



A N N U A L R E P O R T 2 0 0 1



introduction

Ladies and gentlemen, dear business partners,

You have in hand the annual report of Západoslovenská energetika, joint-stock company, in which we would like to inform you of the activities and records of our company in the year 2001.

When entering into the new millennium, our objective was to build the company, which would also stand the liberalisation of the electric power market.

To materialise the objective, the key factors are above all the complete services provided to a client, the intensification of the electric power supplies reliability and the quality of the installation activities.

The year 2001 was quite difficult for us, due to the substantial changes, which had a considerable impact on the activities and outcomes of our company. In November Západoslovenské energetické závody, state enterprise, was transformed into a joint-stock company under the name of Západoslovenská energetika. The financial statement and audit of the state enterprise were made. At the end of the year the process was repeated, this time they were prepared for the joint-stock company. If we add to the proceeding the data processing necessary for drawing up the information memorandum, we are pleased to state with satisfaction that the check-up of professional knowledge and human properties turned out very well during the difficult process.

It is promising for the future, in which we shall have to face the demanding tasks in the connection with the liberalisation of the electric power market, which will fundamentally change the established principles and objectives in the direction of business.

Therefore, I would appreciate the existence of proper legislative setting, which would help to resolve the open electric power market in the near future.



Ing. Andrej Devečka,
President and Director General
of ZSE, a. s.

ZÁPADOSLOVENSKÁ ENERGETIKA, AKCIOVÁ SPOLOČNOSŤ**(November—December 2001)**

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ENCLOSURE / 53**ZÁPADOSLOVENSKÉ ENERGETICKÉ ZÁVODY, ŠTÁTNY PODNIK****(January—October 2001)**

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- Západoslovenská energetika, akciová spoločnosť (a. s.)
= joint-stock company
 - Západoslovenské energetické závody, štátny podnik (š. p.)
= state enterprise



Annual Report 2001

**Západoslovenská energetika,
akciová spoločnosť**

board of directors (profiles of members)

BOARD OF DIRECTORS

President:

Ing. Andrej Devečka

Vice-president:

Ing. Igor Masár

Members:

Ing. Rastislav Jamrich

Ing. Ľubomír Maco

Ing. Zdeněk Soukup

SUPERVISORY BOARD

Chairman of Supervisory Board:

Ing. Márius Hričovský, Energotel, a. s. Bratislava

Vice-chairman of Supervisory Board:

Ing. Ján Ďurana, National Property Fund of the Slovak Republic

Vice-chairman of Supervisory Board:

Ing. Emil Baxa, Západoslovenská energetika, a. s.

Members of Supervisory Board:

prof. Ing. Peter Baláž, PhD., Economic University Bratislava

Ing. Peter Benčurik, Ministry of Economy of the Slovak Republic

Ing. Dušan Haruštiak, Ministry of Economy of the Slovak Republic

Ing. Emil Krondiak, Západoslovenská energetika, a. s.

Ing. Peter Malík, Government Office of the Slovak Republic

Ing. Ľudovít Šoltés, CSc., Slovenské elektrárne, a. s. Bratislava

Ing. Ján Londák, Západoslovenská energetika, a. s.

Mgr. Zora Maková, Západoslovenská energetika, a. s.

Ing. Jozef Voštinár, Západoslovenská energetika, a. s.

MANAGEMENT OF THE COMPANY

Ing. Andrej Devečka, Director General

Ing. Jozef Voštinár, deputised Director of Electric Power Distribution

Ing. Zdeněk Soukup, Director of Investments

Ing. Rastislav Jamrich, Director of Finance and Capital Investment Administration

Ing. Igor Masár, Director of Trade

Ing. Ľubomír Maco, Director of Services

the activity report of the supervisory board

The Opinion of the Supervisory Board to the Annual Financial Statement and to the Proposal of the Settlement of Loss for the year 2001.

The Supervisory Board was constituted on the General Assembly of the company on 15th October. The Supervisory Board had the first meeting on 7th November 2001 and another one on 6th December 2001. On the first meeting the Chairman of the Supervisory Board was elected and the forthcoming duties were discussed. On the second meeting the Supervisory Board discussed on and accredited the auditor of the company, which is the company Arthur Andersen, discussed and approved the plan for November and December 2001, as well as the remunerations to the Director General and the Board of Directors.

Following the Memorandum of Association and the Commercial Code the Supervisory Board reviewed the Annual Financial Statement, the Auditor's Report and the Proposal of the Settlement of Loss for the year 2001 of ZSE, joint-stock company. The audit of the Financial Statement was made by the auditing company Arthur Andersen, the Licence No. 146 SKAU. In the auditor's opinion the Financial Statement truly reflects the financial situation of the joint-stock company ZSE as of 31st December 2001 in all important relations and the result of economy for the period of two months, from the incorporation of the company till 31st December 2001, following the provisions of the Law on Accounting No. 563/1991 of the Code and the related regulations, as amended.

The supervisory Board, following the reviews of accounting documents and the auditor's opinion, can make statement that in the accounting of the joint-stock company ZSE there occurred no failures and therefore it recommends to the General Assembly to approve the Financial Statement of the year 2001.

The Supervisory Board states that the joint-stock company ZSE for the year 2001 showed loss amounting to 439 606 780 SKK, it reviewed the proposal of the Board of Directors on the settlement of the loss and recommends to the General Assembly to approve the settlement of the loss from the reserve fund, in compliance with Art. XVII, point 1 of the Memorandum of Association.

Following the Memorandum of Association and the Commercial Code the Supervisory Board reviewed the Annual Financial Statement, the Auditor's Report and the Proposal of the Settlement of Loss for the year 2001 of ZSE, joint-stock company and **recommends** to the General Assembly **to approve:**

- the Annual Report of the joint-stock company ZSE,
- the Annual Financial Statement,
- the Auditor's Report,
- the Proposal of the Settlement of Loss for the year 2001 from the reserve fund resources.

Ing. Máriaus Hričovský
Chairman of Supervisory Board

Ing. Ján Ďurana
Vice-Chairman of Supervisory Board

FOUNDATION OF THE JOINT-STOCK COMPANY


The joint-stock company was incorporated by the Articles of Incorporation No. 836/2001 dated 15th November 2001 in compliance with § 154—§ 220 of the law No. 513/91 of the Code as amended, on the basis of the resolution of the Government of the Slovak Republic on privatisation of the enterprise Západoslovenské energetické závody, š. p., dated 20th June 2001, which was dissolved without liquidation by the Decree No. 96/2001 of the Ministry of Economy of the Slovak Republic No. 4278/2001–1000–101.

The joint-stock company is registered in the Companies' register as of 1st November 2001 which is kept at the District Court Bratislava I, section: Sa, item: 2852/B, as follows:

Business name:	Západoslovenská energetika, a. s.
Domicile:	Čulenova 6, 816 47 Bratislava
Identification number of organization:	35 823 551

BASIC ACTIVITIES:

1. purchase of electric power;
2. transit of electric power;
3. distribution of electric power;
4. development and designing of electric power distribution systems, transformer stations up to the voltage of 110 kV, industrial intallations;
5. designing activity in investment construction;
6. engineering activity in investment construction;
7. performance of engineering activity in distribution system of hv grid;
8. overground, cable transformer stations up to do 22 kV, lv grids, public lighting;
9. designing, mounting and service work on the telecommunication facilities of the uniform telecommunication system;
10. providing telecommunication services out of the public voice telephone service;

- 
11. providing non-public telecommunication services by means of ground satellite stations and VSAT systems;
 12. inspection of electric equipment;
 13. inspection of operating boilers and gas equipment;
 14. inspection of aptitude tests of lifting mechanism;
 15. calibration of electrometers, measuring sets;
 16. installation, repair, maintenance of reserved electric equipment and production of lv distribution facilities;
 17. repair of electrometers, welding transformer, rotary machines and asynchronous motorors, service hydraulic equipment;
 18. installation and repairs of gas technical equipment;
 19. repair, installation of boilers, stationary pressure tanks;
 20. installation and repair of heat measuring sets;
 21. providing software;
 22. automatised data processing;
 23. repair and maintenance of motor vehicles;
 24. road traffic — use of transport facilities;
 25. leasing of facilites with driver;
 26. public road mass irregular passanger traffic;
 27. public road goods traffic;
 28. fitting;
 29. purchase and sale of goods in the scope of free trade;
 30. catering and accommodation.

The basic organisational structure of the joint-stock company:

- Head Office of Director General,
- Head Office of Electric Power Distribution,
- Head Office of Investments,
- Head Office of Finance and Capital Investment Administration,
- Head Office of Trade,
- Head Office of Services

domiciled at Západoslovenská energetika, a. s., Čulenova 6, 816 47 Bratislava.

The organisational structure of head offices: divisions, plants, sections, departments.

The plants of the joint-stock company:

- district plants (Bratislava, Trnava, Nitra, Dunajská Streda) are subordinate to the director of electric power distribution,
- other plants (Construction and Installation Plant Nitra — subordinate to the director of investments, Transformer Repair Shop and Calibration Plant Hlohovec — subordinate to the Division Manager of the Quality Management and Control, Plant for Operation and Maintenance of Transmission Plants Bratislava — subordinate to the Director of Electric Power Distribution).

CHARACTERISATION OF DISTRICT PLANTS

The district plants perform the co-ordination and control of the operation administrations in the given district. They execute the distribution of electric power, control the application of rationalisation in its consumption, perform the co-ordination and control of development plans and the implementation of investment and designing activities, the performance of economic, transport, social activities and the activity of economic administration.

OPERATION ADMINISTRATIONS

They execute the operation and maintenance of high voltage (hv) and low voltage (lv) grids and their maintenance in continuous time cycles. They make maintenance, inspection, repairs of transformer stations, switching stations and operate them. In the construction-installation activity they build up new facilities for the electricity distribution for the own enterprise and for external customers. They also do the re-constructions and repairs of the equipment.

CHARACTERISATION OF TRADING OFFICES AND CALL CENTRE

They are the only communication contact places with customers, when selling the electric power and the related services.

CHARACTERISATION OF OTHER PLANTS

CONSTRUCTION AND INSTALLATION PLANT NITRA

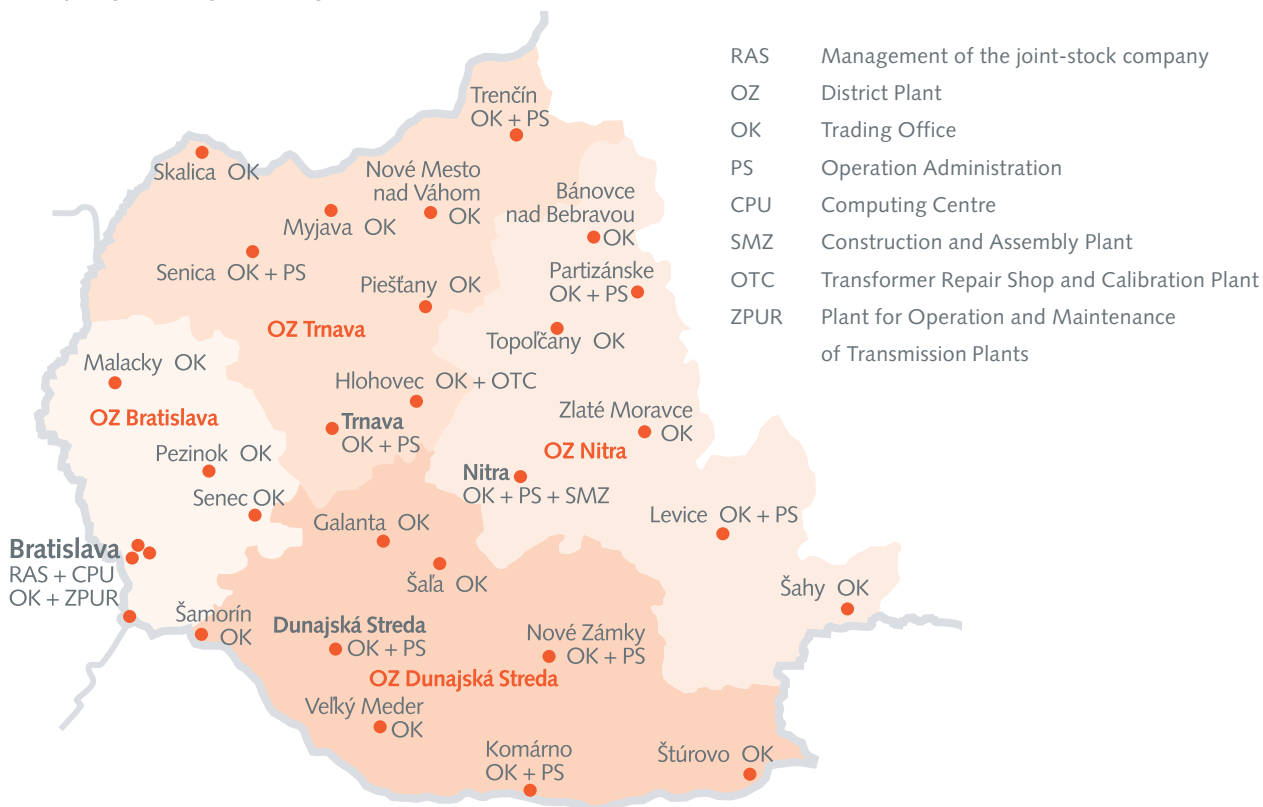
The plant builds up the distribution facilities for the own enterprise and for external customers and it specialises on some major repairs of the equipment for the electric power distribution.

