

**ANNUAL REPORT 2006**  
**STOCK PLZEŇ A. S.**





## Introduction to the annual report

Dear shareholders,

We present you with the Annual report which describes the economic result of the company STOCK Plzeň a. s. in 2006.

The results which we can present here are truly excellent. STOCK Plzeň a. s. has continued to strengthen its sovereign position on the Czech market and to expand in Slovakia. We increased the volume of sales and turnover and maintained an excellent result in our profit of last year.

However, the circumstances under which we created these results in 2006 were certainly not easy.

The trend continued in the fall of alcohol consumption in the Czech Republic which we have been monitoring since 2001. However, in 2006 we did manage for the first time to record a positive trend in the increase in the legal spirits market at the expense of the black market as a consequence of effective repressive measures taken by state authorities. We can only wish for these activities, which are beneficial to everyone - the producer, state treasury and consumers - to continue successfully.

In 2006 the Slovak market was significantly affected by an increase in consumption tax as of 1. 1. 2006. Of course, prior to this increase, at the end of 2005, traders on the spirits market had amassed great advanced supplies of spirits and this had a major negative effect on our sales in the first half of 2006.

As a consequence of the European regulation of sugar production and market, there was an acute shortage in the Czech Republic of consumption alcohol in the first half of 2006 and our suppliers were unable to fulfil their contracted quantities and the price of alcohol rose sharply by tens of percent. As of summer to the end of the year we virtually had to constantly face a shortage of this key raw ingredient and the increase in the price of alcohol had to be reflected in October in a price increase of our products. The situation concerning alcohol will not be easy in 2007 either.

I hope that this Annual report and the information presented in it will reassure you that despite all the turbulent factors on the market and the negative unfavourable circumstances, STOCK Plzeň a. s. is an extraordinarily successful company and its management and entire work team are guided by the effort to provide maximum satisfaction to its shareholders.

STOCK Plzeň a. s. is entering 2007 as a strong company with an excellent position on the market and all preconditions for further success.

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to read "Martin Petrášek", followed by a horizontal line.

Martin Petrášek  
Chairman of the Board of Directors



Company's registered office and bodies  
(status as at 31 December 2006)

**Registered Office**

STOCK Plzeň a. s.  
Palírenská 2  
326 00 Plzeň – Božkov  
Reg. No. (IČO): 14706563  
Tax Reg. No. (DIČ): CZ14706563

**Supervisory Board**

Chairman : Michael John  
Vice-Chairman : Ing. Robert Plavec  
Members : Ing. Hana Vávrová  
Iveta Burianová  
Igor Hurčík  
Horst – Peter Hahn

**Board of Directors**

Chairman : Ing. Martin Petrášek  
Vice-Chairman : Ing. Vladimír Steiner  
Members : Ing. Václav Bečvář  
Ing. Richard Švéda

**Management**

Chief executive : Ing. Martin Petrášek  
Financial Director : Ing. Václav Bečvář  
Production Director : Ing. Vladimír Steiner  
Technical Director : Ing. Antonín Nasler  
Sales and Marketing Director : Ing. Richard Švéda



## Highlights

	<b>2004</b>	<b>2005</b>	<b>2006</b>
Turnover (in CZK '000)	1,463,286	1,633,322	1,723,468
Sales of spirits produced by the company (in CZK '000)	1,124,037	1,339,287	1,428,913
Sales of goods (in CZK '000)	288,053	242,804	249,690
Profit before tax (in CZK '000)	267,198	379,832	408,075
Net profit (in CZK '000)	188,048	281,587	303,953
Dividend paid out from profit of the current year (in CZK/share)	200	1,000	100
Dividend paid out from retained profit of previous years (in CZK/share)	-	-	160
Fixed assets (in CZK '000)	736,482	851,388	860,747
Current assets (in CZK '000)	1,059,825	1,385,838	968,436
Equity (in CZK '000)	982,394	1,308,154	952,131
Legal reserve fund (in CZK '000)	52,123	52,123	52,123
Retained profit of previous years (in CZK '000)	374,133	481,697	84,260
Liabilities (in CZK '000)	817,508	931,086	873,869
Bank loans (in CZK '000)	-	-	-
Payroll and social costs (in CZK '000)	94,805	99,509	113,792
Average wage per employee (in CZK/month) - payed	31,493	31,864	35,353
Average number of employees (individuals)	180	186	185
of whom: professional and managerial	69	70	71



The Board of Directors' Report on the Business of  
STOCK Plzeň a. s. in 2006

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## 1. SALES

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The company STOCK Plzeň a. s., the largest producer of spirits in the Czech Republic, sold 24,646 million litres of alcoholic beverages in 2006. This represents a year-on-year increase in sales of 6.4 percent, in absolute figures sales increased against 2005 by 1.68 million litres. In 2005 company sales had already increased by 11.6 percent. In view of the continuing trend in the fall of spirits in the Czech Republic (the estimate for 2005 is 5-6%) this increase alone in total sales is all the more significant. The company's total market share on the spirits market in the Czech Republic increased in 2006 to 38.5%.

In view of the absolute volume, the most sold products of STOCK Plzeň a. s. are the flagship brands Fernet Stock and Fernet Stock Citrus, as well as Božkov Tuzemský and Božkov Vodka. The decisive driving force of last year's increase as part of the portfolio containing 30 brands of spirits, were above all the vodkas and Božkov range spirits. The sale of Božkov Vodka rose by almost 39 percent and the sale of Vodka Amundsen by more than 9 percent. The Finnish Koskenkorva Vodka also did better than expected which STOCK Plzeň a. s. began to distribute last year in the Czech Republic and Slovakia. The sale of Vodka Amundsen and Božkov Vodka did so well that STOCK Plzeň a. s. reached first place in the ranking on the market in the vodka category. But apart from vodka STOCK Plzeň a. s. also dominates the market with two further decisive segments of the Czech spirit market - "tuzemák" (with the brand Božkov Tuzemský) and the bitter and herbal liquors (with the brands Fernet Stock, Fernet Stock Citrus and Magister).

The Božkov range also did very well consisting of such traditional brands as Božkov Tuzemský, Božkov Vodka, Božkov Meruňka, Božkov Peppermint, Božkov Griotte and Božkov Vaječný likér). The sales of this range as a whole recorded a year-on-year increase last year of 23 percent. Proof of the unprecedented revival of traditional brands is, for example, the "green" Božkov Peppermint, whose sales increased last year by almost 60 percent.

An excellent development in 2006 was shown by the distribution portfolio of STOCK Plzeň a. s. We distribute ten popular brands of spirits on the Czech and Slovak market. Besides the already mentioned Koskenkorva Vodka, these are such spirits as the Irish whiskey Tullamore Dew, the Courvoisier cognac, Scottish Teacher's whisky and Grenall's Gin. The sale of the distribution brands in 2006 exceeded 990 thousand litres which represents an increase of more than 4 percent against 2005. In 2005 we still held the entire portfolio of Allied Domecq for most of that year.

STOCK Plzeň a. s. extended its own portfolio last year by four totally new brands: Božkov Zlatý, Slivovice Stock Excellent, almond liquor Mandretto and Božkov Grog suitable for preparing hot beverages.

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## 2. EXPORTS

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Last year the export of STOCK Plzeň a. s. reached 2.77 million litres which represents about a 5.7% fall against 2005. This fall was caused by large advance supplies amassed in the Slovak Republic at the end of 2005 due to an increase in consumption tax as of 1. 1. 2006. The Slovak Republic is the most important export market for STOCK Plzeň a. s. (export to Slovakia represents about 10.8% of the company's total sales). Sales and marketing in the Slovak Republic is ensured by the subsidiary STOCK Slovakia s. r. o., which is the biggest spirits importer in Slovakia. The company



The Board of Directors' Report on the Business of  
STOCK Plzeň a. s. in 2006

holds a prominent position above all in the bitter and herbal spirits category with its brands Fernet Stock and Fernet Stock Citrus. These brands are also the most important export brands of our portfolio.

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### 3. MARKETING

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STOCK Plzeň a. s. is sovereign leader on the spirits market in the Czech Republic. Our brands are the best selling on all four market categories - in the bitter and herbal liquors (Fernet Stock, Fernet Stock Citrus and Magister), in vodkas (Božkov Vodka and Vodka Amundsen), in rums (Božkov Tuzemský and Key Rum) and in liquors (Božkov and Amundsen).

We continue to strengthen our position as the biggest importer of spirits in Slovakia. Likewise, we are the leader in the largest category of bitter and herbal liquors. This category is dominated by Fernet Stock Citrus, and the traditional Fernet Stock holds third bronze position.

Apart from using traditional media we focused to a great extent on promoting our key brands Fernet Stock, Fernet Stock Citrus and Vodka Amundsen on the site of the sales and also to increase the consumption and image of the brands. Our brands were far more visible in the gastronomy and retail sector as well as at various music festivals and other cultural events.

The Božkov brand products acquired a new look last year in the form of new labels. The entire project was launched by the re-design of the Božkov Vodka label. The new, more attractive appearance also helped to dynamically push up its sales. We increased sales by almost 40%. In retail in the period of December - January 2007 Božkov Vodka climbed to second place with a market share of 10%. In gastronomy it remains the most sold vodka with a market share of 25%. Gradually other Božkov products assumed their new appearance during the year.

In 2006 we launched a new range of products. We enhanced Slivovice Stock on the growing spirits category by Slivovice Stock Excellent and Božkov Moravská švestka. We responded to the growing popularity of white rums in gastronomy by a litre pack under the brand Key Rum Caribbean White. The most sold Czech spirit Božkov Tuzemský acquired a brother called Božkov Grog. We strengthened the position in the liquor category with a litre pack of Božkov Griotte and the new products Božkov Zlatý and Mandretto.

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### 4. PUBLIC RELATIONS

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Our activities in the field of public relations were highly extensive in 2006.

We published a total of 47 press releases, 6 in Slovakia. All these press releases were subsequently developed by the media into articles or news items.

We organised 9 press conference or meetings with news reporters, 2 were held in Slovakia.

The publicity of STOCK Plzeň a. s. in 2006 was the richest in the period of the company's existence. A total of 546 items of news about our company, 41 in Slovakia, were published in the press and on electronic media. All these news items were positive or neutral.



The Board of Directors' Report on the Business of  
STOCK Plzeň a. s. in 2006

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## 5. CHARITY AND SPONSORSHIP ACTIVITIES

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The company plays an irreplaceable role in the charity and sponsoring activities with regard to its surroundings, the city of Plzeň, region and above all the public.

In 2006 STOCK Plzeň a. s. spent a total of CZK 2,300,000 on these projects.

The most important recipients of financial assistance from STOCK Plzeň a. s. were the 700 Years of the City of Plzeň Foundation, Plzeň Infant Institution, Our Child Foundation and the Plzeň Teaching Hospital.

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## 6. LOGISTICS

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The company Transkam s.r.o. (hereinafter Transkam) continued to provide the company with a warehousing and product distribution service. In 2006 on average 7,718 pallets were stored at the Transkam warehouse.

Based on the analysis by the consulting company Continentale better conditions were negotiated that came into force as of 1. 5. 2006 of distribution in individual zones and transportation to Slovakia.

