

**REPORT ON BUSINESS
ACTIVITIES AND RESULTS
OF THE AŽD PRAHA S.R.O.
COMPANY FOR THE FISCAL YEAR
2013/2014**

1. 10. 2013–30. 9. 2014



P R A H A



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AZD

The logo features the letters 'AZD' in a bold, sans-serif font, enclosed within a white circular outline. Above the circle, a stylized arrow or winged shape is formed by several parallel white bars, pointing towards the upper right. The entire logo is set against a dark blue background with vertical stripes.

PRAHA

The word 'PRAHA' is displayed in a bold, sans-serif font, with each letter being a thick, white 3D block. The letters are mounted on a dark blue rectangular base that is slightly tilted. The background consists of dark blue vertical stripes.

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GENERAL MANAGER'S FOREWORD



DEAR ASSOCIATES, BUSINESS PARTNERS,
COLLEAGUES, DEAR FRIENDS,

I am very pleased to address you on the occasion of issue of the Report on activities and results of AŽD Praha s.r.o. for the economic year 2013/2014 documenting the development in the given period as required by law. The explicitness of our purely Czech company is documented by the disclosure of information reaching beyond the scope of statutory requirements. Throughout the last year we continued in the positive results of the previous years and therefore the last year may rank among more successful years. Our company is in the solid economic as well as financial condition even during the difficult period of time gradually fulfilling the strategic programme in the technical and business sphere. In the annual report we have tried to provide you with the information from all branches of our working and entrepreneurial activities. The economic results in the prescribed manner may be found in the tables. I would like to thank you, the employees of our company, business partners, associates, friends and everybody, who knows and supports our company. Without all of you we could hardly exist and carry on the business.

The range of activities of AŽD Praha was directed particularly at the foreign markets in the given period. We have tried to accomplish one of the fundamental strategic targets – to increase the export and equalize the imaginary balance between domestic and foreign activities. The Turkish market was the biggest challenge for us. Two contracts in the railway area and one contract in the road telematics put Turkey into one of the foregrounds in our foreign trade. However, continuation and successful completion of these contracts is and will be very important for us in the next year. Our top-class technologies, complex technical solutions, flexibility and courage have always been, they are and in the future they will certainly be our competitive advantage. We have become more recognized partners for our customers from state institutions, construction and technological companies. It is therefore essential to highlight in particular the activity of the Technika plant - its teams of development employees and designers adapting our systems to the customer requirements and conditions not only in the Czech Republic but also in other countries. In the sphere of technology we have continued in placing fully electronic interlocking ESA 44 with new func-

tions. This signal was also the subject of many foreign applications. New electronic features, interface to new LED signals and LED indicators and railyard items, they all created conditions for success of the new signal. Modern line signalling systems and particularly fully electronic level crossing system PZZ-J are considered the success of the last year. The new automatic train control system, the new telecommunication, transmission and information systems, and last but not least, the proper ETCS L2, which we have put into operation in a few line sections – these are the fundamental milestones of the technical development. The automatic transport control according to the planned diagram and the independent control of conflict situations are another important technical systems. We believe, that the system will be put into the testing operation this year and that it will bring the necessary reduction of attending employees as well as higher effectivity, flexibility and speed of the railway transport control in the near future.

The sphere of road telematics has been showing the distinctive increase in turnover over the past few years. The significant share in the company's total turnover is represented by the crucial contract in Baku



in Azerbaijan, the biggest and the most important contract in the division's history. We believe, that after its completion also the Prague tunnel Blanka will become the symbol of decent level of AŽD Praha technologies. The special attention was paid to the supply of technologies to metro line V. A from Dejvice to Motol and our completion date will be kept.

Let me point out the role of assembly and production plants and the logistic centre in Olomouc during the last year. Their mutual activities were decisive for completion of the fundamental domestic as well as foreign contracts. The production plant in Brno, besides its own products, continued successfully in the production project of microscopes for FEI Company.

The division of Telecommunication and Signalling Equipment Service is increasingly important for us. Software modifying and exchanging, service repairing, function supplementing, our system activity monitoring and error rate and unreliability evaluating are the fundamental activities of this division. The success made the company management to entrust the division with the management of implementation of some foreign constructions in Serbia, Monte Negro and Macedonia.

The company's business activity took place on two basic levels – domestic and foreign. In the Czech Republic, we focused on the role of a partner for all construction companies participating or intending to participate in the railway market. Abroad, we currently supply to or are otherwise active in almost twenty countries all around the world.

Also the telecommunication sphere together with daughter companies Radom and Dcom built its position on the market coming up with their own technologies and systems.

The information on the company organization structure as well as on the individual plant and division activities are shown in another part of the annual report.

Also the companies with the ownership interest of AŽD Praha, currently there are more than twenty of them, significantly contributed to the positive development of management, particularly in the sphere of telecommunications, design and education development.

Throughout the year 2013/2014 we continued in the active participation in the European as well as domestic organizations and institutions, such as UNIFE, UNISIG and other. Our top employees, in particu-

lar from the Technika plant, participate in meetings of many European expert groups.

AŽD Praha does not forget the sphere of social activities. We have provided our assistance to disabled fellow citizens through our endowment fund Kociánka and the Jedlicka Institute, we have supported many cultural and sport events as well as specific sportsmen.

Big attention is annually paid by our company to the positive media image and promotion of the whole line of our business. We issue not only the internal magazine for our employees but also the quarterly Reporter, which has long ago exceeded

the imaginary borders of AŽD Praha and has become the railway magazine for the wide circle of readers. Also the video magazine „Attention, a train“ is a show recognized to such extent, that it is taken over by some other tv stations.

Our participation in the world exhibitions and trade fairs in Berlin, Istanbul, Belograd, Plovdiv, Amsterdam, Baku and other cities was also significant, which strengthened the position of AŽD Praha on the foreign market.

The participation of our professionals at conferences not only in the Czech Republic, but also abroad, is considered very beneficial.

DEAR FRIENDS,

I am pleased to announce the positive results of the year 2013/2014 and I am aware they could not be so positive without capable and loyal employees, business partners, customers and friends. Therefore let me thank you once again for your work, support and confidence.



Ing. Zdeněk Chrdle
CEO and General Manager

MANAGING BODIES AND ORGANISATIONAL UNITS



AŽD Praha s.r.o. (Identification No. 48029483) is a purely Czech company owned by a long time stable group of owners. Pursuant to the Commercial Code of the Czech Republic, it is a limited liability company. It is registered in the Commercial Register administered by the Municipal Court in Prague, Section C, Insert 14616. From legislative and economic point of view, it constitutes a single legal entity.

Three Executive Directors act on behalf of the company in accordance with the Memorandum of Association. Every one of Executive Directors is entitled to act independently on behalf of the company.

The Company Head Office was established to ensure top management and coordination functions and it manages and coordinates activities aimed at implementation of the Company's subject of business.

The Company labour relations were fulfilled during the fiscal period in compliance with the legal regulations of the Czech Republic and the Corporate Collective Agreement.

The Company's bodies and representatives are mentioned in this Annual report according to the state as at September 30, 2014.

COMPANY BODIES

as at 30.09.2014

GENERAL ASSEMBLY

EXECUTIVES

Ing. Zdeněk CHRDLÉ

General Director of Company

Ing. Roman JUŘÍK

Technical Director

SUPERVISORY BOARD

Daniela VESELÁ

Director of Logistic Plant Olomouc

Ing. Miroslav KOZÁK

Financial Director

Petr ROTT

Associate Member

COMPANY HEADQUARTERS AND HEAD OFFICE

AŽD Praha s.r.o.

Žirovnická 2/3146, 106 17 Praha 10

Phone: 267 287 111

Fax: 272 650 831

E-mail: info@azd.cz

Internet: www.azd.cz

General Director

Ing. Zdeněk CHRDLÉ

Phone: 267 287 201

Commercial Director

Ing. Petr FALTUS

Phone: 267 287 416

Financial Director

Ing. Miroslav KOZÁK

Phone: 267 287 190

Technical Director

Ing. Roman JUŘÍK

Phone: 267 287 361

Installation and Production Director

Miroslav HORA

Phone: 267 287 444

Director of Equity Holding

Ing. Jiří BAŤKA

Phone: 267 287 203

Commercial Director for Road Telematics

Ing. Vladimír KETNER

Phone: 267 287 234

Commercial Exports Director

Ing. Petr ŽATECKÝ

Phone: 267 287 263

European Affairs Director

Ing. Vladimír KAMPÍK

Phone: 267 287 437

Human Resources Manager

Ing. Miloslav SOVÁK

Phone: 267 287 754

ORGANISATIONAL 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: 267 287 223

Deputy Director for Research and Development

Ing. Antonín DIVIŠ
Phone: 267 287 364

Deputy Director for Design

Ing. Josef BOREČEK
Phone: 267 287 259

PRODUCTION PLANT BRNO

Director of the Plant

Ing. Jolana HORSÁKOVÁ
AŽD Praha s.r.o., Production Plant Brno
Křižíkova 32, 612 00 Brno – Královo Pole
Phone: 549 122 101

PRODUCTION PLANT OLOMOUC

Economic Manager

Ing. Stanislav SLAVÍČEK
Charged with Directorship of the Plant
AŽD Praha s.r.o., Production Plant Olomouc
Roháče z Dubé 6, P. O. Box No. 13,
772 11 Olomouc 2
Phone: 585 113 510

INSTALLATION PLANT KOLÍN

Director of the Plant

Ing. Václav PAŘÍZEK
AŽD Praha s.r.o., Installation Plant Kolín
Polepská 724, 280 02 Kolín IV
Phone: 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: 585 113 660

LOGISTIC PLANT OLOMOUC

Director of the Plant

Daniela VESELÁ
Logistic Plant Olomouc
Železniční 1, 772 10 Olomouc
Phone: 585 113 210

DIVISION TELEINFORMATICS

Director of the Division

Pavel ZÁLESKÝ
AŽD Praha s.r.o.,
Division Teleinformatics Praha
Ukrajinská 4, 101 28 Prague 10 – Vršovice
Phone: 274 012 612

*DIVISION OF TELECOMMUNICATION
AND SIGNALLING TECHNOLOGY SERVICE*

Director of the Division

Ing. Václav BARTŮŇEK
AŽD Praha s.r.o.,
Division of Telecommunication and Signalling
Technology Service
Žirovnická 2/3146, 106 17 Prague 10
Phone: 267 287 153

DIVISION OF ROAD TECHNOLOGY AUTOMATION

Director of the Division

Ing. Zdeněk GRUBL
AŽD Praha s.r.o.,
Division of Road Technology Automation
Křižíkova 32, 612 00 Brno – Královo Pole
Phone: 541 421 540

