AŽD PRAHA
1954–2014
60

SAFELY TO THE DESTINATION FOR 60 YEARS

REPORT ON BUSINESS ACTIVITIES AND RESULTS OF THE AŽD PRAHA S.R.O. COMPANY

FOR THE FISCAL YEAR 2012/2013
01. 10. 2012–30. 09. 2013

AŽD PRAHA

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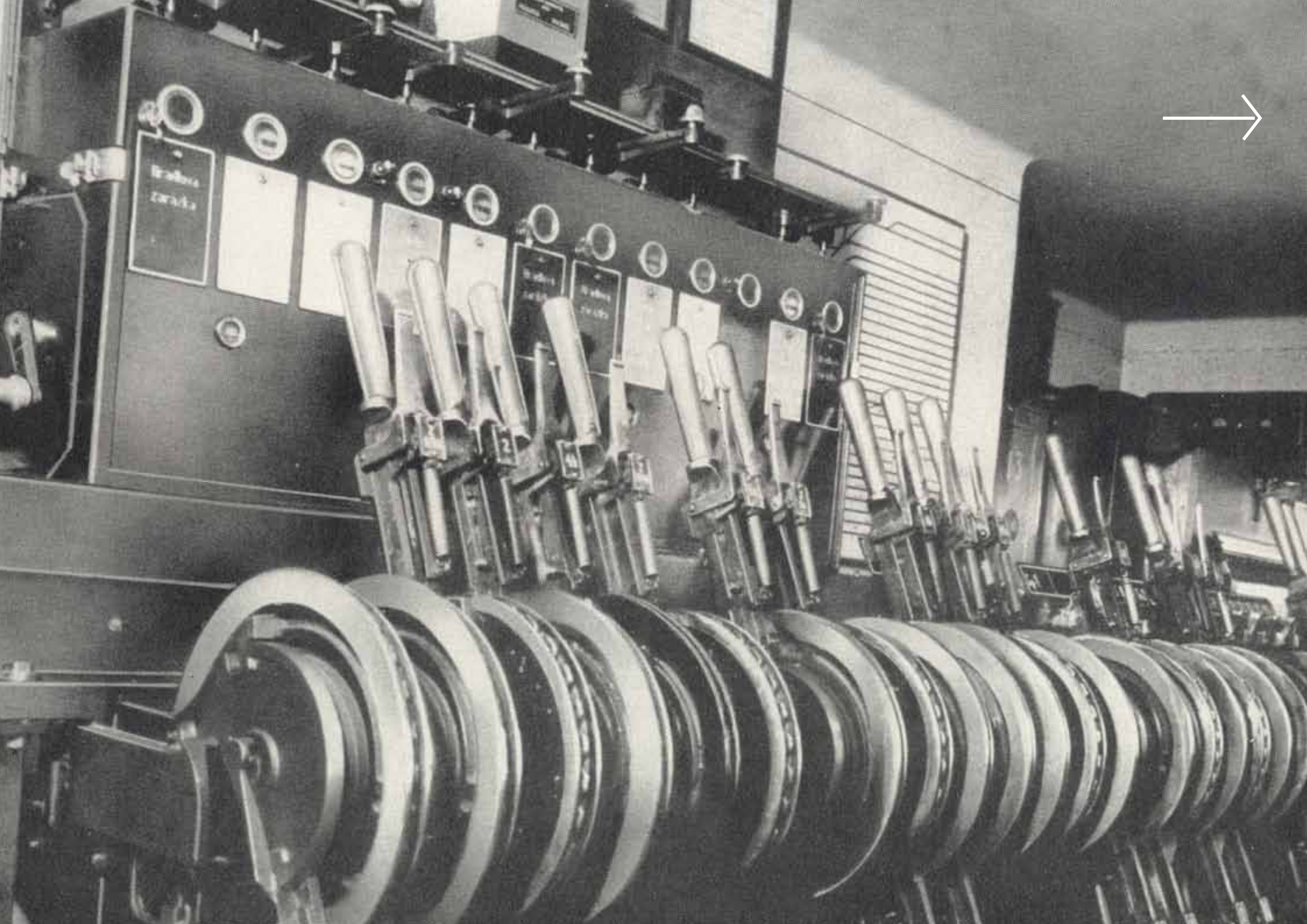
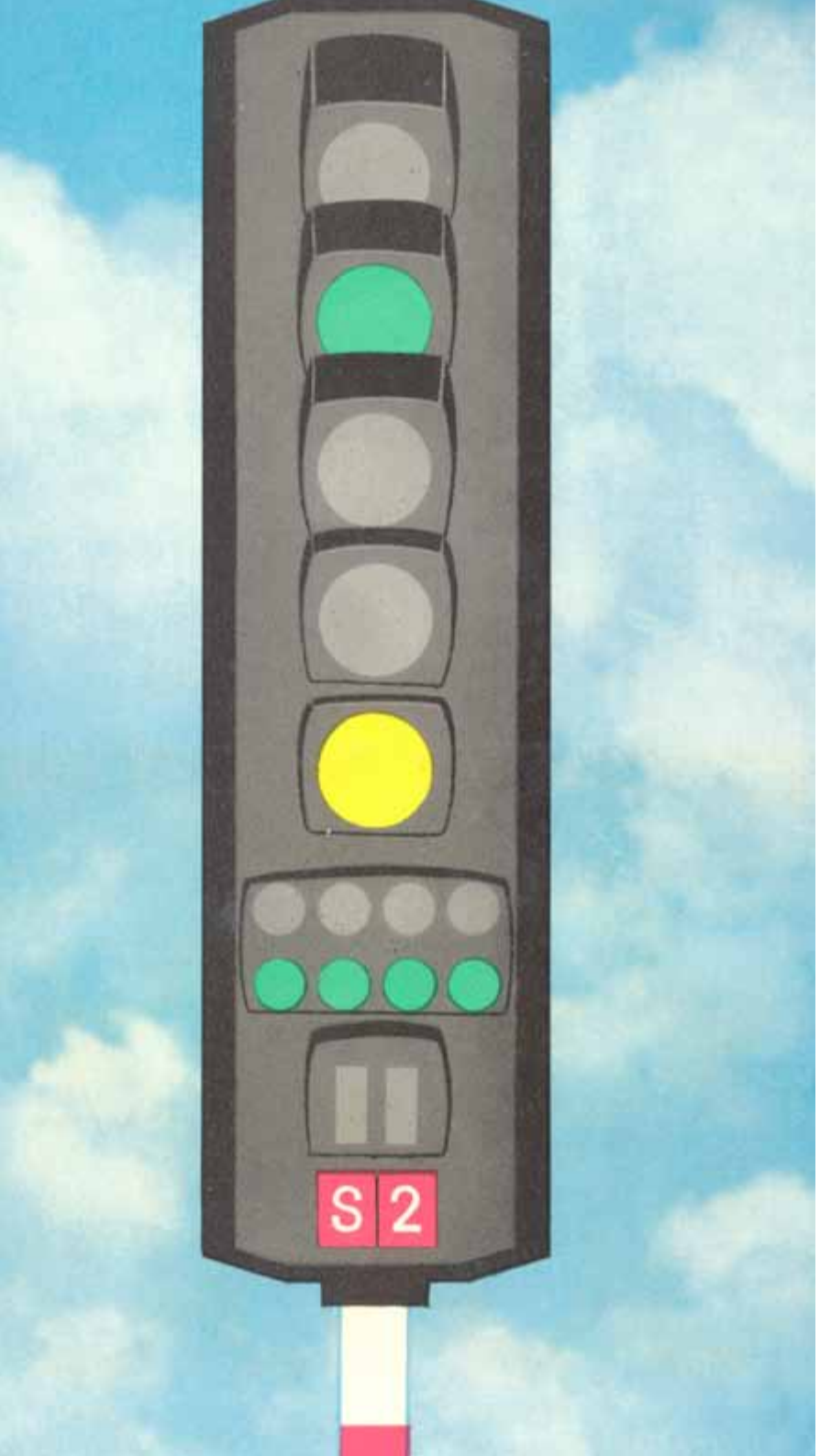
PRAHA





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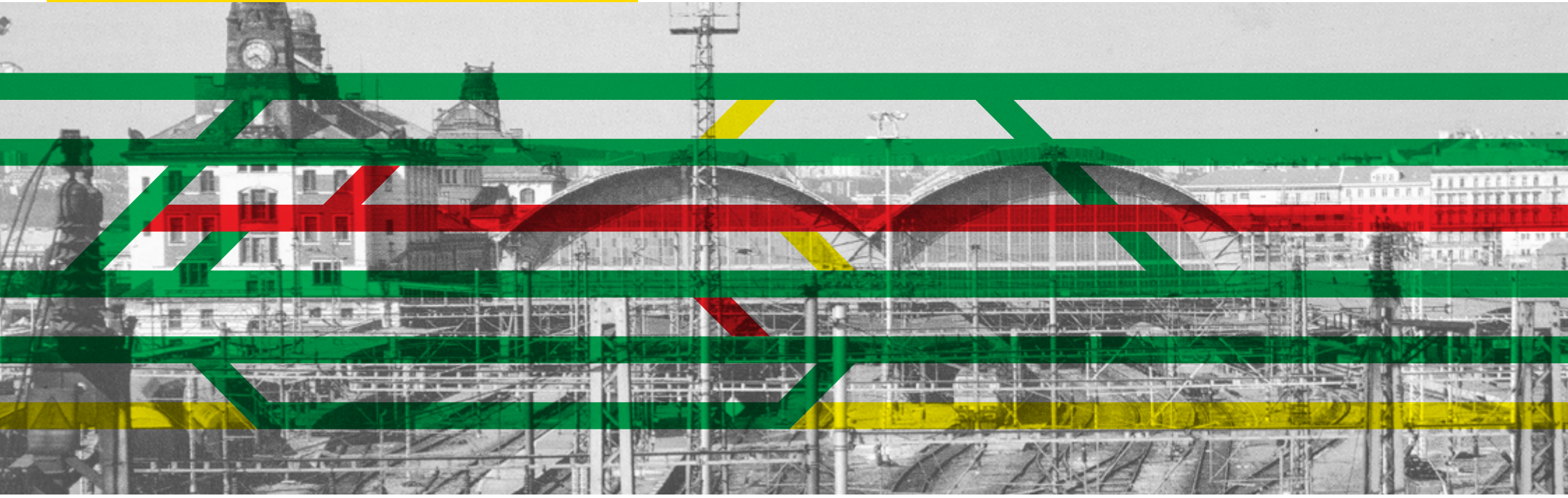
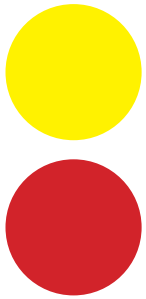


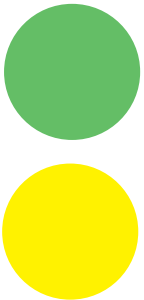
Dear Associates, Business Partners, Colleagues, Dear Friends,

I would like to state an annual report of the company AŽD Praha s. r. o. for the 2012/2013 fiscal year. I am glad that good business results of the company continue the positive development of recent years. I would like to state, that our company is in good condition and it has gained the respect and recognition of our home and foreign business partners and competitors. In the annual report, we aimed to provide you information on all fields of our activities and business. In the table part, you will find business results in predefined items. At this place, I would like to thank to you, all employees of our company, business partners, associates, friends and to all, who know our company and are on its side. Without you, our company could exist and carry business only with difficulties.

In the last year, AŽD Praha strengthened its position both on the Czech market and abroad. Through our own top-level technologies and offer of complex technical solutions, we became reputable partners of our customers from state institutions and construction and technological companies. The new all-electronic interlocking ESA 44 continued the older types and became one of the most up to date systems in Europe. Its safety functions EZŠ and VNPN exceeded the offer of our competitors and moreover, we flexibly responded to impulses from operation. The new electronic elements, interfaces to new LED signals and LED indicators and to elements in the railyard, this all gives prerequisites for success to the new interlocking. The line and all-electronic level crossing systems of the latest generation, the new automatic train protection, new telecommunication, transmission and information systems and last but not least the own ETCS of the second level – this all represents successful development´s milestones of the last year.

In the sphere of business, beside the Czech market, I have to point out here achievements in Slovakia, further in Belarus, Lithuania, Azerbaydzhan, Serbia, Turkey, U.S.A. and other countries. At present, it is possible to meet our products in twenty countries around the world. The field of road telematics has been showing a significant growth of turnover already for several years. Already now, it makes almost one quarter of the total company turnover. The fields of the telecommunication





and special technologies show positive results, too. We had a great pleasure of the victory in two tenders for installation of technologies for Prague Metro, and for the line V. A from Dejvice to Motol, and for delivery of a complex safety system for the Prague underground railway.

In the last year, it proved the positive effect of the company management´s decision, to concentrate production activities into two specialized production plants. Production plant in Brno, in addition to its own products, continued successfully the producing project of microscopes for the American company FEI. During the entire history of the project, we have already produced 4 000 microscopes and in the next year, we envisage another growth. Our modern supply and logistic centre in Olomouc manages to supply our products flexibly to both home and foreign customers, and own organisational units. For purchasing of material items, the form of electronic auctions is used, which contributes significantly to influencing of purchase prices. Investment in the new automatized storage system KARDEX contributed also to increasing of the efficiency at handling with materials, and at present, it is further being extended.

Installation plants are able to realize constructions to the whole extent, and the Installation Plant Olomouc is preferably intended for constructions abroad. Its results and experiences resulted in the decision of the company management to intrust also new orders in Turkey and in Slovakia to it. The network of our installation and service activities are roofed over by the Division of Service, which provides service of our systems at home and in Slovakia directly, and abroad, it leads methodically our service units.

Information on organizational structure of our company and on activities of individual plants and divisions are presented in the following section of this annual report.

In addition, companies with equity holdings of AŽD Praha, which are currently more than twenty, significantly contributed to the positive economic development, especially in the field of development of telecommunications, design, and education.

In the last year, we were also active members of European and home organisations and institutions. We succeeded to gain a full membership in the UNISIG organisation; we have also a not

negligible participation in work in UNIFE. At home, we are members of ACRI, Industry and Transport Confederation and other organizations.

Our company does not forget also the field of social activities. We helped to disabled people by means of the Kociánka endowment fund and Jedlička Institute, we supported many cultural and sport events and concrete sportsmen.

Every year, our company pays a great attention to the positive media image and promoting of the whole our branch. We publish not only our internal journal for our employees, but also the quarterly journal Reportér, which already long ago exceeded the imaginary borders of AŽD Praha and became a railway journal for a wide range of readers. The „Pozor vlak (Attention Train)" video-magazine has become a respectable program to the extent that it is already taken over by some television stations.

Our participation in some worldwide exhibitions and fairs, in Istanbul, Belgrade, Plovdiv, Amsterdam, in Baku and other, was also very important, and further strengthened the position of AŽD Praha on the market.

I also evaluate as very important the participation of our experts in conferences, not only in Czech Republic, but also abroad.

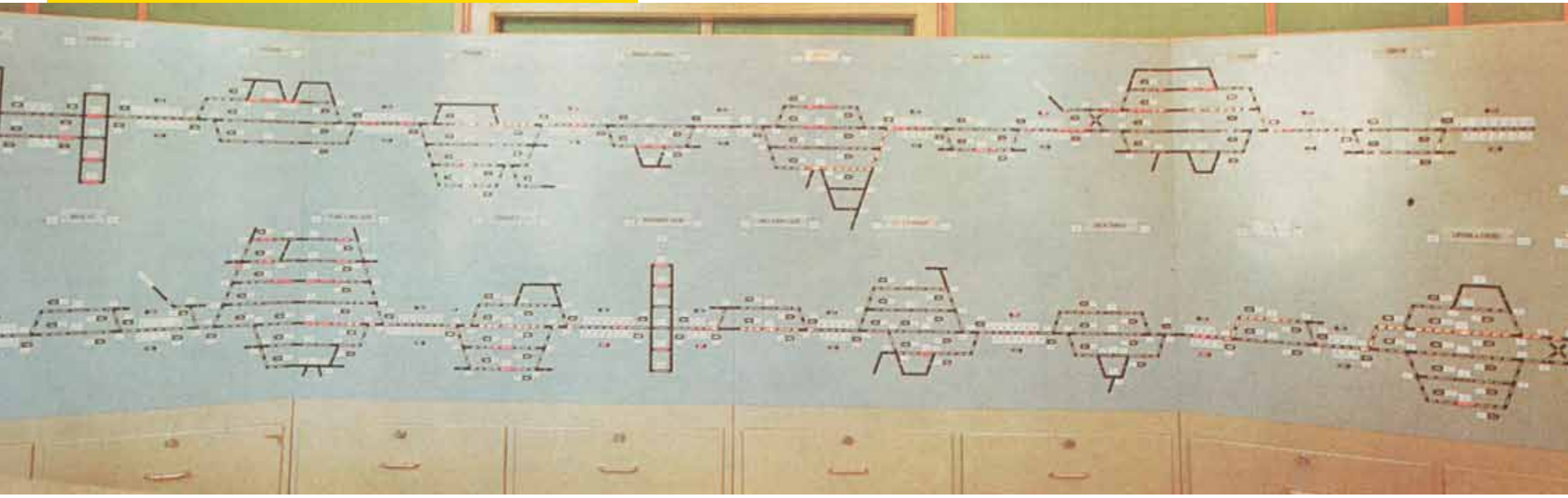
Dear Friends,

Review of other information on the 2012/2013 fiscal year, which I would like to present here, could further continue, but with regard to given limited space of this report, I have focused only to principal milestones of the last year.