Transkam also secures full monitoring of our goods under a valid decree, organises pallet management, marks spirit in consumer packs in accordance with the law and performs other services in accordance with the requirements of STOCK Plzeň a. s.

No changes occurred in the sphere of logistics of our own passenger and freight vehicles, STOCK Plzeň a. s. continues to use the operative leasing services of the company ALD Automotive for most of its vehicles.

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## 7. FINANCES

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In the business year of 2006 our company had even better financial results than in 2005.

We achieved an annual turnover of 1.72 billion crowns which represents an increase of 5.5% in comparison with 2005.

An increase in the value of revenues for our own produced spirits came to CZK 90 million (i.e. 7%). This increase was also accompanied last year by a slight increase in revenues from the sale of goods - distribution brands - to the total achieved revenues of CZK 250 million, which is a great success. In August 2005 we terminated contractual cooperation with our partner Allied Domecq s.r.o., but we were able to establish new business relations in this area and achieved an even higher level of sales of distribution brands than in 2005.

The company's pre-tax profit came to CZK 408,075 thousand, post-tax profit was CZK 303,953 thousand, which represents an increase of almost 8% in comparison with the previous period.

The sale of services totalling CZK 45 million developed at a lower level than in the previous period, nevertheless the sale of home and foreign services does not represent an important share of the creation of profit because the sale of the company's services were realised as a logical consequence of cooperation with home and foreign suppliers



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of distribution brands. STOCK Plzeň a. s. as part of its selling activities, spends funds on marketing and the promotion of these goods and in the form of services re-invoices part of the marketing expenses to its contractual partners.

The operating income of the current year increased by 7.3% to CZK 417 million which was above all affected by a clear increase in revenues from the sale of finished products - spirits.

The result of the company's financial transactions developed in a standard manner. The company did not draw any bank loan as of 31. 12. 2006, but it did draw a short-term loan from its subsidiary STOCK Export - Import, s. r. o. and placed free funds on term deposits at banks or provided them in the form of short-term loans to the major shareholder. The company's currency exchange losses and gains are minimal in view of the company's turnover. Last year the company achieved a financial transaction result of minus CZK 8 million which represents the same result as in 2005.

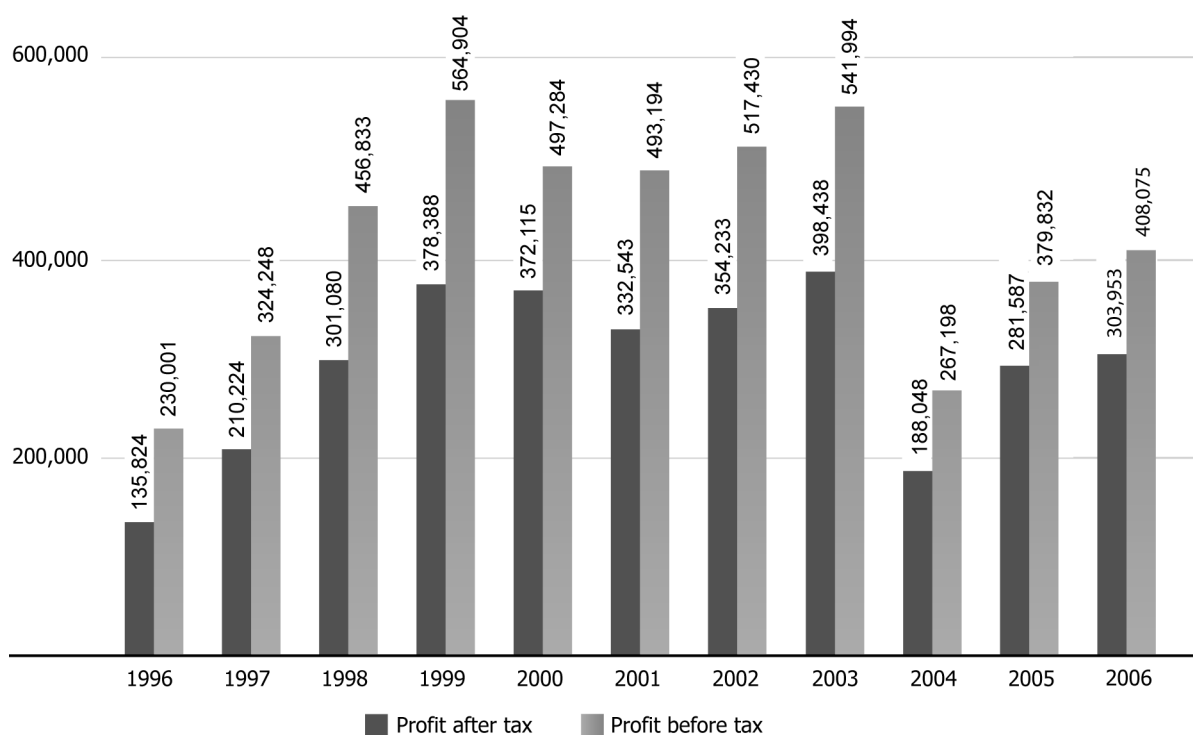
In view of the fact that the securities (shares) issued by the company ceased to be negotiable on public markets in November 2005. The company is not obliged to compile consolidated financial statements under Section 62 (5) of Decree No. 500/2002 Coll., because it is part of an international group that compiles its own consolidated financial statements.

As regards the trend of trade receivables the company, thanks to the high quality of its commercial policy and successful management of receivables, has no major problems with new receivables after their maturity. All receivables after a maturity date of more than 1 month are either taken to court or dealt with by specialised companies. Rectifying items are created for these receivables in accordance with the legal possibilities and recommendations of the auditing company. These receivables do not represent any major risk for the company in future.



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Profit in 1996–2006 (in '000 CZK)



## 8. PRODUCTION

2006 was an extraordinarily successful year with regard to the production of spirits because there was a further increase in production and five new kinds of spirits were developed for the market. The volume of production of 23.9 million litres is 10.7% higher than in 2005.

The decisive share for the company's total economy is the Fernet Stock Group which accounts for a share of 41.4% of the volume of production. The main product of this group remains the traditional Fernet Stock, but a great part of the volume already consists of the sweeter modified drink - Fernet Stock Citrus.

The greatest volume of the group's local brand products is that of Vodka Amundsen, which indicates a growing popularity for this spirit. Seven liquors are produced based on Vodka Amundsen, above all from fruit juices - Amundsen Green Apple, Amundsen Strawberry, Amundsen Cherry, Amundsen Black Currant, Amundsen Plum, Amundsen Energy and Amundsen Green Tea. The second largest volume of this group consists of Magister, a popular herbal liquor on the market. Brandy Stock Original fully covers the market demand, but this product is registering a slight fall in sales.



The Board of Directors' Report on the Business of  
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On the contrary, Printer's Whisky has recorded an increase in sales of 210% in comparison with the previous year. A success can be considered the introduction of the production of Slivovice Stock Excellent and Mandretto, a liquor with a bitter almond taste.

In 2006 the importance increased of the Božkov selection of spirits and its volume exceeded a total of 45% of the production of the spirits. The success of the products Božkov Tuzemský, Božkov Vodka and further products of this range shows that it is worth to purposefully build the brand in this category and take consistent care of its quality. Božkov Peppermint and Božkov Vaječný likér recorded a fifty percent increase in production in comparison with 2005, Božkov Griotte even increased by 120%. Further important products of this group - Božkov Jablko, Božkov Meruňka, Božkov Švestka and the new product Božkov Grog were produced continuously for the entire year in accordance with market demand.

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## 9. QUALITY MANAGEMENT

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Extraordinary attention is devoted at STOCK Plzeň a. s. to quality management. The result of this constant quality care is the fact that in 2006 no serious complaints were enforced for not observing the sensory and analytical value of spirits.

Our company's great success was obtaining a critical points system certificate in the production of alcoholic beverages (HACCP) from an independent accredited and internationally recognised company. This meant fulfilling one of the conditions for being awarded KlasA national quality brand award. The award was presented for the products: Fernet Stock, Fernet Stock Citrus, Božkov Tuzemský, Božkov Vodka and Slivovice Stock. The KlasA national quality brand award was presented to our company by the Czech Republic's Minister of Agriculture on the occasion of the international exhibition Salima 2006.

### **Quality Control Laboratory**

Some 1,469 initial raw ingredients and materials were inspected, 4,078 analyses were made in the inter-operational control section and 864 samples of the final products were tested.

### **Microbiological Laboratory**

In view of the great year-on-year increase in the production of Božkov Vaječný likér there was a fundamental increase in the volume of work in the microbiological laboratory where 1,061 samples were analysed. The inspection of the microbiological purity of production was a key factor that the quality inspection department focused on in 2006.

The result of the good and high quality cooperation with other company departments was enriching the market in the Czech Republic with these new products: Božkov Zlatý 16%, Slivovice Stock Excellent 45%, Božkov Moravská švestka 37.5%, Božkov Grog 35% and Mandretto 25%.



The Board of Directors' Report on the Business of  
STOCK Plzeň a. s. in 2006

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## 10. INVESTMENT

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Real investment costs totalled 32.5 million CZK in 2006. Certainly the most important investment project was the installation of the new labelling machine which has greatly improved the quality of labelling, particularly the stamps. The inserter and palletizer on line no. 3 were significantly modernised with the installation of a new control system.

As every year, the company's computer equipment was modernised and further partial modifications of production and bottling equipment were made. In the Linen operation room an unused chimney was demolished because it was structurally unsafe.

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## 11. PERSONNEL POLICY

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Just as in previous years, the personnel department focused its attention on the further development of its employees in professional training, language courses and manager training.

In 2006 STOCK Plzeň a. s. spent a total of CZK 2,297,100 on the training and development of its co-workers.

As of July 2006 a guideline was drawn up and issued as a measure for the motivation of workers to fulfil their work obligations in manual professions awarding a monthly motivation and annual performance bonus. The first experience with the effects of these new rules on the labour productivity growth surpassed expectations.

Employee health prevention care was also provided in 2006 in cooperation with the Plzeň Teaching Hospital's occupational medicine clinic.

The traditionally very good cooperation continued between the management of the company STOCK Plzeň a. s. and the trade union organisation.

