



**REPORT ON THE BUSINESS ACTIVITIES
AND RESULTS OF THE COMPANY
AŽD PRAHA s.r.o.
FOR THE FISCAL YEAR 2008/2009**

1. 10. 2008–30. 9. 2009



PRAHA

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AND RESULTS OF THE COMPANY
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FOR THE FISCAL YEAR 2008/2009**

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POZOR VLAK

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**General
Manager's
Foreword**

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**Dear Business partners, Associates, Collaborators,
Dear Friends,**

It is my pleasant duty to introduce the new Annual Report of our company for the fiscal year 2008/2009. Even if this year was not easy, our company fulfilled the expectations, i.e. all the planned targets, and we can consider this year as a successful one.

It has to be emphasized that the progressing crisis influenced our activities both in Czech Republic and abroad. Decrease of the state investment into the transport infrastructure caused stagnation or lowering of some indicators, but it has brought also some positives. We became aware of the situation and we were looking for the solutions not only by improving our economy, implementing further cost saving measures and by increasing our labour productivity, but at the same time by seeking new foreign markets and new business opportunities abroad. We also took up a partial reduction of the company staff. Although it was not a dramatic one, the fact itself meant something. During the period to come the crisis will not be finished but it will rather culminate and we can expect that only the companies, which are able to find enough courage and self-reflection to go into further organisational changes, to implement more efficient processes and to take new busi-

ness opportunities, will survive. I firmly believe that our company will pass through the pitfalls of the crisis strengthened and that this experience will help us to achieve good results in the following years.

Fast technical development and keeping pace with our foreign competitors are undoubtedly preconditions for maintaining our position on the market and for acquiring further contracts both on domestic market and abroad. It will remain one of our priority piers for the next year. During the last year we invested more than 200 M CZK into the development of technologies and we succeeded in a number of issues. Among the successful ones we can mention adaptation of our systems to the requirements of foreign customers, further development of our interlocking and level crossing systems and of ERTMS elements. We have achieved dynamic development in the fields of telecommunications, road telematics and security systems for prisons. The new solution of electronic interlocking system functions, providing supervision of the possible problems with insulation of the train wheels from the rails in the stations, ranked us among the leading companies in Europe. At the same time we have been developing signalling systems for non-corridor and regional railway lines.

By entering the UNISIG group of companies we have been facing new possibilities of cooperation with its member

companies on European projects, particularly in the area of ERTMS. Thanks to these activities our specialists acquire further experience and knowledge.

Besides Czech and Slovak Republics, where our company is a steady supplier, we acquired further orders in 12 countries on three continents, which is undoubtedly a big success. In many cases it is our first order by which we are entering the given market, which is very demanding on the technologies, sales, logistics, etc. Frankly speaking, the first order does not have to be as profitable as we are often dreaming, but even this fact has to be taken into account within the economy of our company. Here I cannot fail to emphasize the importance of our installation, production and logistic plants and in the light of our foreign activities even the importance of our subsidiaries abroad. In order to acquire the projects abroad we also had to proceed unlikely comparing with the conditions on our domestic market. We were obliged to enter into negotiations with banks and to reach the Czech state development funds for the given countries. We did not have much experience in this field and we had to learn all step by step.

Among our foreign destinations Belorussia is undoubtedly the most important one. During the last year we realized there two electronic interlocking systems and supplied some

more signalling products. Belorussian market is also very prospective for us with respect to entering other ex-soviet countries.

We were continuing works on the projects in Montenegro, Serbia, Turkey and Greece, where our level crossing systems and some other products will appear during next year.

When we speak about changes in behaviour of our company at the times of crisis, we mean suppressing non-core activities of the company. In the field of "Live railway stations" we keep just the previously developed project of the Havlíčkův Brod station and we suppressed even our further civil engineering activities. If these activities are to continue somewhere partially, we intend to set them apart into our subsidiary companies carrying on their business activities separately.

Dear Friends,

It would be possible to write piles of papers about the last year as it was so interesting, complicated and turbulent. Herein I would like to thank a lot all our business partners, investors, employees of our company as well as associates for

their confidence in our products and systems, and to thank for the good work. As one of my colleagues says, we produce and supply potentially dangerous products which directly ensure the safety of people and goods, the safety on the railway networks of our homeland and of foreign countries, which means that these products can never fail. We can get thousands of technical approvals or other protocols, but none of them can equal confidence of the customers in our systems and confidence of the public in our company.

For the next year let us wish safe railways, further contracts on our domestic market and abroad, let us wish satisfied customers and last but not least satisfied employees, proud of our company.

Zdeněk Chrdle
Company's CEO and General Director

A handwritten signature in blue ink, appearing to read 'Z Chrdle', written in a cursive style.



**Managing bodies
and organisational
units**



AŽD Praha (Identification No. 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

Miroslav HORA

Director of Division Teletinformatics

Ing. Alice DICKOVÁ

Deputy Director for Economics
Technika Plant

The Company Head Office has been established to ensure top management and coordination 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, 2009.

Supervisory board

Ing. Miroslav KOZÁK

Financial Director

Ing. Vladimír KETNER

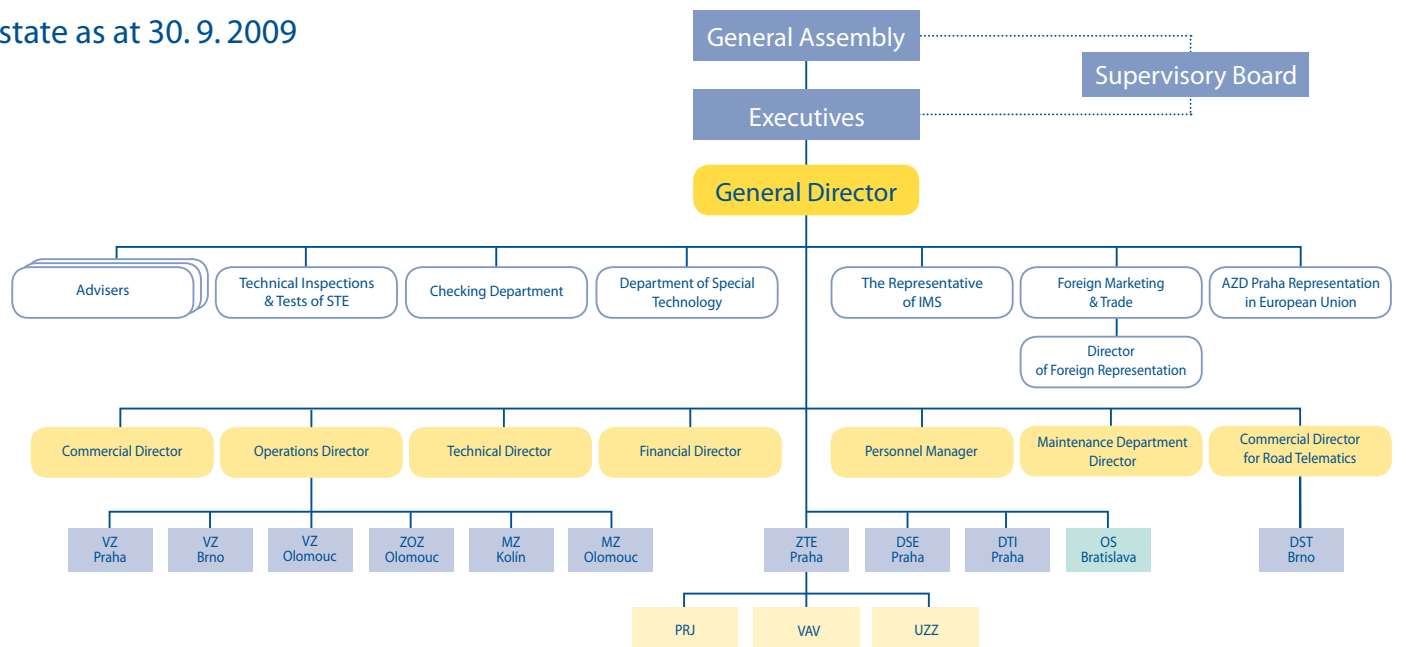
Commercial Director for Road Telematics

Daniela VESELÁ

Director of Logistic Plant Olomouc

Organisation chart

state as at 30. 9. 2009



Key:

VZ – Production Plant

MZ – Installation Plant

ZOZ – Logistic Plant

ZTE – Technika Plant

PRJ – Design

VAV – Research and Development

DSE – Division of Service for Telecommunication and Signalling Technology

DTI – Division Teleinformatika

DST – Division of Road Technology Automation

OS – AŽD Praha s.r.o., Organization Unit Bratislava

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

UTZ – Specific Technical Equipment (STE)

SZT – Telecommunication and Signalling Technology

UZZ – Foreign Trade Supportive Department

Comapany Head Office and Headquarters

AŽD Praha s.r.o.

Žirovnická 2/3146, 106 17 Praha 10

Telefon: +420 267 287 111

Fax: +420 272 650 831

E-mail: info@azd.cz

Internet: www.azd.cz

General Director

Ing. Zdeněk CHRDLÉ

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

Operational 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 JUŘÍK

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

Maintenance Department Director

Ing. Jiří MARTÍNEK

Phone: +420 267 287 414, Fax: +420 272 650 831

Organizational Units

Technika Plant

Director of the Plant

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

Deputy Director for Research and Development

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

Deputy Director for Design

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

Production Plant Praha

Deputy Director responsible for Production Plant Control

Ing. Martin ČERNÝ
AŽD Praha s.r.o., Production Plant Praha
Žirovnická 2/3146, 106 17 Praha 10
Phone: +420 267 287 193, Fax: +420 272 656 147

Production Plant Brno

Deputy Director responsible for Production Plant Control

Ing. Jolana HORSÁKOVÁ
AŽD Praha s.r.o., Production Plant Brno
Křížíkova 32, 612 00 Brno - Královo
Phone: +420 549 122 101, Fax: +420 541 211 119

Production Plant Olomouc

Deputy Director responsible for Production Plant Control

Ing. Stanislav SLAVÍČEK
AŽD Praha s.r.o., Production Plant Olomouc
Roháče z Dubé 6, P.O.Box č. 13, 772 11 Olomouc 2
Phone: +420 585 113 700, Fax: +420 585 311 424

Installation Plant Kolín

Director of the Plant

Ing. Petr FALTUS
AŽD Praha s.r.o., Installation Plant Kolín
Polepská 724, 280 02 Kolín IV
Phone: +420 321 720 692, Fax: +420 321 720 692

Installation Plant Olomouc

Director of the Plant

Ing. Zdeněk BĚBAR
AŽD Praha s.r.o., Installation Plant Olomouc
Jiráskova 5, 772 00 Olomouc
Phone: +420 585 113 760, Fax: +420 585 313 250

Logistic Plant Olomouc

Director of the Plant

Daniela VESELÁ
AŽD Praha s.r.o., Logistic Plant Olomouc
Železniční 1, 772 10 Olomouc
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Division of Teleinformatics

Director of the Division

Miroslav HORA
AŽD Praha s.r.o., Division of Teleinformatics 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., Division of Telecommunication
and Signalling Technology Service
Žirovnická 2/3146, 106 17 Praha 10
Phone: +420 272 650 818, Fax: +420 272 656 162

Division of Road Technology Automation

Director of the Division

Ing. Zdeněk GRUBL
AŽD Praha s.r.o., Division of Roads Technology Automation
Křížíkova 32, 612 00 Brno – Královo Pole
Phone: +420 541 421 540, Fax: +420 549 210 074

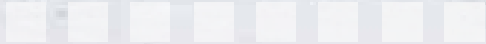
AŽD Praha s.r.o., Organization Unit Bratislava

Director of the Unit

Ing. Miroslav REŠL
AŽD Praha s.r.o., Organisational Unit Bratislava
Priemyselná 6, 821 09 Bratislava
Phone: +421 258 282 301, Fax: +421 253 412 048

About us

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For more than 55 years our company AZD Praha has been in the position of the leading Czech supplier of traffic control and signalling systems and technologies.

AŽD Praha is an entirely Czech company specialised in development, production and supplies of a comprehensive range of control, signalling, information and telecommunication technologies primarily for railway and road transportation.

During the last several years our company has broadened its scope of activities into a new field such as Road Telematics. Thanks to comprehensiveness of its activities, starting with the analysis of needs and development of the systems,

Production focus

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

through design, production and installation, up to the long term servicing, 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 our company can be found on railways of Malaysia, India, Balkan countries, Slovak Republic, Belarus, Finland and Bulgaria.

