Penta Holding Limited / Annual Report 2007

It doesn´t take just seeding – it takes more to have a good harvest. We know how. With the right care a single seed can be grown into a strong plant and the whole field can flourish from its fruitage.

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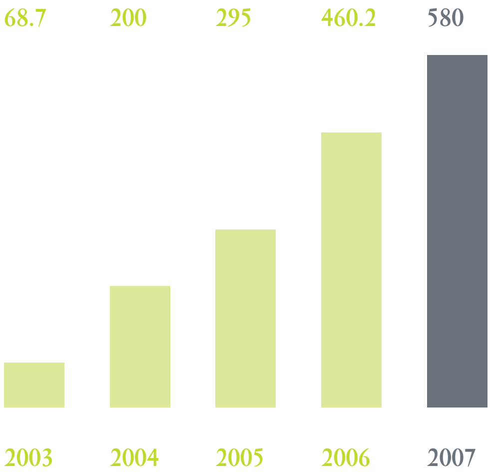
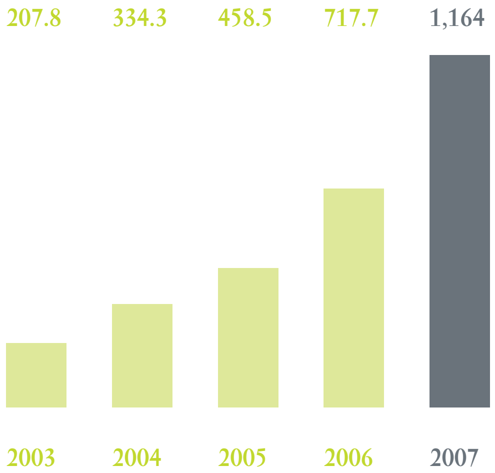
Financial Highlights

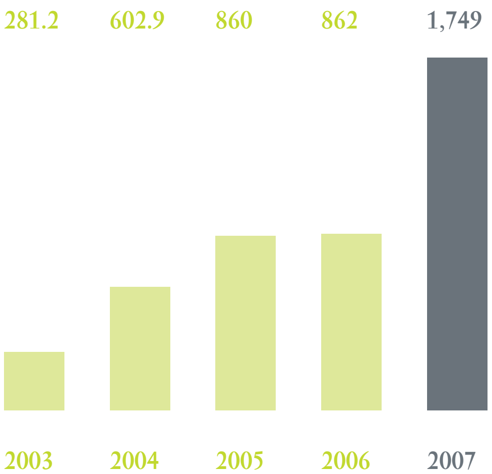
Total Equity (in €m)



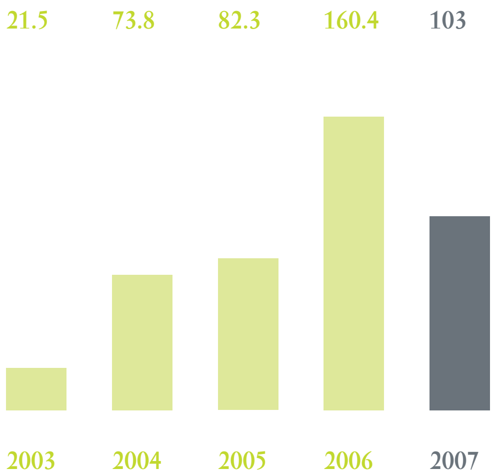
Total Equity Based on Internal Valuation (in €m)



Total Own Assets (in €m)



Consolidated Profit Attributable to Shareholders (in €m)



Our Profile

About Us

Penta is an investment group specializing in private equity and real estate and conducting its business mainly in the markets of Central and Eastern Europe. Penta was established in 1994 as a securities trader. In 2000 Penta has started to invest in private equity and in 2006, identifying new opportunities, added real estate as new business line. From less than 5 employees at the beginning, Penta has grown to the current 200 employees in 5 offices (Bratislava, Moscow, Paphos, Prague, Warsaw). We employ more than 25,000 people through our investee companies (IC), which ranks us among the main employers in the region.

At present, Penta is pursuing the following key projects: the restructuring of the largest Czech aircraft manufacturer AERO Vodochody, consolidation of the meat-processing industry in Central Europe, development of Dr. Max pharmacy chain, development and expansion of Fortuna, the biggest sports betting operator in Central Europe, the launch of the fourth Czech mobile operator U:fon, development and expansion of Žabka retail chain, expansion in the energy sector through the restructuring of Paroplynový cyklus Bratislava and the exit from ZSNP Žiar nad Hronom. Penta is also an important investor in health services, especially in Slovakia, where it owns, among other ventures, the largest private health insurance company Dôvera, a network of emergency services and a chain of laboratories.

Key Figures

- revenues from IC – EUR 1,200 million
- equity (IFRS) – EUR 580 million
- equity based on internal valuation – EUR 1,164 million
- total assets – EUR 1,749 million
- average IRR 50% p/a since 2000
- consolidated profit – EUR 103 million

Investment Criteria

- minimum of 30% IRR (Internal Rate of Return) required from every investment
- average Enterprise Value of EUR 150 million
- we have no limits in timing the exit if the company has significant growth potential

Preferred Industries

- Aerospace
- Energy
- Entertainment
- Food Processing
- Health Care
- Manufacturing
- Metal Industry
- Private Banking
- Real Estate
- Retail
- Telecommunications
- Transport

History

In 1994, Penta Group's first company was founded – Penta Brokers, s.r.o. At that time, the company had already five partners. In 1996, the major driver of the company's growth was its cooperation with the British company Regent Funds, and the joint acquisition of VÚB Kupón, the largest investment company in Slovakia at that time. In the following years Penta ventured into high-profile investments in major Slovak companies such as Slovnaft (petroleum refining), Drôtovňa Hlohovec (mechanical engineering); Slovenská plavba a prístavy (shipping), Východoslovenské železiarne (former steel mill, currently Slovenské investičné družstvo, a closed investment cooperative) or the aluminum processing ZSNP in Žiar nad Hronom. In 2002 Penta entered the Czech market; its projects include the acquisition of ADAST (engineering), LBO of Severomoravské vodovody a kanalizace Ostrava (water utilities), Sanitas ČR (health care) and of non-performing loans from the Czech Consolidation Agency. In 2006 Penta set up an office in Moscow and in the beginning of 2008 in Warsaw. The accelerating expansion will certainly call for many new offices to open across Europe in the years to come.

Philanthropy

In 2002 Penta established the Penta Foundation whose primary aim is to support educational activities. In addition to being the principal sponsor of schools for highly gifted children, Penta Foundation also supports university students and universities. The Foundation oversees all charitable and sponsoring activities of Penta in the sector of education, health care, environment, arts and sports.

Director's Statement

Dear Shareholders, Ladies and Gentlemen,

The year 2007 turned out to be the year of new business opportunities and expansion for Penta. The Group was able to meet its ambitious targets, paving the way for its expansion and delivering strong results which I have the pleasure to report.

In 2007, CEE region, the core territory of Penta's activities, seemed still to be left untouched by the growing global recession fears, the turmoil in the banking sector and the signs of recession in the field of financial services and housing. The growing economies of the region, ongoing privatizations, public tenders, but also the existence of fragmented sectors provided excellent deal opportunities, especially in the small and mid-cap market for private equity transactions.

Based on IFRS accounting, Penta reached a consolidated profit of EUR 105 million. In comparison to the previous year, the decrease of profit by EUR 78 million, which was caused by the fact that Penta did not exit from any major projects in 2007, was counterbalanced by an essential boost in assets. Using own equity and available external financing from banks operating in the region, Penta substantially increased its buyout activity across the whole CEE region and also launched its first acquisition in Western Europe. The acquisition wave resulted in the doubling of the Group's assets to the total of EUR 1,749 billion.

Having successfully bid in November 2006, Penta completed the acquisition of AERO Vodochody, the Czech military jet aircraft manufacturer, in January 2007. Straight after the acquisition, AERO underwent a radical cost cutting aimed at excessive administration expenses and a restructuring exercise, which generated an immediate positive effect in the form of EUR 10 million in profit for 2007; the profit followed after several successive years of losses. The production capacity was saved and stabilised, and all existing manufacturing contracts were extended. Through involvement in AERO, Penta also further increased its presence in the aerospace industry with its first Western European turnaround project. Penta acquired a bankrupted aerospace composites manufacturer, the British company ROTORTECH. Despite its desolate financial situation in which ROTORTECH was left by the previous management, we strongly believe in the company's potential. The Group's acquisition activity was also crowned by the successful acquisition of ŽABKA, the biggest chain of 1,800 convenience stores in Poland. Using our valuable experiences from running the Polish operations, Penta continued with the plans to bring the concept of the convenience store to other CEE countries, the first being the Czech Republic and Slovakia. After securing an approval of the Slovak antimonopoly authority in March 2007, the Group secured a firm foothold in the meat processing sector through the finalisation of the acquisition of the Slovak meat processing company PM Zbrojníky. By continuing negotiations with significant players and thanks to the successful closure of the acquisitions in Slovakia and Hungary in the beginning of 2008, Penta embarked on the process of consolidation of the Central European meat processing market.

Penta proceeded with its preparation for further acquisitions and expansion into meat processing markets, notably into the Czech Republic, in pursuit of its aim to create a strong Central European meat holding. By the end of 2007, Penta finalized the acquisition of STREAM, a Polish cable TV provider, with the ultimate view to become a strong player on the presently consolidating Polish cable TV market. The betting operation carried out through the Central European chain FORTUNA was developed further as a result of the finalisation of the acquisition of the 2nd biggest Croatian betting company FAVORIT, extending Penta's presence to cover the Czech Republic, Slovakia, Poland and Croatia.

