

2009
2010

**REPORT ON THE BUSINESS ACTIVITIES
AND RESULTS OF THE COMPANY
AŽD PRAHA S.R.O.
FOR THE FISCAL YEAR 2009/2010**

1. 10. 2009–30. 9. 2010



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**GENERAL MANAGER'S
FOREWORD**

Dear Associates, Dear
Business Partners,
Dear Colleagues,

pronouncing my foreword to the AZD Praha Company 2009/2010 Annual Report means stressing successful fulfilment of our business targets in the conditions of a changing situation both on domestic and foreign markets. The

It is useless to mention the negative influence of the world crisis as it is a current state in which we have to sustain viability of our company and at the same time to solve the conditions of its future development. In this new situation our company has been fully pursuing projects on the domestic market. Construction of the transportation infrastructure remains our main priority. The efforts of our workers, technicians, commercial specialists and engineers in their respective fields of activities are focused on this goal.

Our company continued the construction of railway corridor mainlines within the construction of the transportation infrastructure of the Czech Republic. We were also successful in the execution of the so called rationalization projects. Implementation of the new technologies into the control of the railway transport brings besides its economic effects also an entirely irreplaceable value of the increase in safety of the railway operation. "

The activities of our company on the domestic market include as well our participation in the construction of Prague metro and construction of the road transportation control systems within Czech cities, highways and speedways.

Steady development of the supplied systems and technologies

is undoubtedly precondition for sustaining our market position and for our ability of acquiring new orders. This area of activities is performed within our company by the team of specialists focused on development in the domains of railway transport, telematics, highway traffic control systems and control systems for metro operation.

At the same time we have been performing goals and requirements in the field of ERTMS. AZD Praha cooperates with European railway industry companies and with European bodies associating railway signalling producers.

New conditions on the domestic market clearly proved the rightness of our commercial strategy. Our long term involvement in foreign markets in the form of supplying our systems to foreign investors are not only the right but also an unavoidable way towards acquiring orders in the years to come.

AZD Praha broadened its activities to four continents of the world. Providing supplies of our products induces considerable requirements for our commercial specialists, designers and technicians, but also for our organization units, which are in charge for production, installation, logistics and financing.

Besides Slovakia, our steady and important customer, we are active on large East and North-East European markets. Railway infrastructures of Serbia, Montenegro, Greece, Turkey, U.S.A. and of other countries are using our systems.

Construction and upgrade of railway infrastructures of our foreign business partners is an important impetus and motivation for our company. The nature of supplied technologies requires a close cooperation between our designers and R&D specialists on the customization of the systems delivered to specific destinations.

During the last year we proceeded to restructuring our company with the aim of reaching higher efficiency of our managing and production processes.

Our company is getting slimmer and economy measures are applied. It is a significant self-reflection, through which we want to set up preconditions for our assertion both on domestic and foreign markets.

Even if these measures are sensible, I am convinced that they are perceived by our collaborators and by our environment as being unavoidable. Basically it is a process of setting up pre-requisites for the successful functioning of our company in the years to come.

Dear Business Partners, Friends,

At the opportunity of the past fiscal year evaluation I would like to thank you for your confidence in our technologies and in our capabilities, for your cooperation during realization of significant projects, which contributed to enhancement of the transport infrastructure.

At the same time I would like to thank my collaborators, bearers of the knowledge and of skills which are irreplaceable qualities of our company. We supply to our business partners products with required parameters and with a high utility value. Reaching these business targets is possible only thanks to a highly qualified and motivated team of our company specialists.

Conclusion and evaluation of the past fiscal year means at the same time starting a new year, which is going to be certainly interesting and demanding. Our goal is to fulfil wishes and trust of our customers in our systems and in the entire AZD Praha Company. I would like to wish to my collaborators and to our company to be always perceived as a flexible business partner reacting to the needs of investors and disposing of the top technologies and highly qualified specialists.

I would like to wish to our business partners a lot of success in realizing their programs of construction and development of the safe transport infrastructure.



Zdenek Chrdle
General Manager

PRAHA

SKŘÍŇ DOZ



SKŘÍŇ 04 NAP



MANAGING BODIES AND ORGANISATIONAL UNITS



AŽD Praha s.r.o. (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.

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, 2010

COMPANY BODIES

as at 30. 9. 2010

GENERAL ASSEMBLY

EXECUTIVES

Ing. Zdeněk CHRDLÉ
Miroslav HORA
Ing. Alice DICKOVÁ

SUPERVISORY BOARD

Ing. Miroslav KOZÁK
Ing. Vladimír KETNER
Daniela VESELÁ

COMPANY HEAD OFFICE AND HEADQUARTERS

AŽD Praha s.r.o.

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ORGANIZATION UNITS

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PRODUCTION PLANT PRAGUE

Director of the Plant

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PRODUCTION PLANT BRNO

Director of the Plant

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PRODUCTION PLANT OLOMOUC

Director of the Plant

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Director of the Plant

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Director of the Division

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*DIVISION OF TELECOMMUNICATION AND
SIGNALLING TECHNOLOGY SERVICE*

Director of the Division

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*AŽD Praha s.r.o.,
ORGANIZATION UNIT BRATISLAVA*

Director of the Unit

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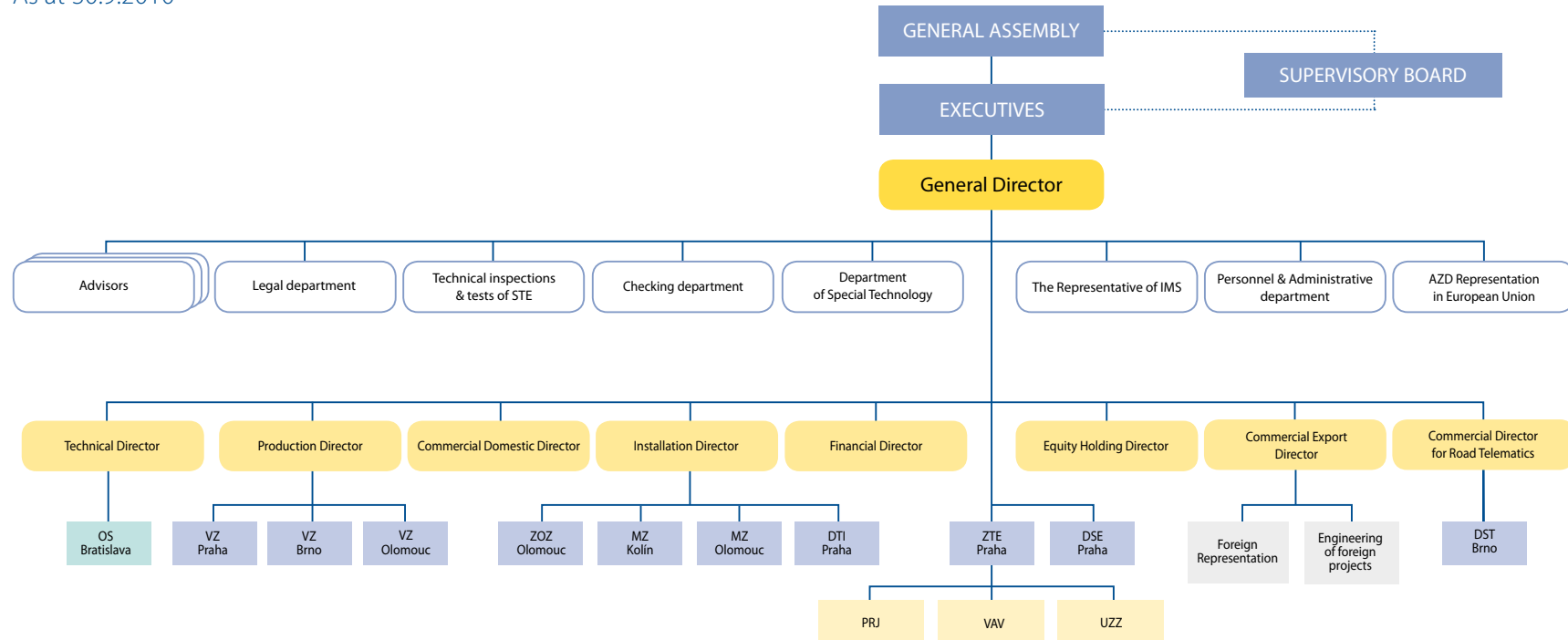
*DIVISION OF ROAD TECHNOLOGY
AUTOMATION*

Director of the Division

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ORGANIZATION SCHEME

As at 30.9.2010



Key:

- VZ – Production Plant
- MZ – Installation Plant
- ZOZ – Logistic Plant
- ZTE – Technika Plant
- PRJ – Design Department
- VAV – R&D
- DSE – Service of Signalling and Telecommunication Technology Department

- DTI – Division of Teleinformatics
- DST – Division of Road Technology Automation
- OS – AŽD Praha s.r.o. – Organization Unit Bratislava
- IMS – Integrated Management System
- UTZ – Specific Technical Equipment
- UZZ – Foreign Trade Supportive Department

Comments on the changes of the organizational structure

During the fiscal year 2009/2010 the following substantial organizational changes have been made with the effect from 1st March 2010:

By the decision of General Manager ref. no. RSP-RZ-41/36 the following company organizational units and management positions have been abolished:

- Director for Telecommunication and Signalling Systems Maintenance within the General Manager section
- Legal Department within the Commercial section
- Human Resource section
- Operational section and Operational Director
- Deputy of the Technical Director for technical development within the Technical section.

The following organizational units and management positions have been newly set up:

Within the Foreign Marketing and Trade the department Engineering of Foreign Projects has been set up. At the same time the title of the section director has been changed to Commercial Export Director.

In the direct subordination to the General Manager the Personnel and Administration section, which is further divided into Human Resources Department and Administration Department, and the Legal Department have been set up.

Further on Installations Operating section and Production Operating section together with Installation Director and Production Director positions have been set up.

Installation plants Kolín and Olomouc, Division of Teleinformatics Prague and Logistic plant Olomouc have been subordinated to Installation Director. Production plants Prague, Brno and Olomouc have been subordinated to Production Director. Until the occupation of the Production Director position the activities of production plants will be managed by Installation Director.

In connection with the setting up of Production Operating section within the production plants, the position of the Operational Director deputy has been abolished and the position Production Plant Director has been set up.

For the management of the company subsidiaries the Equity Holding section and Equity Holding Director position have been set up.

Organizational section Bratislava has been subordinated to the Technical Director.



WHO WE ARE



AŽD Praha Company is the foremost Czech supplier of control/command, signalling, information and telecommunication systems and technologies particularly for rail and road transport.

