



**ANNUAL  
REPORT**



*2006*





Severomoravské vodovody  
a kanalizace Ostrava, a. s.  
UTILITIES  
EUR 101,000,000  
2014 - 2018  
Czech Republic  
Employees 245

SLOVENSKÁ POISŤOVŇA  
Slovenská poisťovňa, a. s.  
INSURANCE  
EUR 51,400,000  
1999 - 2002  
Slovak Republic  
Employees 200

ČKA  
Česká konsolidační agentura  
NON-PERFORMING LOANS  
EUR 10,300,000  
2002 - 2004  
Czech Republic

Slovnaft  
Slovnaft, a. s.  
MANUFACTURING  
EUR 10,900,000  
2003 - 2002  
Slovak Republic  
Employees 4000

VUB KUPÓN  
VUB KUPÓN  
INVESTMENT FUND  
EUR 161,800,000  
1997 - 1999  
Slovak Republic



AVG  
AVG, a. s.  
MANUFACTURING  
2004  
Slovak Republic  
Employees 680

Realitní developerská, a. s.  
REAL ESTATE  
2005  
Czech Republic

PM Zbrojníky, a. s.  
MANUFACTURING  
2005  
Slovak Republic  
Employees 130

DIGITAL PARK  
DIGITAL PARK  
DIGITAL PARK  
Digital Park, a. s.  
REAL ESTATE  
2005  
Slovak Republic

Falck  
Falck záchranná, a. s.  
HEALTHCARE  
2005  
Slovak Republic  
Employees 1000

LETISKO KOŠICE - AIRPORT KOŠICE, a. s.  
Letisko Košice, a. s.  
TRANSPORT  
2005  
Slovak Republic  
Employees 150

SLOVENSKÁ KONSOLIDAČNÁ, a. s.  
VKK II  
NON-PERFORMING LOANS  
2007  
Slovak Republic

SLOVENSKÁ KONSOLIDAČNÁ, a. s.  
VKK I  
NON-PERFORMING LOANS  
2001  
Slovak Republic



**Slovenské plavby a. s.**  
TRANSPORT  
EUR 9,500,000  
2001 - 2002  
Slovak Republic  
Employees 1200

**Sazka I**  
ENTERTAINMENT  
EUR 175,000,000  
2004 - 2004  
Czech Republic  
Employees 450

**Sazka II**  
ENTERTAINMENT  
EUR 215,000,000  
2004 - 2006  
Czech Republic  
Employees 650

**Tento a. s.**  
MANUFACTURING  
EUR 7,200,000  
2002 - 2003  
Slovak Republic  
Employees 300



**Elektrovd Bratislava, a. s.**  
UTILITIES  
EUR 4,100,000  
2000 - 2003  
Slovak Republic  
Employees 300



**VSZ**  
VSZ, akciová spoločnosť Košice  
METALLURGY  
2002  
Slovak Republic  
Employees 3000

**ZSNP**  
ZSNP a. s.  
METALLURGY  
2002  
Slovak Republic  
Employees 1400

**FORTUNA**  
Fortuna Holding  
ENTERTAINMENT  
2005  
Czech Republic  
Employees 320

**Paroplynový cyklus, a. s. Bratislava**  
UTILITIES  
2004  
Slovak Republic  
Employees 91

**Dr.Max**  
Česká lékárna, a. s.  
HEALTHCARE  
2004  
Czech Republic  
Employees 2500

**MobilKom, a. s.**  
COMMUNICATIONS  
2006  
Czech Republic  
Employees 70

**DÖVERA**  
Zdravotná poisťovňa Dövera, a. s.  
HEALTHCARE  
2005  
Slovak Republic  
Employees 500

**AERO Vodochody, a. s.**  
MANUFACTURING  
2007  
Czech Republic  
Employees 1320



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**Jozef Špirko**  
*Partner*

**Jaroslav Haščák**  
*Partner*

**Marek Dospiva**  
*Partner*

**Jozef Oravkin**  
*Partner*

**Martin Kúšik**  
*Partner*

# Director's Statement

## Ladies and Gentlemen,

We are pleased to present the business results of Penta for the year 2006. On this occasion, we would like not only to comment on the strong profits we were fortunate to have achieved, but also to outline Penta's strategy for further growth in coming years.

Penta delivered a very strong performance in 2006. This bountiful harvest was the result of both dedicated efforts made on the investment side and the systematic strategy set 3 years ago. A key contribution to the Group's strong financial performance was made with the completion of our utilities project, Severomoravské vodovody a kanalizace Ostrava, a.s., which Penta sold to the Spanish firm Aqualia. This transaction figures among the top Czech transactions in 2006. The development division of the Group successfully finalized the pilot project, Digital Park I., a business center in one of Bratislava's premier locations and started the preparation of phase II. of the project. This positive experience launched a number of new real estate and development activities, which are expected to make a strong contribution to the Group's growth. Our CEE betting and pharmacy chains consolidated their structures fundamentally through a mix of corporate, financial, and marketing measures taken in order to be prepared for further expansion in coming years. Restructuring activities continued at several of the Group's key companies such as Slovenské investičné družstvo (former VSŽ), ZSNP, and the recently troubled textile company OZETA NEO, unfortunately with less success with regards to the last mentioned firm. The strong performance of commodities on world markets in 2006 had a positive influence on the year end results of some of the Group's key holdings. Increasing energy prices provided an extra lift to an otherwise solid PPC performance. The jump in aluminum prices also contributed to stronger value creation by ZSNP through its stake in Slovalco.

Success in crucial public tenders in both Slovakia and the Czech Republic boosted optimism regarding the future progress and potential of the Group. The winning bid in the year-long public tender for the purchase of the Czech military jet manufacturer, AERO Vodochody, a.s., confirmed Penta's rise to the Czech corporate summit. The foundation for this ascent was laid by the acclaimed and extremely profitable sale of Severomoravské vodovody a kanalizace Ostrava. Although the Group was pronounced the tender winner in 2006, the actual acquisition of AERO was only finalized in early January 2007. In Slovakia, success in the second round of the tender for emergency (ambulance) centers enabled the Group's health care providers to double the number of its emergency stations. The health insurance companies were able to hold and even strengthen their position in the Slovak market, even in an increasingly competitive environment with ever-growing political interference. Unfortunately, 2006 also had its lows for Penta. High hopes and the initial joy were dashed by results of the bidding which broke out for the acquisition of Bratislava and Košice airports. The result was a disappointment because the Slovak government cancelled the outcome of the tender for Bratislava Airport, in which the TWO ONE consortium (Penta holds 33%) had been declared the winner.

Over the years, Penta has grown and climbed the corporate ladder to become the leading Czech-Slovak private equity player. However, soon after succeeding in its home markets, its management faced the perspective of the vast number of business opportunities that the surrounding region has to offer. As growth in the past years elevated the Group from a regional "small-size-target" player to the European "mid-size-target" category, the exciting possibilities of developing a new project base was accompanied by the need to further expand beyond our traditional territory. In 2006, the European buy-out industry

witnessed, especially in this category, an explosion of activity, which introduced tough competition to the market with the possibility of future pressure on the internal returns of private equity players. To stave off this competition and establish a strong presence in this competitive club, Penta reacted by fine-tuning its internal structure, investment procedures and dispatching its project teams to search for new investment opportunities in Eastern European countries. Two years ago, Penta expanded into Poland with the acquisition of the betting company, Profesional, as part of the Czech betting company FORTUNA deal. In 2005, it added the BRL chain of Polish pharmacies. The Polish offensive of the Group was crowned by the acquisition of the ZABKA chain of 1800 convenience stores later in Summer 2007. Because of the increasing scope of the business and the promising outlook for further deals, preparations for the establishment of a Penta branch in Warsaw have started. Penta also decided to start developing business opportunities on the vast Russian market with first results expected by the end of 2007. Since September 2006, it has operated a representative office in Moscow staffed by a small professional team, whose task is to monitor and analyze business opportunities in this extremely interesting market. Penta also plans to make acquisitions in Ukraine and Hungary, where the activities of its "fly-in" project teams will bear their first fruits by the end 2007.

In our drive for higher efficiency, profits and expansion, we have not forgotten our social responsibilities. As a Group with activities spread across the CEE countries and various sectors, we naturally feel the need to contribute to the societies and health of the natural environment around us. This is especially, but not only, reflected through the activities of our philanthropic Penta Foundation. We are also proud of our contributions to solving the long-term ecological problems in Žiar nad Hronom, one of the most polluted regions in Slovakia. Red mud recultivation financed entirely by the Group will make an essential contribution to improving the environment of the region.

I wish to thank the whole Penta team for their valuable contributions to the achieved results and for their extraordinary commitment to our stated goals as well as to our business partners and customers for their trust and support.



**Radoslav Zuberec**  
*Managing Director*

# Our Profile



We are in constant evolution, we grow, but we maintain our shape.



## Private Equity Group PENTA

*Penta is a private equity group conducting its business in the markets of Central and Eastern Europe. It improves the efficiency of its investee companies and prepares them for sale to strategic investors. Penta also develops high-profile real estate projects, reshaping the faces of CEE countries capitals.*

## Who We Are

Penta deals predominantly with acquisitions of small and medium-sized companies, LBO, LBI, restructuring projects and since 2005 real estate projects. It manages a fund of its five partners – joint owners. In many cases, Penta co-invests with significant international institutional investors. At present, Penta invests in Central and Eastern Europe. Expanding eastwards, Penta commenced its operations in Moscow in 2006. Currently, Penta's professional team of 72 employees engaged in projects (front office) and 130 service employees (back office) operates directly through its business offices in Paphos (Cyprus), Bratislava (Slovakia), Prague (the Czech Republic), and Moscow (the Russian Federation), and is in the process of establishing a new business office in Warsaw (Poland).

The Group's consolidated total equity attributable to shareholders, based on IFRS, for the financial year 2006 increased dramatically to EUR 460 million and its own consolidated assets amounted EUR 862 million. Penta employs 11 thousand people in Central Europe.

## History

The predecessor of Penta, the securities trader Penta Brokers, was established in 1994 by five shareholders. Penta Brokers traded securities on the Bratislava Stock Exchange. The company traded on its own account and concentrated on asset maximization of its holdings. Cooperation with the British company, Regent Fund, in 1996 and a joint purchase of the largest investment fund in Slovakia, VÚB Kupón, led to the significant growth of the Group.

In the following years, Penta ventured into high-profile projects related to important Slovak companies such as: Slovenská poisťovňa (insurance); SLOVNAFT (petroleum refining); Drôtovňa Hlohovec (mechanical engineering); Slovenská plavba a prístavy (shipping); VSŽ (a former steel mill, now a closed investment cooperative named Slovenské investičné družstvo); ZSNP (aluminum processing); Paroplynový cyklus Bratislava (energy production); Dôvera and Sidéria (health insurance); Digital Park (real-estate & development) and PM Zbrojníky (meat processing). Penta's Czech projects include: the LBO of Severomoravské vodovody a kanalizace Ostrava (utilities); ADAST (engineering); investment in land through Realitní developerská; MobilKom / U:fon (telecommunications); and AERO Vodochody (aircraft manufacturing and airport development). Penta also created the new CEE chains of Dr. Max (pharmacies) and FORTUNA (betting).

## Penta Project Investment Criteria

A typical Penta project ends with an exit by way of a sale to a strategic investor, usually in a time horizon of 3 to 5 years from acquisition. An exception to this approach is Penta's engagement in the health-care system for which it has formulated a long-term strategic plan (10–15 years).

We are a generalist type of investor. There is no limitation in the scope of industries into which we invest.

The minimum size of the investment is measured in absolute profit made on the investment and is a minimum of EUR 30 million. We target an IRR of 25% p.a.