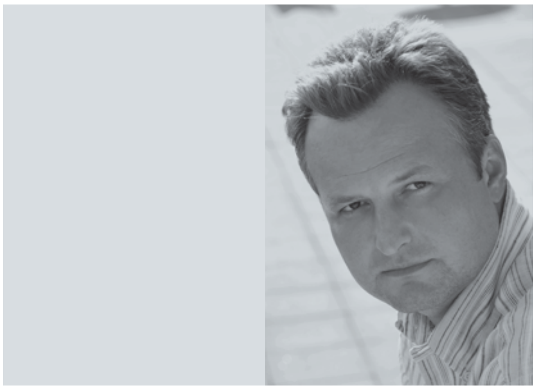
The key drivers of Penta's strong performance in 2007 were continuing efforts in its restructuring projects. FORTUNA betting chain and Dr. Max chain of pharmacies spread across the CEE region and increased their respective market shares. Slovenské investičné družstvo, PPC and ZSNP, all in advanced stages of restructuring, generated strong liquidity for Group's other projects. ZSNP also substantially increased its stake in SLOVALCO, which will give a boost to the future positive cash flow. In the field of health services, Penta expanded – through its subsidiary Alpha Medical – its presence in the field of laboratory medicine in the CEE region.

With its Danish partner Falck A/S Denmark, Penta continued to implement its plans for the joint-venture company Falck záchranná, a.s., a health emergency service. Penta's business strategy in the health services market did, however, suffer as a result of new government-proposed legislation enacted by the Slovak Parliament, which banned private health insurance companies from disposing free of their profits. Penta Investments' Dutch subsidiary HICEE B.V., the 100% owner of DÔVERA, has already started to take legal action to defend the investment.

In 2007, Penta's absence of several years from the real estate development business became definitely a matter of the past. Continuing a successful pilot project DIGITAL PARK from 2006, the Group made its presence in the market felt dramatically when it launched the 2nd phase of DIGITAL PARK, and especially the PORT project which will completely reshape the face of the Western part of Bratislava. At the end of 2007, Penta also won a tender for a prime location property in the heart of Bratislava; the results were announced in first days of January 2008.

Although the majority of the Group’s assets in 2007 still remained located in the Czech Republic and Slovakia, a shift in Penta’s business focus on the whole of Europe, where it expects its future growth potential to come from, became very apparent. The extent of the expansion called for opening of two new Penta offices in Warsaw and in Moscow. With progressing international expansion, the building of a creative multinational team of professionals and the search for new talent has become one of the Group’s dominant strategies for Penta’s future growth. The management attended to this issue with all due care. New investment professionals have strengthened our ranks in Prague, Warsaw and later in Moscow offices, finally changing the face of Penta’s Czech–Slovak management culture.

The success of the Group depends also on the strong commitment of all its employees – that is why I want to thank all of them for their effort and professionalism. And my thanks go also to our stakeholders and business partners - for their continuing trust and for supporting us on our quest to achieve our goals.



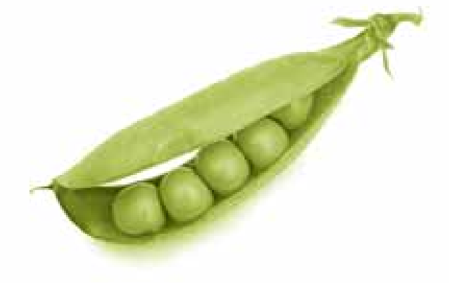
Radoslav Zuberec
Managing Director

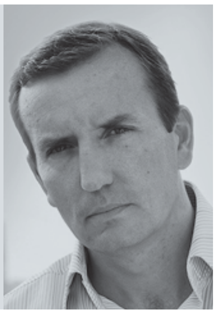
Holding Structure

Holding Structure

PENTA HOLDING LIMITED, Cyprus	PENTA INVESTMENTS LIMITED, Cyprus	PENTA INVESTMENTS, s.r.o., Slovak Republic	PENTA INVESTMENTS, a.s., Czech Republic
The owner of the long-term interests in the Group's key subsidiaries.	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. **Branch office in Warsaw** – managing assets of the private equity fund – Penta Investments Limited – in Poland.	The management company in the Slovak Republic, managing assets of the private equity fund – Penta Investments Limited.	The management company in the Czech Republic, managing assets of the private equity fund – Penta Investments Limited.

Partners





Marek Dospiva
partner

Jaroslav Haščák
partner

Martin Kúšik
partner

Jozef Oravkin
partner

Jozef Špirko
partner

Operational Structure

Operational Structure

PENTA INVESTMENTS THE FUND

- SHARED SERVICES
  - HR, PR, IT, Legal, Finance, Risk
- PRIVATE EQUITY
  - Partners
  - Investment Directors
  - Investment Managers
  - Investment Analysts
- REAL ESTATE
  - Partners
  - Project Directors
  - Project Managers
  - Project Consultants

Penta's Key Investments

Private Equity

ADAST, a.s. / Czech Republic

Restructuring; Manufacturing
Total stake of 100%
Involved in the investment: 2003–2007

ADAST is a worldwide producer of printing machines, operating in EU, Russian, Ukrainian and the USA markets. It provides a wide range of products, which includes all small size presses from A3-size to the prestige B2-size, with the individual approach to customers' needs, high quality services and continuous research and innovating programs. After the performance-driven restructuring of the company, Penta sold ADAST to a Czech company J 23 a.s., which plans to keep the printing and cooperative production in the plant.

AERO Vodochody, a.s. (Aero) / Czech Republic

Restructuring; Engineering
Total stake of 100%
Involved in the investment: since 2006
EUR 154,000,000 of annual revenue

Aero is the largest aviation producer in the Czech Republic and one of the oldest aircraft producers in the world (*1919), with extraordinary experience in production and development of military and civil aircraft and their parts. In January 2007, right after the acquisition has been finished, Penta has launched a restructuring project with following priorities: further development of aviation production, supporting the Czech Air Force, and the development of Vodochody airport with a view to building an international airport for primarily low-cost and charter operators. Audited financial results of Aero Vodochody in 2007 showed a significant improvement in its economy compared to 2006. In 2007, Aero turned a profit of CZK 236 million (compared to the loss of CZK 964.3 million in 2006). The revenues of the company reached CZK 4.3 billion in 2007 (an increase of 47% compared to 2006). Aero continues the production of military and civil aircraft and invests millions of CZK in machinery and new technologies, mainly composites. The new strategy is mainly concentrated on the aerostructures sector (e.g. in 2007, 30% more Sikorsky S-76C helicopters were shipped compared to 2006); Aero launched the production of a centre wing box for C-27J Spartan for Alenia Aeronautica and signed a new contract on deliveries of Embraer 170/190 subassemblies for Latecoere). The long-term plan is to build up an international aerospace holding specialized in aerostructures.

Rotortech Aero Composites / United Kingdom
Restructuring; Manufacturing
Total stake of 100%
Involved in the investment: since 2007

The acquisition of the British company Rotortech Limited represents Penta's first acquisition in Western Europe. The core business of Rotortech is the manufacturing of composite parts for the aviation industry – the company's customers include Aero Vodochody, Sikorsky Aircraft Corporation and the BAE holding. The acquisition is closely connected to the Aero Vodochody project: the composites technology will boost Aero's position on the world's market of aerostructures. Increasing the share of composites in aviation technology is a global long term trend. In the near future, the demand is expected to grow at the rate of 20% a year. The main advantage of this modern material is its ideal combination of strength and lightness compared to the traditional metal alloys used for the production of primary aircraft constructions.

ALPHA MEDICAL VENTURES, s.r.o. / International Chain

Consolidation, expansion; Health care – laboratory medicine
Total stake of 100%
Involved in the investment: since 2006
EUR 6,836,000 of annual revenue

Laboratory medicines in CEE market are highly fragmented. Penta's aim is to consolidate the market by creating a significant regional player with a view to a later divestiture to a strategic investor. In 2007, Alpha Medical became the second largest laboratory medicines provider in Slovakia with a comprehensive portfolio of laboratory diagnostics services. The company has embarked on a process of complete rebranding in order to communicate with its customers under one brand-umbrella. In 2007, the company hedged itself to ensure a future strong revenue growth through new acquisitions outside the Slovak territory, through organic growth and operational cost reductions. The negotiations to acquire new laboratories in Bulgaria, Ukraine and Romania had been started in the first half of 2008. Alpha is ready to take on the role of one of the major players in laboratory medicine in the CEE region.

Alpha Medical Bulgaria EOOD / Bulgaria
Total stake of 100%
Involved in the investment: since 2008

Alpha Medical Polska, Sp. z.o.o. / Poland
Total stake of 100%
Involved in the investment: since 2008

Alpha Medical Romania / Romania
Total stake of 100%
Involved in the investment: since 2008

Alpha Medical, a.s. / Slovakia
Total stake of 100%
Involved in the investment: since 2006

Alpha Medical Ukraine, LCC / Ukraine
Total stake of 100%
Involved in the investment: since 2008

DÔVERA zdravotná poisťovňa, a.s. / Slovakia

Restructuring, expansion; Health care – health insurance
Total stake of 100%
Involved in the investment: since 2002
Over 850,000 clients

Dôvera is the largest health insurer in Slovakia ran by a private investor, having almost 900 thousand clients. Penta's stakes in health insurance companies are owned and managed by its portfolio Dutch company HICEE. In addition to Dôvera, HICEE owns a 49% stake in the health insurance company Apollo. Based on its internal analysis, HICEE intends to invest in other European countries (other than CEE countries) as well. In 2007, Penta continued in the process of reorganisation of its corporate structure and in the concentration of its business activities in the Slovak health insurance industry – and also parts of its activities in other business sectors – in the Netherlands. Penta intends to finish this long-term process by the end of 2008 by establishing a permanent support for all its companies located in the Netherlands. As of 1 January 2007, the consolidation of Penta's majority stakes in health insurance companies was completed through a merger between two health insurance companies Dôvera and SIDERIA, of which Dôvera survived. On the way to achieving its target of having a 30% market share, Dôvera has launched new products, which – besides providing quality health care – aim to reduce information asymmetry of its clients in relation to health care providers. From the macro perspective, the conditions under which health insurance companies operate on market changed dramatically as the result of adoption of an amendment to the Act on Health Insurance Companies and Healthcare Supervision in fall 2007, which became effective as of 1 January 2008. The new legislation restricted, among other things, health insurance companies' ability to dispose of their earned profits and distribute the earned profits of 2008 onwards. In January 2008, HICEE notified the Slovak Republic that the aforementioned actions breached the Republic's obligations under the Agreement on Encouragement and Reciprocal Protection of Investments between the Kingdom of the Netherlands and the Czech and Slovak Federal Republic ("Dutch-Slovak Treaty"). Although HICEE and the Slovak Republic entered into negotiations to resolve the dispute amicably, the parties have not been able to achieve consensus thus far. Accordingly, HICEE is considering initiating arbitral proceedings under the Dutch-Slovak Treaty in order to protect its investments in health insurance companies in Slovakia.