I thank you once more for your work, support, and confidence.

Ing. Zdeněk Chrdle
General Director

MANAGING BODIES AND ORGANISATIONAL UNITS



AŽD Praha s.r.o. (Identification No. 48029483) is a Czech company owned by a long time stable group of owners. Pursuant to the Commercial Code of 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, which Executive Directors form a Board of Directors. Every one of Executive Directors is entitled to act independently on behalf of the company.

The Company Head Office has been established to ensure top management and co-ordination 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 a Corporate Collective Agreement.
The Company's bodies and representatives are mentioned in this Annual report according to the state as at September 30, 2013.

COMPANY BODIES

As at 30. 09. 2013

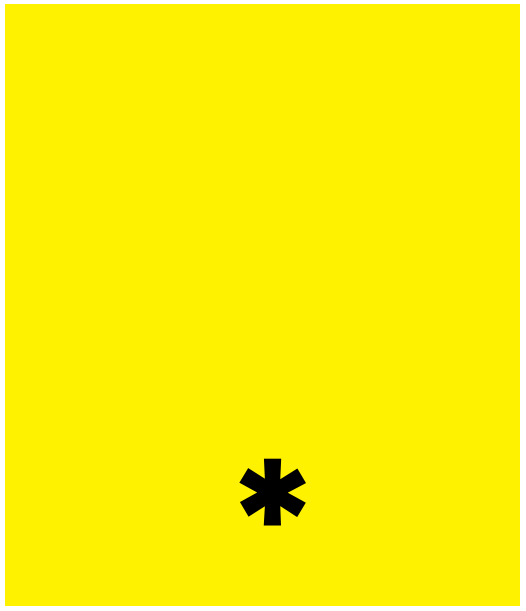
GENERAL ASSEMBLY

EXECUTIVES

Ing. Zdeněk CHRDLE
Miroslav HORA
Ing. Roman JUŘÍK

SUPERVISORY BOARD

Daniela VESELÁ
Ing. Miroslav KOZÁK
Petr ROTT



COMPANY HEADQUARTERS AND HEAD OFFICE

AŽD Praha s.r.o.
Žirovnická 2/3146,
106 17 Prague 10,
Phone: 267 287 111,
Fax: 272 650 831,
E-mail: info@azd.cz ,
Internet: www.azd.cz

General Director
Ing. Zdeněk CHRDLE,
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 Holdings
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

Personnel 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,
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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
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PRODUCTION PLANT OLOMOUC

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Ing. Stanislav SLAVÍČEK
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772 11 Olomouc 2,
Phone: 585 113 510

INSTALLATION PLANT KOLÍN

Director of the Plant
Ing. Václav PAŘÍZEK
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Phone: 321 720 692

INSTALLATION PLANT OLOMOUC

Director of the Plant
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AŽD Praha s.r.o., Installation plant
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LOGISTIC PLANT OLOMOUC

Director of the Plant
Daniela VESELÁ
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DIVISION TELEINFORMATICS

Director of the Division
Pavel ZÁLESKÝ
AŽD Praha s.r.o., Division Teleinformatics,
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DIVISION OF TELECOMMUNICATION AND SIGNALLING TECHNOLOGY SERVICE

Director of the Division
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DIVISION OF ROAD TECHNOLOGY AUTOMATION

Director of the Division
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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,
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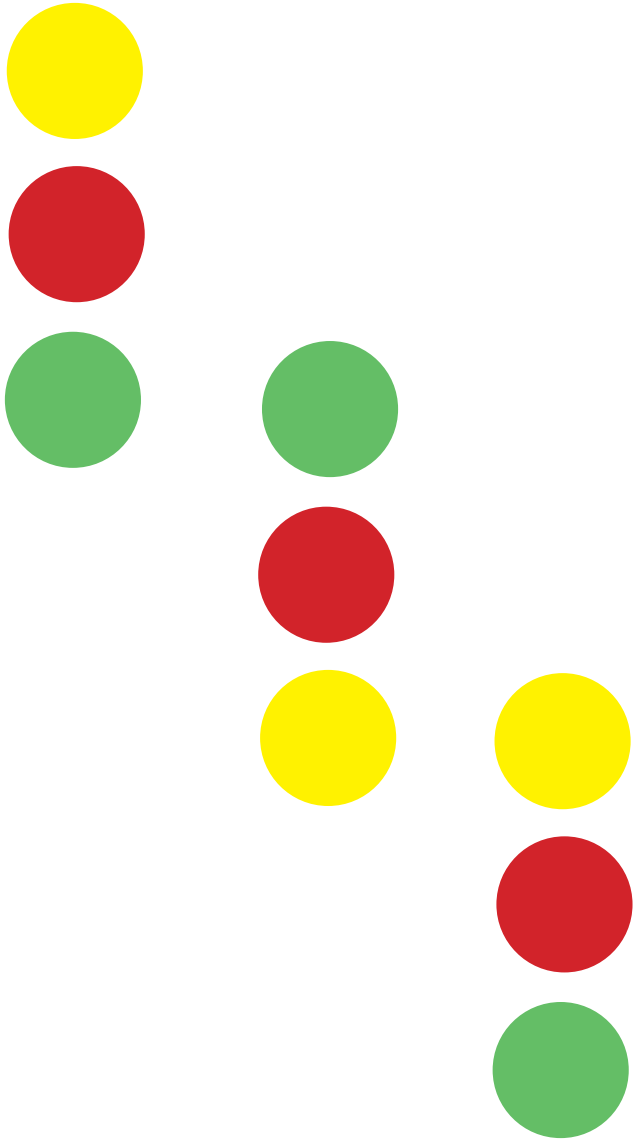
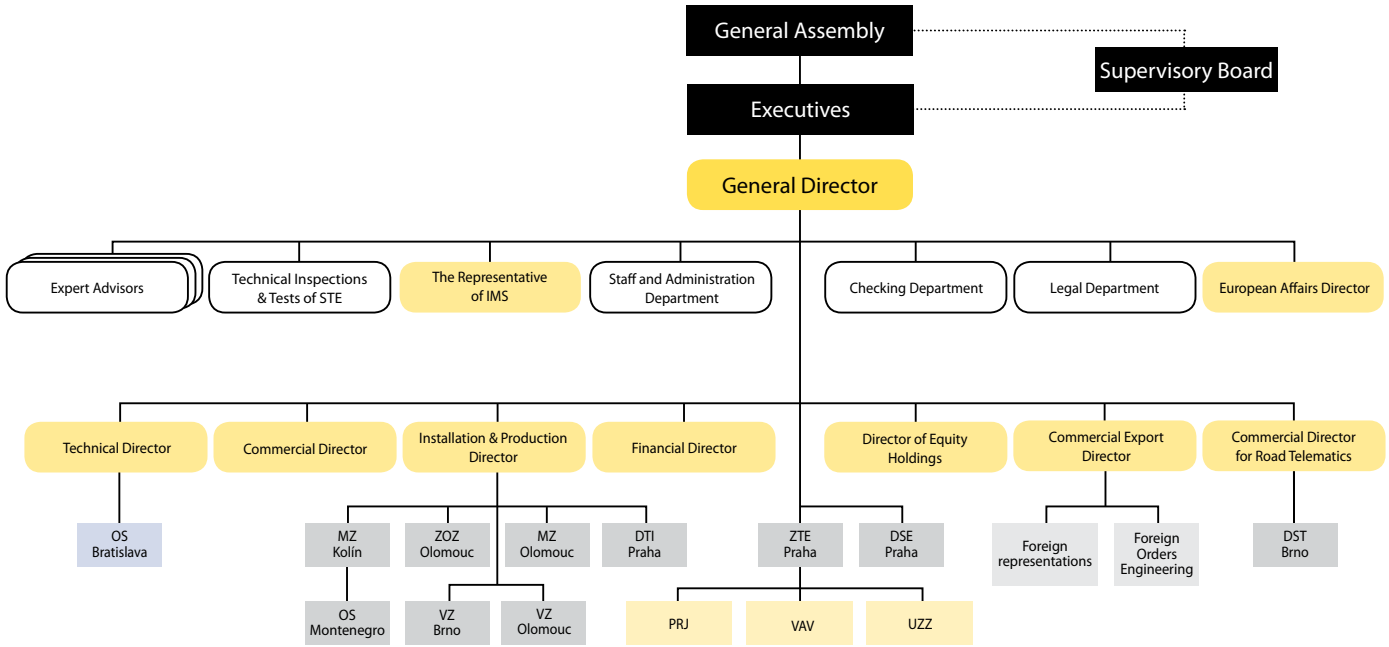
Phone: +421 258 282 350



ORGANIZATIONAL CHART

As at 30. 09. 2013



Legend:

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

Activities in Labour-Law Relations

During the fiscal year 2012/2013, no principal changes or activities occurred in the field of labour law relations. Mostly, common operative matters related to the carried out organisational changes were solved.

Comments on Organisational Scheme

During the whole 2012/2013 fiscal year, following organisational changes occurred, which influenced the organisational structure of the company illustrated by the organisational scheme as at 30. 09. 2013. In compliance with the Decision of General Director Ref.No. 11094/2012 – OPS from 31. 12. 2012, following changes in Company Headquarters were made effective from 01. 01. 2013:

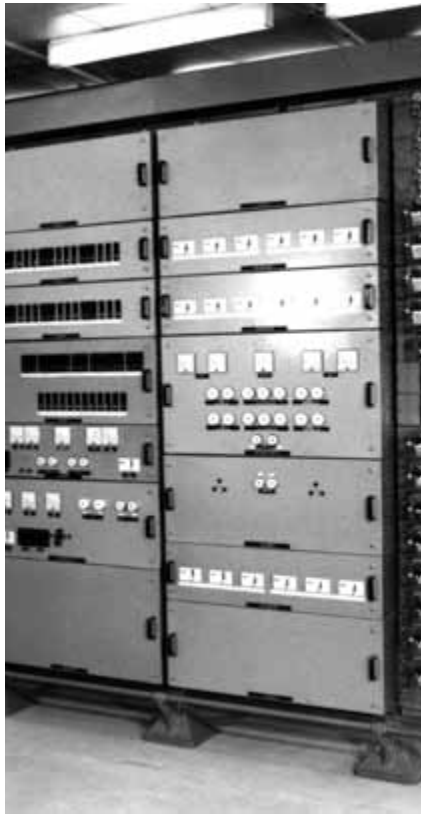
- both the manager position of Operating Director along with the Operating department
- were abolished,
- Special Technology department within the General Director division was abolished,
- Optimization of the internal organizational structure and systemization of the Installation and
- Production Department took place
- partial changes of internal structure and systemization of Commercial Department,
- Technical Department and Equity Holdings Management Department were carried out.

Important Events, which have occurred after 30. 09. 2013

No events of such type have been registered.

Changes of Statutory Bodies

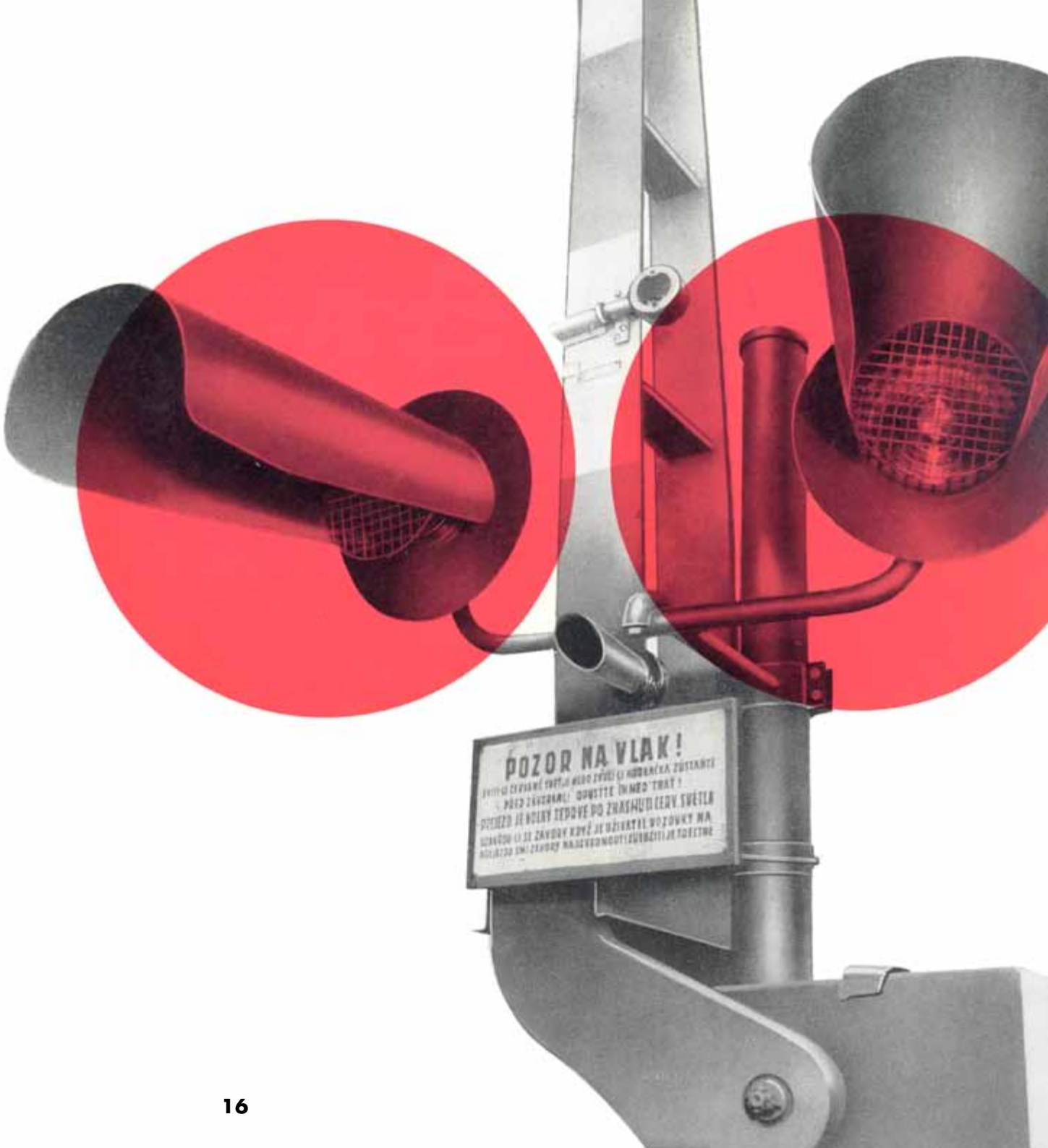
During the fiscal year 2012/2013 the statutory bodies worked in a stable assembly. No changes of Executives and Supervisory Board occurred.



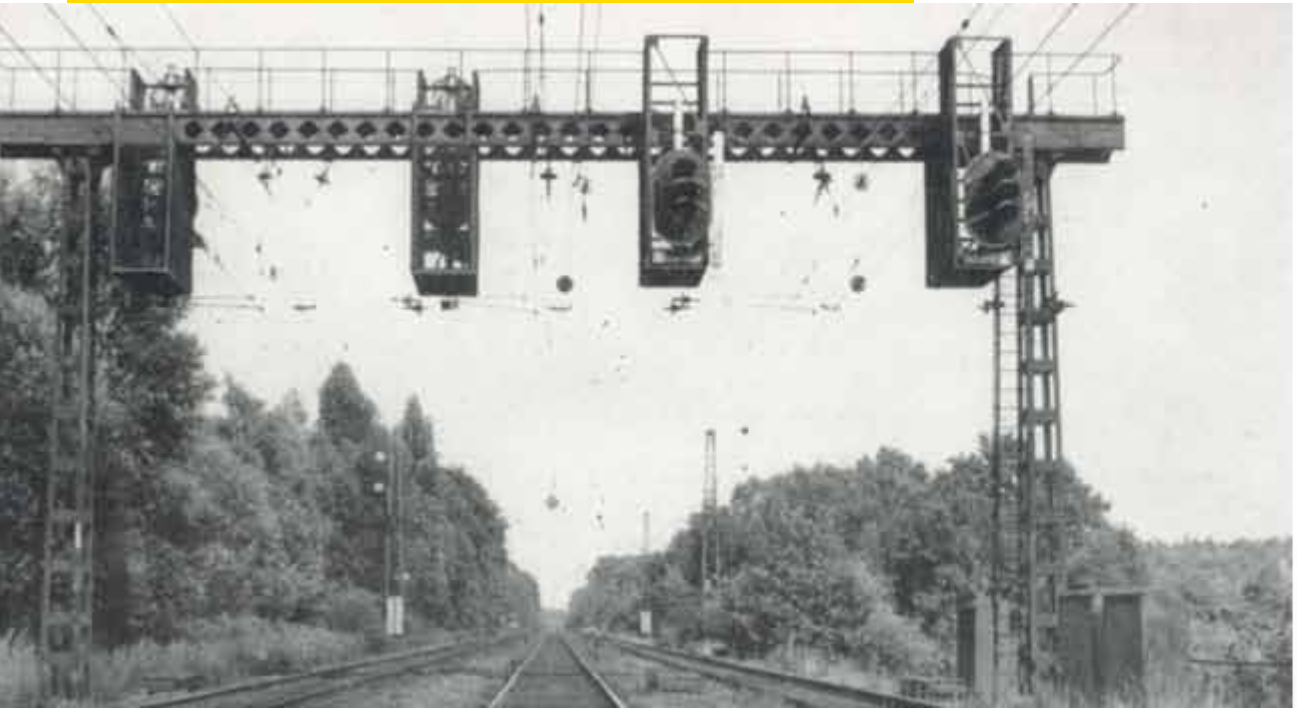
WHO WE ARE

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.