Thanks to comprehensiveness of our activities, from the analysis of needs and development of new systems, through the design, production and installation, up to the long term servicing, AŽD Praha offers efficient solutions to the particular needs of its customers.

Besides its stable position on the domestic market, AŽD Praha Company is also successful abroad and it broadens its activities to non-European markets.

SCOPE OF BUSINESS



AŽD Praha Company is focused on production and deliveries of complex control/command and signalling solutions for the safety of railway transportation not only on the European corridor mainlines of the TEN-T network including their junctions, but also on the non-corridor lines. Installation of our systems brings to our customers considerable operation cost savings.

Our complex signalling solution includes electronic interlocking systems in different configurations, line-side control equipment, level crossings and respective power supply systems. These systems include complete diagnostics and remote control from one dispatcher's centre. Our technologies provide support and solution both for routine and emergency situations during dispatcher's work.

AŽD Praha also manufactures and supplies wayside equipment for the control and safeguarding of points, light signals and other equipment. Our automatic train operation system is also used successfully in the operation of Prague and Warsaw metros and it enables also an entirely automatic (driverless) operation. Our signalling systems are used as well within the industrial and mine railyards. Our company is also supplier of control and signalling systems for the road traffic, e.g. controllers for crossroads, traffic control systems for tunnels, parking and entry systems, systems for recognition of license plates, speed control systems 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 the national grid of European ERTMS/GSM-R system in Czech Republic. The company's other activities include logistic, design, training and consulting services.

During its long term business activities AŽD Praha achieved a lead-

ing position on the Czech transportation infrastructure market. It has been proved during the past time period that our company has competencies to fulfil with success complex objectives of the projects realized within its scope of business. AŽD Praha is ready to provide design documentation of the projects, manufacture systems and provide logistic services, provide installation and complete servicing of its products including warranty and post warranty repairs.

Our company disposes of all certificates entitling it to perform works on the railway infrastructure and is able not only to install the equipment and put it into operation but also to provide it with all necessary documents according to the respective standards and regulations.

Area of activities of our company includes not only execution of direct orders but also design, research and development and production of components of signalling control and communication systems.

All these activities are performed within an environment ensuring quality control of production, installation and other works, protection of environment and health protection. Quality of products and services, environment protection and occupational health protection is confirmed by fulfilling requirements of ISO 9001, ISO 14001 and OHSAS 18001 standards. Complying with these standards is confirmed by certificates issued by the IQNet certifying body.

EXPORT ACTIVITIES

Increase of order intake from abroad belongs at present among the most successful features of AŽD Praha Company. As one of indicators showing the growth of export balance it can be mentioned that in 2010 our company established further two subsidiaries

abroad – AZD Signaling Inc. in the U.S.A., developing marketing and sales activities on the U.S. markets, and MPC Service company in Belarus, which will be in charge for all service activities connected with supplies of AŽD Praha systems to Belarus railways. Therefore besides Serbia and Bulgaria, AŽD Praha has now two more direct representations abroad.

Equally promising are the successful business negotiations developed in other countries like Turkey, Greece, Syria and India.

ROAD TELEMATICS

Commercial section for road telematics is part of company headquarters. Its activities are focused on the field of systems and technologies serving to increase fluidity and safety of the road transportation. Its activities have been developed successfully during the fiscal year 2010 primarily in the Czech Republic, in Slovakia, but also in other countries. As a significant success of the Road Telematics section we can mention acquiring prospective order for the construction of the information and line traffic control systems of the speedway in Baku, Azerbaijan.

SPECIAL TECHNOLOGIES

Special Technologies section is focused on the activities which lie beyond the main scope of business of the company.

It provides complex solutions of the systems protecting safety

of persons and property, e.g. electronic safeguarding system, electronic anti fire system, camera system, access system, mechanical protections. The above mentioned technologies can be interconnected into an integration platform. Based on the customer needs analysis, the most appropriate solution is proposed in the form of study and the project documentation can be prepared. Consequently our team carries out realization of the project including supplies of equipment, testing, personal training and subsequent servicing.

HOUSING DEVELOPMENT ACTIVITIES

Construction of housing complex in Králův Dvůr has been completed and approved. The problem of sun exposure is solved for 6 apartments. Out of the total 242 apartments 49 apartments, 30 parking lots, access roads, greenery and exchanger station with duct have not yet been sold. With regard to the ongoing crisis two other housing projects were stopped.

Within the Czech railways “Live railway stations” project our company took part in the tenders for railway stations Havlíčkův Brod, Kolín, Nymburk, Poděbrady, Kralupy n/Vl. and Kutná Hora – central station.

The contract for a 30-year lease of Havlíčkův Brod and Kolín railway stations was signed. “Live railway stations” project was reviewed by the Czech railways (State administration for protection of economic competition) and the contracts were disputed with regard to the new law in force. Therefore it has been agreed between the parties to finish the lease including compensation of the invested resources.



The Integrated Management System (IMS) is an integral part of company management meeting all the requirements of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007. The IMS meets strategic objectives in the area of quality, environment and occupational health and safety. These objectives are declared in the document INTEGRATED MANAGEMENT SYSTEM POLICY OF AŽD PRAHA S.R.O.

The management of AŽD Praha, together with all of its employees fully focuses their commercial activities towards meeting the requirements, needs and expectations of customers and other parties concerned.

Through cooperation with customers and a positive approach to quality and reliability of supply, AŽD Praha boasts a leading position in the competitive environment for the area which is the company's subject of business.

ENVIRONMENTAL PROTECTION



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POZOR VLAK



The company also devotes its constant attention to problems of environmental issues, this being both in the field of design activities, preparation of construction projects and their subsequent implementation, as well as in the segment of production activities starting with the field of research and development and subsequently in the whole range of extensive technologically and ecologically demanding own industrial production. The company's activity in the field of the environment is evaluated every year in the "Environmental profile of AŽD Praha s.r.o." report and trends in individual environmental components are monitored. The report for the previous period shows the expected positive results.

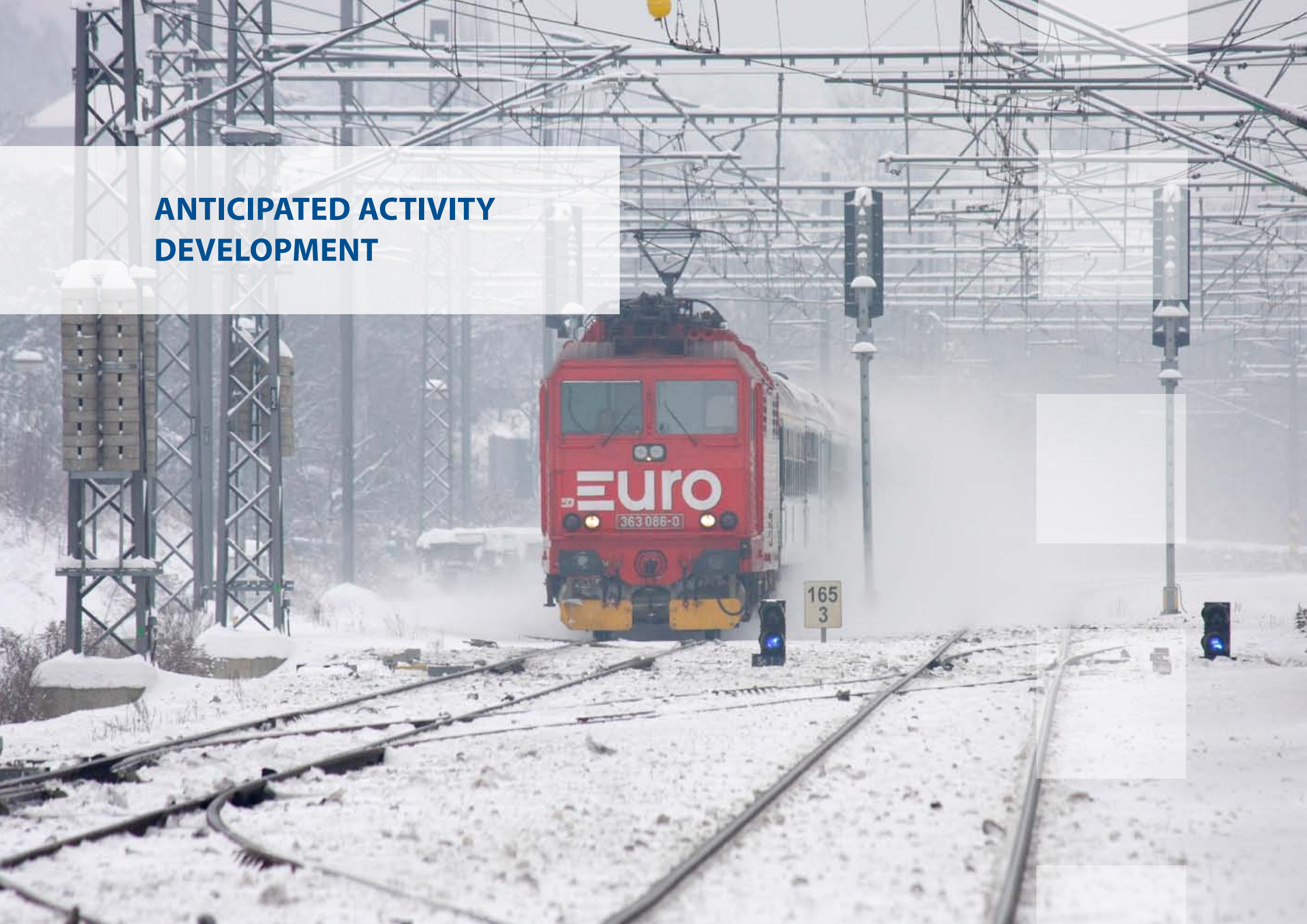
The company also ensures full occupational health and safety for all of its employees. Identification of possible dangers and minimisation of risks is systemically ensured and takes place in line with the requirements for protection of employee health. Annual evaluation is set out in the "Annual report on development of the occupational accident rate and status of OHS in AŽD Praha s.r.o."

Compliance with the requirements of the above-mentioned norms for individual areas of the IMS was evaluated last year, as is the case every year, in terms of an audit by the independent certification authority CQS. The audit at company head office and at all separately certified organisational units proved the effectiveness and efficiency of the Integrated Management System and creation of conditions for fulfilment of the set goals in this area. The scope of certification was extended in 2010 to include engineering supply activity.