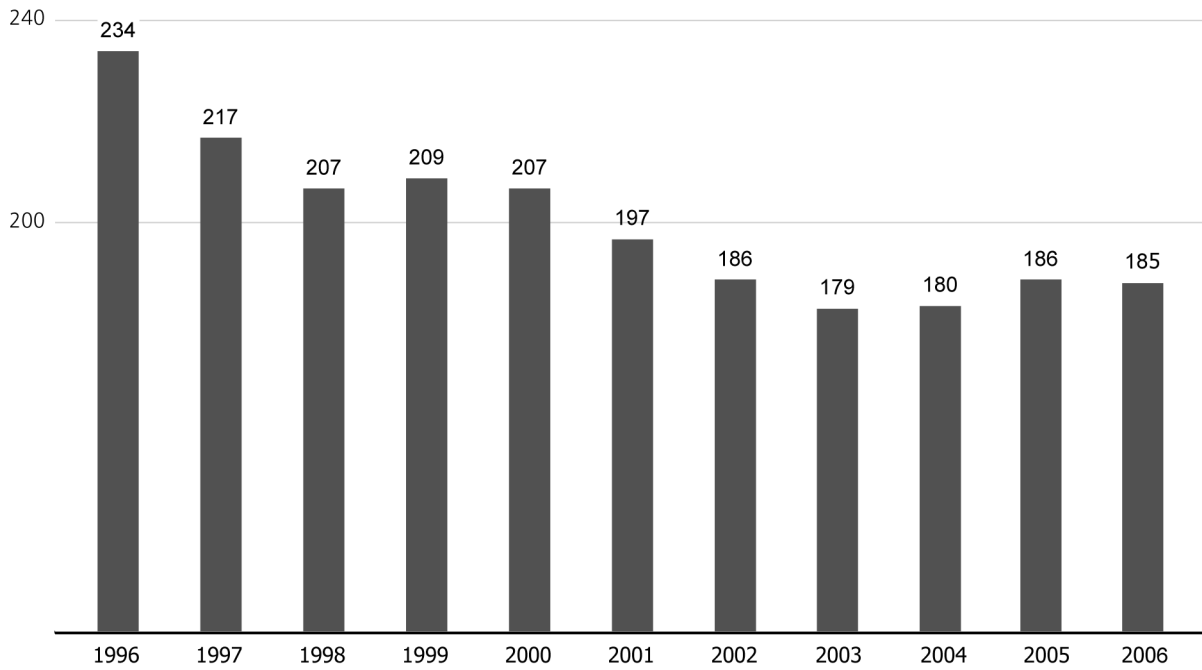
The labour-law agenda was managed in accordance with the Labour Code and further legal and wage regulations.

Thanks to its employee care STOCK Plzeň a. s. ranks among the stable, reliable and sought after employers in Plzeň and the region.



The Board of Directors' Report on the Business of  
STOCK Plzeň a. s. in 2006

Number of employees between 1996 and 2006





Statutory financial statements

## 1. BALANCE SHEET AS OF 31 DECEMBER 2006 AND 2005 (LONG FORM)

<i>in '000 CZK</i>	Current year		Prior year	
	Gross	Provisions	Net	Net
<b>TOTAL ASSETS</b>	<b>2,285,746</b>	<b>- 455,316</b>	<b>1,830,430</b>	<b>2,239,240</b>
<b>A. STOCK SUBSCRIPTION RECEIVABLE</b>				
<b>B. FIXED ASSETS</b>	<b>1,263,767</b>	<b>- 403,020</b>	<b>860,747</b>	<b>851,388</b>
B. I. Intangible assets	23,578	- 10,870	12,708	9,288
B. I. 1. Foundation and organization expenses	-	-	-	-
2. Research and development	-	-	-	-
3. Software	18,025	- 9,738	8,287	9,270
4. Patents, royalties and similar rights	5,313	- 1,132	4,181	18
5. Goodwill	-	-	-	-
6. Other intangible assets	-	-	-	-
7. Intangible assets in progress	240	-	240	-
8. Advances granted for intangible assets	-	-	-	-
B. II. Tangible assets	964,001	- 392,150	571,851	583,855
B. II. 1. Land	21,539	-	21,539	21,539
2. Constructions	524,219	- 93,701	430,518	443,241
3. Separate movable items and groups of movable items	418,094	- 298,449	119,645	119,075
4. Perennial crops	-	-	-	-
5. Livestock	-	-	-	-
6. Other tangible assets	-	-	-	-
7. Tangible assets in progress	149	-	149	-
8. Advances granted for tangible assets	-	-	-	-
9. Gain or loss on revaluation of acquired property	-	-	-	-
B. III. Financial investments	276,188	-	276,188	258,245
B. III. 1. Subsidiaries	263,388	-	263,388	244,245
2. Associates	-	-	-	-
3. Other long-term securities and interests	-	-	-	-
4. Loans to subsidiaries and associates	-	-	-	-
5. Other long-term investments	12,800	-	12,800	14,000
6. Long-term investments in progress	-	-	-	-
7. Advances granted for long-term investments	-	-	-	-
<b>C. CURRENT ASSETS</b>	<b>1,020,732</b>	<b>- 52,296</b>	<b>968,436</b>	<b>1,385,838</b>
C. I. Inventory	222,875	- 8,043	214,832	192,379
C. I. 1. Materials	70,338	- 284	70,054	59,623



Statutory financial statements

<i>in '000 CZK</i>	<b>Current year</b>			<b>Prior year</b>
	<b>Gross</b>	<b>Provisions</b>	<b>Net</b>	<b>2005 Net</b>
2. Work in progress and semi-finished production	43,054	-	43,054	46,774
3. Finished products	40,971	- 416	40,555	22,909
4. Livestock	-	-	-	-
5. Goods	66,722	- 7,343	59,379	36,105
6. Advances granted for inventory	1,790	-	1,790	26,968
C. II. Long-term receivables	-	-	-	-
C. II. 1. Trade receivables	-	-	-	-
2. Receivables from group companies with majority control	-	-	-	-
3. Receivables from group companies with control of 20% - 50%	-	-	-	-
4. Receivables from partners, co-operative members and participants in association	-	-	-	-
5. Long-term advances granted	-	-	-	-
6. Unbilled revenue	-	-	-	-
7. Other receivables	-	-	-	-
8. Deferred tax asset	-	-	-	-
C. III. Short-term receivables	766,784	- 44,253	722,531	1,054,483
C. III. 1. Trade receivables	450,821	- 44,253	406,568	428,478
2. Receivables from group companies with majority control	-	-	-	-
3. Receivables from group companies with control of 20% - 50%	-	-	-	-
4. Receivables from partners, co-operative members and participants in association	-	-	-	-
5. Social security and health insurance	-	-	-	-
6. Due from government - tax receivables	-	-	-	11,716
7. Short-term advances granted	3,351	-	3,351	2,527
8. Unbilled revenue	-	-	-	-
9. Other receivables	312,612	-	312,612	611,762
C. M. Short-term financial assets	31,073	-	31,073	138,976
C. M. 1. Cash	1,754	-	1,754	3,066
2. Bank accounts	29,319	-	29,319	135,910
3. Short-term securities and interests	-	-	-	-
4. Short-term financial assets in progress	-	-	-	-



Statutory financial statements

<i>in '000 CZK</i>		Current year		Prior year	
		Gross	Provisions	Net	2005 Net
<b>D.</b>	<b>OTHER ASSETS - TEMPORARY ACCOUNTS</b>				
	<b>OF ASSETS</b>	<b>1,247</b>	<b>-</b>	<b>1,247</b>	<b>2,014</b>
D. I.	Accrued assets and deferred liabilities	1,247	-	1,247	2,014
D. I. 1.	Prepaid expenses	1,247	-	1,247	2,014
	2. Prepaid expenses (specific-purpose expenses)	-	-	-	-
	3. Unbilled revenue	-	-	-	-

<i>in '000 CZK</i>		Current year	Prior year 2005
	<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>1,830,430</b>	<b>2,239,240</b>
<b>A.</b>	<b>EQUITY</b>	<b>952,131</b>	<b>1,308,154</b>
A. I.	Basic capital	260,614	260,614
A. I. 1.	Registered capital	260,614	260,614
	2. Own shares and own ownership interests (-)	-	-
	3. Changes in basic capital	-	-
A. II.	Capital funds	250,180	231,037
A. II. 1.	Share premium (agio)	-	-
	2. Other capital funds	4,625	4,625
	3. Gain or loss on revaluation of assets and liabilities	245,555	226,412
	4. Gain or loss on revaluation of company transformations	-	-
A. III.	Reserve funds and other funds created from profit	53,124	53,219
A. III. 1.	Legal reserve fund	52,123	52,123
	2. Statutory and other funds	1,001	1,096
A. M.	Profit (loss) for the previous years	84,260	481,697
M. 1.	Retained earnings for the previous years	84,260	481,697
	2. Accumulated loss of previous years	-	-
A. V.	Profit (loss) for the year (+ / -)	303,953	281,587
<b>B.</b>	<b>LIABILITIES</b>	<b>873,870</b>	<b>931,086</b>
B. I.	Reserves	32,320	8,701
B. I. 1.	Reserves created under special legislation	-	-
	2. Reserve for pensions and similar obligations	-	-
	3. Reserve for corporate income tax	-	-
	4. Other reserves	32,320	8,701
B. II.	Long-term liabilities	7,709	13,004
B. II. 1.	Trade payables	-	-
	2. Liabilities to group companies with majority control	-	-



Statutory financial statements

<i>in '000 CZK</i>		<b>Current year</b>	<b>Prior year 2005</b>
3.	Liabilities to group companies with control of 20% - 50%	-	-
4.	Liabilities to partners, co-operative members and participants in association	-	-
5.	Advances received	-	-
6.	Bonds payable	-	-
7.	Notes payable	-	-
8.	Unbilled deliveries	-	-
9.	Other liabilities	-	-
10.	Deferred tax liability	7,709	13,004
<b>B. III.</b>	<b>Current liabilities</b>	<b>833,841</b>	<b>909,381</b>
<b>B. III. 1.</b>	<b>Trade payables</b>	<b>128,725</b>	<b>114,893</b>
2.	Liabilities to group companies with majority control	208,313	210,190
3.	Liabilities to group companies with control of 20% - 50%	-	-
4.	Liabilities to partners, co-operative members and participants in association	949	1,422
5.	Liabilities to employees	5,009	4,679
6.	Liabilities arising from social security and health insurance	4,260	3,124
7.	Due to government – taxes and subsidies	470,597	559,181
8.	Advances received	-	-
9.	Bonds payable	-	-
10.	Unbilled deliveries	11,177	7,409
11.	Other liabilities	4,811	8,483
<b>B. M.</b>	<b>Bank loans and borrowings</b>	<b>-</b>	<b>-</b>
<b>B. M. 1.</b>	<b>Long-term bank loans</b>	<b>-</b>	<b>-</b>
2.	Short-term bank loans	-	-
3.	Borrowings	-	-
<b>C.</b>	<b>OTHER LIABILITIES - TEMPORARY ACCOUNTS OF LIABILITIES</b>	<b>4,429</b>	<b>-</b>
<b>C. I.</b>	<b>Accrued liabilities and deferred assets</b>	<b>4,429</b>	<b>-</b>
<b>C. I. 1.</b>	<b>Accruals</b>	<b>4,429</b>	<b>-</b>
2.	Deferred income	-	-



