



> CONTENT

02 INTRODUCTION

03 BOARD OF DIRECTORS, SUPERVISORY BOARD

04 BRIEF PRESENTATION

07 DDP STABILITA ACTIVITIES IN FIGURES

09 BALANCE SHEET AS AT 31.12. 2003, PROFIT AND LOSS ACCOUNT AS AT 31.12. 2003

13 AUDIT REPORT

14 YOU ARE WELCOME





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> INTRODUCTION

Dear clients, dear business partners,

The year of 2003 was the sixth year in business for the second oldest Supplementary annuity retirement insurance company within Slovakia – DDP STABILITA. Balancing the period that intervened is even more pleasant when taking into account that in spite of the complicated economic and social conditions; passionate, sometimes even incompetent public debates about reform bills under preparation and already passed; our insurance company has managed to meet its business and economic targets.

It is widely known that serious reforms within the social insurance systems had been undertaken in 2003. Reformer's ambitions included, besides the legislation measures leading to the continuous retirement pension scheme pillar and introduction of the second capitalization pillar, also an implementation of reform within the optional pillar, which is here represented by supplementary annuity retirement insurance scheme. Department of Labour prepared a bill last year, which was to bring some changes within this area. Broad discussion about this "controversial" law culminated in the late summer and influenced in very negative way any activities of trade systems not only within the DDP STABILITA company, but also all supplementary annuity retirement insurance companies on the market.

Enormous effort together with properly selected marketing activities and systematic contacts with clients to explain them the basics of the matter and clear benefits of this type of saving, were required in order to meet the specified targets under such circumstances.

Thanks to that approach we managed to meet our plan and late in the year DDP STABILITA had concluded a total of 116 666 corporate and insurant contracts. Corporate client portfolio has increased for 1350 corporate policy contracts a their total number passed well over 4000 contracts.

We consider extremely positive that an **average monthly contribution amount** of our policy holders is growing from year to year, which fact indicates client's serious interest to take advantage of this lucrative form of saving, but also a serious approach from employers, who participate in this form in creation of financial funds for future retirement period of their employees. But they also show a confidence in our company, which is a pleasure and responsibility at the same time.

I have recently quite enjoyed an aphorism, which was an attempt to answer a question: "What's a difference between a good economist and a good manager?"

"Good economist is said to be capable to unriddle any number ..., a good manager is able to find out easily the man behind any of the numbers ..."

Following pages are actually full of figures, diagrams and data and I would be really happy if we could apply that „second“ optics while reading all that stuff.

Company philosophy is definitely aimed to provide that each of our client who decided to save for future retirement with DDP STABILITA would enjoy a positive financial effect together with the possibly most complex and accessible services to our clients. We may again consider the year 2003 as particularly successful in those respects. We have moved our offices in Žilina and Bratislava into new and more convenient premises. Our sub-branches in Trenčín and Piešťany are in full operation from June 2003. We have launched a temporary office in Nové Zámky, which after its move over to Nitra from 1.4.2004 is to provide services to our clients from this region. We have even managed to open a new office in Banská Bystrica late in the year.

We have set up service departments within each of our offices in order to assist our corporate clients. Regular contacts, speed and

quality of provided services are of primary importance to us and so we are extremely pleased that we did not have to wait too long for positive response to those activities.

Project called „Benefit Package“ has enjoyed high popularity for some years. Now it includes 54 business partners, which provide our clients with significant discounts for their goods and services within various regions of Slovakia. Trying to appreciate our loyal clients we have prepared in cooperation with AIG Slovakia Insurance Company a.s our free accidental death benefit with policy valued SKK 50K and we also have an exclusive insurance product for all new clients in 2004.

We have passed through some opening weeks of the new year, which is to bring us a lot of news and interesting matters to deal with. I am sure that a team of my colleagues is ready to provide professionally efficient and reliable services on daily basis and implement the positive changes and also that we all can depend on your trust and favour. I would like to thank again to all our clients, beneficiaries, employers, but also to all colleagues and partners, with their share in building of a sound position and reputation of our insurance company.

