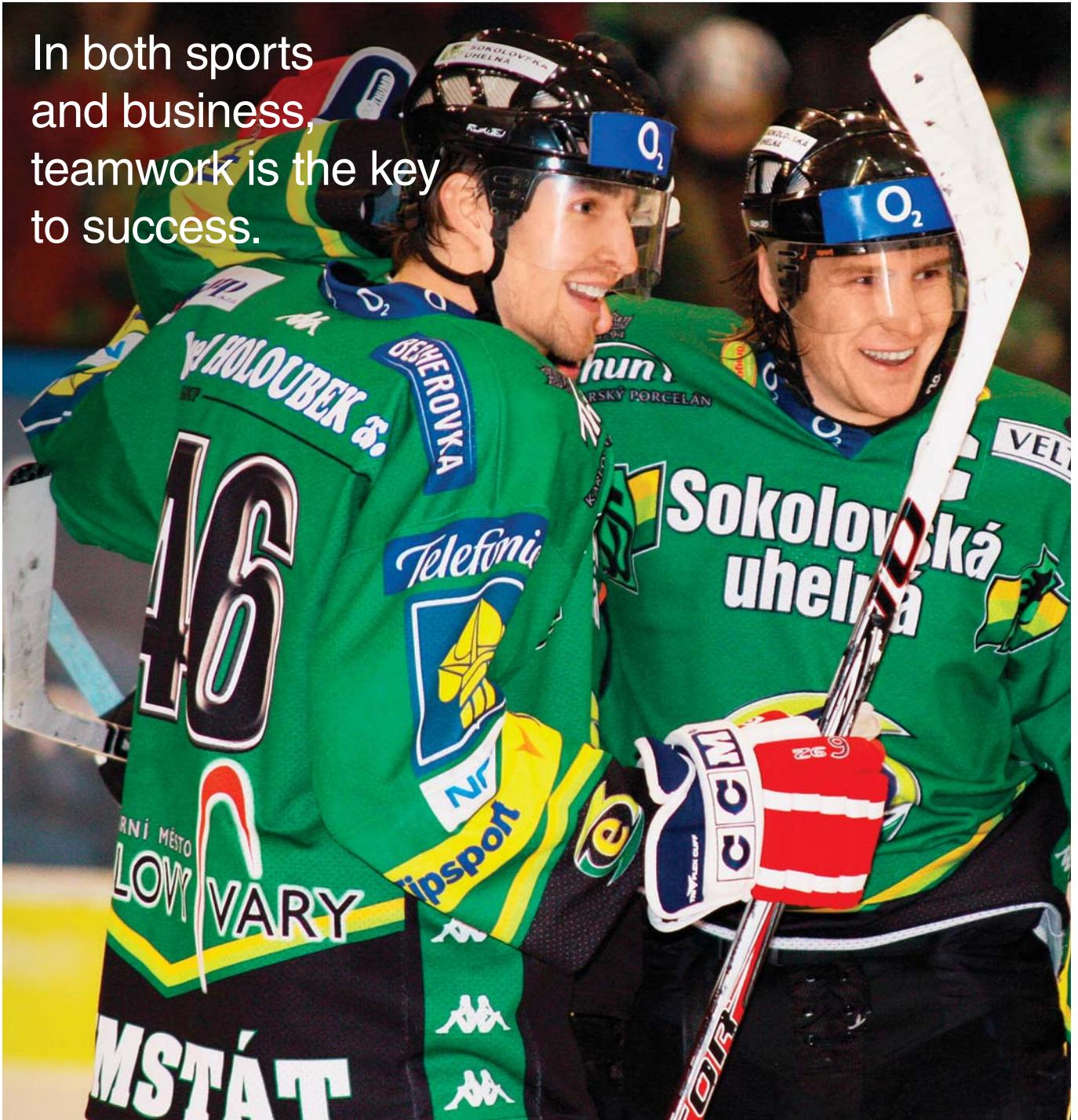


# Performance Report 2007

Sokolovská uhelná  
[www.suas.cz](http://www.suas.cz)

# SU

In both sports  
and business,  
teamwork is the key  
to success.





# Sokolovská uhelná



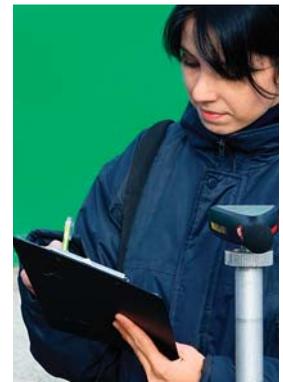


# An integral part of the region





Sokolovská uhelná is the biggest independent power producer in the Czech Republic. We are also the strongest player in the region's economy and its largest employer as well.

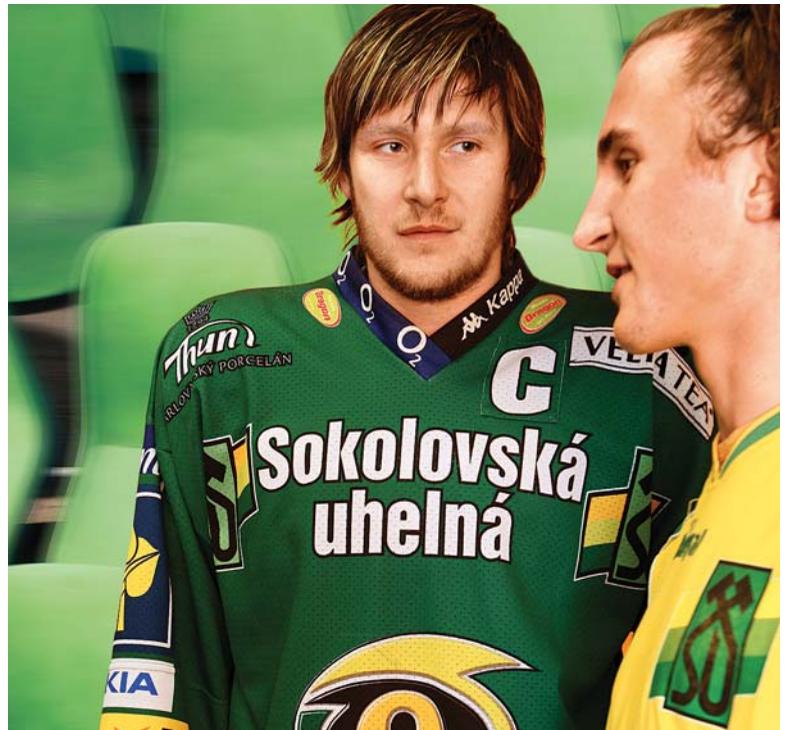


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As part of our responsibility for regional development, Sokolovská uhelná is a long-term initiator and supporter of social, sport, cultural, and educational activities.



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# Results at a Glance

	Units	2007	2006	2005	2004
<b>Production</b>					
Coal extracted	kt	10,273.5	10,329.2	10,307.1	10,081.1
Overburden extracted	m <sup>3</sup> thousands	29,572.4	29,230.6	32,684.0	32,191.0
Electricity – heat/power plant	GWh	1,688.8	1,607.3	1,698.2	1,633.2
Electricity – combined cycle power plant	GWh	1,804.4	1,821.4	1,899.7	1,791.0
Coal gas	m <sup>3</sup> millions	1,164.1	1,198.8	1,187.9	1,141.3
<b>Sales</b>					
Coal	kt	6,120.8	6,107.3	6,153.2	6,068.6
– of which, e.g.: sorted	kt	204.4	274.1	240.1	258.4
briquettes	kt	235.6	328.8	286.8	285.7
Electricity – heat/power plant	GWh	1,104.5	1,018.8	1,007.8	839.5
Electricity – combined cycle power plant	GWh	1,797.2	1,838.1	1,891.9	1,797.6
Heat	TJ	2,055.5	2,216.6	2,251.5	2,298.8
<b>Financial indicators</b>					
Revenues	CZK millions	9,006.4	8,373.8	7,437.0	7,172.2
Net income	CZK millions	1,558.7	1,168.6	533.3	551.4
Capital expenditure	CZK millions	839.3	685.3	555.8	808.0
Average number of employees	persons	4,686	4,739	4,888	5,194
Average monthly wage	CZK	25,513	23,472	21,125	20,000

# Important Moments 2007–2008

## 2007

January	Coal sales fall due to record-high winter temperatures
March	Auditors issue an unqualified opinion on the Company's 2006 financial statements Extraordinary General Meeting
April	New subsidiary, SOKOREST, s.r.o., a corporate cafeterias company, is established
June	Annual General Meeting Extraordinary event at Division Zpracování – combustion of pyrophoric sediments with subsequent explosion during cleaning of a Rectisol heat exchanger that had been taken out of service Termination of relationship with EUREST, spol. s r.o.
July	Fatal work-related accident at Division Družba
August	Bottom of pit flooded during a power outage at Division Družba Overhaul of Unit 1 of Combined Cycle Power Plant (CCPP) completed
September	Landslide at Jiří Mine
November	First lighting of burner on Utilization of Gasworks Liquid By-products (UGLB) project
December	2008 annex to Collective Agreement signed

## 2008

March	Auditors issue an unqualified opinion on the Company's 2007 financial statements
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# Letter

## from the Chairman

Dear business and regional partners of our company, dear co-workers:

It my pleasant duty to state that 2007, the year that we sum up in this report, was financially the most successful yet in the Company's 14-year history. These results are all the more valuable when we consider that they were achieved in a highly competitive business environment.

Our basic strategy is unchanged: to exploit the Sokolov Basin's brown coal reserves in a careful and considerate manner, and to convert them into forms of energy demanded by the market. During the entire process, we emphasize strict compliance with the latest environmental standards and mandates, particularly in view of our region's status as a spa and sanatorium care center.

In so doing, Sokolovská uhelná continues to respect the region's needs and meet standards of good corporate citizenship. While fulfilling our long-term vision, we dealt successfully with dynamic changes in our immediate environs and in the entire Karlovy Vary Region. Similarly, we coped with changes and influences ensuing from our activities within the Czech Republic, as well as impacts originating in the European Union and developments in global fuel and energy markets.

Our success in the face of these factors and influences is reflected in the financial results, which are extraordinarily good and give us cause to declare 2007 the most successful year in Company history to-date. Income before tax reached CZK 1,834 billion.

This result is not happenstance – it is the latest in a continuous series of similar earnings results in recent years. It is good news for the region and its residents, as well as for the wide range of companies that work with us.

An analysis of the positive and negative causes that, in total, brought about this striking accomplishment, confirms that our strong points prevail. Most importantly, they include a correctly focused and thoroughly implemented corporate strategy, continuous development of the professional potential of qualified Company employees, and effective exploitation of natural conditions.

Negative influences include, most significantly, certain natural anomalies that require constant attention, particularly in terms of occupational safety. This attention needs to be especially vigilant, because work crews are undergoing a generational shift as older employees retire and younger ones are hired to take their place, yet the specialized qualifications necessary make it impossible to add new employees flexibly from the market labor pool.

The positive and negative influences discussed above are long-term in character and we will continue to face them in future years as well. Trends in the European Union are another factor that will affect us more and more, albeit indirectly. We will have to continue to react flexibly to changes in the fuel and energy base, plant locations, and energy transport, as well as to stricter application of environmental perspectives.

One of these new factors is a change in the system of greenhouse gas emission allowances. The impact of these changes on the Czech Republic's economy and that of the entire European Union is beyond dispute.

In conclusion of this report on the successful year 2007, I would like to thank all the corporate partners whose constructive efforts supported us and express my confidence that our cooperation will continue at this level.