Statutory financial statements

## 2. INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005 (LONG FORM)

<i>in '000 CZK</i>	Current year	Prior year 2005
I. 1. Revenue from sale of goods	249,690	242,804
A. 2. Cost of goods sold	199,902	209,920
<b>+ Gross margin</b>	<b>49,788</b>	<b>32,884</b>
II. Production	1,490,053	1,366,719
II. 1. Revenue from sale of finished products and services	1,473,778	1,390,518
2. Change in inventory produced internally	14,021	- 25,836
3. Own work capitalized	2,254	2,037
B. Production related consumption	914,598	842,221
B. 1. Consumption of material and energy	548,444	484,001
B. 2. Services	366,154	358,220
<b>+ Value added</b>	<b>625,243</b>	<b>557,382</b>
C. Personnel expenses	113,792	99,509
C. 1. Wages and salaries	81,750	71,378
C. 2. Bonuses to members of company or cooperation bodies	400	360
C. 3. Social security and health insurance	28,622	24,995
C. 4. Other social costs	3,020	2,776
D. Taxes and charges	12,291	10,540
E. Amortization and depreciation of intangible and tangible fixed assets	47,421	45,480
III. Revenue from sale of intangible and tangible fixed assets and materials	31,788	19,521
III. 1. Revenues from sale of intangible and tangible fixed assets	105	156
2. Revenue from sale of materials	31,683	19,365
F. Net book value of intangible and tangible fixed assets and materials sold	35,298	19,567
F. 1. Net book value of intangible and tangible fixed assets sold	4	49
F. 2. Materials sold	35,294	19,518
G. 1. Change in reserves and provisions relating to operations and in prepaid expenses (specific-purpose expenses)	24,584	2,984
IV. 2. Other operating revenues	827	5,275



Statutory financial statements

<i>in '000 CZK</i>		<b>Current year</b>	<b>Prior year 2005</b>
H	1. Other operating expenses	7,473	15,445
V.	2. Transfer of operating revenues	-	-
I.	1. Transfer of operating expenses	-	-
	<b>* Profit or loss on operating activities</b>	<b>416,999</b>	<b>388,653</b>
VI.	1. Revenue from sale of securities and interests	-	-
J.	1. Securities and interests sold a podily	-	-
VII.	Income from financial investments	-	-
VII.	1. Income from subsidiaries and associates	-	-
	2. Income from other long-term securities and interests	-	-
	3. Income from other financial investments	-	-
VIII.	1. Income from short-term financial assets	-	-
K	2. Expenses related to financial assets	-	-
IX.	1. Gain on revaluation of securities and derivatives	-	-
L.	2. Loss on revaluation of securities and derivatives	-	-
M	1. Change in reserves and provisions relating to financial activities	-	-
X.	1. Interest income	9,112	5,184
N	2. Interest expense	2,637	2,592
XI.	1. Other finance income	1,763	3,789
Q	2. Other finance cost	16,168	15,312
XII.	1. Transfer of finance income	-	-
P.	2. Transfer of finance cost	-	-
	<b>* Profit or loss on financial activities</b>	<b>- 7,930</b>	<b>- 8,931</b>
Q	Tax on profit or loss on ordinary activities	104,122	98,245
Q	1. - due	109,417	96,780
Q	2. - deferred	- 5,295	1,465
	<b>** Profit or loss on ordinary activities after taxation</b>	<b>304,947</b>	<b>281,477</b>
XIII.	1. Extraordinary gains	-	742
R	2. Extraordinary losses	994	632
S.	1. Tax on extraordinary profit or loss	-	-
S.	1. - due	-	-
S.	2. - deferred	-	-
	<b>* Extraordinary profit or loss</b>	<b>- 994</b>	<b>110</b>
	1. Transfer of share of profit or loss to partners (+/-)	-	-
	<b>*** Profit or loss for the year (+/-)</b>	<b>303,953</b>	<b>281,587</b>
	<b>**** Profit or loss before taxation</b>	<b>408,075</b>	<b>379,832</b>

### 3. CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

<i>in '000 CZK</i>		Current year	Prior year 2005
<b>Cash flows from operating activities</b>			
<b>Z</b>	<b>Profit or loss on ordinary activities before taxation (+/-)</b>	<b>409,069</b>	<b>379,722</b>
A 1.	Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	67,628	53,912
A 1. 1.	Depreciation and amortization of fixed assets, write-off of receivables and adjustment to acquired property	49,572	53,911
A 1. 2.	Change in provisions	965	- 4,774
A 1. 3.	Change in reserves	23,619	7,758
A 1. 4.	Foreign exchange differences	48	- 284
A 1. 5.	(Gain)/Loss on disposal of fixed assets	- 101	- 107
A 1. 6.	Interest expense and interest income	- 6,475	- 2,592
A 1. 7.	Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	-	-
<b>A *</b>	<b>Net cash from operating activities before taxation, changes in working capital and extraordinary items</b>	<b>476,697</b>	<b>433,634</b>
A 2.	Change in non-cash components of working capital	207,955	- 116,140
A 2. 1.	Change in inventory	- 25,668	123,967
A 2. 2.	Change in trade receivables	22,174	- 22,369
A 2. 3.	Change in other receivables and in prepaid expenses and unbilled revenue	299,093	- 370,530
A 2. 4.	Change in trade payables	13,619	- 24,195
A 2. 5.	Change in other payables, short-term loans and in accruals and deferred income	- 101,263	176,987
<b>A **</b>	<b>Net cash from operating activities before taxation, interest paid and extraordinary items</b>	<b>684,652</b>	<b>317,494</b>
A 3. 1.	Interest paid	- 2,637	- 2,592
A 4. 1.	Tax paid	- 78,558	- 29,361
A 5. 1.	Gains and losses on extraordinary items	- 994	110
<b>A ***</b>	<b>Net cash provided by (used in) operating activities</b>	<b>602,463</b>	<b>285,651</b>
<b>Cash flows from investing activities</b>			
B 1. 1.	Purchase of fixed assets	- 37,641	- 62,680
B 2. 1.	Proceeds from sale of fixed assets	105	156
B 3. 1.	Loans granted	-	-
B 4. 1.	Interest received	9,112	5,184



Statutory financial statements

<i>in '000 CZK</i>	<b>Current year</b>	<b>Prior year 2005</b>
B 5. 1. Dividends received	-	-
<b>B ** Net cash provided by (used in) investing activities</b>	<b>- 28,424</b>	<b>- 57,340</b>
<b>Cash flows from financing activities</b>		
C 1. 1. Change in long-term liabilities and long-term, resp. short-term, loans	- 2,350	15,410
C 2. 1. Effect of changes in basic capital on cash	-	-
C 2. 2. Dividends or profit sharing paid	- 678,069	- 115,687
C 2. 3. Effect of other changes in basic capital on cash	- 1,523	- 1,473
<b>C ** Net cash provided by (used in) financing activities</b>	<b>- 681,942</b>	<b>- 101,750</b>
<b>F. Net increase (decrease) in cash</b>	<b>- 107,903</b>	<b>126,561</b>
<b>P. Cash and cash equivalents at beginning of year</b>	<b>138,976</b>	<b>12,415</b>
<b>R. Cash and cash equivalents at end of year</b>	<b>31,073</b>	<b>138,976</b>



Statutory financial statements

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## 4. SIGNATURES

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**Forwarded on:**  
**9 February 2007**

**Signature of the statutory body of the accounting unit**

A handwritten signature in cursive script, appearing to read "Bečvář".

Ing. Václav Bečvář

**Person responsible for the accounting**

A handwritten signature in cursive script, appearing to read "Krumlová".

Ivana Krumlová

**Person responsible for the financial statements**

A handwritten signature in cursive script, appearing to read "Bečvář".

Ing. Václav Bečvář

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## 5. AUDITOR'S REPORT

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To the Board of Directors of STOCK Plzeň a. s. :

We have audited the accompanying financial statements of STOCK Plzeň a. s., which comprise the balance sheet as at December 31, 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. For details on STOCK Plzeň a. s., see notes to the financial statements.



## Statutory financial statements

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors, International Standards on Auditing and implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of STOCK Plzeň a. s. as at December 31, 2006, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.



Statutory financial statements

We have also audited the prior year financial statements as at 31 December 2005 of STOCK Plzeň a. s. and issued an unqualified report thereon dated 21 February 2006.

Ernst & Young Audit & Advisory, s.r.o., člen koncernu  
License No. 401

Magdalena Souček  
Auditor, License No. 1291

9 February 2007  
Prague, Czech Republic

## 6. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 TOGETHER WITH AUDITORS' REPORT

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### a) Description of the Company

STOCK Plzeň a. s. ("the Company") is a joint stock company incorporated on 27 March 1991 in the Czech Republic. The Company's registered office is located at Palírenská 2, Plzeň - Božkov, Czech Republic. The Company is involved in the production and sale of spirits in the Czech Republic and Slovakia. The subsidiaries, STOCK Export - Import, s. r. o. and STOCK Slovakia s. r. o., are also used to conduct the Company's main business.

In 2006 the Company's sole shareholder, ECKES & STOCK GmbH, did not make any decision which would result in the Commercial Register entry change.

Since 12 November 2005 the Company has had the following sole shareholder holding a 100% interest in its basic capital:

	Number of shares	%
ECKES & STOCK GmbH	260,614	100



## Statutory financial statements

ECKES & STOCK GmbH is included in the consolidated group of the ECKES AG holding. STOCK Plzeň a. s. is also included in this consolidated group.

The Company is the parent company of the STOCK Plzeň group; however, the accompanying financial statements have been prepared on a standalone basis. STOCK Plzeň a. s. does not prepare the consolidated financial statements as at 31 December 2006. These are prepared only by the parent company.

The Company has not concluded a control agreement with the parent company.

The Company has no foreign branch.

*Members of the statutory bodies as at 31 December 2006 were as follows:*

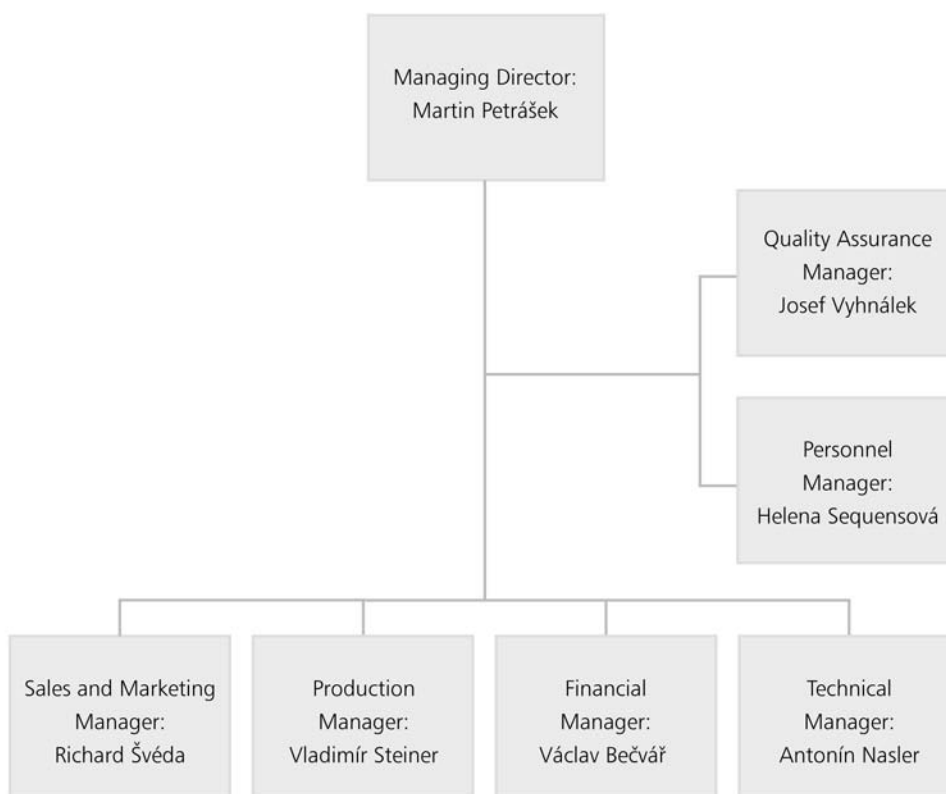
### Board of Directors

<b>Chair:</b>	Ing. Petrášek Martin
<b>Vice-chair:</b>	Ing. Steiner Vladimír
<b>Member:</b>	Ing. Bečvář Václav
<b>Member:</b>	Ing. Švéda Richard

### Supervisory Board

<b>Chair:</b>	John Michael
<b>Vice-chair:</b>	Ing. Plavec Robert
<b>Member:</b>	Hurčík Igor
<b>Member:</b>	Hahn Horst - Peter
<b>Member:</b>	Ing. Vávrová Hana
<b>Member:</b>	Burianová Iveta

The organizational structure of the Company's management is as follows:



#### **b) Basis of Presentation of the Financial Statements**

The accompanying financial statements were prepared in accordance with the Czech Act on Accounting and the related guidelines as applicable for 2006 and 2005.