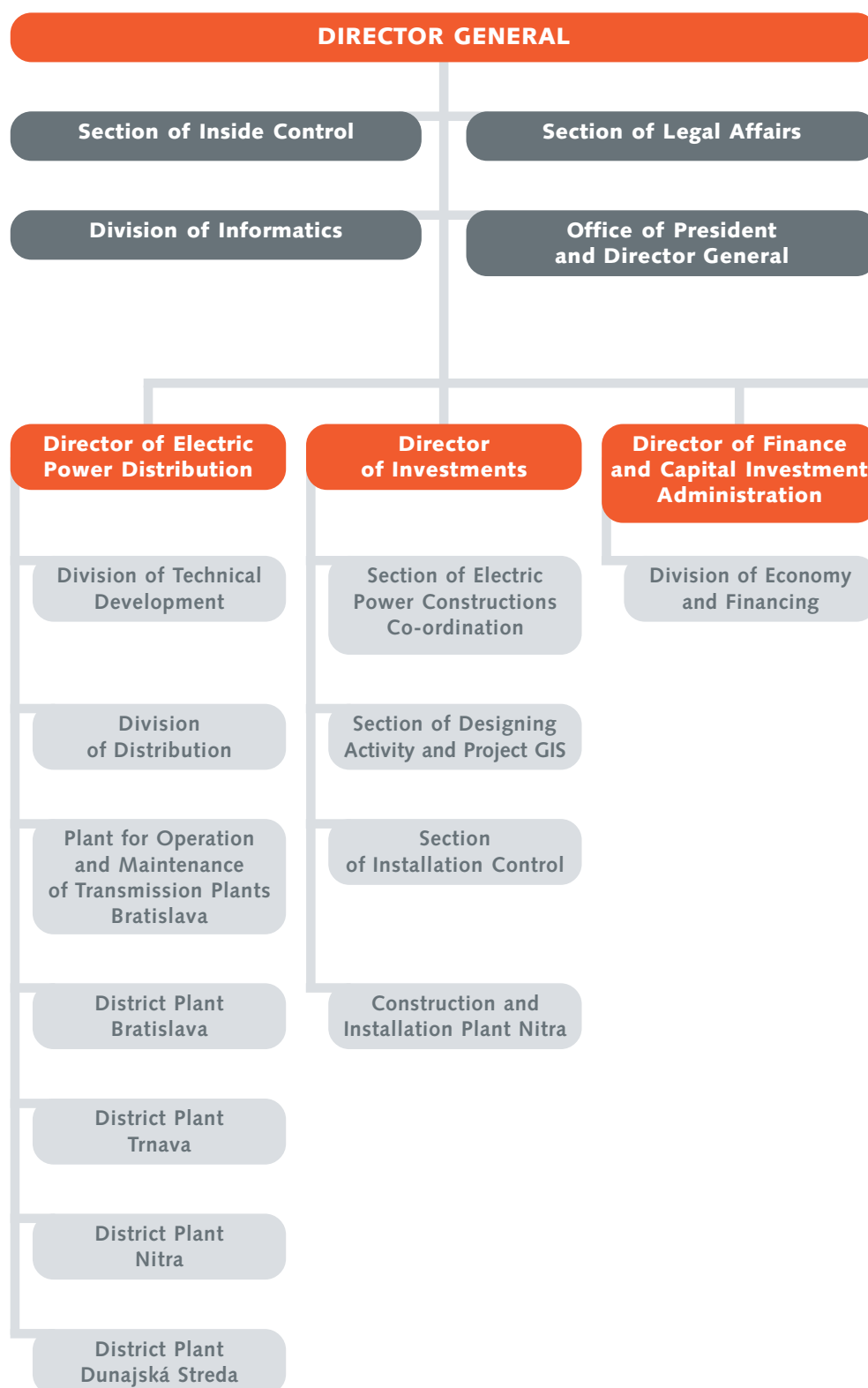
TRANSFORMER REPAIR SHOP AND CALIBRATION PLANT HLOHOVEC

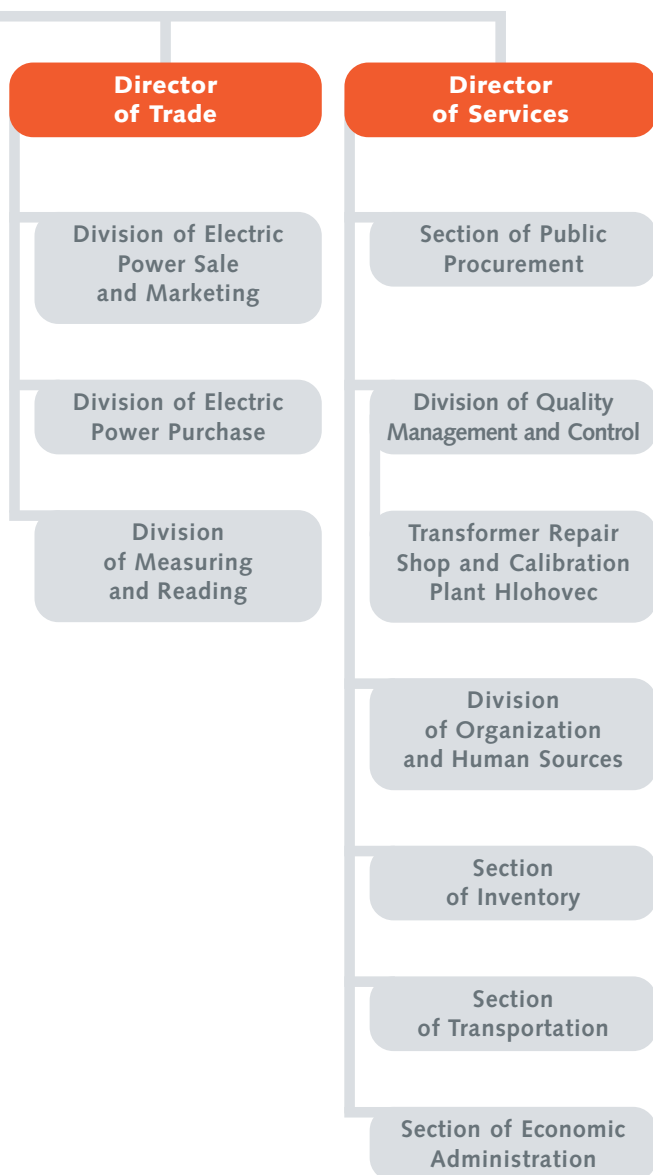
The plant executes inspection and repairs of its own transformers and external electric supply meters, time switches, (switch clocks) and measuring sets. It liquidates physically and morally worn out transformers and makes filtrations of transformer oils. It makes adjustments, repairs and testing of instruments for mass remote control, measuring instruments, as well as testing of protecting facilities. It makes the mass replacement of electric supply meters for customers in the selected areas.

PLANT FOR OPERATION AND MAINTENANCE OF TRANSMISSION PLANTS BRATISLAVA

The plant carries out operation and maintenance, inspections of the transformer stations of the transmission and distribution systems. It controls, operates and makes maintenance of the technology control facilities and the extra high voltage (ehv) and very high voltage (vhv) grids.







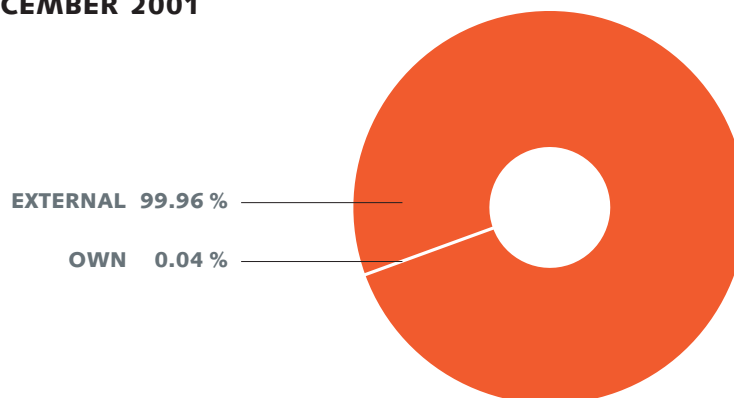


structure of sources and use of electric power

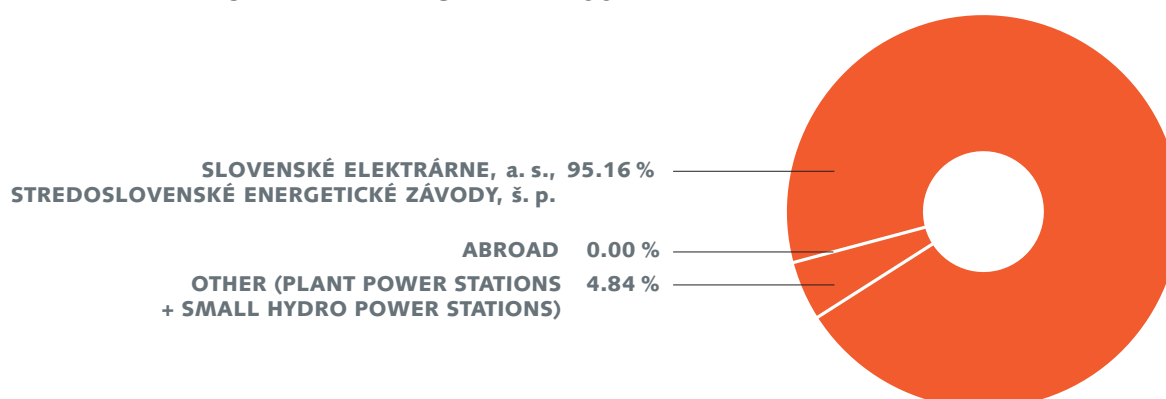
Sources of Electric Power in MWh	November—December 2001
ZSE Heating Plants	0
ZSE Hydropower Plants	528
Own sources	528
Purchase from Slovenské elektrárne, a. s., (SE, a. s.) and Stredoslovenské energetické závody, š. p., (SSE, š. p.)	1 388 234
Purchase from industry and private entrepreneurs (also splitted off BAT Heating Plants)	70 548
Purchase from abroad	58
External sources	1 458 840
SOURCES OF ELECTRIC POWER	1 459 368

Use of Electric power in MWh	November—December 2001
Supply to wholesale customers	659 357
Supply to retail customers — entrepreneurs	201 226
Supply to retail customers — entrepreneurs	448 206
Total supply to retail customers	649 432
Supply to SSE, š. p., and abroad	247
Own consumption	5 066
Total effective supply of electric power	1 314 102
Losses	145 266
USE OF ELECTRIC POWER	1 459 368

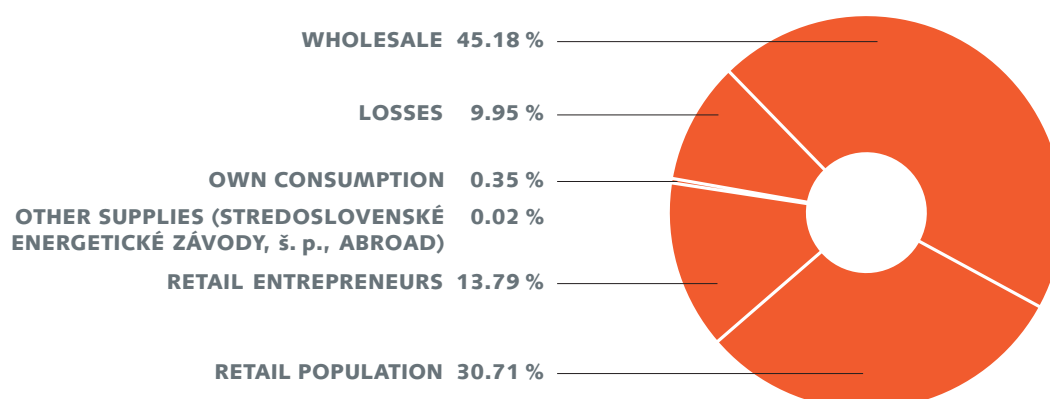
STRUCTURE OF ELECTRIC POWER SOURCES NOVEMBER—DECEMBER 2001



STRUCTURE OF EXTERNAL ELECTRIC POWER SOURCES NOVEMBER—DECEMBER 2001



STRUCTURE OF ELECTRIC POWER USE NOVEMBER—DECEMBER 2001



CREATION OF PROFIT OR LOSS

The joint-stock company Západoslovenská energetika Bratislava (ZSE) was founded on 15th October 2001 as one of three successors after transformation of the state enterprise and incorporated to the Companies' register on 1st November 2001.

Within the short period of two months in the year 2001 the company managed to fulfil the basic functions and its continuous operation.

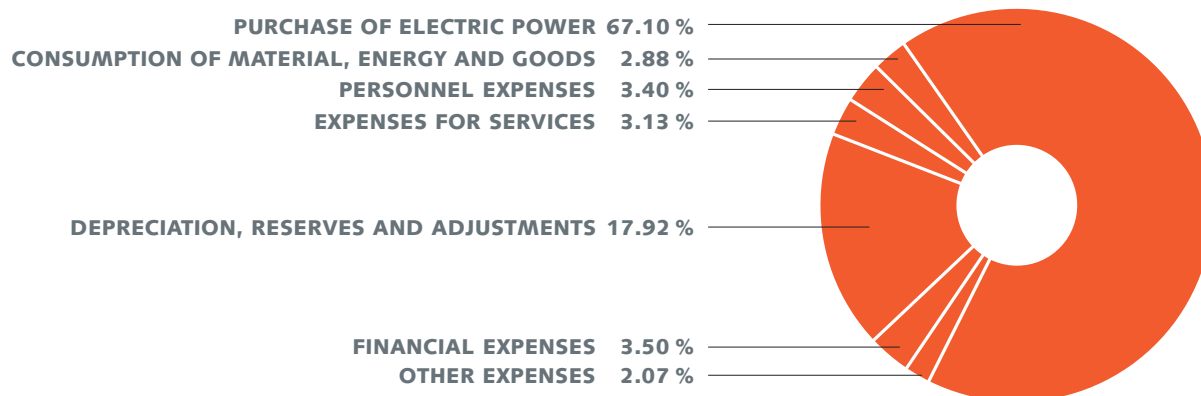
For the accounting period from 1st November 2001 till 31st December 2001 the company made loss in the amount of 439 606 thousand SKK.

The economic result of the company was to a great extent influenced by the Decree No. 41/1993 of the Ministry of Finance of the Slovak Republic applied in relation to the privatisation of the state enterprise. In the connection with the mentioned decree the state enterprise did not create and/or dissolved all adjustments to receivables and inventory. The enterprise dissolved also the reserve created to cover risks connected with the encashment of non-invoiced interests on overdue. According to the auditor's report to the start balance sheet as of 1st November 2001 the adjustments would amount to 681 million SKK. For true and real presentation of the financial situation of the company the adjustments and reserves as of 31st December 2001 were created in the amount of 718 665 thousand SKK.

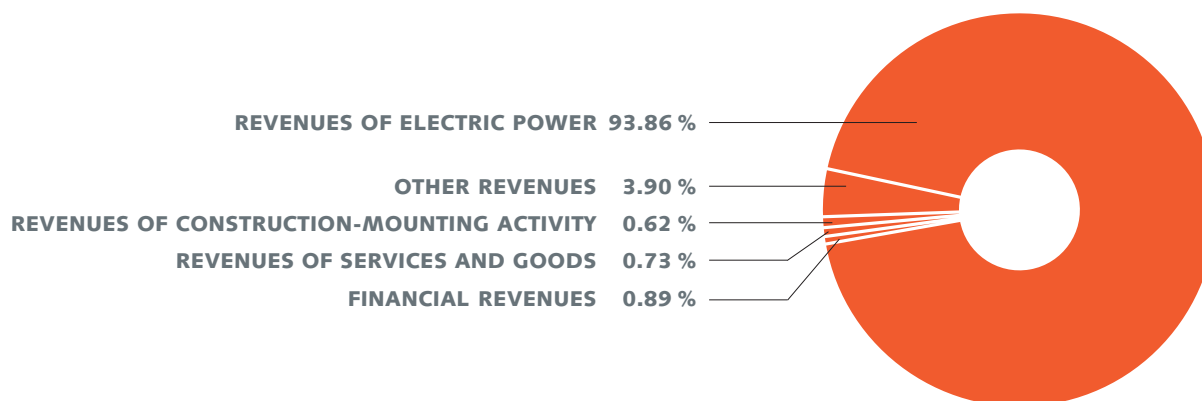
The economic result from operation represented loss of 295 045 thousand SKK.