The successfully renewed certificates issued on the level of the international certification authority IQNet, nos. CZ-2025/2009, CZ-12/2009 and CZ-13/2009 are proof for our customers of adherence to principles of modern management in AŽD Praha, ensuring

the quality of products and services, environmental haviour and ensuring occupational health and safety

ANTICIPATED ACTIVITY DEVELOPMENT



Difficulties caused by a drop in the global economy are becoming clear at this moment. The problems are reflected in the national economic environment, where this situation is making it difficult to meet the state budget. It was for these reasons that cost-cutting budget measures were adopted, including a drop in investments in the transport infrastructure and subsequently a drop in the number of investment projects.

In the situation which has recently arisen, AŽD Praha will have to focus on economical and cost-saving solutions in its main activities. In the main area of control, signalling and communication systems, the potential of the production programme must be used in such a way so as to achieve the most effective utilisation of this for customer requirements. The efficiency of the process must be supported by related service programmes and equipment maintenance orders. This course of action will allow AŽD Praha to maintain its key position on the domestic market by gaining a share in large transportation investments.

The company's professional level, its technical potential and long-term experience also allow it to gain a greater share on foreign markets. With an appropriate pricing policy, foreign orders should compensate for the distinct fall in domestic investments and ensure the successful development of AŽD Praha.

RESEARCH AND DEVELOPMENT



Technical development is the basis for ensuring production of perspective and high quality products by AŽD Praha. Technical development is above all ensured by in-house research and development capacities, as well as through cooperation with subsidiaries and other domestic and foreign companies including cooperation with universities and colleges.

In terms of technical development, AŽD Praha cooperates with UNMZ normalisation committees and also actively participates in the work of CENELEC and UNISIG working groups.

The significant funds, which AŽD Praha spends to ensure technical development are utilised effectively in such a way as to provide the company with benefit via new technical solutions, fundamental innovations and production of completely new equipment.

The decisive volume of company production traditionally represents modern electronic systems to secure the railway traffic, especially station interlocking, line signalling and level crossing systems including electronic track circuits and axle counters.

An important part of railway signalling equipment is also a device for its remote control (DOZ) and graphic technology overlay for signalling equipment (GTN), providing for railway employees an overview of the current and future traffic situation and ensures automatic management of traffic documentation. At the same time it is used for transmission of information to superior information systems providing information to passenger information systems etc.

One of the main goals of AŽD Praha is to contribute towards increasing the level of safety of operations on the railways. Last year equipment was set into operation on the Zdice –Protivín line, which is able to recognise and stop trains travelling through a red light. It also can stop all trains in the surrounding area, the safety of which could be endangered by a similar emergency. It is VNPN equipment (sounding of an alarm when a train passes signals when not authorised to do so).

AŽD Praha also prepares and tests other equipment called “RADIOBLOK”. This equipment is intended for secondary lines, currently not equipped with signalling equipment and therefore representing a greater risk of accidents due to human error. With the aid of GPS, RADIOBLOK performs a check of the engine driver’s travel on the permitted part of the track and uses its technical means to prevent issue of permission for trains to set off on a collision course.

Another important area of technical research is development of signalling and other equipment for Metro.

A significant part of technical research is used for modifications of railway signalling equipment for foreign destinations. This primarily concerns level crossing systems for Greece, Serbia and the USA, as well as station interlocking and line signalling equipment for Lithuania, Belarus and Serbia etc.

Research and development for road telematics is provided by a separate R&D centre.

Development was completed last year of a new type of controller, the MR-11 (designed to control all types of intersections) and MR-22 (designed to control pedestrian crossings and small intersections) with integrated interface for the OCIT communication protocol. These controllers use standard components which guarantee their high quality. They already conform to the current trend for use of LED diode signals and also meet the high demands of European Standards for operation safety when part of a system fails.

Development was completed of a new, more modern camera system for measuring section speed, the MUR-07.

The development centre devoted a great deal of attention to extension of the functioning of the TM-Cent urban traffic control centre. This will provide supervision and control of telematic technologies installed in the monitored area.

A photograph of a factory floor showing rows of metal extrusions, likely aluminum, arranged in a grid pattern. The extrusions are silver-colored and feature a series of circular holes along their length. They are mounted on a dark, possibly steel, base. The background is slightly blurred, showing industrial equipment and a bright light source, possibly a window or a lamp, creating a warm glow. The overall scene depicts a manufacturing or production environment.

PRODUCTION

A significant credit of the long-time success of AŽD Praha has to be attributed to its own industrial production of equipment supplied by our Production plants. Our activity is focused on comprehensiveness of supplies, i.e. on a completely closed supply cycle in the main subject of our activities – production, supply and installation of signalling and telecommunication equipment.

Since individual project considerably differ from each other, deliveries for investment 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 requirements for deliveries of technologies for investment projects. The ability of the production plants to flexibly respond to the changes in working schedules of individual projects, which have also frequent substantial impact on the production organisation, should also be highly appreciated. We provide comprehensive services and deliveries on the level of the latest knowhow and development trends, ranging from development of signalling and telecommunication systems, designing investment projects, production, completion and testing of systems, as well as construction and installation work in terms of the given investment project, right through to subsequent professional service.

Specialised production plants perform the task of the main producers for development of signalling and telecommunication equipment implemented by the own Installation plants of AŽD Praha for railway construction projects in the Czech Republic and abroad. These production plants also perform the task of the main producer of the above-mentioned products for other foreign companies that deal in deliveries and installation of railway signalling and telecommunication systems.

PRODUCTIONS PLANT OLOMOUC

Within the specialisation of production plants the Production Plant Olomouc is mainly focused on engineering production. The plant is equipped with state-of-the art, high performance programme-controlled CNC machining centres Mazak, some of which were, owing to a successful project, co-financed by the European Fund for Regional Development, the Ministry of Industry and Trade of the CR.

Also acquisition of sheet bending and shearing machines, TRUBEND 5170 CNC press brake and TRUSHARE 3103 CNC plate shears, purchase of BUA 25B/1250 Practic universal plain grinder were a part of the project.

High quality and accuracy of the products is also ensured owing to LK G-90C 3D measurement centre and FARO Gate plus 3D portable measurement equipment.

Owing to the new machines and equipment it is possible to apply successfully the outputs of the AŽD Praha research and development departments and to position signalling and telecommunication technology products in the demanding conditions of foreign markets.

In the sector of non-railway production cooperation is maintained with a number of companies in Olomouc region (John Crane, OSO Olomouc, Mafra, Flowservis) in the field of metal cutting.

AŽD Praha makes large investments in modernisation of production technologies in individual production plants not only to increase the productivity but also to continuously improve its image in the area of environmental protection.

PRODUCTION PLANT BRNO

In the production plant Brno production of electronic and electro-technical configurations for signalling and switching systems of the own AŽD Praha production is centralized. Regarding the PCB (printed circuit boards) electronic configuration production process control the Brno production plant is focused on low to medium batch production of a broad range of configurations. For the production adequate state-of-the-art technology equipment enabling rapid switching to various products, high proficiency of the operators and technicians and application of strict evaluation criteria for assessing the product compliance has been employed.

The past period was focused on continuous improvement of production processes, specifically application of solder paste without use of templates during the surface mounting assembly of components, automatic cleaning of printed circuit boards after soldering and automatic in-circuit testing. The initial phase of the project for implementation of selective application of coating on PCB configurations was started. All production processes of electronic PCB configurations are controlled, and final products evaluated in compliance with the IPC international standards criteria applicable for the most severe class 3.

In addition to production of electronic configurations of repetitive own production also electronic configurations for external customers are produced in Production Plant Brno as well as prototypes of configurations for new systems developed by the Technika Plant. The capacity of Production Plant Brno to produce more complex electronic configurations can be employed specifically in double-faced assembly of surface mounted components combined with double-faced assembly of outlet components into open holes.

Also significant is the cooperation of the development department with the staff of the Development Unit 12 in development of some of the outdoor elements of the track circuit equipment. In the past period development of SYT symmetrisation induction coil was finished after successful tests and operation trials. The symmetrisation induction coil is used for symmetrical connecting to rails and protection of track circuit equipment and of other connecting equipment against non-symmetrical over-current effects caused by atmospheric surge.

Cooperation production of electronic configurations, mainly electromechanical vacuum subassemblies (called consoles) of electron microscopes for FEI COMPANY has a large share in the production volumes of PPB. The consoles are produced in clean pre-production and production premises of the 8 class in accordance with ČSN EN ISO 14644-1 and the production is subject to strict requirements of customers both for the production process itself and the quality of the final product.

The Production Plant Brno contributes to environmental protection within the environmental policy and strategy of the AŽD Praha, specifically by consistent utilisation of lead-free alloys in all soldering processes during production of electronic and electro-technical configurations of its own produce. The ban of use of lead in electro-technical and electronic products as stipulated in the Directive EU 2002/95/EC RoHS and adopted by the Act No. 185/2001, Coll., on waste is thus adhered to.

PRODUCTION PLANT PRAHA

The Production plant Praha is specialised in completion, testing of finished customised equipment prior its final installation and activation on site, whereby the dependability of the systems delivered is increased. The plant is also focused on production of special racks (cabinets), in which equipment produced in AŽD Praha is installed.

For this purpose PPP has developed and continuously enhanced a so called “cabinet programme” within which it is capable to produce and deliver special cabinets of various types, e.g. constant temperature cabinets, or cabinets highly resistant to electromagnetic interference (EMC cabinets).

INSTALLATION



In the past business year the installation capacity were concentrated on unfinished sections of the first, third and fourth railway corridor, where upgrading of these sections, including nodal stations was in progress. During the period under review all projects implemented on corridors and also on secondary lines were successfully equipped with AŽD Praha modern technology. It concerns new types of line signalling system ABE-1, new electronic elements in the station interlocking equipment ESA 11 and ESA 33 and last but not least the axle counters PZN-1 and DOZ for remote control of individual stations including the KSZZ communication system. In addition the equipment has been supplemented by diagnostics for quick information of the operators, maintenance and service workers and railway traffic employees and by the GTN telematics system. A new feature currently offered and also implemented is the complementary function of shunt loss registering (EZŠ) to improve traffic safety on the route.