#### **Explanation Added for Translation into English**

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

#### **c) Summary of Significant Accounting Policies**

The accounting policies applied by the Company in preparing the 2006 and 2005 financial statements are as follows:



## Statutory financial statements

### Intangible Fixed Assets

Intangible fixed assets are valued at their acquisition cost and related expenses.

Intangible fixed assets are amortized over their estimated useful lives.

The costs of technical improvements of intangible fixed assets are capitalized provided that they exceed a total of CZK 40,000 thousand for a single technical improvement. The assets are amortized over their remaining amortization periods; however, at least for the periods as set out as follows:

- a) audiovisual work: over 9 months;
- b) software: over 18 months; and
- c) other intangible assets: over 36 months.

Technical improvement of already fully amortized intangible assets is amortized separately over the periods set out in subparagraphs a) to c) above.

### Tangible Fixed Assets

Tangible fixed assets are recorded at their acquisition cost, which consists of purchase price, freight, customs duties and other related costs.

The costs of technical improvements are capitalized. Ordinary repairs and maintenance expenses are expensed as incurred.

Small tangible fixed assets with a cost of less than CZK 3 thousand are expensed without being recorded.

### Depreciation

Depreciation is calculated based on the acquisition cost and the estimated useful life of the related asset. The estimated useful lives are as follows:

	<b>Years of depreciation (tax purposes)</b>	<b>Years of depreciation (accounting purposes)</b>
Office buildings	30	45
Other constructions	20-30	15-45
Machinery and equipment	3-10	2-10
Vehicles	4-10	3-10
Furniture and fixtures	5-10	5-10

### Financial Assets

Short-term financial assets consist of liquid valuables, cash in hand and at bank.

Long-term financial assets consist, in particular, of ownership interests and loans.

Ownership interests constituting dominant or significant influence are valued under the equity method; the revaluation amounts are recorded in equity through revaluation of assets and liabilities.



## Statutory financial statements

Valuation under the equity method is the acquisition cost of an ownership interest that is adjusted to the net asset value of the underlying Company.

### **Inventory**

Purchased inventory is stated at actual cost being determined using the weighted average method. Costs of purchased inventory include acquisition-related costs (freight, customs, commission, etc.).

Finished goods and semi-finished products are valued at actual cost. The cost of inventory produced internally includes direct material and labor costs and production overhead costs. Direct and overhead costs are allocated to calculation units either directly (costs directly related to the output - e.g. energies, production equipment leasing costs) or indirectly (are allocated based on the amount of output necessary to produce a particular calculation unit - e.g. depreciation, overhead materials, etc.).

### **Receivables**

Receivables are carried at their realizable value, or acquisition cost, after provision for doubtful accounts. Additions to the provision account are charged to income.

### **Equity**

The basic capital of the Company is stated at the amount recorded in the Commercial Register maintained in the Regional Court. Other capital funds are established based on a decision of the Company in compliance with its Articles of Association. In accordance with the Commercial Code, the Company creates a legal reserve fund from profit or from amounts contributed by partners above their contributions.

In the first year in which profit is generated, a joint-stock company should allocate 20% of profit after tax (however, not more than 10% of basic capital) to the legal reserve fund. In subsequent years, the legal reserve fund is allocated 5% of profit after tax until it reaches 20% of basic capital. These funds can only be used to offset losses. In compliance with its Articles of Association, the Company also creates a social fund.

### **Reserves and Liabilities**

The Company creates legal reserves within the meaning of the Act on Reserves and reserves for losses and risks if the related purpose, amount and timing can be reliably estimated and the accrual and matching principles are observed.

Long-term liabilities and current liabilities are carried at their nominal values.

Short-term and long-term loans are recorded at their nominal values. Any portion of long-term debt which is due within one year of the balance sheet date is regarded as short-term debt.

### **Foreign Currency Transactions**

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns at daily exchange rates published by the Czech National Bank. On the balance sheet date, monetary items are adjusted to the exchange rates published by the Czech National Bank as at 31 December.



## Statutory financial statements

Realized and unrealized exchange rate gains and losses were charged or credited, as appropriate, to income for the year.

### Recognition of Revenues and Expenses

Revenues and expenses are recognized on an accrual basis, that is, they are recognized in the periods in which the actual flow of the related goods or services occurs, regardless of when the related monetary flow arises.

The Company recognizes as an expense any additions to reserves for or provisions against risks, losses or physical damage that are known as at the financial statements' date.

### Income Tax

The corporate income tax expense is calculated based on the statutory tax rate and book income before taxes, increased or decreased by the appropriate permanent and temporary differences (e.g. non-deductible reserves and provisions, entertainment expenses, differences between book and tax depreciation, etc.).

The deferred tax position reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax purposes, taking into consideration the period of realization.

## d) Fixed Assets

### Intangible Fixed Assets (in CZK thousands)

Cost

	At beginning of year	Additions	Disposals	At end of year
Software	16,193	1,832	-	18,025
Patents, royalties and similar rights	110	5,203	-	5,313
Intangibles in progress	-	7,275	-7,035	240
2006 Total	16,303	14,310	-7,035	23,578
2005 Total	14,507	6,047	- 4,251	16,303



Statutory financial statements

Accumulated Amortization

	<b>At beginning of year</b>	<b>Amortization during year</b>	<b>Disposals</b>	<b>At end of year</b>	<b>Net book value</b>
Software	-6,923	-2,815	-	-9,738	8,287
Patents, royalties and similar rights	-92	-1,040	-	-1,132	4,181
Intangibles in progress	-	-	-	-	240
2006 Total	-7,015	-3,855	-	-10,870	12,708
2005 Total	-5,058	-2,360	403	-7,015	9,288

**Tangible Fixed Assets (in CZK thousands)**

Cost

	<b>At beginning of year</b>	<b>Additions</b>	<b>Disposals</b>	<b>At end of year</b>
Land	21,539	-	-	21,539
Constructions	524,281	-	-62	524,219
Machinery and equipment	315,990	29,032	-1,410	343,612
Vehicles	48,508	1,680	-1,320	48,868
Furniture and fixtures	7,873	-	-	7,873
Other tangibles	17,553	705	-517	17,741
Tangibles in progress	-	31,566	-31,417	149
2006 Total	935,744	62,983	-34,726	964,001
2005 Total	890,276	177,240	-131,772	935,744

Accumulated Depreciation

	<b>At beginning of year</b>	<b>Depreciation during year</b>	<b>Net book value of disposed assets</b>	<b>Disposals</b>	<b>At end of year</b>	<b>Net book value</b>
Land	-	-	-	-	-	21,539
Constructions	-81,040	-12,723	-	62	-93,701	430,518
Machinery and equipment	-221,583	-24,239	-2	1,410	-244,414	99,198
Vehicles	-34,618	-4,587	-	1,320	-37,885	10,983
Furniture and fixtures	-1,314	-728	-	-	-2,042	5,831



Statutory financial statements

	Net book value					Net book value
	At beginning of year	Depreciation during year	Net book value of disposed assets	Disposals	At end of year	
Other tangibles	-13,334	-1,289	-2	517	-14,108	3,633
Tangibles in progress	-	-	-	-	-	149
2006 Total	-351,889	-43,566	-4	3,309	-392,150	571,851
2005 Total	-323,718	-43,120	-63	15,012	-351,889	583,855

**Long-Term Financial Investments (in CZK thousands)**

*Summary of changes in long-term financial investments*

	Balance as at 1/1/2005				Balance as at 31/12/2005				Balance as at 31/12/2006			
	1/1/2005	Additions	Disposals	Revaluation	31/12/2005	Additions	Disposals	Revaluation	31/12/2006			
Subsidiaries	146,475	-	-	97,770	244,245	-	-	19,143	263,388			
Other long-term investments	14,000	-	-	-	14,000	-	-1,200	-	12,800			
Total	160,475	-	-	97,770	258,245	-	-1,200	19,143	276,188			

The Company revalued its ownership interest in subsidiaries using the equity method (see Note c - Financial Assets) through Account 414 - Gain or loss on revaluation of assets and liabilities.

Other long-term investments include a loan granted by the Company to its vendor in 2004. The loan is secured by real property collateral. Pursuant to expert appraisals, the value of the property is CZK 20,395 thousand. The loan balance is CZK 12,800 thousand as at 31 December 2006.

*Subsidiaries and associates as at 31 December 2006 were as follows (in CZK thousands, unless stated otherwise):*

Name	STOCK Export - Import, s. r. o.
Registered office as at 31 December 2006	Palírenská 2, 326 00 Plzeň
Percentage of ownership	100
Total assets	213,109
Equity	212,256
Basic capital and capital funds	138,533
Funds created from profit	7,165
Accumulated loss	-
Profit for the current year	2,073



Statutory financial statements

Acquisition cost of interest	17,496
Nominal value of interest	138,533
Intrinsic value of interest	212,256
Dividends received during the year	-

**In SKK thousands**

Name	STOCK Slovakia s. r. o.	-
Registered office as at 31 December 2006	Trnavská cesta 50, 821 02 Bratislava, Slovak Republic	-
Percentage of ownership	100	100
Total assets	148,097	185,451
Equity	51,131	64,028
Basic capital and capital funds	399	500
Legal reserve fund	40	50
Profit or loss for the previous years	35,086	43,936
Profit for the current year	15,606	19,542
Acquisition cost of interest	337	500
Nominal value of interest	337	500
Intrinsic value of interest	51,131	64,028
Dividends received during the year	-	-

*Subsidiaries and associates as at 31 December 2005 were as follows (in CZK thousands, unless stated otherwise):*

Name	STOCK Export - Import, s. r. o.
Registered office as at 31 December 2005	Palárenská 2, 326 00 Plzeň
Percentage of ownership	100
Total assets	223,673
Equity	210,183
Basic capital and capital funds	138,533
Legal reserve fund	-
Accumulated loss	-1,058
Profit for the current year	72,708
Acquisition cost of interest	17,496
Nominal value of interest	138,533
Intrinsic value of interest	210,183
Dividends received during the year	-



Statutory financial statements

		In SKK thousands
Name	STOCK Slovakia s. r. o.	-
Registered office as at 31 December 2005	Trnavská cesta 50, 821 02 Bratislava, Slovak Republic	-
Percentage of ownership	100	100
Total assets	140,522	183,533
Equity	34,062	44,486
Basic capital and capital funds	337	500
Legal reserve fund	38	50
Retained earnings	7,970	10,409
Profit for the current year	25,671	33,528
Acquisition cost of interest	337	500
Nominal value of interest	337	500
Intrinsic value of interest	34,062	44,486
Dividends received during the year	-	-

Financial information about these companies was obtained from their standalone audited financial statements. The Company has concluded neither a control agreement nor an agreement on profit distribution with the above companies.