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

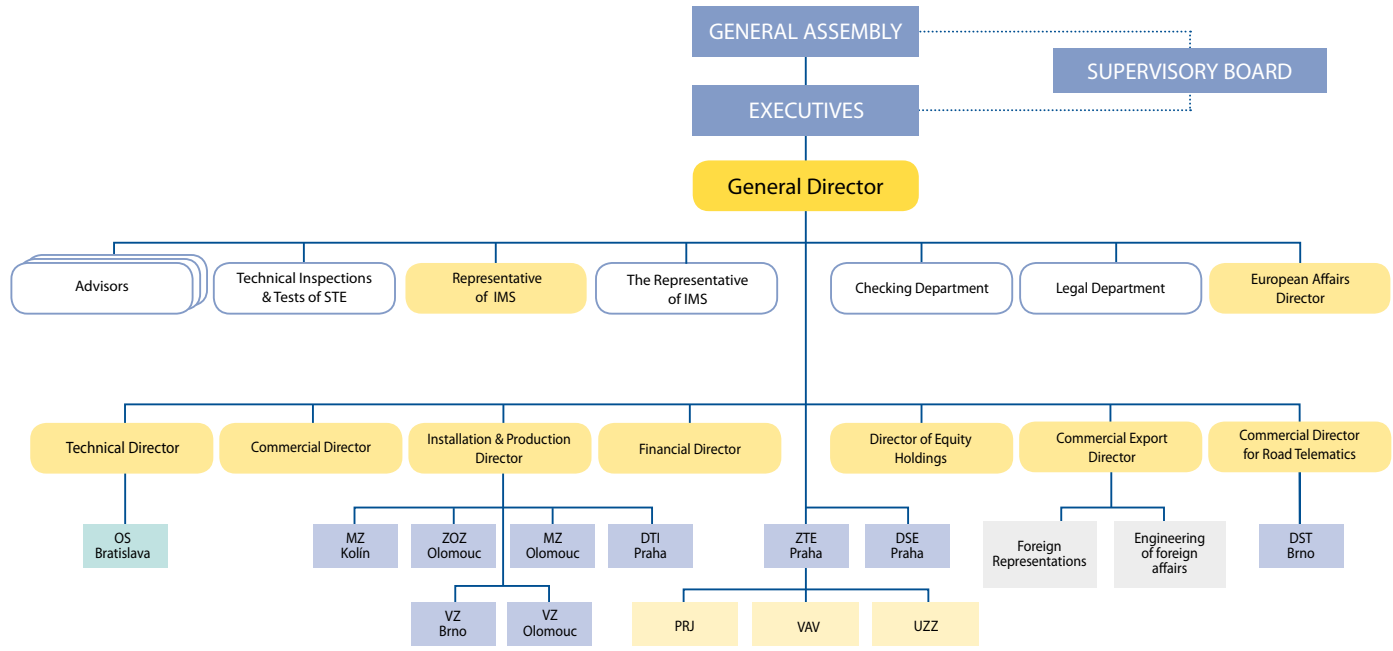
Manager of Organization Unit

Ing. Štefan GLOVIČKO
AŽD Praha s.r.o.,
Organization Unit Bratislava
Ružinovská 1G, 821 02 Bratislava
Phone: +421 258 282 350



ORGANIZATIONAL CHART

as at 30.09. 2014



Legend:

- VZ – Production plant
- MZ – Installation plant
- ZOZ – Logistic plant
- ZTE – Technika plant
- PRJ – Design
- VAV – Research and development
- DSE – Division of Telecommunication and Signalling Technology Service
- DTI – Division Teleinformatics
- DST – Division of Road Technology Automation
- OS – Organization unit
- IMS – Integrated Management System (quality, environment ...)
- STE – Specific technical Equipment (STE)
- UZZ – Foreign Trade Supportive Department

Activities in Labour-Law Relations

During the 2013/2014 fiscal year, no principal changes or activities occurred in the field of labour law relations. Mostly, common operative matters of the labour-law character were solved.

Comments on Organisational Chart

During the 2013/2014 fiscal year, no organizational changes occurred, which would influence the organizational structure of the company, illustrated by the organisational chart as at 30. 09. 2014.

Important events, which have occurred after 30. 09. 2014

In the period after 30. 09. 2014, based on the Decision of General Director Ref. No. 12066/2014-OPS from 01. 12. 2014, following organizational changes were made:

Effective from 01. 12. 2014

- The existing organizational structure and systemization of the Installation and Production department was abolished, and a new organizational structure of the department was defined, including the systemization and occupancy of function posts;
- The Telecommunication Technology Department was established and the organizational structure of the department was defined including its systemization and occupancy of function posts;
- Director of the Logistic Plant (ZOZ) Olomouc was charged with top management of the Production plant Brno and Production plant Olomouc;
- The Railway Traffic Centre was established in the competence of HR Manager;
- The function post of Deputy Commercial Director for Mobile Systems was abolished within the organizational structure and systemization of function posts of the Commercial section

Effective from 01. 01. 2015

- The Testing department (workplace of the previous Installation and Production department) was transferred to subordination of the Production Plant Brno;
- The function post Deputy General Director for Slovakia was established.

Changes of Statutory Bodies

During the 2013/2014 fiscal year, the statutory bodies worked in a stable assembly.

In the period after 30. 09. 2014, elections of statutory bodies were held, and effective from 24. 10. 2014, statutory bodies are working in a new assembly:

Executives:

Ing. Zdeněk Chrdle,
Ing. Roman Juřík,
Daniela Veselá

Supervisory Board:

Ing. Miroslav Kozák,
Ing. František Formánek,
Petr Rott.



WHO WE ARE

POZOR VLAK

POZOR VLAK



The AŽD Praha company is the greatest Czech producer and supplier of control/command, signalling, information and telecommunication systems and technologies for railway and road transport. Owing to comprehensiveness, ranging from needs' analyses and development of equipment, through design, production, and installation to long-term servicing, the AŽD Praha offers efficient solutions of particular needs of its customers.



BUSINESS ACTIVITIES



Throughout the long-term presence on the transport infrastructure market, the AŽD Praha has reached an important position in the field of control/command, signalling and communication technologies on a railway. We can observe from the development of recent years that the company is able to manage demanding tasks resulting from implementation of extensive installation works on greatest constructions of the home railway market and implementation of great constructions abroad, including engineering. All realized contracts in the field of preparation of project documentation, including the own executed installation works and deliveries, have been successfully finished and handed over to the customer. After hand-over of the finished work, the AŽD Praha provides all necessary servicing including warranty and post-warranty repairs.

The company disposes of all certificates authorizing the company to perform works in the whole field of telecommunication and signalling technology on railway. The AŽD Praha is able to ensure production of all necessary equipment and consequently complete installation and commissioning of the equipment, but also to ensure a complete documentation to it in

accordance with relevant standards and regulations. Thus, the scope of company activities is not only focused on the field of construction and installation orders, but also on fields of processing of the design documentation, research and development of new or innovative technologies and production of components of signalling, control and communication systems.

To ensure the corresponding quality of production, installations, and other works, the AŽD Praha has been certified according to requirements of the ISO 9001 standard. Environmental protection has been provided by certification in compliance with requirements resulting from ISO 14001 standards and the occupational safety and health has been proved by compliance with requirements of the OHSAS 18001. The international IQNet certifying body repeatedly confirms the compliance with above given standards by the issue of relevant certificates.

Anticipated Development of Activities

The period of decline in the global economy has been partially overcome and

now, it has no significant influence on our national economical environment, especially in the segment of investments in the transport and especially railway infrastructure. From 2015, drawing of subsidies from European OPD 1 program ends, and so tenders are inviting to improve the traffic infrastructure – reconstruction and revitalization of lines. In this situation, the AŽD Praha company has focused in its main scope of activities on maximum usage of its potential resulting in economical and cost saving solutions. In the field of control, signalling and communication systems, the company uses its production program to achieve the task, which is a satisfied customer at keeping of the lowest possible costs. The efficiency of the process must be supported by related programs of service and contracts in the field of maintenance and repairs of the equipment. This course of action will allow the AŽD Praha company to maintain and develop its position on the domestic market. Technical level of products and services delivered by our company and the long-term experience in the field of transport technologies bring a greater share on foreign contracts, compensating so a certain instability of the domestic market.

FOREIGN MARKETING AND TRADE DEPARTMENT

After overcoming of negative effects of the world economic crises, foreign orders show a dynamic progress again. Centralization of foreign activities is the main aspect of the foreign trade of the AŽD Praha. Individual destinations, how are called the locations of interest, are always administrated by a specialized team of people. This team is usually put together in the moment, when an interesting contract is received, or a significant position on the foreign market is gained. These teams are centralised under one organisation of the Foreign Marketing and Trade Department, allowing a better control over the foreign activities and coordination of implementation of contracts within the company. Under the auspice of Foreign Trade, the “Engineering of Foreign Orders” works successfully, providing top management of implementation of individual foreign projects.

Destinations in the area of main interest of AŽD Praha are Lithuania, Belarus, Serbia, Montenegro, Turkey, Greece, U.S.A., Bulgaria, and India. Newly, the company strives to penetrate the territories of Croatia, Rumania, Turkmenistan, Bosnia-Herzegovina, and Macedonia.

Lithuania

AŽD Praha, as a member of the consortium together with the Lithuanian company UAB FIMA, finished the delivery of the signalling equipment for the 100 km long line section Kaunas – Kybartai. The supply of the company included the ESA 11-LG electronic interlocking equipment and systems of the ABE-1-LG electronic automatic block. Currently, we are working on implementation of modifications of the existing equipment on the above given line section owing to the newly built Rail Baltica line.

Belarus

In the middle of 2014, the Phase I and II of works on signalling of the approx. 110 km long Osipoviči–Žlobin line finished, where AŽD Praha delivered the ESA 11-BC electronic interlocking equipment, systems of the ABE-1-BC electronic automatic block, and universal power supply sources of the UNZ-BC-3 type. Further, the signalling equipment for the Šemetovo–Smoleviči line section was delivered, the delivery included ABE-1-BC and UNZ-BC-3. At the same time, the delivery of the interlocking equipment for the Žlobin railway junction and phase III Osipoviči–Žlobin is still in process. We are continuously

preparing the design documentation for large railway junctions and line sections.

Serbia

In 2014, the company gained, and currently is implementing the project of delivery of the ESA 11-SB station interlocking equipment technology for the Belgrade Prokop project. In 2013, the delivery of the level crossing system for the TENT power station was finished.

Montenegro

In Montenegro the implementation of the Podgorica – Nikšič railway line was completely finished. Now, the AŽD Praha attempts to receive the project for delivery of the interlocking equipment for the Podgorica railway station.

Turkey

During 2015, the AŽD Praha will finish deliveries of the station interlocking equipment of the ESA 44 type, including wayside elements and telecommunication for the project Tekirdag–Muratli. In 2014, design works started on the Ankara-depot project, where the company will deliver a system of the station interlocking equipment ESA 44 including wayside elements.

U.S.A.

Through its subsidiary AŽD Signaling Inc., the AŽD Praha finished successfully laboratory tests of the PZZ-US3 level crossing system on the Union Pacific lines. Further, the delivery and installation of the second PZZ-US3 level crossing system on NERR (Nashville Eastern Rail Road) lines was finished, too.

Bulgaria

Another key territory for AŽD Praha is Bulgaria, where its Balkan SAST subsidiary has been established since 2004. The key strategy on this market is also the transfer of production from the parent company with the aim to reduce costs and to support the local market. AŽD Praha attempts to receive projects Burgas-node and Ruse–Varna.

India

The company is finishing the recertification of the station interlocking system of the ESA 11-IR type in Lucknow, conditioning participation in other commercial projects.

Greece

The company has finished repairs of level crossing systems damaged by vandalism, and prepares the participation in public tenders.