SCOPE OF BUSINESS AND ITS ANTICIPATED DEVELOPMENT



COMMERCIAL DEPARTMENT

Throughout the long-term presence on the transport infrastructure market, the AŽD Praha company has reached a leading position in the field of control/command, signalling and communication technologies on a railway. In recent years, it has proved that the company is able to manage demanding tasks resulting from realization of extensive installation works on greatest constructions of the home railway market. All realized orders in the field of preparation of project documentation, including the own executed installation works and deliveries, were 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 field of telecommunication and signalling technology on a 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. The activities of the company are not only focused on the field of construction and installation orders, but also on fields of processing of the design documentation, development of new or innovated technologies, research and production of components of signalling, control and communication systems.

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

Anticipated Development of Activities

Demanding period of a decline in the global economy reflects also in the national economy. Here, this situation makes difficult to meet the state budget, and so to create sufficient resources for financing of the transport infrastructure. The adopted cost-cutting budget's measures and, to some extent, the uncertainty of the transport policy will result in a drop of investments in the field of the transport infrastructure.

It will be necessary in this already long lasting situation, that the AŽD Praha company will focus on the maximum usage of its potential leading to economical and cost saving solutions in its main activities. In the field of control, signalling and communication systems, the production program must be used efficiently to achieve the target, 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 orders in the field of a maintenance and repairs of the equipment. This course of action will allow our company to maintain its key position on the domestic market.

Technical level of our company and the long-term experience in the field of transport technologies should bring a greater share on orders on foreign markets. This procedure could compensate the 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. Centralisation of foreign trade activities is the main aspect of the foreign trade of the AŽD Praha company. A specialized team of people always administrates locations of interests, called individual destinations. This one 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 better control over the foreign activities and coordination of implementation of contracts within the company. Under the auspice of Foreign Trade, a new Engineering of foreign orders section works, which is responsible for top management of implementation of individual foreign projects.

Destinations in the area of 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, 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 line section Kaunas – Kybartai. Currently, the so-called Defect Notification Period is running, when the last technical defects are stepwise being removed. The supply included the ESA 11-LG electronic interlocking equipment and ABE-1-LG electronic automatic block systems. Further, the AŽD Praha concluded a contract for modifications of existing equipment on the above given line section owing to the newly built Rail Baltica line.

Belarus

In the last year, the works on signalling of the approx. 110 km long Osipovičі–Žlobin line section proceeded, and will be finished in the middle of the 2014; the AŽD Praha delivers the ESA 11-BC electronic interlocking equipment, ABE-1-BC electronic automatic block systems and universal power supply sources of the UNZ-BC-3 type, for this line. At the same time, the delivery of the interlocking equipment for the Žlobin railway nod is in process. In addition, the AŽD Praha has been continuously preparing the design documentation for large railway nods and line sections.

Serbia

The company has started, within the first stage of construction works, design works on implementation of signalling equipment for the Niš–Dimitrovgrad line. The AŽD Praha will participate in tenders for deliveries of technology for the project Bělehrad Centar and Pančevo–Bělehrad. 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 completed. Now, the AŽD Praha attempts to receive the project for delivery of the interlocking equipment for the Podgorica railway station.

Turkey

During 2014, the AŽD Praha will finish deliveries of the station interlocking system of the ESA 44 type, of the centralized traffic control DOZ-1, line-signalling system, including wayside elements and telecommunication for the project Tekirdag–Muratli.

USA
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 based on the transfer of production from the parent company with the objective to reduce costs and to support the local market. AŽD Praha attempts to receive projects Burgas nod and Ruse–Varna.

Indie
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.

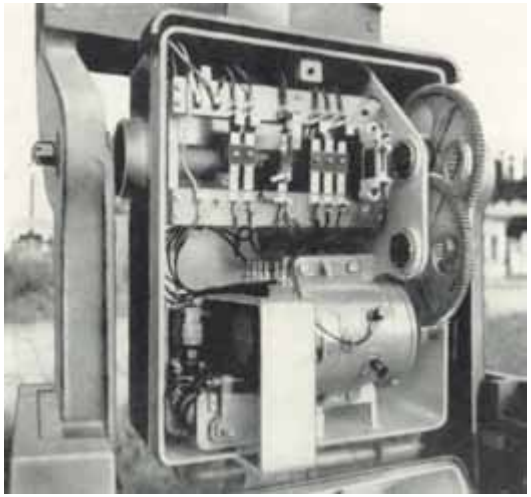
Greece
The company is finishing repairs of level crossing systems damaged by vandalism, and prepares the participation in public tenders.

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 attempts to receive the contract for delivery of two hundreds of level crossings and four line sections in the total length of 568 km.

Rumania
The company attempts to enforce the technology of the signalling equipment on the local market and its strategy for 2014 includes participation in seven tenders.

Subsidiaries and Organisational units of AŽD Praha Abroad

Development of foreign orders belongs to important attributes of the AŽD Praha company. As one of indicators showing the growth of the export balance it can be mentioned that in last year our company established another subsidiary abroad, and in Zagreb. The main subject of this subsidiary is to coordinate business activities of the AŽD Praha company in the territory of Croatia. Other subsidiaries of the AŽD Praha company established abroad are AZD Signaling in 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 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 especially for installation works.

COMMERCIAL SECTION FOR ROAD TELEMATICS

Commercial Section for Road Telematics and the Division of Road Technology Automation (hereinafter only OBU STM and DST) provide deliveries of ITS technologies for road transportation within the AŽD Praha company.

The OBU STM section offers complex deliveries of ITS control systems and of individual equipment contributing to the optimized control of traffic flows and to increasing of continuity and safety of road transport. Along with the DST, it provides efficient solutions of customers´ demands and needs.

In the 2012/2013 fiscal year, the commercial section focused its activities not only on the territory of Czech Republic, but also on foreign destinations, preferably on Azerbaydzhan and other Russian-speaking regions, further on Turkey and Bulgaria.

The system of transport line management on highways and main roads is one of the most significant products delivered now. Deliveries of variable traffic signs and systems for variable information (PDZ/ZPI), which were installed within the municipal information system, are related to it, too. Other important products are the municipal command and control centre, and modern technologies for traffic light management on crossroads and pedestrian crosswalks in towns. Other not negligible products are control and signalling systems of tunnels on motorways and other roads.

Other important products are monitoring systems, and intelligent traffic camera systems based on identification and recognition of car licence plates. Through using these systems, it is possible to identify various driving offences, like e.g. exceeding of permitted speed or going through a red light.

In the last year, the share of installation of public lighting for cities and towns also increased, and the OBU STM offers for them a package of services covering installation, repair, administration, maintenance, and operation of public lighting.

OBU STM offers complete solutions tailored to needs of customers 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.

In addition to commercial activities, the OBU STM Section also concentrates on their business of „Production, repair, and installation of measuring instruments" including speed measuring systems, tunnel physical quantity measurement systems and physical quantity of transportation means (height, weight, …).

OBU STM has its stable position on the Czech market. It belongs among long-time active members of SDT CR (Road Telematics Association). It organises and implements lectures, provides consulting services 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 classified under OBU STM.

In the 2012/2013 fiscal year, the OBU STM continued the activities within the

gained grant of the Technology Agency of the Czech Republic „Optimization of Algorithms of Adaptive Control of the SSZ System in Urbanized Areas". It is expected, the grant will contribute to the development of a superstructure module for extension of functions of the EDAPTIVA municipal command and control centre. Now, the control centre enables the supervision and control of traffic in smaller and larger urban agglomerations and connecting of other telematics technologies installed in the monitored area (strategic detectors, variable traffic signs, transport line management, information devices for drivers, mete-announcers, camera systems etc.).

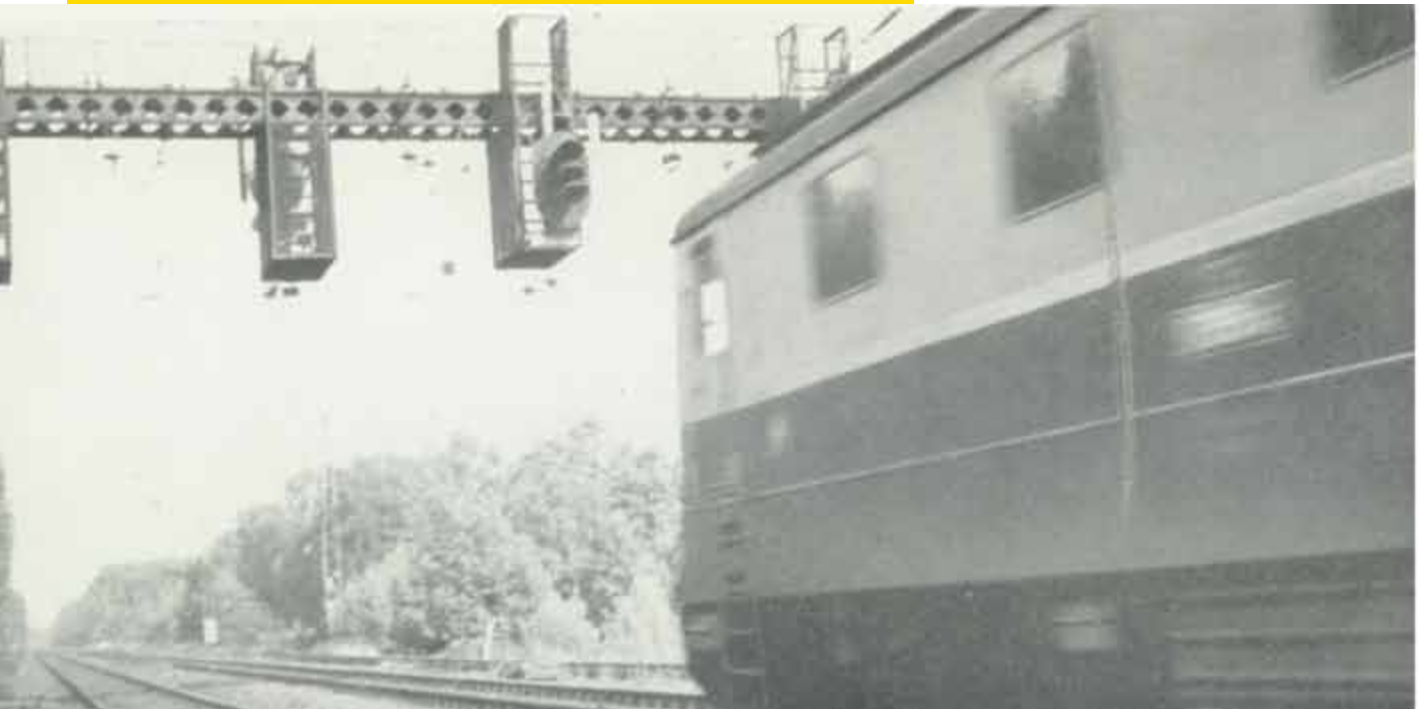
In the last year, the renewal of the video-detecting equipment for monitoring and evaluation of the offence of going through a red light on road crossings (RedCon) and railway level crossings (RedRail) was finished.

The expected development trend in OBU STM

The OBU STM is aiming for further development and acquisition of next important long-term contracts especially abroad, preferably in Bulgaria, Azerbaydzhan, Turkey and other eastern markets. The aim is to implement 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 telematics technologies and strengthening of their competitiveness on foreign markets.

TECHNIKA PLANT



RESEARCH AND DEVELOPMENT

AŽD Praha, as a stable and traditional company on the Czech market and as one of the companies, increasingly present also on foreign markets, invests a significant part of its resources to development of new products. The own development along with a sufficient capacity of development workers, cooperation with proved suppliers, universities, research institutes etc. are necessary presumptions for achieving of a business success.

High qualification of development workers enables active working of the AŽD Praha in domestic standardisation committees and in foreign working groups, as for example in CENELEC, UNISIG and UNIFE.

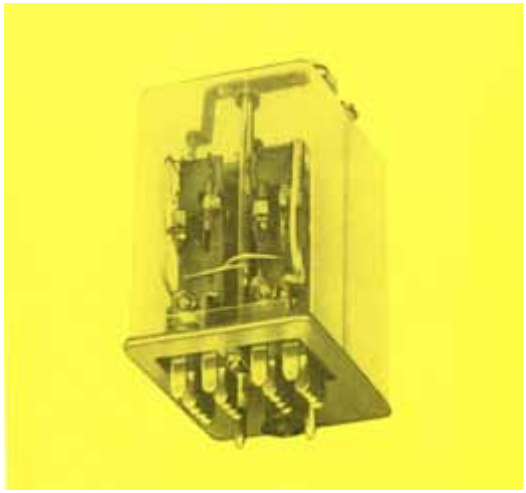
Quality results of the own technical research enable to apply successfully for a public support within various domestic and foreign granting programs.

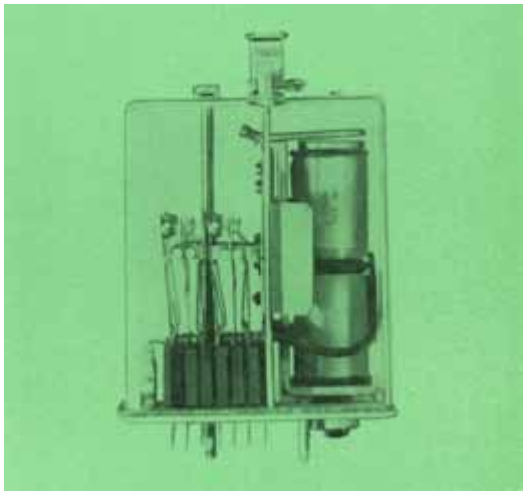
The strongest activities in the field of research and development are usually focused on the field of the railway signalling equipment. Development activities provide a continuous development of the current portfolio of delivered products (especially of station interlocking systems) monitoring the progress of technical possibilities and of new needs of users, and operation and research and development of new promising systems and equipment. It is preferably the development of the new unified architecture of signalling systems (JAZZ), which has been first applied in the ETCS/ERTMS systems, level crossing safeguarding systems and automatic train protection.

The cooperation of the Research and development workers with implementation units of the company, at application of new products in investment activities, is also important.

Experts of the Research and development provide demanding modifications of AŽD Praha systems according to demands of foreign customers with regard to technology and time. This capability of the company, to fulfil often very demanding requirements of customers, is not very common in the branch and it brings a significant competitive advantage to the AŽD Praha company.

Apart from signalling systems, the field of telecommunication technology is also developed as a standard.





Great attention is paid also to another significant field, which is the field of signalling and telecommunication equipment for metro, and both at home and abroad.

DESIGN

To ensure the supplier activities of the AŽD Praha company, the Design department is very important. The main task of the Design department is to process the design documentation for application of systems and equipment of the AŽD Praha in investment actions at home and abroad. Experts of the Design section participate significantly in processing of business offers, setting of function requirements for new equipment and processed standardization and other technical documentation of the AŽD Praha. The Design section uses extensively computer aided processing of design documentation both using the commercial CAD tools, and also special supporting programs developed for own needs.

In the last period, the most important design works were focused on processing of implementation documentation of signalling and telecommunication equipment for domestic constructions

(e.g. Reconstruction of the Břeclav railway station, ETCS Kolín-Břeclav) and foreign constructions in Belarus (Osipovičі-Žlobin, Žlobin nod) and in Turkey (Tekirdag-Muratli).

FOREIGN ORDERS DEPARTMENT

Increasing volume of foreign orders necessitated establishing of the specialized department, which in cooperation with other departments of the Technika plant provides adaptations of products of the AŽD Praha for demands and needs of foreign customers, whether regarding adaptations for local standards and regulations or demands for certification, or regarding special function requirements. Currently, the greatest support is given to the project of signalisation of the Tekirdag–Muratli line in Turkey.

