

DEAR BUSINESS PARTNERS,

We would like to inform you of the 2006 activities and business results of the company Raab Karcher Staviva, a. s. We trust that this will acquaint you more with our company.

As the largest distributor of a full range of building materials in the Czech Republic we managed to close the year 2006 successfully. We achieved this despite the fact that last year's winter was extremely long. We realised a turnover of CZK 3.4 billion – the highest in the history of our company – and an after-tax profit of CZK 36 million.

At the beginning of 2006 our company logo has been changed. This major decision was based on the concept of our parent company, the German network – Raab Karcher Baustoffe GmbH. The change was implemented especially due to the expansion of our product portfolio to include items other than building materials to our offering to the market.

Our position in Pardubice was strengthened by acquiring the company Štěpánek obchodní a průmyslová, s. r. o., and moving our existing branch into its premises at the beginning of January 2007.

The building material range is continually expanding with the addition of our private label products. These products enjoy quick market penetration and become popular with customers, thanks to their quality and prices. Equally welcome and much demanded, by both professionals and end customers, is the ever enlarging assortment of building tools. Their sale is supported by the construction of new minimarkets which become convenient distribution points.

During the past year we modernised display areas for sanitary fittings, ceramic tiles and pavings in all of our 53 outlets by constructing over 220 show-boxes. More than 130 of these are used to display newcomers on the market. In specialised branches of our sales network you can also buy premium products such as Villeroy & Boch, Ceramica Magica or Marazzi. Having constructed 50 new show boxes, we improved the promotion of our private label products such as LaFutura, RKS baths, shower enclosures Tagus and Toledo, sanitary ceramics Vidima or Diago bathroom accessories.

As always we keep preparing interesting new projects. One of which is a new cash & carry type shop, called Platforma - everything for craftsmen. Its opening is planned for the second half of 2007 in Prague 9.

We owe thanks to all our employees and trading partners for the success achieved.

We are looking forward to future successful cooperation.

The Board of Directors of Raab Karcher Staviva, a. s.

COMPANY PROFILE

- ◆ Date of establishment of company: 8 January 1993
- ◆ Company registered seat: Rudná, Pod Můstkem 884, Postcode 252 19
- ◆ Board of Directors: Ing. Holger Landefeld, Chairman,
Ing. Miloš Veselý, Member,
Zdeněk Pecina, Member.
- ◆ Proxy: Ing. Dalibor Skoták
- ◆ Supervisory Board: Günter Edelmann, RNDr. Ing. Miroslav Handl, Ing. Jiří Dočekal
- ◆ Sole shareholder: **Partidis S. A. S.**
- ◆ Number of outlets: 53
- ◆ Number of employees: 623

ABOUT RAAB KARCHER STAVIVA, A. S.

Raab Karcher Staviva, a. s. is a leading distributor of building materials and part of the multinational Saint-Gobain group, whose building materials distributing division includes companies operating not only in Europe but also in America and Asia.

Our customers can rely on us to provide a wide range of building materials and accessories, as well as interesting services.

Who are we and what characterises us?

- ◆ Your partner with the reputation of the largest distributor of certified building material assortment in the Czech Republic with the most extensive sales network in this market.
- ◆ Branches specialising in various ranges of goods, such as ceramic tiles, pavings and sanitary fittings or minimarkets with building tools, building chemicals and safety equipment for the construction and DIY sector.
- ◆ Representative and inspiring showroom, DécoCéram, specialised in complex solutions for ceramic tiling, paving and sanitary fittings.
- ◆ Continuous adjustment of our offer to market requirements.
- ◆ Advantageous price and bonus policy.
- ◆ Complex services – including project documentation consultancy, recommendation of optimum technological solution, calculation of material consumption, reliable certification of the quality management system, and goods transportation all over the Czech Republic.
- ◆ Use of modern technology for communication with customers.
- ◆ Pleasant shopping environment in modern premises and the assurance of foreign capital combined with domestic tradition.

SAINT-GOBAIN

The Saint-Gobain company was founded in France as early as 1665, under the rule of Louis XIV. Today it is one of the largest companies in the world. In the charts of the renowned economic magazine Fortune it ranked as the 123rd biggest company in the world in 2006 and the first in terms of glass and building materials. Worldwide Saint-Gobain employs more than 200,000 people. In 2006 Saint-Gobain continued its growth trend and managed not only to achieve the predetermined objectives but even exceed them. The consolidated sales of the company were € 41.6 billion which in comparison with the previous year meant a rise of 18.5 %. The operating result of the group was € 3.71 billion, that is 29.9 % more than in the previous year.