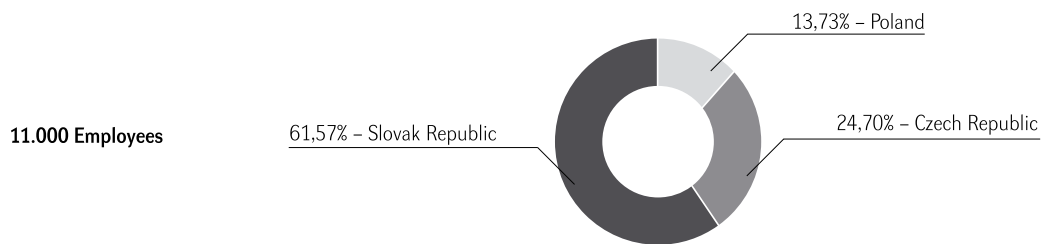
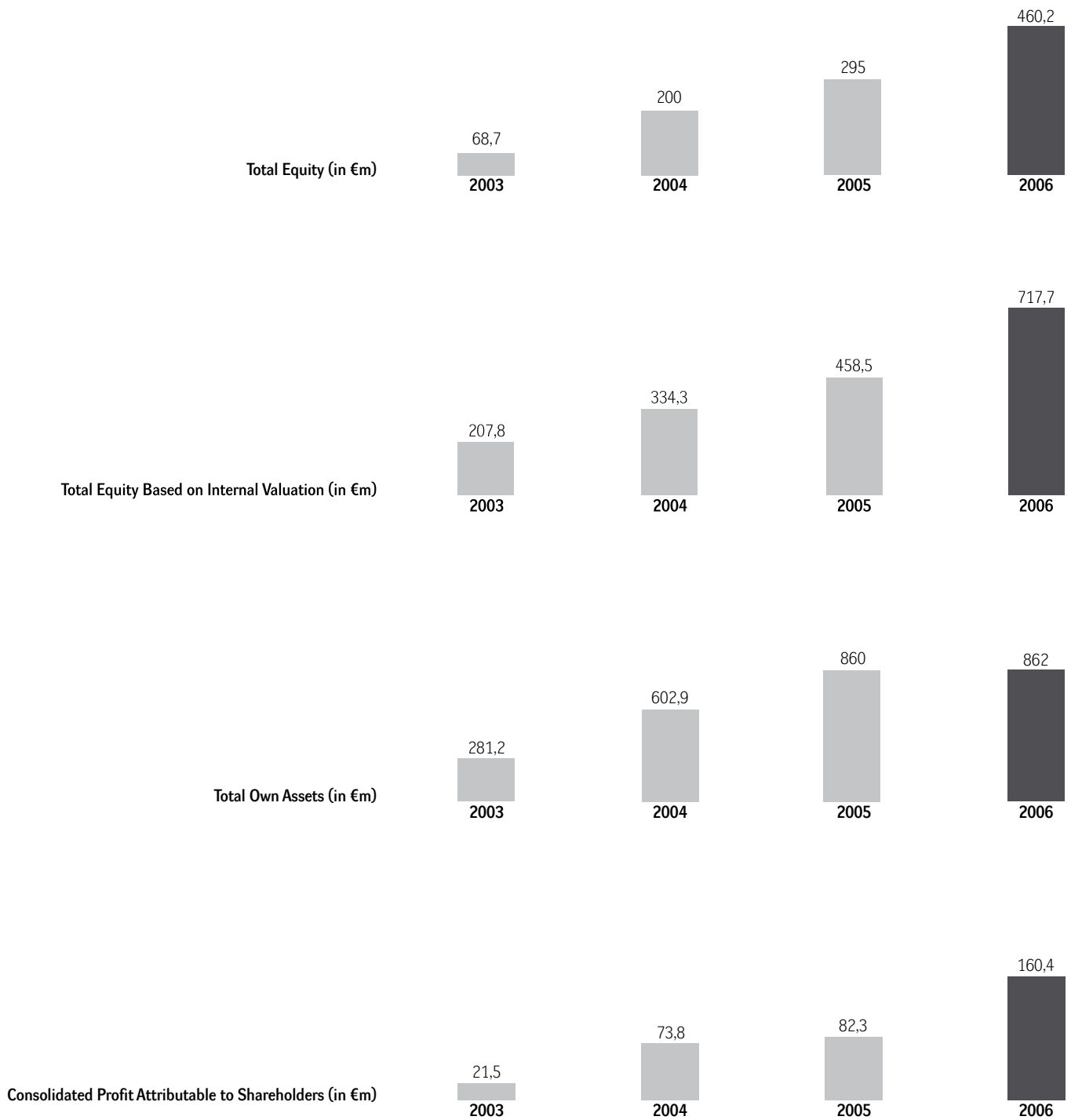
Penta employs a clear strategy with a hands-on approach to its investments, which provides the fundamental base for a value creation through sophisticated and efficient management.

## Philanthropy

With a sense of its own social responsibility, Penta has made philanthropy an important part of its activities. The Penta Foundation was established in 2002, and its main aim is the systematic support of the education of gifted children and talented university students through sponsorship as well as various grants.

# Financial Highlights





# Penta's Key Projects in 2006

## Central Europe – Chains



**Martin Štefanko**

*Investment Director*

### *Betting Chain*

#### **FORTUNA**

*Restructuring*

*200.000 customers served daily*

*EUR 220.000.000 of annual revenue*

*Involved in the project: since 2004*

#### **FORTUNA sázková kancelář, a.s. (FORTUNA)**

**total stake of 100%**

FORTUNA was the second largest company in the Czech betting market. In 2006, the Company operated 600 branches, including 150 sports bars, where fans of sports betting gather. The Company enhanced its product line with the launch of its new product – Telekonto, a phone betting service. FORTUNA moved confidently along the path to strengthen the perception of its brand as a synonym for the highest quality in the market. Since 2006, FORTUNA has had the pleasure to be a general sponsor of the top Czech football club AC Sparta Praha.

#### **FORTUNA SK, a.s. (FORTUNA SK)**

**total stake of 100%**

The legal successor to the Slovak company TERNO, a.s., FORTUNA SK is the third largest Slovak company in the market with a market share of over 25%. The top priorities of 2006 were the re-branding of the former TERNO to FORTUNA and preparation of a technologically innovative online gaming system, which was launched later in 2007. FORTUNA SK operates a chain of 300 branches with a considerable and still growing clientele.

#### **Profesjonal Sp., z o.o. (PROFESJONAL)**

**total stake of 33%**

The second largest betting company in Poland, PROFESJONAL holds a market share of around 25%. Penta exercises full management control over PROFESJONAL, which operates a chain of 400 branches. The Company consolidated its position and started preparations for expansion together with further enhancements to its services and products.

### *Pharmacy Chain*

#### **Dr. Max**

*Restructuring*

*50.000 customers served daily*

*100.000.000 EUR of annual revenue*

*Involved in the project: since 2004*

#### **Česká Lékárna, a.s.**

**total stake of 100%;**

#### **BRL Center, s.r.o.**

**total stake of 100%;**

#### **MIRAKL, a.s.**

**total stake of 100%;**

#### **BRL Center Polska Sp. z o.o.**

**total stake of 100%**

All four companies operated a growing chain of pharmacies within the premises of Kaufland stores or individual ones under the new brand Dr. Max. The brand was launched in the Czech Republic, Slovakia and Poland as Penta's effort to consolidate all its holdings in various pharmacy businesses, which had been acquired in the last 3 years under one concept and marketing strategy. These restructuring efforts will continue in 2007 and further eastward expansion is under preparation.



# Czech Republic

## **Severomoravské vodovody a kanalizace Ostrava a.s. (SmVaK)**

**Restructuring; Total stake of 98.45%;**

**Involved in the project: 2003–2006**

SmVaK is the largest producer and supplier of drinking water to more than 1 million customers in the administrative regions of Moravia and border areas of Poland. The company also provides continuous disposal and effective treatment of wastewater for residents and industrial users at more than 50 wastewater treatment facilities, which are equipped with state-of-the-art technology. Building on the sound foundation of SmVaK, acquired in 2004, Penta succeeded in developing an exemplary water-supply business unique in Central Europe during its two years of involvement. At the end of 2005 Penta was approached by various multinational groups showing a strong interest to invest in CEE's water distribution industry. Beginning in 2006, Aqualia, a Spanish subsidiary 100% owned by the FCC Corporation and specializing in the construction industry and the operation of municipal utilities, entered into serious negotiations with Penta to purchase SmVaK. In July 2006, Penta completed the sale of its entire stake to Aqualia.

## **MobilKom, a.s. (MobilKom) / U:fon**

**Start-up; Total stake of 90%;**

**Involved in project: since 2006**

MobilKom, the fourth mobile telecommunications operator in the Czech Republic, was purchased by Penta as a start-up company from Motorola Inc. and ConneCTel Inc. in Spring 2006. Penta's investment decision was driven by the vision of entering the mobile voice and mobile data market in the Czech Republic with a competitive product which would offer customers maximum utility value, compared to the current products and services on the market. The granting of the licenses for operation of a mobile network on bandwidths 410–430 MHz by the Czech Telecommunications Office enabled MobilKom to use these bandwidths for broadband technology and thus to offer a significantly broader range of services, e.g. mobile voice and mobile data. Based on CDMA2000 REV A technology, the company offers the fastest mobile broadband in the Czech Republic. This pivotal commercial operation was launched just recently under the trademark U:fon, and it offers customers high-speed mobile Internet and wireless fixed lines at extremely competitive prices. The Push to Talk proposition to business clients will follow later this year.





**Zdeněk Kubát**

*Investment Director*

### **AERO Vodochody, a.s. (AERO)**

**Restructuring; Total stake of 100%**

**Involved in the project : since 2006**

AERO is an avionics company with a long tradition going back to 1919. Its principal activities consist of the development and production of aircraft and aircraft components repair and modernisation of aircraft, and operation of the airport in Vodochody near Prague. Presently, the company produces the L-159 military jet aircraft, including a complete training system and also assembles S-76C helicopters for Sikorsky.

Penta was the winner of the public tender organized by the Czech Consolidation Agency for sale of a 100% stake in AERO in November 2006. The transaction was finalized formally on January 4<sup>th</sup>, 2007 after receiving approval from the Czech government and the Czech Antimonopoly Office. The acquired company was burdened with continuous losses from previous years, loss of its previous customers, inability to attract new customers, inefficient management and over-employment. Therefore, the new management team set the immediate goals of strengthening aircraft production and production of aircraft components and further development of the airport potential. Radical cost efficiency was enforced after the takeover of the company, this created a source for significant increases in investment in new production technologies and modernization of existing ones. The ultimate goal of the management strategy is to preserve the production and to develop further AERO's large business potential.

### **ADAST, a.s. (ADAST)**

**Restructuring; Total stake of 100%;**

**Involved in the project: since 2003**

ADAST is one of the few worldwide producers of offset printing machines, most of its production is exported to the markets of the EU, particularly Poland and Slovakia as well as to Russia, Ukraine, and the USA.

During the initial restructuring stage, Penta provided the company with funds to secure refinancing of its production, and helped the company to re-establish relations with financing banks. Non-core business and activities were sold or outsourced. In the course of the project, the restructuring of the company proved to be a rather challenging and long-term process. Penta had to reassess its strategy and to employ a strict hands-on approach in the daily management of ADAST as the local management showed unsatisfactory performance with a negative influence on the financial position of the company. During 2006, the new management concentrated on stabilization of the financial situation, reducing fixed-asset expenses by moving the production to new energy-saving assembly building created by regeneration of a brown-field site on the original premises. Unnecessary real-estate assets will be sold.