During the period under review the list of completed projects on the railway corridors includes the following:

- Optimisation of the Planá u Mariánských Lázní – Cheb line
- Optimisation of the Benešov – Stránčice line
- Optimisation of the České Velenice – Veselí nad Lužnicí line
- Interoperability in the Břeclav – Brno track section

Furthermore the capacities of the installation plants were concentrated on other SŽDC investment projects of the modernisation, electrification and rationalisation types

modernising important low traffic lines throughout the entire Czech Republic. These projects are as follows:

- Electrification of the line section including PEÚ Zábřeh – Šumperk
- Electrification of the line section including PEÚ Šatov – Znojmo

Other significant completed projects are:

- Modernisation of the Praha-Libeň – Praha-Běchovice line section
- Rationalisation of the Jaroměř – Stará Paka line
- Rationalisation of the Trutnov-střed – Trutnov-Poříčí railway junction

Our installation plants also provided the reconstruction of the equipment in the following localities:

- The Bojkovice railway station
- The Nesovice II. part railway station
- The Přerov 1. railway station project, where ESA 33 was put into operation

In terms of junctions it is necessary to recall the large project „The passage through the Kolin railway junction“, including the reconstructed Kolín – Velký Osek line section. Other station interlocking equipment was completed within the 1st phase of project ČD Brno – 1st part of the hold yard. During October and November 2009 the remote control of the modern signalling equipment ESA 33 with ITZZ (Integrated line signalling) was activated on the „DOZ Karlovy

Vary – Potůčky“ construction site and also „DOZ Plzeň – Klatovy“ construction site. Further the number of other individual projects, less important in terms of a volume but very important for safety of the railway and road traffic operation, were underway, e.g. modernization of level crossing safety. Upgrading the level crossing systems and other equipment by signalling for blind becomes a default accessory of our projects. In this fiscal year, over 22 projects were completed or partially completed and works at other nineteen projects are currently underway.

In terms of foreign installation activities there was a significant increase in the company. In the Republic of Montenegro the work (orders from the last year where the project for the most part has already been activated) were in progress in measured business period. In Serbia it is mainly the construction of level crossings. In the Slovak Republic at the end of the fiscal year a supply of signalling equipment for the Teplička railway station took place. Further activities continue and include deliveries of equipment to Belarus, Lithuania, Greece and Syria. In USA it was successfully installed and activated the level crossing system which is currently in the trial operation.

To meet requirements of the above mentioned projects an effective coordination also in relation to foreign activities was required. With full involvement of each unit of the process from design, production and also supply and installation the final deadline, which was acceptable for the activation and completion of the project, was achieved. The total list of completed projects, including an overview of the number of activated key engineering units for the period between October 2009 and September 2010 is included in the Annex to this paragraph.

The Annual Report Annex – Installation activity of the 2009/2010

fiscal year, prepared as an input for the Annual Report

The total number of implemented projects including review of the number of activated main technological units for period 2009/2010 of the fiscal year

The total number of implemented projects including review of the number of activated main technological units for period 2009/2010 of the fiscal year				
Period	Project name	Deadline	PS	Note
4/Q-09				
	Electrification of the line section including PEÚ Zábřeh – Šumperk			
	Bludov station, station interlocking	9/29/2009	03-28-01.1	ESA 11
	Bludov – Šumperk, line signalling	10/9/2009	31-28-01.1	ABE-1
	Postřelmov station, station interlocking	9/29/2009	02-28-01.1	ESA 11
	Postřelmov – Bludov, line signalling	10/9/2009	21-28-01.1	ABE-1
	Zábřeh – Postřelmov, line signalling	10/9/2009	11-28-01.1	ABE-1
	Electrification of the line section incl. PEÚ Šatov – Znojmo			
	Šatov – Znojmo, line signalling	10/30/2009	03-28-01	AHP-03
	Znojmo station, station interlocking	10/30/2009	04-28-01	ESA 11
	DOZ Karlovy Vary – Potůčky			
	Stará Role station, station interlocking	10/9/2009	1031	ESA 11
	Nová Role station, station interlocking	10/9/2009	1051	ESA 11
	Nejdek station, station interlocking	10/9/2009	1071	ESA 11
	CTC Karlovy Vary – Potůčky	10/9/2009	1501	DOZ-1
	Racionalizace železničního uzlu Trutnov střed – Trutnov Poříčí			
	Trutnov station, station interlocking	10/27/2009	1	ESA 33
	Trutnov Poříčí – Malé Svatoňovice, line signalling			
	Trutnov Poříčí – Malé Svatoňovice, line signalling	10/27/2009	1	ABE-1
	Reconstruction of LX at 126,191 km Trutnov Poříčí – Trutnov main station.			
	LX reconstruction at 126,191 km	10/27/2009	1	PZZ - EA
	DOZ Plzeň - Klatovy			

The total number of implemented projects including review of the number of activated main technological units for period 2009/2010 of the fiscal year				
Period	Project name	Deadline	PS	Note
	Chlumčany u Dobřan station, station interlocking	10/16/2009	130	ESA 33
	Chlumčany – Přeštice, line signalling	10/23/2009	135	
	Přeštice station, station interlocking	10/23/2009	140	ESA 33
	Přeštice – Švihov, line signalling	10/30/2009	145	ITZZ
	Švihov u Klatov station	10/30/2009	150	ESA 33
	Švihov u Klatov – Klatovy, line signalling	11/6/2009	155	ITZZ
	Dobřany – Chlumčany, line signalling	11/13/2009	125	ITZZ
	Dobřany station, station interlocking	11/13/2009	120	ESA 33
	Plzeň Valcha – Dobřany	11/20/2009	115	ITZZ
	Plzeň Valcha station, station interlocking	11/20/2009	110	ESA 33
	Plzeň Valcha – Plzeň, line signalling	11/27/2009	105	
	DOZ Plzeň - Klatovy	11/27/2009	101	DOZ-1
	Reconstruction of LX for SDC Hradec Králové			
	Podhůří station, LX	11/20/2009	1	PZZ - EAV
	Očelice station, LX	11/26/2009	1	PZZ - EAV
	Sobčice station, LX	11/30/2009	1	PZZ - EAV
	Optimisation of the Benešov u Prahy – Strančice line			
	Čerčany station, station interlocking	11/19/2009	93-01-01A	ESA 11
	ČD Brno – 1st. part of stabling station, 1st. phase			
	Brno station, stabling station, station interlocking	12/16/2009	01-28-01A	ESA 33
	Modernisation of the Praha Libeň – Praha Běchovice line section			
	Praha Běchovice – Praha Malešice, line signalling	12/4/2009	1/19/2001	ABE 1

The total number of implemented projects including review of the number of activated main technological units for period 2009/2010 of the fiscal year				
Period	Project name	Deadline	PS	Note
	Praha Běchovice – Praha Libeň, line signalling	12/4/2009	1/12/2001	ABE 1
	Passage through the Kolín railway junction			
	Kolín station, station interlocking	12/10/2009	1101.1	ESA 11
	Reconstruction of the automatic blocku between Station. Kolín – Velký Osek			
	Kolín – Velký Osek, line signalling	12/10/2009	1	ABE 1
	Optimisation of the Planá u Mariánských Lázní – Cheb line			
	Planá u M.L. – Chodová Planá, line signalling	12/15/2009	64-21-01	ABE 1
	Chodová Planá station, station interlocking	12/15/2009	65-21-01	ESA 11
	Chodová Planá – Mariánské Lázně, line signalling	12/15/2009	66-21-01	ABE 1
	Mariánské Lázně station, station interlocking	12/15/2009	67-21-01	ESA 11
	Mariánské Lázně – Valy u M.L., line signalling	12/15/2009	68-21-01	ABE 1
	Valy u Mariánských Lázní station, station interlocking	12/15/2009	69-21-01	ESA 11
	Valy u M.L. – Lázně Kynžvart, line signalling	12/15/2009	70-21-01	ABE 1
1/Q-10				
	Reconstruction of Přerov station 1st. construction			
	Přerov – prov. station interlocking, St. 2	2/26/2010	43-28-01.2	ESA 33
2/Q-10				
	Recostruction of Přerov station 1st construction			
	Přerov – prov. station interlocking, St. 9	4/16/2010	43-28-01.2	ESA 33
	Optimisation of the České Velenice – Veselí nad Lužnicí line, 1st. construction			
	Č. Velenice n. L. station, station interlocking	4/30/2010	01-21-01	ESA 33
	Gmund – Č. Velenice, line signalling	4/30/2010	01-21-02	AHP 03

The total number of implemented projects including review of the number of activated main technological units for period 2009/2010 of the fiscal year				
Period	Project name	Deadline	PS	Note
	Č. Velenice – Nová Ves n. L., line signalling	4/30/2010	01-21-03	AHP 03
	Rationalisation of the Jaroměř – Stará Paka – Železný Brod line			
	Železný Brod station, station interlocking	5/24/2010	1411	ESA 33
	Semily – Železný Brod, line signalling	6/8/2010	1351	AHP 03
	Semily station, station interlocking	6/8/2010	1341	ESA 33
	Košťálov – Semily, line signalling	6/8/2010	1331	AHP 03
	Košťálov station, station interlocking	6/11/2010	1321	ESA 33
	Stará Paka – Košťálov, line signalling	6/17/2010	1311	AHP 03
3/Q-10				
	Optimisation of the Planá u Mariánských Lázní – Cheb line			
	Valy u M.L. – Lázně Kynžvart, line signalling	7/8/2010	70-21-01	ABE 1
	Lázně Kynžvart, station interlocking	7/8/2010	71-21-01	ESA 11
	Lázně Kynžvart – Dolní Žandov, line signalling	7/8/2010	72-21-01	ABE 1
	Dolní Žandov station, station interlocking	7/8/2010	73-21-01	ESA 11
	Dolní Žandov – Lipová u Ch., line signalling	7/8/2010	74-21-01	ABE 1
	section control	7/8/2010	39-21-01	DOZ 1
	Optimisation of the state boarder SR – Mosty u Jablunkova – Bystřice nad Olší line			
	Mosty u Jablunkova station, station interlocking	7/21/2010	12-28-01.1	ESA 33
	Optimisation of the Stříbro – Planá u Mar. Lázní line			
	Stříbro station, station interlocking	7/30/2010	51-21-01	ESA 11

The total number of implemented projects including review of the number of activated main technological units for period 2009/2010 of the fiscal year				
Period	Project name	Deadline	PS	Note
	Stříbro – Milíkov, line signaling	8/4/2010	52-21-01	ABE 1
	Milíkov station, station interlocking	8/4/2010	53-21-01	ESA 11
	Milíkov – Svojšíň, line signaling	8/4/2010	54-21-01	ABE 1
	Svojšíň station, station interlocking	8/4/2010	55-25-01	ESA 11
	Bor – Svojšíň, line signaling	8/4/2010	63-21-11	AHP 03
	Pavlovice station, station interlocking	7/31/2010	59-21-01	ESA 11
	Pavlovice - Brod nad Tichou, line signalling	7/31/2010	60-21-01	ABE 1
	Reconstruction of Nesovice station II. Part			
	Nesovice station, station interlocking – Nemotice head	7/30/2010	1	ESA 33
	LX km 40,188	7/30/2010	2	PZZ AC
	Nesovice – Bučovice, line signalling	7/30/2010	3	AHP 03
	Bučovice station	7/30/2010	4	ESA 33
	Reconstruction of Bojkovice station			
	Bojkovice station, station interlocking	8/15/2010	1	ESA 11

FOREIGN ACTIVITIES



Despite continuing negative effects of the world economic crises the foreign orders of the Company showed a dynamic progress. Centralisation of foreign trade operation is a key aspect of the AŽD 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. These teams are centralised under one organisation of the Foreign Marketing and Trade department, allowing better control over the foreign activities and coordination of implementation of contracts within the company.