The financial economic result amounted to –110 524 thousand SKK.

STRUCTURE OF EXPENSES NOVEMBER—DECEMBER 2001



STRUCTURE OF REVENUES NOVEMBER—DECEMBER 2001



REVENUES OF CONSTRUCTION-MOUNTING ACTIVITY NOVEMBER—DECEMBER 2001

CONSTRUCTION-MOUNTING ACTIVITY AND SERVICE FOR EXTERNALS	22 700 thousands SKK
CAPITALISATION OF TANGIBLE FIXED ASSETS (OWN)	77 911 thousands SKK



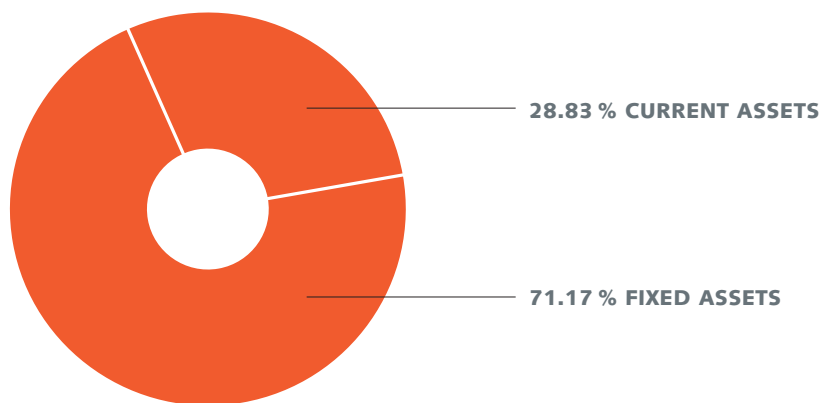
FINANCING

At the foundation based on the delimitation of the state enterprise the company Západoslovenská energetika took over loans in total amount of 1 miliard SKK. The loan was granted by Citibank (Slovakia), a. s., for the period from 20th june 2001 till 14th june 2005. Its interest rate is bound to 3-month BRIBOR. The interest payment was settled according to the payment schedule in compliance the the valid agreement on loan.

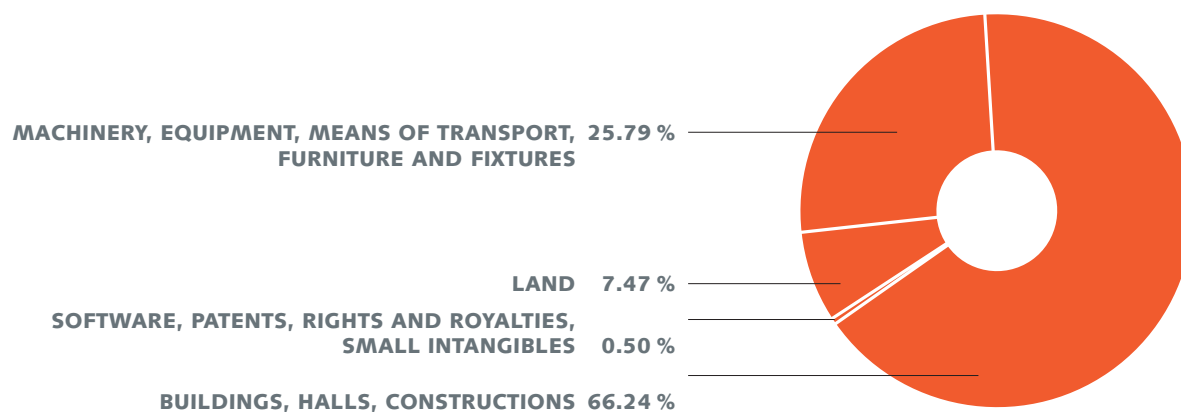
The relations with financial institutions traditionally remained on the high level.

The newly-established company ZSE, a. s., managed to decrease overdue receivables by 367 318 thousand SKK at the end of 2001 in comparison with the balance as of 1st November 2001.

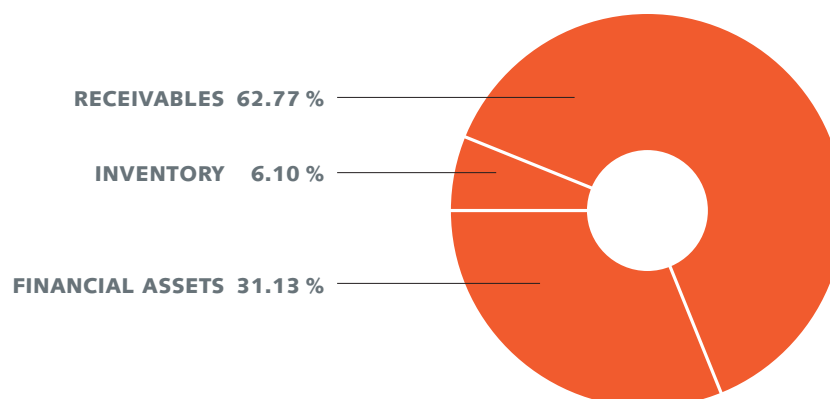
ZSE, a. s., managed to maintain the financial stability, which is a good initial condition for the economy of the company in the future.

STRUCTURE OF ASSETS AS OF 31st DECEMBER 2001

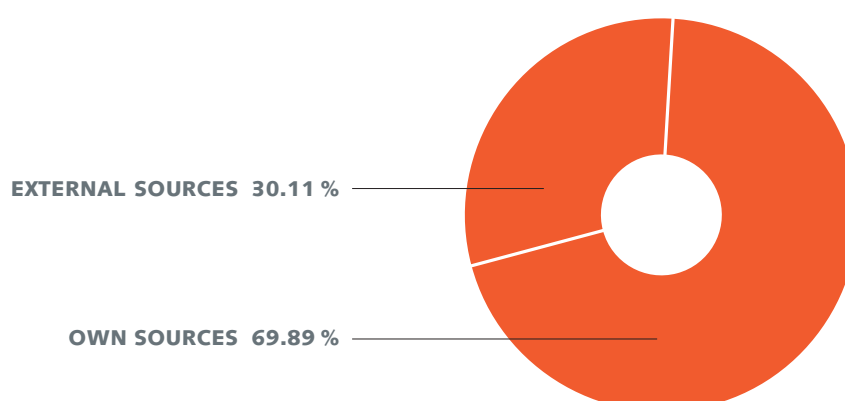
STRUCTURE OF TANGIBLE AND INTANGIBLE FIXED ASSETS AS OF 31st DECEMBER 2001



STRUCTURE OF CURRENT ASSETS AS OF 31st DECEMBER 2001





CAPITAL STRUCTURE AS OF 31st DECEMBER 2001





RECEIVABLES AND PAYABLES FROM TRADE

(in thousands SKK)	as of 1 st Nov. 2001	as of 31 st Dec. 2001
Receivables from trade	2 277 779	1 472 462
overdue	1 374 756	1 007 438
Payables from trade	954 905	1 156 517
overdue	9 447	27 683

DEVELOPMENT OF RECEIVABLES FROM TRADE

	2 277 779 thousand SKK	AS OF 1 st NOVEMBER 2001
	1 374 756 thousand SKK	OF WHICH: OVERDUE
	1 472 462 thousand SKK	AS OF 31 st DECEMBER 2001
	1 007 438 thousand SKK	OF WHICH: OVERDUE

DEVELOPMENT OF PAYABLES FROM TRADE

	954 905 thousand SKK	AS OF 1 st NOVEMBER 2001
	9 447 thousand SKK	OF WHICH: OVERDUE
	1 156 517 thousand SKK	AS OF 31 st DECEMBER 2001
	27 683 thousand SKK	OF WHICH: OVERDUE

FINANCIAL RATIOS

(in thousands SKK)	November—December 2001
1. Ratios of liquidity	
Disposable liquidity (0.2—0.6)	0.42
Current liquidity (1—1.5)	1.27
2. Ratios of activity*	
Rotation of stock period	2.75
Collection period (return) of receivables from trade	32.46
Pay-off period of payables from trade	21.63
3. Ratios of liability	
Rate of liability (from loans balance in %)	10.54
Rate of liability (from borrowed capital in%)	30.11
Rate of financial independence	43.08

* Note: for the period of November—December 2001 = 61 days

INVESTMENT CONSTRUCTION

The investment construction was realised with the intention to provide the best services in the sphere of the electric power systems. For the period of November—December 2001 the investment construction amounted to 191 million SKK.

The most important constructions as for the volume are:

- equipment of the transformer station of 22 kV in Stupava in the amount of 26 510 thousand SKK,
- modernisation of the transformer station of 110 kV in Stupava in the amount of 20 107 thousand SKK,
- transformer station of 22 kV in Stupava in the amount of 17 208 thousand SKK.

From the total volume of investments for the renovation and expansion of the electric power systems, the investment activities in the amount of 64 million SKK were realised at own overhead costs.

structure of employees

After transformation and splitting of the state enterprise ZSE as of 1th November 2001 — 2 580 employees were employed in the joint-stock company, from the total number 3 500 employees of the state enterprise.

NUMBER OF EMPLOYEES

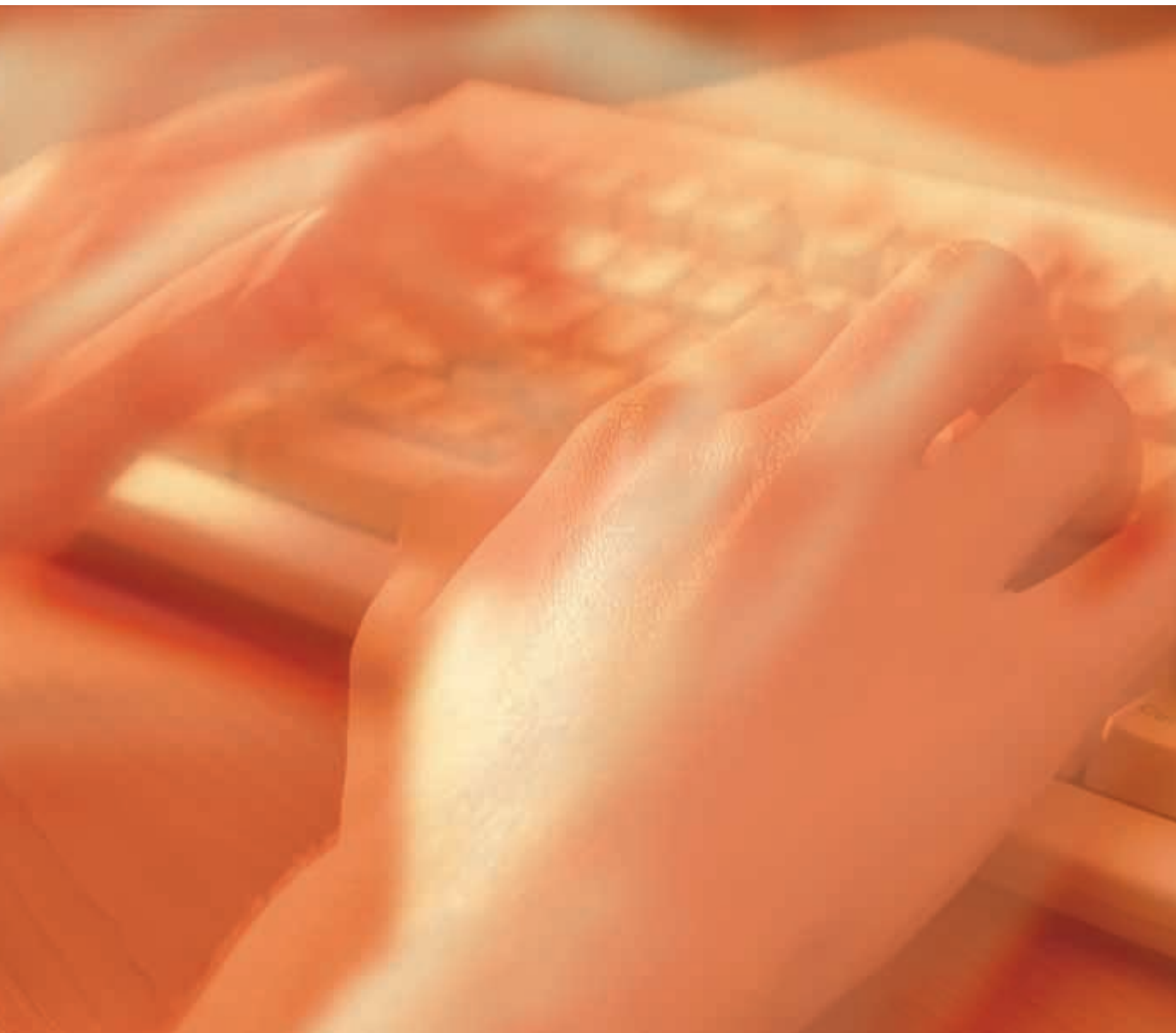
	as of 31 st Dec. 2001	Share (%) year 2001
Ending number of employees	2 571	100.0
a) by sex		
— female	637	24.8
— male	1 934	75.2
b) in productive age	2 557	99.5
in post-productive age	14	0.5
c) by education		
— university	294	11.4
— high school	1 201	46.7
— secondary school	1 016	39.5
— primary school	60	2.4

STRUCTURE OF EMPLOYEES BY AGE

as of 31st December 2001


Age	to 25	years 26—39	years 40—50	years 50 and more	Total
Employees	150	1 113	870	434	2 571
Share %	5.8	43.3	33.9	17.0	100.0

In the year 2001 the average age of an employee in ZSE, a. s., was 40 years.