Croatia

In 2013, AŽD Praha established its subsidiary AZD Zagreb with the registered office in Zagreb. The subject of this subsidiary is to coordinate business activities of the company in the territory of Croatia. AŽD Praha currently participates in several tenders and attempts to receive pilot projects for deliveries of signalling equipment.

Rumania

The company attempts to enforce the technology of the signalling equipment on the local market and participates in several tenders.

Turkmenistan

AŽD Praha attempts to receive a project for delivery of a complete line signalling equipment for the 265 km long Bereket–Etrek line and for the centralized traffic control system.

Bosnia-Herzegovina

The company currently participates in several tenders.

Macedonia

The company attempts to receive the Kumanovo–Beljakovce project, and currently participates in several tenders.

Subsidiaries and Organisational Units of AŽD Praha Abroad

Development of foreign orders belongs to important attributes of the AŽD Praha company. Opening of the next subsidiary, this time in Ankara, is one of indicators showing the growth of the export balance. The main subject of this subsidiary is to coordinate business activities of the AŽD Praha in the territory of Turkey. Other subsidiaries of the AŽD Praha company established abroad are AZD Signaling in the U.S.A., providing sales and marketing activities on local markets, the MPC Servis company in Belarus, which provides all service activities connected with deliveries of the AŽD Praha for Belarussian Railways, AZD SASI in Serbia, AZD Zagreb in Croatia and BALKAN SAST in Bulgaria providing also the support for foreign contracts. Organizational units established in Montenegro and in Slovakia are focused on local organization and they create a background preferably intended for installation works.

COMMERCIAL SECTION FOR ROAD TELEMATICS

One part of the AŽD Praha company is the Commercial Section for Road Telematics (hereinafter only OBU STM), which is focused on increasing of continuity and safety of road transport by means of new technologies.

The OBU STM develops its activities not only in the Czech Republic, but also on foreign markets in Slovakia, Russia and Ukraine, in Bulgaria, Serbia and also in Azerbaydzhan and in Turkey.

The Commercial Section STM established its unforgettable position in the market in Azerbaydzhan by the currently running implementation of great contracts for construction of motorways, where the section delivered especially technologies for motorway information system and transport line management system for motorways in Baku. In the last year, the section achieved a great success also in Turkey by its victory in a great contract for building of an intelligent municipal traffic control system in Izmir town.

The Commercial section together with the Division of Road Technology Automation (hereinafter only DST) gained its signifi-

cant position on the market by their complex solutions of customers' needs, starting with the project documentation and engineering activities, production and installation to the maintenance and servicing of the technologies delivered. It also provides land communication safety audits.

The sophisticated system of transport line management on highways and main roads is still one of the most significant products delivered now. Deliveries of variable traffic signs and systems for variable information (PDZ/ZPI) are inseparably joint with it. Other important products are the municipal command and control centre, and modern systems for traffic light management on crossroads and pedestrian crosswalks.

Equally, important products are represented by intelligent camera systems based on identification and automatic recognition of car licence plates for identification of various driving offences. OBU STM offers the control, information and electronic signalling systems for municipal and motorway tunnels. In the last year, the OBU STM again largely contributed to modernization and more efficiency of public lighting of other cities and towns, which used the offered package of services cov-

ering the installation, repairs, administration, maintenance, and operation of public lighting.

Within Czech projects of the OBU STM for the 2013/2014 fiscal year, is certainly worth mentioning the received implementation of tender invited by the Brno Public Transit Company (DPMB, a.s.) for installation of more than 50 electronic information LED panels (ELP) in selected tram stops. These panels significantly contribute to more comfortable and simple orientation of passengers.

In addition to its commercial activities, the OBU STM also provides their business of „Production, repairs, and installation of measuring instruments“ focused on speed measuring systems, measuring systems for tunnel physical quantities and physical quantities of transportation means (height, weight, etc.).

OBU STM also justly belongs to long-time active members of the SDT CR (Road Telematics Association). It implements and organizes lectures and consulting activities and participates in solving of projects and grants of the Ministry of Transport of the CR and the Ministry of Education of the CR.

Research and Development Activities within OBU STM

An independent research and development of products for road telematics is provided by the R&D (VAV) department assigned under the OBU STM.

The 2013/14 fiscal year was very demanding for the development department of the OBU STM regarding the difficulty of tasks and required terms. Despite these difficulties, the department managed to complete successfully development works on the grant of the Technology Agency of the CR with the name „ Optimization of Algorithms of Adaptive Control of the SSZ System in Urbanized Areas“. At final defence of the financial and real part, representatives of the technology agency classified this project as one of the best ones, which can be described as a great honour for all participating staff members. The module for optimization of algorithms of adaptive control has been within the eDaptiva traffic command and control centre put into real operation on some installations with a positive feedback from customers.

Based on gained experiences from administration of public lighting, the section of the supervisory and control centre eDaptiva

PublicLight was complemented with tools for passportization and inventory of public lighting.

The camera systems are also gradually renewed. The new concept of the GateCon system was designed, for controlling of entrances and exists from premises including the pilot installation. Other works were focused on demands and specific requirements resulting from contracts in Azerbaijan and Turkey, for which it is necessary to design new systems, complying with local standards, with clear demands on used components and on resistance in local conditions.

The expected development trend of business activities

In the next year, the OBU STM will focus on the development and acquisition of next foreign contacts, especially in Azerbaijan, Turkey and other eastern countries.

The OBU STM will further seek to achieve other complex projects of road traffic management in large cities, projects of line management of motorways and technological equipment of motorway and road tunnels.

In the area of technical development, it will focus on research and development of modern telematics technologies and will focus its attention on adaptation of existing systems for eastern markets.

RESEARCH AND DEVELOPMENT

STARÁ BOLESLAV



AŽD Praha is already sixty years the leading manufacturer and supplier of preferably signalling and telecommunication equipment for railways, metro and systems for road traffic (signalling of crossroads, camera systems, speed measuring systems etc.). The major volume of its production consists of deliveries of station interlocking, line signalling and level crossing systems for railways, but also the volume of deliveries for road technologies is not negligible, and has an increasing trend. In both cases, deliveries are intended both for the domestic and for foreign markets.

In the vast majority, these devices were developed by own development personnel in the Research and Development department of the Technika plant, in some cases in cooperation with subsidiaries or other companies. As a tradition, the cooperation with universities and other institutions of high education and research organisations is used. At implementation of results of the research and development and other activities of the AŽD Praha company, the cooperation of the Design department and the Foreign Trade Supportive Department is very important.

The development itself requires high demands on providing resources, both

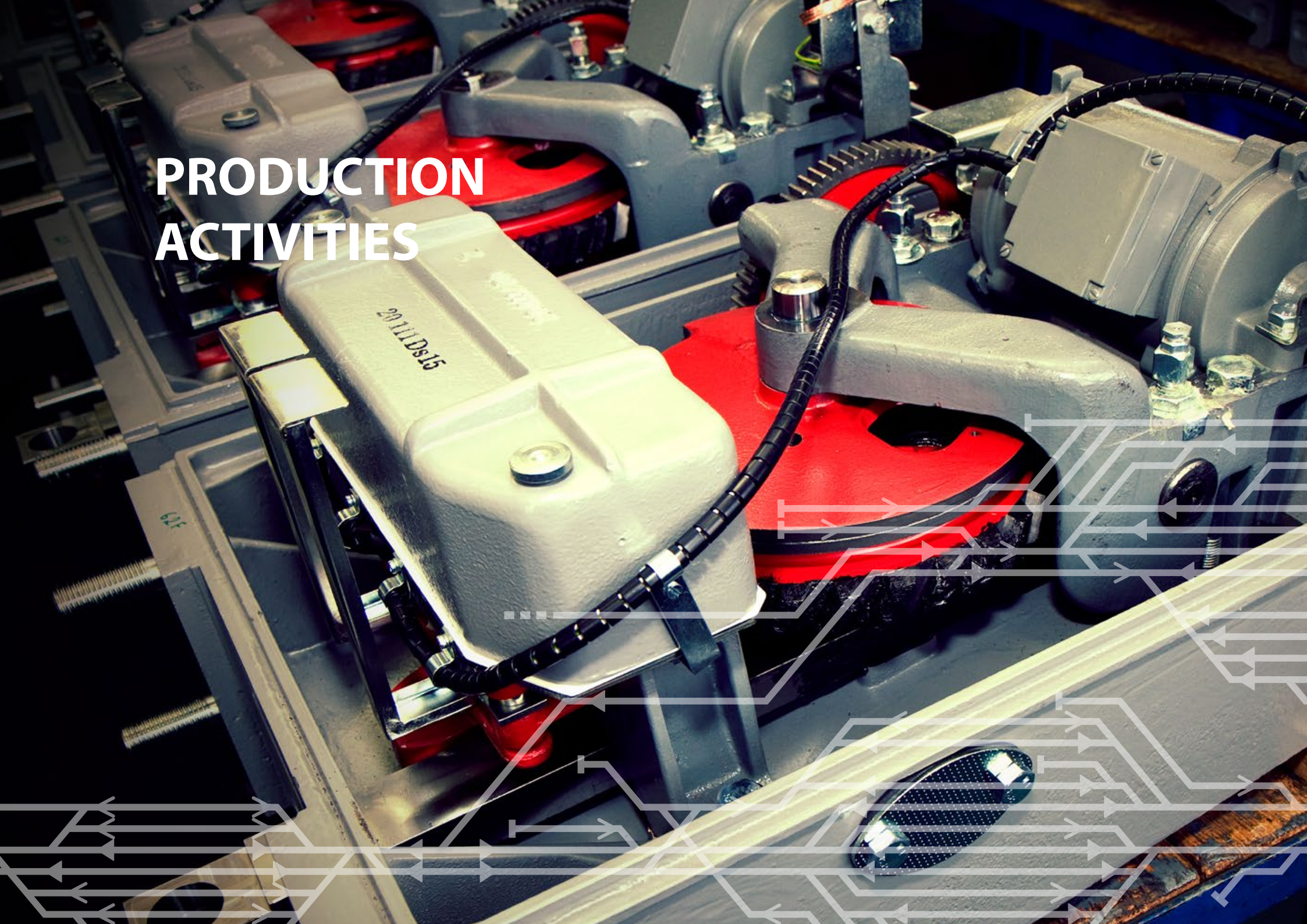
human and financial ones. The commercial success of the company in the field of its business, which is subjected to quality results of the development, is at the same time one of conditions for providing of financial sources for the successful and efficient development.

The most important activities related to the technical development in the previous period is the implementation of projects of the European Train Control System ETCS/ERTMS with a significant contribution of elements developed by the AŽD Praha on corridor lines of SŽDC (RIA) and ŽSR.

Within the extensive development activities, our company participates also, by some development projects, in programs supported from public funds. From domestic ones, these are especially programs of the Technology Agency of the Czech Republic and departmental programs of the Ministry of Industry and Trade of the CR, from foreign programs, it is e.g. the NGTC (Next Generation Train Control) project, which is a part of the 7th Framework program of EC. The steady extending operation of the AŽD Praha leads to necessary extending of activities in the field of the technical development. However, it is not only the development itself and inno-

vation of equipment. Also the participation of the company especially in foreign standardisation committees and in foreign working groups, as for example in CENELEC and UNISIG, is extending. In this country, our workers participate in activities in selected standardisation committees UNMZ and in activities of the Centre for Technical Standardisation ACRI. The possibility to participate in preparation of especially European specifications is a good contribution for development of new equipment and preferably for preparation of long-term concepts of technical development.

