



sustainable development report



sustainable development report



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■ our vision, mission and values

Plzeňský Prazdroj is the leading brewing company in Central Europe. It symbolizes the best tradition of this important industry and, moreover, was responsible for a true turning point in the industry's development when in 1842 the predecessors of today's Plzeňský Prazdroj brewed the first ever pale lager, which was later to give its name to the most popular type of beer in the world.

Nowadays, Plzeňský Prazdroj boasts the reputation of the biggest beer producer and exporter in the Czech Republic. The company is a member of the international group SABMiller plc, the second largest brewing company in the world in terms of volume, and with brewing activities in more than 60 countries all over the world.

Plzeňský Prazdroj is one of the most admired companies in the Czech Republic. The company's business operations and all its other activities follow the principles of transparency, healthy economic competition and corporate responsibility. These principles are contained in corporate documents, guidelines and internal procedures in compliance with the relevant Czech and EU legislation and internationally acknowledged principles of business management and administration.

our vision:

SABMiller: To be the most admired company in the global beer industry

Plzeňský Prazdroj: To be the most admired company in the Czech Republic

- > The investment of choice
- > The employer of choice
- > The partner of choice

our mission:

To own and nurture local and international brands which are the first choice of the consumer.

our shared values:

Our people are our enduring advantage

Accountability is clear and personal

We work and win in teams

We understand and respect our customers

Our reputation is indivisible

We value the tradition and achievements of our company and its products

■ introduction by the CEO

Dear ladies, dear gentlemen,

For a number of years, Plzeňský Prazdroj has been rated among the most successful companies in the Czech Republic for its trading and financial successes. The designation of a 'Czech National Symbol' has been awarded by our Stakeholders and we have always aimed to ensure such an accolade is well earned. We are the market leader in the Czech brewing industry and the largest exporter of Czech beer. Through our efforts, the fame of the Czech brewing industry, the Czech Republic and the town of Plzeň are growing still further. The Pilsner Urquell brand has become the flagship of our parent company, SABMiller, and is exported to more than 50 countries worldwide. Other brands in our portfolio, which are sold successfully both at home and also abroad, are also gaining prestigious international awards for quality. We are conscious that our standing brings responsibility for preserving and supporting the environment in which we operate. Therefore we advocate and contribute to community advancement, to publicly worthwhile projects and to the principles of sustainable development.

Our positive business and financial results place us among the top taxpayers in the Czech Republic and, in this way, enable us to contribute substantially to the development of the Czech economy. We work with government, trading partners, suppliers and customers on a mutually advantageous basis in supporting the development of their activities and employment. We invest into the communities in which we operate by supporting a number of social programmes aimed at developing the quality of life in the regions.

Our internal policies and processes are designed to ensure we maintain the strictest standards of corporate governance, business ethics and environmental management. We are proud that we are ranked among the breweries with the highest standards not only in the Czech Republic but also in Europe. We place a major emphasis on product quality. In production we use only the finest quality raw materials, we invest into modern facilities ahead of demand and we constantly strive to improve the efficiency and reliability of our production processes. This enables us to ensure the best possible quality and consistency of our products as well as to minimize losses and waste.



We preserve the original recipes of our brands which have existed for over 160 years and we safeguard our brewing heritage and reputation. Our Brewery Museum and plant tours help to demonstrate our concern with brewing craftsmanship and attract over 160 000 visitors annually. We are the only brewery in Europe which maintains an active cooper trade. We work extensively with our supplier partners to help them to provide the best possible quality of their supplied materials and services as well as to ensure appropriate safety conditions for their employees.

Nor do we overlook the care of our own employees. Good working conditions, the furtherance of education, personal development and the maintenance of human rights are an integral part of our management practices. We care especially about the maintenance of basic ethical principles and of human rights and, as such, we support external programmes which relate to problems locally. We are prepared to face new challenges. Our strategic orientation is applied to building company values, the continuous improvement of beer brands, the preservation of the environment, improvement in the quality of our services, consolidating supply chain relationships and perfecting the abilities and skills of our employees. We will continue to improve in the fields of corporate responsibility and in our support of sustainable development.

This year, for the first time, we have decided to publish information to acquaint you on our activities related to the fields of corporate responsibility and sustainable development. The principles are extremely important to us and we undertake to seek to improve in these areas. It is a pleasure for me to extend an invitation to you to read more on Plzeňský Prazdroj's approach to ensuring corporate responsibility and supporting sustainable development.



Michael John Short
Chairman and CEO
Plzeňský Prazdroj, a. s.

■ introduction by the corporate affairs director

Dear ladies, dear gentlemen,

You are reading Plzeňský Prazdroj's first Sustainable Development Report. This report would like to present Plzeňský Prazdroj not only as a successful business entity in the brewing industry, but also as a responsible company contributing to the positive development of the Czech Republic.

Our position commits us and also enables us to help the environment and the community we work in, forcing us to think about the future of the company and the whole of society, in particular its healthy and sustainable development. In addition to the economic sphere, which we are able to influence as a highly successful company, we are also aware of environmental and social issues and social aid.

Responsible conduct has been an integral part of our activities for years. As a member of the international group SABMiller - and with respect to the nature of our business - we have spent the past months identifying areas we would like to focus on and improve. This process resulted in the principles that are presented in the report; principles we undertake to comply with and whose compliance we shall monitor internally every year, providing you with regular information.

The principles concern mainly responsible drinking, which is a priority for us, environmentally responsible behaviour, observance of human rights, support for the communities we operate in, cooperation with supply chain that share our principles, and last but not least constant quality improvement in all areas and the preservation of our brewing legacy.



As a responsible beer producer we are fully aware of the negative consequences of excessive or irresponsible alcohol consumption, both from a personal and a social perspective. This is why we try to incorporate alcohol abuse prevention into everything we do, promoting a responsible alcohol consumption attitude not only in our company, but also in the whole brewing industry in the Czech Republic.

We also strive to be environmentally aware. Environmental protection has become one of our business principles. The so-called environmental management system was introduced in all the breweries in compliance with the internationally approved ISO 14001.

We are one of the ten biggest donors among Czech companies. Part of our profit is donated to community development projects, especially in regions where we have three breweries, via the program called Citizens' Choice. As one of the founders of the Corporate Donors Club Czech Republic we help to cultivate and develop corporate community investment and support the use of transparent standards and principles.

Transparent process and open communication are integral to all our activities and we will continue to keep you informed of these through our communication channels.

I believe that the Sustainable Development Report will provide the information you expect to see. We would appreciate any suggestions and comments you may have. These can be sent to the address provided in the final part of the report.



Michal Kačena

Corporate Affairs Director

Plzeňský Prazdroj, a. s.

■ about the company



“Sustainable development can be defined simply as a better quality of life for everybody today and for future generations. It is a vision of development connected with economic growth, environmental protection and social justice. Values that are acknowledged all over the world.”

The quality of everything we do plays a key role in the business activities of Plzeňský Prazdroj. The company is certified by an international independent authority in accordance with ISO 9002 and ISO 14001 and complies with the most rigorous standards of the European Union as far as food safety, integrated prevention and control of emissions control are concerned. Plzeňský Prazdroj is among the best employers and 10 biggest corporate donors in the Czech Republic.

5 October 1842: First brew of Pilsen type beer, bottom fermented beer, so called pale lager.

One of the main objectives of all company activities in economic, social and environmental spheres is to stabilize the economic growth and success of the company, its partners and the whole community. Plzeňský Prazdroj knows that its responsible attitude may contribute considerably to developing areas that concern the lives of its employees and their families, the vicinity of the breweries and the Czech Republic as a whole.

Plzeňský Prazdroj, a member of the international group SABMiller, observes these principles in all its activities, being fully aware of its responsibility for:

- > discouraging irresponsible drinking;
- > minimizing environmental impact, namely by:
 - > making more beer but using less water;
 - > reducing our energy and carbon footprint;
 - > having a vibrant packaging reuse and recycling economy;
 - > working towards zero waste operations;
- > cooperating with supply chains that reflect our own values and commitment to sustainable development;
- > having respect for human rights;
- > bringing benefit to the communities we serve;
- > contributing to the reduction of HIV/AIDS within our sphere of influence;
- > being transparent in reporting our progress on these environmental and social sustainable development priorities.

■ about the company

Plzeňský Prazdroj is the leader of the Czech brewing market with beer sales of 10.2 million hectolitres per year. It's with results like this that the company influences not only its own business and financial performance, but also the size of the state budget, the financial and business success of its partners, customers and suppliers, as well as the employment rate and the living standard of Czech people.

Thanks to its good results Plzeňský Prazdroj has been one of the biggest taxpayers for a number of years and in 2005 it was among the top 12 contributors - corporate income-tax payers in the Czech Republic.

The company cooperates with more than 8,000 suppliers and has a gross turnover of approximately CZK 7,750 million. The main suppliers include those supplying basic raw materials (barley, hops and malt). Plzeňský Prazdroj uses mainly Czech barley and hops from agricultural areas such as the regions of Žatec or Louny.

What makes the price of beer?



An average of 31%
of the total beer price is made up of taxes.