My sincere thanks also go out to all our Company's employees. They played a direct role in the excellent results of 2007 and I am confident that they will approach the challenges of 2008 with similar skill and dedication.



**František Štěpánek**  
Chairman of the Board of Directors  
Sokolovská uhelná, právní nástupce, a.s.



“In terms of income, 2007 was the most successful year in the Company’s 14-year history. We are not changing our strategy; as we mine the brown coal reserves of the Sokolov Basin, we fully respect the region’s spa and sanatorium industry. Social responsibility is a big priority for us.”

# People in the Management of Sokolovská uhelná

## Board of Directors



**František Štěpánek**

**Chairman of the Board of Directors  
and Chief Executive Officer**

Chairman of the Board of Directors  
of Golf Sokolov a.s.

Member of the Board of Directors  
of Sokolovská obchodní, a.s.

Member of the Supervisory Board  
of Coal Energy, a.s.

Graduate of Technical University  
of Ostrava,

Born in 1953,

28 years' mining experience;

Production Director in 1994–1999, and  
Member of the Board and CEO of

Sokolovská uhelná, a.s. since 1999,  
Chairman of the Board of Sokolovská

těžební, a.s. in 2002–2005, Chairman  
of the Board of Directors of Sokolovská

uhelná, a.s. in 2004–2005, Chairman  
of the Board of Directors of Sokolovská

uhelná, právní nástupce, a.s. since  
2005.



**Jaroslav Rokos**

**Vice Chairman of the Board  
of Directors and Finance Director**

Statutory representative  
of Malé Versailles, s.r.o.

Chairman of the Supervisory Board  
of FK Baník Sokolov a.s.

Member of the Supervisory Boards  
of Golf Sokolov a.s., SATER-  
CHODOV spol. s r.o., PRODECO a.s.

Graduate of University of Economics,  
Prague, and Prague International  
Business School,

Born in 1963,

23 years' mining experience;

Finance Director of Sokolovská  
uhelná, a.s. since 1995, Chairman

of the Supervisory Board of Sokolovská  
těžební, a.s. in 2002–2005, Vice

Chairman of the Board of Directors  
of Sokolovská uhelná, a.s. in

2004–2005, Vice Chairman of the  
Board of Directors of Sokolovská

uhelná, právní nástupce, a.s. since 2005.



**Jiří Pöpperl**

**Member of the Board of Directors  
and Technology Director**

Member of the Board of Directors  
of Golf Sokolov a.s.

Member of the Sokolov Municipal  
Assembly

Graduate of the Technical University  
of Ostrava,

Born in 1956,

28 years' mining experience;

Technology Director of Sokolovská  
uhelná, a.s. since October 2004,

Member of the Board of Directors  
of Sokolovská uhelná, právní

nástupce, a.s. since 2005.



## Jiří Peterka

**Member of the Board of Directors  
and Production Director**

Graduate of Technical University of Ostrava,  
Born in 1949,  
33 years' mining experience;  
Production Director of Sokolovská uhelná, a.s. since 1999. Member of the Supervisory Board of Sokolovská uhelná, a.s. elected by the employees in 1994–2001. Member of the Board of Directors of Sokolovská uhelná, a.s. in 2004–2005, Member of the Board of Directors of Sokolovská uhelná, právní nástupce, a.s. since 2005.



## Jiří Radosta

**Member of the Board of Directors  
and Personnel Director**

Member of the Board of Directors of the Ohře River Valley Regional Economic Chamber

Graduate of University of Transport, Žilina,  
Born in 1948,  
35 years' mining experience;  
Personnel Director of Sokolovská uhelná, a.s. since 1994, Member of the Board of Directors of Sokolovská uhelná, a.s. in 2004–2005, Member of the Board of Directors of Sokolovská uhelná, právní nástupce, a.s. since 2005.

## Supervisory Board

### Miroslav Soural

#### Chairman of the Supervisory Board

Sales Director, Sokolovská uhelná, právní nástupce, a.s.  
Born in 1947

### Jan Smolka

#### Vice Chairman of the Supervisory Board

Member of the Supervisory Board elected  
by the employees  
Chairman of the Association of Labor Organizations  
of Sokolovská uhelná, právní nástupce, a.s.  
Born in 1949

## Members of the Supervisory Board

### Otokar Sojka

Private entrepreneur  
Born in 1947

### Josef Michalský

Head of the Office of the CEO of Sokolovská uhelná,  
právní nástupce, a.s.  
Born in 1948

### Jiří Selvička

Head of the Legal Section of Sokolovská uhelná,  
právní nástupce, a.s.  
Born in 1948

### Jiří Blažek

Member of the Supervisory Board elected by the employees  
Chairman of the Družba labor organization of Sokolovská uhelná,  
právní nástupce, a.s.  
Born in 1967

### Radovan Třešňák

Member of the Supervisory Board elected by the employees  
Chairman of the Zpracování labor organization of Sokolovská  
uhelná, právní nástupce, a.s.  
Born in 1954

### Zbyšek Klapka

Head of the Accounting Section of Sokolovská uhelná,  
právní nástupce, a.s.  
Born in 1964

### Luboš Vaněk

Deputy Minister of Industry and Trade of the Czech Republic  
Representative of the Ministry of Finance of the Czech Republic  
(under obligation from privatization of Sokolovská uhelná, a.s.)  
Born in 1964



## Senior Management

**František Štěpánek**  
Chief Executive Officer

**Jaroslav Rokos**  
Finance Director

**Jiří Pöpperl**  
Technology Director

**Jiří Peterka**  
Production Director

**Miroslav Soural**  
Sales Director

**Jiří Radosta**  
Personnel Director

**Alojz Neveděl**  
Director, Division Jiří

**František Kastl**  
Director, Division Družba

**Pavel Homola**  
Director, Division Zpracování

**Jan Smolka**  
Director, Division Služby

The organization structure is shown on page 53 of this report.

# Company Profile

Sokolovská uhelná, právní nástupce, a.s. is the smallest brown coal mining company in the Czech Republic. Thus, at the European level it is a rather small company. It mines and processes Sokolov coal from deposits in the western portion of the Podkrušnohorská area, which lies along the border with Germany.



Each year, the Company extracts approximately 10 million tons of brown coal. Of this amount, 6 million tons is sold in the Czech Republic and abroad. From the rest, the Company produces annually approximately 3,500 GWh of electricity and 250 thousand tons (kt) of briquettes, as well as supplying heat (2,000 TJ/year) to nearby industrial complexes and residential areas. Since the Company expanded its production facilities to include a 620 MW<sub>e</sub> combined cycle power plant, it has been a major electricity producer as well. Sales of electricity and heat account for over one half of the Company's total revenues.



Sokolovská uhelná, a.s. was established by the National Property Fund and first recorded in the Commercial Register on 1 January 1994. Privatization of the Company was completed in 2004 with the sale of the State's equity share, and today the Company is fully in private hands.

The Company's core products are electricity and heat, sorted and power generation coal, brown coal briquettes, and carbochemical products from the gasification of coal. As a complement to these core businesses, the Company engages in environmental activities focused primarily on reclaiming land affected by surface mining and waste processing and disposal.

The completion of the combined cycle power plant (1996), which generates "peak" electricity and fills out the plant portfolio of the Czech Republic Power System, represented a fundamental diversification of the Company's production program. Coal and electricity revenues are stable, making the Company resistant to market volatility.

For this, the Company is seen in a positive light in both Europe and across the globe. The Company's mining operations are located roughly in the center of the spa & sanatorium region of West Bohemia. This fact is given the utmost respect in view of the danger that our operations could impact the thermal springs in these spas, especially Karlovy Vary's, and is taken into account in clean-up and reclamation planning. Often, in the course of reclamation work, new biotopes and extensive landscape formations come into existence that are of more value than the original ones.

For a long time now, the Company has been investing in upgrading its extraction processes and processing technologies and making them more environmentally friendly. We have been recognized by regional, state, and international institutions for our use of environmentally-friendly technologies.

# Description of the Divisions

## Extraction Section

In what is now the mined-out western portion of the Sokolov brown coal belt, there used to be three brown coal seams, which bore the names (from lower to upper) Josef, Anežka and Antonín. In the eastern portion and in the Družba and Jiří mine areas, only two seams are developed: Josef and Antonín, the latter being lower than the former. The Josef seam is mostly inaccessible due to the mandate of protecting spa springs, as was proven in 1908 when hot, gas-bearing water of the Karlovy Vary type rushed into shafts and tunnels of the Marie mine situated on this seam. Following this event, the Sokolov Basin mine authority banned all mining in the eastern portion. What is more, the Josef seam is so deep that it is not accessible using open-pit mining techniques. For these reasons, brown coal is extracted exclusively from the Antonín seam, which is only 40 meters thick. The seam is mined by two separate operations, named Jiří and Družba, each of which is classified as a separate Company division.



## Division Jiří

Division Jiří mines coal using open-pit techniques from the youngest brown coal seam in the Sokolov region – the Antonín. Both overburden removal and extraction of coal from the seam itself are quite problematic, due to past underground mining operations on the seam: the Bedřich – Anna Mine in Jehličná (1895–1944), the Marie in Královské Poříčí (1889–1991), Vilém in Královské Poříčí (1910–1991), Jindřich in Lomnice (1919–1951) and Jiří (Kästner) in Lomnice (1923–1968).

Collapses of mined out underground spaces have made overlying sediments unstable, and this in turn destabilizes overburden cuts and causes problems when coal is extracted from the pits – fires have to be extinguished, timbering and masonry walls from legacy mineshafts and tunnels have to be removed and, to make matters worse, the choicest portions of the brown coal seam are missing, having been mined in the past by our forefathers. For these reasons, bucket excavators cannot be used and the miners have to rely on bucket-wheel excavators that are capable of selective extraction. The Jiří Mine is equipped with five UNEX KU 300 bucket-wheel excavators and a 1,400 mm-gauge trunk belt conveyor. The mining operation advances roughly 90-120 meters per year and is projected to end sometime around 2027 when the field is mined out. Extracted coal matter is crushed to the required grade and shipped to customers – i.e. to the Processing Section in Vřesová and, through the Tisová processing and sorting facility in Citice to the Tisová Power Station (ČEZ, a.s.) and other customers. Overlying sediments are mined using TC-1 and TC-2 technology complexes. The TC-2s each consist of a UNEX KU 800 bucket-wheel excavator, 1,800 mm-gauge trunk belt conveyor, and a ZP 6600 re-loading track vehicle, while the two smaller TC-1s are made up of a UNEX KU 300 bucket-wheel excavator, 1,400 or 1,600 mm-gauge trunk belt conveyor, and a ZP 2500 re-loading track vehicle. All overburden material is deposited on Jiří's in-mine spoilbank.

Division Jiří also operates the Horní Rozmyšl Rock Quarry. In 2007 this operation extracted 1,109,746 tons of granite, which is used to build roads, railways, drain fields, etc.



### Division Družba

The situation at Division Družba is similar to Division Jiří, as both divisions are mining the same coal seam (the Antonín), which is marked by legacy underground mining activities conducted in the past by a mine whose historical names reflect our country's history: Kaiser Mine (1907–1921), after the formation of Czechoslovakia renamed to Konkordie (1921–1946), renamed Truman, after liberation by the U.S. Army (1946–1949), once again renamed, after the Communists took power, to Svornost, the Czech word for “unity” (1949–1951) and then renamed again, for the last time, to Družba (1951–1955). And the division as a whole bears the name of that underground mine to this day. Both open-pit operations, Družba and Jiří, will face the problems associated with mining a non-virgin seam until the end of their lifetimes.

