086
2	Receivables from controlled and managed organizations	049	127 851		127 851	120 957
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	25 247		25 247	6 693
7	Other deposits given	054	5 291		5 291	
8	Estimated receivable	055	563		563	811
9	Other receivables	056	6 066		6 066	10 747
C. IV.	Short-term financial assets (r. 58 to 61)	057	91 406		91 406	162 014
C. IV. 1	Cash	058	8 767		8 767	23 210
2	Bank accounts	059	82 639		82 639	138 804
3	Short-term securities and ownership interests	060				
4	Short-term financial assets acquired	061				
D. I.	Accruals (r. 63 to 65)	062	11 608		11 608	8 091
D. I. 1	Deferred expenses	063	9 834		9 834	7 429
2	Complex deferred costs	064				
3	Deferred income	065	1 774		1 774	662

Marking	LIABILITIES	Row No.	Current period	Previous period
a	b	c	5	6
	TOTAL LIABILITIES (r. 67 + 84 + 117)	066	5 046 907	4 520 134
A.	Equity (r. 68 + 72 + 77 + 80 + 83)	067	1 350 231	1 231 535
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	-1 503	-645
A. II. 1	Share premium	073		
2	Other capital funds	074	344	358
3	Diferences from revaluation of assets and liabilities	075	-1 847	-1 003
4	Diferences from revaluation in transformation	076		
A. III.	Reserve funds, statutory reserve account for cooperatives, and other retained earnings (r. 78 + 79)	077	73 877	75 450
A. III. 1	Legal reserve fund / indivisible fund	078	73 732	73 732
2	Statutory and other funds	079	145	1 718
A. IV.	Profit/loss - previous year (r. 81 + 82)	080	588 765	444 623
A. IV. 1	Retained earnings from previous years	081	588 765	444 623
2	Accumulated losses from previous years	082		

Marking	LIABILITIES	Row No.	Current period	Previous period
a	b	c	5	6
A. V.	Profit/loss - current year (+/-) /r. 01 - (+ 68 + 72 + 77 + 80 + 84 + 117)/	083	304 656	327 671
B.	Other sources (r. 85 + 90 + 101 + 113)	084	3 662 329	3 254 475
B. I.	Reserves (r. 86 to 89)	085	866 009	966 720
B. I. 1	Reserves under special statutory regulations	086	31 508	43 026
2	Reserves for pension and similar payables	087		
3	Income tax reserves	088		80 189
4	Other reserves	089	834 501	843 505
B. II.	Long-term payables (r. 91 to 100)	090	20 008	26 135
B. II. 1	Trade payables	091	20 008	26 135
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		

Marking	LIABILITIES	Row No.	Current period	Previous period
a	b	c	5	6
B. III.	Short-term payables (r. 102 to 112)	101	1 177 786	1 148 039
B. III. 1	Trade payables	102	901 252	869 847
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	158 201	151 115
6	Payables to social securities and health insurance	107	39 763	35 743
7	Due from state - tax liabilities and subsidies	108	43 513	54 007
8	Short-term deposits received	109	3 464	16 811
9	Issues bonds	110		
10	Estimated payables	111	28 263	20 441
11	Other payables	112	3 310	55
B. IV.	Bank loans and financial accomodations (r. 114 to 116)	113	1 598 526	1 113 581
B. IV. 1	Long-term bank loans	114		
2	Short-term bank loans	115	1 598 526	1 113 581
3	Short-term accomodations	116		
C. I.	Accruals (r. 118 + 119)	117	34 347	34 124
C. I. 1	Accrued expenses	118	33 560	33 328
2	Deffered revenues	119	787	796

Profit/loss statement

as at September 30, 2008 (in CZK thousands)