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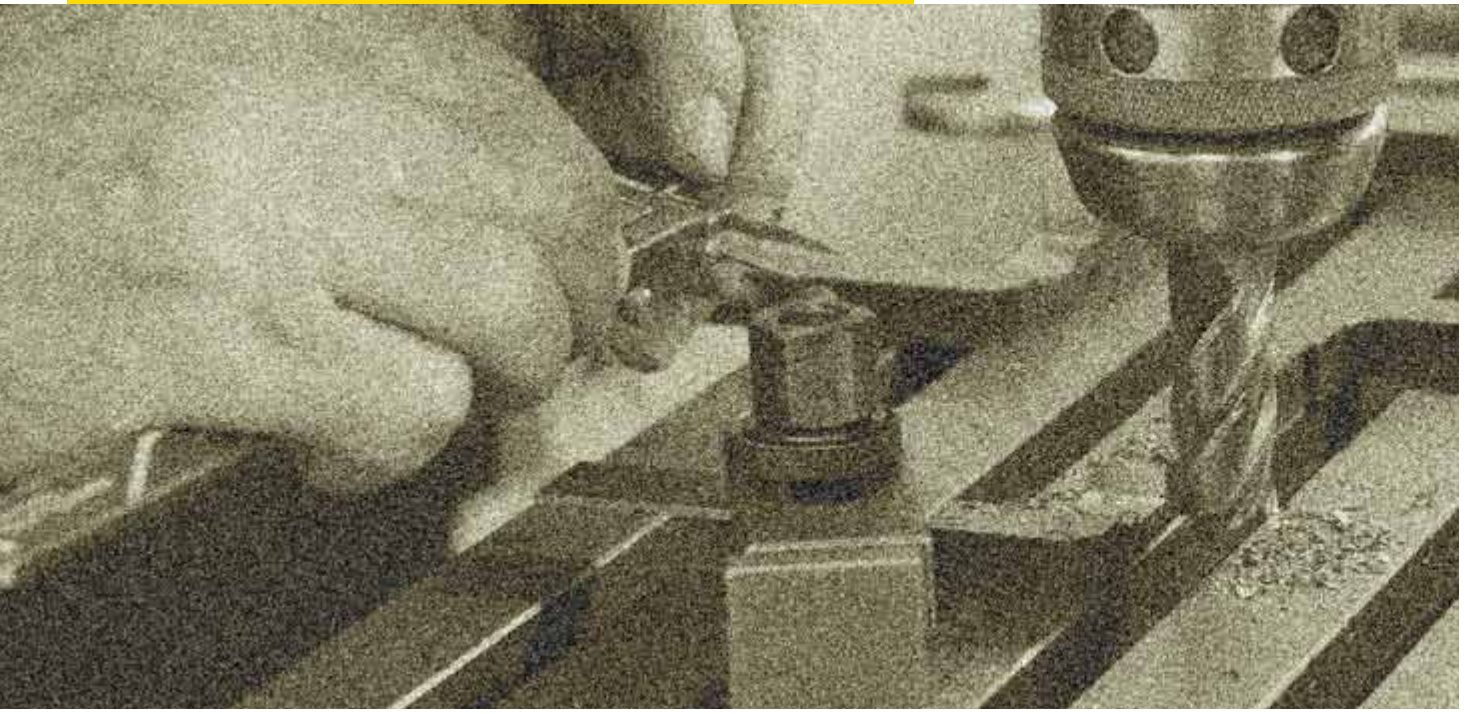
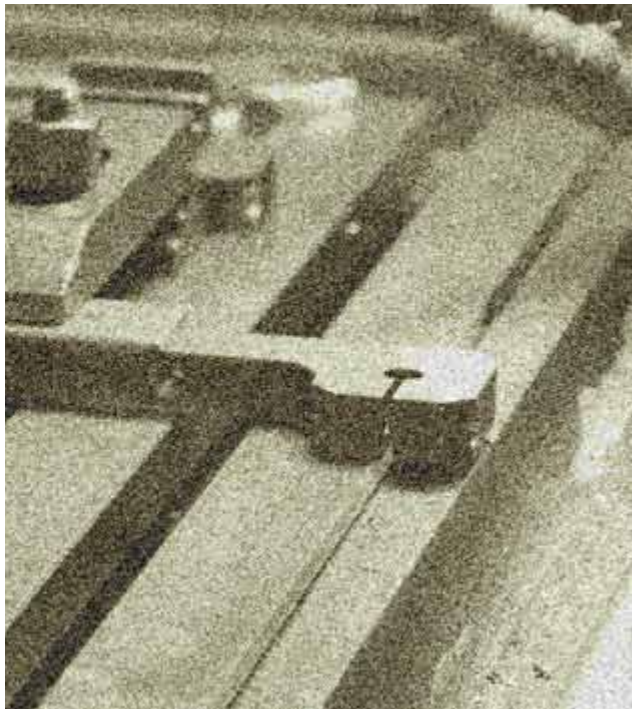
PRODUCTION ACTIVITIES





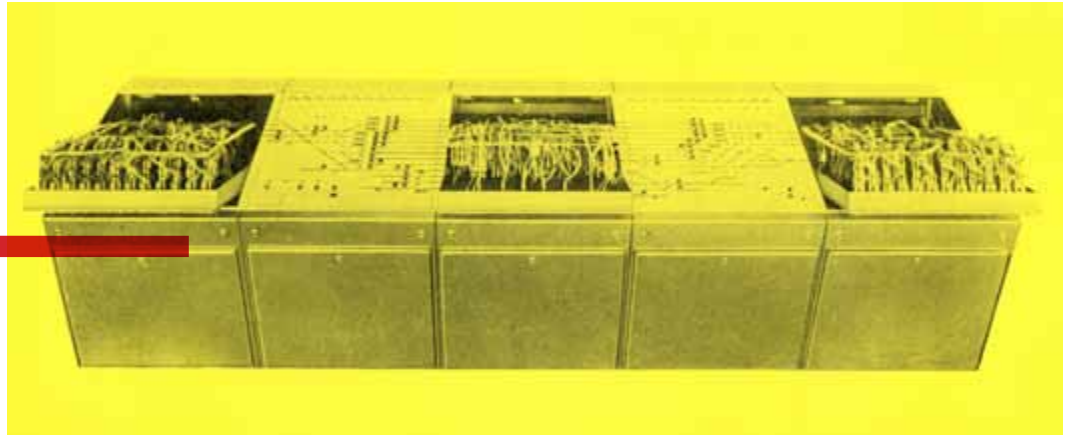
PRODUCTION PLANT BRNO

VZ Brno is specialized in manufacturing electronic and electro-technical configurations for railway signalling and telecommunications systems. The production of basic electronic configurations at the printed circuit boards, completion of electronic units, superior electronic and electro-technical configurations and direct configurations of signalling equipment from piece, small-lot to medium-lot production volumes, is centralized here for the field of own industrial production.

From the point of view of production technology, in the VZ Brno, there is fully managed the production of complicated electronic configurations, which are multilayer printed circuit boards occupied from both sides by externally mounted components and parts with outlets to through holes. 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 addition to own, prototype and repetitive production, the VZ Brno offers this service also for external customers.

During 2012/2013, the implementation of production of products converted to the production plan of the VZ Brno within the project "Restructuring of the production plants" was successfully finished, especially in fields of production management, quality management, technical preparation of production and logistics.

Within the cooperation production in the VZ Brno, the volume of production of goods for the external customer, FEI Company, increased by 12% during the monitored period. Deliveries of goods include especially installation and production of electronic and electromechanical vacuum assemblies for electron microscopes. AŽD Praha still belongs to the most important suppliers within the worldwide supply chain of the FEI Company. During given fiscal year, cooperation with this company extended also to the support of the customer in his demand for a fast implementation of new products to the global market, which required establishing



and adjustment of new production and logistic processes in the VZ Brno. Success of our customer means appreciation for the AŽD Praha company, too.

In the field of the environmental protection, VZB strictly applies preventive access leading to minimization of environmental impacts of activities, products, and services of VZB. There are especially following preventive measures:

- systematic control of dangerous chemical substances and mixtures before their initial purchasing,
- limited usage of dangerous chemical substances and mixtures containing volatile organic matters in the surface treatment technologies,
- limited usage of lead in soldering process of electro-technical assembles in the own industrial production – usage of lead-free alloys,
- limited usage of substances dangerous for waters in cleaning processes of configurations on printed circuit boards and components for vacuum technology,
- system of controls leading to minimization of leakage of dangerous substances to environment, usage of reusable packagings for selected products.
- Above given activities are checked both by internal audits IMS, and by audits of second and third parties (customers audits, certification audits), too.

PRODUCTION PLANT OLOMOUC

Production plant Olomouc has been on a long term basis focused on the field of engineering and electromechanical production, in accordance with the specialization of production plants within the company.

VZ Olomouc 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 traffic directly in the railyard.

Investments realized during recent years were directed mainly to cutting operation area, when the plant was equipped with several machining 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 LK G-90C, very precise 3-coordinates measuring system, enabling checking of first produced pieces upto dimensions 600 × 500 × 400 mm, and a portable 3D measuring coordinate device FARO Gage plus with measuring range upto 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 the extension of production program with a cabinet assortment, which can be applied both within our company and for external partners.

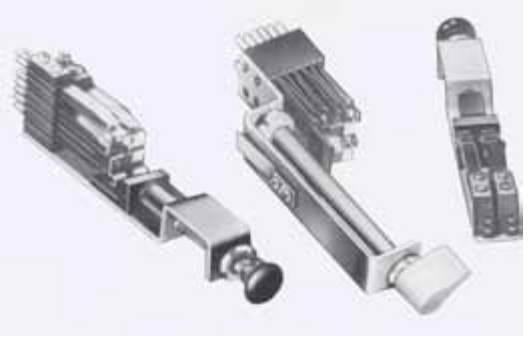
Within new investments during the last two years, the VZO realized the investment into extensive modernization of paintshops, where, beside construction changes, the new technological devices were installed, so that this shop may meet very demanding criteria regarding environmental protection even in future. At the same time, the quality of surface treatment was ensured for the 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 Production Plant Olomouc takes care of the environmental problems and actively approaches to the safety and protection of health at work. Together with the quality, these management systems are certified and integrated into the unified Integrated Management System.

Within its practical implementation, the mentioned reconstruction of machine and manual paintshop included also the installation of active filtration for catching of all undesired substances.

All machining centres Mazak have closed cooling and lubrication circuits and their own working space. This increases not only the environmental care, but also safety of workers and protection of health at work.



INSTALLATION ACTIVITIES

In the last fiscal year, the capacities of installation plants were centralized to certain upto now un-modernized sections of the railway corridors and to junctions.

All these constructions, both on corridors and on secondary lines, are equipped with modern technology of AŽD Praha, which brings not only the comfort for operating personnel, but also a significant increasing of railway transport safety.

Mainly, it is the system of the modern station interlocking ESA 33, ESA 44 and block signalling system ABE-1. The diagnostics of the own device is very important, and it is an integral part not only of modern devices, but also of electronic interlockings of AŽD Praha. These systems bring a high standard at preventing of failure states and at removal of eventual failures.

Other elements for increasing of safety are EZS (Loss of Shunt Evidence) systems and VNPN (Warning at Forbidden Passing the Signal) with the General stop function on the TRS system in all train routes concerned.

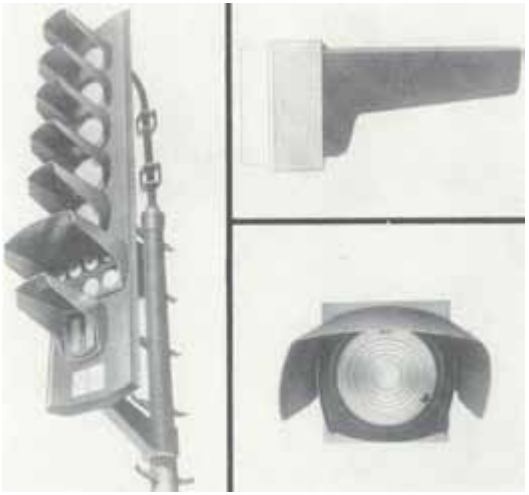
Within the remote control of stations (DOZ) we continue the extension of the offer and complement of new telecommunication systems with the precise digital technology. In all delivered station equipment, the GTN system for traffic workers is incorporated, too.

For railway vehicles, we offer a modern system of automatic train protection LS06 including CAB radios for wireless communication.

Among the started projects, we can name several important constructions, which were finished in this fiscal year.

It is mainly the finished project of modernization of the České Budějovice–Nemanice line, an important preparation construction for ETCS – Modifications of station interlocking system (SZZ) and line signalling system (TZZ) for the ETCS Kolín–Choceň; Reconstruction of the Přerov railway station and construction – Reconstruction of the Břeclav railway station, second construction.

New started constructions were: Passing through the Ústí nad Orlicí railway nod, Optimization of the Praha-Bubeneč–Praha-Holešovice line, Modernization of the Ševětín–Veselí nad Lužnicí line, second part, the Horusice–Veselí section, Modernization of the Praha-Běchovice–Úvaly line section, Modernization of the Tábor–Sudoměřice u Tábora line, Reconstruction of the Olomouc railway



station and last but not least the construction of ETCS Kolín–Břeclav, where installation plants are working on modifications and complementation of station and line equipment.

In this year, installation plants have built or reconstructed more than 30 level crossings of various equipment.

Further, capacities of installation plants focused on investment actions of RIA (SŽDC) of the type modernizations, reconstructions but also repair works. These separate actions are less important regarding their volume, but they are very important regarding the safety of both railway and road transport.

Complementation of level crossing´s and other systems with signalization for blind persons is already a standard.

In this fiscal year, totally 12 pcs of electronic interlockings were finished and activated in CR.

In the field of foreign installation activities, we have noticed an increased interest in our devices in Belarus, Lithuania, Turkey, Iran, Montenegro, Serbia or in the U.S.A.

In connection with foreign installation activities, a quality coordination with constructions in CR is required, and starting from design works through production upto the own installation and commissioning of the device.

The MVU department cooperates with all parts of processes from hand-over of the construction for implementation, from design upto the final stage of commissioning of the device. To provide required results in given terms, all parts of the process have to join properly to each other. In some cases, not only a proper coordination of all related activities is required to achieve these targets, but also introducing of special measures.

Total overview of completed constructions including the review of number of commissioned main technical units for the period 10/2012–09/2013 is given in the enclosed table.

Installation Plant	Name of Construction	PS	Activation	Note
Period 4/Q – 12				
DTI	**DOZ Františkovy Lázně–AŠ (ex.)**			
	Station Hazlov + Station AŠ	PS131101, 151101	10/19/2012	ESA 11
MZO	**Belarus/AB Vitěbsk–Polock**			
	Station Minsk Severnyj–Ždanoviči	ZMO 21	10/25/2012	ABE 1 BC
	Station Ždanoviči	ZMO22	10/24/2012	ESA 33 BC
MZO	**Reconstruction of Station Bylnice**			
	Station Bylnice def. Station interlocking	PS 2328201	11/5/2012	ESA 11
MZO	**Lithuania/Kaunas–Kybartai**			
	Station Jiesia Station interlocking	ZMO33	11/19/2012	ESA 11
	Station Rokai Station interlocking	ZMO30	11/19/2012	ESA11
	Station Kaunas Station interlocking	ZMO26	11/19/2012	ESA11
	Jiesia–Mauruciai Line signalling	ZMO34	11/20/2012	ABE 1
	Jiesia–Kaunas Line signalling	ZMO29	11/21/2012	ABE 1
	Jiesia–Rokai Line signalling	ZMO32	11/22/2012	ABE 1
	Kaunas–Palemonas Line signalling	ZMO27	11/24/2012	ABE 1
MZK	**Passing through railway nod Plzeň in dir. of TŽK III.**			
	Plzeň Jižní př.,modif. of Station interlocking	PS 352101.1	11/28/2012	ESA 11 cont.
	Škoda Plzeň, modif. of Line signalling	PS 372101	12/5/2012	AHP - 03

Period 1/Q – 13				
MZK	**Modifications of Station interlocking and Line signalling for ETCS Kolín–Choceň**			
	Station Zámrsk Station interlocking prov.	PS 050101	1/29/2013	ESA 11 kont.
	Station Záboří–Station Řečany Line signalling	PS 070153	2/21/2013	ABE - 1
	Přelouč–Řečany, Line signalling def.	PS 070152	3/7/2013	ABE - 1
Period 2/Q – 13				
MZO	**Modernization of Votice–Benešov line**			
	Station Tomice–Bystřice u Benešova Line signalling	PS 860101	4/30/2013	AH 88
MZK	**Modernization of Č.Budějovice–Nemanice I. line**			
	Station České Budějovice Station interlocking def.	PS 220101	5/17/2013	ESA 11
MZK	**Modifications of Station interlocking and Line signalling for ETCS Kolín–Choceň**			
	Station Zámrsk, Station interlocking def.	PS 050101	6/6/2013	ESA 44
	Station Uhersko, Station interlocking def.	PS 050102	6/10/2013	ESA 44
MZK	**Optimization of Bubeneč–Holešovice line**			
	Station Holešovice Station interlocking prov.	PS 030101	6/13/2013	ESA 11kont.
Period 3/Q – 13				
MZK	**Optimization of Bubeneč–Holešovice line**			
	Bubeneč–Holešovice, Line signalling prov.	PS 020101	7/4/2013	AHP-03

INSTALLATION PLANT KOLÍN

Installation plant Kolín as one of the organizational units of the AŽD Praha is preferably specialized in quality installation works of signalling and telecommunication technology (SZT) on constructions assigned to it by the company headquarter within the Czech republic and also in foreign destinations (especially in Southeast Europe – Balkan). With regard to the differentiation of the activities within AŽD Praha, we do not assume that the scope of business of the MZK will change at an early date.

In this fiscal year, the MZK implemented and terminated or finished following constructions:

Modernization of the České Budějovice – Nemanice line, Modifications of Station interlocking and line signalling for ETCS Kolín – Choceň, Passing through the Plzeň nod in direction of TŽK III, Construction of Level crossing system in km 0,348 of the Rokycany – Nezvěstice line, Construction of Level crossing system in km 11,326 of the Kolín – Ledečko line, Modification of SW of Station interlocking ESA 11 in Station Kolín.

MZK continued the implementation of following long-term constructions:

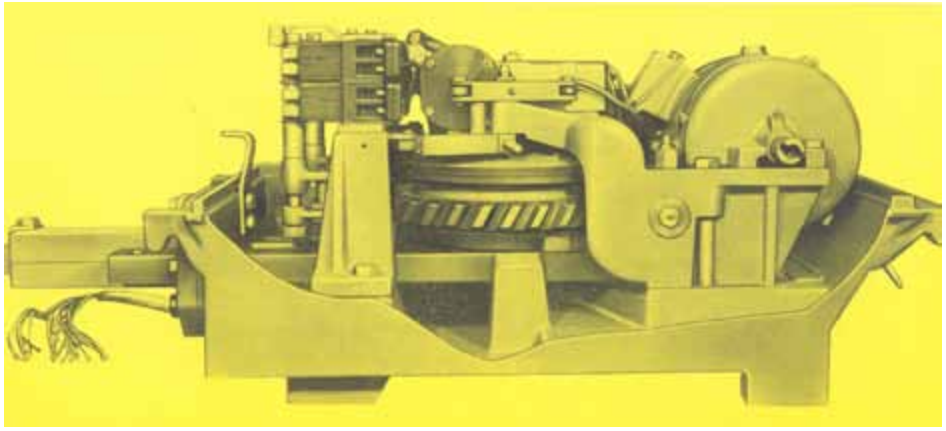
ETCS – 1st corridor, Kolín – Břeclav Austria/ Slovakia st. boundary section, Modification of electronic interlockings for EZS in location of SS Plzeň and Praha.