### **Realitní developerská, a.s. / (RD)**

**Acquisition of 60 ha of land with the intention of participating in the construction of a new runway for Prague Ruzyne Airport;**

**Involved in the project: since 2005**

One of Penta's long-term interests is the privatization of airports in Central and Eastern Europe, including the Ruzyně airport in Prague. With regard to this intention, in 2005, through Realitní developerská, a.s., Penta acquired 60 ha of land intended for the construction of a planned parallel runway for the Prague Airport state enterprise. Penta made Prague Airport an offer to establish a joint venture that would construct and operate the new runway. Concurrently, Penta offered the construction of the new runway at its own expense, to be leased to Prague Airport later on. Penta would also consider a sale of the land to the state enterprise provided that the price of the sale reflects waived profit potential.

### **SAZKA, a.s. / (SAZKA)**

**Financial and investment advice;**

**Involved in the project since 2004**

Penta has acted in cooperation with Credit Suisse as a financial advisor to SAZKA in an effort to restructure its receivables related to the financing of Prague's Sazka Arena. Focus was put on the reduction of SAZKA's annual liabilities for a debt management service and obtaining more funds available for payments to shareholders. Furthermore, Penta remained SAZKA's partner in the field of financial management, rating and advising in the sale of non-core assets.



# Slovak Republic



**Vladimír Broďan**

*Investment Director*

## **Slovenské investičné družstvo (SID)**

**Restructuring; Total stake of 99,27%;**

**Involved in the project: since 2002**

In March 2006, VSŽ, a.s., a former steel manufacturer, later Slovenský investičný holding, a.s., changed its legal structure from a joint stock company to a cooperative, whereby its former shareholders either became members of the cooperative or were paid fair value compensation and left the company. During 2006, SID followed the previously selected strategy and acted as a closed investment fund with the aim of maximizing the value of its portfolio, which includes some key Group holdings such as PPC, Fortuna, OZETA NEO, Mirakl, BRL Center Polska, Alpha Medical and Falck Záchraná. SID earned a consolidated profit of EUR 95,5 million in 2006.

## **Paroplynový cyklus, a.s., Bratislava (PPC)**

**Restructuring; total stake of 90%;**

**Involved in the project: since 2004**

PPC, a power plant based on combined steam and gas cycles, continued the process of restructuring with a focus on strengthening its position on the Slovak market. Management put an emphasis on the absolute reliability of PPC production facilities, as this is one of the crucial factors for investors in the energy sector. These efforts bore fruit as there was a zero operation failure rate of the combustion turbine, which is a rarity throughout the CEE region. Furthermore, the successful resolution of the contractual relationship with Slovenské Elektrárne, a.s., and Bratislavská Teplárenská, a.s., in addition to the subsequent 100 percent quality delivery under the contracts, resulted in excellent financial results, with PPC earning a profit of EUR 25,5 million for the year 2006.

## **OZETA NEO (OZETA)**

**Restructuring; total stake of 100%;**

**Involved in the project: since 2003**

Radical restructuring of the well-known Slovak textile company carried out by Penta right after its entry included tough cost cutting, arrangement of standard bank financing and investment into new information technologies. Facing competitive pressure from China and Turkey in simple garment production, the management focused on the production of high-quality menswear requiring more highly qualified labor. The company also moved from extensive production to small orders with high production flexibility and extra services for customers. After achieving hopeful results in 2005, when OZETA returned to profit for the first time since the beginning of the restructuring, the situation changed dramatically in 2006. A recession in the European textile and clothing industry, the rapid appreciation of the Slovak Crown against the EURO, combined with the relocation of major customers to countries with cheaper labor forces, changed market conditions and caused a downturn in production. The most affected was the Trenčín factory due to high energy costs and increasing labor costs. Management was forced to proceed with factory closure and lay-offs at the beginning of 2007. Economic results for the year 2006 reflected the complicated situation: revenues were about 20% lower in comparison to 2005 and the company booked a loss of EUR 1,2 million.



**Peter Benedikt**

*Investment Director*



**Marek Ondrejka**

*Investment Director*

### **ZSNP, a.s. (ZSNP)**

**Restructuring; Total stake of 96,15%;**

**Involved in the project: since 2002**

Penta further consolidated and restructured ZSNP. The former aluminum manufacturer made substantial progress in reforming its structure. The decision was made regarding which ZSNP divisions or subsidiaries would be kept and which would be spun off and sold to investors. Early in 2006, management successfully completed a transaction for the sale of a 100% stake in Alufinal, the aluminum extrusion division, which previously underwent an extensive process of restructuring, to SAPAAB. Negotiations with the Spanish group Fagor Ederlan regarding the sale of a 100% stake in the ZSNP Foundry, a high-pressure casting division, were also finalized and the foundry was sold early in 2006. Additional investments were made into subsidiaries such as Finalcast, an aluminum-processing unit, with plans to double output and sales by 2008. Other perspective subsidiaries are Energetika and Teplo, which provide gas, electricity, heat, water and pressurized air to all manufacturing units in ZSNP's area (with the exception of Slovalco) as well as to the city of Žiar nad Hronom. ZSNP's 33% stake in Slovalco further increased in Spring 2007 to a total of 44% because this investment is considered to be strategic. Placing an emphasis on solving the company's inherited long-lasting environmental issues, management proceeded with field work on red mud re-cultivation based on a project prepared by A.S.A., a company specializing in this field. The re-cultivation project is seen as a major contribution to improving the ecosystem in the region and is the biggest environmental investment by a private investor in Slovakia. Final consolidated results of ZSNP for 2006 showed a profit of EUR 63 million.

### **Privatization of Airports in Bratislava and Košice**

**Restructuring; total stake of 33,24% in the TWO ONE consortium**

**Involved in the project: since 2005**

Within the TWO ONE consortium (Penta Investments Limited, Flughafen Wien AG and Raiffeisen Zentralbank Österreich AG) Penta participated in the public tender organized by the Slovak National Property Fund and the Slovak Ministry of Transport, Post, and Telecommunications in 2005/2006. After placing the winning bid in February 2006, TWO ONE signed a share purchase agreement for the purchase of a 66% stake in two major Slovak airports: Letisko M.R. Štefánika – Airport Bratislava, a.s., and Letisko Košice – Airport Košice, a.s. In the submitted business plan the consortium guaranteed wide-scale modernization and development of the airports.

### **Letisko M.R. Štefánika – Airport Bratislava, a.s.**

Despite conclusion of the purchase contract for 66% of the shares of M.R. Štefánik Airport – Airport Bratislava, a.s. (hereinafter referred to as BTS) between the National Property Fund of the Slovak Republic, the Ministry of Transport, Post, and Telecommunications of the Slovak Republic, and BTS Holding, a.s., representing the consortium, successful completion of the transaction failed. The Slovak Antimonopoly Office failed to issue a declaration on the concentration of two neighboring airports in the specified period (i.e. by August 15<sup>th</sup>, 2006), which provided grounds for a recommendation of the new Government of the Slovak Republic to the relevant institutions to withdraw from the purchase contract for 66% of the BTS shares. The reversal of the airport's privatization was sealed in the fall 2006, when all governmental institutions withdrew from their contractual obligations. Penta regards the withdrawal from the purchase contract as void and took legal steps in the matter.

### **Letisko Košice – Airport Košice, a.s.**

In the process of the public tender organized by the Slovak government in 2005/2006, the TWO ONE consortium, through KSC Holding, a.s., acquired control over a 66% stake in Letisko Košice – Airport Košice, a.s., the second-largest Slovak international airport. Penta owns 33,24% in KSC Holding, a.s. and together with Flughafen Wien AG carries out management control over the company. Penta sees its participation in the consortium as a medium-term strategic investment, with the goal of increasing the value of the airport by restructuring and further developing the airport by cutting operation costs, launching new regular flights to European destinations and increasing revenues from other activities not directly connected with air traffic operations.





**Eduard Maták**

*Investment Director*

## **Health Insurance Sector**

*770.000 insured clients;*

*total share on the sector of 14,5%*

**DÔVERA zdravotná poisťovňa, a.s. (DÔVERA)**  
total stake of 100%; Involved in the project: since 2002

**SIDÉRIA zdravotná poisťovňa, a.s. (SIDÉRIA)**  
total stake of 98,02%; Involved in the project: since 2003

In 2006, Penta consolidated and further enhanced its base in the area of statutory health insurance. The private health insurance companies DÔVERA and SIDÉRIA held their positions in a very competitive market and were even able to slightly increase their client bases. As a result of the consolidation of the Group's holdings in the health insurance sector, SIDÉRIA merged with DÔVERA as of January 1<sup>st</sup>, 2007. The strategy of the new merged insurance company is to increase the number of clients annually and to reach a client base of 850 thousand within a mid-term horizon. On the way to achieving this target, DÔVERA has launched new products which, besides providing quality health care, aim to reduce the information asymmetry of its clients in relation to health-care providers.

## **Health-Care Providers**

*324.270 patients served annually*

*EUR 18.200.000 of annual revenue*

*Involved in the project: since 2004*

In 2006, Penta continued the implementation of the strategy that has been outlined for this sector. A specialized team proceeded with the creation of an effective and modern network of health care providers, in order to achieve maximized synergies among investments. The defined strategy has been carried out through the development of several green field projects and acquisitions.

## **Medical Centers**

The goal of this project is to build a modern and efficient network of medical centers throughout Slovakia, providing a wide scope of outpatient health care services with full coverage of the Slovak market. Activities include acquisition and restructuring of sub-investments, as well as the building of green field medical centers in targeted areas of Slovakia. Medical centers will offer customers a wide range of health care services, including general and specialized outpatient care, one-day surgery services and a modern diagnostic center. The project will be divided into several stages and we estimate completion of the network by the end of 2009. Operations of all medical centers will be interconnected and centralized in order to achieve the best effectiveness and cost-based efficiency. In the coming year, the project team will also analyze suitable opportunities to replicate a similar operational and business model in other European countries.

## **Emergency Health Care Services**

Together with its Danish partner Falck A/S Danmark, Penta succeeded in winning a public tender for the operation of rescue stations in two rounds during 2005 and 2006. The joint venture company Falck Záchranná, a.s., in which Penta owns a 49,11% stake, obtained 74 licenses for pre-hospital health care services: 30 emergency rescue stations with a doctor and 44 emergency rescue stations of emergency crews with paramedics. The main concentrations of rescue stations are in the regions of Košice, Prešov, Žilina and Trnava. 84 new modern ambulances and a staff of 947 employees set out to provide a high standard of emergency services. Besides continuous efforts to improve the quality of service, the company is driving towards further expansion in Eastern Europe.

## Laboratory Medicine

The year 2006 was marked by strong growth for Penta in this field, driven by acquisitions, laboratory-outsourcing contracts with hospitals and robust organic growth. Through the successful acquisition of Alpha Medical, the dominant provider of laboratory diagnostics for non-hospital-based physicians in the northern and central parts of Slovakia at the beginning of 2006, Penta continued on a path to achieve its goal of creating a countrywide network of laboratories, consisting of large fully-equipped laboratory centers and small low-cost satellite laboratories able to fully meet any physicians' or hospitals' needs. Alpha Medical was accredited with ISO 15189. Due to restructuring of its project activities, Penta sold its stake in the Synlab joint venture to its German partner at the end of 2006 and made the decision to continue the project under the brand name and guidance of Alpha Medical. The company expects to be able to continue strong growth of its revenues, the sources of which are new acquisitions, organic growth, and operational cost reductions. Moreover, since laboratory services markets in CEE are highly fragmented, Penta would like to expand its activities and play an important role in the consolidation of the medical laboratory industry in the region.