Financial Highlights	Year ended 31 March 2006	Year ended 31 March 2005	Year ended 31 March 2004
Revenues from sales of goods, own products and services (CZK'000)	13,549,629	13,030,328	12,570,858
Operating profit (CZK'000)	4,623,399	4,165,803	3,639,176
Profit for the current period after tax (CZK'000)	3,377,000	2,962,226	2,826,213
Dividends declared (CZK'000)	1,962,064*	1,962,064	1,962,064
Average number of employees	2,575	2,694	2,649

Plzeňský Prazdroj invests a large amount of its sales revenues into the company itself, creating new business and job opportunities. Its business activities create business opportunities for more than 31,000 customers and business partners.

Apart from raw material suppliers the company also cooperates with other suppliers - suppliers of packaging material, bottles and glass, cans, crates, cardboard, technological and production equipment, distribution and different service providers such as advertising agencies, media, transportation, etc.

Its commercial and financial success has ranked Plzeňský Prazdroj among the best companies in the Czech Republic for a number of years:

- > As an important exporter the company contributes to an overall positive trade balance trend.
- > The company is the twelfth biggest taxpayer in the Czech Republic. It contributes to the state budget with its tax payments while its multiplication effect is of equal importance to a number of suppliers and customers.
- > Investment and new technologies increase the environmental impact. SABMiller has invested more than CZK 27.5 billion in the Czech Republic since its arrival to the country in 1999.

Plzeňský Prazdroj plays an important role in employment growth. The company employs over 2,500 employees mainly in Pilsen, Frýdek-Místek and Velké Popovice. Over 1,000 people work in the commercial and distribution departments. Through cooperation with suppliers and customers the company indirectly influences the employment rate of thousands of other people.



responsible drinking

“Beer is a drink of historical tradition, recognized by laws, with origins dating back to ancient times. Beer has been part of civilization and its different cultures ever since. However, due to its alcohol content beer has to be consumed with a responsible attitude.”

From the statutes and principles of the Responsible Brewers Initiative

Plzeňský Prazdroj views its leading position on the Czech brewing market as an obligation. The company is aware of the negative personal and social consequences of excessive or irresponsible alcohol consumption. Therefore, the company plays an active role in helping to prevent these phenomena and to promote a responsible attitude to alcohol consumption.

As a member of the international group SABMiller the company ascribes to a global corporate policy which has three basic goals:

- > It promotes a responsible attitude to alcohol consumption as part of a healthy life style, preventing excessive or irresponsible alcohol consumption.
- > Regarding the commercial communication of its brands the company addresses consumers of legal drinking age who have made the decision to consume alcohol beverages.
- > Together with the other companies from the SABMiller Group it ascribes to the uniform policy of a responsible producer of alcoholic beverages.



■ responsible drinking



“Together with all the other companies within the international group SABMiller plc Plzeňský Prazdroj complies with the world-wide policy of a responsible producer of alcoholic beverages.”

Luděk Kraus, Public Affairs Manager, Plzeňský Prazdroj

Actions Come First

Plzeňský Prazdroj has established a Corporate Policy of a Responsible Producer of Alcoholic Beverages and Code of Corporate Communication. An Ethics Team was set up composed of marketing, legal, trade marketing and corporate communication staff. This team approves all commercial communication activities - ranging from TV and radio commercials to various surveys. Ethics Team members assess all proposals for communication and commercial activities on the basis of the SABMiller Code of Ethics, the Ethical Code of the Responsible Brewers Initiative and the Code of Ethics of the Advertising Standards Council. In case of discrepancies between individual codes the stricter rule is always applied.



The purpose of the Ethical Code is to set rules for commercial communication in relation to the consumption of alcoholic beverages. From this point of view the document is supplementary to all regulatory provisions applicable in the Czech Republic. Commercial communication includes advertising in all media including the Internet and text messages, packaging design, promotional events, sales promotional activities or product launches, merchandising, sponsoring and research.

Everything Starts with Prevention

Plzeňský Prazdroj is the initiator of activities aimed at promoting responsible alcohol consumption and self-regulation of alcohol advertising in the Czech Republic. In 2005 it adopted an SABMiller Group document called the Alcohol Manifesto as a fundamental starting point for its work. This document defines responsible conduct for producers of alcoholic beverages in relation to their customers, consumers and other entities. The company also emphasizes cooperation with other breweries and professional associations. Together with the other four largest brewing companies in the Czech Republic it helped to push through a similar document within the Association of Czech Breweries and Malt Houses under the title Ethical Code of Responsible Breweries.

/1-3/ All advertising campaigns of the company are evaluated according to the most rigorous ethical standards. In spite of the demanding criteria the campaigns are regularly placed in top positions in professional competitions.



■ responsible drinking

The Responsible Brewers Initiative performs its activities within the Association; it adopted the Ethical Code as one of its main founding documents.

However, the creation of the Responsible Brewers Initiative and the adoption of the Code itself would not have had any positive effects if it had not been followed by clear and specific actions. That is why the Responsible Brewers Initiative defined its primary goal as being to initiate, plan and implement specific projects that are intended to promote the responsible consumption of alcoholic beverages by the general public. It goes without saying that the members of the Initiative provide not only the financial backing for these projects, but also participate actively in their preparation.

Plzeňský Prazdroj is a member of the Advertising Standards Council whose mission is the self-regulation of the advertising industry and the configuration of the system of commercial communication activities, so that compliance with ethical principles becomes automatic and indisputable to all creators and customers. Self-regulation functions as a superstructure of laws, having its own mechanisms to solve various borderline situations. And again, even in the field of commercial communication, Plzeňský Prazdroj goes beyond the scope of common practice since each of its campaigns, actions and uses of advertising materials is assessed by the above Ethics Team.

We promote positive life-style changes and responsible behaviour by our consumers.



"The main objective of the Responsible Brewers Initiative is to develop an ethical environment to the Czech brewing industry and promote the moderate and responsible consumption of the most popular Czech drink. Therefore, the members of the Initiative are bound not only to self-regulation of their own marketing activities, but they also commit to support education and development of a quality beer culture so that consumers enjoy this drink in a reasonable way."

 and Principles of the Responsible Brewers Initiative

/1-3/ All marketing campaigns are approved by the Ethical Team of Plzeňský Prazdroj which is also responsible for supervising the social events and promotion campaigns of the individual brands.

Designated

Plzeňský Prazdroj as a member of the Responsible Brewers Initiative supported a BESIP (Traffic Safety) campaign organized by the Ministry of Transport named Designated that was aimed at young people, visitors to music festivals and concerts. The message of the campaign is very simple: in every group of visitors to an event where alcoholic beverages are served there should be one “designated” driver who volunteers not to drink any alcohol in order to provide a safe ride home for his friends as well as for himself. The campaign is a part of the pan-European campaign Designated Driver aimed at preventing people from driving under the influence. A service called SMS Promile is provided within the campaign, which makes it possible for consumers of alcoholic beverages to find out their current blood alcohol level via an SMS as well as to determine how long they need to wait before they can drive again. The organizers and professional guarantors of this campaign are the Civic Association Sananim and the Institute of Psychology of the Academy of Sciences of the Czech Republic.

The campaign also included cooperation with musical bands and festivals as well as the publication of a thematic comic book. The project gained the support of the European Commission and became part of the European campaign. Plzeňský Prazdroj hopes to continue with the project in the future and keeps developing it continuously together with other activities prepared in cooperation with the BESIP department of the Ministry of Transport and the Czech Forum for Responsible Consumption of Alcoholic Beverages.

/4/ A traveling tent was prepared for visitors to the event Designated. The tent was designed as a racing car pit with several interactive thematic attractions. The shock simulator provided the opportunity to test the forces impacting passengers that use seat belts in a head-on crash at 30 km/hour.

/5/ The Designated was also supported by marketing billboards.



■ responsible drinking

Radegast Birell for Responsible Drivers

Plzeňský Prazdroj promotes a responsible attitude to the consumption of alcoholic beverages which might become part of a healthy lifestyle, striving to prevent excessive and irresponsible alcohol consumption.

The company participates in consumer education with respect to the responsible consumption of its products and is involved, in particular, in the prevention of such phenomena as alcohol consumption while driving a motor vehicle.

In 2005 the Radegast Birell brand of Plzeňský Prazdroj joined the nationwide campaign the Responsible Driver Knows. The campaign, which went hand in hand with police patrols on the roads, was offering drivers the non-alcoholic beer Radegast Birell as an alternative to alcoholic beer. In addition to billboards along some busy city roads the campaign also included the distribution of a large amount of promotional materials used primarily at road-houses and gas stations, i.e. the places where the brand can address mainly drivers. The visual appeared on paper place mats, holders to be put on tables, coasters, leaflets and on special notice boards.

The percentage of victims of accidents caused by alcohol consumption has decreased by 50% over the past years.

"Plzeňský Prazdroj has been involved in the prevention projects of the BESIP (Road Safety Authority) Department of the Ministry of Transport for a couple of years, aimed at driver's responsibility in relation to alcohol consumption. The number of traffic accidents caused by alcohol consumption has decreased by 50%. Our cooperation is joyful and socially beneficial."



From a statement by Mr. Robert Štátný, Head of BESIP, Ministry of Transport



/1-2/ In summer 2005 the Radegast Birell brand launched a big campaign aimed at everybody who is not indifferent to road safety. The campaign also involved the Police of the Czech Republic. /3/ Plzeňský Prazdroj has been engaged in a long-term campaign for responsible alcohol consumption during driving. As early as 2003 the company supported a campaign organised by the Ministry of Transport of the Czech Republic called Do not Drink when Driving.