PRODUCTION ACTIVITIES



PRODUCTION PLANT BRNO

The production of the production plant Brno (hereinafter only VZB) has two main fields. One of them is the production of electronic and electro-technical configurations for railway signalling and telecommunication systems within the own industrial production of the AŽD Praha company, and further, it is the cooperative production of electromechanical subassemblies of vacuum technology for the FEI COMPANY.

In the field of own industrial production, VZB specializes in the production of electronic configurations on printed circuit boards, completion of electronic units, superior electronic and electro-technical configurations and direct configurations of station interlocking, line signalling, and level crossing systems. An integral part of the production program of the VZB are also elements of light signals, of accessories of track circuits and telecommunication technology.

Production processes of installation of electronic configurations on printed circuit boards are technologically arranged so, that it could be possible to perform even the most complicated configurations occupied from both sides by externally mounted components in combination with com-

ponents occupied from both sides and with outlets to through holes. In terms of the production flow and used technological equipment, the assembly of electronic configurations is adjusted for piece, small-lot to medium-lot production of a large assortment of configurations. In the VZ Brno, all electronic configurations on printed circuit boards are manufactured and assessed in accordance with international norms IPC criteria valid for the most demanding class 3. In all production processes, all regulations on protection of electronic configurations against the electrostatic discharge are strictly observed. Such adjusted production processes are applied not only for the assembly of electronic configurations of the own repetitive, prototype and sample production, but they are also successfully offered to external customers.

During the 2013/2014 fiscal year, within the constant improvement of quality of products, new technologies were provided and commissioned – DIMA automat for selective painting of configurations on printed circuit boards including the UV checking of the coated paint and a large-format colour UV printer JETRIX for printing of panels and other structural elements of electronic units.

Within the cooperative production of electromechanical subassemblies of vacuum technology, the VZB belongs still to leading suppliers of the FEI COMPANY. The active approach of the AŽD Praha company to the cooperation with this important partner was appreciated during the Supplier Day by granting the SUPPLIER AWARD 2014 for the best supplier of 2014.

In the field of environmental protection, the VZB strictly applies the minimization of environmental impacts of production of electronic and electro-technical configurations. There are especially following preventive measures:

- Limited usage of lead soldering alloys;
- Limited usage of substances dangerous for waters in cleaning processes of configurations on printed circuit boards and components for vacuum technology;
- Limited usage of dangerous substances and mixtures containing volatile organic matters in surface treatment technologies;
- System of control mechanisms resulting in minimization of leakage of dangerous substances to environment.

PRODUCTION PLANT OLOMOUC

Within the company, and in compliance with the specialization of production plants, the Production plant Olomouc (hereinafter only VZO) has been on a long-term basis focused on the field of engineering production and electro-mechanical production.

VZO provides the production of especially wayside elements for safeguarding of points and level crossings, which have to be resistant not only against action of atmospheric influences but also against railway operation directly in the railyard.

Investments realized during recent years were directed mainly to cutting operation area, when the plant was equipped with several milling and turning centres, mainly from the Japanese company MAZAK.

Very good technological level of machining is complemented with outstanding devices in the field of monitoring of production quality. 3D measuring digital centre LKG-90C, very precise 3-coordinates measuring system, enabling checking of first produced pieces up to dimensions of $600 \times 500 \times 400$ mm, and a portable 3D measuring coordinate device FARO Gage

plus with measuring range up to 1 200 mm.

Production plant Olomouc currently disposes of quality technology in plate beating area. Punching press TruPunch 3000 and press brake CNC TruBend 5170 enabled to extend the production program with a cabinet assortment, which can be applied both within our company and for external partners.

Within new investments during the last years, the VZO realized the extensive modernization of paintshops where, beside construction modifications, the new technological devices were installed, so that this operation could meet very demanding criteria regarding environmental protection, and at the same time to provide the required quality of surface treatments at products with 5-year guarantee, which are placed in outdoor environment.

In connection with demands of clients and customers of the AŽD Praha to evidence welding processes in compliance with the ČSN EN ISO 3834-2:2006 standard, in the last year, the certification ensuring the quality at welding in connection with the certification according to the ČSN EN ISO 9001:2009 passed through.

The VZO has an active approach to environmental problems and occupational

health and safety. Together with the quality, these management systems are certified and integrated into the unified Integrated Management System.

All machining centres MAZAK have closed coolant and lubrication circuits and also the own working space, which not only improves the environmental protection, but also protection of workers and occupational safety.



INSTALLATION ACTIVITIES



During the fiscal year 2013/2014, the capacities of installation plants Olomouc, Kolín and of the Prague division of Teleinformatics were centralized on tendered constructions of RIA (SŽDC) on the unfinished railway corridors, lines and nodes.

These constructions were equipped with modern technology of the AŽD Praha, providing the comfort for operating personnel and safety and speed for railway transport.

The installation of modern technologies of station interlocking systems, such as undoubtedly is the ESA 44 including over-lay technical solutions (EVS at track circuits, and VNPN at axles counters, the TRS device with the General Stop function), represents one of very important elements for increasing of safety in the area of a risk factor of traffic. The usage of the latest diagnostic systems for remote control of stations enables fast orientation of the maintenance personnel and service-workers.

On corridor line sections, we apply the line signalling system, type ABE-1, which has proved its high reliability. Next accessory, without which the modern transport systems cannot be imagined, is the Graphic-technology overlay (GTN), which is intended directly for traffic workers. Increasing of the operation safety on the traffic route

will continue also in the following period. By integration of new telecommunication devices, we contribute to better coordination and safety of train transport. For railway vehicles, the AŽD Praha offers the automatic train protection LS06 including CAB radios with the wireless technology, Radio-block and other technologies in IP environment.

Important Implemented Constructions

Installation Plant Kolín finished following constructions:

- „Passing through Ústí nad Orlicí railway node“
- „Optimization of the Praha Bubeneč–Praha Holešovice line“
- „Modernization of the Ševětín–Veselí nad Lužnicí line, 2nd Part –Horusice–Veselí nad Lužnicí Section“.

Installation Plant Olomouc provided constructions:

- „Reconstruction of the railway station Břeclav, 2nd Construction“
- „Building of the railway line to the Leoš Janáček Airport in Ostrava“
- Metro – Line V.A, where MZO prepared for activation three metro stations – Dejvická, Bořislavka and Velešlavín and DTI provided installation works for stations Petřiny and Motol.

From constructions in process, we can mention:

- „Optimization of the Bystřice nad Olší–Český Těšín line“ (including hump railyard)
- „Reconstruction of the Olomouc railway station“
- „Modernization of the Tábor–Sudoměřice line“
- „Optimization of the Praha Hostivař–Praha hl. nádraží line section, 1st Part“
- „Reconstruction of the Praha Smíchov (extra)–Rudná–Beroun (extra) line“
- „Plzeň node (junction), 1st Construction“ – reconstruction of Prague head with finishing in 2016
- „Modernization of the Ševětín–Veselí nad Lužnicí line, 1st Part – Section Ševětín–Horusice“
- „DOZ Jaroměř – Stará Paka (extra)“
- „Reconstruction of the Hradec Králové–Pardubice–Chrudim line, 1st Construction“, double-tracking of the Stéblová–Opatovice nad Labem section
- „Reconstruction of the Klatovy–Železná Ruda line“.

From the part of the Teleinformatics Division, following constructions are managed:

- „revitalizing of the České Budějovice–Volary line“ finishing in 2015
- „Reconstruction of the Liberec–Tanvald line“.

In addition to above mentioned constructions, Installation Plants participate also in important projects of building of ETCS on the Břeclav–Kolín and Praha–Kolín lines.

Further, capacities of Installation plants focused on investment activities of RIA (SŽDC) in form of reconstructions, and repairs of level crossing systems, which are very important to increase the safety, too. The level crossing system is complemented with other safety elements, such as signalling for blind people and detection of occupancy of level crossing and integrity of barrier beams. In this fiscal year, more than 90 level crossings were produced and prepared for installation. In the field of installation activities abroad, we participate in constructions in Belarus, Turkey and Lithuania.



DIVISION TELEINFORMATICS



In the 2013/2014 fiscal year, the Division Teleinformatics (hereinafter only DTI) implemented many important transport constructions.

Constructions and repairs of level crossing systems realized on constructions:

- „Repair of SZZ Sušice St.1“
- „Repair of elements for cooperation with train and repair of relay logic of LX in km 25,207 of the Praha–Turnov, Měšice line“
- „Repair of LX in km 15,014 of the Veselí nad Lužnicí–Jihlava line“
- „Replacement of track circuits by axles counters, in km 101,061–98,336 of the Zdice–Protivín line“
- „Repair of level crossing on the Všetaty–Mělník line in km 368,479“
- „Repair of LX in km 358,150 of the Lysá nad Labem–Ústí nad Labem line“
- „Construction of LX in km 16,680; 21,118; 23,981 in the Velký Šenov–Dolní Poustevna Section“
- „Construction of LX in km 7,020; 14,661; 14,916; and 15,051“ in the Rumburk–Velký Šenov Section“

Due to the changed legislation relating to assignment of frequency channels, an extensive „Reconstruction of the 150 MHz

radio networks, Phase II in the RCP circuit Praha“ was made.

DTI participated, by implementation of telecommunication equipment, in contracts of sister installation plants:

- „Passing through the Ústí nad Orlicí railway node (junction)“
- „Reconstruction of the Břeclav railway node (junction), 2nd Construction“
- „Reconstruction of the Přerov railway station, 1st Construction“
- „Reconstruction of the Olomouc railway station“
- „Optimization of the Praha Bubeneč–Praha Holešovice line“
- „Prolongation of underpassing and providing of barrier free easy access to the platform in the Český Brod railway station“
- „Modernization of the Tábor–Sudoměřice u Tábora line“
- „Reconstruction of the Frýdlant nad Ostravicí railway station“, where DTI participated also in control of signalling systems.

In given period, works started on the construction „Reconstruction of the Liberec–Tanvald line“, which should be finished in 2015. DTI is installing the technological part of the DOZ Liberec–Tanvald, with situating of

the dispatcher workplace in Liberec. The construction includes four SZZ (station interlocking equipment), where 25 point, from the total number of 35 ones will be operated by point machines. The construction includes also five TZZ (line signalling systems) with safeguarded level crossings. Within the telecommunication equipment, there are built also EPS, EZS, ASHS equipment, information devices, camera systems, MRS, TRS and last but not least DDTLSŽDS systems from DŘT.

DTI started the construction of „Revitalization of the České Budějovice–Volary line“. AŽD Praha is the main contractor and provides with its subcontractors implementation of construction works and operating sets. These ones include reconstruction of five bridges, tracks and platforms in seven railway stations and 12 railway stops, and reconstruction of power supply and lighting, and building of new objects for situating of technologies. Building of DOZ on given line means interlocking of 11 stations by SZZ ESA44, modification or new signalling of 78 level crossings, building of telecommunication and information devices and new radio networks and DŘT technologies.

Further, DTI participates in the construction „Operating verification of the KOA-1 track circuit on the C-line of Prague metro in Holešovice station“.