*Financial investments pledged as collateral consisted of the following as at 31 December 2006 (in CZK thousands):*

Receivables	Amount	Due date	Description of collateral or guarantee
Financial investment - VINSELEKT MICHLOVSKÝ a. s.	12,800	31/12/2012	Vineyards, arable soil

**e) Inventory**

Excess, obsolete and slow moving inventory has been written down to its estimated net realizable value by a provision account. The provision is determined by management based on future utility analysis of inventory and its marketability (see Note g).

**f) Receivables**

Provisions against outstanding receivables were charged to income based on a receivable ageing analysis in 2006 and 2005, respectively (see Note g).

Receivables overdue for more than 180 days totaled CZK 44,333 thousand and CZK 46,764 thousand as at 31 December 2006 and 2005, respectively.



## Statutory financial statements

In addition, the Company wrote off irrecoverable receivables of CZK 2,151 thousand and CZK 8,417 thousand in 2006 and 2005, respectively, due to cancellation of bankruptcy proceedings, unsatisfying the claims in bankruptcy proceedings, etc.

Receivables from related parties (see Note q).

### g) Provisions

Provisions reflect a temporary diminution in the value of assets (see Notes e and f).

*Changes in the provision accounts (in CZK thousands):*

Provisions against:	Balance as at			Balance as at			Balance as at
	1/1/2005	Additions	Deductions	31/12/2005	Additions	Deductions	31/12/2006
Material	-	2,522	-	2,522	284	-2,522	284
Semi-finished products	-	320	-	320		-320	-
Finished products	1,969	-	-1,969	-	416	-	416
Goods	-	1,986	-	1,986	5,908	-551	7,343
Receivables – legal	54,136	41,381	-49,014	46,503	77	-2,327	44,253

Legal provisions are created in compliance with the Act on Reserves and are tax deductible.

### h) Other Assets

Prepaid expenses include, in particular, costs of IT system implementation, which are charged to income for the year in which they were incurred.

Accruals include in particular management bonuses.

### i) Equity

The basic capital of the Company consists of 260,614 shares fully subscribed and paid, with a nominal value of CZK 1,000. Capital funds consist of a portion of the loan waived by Konsolidační banka, and of the revaluation of ownership interests under the equity method (see Note c - Financial Assets).



Statutory financial statements

The movements in the capital accounts during 2006 and 2005 were as follows (in CZK thousands):

	Balance as at			Balance as at			Balance as at
	1/1/2005	Increase	Decrease	31/12/2005	Increase	Decrease	31/12/2006
Number of shares	260,614	-	-	260,614	-	-	260,614
Basic capital	260,614	-	-	260,614	-	-	260,614
Capital funds	133,267	97,770	-	231,037	19,143	-	250,180
Legal reserve fund	52,123	-	-	52,123	-	-	52,123
Statutory and other funds	1,209	1,361	-1,474	1,096	1,428	-1,523	1,001
Retained earnings	347,133	134,564	-	481,697	19,545	-416,982	84,260
Profit or loss for the period	188,048	281,587	-188,048	281,587	303,953	-281,587	303,953
Total equity	982,394	515,282	-189,522	1,308,154	344,069	-700,092	952,131

Pursuant to the decision of the sole shareholder executing the competence of the general meetings held on 3 May 2006 and 24 June 2005, the following profit distribution for 2005 and 2004 was approved (in CZK thousands):

<b>Profit for 2004</b>	<b>188,048</b>	<b>Profit for 2005</b>	<b>281,587</b>
Allocation to -		Allocation to -	
- legal reserve fund	-	- legal reserve fund	-
- social fund	-1,361	- social fund	-1,428
Dividends distribution	-52,123	Dividends distribution	-260,614
Undistributed profits added to retained earnings	134,564	Undistributed profits added to retained earnings	19,545
		Dividends distribution from retained earnings	-416,982
Retained earnings as at 31/12/2005	481,697	Retained earnings as at 31/12/2006	84,260

In 2006, the Company paid dividends in the amount of 260% of share nominal value, i.e. CZK 260 per share totaling CZK 677,596 thousand. In 2005, the Company paid dividends of CZK 200 per share totaling 52,123 thousand.

*Proposed distribution of profit for the current year is as follows (in CZK thousands):*

<b>Profit for 2006</b>	<b>303,953</b>
Allocation to social fund	-1,635
Dividends distribution	- 260,614
Undistributed profits added to retained earnings	41,704



Statutory financial statements

**j) Reserves**

*The movements in the reserve accounts were as follows (in CZK thousands):*

Reserves	Balance as at			Balance as at			Balance as at
	1/1/2005	Additions	Deductions	31/12/2005	Additions	Deductions	31/12/2006
Other	943	8,701	-943	8,701	32,320	-8,701	32,320

Other reserves were created in particular to cover losses from the sale of obsolete inventory and of finished products approaching the expiration date. In 2006, the reserves for contractual fines associated risks and business risks were also created.

**k) Current Liabilities**

The Company had neither overdue long-term liabilities nor current payables as at 31 December 2006 and 2005, respectively.

As at 31 December 2006, the Company had liabilities of CZK 4,260 thousand owing to social security and health insurance premiums.

Unbilled deliveries represent, in particular, estimated sales bonuses, costs of sales support and environmental protection costs (EKO-KOM).

Payables to related parties (see Note q).

**l) Income Tax**

	2006	2005
	(in CZK thousands)	(in CZK thousands)
Profit before taxes	408,075	379,832
<b>Non-taxable revenues</b>		
Differences between book and tax depreciation	-4,698	-16,127
Other	-12,873	-3,258
<b>Non-deductible expenses</b>		
Creation of provisions	6,608	4,828
Creation of reserves	32,320	8,701
Other (e.g. entertainment expenses, shortages and losses)	20,682	18,917
10% relief on tangibles	-	-
Gifts	-2,195	-1,818
Taxable income	447,919	391,075
Current income tax rate	24%	26%



Statutory financial statements

	2006 (in CZK thousands)	2005 (in CZK thousands)
Tax relief	-155	-196
Tax due	107,345	101,483
Additional tax return - previous periods	2,072	-4,703
Current tax expense	109,417	96,780

*The Company quantified deferred tax as follows (in CZK thousands):*

Deferred tax items	Base for 2006	2006		2005	
		Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between net book value of fixed assets for accounting and tax purposes	72,482	-	-17,396	-	-16,251
Other temporary differences:					
Provision against inventory	8,043	1,930	-	1,159	-
Reserves (short-term)	32,320	7,757	-	2,088	-
Total	-32,119	9,687	-17,396	3,247	-16,251
Net	-	-	-7,709	-	-13,004

In 2006 and 2005, the deferred tax was set at the rate of 24% and 24%, respectively.

The Company recorded deferred tax liability on the basis of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax purposes, while taking into consideration the period of realization.

#### m) Leases

The Company leases fixed assets, which are not recorded on balance sheet.

Assets which are being used by the Company under operating leases as at 31 December 2006 and 2005 consist of the following (in CZK thousands):

Description	Terms/Conditions	Expense in 2006	Expense in 2005	Cost
Passenger cars	36 months	10,735	11,001	34,064
Trucks	36-60 months	1,274	1,415	5,188

As at 31 December 2006 and 2005, no assets were used by the Company under finance lease.



Statutory financial statements

**n) Commitments and Contingencies**

As of 12 November 2005, all participating securities of the Company were transferred by law to its principal shareholder, ECKES & STOCK GmbH. The Company is currently facing five lawsuits brought by minority shareholders who have attacked the amount of consideration paid for the participating securities or the fact that the Extraordinary General Meeting had a quorum. In the first-instance proceedings on the invalidity of the resolution adopted by the General Meeting held on 15 August 2005 the Regional Court in Brno suspended the proceedings No. 46 Cm 85/2005 until a decision is rendered by the Constitutional Court in Brno. The outcome of the litigation was uncertain as at the date of the financial statements.

**o) Revenues**

*The breakdown of revenues on ordinary activities is as follows (in CZK thousands):*

	<b>2006</b>	<b>2005</b>
Spirits - finished products	1,428,913	1,339,287
Goods	249,690	242,804
Other	44,865	51,231
<b>Total revenues</b>	<b>1,723,468</b>	<b>1,633,322</b>

Sales of finished products and goods to foreign customers totaled CZK 176,324 thousand and CZK 180,387 thousand in 2006 and 2005, respectively, of which sales of finished products were CZK 151,680 thousand and CZK 151,199 thousand, respectively. Other revenues were generated in the domestic market.

**p) Personnel and Related Expenses**

"Salaries" presented in the breakdown of personnel expenses represent gross salaries paid to executive officers - i.e. salaries before taxes and social and health insurance premiums paid by employees.

"Social security" presented in the breakdown of personnel expenses refers to expenses covered by the employer.

*The breakdown of personnel expenses is as follows (in CZK thousands):*

	<b>2006</b>		<b>2005</b>	
	<b>Total employees</b>	<b>Members of managerial bodies</b>	<b>Total employees</b>	<b>Members of managerial bodies</b>
Average number of employees	185	9	186	9
Wages and salaries	81,750	18,317	71,378	12,860
Social security and health insurance	28,622	6,411	24,995	4,501
Social cost	3,020	1,380	2,776	431
Bonuses to members of Company bodies	400	-	360	-
<b>Total personnel expenses</b>	<b>113,792</b>	<b>26,108</b>	<b>99,509</b>	<b>17,792</b>



Statutory financial statements

Managerial bodies include members of the Board of Directors, top executives and middle management.

**q) Related Party Information**

The members of statutory and supervisory bodies, directors and executive officers were granted no loans, guarantees, advances or other benefits in 2006 and they do not hold any shares of the Company.

Benefits consist of the use of company cars for private purposes.

*Guarantees granted to related parties as at 31 December (in SKK thousands):*

<b>Guarantees for</b>	<b>2006</b>	<b>2005</b>
STOCK Slovakia s. r. o.	27,000	27,000

The guarantee for STOCK Slovakia s. r. o., issued in favor of Tatra banka, a. s., is valid for an indefinite period of time. The guarantee is not recorded on the balance sheet.

The Company sells products and provides services to related parties, in particular to its subsidiary, STOCK Slovakia s. r. o., to which the Company sold a total of 2.8 million liters of spirits in 2006. Sales (of finished products, goods and services, plus interest) to related parties amounted to CZK 178,939 thousand and CZK 189,770 thousand in 2006 and 2005, respectively.