Slow Down

The Responsible Brewers Initiative also focuses on underage alcohol consumption as the Czech Republic is being increasingly criticized by the World Health Organization for its lax attitude towards underage alcohol consumption. Critics accuse not only the parents, but mainly vendors and also alcohol producers. In this respect they often point out the easy availability of alcohol and its low price, especially as far as beer is concerned. The Ethical Code of the Responsible Brewers Initiative clearly demonstrates the attitude of the Czech brewing companies to this problem as they have been consistent in their support of the current legal situation and in their assistance to their partners in promoting compliance with the law.

Education is one of the important activities that can help solve this social problem. In cooperation with the association HO.RE.KA CR, the project Slow Down, No Alcohol to Minors was prepared using printed and other materials to provide counselling to restaurant owners and help them understand these problems better, so they know how to respond to sensitive situations. The aim of the project is not to tell the business partners what to do, but rather to offer a helping hand.



The project Slow Down, No Alcohol to Minors offers restaurant owners inventive labeling showing clearly that the place observes the law and does not sell alcohol to minors.

Radegast Birell has a 70% share of the alcohol-free beer market in the Czech Republic.

/4-6/ The consumption of alcoholic beverages by young people is a complicated issue. Plzeňský Prazdroj tries to help new business partners and in cooperation with the HO.RE.KA Association the company offers a lot of useful information prepared mainly by legal experts.





environmental protection

“The environment is our life support system. It includes everything that we rely on during our lifetime such as air, water, metals, soil, rocks and other living organisms. It is important to remember that the state of our environment is influenced by our behavior and that we have the opportunity to either nurture or mistreat it.”

From the Encyclopedia of Sustainable Development

Plzeňský Prazdroj is fully aware of its responsibility for the environment and has adopted an environmental protection policy as a key principle of its business. The Environmental Management System was implemented in all the breweries in accordance with the internationally recognized and accepted standards ISO 14001. To ensure the international recognition of the System as well as of the ISO certification specialists from the renowned international company Det Norske Veritas perform regular external audits at all the Plzeňský Prazdroj breweries.



■ environmental protection



“The individual breweries are located in various types of environment and each has its own specifics - environmental aspects - related to environmental protection. These aspects are being constantly evaluated to enable the company to make appropriate decisions minimizing the impact of the activities of the breweries on the environment.”

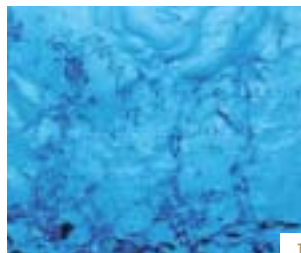
Plzeňský Prazdroj, as the leading Czech brewing company, wants to be a step ahead of other companies in the industry in terms of environmental protection and wants to set an example for them. However, this does not include only investments or a list of implemented measures, but primarily an overall approach and corporate culture stimulating all the employees of Plzeňský Prazdroj to become active in the field of environmental protection and to look for opportunities of constant improvement.

The priorities within the minimization of environmental impacts are:

- > reducing water consumption;
- > reducing energy consumption and emission levels;
- > using recyclable packaging materials;
- > moving towards zero-waste operations.

99% of former waste is changed into secondary raw materials today.

/1-3/ The lowest water consumption, the cleanest waste water, the largest number of recyclable packaging and the smallest amount of emissions possible - these are the main priorities of Plzeňský Prazdroj in relation to environmental protection.



■ environmental protection

On the basis of internationally recognized standards Plzeňský Prazdroj adopted its own Quality Management, Work Safety and Environmental Protection Policy:

- > Consistent compliance with relevant local, national and international legal requirements.
- > Application of process management - documenting the progress of procedures, defining the duties and responsibilities of all participating employees.
- > Placing emphasis on prevention in quality management in the broadest meaning of the word.
- > Immediate quality control at each individual stage, not only in specialized units and by designated personnel: all employees bear responsibility for quality and prevention of discrepancies against the preset qualitative benchmarks.
- > Application of the principle of constant improvement and enhancement of the qualitative indicators.
- > Use of clearly defined production standards in production management.
- > Using internal audits, goals and programs as a tool of improvement.

- > Understanding any discrepancy in relation to the current benchmarks and view the consequent correction as an opportunity for improvement.
- > Reducing losses of all kinds.
- > Quality assurance and its priority over quantity is a natural part of our customer services.
- > Providing a respectful, safe and healthy working as well as living environment for the company staff.
- > Promoting team work, personal development and regular career growth of the employees.
- > Compliance with the corporate Ethical Code.
- > Using common sense to solve work tasks and situations.
- > Risk management - constant searching for, identification and assessment of risks and using specific programs in the field of quality management, environmental protection and prevention of serious emergencies to mitigate their potential impacts.

- > Supporting suppliers who share the recognized quality systems and environmental protection principles.
 - > Cooperation with suppliers on quality enhancement of used raw materials, materials and services.
 - > Keep questions related to genetically modified raw materials under constant control, taking into consideration the perception and interests of the customer.
 - > Educating and stimulating employees to act in an environmentally friendly way:
 - Using chemical preparations with minimum environmental impact; reducing the consumption of dangerous substances; reducing the volume of waste and emissions; supporting environmentally friendly waste disposal;
 - Using renewable and recyclable materials.
 - > Compliance with the licensed production principle stated in the Licensed Production Policy.
-

Reducing Water Consumption

Water is one of the principal raw materials in beer production and forms 85 to 90 percent of its volume. Therefore, Plzeňský Prazdroj places great emphasis on the protection of water sources for the breweries and invests considerable amounts in this area. Its investments contribute to minimization of water consumption, among other things.

The production of one hectoliter of beer requires an average of five hectoliters of water. Breweries all over the world strive to reduce water consumption as much as possible - their target is between three and four hectoliters of water per one hectoliter of beer. The champion among Czech breweries in this area is the Radegast brewery with less than four hectoliters of consumed water per one hectoliter of beer.

Radegast was the first brewery in the Czech Republic to obtain the ISO 14001 certificate for implementation of an environmental management system as early as in 1999.

A modern sewage treatment plant and biogas combustion technology that were put into operation in the Radegast brewery in 1995 were followed by all Central European breweries.

/1/ The Radegast brewery takes water from the Morávka reservoir.

/2-3/ The water source for the Pilsen brewery is the Pilsen Basin (Plzeňská pánev), where the water is drawn from as deep as 100 meters and its quality is confirmed not only by the brewery water treatment plant, but also by the appearance of rainbow trout.

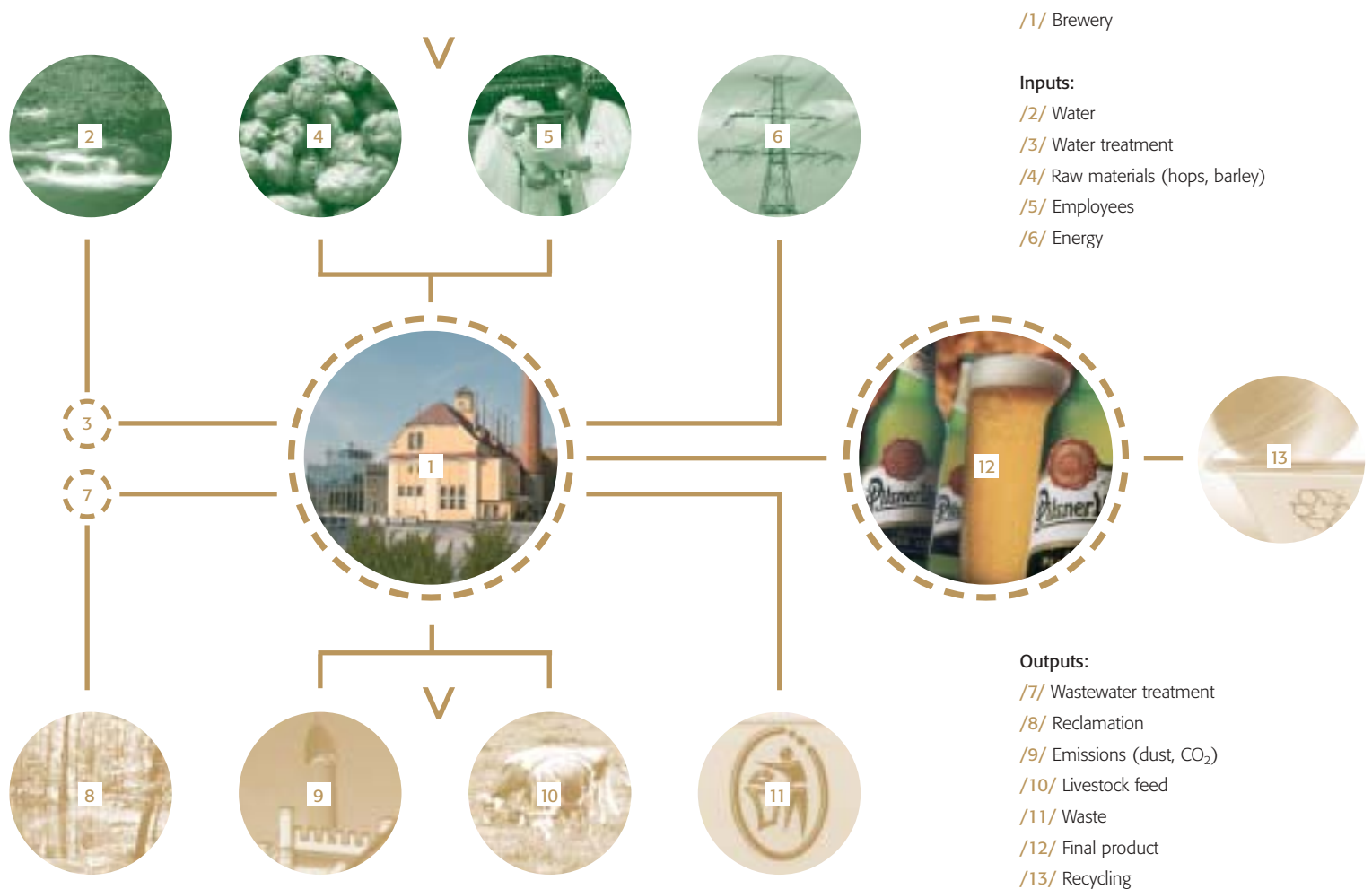


■ environmental protection

The minimization of water consumption is closely related to the requirements for a waste water treatment system. For this reason the breweries designed progressive cleaning phases within the waste water discharge systems. Waste water is not only cleaned, but the organic pollutants are also transformed into biogas to produce energy.