The Družba mine extracts coal in the Nové Sedlo extraction area. Coal reserves in this area will last approximately until 2036. The Družba mine is located in the protective zone of the Karlovy Vary spa natural curative springs, where a number of Government ordinances are in effect to protect these curative resources. This restricts how mining processes can be effected on the north banks of the Družba mine. For extraction of overburden and coal, the Družba mine is equipped with two Škoda K 800 machinery complexes, five UNEX KU 300 machinery complexes, and three Škoda E 2.5 shovel excavators. Extracted materials are conveyed using 1,435 mm-gauge rail and 1,200 mm- and 1,400 mm-gauge belt conveyors. Almost all overburden is conveyed by rail. Due to the geological location of the coal seam and the limited capacity of Družba mine's internal spoilbank, various combinations of technologies are used to convey extracted materials. All overburden and debris from the coal seam is dumped at one of four locations: the internal spoilbank of the former Medard–Libík mine using one Z 1650 re-loading

vehicle, the internal spoilbank of the Družba mine using one Z 1650 re-loading vehicle, the Smolnice external spoilbank using one ZD 2100 re-loading vehicle and one E 2.5 shovel excavator, and the eastern portion of the Jiří mine internal spoilbank using one ZD 2100 re-loading vehicle.

Through its Kolejová doprava (Rail Transport) and Vlečka (Rail Freight) sections, the Division is in charge of all rail transport and rail freight operations throughout Sokolovská uhelná.

The Rekultivace (Reclamation) section, now part of Division Družba, has existed since 1953. Originally a typical agricultural enterprise with extensive forestry operations, in the late 1980s the section changed its focus to mine reclamation using both technical and biological reclamation techniques. Following the shutdown of significantly loss-making operations, agricultural and forestry became a mere adjunct to the Company's main production program.

Large-scale construction/reclamation projects completed to-date include modifications to the area now occupied by the Michal Reservoir, a golf course near Dolní Rychnov, the Boden Reservoir, and the complete reclamation of the Velký Loket spoilbank – over 400 hectares.

One result of the restructuring of agricultural production is a Charolais beef cattle breeding program, established in 1993, which has become an integral part of the landscape around Sokolov and especially on land reclaimed from spoilbanks of our Company's former brown-coal mines. In addition, we also grow various grain and sugar beet crops, as well as operating pheasant and fallow-deer game preserves.



## Processing Section

The Processing Section's production program is focused on converting coal into value-added products, electricity and heat, which are produced in two plants: the heat/power plant and the combined cycle power plant (CCPP). The latter uses coal gas, produced by gasification of brown coal, as its primary fuel. In addition to the gasworks, the processing facility in Vřesová also includes the heat/power plant, a briquette plant, a wastewater treatment facility, and a facility for neutralizing emissions of various gases. The state-of-the-art combined cycle power plant was added in 1996.

### Division Zpracování

The Company's processing section is a complex of related industrial processes, including preparation and processing of raw materials, generation of steam, gasification of brown coal, purification of the resulting gas, processing and purification of by-products and waste, and, finally, utilization of the purified coal gas to produce electricity and heat.

In 2006, the Processing Section in Vřesová underwent a major reorganization. The former divisions Energetika and Tlaková plynárna were merged to form the new Division Zpracování, which is composed of the following three principal production processes:

- coal processing and briquette production,
- coal gasification,
- production of electricity and heat.

### Coal Processing and Briquette Production

The coal processing plant prepares coal charge for production of gas in the gasworks and for use as fuel in the conventional heat/power plant. Coal charge is produced by pulverizing, drying, and sorting coal. The plant also produces briquettes from low-sulfur coal, which is pressed into briquettes without the use of adhesives. Wastewater from the coal pulverizing, coal drying, and briquette production processes is recovered, treated, and reused. The rougher coal sludges from the treatment process are dried and used as fuel, while the finer sludges resulting from flocculation are landfilled.



### Coal Gasification

Coal gas is produced by gasifying coal under high pressure. The process is based on LURGI high-pressure generators, purification of the resulting gas in a Rectisol selective scrubbing process – which also includes thermic liquidation of poor expansion gases and desulfurization of rich expansion gases – and a wastewater treatment process that removes phenols and ammonia, followed by secondary biological treatment. Currently we are adding a facility for gasification of carbochemical by-products – phenols and tars that are removed during coal gasification in the LURGI generators. The new facility will mitigate the environmental burden in areas both nearby and farther away from the plant, as well as providing another advantageous way to utilize raw coal material in the production of electricity. The new facility will also make up for the loss in coal gas production capacity that occurred when the coal mining operations moved into sections of the coal seam affected by legacy underground mining operations.

### Coal Gasification and Gas Purification Processes

After pulverization, brown coal from the Company's mines is pre-dried and sorted in the coal processing plant. The finer grains of coal are burned in the conventional heat/power plant, while the rougher component is used as coal charge in the gasworks. The gasworks in Vřesová has 26 LURGI sliding-bed generators fitted with state-of-the-art desulfurization and nitrogen oxide neutralization technologies. It produces 125 tons of medium heat-content gas per hour. The basic coal production technology remains unchanged, but compared to the previous town gas, today's purified coal gas has a higher CO<sub>2</sub> content (while town gas was 9–10% CO<sub>2</sub>, coal gas has 24–25%).

Coal gas is the primary fuel used at the combined cycle power plant. Pressurized to 2.7 MPa, coal is gasified using a mixture of oxygen and steam in 26 sliding-bed generators (LURGI). The resulting raw gas is purified via methanol scrubbing in a RECTISOL. The purified gas (coal gas) is the primary fuel used at the combined cycle power plant. Compared to natural gas, the gas obtained in this way has a lower combustibles content and approximately one third the calorific intensity.

The raw gas produced from coal by gasification is composed of hydrogen, methane, and CO (combustibles); water and carbon dioxide (inert components); and hydrogen sulfide, carbon disulfide, ammonia, benzines, tars, and phenols. The last group are all corrosive, poisonous or otherwise hazardous substances that are removed in the purification processes. The water and tar components condense following primary cooling. The tars are sold as a raw material for further chemical processing, and some of the tars are utilized as fuel in several heat/power plants. From the water phase, ammonia is obtained by distilling, phenols are obtained by extraction via butyl acetate, and wastewater is treated biologically by oxygen activation in two stages. Treated water is used in the process, for example in flocculation of ash matter. The RECTISOL selective scrubbing process removes from the gas benzines, 100% of hydrogen sulfide, certain organic compounds, and also vestiges of ash matter that could have an abrasive effect further in the process. Sulfuric acid (at 95% concentration) is obtained by processing the expansion gases from the RECTISOL process. Desulfurization is based on catalytic oxidation of hydrogen sulfide to produce sulfur trioxide and on subsequent condensation into sulfuric acid.

As the gas passing through the purification equipment is at a pressure of 2.1–2.5 MPa, it can be used in the gas turbine without further compression. After purification, the gas is practically sulfur-free and contains no nitrogen-bearing substances. This makes it very suitable as an environmentally-friendly fuel for firing in the power plant.



### Production of Electricity and Heat

Electricity and process steam for use elsewhere in the Processing Section are generated in two power plants that form part of Division Zpracování. The conventional heat/power plant, consisting of five boilers, each with nameplate steam output of 325 tons per hour, and four steam turbines, each with nameplate output of 55 MW<sub>e</sub>, fires primarily the finer grains of coal that fall through the sorting mesh used to prepare coal charge for the gasworks. The heat/power plant also fires gaseous by-products from the coal gas purification process. The heat produced is utilized in two ways. Some of the heat is utilized in the production process and the rest is distributed via district heating systems to residents in the surrounding area. The heat/power plant is fitted with state-of-the-art flue gas desulfurization (FGD) technology based on wet limestone scrubbing, with utilization of the resulting synthetic gypsum product in the production of construction materials. Last year, the scrubbing process was modified to ensure that the FGD process complies with stricter clean air regulations.

### Power Generation in the Combined Cycle Power Plant

The combined cycle power plant is a source of “clean” electricity, which is produced from gas obtained from coal via the gasification process.

The Vřesová combined cycle power plant consists of two identical generating units, each composed of:

- a gas turbine
- a waste heat boiler
- a steam turbine
- electrical equipment
- an Instrumentation & Control (I & C) system
- ancillary and shared equipment.

The base fuel used at the plant is coal gas obtained from the gasification process. Natural gas, which allows for rapid change in generating unit output, is used as a back-up fuel.

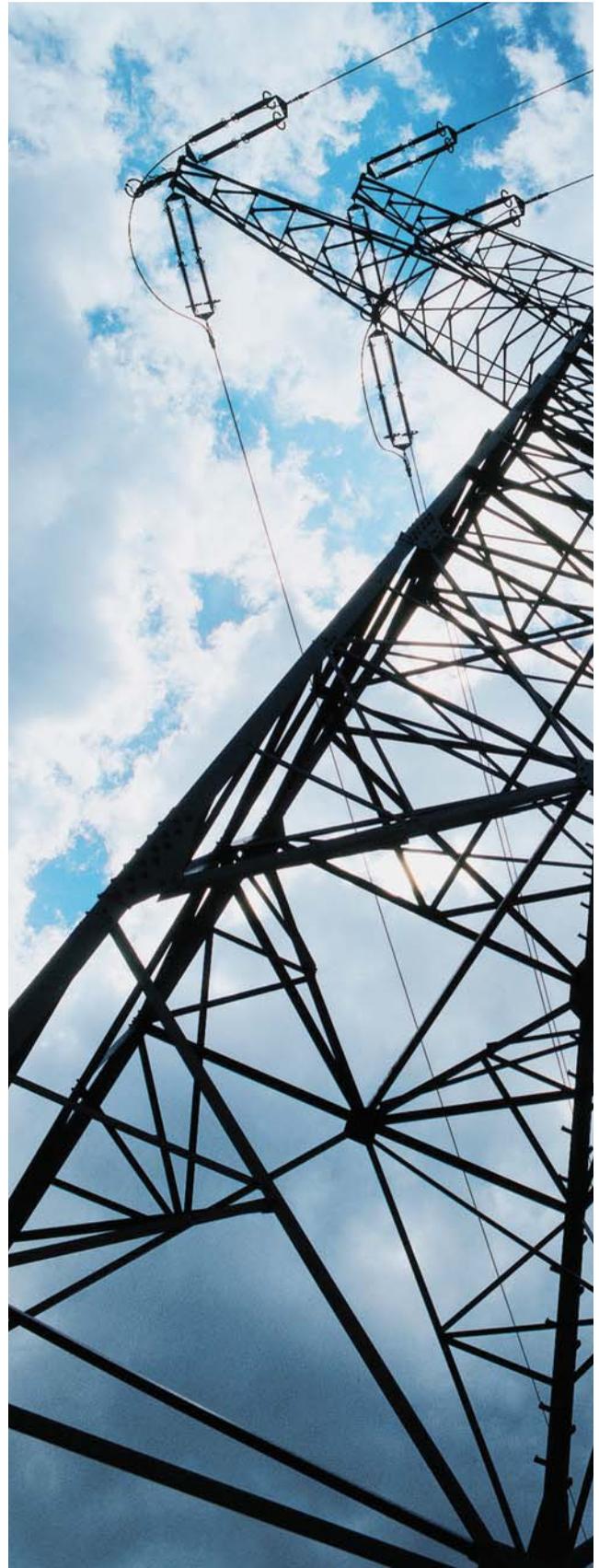
The plant's steam infrastructure is closely interconnected with the conventional heat/power plant in Vřesová. Steam from the CCPP can be supplied to the compound's steam network or, if needed, the CCPP can also use steam from the network. The combination of the two infrastructures creates a resilient, operationally reliable whole.