Dr. Max / International Pharmacy Chain

Restructuring, expansion; Retail
Over 70,000 customers served daily
EUR 150,000,000 of annual revenue
Involved in the investment: since 2004

All three companies in the chain operate a growing network of pharmacies under the brand of Dr. Max. In Czech Republic, Dr. Max is the biggest pharmacy chain in the market and its growth continues.

Česká lékárna, a.s. / Czech Republic
Total stake of 100%
Involved in the investment: since 2004
Number of pharmacies: 100

BRL Center Polska Sp. z o.o. / Poland
Total stake of 100%
Involved in the investment: since 2004
Number of pharmacies: 40

MIRAKL, a.s. / Slovakia
Total stake of 100%
Involved in the investment: since 2004
Number of pharmacies: 45

Falck záchranná, a.s. / Slovakia

Start-up, expansion; Health care
– emergency services
Involved in the investment: since 2005
Total stake of 49%

Together with its Danish partner Falck A/S Denmark, Penta is the largest emergency health care services provider in Slovakia, with 74 rescue stations nationwide. In 2007, the company continued in its constant improvement of service quality. The main investments made after the stabilization of the company were in the fleet and education of employees. In the first half of 2008, the company began to consider a further expansion in CEE.

Fortuna Group / International Betting Chain

Restructuring, expansion; Entertainment
Over 270,000 customers served daily
EUR 300,000,000 of annual revenue
Involved in the investment: since 2004

Fortuna Group is the biggest sports betting operator in Central Europe. The Group includes Czech Fortuna, Slovak Fortuna, Polish Fortuna and Croatian Fortuna, each ranking among market leaders in their home countries. Fortuna Group operates a dense network of branch offices in full compliance with local laws, and has a professional team of bookmakers creating author odds, which are often taken as a market reference.

Fortuna sázková kancelář, a.s. / Czech Republic
Total stake of 100%
Involved in the investment: since 2004
Betting shops: 600
Services: Sport Betting, Phone Betting, Live Betting, Lottery, Games
Tickets per day: 100,000

Fortuna sportska kladionica d.o.o. /Croatia
Total stake of 100%
Involved in the investment: since 2008
Betting shops: 207
Services: Sport Betting, Lottery
Tickets per day: 45,000

Fortuna zakłady bukmacherskie Sp. z o.o. / Poland
Total stake of 33%
Involved in the investment: since 2004
Betting shops: 360
Services: Sport Betting, Lottery
Tickets per day: 55,000

Fortuna SK, a.s. / Slovakia
Total stake of 100%
Involved in the investment: since 2004
Betting shops: 360
Services: Sport Betting, Online and SMS Betting, Live Betting
Tickets per day: 70,000

Letisko Košice – AIRPORT KOŠICE, a.s. / Slovakia

Privatization, business development; transport
Total stake of 33.24%
Involved in the investment: since 2006

Consortium Two One through KSC Holding, a.s., acquired control over a 66% stake in Airport Košice, a.s. in the second largest Slovak international airport. Penta owned 33% in KSC Holding, a.s. In 2007, Airport Košice transported 443,500 passengers, which translates into annual growth of 29%. The Airport opened a new terminal for passengers, which caters exclusively to travellers within the Schengen zone. The investments helped to adapt Airport to the Schengen criteria. The final consolidation results showed a profit of EUR 2.9 million.

MobilKom – U:fon / Czech Republic

Start-up; Telecommunications
Total stake of 90%
Involved in the investment: since 2006

U:fon is the fourth mobile telecommunications operator in the Czech Republic, operated by MobilKom, the owner of the license for the CDMA technology. U:fon launched its first services in May 2007: the fastest mobile internet in the Czech Republic and an alternative to fixed lines – Wireless Local Loop. Later in 2007 U:fon launched a service of professional digital radio transmitters; mobile voice followed in June 2008. U:fon was the first operator in Europe to commercially introduce the CDMA2000 Rev A technology, making it possible to offer a higher standard of services at lower prices due to the lower cost of network construction. As at the end of 2007, U:fon had more than 30,000 active users.

PM Zbrojníky, a.s. / Slovakia

Expansion, Consolidation; Meat processing
Total stake of 100%
Involved in the investment: since 2007

Penta sees the meat processing industry in the Central European region as a space for consolidation and development by creating a strong regional player. PM Zbrojníky is one of the four biggest meat producers with estimated 8% market share in Slovakia. The company's total revenues as at 2007 reached EUR 40 million. In spring 2008, Penta successfully acquired Mecom Group – number one in Slovakia, and Debreceni Group – number two in Hungary. The meat processing group, owned by Penta currently has 2,655 employees and total revenues estimate for 2008 of EUR 312 million. After the completion of all intended acquisitions, including those in the Czech Republic, the new meat processing chain is supposed to generate approximately EUR 500 million in annual revenues.

PPC ENERGY Group, a.s. / Slovakia

Expansion; Energy
Total stake of 100%
Involved in the investment: since 2004

PPC Energy Group, a.s. (until 19 May 2008 operating as Paroplynový cyklus, a.s. Bratislava; hereinafter only as "PPC Energy Group") was established in 1996. PPC Energy Group has two fully owned subsidiaries, and that is PPC Power, a.s., which is the current operator of the power plant, and PPC Energy, a.s., which is currently working on the preparation of a capital investment project to build a new capacity. The combined cycle plant supplied yearly contracted volumes of 905,748 MWh of power and 2,600 TJ of heat. EBITDA in 2007 was EUR 37 million. The goal of Penta is to create a modern holding company providing a complete set of services for the energy sector. The long-term goal is to build a position on the European market with a view to potentially penetrating also countries outside Europe.

Privatbanka, a.s. / Slovakia

Expansion; Private banking
Total stake of 100%
Involved in the investment: since 2007

Privatbanka is the first specialized banking institution in Slovakia focusing on private banking. Penta acquired the majority stake from Meinl Bank AG in March 2007. The acquisition was approved by the antimonopoly authority in July 2007. Subsequently, over the course of following months Penta acquired a full 100% stake. Privatbanka has two main pillars of operation, private and corporate banking. Penta's strategy is to reach a 10% market share in Slovakia, expanding the product portfolio with Penta's other private equity and real estate deals. In autumn 2007, Privatbanka started to offer bonds of Žabka, later the bonds of Digital Park. After the entry of Penta, Privatbanka ran its first marketing campaign with new messages communicating the bank's uniqueness and new solutions for clients. The final consolidation results as at 31 December 2007 show a profit of EUR 1.617 million.

ProCare, a.s. / Slovakia

Start-up, consolidation; Health care – medical centers
Total stake of 100%
Involved in the investment: since 2006

ProCare is a service provider operating a network of medical centres in Slovakia, through which it offers high quality outpatient health care services, supported by an excellent customer service, on the basis of prepaid membership and fee for service payments. Today, the company operates 9 existing outpatient centres in Slovakia and maintains leading position in the field of the Occupational Health Service with 110 thousand clients. In August 2008, ProCare opened a greenfield clinic in Košice; the "one-stop shop" facility offers 24 outpatient specializations, is equipped with modern medical equipment and has high customer service standards. The objective of the company is to develop a nationwide network of 20 medical centres by 2010 through a combination of acquisitions, greenfield developments and operations in rented premises. The same concept, favouring acquisitions, will be applied in Poland, Romania, Ukraine, Russia and Turkey in the period 2009–2014.

Realitní developerská, a.s. / Czech Republic

Acquisition of 75 ha of land with the intention of participating in the construction of a new runway for Prague Ruzyně Airport
Involved in the investment: 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 2005–2007, through Realitní developerská, a.s., Penta acquired 75 ha of land intended for the construction of a planned parallel runway for the Prague Airport state enterprise. In 2007 Penta worked on an agreement with Letiště Ruzyně on selling these lots. The transaction is projected to be closed by the end of 2008.

Stream Communications (Stream) / Poland

Restructuring, expansion;
Telecommunications & Media
Total stake of 55%
Involved in the investment: since 2007

Penta acquired a majority interest in Stream in February 2008. The company is a Multiple Service Operator providing pay-TV, internet and fixed telephony services over its own hybrid fiber-coaxial network. It serves approximately 100 thousand subscribers in 23 cities, primarily in South Eastern Poland. Penta intends to use Stream as a platform for further expansion into Poland's cable and telecommunications sectors.

ZSNP, a.s. / Slovakia

Restructuring; Metallurgy
Total Stake of 96%
Involved in the investment: since 2002

The former one of the largest Central European aluminium manufacturer made substantial progress in reforming its structure. Penta managed the financial stabilization of the company in 2003, along with operational restructuring. It was accompanied by decision made about asset stripping, regarding which ZSNP divisions or subsidiaries would be kept and which would be spun off and sold to investors. Penta's goal has been to stabilize and consolidate the company and make its divisions ready for the entry of strategic investors. The sale of a 100% stake in ZSNP Foundry to the Spanish group Fagor Ederlan was closed in early 2006. In the same time a 100% stake in Alufinal, the aluminium extrusion division, was successfully completed to SAPA AB. Penta established the new industrial park within the ZSNP area, where more than 180 businesses operate. They provide 4,700 jobs which is 600 more than in 2002, before Penta entered ZSNP. In 2007, Penta started to look for a new strategic investor for another division of ZSNP – Enevia. The exit was successfully completed in mid-2008, by selling Enevia to the strategic investor Dalkia. ZSNP invested a total sum of EUR 2.5 million in the development of the production capacity of its divisions Enevia and Finalcast. ZSNP continued in the implementation of its re-cultivation project, which is considered to be a major contribution to improving the ecosystem in the region and is the biggest environmental investment by a private investor in Slovakia. Total costs are expected to exceed EUR 50 million. By the end of 2007, ZSNP increased its stake in Slovalco to 44.7%. Slovalco is one of the major aluminium manufacturers in Europe, controlled by Norwegian company Hydro. The final consolidated results of ZSNP showed a profit of EUR 27 million.