Under the auspices of Foreign Marketing and Trade department it was established the new section of „Engineering of foreign orders“ responsible for the project management of foreign orders.

Priority foreign markets of AŽD Praha are Belarus, Serbia, Montenegro, Lithuania, Bulgaria, Turkey, Greece, Egypt and recently USA, where the new subsidiary „AZD Signaling Inc.“ was established.

Lithuania

AŽD Praha as a member of the consortium, together with the Lithuanian company UAB FIMA provides supply of the signalling equipment for 100 km line section Kaunas – Kybartai. Activation of the first line section Kazlu Ruda - Mauručiai is scheduled for mid-September and completion of the entire project by August 2012. The supply includes ESA 11-LG electronic interlocking and ABE-1-LG electronic automatic block systems.

Belarus

During 2010, the implementation of an electronic interlocking of the ESA 11-BC type in the Novopolock railway station was completed and further it was commenced the installation of the signalling system on 100 km long line Polock – Vitebsk where AŽD Praha supplies ESA 11-BC electronic interlocking, ABE-1-BC electronic automatic block and universal power supply sources of the UNZ-BC-3 type. Completion of the entire project is scheduled for 31. 3. 2011. In addition AŽD Praha signed the contract for preparation of the design documentation for the implementation of large-scale railway junctions Mogilev, Lida and the Kalinkoviči station and for Baroviči – Luninec and Minsk – Ždanoviči lines. The design documentation will be finished in the first quarter of 2011.

Serbia

AŽD Praha supplied sixty electromotive point machines including toggle mounting sets used throughout the network of Serbian Railways. In May 2010, the interlocking system of large siding complex TENT Obrenovac power plant was finally put into operation. Further in 2010 six level crossings systems, 2 for TENT power plants and 4 for Serbian Railways were installed. In addition the preparatory works related to installation of signalling equipment for the Nis – Dimitrovgrad line were underway in tracking period.

Montenegro

In Montenegro the 3rd phase of implementation of the Podgorica – Nikšič railway line was completed and the final 4th phase is scheduled for 2011.

Turkey

In the first half of 2010 AŽD Praha implemented the supply of the PZZ-EA level crossing system on the Söke – Ortaklar railway line. This equipment has been in a trial operation since June 2010 and the official evaluation will take place during the first quarter of 2011.

Greece

In Greece, AŽD Praha completed the delivery and installation of a total of 15 (fifteen) level crossing systems. The three level crossing systems have been installed on the Thessaloniki – Alexandroupolis line and the twelve level crossings in the area of Thriassio Pedio logistics centre near Athens.

Syria

A contract to supply approximately 950 signals for Syrian Railways was signed with Nokia Siemens Network. AŽD Praha will complete the delivery of signals by the end of January 2011. Furthermore the site survey of the Damascus – Aleppo railway line of about

350 km long took place and based on input material and observation AŽD Praha will prepare the feasibility study for installation of signalling equipment along this line.

USA

In 2010, AŽD Praha delivered to the US market the PZZ-US1 level crossing system for NERR – Nashville Eastern Railroad, on the Waretown – Lebanon line, which will test the adjustment of equipment to comply with local conditions and the ability of AZD Praha to compete with local suppliers of railway signalling technology.

Bulgaria

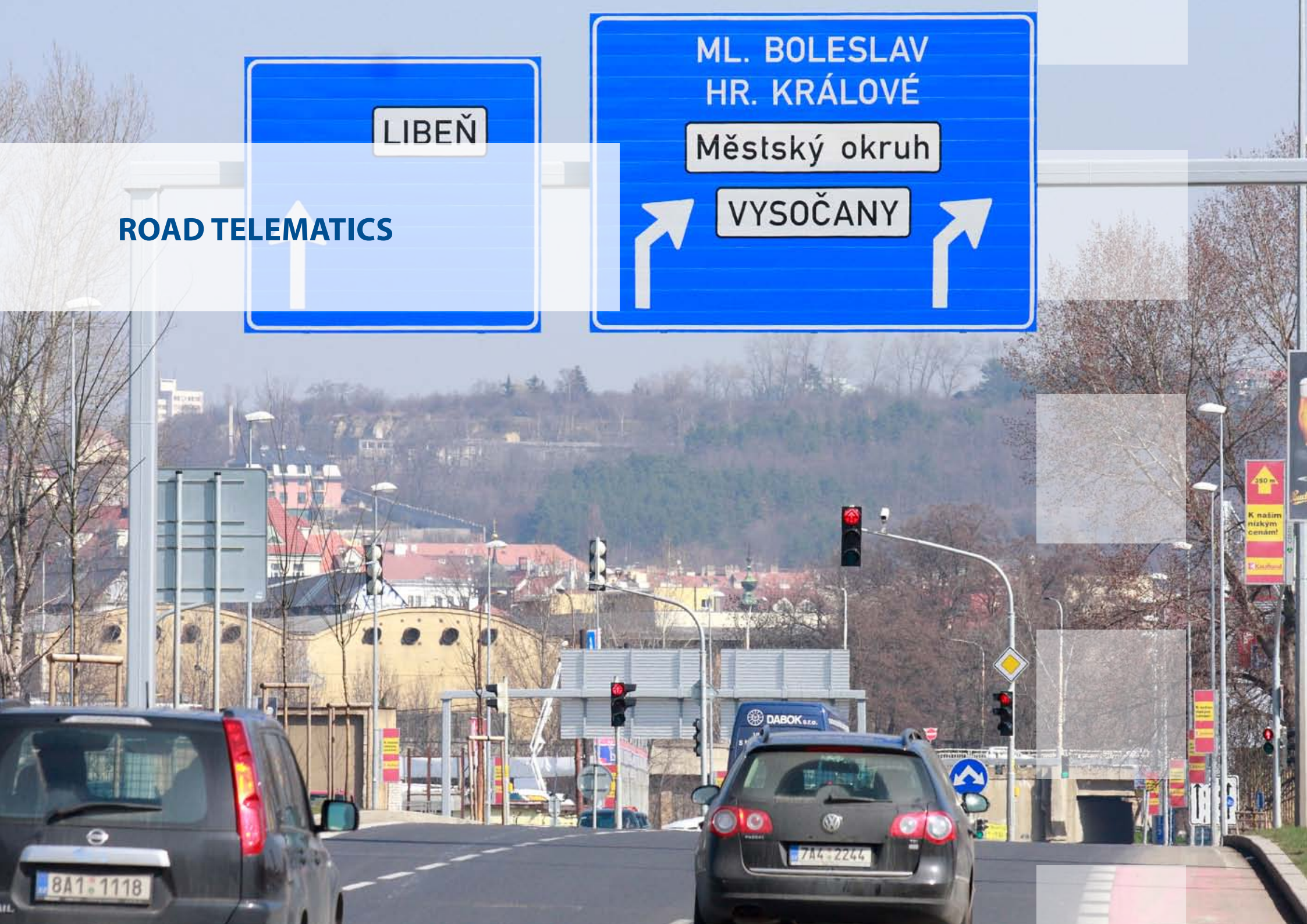
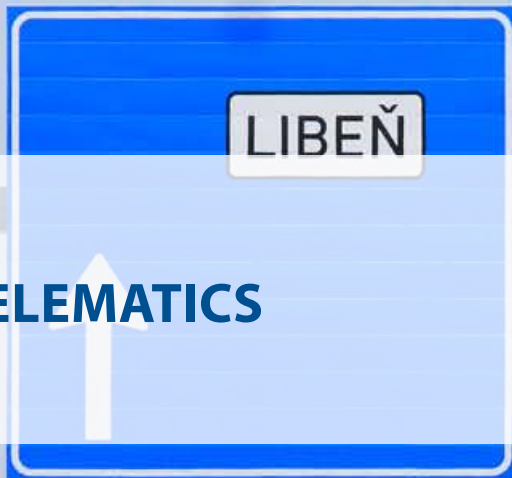
The other key territory for AŽD Praha is Bulgaria where its subsidiary Balkan SAST has been established and operated since 2004. Since then the Balkan SAST has concluded four year contract with the Bulgarian Railways for deliveries of level crossing systems and has performed deliveries of other railway 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 to support the local market.



DIKKAT TREN

DIKKAT TREN

ROAD TELEMATICS



The product portfolio of the Road Telematics Division includes modern systems for controlling traffic lights, pedestrian crossings, smart traffic systems based on identification and automatic recognition of registered cars' 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.

The commercial section of Road Telematics Division offers a complete service, from design documentation and engineering, through manufacturing and installation, to maintenance and service of supplied technologies.

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 project solutions and grants from the Ministry of Transport of the Czech Republic and Ministry of Education of the Czech Republic.

DST BRNO

The implementing part of technology supply, traffic control on roads and application in the field of road telematics is the Division of Road Technology Automation, which focuses on the manufacture, installation, maintenance and servicing of such systems. Design activities are a significant part of this division, including engineering, development and advisory activity as part of the commercial strategy of road telematics on the traffic technology market.

One of the most important contracts of the entire 2009/2010 fiscal year was the construction of transmission TSK Praha – optical network, which is under the „Transport Operational Program“ co-funded by the European Union.

From long-term perspective two existing contracts cannot be put aside. The first of them are service and maintenance activities of the system 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 long-term order is the maintenance service for information system connected to ZPI (equipment for operational information) and PDZ (variable traffic signs) on the expressway D1.

In the summer 2010, the Division began implementation of another long-term project, providing restoration, operation and maintenance of public lighting and traffic signal lights in Boskovice town.

At the same time this Division also continuously provides servicing and maintenance of technologies of its own production which are mainly signal light controllers (SSZ), parking systems, technology of the freeway tunnel Valik at the bypass of the Plzen city and video camera systems for measuring block to block speed and passing on red or the signalling systems of the Březno railway tunnel

near Chomutov. Last year under the “Project Praha” continued in light signalling system (SSZ) development and technology development for „Malovanka“ project. Also the project works of technology delivery for the Blanka tunnel complex continued.

For the city of Brno, DST Brno designed a light signalling system (SSZ) for ten intersections. In Kolín and Hustopeč the Division installed traffic lights at brand new intersections and newly developed controller type MR-22 at pedestrian crossings.