DIVISION OF ROAD TECHNOLOGY AUTOMATION BRNO



Division of Road Technology Automation Brno (DST) is a realization unit for deliveries of road traffic control technologies, and applications from the road telematics area. Its activities focus on the production, installation, maintenance and servicing of these systems. Activities of the DST Brno include also design activities, engineering, operation development, and advisory activities within the commercial section of the road telematics (OBU STM) strategy on the transport technology market.

One of the most important contracts of the 2013/2014 fiscal year was already the third stage of building of the line management system for highways in Azerbaydzhan. At the same time, building of the information system took place by means of devices for variable information (ZPI) and set of cameras and detections on selected highway locations.

In the second half of the fiscal year, the DST started the cooperation with the company CROSS Zlín on a great project „Building of fully adaptive control, checking, and information system of traffic“ in Izmir town in Turkey. This contract is characterized by a complex covering of various elements in the area of control and regulation of traffic, and it is exceptionally extensive in its conception.

It is formed up for example by systems of automatic video-detection of running through a red light, systems for measuring of section speed, traffic monitoring systems, preference of bus transport and rescue services, complete fitting of the fleet of buses of the transport company in Izmir with communication and monitoring equipment, system of intelligent bus stops of urban public transportation, information system of variable traffic signs, and many other equipment for crossings and roads. This all is then controlled and supervised from a traffic control centre. During the 2013/2014, scheduled works on important long-term contracts continued. First of all, service works and maintenance of electric connections (VN-high voltage, NN-low-voltage) and portal structures of toll gates on selected roads in the CR, and further service works and maintenance of the information system (PDZ/ZPI), portal structures and connections of D1 motorway in the CR.

In concurrency with the implementation activities, the DST continuously provided the warranty and post-warranty service of SSZ technologies, service of barriers for the Prague Public Transit Company, maintenance of technological equipment of select-

ed tunnels in Brno, tunnel in Jihlava, Zlíčovský-tunnel of the Prague Ring Road and Valík-tunnel on the by-pass road of Plzeň city. In Boskovice, they prepared operation and maintenance of public lighting and in other towns, e. g. in Mokrá-Horákov, the company made renewal of public lighting.

Works on contracts of the technological part of construction and equipment of the tunnel complex Blanka in Prague were important by their extent.

In the last year, the DST also successfully finished the contract for Supervisory camera system TSK in Prague. Within the project of construction and renewal of crossings „Project Praha“, other design documentations were elaborated and several other selected Prague crossings and coordination cables were built. In Říčany, the company started construction and activation of several systems for measuring of section speed. For Brno Public Transit Company, the firm implemented the complex contract for delivery of information panels for (bus)stops including low voltage connections (NN).

Design activities were made also for the construction of light signalled crossings (SSZ) and pedestrian crossings in many towns in the CR. They provided con-

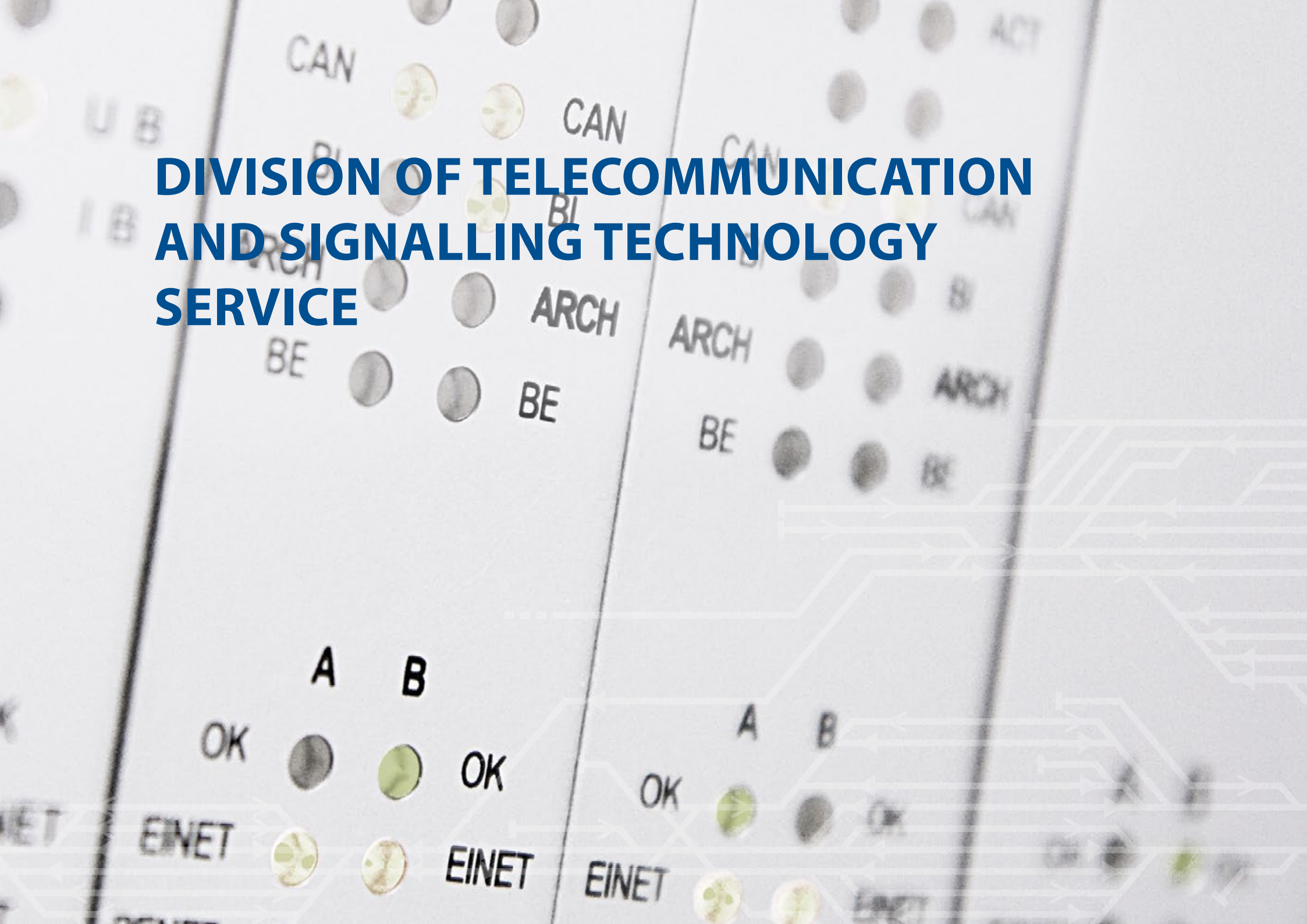
struction of SSZ in Horní Jirčany, Jihlava, Kuřim and other towns in the CR.

To support the traffic prevention, the company successfully delivered technologies for several children's traffic playgrounds in Prague and Brno.

Significant implemented projects:

- Information system and line management system for motorway in Azerbaijan
- Participation in service activities and maintenance of the taxation by power (electronic toll system) of selected sections of motorways and speedways and 1st class roads in the territory of the CR
- Delivery and installation of the supervisory camera system TSK in Prague
- Service and maintenance of information system on D1 motorway
- Service and maintenance of weak-current systems on selected sections of D11 and R35
- Delivery, installation and activation of selected technologies of the Blanka tunnel complex in Prague
- Construction of SSZ for Blanka tunnel complex (Radlická × Pod Vodovodem, K Barrandovu, finishing works in Letenské náměstí and Milady Horákové × U Sparty)
- Renewal, operation and maintenance of public lighting in Boskovice
- Renewal of public lighting in Mokrá-Horákov and other towns
- Design activities, engineering, renewal and building of light signalling equipment (SSZ) and coordination cables (KK) in Prague
- Construction of SSZ in Horní Jirčany, Jihlava, Kuřim and other towns in the CR
- Administration and maintenance of technological equipment of selected tunnels in Brno, tunnel in Jihlava , and Valík-tunnel in by-passing of Plzeň
- Service of barriers for Prague Public Transit Company
- Section speed measurement systems in Říčany.

DIVISION OF TELECOMMUNICATION AND SIGNALLING TECHNOLOGY SERVICE



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

It performs services resulting from the responsibility for failures of work (equipment) during the warranty period (warranty service activity) and further performing of post warranty service activities and maintenance for the area of telecommunication, signalling and information equipment.

As a priority, DSE provides servicing of the newly modernized technological units, in particular the electronic computer station interlocking, line signalling and level crossing equipment and systems of remote control including servicing of points and barrier program of AŽD Praha.

The Division provides service on the RIA (SŽDC) network. It is 321 station interlocking systems, 1057 level crossing safeguarding systems, 107 line sections of electronic automatic block, additional 151 line signalling equipment (automatic line block systems and reconstructed automatic blocks), remote control equipment and related telecommunication and information equipment. In addition the DSE division provides

service and maintenance for the line signalling system of the "Vřesinská – Zátíší" tram line. The service is also provided for METRO – Public Transport Operator of the City Prague (the automatic train control system). The Division also provides service of the compensators of dangerous currents at train sets of 680 series (Pendolino).

Further, the methodological guidance and service supervision is successfully carried out for systems delivered into Belarus (MPC Servis), Serbia (AZD SASI) for Slovak Republic provides service through service group in Poprad and Bratislava (AZD Bratislava) and service group Podgorica for Montenegro. DSE provides servicing of the delivering equipment in Lithuania, Iran, Greece, Turkey and USA, in case of a complicated defect, the repair is solved directly by the visit of DSE employees.

The service activities are carried out by service groups and workplaces located in the cities Ústí nad Labem, Karlovy Vary, Prague, České Budějovice, Kolín, Pardubice, Olomouc, Brno, Břeclav, Ostrava and Plzeň. Selected employees of the Service provide also comprehensive support for operation of the GTN application with the 24/7 availability mode. It provides a remote administration, hotline, and helpdesk of the

operational GTN application. There are 380 transport points of GTN in operation.

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

LOGISTIC PLANT OLOMOUC



The Logistics Plant with its seat at Olomouc is a logistic centre of AŽD Praha Co., which is divided into two executive sections, where the Logistic and Sales department provides simultaneously purchase and sale of our own products and other material, which is specific and different from other logistic and supplier's companies.

Stock-keeping department belongs here, which disposes of its own automobile transport and ensures distribution of material overall territory of the Czech Republic and Slovakia as well as material distribution to certain foreign constructions. Therefore, extension and partial renewal of the fleet of truck occurred.

The Economy department that at the same time processes also evaluation of foreign contracts ensures the complex economic agenda.

The plant closely cooperates with installation plants on individual constructions, and ensures operational deliveries in extraordinary situations. In the fiscal year 2013/2014, in this country deliveries of technologies and material took place especially for extraordinary great number of investment constructions for Railway Infrastructure Administration and for Prague metro.

We implemented deliveries of 229 vehicle stations GSM-R (CAB – radios) for locomotives of Czech Railways (ČD) and ČD-Cargo, and we started to deliver technologies for automatic train operation.

Abroad, we continued in deliveries of material for constructions of signalling equipment in the Tekirdag–Muratli line section.

Other deliveries for constructions in Turkey, Belarus and in Serbia took place, too.

In Slovakia, we implemented deliveries of the signalling equipment for constructions of level crossing system (PZZ) Zlatovce–Trenčín, level crossing system Trenčín–Trenčianská Turná, Lovinobaňa, Tesárské Mlyňany, Michalany Zv48, Borša Zv33 and also GTN Banská Bystrica, Kúty, Prešov and Poprad.