## PM Zbrojníky, a.s. (PM Zbrojníky)

**Restructuring; total stake 53,65%**

**Involved in the project: since 2006**

In November 2006, Penta reached an agreement with the owner of PM Zbrojníky, one of Slovakia's four major meat-processing companies on the purchase of a 53,65% stake in the company. Early in 2007 a new deal was struck on the purchase of the rest of the shares, both transactions were a subject to the approval of the Slovak Antimonopoly Office, which was later granted in March 2007. Investments were made into the Company to improve its operations and market position. Penta is planning to engage more actively in the consolidation of the CEE meat market through further acquisitions.







**Vladimír Škrovan**  
*Project Director*

### **Digital Park (DP)**

**Development; total stake of 50%;**

**Involved in the project: since 2005**

Penta entered its first real estate development project in July 2005 by purchasing a 50% stake in Digital Park, a.s., which was in the first stage of the development of the Digital Park administrative complex in Bratislava's lucrative business and shopping avenue on the right bank of the Danube River. Penta's business partner in the project is the Czech real estate development group Syner. The first building with 11,740 square meters of office and shopping space was finished in September 2006 and the all space was successfully leased. This successful course of Penta's pilot development project encouraged Penta to buy out the other 50% stake from its business partner and to move into the second phase of the project, Digital Park II, scheduled to start in summer 2007.

### **The Port (Port)**

**Acquisition and development of total 2.370.000 sq m lands**

**Development of the largest shopping and amusement zone in Central Europe**

**Involved in the project: since 2006**

The real estate development arm of the Group started preparation of an ambitious development project, which will result in the development of an entirely new district in Bratislava. The state-of-the-art zone will offer much needed shopping malls and amusement facilities to the citizens of the western districts of Bratislava and neighboring suburban towns. In a later stage, a residential area, schools and polyclinic will be built. The project will be developed in 2 phases: the first in 2008–2009 and the second starting in 2010.

# Philanthropy





The Penta Foundation, “Nadácia Penta”, celebrated its fourth year of existence in 2006. The objective of the Foundation is to develop activities primarily in the areas of education and the educational system as well as in the areas of health, culture, and sports. At the beginning of 2004, a branch of the Foundation in the Czech Republic, “Nadace Penta”, began operation. The Foundation manages all humanitarian and charitable activities of the private equity group Penta.

In 2006, the Foundation in both the Slovak and the Czech Republics, supported projects in the fields of education and educational systems where it has been involved since its incorporation. The Foundation continued its successful cooperation with the School for Highly Gifted Children in Bratislava and supported other schools with classes for highly gifted children throughout Slovakia with grants. The Czech branch of the Foundation supported two classes for highly gifted children in České Budějovice and Olomouc. In addition to financial support for the purchase of computers and the preparation and production of new alternative teaching materials, the Foundation, together with the schools, focused on the areas of consultancy, support and fostering the concept and philosophy of educating highly gifted children.

In the field of education, the Penta Foundation, in cooperation with the College of Journalism of Comenius University in Bratislava and Trend, a Slovak weekly business magazine, coordinated the courses in the “Basics of Economics in Journalistic Practice,” a mandatory economics course in the 2006/2007 academic year for the fourth year running. One goal of this cooperation is to acquaint students of journalism with the basics of finance, economics, and law for use in their future professional work in the media. Another is the creation of a sufficient knowledge base for students concerning professional terminology, correct usage, and familiarity with issues regarding legislation regulating the areas of finance, securities trading, etc.

The efforts of both the Slovak and the Czech branches of the Foundation to enhance its cooperation with leading universities in both countries and motivate law and economics students to achieve academic excellence with a real life focus was reflected by the competition “Penta Academic Excellence Award”, which was announced for eighth year in Slovakia and third year in the Czech Republic. The Penta Foundation also announced the third year of an essay-writing competition on selected topics, known as “Vision 2020” for full-time students and post-graduate students of Slovak and Czech universities. The competition focuses on student’s creative and imaginative thinking as well as their ability to work with information and analytical approach to the topic. In this way the Foundation has created and carefully fostered a vital link of cooperation with the leading academic institutions, such as the University of Economics in Bratislava, the College of Journalism of the Faculty of Philosophy of Comenius University in Bratislava, the Faculty of National Economy of the University of Economics in Prague, the Faculty of Law of Charles University in Prague and the Faculty of Mining and Geology of the Mining University – Technical University of Ostrava.

In addition to long-term projects in the areas of education and educational systems, the Foundation also provided support to civic associations, cities and municipalities in both the Slovak and Czech Republics by means of financial donations. In the area of culture, the Foundation continued in its support of the L+S Theater, and the Academy of Fine Arts and Design in Bratislava. The Foundation also financed various sport events and provided a sponsorship to several individual athletes.

# The Group's Holding Structure

The holding structure enables each key company to contribute effectively to the high performance level of the entire Group.



Penta Holding Limited, Cyprus

*The owner of the long-term interests in the Group's key subsidiaries.*



Penta Investments Limited, Cyprus

*The private equity fund and the owner of the investment portfolio of the Group.*



*Representative office in Moscow – monitoring and evaluation of investment opportunities in the Russian Federation*



Penta Investments, a.s., Slovak Republic

*The management company in the Slovak Republic managing assets of the private equity fund – Penta Investments Limited.*



Penta Investments, a.s., Czech Republic

*The management company in the Czech Republic managing assets of the private equity fund – Penta Investments Limited.*

# PENTA HOLDING LIMITED

## Basic Data

**COMPANY NAME:** PENTA HOLDING LIMITED

**LEGAL FORM:** Private Company Limited by Shares

**SHARE CAPITAL:** CYP 100.000

**NUMBER AND CLASS OF SHARES:** 100.000 registered, documentary shares

**NOMINAL VALUE PER SHARE:** CYP 1

**PRINCIPAL ACTIVITIES:** Long term holding of investments into subsidiaries

**REGISTERED OFFICE:** 44 Griva Digeni  
Salamis House, 3<sup>rd</sup> Floor  
8020 Paphos, Cyprus

**DATE OF INCORPORATION:** April 22<sup>nd</sup>, 1999

**AUDITOR:** Deloitte & Touche Limited  
319, 28<sup>th</sup> October Street  
Kanika Business Center, 2<sup>nd</sup> floor  
Limassol 3105, Cyprus

**BOARD OF DIRECTORS AS AT DECEMBER 31<sup>st</sup>, 2006:** Radoslav Zuberec  
George Crystallis



# PENTA HOLDING LIMITED

## Report for 2006

Penta Holding Limited, as a stand-alone company, performed its usual holding activities, as a holding company and provider of funds to its key subsidiaries.

On the individual company level, the main source of income for Penta Holding in 2006 was an interim dividend payment from profits of its 100% owned subsidiary Penta Investments Limited in the amount of EUR 19,8 million. In comparison to previous years, costs were kept to a minimum because the Cyprus office staff was transferred to Penta Investments Limited in the course of the internal restructuring in 2005. Due to the guarantees given to various subsidiaries within the Group, the Board of Directors took a prudent approach and created provisions in the amount of EUR 19,3 million. Main expenditures were comprised of the costs of some holding activities, audit and legal fees, as well

as, the whole Group's presentation costs. The Company did not forget the surrounding society and continued actively supporting various philanthropic projects. The net profit of Penta Holding as a stand-alone company was EUR 0,11 million.

On the other hand consolidated results showed very strong performance as reflected in the consolidated financial statements prepared according to IFRS accounting standards. The consolidated total equity distributable to the members of Penta Holding experienced a dramatic increase from EUR 295 million, in 2005 to EUR 460,2 million in 2006. The consolidated profit of the Penta Holding Group doubled to a level of EUR 160,5 million.

# PENTA HOLDING LIMITED

## Consolidated Income Statement for the Year Ended December 31<sup>st</sup>, 2006 (Expressed in Euro)


	2006	2005
<b>Continuing operations</b>		
Operating revenue	837 715 641	415 562 655
Operating costs	(651 745 351)	(282 964 472)
<b>Gross profit</b>	<b>185 970 290</b>	<b>132 598 183</b>
Other income, net	98 438 102	25 619 123
Administration and other operating expenses	(214 521 608)	(119 466 135)
<b>Operating profit</b>	<b>69 886 784</b>	<b>38 751 171</b>
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over acquisition cost	564 407	49 053 265
Impairment of goodwill	(121 068)	(2 367 417)
Financial expense, net	(23 141 289)	(15 276 395)
Share of profit from associates	31 209 848	12 573 289
Share of profit from joint venture	181 727	446 276
<b>Profit before taxation</b>	<b>78 580 409</b>	<b>83 180 189</b>
Taxation	(14 374 846)	(11 925 624)
<b>Profit for the year from continuing operations</b>	<b>64 205 563</b>	<b>71 254 565</b>
<b>Discontinued operations</b>		
Profit for the year from discontinued operations	103 187 210	23 379 255
<b>Profit for the year</b>	<b>167 392 773</b>	<b>94 633 820</b>
<b>Attributable to:</b>		
Equity holders of the parent	160 446 383	82 257 086
Minority interest	6 946 390	12 376 734
	<b>167 392 773</b>	<b>94 633 820</b>

# PENTA HOLDING LIMITED

## Consolidated Balance Sheet at December 31<sup>st</sup>, 2006 (Expressed in Euro)

	2006	2005
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	139 074 943	308 420 434
Investment property	4 705 608	-
Goodwill	102 023 868	84 032 306
Investment in associates	69 168 077	50 852 815
Investment in joint ventures	374 136	6 720 916
Available for sale investments	3 502 291	2 413 840
Held to maturity investments	4 380 731	-
Intangible assets	15 567 553	29 287 809
Trade and other receivables	3 433 819	2 435 851
<b>Total non-current assets</b>	<b>342 231 026</b>	<b>484 163 971</b>
<b>Current assets</b>		
Inventories	22 656 802	31 079 370
Investments held for trading	454 329	449 174
Other investments	1 296 888	17 978
Held to maturity investments	4 380 181	-
Non-current assets held for sale	12 277 876	3 712 825
Trade and other receivables	143 437 409	161 477 728
Assets of disposal Group classified as held for sale	14 089 492	23 363 824
Cash and cash equivalents	321 095 155	155 605 564
<b>Total current assets</b>	<b>519 688 137</b>	<b>375 706 463</b>
<b>TOTAL ASSETS</b>	<b>861 919 163</b>	<b>859 870 434</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	161 022	161 022
Share premium	47 538 100	47 538 100
Other reserves	13 124 559	8 552 298
Retained earnings	399 347 685	238 901 302
<b>Equity attributable to equity holders of the parent</b>	<b>460 171 366</b>	<b>295 152 722</b>
Minority interest	13 684 832	18 439 396
<b>Total equity</b>	<b>473 856 198</b>	<b>313 592 118</b>
<b>Non-current liabilities</b>		
Borrowings	55 253 228	164 706 420
Provisions	59 495 965	89 100 896
Deferred taxation	4 777 504	12 219 842
Creditors and accruals	38 412 176	45 901 412
<b>Total non-current liabilities</b>	<b>157 938 873</b>	<b>311 928 570</b>
<b>Current liabilities</b>		
Creditors and accruals	169 538 345	132 950 094
Provisions	19 538 252	25 275 820
Borrowings	18 629 999	62 058 754
Taxation	10 480 366	784 181
Liabilities directly associated with assets of disposal Group classified as held for sale	5 966 564	8 805 591
Bank overdrafts	5 970 566	4 475 306
<b>Total current liabilities</b>	<b>230 124 092</b>	<b>234 349 746</b>
<b>TOTAL LIABILITIES</b>	<b>388 062 965</b>	<b>546 278 316</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>861 919 163</b>	<b>859 870 434</b>