MZK started following new constructions:

Optimization of the Praha Bubeneč – Praha Holešovice line, Passing through the Ústí nad Orlicí railway nod, Modernization of the Ševětín–Veselí nad Lužnicí line – part II, the Horusice–Veselí nad Lužnicí line section, Reconstruction of track circuits at level crossing system in the Jaroměř–Česká Skalice line section, Repair of station interlocking system for the Moravany station, Repair of elements for cooperation with the train of the station interlocking system of Praha – Čakovice Station.

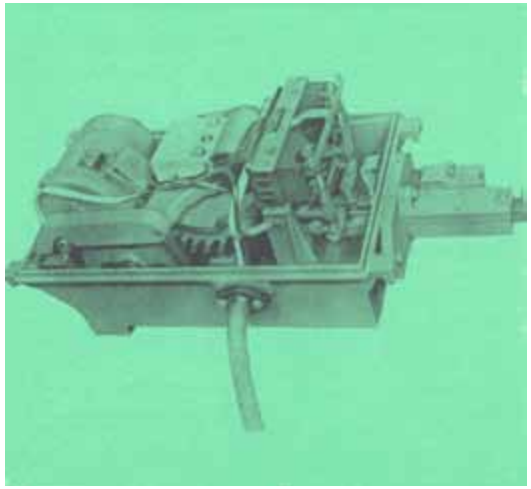
Beside these main actions, we performed per special order replacements or new installations of jaw locks, repair works on signalling devices, (e.g. repair of power supply of signalling system in the circuit of the OR Hradec Králové, Emergency repair of destroyed signal device L0 in the Český Brod Station, Repair of level crossing system in Č. Budějovice Station, and so on).

In the 2012/2013 fiscal year, MZK fulfilled the planned economic indicators and the planned profit was slightly exceeded. 133 employees participated on the success of MZK in the recent period.



INSTALLATION PLANT OLOMOUC

Installation plant Olomouc as one of organizational units of AŽD Praha is focused preferably on quality installation works of signalling and telecommunication technology (SZT) on assigned constructions within the CR and also in foreign destinations.



In this fiscal year, the MZO implemented and terminated or finished following constructions:

Optimization of the Bystřice nad Olší–Český Těšín line, DOZ Česká Třebová Přerov, Modernization of the Votice–Benešov u Prahy line, Reconstruction of Station Bylnice, Reconstruction of level crossing system in Kyjov, Repairs of level crossing systems on the Opava východ–Kravaře line, Havlíčkův Brod–Pardubice line, Hanušovice–Ústí nad Orlicí line (in the number of 8 pcs), Camera systems on selected level crossings in the Moravian-Silesian region.

MZO continued the implementation of following long-term constructions:

Optimization of the st. boundary SR Mosty u Jablunkova–Bystřice nad Olší line, Reconstruction of Station Přerov - 1st construction, Reconstruction of Střelenský tunnel and tracks on st. boundary with SR, Supplementary construction for modifications of station interlocking system and line signalling system for ETCS in the Kolín–Choceň line section, carried out replacements of SW on both EZS constructions for SSO

MZO started following new constructions:

Reconstruction of the railway nod Břeclav 2nd construction, Reconstruction and capacity increase of the Studénka–Mošnov line, Reconstruction of the Frýdlant n. O. station, Construction of Level crossing system in km 6,115 Olbramovice–Sedlčany, Modernization of the Tábor–Sudoměřice line, Reconstruction of Olomouc Station, Leoš Janáček Airport – track connection, Reconstruction of 2 pcs of level crossing systems on the Brno–Jihlava line, Repairs of level crossing systems on Retz–Okříšky line and Hnojník–Český Těšín line.

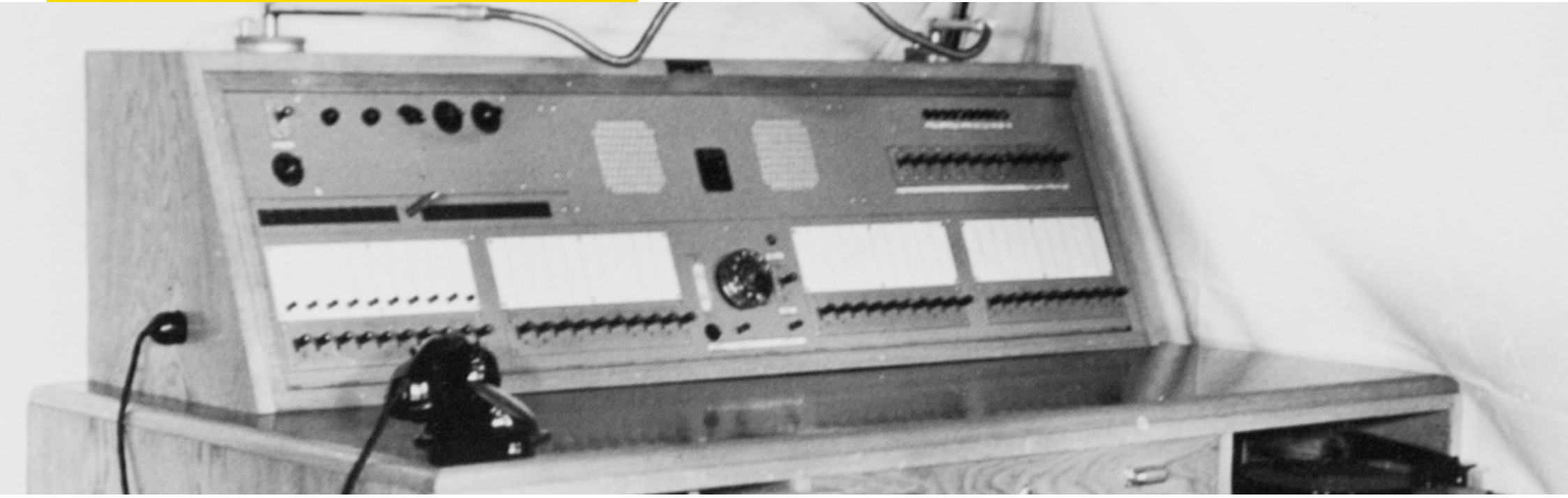
Beside these main actions, we carried out per special order replacements or new installations of jaw locks,

Repairs or interventions in RZZ – Česká Třebová after emergency (extraordinary) events or fires.

MZO works within the AŽD on many actions also abroad.

In the 2012/2013 fiscal year, MZO fulfilled the planned economic indicators and the planned profit was slightly exceeded. This all is provided by a team of 180 employees under the leadership of the director, installation and technical manager in close cooperation and the supervision of the economic manager.

DIVISION OF TELEINFORMATICS



In the 2012/2013 fiscal year, the DTI carried out many important transport constructions.

On railways, the Division Teleinformatics carried out following important contracts: „DOZ Františkovy Lázně–Aš“ – in this construction, the dispatcher control of given line was finished by means of the interlocking equipment ESA 33 (ESA 11 with EIP electronic interface panels). The workplace of the dispatcher is situated in Františkovy Lázně Station. However, this station is still protected by the original interlocking equipment, as was defined in the specification of construction. In given section, there was installed the new, integrated telecommunication equipment produced by the subsidiary company DCom. Installations of new telecommunication equipment enabled also introduction of the trial operation for new functions on the signalling equipment. For example, the function VNPN (Warning of Unauthorized Passing of Signal) is closely joint with the function of General Stop on the TRS equipment delivered by our company. In given area, the RV3 MB adapter was verified, which provides the communication of MB circuits with the current environment of IP telephony.

In cooperation with the Technika plant (R&D), two level crossings of the PZZ-J type were built in the location of the Station Aš. This technology does not provide signalling of the own level crossing environment (safety is provided by the PZZ-AC technology), but it is controlled together with the equipment built during this construction. This installation will enable to implement a trial operation of level crossing system PZZ-J in several steps. In this year, it has been put into operation and completely handed-over to the customer.

In the field of signalling equipment, the action for help for RIA (SŽDC) was implemented – „Removal of emergency state of track circuits of level crossing system in the Veselí nad Lužnicí–Jihlava line section“. Here, in demanding winter conditions, track circuits (KO) were replaced with axles counters, including a new cabling. This action verified capabilities of DTI workers to a maximum depth, and successfully.

Further, following constructions and repairs of level crossing systems were realized in this year:

- Reconstruction of LX in km 14,089 and 14,212 of the Praha–Plzeň line;
- Reconstruction of LX in km 16,048 of the Praha–Plzeň line (including the demanding complementation according to the standard ČSN 34 26 50 in force);
- Reconstruction of LX in km 8,853 of the Staňkov–Poběžovice line;
- Complementation of barriers of LX in km 75,961 of the Železná Ruda–Plzeň line;
- Repair of LX in km 31,717 and 32,946 of the Kladno–Rakovník line;
- Repair of LX in km 97,937 of the Zdice–Protivín line;
- Repair of LX in km 2,177 of the Březnice–Blatná line;
- Construction of Level crossing system in km 71,676 on the Protivín–Zdice line;
- Reconstruction of LX in km 19,503 of the Heřmanův Městec–Moravany line;
- Repair of LX in km 25,423 on the line No.160;
- Repair of LX in km 71,345 Milolstín;
- Repair of LX in km 46,654 and 47,592 on the Mladá Boleslav main st.–Stará Paka line;
- Repair of LX in km 4,803 of the 031 Pardubice–Jaroměř line;
- Repair of LX in km 2,548 in Station Svitavy.

DTI, as a leader of the association, participated in construction of level crossings in the Rumburk–Dolní Poustevna section.

In Prague Metro, there was implemented the action „Complementation of the Florenc B station with axles counters", and DTI also participates in the construction „Verification of operation of track circuit KOA-1 on the C-line of Prague Metro in the Holešovice station".

Beside the above given actions, the construction of the ribbon phone GSM-R network for railways still continues. In this year, „Complementation of the pilot project GSM-R I. NŽK" occurred. In this project, stations were complemented with terminals to improve the communication within the railway mobile network.

DST BRNO

Division of Road Technology Automation is a realization unit for deliveries of road traffic control technologies, and applications from the road telematics area. Its activity focuses on the production, installation, maintenance and servicing of above given 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 traffic technology market.

One of the most important contracts of the entire 2012/2013 fiscal year was already the third stage of building of the information system and line management of the highway in Azerbaydzhan. In the next year, other activities will proceed in this country relating to the installation and control of variable traffic signs / equipment for operational information (hereinafter only PDZ/ZPI) on specified motorway locations.

During the first half of the 2012/2013 fiscal year, the DST subsidiary participated in the construction and renovation of the technological equipment of 34 Prague locations within an extensive contract „Providing of traffic information" and in construction and providing of technology equipment for 3 locations within the second smaller contract „Jižní spojka – Spořilovská ramp". The integral telematics system included, beside the delivered equipment for variable information (PDZ/ZPI), also hardware for PDZ/ZPI with the relevant software, the so-called gantry-servers, for providing of two-way communication with the main traffic control centre and for the local control of technologies of individual portals at service interventions.

During the last fiscal year, also the scheduled works on important long-term contracts continued. First, service works and maintenance of electric connections (VN, NN) and portal structures of toll gates on selected roads in CR and further on the information system PDZ/ZPI, portal structures and connections) of D1 motorway in CR.

Within its service activities, the subsidiary continuously provided the warranty and post-warranty service of signal light controllers (SSZ) technology of own production, service of barriers for Public Transport Operator of the City of Prague, maintenance of technological equipment of selected tunnels in Brno and tunnel in Jihlava, Zlíchovský tunnel on Prague ring road and Valík tunnel in Plzeň by-pass road. On selected sections of the D11 motorway and R35 road, it carried out service and maintenance works of weak-current systems (SOS announcers, information plates, data communication, electrical low-voltage (NN) connections, camera supervision, dispatching of SSÚD Praha and other technologies). In Boskovice, operation and maintenance of public lighting was carried out.

In the last period, the DST subsidiary continued successfully the contracts of technological part of construction and equipment of the Blanka tunnel complex in Prague.

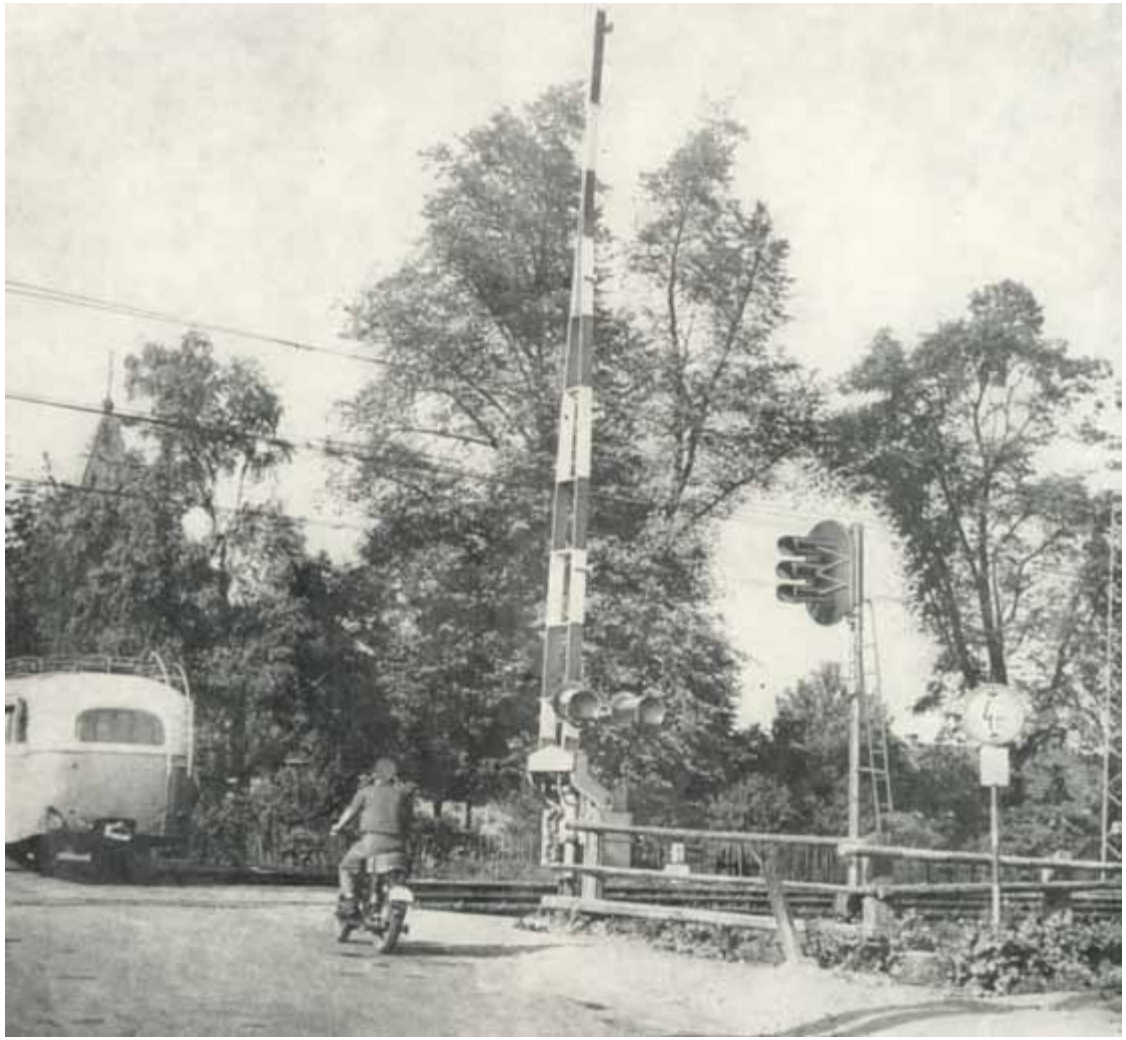
Construction and activation of the system for measuring of section speed on four locations in Turnov town was finished successfully.

Within the project of construction and renewal of crossings „Project Praha", the design documentation was elaborated and several other selected Prague crossings and coordination cables were built.

Design activities were made also for the construction of signal light controllers (SSZ) and PPCH in other towns of CR. Construction of signal light controllers was provided in Havlíčkův Brod, Kolín, Orlová, Hustopeče, Pardubice and other

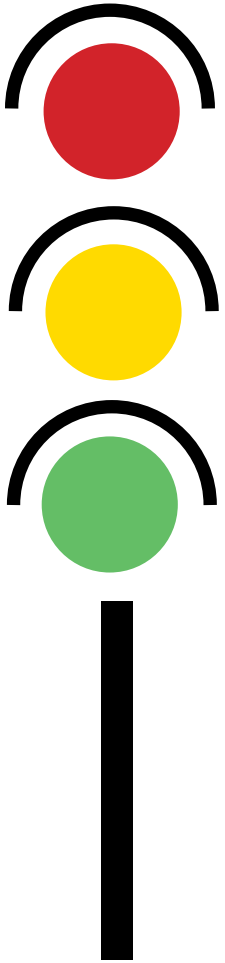
towns. Deliveries of technology for several children´s traffic playgrounds, e.g. in Tuřany a Hustopeče, were successfully implemented projects.