The Plant management focused in the last year among other on quality improvement and renewal of computer technology in logistics, where at increased number of orders, employers were sometimes limited by obsolete HW and SW. In the area of purchasing, we succeeded to improve entry prices of material based on electronic auctions arranged with both current and potential clients. With our long-time key-suppliers, we succeeded, despite the increased demands, to maintain the continuity of material deliveries for production of equipment of AŽD Praha.

After almost a year of negotiations the „General agreement“ was signed and initialled between the company General Electric International, Inc. USA and the AŽD Praha company, by means of which we have received the official statute of the „Authorized Channel Partner„. Hereby, our company became the exclusive official distributing sales channel of GE products, specifically of its GE Industrial Solutions division in the Czech Republic. We expect, this partnership will bring better inputs for our equipment, and so reduce costs and other possibilities of increased sale for our products to foreign customers.

Better accessibility of modern technologies was used also for significant modernization of marking of traded materials and products, enabling their faster and more precise identification and more reliable deducibility at the purchase, storage and sale. This way, the review on the status of items is increased and the execution of inventories is considerably easier.

To improve the efficiency of storage and dispatching of goods, other new warehousing systems Kardex Shuttle were provided. Every year, considerable amounts are spent to the all-round raising of all employees qualification and to modernization of handling technology.

We succeeded to put in operation a new own transformer station, which resulted in increased reliability of power supply for the entire logistic plant. Further, we made a reconstruction of the gas-boiler station, where new condensing boilers are situated, which are more efficient and in compliance with the latest legislation.

In the 2013/2014 fiscal year, material in total value of 3 187 million CZK passed through the stores of the plant, of which 2 136 million CZK for its own organizational units, 821 million CZK for external customers, and 230 million CZK for foreign customers.



**AŽD PRAHA,
INTERNATIONAL
COOPERATION, AND
EXTERNAL RELATIONS**



PRAHA



The last year was very important for our company AŽD Praha in the field of international cooperation, and for two reasons.

UNISIG

First of these events was the transfer of AŽD Praha from the position of an associated member to a full member of the UNISIG consortium. This consortium creates specifications for one of interoperability elements in the area of control and safeguarding (CCS) of the ERTMS/ETCS system. The European Commission thinks, the ERTMS/ETCS is the most important element of interoperability and creating of this system is a condition for providing of co-financing from the budget of the European Community for projects of railway infrastructure including the signalling technology on individual railway networks.

First contacts of AŽD Praha and UNISIG stretch back to 2004, which the pre-entry discussions had proceeded, and resulted in 2008 in incorporation of the AŽD Praha as an associate member (2009). From this moment up to the full membership (2014), we took part in activities of the consortium

especially according to our selection and interest, but without the possibility of participation in decision-making. Just the year 2014, and the full membership changed this praxis, and now we participate in decision-making of activities of the UNISIG consortium. However, we have had to increase significantly our participation in all activities. We occupied all working groups including the managing ones: Steering Committee, Technical Authority – Super-group and System architecture group, governing the operation of individual working groups. Currently, we cover all activities of the consortium even in individual working groups:

- ATO – automatic train operation
- Interface DMI-EVC
- Eurobalise / Euroloop
- Engineering Guidelines
- Euroradio (GSM-R and GPRS)
- IOP testing
- Key management
- RAMS
- RBC/RBC Interface HandOver and Safe communication interface
- Satellite Positioning
- STM
- Test specifications
- Train Interface.

The first year of our full membership was not easy. Providing our experts for all working groups was a great challenge, in some of them we even perform functions of leaders and coordinators of actions. This fact brings a new knowledge and experiences to us, and not least, it also spreads the awareness on our technical and technological skills among our possible customers. The membership in the UNISIG consortium is the acknowledgement of a technical level of our products and qualification of our experts and employers and reporting to common responsibility within Europe, i.e. to co-create equally ERTMS/ETCS specifications and so to build a unified railway space.

JTI SHIFT²RAIL

The second important event is the JTI SHIFT²RAIL, on which we have been focused for longer time. JTI – Joint Technology Initiative is a tool of the European Commission to support the research, development and competitive strength in given area. At the end of 2013, as one of 25 promoters of the project and together with the UNIFE

(Association of European Rail Industry), we submitted to the European Commission the JTI concept with the name SHIFT²RAIL focused on railways. This concept was accepted, approved by the Parliament and Council of the EU and consequently based on the Decision of the Commission in July 2014, the common SHIFT²RAIL company was established. AŽD Praha is very interested in participation on this SHIFT²RAIL project, especially in its 2nd Innovative program (IP2) „Advanced systems of traffic control for increasing of capacity and reliability of urban network and trunk network“. IP2 is the main innovative program for signalling systems, the primary purpose of which is keeping of competitiveness of the European signalling technology industry. Great accent is put on the future development of the ERTMS system towards new areas and technologies, further on new systems of train detection, increased application of wireless communication in signalling technology, and last but not least on higher availability of signalling systems and easier and more economic maintenance of equipment.

Although the AŽD Praha company participated in the preparation of the project, after establishing of the common company

we have to undergo a tender for the position of an associated member (if we are interested in participation in only one of five innovative programs). Unfortunately, this process prolongs and up to now we do not know results of the admission procedure of associated members or other originating authorities of the common company. The project is delayed so, and the beginning of the own development works is moved up to the year 2016. The own JTI SHIFT²RAIL has been incorporated into the framework to support science and research in the Horizon2020 program.

OTHER ACTIVITIES

AŽD Praha is still very active within the UNIFE, which has proved as a very efficient tool for coordinating of activities in the field of research, development, marketing and lobbying for interests of the railway sector.

AŽD Praha has other activities within the Rail Forum Europe (RFE) organisation with its registered office in Brussels. RFE is an interest group of members of the European Parliament, which was significantly

personally changed during 2014, and it was necessary to communicate with new members of the parliament. RFE still wants to act as a discussion platform between members of the European parliament and the railway transport branch.

Beside the international cooperation, our company is an active member of ACRI in the national level, where in this year we also significantly participated in the operation of the Centre of technical standardization in CEN and CENELEC areas.

We re-assessed the membership of our company in some associations and unions, which was found as not beneficial for our company.

We are still established as a respectable and reliable partner in the area of control and signalling systems for transport with a very competent approach to norms-making, international legislation and own and international research and development.



INTEGRATED MANAGEMENT SYSTEM AND ENVIRONMENTAL PROTECTION



The relationship of the AŽD Praha company to the environment is based on basic principles of the sustainable development policy. The long-term business strategy of the company is represented by a permanent improvement of offered services, implementation of more perfect internal processes and quality improvement of products delivered to our customers. The company pays a steady attention to the environmental problems, and both in the field of the design activities, preparation of constructions and their consequent implementation, and in the segment of production activities, from the research and development and consequently across the spectrum of the extensive technologically and ecologically demanding own industrial production.

To control and minimize the negative impacts on environment and health of employees, the company has introduced a certified Environmental Management System according to the ČSN EN ISO 14 001 (EMS). The company strictly observes all legal and other requirements related to the environmental protection. Observance of relevant legal and other requirements is demanded also of all our suppliers (subcontractors) of products and services.

Company activities on the field of environmental protection are evaluated every year in the report „Environmental profile of

AŽD Praha s.r.o. company“, and all trends in individual components of environment are assessed. Statistic data covering the last ten years enable to evaluate trends of a water consumption, mass volumes of production of others and hazardous wastes, consumption of chemical substances and mixtures including actual costs, all in relation to the company’s financial turnover and range of production and installation activities and nature of constructions.

In the field of waste management, the waste disposal hierarchy in compliance with EU is observed– prevention of waste originating → preparation for reuse → recycling → other use (e.g. energy) → disposal (e.g. waste disposal). The system of systematic waste sorting into marked collecting measures was introduced. Wastes are sorted not only in production, but also at construction sites during installation works of our plants. All wastes from production activities are handed-over only to authorized entities.

Organizational units, handling with substances harmful for waters, have prepared emergency plans for the case of deterioration of waters quality.

Trend of the company is a gradual replacement of dangerous chemical substances and mixtures with substances more friendly to

the environment and health of employees. Every year, environmental protection and occupational safety trainings are organized for all employees on all management levels.

In the field of air conservation, our company operates several named sources of air pollution, and in the field of surface treatment and heat sources. For all sources, proper production records are kept. Sources of pollution are checked so that they are operated in compliance with the valid legislation, and specified emission limits are strictly observed.

Energy consumptions depending on the company turnover are also evaluated, and we search another ways to savings with regard to increasing of prices for energies. Energy losses are reduced by planned replacements of windows and external insulation of building enclosures.

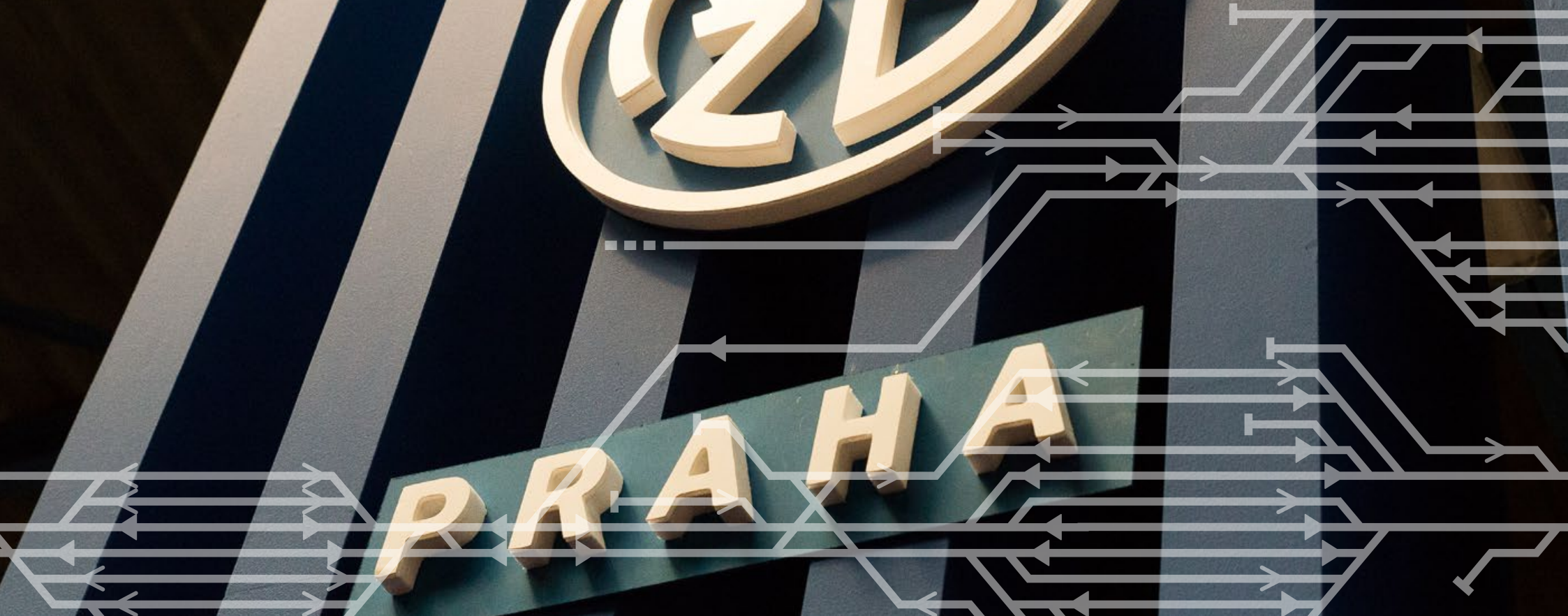
Since April 2014, the company has been ensuring duties resulting from the European Agreement concerning the International Carriage of dangerous Goods on Roads (ADR agreement) by means of the internal safety advisor, who was appointed the ecologist of the company.