Žabka / International Retail Chain

Restructuring, expansion; Retail
Over 800,000 customers served daily
EUR 480,000,000 of annual revenue
Involved in the investment: since 2007

The convenience store chain Žabka was established in 1998 and over ten years it gained a significant position in the Polish retail market. With an average retail floor area of 80 m^2, it offers a variety of FMCG products, in particular food and beverages but also terminal services such as top-ups of mobile credit, payment of bills and cash back. Penta acquired Žabka in summer 2007 and immediately started to prepare further expansion into other Central European countries. Žabka, a.s., in the Czech Republic was founded at the end of 2007 and it opened its first shops in spring 2008 in Prague. Slovakia will be the next stop in the expansion to other CEE countries.

Żabka Polska, s.a. (Żabka) / Poland
Total stake of 100%
Involved in the project: since 2007
Shops: 2000

Žabka, a.s. / Czech Republic
Total stake of 100%
Involved in the project: since 2007

Real Estate

Bratislava – Záhorská Bystrica – Boháčky Residential Zone / Slovakia

Residential Development
Total stake: 100%

On an area of 15 hectares, Penta is developing a project of approximately 60 turn-key medium and higher standard family houses and smaller residential units. The residential zone will have a local infrastructure.

Bratislava – Bajkalská Street Polyfunctional Object / Slovakia

Office Development
Total stake: 100%

In the area bordered by the Bajkalská and Ružinovská Street, which is considered to be the new city centre of Bratislava, Penta is developing a polyfunctional building with more than 300 flats.

Bratislava – Čulenova – Landererova Zone / Slovakia

Residential Development
Total stake: 100%

On an area covering approximately 4 ha, Penta plans to develop a project of residential construction with supplementary functions of administration, trade and services.

Digital Park Einsteinova, a.s. / Slovakia

Development; Office
Total stake of 100%
Involved in the investment: since 2005

Digital Park is a unique administrative complex of buildings for modern and progressive companies in Bratislava. It is situated in a premium location on the right bank of the Danube River, boasting an excellent transport connection along with eye-catching and timeless design. In January 2007, Penta celebrated the opening of the first stage of Digital Park development, in which Penta collaborated with the real estate development group Syner. In the first stage, almost 12,000 m^2 of office and shopping space were developed, all of which was successfully leased. The success encouraged Penta to acquire the second 50% stake from its partner. In autumn 2007, Penta started the second stage of Digital Park development, which will create a total leasable area of 40,000 m^2; of these 36,000 are office space. Digital Park is scheduled to open in the first quarter of 2009, with investments reaching EUR 100 million.

The Port, a.s. / Slovakia

Development; shopping mall, amusement zone, residential zone
Total stake of 100%
Involved in the investment: since 2006

The Port is a new town part of Bratislava. In the area bordered by the D1 motorway and road to Devínska Nová Ves in the cadastral areas of Lamač and Devínska Nová Ves, an integral multifunctional complex will be developed on an area of approximately 200 ha, with a large retail park, administration, housing and leisure facilities. The investment is divided in two stages; approximately EUR 200 million will be invested in the first stage. On an area of 110 ha, a retail park with hypermarkets selling food, furniture, sporting goods and hobby markets will be developed, with the supplementary functions of car sales, petrol station and a fast-food restaurant. On more than 85,000 m^2 of leasable area, the centre with a high-quality and functional architecture with an emphasis on spacious and comfortable parking facilities, will offer favourite brands and a wide range of services, entertainment options – an aqua park, cinema, a fitness centre and many usual and new attractions for all age groups. The second stage comprising residential construction is planned after 2012.

Management Discussion & Analysis

Consolidated Income Statement

Operating Revenue (EUR 1,313.2 million), Cost of goods for resale, raw materials consumed and other direct cost of sales /services

Penta Holding Limited Group (the Group) generated much higher revenues in 2007 compared to the previous year. The Group experienced a substantial growth due to new acquisitions carried out during 2007 in certain industries and a growth of revenues from existing subsidiaries in the betting industry, statutory health insurance and pharmacy business. In 2007, the Group acquired new entities: in the aerospace business, a developer and manager of a chain of retail convenience stores, in the segment of banking services and in the meat processing industry. These contributed to the Group revenues on aggregate EUR 340.7 million in 2007.

More specifically, the new subsidiaries – Group AERO Vodochody, a.s., which operates in the aerospace business, and ŽABKA Polska SA which manages a chain of retail convenience stores – contributed EUR 162.2 million and EUR 141 million, respectively, to the Group's revenue in 2007. In addition, the subsidiary company Dôvera zdravotná poisťovňa, a.s, which provides health insurance services, contributed EUR 390.6 million to the Group's revenue in 2007, compared to EUR 312.6 million in year 2006. Additionally, Fortuna sázková kancelář, a.s., Fortuna SK, a.s., and Fortuna zaklady bukmacherskie Sp. z o.o, all operating in the betting industry, contributed a revenue of EUR 252.7 million in 2007, compared to EUR 229.2 million in 2006. BRL Center Polska Sp. z o.o and Česká lékárna, a.s., as well as the pharmacy business in the Slovak Republic, contributed on aggregate EUR 151.3 million to the Group's revenues in 2007, compared to EUR 79.1 million in 2006. In 2007, the Group acquired the bank Privatbanka, a.s., which, in the post-acquisition period from October to December 2007, posted revenues (interest income) of EUR 5.6 million. It is also worth mentioning that Paroplynový cyklus, a.s. Bratislava, a subsidiary which supplies energy and electricity, generated substantial revenues in 2007 amounting to EUR 92.5 million (2006: EUR 98.3 million).

The Cost of goods for resale, raw materials consumed and other direct cost of sales/services amounted to EUR 1,024.6 million in 2007 and EUR 639.7 million in 2006. These operating costs showed a significant increase due to the growth that the Group has experienced during 2007, which is in line with the revenue growth.

Other Significant Operating Costs: Salaries and Benefits (EUR 119.9 million), Depreciation and Amortization (EUR 36.3 million), Rental Cost (EUR 24.4 million), Other Operating Expenses (EUR 112.1 million)

The employee costs (salaries and benefits), depreciation and amortization costs and other operating expenses have grown in aggregate from EUR 153.7 million in 2006 to EUR 268.3 million in 2007, marking an increase of 74.6%. The increase of these costs was in line with revenue growth experienced by the group. Other operating expenses comprise mainly legal and professional services, advertising, transportation, repairs and maintenance and other operational expenses.

Rental cost showed a significant growth from EUR 11.7 million to EUR 24.4 million due to the much higher costs of pharmacy business, which experienced a fast growth in 2007, and due to the material rental costs needed for the operation of the convenience stores chain acquired in 2007.

Other Gains/(losses) (EUR 61.2 million), Other Income/(expenses) (EUR 15.5 million) and Financial Expenses (EUR 7 million)

The Group reported other gains (net) of EUR 61.2 million as compared to the EUR 0.5 million loss of 2006. Other gains (net) this year resulted mainly from the revaluation gain of investment properties amounting to EUR 39 million, and a gain from the sale of property plant and equipment of EUR 9.4 million. Last year, other losses of EUR 0.5 million came mainly from the fair value losses of SWAP derivatives, which totalled EUR 21.8 million, the loss on the disposal of property, plant and equipment of EUR 1.1 million and an income from the release of granted emission rights of EUR 23 million.

Other expenses (net) included primarily an impairment charge on receivables (EUR 37.7 million), impairment losses of property, plant and equipment (net of reversals) (EUR 3.4 million), net reversals of impairment of inventory (EUR 3 million-income), and net reversals of provisions for litigations, environmental risks and other provisions (EUR 16.6 million-income). Last year, the Group reported other income (net) of EUR 61.3 million. The increase in other expenses resulted from the increased impairment of receivables and property, plant and equipment, which, however, was commensurate to the business growth, and is partly attributed to the fact that in 2006, the Group realised non-recurring compensation and intermediation income of EUR 42.2 million.

Net financial expenses from continuing operations increased from EUR 1.9 million (2006) to EUR 7 million (2007) as a result of an increase in interest cost of borrowings. The interest cost of borrowings grew EUR 4.4 million due to a large increase of borrowings needed to partly finance the business growth of the Group.

Results of Discontinued Operations (Loss EUR 6.3 million)

The reported loss relates mainly to the results of discontinued operations of OZETA NEO, a.s. (EUR 3.6 million loss) and ADAST, a.s. (EUR 3 million loss). The disposal of the fashion business OZETA NEO, a.s. is expected to be completed during 2008. The disposal of ADAST, a.s., was completed in February 2008.

In 2006, the Group reported a profit from discontinued operations of EUR 94.1 million, mainly as a result of the gain on the disposal of Severomoravské vodovody a kanalizace Ostrava a.s. (SmVaK) (EUR 67 million) and the gain on the disposal of Alufinal, a.s. of (EUR 23 million). SmVaK was engaged in the production and distribution of potable water and Alufinal, a.s. in the production of aluminum products.

Share of Profit from Associated Companies (EUR 40 million)

The share of profit from associated companies is primarily related to the results of Slovalco a.s., a member of ZSNP, a.s. Group (ZSNP Group), amounting to EUR 38.6 million (2006: EUR 30.7 million). The Group recognised higher profits from Slovalco, a.s. reflecting the improved profits achieved by the associate in 2007 and the increase of shareholding in Slovalco by 10% effected in 2007.

Excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over acquisition cost (EUR 47.5 million)

A gain was realised from the acquisition of AERO Vodochody, a.s. (Aero), a company which operates in the aerospace business. As at the date of acquisition of Aero, significant contingent liabilities existed, which depressed the acquisition price and gave rise to an excess of net assets acquired over the cost of acquisition of EUR 47.5 million.

Taxation (EUR 8.5 million)

The tax charge for the year on continuing operations is made up of a corporate tax charge of, EUR 13.2 million and a deferred tax credit of EUR 4.7 million. The overall tax charge on continuing operations amounted to EUR 8.5 million (2006: EUR 16.9 million), which gives an effective tax rate of 11.1% (2006: 18.7%). The most significant corporation tax charges relate primarily to Slovenské investičné družstvo Group (SID Group) (EUR 7.4 million), Dôvera Holding Group (EUR 2.8 million), ZSNP Group (EUR 1.1 million) and PENTA INVESTMENTS LIMITED (EUR 1 million).