Ing. Marián Štofko, MBA
director general of DDP STABILITA



> BOARD OF DIRECTORS

Employer´s representatives

František Cenkner

Ing. Ladislav Martinkovič

Ing. Viera Maxonová

Ing. Anton Sklárčik

JUDr. Marián Zima

Ing. Ján Žačko

Policy holder representatives

Ing. Ladislav Drábik MBA - board of directors vice-chairman

JUDR. Magdaléna Martincová - board of directors vice-chairman

Róbert Kulík

Ing. Ján Peržel

Representatives of Beneficiaries

Ing. Rudolf Pecar – board of directors chairman

Peter Ďuriančík

> SUPERVISORY BOARD

Employer´s representatives

Július Gyorgy

Ing. Marián Kurčík – supervisory board vice-chairman

Bc. Peter Jackulík

Ing. Marta Mináriková

František Ujlaki

Ing. Dušan Zelinka

Policy holder representatives

Ing. Jozef Bušša

Ing. Mária Kostelníková

JUDr. Nataša Kučerová

Štefan Skubák – supervisory board chairman

Representatives of Beneficiaries:

Ing. Štefan Mišovec

Ing. Vladimír Pojtek

> BRIEF PRESENTATION

- > DDP STABILITA was registered at the Ministry of labour, social affairs and family on 5.12.1997, so the year 2003 was its sixth year in business
- > Our line of business is provision of supplementary retirement annuity insurance services
- > DDP STABILITA is an insurance company with strong employer and employee background
- > No loan or credit burden
- > Employers and policy holders may check the insurance company operations and their individual account balance through public supervision
- > We provide superior services within complementary product framework through attractive discounts goods and services within outlet network of our contractual partners
- > We reevaluate entrusted funds in absolute effective, but safe way, while observing maximum caution in our investment
- > Depositary services provided by Slovenská sporiteľňa a.s.



Following the exceptionally successful year of 2002, when DDP STABILITA recorded its largest growth of policy holders within its history and passed 100 000 client limit, insurance company focused its activities in 2003 mainly on completion of trade-administration network and their proper allocation, which would improve their availability to clients within all regions of Slovakia. We have launched 5 new offices and moved another two into more convenient and comfortable premises - recently our insurance company has its representation within each region, while each of its branches and sub-branches provides comprehensive services to clients.

Naturally, company intention in 2003 was to keep the positive trend in new contract conclusions, aimed to increase the policy holder basis in the way that closing figure as at 31.12.2003 would reach minimum 115 000 policy holders. Mainly first half of the last year may be considered successful with respect to gradual fulfilment of that goal. Prepared legislation changes within all pension insurance scheme and also critical discussion about the form of proposed amendment of the supplementary retirement pension insurance law had a negative affected the trade system activities within autumn months, with noticeable effect on the number of newly concluded insurance contracts. There were more than 14 000 new clients – policy holders in 2003 and in the end of the year despite of those complex conditions and circumstances and DDP STABILITA finished the year with a total of **116 666 corporate and employee policies concluded**.

Corporate contract conclusions shown the similar course. Majority of our corporate clients added up into DDP STABILITA portfolio just within the first half year of 2003. Last year addition of 1350 corporate contracts made up the total number of contracted employers to the respectable **4127** as at 31.12.2003.

Considering the fact, that true economic power and position of individual DDP on the market is not so much based on the total number of policy holders but on the quality of insuree base, measured mainly by insurance trust amount level and then actual volume of accumulated financial resources, development within the DDP STABILITA is to be valued as highly positive. Amount of average monthly contribution of our policy holders is rising from year to year and as at 31.12.2003 it represented SKK **725,-**. Company does manage to keep an client's average level under 44 years limit, which considering the present form of pension insurance reform and retirement age limit shift, creates an optimum conditions for further accumulation of financial

resources and client's continuation within the system of supplementary annuity retirement pension system even after meeting the minimum requirements for claiming the periodic benefit payment.

Another positive impact is to be noticed within the character of DDP STABILITA periodic payment plan and conditions for optional premature withdrawal of funds from client's accounts. Setting up the parameters for a such withdrawal enhances the true substance and character of this type of saving, does not affect insurance trust, eliminates any unexpected fluctuations and does not impair any lucrative possibilities of long-term investment of some part of the funds. All of that in the long run has a positive effect in the long-term effective revaluation of the client's savings and subsequently also in the level of entered returns.