- 
- **balance sheet**
 - **profit and loss statement**
 - **notes to the financial statements as of 31st december 2001**
 - **financial statement as of 31st december 2001 prepared in accordance with international financial reporting standards**
 - **auditor's report**

(in thousands SKK)	31 st Dec. 2001	1 st Nov. 2001
TOTAL ASSETS	9 484 552	10 002 104
Stock subscription receivable	—	—
Fixed assets	6 749 782	6 768 677
Intangible assets	58 596	60 541
Tangible assets	6 106 459	6 027 274
Financial investment	584 727	680 862
Shareholding and deposits in companies in the group	306 979	396 900
Other financial investment	277 748	283 962
Current assets	2 463 563	3 086 752
Inventory	150 371	167 583
Long-term receivables	3 211	1 040
Short-term receivables	1 543 063	2 351 878
Financial accounts	766 918	566 251
Other assets	271 207	146 675



(in thousands SKK)	31 st Dec. 2001	1 st Nov. 2001
TOTAL LIABILITIES	9 484 552	10 002 104
Shareholders' equity	6 628 909	7 052 251
Basic capital	5 934 594	5 934 594
Capital funds	16 264	—
Funds created from profit	1 117 657	1 117 657
Retained earnings/losses of previous years	—	—
Profit and loss for the accounting period	−439 606	—
Liabilities	2 808 006	2 633 784
Legal reserves	—	—
Other reserves	20 033	—
Long-term liabilities	22 778	25 010
Short-term liabilities	1 765 195	1 608 774
Bank loans and notes	1 000 000	1 000 000
Long-term bank loans	835 000	1 000 000
Long-term bank loans	165 000	—
Other liabilities	47 637	316 069

(in thousands SKK)	November—December 2001
Revenues from goods sold	197
Cost of goods sold	116
Gross margin	81
Operational income	3 523 958
Revenues from finished products and services	3 458 963
Changes in inventory of own operation	–14 009
Capitalisation	79 004
Consumption from operation	2 977 167
Value added	546 872
Personnel expenses	138 579
Taxes and fees	404
Other operational revenues	30 740
Other operational expenses	3 769
Amortisation of intangibles and depreciation of tangibles	101 833
Settling of reserves, adjustments and accruals of operational expenses	—
Creation of reserves, adjustments and accruals of operational expenses	628 072
Transfer of operational revenues	—
Transfer of operational expenses	—

(in thousands SKK)

November—December 2001

Net operating results **–295 045**

Financial revenues 32 205

Financial expenses 52 136

Settling of reserves and adjustments to financial revenues —

Creation of reserves and adjustments to financial expenses 90 593

Transfer of financial revenues —

Transfer of financial expenses —

Net result from financial activities **–110 524**

Due income tax on normal activity 662

Deferred income tax on normal activity 46 976

Net result from normal activities **–453 207**

Extraordinary revenues 45 949

Extraordinary expenses 32 348

Due income tax on extraordinary activity —

Deferred income tax on extraordinary activity —

Net result from extraordinary activities **13 601**

Net income (net loss) for the accounting period **–439 606**

notes to the financial statements as of 31st december 2001

1. BASIS OF PRESENTATION AND GOING CONCERN

The financial statements of the Company consisting of the balance sheet as of 31st December 2001, the profit and loss account and notes to the financial statements as of 31st December 2001 including the cash-flow statement for the accounting period from 1st November 2001 till 31st December 2001, are presented in accordance with the Act on Accounting and accounting procedures for entrepreneurs in the Slovak Republic.

These financial statements have been prepared by the Management of the Company and in compliance with the valid Slovak legislation on ordinary financial statements they will be submitted to the General Assembly of shareholders for approval.

These financial statements have been presented following the assumption that the Company will continue in the operations of the Company.

The financial statement of the Company was approved at the General Assembly held on 27th June 2002.

2. INTANGIBLE FIXED ASSETS

The variations of intangible fixed assets for the accounting period from 1st November 2001 till 31st December 2001 are summarised as follows:

(in thousands SKK)	Balance as of 1 st Nov. 2001	Additions	Disposals	Transfers	Balance as of 31 st Dec. 2001
Software	151 935	—	–135	923	152 723
Valuable rights	12 471	—	—	—	12 471
Low value and other intangibles	559	—	—	—	559
Intangibles in progress	31 494	2 261	—	–923	32 832
Total acquisition cost	196 459	2 261	–135	—	198 585
Software	–133 376	–2 867	135	—	–136 108
Valuable rights	–2 334	–1 284	—	—	–3 618
Low value and other intangibles	–208	–55	—	—	–263
Accumulated depreciation	–135 918	–4 206	135	—	–139 989
Net book values	60 541				58 596

3. TANGIBLE FIXED ASSETS

The variations of tangible fixed assets for the accounting period from 1st November 2001 till 31st December 2001 are summarised as follows:

(in thousands SKK)	Balance as of 1 st Nov. 2001	Additions	Free of charge transfer	Gifts	Disposals	Transfers	Other	Balance as of 31 st Dec. 2001
Lands	388 909	—	—	—	—	59	—	388 968
Buildings, halls and constructions	7 561 894	—	16	6 862	-1 624	76 935	—	7 644 083
Machinery and equipment	4 056 051	—	—	251	-678	92 400	41	4 148 065
Means of transport	336 781	—	—	—	-388	9 991	—	346 384
Furniture and fixtures	29 154	—	—	—	—	—	—	29 154
Other tangible assests	12 728	—	—	—	—	10 330	-41	23 017
Artwork	1 265	—	—	—	—	—	—	1 265
Tangibles in progress	939 632	187 289	—	1 888	—	-189 715	—	939 094
Advances for tangibles	3 043	—	—	—	-2 179	—	—	864
Total acquisition cost	13 329 457	187 289	16	9 001	-4 869	—	—	13 520 894
Buildings, halls and construction	-4 158 585	-34 832	-16	—	1 624	—	—	-4 191 809
Machinery and equipment	-2 841 301	-55 437	—	—	678	—	-1	-2 896 061
Means of transport	-277 022	-5 926	—	—	388	—	—	-282 560
Furniture and fixtures	-22 436	-517	—	—	—	—	—	-22 953
Other tangible assets	-2 839	-962	—	—	—	—	1	-3 800
Adjustments	—	-17 252	—	—	—	—	—	-17 252
Accumulated depreciation	-7 302 183	-114 926	-16	—	2 690	—	—	-7 414 435
Net book value	6 027 274							6 106 459

notes to the financial statements as of 31st december 2001

The major additions to tangible fixed assets of the accompanying balance sheet in the period from 1st November 2001 till 31st December 2001 are as follows:

- Equipment of the transformer station of 22 kV in Stupava in the amount of 26 510 thousand SKK,
- Modernisation of 110 kV transformer station in Stupava in the amount of 20 107 thousand SKK,
- Distribution station of 22 kV in Stupava in the amount of 17 208 thousand SKK,
- Anti-noise shield of the transformer station in Karlova Ves in the amount of 5 910 thousand SKK,
- Low voltage cable line and equipment of transformer station in Svätý Jur in the amount of 5 200 thousand SKK.

Neither exchange rate differences nor interest expenses related to the acquisition of tangible fixed assets are included in the additions to tangible fixed assets.

As of 31st December 2001 the cumulative interest amounting to 39 404 thousand SKK and the cumulative exchange rate differences amounting to 54 521 thousand SKK are capitalised under the caption Tangible fixed assets.

In the period from 1st November till 31st December 2001 the Company received tangible fixed assets in the amount of 9 001 thousand SKK as donations. The impact of these gifts was recognised to Capital under Equity in the accompanying balance sheet, in compliance with the accounting legislation in force in the Slovak Republic.

In the period from 1st November 2001 till 31st December 2001 the Company obtained tangible fixed assets in the total amount of 16 thousand SKK, free of charge, in compliance with the Act No. 278/93 of the Code.

As of 31st December 2001 no tangible fixed assets were pledged.

Adjustments created to tangible fixed assets are summarised as follows:

(in thousands SKK)	Balance as of 1 st Nov. 2001	Creation	Balance as of 31 st Dec. 2001
Adjustment to buildings, halls and constructions	—	3 813	3 813
Adjustment to tangibles in progress	—	13 439	13 439
Total	—	17 252	17 252

INVESTMENT PLAN

The Management of the approved the following investments for the year 2002:

Description	(in thousands SKK)
Buildings	497 500
Information technologies	58 000
Means of transport	50 000
Other	144 500
Total	750 000

The Management of the Company has assessed the investment needed for the harmonisation of the Company's activity with the law on water approximately in the amount of 272 million SKK, which is being dealt with in the long-term investment plan of the Company. The planned investments in individual years are as follows:

Year	(in thousands SKK)
2002	37 000
2003	78 000
2004	87 000
2005	40 000
2006	30 000
Total	272 000

notes to the financial statements as of 31st december 2001

4. FINANANCIAL INVESTMENT

The variations during the accounting period from 1st November 2001 till 31st December 2001 are summarised as follows:

(in thousands SKK)	Balance as of 1 st Nov. 2001	Additions	Disposals	Balance as of 31 st Dec. 2001
Investments in subsidiaries	396 900	—	—	396 900
Other securities and ownership interests	11 343	—	—	11 343
Other loans and financial investments	272 619	—	–5 980	266 639
Total acquisition cost	680 862	—	–5 980	674 882
Investments in subsidiaries	—	–89 921	—	–89 921
Other securities and ownership interests	—	–234	—	–234
Other loans and financial investments	—	—	—	—
Total provisions	—	–90 155	—	–90 155
Net book values	680 862			584 727

The main movements on the financial investments accounts during the accounting period from 1st November 2001 till 31st December 2001 were as follows:

- Disposal of 5 980 thousand SKK — exchange rate difference from bill of exchange issued by Paroplynový cyklus, a. s., Bratislava.

In respect of the financial investment Energotel, a. s., which is the part of Other securities and ownership interests, the Company is considering the possibility of contributing certain assets to this company, or of their renting. The final decision as regards the amount and the way of the Company's participation has not been made to date.

The breakdown of investments in subsidiaries held by the Company as of 31st December 2001:

Company:	Paroplynový cyklus, a. s. *	Nitrianska paroplynová spoločnosť, a. s. *	Total (in thousands SKK)
Capital owned (%)	66 %	90 %	
Voting rights (%)	66 %	90 %	
Share capital *	600 000	1 000	601 000
Funds created from profit *	22 891	9	22 900
Accumulated loss from prior periods *	-291 254	-36	-291 290
Net income *	249 583	-25	249 558
Total equity *	581 220	948	582 168
Net book value	383 605	853	384 458

* Information derived from the last available financial statements dated 31st December 2001.

As of 31st December 2001, Paroplynový cyklus, a. s. Bratislava, showed accumulated losses of 291 254 thousand SKK, due to, mainly, the initial difficulties and almost a year lasting delay in launching the project. Considering the possibility of deducting losses for the purposes of the income tax as well as the potential future proceeds from contractual fines, the Company's Management is confident that the losses of Paroplynový cyklus, a. s. Bratislava will up to a significant amount be compensated in the course of the following two to four accounting periods. The expected future cash-flow includes such assumption. The auditor of Paroplynový cyklus, a. s., Bratislava, Price Waterhouse Coopers.

Intercompany loans as of 31st December 2001 comprise bills of exchange of 6 236 thousand EUR issued by Paroplynový cyklus, a. s. Bratislava. These bills of exchange have an interest rate of 7.2 %, p.a. The due date agreed for 15th January 2002 was prolonged for 3 months later. In the accompanying financial statements as of 31st December 2001, these bills of exchange are recognised as fixed assets given that the contract on financing, signed between Paroplynový cyklus, a. s., Bratislava and the European Investment Bank, does not allow Paroplynový cyklus, a. s., Bratislava to make payments to its shareholders through distribution of dividends or interest installments, or principals of loan provided by shareholders before 31st December 2002.

notes to the financial statements as of 31st december 2001

The adjustments to financial investments are summarised as follows:

Company (in thousands SKK)	Balance as of 1 st Nov. 2001	Creation of adjustments	Balance as of 31 st Dec. 2001
Paroplynový cyklus, a. s.	—	89 921	89 921
Other	—	234	234
Total	—	90 155	90 155

5. INVENTORIES

The breakdown of inventories as of 31st December 2001 and 1st November 2001 is as follows:

(in thousands SKK)	31 st December 2001	1 st November 2001
Material in stock	152 533	140 442
Material in transit	13 370	8 993
Work in progress	1 463	15 472
Goods	355	330
Advance payments made	293	2 346
Adjustment to material	-17 643	—
Total	150 371	167 583

The variations during the period from 1st November 2001 till 31st December 2001 in the different account used to adjust the value of inventories to their fair value are summarised as follows:

(in thousands SKK)	
Beginning balance	—
Additions	17 643
Ending balance	17 643

The amount of adjustments was determined on the ground of the rotation of stock analysis — the Company created the adjustment of 100 % to inventories which had no outs for two years. The adjustment of 100 % was created to inventories which are useless due to obsolescence.

6. ACCOUNTS RECEIVABLES

The breakdown of receivables as of 31st December 2001 and 1st November 2001:

(in thousands SKK)	31 st December 2001	1 st November 2001
Intercompany receivables and receivables from other related parties	27 005	10 378
Trade receivables	2 016 279	2 266 812
Tax receivables	69 786	71 174
Receivables from partners and association	1 330	1 330
Other receivables	2 245	2 184
Total	2 116 645	2 351 878

The breakdown of accounts receivable by due dates as of 31st December 2001 is as follows:

Due date	(in thousands SKK)
Total short-term receivables	2 116 645
Total long-term receivables	3 211
2003	3 160
2004	51
Total	2 119 854

Out of the total amount of receivables (both long and short-term) as of 31st December 2001 and 1st November 2001, the overdue receivables amount to 953 162 thousand SKK and 1 576 686 thousand SKK, respectively.

The adjustment to dubious debts was created by the assessment of debts payoff by individual groups of clients.

The debtor's subledger includes certain payable balances. The total amounts of these negative balances as of 31st December 2001 and 1st November 2001 were 8 198 thousand SKK and 6 608 thousand SKK, respectively. The creditor's subledger includes certain receivables balances. The total amounts of these negative balances as of 31st December 2001 and 1st November 2001 were 4 817 thousand SKK and 3 530 thousand SKK.

notes to the financial statements as of 31st december 2001

The variations during the period 1st November 2001 till 31st December 2001 in the different accounts used to adjust the value of the receivables to their fair value are summarised as follows:

(in thousands SKK)	Provisions	Tax deductible provisions
Beginning balance	—	—
Disposals or reversal	251 097	322 485
Ending balance	251 097	322 485

7. SHAREHOLDERS' EQUITY

The variations in the account of shareholders' equity during the period from 1st November 2001 till 31st December 2001 are as follows:

(in thousands SKK)	Capital Share	Capital Funds	Funds created from profit	Profit (loss) for the year	Total
Balance as of 1 st Nov. 2001	5 934 594	—	1 117 657	—	7 052 251
Financial grants received	—	7 263	—	—	7 263
Gifts in form of investment property received	—	9 001	—	—	9 001
Profit (loss) as of 31 st Dec. 2001	—	—	—	-439 606	-439 606
Balance as of 31st Dec. 2001	5 934 594	16 264	1 117 657	-439 606	6 628 909

The Management of the Company has not made any decision on the way of accounting the loss for the period of 1st November 2001 till 31st December 2001 yet.

SHARE CAPITAL

The share capital of the Company as of 31st December 2001 consists of 5 934 594 shares, the nominal value of one share is 1 thousand SKK. All shares as of 31st December 2001 were owned by the National Property Fund of the Slovak Republic.