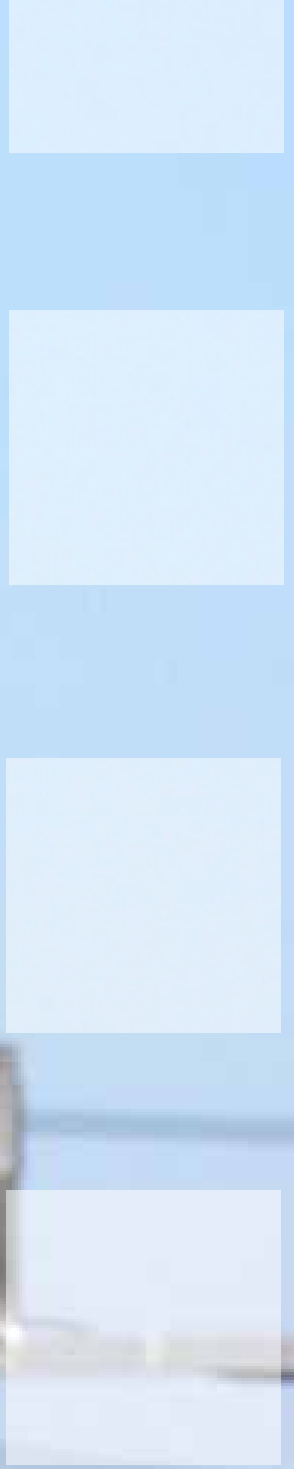
In the past year the east-west and north-south axes of our activities were extended to Lithuania and Greece.

Our complex signalling solution includes electronic interlocking systems in different configurations, line-side control equipment, level crossing and power supply systems.

These systems are supplemented by complete diagnostics and by the possibility of remote control from one dispatcher's centre. Our technologies provide support and solution both for routine and emergency situations during dispatcher's work.

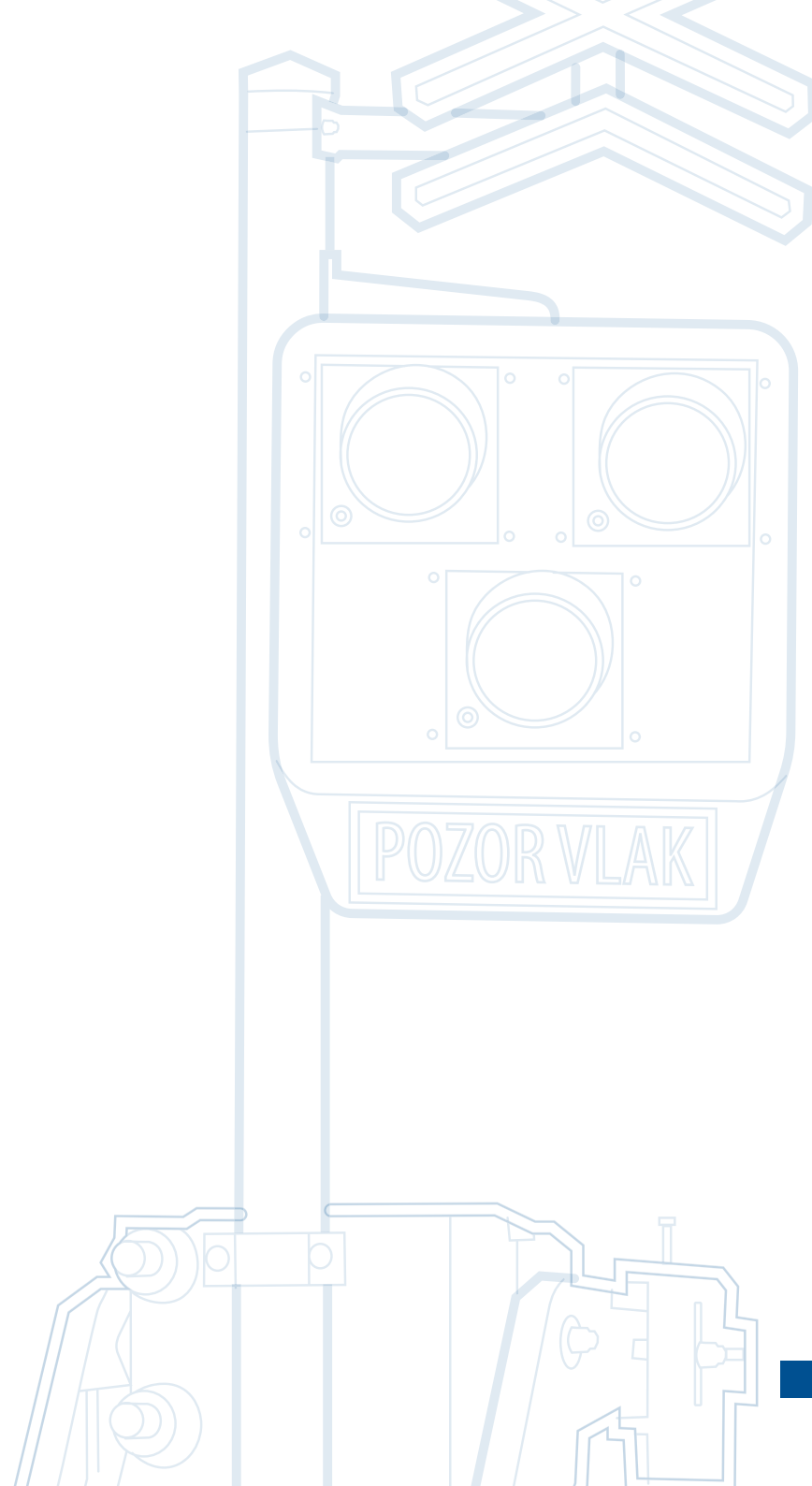


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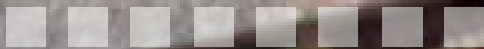
AŽD Praha also manufactures and supplies wayside equipment for control and safeguarding of points, light signals and other equipment. Our automatic train operation system is used successfully in full commercial operation of the Prague and Warsaw metros and enables even an entirely automatic (driverless) operation. Our signalling systems are used as well in railyards of the industrial enterprises and mines. AŽD Praha also supplies control and signalling systems for the road traffic, e.g. for signalised intersections, traffic control in tunnels, parking and entry, systems for recognition of licence plates and checking the compliance with road traffic regulations as well as information systems for the drivers on highways.

Application of telecommunication and transmission technologies in the field of railway operation 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.



**Development
of business
activities**

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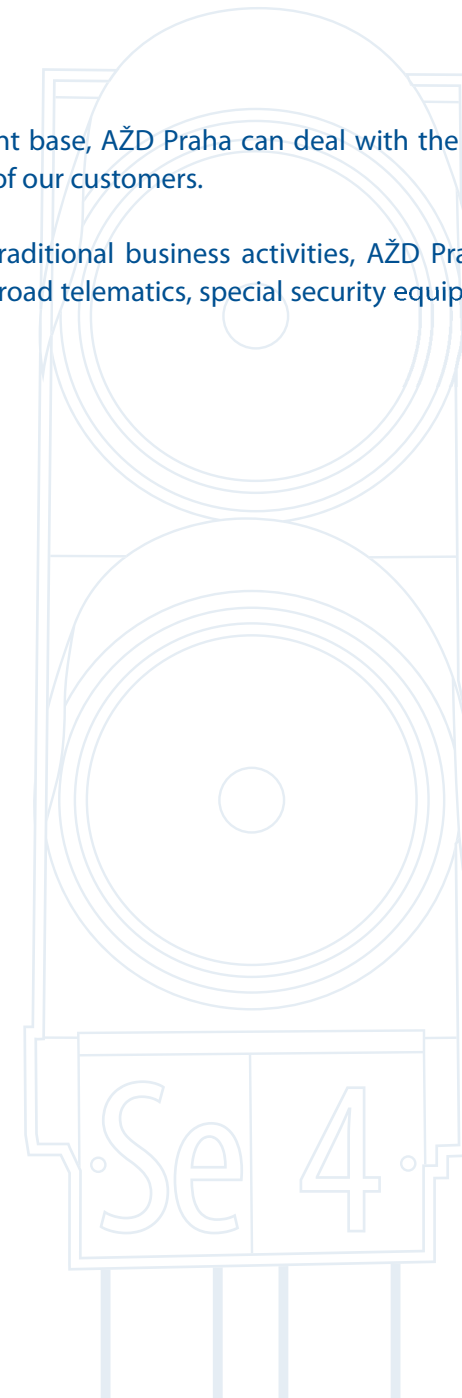


AŽD Praha is a major system integrator, producer and supplier of transport control, signalling and telecommunication systems both domestically and abroad. The company has all the necessary trading licences and documents that qualify it to develop business activities in the field of signalling, information, control and automation and electronic telecommunication systems. AŽD Praha mainly focuses on turn-key deliveries of the railway control and signalling systems. The company activities include, research, development, design, production and sales of stationary and mobile equipment. The company carries out integration of the equipment produced both by itself and by other producers, integration of the new components into the existing control systems, activation, commissioning, servicing, maintenance and repairs of all supplied equipment, purchases and sales of products. AŽD Praha also provides laying, installation and measuring of cables and installation of electronic telecommunication equipment. The quality of our products and services, environmental protection and occupational health and safety as well as meeting the requirements of ISO 9001, ISO 14001 and OHSAS 18001 have been confirmed by certificates issued by IQ Net, the international certification authority.

With its ability to provide comprehensive services, its economic strength and stability and its use of its strong research

and development base, AŽD Praha can deal with the most complex needs of our customers.

Apart from its traditional business activities, AŽD Praha is also involved in road telematics, special security equipment and logistics.



Road Telematics Department

As a part of the Company headquarter, the Road Telematics Department, carries out business activities in the area of road traffic control and safety systems and technologies. In 2008/2009, the department successfully executed projects in the Czech Republic, Slovakia, Slovenia, Egypt and Tunisia. Among other, the sales department succeeded in winning the project for renovating the tram track in Alexandria, Egypt.

Special Security Equipment Department

The Special Security Equipment Department mainly focuses on activities beyond the main business areas of the company; i.e. principally providing services related to security and special equipment installed in buildings. AŽD Praha provides consultancy services, surveys, deliveries, installation, servicing and regular inspections. In this field our company produces parts or special security systems in accordance with the customer's requirements for building security, access and fire protection equipment.

Logistic Plant

Our logistic activities and services are the key to meeting our customer's requirements in time and in the right place, not only for our parent company and its individual organisational units, but also for subsidiaries and external customers both in the Czech Republic and abroad. These activities are carried out by the Logistic Plant in Olomouc.

Here we have our own modern truck fleet to supply our manufacturing plants with materials, to transport products to the logistic centre and to supply materials to the construction sites. All vehicles of our fleet meet the prescribed emission limits.

Expected progress of activities

With regard to the global economic crisis and its effect on domestic and foreign markets, AŽD Praha has to respond actively to the market changes and trends in 2010, principally in the domain of the railway control and security systems. The major objective of our business activities is to meet the needs of our customers and enable them to use our services effectively. Therefore we have been paying particular attention to developing additional activities connected to

our main business activities, especially warranty and post-warranty service and maintenance.

Simultaneously, we are striving to maintain our position on the Czech market and enter the new emerging markets. The key area, in which the company uses the skills and experience of its employees, is the technical development leading to launching of the new products with a higher utility value and constant upgrading of the existing products. It allows the company to participate in significant transport projects in the Czech Republic and to broaden our business activities abroad.