The corporation tax charge was reduced during 2007 by EUR 3.3 million due to the lower tax charge in PENTA INVESTMENTS LIMITED and Penta Investments, s.r.o. (Czech Republic). The overall tax charge was further reduced in 2007 due to the recognition of deferred tax asset of EUR 4.7 million.

Minority Interest (EUR 2.7 million)

The minority interest represents the share of the results of the subsidiary companies that is due to minority shareholders in subsidiaries in which the Group does not hold a 100% interest. This mainly represents the respective minority interests for ZSNP Group (EUR 1.3 million), SID Group (EUR 2.4 million) and MobilKom, a.s. (EUR 1.3 million loss). The minority interest was reduced from EUR 6.9 million in 2006 to EUR 2.7 million in 2007 due to the additional acquisition of 10% of Paroplynový cyklus, a.s. Bratislava in 2007.

Consolidated Balance Sheet

Property, Plant and Equipment (EUR 287.1 million)

Property, plant and equipment have increased substantially during the year ended December 31st, 2007. The carrying amount increased from EUR 146.9 million to EUR 287.1 million mainly as a result of the acquisition of new capital intensive subsidiaries: AERO Vodochody a.s., ŽABKA Polska SA and PM Zbrojníky, a.s., and the additional acquisition of plant and equipment in MobilKom, a.s. an existing subsidiary which operates in the telecommunication industry. Property, plant and equipment mainly comprises assets of the following businesses: AERO Vodochody a.s. (EUR 68.6 million), SID Group (EUR 59.9 million), ZSNP Group (EUR 43.9 million), ŽABKA Polska SA (EUR 42.6 million) and MobilKom, a.s. (EUR 24.1 million).

The Group uses property, plant and equipments mainly in the aerospace, retail convenience stores, telecommunications, power generation business and property development sectors and in the production of aluminum products and the operation of pharmacy stores. The major classes of fixed assets of the Group as at 1 December 2007 were Land & buildings of EUR 144.5 million, plant, machinery and equipment of EUR 118.3 million and assets under construction and not commissioned of EUR 24.3 million.

Intangible Assets (EUR 63 million)

Intangible assets increased substantially during 2007. The increase from 15.6 million to 63 million was mainly due to the acquisition of new subsidiaries and the recognition of intangibles on acquisition date based on a fair value exercise performed by the Group. More specifically, the Group recognised intangibles of EUR 5.4 million upon the acquisition of Aero, relating to patent technologies and storage service contracts. In addition, the Group recognised significant intangibles of EUR 40.4 million upon the acquisition of ŽABKA Polska SA, a convenience store chain, of which amount of EUR 22.1 million was the brand value of "ŽABKA", and EUR 18.3 million the beneficial rent contracts with respect to the convenience stores.

The intangibles consist mainly of software – EUR 8 million, brand value - EUR 29.2 million, beneficial rent contracts – EUR 16.6 million, patent technology – EUR 3.1 million, and telecommunication licenses – EUR 3.9 million.

It is worth mentioning that, in addition to the "ŽABKA" brand (EUR 22.1 million, see above), the brand name "Fortuna" (EUR 6.1 million) which relates to the betting business was recognised upon the acquisition of the betting company Fortuna sázková kancelář, a.s., in 2005. Brand names are assessed as having indefinite useful life and were tested for any impairment during the year. No impairment loss was identified.

Investment Property (EUR 91.7 million)

In 2007, the Group expanded rapidly into the real estate business and as a result its investment property grew from EUR 4.7 million to EUR 91.7 million. In view of the expansion into real estate, the Group changed its accounting policy and adopted a fair value model from the beginning of 2007. The fair value model is widely used in the real estate industry.

The Group acquired land in Bratislava in 2007, for EUR 47.8 million. In addition, the Group – through the acquisition of subsidiary Digital Park Einsteinova, a.s. (previously a joint venture) – acquired land and an office building in Bratislava, for EUR 21.4 million. The carrying amount of the investment property has further increased in 2007 as a result of gain recognition (appreciation in value) in the value of EUR 17.6 million.

Investment in Associated Companies (EUR 114.7 million)

Investments in associates consist mainly of a 44.69% interest in the equity of Slovalco, a.s. (2006: 34.69%) and a 49.11% interest in the equity of Falck záchranná, a.s. The investments in associates increased from EUR 69.2 million to EUR 114.7 million during 2007. This was mainly due to the acquisition of an additional 10% interest in Slovalco, a.s., for a consideration of EUR 34.1 million, and the improved profits achieved by the said associate in 2007.

Slovalco, a.s. is a manufacturer of primary aluminum products located in Slovak Republic. The carrying amount of Slovalco, a.s. increased from EUR 55.9 million, as at 31 December 2006, to EUR 112.1 million as at 31 December 2007. During the year, the Group recognised a net income from its associate Slovalco, a.s. amounting to EUR 39.9 million (2006: EUR 31.2 million) and received dividends of EUR 12.7 million (2006:13.2 million).

Available-for-sale Investments (EUR 25.5 million – short-term EUR 9.1 million and long-term EUR 16.4 million), Investments at Fair Value through Profit or Loss (EUR 32.6 million – short-term EUR 17.2 million and long-term EUR 15.4 million)

Available-for-sale financial assets are mainly investments which are held with an unspecified period of holding. 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 at the balance sheet date unless fair value cannot be reliably estimated. In this case the investments are carried at cost.

The Group's available for sales investments and investments at FVTPL increased substantially during 2007 from EUR 3.9 million to EUR 58.1 million through the acquisition of Privatbanka, a.s., a bank that operates in Slovak Republic.

Available-for-sale investments mainly represent investment in bonds and other securities (EUR 21.7 million), a 49% interest in Apollo zdravotná poisťovňa, a.s. (EUR 1.8 million) and a 27% interest in Novácke chemické závody, a.s. (EUR 2 million). The majority of the securities and bonds (EUR 15.9 million) are listed on various stock exchanges in Central Europe. The said securities are carried at fair value based on their current bid prices in an active market.

Investments at fair value through profit or loss (FVTPL) represent financial assets held for trading and those designated at fair value through profit or loss at inception. These investments are carried at fair value at the balance sheet date.

The FVTPL consist of listed securities amounted to EUR 16.6 million which were fairly valued as at 31 December 2007, based on quoted bid prices, from the active market and non-listed bonds amounted to EUR 16 million, which were fairly valued as at 31 December 2007 based on discounted cash flow models, using market yield returns and appropriate risk premiums.

Goodwill on Acquisition of Subsidiaries (EUR 229.4 million)

During the year 2007, the carrying amount of the goodwill increased from EUR 102 million (2006) to EUR 229.4 million mainly due to goodwill arising from the acquisition of new subsidiaries (EUR 107.7 million), goodwill arising from the acquisition of a minority interest (EUR 13.4 million) and to a lesser extent as a result of the favourable exchange rate fluctuations (EUR 6.9 million). The most significant acquisition which gave rise to goodwill in 2007 relates to the 100% acquisition of ŻABKA Polska SA. Upon the acquisition, the Group recognised goodwill amounting to EUR 91.5 million. In addition, the Group paid goodwill amounting to EUR 13.3 million for the acquisition of a 10% minority interest in Paroplynový cyklus, a.s. Bratislava.The Group now holds 100% interest in the said subsidiary.

The most significant businesses over which the goodwill is allocated are the following: ŽABKA Polska SA (EUR 91.5 million), Fortuna sázková kancelář, a.s. (EUR 51.8 million), Paroplynový cyklus, a.s. Bratislava (EUR 33.6 million), Česká lékárna, a.s. (EUR 20 million), BRL Center – Polska Sp. z o.o (EUR 8.8 million), Digital Park Einsteinova, a.s. (EUR 7.8 million), Alpha Medical Ventures, s.r.o. (EUR 5.7 million) and PM Zbrojníky, a.s. (EUR 3 million), Digital Park Einsteinova, a.s. (EUR 0.8 million).

Trade and Other Receivables (Short-term EUR 200.4 million and long-term EUR 3.2 million) and Loans and Advances to Banking and Other Customers (Short-term EUR 218 million and long-term EUR 48,5 million)

Trade and other receivables comprise trade debtors from various business of EUR 113.5 million, trade debtors from insurance business of EUR 44.1 million, other receivables due from related parties of EUR 0.9 million and other debtors and prepayments of EUR45.1 million.

The most significant constituents classified within trade and other receivables relate to ŽABKA Polska SA (EUR 48.3 million), Paroplynový cyklus, a.s. Bratislava (EUR 10.8 million), Dôvera Holding, a.s. Group (Dôvera holding Group) (EUR 61.5 million), AERO Vodochody, a.s. (EUR 18.9 million), ZSNP Group (EUR 7.7 million), and Česká lékárna, a.s. (EUR 9.1 million).

Other debtors and prepayments represents V.A.T. receivables of EUR 8.5 million, advance payments for the acquisition of assets of EUR 12.6 million and sundry other debtors arising from the ordinary course of business. In 2007, the Group's trade receivables increased by EUR 70.4 million, and were mainly driven by the business growth generated by acquisitions of new entities, especially ŽABKA Polska SA (EUR 45.3 million year-end balance) and AERO Vodochody, a.s. (EUR 15.3 million year-end balance). The trade receivables from health insurance companies also increased by EUR 12.8 million as the health insurance business of the Group expanded.

The loan and advances consist of loan and advances to banking customers (EUR 140.6 million), loans to non-banking customers (EUR 119.9 million) and loans due from related parties (EUR 6 million). The loans and advances to banking customers are provided by the subsidiary Privatbanka, a.s. at a 6.25% average effective interest rate. The loans provided to non-banking customers are mainly loans provided to parties in the property and financial intermediation business outside the Group at a 6.74% average interest rate.

Loans and advances increased from EUR 41.6 million in 2006 to EUR 266.5 million in 2007 as a result of the acquisition of Privatbanka, a.s. whose core business is credit, and as a result of an increase in loans financing activity carried out by existing members of the Group.

Inventories (short-term EUR 7 million and long-term EUR 93.5 million)

Inventories represent raw materials, semi-finished goods, finished products and goods for resale.

Inventories mostly comprise the inventories of AERO Vodochody, a.s. (EUR 48.3 million), ŽABKA Polska SA (EUR 12 million), SID Group (EUR 6 million), ZSNP Group (EUR 8 million), Sunsize, a.s. (EUR 7 million), Česká lékárna, a.s. (EUR 5.8 million) and The Port, a.s.