In the 2013/2014 fiscal year, neither administrative proceedings nor any penalty was inflicted on the AŽD Praha company, regarding environment.

**FINANCIAL
MANAGEMENT
OF COMPANY**



PRAHA



In the 2013/2014 fiscal year, the global economic crises, which affected the economic situation in the Czech Republic, was fading away. The company management, due to its active business policy, succeeded to eliminate significantly these negative impacts especially abroad.

The company turnover in the amount of CZK 6,1 billion for the 2013/2014 fiscal year is higher by 1,5 billion CZK in comparison to the previous period, mostly due to engineering activities in Azerbaijan. The company management compensates the drop of volume of construction works in the CR by entry to foreign markets, where we are gradually successfully being implementing our new technologies. Signalling systems for each foreign location are adapted to local legislation, transport regulations and they continue the already operated technology and customs, including a control in the appropriate language. In most foreign countries, the whole signalling system must again undergo the local process of approval. Thus, the entry to foreign markets is significantly demanding in terms of technology, business, and time, but it is a long-time solution aimed at stabilization and prosperity of the company.

The working capacity is being adapted to business needs of the AŽD Praha company. The number of company employees in the end of the period monitored was 1667, which is the year-to-year increasing by 114 employees.

Our company spent CZK 266 million for the research and development in the period monitored.

More than half of the composition of our assets is affected by receivables. These are mainly receivables within the due date, since a long due date period of our invoices is set forth in the tender conditions of most our contracts. Through the contractual distribution of the due dates of individual parts of the work, the company supports the sale, especially in the case of foreign contracts. Shown receivables are recoverable and paid within the due dates.

In the period monitored, the company showed non-tax reserves for a new generation of electronic signalling systems, which undergo a long-term testing operation and for which our company confirmed five-year guarantees.

Our company's financing is stabilized; the turnover is proportionally reflected in trade creditors accounts and drawing on bank loans.

AŽD Praha acquires no assets through financial lease and has neither due liabilities in the field of the health and social insurance nor tax underpayments.

Our company established organisational units in the Slovak Republic and Montenegro.

Our company holds controlling and substantial interests in twenty-one subsidiaries in the Czech Republic and in ten subsidiaries in foreign countries (Slovakia (3), Bulgaria, Serbia, Belarus, Ukraine, Croatia, the USA and Turkey).

For the monitored period, through the increased volume of projects abroad, and careful managing of costs, we achieved the planned aim for the business result of the company.

No significant events fundamentally affecting our company's business occurred in the period between September 30, 2014 and the time when this report was compiled.

The assumed development of the company's business is increasing due to new received contracts, which fully use the company capacity.

This creates conditions for further development of the AŽD Praha both at home and abroad.

MAIN FINANCIAL INDICATORS OF AŽD PRAHA S.R.O.

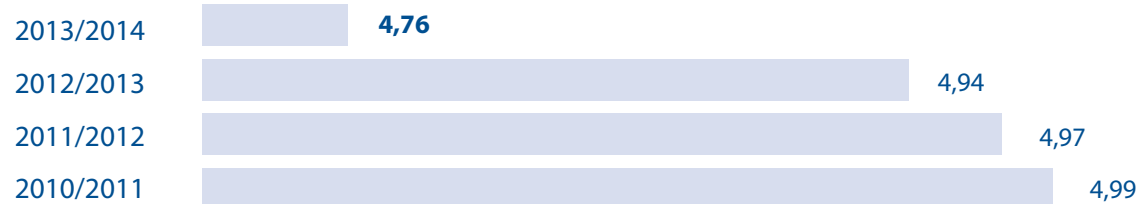
For the period 2013/2014 – from 01. 10. 2013 to 30. 09. 2014

The company monitors its results in business periods always starting from 01. 10. and lasting till the 30. 09. of the next year

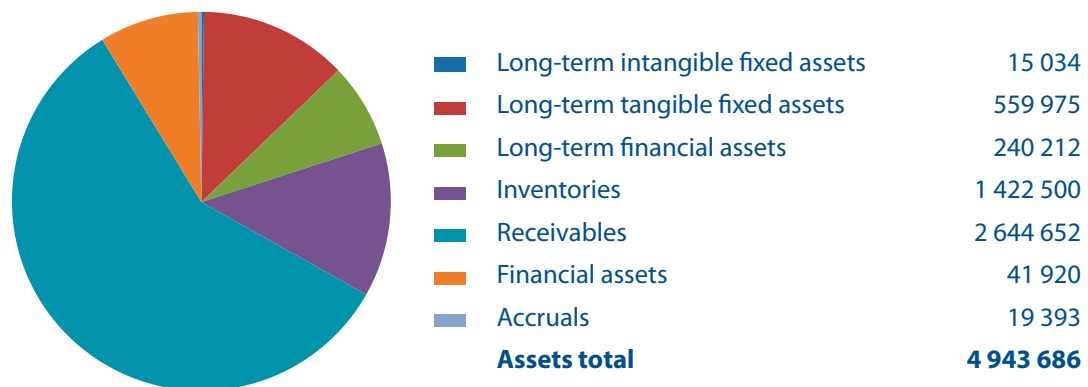
Indicator / period	2010/2011	2011/2012	2012/2013	2013/2014
Turnover in thous. CZK	3 695 308	4 140 424	4 670 819	6 175 622
Profit after tax	184 408	205 700	230 817	293 997
Profit from turnover in %	4,99	4,97	4,94	4,76
Value added tax	992 579	1 043 082	1 135 068	1 282 217
Bank loans	672 808	701 143	690 160	833 888
Employees-full time equivalent	1 557	1 526	1 553	1 667

Profit from Turnover

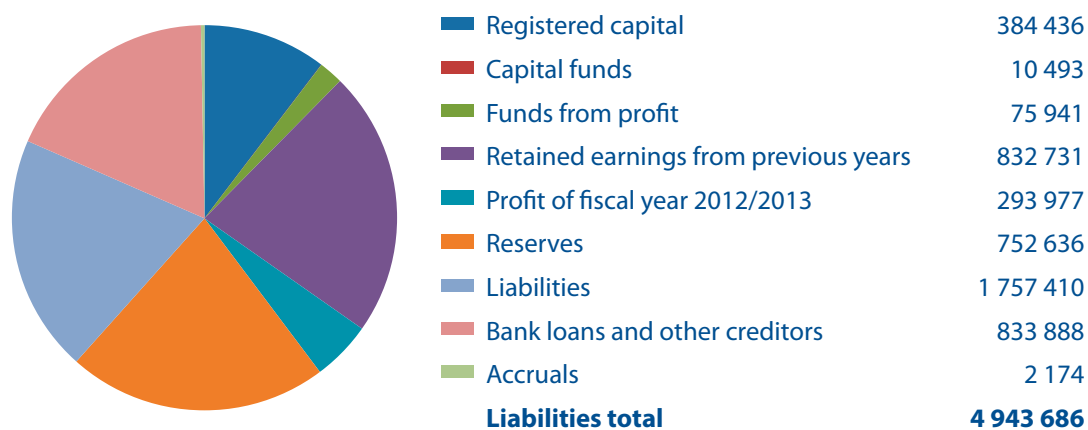
Indicator / period	2010/2011	2011/2012	2012/2013	2013/2014
Profit from turnover %	4,99	4,97	4,94	4,76



Composition of assets as at 30.09. 2014 (in thousands CZK)



Composition of Liabilities as at 30. 09. 2014 (in thousands CZK)



BALANCE SHEET

As at 30. 09. 2014 (in thousands CZK)

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	6 120 270	1 176 584	4 943 686	3 960 216
A.	Receivables from subscriptions	002				
B.	Fixed assets (r. 04 + 13 + 23)	003	1 821 341	1 006 120	815 221	778 917
B. I.	Intangible fixed assets (r. 05 to 12)	004	104 975	89 941	15 034	5 203
B. I. 1	Incorporation expenses	005				
	2 Research and development	006				
	3 Software	007	99 274	84 992	14 282	4 577
	4 Valuable rights	008	5 063	4 531	532	281
	5 Goodwill (+/-)	009				
	6 Other intangible fixed assets	010	489	418	71	87
	7 Intangible fixed assets under construction	011	149		149	258
	8 Advance payments for intangible fixed assets	012				
B. II.	Tangible fixed assets (r. 14 to 22)	013	1 425 656	865 681	559 975	526 379
B. II. 1	Lands	014	133 830		133 830	133 695
	2 Constructions	015	453 156	230 022	223 134	242 451
	3 Equipment	016	834 136	635 659	198 477	147 953
	4 Perennial corps	017				
	5 Breeding and draught animals	018				
	6 Other tangible fixed assets	019				
	7 Tangible fixed assets under construction	020	2 420		2 420	1 427
	8 Advance payments for tangible fixed assets	021	2 114		2 114	853
	9 Adjustment to acquired assets	022				
B. III.	Long-term financial assets (r. 24 to 30)	023	290 710	50 498	240 212	247 335
B. III. 1	Shares in controlled and managed organizations	024	186 147	50 498	135 649	137 621

Identif. a	ASSETS b	Row c	Current accounting period			Previous period
			Gross 1	Adjustment 2	Net 3	Net 4
2	Shares in accounting units with substantial influence	025	29 805		29 805	29 807
3	Other securities and shares	026	69 808		69 808	70 048
4	Loans to controlled and managed organizations and to accounting unit with substantial influence	027	4 950		4 950	9 859
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	4 279 536	170 464	4 109 072	3 172 256
C. I.	Inventory (r. 33 to 38)	032	1 422 500		1 422 500	706 975
C. I. 1	Materials	033	619 152		619 152	389 411
2	Work in progress and semi-products	034	769 069		769 069	312 680
3	Finished products	035				
4	Animals	036				
5	Merchandise	037				
6	Advance payments for inventory	038	34 279		34 279	4 884
C. II.	Long-term receivables (r. 40 to 46)	039	652 925		652 925	530 742
C. II. 1	Trade receivables	040	522 891		522 891	376 695
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	1 334		1 334	1 216

Identif. a	ASSETS b	Row c	Current accounting period			Previous period
			Gross 1	Adjustment 2	Net 3	Net 4
7	Other receivables	045				
8	Deffered tax receivable	046	128 700		128 700	152 831
C. III.	Short-term receivables (r. 48 to 56)	047	2 162 191	170 464	1 991 727	1 770 951
C. III. 1	Trade receivables	048	1 836 603	122 464	1 714 139	1 439 179
2	Receivables from controlled and managed organiza- tions	049	188 956	48 000	140 956	174 931
3	Receivables from accounting units with substantial influence	050				
4	Receivables from partners, cooperative members and association members	051	3 428		3 428	8 417
5	Receivables from social security and health insurance	052				
6	Due from state – tax receivable	053	35 453		35 453	21 843
7	Other deposits given	054	85 968		85 968	108 466
8	Estimated receivable	055	9 833		9 833	11 550
9	Other receivables	056	1 950		1 950	6 565
C. IV.	Short-term financial assets (r. 58 to 61)	057	41 920		41 920	163 588
C. IV. 1	Cash	058	2 743		2 743	3 409
2	Bank accounts	059	39 177		39 177	160 179
3	Short-term securities and ownership interests	060				
4	Short-term financial assets acquired	061				
D. I.	Accruals (r. 63 to 65)	062	19 393		19 393	9 043
D. I. 1	Deferred expenses	063	19 387		19 387	9 040
2	Complex deferred costs	064				
3	Deferred income	065	6		6	3