The financial statements were approved by the Board of Directors  
on August 15<sup>th</sup>, 2007 and signed on its behalf by



Radoslav Zuberec  
Director



George Crystallis  
Director



## Independent Auditors' Report

### To the Members of PENTA HOLDING LIMITED

#### Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of **PENTA HOLDING LIMITED (the "Company")** and its subsidiaries (**the "Group"**) on pages 5 to 76, which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Board of Directors' Responsibility for the Financial Statements*

The Company's Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Except as discussed in the Basis for Qualified Opinion paragraphs, we conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

#### **Audit.Tax.Consulting.Financial Advisory.**

**Board Members:** Christis M. Christoforou (Chief Executive Officer), Eleftherios N. Philippou, Nicos S. Kyriakides, Nicos D. Papakyriacou, Athos Chrysanthou, Costas Georghadjis, Antonis Taliotis, Panos Papadopoulos, Pieris M. Markou, Nicos Charalambous, Nicos Spanoudis, Maria Paschalis, Christos Michael, Alexis Agathocleous, Michael Christoforou (Chairman Emeritus)  
**Associates:** Tasos Anastassiou, Haris Constantinou

**Offices:** Nicosia, Limassol, Larnaca

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Member of  
**Deloitte Touche Tohmatsu**

*Basis for Qualified Opinion*

(i) The Group's major associate, Slovalco, a.s. entered into a long-term electricity supply contract covering the period from July 1994 to 31 December 2013 which contains embedded derivatives. The embedded derivatives contained in the electricity supply contract were not separately recognized in the financial statements of the associate. We were unable to calculate the effect which this departure from International Financial Reporting Standards may have on the Group's financial statements for the year ended 31 December 2006 and on the comparative figures for the year ended 31 December 2005.

(ii) The consolidated revenue includes an amount of Euro 1,175,454 derived from the subsidiary company Vinaco Holdings Limited whose main activity is the acquisition and collection of debts. As it is often encountered in business operations of this nature, there was no effective system of control over the collection of debts and consequently over the income of Vinaco Holdings Limited on which we could rely for the purpose of our audit and, there were no satisfactory alternative audit procedures that we could adopt to verify the completeness of income.

*Opinion*

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters referred to in the "Basis for Qualified Opinion" paragraphs above, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards as issued by the IASB and the requirements of the Cyprus Companies Law, Cap. 113.

*Emphasis of matters*

Without qualifying our opinion further we draw attention to the following matters which are referred to in the financial statements:

As stated in Note 24, the consolidated financial statements include provisions amounting to Euro 15,945,870 which relate to guarantees, contractual issues and litigations in which the SID Group (formerly SIH, a.s. Group), a subsidiary of the Company, is involved. These provisions represent the best estimate made by the directors of SID Group, based on available information, and advice from legal counsel. The final outcome of such matters, depends upon future events which cannot presently be determined. The future settlement of such matters may occur at amounts which may vary significantly from the amounts provided for by the directors as at 31 December 2006. Any adjustment to these provisions would have an impact on the SID Group's consolidated financial position, results of operations and cash flows and consequently on those of the Group. The consolidated income statement of the Group for the year ended 31 December 2006 includes income recognized in SID's Group consolidated financial statements amounting to Euro 35,184,198 arising from the reversal of such provisions, which were created in previous years as well as charges of Euro 3,019,552 in respect of additional provisions made during the year.

In Note 9 (c) of the consolidated financial statements, the investment of the subsidiary company SID. (formerly SIH, a.s.) in an iron processing plant, which is currently under construction in Ukraine, is discussed. This plant was provided to SID free of charge by the government of the Czech and Slovak Federal Republic in 1992 when its value was estimated at Euro 293,842,536 (SKK 10,159,018 thousand). Since 1993 the SID Group has incurred additional expenditure on construction and maintenance of the plant in the amount of Euro 30,575,941 (SKK 1,057,102 thousand) which has been written off. This investment is not recognised in the consolidated financial statements as the management of SID Group is unable to determine reliably the degree of certainty attaching to the flow of economic benefits from this investment. The Group is seeking to dispose of its interest in the construction and is involved in negotiations with the Ukrainian and Slovak governments. As of today, no solution has yet been reached.

## **Deloitte**

As stated in Notes 24, 29(iii) and 29(iv) to the consolidated financial statements, the subsidiaries ZSNP, a.s. Group and SID Group have recognised provisions as of the balance sheet date amounting to Euro 32.093.483 and Euro 8.222.196 respectively relating to environmental risks. The provisions represent estimated costs needed for corrective environmental measures. The Group continues to review various other environmental risks and potential changes to environmental laws and regulatory requirements. Estimates of the amount and timing of future costs of environmental remediation are unavoidably imprecise because of the continuing evolution of environmental laws and regulatory requirements, further probable contamination of the area and the availability and application of technology. Such costs could materially affect the results of the operations in the future years.


### **Report on Other Legal Requirements**

Pursuant to the requirements of the Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit, except that the scope of our work was limited by the matters referred to in the "Basis for Qualified Opinion" paragraphs.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Companies Law, Cap. 113, in the manner so required, except for the matters referred to in the "Basis for Qualified Opinion" paragraphs.
- In our opinion, the information given in the report of the Board of Directors on pages 2 to 3 is consistent with the consolidated financial statements.

### **Other Matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Companies Law, Cap.113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose to any other person to whom this report may be divulged.



**DELOITTE & TOUCHE LIMITED**  
**Certified Public Accountants (Cyprus)**

Limassol, 15 August 2007

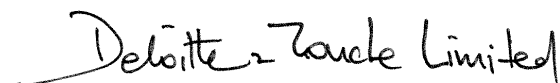


## CONFIRMATION

We hereby confirm that the figures presented on pages 26 and 27 and the auditors' report of Penta Holding Limited on pages 28 to 30 of the Annual Report of Penta Holding Limited, are consistent, in all material respects, with Penta Holding Limited audited consolidated financial statements.

The pages to which reference is made in the auditors' report presented on pages 28 to 30, are the pages of the original full set of the audited consolidated financial statements of Penta Holding Limited.

For a better understanding of the Penta Holding Limited Group financial position and results of its operations and cash flows, the consolidated Income Statement and Balance Sheet presented on pages 26 and 27 should be read in conjunction with the full set of the audited consolidated financial statements of Penta Holding Limited.



**DELOITTE & TOUCHE LIMITED**  
Certified Public Accountants (Cyprus)

Limassol, 15 August 2007

### Audit.Tax.Consulting.Financial Advisory.

**Board Members:** Christis M. Christoforou (Chief Executive Officer), Eleftherios N. Philippou, Nicos S. Kyriakides, Nicos D. Papakyriacou, Athos Chrysanthou, Costas Georghadjis, Antonis Taliotis, Panos Papadopoulos, Pieris M. Markou, Nicos Charalambous, Nicos Spanoudis, Maria Paschalis, Christos Michael, Alexis Agathocleous, Michael Christoforou (Chairman Emeritus)  
**Associates:** Tasos Anastassiou, Haris Constantinou

**Offices:** Nicosia, Limassol, Larnaca

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# PENTA HOLDING LIMITED

## Management Discussion & Analysis of Consolidated Financial Statements for the Year 2006

### Consolidated Income Statement

#### **Operating Revenue (EUR 837,7 million), Operating Costs (EUR 651,7 million) and Gross Profit (EUR 186 million)**

Penta Holding Limited Group (The Group) generated much higher revenues during 2006 compared to the previous year. The Group experienced substantial growth due to the fact that acquisitions carried out during 2005 in certain industries, had a full year effect in the reported revenues of 2006. In 2005 the revenues and operating results of these entities were partly recognised in the consolidated financial statements as from the acquisition date. During 2005, the Group acquired new entities that operate in the betting industry, statutory health insurance services, and the pharmacy business. These contributed on aggregate EUR 620,9 million in 2006 to the Group's revenues, while in 2005 they contributed revenue of EUR 201,7 million.

More specifically, the subsidiary companies SIDÉRIA zdravotná poisťovňa, a.s. and DÔVERA zdravotná poisťovňa, a.s., which provide health insurance services, contributed EUR 312,6 million to the Group's revenue in 2006 compared to EUR 67,2 million in year 2005. In addition, FORTUNA sázková kancelár a.s., FORTUNA SK a.s., and Profesional Sp. z o.o., which operate in the betting industry, contributed revenue of EUR 229,2 million in 2006 compared to EUR 118,2 million in 2005. Furthermore, BRL Center Polska Sp. z o.o., BRL Center CZ s.r.o. and Česká Lékárna, a.s. (The Group took control over these companies in 2006.) as well as many pharmacies in the Slovak Republic contributed on aggregate EUR 79,1 million to the Group's revenue in 2006, while in 2005 they contributed EUR 16,3 million. It is also worth mentioning that Paroplynový cyklus, a.s. Bratislava, a subsidiary, which supplies energy and electricity, generated higher revenues in 2006. In 2006 this entity reported revenues of EUR 98,3 million as compared to EUR 82,6 million in 2005.

Operating costs represent directly attributable costs of products sold and services rendered as well as financing costs directly related to interest income. Operating costs amounted to EUR 651,7 million in 2006 and EUR 282,9 million in 2005. The operating costs showed a significant increase due to the growth that the Group has experienced during 2006.

The Group reported higher gross profits in 2006 (EUR 186 million) as compared to 2005 (EUR 132,6 million) reflecting the growth experienced in 2006. The Group achieved 40,25% growth in gross profit during 2006.

#### **Administration and Other Operating expenses (EUR 214,5 million) and Net Financial Expenses (EUR 23,1 million)**

Administration costs in 2006 amounted to EUR 214,5 million, as compared to EUR 119,5 million in 2005. These represent mainly staff costs, rentals, depreciation and amortisation charges and impairment charges as well as other operating expenses incurred. These expenses reported a significant increase in the current year in line with the growth experienced by the Group.

Financial expenses consist of bank charges, interest on borrowings (EUR 10,5 million), exchange currency losses (EUR 2 million) as well as fair value settlements and adjustments on total return swaps (EUR 21,7 million). Of the total financial expenses of EUR 23,1 million incurred in 2006, EUR 15,3 million are related to the continuing operations of the Group as reported in the Consolidated Income Statement. The financial expenses of 2005 amounted to EUR 15,3 million. The increase mentioned above was mainly due to the fair value settlement loss reported in the year 2006.

## **Results of Discontinued Operations (Profit EUR 103,2 million)**

The Group classified a business component as discontinued if it is held for resale or it was disposed of during the year.

The reported profit is primarily related to the results of the discontinued operations of Severomoravské vodovody a kanalizace Ostrava a.s. (SmVaK) (EUR 72,4 million), Alufinal, a.s. (currently Sapa Profily a.s.) (EUR 22,7 million), and EL RANCHO a.s. (EUR 2,2 million).

On June 30<sup>th</sup>, 2006, the Group completed the disposal of SmVaK, which was engaged in the production and distribution of potable and industrial water and discharge and treatment of water. The Group achieved a profit on the disposal amounting to EUR 66,6 million. The profit from operations of SmVaK, recognised in the consolidated results during 2006 until the date of disposal, amounted to EUR 5,7 million.

On July 13<sup>th</sup>, 2005, the subsidiary of the Group, ZSNP, a.s. (ZSNP Group) entered into a binding agreement regarding the sale of a 100% interest in Alufinal, a.s. and its subsidiaries (Alufinal). As of December 31<sup>st</sup>, 2005, final negotiations for the sale of the shares were in progress and the disposal of Alufinal was completed on January 2<sup>nd</sup>, 2006 for net consideration of EUR 33 million. The Group achieved a profit on the disposal of Alufinal amounting to EUR 22,7 million.