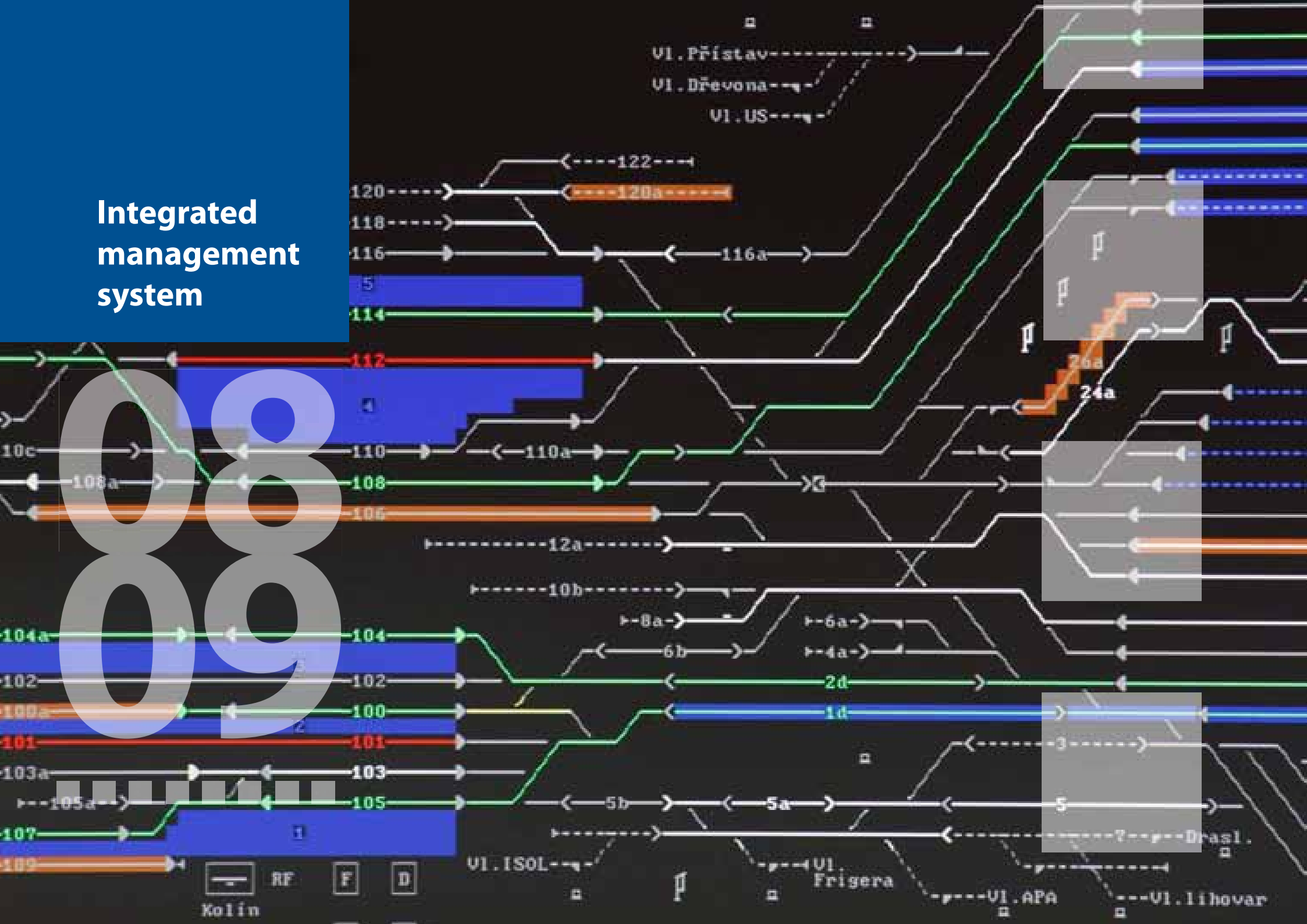
Housing Development Department

The project of construction of blocks of flats in Králův Dvůr was completed. The problem of sun exposure in eight flats is being solved. Our co-operation with Harmonie Group a.s. finished and the flats are being sold by the Horizont Estate s.r.o. company. Sixty flats out of 242,30 parking places, road, greenery and heat exchange stations with a feeding line are still to be sold. As a result of the economic crisis, two other projects, Villa Quarter Cibulka and Residence Embankment Beroun have been postponed.

Within the Czech Railways 'Live Stations' project , our company took part in tenders for the stations of Havlíčkův Brod, Kolín, Nymburk, Poděbrady, Kralupy nad Vltavou and Kutná Hora-city.

Thirty-year lease contracts were concluded for the Havlíčkův Brod station and Kolín station. The project was reviewed by the Competition Authority of the Czech Railways and according to the new act, the contract for the Kolín station was declared void. The lease for the Kolín station will be terminated by the Settlement Agreement.

Integrated management system



The main priority of AŽD Praha is meeting customer's requirements, needs and expectations by providing high quality products and services. Integrated Management System (**IMS**) is an integral part of the company management. It provides the strategic objectives in the areas of quality, environment and occupational health safety, which are published in the document INTEGRATED MANAGEMENT SYSTEM POLICY OF AZD PRAHA S.R.O.

The established management system has been applied to the main objectives of the company activity and identifies interactions between different organizational units and departments.

At the same time it sets responsibilities for the processes ensuring the final product quality provided to the customer and the occupational health and safety, while minimizing negative impact of the company activities on the environment.

Within the continuous improvement of the efficiency and effectiveness of the Integrated Management System, AŽD Praha generates resources and introduces progressive methods into all relevant areas of its activities in relation to the company strategic objectives.

Based on the successful outcome of the recertification audit

which took place on January 22-23, 2009, AZD Praha s.r.o. was awarded certificates by the international certification body **IQNet** ref. No.: CZ-2025/2009 (compliance with the requirements **ISO 9001:2008**), CZ-12/2009 (compliance with the requirements **ISO 14001:2004**) and CZ-13/2009 (compliance with the requirements **OHSAS 18001:2007**).

Equally successful were recertification audits of all separately certified organizational units which were awarded certificates by the **EZU** certifying authority.

The awarded certificates give a clear evidence of complying with principles of modern management in AŽD Praha, ensuring the quality of products and services while protecting the environment and ensuring occupational health and safety protection of the company staff.

**Protection of
the environment**

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Our company is permanently mindful of environmental issues with constant attention paid to this area during the stages of the design works, production preparation and subsequent products implementation, as well as during the production across the broad spectrum of technologically and environmentally demanding industrial production processes.

Policy, Environment Strategy

AŽD Praha in its INTEGRATED MANAGEMENT SYSTEM POLICY emphasises not only the topics of quality and occupational health and safety, but also protection of the environment, and therefore we are striving to:

- continuously improve our environmental protection and pollution prevention management
- eliminate or minimise the negative effects of the company activities, products, and services on the environment, on the health condition of its employees and residents in vicinity of the unit sites and construction sites
- develop obstacle-free communication of the company managers towards the public; not giving preference to economic aspects over the environmental ones
- focus on the best use of the raw materials and minimise waste produced by the processing technologies and by the construction activities by means of the continuous

- and precise analyses of the raw and other materials
- respect sustainable development principles with the accent on the efficient use and implementation of the environment-friendly technologies and production equipment while taking into account expert opinions, potential risks and proposals for effective prevention of the negative effects and failures including their consequences.

Major Environment Protection Activities

HR Policy and Environment

One of the key priorities of the HR policy is to continuously improve the quality of the working environment by using environment-friendly production, installation and service technologies. Employees are trained in first aid, what to do in the cases of leaks of harmful substances and how to handle dangerous substances. The training scheme includes all managers, specialists, and environmental management employees. Each organisational unit has employees responsible for environmental issues for the control of environmentally related processes within their organisational unit.

Recyclable Plastics instead of Concrete Products

At present, 22 types of products are made of recyclable plastics. These products are used in the wayside equipment and are in-



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stalled together with external components of the signalling systems manufactured by AŽD Praha

Waste Management

The company uses the system of thorough waste separation into labelled containers. Besides separating waste in the production plants, it is also separated on construction sites during erections carried out by our units and departments. All waste, produced during our activities, is handed over to certified companies and the waste management process is properly recorded in SW EVI8 on the intranet.

Water Protection

AŽD Praha also operates equipment (degreasing surfaces prior to surface treatment, galvanising, paint spraying etc.) that requires a lot of water and which produces industrial waste water. The waste water is treated in our own waste water treatment plants (neutralisation plants in the manufacturing plants in Brno, Olomouc and Prague) to keep to the pollution level under the limits stated in the decision of the respective local water authority.

Air protection

AŽD Praha is not an operator of any great sources of air pollution, but operates the total of 20 secondary sources in the area of surface treatment technologies, machining and heat

sources. Production records of all sources are properly kept, pollution sources are checked so that they are operated in accordance with the legislation. Central sources are measured in the required time limits authorized by measuring groups.



**Production
Plants**

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A significant credit of the long-time success of the AZD Praha has to be attributed to its own industrial production of equipment supplied by three production plants - Production Plant Praha, Brno and Olomouc. These plants are the main suppliers for the construction of signalling and telecommunication systems, carried out by the assembly plants of AZD Praha s.r.o. within the railway projects in the Czech Republic and abroad. At the same time these production plants through the Logistic Plant Olomouc perform the task of supplier of the mentioned products for domestic market and for steadily increasing foreign company activities in supply and installation of railway signalling and communication systems.

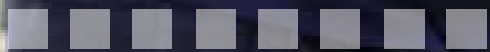
Since individual projects considerably differ from each other, deliveries for turn-key projects in the railway field are demanding and very specific. In spite of the above mentioned demands all the production plants were fully meeting all the requirements for deliveries of technologies for turn-key projects. The ability of the production plants to flexibly respond to the changes in working schedules of individual projects, which have also frequent a substantial impact on the production organization, should be also highly appreciated. The production plants have also successfully provided the required parts and assemblies for the needs of the Division of Telecommunication and Signalling Technology Service.

Some time ago the company took the direction towards professional specialisation of its production plants. Today, the production plant Olomouc is involved in engineering production, the production plant Brno focuses on the production of complex electronic systems (including high quality production and testing of printed circuit boards). The production plant Praha specialises in completion, debugging and complex testing of completed addressed systems before their final installation on sites, thereby significantly increasing the reliability of the delivered systems. However, the production plant Praha became also focused on the production of special instrument cabinets, to which the equipment produced by AŽD Praha is built in. For this purpose the Production Plant Praha has developed the cabinet production programme to produce and deliver special cabinets of various types, e.g. cabinets with a stable inner temperature (air-conditioned) or cabinets with an increased resistance against electromagnetic disturbances (EMC cabinets).

It is also necessary to mention the participation of all plants in the development of product portfolio of AŽD Praha. Within the tasks assigned by the „Plan for Technical Development“ new equipment is developed and the equipment that has already been put into operation is upgraded and the pro-



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duction of prototype series of completely new equipment developed by the Technika Plant is ensured. As an example we can mention the production of a new warning board AZD 97 with the light source based on LED diodes from the Production Plant Olomouc or production of the electronic level crossing system of the EPA type from the Production Plant Brno. The Production Plant Praha is also involved in direct production of the modified equipment for the majority of turn-key projects abroad.

Within the specialisation program the Production Plant Olomouc is equipped by unique and highly efficient and computer controlled CNC machining centres MAZAK INTEGREX 200 III ST, MAZAK Variaxis 730-SX a MAZAK VTC 300 CII. Furthermore the plant owns TruBend 5170 press brake and CNC shears TruShear (both from renowned TRUMPF Company). The Production Plant Brno is continuously equipped by the new technologies for the most up to date production and testing of complex electronic devices. Due to the new standard for printed circuit boards used in wayside equipment and also due to the requirements for its varnishing which entered into force last year, the Production Plant Brno was equipped by washing facilities of PCB on the principle of spray and a new repair and soldering station. The Production Plant Praha has modernized its technological equip-

ment for the production of its cabinet programme (purchase of a modern TruPunch 3000 punching press from TRUMPF Company and of a number of checking and testing instruments for debugging and testing complete systems).

Besides 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 production of microscopes for the FEI Company in the Production Plant Brno or widespread engineering production in the production plant Olomouc for several companies (John Craine, ISH Olomouc and others).

In each of its production plants AŽD Praha invests in the modernization of the production technology, not only to increase their productivity, but also for a continuous improvement in the area of the environmental protection

**Installation
activities**

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Installation of the supplied systems within the railway projects in the Czech Republic and abroad is carried out 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 of the Czech Republic), i.e. corridor constructions, railway junctions and rationalisation projects. Major importance was also paid to activities abroad.

During the past year the new modern technologies developed by our company have been used introduced into the realization of the turn-key projects. The company staff is on a high professional level and their work and the level of modern technologies were also highly appreciated by the investors. During deliveries of the equipments abroad, many of them had to undergo a process of adaptation both linguistic and legislative so that they can meet regulations and requirements of the customers of the relevant country.