RESTRICTED RESERVES

Funds created from profit include the Legal reserve fund of 1 117 657 thousand SKK as of 31st December 2001 and 1st November 2001, respectively. The use of the balance of the reserve is restricted under the Commercial Code in force in the Slovak Republic.

As of 31st October 2001 Západoslovenské energetické závody, štátny podnik, was dissolved without liquidation based on the decision of the Minister of Economy of the Slovak Republic, Decree No. 96/2001 in relation with the transformation of the enterprise to 3 successor joint-stock companies. On 1st November 2001 the National Property Fund contributed a part of assets and liabilities of the enterprise Západoslovenské energetické závody, štátny podnik, to the joint-stock company Západoslovenská energetika, a. s. The value of shareholders' equity of the Company as of 1st November 2001 accounts to the amount of the contributed assets and liabilities.

8. BANK LOANS AND SHORT-TERM NOTES

The breakdown as of 31st December 2001 of the balances of the bank loans (short-term and long-term) and the balances of short-term notes is as follows:

	(in thousands SKK)
Loans received	1 000 000
Total	1 000 000

The breakdown, by due dates, of debts with banks as of 31st December 2001 is as follows:

Due date	(in thousands SKK)
2002	165 000
2003	330 000
2004	330 000
2005	175 000
Total	1 000 000

The loan is repayable in Slovak crowns.

notes to the financial statements as of 31st december 2001

The structure of the individual bank loans is as follows:

(in thousands SKK)	Type of loan	Maturity	Currency	Limit	Total debt
Citibank (Slovakia), a. s.	Restructing and refinancing	Loan is repayable in six-month installments commencing from 16 th December 2002	SKK	1 000 000	1 000 000
VÚB, a. s.	Revolving credit line and bank overdraft	31 st December 2003	SKK	300 000	—
Tatra banka, a. s.	Bank overdraft	30 th November 2002	SKK	400 000	—
Total				1 700 000	1 000 000

9. CONTINGENCIES AND COMMITMENTS

At the dissolution of the company Západoslovenské energetické závody, š. p., without liquidation as of 31st October 2001 and subsequent transfer of its assets and liabilities to the joint-stock companies, the contingencies and commitments of the state enterprise, except the contingent liability of the enterprise resulting from the Contract on heat to be delivered and taken with Paroplynový cyklus, a. s., Bratislava, delimited. These liabilities are transferred to all successor companies, i. e., Západoslovenská energetika, a. s., Bratislavská teplárenská, a. s., a Trnavská teplárenská, a. s. As of 31st December 2001 the following liabilities are concerned:

FUTURE ACQUISITION OF FIXED ASSETS

As of 31st December 2001 the Company has concluded contracts on deliveries of fixed assets, which will be realised after 31st December 2001, for 11 485 thousand SKK in total.

10. REVENUES AND EXPENSES

a) NET REVENUES

The breakdown of net sales as of 31st December 2001 by line of activity is as follows:

(in thousands SKK)	November—December 2001
Sale of electric power	3 398 076
Services provided	26 201
Sale of goods	197
Other revenues	34 686
Total	3 459 160

The revenues of the Company as of 31st December 2001 were generated mainly from the territory of the Slovak Republic.

b) CAPITALISATION

(in thousands SKK)	November—December 2001
Capitalisation of material and stock	1 001
Capitalisation of services	41
Capitalisation of intangible fixed assets	50
Capitalisation of tangible fixed assets	77 912
Total	79 004

notes to the financial statements as of 31st december 2001

c) PERSONNEL EXPENSES

The breakdown of personnel expenses for the period from 1st November 2001 till 31st December 2001:

	(in thousands SKK)
Wages and salaries	98 794
Bonuses paid	825
Social security	35 333
Other social expenses	3 627
Total	138 579

The breakdown of the Company's staff as of 31st December 2001 and as of 1st November 2001, by category, is as follows:

Professional category	31 st December 2001	1 st November 2001
Top management	5	5
Other technical administrative employees	1 180	1 192
Workers	1 386	1 397
Number of employees	2 571	2 594

d) FINANCIAL INCOME AND EXPENSES

The breakdown of financial income and expenses as of 31st Dec. 2001 is as follows:

(in thousands SKK) November—December 2001	Revenues	Expenses
Interest	7 799	15 427
Realised exchange rate differences	24 318	28 789
Creation and accounting of reserve for exchange rate differences	—	438
Creation and accounting of adjustments	—	90 155
Other	88	7 920
Total	32 205	142 729

e) EXTRA ORDINARY INCOME AND EXPENSES

The breakdown of extraordinary income and expenses for the period from 1st November 2001 till 31st December 2001:

(in thousands SKK) November—December 2001	Revenues	Expenses
Un-invoiced delayed payment interest write off	—	31 842
Payables write off	40 817	—
Other	5 132	506
Total	45 949	32 348

11. LEASED ASSETS

The breakdown as of 31st December 2001 of the assets used by the Company under finance lease agreements is as follows:

(in thousands SKK)	Contract date	Interest rate	Duration in months	Cost for asset leased	Capital financed	Purchase option	Monthly payment
IBM	29 th Sept. 2000	LIBOR	36	223	26 324	Yes	24 × 1 090 12 × 13
Total							26 316

The information on the leased assets the Company used as of 1st November 2001 is the same as detailed in the table above.


notes to the financial statements as of 31st december 2001

12. CASH-FLOW STATEMENT

(in thousands SKK)

November—December 2001

A.	Cash-flow from basic business activities	
Z./S.	Profit/loss from basic activities before tax	–405 569
A.1	Adjustments by non-cash transactions	–184 612
A.1.1	Fixed assets depreciation	101 833
A.1.2	Change in reserve balance	20 033
A.1.3	Change in other assets balance	–156 374
A.1.4	Change in other liabilities balance	–257 511
A.1.5	Change in adjustments to fixed assets	107 407
A.2	Change in working capital balance	994 621
A.2.1	Change in accounts receivable balance from basic business activities	776 336
A.2.2	Change in short-term liabilities balance from basic business activities	201 073
A.2.3	Change in inventories balance	17 212
A.3	Interest expense	15 427
A.4	Interest income	–7 799
A*	Profit/loss from current activities before tax — adjusted	412 068
A.5	Specific items	–16 493
A.5.1	Income tax on ordinary income — paid	–21 165
A.5.2	Extraordinary revenues related to basic business activities	5 132
A.5.3	Extraordinary expenditure related to basic business activities	–460
A**	Cash-flow before separately disclosed items	395 575
A***	Net cash-flow from basic business activities	395 575



B.	cash-flow from investment activities	
B.1	Expenditure related to acquisition of fixed assets	–187 370
B.1.1	Intangible assets acquisition	–2 261
B.1.2	Tangible assets acquisition	–185 109
B.2.	Alternatively shown items	4 555
B.2.1.	Interest received	4 555
B***	Net cash-flow from investment activities	–182 815
C.	Cash-flow from financial activities	
C.1	Change in long-term liabilities balances (or short-term liabilities if appropriate)	–2 232
C.1.1	Expenditures from other long-term and short-term liabilities from financial activities	–2 232
C.2	Financial cash-flow in equity	7 263
C.2.1	Financial (cash) gifts and subsidies received to equity	7 263
C.3	Alternatively shown items	–23 104
C.3.1	Interest paid	–23 104
C***	Net cash-flow from financial activities	–18 073
D.	Final exchange rate differences stated at the end of accounting period	5 980
D.1	Exchange rated losses	5 980
E.	Change in cash and cash equivalents balance	200 667
F.	Cash and cash equivalents balance at the beginning of accounting period	566 251
G.	Cash and cash equivalents balance at the end of accounting period	766 918

financial statement as of 31st dec. 2001

prepared in accordance with international financial reporting standards

BALANCE SHEETS AS OF 31st DECEMBER 2001 AND 1st NOVEMBER 2001

(in thousands SKK)	31 st December 2001	1 st November 2001
Current Assets		
Cash and cash equivalents	766 918	566 251
Trade receivables — net	1 686 568	1 724 612
Inventories	127 941	117 056
Other current assets	94 149	66 499
Investments	109	343
Total current assets	2 675 685	2 474 761
Non-current Assets		
Investments	277 639	283 619
Interest in joint-venture	520 134	287 925
Property, plant and equipment — net	6 277 333	6 204 933
Intangible assets	58 596	60 541
Deferred tax asset	—	59 194
Other non-current assets	4 111	1 940
Total non-current assets	7 137 813	6 898 152
Total assets	9 813 498	9 372 913




(in thousands SKK)	31 st December 2001	1 st November 2001
Current Liabilities		
Trade payables	1 129 691	925 238
Other payables	150 637	188 069
Tax payables	515 320	545 310
Current portion of long-term debt	175 884	13 020
Total current liabilities	1 971 532	1 671 637
Non-current Liabilities		
Long-term debt — net of current portion	835 000	1 000 000
Deferred tax liability	14 217	—
Other non-current liabilities	12 939	13 017
Total non-current liabilities	862 156	1 013 017
Deferred income	439 604	691 733
Equity		
Basic capital	5 934 594	5 934 594
Reserves	605 612	61 932
Total shareholders' equity	6 540 206	5 996 526
Total liabilities and shareholders' equity	9 813 498	9 372 913

financial statement as of 31st dec. 2001

prepared in accordance with international financial reporting standards

STATEMENT OF INCOMEStatement of Income for the period of 2 months started 1st November 2001 and ended 31st December 2001

(in thousands SKK)	November—December 2001
Revenue	3 459 160
Purchased power	–2 742 494
Gross profit	716 666
Other operating income	151 092
Changes in inventories and work in progress	–14 009
Capitalisation	78 976
Materials and supplies	–107 310
Personnel expenses	–138 581
Depreciation and amortisation expense	–101 028
Other operating expense	–184 880
Profit from operations	400 926



(in thousands SKK)	November—December 2001
Interest expense	–15 445
Interest income	7 799
Foreign currency gain/loss, net	–4 775
Other financial results	–2 961
Total financial result — net	–15 382
Equity profit in joint-ventures	232 209
Profit before income tax	617 753
Current taxes	–662
Deferred taxes	–73 411
Net profit	543 680

financial statement as of 31st dec. 2001

prepared in accordance with international financial reporting standards

STATEMENT OF CASH FLOW

Statement of Cash Flow for the period of 2 months started 1st November 2001 and ended 31st December 2001

(in thousands SKK)	November—December 2001
Operating Activities	
Net profit	543 680
Adjustments to reconcile net profit to net cash provided by Operating activities:	
Depreciation and amortisation	101 028
Creation of provisions to fixed assets	17 252
Capitalisation of fixed assets	–78 976
Equity profit in joint ventures	–232 209
Release of deferred income	–3 612
Exchange rate losses	5 980
Net charge to deferred taxes	73 411
Decrease in trade receivables — net	38 044
Increase in inventories — net	–10 885
Increase in other current assets	–27 650
Decrease in deferred income balance	–263 878
Increase in current liabilities (except shor-term loans)	137 031
Net cash by operating activities	299 216
Investing Activities	
Purchases of property and equipment	–99 400
Purchases of intangible assets	–2 261



Other	234
Increase of other non-current assets	–2 171
Cash used in investing activities	–103 598
Financing Activities	
Grants received	7 263
Repayment of long-term debt and long-term liabilities	–78
Repayment of short-term debt	–2 136
Cash provided by financing activities	5 049
Net cash generated (used)	200 667
Balance of cash and cash equivalents at beginning of year	566 251
Balance of cash and cash equivalents at end of year	766 918
Cash paid for interest	23 122
Cash received for interes	4 555
Cash paid for taxes	21 165

STATEMENTS OF CHANGES IN EQUITY

Statements of Changes in Equity for the period of 2 months started 1st November 2001 and ended 31st December 2001

(in thousands SKK)	Share Capital	Reserves	Total Equity
Balance as of 1st November 2001	5 934 594	61 932	5 996 526
Net income for the 2-month period started 1 st November 2001 and ended 31 st December 2001	—	543 680	543 680
Balance as of 31st December 2001	5 934 594	605 612	6 540 206

Financial Statement as of 31st December 2001 and 1st November 2001 prepared in accordance with International Financial Reporting Standards

**REFERENCE AUDITORS' REPORT**

To the shareholder of Západoslovenská energetika, a.s.:

We have reviewed the financial statements of Západoslovenská energetika, a.s. ("the Company"), as of 31 December 2001, which are part of the Annual Report.

We issued the following auditors' report to the statutory financial statements of the Company as of 31 December 2001.

1. We have audited the accompanying financial statements of Západoslovenská energetika, a. s. ("the Company") comprising the balance sheet as of 31 December 2001 and the related profit and loss account and notes including the cash flow statement, for the two-month period then ended. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Except for the matter described in paragraph 3, we conducted our audit in accordance with Standards on Auditing issued by the Slovak Chamber of Auditors (SKAU). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their compliance with the accounting legislation, as well as assessing significant estimates made by the Board of Directors, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Our work did not include an examination of the financial statements of Paroplynový cyklus a. s., Bratislava as of 31 December 2001. These financial statements were audited by other auditors and our opinion, as expressed in this report, on the financial statements of the Company is based, as regards this dependent company, only on the reports issued by the other auditors. This company's auditor is listed in note 6 to the financial statements. The contribution of Paroplynový cyklus a. s., Bratislava to the assets (66 % owned by the Company), accumulated losses and net profit of the Company represent SKK 396 million, SKK 192 million and SKK 164 million, respectively. Paroplynový cyklus a. s., Bratislava did not prepare its financial statements as of 1 November 2001, and therefore we could not assess whether a provision, if any, is needed for this investment as of that date and subsequently assess the impact of the change in the value of this investment on the net result for the two-month period ended 31 December 2001.
4. The opening balance sheet of the Company as of 1 November 2001 did not include any provisions for or reserves related to the assets contributed by the shareholder or any other reserves required as of that date. The Company created the required provisions and reserves against expenses in the two-month period ended 31 December 2001. Had the provisions and reserves as of 1 November 2001 been created in sufficient amounts, the net result of the Company for the two-month period ended 31 December 2001 would be SKK 681 million higher.
5. In our opinion, except for the adjustments, if any, that would be necessary had we been able to perform the procedures described in paragraph 3 above and except for the adjustments referred to in paragraph 4 above, the accompanying financial statements present fairly, in all material respects, the financial position of Západoslovenská energetika, a. s. as of 31 December 2001, and the results of its operations for the two-month period then ended in accordance with Act No. 563/1991 Coll., on Accounting and other relevant accounting legislation in the Slovak Republic.