During 2006, the subsidiary Slovenské investičné družstvo Group (SID Group) disposed of its 50% interest in the joint venture, EL RANCHO a.s.

## **Share of Profit from Associated Companies (EUR 31,2 million)**

The share of profit from associated companies is primarily related to the results of a member of ZSNP Group, Slovalco, a.s., amounting to EUR 30,7 million (2005: EUR 12,3 million). The Group realized much higher profits from Slovalco, a.s. reflecting the improved profits achieved by this associated company in 2006.

## **Other Net Income (EUR 98,4 million)**

Other net income is mainly comprised of a net release of provisions for litigation, other provisions and environmental risks of EUR 30,2 million, release of granted emission rights of EUR 23 million, intermediation and other compensation income of EUR 44,3 million and other net expenses of EUR 1 million. The Group reported much higher other net income achieved during 2006 by EUR 72,8 million, which mainly reflects the net release of provisions for litigation and intermediation and other compensation income recognised in 2006.

## **Taxation (EUR 14,4 million)**

The tax charge for the year on continuing operations consists of the corporate tax charge amounting to EUR 17,1 million, less a deferred tax credit of EUR 2,7 million. The overall tax charge on continuing operations amounted to EUR 14,4 million (2005: EUR 11,9 million) and results in an effective tax rate of 18,3% (2005:14,32%). The most significant corporate tax charges are primarily related to SID Group (EUR 9,4 million), PENTA INVESTMENTS LIMITED (EUR 2,9 million) and Penta Investments, a.s. in the Czech Republic (EUR 2,9 million).

## **Minority Interest (EUR 6,9 million)**

Minority interests are related to the share of the profits of the subsidiary companies, to which minority shareholders are entitled in subsidiaries in which the Group does not hold a 100% interest. This mainly represents the minority interests in ZSNP Group (EUR 2,5 million) and SID Group (EUR 4,4 million).



# Consolidated Balance Sheet

## Property, Plant and Equipment (EUR 139,1 million)

Property, plant and equipment are carried at cost or valuation less accumulated depreciation. The Group depreciates its property, plant and equipment using the straight-line method in order to write off the cost of each asset or its re-valued amount over its estimated useful life. Where the carrying amount of an asset is greater than its recoverable amount, it is written down according to its recoverable amount.

Property, plant and equipment have decreased substantially during the year ended December 31<sup>st</sup>, 2006. The carrying amount declined from EUR 308,4 million to EUR 139,1 million primarily because of the disposal of SmVaK, a capital-intensive utility company engaged in the production and supply of water. Property, plant and equipment is mainly comprised of the assets of the following businesses: SID Group (EUR 65,1 million), ZSNP Group (EUR 37,2 million) and MobilKom, a.s. (EUR 12,1 million).

During the year, the Group invested mainly in the property, plant and equipment of the telecommunications, pharmacy, property development and power generation businesses. The major classes of fixed assets of the Group as of December 31<sup>st</sup>, 2006 are plant, machinery and equipment (EUR 67,8 million), land & buildings (EUR 56,1 million) and assets under construction and not yet utilized (EUR 15,1 million).

## Intangible Assets (EUR 15,6 million)

Intangibles consisted of mainly the following assets: brand name (EUR 5,9 million), telecommunication licenses (EUR 3,7 million), software (EUR 3 million) and emission rights (EUR 1,8 million).

During the year 2006, the Group acquired a telecommunications license for a CDMA network (EUR 3,7 million) through the establishment of control over MobilKom, a.s., a subsidiary in the Czech Republic.

The carrying amount of intangibles has been reduced substantially during 2006 by EUR 13,7 million primarily because of the utilisation and disposal of emission rights and downward revaluation of the said intangibles.

Intangible assets are stated at cost less accumulated amortisation. Where the carrying amount of an asset is greater than the amount that it is estimated to be recoverable, it is written down to its recoverable amount. Amortisation is charged to the Income Statement over the estimated useful life of the intangibles. Intangibles assessed as having an indefinite useful life are not amortised and are examined for impairment annually.

## Investment Property (EUR 4,7 million)

Investment property is principally comprised of the Group's investment in land situated in Bratislava, which was acquired during 2006.

The Group acquired the land with the perspective of long-term development and capital appreciation. The land is stated at cost as of the balance sheet date.

## Investment in Associated Companies (EUR 69,2 million)

Investments in associated companies are accounted for under the equity method of accounting. These are enterprises in which the Group generally controls from 20% to 50% of the voting rights, or in which the Group exercises significant influence over the financial and operating policies.

Investments in associated companies consist mainly of a 34,69% interest in the equity of Slovalco, a.s., a 29,90% interest in the ordinary share capital of KSC Holding, a.s. and BTS Holding, a.s. and a 100% interest in the preferential shares of KSC Holding, a.s. and BTS Holding, a.s.

Investments in associated companies increased from EUR 50,8 million in 2005 to EUR 69,1 million during 2006. This was mainly due to the newly acquired interest in KSC Holding, a.s., with purchase consideration in the amount of EUR 11,2 million. This entity holds a 66% joint-venture interest in Letisko Košice – Airport Košice, a.s. The carrying amount of KSC Holding, a.s., as of December 31<sup>st</sup>, 2006, amounted to EUR 11,9 million.

Slovalco, a.s., is a manufacturer of primary aluminium products located in the Slovak Republic. The carrying amount of the interest in Slovalco, a.s., increased from EUR 50,8 million as of December 31<sup>st</sup>, 2005, to EUR 55,9 million at December 31<sup>st</sup>, 2006.

## Available-for-Sale Investments (EUR 3,5 million)

Available-for-sale financial assets are primarily investments, which are held with an unspecified holding period. They are included in non-current assets, unless management intends to dispose of the investment within twelve months of the balance sheet date. These investments are carried at fair value as of the balance sheet date unless fair value cannot be reliably estimated. In this case, the investments are carried at cost.

Available-for-sale investments are mainly represented by a 49% interest in Apollo zdravotná poisťovňa, a.s., with a carrying amount of EUR 1,7 million and investments in listed securities with a carrying amount of EUR 1,5 million. The investment in Apollo zdravotná poisťovňa, a.s., is carried at cost, while the investments in listed securities are carried at fair value.

### **Held-to-Maturity Investments (EUR 8,8 million – short-term EUR 4,4 million and long-term EUR 4,4 million)**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Group's management has the positive intention and ability to hold to maturity.

These investments were acquired during 2006 and represent an investment in the bonds of Privatbanka, a.s., with maturity dates on October 28<sup>th</sup>, 2009 (EUR 4,4 million) and April 25<sup>th</sup>, 2007 (EUR 4,4 million).

### **Goodwill on Acquisition of Subsidiaries (EUR 102 million)**

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost, less any accumulated impairment losses. Goodwill is subject to annual impairment testing.

For the purpose of impairment testing, Goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is recognized in the income statement. No significant impairment loss was identified by the impairment test performed for 2006.

During the year 2006, the carrying amount of the goodwill has increased from EUR 86,4 million (2005) to EUR 104,5 million due to favourable exchange rate movements and goodwill arising from new acquisitions. Goodwill amounting to EUR 9,5 million has been gained from new acquisitions and an increase of goodwill amounting to EUR 6,1 million resulted from the favourable movement in exchange rates. The most significant acquisition realized in 2006 is related to the establishment of control over Česká Lékárna, a.s., which resulted in recognition of goodwill amounting to EUR 7 million.

The most significant businesses to which goodwill is allocated are as follows: Paroplynový cyklus, a.s. Bratislava (EUR 19,6 million), BRL Center Polska Sp. z o.o. (EUR 8,5 million), BRL Center CZ, s.r.o. (EUR 6,8 million), FORTUNA sázková kancelář a.s. (EUR 50 million), Mirakl, a.s. (EUR 2 million), DGK Trade, spol. s r.o. (EUR 1,3 million), Česká Lékárna, a.s. (EUR 9,7 million), Digital Park, a.s., currently Digital Park Einsteinova, a.s., (EUR 0,8 million) and HMO Slovakia, a.s. (currently ProCare, a.s.) Group (EUR 1,7 million).

### **Trade and Other Receivables (short-term EUR 143,4 million and long-term EUR 3,4 million)**

Trade receivables are initially recognised at fair value and subsequently measured at their amortised cost. An appropriate allowance for the irrecoverable amount is recognised in the income statement where there is objective evidence that receivables are impaired.

Long-term receivables consist mainly of amounts due from related parties and carry interest at the rate of 7%. These loans are repayable at the beginning of 2015.

Short-term receivables are comprised of trade debtors of EUR 53,2 million, trade debtors from the insurance business of EUR 31,3 million, trade short-term loans of EUR 35,9 million, short-term loans and other receivables due from related parties of EUR 2,9 million and other debtors and prepayments of EUR 20,1 million.

The most significant amounts classified under trade and other receivables are relate to SID Group (EUR 54,8 million), Dôvera Holding, a.s. Group (EUR 23,9 million), ZSNP Group (EUR 9,5 million), PENTA INVESTMENTS LIMITED (EUR 7,1 million), ADAST a.s. Group (EUR 5 million), OAKFIELD a.s. (EUR 5,5 million) and LPV Finance B.V. (EUR 23,5 million).

In 2006 the Group's trade receivables decreased by EUR 18 million due to the improvement of credit procedures established in certain subsidiaries of the Group and the derecognition of receivables of the subsidiary SmVaK (balance 2005: Euro 10,4 million), which was sold in the current year. The trade receivables from insurance companies have increased by EUR 5,7 million, due to the expansion of the insurance business of the Group. Furthermore, trade loans have increased by EUR 13,9 million, due to additional loans provided to parties outside of the Group engaged in the real estate business and the production of meat products.

## **Inventories (EUR 22,7 million)**

Inventories represent raw materials, semi-finished goods, finished products and goods for resale. Inventories are valued at the lower of cost or net realisable value, where net realisable value is an estimate of the selling price in the ordinary course of business, less direct selling expenses.

Inventories are mainly comprised of the inventories of the SID Group (EUR 9,1 million), ZSNP Group (EUR 4,8 million) and ADAST a.s. (EUR 4,2 million). Inventories held as of December 31st, 2006 are classified as: raw materials (EUR 8,9 million), work in progress (EUR 7 million) and finished goods (EUR 11,8 million), less a provision for obsolete stocks (EUR 5,1 million).

The decrease of EUR 8,4 million in inventories effected during the year 2006 primarily reflects the reduction of stock levels maintained at ADAST a.s.

## **Cash and Cash Equivalents (EUR 321,1 million)**

The Group considers all short-term highly liquid instruments with maturities of 3 months or less to be cash equivalents. The most significant balances included within cash and cash equivalents are related to SID Group (EUR 103,6 million), OAKFIELD a.s. (EUR 100,5 million), Dôvera Holding, a.s. Group (EUR 50,9 million) and PENTA INVESTMENTS LIMITED (EUR 27,1 million). Cash held in the bank in OAKFIELD a.s. amounting to EUR 100,5 million was used at the beginning of 2007 to acquire AERO Vodochody a.s., a company engaged in the production of a range of military training jet aircraft and the assembly of helicopters.

During the year, the Group's cash and cash equivalents have increased substantially from EUR 152,8 million as of December 31st, 2005 to 315,4 million as of December 31st, 2006. The Group generated net cash inflows from operating activities amounting to EUR 92,3 million and significant cash inflows from investing activities amounting to EUR 148,7 million, which resulted principally from the disposal of SmVak. In addition, cash and cash equivalents were negatively affected by cash outflows used in financing activities as a result of the repayment of loans and interest amounting to EUR 9,1 million.