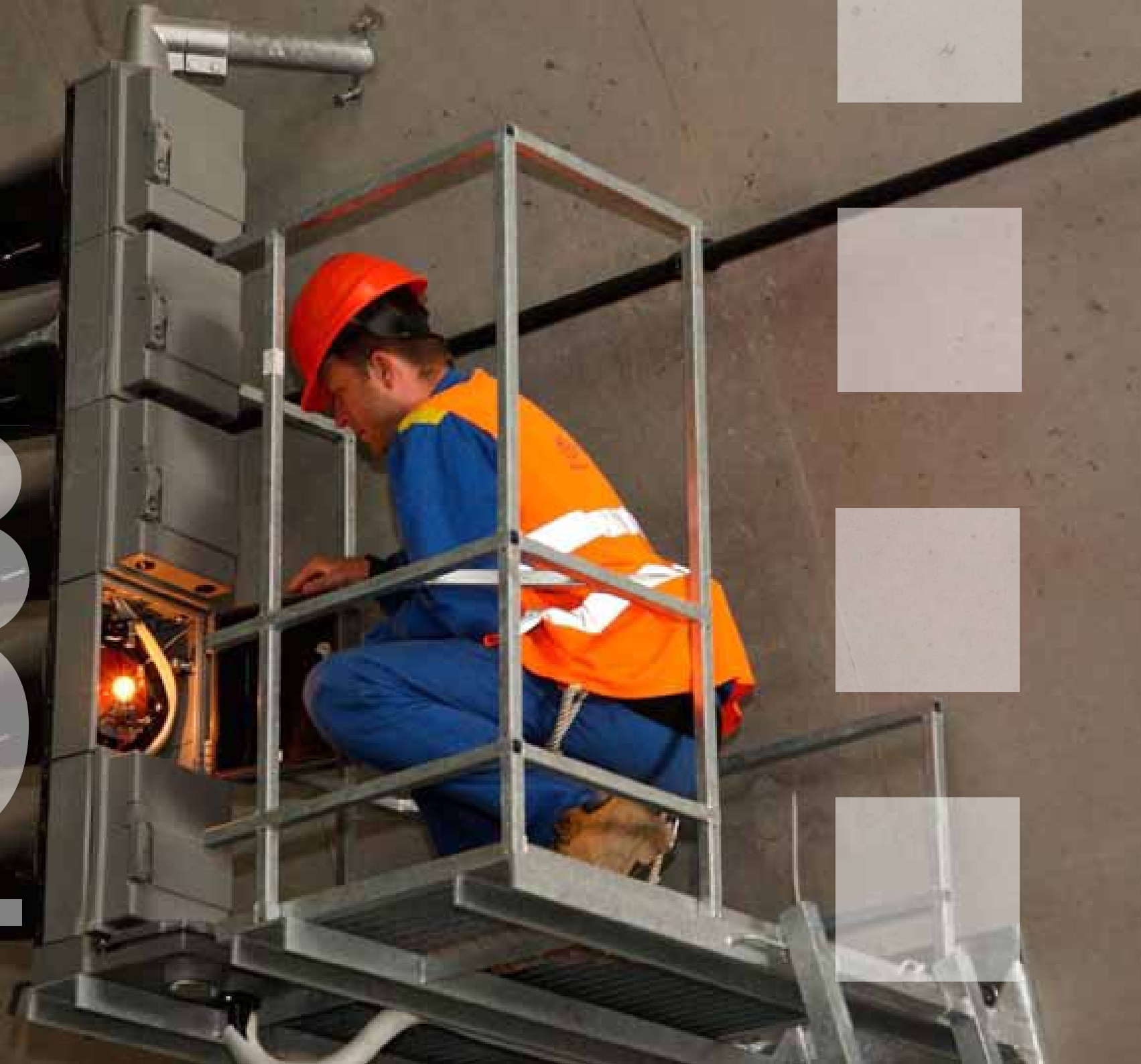
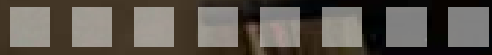
The improvement in quality of the railway transportation throughout the Czech Republic involves completion of the corridor mainlines, which are to be used as the main transport links between countries of the European Union and other European countries. During the period under review the following major projects on the railway corridors were completed:

- „Optimisation of the Benešov u Prahy – Strančice line“
- „Modernisation of the Veselí n.L. - Tábor – the 1st part, the Doubí u Tábora – Tábor line section“
- „Optimisation of the Horní Dvořiště border – České Budějovice line“
- „Modernisation of the Veselí n. L. – Tábor line, the 1st part“
- „DOZZ in the Přerov - Polanka n. Odrou line section“
- „Optimisation of the Plzeň – Stříbro line“
- „Optimisation of the Stříbro - Planá u Mariánských Lázní line“
- „Optimisation of the Beroun – Zbiroh line“
- „Automatic block Praha Libeň - Praha Holešovice“.
- Railway corridor mainline has been equipped by the GSM-R system and also the implementation of the ETCS pilot project in the Poříčany–Kolín railway section has been continuing.

Following the modernization of railway corridor mainlines a significant modernization of railway junctions also took place. The purpose is to provide the same technical parameters which are standard for the corridor mainlines. In terms of junctions it is necessary to recall the following most important projects:

- „New connection between the Prague Main Station, Masaryk railway station and the stations of Libeň, Vysočany and Holešovice“

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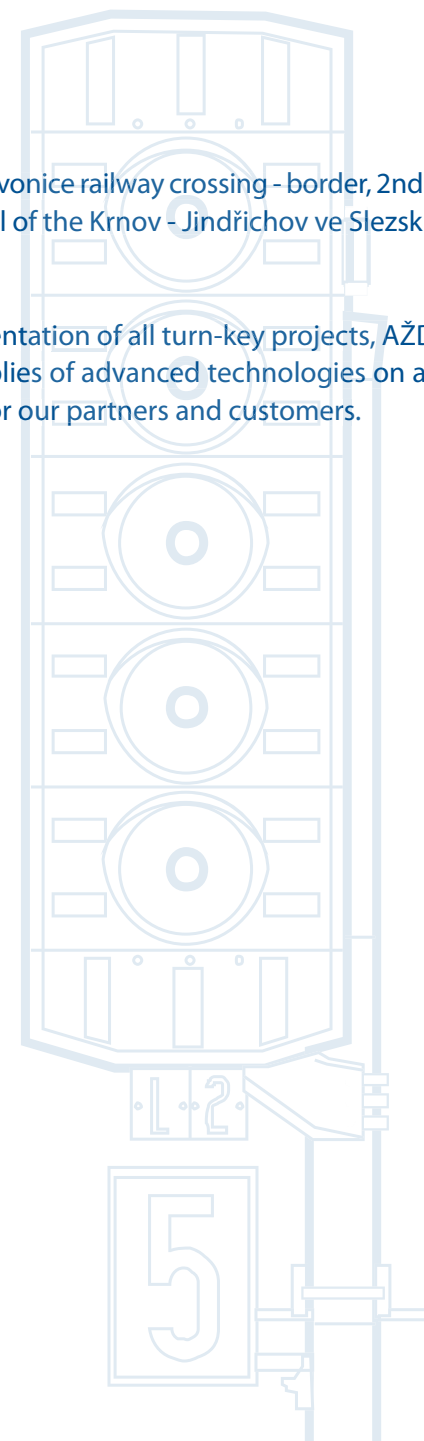
- „Modernisation of the Sokolov railway station“
- „Reconstruction of the station interlocking in the Krnov railway station“
- „Modernisation of the Kroměříž railway station“.

Other projects which can be classified as rationalisation ones by their nature, provide higher safety, better travel comfort, shorter travel times and also significantly lower costs of traffic control. Modernisation of lines provides substitution for the human resources by the advanced technology, and therefore thanks to the automated operation the costs associated with such a rationalization pay back in a few years. The most significant are the following accomplished projects:

- „Electrification of the České Velenice - České Budějovice line“
- „Electrification of the PEÚ Letohrad - Lichkov border line.“
- „Reconstruction of station interlocking Mladá Boleslav – Debř“
- „DOZ Hradčovice – Luhačovice“
- „Rationalisation of the Zdice – Protivín line“
- „Electrification of the Šatov – Znojmo line section including PEÚ“
- „Set of MO Praha projects, project No. 0080 Prašný Most – Špejchar“

- „Opening of Slavonice railway crossing - border, 2nd part“
- „Remote control of the Krnov - Jindřichov ve Slezsku line – PKP“.

Within the implementation of all turn-key projects, AŽD Praha guarantees supplies of advanced technologies on a high professional level for our partners and customers.



Foreign activities

08



Despite negative effects of the world economic crises the foreign orders of the company showed a dynamic progress. Centralization of foreign trade operations is a key aspect of the AZD Praha foreign activities. Business activities on different markets having priorities are developed by dedicated teams of people. These teams are usually put together when an important contract is acquired or a significant position in the foreign market is achieved. In the past these teams operated independently. They were recently centralized under one organization of the foreign trade allowing better control over the foreign activities and coordination of implementation of contracts within the company.

Priority foreign markets of AZD Praha are Belarus, Serbia, Montenegro, Lithuania, Bulgaria and recently Turkey, Greece and Egypt.

In Belarus, finishing works are in progress on the implementation of an electronic interlocking of the ESA 11-BC type in the Stepjanka station. Further work is underway on installation of the station interlocking system in the Novopolock station. In addition AŽD Praha acquired a contract for installation of the signalling system on one hundred kilometre long line Polock-Vitebsk. Our company is in intense discussions with local companies regarding the transfer of the production of signalling systems.

In Lithuania deliveries of the signalling systems for the 100km

corridor line Kaunas – Kybartai have been underway. Design work has already begun, length of project implementation is planned for 3,5 years. The contract was signed by the consortium of AŽD Praha with the Lithuanian Company UAB FIMA, which is one of the leading construction companies in the field of railway transportation in Lithuania.

In Montenegro the 2nd phase of implementation of the Podgorica-Niksic railway line project was completed and the 3rd phase of implementation under the auspices of consortium of Czech companies was signed.

In Serbia AZD Praha continued to execute the contract for delivery of signalling systems for the railyard of the largest Serbian Nikola Tesla power plant – TENT. Within this power plant our company has already completed delivery of interlocking systems for two railway stations: TENT Vreoce and TENT Obrenovac. The next key country for AŽD Praha is Bulgaria where its subsidiary Balkan SAST has been established and operated since 2004. Two years ago a production and development base providing its own portfolio was built there. Since then, the Balkan SAST has concluded four year contract with the Bulgarian Railways for deliveries of level crossing systems and has performed deliveries of other railway signalling elements (point machines, signals).The key strategy on this market is also based on the transfer of production from the parent company with the objective to reduce costs and support local market

Road Telematics



The product portfolio of the Road Telematics Division includes modern intersection systems for controlling traffic lights, smart traffic systems based on identification and automatic recognition of registered car's licence plates and identification of different traffic violations, systems for controlled parking and navigation systems for park-and-ride car parks on the city outskirts, monitoring systems, city central control system, directing and safety tunnel systems, freeway electronic systems and information systems.

As a part of its undertakings, the commercial section of Road Telematics Division offers its customers a complete service, from project documentation and engineering, through manufacturing and installation, to maintenance and service of supplied technologies.

Last year it expanded the range of products offered to include construction, renovation, maintenance and running of public street lights.

In addition to its core business activities, it also carries on the trade "Production, repairs and installation of gauges", including systems for measuring speed, systems for measuring physical values of tunnels and systems for measuring physical values of public transportation (height, weight, ...).

Commercial section of the Road Telematics Division is one of the long-term and active members of SDT ČR (Association for Road Telematics). It performs lecturing and advisory activities and jointly participates in troubleshooting projects and grants from the Ministry of Transport of the Czech Republic and Ministry of Education of the Czech Republic.

DST Brno

The implementing part, which allows distribution of technology for traffic regulation on roads and applications in the field of road telematics is the Division of Road Technology Automation. It provides production, assembly, maintenance and service of the above mentioned systems. Design activities are integral part of this division, including engineering, development and advisory activity as a part of the commercial strategy of road telematics on the traffic technology market.

During the entire 2008/09 fiscal year, this division continued the implementation of two long-term perspective orders. The first of them is service and maintenance activities of the systems for performance-based (effective) toll collection (electronic toll) for selected freeway parts, high-speed roads and class I roads of the Czech Republic. The second order is

maintenance service for information systems connected to ZPI (equipment for operational information) and PDZ (variable traffic signs) on the expressway D1.

At the same time this division also continuously provides servicing and maintenance of technologies of its own production, which are mainly controllers, parking systems, technologies of the freeway tunnel Valík at the bypass of the Plzen city and video camera systems for measuring block-to-block speed and passing on red. Last year it completed successfully the signalling system of railway tunnel Březno u Chomutova and further continued the project of the delivery of systems for the Blanka tunnel in Prague.

DST can also boast starting the development of transfer system TSK Prague – optical network which is co-financed in the context of the “Operating programme Transportation” by the European Union. During the year of 2008/09 its implementation was completed on the Prague Metro Line „A”.