The plant's air emissions are minimized by qualities inherent in the fuels and processes used.

Division Zpracování also includes an extensive water management system for supplying and treating utility, cooling, flocculation, and potable water. The division is also in charge of wastewater discharge and landfilling of coal processing solid waste products.

Currently the Company is adding a facility for gasification of carbochemical by-products – phenols and tars that are removed during coal gasification in the LURGI generators. The new facility operates via gasification in a floating bed and its commissioning will mitigate the environmental burden in areas both nearby and farther away from the plant.

Further development of the Company and the operation of its power- and gas-production facilities in particular must be accompanied by systematic environmental improvements and utilization of clean coal technologies. That will enable the coal gasification process to continue until the Sokolov Basin's coal reserves are exhausted.



## Support Section

Division Služby is the second youngest Company division. Its various departments are responsible for the majority of service processes, each of which is important in some way for meeting the targets set for the production divisions.

### Division Služby

The division's operations are focused primarily on the following areas:

- maintenance of production equipment and technologies
- stocking
- process conveyance and personnel transport, including vehicle maintenance and shipping services
- telecommunication services
- building and facilities administration
- property security
- fire and rescue brigade

The division has fulfilled the mission for which it was formed, especially in the area of optimizing utilization of ancillary capacities. In the maintenance function, the entire operational maintenance department of the Company's Processing Section was integrated into the division, while other activities were moved out of the division or even outsourced entirely. All other ancillary processes were optimized – in particular, part of the process conveyance function transitioned to shift operation, expanding transport capacity to better serve the production divisions.

Central maintenance provides repair and maintenance services for production plant and equipment and all process technologies in both the Extraction Section and the Processing Section. This includes machinery complexes, trunk belt conveyors, diesel and electric locomotives, as well as certain categories of mine rolling stock and ancillary mechanization. It also sees to the maintenance of production equipment from coal processing and gasification to power generation equipment at both the heat/power plant and the CCPP.

The Truck Transport unit contains the Company's wheeled transport capacities and provides both process conveyance and transport of personnel to and from the mine areas. The unit also includes truck maintenance facilities, a truck wash, and an in-house tire repair shop.

Stocking is charged with providing logistical service within the Company, to both production and non-production functions. This service includes warehousing, managing inventories of materials, and operating the Company's in-house vehicle fueling stations.

The smallest unit of the Division – in terms of the number of employees, but not scope of services – is the Telecommunications unit, which operates and maintains the Company's telecommunication networks and telecommunication technology services, including radio networks.

Another integral part of the division's operations is building and facilities administration, which includes managing, repairing and maintaining buildings and other Company facilities, including recreational parks, boarding houses, and remaining Company apartments.

The Measurement & Regulation (M&R) unit sees to the operation, maintenance, and repair of all M&R devices and equipment, as well as operation of I&C systems in the Processing Section and the like.





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## Corporate

All white-collar activities of the Company take place in the various sections of Corporate, each of which is headed by one of the Company's directors. These include the CEO's section and sections answering to the Technology, Production, Finance, Sales, and Personnel directors, respectively.

In addition to its own affairs, the CEO's section looks after Company legal matters, oversees property management, IT, and the organization & management section.

The Technology Director's section is primarily involved in developing the production base, mine development, environmental issues, public tenders, and capital construction projects.

The Production Director's section coordinates production preparation and maintenance of plant and equipment. Its purview also includes measurement, geology, operation of laboratories, occupational health and safety, fire safety, and management of energy flows.

The Finance Director's section provides for bookkeeping and taxes, management of financial assets, financing, property insurance, operation of the Company savings bank, and financial planning. It is responsible for all financial aspects of Company operation.

The Sales Director's section sells solid fuels, energy, and chemical products, as well as dealing with marketing and promotion.

Personnel-related activities, payroll, training, and labor economy are managed by the Personnel Director's section.

# Board of Directors' Report on Company Financial Performance in 2007

## Business Environment

### Business Environment in the Coal Industry

Over 6,000,000 tons of solid fuels was sold in 2007. 92% of this volume was pulverized coal, while briquettes and sorted coal accounted for 4% and 3%, respectively. The remainder consisted of sales of multipowder.

Miroslav Soural  
Sales Director





Sokolovská uhelná's share of the solid fuels market was 21.01% (21.85% in pulverized coal, 7.21% in sorted coal). The Company maintained its stable position in sales of this commodity.

ČEZ, a.s. continues to be our largest business partner, purchasing 2.5 million tons of brown coal from us in 2007. As in previous years, last year we took an individualized approach to key contractual partners, and prices were negotiated primarily on the basis of purchasing volume and long-term contracts.

In 2007, we saw increased customer interest in Sokolov brown coal. This was probably caused by two factors. The first is a possible future shortage of brown coal in the Czech Republic resulting from uncertainty over whether or not current territorial limits on brown coal mining in North Bohemia will be extended. The second factor is that CO<sub>2</sub> emission limits were made stricter as of 1 January 2008, increasing demand for low-sulfur fuels.

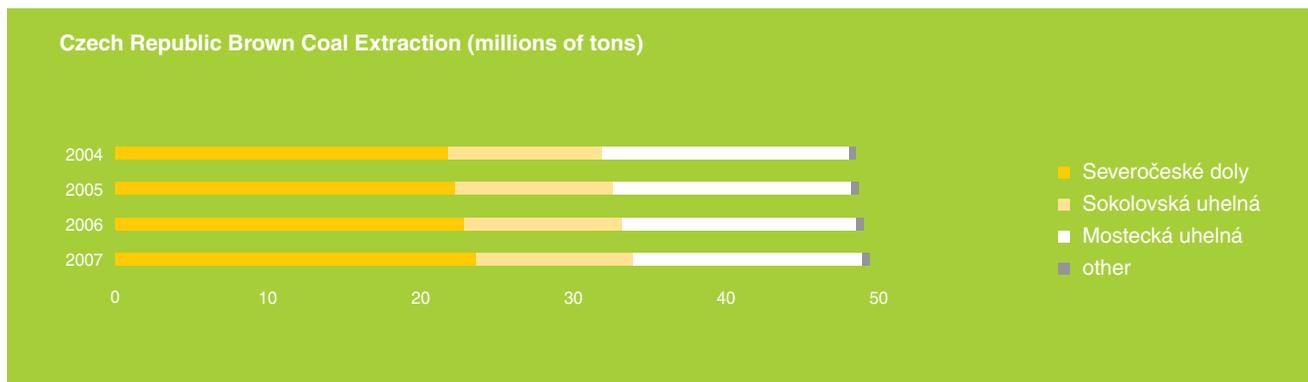
Coal prices are influenced by rising oil and natural gas prices. The price of brown coal for power production is largely determined by prices of electric power in Europe and the Czech Republic. In purchase contracts that contain them, escalation formulas for coal prices always include the electricity price index with an 80% weighting.



Since the bulk of briquette production is designated for export, total sales of this commodity were influenced, among other factors, by an ongoing price war in Germany between the two main producers there – Vattenfall and Rheinbraun. Other negative impact on prices in this area is the Czech currency's strength against the Euro.

Due to high prices of energy commodities (oil, gas, electricity), more and more customers are switching to dried pulverized brown coal, which Sokolovská uhelná produces as a by-product. Demand for this type of product in 2007 exceeded our Company's capacity and continues to grow.

Frequent Czech Rail track shutdowns in the southwest combined with delays and a shortage of rolling stock led to uneven availability of empty freight cars and imposed time limits on the operation of tracks leading out of the Sokolov Basin. This situation disrupted sales and contractual supplies of solid fuels to certain customers, primarily in the period when customers are preparing their heating appliances for the winter.



## Business Environment in the Power Industry

The structure of power plants and distribution grids saw no significant changes in 2007. In both production and distribution, ČEZ, a.s. reinforced its dominant position and role in the domestic market.

The Czech Republic power industry, fully liberalized in terms of legislation, faced the same problems as those seen in other European Union countries with similarly structured power industries. In particular, these problems relate to the division of spheres of interest between dominant market players. Prices were dictated by demand for electricity in markets to the south and east of the Czech Republic (i.e. Slovakia, Hungary, the Balkans) and not by market competition. The pace of price growth rose after trading began on the Prague Energy Exchange (PXE), which contributed significantly to price harmonization between the Czech and German markets. The commencement of trading on the PXE also brought higher transparency to the price levels of the various commodities traded there. Changes to legislation governing how the deviation clearing price is set had an impact on price growth, especially in the short-term and spot markets. The new rules instituted a system that progressively increases the price, depending on the size of the deviation, and this increased demand on short-term and spot markets, causing prices there to grow. The new method for setting the deviation clearing price partially prevented "speculative export of deviations".

The impact of emission allowances on electricity prices was smaller, due primarily to the obvious oversupply of allowances.

The district heat industry – i.e. both production and distribution – continues to be State-regulated with regard to the natural monopoly of distribution with very limited potential for a market environment.

## Business Environment – Chemical Products

In terms of their origin and composition, our carbochemical products are unique in both the internal Czech Republic market and in other European countries as well. They arise in the process of brown coal gasification to make coal gas – the base fuel used to generate electricity in the combined cycle power plant. These products include phenol concentrate, which is supplied primarily to Germany as a raw material for producing pure phenolic substances, and brown coal generator tar, which sells well in the Czech Republic for use as fuel and as a reducing agent in the production of steel in blast furnaces. Elsewhere, similar products are produced exclusively from black coal and crude oil.

The Company also produces two purely chemical products, albeit in small volumes – sulfuric acid and liquid ammonia. In these commodities, the Company has held up under heavy competitive pressure from domestic and foreign producers alike. The products' very good qualitative parameters play a considerable role in our success in this segment.

Our business partners for sale of carbochemical products, ammonia, and sulfuric acid included both Czech and foreign firms (the latter primarily from Germany and Russia). Commercial relations with these partners are long-term in nature and at very good level, primarily thanks to our customer services and compliance with quality standards.



# Production and Sales

## Solid Fuels

In 2007, Sokolovská uhelná extracted 10,274 kilotons of coal – a volume comparable with recent years. Division Jiří accounted for 81% of that volume, while the remaining 19% was extracted by Division Družba.

In order to extract that much coal, it was necessary to remove 29,572,000 m<sup>3</sup> of overlying matter. Division Jiří's share in this amount was 70% and Division Družba accounted for 30%. Compared to 2006, overburden extraction volume remained at a comparable level.

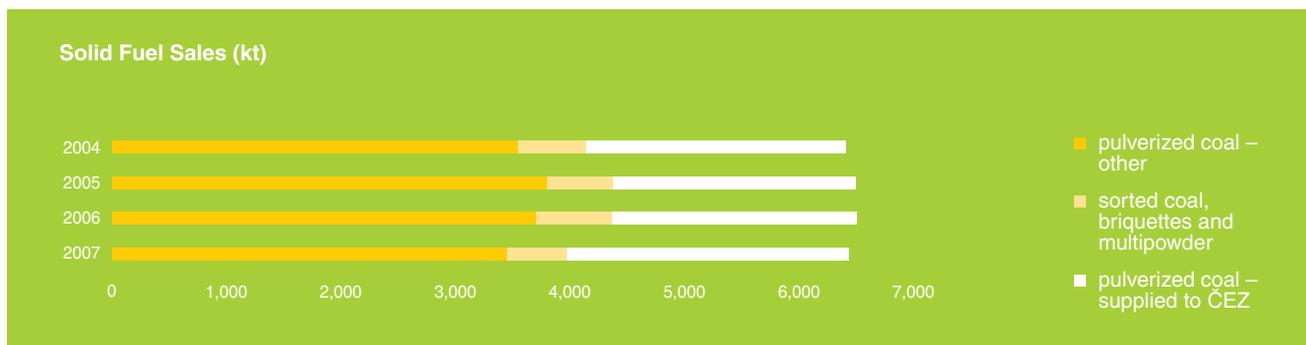
A portion of the coal extracted is converted into briquettes. In 2007, 247 kt of briquettes was produced, i.e. 29% less than in the previous year. Of this amount, packaged briquettes, which are still very popular, accounted for 8%.