Marking	TEXT	Row No.	Statement for period	
			Current	Previous
a	b	c	1	2
I.	Revenues from sold goods	01	770 665	927 120
A.	Expenses on sold goods	02	682 513	813 726
+	Sale margin (r. 01-02)	03	88 152	113 394
II.	Production (r. 05+06+07)	04	5 387 176	5 054 753
II. 1	Revenues from own products and services	05	4 248 784	4 266 008
2	Change in inventory of own products	06	138 226	-103 102
3	Capitalisation	07	1 000 166	891 847
B.	Production consumption (r. 09+10)	08	4 178 932	3 895 044
B. 1	Consumption of material and energy	09	3 762 650	3 451 008
B. 2	Services	10	416 282	444 036
+	Added value (r. 03+04-08)	11	1 296 396	1 273 103
C.	Personnel expenses	12	900 461	799 120
C. 1	Wages and salaries	13	667 085	585 130
C. 2	Remuneration of board members	14		
C. 3	Social security expenses and health insurance	15	230 318	211 773
C. 4	Other social expenses	16	3 058	2 217
D.	Taxes and fees	17	3 182	5 066
E.	Depreciations of intangible and tangible assets	18	100 545	91 188

Marking	TEXT	Row No.	Statement for period	
			Current	Previous
a	b	c	1	2
III.	Revenues from disposals of fixed assets and materials (r. 20+21)	19	342 408	406 326
III. 1	Revenues from disposals of fixed assets	20	4 486	3 323
2	Revenues from disposals of materials	21	337 922	403 003
F.	Net book value of disposed fixed assets and materials (r. 23+24)	22	226 311	256 265
F. 1	Net book value of sold fixed assets	23	1 069	2 680
F. 2	Net book value of sold material	24	225 242	253 585
G.	Change in operating reserves and adjustments and complex deferred costs	25	-5 775	80 204
IV.	Other operating revenues	26	48 989	49 422
H.	Other operating expenses	27	40 693	32 045
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	422 376	464 963
VI	Revenues from sales of securities and ownership interests	31	300	
J.	Sold securities and ownership interests	32	300	
VII.	Revenues from long-term financial assets (r. 34 + 35 + 36)	33	39 918	11 514

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	39 918	11 514
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	-10 721	1 480
X.	Interest revenues	42	16 483	11 714
N.	Interest expenses	43	60 920	30 165
XI.	Other financial revenues	44	16 357	46 057
O.	Other financial expenses	45	84 824	52 845
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	-62 265	-15 205

Marking	TEXT	Row No.	Statement for period	
			Current	Previous
a	b	c	1	2
Q.	Income tax on ordinary income (r. 50 + 51)	49	55 455	122 087
Q. 1	– Due tax	50	53 159	109 090
Q. 2	– Tax deferred	51	2 296	12 997
**	Operating profit / loss ordinary activity (r. 30 + 48 - 49)	52	304 656	327 671
XIII.	Extraordinary revenues	53		
R.	Extraordinary expenses	54		
S.	Income tax on extraordinary 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	304 656	327 671
	Profit / loss before tax (+/-) (r. 30 + 48 + 53 - 54)	61	360 111	449 758

Auditor's Report



Auditor's Report on verification of the Final Accounts for the period from October 1, 2007 to September 30, 2008 designated to the associates of the company stated below:

Commercial company:	AŽD Praha s.r.o.
Registered office:	Praha 10, Žirovnická 2/3146
Identification No. (IČO):	48 02 94 83
Subject of activities:	Development, production, design, construction, servicing, consulting and engineering of telecommunication, signalling and automation systems - trade conducted by industrial methods

Report on final financial statements

On the basis of the audit carried out, we prepared the following report on the final accounts constituting a part of this Annual Report on December 12, 2008:

„We have verified the attached final accounts of the above-mentioned company, i.e. balance sheet as at September 30, 2008, profit and loss statement, summary of changes to the equity capital and cash flow summary for the period from October 1, 2007 to September 30, 2008, and the annex to these final 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 account

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

Auditor's responsibility

Our task is to provide an opinion concerning these final accounts on the basis of the audit performed. We have performed the audit in compliance with the Auditor's Act, International Auditor's Standards and related application clauses of the Chamber of Auditors of the Czech Republic. In compliance with the cited 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 aimed at obtaining evidence on the amounts and facts stated in the final accounts. The selection of the auditing procedures depends on the auditor's judgement 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 the internal inspections assessment is to propose appropriate auditing procedures, but not to comment on the effectiveness of internal inspections. The audit also includes an assessment of the suitability of the accounting methods used, reasonability of accounting estimates as well as assessment of the overall presentation of the final accounts.