One particular kind of waste water is rainwater, which drains from the premises of the breweries through rain drainage. An emergency prevention system was set up in all the breweries. Over the past few years an environmentally friendly rainwater treatment system was built up by the Radegast brewery using biological ponds near the brewery.

Environmental Protection Management System



Reducing Energy Consumption and Emission Levels

All emissions resulting from the production activities of the breweries are in line with the strict requirements of EU legislation. This also includes a thorough evaluation of CO₂ emissions as a greenhouse gas. Recently implemented investment projects have gained Plzeňský Prazdroj a prominent position within the SABMiller Group.

Plzeňský Prazdroj prefers natural gas as its heating medium striving to reduce emissions in this way. Besides natural gas, environmentally friendly bio-fuel is used at Plzeňský Prazdroj plants, which also produces only minimal amounts of harmful gasses. For each ton of produced carbon dioxide there are 25.5 thousand beers, which is the best result of all the European breweries within the SABMiller Group. One of the important investments minimizing environmental impacts was the expansion of the Pilsner Urquell brew house in the Pilsen brewery resulting in a decrease in natural gas consumption by 60% thanks to utilization of the latest technologies.

The breweries have developed a modern dust removal concept for their dusty production plants in recent years. They had powerful dust filters installed to eliminate solid emissions produced, for example, during barley and malt processing. These filters reduced dust levels significantly and improved the quality of the working environment. Moreover, the removed dust is supplied to farmers to be used as an ingredient in feed mixtures for cattle.

As much as 18% of natural gas used for heat production in the Radegast brewery was saved due to the saving project Heat Saving. The project consisted in the collection and further usage of steam that had been released into the air.

/1-3/ The CO₂ emission was decreased by 60% in the Pilsen brewery itself thanks to new investment in production technologies.



■ environmental protection

Recyclable Packaging Materials

Plzeňský Prazdroj is the largest domestic beer producer, which makes it also the largest producer of beer containers, 90% of which are returnable. These also include the newly introduced lightweight beer bottles, which have reduced fuel consumption in transportation; energy consumption required for bottle recycling and the consumption of raw materials in bottle production has also dropped. All raw materials for their production are recyclable. The company is a member of the EKO-KOM association, which deals with the problem of recycling and secondary utilization of packaging materials in the Czech Republic.



Last year Plzeňský Prazdroj introduced new lightweight Gambrinus bottles. Apart from the design the lighter weight of the bottles helps increase transport emissions and save the environment.

A difference visible at first sight: the wall thickness of the old /2/ and the new lightweight Gambrinus bottle /1/

Declaration of Plzeňský Prazdroj:

Return Collection

Return collection of containers placed on the market or into circulation by Plzeňský Prazdroj, a. s., is provided by an authorized packaging company EKO-KOM in compliance with Act No. 477/2001 Coll. on Packaging and amendments to some acts, as amended.

Compliance Assurance

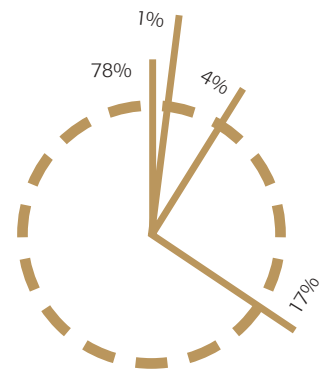
Plzeňský Prazdroj, a. s., registered office at U Prazdroje 7, 304 97 Plzeň, guarantees that packaging containers that are placed on the market are in compliance with Sections 3 and 4 of Act No. 477/2001 Coll. on Packaging and amendments to some acts, as amended.

Zero-waste Operations

Plzeňský Prazdroj has consistently succeeded in transforming waste into secondary raw materials. Only 1% of all the waste formerly produced by the Pilsen, Radegast and Velké Popovice breweries ends up as solid waste at waste dumps or as gas emissions in the air these days. The rest is fed to livestock or used for other purposes. By-products such as draff, waste yeast from fermentation and malting waste are in great demand in agriculture, namely animal production. Sewage sludge is added into low-quality soil to increase the proportion of organic substances, for example during reclamation of old mines. Waste diatomaceous earth can be very well used for ploughdown to lighten soil. The commitment of Plzeňský Prazdroj to minimize the impacts of business activities is also exemplified by the project for utilization of scrap beer labels in the Radegast brewery, which are supplied to the nearby cement factory as a supplementary fuel. The principle of waste recycling has not only been promoted in production; the company also observes it consistently in administrative operations - sorted plastic, paper and glass are used for further processing.

Waste handling in Plzeňský Prazdroj, where the total waste production is 186,863 tons/year

- 0.07 % Dangerous (124 t/year)
- 1% Landfill (2,304 t/year)
- 4% Recycled (7,890 t/year)
- 17% Feed (32,392 t/year)
- 78% Other using (144,153 t/year)



The Pilsen brewery decreased its natural gas consumption by 60%. Over 90% of all packaging materials used by Plzeňský Prazdroj are returnable.

/3-5/ Thanks to targeted efforts 99% of former waste is processed as secondary raw materials today and returned back to production or used as a fertilizer in the food chain.



■ environmental protection

Water Source

In the past six years the Pilsen brewery carried out a unique project of restoring a historical source of drinking water. Utilizing the heritage of its brewing predecessors the company renovated a spring area dating back to 1900. Thanks to this project, and together with the application of the latest technologies, the water that is currently used to produce Pilsner Urquell beer, and since 2006 also Gambrinus beer, is of the same quality as 100 years ago.

Moreover, modern technologies make it possible to continue reducing the amount of used water. Only a limited amount of water is taken from this source for beer production, so that the natural balance within the Pilsen Basin area is not disrupted and enough groundwater is left for the wells of local residents. Water for so-called technological purposes is supplied in cooperation with the neighboring company Plzeňská teplárenská, which uses by-products of heat production in an environmentally friendly way as energy sources to provide refrigeration for the Pilsen brewery.

Approximately 2.25 liters of water is required to produce 0.5 l of beer, which is 25% less than in 2000.



/1-3/ The water source renovation was carried out in order to preserve the historical waterworks in their original condition for future generations.

Wastewater Treatment Plant at Velké Popovice

In 2004 the Velké Popovice brewery started a unique wastewater treatment project implementing the latest biotechnologies. Organically polluted water passes through tanks with a special culture of methagenic bacteria, which liquidate waste substances and transform 90% of them into biogas. The biogas can be used as a heating fuel. Not even the waste sludge from the methagenic tanks ends up on waste dumps. It is used as a so-called inoculant in the construction of new wastewater treatment plants. This modern technology made it possible to reduce electric energy consumption by up to 70%, water consumption went down, emissions and the amount of waste went dropped as well. The same method of wastewater treatment was also introduced by the Radegast brewery as early as in 1995. The biological wastewater treatment plant belongs to the most advanced of its type in Europe.

Rainwater and Groundwater Treatment Plant in Nošovice

The Radegast brewery carried out a unique natural rainwater and groundwater treatment plant project. Water flows through two interconnected pools and is cleaned of its pollutants in a natural biotope environment. The plant, which sensitively fits into the surrounding area, became an attractive walking destination for local residents and improved the quality of this location along the valley of the river Morávka.

/4/ A modern sewage treatment plant in the Velké Popovice brewery was put into operation in 2006.

/5-6/ Since 2002 a system of ponds has been used to clean biological waste from the Radegast brewery. The purity of water is best documented by the fact that it has become a muskrat habitat.





care for quality and expertise

“Care for quality and the commitment to its constant improvement are common in all industrial branches. However, only the best ones succeed in achieving a globally recognized top quality.”

Václav Berka, Trade Brew Master, Plzeňský Prazdroj

Quality is the key to all of Plzeňský Prazdroj's activities. The path to a quality product starts with quality raw materials. Careful and responsible selection of suppliers enables Plzeňský Prazdroj not only to ensure the quality of its products, but also to promote a broader economic, social and environmental context of mutual cooperation.

Quality is emphasized from the very selection of raw materials, which is followed by technological and working processes with pressure to meet production standards. Plzeňský Prazdroj is also able to maintain the top quality of its products due to traditional procedures, which are over 160 years old and which provide the products with an exquisite taste.