With installation of new systems at pedestrian crossings the emphasis is put on good illumination and increase of crossing safety for pedestrians by modulation of transport in cities of the Czech Republic by highlighted buttons embedded (LED lights) into the road, by light signalling equipment (SSZ) or by adding the radar to this SSZ (SpeedStop System). For instance the SpeedStop system was installed at the pedestrian crossing at ZŠ TGM in Studénka town.

DST Brno deliveries significantly contribute to highway accident prevention by installation its signalling technology to children traffic playgrounds in the Czech Republic.

Significant completed projects:

- Development of transmission system TSK Praha – Optical network
- Share on service activities and maintenance of electronic toll system of selected highway sections, expressways and the 1st Class roads throughout the Czech Republic
- Service activities of information system coupled with ZPI and PDZ on highway D1
- Restoration, operation and maintenance of the public lighting in Boskovice town
- Design, engineering, renewal and installation of light signalling

equipment (SSZ) and dynamic co-ordination of intersections within their renewal and development under the „Project Praha“

- Installation of SSZ at Blanka tunnel complex
- Construction and renewal of SSZ and optimisation of traffic flow control in Prague (Sokolovská–Zenklova, Parýtzánská–Trojská), Brno, Kolín, Hustopeč
- Completion of design of technological equipment for 10 (ten) intersections in Brno city
- Improvement of safety of the pedestrian crossing in Moravany near Brno (supplementary lighting and SSZ), Děčín (LED lights), Studénka (SSZ including SpeedStop).



D1 10 km
stavební práce
provoz 3 pruhy



DIVISION OF TELEINFORMATICS

Zmeškany	Železný Brod	VT Směr Malá Skála	11.06.2019 11:24:00
Odchozí	Železný Brod	VT Směr Malá Skála	11.06.2019 11:24:00
Odchozí	Železný Brod	VT Směr Stará Paka	11.06.2019 11:24:00
Prichází	Košťkov	VT Směr Stará Paka	11.06.2019 11:24:00
Odchozí	Košťkov	VT Směr Velká Hlezi	11.06.2019 11:24:00
Prichází	Železný Brod	VT Směr Malá Skála	11.06.2019 11:24:00
Prichází	Železný Brod	VT Směr Malá Skála	11.06.2019 11:24:00
Prichází	Železný Brod	VT Směr Stará Paka	11.06.2019 11:24:00
Prichází	Železný Brod	VT Směr Velká Hlezi	11.06.2019 11:24:00
Prichází	Košťkov	VT Směr Stará Paka	11.06.2019 11:24:00

MB stanice

MB Železný Brod

MFC

Novoz

Rozm. patřivky

Železný Brod

VT Směr Stará Paka

VP Ze směru Směr

VT Směr Směr

VP Směr Směr

VT Směr Velká Hlezi

VT Směr Malá Skála

VT

PS

Aktivní hovory



During the past 2009/2010 fiscal year DTI Division implemented a number of significant railway transportation projects.

Within the railway the division DTI have implemented important contracts as „Rationalization of the Jaroměř – Stará Paka – Železný Brod line“, part of the Košťálov – Semily – Železný Brod line section is now controlled from the dispatcher workplace in Železný Brod (by ESA 33 interlocking). Within this project also modernisation of level crossing systems took place. In the Košťálov railway station the signal transformer ST4c, with improved construction were put into operation for the first time.

In this line section also the new communication equipment developed in partnership with DCom company was used. This equipment combines a multiline telephone set, public address system, PBX to a single IP set. Equipment is approved for use on the routes operated by SŽDC (Railway Infrastructure Administration) and together with the transmission system constitutes a very effective unit. Completion of this project and implementation of „Replacement of track circuits 50 Hz at LX in km 115,285 and 115,378 including Železný Brod – Malá Skála open line signalling system“, prepared the ground for further modernisation of Stará Paka area.

Another significant project was „Rationalization of the Svitavy – Žďárec u Skutče line“ where DTI Division implemented the telecommunication equipment. Signalling remote control DOZ of this secondary line was complemented by a complete portfolio of Dcom telecommunication equipment. Here for the first time the ribbon radio net developed in co-operation with DCom was put into trial operation.

The „Optimisation of the České Velenice – Veselí nad Lužnicí line, 1st. construction“ ranks to another significant project. It concerns installation of electronic station interlocking ESA 11 in the Čes-ké

Velenice railway station. This modernisation of the boarder railway station allowed the new deployment of an Austrian line signalling system ZG62. Coupling with ZG62 was activated and tested. As the legislation stipulating its operation at both sides of the boarder is missing, the line signalling is currently switched off.

DTI Division has traditionally been involved in the construction work of the other installation plants. This year DTI Division installed telecommunication equipment on the following construction sites:

- Optimisation of the Beroun – Zbiroh line
- Optimisation of the Zbiroh – Rokycany line
- Optimisation of the Stříbro – Planá u Mariánských Lázní line
- Optimisation of the Planá u Mariánských Lázní – Cheb line
- Optimisation the state boarder of SR – Mosty u Jablunkova – Bystřice nad Olší line
- Electrification of the line section including PEÚ Šatov – Znojmo

This year the realization of the project „Improving safety on the Čičenice-Volary line section“ was completed and ready for activation. It concerns Radioblock equipment with dispatcher control from the Prachatice station. After installation of the necessary SW the equipment in co-operation with our R&D will be put into trial operation.



**DIVISION OF TELECOMMUNICATION
AND SIGNALLING TECHNOLOGY
SERVICE**

The Division of Telecommunication and Signalling Technology Service is a separate organisational unit main task of which is providing service activities for the installed telecommunication and signalling systems.

It performs services resulting from the responsibility for equipment failures during the warranty period (warranty service) and also post warranty service and maintenance for the telecommunication, signalling and information equipment. As a priority the Division provides servicing of the modernised technological units, in particular the electronic station interlocking systems, the line signalling and level crossing systems, remote control systems, including servicing of the point machines and barrier program of AŽD Praha.

The Division provides service for the following equipment in the SŽDC network:

- 290 station interlocking equipment
- 929 level crossing systems
- 76 line sections of electronic automatic block,
- Additional 96 line signalling equipment (automatic line block and reconstructed automatic blocks)
- Remote control equipment and related telecommunication and information systems

In addition the DSE Division provides warranty service for the line signalling system of the „Vřesinská – Zátíší“ tram-line. Among others the warranty service has been carried out also for METRO – Public Transport Operator of the City Prague (reconstructions of the 3rd stage on the IVC1 line and continuous train control system and automatic train operation on the Metro line A). The Division also pro-

vides warranty service of the compensators of dangerous currents at train sets of 680 series (Pendolino).

Also the methodological guidance and service supervision is rendered for systems supplied by AZD Praha to Belarus, Serbia, Greece and Turkey. In the case of complicated defect the problem is solved directly by the visit of DSE employees.

The warranty service activities have been carried out by service groups located in the cities of Ústí nad Labem, Karlovy Vary, Prague, České Budějovice, Kolín, Pardubice, Olomouc, Brno, Břeclav, Ostrava and Plzeň. Warranty service in the Slovak Republic is provided by organisational unit Bratislava through service group located in Poprad-Matejovce.

Selected workers of DSE Division provide comprehensive support for the operation of the GTN application (graphic-technology overlay of the signalling systems) with the 24/7 availability regime. DSE Division provides remote administration, hotline and helpdesk of operational GTN application. In total there are more than 120 GPC computers in the Czech Republic and Slovak Republic of three different types.

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

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

LOGISTIC PLANT OLOMOUC



The AŽD Praha logistic centre is the Logistic 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 for daughter companies abroad.

The Logistic Plant is also an exclusive distributor of AŽD own products and within the logistic services provides supplies to individual Installation Plants, Division of Teleinformatics and Division of Telecommunication and Signalling Technology Service and other units within AŽD Praha, subsidiaries, SŽDC executive units and other customers. Within its business activity the Logistic Plant provides purchasing and supplies of material. This is mainly assortment of all types of cables (metallic, fibre optic, power cables, combined and special) and also complete assortment of components necessary for cable laying, connecting and terminating of cables and related technology, relays, axel counters and etc.

During the 2009/2010 fiscal year the business partnership with General Electric company and its division GE Energy Industrial Solutions continued. An increase in sales of a wide range of products of this globally active Company was achieved especially in the area of external customers. Several products are also used for applications of AZD Praha. The elements were also deployed in signalling equipment for the reference contract in the U.S. – the level crossing installed in Nashville

In the course of the fiscal year 2009/2010, products and materials in the total volume of CZK 2,149 billion passed through the stores of the Logistic Plant. Products for internal use of AŽD Praha's logistics department represented the amount of CZK 1,228 billion (57%), products for customers abroad amounted to CZK 0.921 billion (43%) and exported material amounted to CZK 0.38 billion.

In the past year, material and products were dispatched to

the Slovak Republic for the construction of Žilina – Krásno nad Kysou, Teplice and Trenčianské Bohuslavice projects. The Logistic Plant completed delivery of equipment to the Serbian company TENT for the Obrenovac power plant. Furthermore the supplies to Belarus, Greece, Syria, Turkey, Montenegro and Serbia continued or new deliveries were commenced. Works connected with deliveries prepared for Lithuania were commenced as well.

Despite the initiative of all staff of the Logistic Plant and the management of the plant, the total volume of supplies gradually dropped during the fiscal year. The reduction was reflected in the whole scale of the customer portfolio and supplied assortment of material due to the deepening economic crisis.

At the end of the fiscal year, the existing activities of the supply department of the Production Plant Olomouc were prepared and incorporated into the Logistic Plant activity.

**AŽD PRAHA, EUROPEAN UNION
AND INTERNATIONAL
COOPERATION**

OBB

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In the above-mentioned period, processes were launched within the European Union leading to further liberalization of the European Railway Space. In the same time period, the basic technical interoperability standards – TSI undergo a revision and a new version of the specifications of the ERTMS/ETCS system is under preparation. In addition to the future changes in ETCS that are being prepared, requirements for electromagnetic compatibility and for general cooperation of the vehicle and signalling subsystems are supplemented to the directive TSI CCS – Technical specifications for interoperability of the subsystem “Management and Safety”, which is one of the most important directives for our company.

AŽD Praha monitors not only these technical and legislative steps but also actively influences many of them. It should be noted that the absolute majority of technical standards and specifications specifying the activities and functionality of our products and systems is created by EU authorities and it is subsequently adopted by EU member states as legally binding. By a timely reaction to the legislative that is under preparation and suitable influencing thereof in the form of comments or by direct involvement of our specialists within an expert groups forming the legislation, our Company will avoid that funds are uselessly spent and time is wasted in development of new elements and equipment for the railway transport.