(EUR 5.1 million). Inventories held as at 31 December 2007 are analysed to raw materials of EUR 78.1 million, work in progress of EUR 41.1 million, finished goods of EUR 30 million, land held under development of 7 million, land held for sale EUR 5.1 million less provision for obsolete stock of EUR 60.8 million.

The inventories have grown from EUR 25.4 million to EUR 100.5 million through the acquisition of new subsidiaries in the aerospace business, running of retail convenience stores and land development for sale. At the balance sheet date, the Group maintains inventory for aerospace business of EUR 48.3 million, for convenience retail stores of EURO 12 million, for pharmacy business of EUR 9.9 million, land held for development or sale of EUR 12.1 million, production of aluminum products of EUR 7.9 million and for sundry other businesses of EUR 10 million.

Cash and Cash Equivalents (EUR 248.7 million)

The most significant balances included in cash and cash equivalents relate to Privatbanka, a.s. (EUR 91.8 million), Dôvera Holding Group (EUR 91.4 million), SID Group (EUR 26.8 million) and ŽABKA Polska SA (EUR 7.2 million).

During the year the Group's cash and cash equivalents have decreased from EUR 315.4 million at 31 December 2006 to 240.3 million at 31 December 2007. The primary reason for the decrease was that substantial amounts of funds held by 31 December 2006 were used during 2007 to partly finance acquisitions of the Group. The decline in cash and cash equivalents was in part mitigated as a result of cash and cash equivalents having being contributed by the newly acquired subsidiaries Privatbanka, a.s. (EUR 91.8 million) and ŽABKA Polska SA (EUR 7.1 million).

In summary, the Group showed negative cash outflows from operations of EUR 151 million due to an increase in the working capital by EUR 156.4 million, and the payment of taxes of EUR 22.2 million, net cash outflows on investing activities of EUR 208.7 million due to the acquisition of subsidiaries, plant and equipment and investment property and net cash inflows from financing activities of EUR 275.6 million as a result of the increase in borrowings.

Equity Attributable to Equity Holders of the Parent (EUR 579.9 million)

The total equity principally consists of share capital and share premium (EUR 47.7 million), retained earnings (EUR 492.5 million), and other reserves (EUR 39.7 million).

The equity increased significantly in the year from EUR 460.2 million at 31 December 2006 to EUR 579.9 million at 31 December 2007. This was mainly due to the profits generated from Continuing operations of the Group amounting to EUR 111.7 million (Profit for the year less minority interest), gains from cash flow hedges amounting to EUR 9.2 million, and currency conversion gains of EUR 18.1 million arising from the conversion of net assets of the Group denominated in currencies other than EURO. Furthermore, the Group's equity in the year 2007 was negatively affected by losses from the recognition of embedded derivatives amounting to EUR 9.5 million, losses for the year arising from discontinued operations amounting to EUR 6.3 million and fair value losses and other losses directly recognised within equity amounting to EUR 0.7 million.

Provisions (Short-term portion EUR 23.3 million and long-term portion EUR 46.8 million)

The carrying amount of provisions relate mainly to the following businesses: ZSNP Group (EUR 28.6 million), SID Group (EUR 25.4 million), AERO Vodochody, a.s. (EUR 7.1 million) and Dôvera Holding Group (EUR 6.8 million). The most significant amounts represent provisions for guarantees, contractual issues, and litigations amounting to EUR 19.2 million, provisions for environmental risks of EUR 35.8 million, provisions for health insurance services of EUR 5.2 million, provisions for employee benefits and bonuses of EUR 3.5 million and provision of guarantees for repairs of EUR 4.2 million.

The provisions for guarantees, contractual issues and litigations reflect mainly the provision made by SID Group with respect to litigation and negotiation with various creditors, representing contingent liabilities, resulting from guarantees given, legal claims and contractual defaults as at 31 December 2007. The management and legal counsel of SID Group performed an analysis of all such individual matters and made an assessment of what they believe to be the likelihood of losses related to such matters, and provided for the losses that were assessed as probable. The ultimate outcome of such matters depends upon future events which can not presently be determined, and may result in settlement of amounts which may differ from the current estimated provisions reported as at 31 December 2007. During the year 2007, the management of the Group released provisions recognised in previous years amounting to EUR 8.2 million, based on the reassessment and analysis of litigation cases, examination of presently available information and on the advice taken by legal counsel. As a result, the said provisions reduced from EUR 25.1 million as at 31 December 2006 to EUR 19.2 million in December 2007. The majority of the released provisions derived from cases which were settled in 2007 and to the date of this report.

Environmental provisions mainly consist of provisions of the subsidiary ZSNP Group amounting to EUR 27.1 million, and those of the subsidiary SID Group amounting to EUR 8.7 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 of ZSNP Group and measures the group must take to remove alkaline water, and to cap and re-cultivate the sludge heap. During 2007, ZSNP Group utilised the provision for the cost of capping and re-cultivating the sludge heap and removing alkaline water from the sludge heap, which reduced the provision from EUR 32 million to EUR 27 million. The decrease reflects the effective utilisation of the provision and the revised estimates of the total volume of alkaline water in the sludge heap, and of the price for the treatment of 1 m^3 of alkaline water. The provisions were determined based on existing technologies and on the fact that the remediation is expected to be completed within the following six years. SID Group also maintains an environment provision with respect to liabilities to the Slovak Republic. The provision related to remedial action required with respect to contaminated underground and ground environment of property transferred to entities outside the Group. The management, having considered the recent recommendations of consultants and the legal implications, assessed the provision at EUR 8.7 million, which is similar to last year's provision and is adequate to cover any future cash outflows that may arise under the circumstances.

The provisions for health insurance services relate to the payment for health care services provided to insurees of the subsidiary DÔVERA zdravotná poisťovňa, a.s. The services were approved and the provisions were calculated based on agreements with the respective health care providers. These provisions reduced by a small margin of by EUR 3.2 million in 2007.

Creditors, Accruals and Other Liabilities (Long-term EUR 28.8 million and short-term EUR 304 million)

Long-term creditors and accruals comprise advances received (EUR 1.3 million), deferred income (EUR 0.8 million) and other non-current liabilities (EUR 26.7). Other non-current liabilities primarily include the unpaid consideration payable by the Group with respect to the acquisition of the subsidiary Fortuna sázková kancelář, a.s. (EUR 26.3 million) which was effected in 2005. Long–term creditors and accruals were reduced by EUR 5.4 million during 2007, reflecting the repayments of consideration for the acquisition of Fortuna sázková kancelář, a.s.

Short-term creditors and accruals can be analyzed as follows: Trade creditors (EUR 187.7 million), creditors of health insurance business (EUR 62.9 million), payables to related parties (EUR 0.8 million) and other payables and accruals (EUR 52.4 million). Trade creditors mostly consist of balances for the following subsidiaries: ŽABKA Polska SA (EUR 73.4 million), SID Group (EUR 50,9 million), ZSNP Group (EUR 9,3 million), Česká lékárna, a.s. (EUR 29.1 million), MobilKom, a.s. (EUR 5.4 million) and AERO Vodochody, a.s. (EUR 9.3 million). Payables from insurance claims relate to Dôvera Holding Group (EUR 62.9 million).

Current payables and accruals increased by EUR 141.6 million in 2007, mainly as a result of the acquisition of new entities which operate in the retail business (EUR 84 million), aerospace industry (EUR 17.8 million) and meat processing (EUR 5.1 million). The increase was partly driven by the expansion of the health insurance business which showed a EUR 10 million increase in creditors, the pharmacy business with increase creditors of EUR 12.3 million and the telecommunication business (EUR 5.8 million).

Borrowings (Long-term EUR 237.8 million and short-term EUR 336.3 million), Deposits from Banking Customers (Long-term EUR 4.6 million and short-term EUR 142.9 million) and Deposits from Other Banks (5.3 million)

Long-term loans are classified as follows: finance leases (EUR 6.2 million), bank loans (EUR 187.5 million), bonds and other debt securities (EUR 35.9 million), promissory notes payables (EUR 4.6 million), loans from related parties (EUR 3.3 million) and other borrowings (EUR 0.3 million).

Short-term loans are classified as follows: finance leases (EUR 1.9 million), bank loans (EUR 267 million), bonds and other debt securities (EUR 41.9 million), promissory notes payables (EUR 4.2 million), bank overdrafts (EUR 16.2 million), loans from related parties (EUR 2.1 million) and other borrowings (EUR 3 million).

During 2007, the Group settled last year's Total Return Swap loan of EUR 21.8 million and obtained new substantial borrowings utilizing the low gearing of 2006. New loans were used to partly finance the business acquisitions effected in 2007 and the expansion of business of new and existing subsidiaries in the field of telecommunication, real estate and financial services.

The Group finances its borrowings mainly through respectable banks and corporate bonds. The weighted average borrowing cost from banks was approximately 6% both in 2007 and 2006.

Deposits from other banks (EUR 5.3 million) and from banking clients (EUR 147.6 million) are those kept by the new subsidiary, Privatbanka, a.s., in its normal course of business activity. The effective interest paid on the deposits from other banks was 4.02%, and 3.53% on deposits from banking clients.

Taxation (deferred taxation of EUR 8.2 million and corporate tax of EUR 2.4 million)

Corporate taxation consists principally of balances for the following subsidiaries: SID Group (EUR 1.9 million), ZSNP Group (EUR 1 million), PENTA INVESTMENTS

LIMITED (EUR 0.4 million), Fortuna SK, a.s. (EUR 0.5 million), ŽABKA Polska SA (EUR 1 million debit) and Dôvera Holding Group (EUR 0.5 million debit). The corporation tax liability decreased from EUR 10.5 million at 31 December 2006 to EUR 2.4 million at 31 December 2007, reflecting the lower tax charge of 2007 as compared to 2006 of EUR 3.3 million and aggregate tax settlements of EUR 22.2 million.

Deferred taxation consists principally of balances of ŽABKA Polska SA (EUR 6.2 million), ZSNP Group (EUR 6.2 million), Digital Park Einsteinova, a.s. (EUR 1.7 million), Tirrellus, a.s. (EUR 1 million), SID Group (EUR 4 million debit) and Penta Investments, a.s. in Slovakia (EUR 2.8 million-debit). Deferred tax liability has increased by EUR 3.2 million for the following reasons: Additional deferred tax liability of EUR 8 million was recognised upon the acquisition of ŽABKA Polska SA arising from fair value gains; a deferred tax asset of EUR 4.8 million was recognised in 2007 mainly due to recognition of deductible temporary differences of SID Group in respect to established provisions and capital allowances.