In Brno, DST equipped another closed parking space by traffic control technologies and collection of parking fees, which helps to calm down the traffic in the city centre. It started works on design of road signalling system for 10 (ten) Brno intersections.

DST division implemented signalised crossings and signals at the pedestrian crossings in the cities throughout the CR, in Slovakia and in Bulgaria, which brought a significant improvement of the traffic and pedestrian safety. In the past year the Division renewed and built intersections in Prague, Ústí n/L, Přeřov, Brno, Kolín and others.

The Division deliveries significantly contribute to highway accident prevention. Several children traffic playgrounds in the Czech Republic are equipped by its signalling technologies.

Significant completed projects:

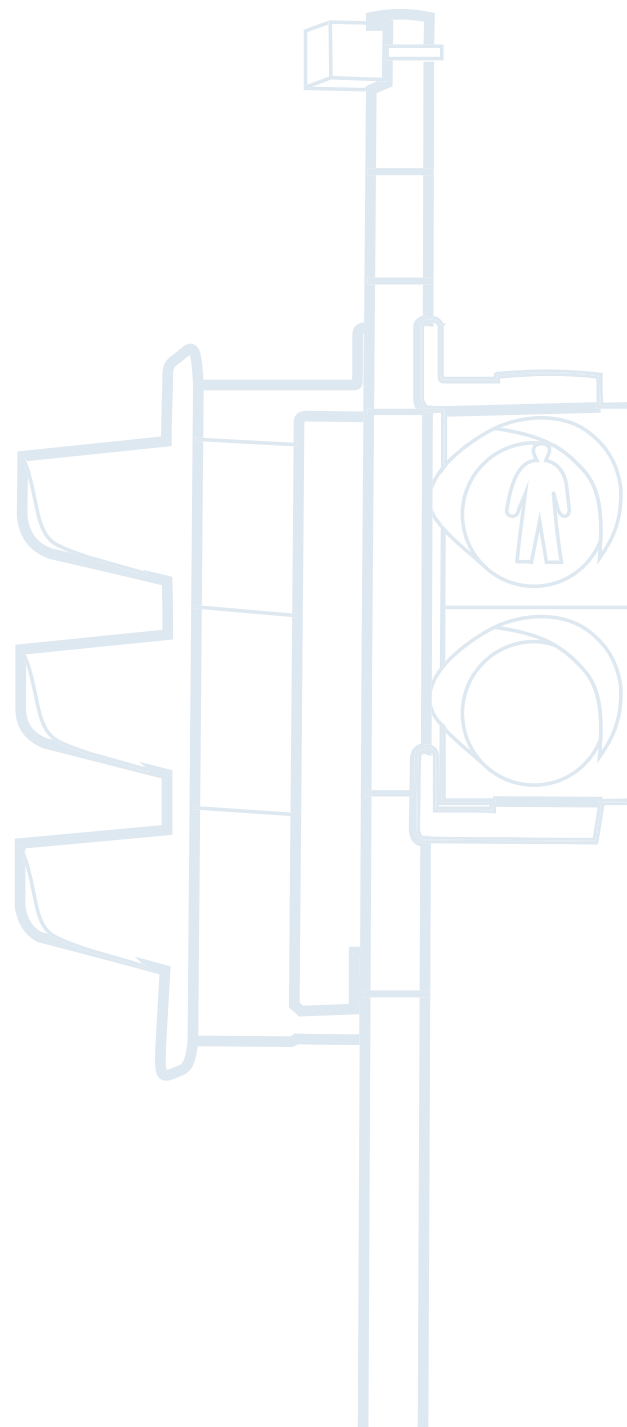
- Service activities and maintenance of the performance-based road fee system (electronic toll) of selected highway section, expressways, and the 1st Class roads throughout the Czech Republic territory
- Service activities of information system coupled with ZPI and PDZ on highway D1
- Development of transmission system TSK Praha – Optical net (1st part of the Metro A line)
- Project activities, engineering, renewal and construction of light signalling equipment and dynamic co-ordina-

tion of intersections within their renewal and development under Project Praha

- Development and renewal of road signalling system and optimisation of traffic flow control in Prague – Bělohorská, Brno, Kolín, Ústí n/L, Přerov
- Development and technological equipment of parking place in Besední, Brno
- Start of works on design of technological equipment of 10 (ten) intersections in Brno
- Signals at the pedestrian crossings in Třinec-Vendryně and in Sadská.

Expected development trend

Next year, the commercial section of Road Telematics, together with the division of road automation technology, will focus its activities in particular on acquiring further long-term contracts and will seek to better promote our technology on foreign markets.



Division of
Teleinformatics
(DTI)

08
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During the past 2008/2009 fiscal year DTI implemented a number of significant projects in area of railway and road transportation.

Road transportation

In the road transportation field DTI built information points for road users on D1 motorway from 7 to 207 kilometres. Individual points „ZPI“ (source of traffic information) are controlled from the NDIC (National Transport Information Centre) in Ostrava. The volume of this contract amounted to about CZK 200 million.

Railway transportation

Within the railway division DTI have implemented important contracts as „Rationalization of the Zdice – Protivín line“, where the work was equally shared with Installation Plant Kolín. The line is now controlled from the dispatcher workplace in Březnice and this also applies to passenger information equipment (public address system).

Reconstruction of signalling system in Railway Station Mladá

Boleslav – Debř was another significant project. This reconstruction followed the previously completed project „Modernization of line Bakov – Česká Lípa“.

Another important project was the construction of „DOZ Louny – Peruc“. Within this project the LED warning boards on the level crossings of the PZZ-RE type were first installed. Currently the trial operation is there in progress.

The construction of „DOZ Karlovy Vary – Potůčky“ enabled provide dispatcher control for the railway line from Karlovy Vary.

During the past fiscal year „DOZ Plzeň - Klatovy“ project was also prepared for activation and „Reconstruction of LX on the Stará Paka – Košťálov line“ and „Reconstruction of LX on Horka u Staré Paky - Stará Paka“ projects were under way.

DTI important activities include deliveries of communications and information equipment for the construction of the corridor mainlines and also for secondary lines, for instance: „Šatov – Znojmo“, „Letohrad – Lichkov“, „Plzeň – Cheb“ etc.

DTI participates also in other projects being executed by AŽD Praha.

Dodrճujte
dovolenou
rychlost !

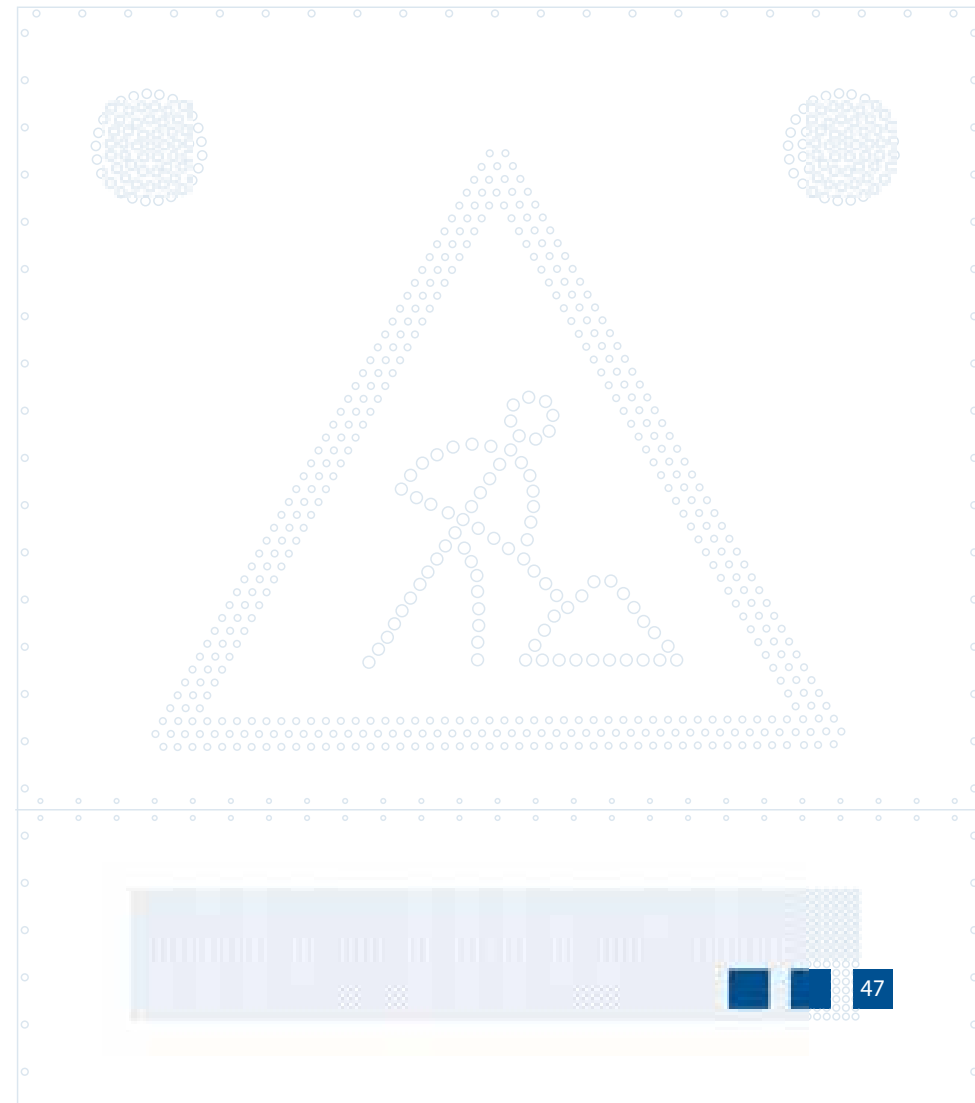
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Completion of the „GSM-R“ project from Děčín state border to Břeclav state border with Slovakia and Austria is also a significant delivery for the railway transport sector. Completion of the line section from Kolín to eastern border is currently underway.

An important DTI activity is development and implementation of new equipment. The current most important achievement is the development and implementation of integrated equipment that are installed in the trial operation „Rationalisation of the Trutnov Střed - Trutnov Poříčí railway junction“. The following equipment like MB multiline set SMZip, the new public address system switchboard RU6 IP, telecommunication utility panel TOP with the touch screen, supervisory power supply source DC 1500, universal supervisory equipment UDZ and digital recording AŽD „Record Dat“ are installed here. All the installed equipment was developed in cooperation with the daughter company DCom. We believe that this integrated solution will get the approval for the Czech Republic. This will also allow a unification of the IP environment for other projects which are already prepared and supplemented, and will provide additional network elements to improve the marketability of these components.



**Division of
Telecommunication
and Signalling
Technology Service
(DSE)**

08
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The Division of Telecommunication and Signalling Technology Service (DSE) is a separate organisational unit and performs the service activities for the installed telecommunication and signalling systems.

It provides services resulting from the responsibility for the equipment failures during the warranty period (warranty service) with visiting service seven days a week, the so called 24/7 and further it provides post warranty service (during equipment service life) and maintenance of the telecommunication, signalling and information technologies.

As a priority the division provides servicing of the newly modernised control and signalling systems, in particular the electronic station interlocking systems, the line signalling and level crossing systems, systems for remote control (CTC), including servicing of the point machines and barriers supplied by AŽD Praha.

Within the Railway Infrastructure Administration (SZDC) the service division takes care of 272 station interlocking systems, 794 level crossing systems, 75 line sections of electronic automatic block, additional 94 line signalling (Automatic Line Block Systems and reconstructed Automatic Blocks), remote control equipment and related communication and

information systems. In addition DSE provides service for the line signalling system of the Vřesinská – Zátíší tram-line in Ostrava city. 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 ATC system on the Metro line A). The division also provides service of the compensators of dangerous currents at the 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 case of complicated defect the problem is solved directly by the visit of DSE employees.

The service activities have been carried out by the service groups located in the cities of Ústí nad Labem, Karlovy Vary, Prague, České Budějovice, Kolín, Pardubice, Olomouc, Brno, Břeclav, Ostrava and Plzeň.