Due to recent heavy investment into technology, the Pilsen, Velké Popovice and Radegast breweries are among the top world breweries from the technological point of view. The company implemented the program World Class Manufacturing, which focuses on constant increases in productivity, quality improvement and loss reduction through the active participation of employees in a gradual elimination of all inefficient processes. The project also includes the standardization of production processes and tools that have been tested in other breweries of the SABMiller Group. These are only some of the steps intended to ensure that in another hundred years Czech beer will still be among the best in the world.



■ care for quality and expertise



“Quality plays a key role in all the activities of Plzeňský Prazdroj. This fact is proved both by its leading position on the Central European market and its membership in the SABMiller Group.”

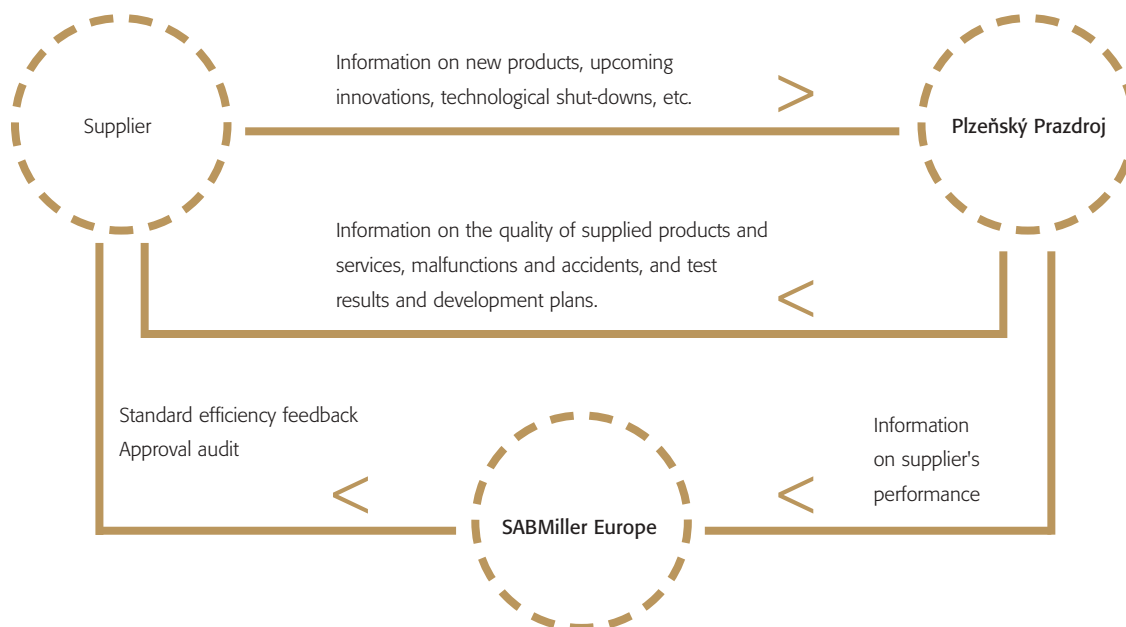
Mike Short, CEO, Plzeňský Prazdroj

Quality Starts with Suppliers

To ensure that Plzeňský Prazdroj always gets only top-quality raw materials, services and products from its suppliers the company has implemented the Supplier Quality Management system - SQM. The aim is to achieve a permanent partnership through cooperation with suppliers that would be based on mutual trust, support and on the fact that Plzeňský Prazdroj wants to be a good, yet demanding customer.

As far as strategic and significant suppliers are concerned the company has implemented, for example, the Supplier Partnering Program within its SQM, which monitors not only quality, productivity, work safety, control systems, supplier's management, but also hygiene, environmental impacts and care for employees. The audit results serve as groundwork for the preparation of corrective measures and also as a source of valuable information in relation to opportunities for improvement.

Basic Scheme of the SQM System



■ care for quality and expertise

Investments for the Future

The company's investments in the development of technologies, improvement of quality control processes and environmental protection exceeded one billion Czech crowns in 2005. These investments are the continuation of a long-term investment project which has been implemented by the company for six years now and which radically changed not only the appearance of the breweries, but brought the Pilsen, Radegast and Velké Popovice breweries closer to Europe's and the world's top breweries.

The Pilsen brewery

Without question the most significant investment within all the breweries of Plzeňský Prazdroj is the new brew house inaugurated in 2005. Owing to the renovation the Pilsner Urquell's brew house became one of the most modern facilities of its kind in Europe. This investment of CZK 362 million made it possible to increase production and meet the rising demand for Pilsner Urquell abroad without jeopardizing the inimitable character of this unique beer. Owing to the traditional brewing procedure - copper containers, demanding three-mash process and direct gas heating even in the modern conditions of the new brew house, it is ensured that Pilsner Urquell will remain a world beer legend. The Pilsen brewery introduced a computer production control system, which gathers data from all production and quality control systems and laboratory equipment. This data is analyzed to provide a basis for evaluating the brewery's daily performance.



/1-3/ A view of the modern Pilsner Urquell brew plant that became the most up-to-date facility of this kind in Europe after its renovation in 2005.

The Radegast brewery

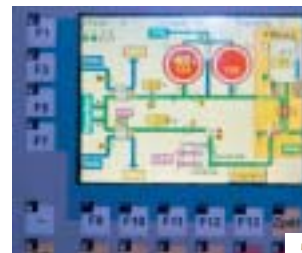
Even the most modern Czech brewery Radegast has seen investment in recent years. This went primarily to environmental protection, quality control and the logistics of stock control. For example, the installation of a new steam-boiler allowed the brewery to lower its costs significantly and ensure an even distribution of steam within the facilities. Like the Pilsen brewery, the Radegast brewery also uses a computer production control system.

The Velké Popovice brewery

In recent years the Velké Popovice brewery carried out extensive quality improvement projects. Transportation of malt and the filling machine for KEG barrels were upgraded and a complex quality control system was developed in the individual production phases within the investment programs and projects, among other things.

More than CZK 27.5 billion has been invested in the breweries of Plzeňský Prazdroj.

/4/ A view of the fermentation house in the Velké Popovice brewery. /5-6/ A complex quality control system is managed by highly qualified employees.



■ care for quality and expertise

Quality and People

The quality is influenced most by people. And only the best and highly-motivated people can assure top quality. The most important programs for the employees of Plzeňský Prazdroj are PUSA and PUBA (Pilsner Urquell Sales Academy and Pilsner Urquell Brewing Academy), to put it simply, academies for sales representatives and production staff. These programs focus on gaining the best practical experience in production, marketing, and distribution and in the right care for beer, including the theory and practice of sensorial beer evaluation. The first PUSA program was developed in 2002 and was intended for business and distribution staff. The PUBA program for production staff was introduced in 2004.

Plzeňský Prazdroj put into practice an inter-brewery educational project called Beer Missionary to prepare employees for their mission among their family members, friends, and business partners and, above all, consumers and beer lovers. Apart from production and business staff, the company employs over one thousand people who directly influence the quality of the individual products. Thanks to the Missionary project these employees learn what beer is, how it is made, they attend tasting where they also learn the production process. Plzeňský Prazdroj is convinced that even employees in administrative professions must understand at least the



PUSA and PUBA - 75% of all commercial and production employees participated in these programs - the best result in SABMiller in Europe.

Responsibility for quality is developed in every employee by special education programs.



/1-4/ Participants of the two-day Beer Missionary course from among employees of Plzeňský Prazdroj acquire knowledge of beer production and distribution, marketing and due diligence, including theoretical and practical knowledge of sensorial beer analyzing.

basic production features and must be able to defend and promote the company's individual brands. Anyway, it is desirable for the employees to have a significantly deeper knowledge of beer and its production than ordinary beer consumers. Thanks to a similar project called Connoisseur new information is also provided to customers and to employees of restaurants and liquor stores.

Being responsible for quality means primarily being responsible for the product supplied to the consumer. An important method of beer quality assessment is its tasting. Basically, the idea is to assess the taste and smell of the beer using human senses. The taster, i.e. the person qualified to perform sensorial evaluation, decides whether the beer meets the customer's requirements. However, the beer is not only assessed as a final product, it is also necessary to assess the input raw materials and semi-finished products over the whole production process. This prevents low-quality products from being released to the market.

To monitor beer directly on the market the company implemented the Trade Quality Assessment system. The purpose of this system is to find out the true quality of bottled beer which consumers buy at stores.

Plzeňský Prazdroj supplies its products to more than 16,000 restaurants and pubs.

Missionary - the dictionary says:
"The role of a missionary is to spread and propagate ideas and beliefs in accordance with his or her own deep belief and knowledge in a given sphere of human behaviour."

/5-6/ Sensorial beer analyzing requires not only knowledge, but also a lot of practical experience, as some deviations in beer taste and quality can be detected only by an experienced taster.





respect for human rights

“Culture is a complex of all intellectual as well as material values created by mankind in its whole history.”

Academic Dictionary of Loan Words

Creating values, achieving the business plan's objectives and promoting Plzeňský Prazdroj's goodwill are dependent on the quality and team structure of its employees, who are also its best symbol and form of promotion. The nature of the management organization and favorable corporate atmosphere, together with cutting-edge technology, are the decisive factors behind the success of the company and its strong long-term presence on the market. Plzeňský Prazdroj is well aware of this fact, and that is why care for employees is one of the thoroughly elaborated corporate strategies.