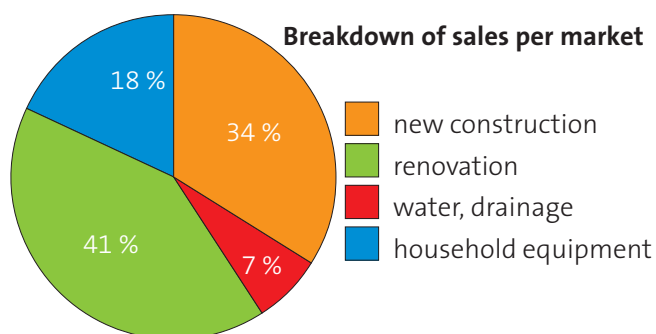
As of December 2005 the company BPB (**British Plaster Board**) became a part of the the Saint-Gobain group. BPB, the world number one manufacturer of gypsum plasterboard and plaster product, belongs to the leading suppliers of polystyrene insulations. In the Czech Republic BPB is represented by the company Rigips.

Saint-Gobain – Building Distribution Sector

Raab Karcher Staviva, a. s. belongs to the building materials distribution division of Saint-Gobain. At this point we would like to acquaint you in more detail with this sector. This Saint-Gobain sector is the number one leader in the sale of building materials in Europe and world number one in the sale of tiles and pavings.

Last year the Building Distribution Sector, as well as the entire concern, achieved a very steep growth. The most interesting markets concerning the growth in sales are in France, Scandinavia and Central and Eastern Europe. In 2006 the expansion continued through the acquisitions of other companies – altogether 54 firms were taken over, representing annual sales up to the amount of € 630 million.

Consolidated sales of the division rose, compared to 2005, by 13.8 %, to € 17.58 billion. The operating profit increased from € 888 million to € 1 billion which represents a growth of 12.7 %. The Building Distribution Sector constitutes more than 40 % of the total Saint-Gobain turnover, with a sales network of more than 3700 shopping branches in 24 countries worldwide, including Europe, China and South America. Among the shops which belong to this sector are leading companies such as Groupe Point. P, Cedeo, Lapeyre, KparK, Telhanorte, Jewson, Graham, Dahl, Aquamondo and last but not least Raab Karcher.



Main sectors of the concern Saint-Gobain:

- Building Distribution
- Flat Glass
- Construction Products
- High-Performance Materials
- Packaging

DÉCOCÉRAM

The client change centre, DécoCéram, was opened in March 2005 in the shopping centre Galerie Butovice in Prague.

You can choose from a wide selection of ceramic tiles and pavings, sanitary ceramics and special sanitary fittings. Our offer, comprising also of consultancy and 3D graphic designs of bathrooms, will satisfy even the most demanding customers.

We have managed to penetrate the market with such exclusive foreign products as Villeroy Boch, Marazzi or Ceramica Magica. We have also included interior doors and floating floors to our product range.

However, our customers are not only private investors. At present we collaborate in a development project which covers 360 residential units that will be completed in 2007.

Other projects we participated in, cooperating on the design and visualisation, and supplying materials, include:

- ◆ Hotel Na Ostrůvku in Prague 4 - Nusle, complete work on bathrooms.
- ◆ Hotel Adria in Prague 1, Václavské náměstí, an underground restaurant, kitchen and sanitary unit.
- ◆ Apartment house for diplomatic corps in Hanspaulka, Prague.

PLATFORMA

The year 2007 represents a step in a new direction for our company. This will be even more distinctive than in previous years. In the second half of 2007 we plan to introduce a shop of a new type. This outlet will be called Platforma and will offer building materials. It is quite a unique cash & carry concept of selling targeted exclusively at professional customers. Shopping in this new type of shop will save considerable time. The main motto of Platforma is “save time and money”.

The new type of shop is designed for craftsmen and small building firms that focus especially on reconstructions and small new buildings. The customers must register on the basis of their trading licence to get a card authorising them to do shopping in Platforma.

Under one roof the customers will find goods they would otherwise have to buy in several different wholesale trades. Thus Platforma offers product range of seven different shops in one. Departments are arranged according to the types of crafts – bricklayer, joiner, decorator, electrician, plumber and tiler. All of them are covered by the tools department.

Prices for goods in Platforma are guaranteed for a period of one year. Most of the products are included in a well-arranged catalogue which is available for free to all customers. The catalogue provides prices, description and pictures of goods. It will thus become the major tool for choosing and purchasing goods. The main competitive advantages of the new shop are maximum availability, unbeatable range of goods, unique services, professional advice given by assistants and wholesale prices.

The first Platforma, with a display area of 2,500 m² and outdoor storage area of almost 1,000 m² is situated close to one of the busiest crossroads of Průmyslová and Poděbradská in Prague.

In the future we plan to open other branches in Prague and in other major towns.

OUR STRATEGY

Owing to the very good financial background of the multinational concern, Saint-Gobain, we are a reliable partner for all suppliers and customers. We have the necessary know-how of the Building Distribution Sector, with the leading shops, such as Raab Karcher, Jewson or Dahl, forming a specialised network of a big stable group.