	<u>concluded employer's contracts</u>	<u>employee contracts</u>
As at 31.12.1998	103	23 499
As at 31.12.1999	176	29 934
As at 31.12.2000	393	53 429
As at 31.12.2001	1 050	73 671
As at 31.12.2002	2 777	102 431
As at 31.12.2003	4 127	116 666

PERIODIC BENEFIT PAYMENTS

DDP STABILITA has paid out **since established to 21 348 benefit applicants** the total of **29 292** benefits in total **amount of SKK 362 522 273**.

In 2003 was paid out 22061 benefits in **amount of SKK 171 745 483** to **11 538** applicants. Amount includes a returns payments for the given period.

In 2003 markedly increased the number of periodic benefits payments which fact is related to gradual increase of funds volume on individual policy holder's accounts. Periodic benefit payment trend is shown in the chart below.



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<u>Period</u>	<u>Number of periodical beneficiaries</u>	<u>Gross insurance benefits paid (in SKK)</u>
1999	5	18 651
2000	84	626 248
2001	230	3 683 053
2002	579	11 612 299
2003	1 266	28 853 476
Revenues for whole period		4 072 202
Total	2 164	48 865 929





> DDP STABILITA ACTIVITIES IN FIGURES





ACCOUNTING METHODS, ACCOUNT MAINTENANCE PROCEDURES AND LEGAL OBLIGATIONS

Supplementary annuity retirement insurance company STABILITA is maintaining its accounts in accordance with Slovak Act No. 431/2002 Coll. and Regulation No. 23054/2002-92, which laying down details of accounting methods and chart of accounts for entrepreneurs maintaining accounts under the system of double entry bookkeeping. Account maintenance follows requirements of relevant tax laws and also Legal Act No. 123/1996 Coll. Regarding supplementary retirement insurance under Legal Act No. 409/2000 Coll.

Accounting maintenance procedures are specified within the Intracompany Directives, based on the legal standards listed as mentioned above a also specifies procedures related to supplementary retirement insurance.

Following the completion of accounting period is required to prepare its Annual Financial Statements, which includes Balance Sheet, Profit/Loss Account and Annotations Cash Flow Statement.

Supplementary annuity retirement insurance company operation is strictly regulated by Act No. 123/96 Coll. Under Act No. 409/2000 Coll. and with legislative aid of Act no. 366/99 Coll.

The most important parts of the legislative standards listed above:

- > Insurance company must not exceed the level of administration expenses drawings as stipulated by relevant legislation (6%, 3% of income after five years of operation),
- > Financial investment line, method and size is precisely stipulated within §34,

> Insurance company is under obligation to create a reserve fund in amount up to 2,5% a year, which is at the disposal of Board of Directors.

> Supplementary retirement pension contributions as paid by employee, deduce the income basis by 10% of income with maximum limit of SKK 24 000,-

> Supplementary retirement pension insurance contributions, as paid by tax-payer with income as stipulated within §7 and §10 sect. 1, letter I, are included in tax expenditures in amount up to 10% of this income, with annual maximum limit of SKK 24 000,-

> Contributions paid by employer for policy holding employees are tax deductible items up to 3% of total accountable wages of policy holder..

> Contributions paid by employer for policy holding employees are part of employer's tax deductible items up to 6% of total accounted payroll of policy holding employees, providing that the employees perform the tasks, classified in categories 3 or 4 under decision of relevant Health Protection Authority

> Supplementary annuity insurance benefit payments are subject to 10% tax deduced by insurance company.

> Insurance company as non-profit organization required to split its income, following deduction of reserve fund creation funds and other items in compliance with current legislation, in the benefit of policy holders and policy beneficiaries.



> BALANCE AS AT 31.12.2003

Year	2002	2003
Assets total	2 513 215	1 853 111
Non-current intangible assets	6 617	6 557
Non-current tangible assets	16 929	15 306
Non-current financial assets	715 094	1 502 434
Current assets	1 767 780	192 249
Inventories	282	143
Current receivables	3 659	4 697
Financial accounts	1 763 839	187 409
Accruals/deferrals	6 795	136 565
Prepaid expenses	6 795	5 139
Accrued income		131 426
Total equity and liabilities	2 513 215	1 853 111
Equity	101 708	106 410
Funds created from profit	13 572	10 576
Capital funds	-17 185	0
Net profit/loss of previous years	-3 999	67
Net profit/loss for the accounting period	109 320	95 767
Liabilities	2 410 407	1 737 630
Provisions	3 255	11 320
Non-current liabilities	2 396 589	1 689 923
Current liabilities	10 563	36 387
Bank loans and financial assistance	0	0
Accruals/deferrals	1100	9 071
Deferred income	1100	9 071
Non-current assets	738 640	1 524 297