■ respect for human rights



“Ethics is one of the oldest parts of philosophy expressing opinions of moral conduct, moral conscience to put it simply, of the lives and actions of individuals. Practically we use this term to refer to a system of moral principles, i.e. the ethics. If we adhere to these principles, we speak of ethical behavior; if these principles are not followed, our behavior is viewed by our environment as unethical, immoral.”

Thousands of people in different places and different countries work for Plzeňský Prazdroj today, not only brewers, technicians and sales representatives, but also many other professions such as managers, financial analysts, consultants, etc. All of them contribute to the dynamic growth of the company and its corporate culture. These people influence the development of the international beer market where Plzeňský Prazdroj naturally belongs, representing much more than a respectable tradition. It is a modern company, open to the world, emphasizing its good name and high corporate culture. That is why Plzeňský Prazdroj adopted ethical principles that are binding on all the employees, including temporary staff and contractual suppliers and consultants.

Following these principles the company acts openly and honestly in negotiating and making deals and providing information to stakeholders. It is impartial and politically unbiased, responsible towards people and the environment, providing products and services of impeccable quality and respecting its legal and moral obligations. It is aware of the necessity to develop and promote loyalty and long-term relations and is the leader in applying the best management practices.

The company observes generally acknowledged human rights, including any local specifics, and creates good working conditions in order to attract the best people.

As a member of the SABMiller Group the company supports the following basic principles:

- > Freedom of association and recognition of the right of collective bargaining
- > Prohibition of forced and compulsory labor
- > Abolition of child labor which is considered illegal, socially unacceptable and deprives the child the possibility of further education
- > Intolerance of discrimination
- > Establishing fair and competitive salaries and benefits
- > Provide safe and healthy working environment
- > Employee security

"Intellectual culture is a complex of activities pursued by the society in science, arts and social life as such."

"Material culture is a complex of material values of the society developed especially by production, experience, tools and technology."

■ respect for human rights

Plzeňský Prazdroj provides its employees with a number of important benefits over and beyond the Czech legal framework and common practices, most of which are stipulated in the Collective Agreement itself.

Trade unions have traditionally been a long-term partner of the company management. The management informs trade union representatives of business activities, performance and plans of the company at regular quarterly meetings, addressing potential problems at the same time. Trade unions use all the internal communication media to inform all their members.

As far as employees' relations are concerned, the company focuses on constantly improving the working environment, systematic professional growth development and fair and transparent performance-related remuneration.

Plzeňský Prazdroj employs almost 2,600 employees. Although the brewing industry is considered to be dominated by men, 33% of the company's employees are women.



Specific employee benefits include for example:

Holiday and Christmas benefits, an extra week of vacation, a contribution to supplementary pension insurance, canteen meals at favorable prices and the use of a non-cash payment system, a regular salary increase pursuant to the Collective Agreement, contractual health care, money vouchers for sports and cultural events and relaxation, employee beer and employee beerhouses.



/1-3/ In 2005 Plzeňský Prazdroj was chosen as the best employer of the Pilsen region, and in the prestigious competition Employer of the Year organized by Credit Suisse it was among the top three employees in the Czech Republic.

The observance of fundamental human rights, promotion of fair conduct and mutual respect are indispensable parts of Plzeňský Prazdroj's corporate policy. The integrity of its employees is viewed by the company as a cornerstone of good relations with business partners, customers, suppliers and other organizations and individuals. This attitude fully supports and follows the above principles. Therefore the company approved the Corporate Ethical Code and incorporated it into its internal regulations. In order to prevent problems the company established an anonymous phone line. Employees can refer to this phone line without any concerns. The company also established the position of corporate ombudsman to help the employees in difficult situations.

Plzeňský Prazdroj is not involved only in the personnel development of its own employees, but as a member of the international group SABMiller it takes into account problems of the whole Group, trying to contribute to their solutions as much as possible. The company supports the biggest and the most important European festival of documentaries about human rights called One World. This festival is organized every year by People in Need, a humanitarian organization, under the auspices of Václav Havel. The organizers are assisted by the Ministry of Culture of the Czech Republic and the Prague City Council. The objective of the festival is to promote and build mutual understanding among different cultures, increase the awareness of human rights and promote global responsibility. The audience festival has awarded the fourth Plzeňský Prazdroj Prize, traditionally awarded to the film the festival audience likes most.

/4-6/ Plzeňský Prazdroj is an active partner to many important social projects and events, the most important being the documentary festival One World organized by People in Need under the auspices of Václav Havel.





community development support

“Prospering regions, cities, towns, villages and their surroundings are the fundamentals of a quality life. The development of sustainable communities consists in improving the places where people live and work. It is a chance for everybody, a chance to be part of and participate in creating a better future.”

Plzeňský Prazdroj is fully aware of the fact that the key to long-term success consists of not only responsible business, but also of supporting the quality of life in places where the company operates. Therefore, the corporate strategy includes healthy regional development and cultivation.

Plzeňský Prazdroj has been one of the top 10 donors in the Czech Republic for several years. The company is among the founding members of Donator, a club of corporate donors established at the Donors Forum with the objective of developing corporate philanthropy in the Czech Republic, defining its role within corporate responsibility, setting transparent standards and principles of corporate investment in communities and influencing this sphere positively.



■ community development support



“Corporate responsibility is a company's long-term commitment to ethical conduct and participation in economic growth, while striving to improve the quality of life of its employees and their families as well as local communities and society as a whole.”

Zuzana Novická, Corporate Accountability Executive, Plzeňský Prazdroj

To support transparency the Donator Club developed a methodology to measure the conduct standards of a responsible company in order to monitor the costs and measure the effectiveness of the methods used. The system has been applied successfully in the countries of the European Union, USA, Canada and Australia. Plzeňský Prazdroj was involved in the methodology's inception and is one of the companies in the Czech Republic to use this measurement.

One of the company's core projects is the Plzeňský Prazdroj Citizen's Choice program. This was established in 2002 with the aim of supporting healthy development of the regions where the three breweries of the company operate. The program allows the company to support activities of independent regional authorities and non-profit organizations in the areas of education, culture, environmental protection, sports, health and social care.

Over the four years of its existence the program has invested more than CZK 26 million into the development of the three regions and supported over 100 projects.

Decisions as to who will receive a grant are made not only by company representatives, but also in cooperation with representatives of municipalities and institutions that are familiar with the situation in the cities and with activities of the non-profit organizations. However, the main decision-making elements are the public and the employees of the breweries. The public may vote by coupons



"Socially responsible behavior by a company is an actual proof of its real stability. The fact that a company does not treat the community, in which it acts, as a mere part of its production process, is for important companies a matter of course. One way of proving a stable and long-term responsible approach is that of corporate philanthropy."

DONATOR Club

/1/ The objective of one of the Citizen's Choice projects was to offer quality conditions for the sporting development of young people in the Sports Association (TJ Slavoj) in Velké Popovice. /2/ A view of restoration works of the interior of the Church U Ježíška in Pilsen; once finished the church will be open to the public as well. /3/ The restoration of an old 1935 footbridge over the Střela river in Rabštejn nad Střelou.



■ community development support

published in regional newspapers or by text messages. The employees can vote by coupons published in their company newsletter.

The company is constantly searching for opportunities to improve the quality of life from the long-term point of view in this area as well. A new program is being prepared which will focus on promoting social enterprise and improving managerial skills in the non-profit sector.

The Region of the Pilsen brewery

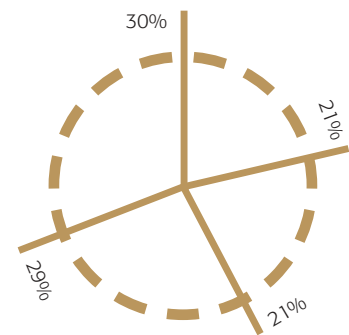
One of the projects supported by the company is the rescue of Severin's Bible from 1537. This is a second edition of the Czech bible printed by Pavel Severin from Kapí Hora in 1529. Before that Czech bibles had been printed abroad, named after the printers, the printing house or the cities where they were printed. Severin's bible is a unique source of exploring the Czech language, an important part of the national cultural heritage. The Education and Research Library of the Pilsen Region obtained the resources required to restore this important copy.

A longer-term project involves the renovation of the interior of the Church U Ježíška in Pilsen, which will be open to the general public from 2007.

The Natal Unit of the University Hospital in Pilsen received a new pulmonary ventilator which helps little patients with underdeveloped or malfunctioning lungs. Thanks to the support of the Czech Hikers Club a new footbridge was built in Rabštejn nad Střelou so that people hiking in that area do not have to take their shoes off anymore to cross the river.

Categories supported within the Citizen's Choice program of Plzeňský Prazdroj, a. s.

21% Sports
21% Culture
29% Education and environment
30% Health and social care



/1-2/ The Pilsen brewery bought an EKG, a vital functions monitor and a pulmonary ventilator for children patients in the University Hospital in Pilsen.

/3/ The Velké Popovice brewery supported the renovation of a hall of the Sokol Association as part of Citizen's Choice. The hall was turned into a multipurpose place to be used for social events.

The Region of Radegast brewery

The Center for Mentally Handicapped Children in Frýdek-Místek obtained financial aid to finish the redevelopment of their garden. This will improve the quality of children's lives by bringing them an opportunity to do more exercise.