Our most important goal – a satisfied customer – remains the same. No matter whether the customer is “small” or “big”. We want to provide everyone with high quality services.

Our next priority is the development of new entrepreneurial models. This strategy proved successful in the past, when we opened the already successful bathroom show room, Déco-Céram in Prague.

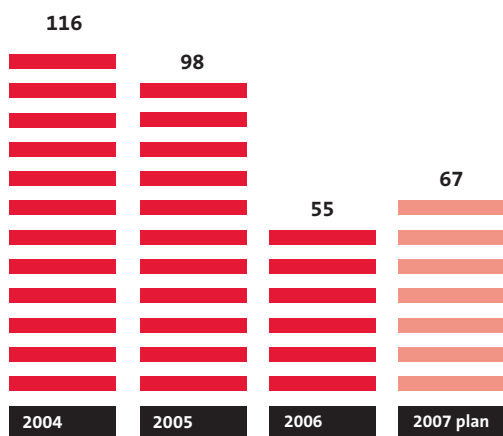
One of our most important projects for the year 2007 is PLATFORMA which will introduce a new type of shops in the market. The PLATFORMA brand has been successful in a number of European countries. However, we are already preparing further entrepreneurial models in order to surprise the Czech market.

We still remain a competent partner not only for big building companies, small and medium-size building firms, craftsmen or handymen, but also for the general public. Within our assortment policy we do our best to be able to offer everything not only for core and shell and complete building materials for renovations or reconstructions of buildings, but much more. In addition to tiles and pavings, building tools, building chemicals and dry building materials we also intend to focus on construction timber and floor coverings in the future.

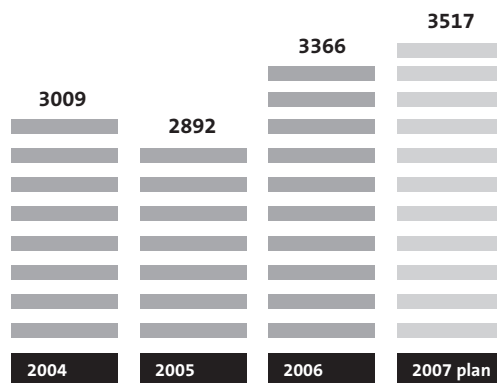
FINANCIAL RESULTS

In 2006 we achieved historically the highest turnover from sales amounting to CZK 3,366 mil. (a growth of 16.4 %, compared to year 2005) despite the highly competitive environment which results in permanent reduction of margins for distribution companies. Increased operating costs resulted in reduced operating result by CZK 43 million.

Operating income in CZK million



Sales revenues on merchandise in CZK million



FINANCIAL RESULTS

Balance Sheet

	2006	2005
Total assets	1 665 398	2 091 803
A Receivables for subscribed registered capital		
B Fixed assets	629 592	1 201 868
B.I. • Intangible fixed assets	18 413	24 138
B.II. • Tangible fixed assets	601 767	566 160
B.III. • Long-term financial investments	9 412	611 570
B.III.1. • Investments in group undertakings		
C Current assets	926 717	810 062
C.I. • Inventories	269 780	275 030
C.II. • Long-term receivables	48 220	59 302
C.III. • Short-term receivables	606 887	474 414
C.IV. • Short-term financial assets	1 830	1 316
D Deferrals	109 089	79 873

	2006	2005
Total liabilities and Equity	1 665 398	2 091 803
A Equity	768 551	774 620
A.I. Registered capital	732 271	732 271
A.II. Capital contributions	240	240
A.III. Reserve funds, undistributable funds and other funds from profit	5	
A.IV. Retained earnings	- 19 107	
A.V. Profit for the current period	36 035	61 216
B Liabilities	875 770	1 296 272
B.I. Provisions	1 051	7 214
B.II. Long-term liabilities		
B.III. Short-term liabilities	874 719	1 289 058
B.IV. Bank loans and overdrafts		
B.IV.1. Long-term bank loans		
C Accruals	21 077	20 911

FINANCIAL RESULTS

Profit and Loss Statement

		2006	2005
I.	Sales of merchandise	3 366 079	2 891 611
A.	Cost of goods sold	2 908 642	2 606 762
+	Gross profit	457 437	284 849
II.	Revenue from production	54 763	28 516
B	Cost of sales	183 446	161 439
C	Personnel expenses	221 470	198 671
D	Taxes and charges	8 581	6 204
E	Depreciation of intangible and tangible fixed assets	47 136	45 302
III.	Sales of fixed assets and material	10 888	3 733
F	Net book value of disposed fixed assets and material	9 139	2 911
G	Change in provisions and adjustments relating to operating activity	- 112 453	- 46 656
IV	Other operating revenues	48 923	211 667
H.	Other operating expenses	133 139	21 260