Assets of Disposal Group classified as held for sale (EUR 26 million) and Liabilities Directly Associated with Disposal Group classified as held for sales (EUR 17.9 million)

The Disposal Groups held for sale relate to the fashion business of subsidiary OZETA NEO, a.s. and the subsidiaries ADAST, a.s. and VUM, a.s. The net assets of OZETA NEO, a.s. were EUR 6.5 million and those of VUM, a.s. were EUR 1.7 million. The net assets of ADAST, a.s. were nil. The details of the future plans for disposal of the above entities are disclosed within discontinued operations section.

Non–Current Assets Held for Sale (EUR 54 million)

Non-current assets held for sale are classified as such if their carrying amount will be recovered through a sale transaction rather than through continuing use.

Non-current assets held for sale comprise of investments held for sale and land classified as held for sale. The Group holds land mainly in the Czech Republic which is classified as held for sale, and is stated at fair value based on the average purchase price of 2007 (EUR 40.9 million). In addition, non-current assets held for sale include the investment in associates companies KSC Holding, a.s. (EUR 12.7 million) and BTS Holding, a.s. (EUR 0.4 million), since it was decided by the year end to dispose the investments. The investments are stated at their previously carrying amounts accounted for as investments in associates.

Non-current asset held for sale are expected to be disposed of during 2008.

Minority Interest (EUR 10.6 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 at the balance sheet date. Minority interest is analysed as follows: ZSNP Group (EUR 7.3 million), SID Group (EUR 1.8 million) and Privatbanka, a.s. (EUR 1.5 million).

The minority interest was reduced by EUR 3 million, which was driven mainly by the Group's acquisition of the remaining 10% minority interest in Paroplynový cyklus, a.s. Bratislava.

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 Street
Salamis House, 3rd Floor
8020 Paphos, Cyprus

Date of incorporation:
April 22nd, 1999

Auditor:
Deloitte & Touche Limited
Limassol, Cyprus

Board of Directors as at December 31st, 2007:
Radoslav Zuberec, George Crystallis

Report for 2007

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

On the individual level, the main source of income in 2007 was the sale of minor subsidiaries and interests received from debtors in the total amount of EUR 0.92 million. Costs of the company stayed at the same level as in 2006 and were kept to a minimum. The main expenditure comprised some holding activities costs, audit and legal fees, as well as the Group's presentation costs – all in total of EUR 0.249 million. The Company was able to release the provisions of EUR 6.14 million created in 2006. The net profit of Penta Holding as a stand-alone company reached EUR 6.7 million.

IFRS consolidated results of Penta Holding show the full picture of the financial strength of Penta Holding as a group. The year 2007 was marked by a dramatic increase in assets and further satisfactory growth in the shareholder equity. Total assets of the Group doubled to EUR 1.7 billion and the Group's profit for 2007 reached EUR 105 million.

Consolidated Income Statement

for the Year Ended 31 December 2007

(Expressed in Euro)

	Notes	2007	2006
Continuing operations			
Operating revenue	5	1,302,357,803	802,039,224
Interest income from banking and other clients	6	10,800,302	3,605,196
Total operating revenue		**1,313,158,105**	**805,644,420**
Change in inventories of finished goods and work in progress		(4,200,417)	78,540
Work performed by enterprise and capitalised		293,927	-
Raw materials, consumables used, goods for resale and direct costs		(1,018,900,670)	(637,715,442)
Interest expense from banking and other related operations	7	(5,706,717)	(2,098,848)
Other gains and losses	8	61,173,322	(514,966)
Share of profit from associates	16	39,978,573	31,209,848
Share of profit from joint ventures	17	2,843,103	181,727
Salaries and benefits	10	(119,897,218)	(69,444,068)
Depreciation and amortisation expense	10	(36,333,100)	(18,610,090)
Finance expenses, net	9	(6,979,212)	(1,943,283)
Rental expense		(24,384,781)	(12,753,172)
Impairment of goodwill		(697,777)	(121,068)
Other Operating Expenses		(112,079,927)	(65,687,539)
Other (expenses)/income, net	11	(15,547,057)	61,348,334
Excess of acquirer´s interest in the net fair value of acquiree´s identifiable assets, liabilities and contingent liabilities over acquisition cost	10 (i)	47,465,903	564,407
Profit before taxation	**10**	**120,186,057**	**90,138,800**
Taxation	12	(8,527,688)	(16,866,476)
Profit for the year from continuing operations		**111,658,369**	**73,272,324**
Discontinued operations			
(Loss)/profit for the year from discontinued operations	35 (i)	(6,326,258)	94,120,449
Profit for the year		**105,332,111**	**167,392,773**
Attributable to:			
Equity holders of the parent		102,675,732	160,446,383
Minority interest		2,656,379	6,946,390
		105,332,111	**167,392,773**

Consolidated Balance Sheet

as at 31 December 2007

(Expressed in Euro)

	Notes	2007	2006
ASSETS			
Non-current assets			
Goodwill	13	229,356,570	102,023,868
Property, plant and equipment	14	287,073,860	146,918,838
Investment property	15	91,740,235	4,705,608
Investments in associates	16	114,698,777	69,168,077
Investments in joint ventures	17	-	374,136
Available for sale investments	18	16,357,855	3,502,291
Investments at fair value through profit or loss	23	15,391,900	-
Held to maturity investments	19	-	4,380,731
Intangible assets	21	63,016,769	15,606,022
Derivative financial instruments	20	1,635,898	-
Inventories	22	6,962,236	-
Trade and other receivables	25	3,238,611	379,835
Loans and advances to banking and other customers	26	48,463,119	3,053,984
Total non-current assets		**877,935,830**	**350,113,390**
Current assets			
Inventories	22	93,456,200	25,379,887
Investments carried at fair value through profit or loss	23	17,190,538	454,329
Other investments	24	520,908	1,296,888
Available for sale investments	18	9,113,264	-
Held to maturity investments	19	-	4,380,181
Derivative financial instruments	20	3,655,062	-
Non-current assets held for sale	36 (ii)	54,018,175	12,277,876
Trade and other receivables	25	200,416,931	105,607,898
Loans and advances to banking and other customers	26	218,020,012	38,575,491
Assets of disposal Group classified as held for sale	36 (i)	26,023,488	-
Cash and cash equivalents	27	248,710,920	321,372,303
Total current assets		**871,125,498**	**509,344,853**
Total assets		**1,749,061,328**	**859,458,243**

Consolidated Balance Sheet (continued)

as at 31 December 2007

(Expressed in Euro)

	Notes	2007	2006
EQUITY AND LIABILITIES			
Equity			
Share capital	28	173,131	173,131
Share premium		47,538,100	47,538,100
Other reserves		39,643,536	13,124,559
Retained earnings		492,525,847	399,347,685
Equity attributable to equity holders of the parent		**579,880,614**	**460,183,475**
Minority interest		10,637,493	13,684,832
Total equity		**590,518,107**	**473,868,307**
Non-current liabilities			
Borrowings	29	237,826,627	60,030,310
Deposits from banking customers	31	4,648,156	-
Provisions	32	46,751,726	60,276,402
Derivative financial instruments	20	319,909	-
Deferred taxation	12	8,177,583	5,004,907
Creditors and accruals	33	28,802,049	34,211,953
Total non-current liabilities		**326,526,050**	**159,523,572**
Current liabilities			
Borrowings	29	336,292,386	34,333,161
Deposits from other banks	30	5,269,262	-
Deposits from banking customers	31	142,925,632	-
Provisions	32	23,307,044	18,885,067
Creditors and accruals	33	303,971,851	162,367,770
Taxation	12	2,385,379	10,480,366
Liabilities directly associated with assets of disposal Group classified as held for sale	36 (i)	17,865,617	-
Total current liabilities		**832,017,171**	**226,066,364**
Total liabilities		**1,158,543,221**	**385,589,936**
Total equity and liabilities		**1,749,061,328**	**859,458,243**

The financial statements were approved by the Board on 31 July 2008 and signed on its behalf by:

Radoslav Zuberec
Director

George Crystallis
Director

Deloitte.

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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 7 to 134, which comprise the consolidated balance sheet as at 31 December 2007, 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 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 paragraph (ii) 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.

Basis for Qualified Opinion

(i) During 2007, the Group's major associate, Slovalco, a.s., recorded a commodity option derivative, embedded in an electricity supply agreement for the first time by recognizing the related derivative liability in 2007 only. In the Group's financial statements the recognition of the derivative reduced the carrying amount of the investment in associate in 2007 by Euro 9.877.868 as well as the Group's total equity (including minority interest) by the same amount. Given the fact that the embedded derivative was in existence at the inception of the agreement (1994), Slovalco, a.s. and subsequently the Group are required by IAS8: "Accounting Policies, Changes in Accounting Estimates and Errors" to restate the 2006's opening balances of the related assets, liabilities and equity as well as income statement of 2006. The impact of the restatement that would have had on the comparative information of 2006, is disclosed in Note 2 to the financial statements, Significant Accounting Policies, paragraph "Correction of error".

(ii) The consolidated revenue includes an amount of Euro 1.128.928 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 effect to the financial statements of the matter referred to in the "Basis for qualified opinion" paragraph (i) and 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 matter referred to in the "Basis for Qualified Opinion" paragraph (ii) above, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2007, 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 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 32 the consolidated financial statements include provisions amounting to Euro 8.573.312 which relate to guarantees, contractual issues and litigations in which the SID 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 2007. 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 2007 includes income recognized in SID's Group consolidated financial statements amounting to Euro 6.805.210 (2006: Euro 35.184.198) arising from the reversal of such provisions, which were created in previous years.

In Note 14 (c) of the consolidated financial statements, the investment of a subsidiary company of SID Group in an iron processing plant, which is 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 302.324.733 (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 31.639.824 (SKK 1.063.193 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 32, 37(iii) and 37(iv) to the consolidated financial statements, the subsidiaries SID Group and ZSNP, a.s. Group have recognised provisions as of the balance sheet date amounting to Euro 8.696.396 and Euro 27.066.720 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

DELOITTE & TOUCHE LIMITED
Certified Public Accountants (Cyprus)

Limassol, 31 July 2008

Deloitte.