In 2008 the DSE established special workstation providing comprehensive support for the operation of the GTN application (graphic technology overlay) with the 24/7 availability regime was set up. DSE provide remote administration, helpdesk and hotline operational GTN application (graphic-technology overlay) in the Czech Republic and through service groups located in Poprad in the Slovak Republic. In total

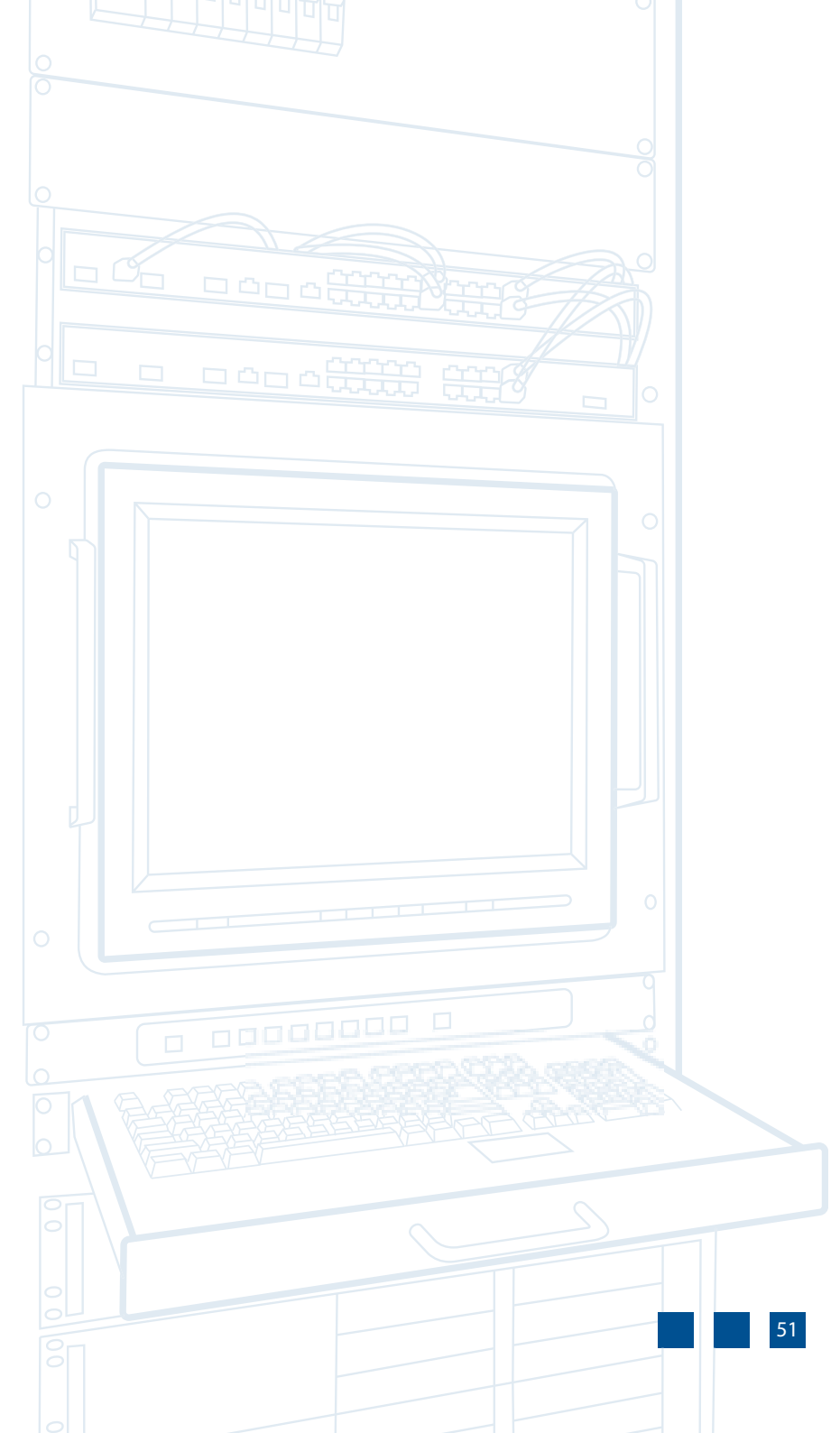


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there are more than 120 GPC computers in the Czech Republic and Slovak Republic of three different types.

The maintenance department SZT provides the maintenance of telecommunication and signalling technologies 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 Olomouc



08
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The AŽD Praha logistic centre is the Logistics Plant with the 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 the logistic services provides supplies to individual installations, Production Plants, Division of Teleinformatics and Division of Telecommunication and Signalling Technology 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.

Within the expansion of the commercial activities through the business partnerships with General Electric and its division Consumer & Industrial Power Protection, the sales of a wide range of products of this company operating worldwide are fast developing. These are products from the area of industrial encasement, devices for power switching and protection, instruments for industrial automation and wide spectrum of instruments and distribution boards for protection of equipment in buildings, industry and other branches of infrastructure.

During the 2008/2009 fiscal year, products, material and other commodities in the amount of CZK 3,3 billions passed

through the stores of the Logistic Plant, from that products for internal company production within logistic products represented the amount of CZK 2,1 billion (69 %) and products for customers abroad represented the amount of CZK 0,94 billions (31 %), from which products for CZK 0,3 billions were exported.

During the past year Logistic Plant continued the material and product supply for project „Modernisation of the Žilina – Krásno nad Kysucou line“ to the Slovak Republic. Logistic Plant completed delivery of equipment for the Serbian power plant TENT Vreoci and subsequently begun to supply the TENT Obrenovac power plant. There also gradually started expeditions to Belarus for the Stěpjanka railway station. Logistic Plant is preparing for the next projects which will open in Greece, Turkey and Lithuania. These projects are still in the stage of a design work and some will be implemented in the next 2009/2010 fiscal year.

We can state that at the end of the 2008/2009 fiscal year Logistic Plant has been partially affected by the impact of nation-wide economic situation which was reflected in the overall results compare with the previous marketing year, with the highest recorded volume of deliveries of materials and products in the history of the Logistic Plant existence.

Research and development



AŽD Praha expends considerable funds into its own research and development. The effective use of its own highly qualified research and development capacities is an essential condition to maintain the production on the required levels of quantity and quality.

The crucial share of the company production forms the electronic signalling and control systems for the railway transportation. This corresponds to the research and development focus.

R&D activities in the area of railway signalling systems:

- The trial operations of the new and also innovated signalling equipment were going on
- The works on further development of signalling systems, traffic control systems, diagnostic equipment and communication systems, including those for the Prague Metro continued.
- Testing of components which are the part of ETCS pilot project at the Poříčany – Kolín line section were took place,
- The works in the field of point programme, including verification of the new method of point operation diagnostics were going on
- The first stage of trial operation of the new automatic train protection prototype was started
- Warning boards and railway signals with LED lamps were put into the trial operations,

- Signalling equipment for Vřesinská – Zátíší tram line in Ostrava was developed, approved and put into the operation,
- The research and development works in the area of satellite navigation continued
- Considerable part of development capacity was assigned for modification of individual types of the signalling systems abroad.

R&D activities in the area of systems for road transportation:

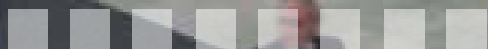
Research and development for Road Telematics was provided by an independent R&D workplace.

In the past year the development of a new type of controller MR-11 (designed to control all types of intersections) and MR-22 (designed for pedestrian crossing and small junction control) with integrated interface for the OCIT communication protocol was completed. These controllers use standard components, ensuring high quality. They are already adapted to the current trend in the use of LED diode signals and also meet high European standards for safety in the case of the system failure.

The Development workplace also pursued development of the urban traffic control centre allowing monitoring and management of Telematic technologies installed in the monitored area.

**International
Activity of
AŽD Praha
within EU**

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It is still obvious that the great majority of technical standards and specifications which specify technical features and functionality of our products and systems are prepared by the EU bodies and subsequently adopted by the EU member countries as legally binding. Creation of the legislation and recommendations is a complex process which has to be not only monitored but also actively influenced in accordance with clearly defined strategy. AŽD Praha company has been monitoring this process on a long-term basis and this is one of the reasons why we have had our representation at EU bodies in Brussels for two years. We enter this process directly as well as through international cooperation with other railway industry manufacturers, railway companies and infrastructure owners from the EU countries as well as with those outside the EU.

AŽD Praha is a long-term member of the associations of Czech and European railway industries ACRI and UNIFE. UNIFE defends the interests of the railway industry of the EU and the Czech association ACRI is focused on such activities in the Czech Republic. The Paris-based worldwide railways federation UIC is another partner of ours. AŽD Praha Brussels's office closely cooperates with the above-mentioned organizations as well as with the permanent representation of the Czech Republic to the European Union, regional representation of Czech and Moravian regions, the Czech en-

trepreneurial representation to the EU – CEBRE and other special interest organizations. We cooperate with deputies of the European parliament when covering transport and political topics.

AŽD Praha has been involved in European-wide topics concerning the railway transport and for this purpose we share joint standpoints of the entire railway sector not only with UNIFE members but also with the Community of European Railway and Infrastructure Companies (CER) or with the European Infrastructure Managers (EIM). Partners at the negotiating table are the European Commission and its individual directorates and the European Railway Agency (ERA).

In January 2009, our company has become a member of the UNISIG consortium, which coordinates elaboration of the specifications of one of the interoperability elements, in the field of the ERTMS/ETCS. The European Commission considers ERTMS/ETCS as the most significant element and the development of this system is a precondition for any EU-funded infrastructure projects including signalling technology in individual railway networks within the EU as well as outside it. The fact that AŽD Praha, s.r.o. became UNISIG member confirms the high technical level of our products and the expertise of our experts and employees. At the same time, it is a great commitment for us to equally participate in



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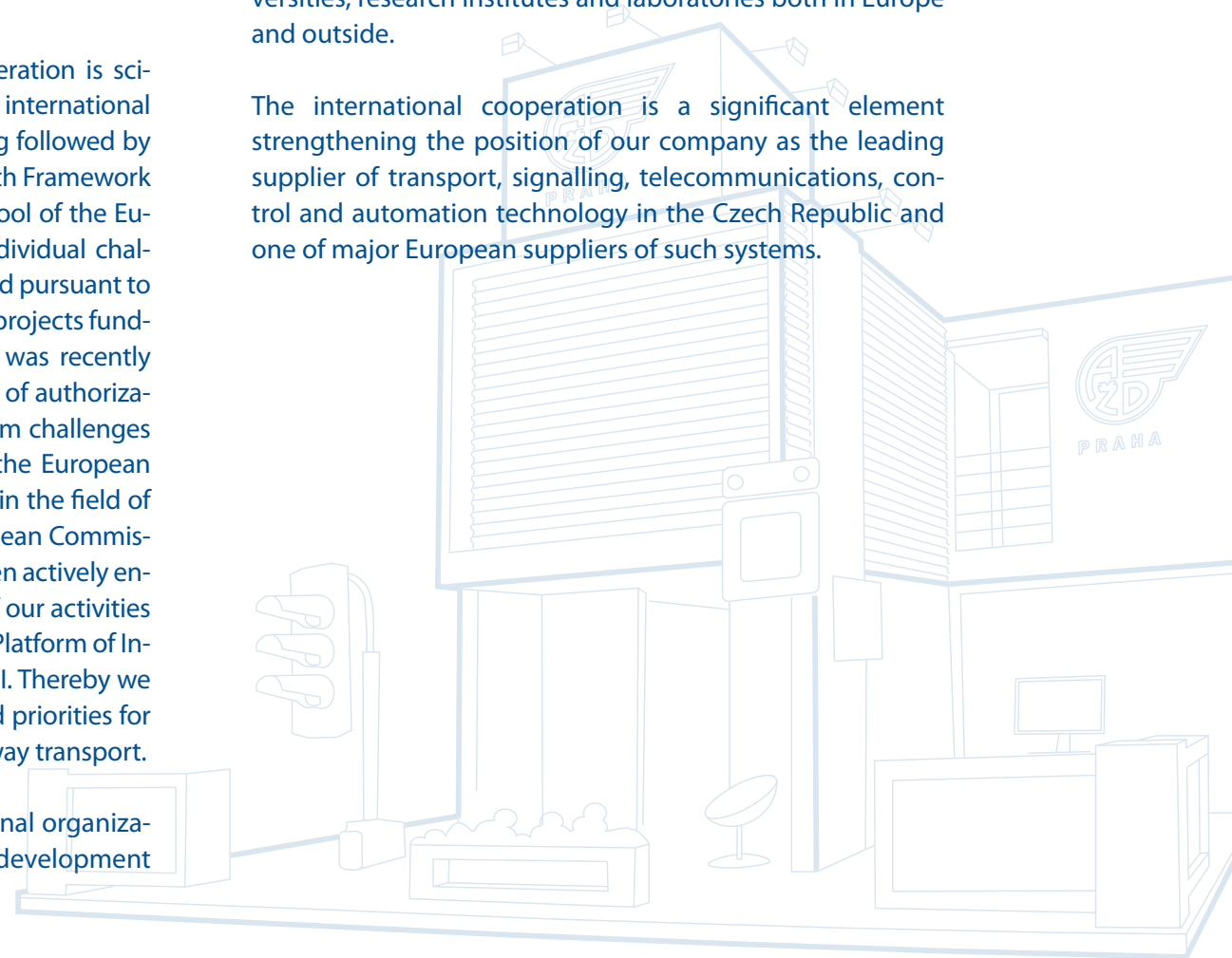
the creation of specifications and to be a part of ERTMS/ETCS further development.