		2006	2005
*	Operating profit	81 553	139 634
X	Interest revenues	382	675
N.	Interest expenses	22 676	15 494
XI.	Other financial revenues	624 222	3 196
O.	Other financial expenses	628 068	30 487
*	Loss from financial operations	- 26 140	- 42 110
Q.	Income tax on ordinary profit	19 378	36 308
**	Profit on ordinary activities after tax	36 035	61 216
XVI	Extraordinary revenues		
S+T	Extraordinary expenses		
*	Extraordinary profit/loss		
***	Profit for the accounting period	36 035	61 216

GOODS AND SERVICES

Our offering of building materials, tools and accessories will satisfy all wishes and requirements. Through our direct sale we normally offer more than 15,000 items.

Offer of Building Materials:

- ◆ powdered products – loose products, aggregate – chemical products – core and shell construction – roofs and facades – dry construction, ceilings – insulating materials – timber, carpentry goods – fillings and panels – civil engineering constructions – landscaping, finishing elements – iron, steel – construction machinery, tools – tiles, paving materials – sanitary fittings
- ◆ private label products with guaranteed quality: ceramic tiles and paving blocks like La Futura, bathtubs RKS, shower enclosures Tagus and Toledo, sanitary ceramics Vidima, bathroom accessories Diago, insulating materials, mortars, plasters, finishing coats, adhesives and cements, foams, dispersion paints, builder's levels, etc.

Services Provided in Certain Shopping Centres:

- ◆ mixing centres blending paints for facades, interiors and exteriors
- ◆ price calculations, material consumption calculations, recommendation of suitable technologies free of charge
- ◆ delivery of purchased building materials all over the Czech Republic including unloading on the construction site
- ◆ 3D visualisation of bathrooms and facades
- ◆ mediating services of design companies and recommending construction companies
- ◆ sending business information about newcomers to the market via e-mail (regular e-newsletters with the information about newcomers on the market)
- ◆ ordering goods via e-mail using B2B shop for registered customers with permanent access to their ledger
- ◆ training centres for customers focused on presenting newcomers in the building market through practical demonstrations

IMPORTANT EVENTS

The strategic importance of the Czech Republic for the Saint-Gobain group is supported by the fact that the Central European headquarters of the group Raab Karcher was moved to Prague.

1 – 4 February 2006 we invited more than 200 customers to the building trade fair **Bau-Fach 2006** in Leipzig. Part of the prepared program was a view of Leipzig exhibition background, a tour around the Porsche manufacturing plant and the construction of the ambitious City Tunnel project.

In **2006** we took part in the following exhibitions: **Roofs, Envelopes and Insulations** in Ostrava, **Stavotech** in Olomouc, **For Arch** in Znojmo, **Stavebnictví-Therm** in Zlín and **House and Garden** in Liberec.

In the course of **2006** we held a number of **VIP meetings** for our major customers to express thanks for their loyalty. These took place all over the Czech Republic and had various programs. Our customers were able to meet one another and had a good time at social parties with such celebrities as Miroslav Donutil or Ivan Mládek, or in an extraordinary atmosphere of a medieval castle or during a voyage on the Vltava river. On another occasion they were able to drive off-roads or play not yet well-known sport in the Czech Republic – curling.

9 – 11 February 2006 the managers' conference was held where major events of 2005 were presented. A part of the conference was also devoted to team cooperation development.

1 April 2006 we opened **Spring Days** which, together with Autumn Days, have become an inseparable part of the company Raab Karcher Staviva, a. s.

1 June 2006 a new outlet was opened in **Prague-Vestec**. The sales centre Prague-Kunratic was moved there. Besides the wide range of building materials, the customers can find also a small bath show room and a minimarket with building tools and building chemical materials there.

In **2006** we visited the central storehouse of the company **Raab Karcher in Magdeburg, Germany**. We chose some 30 most attractive items for our market and thus enlarged the number of our private label products.

1 September 2006 the fourth year of the **Beach Volleyball Cup** took place in the surroundings of the Hluboká nad Vltavou castle. Altogether there were 32 teams whose members were not only employees of RKS branches but mainly representatives of major suppliers.

8 – 9 September and 15 – 16 September 17th Autumn Days were held, this time focused on “autumn windy weather and flying”. The established sales promotion event was well received by customers all over the country.

20 September 2006 the outlet in Příbram prepared a presentation of our company within integration into the structure of the District Economic Chamber. Our company cooperated on the **DEC day** not only with the Chamber but also with the companies KM Beta and Auto Poly.

Towards the end of the year the company **Štěpánek obchodní a průmyslová, s. r. o.** in Pardubice was acquired. The shop of this company was integrated into the network of Raab Karcher Staviva, a. s.