The video-festival S Vámi nás baví svět showed videos about handicapped people and humanitarian organizations, proving that living with a disability does not mean an unhappy life.

The Association of Friends of Frýdek-Místek supported by Citizen's Choice continued with its project called Recreational Sports against Laziness, Boredom and Depression and built a universal sports field.

The project involving the purchase of a new ultrasound digital device for the hospital of Frýdek-Místek received the biggest support of the brewery employees.

"Who Plays Isn't Naughty - series of projects realized thanks to Citizen's Choice which helps children find meaningful leisure time activities."

František Herajt, Chairman of the Pilsen Sports Union

"Pilsen and Prazdroj belong to each other, they know it, they respect their history and they contemplate the future together. Citizen's Choice proves this."

Jiří Šneberger, Senator, Parliament of the Czech Republic

The Region of Velké Popovice brewery

The renovation of the hall of the local Sokol Association is aimed at improving the quality of cultural life in Velké Popovice. The hall will be changed into a representative multipurpose venue to be used for social events.

The Sports Association of Velké Popovice offers good sports opportunities both for young people and for adults. The sports teams are coached by qualified coaches who work for the Association for free in their free time.

/4-6/ One of the projects supported wants to save Severin's Bible, an important part of the national cultural heritage.





preserving the historical legacy

“For more than 160 years the beer from Pilsen has been a source of mutual understanding and original inspiration for millions of people who sit down at the same table.”

Ivo Hlaváček, long-term brewer and a former director of the Pilsen brewery

Plzeňský Prazdroj wants to preserve the brewing legacy built over generations. This commitment means caring for the heritage of former brewing generations and providing information to the wide public. Plzeňský Prazdroj is associated with two inseparable concepts: Pilsner Urquell beer and the city of Pilsen. And it is with these names that the responsibility for historical heritage starts.



■ preserving the historical legacy



“Plzeňský Prazdroj wants to preserve the brewing heritage created over generations both in the historical premises of the Pilsen and Velké Popovice breweries and in the modern plant of the Radegast brewery.”

Jindřiška Eliášková, Tourism and Heritage Manager, Plzeňský Prazdroj

Conservation of the Legendary Beer

Everything started in 1842 when the brewer Josef Groll brewed in the Burgess Brewery (Měšťanský pivovar) in Pilsen the very first batch of the bottom-fermented lager of golden color with a pleasantly harmonic full taste, distinctive noble bitterness and a rich head that is easily digested and refreshing. This was the origin of the first Pilsner beer imitated today all over the world as pils, pilsner or pilsener, where its way to the world beer throne started. Nowadays Pilsner Urquell, the flagship of Plzeňský Prazdroj and the whole SABMiller Group, is sold in 50 countries all over the world. It belongs to the super-premium brands, which means that consumers are willing to pay a much higher price for its unique quality and taste and they are obviously interested in the production of this exquisite drink. Since Plzeňský Prazdroj cares for its historical heritage, visitors can learn about the beer's production in the brewery itself or they can explore the history of the brand in the Brewery Museum.

Over 160,000 people visit the Pilsen brewery and the Brewery Museum every year.

The opportunity to visit the brewery, the Brewery Museum and the sights of the city offered by Plzeňský Prazdroj and the city of Pilsen is used not only by tourists from the Czech Republic and abroad, but also visitors to the famous Western Bohemian spas who take trips to Pilsen. The targeted promotion of the Pilsen brewing tradition is reflected in many areas of life and brings considerable benefits to the whole region of Western Bohemia.

/1-3/ Pilsner Fest, a festival held every year, is very popular among the public - days of great entertainment, good food and especially Pilsner Urquell.



■ preserving the historical legacy

Visitors to the Pilsen brewery can see a modern Visitors' Center with a cinema and historical expositions which provides excellent customer services and route facilities. The visitors can learn about the unique brewing procedure of Pilsner Urquell, the authentic places where the beer has been brewed since its beginnings and the cooper's workshop with original equipment from the early 20th century.

Plzeňský Prazdroj wants to preserve the heritage of the brewing industry that has been created over generations, using not only the historical premises of the Pilsen and Velké Popovice breweries, but also the modern brewery of Radegast.

The company has maintained close relations with beer brewers, descendants of the company founders. The Club of Beer Brewers and Friends of Plzeňský Prazdroj was established, and its members enjoy a number of advantages that maintain their connection and unity with the brewery.

The places where the historical legacy of the brewing industry is preserved include the archives and the Museum, the cooper's workshop and historical cellars in the brewery where the exhibits are collected and displayed.



/1-3/ One of the attractions of the tour of the Pilsen brewery is the giant beer chess; railroad fans can admire the unique beer train.

Preservation of the Cooper's Profession

Plzeňský Prazdroj treasures one of its historical places - the cooper's workshop that is one of the last not only in Europe, but probably in the whole world. The use of steel vats and tanks, aluminum packing barrels and plastic crates since the end of the 1960s brought a gradual decline in cooperage until the vocational training of coopers stopped completely in 1975. In 2000, Plzeňský Prazdroj decided to implement a unique project with the aim of saving the cooperage profession and the company trains young coopers under the foreman Ladislav Bešťák.

Plzeňský Prazdroj has recently reintroduced the production of traditional lager barrels for its museum. Apart from lager barrels the coopers also make small kegs and beer mugs as souvenirs.

However, the coopers of Plzeňský Prazdroj are not just an attraction for tourists; they are an important part of the beer quality control of the Pilsner Urquell beer. The brewery still uses its cellars for beer fermentation and maturation in wooden containers, which allows the monitoring and comparison of taste stability.

Each batch of Pilsner Urquell brewed according to the original procedure in the most up-to-date facilities is compared with beer that is fermented and matures in wooden vats and barrels.

"Brewery tourism is important, but the reason why beer matures in the Brewery Museum is so that we can compare its flavor with normal production. We have fifty functioning barrels which are at least eighty years old. And we want to slowly replace them with new ones. That's why twice a year we clear out the cellars and clean the barrels. All the barrels have to be taken out of the cellar, washed thoroughly and newly pitched. Previously, it went on throughout the year according to the sixty-day cycle for the beer's maturation.

Ladislav Bešťák, Head Cooper,
Plzeňský Prazdroj

/4-6/ The production of each barrel is very difficult. The quality and tightness of 40-hectoliter oak barrels depends on millimeters and experienced and delicate human hands.



■ preserving the historical legacy

Cellars

The highlight of the tour of the Pilsen brewery is the part located in the historical cellars. Their tradition dates back to 1840 and the enlargement of the cellars finished in 1906. The total length is 9 km. The cellars were used mainly for beer maturing in lager barrels. The tour of the cellars includes the tasting of beer drawn directly from a lager barrel so that visitors can compare the quality of beer made by the traditional production procedure with today's beer.

Company Archives and Library

The archives of Plzeňský Prazdroj contain important proofs of the historical, business, economic, political, construction and cultural development of the Pilsen breweries and companies that used to belong to Plzeňské pivovary. At the moment, the archives contain approximately 380 linear meters of archiving items and another approximately 7,000 linear meters of materials in the Register Office. Plzeňský Prazdroj offers to its employees as well as to the general public the unique service of a library specializing in the brewing industry. Apart from thousands of non-fiction and fiction books the library's reading room offers most the important brewing and malting magazines from all over the world. In the future, the library will be responsible for the company's entire collection, making it available both to its employees and to the public.



/1-3/ The tour of the Pilsen brewery includes a visit to the lager cellars and tasting unfiltered and non-pasteurized Pilsner Urquell. The tour includes the historical cooper's workshop.

Original Brewery Museum

The Brewery Museum is located in an authentic medieval brew house and is one of the oldest of its kind. The Museum tells the story of beer from the middle ages until the establishment of big industrial breweries. The basic collection consists of items collected since 1934, when the first museum committee started to collect exhibits related to beer and the brewery. In 1959 the Museum was officially founded and institutionalized with its current status of an accredited professional workplace. The Museum's mission is to document the history of brewing without territorial restrictions and with special focus on the brewing industry of the Czech Republic, of course. The investment dedicated by Plzeňský Prazdroj to the development of the Museum helps all domestic beer producers without any exception. The Brewery Museum in Pilsen is the only brewing museum in the Czech Republic. It has its own systematically built collections, a permanent exhibition and a research workplace. Its main activities include research in and explication of the history of brewing and related fields, collecting new items and conserving unique sights associated with brewing and beer serving.



The long-term vision of the Brewery Museum is to build a center supporting study of and research into the brewing industry.

The Brewery Museum in Pilsen develops its activities thanks to the support of Plzeňský Prazdroj.

/4-6/ The Brewery Museum in Pilsen, an authentic medieval brew house that has been preserved in its original form, tells the story of beer from the oldest times until the present.