The above-mentioned activities are carried out in cooperation with our Brussels representation attached to EU authorities and the association of European enterprises of the railway industry UNIFE with its registered office in Brussels, as well as in the form of direct cooperation with individual producers in the railway industry. AŽD Praha is a long-term member of the associations of the Czech and European railway industry enterprises ACRI and UNIFE. UNIFE supports the interests of the railway industry in the European Un-

ion and the Czech association ACRI is focused on these activities in the Czech Republic. The world-wide railway federation UIC with its registered office in Paris is another partner of our Company. AŽD office in Brussels closely cooperates with the cited organizations as well as with the permanent Czech Republic’s representation associated in the European Union, regional agencies from Czech and Moravian regions, Czech businessmen agency in the EU - CEBRE and other special-interest organizations. In case of transport and political issues, our Company cooperates with the members of the European Parliament.

The European Union consults on a regular basis where the future transport policy is heading for. In this field, we are interested mainly in the railway transportation, mass transportation in large agglomerations, impacts of transportation on the environment and market liberalization. AŽD Praha has expressed its standpoint to individual proposals and together with the entire railway sector (UNIFE, CER – community of European railway operators and infrastructure owners, or EIM – European railway infrastructure managers, UIC – world-wide railway federation and others), has submitted its standpoint to the European Commission, the European Railway Agency or the European Parliament. Our Company has commenced the already third year of our successful membership in the UNISIG consortium, which is involved in creation of specifications for one of the basic interoperability elements in the fields of management and safety – the ERTMS/ETCS system. The European Commission considers ERTMS to be the most important element when building interoperability and it attaches large importance to ERTMS as well as it provides relevant financial support. The concept of ETCS system is successfully conquering the whole world. To date, more than 50% of the ETCS installations were carried out outside the European

continent. This brings another challenge for the UNISIG consortium itself, which is to decide whether to remain a purely European organization or to transform itself into a platform open both for ETCS producers and for its users outside the Europe. The next months will show whether the chosen way – to be opened to new partners – is a correct way and whether ETCS will really achieve a world-wide standard.

The excellent work of our specialists who attend the expert groups of individual organizations and the international research projects and standardization bodies not mentioned herein (such as CENELEC, TIU, INESS, ERRAC, etc.), is very important and spreads the good name of AŽD Praha and strengthen its position as the most important supplier of transport signalling, telecommunications, control and automation technology in the Czech Republic and an important European supplier of such systems.



**FINANCIAL PERFORMANCE
OF THE COMPANY**



The fiscal year 2009/2010 was another successful year following good results of previous years.

Our commercial turnover in the amount of CZK 4,3 billion for the fiscal year 2009/2010 is lower compared to previous fiscal period by reason of limitation of construction works in the Czech Republic. Decline of volume of construction works in the Czech Republic has been compensated by entering international markets where company gradually succeeds in placing its own technologies. For any foreign territory the signalling systems shall be customized to comply with local standards and native traffic regulations and shall be interfaced to existing systems from different suppliers. Command control in respective native language is necessary condition. In particular cases and locations the system shall pass through local re-validation procedure. Admission to new international markets is technically, commercially and timely demanding process but successful orientation of the company in foreign projects has gradually led to stabilization and increasing prosperity.

During the monitored period, the number of our employees decreased to 1754. In particular, our company's research and development was strengthened in terms of personnel; the amount of CZK 237 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 proportional-

ly 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 majority and substantial interests in ten subsidiaries in the Czech Republic and in six subsidiaries in foreign countries (Slovakia, Bulgaria, Serbia and USA). Our company's plans for the assessed period have been fulfilled and partially exceeded.

From September 30, 2010 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

For business year 2009/2010 – from 1.10.2009 till 30. 9. 2010

Company accounting period is always from 1. 10. till 30. 9. of subsequent year

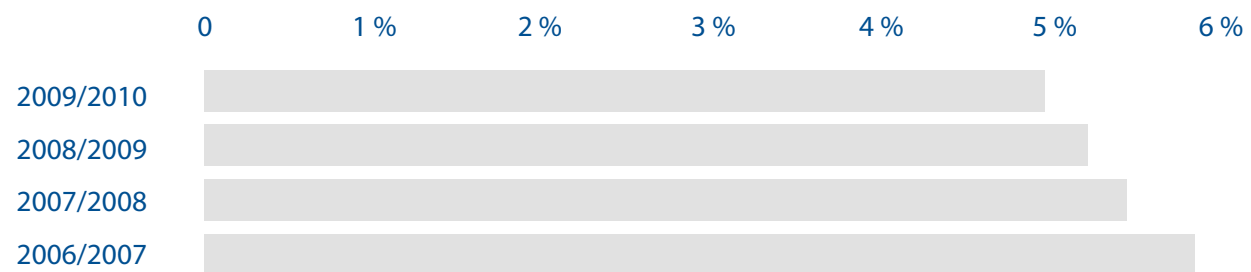
Indicator / period	2006/2007	2007/2008	2008/2009	2009/2010
Turnover in thous. CZK	5 615 059	5 622 130	5 280 867	4 339 761
Profit after tax	327 671	304 656	275 148	216 790
Profit from turnover %	5,83	5,41	5,21	5,00
Value added tax	1 273 103	1 296 396	1 378 281	1 187 573
Bank loans	1 113 581	1 598 526	1 104 031	824 323
Employees-full time equivalent	1 721	1 835	1 867	1 754

Company turnover / Employees - full time equivalent

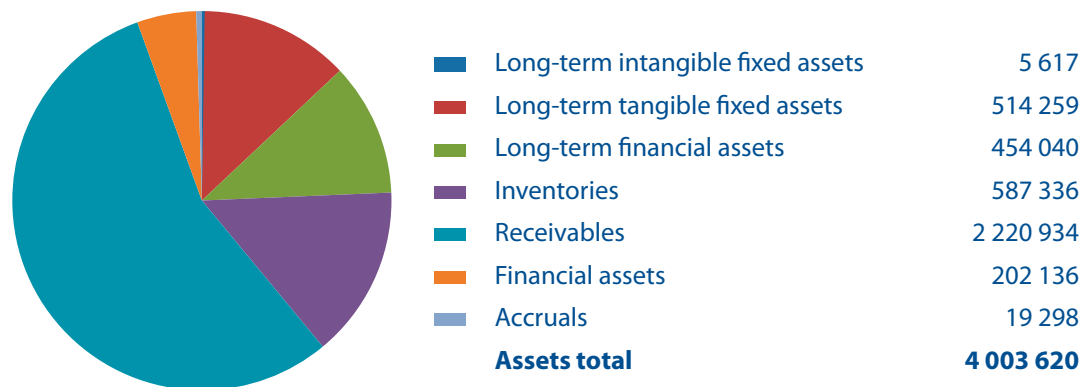
Indicator/period	2006/2007	2007/2008	2008/2009	2009/2010
Turnover in mill. CZK	5 615	5 622	5 281	4 340
Employees-full time equivalent	1 721	1 835	1 867	1 754

Profit from turnover

Indicator/period	2006/2007	2007/2008	2008/2009	2009/2010
Profit from turnover %	5,83	5,41	5,21	5,00



COMPOSITION OF ASSETS AS AT SEP. 30, 2010 (in thous. CZK)



COMPOSITION OF LIABILITIES AS AT SEP. 30, 2010 (in thous.CZK)



BALANCE SHEET

as at 30. 9. 2010 (in thousands of Czech Crowns)

Identif. a	ASSETS b	Row c	Current accounting period			Previous period
			Gross 1	Adjustment 2	Net 3	Net 4
	TOTAL ASSETS (r. 02 + 03 + 31 + 62)	001	4 722 353	718 733	4 003 620	4 467 748
A.	Receivables from subscriptions	002				
B.	Fixed assets (r. 04 + 13 + 23)	003	1 614 581	640 665	973 916	889 723
B. I.	Intangible fixed assets (r. 05 to 12)	004	80 045	74 428	5 617	11 634
B. I. 1	Incorporation expenses	005				
2	Research and development	006				
3	Software	007	74 972	70 579	4 393	10 510
4	Valuable rights	008	4 684	3 612	1 072	908
5	Goodwill (+/-)	009				
6	Other intangible fixed assets	010	389	237	152	216
7	Intangible fixed assets under construction	011				
8	Advance payments for intangible fixed assets	012				
B. II.	Tangible fixed assets (r. 14 to 22)	013	1 047 709	533 450	514 259	568 191
B. II. 1	Lands	014	100 979		100 979	97 820
2	Constructions	015	457 890	176 193	281 697	295 977
3	Equipment	016	667 757	539 380	128 377	166 662
4	Perennial corps	017				
5	Breeding and draught animals	018				
6	Other tangible fixed assets	019				
7	Tangible fixed assets under construction	020	12 451	9 245	3 206	7 302

Identif. a	ASSETS b	Row c	Current accounting period			Previous period
			Gross 1	Adjustment 2	Net 3	Net 4
8	Advance payments for tangible fixed assets	021				430
9	Adjustment to acquired assets	022	-191 368	-191 368		
B. III.	Long-term financial assets (r. 24 to 30)	023	486 827	32 787	454 040	309 898
B. III. 1	Shares in controlled and managed organizations	024	84 787	25 414	59 373	58 876
2	Shares in accounting units with substantial influence	025	29 800	7 373	22 427	300
3	Other securities and shares	026	100 255		100 255	110 255
4	Loans to controlled and managed organizations and to accounting unit with substantial influence	027	271 985		271 985	140 467
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	3 088 474	78 068	3 010 406	3 554 701
C. I.	Inventory (r. 33 to 38)	032	591 149	3 813	587 336	549 705
C. I. 1	Materials	033	315 435		315 435	263 639
2	Work in progress and semi-products	034	274 239	3 813	270 426	278 859
3	Finished products	035				
4	Animals	036				
5	Merchandise	037				
6	Advance payments for inventory	038	1 475		1 475	7 207
C. II.	Long-term receivables (r. 40 to 46)	039	653 621		653 621	532 306
C. II. 1	Trade receivables	040	501 102		501 102	369 014
2	Receivables from controlled and managed organizations	041				
3	Receivables from accounting units with substantial influence	042				