6. Without further qualifying our opinion, we draw attention to note 20 of the accompanying financial statements. The Company discloses that the corporate income tax of Západoslovenské energetické závody, štátny podnik for the year 1999 was inspected by the Tax Authority, resulting in an additional tax quantified at SKK 75,507 thousand. Additionally, a penalty of SKK 75,507 thousand was calculated in this respect. The Company, as one of the legal successors of Západoslovenské energetické závody, s.p., plans to appeal against the resolution, if any, of the Tax Authority. The various interpretations that can be made of the tax regulations applicable to the Company's operations might give rise to tax contingencies, such as referred to above, which can not be estimated as of the date of this report. For this reason, the accompanying financial statements do not include any provision in this respect.
7. Without further qualifying our opinion, we draw attention to the fact that the Company is in a process of being privatised and its future cash flows are very dependent on the evolution of the energy sector after the privatisation process. For this reason, the future cash flows could not be accurately estimated for the purpose of analysing the ability of the Company to continue as a going concern. Currently, the Company is profitable and there are no indications of any matters negatively affecting the feasibility of Company's business.

The accompanying Annual Report for 2001 comprises the financial statements of the Company, an analysis on past and projected results of the operations, and an analysis on the financial situation of the Company. We reviewed the financial statements included in the Annual Report of the Company as of 31 December 2001. We did not review other than accounting related information in the Annual Report.

Arthur Andersen Slovensko, spol. s r. o.

ARTHUR ANDERSEN
Slovensko, spol. s r. o.
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Eva GAZDOVÁ

Eva GAZDOVÁ
SKAU License No. 628

31 May 2002
Zochova 6-8
Bratislava, Slovak Republic



enclosure



Annual Report 2001

**Západoslovenské
energetické závody,
štátny podnik**

management of the company, supervisory board

MANAGEMENT OF THE COMPANY

Ing. Lubomír Maco, Director of State Enterprise

Ing. Andrej Devečka, Managing Director of Operation and Development
of Electricity Systems

Ing. Anton Hlavatý, Managing Director of Economy and Trade

Ing. Jozef Kovačovič, Managing Director of Trade and Operation
of Heating Systems

SUPERVISORY BOARD OF ZSE, š. p.

Chairman of Supervisory Board:

Ing. Ondrej Studenec, Ministry of Economy of the Slovak Republic

Vice-chairman of Supervisory Board:

Milan Buzinkay, Association of Trade Union Organizations in ZSE, š. p. Bratislava

members of Supervisory Board:

Ing. Ján Londák, Západoslovenské energetické závody, š. p.

Ing. Emil Baxa, Západoslovenské energetické závody, š. p.

Ján Dohňanský, Slovenské elektrárne, a. s.

PhDr. Matej Ruttkay, CSc., Ministry of Economy of the Slovak Republic

Ing. Peter Benčurik, Ministry of Economy of the Slovak Republic

prof. Ing. František Janíček, PhD., Slovak Technical University, FEI, Bratislava

Ing. Emil Krondiak, Západoslovenské energetické závody, š. p.

scope of activities

Západoslovenské energetické závody, state enterprise

**Bratislava, was established by the Ministry of Economy of the
Slovak Republic on the 3rd September 1990.**

The activity of the enterprise is to supply the electric power and heat to the region of West Slovakia and the capital of the Slovak Republic — Bratislava. The total area covered by the supplies represents 14 928 km².

BASIC ACTIVITIES

1. purchase, distribution and sales of electric power and heat, including services connected with supplies, consumption or utilisation of electric power and heat;
2. heat generation;
3. electric power generation;
4. engineering in investment construction, designing the electric distribution systems, transformer stations, 110 kV distribution systems, industrial installations;
5. designing investment constructions;
6. providing software, automatised data processing;
7. inspection of operating boilers, gas equipment, electric equipment and lifting mechanism;
8. repair and calibration of measuring devices;
9. construction and mounting;
10. engineering of high voltage (hv) distribution systems;
11. research and developing specialised activity in the framework of basic activities;
12. purchase and sale of goods in the scope of free trade;
13. providing telecommunication services out of the public voice telephone service;
14. providing non-public telecommunication services by means of ground satellite stations and VSAT systems.

ZSE, š. p., carries out its activities in Bratislava, the capital of the Slovak Republic and in 4 regions (region of Bratislava, Trnava, Trenčín, Nitra).

STRUCTURE OF THE ENTERPRISE:

- **The Management of the state enterprise,**
- **District plants** (Bratislava, Trnava, Nitra, Dunajská Streda) are subordinate directly to the director of the state enterprise,
- **Heating plants** (Heating Plant I Bratislava, Heating Plant II Bratislava, Heat Production and Distribution Plant Trnava, Heat Distribution plant Bratislava) are subordinate to the managing director of trade and operation of heating systems,
- **Other plants** (Construction and Installation Plant Nitra — subordinate to the Head of the Investment Division, Transformer Repair Shop and Calibration Plant Hlohovec — subordinate to the Director of the Division of the Quality Management and Control, Plant for Operation and Maintenance of Transmission Plants Bratislava — subordinate to the Managing Director of Operation and Development of Electricity Systems).

CHARACTERISATION OF THE MANAGEMENT OF THE STATE ENTERPRISE

The management of the state enterprise consists of the specialised boards of management. The management of the state enterprise attends to the activities of control, development, administration, inspection and those activities, that are efficient and economical to be attended by one centre, due to their special character, or those that have the enterprise-wide function and the division of labour to the lower levels of management is not efficient and economical.

CHARACTERISATION OF DISTRICT PLANTS

The district plants perform the co-ordination and control of the operation administrations in the given district. They execute the distribution of electric power, trading activities and services to customers, and control the performance of economic, transport, social services and activities of the economic administration.

OPERATION ADMINISTRATIONS

They operate high voltage (hv) and low voltage (lv) grids and their maintenance in continuous time cycles. They make maintenance, inspection, repairs of transformer stations, switching stations and operate them. In the construction-installation activity they build up new facilities for the electricity distribution stations for the own enterprise and for external customers. They also do the re-constructions and repairs of the equipment.



TRADING OFFICES AND PERMANENT TELEPHONE SERVICE

They serve to all categories of customers in concluding agreements on supplies of electric power and related services.

CHARACTERISATION OF HEATING PLANTS

The main activity of the heating plants represents the production and supply of heat by means of carrying medium — steam or hot water —, whereby also the electric power is produced. They also make repairs and maintenance of the power-supply equipment including the reserved equipment.

Heat Distribution Plant Bratislava purchases the thermal energy from the plants located in Bratislava and distributes it throughout the area of the capital of the Slovak Republic. It also performs measuring, reading and invoicing to customers, as well as repairing the heating systems.

CHARACTERISATION OF OTHER PLANTS

CONSTRUCTION AND INSTALLATION PLANT NITRA

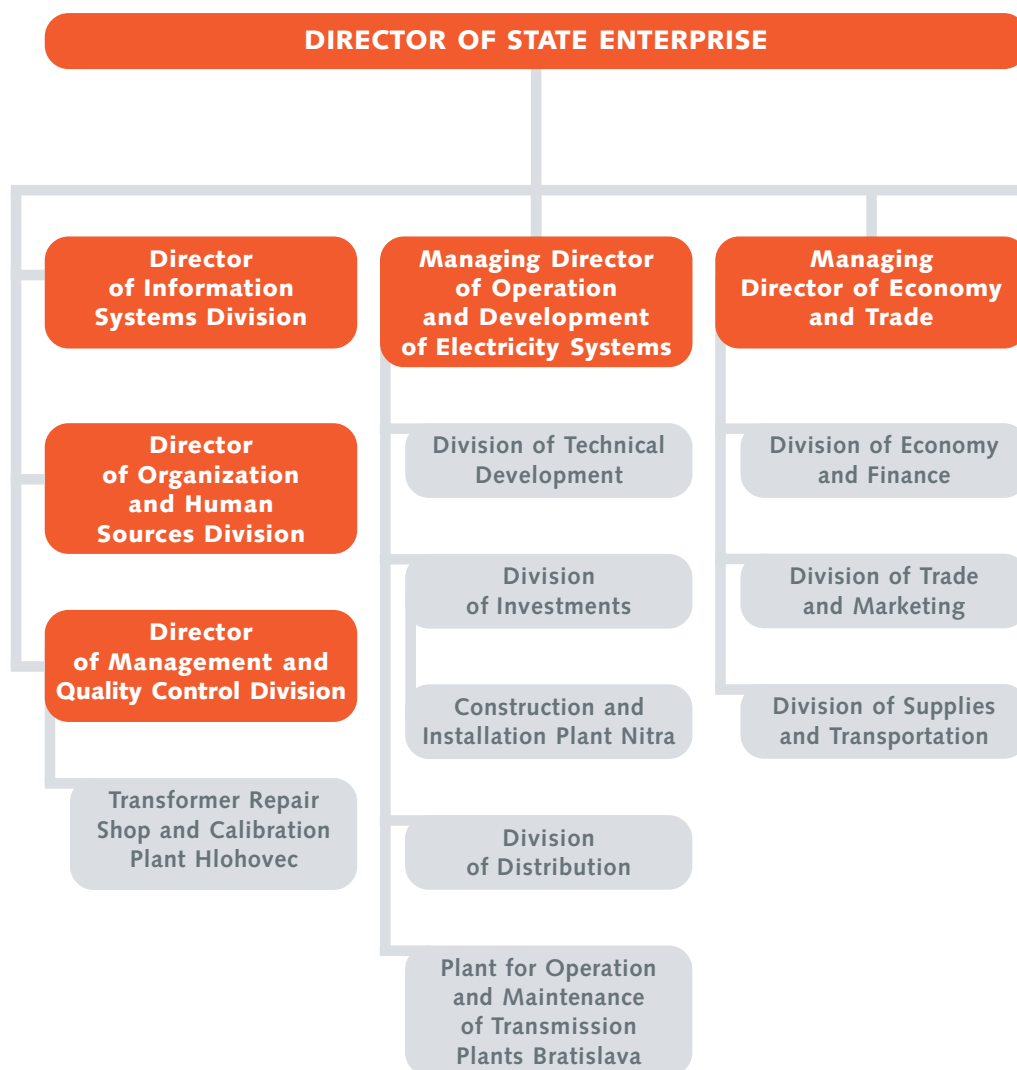
The plant builds up the distribution facilities for the own enterprise and for external customers and it specialises on some major repairs of the equipment for the electric power distribution.

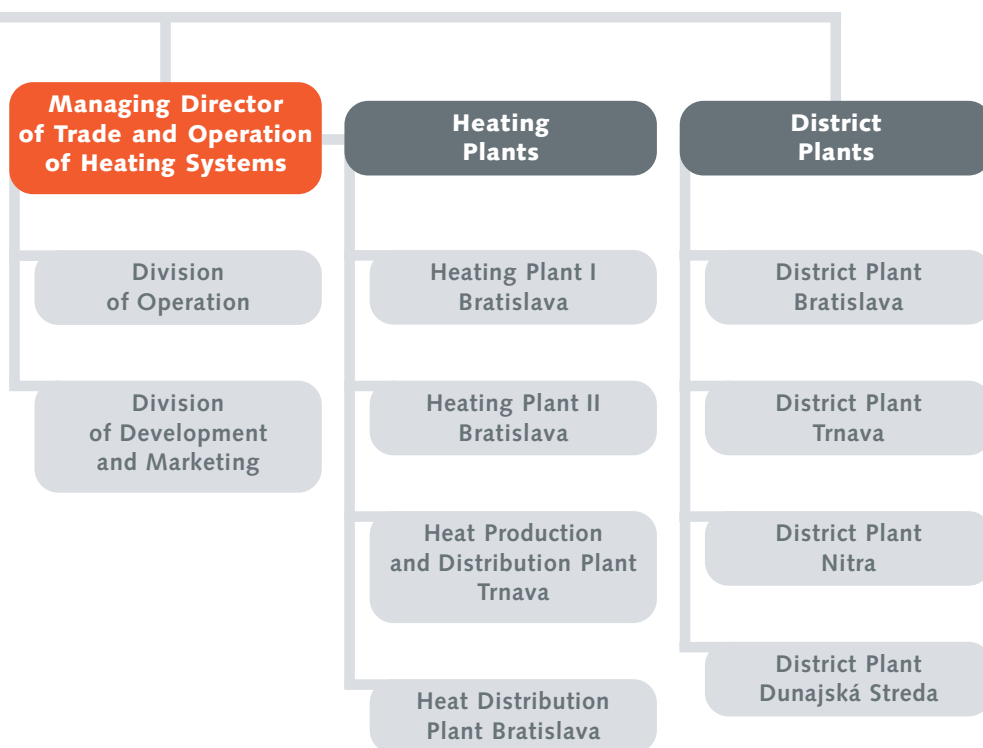
TRANSFORMER REPAIR SHOP AND CALIBRATION PLANT HLOHOVEC

The plant executes inspection and repairs of its own transformers and external electric supply meters, time switches, (switch clocks) and measuring sets. It liquidates physically and morally worn out transformers and makes filtrations of transformer oils. It makes adjustments, repairs and testing of instruments for mass remote control, measuring instruments, as well as testing of protecting facilities. It makes the mass replacement of electric supply meters for customers in the selected areas.

PLANT FOR OPERATION AND MAINTENANCE OF TRANSMISSION PLANTS BRATISLAVA

The plant carries out operation and maintenance, inspections of the transformer stations of the transmission and distribution systems. It controls, operates and makes maintenance of the technology control facilities and the extra high voltage (ehv) and very low voltage (vlv) grids.