Another significant area of international cooperation is science and research. Our engagement in the first international research project in 2000 was only the beginning followed by further projects in the course of time. The seventh Framework Science and Research program is a significant tool of the European Union. Within the framework of the individual challenges of this program, projects can be presented pursuant to their orientation. At present, we are engaged in projects funded by the European Commission, one project was recently completed and further projects are in the stage of authorization proceedings. The orientation of the program challenges is determined by the Research Directorate of the European Commission and by ERRAC, consultancy group in the field of railway research, which is working for the European Commission in the area of railway transport. We have been actively engaged in ERRAC's work within the framework of our activities in UNIFE, UIC and in the National Technological Platform of Interoperability of the Railway Infrastructure – SIZI. Thereby we participate in directing and specifying tasks and priorities for further EU R&D framework programs in the railway transport.

In addition to the above-mentioned international organizations, our company cooperates with its own development

and commercial activities with other entities, such as universities, research institutes and laboratories both in Europe and outside.

The international cooperation is a significant element strengthening the position of our company as the leading supplier of transport, signalling, telecommunications, control and automation technology in the Czech Republic and one of major European suppliers of such systems.



**Financial
Performance of
the company**

08
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The fiscal year 2008/2009 was another successful year following good results of previous years.

Our commercial turnover in the amount of CZK 5,2 billion for the fiscal year 2008/2009 belongs to our successful periods. Our economic results are therefore close to the extraordinary results achieved during previous years.

During the monitored period, the number of our employees increased to 1867. In particular, our company's research and development was strengthened in terms of personnel; the amount of CZK 230 million was spent for our research and development during the same period.

The composition of the assets has been significantly affected by receivables, primarily those after due date, since the conditions specified in most orders set forth 120-day invoice due dates.

During the assessed period our company showed non-tax reserves for the development a new generation of electronic signalling systems, which have been in long-term verification operation and for which our company has confirmed five-year guarantees.

Our company's funds are stabilized; the turnover is proportionally reflected in trade accounts payable and drawdown on bank loans.

Our company does not acquire any assets through financial lease and has no due liabilities in respect of health and social insurance or tax underpayments.

Our company has branches in the Slovak Republic and in Montenegro. It has majority and substantial interests in ten subsidiaries in the Czech Republic and in five subsidiaries in foreign countries (Slovakia, Bulgaria and Serbia). Our company's plans for the assessed period have been fulfilled and partially exceeded.

From September 30, 2009 until preparation of this report, no significant events occurred fundamentally affecting our activities.

The envisaged development of our company's activities is good even under the existing economic crisis and conditions have been created for further development of our company, in particular by the development of our foreign activities.

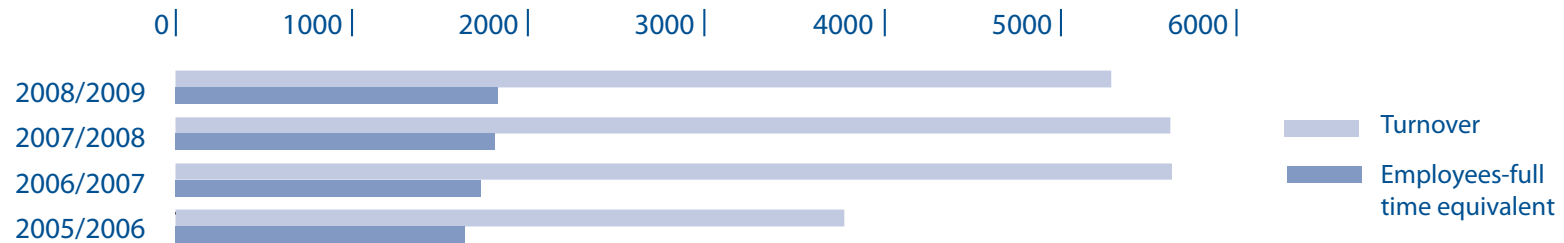
Main Financial Indicators of AŽD Prague s.r.o.

From business year 2008/2009 – from 1.10.2008 till 30.9.2009

Company accounting period is always from 1.10 till 30.9.

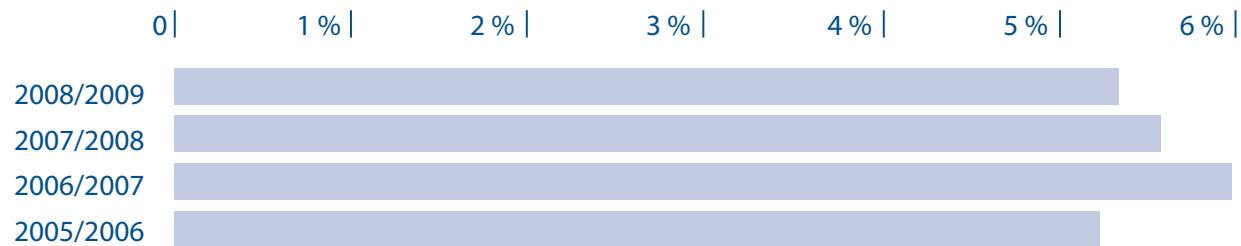
Indicator/period	2005/2006	2006/2007	2007/2008	2008/2009
Turnover in thous. CZK	3 762 091	5 615 059	5 622 130	5 280 867
Profit after tax	190 000	327 671	304 656	275 148
Profit from turnover %	5,05	5,83	5,41	5,21
Value added tax	877 435	1 273 103	1 296 396	1 378 281
Bank loans	560 550	1 113 581	1 598 526	1 104 031
Employees-full time equivalent	1 647	1 721	1 835	1 867

Turnover/Employees full-time equivalent



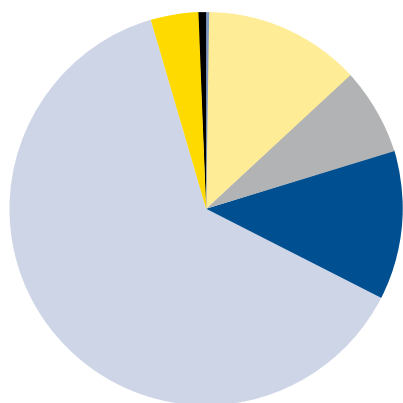
Indicator / period	2005/2006	2006/2007	2007/2008	2008/2009
Turnover in mill. CZK	3 762	5 615	5 622	5 281
Employees-full time equivalent	1 647	1 721	1 835	1 867

Turnover profit rate



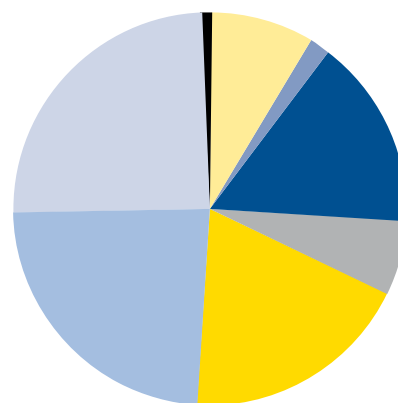
Indicator / period	2005/2006	2006/2007	2007/2008	2008/2009
Profit from turnover %	5,05	5,83	5,41	5,21

Composition of assets as at September 30, 2008 (in thous. CZK)



Long-term intangible fixed assets	11 634
Long-term tangible fixed assets	568 191
Long-term financial assets	309 898
Inventory	549 705
Liabilities	2 833 009
Financial assets	171 987
Accruals	23 324
Total assets	4 467 748

Composition of liabilities as at September 30, 2008 (in thous. CZK)



Registered capital	384 436
Capital funds	-1 119
Funds from profit	74 073
Retained earnings from previous years	708 291
Profit of 2008/2009	275 148
Reserves	847 704
Liabilities	1 040 733
Bank loans and other creditors	1 104 031
Accruals	34 451
Total liabilities	4 467 748

Balance sheet

as at September 30, 2009 (in CZK thousands)

Identif.	ASSETS	row	Current accounting period			Previous period
			Gross	Adjustment	Net	Net
a	b	c	1	2	3	4
	TOTAL ASSETS (r. 02 + 03 + 31 + 62)	001	5 120 752	653 004	4 467 748	5 046 907
A.	Receivables from subscriptions	002				
B.	Fixed assets (r. 04 + 13 + 23)	003	1 451 935	562 212	889 723	974 363
B. I.	Intangible fixed assets (r.05 to 12)	004	76 649	65 015	11 634	23 861
B. I. 1	Incorporation expenses	005				
2	Research and development	006				
3	Software	007	71 994	61 484	10 510	20 876
4	Valuable rights	008	4 266	3 358	908	714
5	Goodwill	009				
6	Other intangible fixed assets	010	389	173	216	281
7	Intangible fixed assets under construction	011				1 990
8	Advance payments for intangible fixed assets	012				
B. II.	Tangible fixed assets (r.14 to 22)	013	1 046 968	478 777	568 191	562 387
B. II. 1	Lands	014	97 820		97 820	57 788
2	Constructions	015	458 321	162 344	295 977	304 518
3	Equipment	016	665 266	498 604	166 662	189 052
4	Perennial corps	017				
5	Breeding and draught animals	018				

Identif.	ASSETS	row	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	16 499	9 197	7 302	11 029
8	Advance payments for tangible fixed assets	021	430		430	
9	Adjustment to acquired assets	022	-191 368	-191 368		
B. III.	Long-term financial assets (r. 24 to 30)	023	328 318	18 420	309 898	388 115
B. III. 1	Shares in controlled and managed organizations	024	77 296	18 420	58 876	60 852
2	Shares in accounting units with substantial influence	025	300		300	699
3	Other securities and shares	026	110 255		110 255	110 255
4	Loans to controlled and managed organizations and to accounting unit with substantial influence	027	140 467		140 467	216 309
5	Other financial investments	028				
6	Financial investments acquired	029				
7	Advance payments for long-term financial assets	030				
C.	Current assets (r. 32 + 39 + 47 + 57)	031	3 645 493	90 792	3 554 701	4 060 936
C. I.	Inventory (r.33 to 38)	032	549 705		549 705	629 030
C. I. 1	Materials	033	263 639		263 639	282 949
2	Work in progress and semi-products	034	278 859		278 859	337 501
3	Finished products	035				

Identif.	ASSETS	row	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	7 207		7 207	8 580
C. II.	Long-term receivables (r. 40 to 46)	039	532 306		532 306	587 891
1	Trade receivables	040	369 014		369 014	424 371
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	Long-term deposits given	044a	210		210	
7	Other receivables	045				13
8	Deffered tax receivable	046	163 082		163 082	163 507
C. III.	Short-term receivables (r. 48 to 56)	047	2 391 495	90 792	2 300 703	2 752 609
C. III. 1	Trade receivables	048	2 188 910	90 792	2 098 118	2 587 591
2	Receivables from controlled and managed organizations	049	167 758		167 758	127 851
3	Receivables from accounting units with substantial influence	050				
4	Receivables from partners, cooperative members and association members	051				
5	Receivables from social security and health insurance	052				
6	Due from state - tax receivable	053	17 100		17 100	25 247

Identif.	ASSETS	row	Current accounting period			Previous period
			Gross	Adjustment	Net	Net
a	b	c	1	2	3	4
7	Other deposits given	054	9 765		9 765	5 291
8	Estimated receivable	055	5 273		5 273	563
9	Other receivables	056	2 689		2 689	6 066
C. IV.	Short-term financial assets (r. 58 to 61)	057	171 987		171 987	91 406
C. IV. 1	Cash	058	8 046		8 046	8 767
2	Bank accounts	059	163 941		163 941	82 639
3	Short-term securities and ownership interests	060				
4	Short-term financial assets acquired	061				
D. I.	Accruals (r. 63 to 65)	062	23 324		23 324	11 608
D. I. 1	Deferred expenses	063	21 232		21 232	9 834
2	Complex deferred costs	064				
3	Deferred income	065	2 092		2 092	1 774