> PROFIT AND LOSS ACCOUNT AS AT 31.12. 2003

Year	2003	2002
Production consumption	24 658	40 469
Consumed raw materials and energy	3 532	7 272
Services	21 126	33 197
Added value	-24 658	-40 469
Personnel expenses	35 426	39 843
Wages and salaries	27 637	31 267
Social security expenses	6 902	7 619
Social expenses	887	957
Taxes and fees	50	60
Amortization of non-tangible and tangible assets	8 239	6 531
Revenue from the sale of non-current assets	1 173	18
Carrying value of non-current assets sold	136	0
Creation of provisions for operations	3 215	0
Creation of value adjustments	2 634	0
Other operating income	135	567
Other operating expenses	210	435
Profit/loss from operations	-73 260	-86 753
Revenue from sales of securities	734 699	516 634
Securities and shares sold	726 839	478 759
Income from non-current financial assets	103 322	96 244
Income from current financial assets	36 722	11 658
Expenses related to current financial assets	12 715	0
Gains on securities revaluation and income from derivative transactions	58 026	75 460
Loss on securities revaluation and expenses related to derivative transactions	6 091	0
Interest income	10 132	1 703
Interest expense	0	0
Exchange rate gains	1 197	728
Exchange rate losses	60	76
Other income from financial activities	14	0
Other expenses related to financial activities	22 687	35 584
Use of provisions for income of Financial activities	8380	0
Creation of provisions for financial activities		8380
Profit/loss from financial activities	184 100	182 628
Income tax on ordinary activities	1 520	108
Profit/loss from ordinary activities	109 320	95 767
Profit/loss for the accounting period	109 320	95 767

NON-CURRENT ASSETS TOTAL

Non-current assets structure recorded within balance sheet as at 31.12.2003 resp. as at 31.12.2002 is as follows:

Current accounting period			as at 31.12.2002	
	Gross	Correction	Net	Net
Non-current assets	782 455	43 815	738 640	1 524 297
Non-current intangible assets	31 325	24 708	6 617	6 557
Incorporation expenses	374	347	0	0
Software	27 445	22 067	5 378	5 271
Ratable rights	2 010	1 508	502	904
Other non-current intangible assets	1 069	786	283	382
Non-current intangible assets under acquisition	454	0	454	0
Non-current tangible assets	36 036	1 907	16 929	15 306
Structures	11 773	1 162	10 611	11 011
Individual tangible assets and sets of movable assets	20 739	14 421	6 318	4 295
Other non-current tangible assets	3 524	3 524	0	0
Non-current financial assets	715 094	0	715 094	1 502 434

The insurance company incorporated within its portfolio on the end of the accounting period treasury securities denominated in SKK and Euro, ŽSR obligations, VÚB letters of hypothecation and depositary bills.

CURRENT ASSETS

The insurance company declares as at the date of financial statements structured as follows:

	as at 31.12.2003	as at 31.12.2002
Current assets	1 767 780	192 249
Provisions	282	143
Current receivables	3 659	4 697
Financial accounts	1 763 839	187 409
Ready cash	282	395
Bank accounts	203 139	54 950
Current financial assets	1 560 418	132 064

ACCRUALS / DEFERRALS

Insurance company accruals/deferrals are structured as follows:

	as at 31.12.2003	as at 31.12.2002
Accruals/deferrals	6 795	136 565
Prepaid expenses	6 795	5 139
Accrued income	0	131 426

The most important item of the accruals/deferrals are prepaid expenses which represent pre-paid rental fees and also deferred costs of advertising.