*Short-term receivables from related parties as at 31 December were as follows (in CZK thousands):*

<b>Related party</b>	<b>2006</b>	<b>2005</b>
STOCK S.p.A. Terst	56	7
STOCK Slovakia s. r. o.	31,617	39,915
STOCK Trade d.o.o.	656	341
ECKES & STOCK GmbH	762	2,902
Stock Austria GesmbH	327	-
Distillerie STOCK U.S.A.	230	-
Total	33,648	43,165

*Loans to group companies as at 31 December were as follows (excluding interest, in CZK thousands):*

<b>Related party</b>	<b>Terms/Conditions</b>	<b>Interest rate</b>	<b>2006</b>	<b>2005</b>
ECKES & Nordbrand GmbH	22/12/2006-31/5/2007	2.85% p. a.	305,000	-
ECKES Spirituosen & Wein GmbH	27/12/2005-5/1/2006	2.8% p. a.	-	600,000



Statutory financial statements

As at 31 December 2006, the loan advanced to ECKES & Nordbrand GmbH, including interest, totaled CZK 305,241 thousand. As at 31 December 2006, the loan advanced to ECKES Spirituosen & Wein GmbH, including interest, totaled CZK 600,226 thousand.

The Company purchases products and receives services from related parties in the ordinary course of business. In 2006 and 2005, purchases (of raw materials, goods, services, plus interest) were CZK 33,648 thousand and CZK 45,069 thousand, respectively.

*Short-term payables to related parties as at 31 December were as follows (in CZK thousands):*

<b>Related party</b>	<b>2006</b>	<b>2005</b>
STOCK Export - Import, s. r. o. - operational	2,710	74
STOCK Slovakia s. r. o.	49	92
Nordbrand Nordhausen GmbH	-	425
ECKES & STOCK GmbH - operational	-	2,427
STOCK S.p.A. Terst	-	395
Total	2,759	3,413

*Loans from group companies as at 31 December were as follows (in CZK thousands):*

<b>Related party</b>	<b>Terms/Conditions</b>	<b>Interest rate</b>	<b>2006</b>	<b>2005</b>
STOCK Export - Import, s. r. o.	19/9/2006-13/9/2007	1.75% p.a.	208,000	-
STOCK Export - Import, s. r. o.	20/9/2005-18/9/2006	1.05% p.a.	-	210,000

As at 31 December 2006 and 2005, the loan granted by STOCK Export - Import, s. r. o., including interest, totaled CZK 208,313 thousand and CZK 210,190 thousand, respectively.

The Company has neither overdue receivables nor liabilities.

**r) Statement of Cash Flows (see appendix)**

The cash flow statement was prepared under the indirect method. The Company did not consider any cash equivalents.

**s) Statement of Changes in Equity (see Note i)**



## 1. REPORT ON RELATIONS WITH RELATED PARTIES

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### a) Section I.

#### Entities in the holding

##### Controlled person

STOCK Plzeň a. s.  
with its registered office at Plzeň, Palírenská 2  
the business registration number (IČO): 14706563  
(Hereinafter referred to as "the Controlled Entity")

##### A controlling entity

**ECKES & STOCK GmbH**, with its registered office at Germany, Nieder-Olm, Ludwig-Eckes-Allee 6. This company holds 100% of shares of STOCK Plzeň a. s. as at 31 December 2006. The company is primarily involved in the administration of ownership interests. Pursuant to the decision of the General Meeting of Shareholders of the company made on 13 October 2003, the original company name, **ECKES Finanzanlagen GmbH**, was changed ("the Controlling Entity").

##### Other related parties

*(Below are listed the entities related through the ECKES AG holding, which are known to the Controlled Entity and with which STOCK Plzeň a. s. and its subsidiaries effected business transactions in 2006)*

**STOCK Export - Import, s. r. o.**, with its registered office at Plzeň, Palírenská 2, zip code: 326 00, the business registration number: 60488506. This company is a 100% subsidiary of STOCK Plzeň a. s.

**STOCK Slovakia s. r. o.**, with its registered office at Slovak Republic, Bratislava 821 02, Trnavská cesta 50, the business registration number: 35,842,075. This company was founded on 15 August 2002 and is a 100% subsidiary of STOCK Plzeň a. s. The company is primarily involved in the purchase of goods with a view to a subsequent resale and it provides advertising and marketing services.

**ECKES AG**, with its registered office at Germany, Nieder-Olm, Ludwig-Eckes-Allee 6. This company is, inter alia, a 100% owner of ECKES & STOCK GmbH. The company is primarily involved in the administration of ownership interests.

**ECKES & Nordbrand GmbH**, with its registered office at Germany, Nieder-Olm, Ludwig-Eckes-Allee 6. This company is 100% owned by ECKES & STOCK GmbH. The company is primarily involved in the administration of ownership interests.



## Report on relations with related parties

**ECKES Spirituosen & Wein GmbH**, with its registered office at Germany, Nieder-Olm, Ludwig-Eckes-Allee 6. This company is 100% owned by ECKES & Nordbrand GmbH. This company is primarily involved in the production and sale of spirits and wines.

**STOCK S.p.A.**, with its registered office at Italy, Terst, Via Caboto 27. This company is 100% owned by ECKES & STOCK GmbH. This company is primarily involved in the production and sale of spirits.

**STOCK Austria Gesellschaft mbH ("STOCK Austria")**, with its registered office at Austria, Vienna, Heiligenstädterstrasse 43. This company is 100% owned by ECKES & STOCK GmbH (see Appendix 1). This company is primarily involved in the production and sale of spirits.

**Nordbrand Nordhausen GmbH**, with its registered office at Germany, Nordhausen, Bahnhofstrasse 25. This company is 90.04% owned by ECKES Spirituosen & Wein GmbH, which is 100% subsidiary of ECKES & Nordbrand GmbH (see Appendix 1). This company is primarily involved in the production and sale of spirits.

**STOCK Trade d.o.o.**, with its registered office at Slovenia, Železna cesta 16, 1 000 Ljubljana. This company is 100% owned by STOCK S.p.A. This company is primarily involved in the purchase and sale of spirits.

**Distillerie STOCK U.S.A.**, with its registered office at USA, 58-58 Laurel Hill BLVD, 113 77 Woodside, N.Y. This company is 100% owned by STOCK S.p.A. This company is primarily involved in the purchase and sale of spirits.

("the Other Related Parties").

### b) Section II

#### Relationships between the Holding Entities

##### Method of Exercising Control

The Controlling Entity controls the Controlled Entity through its interest corresponding to 100% of the voting rights in the controlled company's basic capital (per balance as at 31 December 2006). Based on its interest in the company's basic capital, the Controlling Entity can enforce an appointment, election, recall of all persons who are a statutory body or the statutory body's members or members of the supervisory board of the Controlled Entity. No control agreement was entered into by and between the both parties as at 31 December 2006.

The members of the Board of Directors of the Controlled Entity are Messrs. Michael John and Horst - Peter Hahn; they are the members of statutory bodies and/or procurators in certain companies within the ECKES AG holding.

##### Relationship structure

The relationship structure of individual entities listed in this report is included in Appendix 1 hereto.



## Report on relations with related parties

### **c) Section III Decisive Period**

This report is prepared for the most recent accounting period, i.e. for the period from 1 January 2006 to 31 December 2006.

### **d) Section IV Contracts and Agreements Concluded between the Holding Entities**

*The summary of contracts concluded in the decisive period and/or in other periods that were fulfilled in the decisive period*

#### **Contracts Concluded In Other Periods**

- A contract for non-residential premises lease (concluded for an indefinite period of time with ordinary notice period), (STOCK Export - Import, s. r. o. as a lessee) - contract is concluded for an indefinite period of time.
- Framework purchase contracts for raw material supplies (sugar) for the production of spirits in STOCK Plzeň a. s. (for an indefinite period of time), (STOCK Export - Import, s. r. o. acting on behalf of the seller). In 2005, three addenda Nos. 6, 7 and 8 to this contract (addendum No. 6 of 10 January 2005, addendum No. 7 of 15 March 2005 and addendum No. 8 of 30 May 2005) - these addenda changed the price of supplied raw material in response to the market price fluctuations. No new addendum was concluded to this contract in 2006.
- A framework purchase contract for raw material supply (food coloring for spirits) for the production of spirits in STOCK Plzeň a. s.; the addendum No. 1 to this contract was concluded on 28 February 2005 (STOCK Export - Import, s. r. o. acting on behalf of the seller). No new addendum was concluded to this contract in 2006.
- Contracts for the provision of license rights for using the SAP R/3 standard information system from ECKES AG (since 2004 ECKES & STOCK GmbH, as a lessor - licensor of license rights, is an entitled assignee of ECKES AG in this matter).

#### **New Contracts Concluded Between The Entities Listed Above In The Decisive Period:**

- Save for contracts stated in the list below, the Company did not conclude any new contracts during the decisive period.

STOCK Plzeň a. s. did not incur any loss by concluding these contracts; the contracts were concluded on an arm's length basis.



## Report on relations with related parties

### List Of Crucial Contracts Between Group Companies

1. A framework loan contract between STOCK Plzeň a. s. (borrower) and STOCK Export - Import, s. r. o. (lender) of 20 September 2005. Pursuant to this contract, the lender lent, within its encompasses, available cash to the borrower from 20 September 2005 to 18 September 2006; a maximum debt amount was CZK 220 million. The loan was properly repaid on 18 September 2006.
2. A framework loan contract between STOCK Plzeň a. s. (borrower) and STOCK Export - Import, s. r. o. (lender) of 14 September 2006. Pursuant to this contract, the lender lends, within its compasses, available cash to the borrower from 19 September 2006 to 13 September 2007; however, a maximum debt amount may not exceed CZK 250 million. The loan balance as per this contract was CZK 208 million, excluding the related interest, as at 31 December 2006.
3. A contract for the provision of mutual borrowings between STOCK Plzeň a. s. and STOCK Slovakia s. r. o. of 1 December 2005, pursuant to which both companies undertake to the mutual borrowings in the form of the provision of mutual short-term loans up to CZK 50 million for a period from the date of contract signing to 30 November 2006. There was no fulfillment arising from this contract in 2006 and 2005.
4. A loan contract between STOCK Plzeň a. s. (lender) and ECKES Spirituosen & Wein GmbH (borrower). Pursuant to this contract, the lender lent cash in the amount of CZK 600 million, excluding the related interest, to the borrower from 27 December 2005 to 5 January 2006. The loan was properly repaid as of loan due date (6 January 2006).
5. A loan contract between STOCK Plzeň a. s. (lender) and ECKES Spirituosen & Wein GmbH (borrower) of 24 March 2006; an addendum thereto was executed on 5 April 2006. Pursuant to this contract, the lender lent cash in the amount of CZK 600 million to the borrower as of 27 March 2003. In accordance with the contract, the first installment (CZK 200 million) was made on 6 April 2006 and the second (final) installment on 3 May 2006.
6. A loan contract between STOCK Plzeň a. s. (lender) and ECKES & Nordbrand GmbH (borrower). Pursuant to this contract, the lender lent cash in the amount of CZK 305 million, excluding the related interest, to the borrower for the period starting from 22 December 2006. The loan is payable on 31 May 2007.

All the loans mentioned above (including the contract for the provision of mutual borrowings) were extended based on the decision made by the statutory bodies of the contractual parties. The loans were extended under ordinary price terms and conditions (at least 140% CNB discount rate was always applied). The lenders incurred no loss by extending the loans. The loans were repaid properly within their due dates.