DST participates in providing of safety pedestrians´ crossings and directing of traffic flow. During 2012/2013, other crossings were equipped with highlighting LEDline technology in Žamberk. Another signal light controllers technology connected with radar (SpeedStop) were implemented in Rohov and in Krnov. The delivery of the lead-in and parking system for the new shopping centre Šantovka in Olomouc is not negligible, too.



Significant implemented projects:

- Information system and line management system for motorway in Azerbaydzhan
- Participation in the „Providing of traffic information" project in Prague
- Participation in service activities and maintenance of the electronic toll system of selected sections of motorways and speedways and 1st class roads in CR
- Service and maintenance of information system on D1 motorway
- Service and maintenance of weak-current systems on selected sections of D11 and R35
- Construction of road signalling system for Blanka tunnel complex (Letenské náměstí, Milady Horákové × U Sparty)
- Delivery, installation and activation of selected technologies of the Blanka tunnel complex
- Renewal, operation and maintenance of public lighting in Boskovice
- Design, engineering, renewal and installation of light signalling equipment (SSZ) and coordination cables (KK) in Prague
- Construction of road signalling in Havlíčkův Brod, Kolín, Orlová, Hustopeče, Pardubice and other cities in CR
- Administration and maintenance of technological equipment of selected tunnels in Brno, tunnel in Jihlava, Zlíchovský tunnel on road ring in Prague, Valík tunnel in by-passing of Plzeň
- Service of barriers for Public Transport Operator of the City of Prague (DP hl. m. Praha)
- Section speed measurement on four locations in Turnov
- Active crossings for pedestrians in Žamberk
- Lead-in and parking system at shopping centre Šantovka in Olomouc
- Signal light controllers (SSZ) connected with radar in Rohov and in Krnov



DIVISION OF TELECOMMUNICATION AND SIGNALLING TECHNOLOGY SERVICE

The Division of Telecommunication and Signalling Technology Service 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, the Division 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 318 station interlocking systems, 1096 level crossing safeguarding systems, 104 line sections of electronic automatic block, additional 120 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 – Zátiší" 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, Lithuania, Serbia, Montenegro, Iran, Greece, and Turkey. 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. The organizational unit Bratislava, through the service group located in Poprad-Matejovce provides servicing in the Slovak Republic.

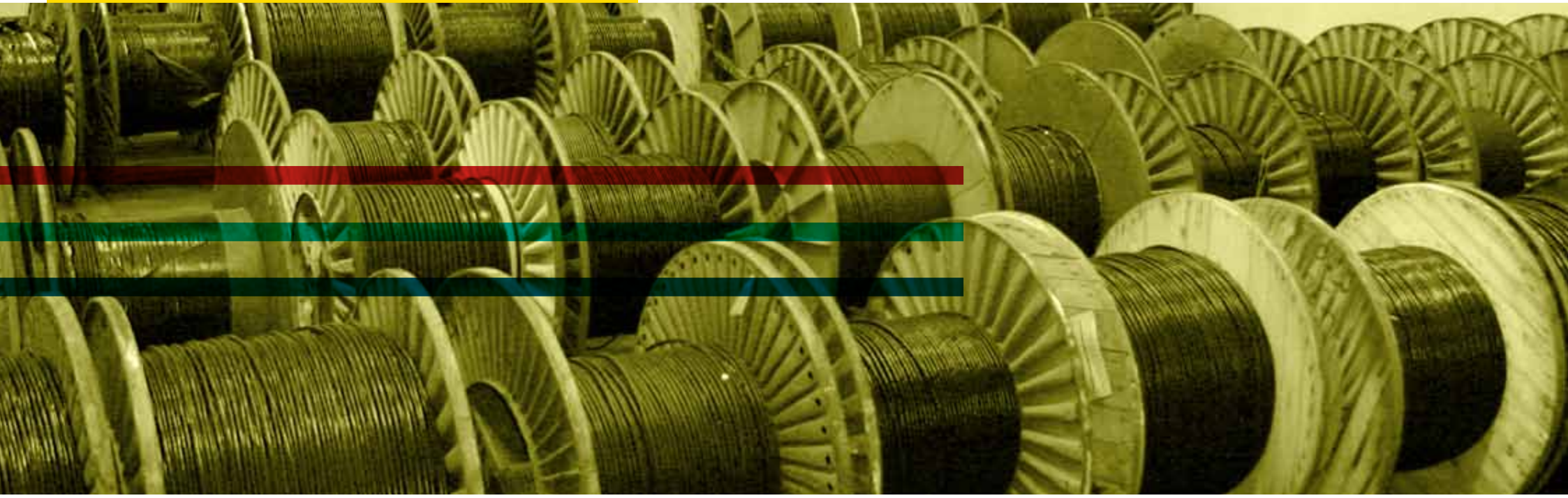
Selected employees of the Service provide also comprehensive support for operation of the GTN application with the 24/7 availability mode. It provides a remote

administration, hotline, and helpdesk of the operational GTN application. There are 315 transport points of GTN in operation.

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

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

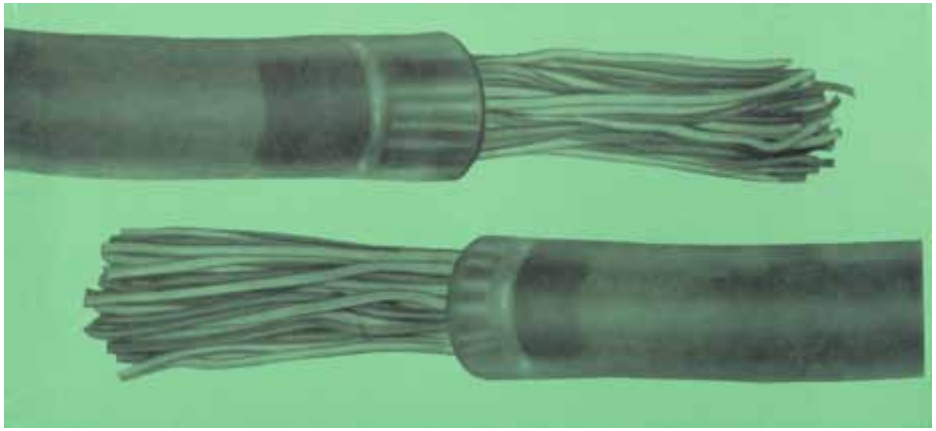
LOGISTIC PLANT OLOMOUC



The Logistics Plant with its seat at Olomouc is a logistic centre of AŽD Praha Co., which is divided into two executive sections. 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. Recently a new Stock-keeping department disposing of its own automobile transport was included in the division and ensures distribution of material on the whole territory of the Czech Republic and Slovakia as well as the execution of material distribution to certain foreign projects. The complex economic agenda is then ensured by Economy department that at the same time processes also the evaluation of foreign orders.

The plant closely cooperates with installation plants on individual constructions, it participates in control days and projects presentations and ensures operational deliveries in extraordinary situations. Abroad, the projects Kaunas – Kybartai in Lithuania, Vitebsk – Polock, Minsk Severnyj – Ždanoviči and newly Osipoviči – Žlobin in Belarus. The last superstructure stage of the line Podgorica – Nikšič was realized in Montenegro where the deliveries were addressed already to new contractual partner Železničko gradevinsko preduzeče from Slovenia. The expedition of material and products was realized also in Slovakia for the projects of V. railway corridor Nové Mesto nad Váhom – Zlatovce and Trenčianska Teplá – Velusa and further for the project Bratislava – Dunajská Streda and Čierna nad Tisou. Even at continuously increasing volume of supplies to foreign business partners, we manage with increasing experience to adapt consignments more and more for local requirements and practice.

The Plant management focused in the past year to even more rigorous usage of today's possibilities of quickly developing information technologies during operation of own e-shop. For the acceleration of information exchange with subsidiary companies, the data interconnection saving



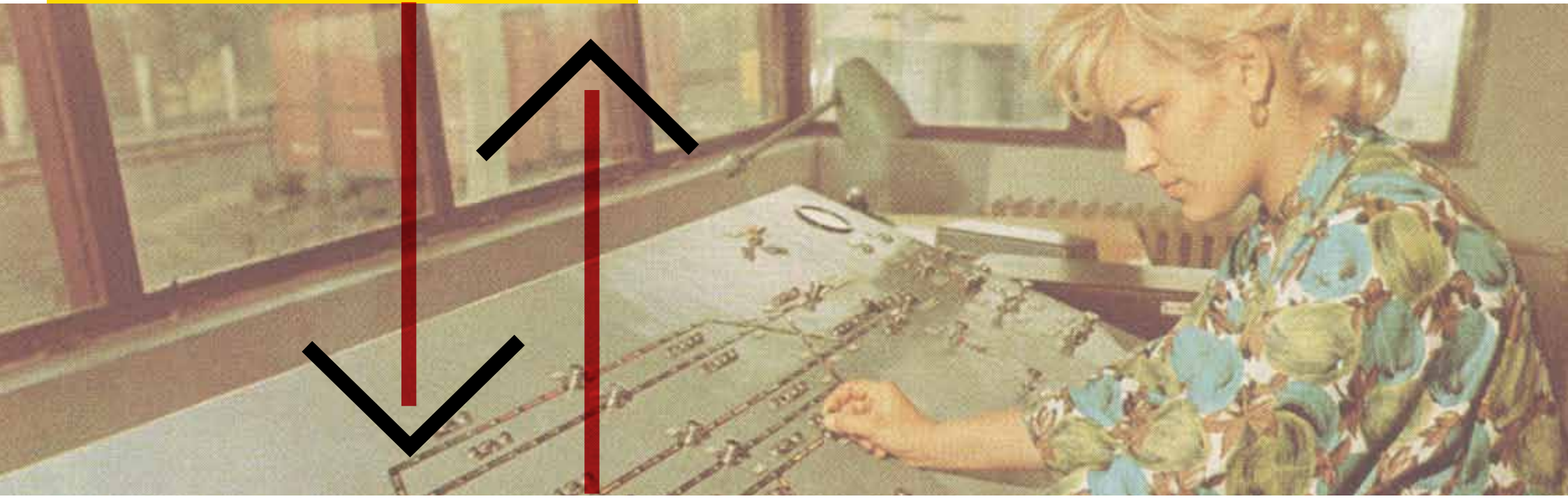
time and money is gradually extended. In addition, the participation in electronic auctions arranged by both current and potential clients was considerably extended. This modern method of seeking the cheapest supplier of items with exactly defined requirements on their quality was newly used also for the purchasing.

The long-term effort to inform especially key customers about new products and trends in management and safety of transport is more and more supplemented by technical support at the specification, verification and validation of their requirements. The permanent adaptation of the organizational structure of the Plant to the changing needs and requirements of the customers is matter-of course. The introduction of new organizational method and of claims settlements also contributed to the customers' satisfaction with the provided service.

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 a 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. In an effort to reduce the warehouse stock in the company, the stores at the production and installation plants are gradually replaced by direct supplies, which lead at the same time to other savings of labour costs. Further savings are expected after completion of the rationalization of the plant transport.

In the 2012/2013 fiscal year, material in total value of 1,889 million CZK passed through the stores of the plant, of which 989 million CZK for its own organizational units and 900 million CZK for external customers including foreign ones. Although the ongoing general stagnation continues to show and at the same time the pressure is exerted to reduce all costs, the plant succeeds in maintaining and continuous modernizing of the plant infrastructure and every year considerable amounts are spent to the all-round raising of all employees qualification.

AŽD PRAHA, INTERNATIONAL COOPERATION, AND EXTERNAL RELATIONS



Our company AŽD Praha, in addition to the foreign business cooperation, is very active in the international normalization area and in the area of research and development. From this point of view, the 2013 year was very important regarding the JTI SHIFT^{2}RAIL and establishing of our full membership in UNISIG.

The European Commission created the JTI concept –Joint Technology Initiative as a tool, which should serve for establishing of a partnership between public and private entities in European scale. SHIFT^{2}RAIL is a proposed implementation of this concept for the area of research and development of railway systems, products, and applications. The Horizon2020 program is a successor of the finished 7th framework supporting program of research and development of European Commission (FP7) for the period 2014-2020, when the designed SHIFT^{2}RAIL will be part of it. The SHIFT^{2}RAIL initiative originated in 2012 in UNIFE (Association of European Rail Industry). In the beginning of 2013, after the carried out internal analysis in AŽD Praha, we actively took part in the preparation of this great research initiative, and into the 2nd Innovation Program „Advanced systems of traffic control for increasing of capacity and reliability of urban network and trunk network". It is a main innovative program for signalling systems, the primary purpose of which is keeping of competitiveness of the European signalling technology industry. While the volume of this market represents worldwide EUR 10,9 billion per year. Through a gradual convergence of the AŽD Praha with the design of the initiative and via influencing of research projects in our favour, we became one of the founder members and promoters of the project, adopted by European Commission in the end of 2013. The 2014 will be under the sign of its consideration in European Parliament and consequent approval in the EU Council. In an optimum case, the SHIFT^{2}RAIL project together with the consolidated long-term development supported by European Commission will start in 2015.

The already mentioned JTI focuses on the specific implementation of new technical solutions into products so, that their usage for final producers could be relatively easy, while FP7 and Horizon2020 projects are focused on applied research with more distant use prospects, further on standardization, unification of interfaces and eventually searching for perspective technologies.

One example is the „NGTC project – Next Generation Train Control" financed from the last FP7 challenge. The project with a significant participation of AŽD Praha, planned for three years, is concerned with the connection of CBTC and ETCS functionalities, principles of a movable block, satellite position detecting in railway technology and IP communication.

During 2013, several significant events occurred also in UNISIG. In the beginning of the year, the membership of Invensys terminated, which a competitive company absorbed, and the number of full members of the consortium reduced to five. During the year, the AŽD Praha announced its interest, to promote its membership from an associated member to full member. The submitted application was approved and from 01.01. 2014, the AŽD Praha is a full member of the UNISIG consortium.

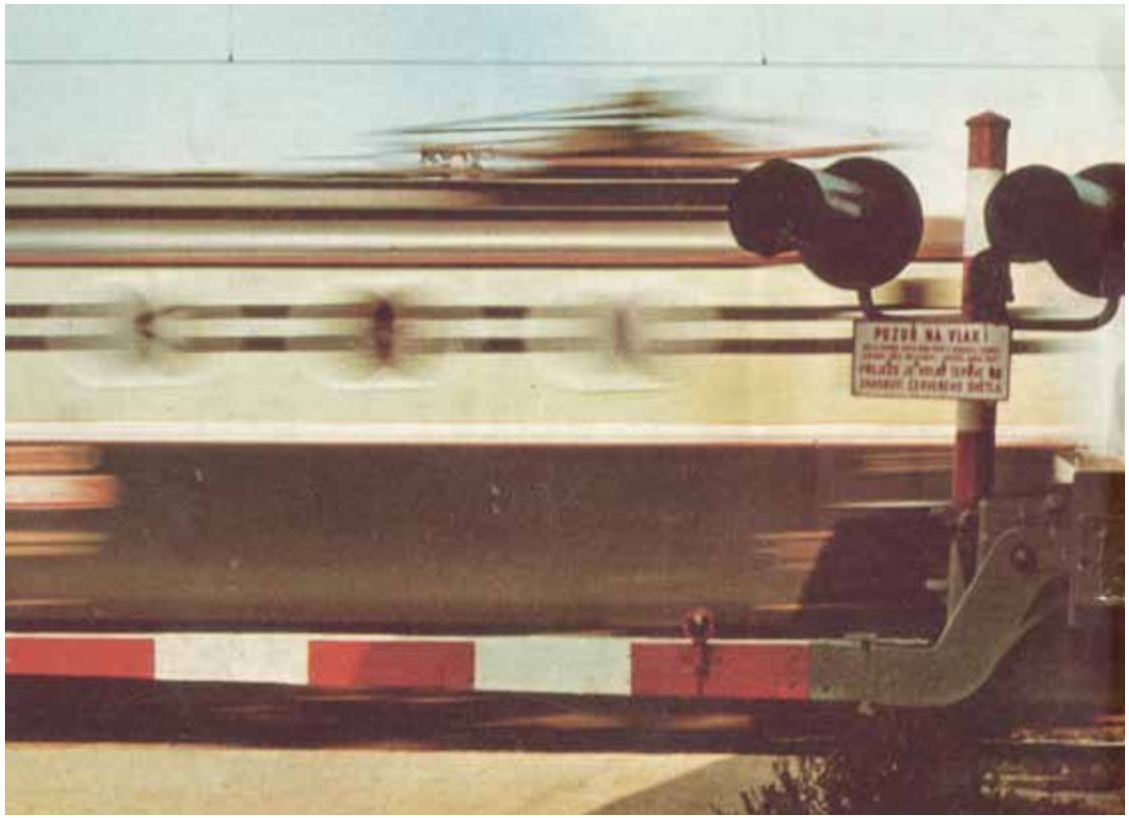
As such, we become more involved in creating of specifications of the ERTMS/ETCS system and our influence has been increased, but our responsibility towards European Commission, European Railway Agency (ERA), ERTMS User's Group and towards UNIFE, increased too.

The UNISIG consortium is faced now with the work on creating of testing specifications and removal of arrears in the valid version of ETCS, the so-called Baseline 3.0. However, UNISIG together with the UNIFE continue also the next development of the system – extension of the ETCS by usage of satellite navigation for train position detecting, integration with automatic train operation – ATO or use of modern radio transmission channels for protection of train run.

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 European Parliament, and AŽD Praha has very extensively participated in its establishing, which has had another successful year of its activities. RFE is a discussion platform for solving of railway traffic problems and for development of common strategies of experts and MEPs.