FUNDS

Supplementary annuity retirement insurance company is liable to create an reserve fund from its profits and also redundancy payments provided by employer are added the reserve fund, because a policy holder is not entitled to it according to the related legislation. Reserve fund structure is presented in the chart below:

	as at 31.12.2003	as at 31.12.2002
Reserve fund according to § 33	8 709	6 315
Reserve fund from redundancy payments	40 863	4 261

Based on the new methods of accounting and Slovak Accounting Act, securities designated for trading are rated in relation to their actual – market value and incurred difference is carried to the Account No. 414 as a valuation difference from revaluation of assets and liabilities correlatively with current financial assets accounts. Similarly in case of securities held over to their maturity is the difference incurred between acquisition and nominal price, in accordance with Accounting practices, related to previous accounting periods carried in its aliquot part to the Account No. 429 correlatively with non-current asset accounts. Cleared difference amount review is listed in the chart shown below:

	as at 31.12.2003	as at 31.12.2002
Differences from revaluation of assets	- 17 185	0
Profit/loss of previous years	- 3 999	67



LIABILITIES

The major percentage share of total liabilities is made up of liabilities structured as follows:

	as at 31.12.2003	as at 31.12.2002
Liabilities	2 410 407	1 737 630
Short-term provisions	3 255	11 320
Long-term liabilities	2 396 589	1 689 923
Short-term liabilities	10 563	36 387
Trade liabilities	1 759	1 853
Liabilities to employees	3 592	3 338
Liabilities to social funds	1 165	1 113
Tax liabilities	3 985	2 647
Unbilled supplies	62	27 436
Bank loans and assistance	0	0

Long /term liabilities represent liabilities to our policy holder, which are due from the date of fulfilment of conditions relevant to benefit payments as specified in benefit plan.

ACCRUALS / DEFERRALS

Accruals /deferrals consist of the items as follows:

	as at 31.12.2003	as at 31.12.2002
Deferred income	1 100	9 071

Registration of Supplementary annuity retirement insurance company was conditioned on deposition of stipulated amount of funds necessary for launching the supplementary retirement insurance activities.

ADMINISTRATIVE EXPENSES

Amount of administrative costs, which is Supplementary annuity retirement insurance company is strictly stipulated in §32 of Law No. 123/96 Coll. Amount of administrative expenses for relevant year is decided by the insurance company's managing board.

Within the period of I. – XII. 2003 administrative expenses amounted to SKK 69 722 K, which is 2,92%. The administrative expenses do not include investment acquisition costs, which in 2003 amounted to SKK 21 548 K and also reserves created for unclaimed leaves in accordance with legal obligations, unbilled supplies, securities revaluation costs and creation of value adjustments to assets.

REVENUES

Revenues, accrued from the assets under DDP STABILITA management, amounted to SKK 226 961 K. The revenue amount was created from More than 20% share of revenue acquired comes from derivatives trade – forwards, swaps and subsequently the most profitable investment of funds with final effect – average gross profit margin of 12,72%..

ECONOMIC RESULTS

Declared economic results – profit in amount of SKK 109 320 K represents the policy holders share on operation revenues a following the board of directors approval, after deduced by required reserve fund allocation and settlement the debit balances under transient and final regulations of IMF Provisions, which specify the details of accounting procedures and general chart of accounts for entrepreneurs maintaining their accounts in double entry accounting system,,

INVESTMENT PORTFOLIO STRUCTURE

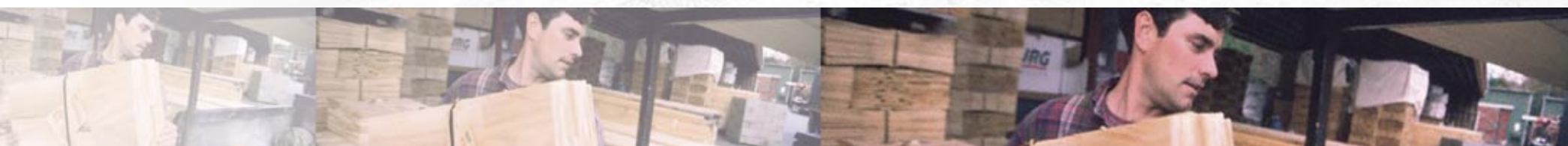
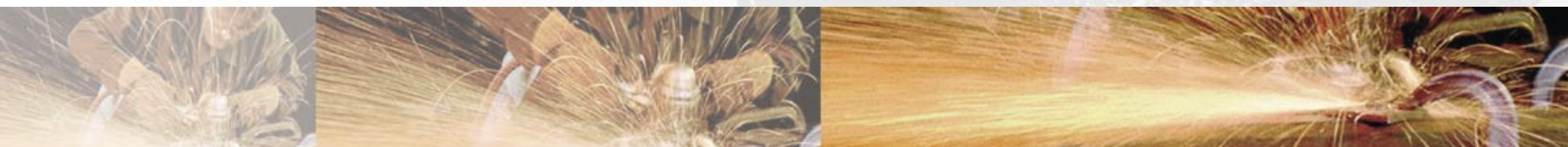
Within the policy holders property revaluation process DDP STABILITA has implemented either conservative approach by application of traditional tools of financial and capital market, or less applied securing and financial tools as are forwards and swaps. Investment portfolio structure was focused – taking into account the character of the supplementary annuity retirement insurance and law act No 123/96 limits – on the tools, which provide the policy holders with reasonable revaluation of their funds.