Identif. a	ASSETS b	Row c	Current accounting period			Previous period
			Gross 1	Adjustment 2	Net 3	Net 4
4	Receivables from partners, cooperative members and association members	043				
5	Estimated receivable	044				
6	Long-term deposits given	044a	1 237		1 237	210
7	Other receivables	045				
8	Deffered tax receivable	046	151 282		151 282	163 082
C. III.	Short-term receivables (r. 48 to 56)	047	1 641 568	74 255	1 567 313	2 300 703
C. III. 1	Trade receivables	048	1 563 509	74 255	1 489 254	2 098 118
2	Receivables from controlled and managed organizations	049	41 362		41 362	167 758
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	21 170		21 170	17 100
7	Other deposits given	054	6 118		6 118	9 765
8	Estimated receivable	055	4 755		4 755	5 273
9	Other receivables	056	4 654		4 654	2 689
C. IV.	Short-term financial assets (r. 58 to 61)	057	202 136		202 136	171 987
C. IV. 1	Cash	058	6 776		6 776	8 046
2	Bank accounts	059	195 360		195 360	163 941
3	Short-term securities and ownership interests	060				
4	Short-term financial assets acquired	061				
D. I.	Accruals (r. 63 to 65)	062	19 298		19 298	23 324

Identif. a	ASSETS b	Row c	Current accounting period			Previous period
			Gross 1	Adjustment 2	Net 3	Net 4
D. I. 1	Deferred expenses	063	19 286		19 286	21 232
	2	064				
	3	065	12		12	2 092

Označení a	Liabilities b	Row c	Current period 5	Previous period 6
	TOTAL LIABILITIES (r. 67 + 84 + 117)	066	4 003 620	4 467 748
A.	Equity (r. 68 + 72 + 77 + 80 + 83)	067	1 471 783	1 440 829
A. I.	Registered capital (r. 69 to 71)	068	384 436	384 436
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	-1 675	-1 119
A. II. 1	Share premium	073		
2	Other capital funds	074	376	376
3	Diferences from revaluation of assets and liabilities	075	-2 051	-1 495
4	Diferences from revaluation in tranformation	076		
A. III.	Reserve funds, statutory reserve account for co-operatives, and other retained earnings (r. 78 + 79)	077	75 522	74 073
A. III. 1	Legal reserve fund / indivisible fund	078	73 732	73 732
3	Statutory and other funds	079	1 790	341
A. IV.	Profit/loss – previous year (r. 81 + 82)	080	796 710	708 291
A. IV. 1	Retained earnings from previous years	081	796 710	708 291
2	Accumulated losses from previous years	082		
A. V.	Profit / loss – current year (+/-) /r.01 – (+ 68 + 72 + 77 + 80 + 84 + 117)/	083	216 790	275 148
B.	Other sources (r. 85 + 90 + 101 + 113)	084	2 479 433	2 992 468
B. I.	Reserves (r. 86 to 89)	085	838 200	847 704
B. I. 1	Reserves under special statutory regulations	086	7 166	22 136

Označení a	Liabilities b	Row c	Current period 5	Previous period 6
2	Reserves for pension and similar payables	087		
3	Income tax reserves	088		
4	Other reserves	089	831 034	825 568
B. II.	Long-term payables (r. 91 to 100)	090	7 412	4 801
B. II. 1	Trade payables	091	7 412	4 801
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		
B. III.	Short-term payables (r. 102 to 112)	101	809 498	1 035 932
B. III. 1	Trade payables	102	582 004	731 037
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	118 992	173 366
6	Payables to social securities and health insurance	107	22 170	41 011
7	Due from state - tax liabilities and subsidies	108	21 257	33 530
8	Short-term deposits received	109	33 273	8 565

Označení a	Liabilities b	Row c	Current period 5	Previous period 6
9	Issues bonds	110		
10	Estimated payables	111	30 157	46 403
11	Other payables	112	1 625	2 000
B. IV.	Bank loans and financial accomodations (r. 114 to 116)	113	824 323	1 104 031
B. IV. 1	Long-term bank loans	114		
2	Short-term bank loans	115	824 323	1 104 031
3	Short-term accomodations	116		
C. I.	Accruals (r. 118 + 119)	117	52 404	34 451
C. I. 1	Accrued expenses	118	21 020	27 914
2	Deffered revenues	119	31 384	6 537

PROFIT/LOSS ACCOUNT

as at 30. 9. 2010 (in thousands of Czech Crowns)

Identif. a	TEXT b	Row c	Fiscal period	
			Current 1	Previous 2
I.	Revenues from sold goods	01	430 740	513 658
A.	Expenses on sold goods	02	375 174	466 255
+	Sale margin (r. 01 – 02)	03	55 566	47 403
II.	Production (r. 05 + 06 + 07)	04	4 289 995	5 291 277
II. 1	Revenues from own products and services	05	3 545 630	4 393 682
2	Change in inventory of own products	06	-6 075	-58 658
3	Capitalisation	07	750 440	956 253
B.	Production consumption (r. 09 +10)	08	3 157 988	3 960 399
B. 1	Consumption of material and energy	09	2 831 200	3 577 827
B. 2	Services	10	326 788	382 572
+	Added value (r. 03 + 04 – 08)	11	1 187 573	1 378 281
C.	Personnel expenses	12	845 805	945 163
C. 1	Wages and salaries	13	631 202	707 814
C. 2	Remuneration of board members	14		
C. 3	Social security expenses and health insurance	15	211 610	234 106
C. 4	Other social expenses	16	2 993	3 243
D.	Taxes and fees	17	4 508	3 508
E.	Depreciations of intangible and tangible assets	18	89 941	100 636
III.	Revenues from disposals of fixed assets and materials (r. 20 + 21)	19	260 998	309 733

Identif. a	TEXT b	Row c	Fiscal period	
			Current 1	Previous 2
III. 1	Revenues from disposals of fixed assets	20	6 614	5 898
2	Revenues from disposals of materials	21	254 384	303 835
F.	Net book value of disposed fixed assets and materials (r. 23 + 24)	22	162 796	193 591
F. 1	Net book value of sold fixed assets	23	3 452	3 406
F. 2	Net book value of sold material	24	159 344	190 185
G.	Change in operating reserves and adjustments and complex deferred costs (+/-)	25	-22 172	18 942
IV.	Other operating revenues	26	57 586	43 097
H.	Other operating expenses	27	110 553	90 478
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	314 726	378 793
VI	Revenues from sales of securities and ownership interests	31		
J.	Sold securities and ownership interests	32		
VII.	Revenues from long-term financial assets (ř. 34 + 35 + 36)	33	25 697	30 996
VII. 1	Revenues from shares in controlled and managed organizations and in accounting units with subsantial influence	34	25 697	30 996
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		

Identif. a	TEXT b	Row c	Fiscal period	
			Current 1	Previous 2
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	14 367	2 861
X.	Interest revenues	42	8 143	17 063
N.	Interest expenses	43	22 426	59 952
XI.	Other financial revenues	44	17 042	31 296
O.	Other financial expenses	45	60 917	53 767
XII.	Transfer of financial revenues	46		
P.	Transfer of financial expenses	47		
*	Profit / loss from financial operations (transactions) /(ř. 31 - 32 + 33 + 37 - 38 + 39 - 40 - 41 + 42 - 43 + 44 - 45 - (-46) + (-47))/	48	-46 828	-37 225
Q.	Income tax on ordinary income (ř. 50 + 51)	49	51 108	66 420
Q. 1	Due tax	50	39 308	65 995
Q. 2	Tax deferred	51	11 800	425
**	Operating profit / loss ordinary activity (ř. 30 + 48 - 49)	52	216 790	275 148
XIII.	Extraordinary revenues	53		
R.	Extraordinary expenses	54		
S.	Income tax on extraordinary income (ř. 56 + 57)	55		
S. 1	Due tax	56		
S. 2	Tax deferred	57		

Identif. a	TEXT b	Row c	Fiscal period	
			Current 1	Previous 2
*	Operating profit/loss extraordinary activity (ř. 53 – 54 – 55)	58		
T.	Trasfer profit (loss) to partners (+/-)	59		
***	Profit/loss of current accounting period (+/-) (ř. 52 + 58 – 59)	60	216 790	275 148
	Profit / loss before tax (+/-) (ř. 30 + 48 + 53 – 54)	61	267 898	341 568

ZPRÁVA NEZÁVISLÉHO AUDITORA, ZPRÁVA DOZORČÍ RADY



AUDITOR'S REPORT ON VERIFICATION OF THE FINAL ACCOUNTS FOR THE PERIOD FROM OCTOBER 1, 2009 TO SEPTEMBER 30, 2010

Report recipient:

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 AŽD Praha s.r.o. company, i.e. balance sheet as at September 30, 2010, profit and loss statement for fiscal year ending on September 30, 2010, summary of changes to the equity capital and cash flow summary for the fiscal year ending on September 30, 2010, and the annex to these final accounts including a description of accounting methods applied and other explanatory information. Further data and information on AŽD Praha s.r.o. are stated in the annex to these final accounts.

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

The statutory body of AŽD Praha s.r.o. is responsible for compilation and true view of the final accounts in compliance with the Czech accounting regulations and for procurement of necessary internal inspection system to avoid any significant (material) inaccuracies caused by fraud or error.

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 (material) 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 for significant (material) inaccuracies in final accounts caused by fraud or error. 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:

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 as at September 30, 2010, and of the expenses, revenues, business results, equity capital and cash flow achieved during the period ending on September 30, 2010 in compliance with Accounting Act and relevant regulations of the Czech Republic.

Auditing company

EKMA FIN, a.s.

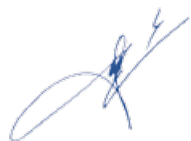
Registered office: Ondříčkova 27/609, 130 00 Praha 3

Auditing company's certificate No.: 076

Auditor's Report was elaborated on behalf of auditing company by Ing. Jana Buková

Auditor's certificate No.: 1214

Date: December 17, 2010



.....
Ing. Pavel Šrámek
CEO



.....
Ing. Jana Buková
auditor

SUPERVISORY BOARD'S ANNUAL REPORT BUSINESS RESULTS OF AŽD PRAHA S.R.O. FISCAL YEAR 2009/2010

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 December 17, 2010.

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 as at September 30, 2010, and of the expenses, revenues, business results and cash flow achieved during the period ending on September 30, 2010 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 without any objections and comments.

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 21, 2011

MANDATORY ANNEXES:

- Annex 1: Annex to the Final Accounts of AŽD Praha s.r.o. for 2009/2010
- Annex 2: Cash Flow Summary
- Annex 3: Changes to Equity Capital for 2009/2010
- Annex 4: Report on the Relationship of Interconnected Persons pursuant to Paragraph 66a of the Commercial Code for the period from October 1, 2009 to September 30, 2010



This Annual Report has been prepared pursuant to the applicable Accounting Act
and reflects the situation as at September 30, 2010.

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