2007 was a breakthrough year in pulverized coal sales. For the first time in the Company's recent history, customer demand for this fuel reached the level called for in the business plan and as early as mid-year it was clear that the target would be exceeded by a large margin, despite unfavorable weather conditions in the first quarter.

Fulfillment of the ČEZ purchasing plan for Mělník Power Station (in the period January – July) and running of the Tisová Power Station at full capacity brought about a 333 kt increase in sales volume. At the same time, these developments foretold difficulties for customers who failed to stock up in the summer in view of 4th quarter shortages that were expected and have become a veritable tradition.

This situation came to pass and a number of heat/power plants and industrial customers were in direct danger of shutdown due to insufficient coal supplies. This was due primarily to an exacerbation of difficulties with transporting fuels by traincar.

For these reasons, supplies from October to year end were managed on a day-by-day basis, with priority given to customers in greatest danger of shutting down.





Net brown coal extraction volume in the Czech Republic reached 48.9 million tons in 2007, a level comparable to the one reached in 2006 (48.6 million tons).

Jiří Peterka  
Production Director

A starkly contrasting situation prevailed in sales of sorted coal and briquettes. Record warm winter temperatures practically eliminated the heating season and the first quarter, which traditionally has the strongest sales, turned out to be the weakest quarter of the year. The situation didn't stabilize until September, and late-year sales did match those of previous years. The market recovered as winter began, driven by expectations of higher prices and the introduction of an environmental tax on solid fuels following the New Year.

In terms of sales results for these commodities, 2007 was problem-free, with no hectic periods or runs on these fuels, including packaged briquettes.

As production facilities were run under full capacity up until late in the third quarter, we worked closely with customers to coordinate their orders with regard to production efficiency. Instead of being dictated by delivery date, different grades of sorted coal were loaded and shipped according to the current situation in the

sorting plant. The briquette operation was also modified to ensure customer purchasing volumes were smooth and to avoid irregularities in production.

Sales were down both at home and abroad, across all solid fuel customer segments. As for the present higher fuel prices and the introduction of the environmental tax, it is still too early to analyze their impact on demand.

Sales of multipowder in 2007 totaled 80 kt. This level was sufficient for implementation of the Intensification of Multipowder Production project, which was completed in 2007. The increase in sales compared to 2006 was evenly distributed, with both domestic sales and exports up 7 kt each, confirming that demand for this product, which used to be treated as waste, has stabilized.

A total of 6,436 kt of solid fuels was sold in 2007. Almost 92% of this amount was pulverized coal, while briquettes and sorted fuel accounted for 4% and 3%, respectively. The remaining 1% was attributable to multipowder sales.

**Production of Electricity**

The CCPP produced 1,804 GWh of electricity last year. Compared to 2006, production remained at the same level.

The heat/power plant generated 1,689 GWh of electricity in 2007. This was 5% higher than in the previous year.

**Supplies of Electricity**

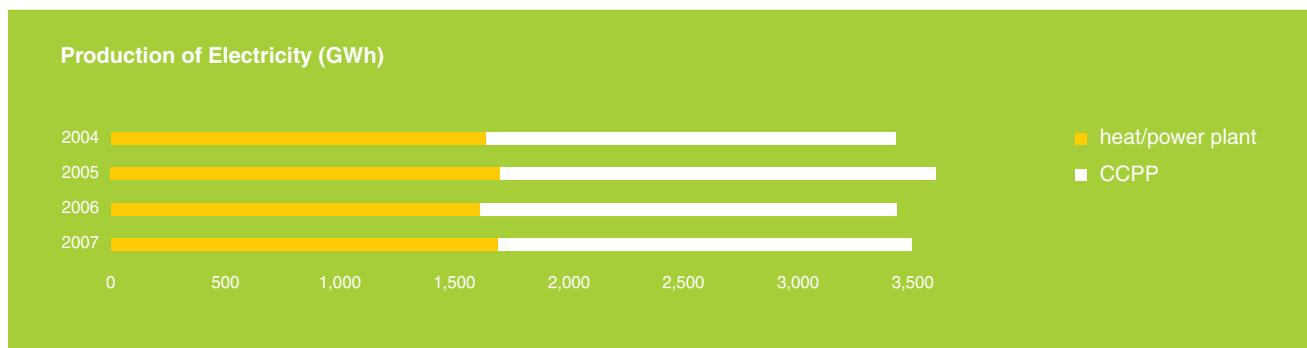
In 2007, Sokolovská uhelná supplied electricity in the "seller responsible for deviation" regime. In terms of structure, supplies fell into one of three categories:

- Electric power supplied to buyers in the wholesale market (supplies subject to registration in the information system run by the Czech Republic market operator).
- Regulation energy and regulation work supplied and/or used to activate these supplies. Regulation work was supplied exclusively to ČEPS a. s. in the form of ancillary services.
- Supplies to end consumers, who receive electricity through their own distribution grid.

The resulting electric power supply diagram was designed to maximize utilization of the Company's own fuel resources. Low levels of utilization of reserved regulation capacity and higher prices for regulation work led us to assume that the bulk of regulation energy would be produced from fuel obtained from external sources.

Of the total of 3,014.4 GWh of work supplied, 2,901.7 GWh was generated in-house: i.e. 1,104.5 GWh from the heat/power plant and 1,797.2 GWh from the CCPP. Wholesale supplies under long-term bilateral contracts accounted for 89% of the total 2,973.7 GWh of electric power sold. Direct supplies to end consumers accounted for 8.6% and short-term contracts entered into mainly on spot markets (including positive deviations) reached 2.4%. In addition to supplies of electric power, 40.6 GWh of regulation work was supplied to activate regulation capacities.

The business plan for supplies of regulation work in the form of ancillary services for ČEPS was fulfilled at 128.4% with a relatively high proportion of contracts entered into on spot and short-term markets. In year-on-year terms, regulation work revenues increased by 5.9% while reserved regulation capacity fell by 8.4%.





### Production and Sale of Heat

Production of heat totaled 29,568 TJ. Thermal energy arises as a by-product of electricity generation. 2,055 TJ of heat was supplied to nearby industrial enterprises and district heating networks. Major heat customers include, in particular, the cities of Karlovy Vary, Chodov, Nejdek, and Nové Sedlo.

### Coal Gas and Carbochemical Products

Carbochemical production volume is dependent on production of the base fuel of the combined cycle power plant – coal gas – via gasification of coal. The total volume of coal gas production in 2007 was 1,164.1 million m<sup>3</sup>, which is 34.7 million m<sup>3</sup> less than in 2006. The CCPP's fuel requirement to reach the above electricity production and sales volume was met fully by coal gas with one exception – in late November coal gas production fell due to processing of coal charge that was unsuitable for gasification. The CCPP fired natural gas to overcome the shortfall.

The 2007 sales plan for carbochemical products was exceeded in nearly all commodities. The only exception was sulfuric acid, where the sales plan was met at 93%. This was caused by replacement of a WSA boiler in the first quarter.

Brown coal generator tar – 92.5 kt was shipped to customers, down 6.6 kt from 2006. The difference is given primarily by the sell-off, in 2006, of tar reserves set aside for the planned but not realized operation of a new burner generator; as a result, shipping volume exceeded production volume in that year. In 2007, tar sales were in line with production and were also affected by a non-operating burner generator (1.7 kt was processed during a brief trial of the unit).

Phenol concentrate – 14 kt was produced and supplied, a level comparable with the previous year's. All of production was shipped – 10 kt to Germany and the remainder to the domestic company DEZA in Valašské Meziříčí.

Liquid ammonia – sales were down slightly from 2006, with 7 kt being supplied to customers mainly in the Czech Republic. Like phenol concentrate, the level of production is in line with coal gas output.

Sulfuric acid – the amount shipped was nearly the same as in 2006 – a total of 17 kt. Production of this commodity is not dependent on coal gas production, but rather on the sulfur content of coal gasified in the gasworks.

# Earnings Analysis



In 2007, Sokolovská uhelná, právní nástupce, a.s. posted record net income of CZK 1.559 billion. Earnings before tax totaled CZK 1.834 billion. The above results were achieved on revenues of CZK 11.7 billion and expenses of CZK 10.1 billion.

Jaroslav Rokos  
Finance Director

## Revenues

Sales of the Company's own goods and services, totaling CZK 9.0 billion, accounted for nearly 77% of total revenues. In 2006, sales revenues totaled CZK 8.4 billion. The largest component was sales of energy, at CZK 4.4 billion. Sales of solid fuels, including transportation fees, reached a total of CZK 3.6 billion. As the above facts indicate, we are succeeding in our objective of converting a substantial portion of our coal into value-added forms of energy, at or near the extraction sites. Revenues from sale of merchandise totaled CZK 57 million.

Sales of energy were dominated by sales of electricity and related services at CZK 4.1 billion (2006: CZK 3.6 billion), while heat sales were at CZK 0.3 billion. Electricity revenues comprised the following: combined cycle power plant 54.9%, heat/power plant 30.5%, and electricity services 14.6%.

Coal sales, at CZK 2.7 billion, accounted for the bulk of solid fuels sales revenues. CZK 0.4 billion was generated by sales of briquettes. Compared to the previous year, sales of solid fuels were up 1.9%.



#### Sales of Own Products and Services, 2007 (%)



The Company had the following additional revenues: sales of chemical products CZK 0.6 billion, and sales of other products (agricultural products, rock, etc.) CZK 80.3 million. Last year the revenues generated by these operations totaled CZK 69.9 million.

Ancillary service revenues, at CZK 0.7 billion, consist in particular of solid fuel haulage fees, clean-up of a tar sludge dump site, hazardous waste disposal services, and company cafeteria services. The level was the same as in 2006.

Other revenues included CZK 0.1 billion for capitalization of materials and fixed assets, with capitalization of refurbished spare parts accounting for a significant portion thereof. The Company also sold some of its assets and materials inventories – primarily surplus real estate, machinery and equipment. These sales generated proceeds of CZK 78.1 million.

Other operating revenues, at over CZK 0.4 billion, were dominated by clearing of CO<sub>2</sub> emission allowances at nearly CZK 0.4 billion.

Financial revenues totaled CZK 2 billion and consisted of sales of securities, interest on deposits, and revenues from short-term financial assets.

## Expenses

The principal components of expenses are: cost of materials, energy and externally purchased services (CZK 3.7 billion), personnel costs (CZK 2.1 billion), and depreciation and amortization (CZK 1.0 billion).

Consumption of energy and gases totaled CZK 0.4 billion. This figure was influenced in particular by consumption of natural gas in the amount of CZK 0.16 billion as well as consumption of other gases (oxygen, nitrogen, and air) at CZK 0.15 billion. Purchase of electricity for resale totaled CZK 53.5 million.

Consumption of materials totaled CZK 1 billion, remaining at the same level as last year. The main types of material consumed were spare parts and materials (such as diesel fuel) used in equipment operation.

Repair expenses totaled CZK 0.6 billion. The most significant repairs in 2007 were that of a shovel excavator at Division Jiří, repairs of locomotives at Division Družba and equipment repairs at Division Zpracování.