Investment portfolio structure is presented in the chart as follows:

Government bonds in Slovak currency	20,12%
Government bonds in foreign currencies	9,32%
Other securities in Slovak currency	6,59%
Other securities in foreign currencies	5,31%
Time deposits	8,19%
Deposit bills	50,47%

CHRONOLOGICAL REVIEW OF THE SELECTED INDICATORS OF DDP STABILITA OPERATIONS

Indicator	1998	1999	2000	2001	2002	2003
% of revaluation (gross)	19,80	20,06	14,18	10,03	18,45	12,72
% of policy holder account credit (gross)	11,76	14,11	9,46	6,03	7,71	5,55
% of administrative expense drawings	2,23	4,83	2,83	2,46	5,25	2,92
Revenues total (SkK)	7000,00	38764,00	56331,00	74679,00	224252,00	226961,00
Costs total (SkK)	2442,00	14024,00	18052,00	28458,00	128485,00	117641,00
Profit (SkK)	4558,00	24740,00	38279,00	46221,00	95767,00	109320,00
Reserve fund balance	1934,00	5644,00	6478,00	8542,00	10576,00	13572,00





> AUDIT REPORT

INDEPENDENT AUDITOR'S REPORT

Supplementary retirement annuity insurance company STABILITA

We have completed an audit of the attached financial statements of the STABILITA Supplementary retirement annuity insurance company for the year ended 31 December 2003, as prepared in compliance with Slovak Accounting Regulation No. 431/2002 Legal Code in form of latter regulations. DDP STABILITA management is responsible for financial statements preparation and accounting practices in the way to be complete, provable and fair in compliance with current laws and regulations. Our responsibility is to declare our position on the financial statements as a whole based on the results of the audit effected.

We have completed the audit in compliance with Slovak Auditing standards as issued by the Slovak Chamber of Auditors. We are required by the standards to plan and perform the audit in order to gain a reasonable rate of assurance that company's financial statements does not include any significant deficiencies or misstatements. Audit has included a verification of all information that are material to the financial statements, verification of the accounting methods, principles and estimates as applied by DDP STABILITA within its preparation, as well as assessment of the financial statements as a whole and whether the accounting is in compliance with Slovak Accounting Regulations. Auditing procedures have been performed by selective method and in respect of the significance of the disclosed facts. Based on the results of the applied auditing methods we are in position to believe that audit has provided us a fair basis to declare our statement.

Under our opinion the financial statements do present fairly the financial position of DDP STABILITA on 31 December 2003 and the results of its operations for the given year, in all significant material respects, in accordance with Slovak Accounting Regulations.

In Košice, 10 February 2004



Auditing company

HZ Košice s.r.o.
Lomená 1, 040 01 Košice
OR OS Košice I., File : 1819/V, Section : Sro
SKAU Licence No. 8

Auditor responsible

Ing. Jozef Mičuch
SKAU Certificate No. 128



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DDP STABILITA

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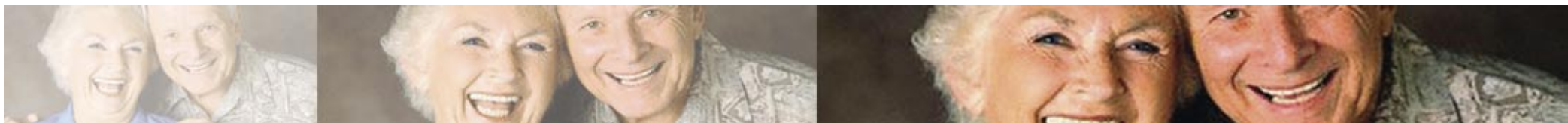
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