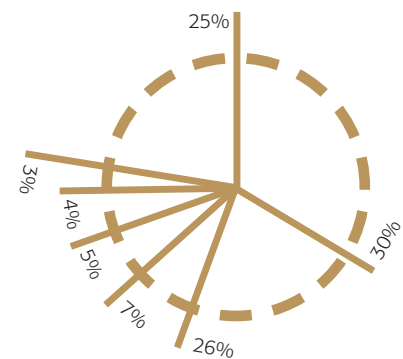
■ preserving the historical legacy

Future of Visiting Tours

The emphasis on quality visitor services has increased since Plzeňský Prazdroj was acquired by SABMiller, when a substantial amount of money was invested in the Visitors' Center, the modernization of visitors' routes, quality promotion and enlargement of museum collections. The number of visitors has increased by 18 % over the last four years. The tour has been undergoing changes so that the message of the uniqueness of Pilsner Urquell is as complete as possible. The tour brings the visitors into a new modern bottling room, a brew house where a new exposition shows from what ingredients and how the Pilsen beer is brewed; the visitors can compare an old and a modern brew house and see the most precious exhibits from the history of the brewery in the Hall of Fame. The tour of the lager cellars includes an exhibition on different types of distribution and packaging of Pilsner Urquell and its export.

The composition of visitors to the brewery and the Brewery Museum amounting to over 160,000 a year:

30% Germans	4% French
26% Czech	3% Americans
7% Taiwanese	25% Others
5% Russians	



Velké Popovice and Radegast breweries do not stand aside

Tours for visitors are also being developed in the other breweries of Plzeňský Prazdroj - in Velké Popovice and in Radegast.

The tour of Velké Popovice is visited by an average of more than 8,000 people, mostly from the Czech Republic. The tour takes the visitors to the brewery with a long and proud history where traditional rich beer is brewed - beer which has won foreign markets thanks to its quality.



/1-3/ The industrial architecture of the Velké Popovice brewery from the late 19th century attracts visitors to a tour during which they will also see the famous Goat of Velké Popovice.

60/61

The brewery offers opportunities to attract an increased number of visitors by focusing on the right target groups, improving visitor services and making the promotion more efficient. The brewery wants to open a new part of the tour and improve the system of beer tasting this year. Apart from the tour itself the Velké Popovice brewery is the traditional and natural center of the region and the Visitors' Center cooperates with the Lada micro-region in organizing many events and general promotion of the town and the region.

The Radegast brewery, the most modern and second largest brewery in the Czech Republic, provides information concerning the production of the most popular beer brand in Moravia, showing the technological and environmental level that can be achieved in the brewing industry.

The Velké Popovice brewery was founded by František Ringhoffer in 1874. On the other hand, the Radegast brewery is the newest brewery belonging to Plzeňský Prazdroj and the second biggest in the Czech Republic thanks to its production volume of 2,200,000 hectoliters of beer.

/4-6/ The Radegast brewery is one of the newest and most modern breweries in the Czech Republic. The tour of the brewery has become a traditional part of trips and hikes in the picturesque Beskydy Mountains.





business transparency

“One of the principles of a socially responsible company as a respected business partner is procedural transparency and clear and open communication with all involved parties.”

Michal Kačena, Corporate Affairs Director, Plzeňský Prazdroj

Nowadays it is taken for granted that all companies use a system of control of internal procedures at all levels and are able to provide regular and open information. Furthermore, companies are expected to provide regular analyses and objective reporting of results in a given area.

Plzeňský Prazdroj is not an exception in this respect. Therefore, one of the corporate responsibility principles is the commitment to ensure business transparency with respect to the professional and lay public and communicate openly its attitude towards sustainable development trends. This commitment is also proved by this Sustainable Development Report.

In addition to implementing internal audit procedures, Plzeňský Prazdroj will provide regular and open information about its corporate responsibility activities, monitoring the development and achievements in meeting the set targets and providing information actively about the topics to its partners.



■ business transparency



“One of the issues that auditors all over the world try to solve is the independence of company management. That is why the independence of the internal audit is assisted by a special corporate body - the Audit Committee.”

Ivan Zelenka, Senior Manager, Internal Audit, Plzeňský Prazdroj

Corporate Governance

Plzeňský Prazdroj places great emphasis on transparent business management. The year 2001 and the merger with the international group SABMiller represented a fundamental turnaround. The Group immediately started to implement the rules of mandatory especially for an open business to maintain a balance between its commercial interests and the interests of those who form the company or are dependent on it - the corporate bodies, the management, the employees, customers and other interested parties.

After the acquisition of Plzeňský Prazdroj by SABMiller a new internal audit department was established together with its main control body - the Audit Committee as a specialized committee of the Board of Directors. Using regular reports, Committee members evaluate especially financial reporting and accounting, the risk management system, external audit results as well as plans and results of the internal audit. The internal audit provided a feedback to management for the further improvement of the internal risk management control system and any other corporate procedures.

/1-3/ Plzeňský Prazdroj complies in its activities with all legal obligations towards all stakeholders, including shareholders.

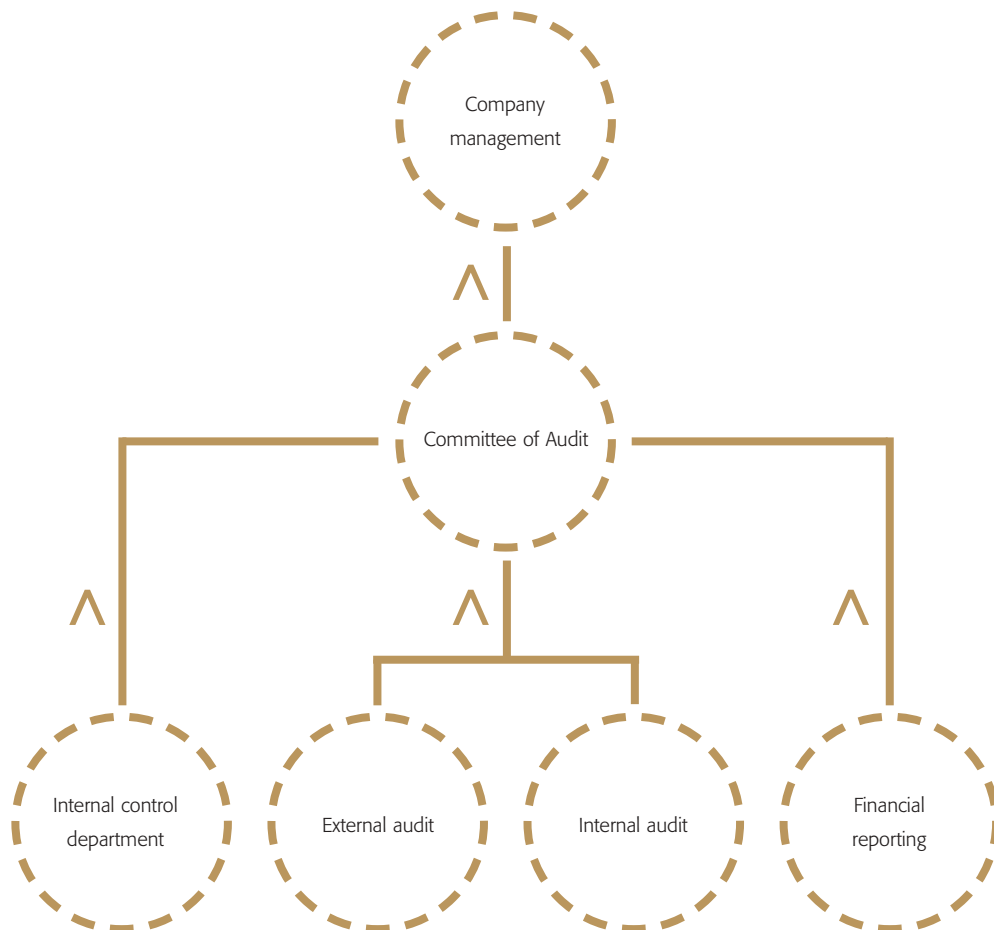


■ business transparency

Internal documents influencing the activities of Plzeňský Prazdroj are being unified and arranged one by one, which also results in an improved control environment. A number of other activities and projects within the company focus on business administration and management improvement. These involve in particular the risk management system enhancement, regular evaluation of internal audits in compliance with strict US legal requirements and development of sets of manager monitoring procedures.

As a responsible company Plzeňský Prazdroj defined its strategic risks and suitable responses to these risks. The implementation of SAP for corporate information processing and for the work of the risk management support team has brought significant improvements.

Information flow chart:



The art of understanding each other

Providing timely and accurate information to all involved parties is one of the company's priorities. The company has created conditions that ensure the timely notification of anybody who is concerned. This includes especially a web site presentation of the company that is regularly updated and provides a broad spectrum of information in a user-friendly environment, and the information telephone line.

The company communicates regularly with the media via press releases. A service for journalists was created on the web site, including press releases and a free photo-bank that may be used by all publishers and authors of publications about beer.

The company communicates with its employees and with selected groups of friends of Pilsen beer via the internal newsletter Za branou the content and extent of which surpasses any similar domestic publications of this kind. It was by no chance that this newsletter was awarded the Zlatý středník Prize for 2005 for the best company magazine in the Czech Republic.

"Plzeňský Prazdroj focuses mainly on priorities that were determined in compliance with the business strategy, strategic targets and mission of the company. The attitude to the public is proved by open and multi-channel regular communication."

Vladimír Jurina, Corporate Brand Manager, Plzeňský Prazdroj

All employees contribute to the good name of the company by what they do, say or how they act.

/1, 3/ The newsletter Za branou was voted the best company magazine in the Czech Republic in 2005. /2/ Also, the company's new web presentation was awarded a prize in the prestigious contest Zlatý středník in the category Best Company On-Line Presentation.



contacts

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