## **Equity Attributable to Equity Holders of the Parent (EUR 460,2 million)**

The total equity basically consists of share capital (EUR 0,2 million), share premium (EUR 47,5 million), retained earnings (EUR 399,4 million), and other reserves (EUR 13,1 million).

Equity increased significantly in the year from EUR 295,1 million as of December 31st, 2005 to EUR 460,1 million as of December 31st, 2006. This was mainly due to the profits generated from continuing operations of the Group amounting to EUR 57,4 million (profit for the year less minority interests), profits for

the year arising from discontinued operations amounting to EUR 103 million and currency translation gains of EUR 22,2 million arising from translation of net assets of the Group denominated in currencies other than EURO. Furthermore, during the year 2006, the Group's equity was negatively affected by fair value losses and other losses directly recognised within equity amounting to EUR 16,1 million.

## **Provisions (Short-term portion EUR 19,5 million and long term portion EUR 59,5 million)**

The carrying amount of provisions relates mainly to the following businesses: SID Group (EUR 38,9 million), ZSNP Group (EUR 34,2 million) and Dôvera Holding Group (EUR 5,9 million). The most significant amounts represent provisions for guarantees, contractual issues and litigation amounting to EUR 25,1 million, provisions for environmental risks of EUR 40,3 million, provisions for released emission rights of EUR 3,7 million and provisions for health insurance services of EUR 9,1 million.

The provisions for guarantees, contractual issues and litigation for the most part reflect the provision made by SID Group with regard to litigation and negotiation with various creditors, which may lead to possible liabilities resulting from guarantees provided, legal claims and contractual defaults as of December 31st, 2006. The management and legal counsel of SID Group have performed an analysis of all such issues, made an assessment of what they believe to be the likelihood of losses related to such issues and provided for the losses that were assessed as probable. The ultimate outcome of these issues depends upon future events, which can not presently be determined and may result in the settlement of amounts that may differ from the current estimated provisions reported as of December 31st, 2006. During the year 2006, the management of the Group released provisions recognised in previous years amounting to EUR 35,2 million based on a reassessment and analysis of the legal cases, an examination of information available today and advice taken from legal counsel. As a result, the said provisions declined from EUR 54 million as of December 31st, 2005 to EUR 25,1 million as of December 31st, 2006. The majority of released provisions were derived from cases that were settled during 2006 and up to the date of this report.

Environmental provisions mainly consist of provisions of the subsidiary ZSNP Group amounting to EUR 32 million and those of the subsidiary SID Group amounting to EUR 8,2 million. In 1994, ZSNP Group concluded an agreement on environmental remediation with the European Bank for Reconstruction and Development (EBRD), the National Property Fund (FNM), and the Slovak Government. The agreement defines the duties and measures ZSNP Group must take to remove alkaline water and to cap and re-cultivate a sludge heap. During 2006, ZSNP Group increased the provision for the costs of capping and recultivating the sludge heap to Euro 19,5 million in accordance with geodetic, hydro-geological, engineering and geological research and an

analysis performed by ASA, spol. s.r.o., a company specialising in these issues. In addition, the ZSNP Group utilised the provision for the costs of removing alkaline water from the sludge heap, which caused a decrease of the provision to Euro 12,3 million. This decrease reflects the effective utilisation of the provision and the revised estimates of the total volume of alkaline water in the sludge heap and the price per 1 cubic metre for treatment of the alkaline water. The provisions were determined based on existing technologies and the expectation that the remediation is to be completed within the following seven years. SID Group also maintains an environment provision with respect to liabilities towards the Slovak Republic. The provision related to remedial action required with regard to contaminated the underground and ground environment of property transferred to entities outside the Group. The management having considered the recent consultant's advice and legal implications, assessed that the current provision of EUR 8,2 million, which is similar to last year's provision, is adequate to cover any future cash outflows that might be needed to settle these provisions.

With respect to provision for released emission rights, the Group has established provisions for the actual emissions produced by the operations of Paroplynový cyklus, a.s., Bratislava and ZSNP, a.s., by using market values of emission rights as of December 31<sup>st</sup>, 2006.

The provisions for health insurance services are related to the payment of health care services provided to clients of the subsidiaries SIDÉRIA, zdravotná poisťovňa, a.s. and Dôvera zdravotná poisťovňa, a.s. These services were approved and provisions calculated were based on agreements with the respective health providers. The said provisions increased to EUR 9,1 million as of December 31<sup>st</sup>, 2006 in line with the increase of operations.

### **Creditors, Accruals and Other Liabilities (long-term EUR 38,4 million and short-term EUR 169,5 million)**

Long-term creditors and accruals are comprised of payables to related parties (EUR 1,1 million), advances received (EUR 1,3 million) and other non-current liabilities (EUR 35 million). Non-current other liabilities primarily include the unpaid consideration due from the Group in connection with the acquisition of the subsidiary FORTUNA sázková kancelář a.s. (EUR 31,1 million), which was effected in 2005. Long-term creditors and accruals declined by EUR 7,5 million during 2006 reflecting repayments of consideration for the acquisition of FORTUNA sázková kancelář a.s. and settlements of other payables.

Short-term creditors and accruals can be classified as follows: trade creditors (EUR 73,3 million), payables from insurance claims (EUR 52 million) and other payables and accruals (EUR 44,2 million). Trade creditors mostly consist of balances for the following subsidiaries: SID Group (EUR 34,6 million), ZSNP

Group (EUR 5,8 million), PENTA INVESTMENTS LIMITED (EUR 8,7 million), Česká Lékárna, a.s. (EUR 7,8 million), BRL Center CZ, s.r.o. (EUR 9,2 million) and ADAST a.s. (EUR 4,3 million). Payables from insurance claims mostly consist of the balances for the following subsidiaries: SIDERIA zdravotná poisťovňa, a.s. (EUR 23,8 million) and Dôvera Holding, a.s. Group (EUR 28,2 million).

Current payables and accruals increased by EUR 38,6 million during 2006 as a result of the expansion of the insurance and pharmacy businesses including the effect of the acquisition of Česká Lékárna, a.s. Creditors and accruals of Česká Lékárna, a.s. amounted to EUR 8,5 million and were incorporated into the consolidated financial statements of the Group in 2006 for the first time.

### **Borrowings (long-term EUR 55,3 million and short-term EUR 18,6 million)**

Borrowings are initially recorded at fair value as the consideration received. Subsequent to initial recognition, straight loans are carried at amortised cost using the effective interest rate method. Borrowings incorporating embedded derivatives are accounted for at fair value as of the balance sheet date and any fair value movements are recognised in the income statement.

Long-term loans are classified as follows: finance leases (EUR 3,1 million), bank loans (EUR 35,7 million), other loans (EUR 0,2 million) and loans under total return swap (EUR 16,3 million).

Short-term loans are classified as follows: finance leases (EUR 1,8 million), bank loans (EUR 11,2 million), bank borrowing under total return swap (EUR 5,3 million) and other loans (EUR 0,3 million).

During 2006, borrowings decreased substantially by EUR 152,8 million, reflecting mainly the repayments of straight loans of EUR 66,9 million and the repayment of TRS of EUR 11,6 million. Borrowings have also decreased as a result of derecognition of the bond liability in the amount of EUR 67,9 million due from SmVaK, which was disposed of during 2006.



### **Taxation (deferred taxation of EUR 4,8 million and corporate tax of EUR 10,5 million)**

The corporation taxes currently payable is based on taxable profit for the year. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxes are recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which temporary differences can be utilised.

Corporate taxation mostly consists of the balances for the following subsidiaries: SID Group (EUR 5,2 million), PENTA INVESTMENTS LIMITED (EUR 1,6 million), Penta Investments, a.s. in the Czech Republic (EUR 2,9 million) and ZSNP Group (EUR 1 million). During the year the corporation tax liabilities increased from EUR 0,8 million as of December 31<sup>st</sup>, 2005 to EUR 10,4 million as of December 31<sup>st</sup>, 2006 reflecting the annual tax charge for Penta Investments, a.s. in the Czech Republic (EUR 2,8 million), PENTA INVESTMENTS LIMITED (EUR 2,8 million) and SID Group (EUR 9,4 million) and tax settlements of EUR 9 million.

Deferred taxation consists mainly of the balances of SID Group (EUR 2,5 million), ZSNP Group (EUR 5,6 million) and Penta Investments, a.s., in Slovakia (EUR 2,6 million – debit). The deferred tax liability was reduced by EUR 7,4 million mainly as a result of the derecognition of the liability related to SmVak, which was disposed of during 2006.

### **Assets of Disposal Group Classified as Held-for-Sale (EUR 14,1 million) and Liabilities Directly Associated with the Disposal Group Classified as Held-for-Sale (EUR 6 million)**

The assets and liabilities of the disposal group held for sale are related to the subsidiary AVC, a.s. By the end of 2006, the Group decided to dispose of its 73,39% interest in AVC, a.s. Management committed to a plan to sell the company and initiated an active programme to locate a buyer and complete the disposal within the next twelve months.

### **Non – Current Assets Held-for-Sale (EUR 12,3 million)**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continued use. The disposal of the assets is probable and the assets are available for sale in their present condition. The assets are carried at the lower of fair value and their previous carrying amount.

The Group holds pieces of land mainly in the Czech Republic that are classified as held for sale. The assets are carried at their purchase cost of EUR 12,3 million. Their estimated fair values amounted to EUR 19,1 million.

### **Minority Interest (EUR 13,7 million)**

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests represent the share of the minority holdings in the net assets of subsidiary undertakings as of the balance sheet date. Minority interests are classified as follows: SID Group (EUR 6,9 million), ZSNP Group (EUR 6,2 million), MobilKom, a.s. (EUR 0,5 million) and minority interests in other subsidiaries (EUR 0,1 million).

# PENTA INVESTMENTS LIMITED

## Basic Data

<b>COMPANY NAME:</b>	PENTA INVESTMENTS LIMITED
<b>LEGAL FORM:</b>	Private Company Limited by Shares
<b>SHARE CAPITAL:</b>	CYP 182.868
<b>NUMBER AND CLASS OF SHARES:</b>	182.868 registered, documentary shares
<b>NOMINAL VALUE PER SHARE:</b>	CYP 1
<b>PRINCIPAL ACTIVITIES:</b>	Private equity fund; holding and trade of investments in shares and other securities, loan financing
<b>REGISTERED OFFICE:</b>	44 Griva Digeni Salamis House, 3 <sup>rd</sup> Floor 8020 Paphos, Cyprus
<b>DATE OF INCORPORATION:</b>	March 28 <sup>th</sup> , 2005
<b>AUDITOR:</b>	Deloitte & Touche Limited 319, 28 <sup>th</sup> October Street Kanika Business Center, 2 <sup>nd</sup> floor Limassol 3105, Cyprus
<b>BOARD OF DIRECTORS AS AT DECEMBER 31<sup>st</sup>, 2006:</b>	Radoslav Zuberec Nicos-Alecos Nicolaou

# PENTA INVESTMENTS LIMITED

## Report for 2006

After internal restructuring in 2005, the new Penta Investments Limited fully established itself as the Group's main fund and main portfolio owner acting on the principles of private equity standards.

The Company continued in the restructuring its holdings in ZSNP; AVC; Slovenský investičný holding, which changed its legal form and name to Slovenské investičné družstvo; as well as the betting companies of Terno and Profesional. Penta also finalized its first real-estate development project, Digital Park, an administrative building at a central location in Bratislava. The company also signed a purchase agreement for the purchase of a majority stake in the PM Zbrojniky meat-processing plant, but the transaction was only finalized in 2007. Through its direct

subsidiaries, the Company implemented other key projects such as the sale of SmVaK, participation in the tender for the purchase of the Bratislava and Košice airports and the successful bid in the AERO public tender.