Označení	PASIVA	Číslo řádku	Běžné účetní období	Min. úč. období
a	b	c	5	6
	TOTAL LIABILITIES (r. 67 + 84 + 117)	066	4 467 748	5 046 907
A.	Equity (r. 68 + 72 + 77 + 80 + 83)	067	1 440 829	1 350 231
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	-1 119	-1 503
A. II. 1	Share premium	073		
2	Other capital funds	074	376	344
3	Diferences from revaluation of assets and liabilities	075	-1 495	-1 847
4	Diferences from revaluation in tranformation	076		
A. III.	Reserve funds, statutory reserve account for cooperatives, and other retained earnings (r. 78 + 79)	077	74 073	73 877
A. III. 1	Legal reserve fund/indivisible fund	078	73 732	73 732
2	Statutory and other funds	079	341	145
A. IV.	Profit/loss - previous year (r. 81 + 82)	080	708 291	588 765
A. IV. 1	Retained earnings from previous years	081	708 291	588 765
2	Accumulated losses from previous years	082		

Označení	PASIVA	Číslo řádku	Běžné účetní období	Min. úč. období
a	b	c	5	6
A. V.	Profit/loss - current year (+/-) r. 01 – (+ 68 + 72 + 77 + 80 + 84 + 117)	083	275 148	304 656
B.	Other sources (r. 85 + 90 + 101 + 113)	084	2 992 468	3 662 329
B. I.	Reserves (r. 86 to 89)	085	847 704	866 009
B. I. 1	Reserves under special statutory regulations	086	22 136	31 508
2	Reserves for pension and similar payables	087		
3	Income tax reserves	088		
4	Other reserves	089	825 568	834 501
B. II.	Long-term payables (r. 91 to 100)	090	4 801	20 008
B. II. 1	Trade payables	091	4 801	20 008
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		

Označení	PASIVA	Číslo řádku	Běžné účetní období	Min. úč. období
a	b	c	5	6
B. III.	Short-term payables (r. 102 to 112)	101	1 035 932	1 177 786
B. III. 1	Trade payables	102	731 037	901 252
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	173 366	158 201
6	Payables to social securities and health insurance	107	41 011	39 763
7	Due from state - tax liabilities and subsidies	108	33 530	43 513
8	Short-term deposits received	109	8 565	3 464
9	Issues bonds	110		
10	Estimated payables	111	46 403	28 263
11	Other payables	112	2 000	3 310
B. IV.	Bank loans and financial accommodations (r. 114 to 116)	113	1 104 031	1 598 526
B. IV. 1	Long-term bank loans	114		
2	Short-term bank loans	115	1 104 031	1 598 526
3	Short-term accommodations	116		
C. I.	Accruals (r. 118 + 119)	117	34 451	34 347
C. I. 1	Accrued expenses	118	27 914	33 560
2	Deffered revenues	119	6 537	787

Profit/loss statement

as at September 30, 2009 (in CZK thousands)

Marking	TEXT	Row No.	Statement for period	
			Current	Previous
a	b	c	1	2
I.	Revenues from sold goods	01	513 658	770 665
A.	Expenses on sold goods	02	466 255	682 513
+	Sale margin (r. 01 – 02)	03	47 403	88 152
II.	Production (r. 05 + 06 + 07)	04	5 291 277	5 387 176
II. 1	Revenues from own products and services	05	4 393 682	4 248 784
2	Change in inventory of own products	06	-58 658	138 226
3	Capitalisation	07	956 253	1 000 166
B.	Production consumption (r. 09 + 10)	08	3 960 399	4 178 932
B. 1	Consumption of material and energy	09	3 577 827	3 762 650
B. 2	Services	10	382 572	416 282
+	Added value (r. 03 + 04 – 08)	11	1 378 281	1 296 396
C.	Personnel expenses	12	945 163	900 461
C. 1	Wages and salaries	13	707 814	667 085
C. 2	Remuneration of board members	14		
C. 3	Social security expenses and health insurance	15	234 106	230 318
C. 4	Other social expenses	16	3 243	3 058
D.	Taxes and fees	17	3 508	3 182
E.	Depreciations of intangible and tangible assets	18	100 636	100 545

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	309 733	342 408
III. 1	Revenues from disposals of fixed assets	20	5 898	4 486
2	Revenues from disposals of materials	21	303 835	337 922
F.	Net book value of disposed fixed assets and materials (r. 23 + 24)	22	193 591	226 311
F. 1	Net book value of sold fixed assets	23	3 406	1 069
F. 2	Net book value of sold material	24	190 185	225 242
G.	Change in operating reserves and adjustments and complex deferred costs (+/-)	25	18 942	-5 775
IV.	Other operating revenues	26	43 097	48 989
H.	Other operating expenses	27	90 478	40 693
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	378 793	422 376
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	30 996	39 918

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	30 996	39 918
VII. 2	Revenues from others securities and ownership interests	35		
VII. 3	Revenues from other long-term financial assets	36		
VIII.	Revenues from short-term financial assets	37		
K.	Expenses associated with financial assets	38		
IX.	Revenues from revaluation of securities and derivatives	39		
L.	Cost of revaluation of securities and derivatives	40		
M.	Change in financial reserves and adjustments	41	2 861	-10 721
X.	Interest revenues	42	17 063	16 483
N.	Interest expenses	43	59 952	60 920
XI.	Other financial revenues	44	31 296	16 357
O.	Other financial expenses	45	53 767	84 824
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	-37 225	-62 265
Q.	Income tax on ordinary income (r. 50 + 51)	49	66 420	55 455

Marking	TEXT	Row No.	Statement for period	
			Current	Previous
a	b	c	1	2
Q. 1	Due tax	50	65 995	53 159
Q. 2	Tax deferred	51	425	2 296
**	Operating profit / loss ordinary activity (r. 30 + 48 – 49)	52	275 148	304 656
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	275 148	304 656
	Profit/loss before tax (+/-) (r. 30 + 48 + 53 – 54)	61	341 568	360 111

**Auditor's
Report**

08
09



Auditor's Report on verification of the Final Accounts for the period from October 1, 2008 to September 30, 2009 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

We have verified the attached final accounts of the above-mentioned company, i.e. balance sheet as at September 30, 2009, profit and loss statement, summary of changes to the equity capital and cash flow summary for the period from October 1, 2008 to September 30, 2009 and the annex to these final accounts including a description of accounting methods applied. Further data and information on AŽD Praha 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 the Czech accounting regulations. Such responsibility includes a proposal, introduction and procurement of an internal inspection during the com-

pilation 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, 2009, and of the expenses, revenues, business results and cash flow achieved during the period from October 1, 2008 to September 30, 2009 in compliance with Accounting Act and relevant regulations of the Czech Republic.“

Date: December 15, 2009

Auditing company

EKMA FIN, a.s.

Registered office: Ondříčkova 27/609, 130 00 Praha 3

Auditing company's certificate No.: 076

Identification No. (IČO): 60193239

Auditor's Report was elaborated on behalf of auditing company by Ing. Jana Buková Auditor's certificate No.: 1214



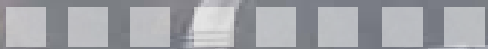
.....
Ing. Pavel Šrámek
Statutory Representative



.....
Ing. Jana Buková
Auditor'

Supervisory Board's Annual report

03



Business results of AŽD Praha s.r.o. Fiscal year 2008/2009

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 the Supervisory Board was informed about accepted intentions of Executive Plan, the company's business results, the company's financial situation, the organisational changes and company's activities implementation in inland and abroad.

The Supervisory Board acquainted itself with the auditor's statement prepared by EKMA FIN a.s.'s auditor Ing. Jana Buková dated January 15, 2009.

The Auditor's statement is "Without objections" with classification:

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, 2009, and of the expenses, revenues, business results and cash flow achieved during the period from October 1, 2008 to September 30, 2009 in compliance with Accounting Act and relevant regulations of the Czech Republic.

The Supervisory Board of AŽD Praha s.r.o. reviewed Annual report and fully approves this report.

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

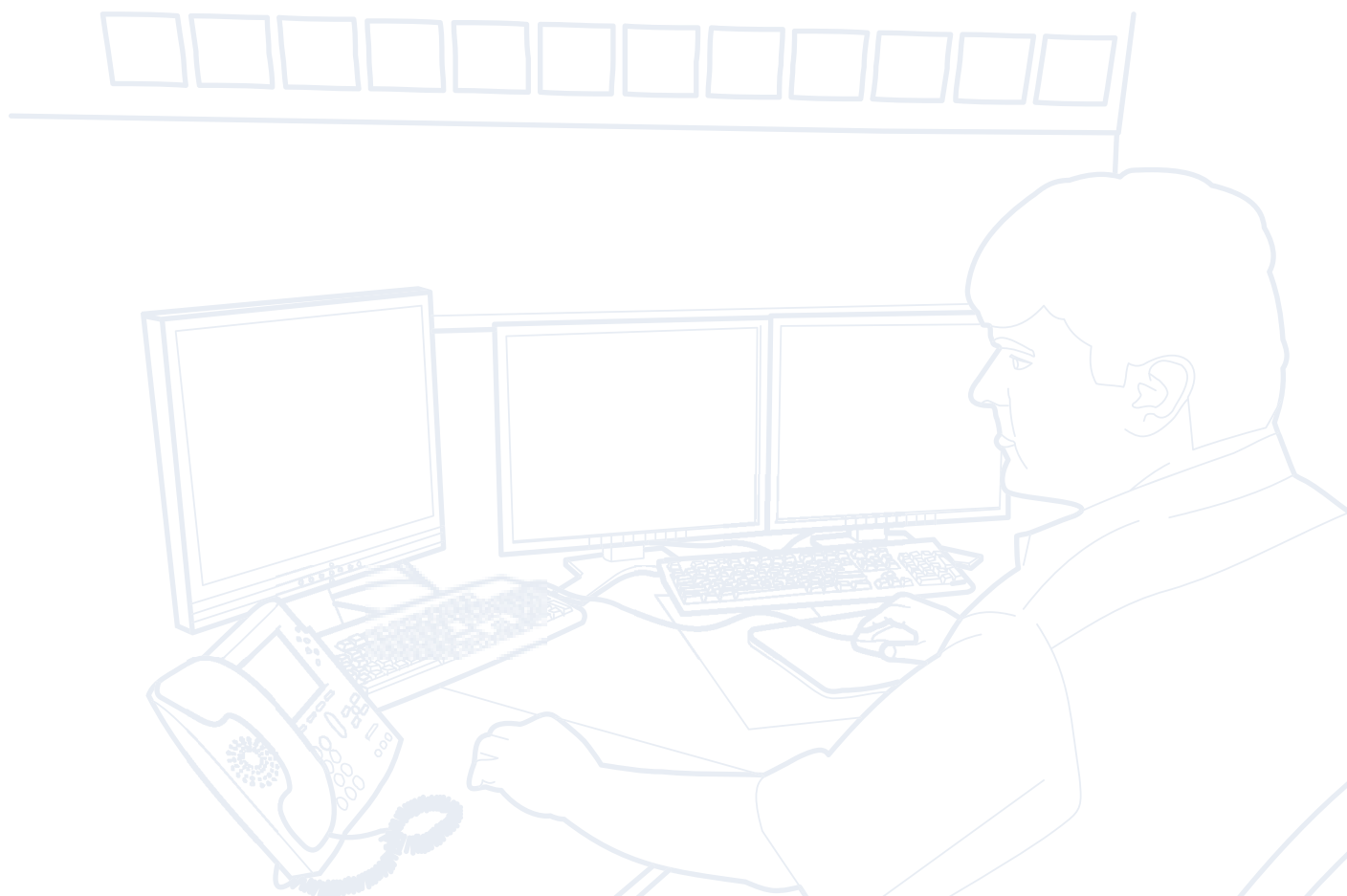


Daniela Veselá
Supervisory Board Chairman, AŽD Praha s.r.o.

In Prague, on February 1, 2010

Mandatory annexes:

- Annex 1: Annex to the Final Accounts of AŽD Praha s.r.o. for 2008/2009
- Annex 2: Cash Flow Summary
- Annex 3: Changes to Equity Capital for 2008/2009
- Annex 4: Report on the Relationship of Interconnected Persons pursuant to Paragraph 66a of the Commercial Code for the period from October 1, 2008 to September 30, 2009





This Annual Report has been prepared pursuant to the applicable Accounting Act and reflects the situation as at September 30, 2009.

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