In addition to an international cooperation, we are an active member in ACRI, where we in this year also significantly participated in the operation of the Centre of technical standardization in CEN and CENELEC areas. Our participation in institutions Technological interoperability platform (SIZI) Economic Chamber of the Czech Republic and Union of Industry and Transport, is still active.

AŽD Praha consolidates its position of a respectable and reliable supplier of signalling and control equipment for transport on the global market, not only due to its professional skills and approach to customers, but also due to its responsibility towards European law making, legislation, research, and development.



INTEGRATED MANAGEMENT SYSTEM AND ENVIRONMENTAL PROTECTION

RECERTIFICATION OF THE INTEGRATED MANAGEMENT SYSTEM

Meeting the requirements, needs, and expectations of customers is one of priorities of AŽD Praha. In order to achieve this target, we use, among others, the company management system – the so-called Integrated Management System (IMS) – which ensures processes both for guaranteeing the quality of products and services and also for meeting strategic quality, environmental and occupational health and safety objectives. These objectives are in summary declared in the document entitled „Integrated Management System Policy of AŽD Praha s.r.o "

Within a constant improvement of the efficiency and effectiveness of the IMS, the AŽD Praha creates the pertinent resources and introduces progressive methods in all decisive areas of its activity in relation to the company's strategic objectives.

The Integrated Management System is verified by regular audits, as a standard. Based on a successful result of the supervisory audit of AŽD Praha -RSP, DSE and ZTE, which took place from 11 to 12 February 2013, the awarded certificates were defended from the level of an international certification authority IQNet Evid. No. CZ-2021/2012 (compliance with requirements of ISO 9001:2008), CZ-17/2012 (compliance with requirements of ISO 14001:2004) and CZ-18/2012 (compliance with requirements of OHSAS 18001:2007).

Supervisory audits run successfully also in all other organisational units, which are independent certified locations and they defended the awarded certificates from the level of the Electro Technical Testing Institute (EZU) certification authority.

The awarded certificates represent a proof for our customers, that AŽD Praha adheres the principles of modern management, assurance of the quality of our products and services, environmental friendliness and occupational health and safety.

MODERN COMPANY AND ENVIRONMENTAL PROTECTION

The relationship of the AŽD Praha to the environment is based on principles of the sustainable development policy, and 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 also in the segment of production activities, from the research and development upto the extensive technologically and ecologically demanding own industrial production.

To control and minimize 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 nine years enable to evaluate trends of 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 fled 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.

In the production plant Olomouc, in 2013, the paint shop object was modernized for about CZK 10 million. Modernized painting boxes were equipped with carbon filters absorbing volatile organic substances. At the same time, modifications were made also on air-conditioning, and a distillation column for recycling of used dilutents was added, and in the manual paint shop, there were built-in carbon filters and heat-recovery into the air-conditioning system, which will bring energy savings taken from CZT.

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.

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

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

FINANCIAL MANAGEMENT OF COMPANY

In the 2012/2013 fiscal year, the global economic crises continued, and affected the economic situation in CR. 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 4,6 billion for the monitored period is higher by 0,5 billion CZK in comparison to the previous periods. The company management compensates the drop of volume of construction works in CR by entry to foreign markets. 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 the company's business needs. The number of company employees in the end of the period monitored was 1,553, which is the year-to-year increasing by 27 employees.

Our company spent CZK 243 million for the research and development in the period monitored. The composition of our assets is significantly affected by receivables, 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.

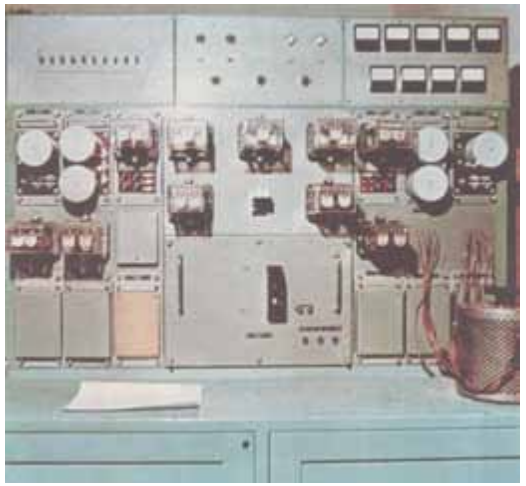
In the period monitored, the company showed non-tax reserves for a new generation of electronic signalling systems, which undergo a long-term testing operation and for which our company confirmed five-year guarantees.

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

Our company 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.

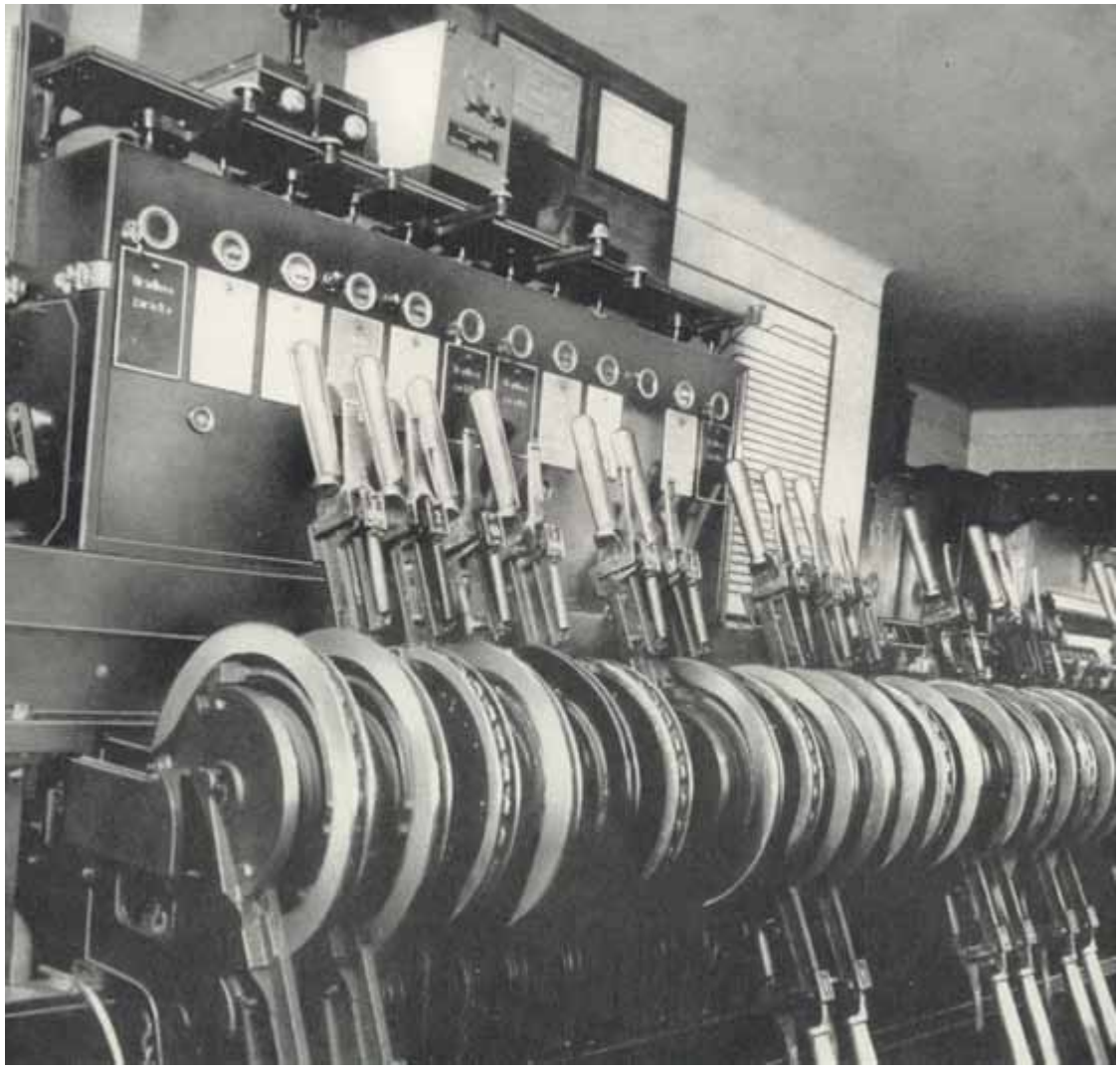
Our company holds controlling and substantial interests in twelve subsidiaries in the Czech Republic and in nine subsidiaries in foreign countries (Slovakia (3), Bulgaria, Serbia, Belarus, Ukraine, Croatia, and U.S.A.).



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, 2013 and the time when this report was compiled.

The assumed development of our company's business increases due to new received contracts, which fully use the company capacity. This creates conditions for further development of the company both at home and abroad.



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

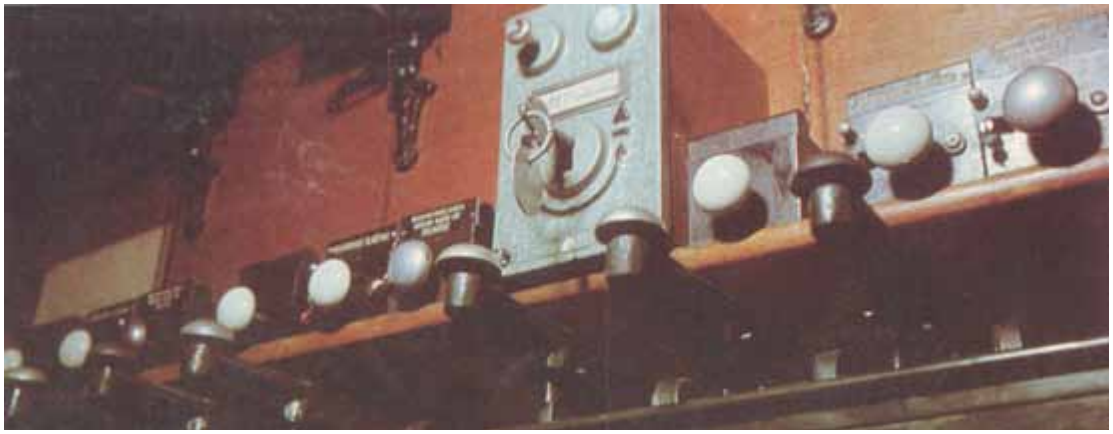
For the period 2012/2013 – from 01. 10. 2012 to 30. 09. 2013

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

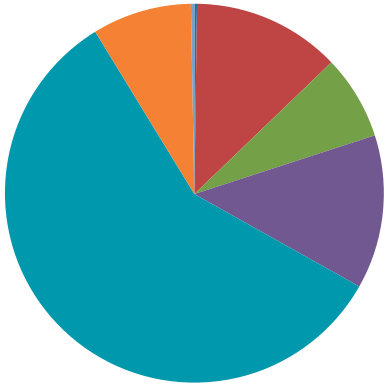
Indicator / period	2009/2010	2010/2011	2011/2012	2012/2013
Turnover in thous. CZK	4 339 761	3 695 308	4 140 424	4 670 819
Profit after tax	216 790	184 408	205 700	230 817
Profit from turnover %	5,00	4,99	4,97	4,94
Value added tax	1 187 573	992 579	1 043 082	1 135 068
Bank loans	824 323	672 808	701 143	690 160
Employees-full time equivalent	1 754	1 557	1 526	1 553

Profit from turnover

Indicator / period	2009/2010	2010/2011	2011/2012	**2012/2013**
Profit from turnover %	5,00	4,99	4,97	**4,94**

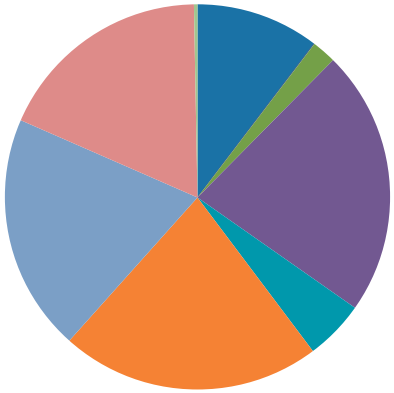


Composition of assets as at 30.09. 2013 (in thousands CZK)



Long-term intangible fixed assets	5 203
Long-term tangible fixed assets	526 379
Long-term financial assets	247 335
Inventories	706 975
Receivables	2 301 693
Financial assets	163 588
Accruals	9 043
Assets total	**3 960 216**

Composition of Liabilities as at 30. 09. 2013 (in thousands CZK)



Registered capital	384 436
Capital funds	3 491
Funds from profit	76 206
Retained earnings from previous years	848 219
Profit of fiscal year 2011/2012	230 817
Reserves	850 356
Liabilities	864 267
Bank loans and other creditors	690 160
Accruals	12 264
Liabilities total	**3 960 216**

BALANCE SHEET

As at 30. 09. 2013 (in thousands CZK)

Identification a			ASSETS b	Row c	Current accounting period			Previous accounting period
					Gross 1	Adjustment 2	**Net 3**	Net 4
			ASSETS TOTAL (r. 02 + 03 + 31 + 62)	001	4 978 581	1 018 365	**3 960 216**	3 696 697
A.			Receivables from subscriptions	002				
B.			**Long-time Fixed assets (r. 04 + 13 + 23)**	003	1 737 290	958 373	**778 917**	764 695
B.	I.		**Intangible fixed assets (r. 05 to 12)**	004	91 359	86 156	**5 203**	7 739
B.	I.	1	Incorporation expenses	005				
		2	Research and development results	006				
		3	Software	007	85 928	81 351	**4 577**	7 106
		4	Valuable rights	008	4 684	4 403	**281**	511
		5	Goodwill	009				
		6	Other long-time intangible fixed assets	010	489	402	**87**	22
		7	Intangible fixed assets under construction	011	258		**258**	100
		8	Advance payments for long-time intangible fixed assets	012				
B.	II.		**Tangible fixed assets (r.14 to 22)**	013	1 363 809	837 430	**526 379**	496 084
B.	II.	1	Lands	014	133 695		**133 695**	133 266
		2	Constructions	015	459 885	217 434	**242 451**	255 391
		3	Separate moveable assets and sets of moveable assets (equipment)	016	767 949	619 996	**147 953**	98 013
		4	Perennial corps	017				

Identification a		ASSETS b	Row c	Current accounting period			Previous accounting period
				Gross 1	Adjustment 2	**Net 3**	Net 4
	5	Breeding and draught animals	018				
	6	Other tangible fixed assets	019				
	7	Tangible fixed assets under construction	020	1 427		**1 427**	9 198
	8	Advance payments for tangible fixed assets	021	853		**853**	216
	9	Adjustment to acquired assets	022				
B. III.		**Long-term financial assets (r. 24 to 30)**	023	282 122	34 787	**247 335**	260 872
B. III.	1	Shares in controlled and managed organizations	024	172 408	34 787	**137 621**	128 545
	2	Shares in accounting units under substantial influence	025	29 807		**29 807**	29 807
	3	Other long-term securities and shares	026	70 048		**70 048**	100 255
	4	Loans to controlled and managed organizations and to accounting unit under substantial influence	027	9 859		**9 859**	2 265
	5	Other financial investments	028				
	6	Financial investments acquired	029				
	7	Advance payments for long-term financial assets	030				
C.		**Current assets (r. 32 + 39 + 47 + 57)**	031	3 232 248	59 992	**3 172 256**	2 917 283
C. I.		**Inventory (r.33 to 38)**	032	706 975		**706 975**	597 702
C. I.	1	Materials	033	389 411		**389 411**	330 793
	2	Work in progress and semi-products	034	312 680		**312 680**	266 403
	3	Finished products	035				
	4	Animals	036				
	5	Merchandise	037				
	6	Advance payments for inventory	038	4 884		**4 884**	506
C. II.		**Long-term receivables (r. 40 to 46)**	039	530 742		**530 742**	601 363

Identification a			ASSETS b	Row c	Current accounting period			Previous accounting period
					Gross 1	Adjustment 2	**Net 3**	Net 4
C.	II.	1	Trade receivables	040	376 695		**376 695**	454 250
		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 (active accounts)	044				
		6	Long-term deposits given	044a	1 216		**1 216**	1 211
		7	Other receivables	045				
		8	Deferred tax receivable	046	152 831		**152 831**	145 902
C.	III.		**Short-term receivables (r. 48 to 56)**	047	1 830 943	59 992	**1 770 951**	1 402 827
C.	III.	1	Trade receivables	048	1 487 171	47 992	**1 439 179**	1 134 264
		2	Receivables from controlled and managed organizations	049	186 931	12 000	**174 931**	183 111
		3	Receivables from accounting units with substantial influence	050				
		4	Receivables from partners, cooperative members and association members	051	8 417		**8 417**	
		5	Receivables from social security and health insurance	052				
		6	Due from state - tax receivable	053	21 843		**21 843**	30 887
		7	Other deposits given	054	108 466		**108 466**	7 699
		8	Estimated receivable (active accounts)	055	11 550		**11 550**	4 007
		9	Other receivables	056	6 565		**6 565**	42 859
C.	IV.		**Short-term financial assets (r. 58 to 61)**	057	163 588		**163 588**	315 391

Identification a			ASSETS b	Row c	Current accounting period			Previous accounting period
					Gross 1	Adjustment 2	**Net 3**	Net 4
C.	IV.	1	Cash	058	3 409		**3 409**	5 508
		2	Bank accounts	059	160 179		**160 179**	309 883
		3	Short-term securities and ownership interests	060				
		4	Short-term financial assets acquired	061				
D.	I.		**Accruals (r. 63 to 65)**	062	9 043		**9 043**	14 719
D.	I.	1	Deferred expenses	063	9 040		**9 040**	14 663
		2	Complex deferred costs	064				
		3	Deferred incomes	065	3		**3**	56