The main source of Penta Investments Limited's high income in 2006 were subsidiary's interim dividend payments in the total amount of EUR 147,7 million originating in the sale of SmVaK and revenue from the recovery of non-performing loans.

Penta Investments stand-alone results show a profit of EUR 109 million and consolidated profit amounted to EUR 160,5 million.

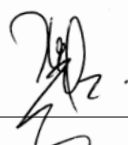
# PENTA INVESTMENTS LIMITED

## Consolidated Income Statement for the Year Ended December 31<sup>st</sup>, 2006


(Expressed in Euro)

	2006	28/3/2005–31/12/2005
<b>Continuing operations</b>		
Operating revenue	837 155 673	215 965 136
Operating costs	(650 218 577)	(147 735 037)
<b>Gross profit</b>	<b>186 937 096</b>	<b>68 230 099</b>
Other income, net	98 607 802	14 669 379
Administration and other operating expenses	(211 144 819)	(62 375 606)
<b>Operating profit</b>	<b>74 400 079</b>	<b>20 523 872</b>
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over acquisition cost	564 407	48 830 759
Impairment of goodwill	(121 068)	(717 557)
Financial expense, net	(22 989 982)	(15 419 852)
Share of profit from associates	31 209 848	7 197 948
Share of profit from joint venture	181 727	253 114
<b>Profit before taxation</b>	<b>83 245 011</b>	<b>60 668 284</b>
Taxation	(13 025 925)	(6 429 230)
<b>Profit for the year/period from continuing operations</b>	<b>70 219 086</b>	<b>54 239 054</b>
<b>Discontinued operations</b>		
Profit for the year/period from discontinued operations	103 187 210	18 013 405
<b>Profit for the year/period</b>	<b>173 406 296</b>	<b>72 252 459</b>
<b>Attributable to:</b>		
Equity holders of the parent	166 459 906	61 226 909
Minority interest	6 946 390	11 025 550
	<b>173 406 296</b>	<b>72 252 459</b>

*The financial statements were approved by the Board of Directors  
on August 15<sup>th</sup>, 2007 and signed on its behalf by:*



Radoslav Zuberec  
Director



Nicos Alecos Nicolaou  
Director



# PENTA INVESTMENTS LIMITED

## Consolidated Balance Sheet at December 31<sup>st</sup>, 2006 (Expressed in Euro)

	2006	2005
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	135 858 449	303 056 519
Investment property	4 705 608	-
Goodwill	101 408 901	83 407 779
Investment in associates	69 168 077	50 852 815
Investment in joint ventures	374 136	6 720 916
Available for sale investments	3 502 291	2 413 417
Held to maturity investments	4 380 731	-
Intangible assets	15 220 358	29 020 570
Trade and other receivables	4 507 278	4 416 853
<b>Total non-current assets</b>	<b>339 125 829</b>	<b>479 888 869</b>
<b>Current assets</b>		
Inventories	22 656 807	31 034 637
Investments held for trading	454 329	41 912
Other investments	333 423	17 978
Held to maturity investments	4 380 181	-
Non-current assets held for sale	12 277 876	3 712 825
Trade and other receivables	146 026 477	163 720 639
Assets of disposal Group classified as held for sale	14 089 492	23 363 824
Cash and cash equivalents	320 277 267	152 940 189
<b>Total current assets</b>	<b>520 495 852</b>	<b>374 832 004</b>
<b>TOTAL ASSETS</b>	<b>859 621 681</b>	<b>854 720 873</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	316 180	214 006
Share premium	72 301 786	53 910 355
Other reserves	12 215 966	6 041 724
Retained earnings	375 832 372	230 528 801
<b>Equity attributable to equity holders of the parent</b>	<b>460 666 304</b>	<b>290 694 886</b>
Minority interest	13 684 832	18 439 396
<b>Total equity</b>	<b>474 351 136</b>	<b>309 134 282</b>
<b>Non-current liabilities</b>		
Borrowings	55 253 228	164 706 420
Provisions	59 495 966	89 100 896
Deferred taxation	7 419 652	12 862 417
Creditors and accruals	38 412 176	45 901 414
<b>Total non-current liabilities</b>	<b>160 581 022</b>	<b>312 571 147</b>
<b>Current liabilities</b>		
Creditors and accruals	167 073 577	131 557 673
Provisions	19 538 251	25 275 820
Borrowings	18 629 999	62 058 754
Taxation	7 594 644	881 016
Liabilities directly associated with assets of disposal Group classified as held for sale	5 966 564	8 805 591
Bank overdrafts	5 886 488	4 436 590
<b>Total current liabilities</b>	<b>224 689 523</b>	<b>233 015 444</b>
<b>TOTAL LIABILITIES</b>	<b>385 270 545</b>	<b>545 586 591</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>859 621 681</b>	<b>854 720 873</b>

## Independent Auditors' Report

### To the Members of PENTA INVESTMENTS LIMITED

#### Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of **PENTA INVESTMENTS LIMITED (the "Company")** and its subsidiaries (**the "Group")** on pages 5 to 79, which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Board of Directors' Responsibility for the Financial Statements*

The Company's Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Except as discussed in the Basis for Qualified Opinion paragraphs, we conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

#### **Audit.Tax.Consulting.Financial Advisory.**

**Board Members:** Christis M. Christoforou (Chief Executive Officer), Eleftherios N. Philippou, Nicos S. Kyriakides, Nicos D. Papakyriacou, Athos Chrysanthou, Costas Georghadjis, Antonis Taliotis, Panos Papadopoulos, Pieris M. Markou, Nicos Charalambous, Nicos Spanoudis, Maria Paschalis, Christos Michael, Alexis Agathocleous, Michael Christoforou (Chairman Emeritus)  
**Associates:** Tasos Anastassiou, Haris Constantinou

**Offices:** Nicosia, Limassol, Larnaca

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## **Deloitte.**

### *Basis for Qualified Opinion*

(i) The Group's major associate, Slovalco, a.s. entered into a long-term electricity supply contract covering the period from July 1994 to 31 December 2013 which contains embedded derivatives. The embedded derivatives contained in the electricity supply contract were not separately recognized in the financial statements of the associate. We were unable to calculate the effect which this departure from International Financial Reporting Standards may have on the Group's financial statements for the year ended 31 December 2006 and on the comparative figures for the year ended 31 December 2005.

(ii) The consolidated revenue includes an amount of Euro 1.175.454 derived from the subsidiary company Vinaco Holdings Limited whose main activity is the acquisition and collection of debts. As it is often encountered in business operations of this nature, there was no effective system of control over the collection of debts and consequently over the income of Vinaco Holdings Limited on which we could rely for the purpose of our audit and, there were no satisfactory alternative audit procedures that we could adopt to verify the completeness of income.

### *Opinion*

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters referred to in the "Basis for Qualified Opinion" paragraphs above, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards as issued by the IASB and the requirements of the Cyprus Companies Law, Cap. 113.

### *Emphasis of matters*

Without qualifying our opinion further we draw attention to the following matters which are referred to in the financial statements:

As stated in Note 24 the consolidated financial statements include provisions amounting to Euro 15.945.870 which relate to guarantees, contractual issues and litigations in which the SID Group (formerly SIH, a.s. Group), a subsidiary of the Company, is involved. These provisions represent the best estimate made by the directors of SID Group, based on available information, and advice from legal counsel. The final outcome of such matters, depends upon future events which cannot presently be determined. The future settlement of such matters may occur at amounts which may vary significantly from the amounts provided for by the directors as at 31 December 2006. Any adjustment to these provisions would have an impact on the SID Group's consolidated financial position, results of operations and cash flows and consequently on those of the Group. The consolidated income statement of the Group for the year ended 31 December 2006 includes income recognized in SID's Group consolidated financial statements amounting to Euro 35.184.198 arising from the reversal of such provisions, which were created in previous years as well as charges of Euro 3.019.552 in respect of additional provisions made during the year.

In Note 9 (c) of the consolidated financial statements, the investment of the subsidiary company SID (formerly SIH, a.s.) in an iron processing plant, which is currently under construction in Ukraine, is discussed. This plant was provided to SID, free of charge by the government of the Czech and Slovak Federal Republic in 1992 when its value was estimated at Euro 293.842.536 (SKK 10.159.018 thousand). Since 1993 the SID Group has incurred additional expenditure on construction and maintenance of the plant in the amount of Euro 30.575.941 (SKK 1.057.102 thousand) which has been written off. This investment is not recognised in the consolidated financial statements as the management of SID Group is unable to determine reliably the degree of certainty attaching to the flow of economic benefits from this investment. The Group is seeking to dispose of its interest in the construction and is involved in negotiations with the Ukrainian and Slovak governments. As of today, no solution has yet been reached.

As stated in Notes 24, 29(iii) and 29(iv) to the consolidated financial statements, the subsidiaries ZSNP, a.s. Group and SID Group have recognised provisions as of the balance sheet date amounting to Euro 32.093.483 and Euro 8.222.196 respectively relating to environmental risks. The provisions represent estimated costs needed for corrective environmental measures. The Group continues to review various other environmental risks and potential changes to environmental laws and regulatory requirements. Estimates of the amount and timing of future costs of environmental remediation are unavoidably imprecise because of the continuing evolution of environmental laws and regulatory requirements, further probable contamination of the area and the availability and application of technology. Such costs could materially affect the results of the operations in the future years.

### **Report on Other Legal Requirements**

Pursuant to the requirements of the Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit, except that the scope of our work was limited by the matters referred to in the “Basis for Qualified Opinion” paragraphs.
- In our opinion, proper books of account have been kept by the Company.
- The Company’s financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Companies Law, Cap. 113, in the manner so required, except for the matters referred to in the “Basis for Qualified Opinion” paragraphs.
- In our opinion, the information given in the report of the Board of Directors on pages 2 to 3 is consistent with the consolidated financial statements.

### **Other Matter**

This report, including the opinion, has been prepared for and only for the Company’s members as a body in accordance with Section 156 of the Companies Law, Cap.113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose to any other person to whom this report may be divulged.



**DELOITTE & TOUCHE LIMITED**  
**Certified Public Accountants (Cyprus)**

Limassol, 15 August 2007.



## CONFIRMATION

We hereby confirm that the figures presented on pages 42 and 43 and the auditors' report of Penta Investments Limited on pages 44 to 46 of the Annual Report of Penta Holding Limited, are consistent, in all material respects, with Penta Investments Limited audited consolidated financial statements.

The pages to which reference is made in the auditors' report presented on pages 44 to 46, are the pages of the original full set of the audited consolidated financial statements of Penta Investments Limited.

For a better understanding of the Penta Investments Limited Group financial position and results of its operations and cash flows, the consolidated Income Statement and Balance Sheet presented on pages 42 and 43 should be read in conjunction with the full set of the audited consolidated financial statements of Penta Investments Limited.



**DELOITTE & TOUCHE LIMITED**  
**Certified Public Accountants (Cyprus)**

Limassol, 15 August 2007

**Audit.Tax.Consulting.Financial Advisory.**

**Board Members:** Christis M. Christoforou (Chief Executive Officer), Eleftherios N. Philippou, Nicos S. Kyriakides, Nicos D. Papakyriacou, Athos Chrysanthou, Costas Georghadjis, Antonis Taliotis, Panos Papadopoulos, Pieris M. Markou, Nicos Charalambous, Nicos Spanoudis, Maria Paschalis, Christos Michael, Alexis Agathocleous, Michael Christoforou (Chairman Emeritus)  
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