### e) Section V

#### Other Juridical Acts between the Holding Entities

#### Guarantees issued in favor of the group companies

Pursuant to the contract on guarantee between Tatra banka, a. s. ("the Bank") and STOCK Plzeň a. s. of 26 September 2002 / 30 September 2002, as amended by addendum No. 3 of 24 November 2004, in the 2006 decisive period STOCK Plzeň a. s. continued to issue a bank guarantee in favour of its subsidiary STOCK Slovakia s. r. o. in the amount of SKK 27 million in order to secure customs bond of the spirits importer (transport procedure and release



## Report on relations with related parties

for free circulation and temporary warehousing procedure). The guarantee was issued as of the date of signing the contract and/or the above addendum, and is valid for the indefinite period of time.

### **Services provided and raw material and goods supplied between the related parties in 2006**

The Appendix 2 includes the summary of services, material and other outputs provided between related parties during the decisive period. In addition to the above supplies of raw material, goods and other outputs, no other juridical acts arose between related parties, such as contract cancellation, offset, invoicing - tax documents, cession of receivables, assumption of liability, assumption of debt, acknowledgement of debt, settlement, contractual fine, etc. The company did not incur any loss by the provision of outputs listed in the above summary. Material, goods and outputs were provided between related parties on an arm's length basis. The purchase price (and/or the price for work, rent, etc.) was always paid in accordance with agreed contracts and under the terms and conditions set out in the concluded contracts or received invoices. The closing balance of accounts receivable and accounts payable arising from the effected supplies of material, goods and outputs as at 31 December 2006 is included in the annual report of the company (in the part thereof relating to the notes to the 2006 financial statements). This report of the company statutory body is also included in the annual report and may not be distributed as such.

### **f) Section VI**

#### **Measures between the Holding Entities**

No measures were introduced between related parties other than those specified in the foregoing sections hereto.

#### **The decision of the principal shareholder executing the competence of the general meeting during the decisive period**

The principal shareholder executing the competence of the general meeting (on 3 May 2006 ) in particular:

- approved the 2005 statutory financial statements and the 2005 consolidated financial statements and the profit distribution;
- approved the 2005 report on the relationships;
- changed the Articles of Association and approved the dividend distribution in a total amount of 260% of share nominal value.

The decision of the shareholder executing the competence of the general meeting did not relate to the conclusion of a control agreement.



Report on relations with related parties

**g) Section VII**

**Conclusion**

1. This report was prepared by the Board of Directors of the Controlled Entity, STOCK Plzeň a. s., on 2 February 2007.
2. The report will be filed in the Collection of Documents at the Commercial Register maintained in the regional Court in Pilsen.

**In Pilsen on 2 February 2007**

Signatures of the members of the statutory body of the Controlled Entity, STOCK Plzeň a. s.

A handwritten signature in cursive script, reading "Martin Petrášek", followed by a horizontal line.

Ing. Martin Petrášek, Board of Directors Chair

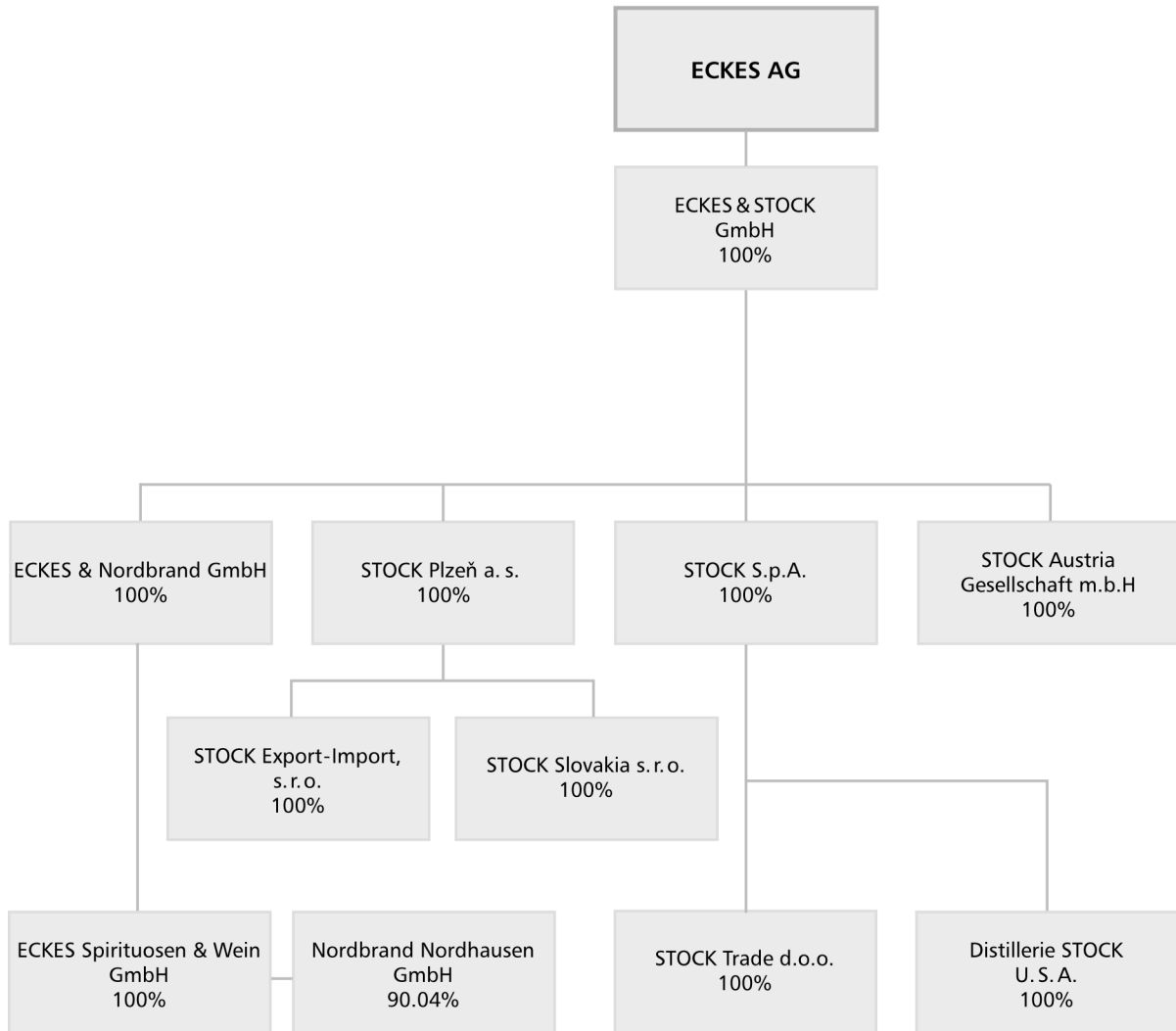
A handwritten signature in cursive script, reading "Bečvář".

Ing. Václav Bečvář, Board of Directors Member



## APPENDIX NO. 1: ORGANIZATIONAL STRUCTURE OF RELATED PARTIES INCLUDED IN THE ECKES HOLDING

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Report on relations with related parties

**APPENDIX NO. 2: SUMMARY OF SIGNIFICANT SUPPLIES OF SERVICES, MATERIAL, GOODS AND OTHER OUTPUTS BETWEEN THE RELATED PARTIES IN THE YEAR 2006**

Description of output/supply	Purpose of supply for the company	Financial value for the year 2006 in CZK thousands	Supplier/Customer
<b>Acquisition of raw materials and goods</b>			
import: sugar, food coloring, herbs	raw material for production	22,245	STOCK Export – Import, s. r. o.
flavourings	raw material for production	3,505	Nordbrand Nordhausen GmbH
distribution brands	goods for sale	21	ECKES Spirituosen & Wein GmbH
distribution brands, wine distillate	goods + raw material	642	STOCK S.p.A.
distribution brands, spirits	goods for sale	346	STOCK Austria
		<b>26,759</b>	
<b>Sale of finished products and goods</b>			
finished products and goods		161,326	STOCK Slovakia, s. r. o.
finished products, packaging materials		261	STOCK S.p.A.
finished products		1,133	STOCK Austria
finished products, spirit		9,746	ECKES Spirituosen & Wein GmbH
finished products		457	Distillerie STOCK U.S.A.
finished products		1,992	STOCK Trade d.o.o.
		<b>174,915</b>	
<b>Services received</b>			
advisory in insurance sector		1,183	ECKES & STOCK GmbH
lease of SAP R/3 information system		1,071	ECKES & STOCK GmbH
outsourcing of bottling		1,944	Nordbrand Nordhausen GmbH
marketing services		49	STOCK Slovakia s. r. o.
other services supporting the sales		5	Distillerie STOCK U.S.A.
		<b>4,252</b>	
<b>Other revenues from related parties</b>			
marketing services		908	ECKES & STOCK GmbH



Report on relations with related parties

<b>Description of output/supply</b>	<b>Purpose of supply for the company</b>	<b>Financial value for the year 2006 in CZK thousands</b>	<b>Supplier/Customer</b>
other services supporting the sales - re-charge		502	STOCK S.p.A.
other services supporting the sales - re-charge		429	STOCK Austria
other operational services, sale of material		220	STOCK Slovakia s. r. o.
office space lease		11	STOCK Export - Import, s. r. o.
logistics and other services		172	Nordbrand Nordhausen GmbH
		<b>2,243</b>	
<b>Interest paid</b>			
short-term loan		2,637	STOCK Export - Import, s. r. o.
<b>Interest received</b>			
short-term loan		1,540	ECKES Spirituosen & Wein GmbH
short-term loan		241	ECKES & Nordbrand GmbH
<b>Dividends paid to related parties</b>			
dividends paid		674,942	ECKES & STOCK GmbH



## The Supervisory Board's statement

In 2006, the Supervisory Board held four meetings during which it was informed by the Board of Directors about all business activities and financial results and development of STOCK Plzeň a. s.

The agenda for these meetings always included market development, trends in sales, revenues and profit/loss, marketing and sales activities, investments, personnel management and also the preparation of the budget for 2007.

In February 2007 the Supervisory Board received for review the following documents pertaining to the statutory financial statements for 2006:

- The company's Balance Sheet as at 31 December 2006
- The company's Profit & Loss Account as at 31 December 2006
- Accounts as at 31 December 2006 and the Auditor's Report from Ernst & Young Audit & Advisory, s.r.o., člen koncernu
- Proposal for the distribution of profit for 2006
- The Statutory Body's Report on Relations between Related Parties for 2006 under section 66a) of the Commercial Code.

The Supervisory Board members reviewed the above documents and noted that the statutory financial statements for 2006 had been prepared properly and in accordance with the Czech Republic's legal regulations. They also noted that the Statutory Body's Report on Relations between Related Parties provides a true picture of all developments in 2006.

The Supervisory Board has approved both documents for publication.

The Supervisory Board recommends to the General Meeting to approve both the statutory financial statements of STOCK Plzeň a. s. for 2006 and the proposal for profit distribution.

On behalf of the Supervisory Board

A handwritten signature in black ink, appearing to be "Michael John", written over a horizontal line.

Michael John  
Chairman