We truly 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 s.r.o. provide a true and faithful image of the assets, liabilities and financial situation of at September 30, 2008, and of the expenses, revenues, business results and cash flow achieved during the period from October 1, 2007 to September 30, 2008 in compliance with Accounting Act and relevant regulations of the Czech Republic.

Report on the Relationship of Interconnected Persons

We have also verified the factual accuracy of the data set out in the Report on the Relationship of Interconnected Persons of AŽD Praha s.r.o. as at September 30, 2007. The management of AŽD Praha s.r.o. is responsible for preparation of this Report. Our task is to provide a standpoint to this Report on the basis of the verification performed.

We have performed the verification in compliance with the International Auditing Standards and related application clauses of the Chamber of Auditors of the Czech Republic. These standards require to plan and perform the respective verification with the objective to obtain a medium degree of certainty that the Report on the Relationship contains no significant inaccuracies. The verification is focused particularly to questioning the company's

employees, to analytical procedures and selective verification of the factual accuracy of data. Therefore, the verification provides a lower degree of certainty than the audit. We have not audited of the Report on the 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 the Relationship of Interconnected Persons of AŽD Praha s.r.o. as at September 30, 2008.

Report on the Annual Report

We have also verified compliance of AŽD Praha s.r.o.'s Annual Report with the above-mentioned final accounts. The 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 performed the verification in compliance with the International Auditing Standards and related application clauses of the Chamber of Auditors of the Czech Republic. These standards require to plan and perform the respective verification by the auditor with the objective to obtain reasonable certainty that the information contained in the Annual Report is in compliance with the relevant final accounts. We are convinced that the performed verification 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, 2008 is in compliance with the above-mentioned final financial accounts in all respects.



Ing. Pavel Šrámek
Statutory Representative



Ing. Jana Buková, auditor
Auditor's certificate No.: 1214

Date: January 15, 2009

EKMA FIN, a.s.
Registered office: Ondříčkova 27/609, 130 00 Praha 3
Auditing company's certificate No.: 076
Identification No. (IČO): 60193239

Supervisory Board's Annual report



Supervisory Board's Annual report Business results of AŽD Praha s.r.o. Fiscal year from October 1, 2007 to September 30, 2008

In the course of the whole fiscal period the Supervisory Board observed the generally binding regulations pursuant to provisions of Commercial Code, Partnership Deed and General Assembly resolutions.

At its regular meetings and meetings with the executive officers the Supervisory Board negotiated, in particular, the following issues:

- the company's business results;
- the company's financial situation;
- the situation in subsidiaries; and
- current problems affecting the company's activities.

The Supervisory Board hereby states that the company's successful economic trend of previous years was also retained in the cited fiscal period. The conduct and activities of the executive officers were always in compliance with the Partnership Deed, as well as with other generally binding legal regulations and no infringement thereof was identified.

The Supervisory Board of AŽD Praha s.r.o. reviewed, at its meeting, the company's final accounts for the period from October 1, 2007 to September 30, 2008. The Supervisory Board acquainted itself with the auditor's statement for the cited fiscal period prepared by Ekma Fin a.s.'s auditor Ing. Jana Buková dated January 15, 2009 and fully approves this statement.

Pursuant to to statement of the auditor, the Supervisory Board concluded that the final accounts were truly reflecting the company's assets, liabilities and equity capital as at September 30, 2008. The business results achieved during this fiscal period are in compliance with the accounting laws and applicable regulations of the Czech Republic.

The Supervisory Board therefore advises the General Assembly to approve the final accounts including the profit distribution proposal for the cited fiscal period.



Miroslav Kučera

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

In Prague, on January 22, 2009

Mandatory annexes:

- Annex 1: Annex to the Final Accounts of AŽD Praha s.r.o. for 2007/2008;
- Annex 2: Cash Flow Summary;
- Annex 3: Changes to Equity Capital for 2007/2008
- Annex 4: Report on the Relationship of Interconnected Persons pursuant to Paragraph 66a of the Commercial Code for the period from October 1, 2007 to September 30, 2008

This Annual Report has been prepared pursuant to the applicable Accounting Act and reflects the situation as at September 30, 2008.

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