Expenses associated with transportation and other services totaled CZK 1.7 billion. Solid fuels shipping costs accounted for the bulk of this figure. Other components include expenses related to purchasing of process gases, rent, company cafeteria costs, promotional expenses, advertising, and security guard expenses.

Total personnel expenses exceeded CZK 2.1 billion, and wages accounted for CZK 1.5 billion of the total. Related social security and health insurance expenses reached CZK 0.6 billion. The average monthly wage grew to CZK 25,513.

Taxes and fees reached CZK 0.1 billion. These include primarily amounts paid on minerals extracted and mining areas used, water and air pollution fees, land appropriation fees, and real estate taxes.

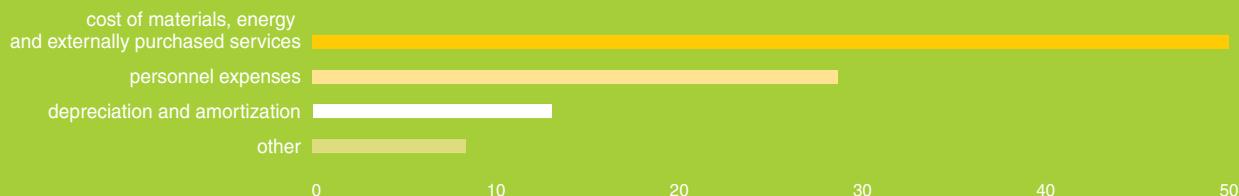
Other expenses totaled CZK 0.6 billion in the year in question and the largest component was CO<sub>2</sub> emission allowances, at CZK 0.4 billion (simultaneously recognized in operating revenues) and insurance premiums (CZK 0.1 billion).

Depreciation and amortization charges totaled CZK 1 billion.

Creation of provisions and impairment allowances in 2007 exceeded use/clearance thereof by CZK 0.2 billion. The most significant items were: (a) creation and use/clearance of statutory provisions for repairs, clean-up and reclamation; and (b) creation and reversal of impairment charges on assets.

The Company's financial expenses totaled CZK 2 billion. These consisted primarily of the acquisition cost of securities sold, and interest expenses.

### Operating Expenses in 2007 (% , not including CO<sub>2</sub> emission allowances)



# Structure of Assets and Sources of Financing

## Company Assets at 31 December 2007 (CZK billions):

Fixed assets	9.7
Current assets, prepayments and accruals	6.7
Total	16.4

Fixed assets consist primarily of property, plant and equipment with a book value of CZK 9.3 billion. The most significant components of property, plant and equipment are machinery and equipment (CZK 4.2 billion), buildings and structures (CZK 3.9 billion), capital projects in course of construction, including advance payments (CZK 0.8 billion), and land (CZK 0.4 billion).

The Company holds CZK 0.4 billion in long-term financial assets, including nine subsidiaries and five associates (see Notes to Financial Statements).

Current assets consist of inventory, long- and short-term receivables, and short-term financial assets.

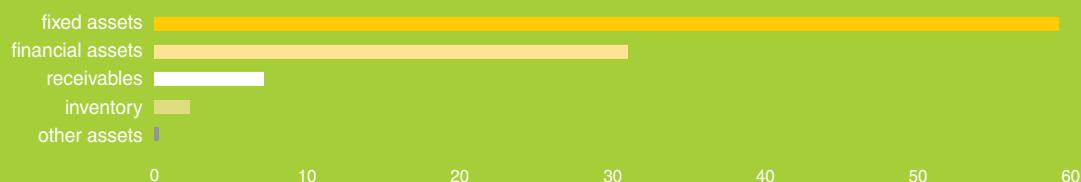
At year end 2007, inventory totaled CZK 0.4 billion and it consisted primarily of materials and spare parts necessary to keep mining and production plant in working order, as well as inventories of the Company's own products (in particular, coal and rock dumps and agricultural products stored pending sale).

Receivables (gross) as of 31 December 2007 totaled CZK 1.3 billion. These were subject to impairment allowances of CZK 121 million, or 9.3% of the total receivables face value. In particular, these are older receivables for coal sales before the year 2000, receivables from companies in bankruptcy, and receivables on which court proceedings are pending.

Short-term financial assets totaled CZK 5.1 billion and during 2007 they served to finance the Company's operational and capital construction needs and to meet its financial obligations.

Prepayments and accruals consist mainly of estimated items and accruals used to implement the revenue recognition principle.

## Structure of Assets as of 31 December 2007 (%)



## Structure of Fixed Assets as of 31 December 2007 (%)



**Equity and Liabilities as of 31 December 2007 (CZK billions):**

Equity	8.2
Liabilities	8.2
Total	16.4

As of 31 December 2007, the Company's share capital was CZK 2 million and consisted of 20 registered shares in documentary form, each with a face value of CZK 100,000. The shares are fully paid in. In accordance with Article 8 of the Articles of Association, the shares are transferable only with the prior consent of the Board of Directors. Share transferability is further limited in that the Company's other shareholders have the right of first refusal.

As of 31 December 2007, the statutory reserve fund had a balance of CZK 0.4 million. The fund is set up and maintained in accordance with the Articles of Association. The Company contributed CZK 30 million to the social fund, up CZK 5 million from 2006's contribution. The fund's year-end balance was CZK 10 million. Employees utilize the fund to help defray costs of meals at Company cafeterias, recreational sojourns, healthcare devices not covered by health insurance, children's recreation, and cultural and social events.

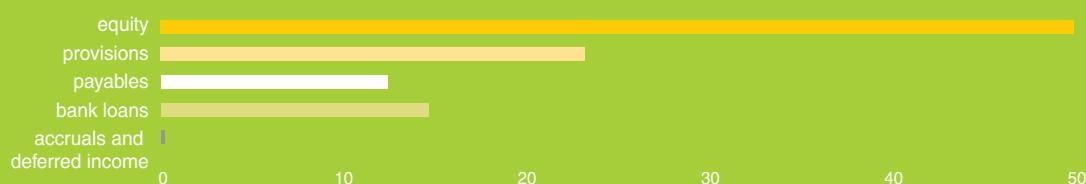
Profit brought forward reached CZK 6.6 billion. Earnings for the current accounting period totaled CZK 1.6 billion.

As of 31 December 2007, the Company carried provisions totalling CZK 3.8 billion. Statutory provisions (CZK 3.6 billion) form a substantial portion – these are provisions for clean-up and reclamation of land affected by mining as well as a provision for repairs of plant and equipment extensive enough that, should this provision not be made, they would have a material impact on the Company's earnings in the year they are effected.

Long-term payables, at CZK 0.7 billion, consist almost exclusively of deferred tax liability. Short-term payables totaled CZK 1.4 billion and consisted of trade payables (CZK 0.8 billion) among other items. None of the trade payables were past due. Other material items include December wages payable to employees, related social security levies payable and employee deposits in the Company savings bank.

Throughout 2007, Sokolovská uhelná met all its obligations to the State, banks, employees, and business partners on time and in full.

Bank loans at 31 December 2007 had an aggregate balance of CZK 2.4 billion. They consisted of a restructuring loan which matures at the end of 2013. No new loans were drawn during the year.

**Structure of Equity and Liabilities as of 31 December 2007 (%)**

Inventories reached CZK 0.4 billion at year end 2007. They consist primarily of materials and spare parts necessary to keep extraction and production plant and equipment in operation, as well as inventories of the Company's own products.



## Capital Construction

A number of capital expenditure projects were implemented in 2007, in accordance with the assets renewal plan, to develop both the Processing and Extraction Sections. The total amount invested in these projects neared CZK 0.9 billion.



One significant project in the Processing Section was Utilization of Gasworks Liquid By-products. The project's core technology is a new "fission reactor" which will break down liquid by-products from the current process of coal gasification in sliding-bed generators. When the project is completed and the liquid by-products are utilized, the resulting additional production of coal gas will balance overall coal gas production given the change in coal charge quality. It will also eliminate risks associated with future sales of these by-products.

The contractor was unable to commission the project and Sokolovská uhelná withdrew from the contract on 21 January 2007. During 2007, a team of Sokolovská uhelná worked to

commission the facility in cooperation with key subcontractors and a licensor. Tar gasification began in November 2007 and in 2008 we plan to complete comprehensive testing and commence trial operation.

Another major initiative at the Processing Section is a series of projects designed to address a change in the system for disposing of generator slag, power generation fly ash and fine coal substances. In 2007 we completed Phase III of the project "Re-depositing of Electricity Generation By-products, Phases I – IV", as well as the project "Renovation of Dragline Stations I and II". The project "Utilization of Fine Coal Matter from the Settling Pond" reached the preparation phase.



One of the key capital expenditure projects implemented by the Company's Extraction Section in 2007 was entitled Ensuring Quality of Discharged Minewater.

Jiří Pöpperl  
Technology Director

The Processing Section also completed an upgrade of the combined cycle power plant's I & C system. Work also continued on the projects "M&R Innovation at Division Zpracování" and "Innovation of Gas Cooling", completion of which is planned for 2010. Work also continued on the Rectisol Intensification project, the last phase of which will be completed in 2009.

Key projects at the Company's Extraction Section in 2007 included Quality of Discharged Mine Water, which was completed in 2007. The projects "Additions to Extraction Plant and Equipment" and "Additions to Extraction Plant and Equipment – KU 300/19" will be completed in 2008.

Furthermore, Divisions Družba and Jiří implemented belt conveyor, power line, track, and catenary extension projects that are repeated every year.

Another area of capital expenditure significant for implementing Company tasks was small-scale machinery and vehicles, with expenditures of CZK 0.1 billion for the year.



## Work Force

The Company's performance in revenues from sales of own goods and services were reflected in employee earnings as well. The average monthly wage grew 8.7% to CZK 25,513. Labor productivity increased by 9.9%. Thus, labor productivity grew at a faster rate than the average employee wage, something that we consider a long-term strategic guarantee of prosperity. The Company allocated CZK 30 million to the social fund to cover employee social needs. This met and, in the case of employee earnings, exceeded the Company Collective Agreement.

During the course of 2007, 271 new employees joined the Company – 30 employees more than in the previous year. On the other hand, 289 employees left the Company. The average adjusted number of employees for the past year was 4,686 persons, down 53 from 2006. Thus, work force reductions almost came to a halt. Many of the new hires filled positions in production and maintenance professions. Recruiting efforts extend even to recent school graduates. In the framework of our long-term cooperation with the Sokolov Integrated Secondary School of Technology and Business, future employees are selected even before graduation, during their internship period, part of which is spent at Company work sites. Professions such as bus and truck drivers are hired on the labor market. To fill unique mining positions, the Company develops its own talent in-house. During the year in question, a course for mine rail engine operators was organized. Mine equipment operators and welders are trained in similar fashion. A group of employees being trained to oversee compliance with mining regulation began a work-study program at the Secondary Industrial Mining School in Příbram to obtain the necessary qualification.







Our long-term cooperation with secondary schools enables the Company to successfully recruit young, qualified professionals. At the same time, some of our existing employees are developing their qualifications by studying at the Industrial School of Mining or by attending specialized training courses.

Jiří Radosta  
Personnel Director





The Company meets its obligation to provide employee preventive healthcare in compliance with relevant standards. Our dedication to employee healthcare was reflected in the sickness and injury absence rate of 4.86% of hours worked, the second best result in Company history for this indicator. Voluntary preventive flu vaccinations given to 760 employees helped to achieve this admirable result. Another way we care for our employees' health is by allowing them to use the social fund to meet their healthcare needs. Late last year, the Company completed the process of securing and financing new physical examinations for drivers of vehicles over 7.5 tons which is a new requirement under the Road Transportation Act to verify their fitness to carry on this activity. This was in compliance with a transitional provision in the Act.