Identification a			LIABILITIES b	Row c	**Current accounting period 5**	Previous accounting period 6
			TOTAL LIABILITIES (r. 67 + 84 + 117)	066	**3 960 216**	3 696 697
A.			**Equity (r. 68 + 72 + 77 + 80 + 83)**	067	**1 543 169**	1 493 692
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	**3 491**	67
A.	II.	1	Share premium	073		
		2	Other capital funds	074	**555**	555
		3	Differences from re-evaluation of assets and liabilities	075	**2 936**	-488
		4	Differences from re-evaluation in transformation	076		
A.	III.		**Reserve funds, indivisible fund and other retained earnings (r. 78 + 79)**	077	**76 206**	75 840
A.	III.	1	Legal reserve fund / indivisible fund	078	**73 732**	73 732
		3	Statutory and other funds	079	**2 474**	2 108
A.	IV.		**Economic result - previous year (r. 81 + 82)**	080	**848 219**	827 649
A.	IV.	1	Retained earnings from previous years	081	**848 219**	827 649
		2	Accumulated losses from previous years	082		
A.	V.		**Profit / loss - current year (+/–) ř. 01 – (+ 68 + 72 + 77 + 80 + 84 + 117)**	083	**230 817**	205 700
B.			**Other sources (r. 85 + 90 + 101 + 113)**	084	**2 404 783**	2 197 361
B.	I.		**Reserves (r. 86 to 89)**	085	**850 356**	790 510
B.	I.	1	Reserves under special statutory regulations	086		

Identification a			LIABILITIES b	Row c	**Current accounting period 5**	Previous accounting period 6
		2	Reserves for pension and similar payables	087		
		3	Income tax reserves	088	**16 629**	
		4	Other reserves	089	**833 727**	790 510
B.	II.		**Long-term payables (r. 91 to 100)**	090	**32 663**	21 557
B.	II.	1	Trade payables	091	**31 252**	21 557
		2	Payables to controlled and managed organizations	092		
		3	Payables to accounting units with substantial influence	093		
		4	Payables to partners, cooperative members and association members	094		
		5	Long-term advances received	095	**111**	
		6	Issues bonds	096		
		7	Long-term notes payables	097		
		8	Estimated payables (Passive accounts)	098		
		9	Other payables	099	**1 300**	
		10	Deferred tax liability	100		
B.	III.		**Short-term payables (r. 102 to 112)**	101	**831 604**	684 151
B.	III.	1	Trade payables	102	**448 326**	458 202
		2	Payables to controlled and managed organizations	103		
		3	Payables to accounting units with substantial influence	104		
		4	Payables to partners, cooperative members and association members	105	**20**	20
		5	Payroll	106	**71 839**	75 259
		6	Payables to social securities and health insurance	107	**42 510**	41 009
		7	Due from state - tax liabilities and subsidies	108	**29 101**	30 015
		8	Short-term deposits received	109	**204 764**	29 133

Identification a			LIABILITIES b	Row c	**Current accounting period 5**	Previous accounting period 6
		9	Issues bonds	110		
		10	Estimated payables (Passive acc.)	111	**33 094**	50 506
		11	Other payables	112	**1 950**	7
B.	IV.		**Bank loans and financial accommodations (r. 114 to 116)**	113	**690 160**	701 143
B.	IV.	1	Long-term bank loans	114		
		2	Short-term bank loans	115	**690 160**	701 143
		3	Short-term accommodations	116		
C.	I.		**Accruals (r. 118 + 119)**	117	**12 264**	5 644
C.	I.	1	Deferred expenses	118	**330**	481
		2	Deferred revenues	119	**11 934**	5 163

PROFIT / LOSS ACCOUNT

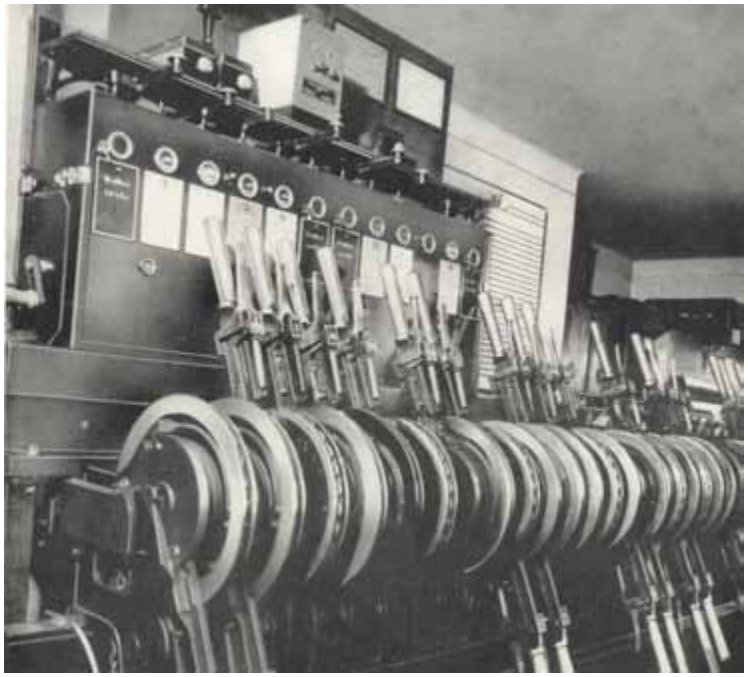
As at 30. 09. 2013 (in thousands CZK)

Identification a	TEXT b	Row number c	Fiscal period	
			Current 1	Previous 2
I.	Revenues from sold goods	01	**368 680**	387 448
A.	Expenses on sold goods	02	**329 076**	340 242
+	**Sale margin (r. 01-02)**	03	**39 604**	47 206
II.	**Production (r. 05+06+07)**	04	**4 634 207**	3 861 848
II. 1	Revenues from own products and services	05	**3 878 351**	3 235 033
2	Change in inventory of own products	06	**41 977**	102 643
3	Capitalisation	07	**713 879**	524 172
B.	**Production consumption (r. 09+10)**	08	**3 538 743**	2 865 972
B. 1	Consumption of material and energy	09	**3 211 279**	2 561 873
B. 2	Services	10	**327 464**	304 099
+	**Added value (r. 03+04-08)**	11	**1 135 068**	1 043 082
C.	**Personnel expenses**	12	**916 399**	871 345
C. 1	Wages and salaries	13	**678 072**	644 405
C. 2	Renumeration of board members and cooperative	14	**1 800**	630
C. 3	Social security expenses and health insurance	15	**224 402**	215 151
C. 4	Other social expenses	16	**12 125**	11 159
D.	Taxes and fees	17	**6 224**	4 278
E.	Depreciations of intangible and tangible assets	18	**55 131**	63 150
III.	**Revenues from disposals of fixed assets and materials (r. 20+21)**	19	**239 059**	276 692

Identification a			TEXT b	Row number c	Fiscal period	
					Current 1	Previous 2
	III.	1	Revenues from disposals of fixed assets	20	**4 410**	641
		2	Revenues from disposals of materials	21	**234 649**	276 051
F.			**Net book value of disposed fixed assets and materials (r. 23+24)**	22	**143 096**	180 577
F.		1	Net book value of sold fixed assets	23	**1 171**	63
F.		2	Net book value of sold material	24	**141 925**	180 514
G.			Change in operating reserves and adjustments and complex deferred costs	25	**36 149**	-9 323
	IV.		Other operating revenues	26	**31 407**	28 086
H.			Other operating expenses	27	**30 826**	37 185
	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	**217 709**	200 648
	VI		Revenues from sales of securities	31	**15**	
J.			Sold securities and ownership interests	32	**15**	
	VII.		**Revenues from long-term financial assets (r. 34 + 35 + 36)**	33	**51 810**	45 559
	VII.	1	Revenues from shares in controlled and managed organizations and in accounting units with substantial influence	34	**48 032**	44 090
	VII.	2	Revenues from other long term securities and ownership interests	35	**3 778**	1 469
	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		

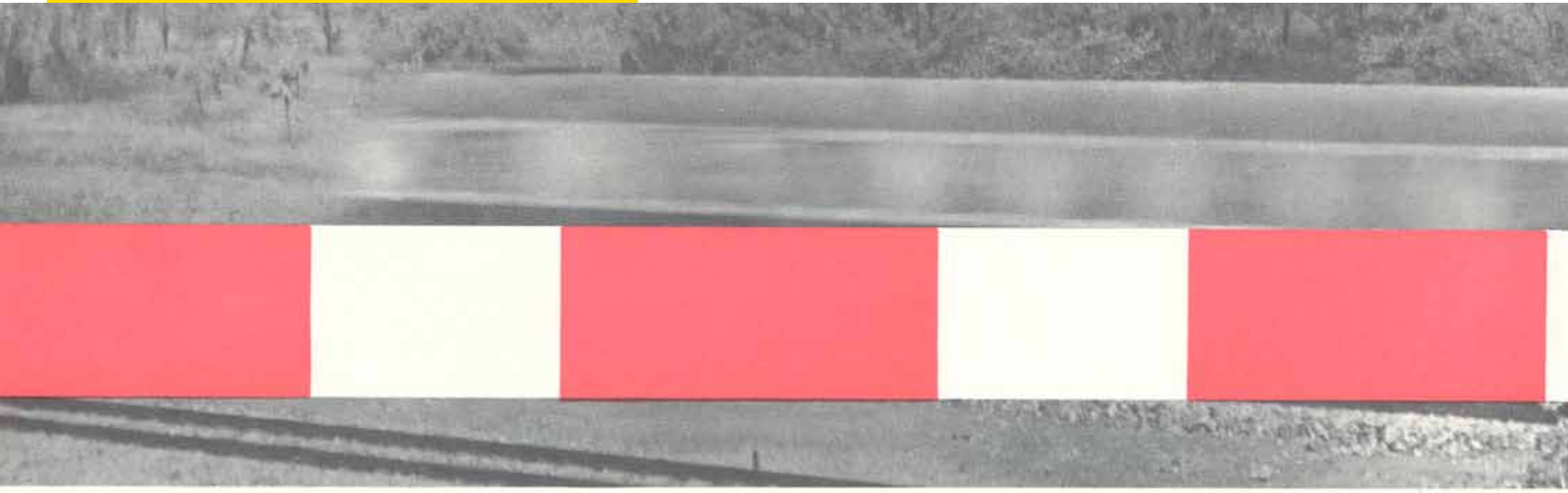
Identification a	TEXT b	Row number c	Fiscal period	
			Current 1	Previous 2
IX.	Revenues from re-evaluation of securities and derivatives	39		
L.	Cost of re-evaluation of securities and derivatives	40		
M.	Change in financial reserves and adjustments	41	**921**	-800
X.	Interest revenues	42	**17 875**	42 920
N.	Interest expenses	43	**9 596**	15 434
XI.	Other financial revenues	44	**41 646**	22 042
O.	Other financial expenses	45	**57 490**	62 329
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	**43 324**	33 558
Q.	**Income tax on ordinary income (r. 50 + 51)**	49	**30 216**	28 506
Q. 1	Due tax	50	**37 144**	25 404
Q. 2	Tax deferred	51	**–6 928**	3 102
**	**Operating profit / loss ordinary activity (r. 30 + 48 - 49)**	52	**230 817**	205 700
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		

Identification a	TEXT b	Row number c	Fiscal period	
			Current **1**	Previous 2
T.	Transfer profit (loss) to partners (+/-)	59		
***	**Profit / loss of current accounting period (+/-)** **(r. 52 + 58 - 59)**	60	**230 817**	205 700
	Profit / loss before tax (+/-) **(r. 30 + 48 + 53 - 54)**	61	**261 033**	234 206



INDEPENDENT AUDITOR´S REPORT

**ON VERIFICATION OF THE FINAL ACCOUNTS
FOR THE PERIOD FROM OCTOBER 1, 2012
TO SEPTEMBER 30, 2013**



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, 2013, profit and loss statement for fiscal year ending on September 30, 2013, summary of changes to the equity capital, and cash flow summary for the fiscal year ending on September 30, 2013, 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 on the basis of the audit performed. We have performed the audit in compliance with the Auditor's Act, International Auditor's Standards and related application clauses of the Chamber of Auditors of the Czech Republic. In compliance with the cited regulations, we are 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, 2013, of the expenses, revenues, and business results, equity capital and cash flow achieved during the year period ending on September 30, 2013 in compliance with Czech accounting regulations.

Auditing Company:
Commercial Company: EKMA FIN, a.s. Registered office: Ondříčkova 609/27, 130 00 Praha 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, 2013

.....
Ing. Pavel Šrámek
CEO

EKMA FIN, a.s. KA ČR auditorské oprávnění 076

.....
Ing. Jana Buková
Auditor

AŽD PRAHA S. R. O. SUPERVISORY BOARD´S REPORT

FOR BUSINESS RESULTS OF THE COMPANY FOR THE 2012–2013 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 a home and abroad.

On February 26, 2014, the Supervisory Board was acquainted with the course and results of the performed audit and heard the final report of independent auditors from December 12, 2013, 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, 2013, of the expenses, revenues, and business results, equity capital and cash flow achieved during the period ending on September 30, 2013 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, 2013, 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 AŽD Praha as at September 30, 2013 including the final accounts and profit distribution proposal.

Daniela Veselá

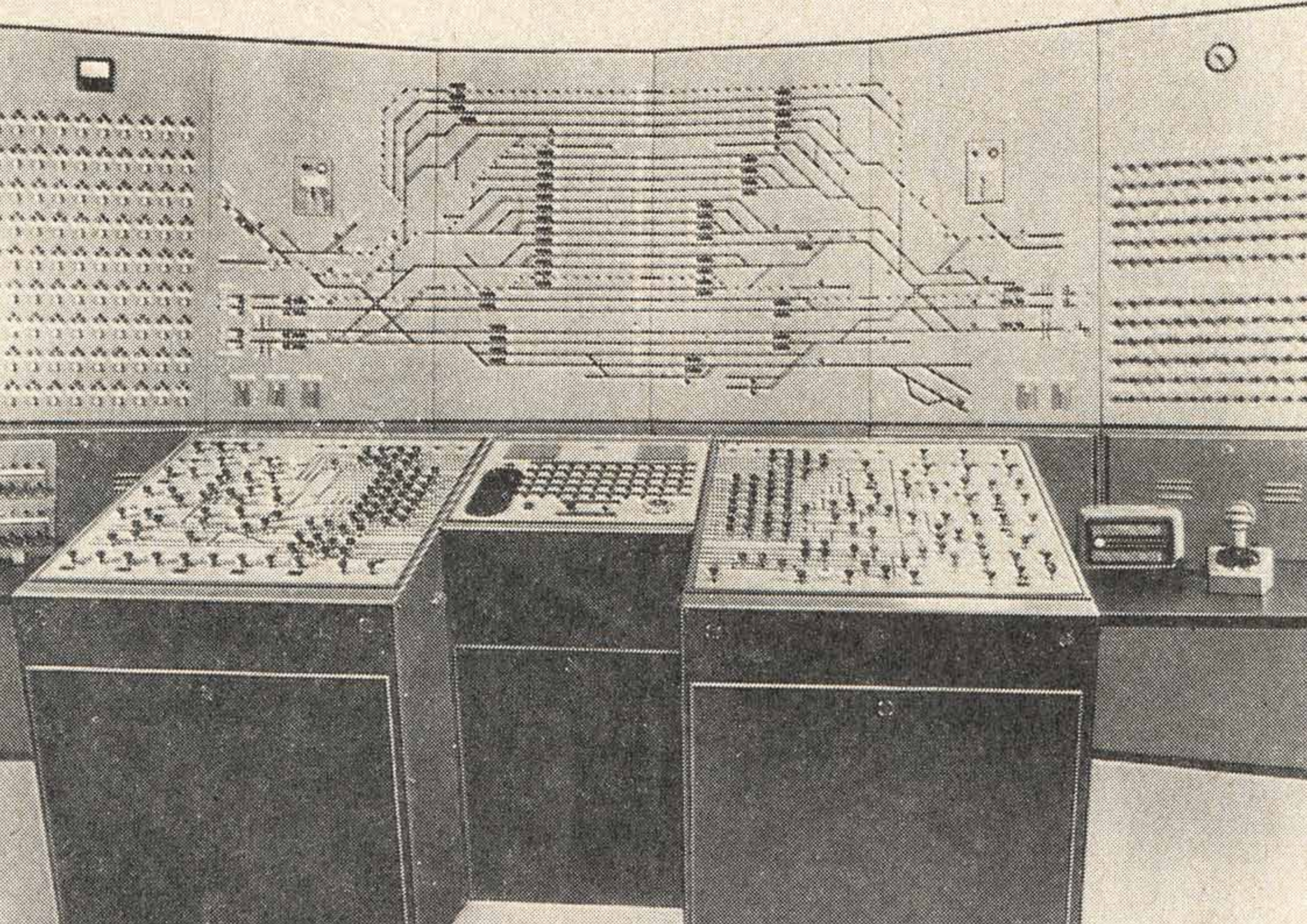
Petr Rott

Ing. Miroslav Kozák

In Prague, February 26, 2014

MANDATORY ANNEXES:

Annex No. 1: Annex of final accounts of AŽD Praha s.r.o. for the year 2012/2013
Annex No. 2: Cash Flow Summary
Annex No. 3: Summary of changes to Equity Capital for the 2012/2013 fiscal year
Annex No. 4: Report on relations between Interconnected Persons pursuant to Section 66a of the Commercial Code of the Czech Republic for the 2012/2013 fiscal period



This Annual Report has been prepared pursuant to the applicable Accounting Act and reflects the situation as at September 30, 2013.