...	548 972
...	128 519
...	804
...	36 745
...	3 789
...	101 525
...	638 072
...	- 295 045
...	52 136
...	60 593
...	- 110 524
...	652
...	46 976
...	- 453 207
...	45 649
...	32 348
...	13
...	- 435

... výsledok z finančných operácií

... z príjmov za bežnú činnosť

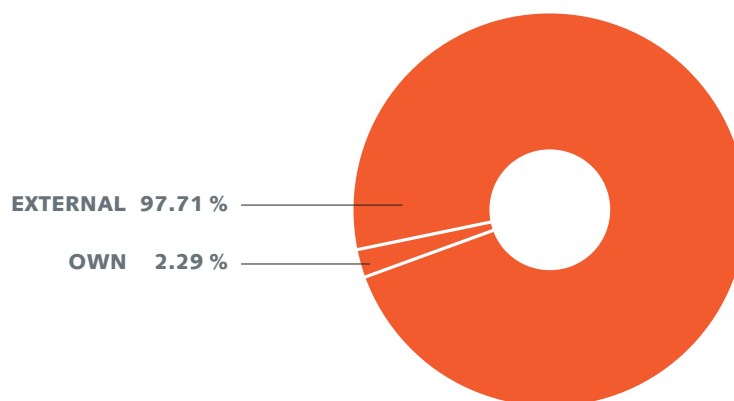
... daň z príjmov -

structure of sources and use of electric power

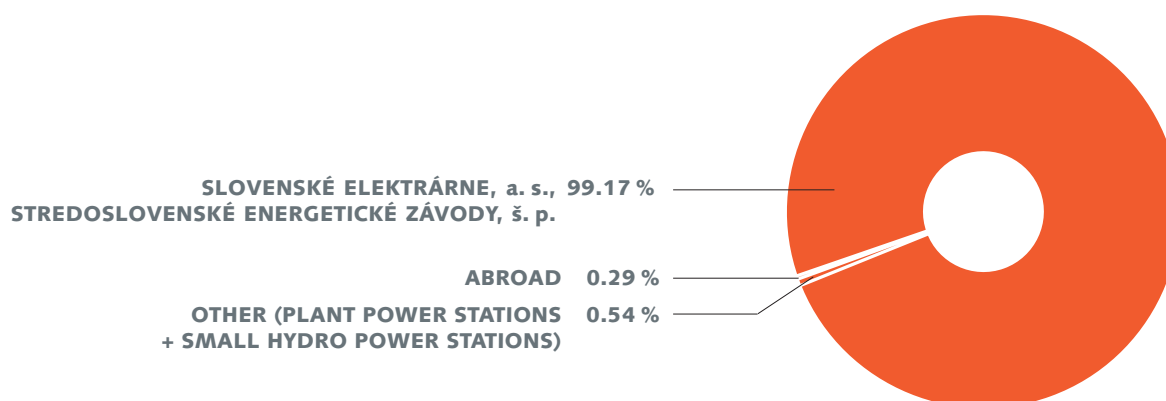
Sources of Electric Power in MWh	January—October 2001
ZSE Heating Plants	139 287
ZSE Hydropower Plants	3 899
Own sources	143 186
Purchase from Slovenské elektrárne, a. s., (SE, a. s.) and Stredoslovenské energetické závody, š. p., (SSE, š. p.)	6 060 822
Purchase from industry and private entrepreneurs	33 017
Purchase from abroad	17 766
External sources	6 111 605
Sources of electric power	6 254 791

Use of Electric Power in MWh	January—October 2001
Supply to wholesale customers	3 244 187
Supply to retail customers — entrepreneurs	726 687
Supply to retail customers — population	1 618 603
Total supply to retail customers	2 345 290
Supply to SSE, š. p., and abroad	316
Own consumption	42 394
Total effective supply of electric power	5 632 187
Losses	622 604
Use of electric power	6 254 791

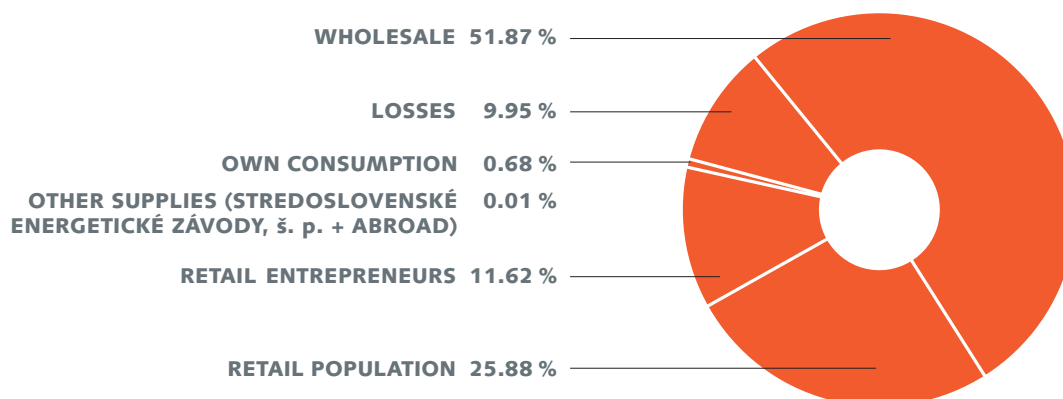
STRUCTURE OF ELECTRIC POWER SOURCES JANUARY—OCTOBER 2001



STRUCTURE OF EXTERNAL ELECTRIC POWER SOURCES JANUARY—OCTOBER 2001



STRUCTURE OF ELECTRIC POWER USE JANUARY—OCTOBER 2001



structure of sources and use of electric power

DEVELOPMENT OF ELECTRIC POWER EFFECTIVE SUPPLY IN GWh

	YEAR	TOTAL ELECTRIC POWER EFFECTIVE SUPPLY	OF WHICH: WHOLE SALE	RETAIL
	1992:	6 192 GWh	3 719 GWh	2 399 GWh
	1993:	6 058 GWh	3 359 GWh	2 629 GWh
	1994:	6 195 GWh	3 399 GWh	2 731 GWh
	1995:	6 466 GWh	3 498 GWh	2 915 GWh
	1996:	6 626 GWh	3 498 GWh	3 046 GWh
	1997:	6 654 GWh	3 463 GWh	3 123 GWh
	1998:	6 662 GWh	3 454 GWh	3 147 GWh
	1999:	6 715 GWh	3 425 GWh	3 233 GWh
	2000:	6 779 GWh	3 676 GWh	3 051 GWh
	2001:	6 946 GWh *	3 904 GWh	2 995 GWh

* The mentioned value represents the supplies of Západoslovenské energetické závody, š. p. for the period of January—October 2001 and the supplies of Západoslovenská energetika, a. s. for the period of November—December 2001.

SOURCES OF HEAT JANUARY—OCTOBER 2001

Own sources	3 447 TJ
External Sources	2 022 TJ
Total heat sources	5 469 TJ

USE OF HEAT JANUARY—OCTOBER 2001

Supply of customers	4 835 TJ
Own consumption	70 TJ
Effective heat supply	4 905 TJ
Losses in heating systems	564 TJ
Total heat use	5 469 TJ

The supply of heat from own sources for January—October 2001 was lower by 57 TJ, i. e. by 1.6 % in comparison with the same period of the year 2000. The increase in purchase of heat from external sources by 127 TJ, i. e. by 6.7 %, was caused by the increase in purchase of heat from Paroplynový cyklus Bratislava by 5.5 % and from Atómové elektrárne Jaslovské Bohunice by 8.6 %.

The total volume of the purchased heat was higher by 70 TJ, i. e. by 3.2 % in comparison with the same period of the year 2000. In comparison with the previous year the increase of heat supply was influenced by the earlier heating in September last year.

In comparison with the same period of the year 2000 the heat supply to heating systems was higher by 152 TJ and the supply to industry customers was lower by 82 TJ.

The reason of the changed volumes of the heat sold in recent years is the difference in climatic conditions. It is evidential from the values of the average outer temperature in the heating season and the values of the number of day-degrees, which characterise the demand for the heat supply to central heating depending on the outer temperature.

	Year 1999	Year 2000	Year 2001
Average temperature of heating season:	+5.1 °C	+6.5 °C	+4.6 °C
Number of day-degrees:	3 136 D°	2 804 D°	3 260 D°
Number of heating days:	207	188	216

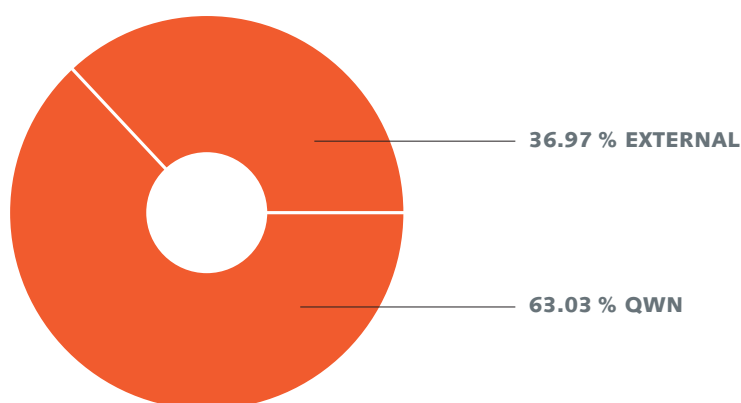
The heat losses in distribution systems for the period of January—October 2001 represented 564 202 GJ, in the relative expression they amounted to 11.72 % out of the heat supplied to heating systems.

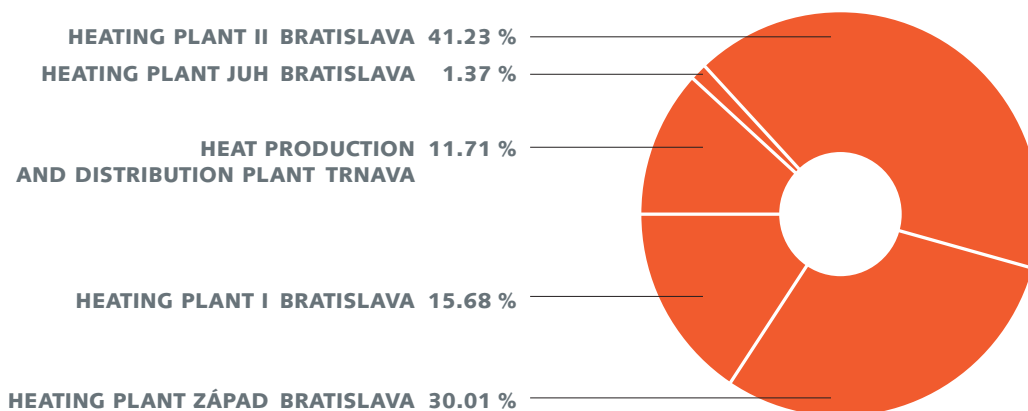
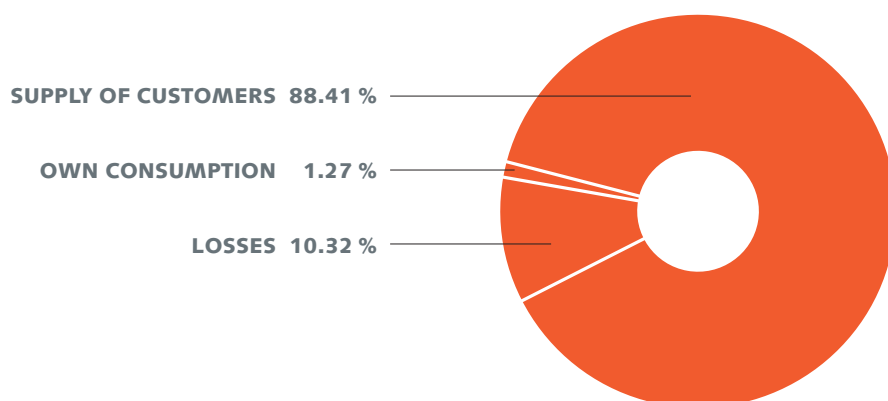
In comparison with the period of January—October 2000 the heat losses in Bratislava were higher by 51 531 GJ and in Trnava they were lower by 11 954 GJ.

In comparison with the plan the average price of the effective heat supply for the period of January—October 2001 was higher by 5.2 %. With regard to the volume of the effective heat supply in amount of 97.4 % in comparison with the plan, the revenues of heat were higher only by 2.4 % in comparison with the plan. In comparison with the previous year the prices of heat, which were fixed by district offices, influenced the increase of revenues of the effective heat supply by 22.5 %.

The biggest impact on the price increase of the effective supply had the considerable price increase of natural gas for wholesale customers.

STRUCTURE OF HEAT SOURCES JANUARY—OCTOBER 2001



STRUCTURE OF OWN HEAT SOURCES**STRUCTURE OF HEAT USE****GENERATION, SUPPLY AND OWN CONSUMPTION OF ELECTRIC POWER IN THE PERIOD OF JANUARY—OCTOBER 2001**

Electric power generation in the heating plants of ZSE, š. p.	146 928 MWh
Own consumption	3 746 MWh
Electric power supply to mains	143 182 MWh

CREATION OF PROFIT OR LOSS

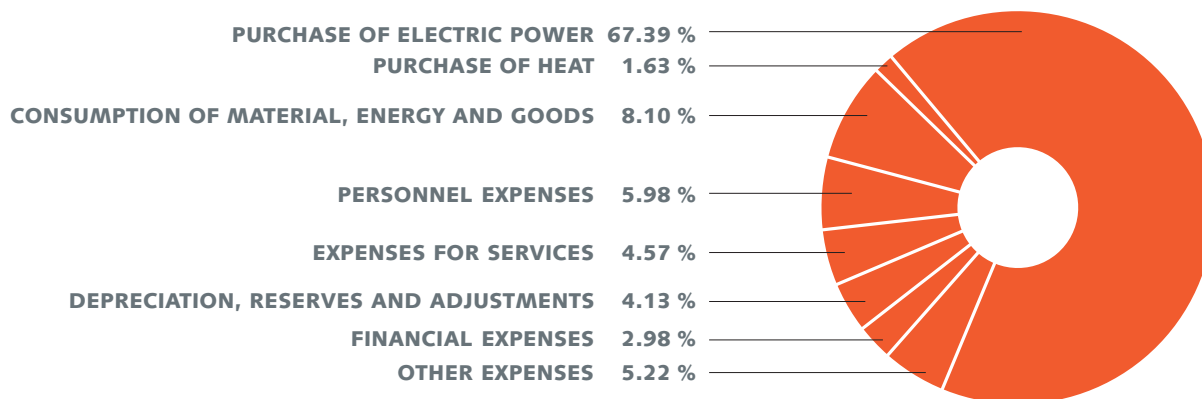
In the period of January—October 2001 Západoslovenské energetické závody, š. p., achieved the profit before tax in the amount of 2 715 000 thousand SKK at the operational economic result in the amount of 1 679 850 thousand SKK, the economic result from financial activity in the amount of 1 117 750 thousand SKK and the extraordinary economic result in the amount of –82 500 thousand SKK.

The reason of the considerable increase of profit (up to 611 % in comparison with the same period of the last year) was the sale of shares of Globtel and the application of the Decree of the Ministry of Finance of the Slovak Republic No. 41/1993 relating to the privatisation of the state enterprise Západoslovenské energetické závody on the ground of the dissolution of adjustments to revenues.

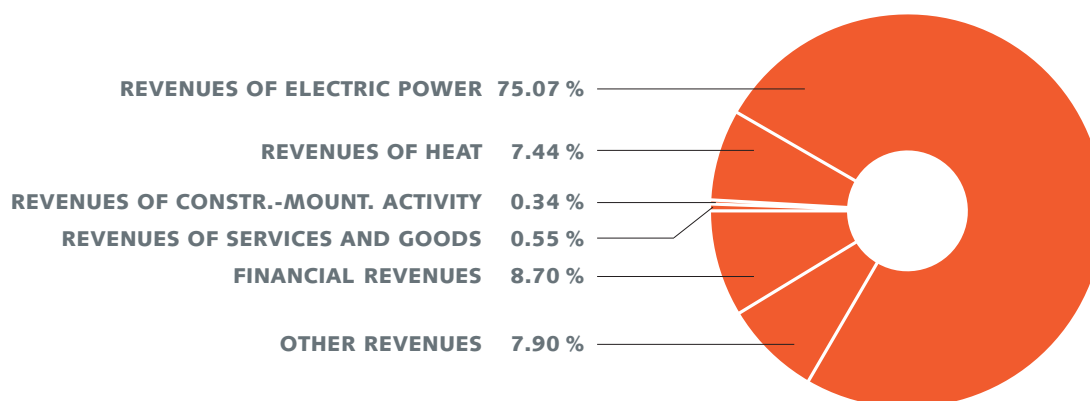
The biggest share in the creation of the operational economic result was represented by the revenues from electric power with the increase of 11.5 % (1 462 062 thousand SKK). Their increase was first of all influenced by the electric power price regulation as of 1st February, for entrepreneurs in average by o 12 % and for population in average by 15 %.