Identif. a	Liabilities b	Row c	Current accounting period 5	Previous period 6
	TOTAL LIABILITIES (r. 67 + 84 + 117)	066	4 943 686	3 960 216
A.	Equity (r. 68 + 72 + 77 + 80 + 83)	067	1 597 578	1 543 169
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	10 493	3 491
A. II. 1	Share premium	073		
2	Other capital funds	074	555	555
3	Diferences from revaluation of assets and liabilities	075	9 938	2 936
4	Diferences from revaluation in tranformation	076		
A. III.	Reserve funds, statutory reserve account for cooperatives, and other retained earnings (r. 78 + 79)	077	75 941	76 206
A. III. 1	Legal reserve fund / indivisible fund	078	73 732	73 732
3	Statutory and other funds	079	2 209	2 474
A. IV.	Profit/loss – previous year (r. 81 + 82)	080	832 731	848 219
A. IV. 1	Retained earnings from previous years	081	832 731	848 219
2	Accumulated losses from previous years	082		
A. V.	Profit / loss – current year (+/-) /r.01 – (+ 68 + 72 + 77 + 80 + 84 + 117)/	083	293 977	230 817
B.	Other sources (r. 85 + 90 + 101 + 113)	084	3 343 934	2 404 783
B. I.	Reserves (r. 86 to 89)	085	752 636	850 356
B. I. 1	Reserves under special statutory regulations	086		

Identif. a	Liabilities b	Row c	Current accounting period 5	Previous period 6
2	Reserves for pension and similar payables	087		
3	Income tax reserves	088	26 193	16 629
4	Other reserves	089	726 443	833 727
B. II.	Long-term payables (r. 91 to 100)	090	61 568	32 663
B. II. 1	Trade payables	091	61 457	31 252
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	111	111
6	Issues bonds	096		
7	Long-term notes payables	097		
8	Estimated payables	098		
9	Other payables	099		1 300
10	Deffered tax liability	100		
B. III.	Short-term payables (r. 102 to 112)	101	1 695 842	831 604
B. III. 1	Trade payables	102	986 955	448 326
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	52 020	20
5	Payroll	106	85 493	71 839
6	Payables to social securities and health insurance	107	50 837	42 510
7	Due from state – tax liabilities and subsidies	108	23 484	29 101
8	Short-term deposits received	109	446 241	204 764

Identif. a	Liabilities b	Row c	Current accounting period 5	Previous period 6
9	Issues bonds	110		
10	Estimated payables	111	49 512	33 094
11	Other payables	112	1 300	1 950
B. IV.	Bank loans and financial accomodations (r. 114 to 116)	113	833 888	690 160
B. IV. 1	Long-term bank loans	114		
2	Short-term bank loans	115	833 888	690 160
3	Short-term accomodations	116		
C. I.	Accruals (r. 118 + 119)	117	2 174	12 264
C. I. 1	Accrued expenses	118	284	330
2	Deffered revenues	119	1 890	11 934

PROFIT / LOSS ACCOUNT

As at 30.09.2014 (in thousands CZK)

Identif. a	TEXT b	Row c	Fiscal period	
			Current 1	Previous 2
I.	Revenues from sold goods	01	506 603	368 680
A.	Expenses on sold goods	02	471 344	329 076
+	Sale margin (r. 01 – 02)	03	35 259	39 604
II.	Production (r. 05 + 06 + 07)	04	6 312 252	4 634 207
II. 1	Revenues from own products and services	05	4 728 159	3 878 351
2	Change in inventory of own products	06	456 389	41 977
3	Capitalisation	07	1 127 704	713 879
B.	Production consumption (r. 09 + 10)	08	5 065 294	3 538 743
B. 1	Consumption of material and energy	09	4 512 992	3 211 279
B. 2	Services	10	552 302	327 464
+	Added value (r. 03 + 04 – 08)	11	1 282 217	1 135 068
C.	Personnel expenses	12	987 301	916 399
C. 1	Wages and salaries	13	731 525	678 072
C. 2	Remuneration of board members and cooperative	14	1 800	1 800
C. 3	Social security expenses and health insurance	15	241 575	224 402
C. 4	Other social expenses	16	12 401	12 125
D.	Taxes and fees	17	4 379	6 224
E.	Depreciations of intangible and tangible assets	18	62 531	55 131
III.	Revenues from disposals of fixed assets and materials (r. 20 + 21)	19	328 751	239 059
III. 1	Revenues from disposals of fixed assets	20	8 021	4 410
2	Revenues from disposals of materials	21	320 730	234 649
F.	Net book value of disposed fixed assets and materials (r. 23 + 24)	22	206 767	143 096

Identif. a	TEXT b	Row c	Fiscal period	
			Current 1	Previous 2
F. 1	Net book value of sold fixed assets	23	6 191	1 171
F. 2	Net book value of sold material	24	200 576	141 925
G.	Change in operating reserves and adjustments and complex deferred costs	25	2 997	36 149
IV.	Other operating revenues	26	41 384	31 407
H.	Other operating expenses	27	36 664	30 826
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	351 713	217 709
VI	Revenues from sales of securities	31	24	15
J.	Sold securities and ownership interests	32	240	15
VII.	Revenues from long-term financial assets (r. 34 + 35 + 36)	33	47 795	51 810
VII. 1	Revenues from shares in controlled and managed organizations and in accounting units with substantial influence	34	47 795	48 032
VII. 2	Revenues from other long term securities and ownership interests	35		3 778
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 re-evaluation of securities and derivatives	39		
L.	Cost of re-evaluation of securities and derivatives	40		
M.	Change in financial reserves and adjustments	41	15 711	921
X.	Interest revenues	42	5 467	17 875
N.	Interest expenses	43	7 089	9 596
XI.	Other financial revenues	44	61 050	41 646

Identif. a	TEXT b	Row c	Fiscal period	
			Current 1	Previous 2
O.	Other financial expenses	45	67 314	57 490
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	23 982	43 324
Q.	Income tax on ordinary income (r. 50 + 51)	49	81 718	30 216
Q. 1	Due tax	50	57 587	37 144
Q. 2	Tax deferred	51	24 131	-6 928
**	Operating profit / loss ordinary activity (r. 30 + 48 – 49)	52	293 977	230 817
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.	Transfer profit (loss) to partners (+/-)	59		
***	Profit / loss of current accounting period (+/-) (r. 52 + 58 – 59)	60	293 977	230 817
	Profit / loss before tax (+/-) (r. 30 + 48 + 53 – 54)	61	375 695	261 033

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT ON VERIFICATION OF THE FINAL ACCOUNTS FOR THE PERIOD FROM OCTOBER 1, 2013 TO SEPTEMBER 30, 2014

Commercial Company:	AŽD Praha s.r.o.
Registered Office:	Praha 10, Žirovnická 2/3146
Company Id:	48 02 94 83
Subject of Activities:	Development, production, design, construction, servicing, consulting and engineering of telecommunication, signaling and automation systems - trade conducted by industrial methods

This report is intended for associates and other users of the Final Account.

We have made an audit of the attached final accounts of the AŽD Praha s.r.o. company, consisting of a balance sheet as at September 30, 2014, profit and loss statement for fiscal year ending on September 30, 2014, summary of changes to the equity capital, and cash flow summary for the fiscal year ending on September 30, 2014, 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 given in relevant points of the annex of this final account.

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 of the final accounts, which provides a true and fair view, in compliance with Czech accounting regulations, and for such internal inspection system, which it considers necessary for compilation of the final accounts so, that it does not include any significant (material) inaccuracies caused by fraud or error.

Auditor's Responsibility

Our responsibility is to provide an opinion concerning these final accounts based on 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 com-

pliance with the cited regulations, we are obligated to adhere to the ethical 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 judgment 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 inspection system, which is relevant for compilation and true and fair view of the final accounts. The objective of the assessment is to propose appropriate auditing procedures, but not to comment on the effectiveness of internal inspection system of the accounting unit. The audit also includes an assessment of the suitability of the accounting methods used, reasonability of accounting estimations made by management as well as assessment of the overall presentation of the final accounts.

We truly believe that the obtained evidence provides a sufficient and appropriate base for providing our statement.

Auditor's statement:

Pursuant to our opinion, the final accounts provide a true and faithful image of the assets, and liabilities of the AŽD Praha s.r.o. company as at September 30, 2014, of the expenses, revenues, and business results, equity capital and cash flow achieved during the year period ending on September 30, 2014 in compliance with Czech accounting regulations.

Auditing Company:

Commercial Company: EKMA FIN, a.s.

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

Auditing company's certificate No: 076

For the company, the report was elaborated by: Ing. Jana Buková, Auditor Auditor's certificate No.: 1214

Date: December 12, 2014



Ing. Pavel Šrámek
CEO



Ing. Jana Buková
Auditor

AŽD PRAHA S. R. O. SUPERVISORY BOARD'S REPORT FOR BUSINESS RESULTS OF THE COMPANY FOR THE 2013–2014 FISCAL YEAR

In the course of the whole fiscal period, the Supervisory Board provided activities pursuant to provisions of the Commercial Code, Partnership Deed (Memorandum of Association) and observed General Assembly resolutions.

At its regular meetings with Executives, the Supervisory Board was informed on fulfillment of accepted intentions of Executive Plan, on company's business results, the company's financial situation, the organizational changes and company's activities implementation at home and abroad.

On January 19, 2015, the Supervisory Board was acquainted with the course and results of the performed audit and with the final report of independent auditors elaborated by the auditing company EKMA FIN, a.s.

The Auditor's statement:

Pursuant to our opinion, the final accounts provide a true and faithful image of the assets, and liabilities of the AŽD Praha s.r.o. company as at September 30, 2014, of the expenses, revenues, and business results, equity capital and cash flow achieved during the period ending on September 30, 2014 in compliance with Czech accounting regulations.

The Supervisory Board familiarized with the submitted business results of the AŽD Praha s.r.o. company as at September 30, 2014, approves them without any objections or complements.

The Supervisory Board therefore, after discussion with Executives, advises the General Assembly to approve the business results of the AŽD Praha s.r.o. company as at September 30, 2014 including the final accounts and profit distribution proposal.



Ing. František Formánek



Petr Rott



Ing. Miroslav Kozák

V Praze dne 2. 2. 2015

MANDATORY APPENDICES:

ANNEX 1: Annex to AŽD Praha s.r.o. Final Accounts for 2013/2014

ANNEX 2: Cash Flow Summary

ANNEX 3: Summary of changes to Equity Capital for 2013/2014

This Annual Report has been prepared pursuant to the applicable Accounting Act
and reflects the situation as at September 30, 2014.

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