For a long time now, the Company has provided meal services to its current and former employees through a network of Company cafeterias. In order to carry on this operation, Sokolovská uhelná set up a subsidiary, which at mid-year replaced the previous external supplier. During the first half-year of the new subsidiary's operations, the number of meals served to Company employees increased by 8.9% compared to the same period of the previous year.

In 2007, the Company's personnel function complied smoothly with the new Labor Code and other changes in Czech labor law. Late in the year it was necessary to begin preparing for more legislative changes brought by the Public Budgets Stabilization Act in the areas of taxes, health insurance, and social security. The Company is prepared for the changes.







## Environmental Stewardship

In October 2007, the Karlovy Vary Regional Authority issued an integrated permit for Sokolovská uhelná. This permit sets forth binding conditions for operation of plant and equipment in the Company's Processing Section as well as procedures and measures to ensure compliance with these conditions:

- emission and discharge limits for pollutants released into the air and water, respectively
- maximum permitted amount of surface water use
- maximum permitted amount of wastewater discharge
- conditions for ensuring human and environmental health in waste management
- conditions for ensuring human, animal and environmental health, in particular: protection of air, soil, forests, underground and surface water, nature, and landscape
- other special conditions for protecting human and environmental health that the Authority determined were necessary with regard for local environmental conditions and technical description of plant and equipment
- conditions for economical utilization of raw materials and energy
- measures to prevent accidents and mitigate their potential consequences
- operating procedures and/or measures for situations differing from ordinary operating conditions
- procedures for monitoring emissions and transmissions
- procedures for evaluating compliance with the integrated permit



The capital construction project “Intensification of Heat/Power Plant Flue Gas Desulfurization” took place in July and August 2007. The project’s main objective is to increase the capacity of the desulfurization process itself, and thereby reduce emissions of sulfur dioxide down to 400 mg/m<sup>3</sup> to comply with a legislative order that took effect on 1 January 2008.

In the waste management area, we accomplished a substantial reduction in production of waste matter. Utilization of waste from the electricity generation operation and replacement of primary raw materials with electricity generation by-products is a trend that had a major impact on waste management and reduced the volume of waste produced by the power plants. Another factor contributing to lower waste volumes was the utilization of a system for returning certain products to sellers for recycling and reuse.

Mine water was conveyed from the Jiří – North and Lomnický Pit areas to the mine water treatment plant in Svatava. Concurrently,

we began preparations for enlarging the retention space near the Družba pit. Both of these projects will have a major positive effect on the environment, since mine waters from the Jiří – North site and the Družba pit are problematic in terms of water quality. Throughout 2007, heavy tar sludges were extracted and gasified as part of the clean-up of a legacy environmental burden (the Stará Chodovská heavy tar sludge dump). Environmental monitoring also continued in the scope ordered by the Karlovy Vary office of the Czech Inspectorate of the Environment. 8,620.14 tons of heavy tar sludge was extracted and gasified in 2007. Monitoring of boreholes in the vicinity of the dump site showed no contamination of soil and underground water in excess of stipulated limits.

Clean-up and reclamation work designed to eliminate the results of mining activity is an integral part of our environmental stewardship efforts.

**The following is a summary of Sokolovská uhelná reclamation efforts from the beginning of mining operations until the end of 2007:**

**On land affected by coal mining**

1. completed	3,101.09 hectares (33.52%)
2. in progress	2,656.51 hectares (28.72%)
3. planned	3,492.84 hectares (37.76%)

In total, the Company will reclaim 9,250.44 hectares of land affected by coal mining operations.

**On land affected by rock quarry operations**

1. completed	9.04 hectares (44.77%)
2. in progress	11.15 hectares (55.23%)

In total, the Company will reclaim 20.19 hectares of land affected by rock quarry operations.





Since the inception of Sokolovská uhelná in 1994, we have completed reclamation work on 1,168.71 hectares of land: 459.44 hectares of agricultural land, 560.62 hectares of forests, 72.15 hectares of man-made lakes, and 76.50 hectares reclaimed for other purposes.

Since reclamation work in the Sokolov region began in the 1950s, 3,110.13 hectares of reclamation has been completed. Of this total, 1,094.86 hectares has been transformed into farmland, 1,827.86 hectares into forests, 77.75 hectares into man-made lakes, and 109.66 hectares has been reclaimed for other uses.

In 2007, no new projects relating to clean-up of legacy environmental damage from before the privatization of the brown coal mining companies in the Ústí and Karlovy Vary Regions were submitted to the inter-Ministry committee organized by the Ministry of Industry and Trade for full financing (under Government Directive No. 50/2002 Sb.). Of the applications approved by the inter-Ministry committee in past years, none were commenced in 2007.

### Ongoing Reclamation Projects

- **At the Lítov – Boden** site situated between the towns of Chlum Sv. Máří and Lítov and the city of Habartov, reclamation work was completed in 2004 to turn the former Boden mine into a man-made lake for recreational use by residents of the city of Habartov and the surrounding area. In 2007, forestry work took place in the Boden – West forest reclamation area (70.43 hectares). This work consisted of supplemental tree planting, hoeing, weeding, and treating saplings to protect their bark from being chewed off by forest-dwelling animals. Another 97.40 hectares of forestry reclamation work funded by the Ministry of Finance continued at Lítov – North (phases II and III).
- **At the Medard-Libík** site, located between the towns of Citice, Bukovany, Svatava and the cities of Sokolov and Habartov, work continued on the Northern Section Phase I agricultural reclamation project. We also commenced Phase IV of the forest reclamation project near the town of Svatavy (101.13 hectares). Work also continued on reclamation projects funded by the Ministry of Finance, consisting of technical and biological reclamation of 469.16 hectares of forest land adjoining a future lake.
- **The former Michal mine**, southeast of the city of Sokolov, was backfilled in 1995, in accordance with the mine liquidation plan, and subsequently prepared for clean-up and reclamation. Currently, a 29-hectare body of water with an adjoining water park is in operation here during the summer months. It opened in 2004 and serves the entire Sokolov region. In 2007, forestry work went on in the western portion of the site on a land area of 13.89 hectares.
- **At the Silvestr** site, extending in a southerly direction from the city of Sokolov, 2007 saw work on Phase II.B of a 20.41-hectare forestry and agriculture reclamation project. Reclamation work funded by the Ministry of Finance of the Czech Republic (Phase II.A) also went forward on another 96.66 hectares.
- **At the Podkrušnohorská Spoilbank** site, located north of the City of Sokolov, dumping of overburden matter (brought in by belt conveyor from the Jiří Mine and by rail from Družba) was phased out in 2003. In 2007, forestry reclamation work (Phase II) continued on a land area of 110.60 hectares. Phases III, IV, V and VI of the reclamation project, funded by the Ministry of Finance of the Czech Republic, continued on a land area of 402.16 hectares.
- **At the Smolnice Spoilbank** site, reclamation work is ongoing between the city of Chodov and the town of Božičany, including the recreational area surrounding Lake Bílá Voda. In 2007, forestry work was ongoing here (Phases I and II) on a total land area of 124.99 hectares and technical reclamation work (Phase III/1) took place on 57.70 hectares.
- **At the Velký Loket Spoilbank** site situated in the eastern portion of the Sokolov Basin, between the city of Chodov and the town of Hory, 2007 saw completion of forestry reclamation on 25.20 hectares, thereby bringing all clean-up and reclamation work at this location to a successful conclusion.
- **At the Dasnice Rock Quarry**, technical reclamation work began on a land area of 11.15 hectares. In addition, 2007 saw supplemental reclamation work on 1.45 hectares of external spoilbank, the reclamation of which was originally completed in 1996.



## Public Relations

Sokolovská uhelná has completed yet another successful year in its history. The earnings result is not just proof that the Company has reinforced its position in the markets for brown coal and electricity. It also confirms that it is always better to look to the future than to give preference to near-term profit. Investments made in the past, along with related restructuring, brought the Company the stability it needs. Thanks to that stability, Sokolovská uhelná stands on a firm foundation, bringing social security to the Sokolov region and setting the stage for economic development.

Despite higher-than-average temperatures in 2007, sufficient funds were generated for continual clean-up and reclamation work on land affected by past mining activity.

Early in the year, the issue of "Lomnické pinkoviště" – a site in the way of the Jiří Mine's advance, and its fate in conjunction with brown coal mining – got a lot of media attention. There were calls for mining to be stopped and for this advance site to be conserved for biological protection reasons. The area's present form arose as a result of overlying sediment layers collapsing into tunnels of the former Jiří underground mine. In terms of collapses, this is still an active area whose stability is maintained, among other factors, by continuous management of underground water levels. As part of approval proceedings in 1999, the site underwent an assessment of the environmental impact of mining. On that basis, it was decided to transfer the site's fauna and some of its flora to a prepared substitute location, which has been developed since 1991 in the area of the Matyáš and Podkrušnohorská Spoilbanks. This is no experiment. In past decades, similar transfers have been effected in other parts of the mining area. These projects succeed thanks, among other factors, to Sokolovská uhelná's long-term cooperation with biologists of the University of South Bohemia and specialists from other well-known institutions.

Preservation of the current biodiversity and stability of the Lomnické pinkoviště area in the future is not possible without human assistance. Premature termination of mining activity would necessitate permanent pumping of mine water from the entire area, at enormous expense.

Over CZK 80 million was spent in 2007 on renewing landscape affected by brown coal mining in the Sokolov area. In addition to commencing new projects, work continued on long-term reclamation projects in the area from Habartov all the way to Nová Role.

The most important projects of 2007 included the newly commenced Phase VI of the Medard-Libík reclamation and Phase I of the reclamation of the former rock quarry in Dasnice. The project at the Smolnice Spoilbank entered another phase and Phase II of the reclamation of the former Silvestr Mine continued.

Renewal of landscape affected by brown coal mining is nothing new in the Sokolov region. A specialized landscape renewal unit has been a part of the Sokolov mines enterprise for over a half century now. Today, Sokolovská uhelná's reclamation work is one of the fundamental factors contributing to the ongoing radical transformation in the appearance of the whole region.

Sokolovská uhelná's specialists are finding new, scientific ways to process waste matter and new, practical uses for them. For example, we found an environmentally friendly use for thousands of tons of fly ash from the Processing Section's settling pond. Thanks to a major investment in a production line, what was once waste has become a valuable construction material.

Sokolovská uhelná has been investing in clean air technologies for a long time now. Upgrades such as the intensification of power plant flue gas desulfurization (FGD), have a distinctly positive impact in terms of reducing emissions, enabling us to meet even the strictest criteria in this area. In terms of the ratio of generation capacity to emissions, the Vřesová complex (including both power plants), is one of the cleanest coal generation facilities in the Czech Republic today. The combined cycle power plant is one of the most modern and most efficient facilities of its kind in Europe. Environmentally speaking, the older heat/power plant, which burns brown coal, is becoming slightly obsolete. However, the intensification of the FGD unit is making it possible for it to comply with ever-stricter standards up until the coal reserves are mined out in 2030.

The Company also repairs and maintains hiking trails. The "Velká podkrušnohorská Spoilbank" trail, complete with learning boards, is focused on geology, botany, zoology, ecology, and landscape reclamation. Sokolovská uhelná originally built the trail and in 2007 we financed an extensive renewal project and repaired the consequences of vandalism. The entire trail, which is roughly





3.2 km long, is now accessible once again, even to less physically fit hikers.