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CONFIRMATION

We hereby confirm that the figures presented on pages 43 to 45 and the auditors' report of Penta Holding Limited on pages 46 to 48 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 46 to 48, 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 43 to 45 should be read in conjunction with the full set of the audited consolidated financial statements of Penta Holding Limited.

Deloitte & Touche Limited

DELOITTE & TOUCHE LIMITED
Certified Public Accountants (Cyprus)

Limassol, 31 July 2008

Audit.Tax.Consulting.Financial Advisory.

Penta Investments Limited

Basic Data

Company name:
PENTA INVESTMENTS LIMITED

Legal form:
Private Company Limited by Shares

Share capital:
CYP 182,868

Number and class of shares:
182,868 registered, documentary shares

Nominal value per share:
CYP 1

Principal activities:
Private equity fund; holding and trade of investments in shares and other securities, loan financing

Registered office:
Kanika Centre, Block B, 5th floor, f/o 504
6 Panagioti Symeou
P.C. 3105 Limassol, Cyprus

Date of incorporation:
March 28th, 2005

Auditor:
Deloitte & Touche Limited
Limassol, Cyprus

Board of Directors as at December 31st, 2007:
Radoslav Zuberec, Nicos Alecos Nicolaou

Report for 2007

Penta Investments Limited performs a role of the Group's private equity fund and portfolio owner.

During 2007 the Company continued its efforts in the restructuring its key holdings in ZSNP, Slovenské investičné družstvo (formerly Slovenský investičný holding), the betting chain Fortuna and the pharmacy chain Dr. Max. The Company acquired, directly or through its direct subsidiaries, substantial new assets: AERO Vodochody in the Czech Republic, Polish Žabka, PM Zbrojníky and Novoker in Slovakia – these were all successful Penta Investments acquisitions from 2007.

Penta Investments also stepped actively into new real estate and development projects in Slovakia through its Digital Park II. and The Port projects.

The Company drew its main income from dividends from its subsidiaries (EUR 98.5 million), interest income (EUR 19.5 million) and financial income (EUR 1.3 million). The costs of the Company mostly consisted of operating expenses (EUR 39.2 million), other expenses (EUR 56.2 million) and administration expenses (EUR 11.8 million).

In 2007 Penta Investments as a stand-alone company posted a profit of EUR 21.8 million; its consolidated profit was EUR 108.2 million.

Consolidated Income Statement

for the Year Ended 31 December 2007

(Expressed in Euro)

	Notes	2007	2006
Continuing operations			
Operating revenue	5	1,301,289,237	801,479,256
Interest income from banking and other clients	6	10,932,475	3,605,196
Total operating revenue		**1,312,221,712**	**805,084,452**
Change in inventories of finished goods and work in progress		(4,200,417)	78,540
Work performed by enterprise and capitalised		293,927	-
Raw materials, consumables used, goods for resale and direct costs		(1,018,763,701)	(636,188,669)
Interest expense from banking and other related operations	7	(5,843,760)	(2,098,848)
Other gains and losses	8	61,088,823	(514,966)
Share of profit from associates	16	39,978,573	31,209,848
Share of profit from joint ventures	17	2,843,103	181,727
Salaries and benefits	10	(110,603,338)	(48,661,203)
Depreciation and amortisation expense	10	(35,722,667)	(18,031,884)
Finance expenses, net	9	(7,069,694)	(1,791,976)
Rental expense		(23,771,324)	(12,556,516)
Impairment of goodwill		(697,777)	(121,068)
Other Operating Expenses		(116,398,002)	(83,698,778)
Other (expenses)/income, net	11	(15,049,503)	61,348,336
Excess of acquirer´s interest in the net fair value of acquiree´s identifiable assets, liabilities and contingent liabilities over acquisition cost	10 (i)	47,465,903	564,407
Profit before taxation	**10**	**125,771,858**	**94,803,402**
Taxation	12	(8,545,268)	(15,517,555)
Profit for the year from continuing operations		**117,226,590**	**79,285,847**
Discontinued operations			
(Loss)/profit for the year from discontinued operations	35 (i)	(6,326,258)	94,120,449
Profit for the year		**110,900,332**	**173,406,296**
Attributable to:			
Equity holders of the parent		108,243,953	166,459,906
Minority interest		2,656,379	6,946,390
		110,900,332	**173,406,296**

Consolidated Balance Sheet

as at 31 December 2007

(Expressed in Euro)

	Notes	2007	2006
ASSETS			
Non-current assets			
Goodwill	13	228,741,603	101,408,901
Property, plant and equipment	14	284,565,492	143,702,344
Investment property	15	91,740,235	4,705,608
Investments in associates	16	114,698,777	69,168,077
Investments in joint ventures	17	-	374,136
Available for sale investments	18	16,357,855	3,502,291
Investments at fair value through profit or loss	23	15,391,900	-
Held to maturity investments	19	-	4,380,731
Intangible assets	21	63,011,998	15,258,827
Derivative financial instruments	20	1,635,898	-
Inventories	22	6,962,236	-
Trade and other receivables	26	3,238,611	362,188
Loans and advances to banking and other customers	25	49,393,839	4,145,090
Total non-current assets		**875,738,444**	**347,008,193**
Current assets			
Inventories	22	93,456,200	25,379,887
Investments carried at fair value through profit or loss	23	17,190,237	454,329
Other investments	24	520,908	333,423
Available for sale investments	18	9,113,264	-
Held to maturity investments	19	-	4,380,181
Derivative financial instruments	20	3,655,062	-
Non-current assets held for sale	36 (ii)	54,018,175	12,277,876
Trade and other receivables	26	200,130,864	104,763,021
Loans and advances to banking and other customers	25	220,366,828	41,997,323
Assets of disposal Group classified as held for sale	36 (i)	26,023,488	-
Cash and cash equivalents	27	247,857,028	320,554,420
Total current assets		**872,332,054**	**510,140,460**
Total assets		**1,748,070,498**	**857,148,653**

Consolidated Balance Sheet (continued)

as at 31 December 2007

(Expressed in Euro)

	Notes	2007	2006
EQUITY AND LIABILITIES			
Equity			
Share capital	28	316,180	316,180
Share premium	28	72,301,786	72,301,786
Other reserves		38,712,837	12,215,966
Retained earnings		466,911,927	375,832,372
Equity attributable to equity holders of the parent		**578,242,730**	**460,666,304**
Minority interest		10,637,493	13,684,832
Total equity		**588,880,223**	**474,351,136**
Non-current liabilities			
Borrowings	29	237,826,627	60,030,310
Deposits from banking customers	31	4,648,156	-
Provisions	32	46,751,726	60,276,402
Derivative financial instruments	20	319,909	-
Deferred taxation	12	8,177,583	7,647,055
Creditors and accruals	33	28,802,049	34,211,953
Total non-current liabilities		**326,526,050**	**162,165,720**
Current liabilities			
Borrowings	29	339,861,009	34,249,085
Deposits from other banks	30	5,269,262	-
Deposits from banking customers	31	142,925,632	-
Provisions	32	23,307,044	18,885,067
Creditors and accruals	33	301,052,299	159,903,001
Taxation	12	2,383,362	7,594,644
Liabilities directly associated with assets of disposal Group classified as held for sale	36 (i)	17,865,617	-
Total current liabilities		**832,664,225**	**220,631,797**
Total liabilities		**1,159,190,275**	**382,797,517**
Total equity and liabilities		**1,748,070,498**	**857,148,653**

The financial statements were approved by the Board on and signed on its behalf by:

Radoslav Zuberec
Director

Nicos Alecos Nicolaou
Director

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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 7 to 135, which comprise the consolidated balance sheet as at 31 December 2007, 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 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 paragraph (ii) 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.

Basis for Qualified Opinion

(i) During 2007, the Group's major associate, Slovalco, a.s., recorded a commodity option derivative, embedded in an electricity supply agreement for the first time by recognizing the related derivative liability in 2007 only. In the Group's financial statements the recognition of the derivative reduced the carrying amount of the investment in associate in 2007 by Euro 9.877.868 as well as the Group's total equity (including minority interest) by the same amount. Given the fact that the embedded derivative was in existence at the inception of the agreement (1994), Slovalco, a.s. and subsequently the Group are required by IAS8: "Accounting Policies, Changes in Accounting Estimates and Errors" to restate the 2006's opening balances of the related assets, liabilities and equity as well as income statement of 2006. The impact of the restatement that would have had on the comparative information of 2006, is disclosed in Note 2 to the financial statements, Significant Accounting Policies, paragraph "Correction of error".

(ii) The consolidated revenue includes an amount of Euro 1.128.928 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 effect to the financial statements of the matter referred to in the "Basis for qualified opinion" paragraph (i) and 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 matter referred to in the "Basis for Qualified Opinion" paragraph (ii) above, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2007, 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 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 32 the consolidated financial statements include provisions amounting to Euro 8.573.312 which relate to guarantees, contractual issues and litigations in which the SID 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 2007. 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 2007 includes income recognized in SID's Group consolidated financial statements amounting to Euro 6.805.210 (2006: Euro 35.184.198) arising from the reversal of such provisions, which were created in previous years.

In Note 14 (c) of the consolidated financial statements, the investment of a subsidiary company of SID Group in an iron processing plant, which is 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 302.324.733 (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 31.639.824 (SKK 1.063.193 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 32, 37(iii) and 37(iv) to the consolidated financial statements, the subsidiaries SID Group and ZSNP, a.s. Group have recognised provisions as of the balance sheet date amounting to Euro 8.696.396 and Euro 27.066.720 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

DELOITTE & TOUCHE LIMITED
Certified Public Accountants (Cyprus)

Limassol, 31 July 2008

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CONFIRMATION

We hereby confirm that the figures presented on pages 53 to 55 and the auditors' report of Penta Investments Limited on pages 56 to 58 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 56 to 58, 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 53 to 55 should be read in conjunction with the full set of the audited consolidated financial statements of Penta Investments Limited.

Deloitte & Touche Limited

DELOITTE & TOUCHE LIMITED
Certified Public Accountants (Cyprus)

Limassol, 31 July 2008

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