Extensive environmental investments are also directed toward water management in the region – from mine water purification to water utilized in the various industrial processes at the Processing Section in Vřesová. Water management is a key function and its problem-free operation is crucial for most of the Company's facilities to work.

Extraction of coal and its conversion into value-added forms of energy is always accompanied by negative impacts on the environment. Minimizing these impacts is an integral part of the Company's operations. This attitude of responsibility is one we will continue to take in the future as well.

For the general public, the most visible projects in 2007 were those that involved funding (CZK 78 million total) for sports, cultural, and social activities in the region's cities and towns.

With support from Sokolovská uhelná, the following events were held: the traditional Motocross World Championship series in Loket nad Ohří, the Czech Republic Cyclotrial Championship in Březová, Loket Summer of Opera, folk and Christmas concerts in Sokolov, and many others. Support from Sokolovská uhelná was a major benefit to Extra-league Ice Hockey in Karlovy Vary and Second League Football in Sokolov. The city's football stadium received new artificial turf with substantial support from Sokolovská uhelná, vastly improving the facility's quality and as a result, we are seeing Sokolov Stadium come into its own as a center of youth and adult football in the entire Region.

Children's activities focused on various areas of interest sponsored by Sokolovská uhelná, a labor union, and Golf Sokolov enabled the children of Sokolovská uhelná employees to start their golf career at no cost. The program has already attracted nearly 60 young players to the course. In this way, the original concept for the course, which the Company opened one year ago, is successfully developing. Youth sport is the top priority. Sokolovská uhelná also supported healthcare and social facilities, youth education and talent development, and education in general.

The Company as a whole can be described as a dynamic fuel-energy complex that continually strives to be perceived positively in the region.

The Company continued to meet its privatization obligations. After years of gradual reductions in the number of employees, their number has now stabilized and Sokolovská uhelná is still the largest employer in the Karlovy Vary Region.

# Business Strategy

Sokolovská uhelná is one of the largest corporations in the Karlovy Vary Region. Its core business continues to be the most effective utilization of its various extraction and processing technologies, built up in previous years and designed to extract coal and convert it into value-added forms of energy, electricity and heat in particular. In the course of 2008, we will add a new facility for utilization of liquid by-products in the Processing Section. This will be the last major innovation of the Company's plant and equipment for the near future.

Concurrently with our core production operations, Sokolovská uhelná will meet its obligations concerning mine decommissioning and reclamation of land affected by mining activity. At the same time, we will continue to invest in protecting the environment. Attention will thereby be focused both on further reducing the burden on the region's environment by maintaining low levels of pollution discharges into surface water and air emissions as well as by improving the environment through reclamation of spoilbanks and other areas impacted by the mining operations of the Company and its predecessor organizations.

More and more, the extraction operation will be negatively impacted by worsening mining conditions in both Sokolovská uhelná mines. The Jiří mine is entering areas previously mined by underground "long wall" techniques. Obtaining high-quality coal from these positions is difficult and expensive and will become even more so. The Družba mine is entering the deepest layers of the mine, where it must proceed with the utmost caution with regard to protecting the region's thermal springs. Any damage to them could have a negative impact on the entire spa and sanatorium industry in the area, and Karlovy Vary's in particular.

In the years to come, the Company will endeavor to reinforce its position as the largest independent power producer in the Czech Republic, emphasizing the provision of ancillary system services in the electricity market. At present, these services are already a standard component of our electricity revenues.



The Company's management is aware of Sokolovská uhelná's indispensable role in the region. With this in mind, all steps taken in the Company's development in the years to come will be taken in awareness that the Company is not only the largest and strongest economic entity in the Karlovy Vary Region, but its largest employer as well. However, we can only meet our obligations to the region if we are permitted to mine out all extractable coal reserves. Sokolovská uhelná's future extraction plans fully respect Government Directive No. 490/91 of 27 November 1991, which set environmental limits on brown coal mining in the Sokolov region. Unlike the brown coal mining companies in North Bohemia, then, in our case no fundamental restrictions are on the horizon, provided the already stipulated obligations are met.

On the other hand, we must realize that active coal mining the Sokolov Basin will continue only for a relatively short time. If we disregard the decline in extraction volumes immediately prior to decommissioning, Sokolovská uhelná has approximately twenty years of mining left. During this time, it will be necessary to create sufficient conditions and funds to clean up, reclaim, and revitalize the entire area affected by mining activity, as well as to reinvent the Company and refocus it on new business activities. Since all of Sokolovská uhelná's operations take place within the so-called "spa triangle", one obvious option for future business initiatives is services related to tourism, recreation, and the spa and sanatorium industry. At the same time, this should entail a return to nature after a long period defined by industrial operations. Thus, Company management is already now intensifying steps that will have the potential to secure the region not only in terms of employment, but in all aspects of ensuring good quality of life for residents of and visitors to the region as well.

The basic pillar underlying these considerations is the emphasis we place on reclaiming and revitalizing the entire area affected by mining. The target strategy is based on man-made lakes such as the already completed Michal Water Park and, in particular, the Lake Medard project which is under preparation. Thus, all Sokolovská uhelná's future steps will lead toward bringing the affected area back to life while meeting our obligations and preserving all the Company's functions, particularly those affecting the region's residents.



# Organization Chart Sokolovská uhelná

as of 31 December 2007



Sokolovská uhelná, právní nástupce, a.s. has no organizational units outside of the Czech Republic.

# Financial Statements

## Balance Sheet (TCZK)

short form

		31 December 2007		31 December 2006	
		Gross	Provisions	Net	Net
<b>ASSETS</b>					
B.	Fixed assets	25,453,853	(15,726,401)	9,727,452	10,083,766
B.I.	Intangible assets	197,852	(176,539)	21,313	275,063
B.II.	Property, plant and equipment	24,830,718	(15,549,862)	9,280,856	9,418,679
B.III.	Long-term financial investments	425,283	0	425,283	390,024
C.	Current assets	6,835,828	(187,600)	6,648,228	5,373,969
C.I.	Inventories	445,210	(67,053)	378,157	424,462
C.II.	Long-term receivables	32,792	0	32,792	35,709
C.III.	Short-term receivables	1,265,443	(120,547)	1,144,896	1,044,572
C.IV.	Short-term financial assets	5,092,383	0	5,092,383	3,869,226
D.	Other assets	51,645	0	51,645	50,324
	<b>TOTAL ASSETS</b>	<b>32,341,326</b>	<b>(15,914,001)</b>	<b>16,427,325</b>	<b>15,508,059</b>
<b>EQUITY AND LIABILITIES</b>					
		31 December 2007		31 December 2006	
A.	Equity	8,192,092		6,713,772	
A.I.	Share capital	2,000		2,000	
A.II.	Capital contributions	66,109		20,949	
A.III.	Reserve and other funds created from profit	10,359		5,858	
A.IV.	Profit brought forward	6,554,965		5,516,389	
A.V.	Earnings for the current accounting period	1,558,659		1,168,576	
B.	Liabilities	8,231,072		8,781,423	
B.I.	Provisions	3,803,121		3,535,236	
B.II.	Long-term payables	663,678		821,640	
B.III.	Short-term payables	1,364,273		1,624,547	
B.IV.	Bank loans and advances	2,400,000		2,800,000	
C.I.	Accruals and deferred income	4,161		12,864	
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>16,427,325</b>		<b>15,508,059</b>	

## Profit and Loss Account (TCZK)

short form

	Year ended 31 December 2007	Year ended 31 December 2006
I. Sale of merchandise	57,209	103,829
A. Cost of merchandise sold	53,483	89,916
<b>+ Gross profit on goods for resale</b>	<b>3,726</b>	<b>13,913</b>
II. Sale of own products and services	9,121,688	8,473,422
B. Cost of materials, energy and external services	3,740,928	3,856,046
<b>+ Value added</b>	<b>5,384,486</b>	<b>4,631,289</b>
C. Personnel costs	2,145,232	1,944,001
D. Taxes and charges	108,318	100,101
E. Depreciation and amortization	973,966	992,359
III. Revenues from sale of fixed assets and materials	78,060	157,178
F. Net book value of fixed assets and materials sold	26,532	49,533
G. Increase (+) in operating provisions and impairment allowances	236,088	120,517
IV. Other operating revenues	408,981	3,453,479
H. Other operating costs	558,066	3,488,353
<b>* Operating profit</b>	<b>1,823,325</b>	<b>1,547,082</b>
VI. Income from sale of securities and interests	1,859,546	657,655
J. Cost of securities and interests sold	1,867,946	663,896
VII. Income from long-term financial investments	0	39,000
VIII. Income from short-term financial assets	62,356	57,164
IX. Revenues from revaluation of securities and derivatives	462	5,802
L. Expenses from revaluation of securities and derivatives	300	0
X. Interest received	88,996	43,734
N. Interest paid	95,306	91,691
XI. Other financial revenues	6,322	3,136
O. Other financial costs	43,478	48,867
<b>* Profit on financing activities</b>	<b>10,652</b>	<b>2,037</b>
Q. Corporate income tax on ordinary activities	275,318	380,543
<b>** Net profit on ordinary activities</b>	<b>1,558,659</b>	<b>1,168,576</b>
<b>*** Net profit for the accounting period</b>	<b>1,558,659</b>	<b>1,168,576</b>
<b>Profit before tax</b>	<b>1,833,977</b>	<b>1,549,119</b>

## Post-Balance Sheet Events

No material events occurred after the balance sheet date that need be commented on in the enclosed report.

# Contacts

<b>Company name:</b>	Sokolovská uhelná, právní nástupce, a.s.
<b>Seat:</b>	Sokolov, Staré náměstí 69, postcode 356 00
<b>ID:</b>	26348349
<b>Tax ID:</b>	CZ26348349
<b>Commercial Register:</b>	Plzeň Regional Court, Part B, Entry 980
<b>Bankers:</b>	ČSOB Praha, account no. 17331033/0300,
<b>E-mail:</b>	info@suas.cz
<b>Internet:</b>	<a href="http://www.suas.cz">http://www.suas.cz</a>

<b>Telephone and fax numbers:</b>	<b>telephone:</b>	<b>fax:</b>
Switchboard	+420 352 461 111	
Office of the CEO	352 462 103	352 621 052
Office of the Technology Director	352 462 113	352 621 038
Office of the Production Director	352 462 123	352 621 038
Office of the Finance Director	352 462 133	352 462 132
Office of the Sales Director	352 462 143	352 621 032
Office of the Personnel Director	352 462 153	352 462 132
Office of the Director, Division Jiří	352 463 001	352 675 139
Office of the Director, Division Družba	352 463 501	352 669 457
Office of the Director, Division Zpracování	352 465 001	352 465 002
Office of the Director, Division Služby	352 465 801	352 465 802
<b>Sales contacts:</b>	<b>telephone:</b>	<b>fax:</b>
Brown coal, briquettes, multipowder	352 462 142	352 621 032
	352 462 272	352 624 541
	352 462 273	352 603 266
Electricity, heat	352 465 210	352 465 212
	352 462 260	
Carbochemical products and sulfuric acid	352 464 480	352 464 481
	352 464 482	
	352 464 492	
	352 464 493	
Rock/gravel	352 465 911	352 465 910
Secondary materials (expansion clays, adsorption and zeolitic claystones, etc.)	352 462 232	352 462 231
Laboratory work	352 465 650	352 465 670
Stocking	352 465 340	352 465 350
Capital construction	352 465 622	352 465 620
Road transport	352 463 207	352 463 211



This report is not an unabridged annual report pursuant to the Accounting Act, the Commercial Code, the Securities Act, and the Act on Doing Business in the Capital Market. An unabridged annual report is available at the Company's seat and in the Collection of Documents of the Commercial Register.