The amount of profit from financial transactions amounting to 1 117 750 thousand SKK was influenced by the sale of shares of Globtel, a. s., ZSE, š. p., owned 5 % of the shares of Globtel, a. s., in nominal value of 164 050 thousand SKK.

STRUCTURE OF EXPENSES JANUARY—OCTOBER 2001



STRUCTURE OF REVENUES JANUARY—OCTOBER 2001



REVENUES OF CONSTRUCTION-MOUNTING ACTIVITY

YEAR	CONSTRUCTION-MOUNTING ACTIVITY AND SERVICE FOR EXTERNALS	CAPITALISATION OF TANGIBLE FIXED ASSETS (OWN)	
1997:	118 549 thousand SKK	213 018 thousand SKK	
1998:	103 617 thousand SKK	258 314 thousand SKK	
1999:	107 965 thousand SKK	282 604 thousand SKK	
2000:	83 315 thousand SKK	336 595 thousand SKK	
JAN.—OCT. 2001:	62 702 thousand SKK	350 008 thousand SKK	

FINANCING

Following the Agreement on Sale and Purchase of Shares of the company Globtel, a. s., dated 14th June 2001, the assignment of the shares of Globtel, a. s., amounting to 25 000 000 USD was made in the Centre for Securities of the Slovak Republic on 25th July 2001 and after the deduction of fees the net income for the sale of shares amounted to 24 205 901.39 USD, which was credited to our account with Citibank on 2nd August 2001.

The income of the sale to Globtel, a. s., was used for decreasing the indebtedness of the enterprise in the pre-privatisation time and for the creation of the financial reserve for the settlement of the income tax at the termination of the enterprise operation.

Following the licence of the Ministry of Economy of the Slovak Republic and the Agreement on the Purchase of Securities between ZSE, š. p., and Transpetrol, a. s., on 4th July 2001 we purchased 110 pcs of booked share of the company Transtel, a. s. The nominal value of 1 pc of securities is 100 000 SKK, the total value of shares is 11 000 000 SKK.

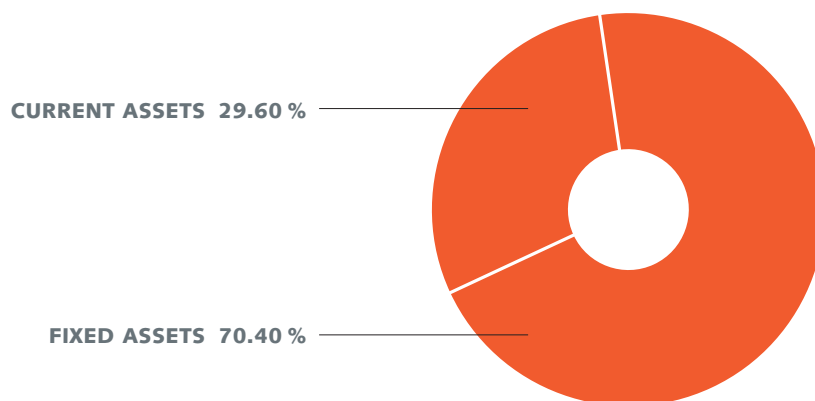
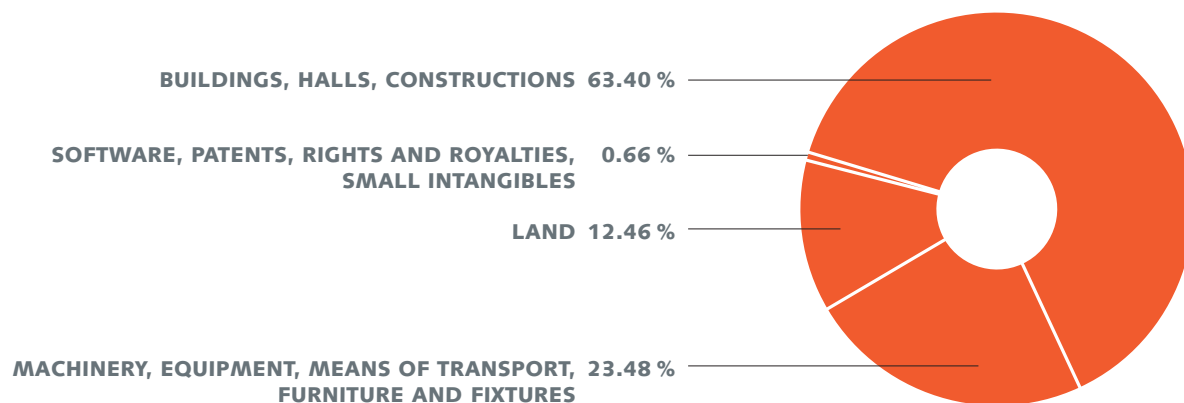
In the sphere of loan policy, during the first half of the year 2001, the enterprise prepared the conditions for the premature settlement of the foreign revolving loan and thereafter made re-structuralisation of the loan portfolio. As of 31st December 2000 the enterprise accounted loans in the total amount of 2 027 638 thousand SKK. As of 31st October 2001 the value of the drawn loans amounted to 1 000 000 thousand SKK.

In the sphere of the collection of receivables the negative tendencies went on, in comparison with the beginning of the year 2001 the overdue receivables were increased by 20 802 thousand SKK, while at the end of October they amounted to 1 527 474 thousand SKK. The biggest bad payers were the Railways of the SR and health organisations.

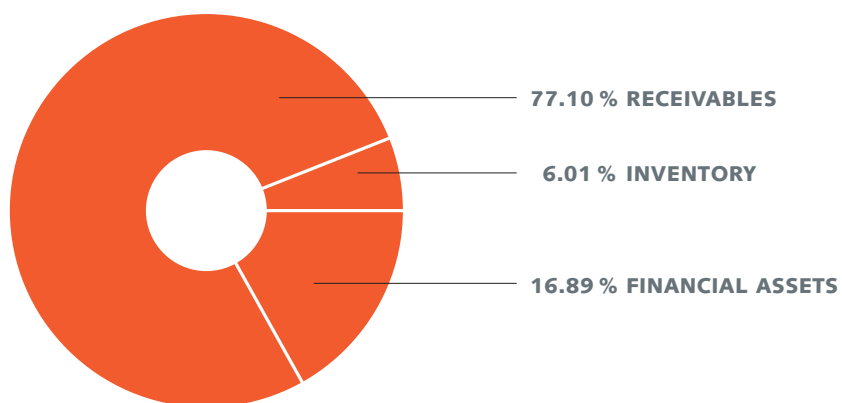
The breakdown of the overdue receivables as of 31st October 2001:

- overdue receivables for heat in the amount of 153 198 thousand SKK,
- overdue receivables for electric power in the amount of 1 333 266 thousand SKK,
- other overdue receivables in the amount of 41 010 thousand SKK.

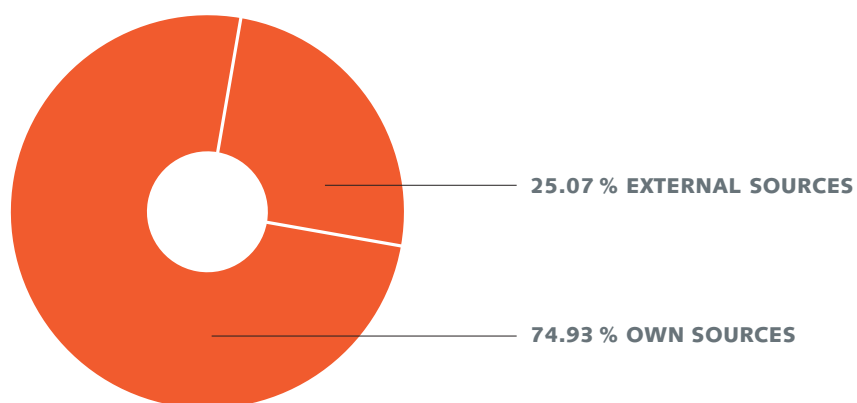
In spite of the unfavourable development in the sphere of the collection of receivables, ZSE, š. p., succeeded in maintaining the financial stability of the enterprise and in keeping the correct relations with business partners.

STRUCTURE OF ASSETS AS OF 31th OCTOBER 2001**STRUCTURE OF TANGIBLE AND INTANGIBLE FIXED ASSETS
AS OF 31th OCTOBER 2001**

STRUCTURE OF CURRENT ASSETS AS OF 31th OCTOBER 2001








CAPITAL STRUCTURE AS OF 31th OCTOBER 2001








RECEIVABLES AND PAYABLES FROM TRADE

(in thousands SKK) as of:	31 st Dec. 1997	31 st Dec. 1998	31 st Dec. 1999	31 st Dec. 2000	31 st Oct. 2001
Receivables from trade	1 392 850	1 717 893	1 922 736	1 889 554	2 507 161
overdue	585 542	806 812	1 279 798	1 506 672	1 527 474
Payables from trade	661 130	1 160 573	1 265 182	1 505 956	1 002 980
overdue	74 961	64 727	16 733	78 319	9 165

DEVELOPMENT OF RECEIVABLES FROM TRADE

1 392 850 thousand SKK 585 542 thousand SKK	AS OF 31 st DECEMBER 1997 OF WHICH: OVERDUE	
1 717 893 thousand SKK 806 812 thousand SKK	AS OF 31 st DECEMBER 1998 OF WHICH: OVERDUE	
1 922 736 thousand SKK 1 279 798 thousand SKK	AS OF 31 st DECEMBER 1999 OF WHICH: OVERDUE	
1 889 554 thousand SKK 1 506 672 thousand SKK	AS OF 31 st DECEMBER 2000 OF WHICH: OVERDUE	
2 507 161 thousand SKK 1 527 474 thousand SKK	AS OF 31 st DECEMBER 2001 OF WHICH: OVERDUE	

DEVELOPMENT OF PAYABLES FROM TRADE

661 130 thousand SKK 74 961 thousand SKK	AS OF 31 st DECEMBER 1997 OF WHICH: OVERDUE	
1 160 573 thousand SKK 64 727 thousand SKK	AS OF 31 st DECEMBER 1998 OF WHICH: OVERDUE	
1 265 182 thousand SKK 16 733 thousand SKK	AS OF 31 st DECEMBER 1999 OF WHICH: OVERDUE	
1 505 956 thousand SKK 78 319 thousand SKK	AS OF 31 st DECEMBER 2000 OF WHICH: OVERDUE	
1 002 980 thousand SKK 9 165 thousand SKK	AS OF 31 st DECEMBER 2001 OF WHICH: OVERDUE	

FINANCIAL RATIOS

(in thousands SKK)	1997	1998	1999	2000	Jan.—Oct. 2001
1. Ratios of liquidity					
Disposable liquidity (0.2—0.6)	0.40	0.09	0.28	0.21	0.29
Current liquidity (1—1.5)	2.31	1.45	1.56	1.28	1.61
2. Ratios of activity*					
Rotation of stock period	6.87	6.36	4.98	3.36	3.39
Collection period (return) of receivables from trade	35.35	42.20	46.27	40.13	42.33
Pay-off period of payables from trade	20.30	28.82	36.38	34.75	28.44
3. Ratios of liability					
Rate of liability (from loans balance in %)	21.18	20.53	21.01	18.39	8.33
Rate of liability (from borrowed capital in %)	31.18	35.70	37.21	37.36	25.07
Rate of financial independence	45.30	55.52	59.27	59.65	33.45

* Note: for the period of January—October 2001 = 304 days

INVESTMENT CONSTRUCTION

For the period of January—October 2001 it was invested 749 million SKK, from which in the sphere of electric power systems in the amount of 607 million SKK and in the sphere of heating systems in the amount of 75 million SKK.


The most important constructions in the electric power systems were:

- re-construction of transformer station of 110/22 kV Podunajské Biskupice 100 848 thousand SKK
- re-construction of transformer station of 110/22 kV Stupava 77 660 thousand SKK
- hv 321 Zlaté Moravce—Vráble 29 446 thousand SKK
- Lozorno — definitive zone connection 31 341 thousand SKK

The most important constructions in the heating systems were:

- Cogeneration unit Hp I Ba 17 782 thousand SKK
- HW interconnection Bajkalská Hp I Ba 9 634 thousand SKK
- Secondary connection of the object Sekurisova, Ba 5 191 thousand SKK

INVESTMENT CONSTRUCTION

PERIOD	INVESTMENT CONSTRUCTION	
1997:	1 299 471 thousand SKK	
1998:	1 228 765 thousand SKK	
1999:	949 092 thousand SKK	
2000:	893 453 thousand SKK	
Jan.—Oct. 2001:	749 325 thousand SKK	

structure of employees

NUMBER OF EMPLOYEES

As of:	31 st Dec. 2000	31 st Oct. 2001	Share (%) y. 2001
Ending number of employees	3 617	3 500	100.0
a) by sex			
— female	851	818	23.4
— male	2 766	2 682	76.6
b) n productive age	3 583	3 471	99.2
n post-productive age	34	29	0.8
c) by education			
— university	400	384	11.0
— high school	1 648	1 607	45.9
— secondary school	1 451	1 403	40.1
— primary school	118	106	3.0

STRUCTURE OF EMPLOYEES BY AGE

as of 31st October 2001

Age	to 25	years 26—39	years 40—50	years 50 and more	Total
Employees	211	1 311	1 324	654	3 500
Share %	6.0	37.5	37.8	18.7	100.0

In the year 2001 the average age of an employee in ZSE, š. p. was 41 years. 37.8 % of employees were ranged at age of 40—50 years.


Development of ending number of employees as of of 31st December 1993 till 2000 and as of of 31st October 2001

Year	1993	1994	1995	1996	1997	1998	1999	2000	as of 30 th Oct. 2001
Number of employees	3 819	3 769	3 775	3 699	3 757	3 761	3 638	3 617	3 500



- 
- **balance sheet**
 - **profit and loss statement**
 - **notes to the financial statements as of 31st October 2001**
 - **financial statement as of 31st October 2001 prepared in accordance with international financial reporting standards**
 - **auditor's report**

(in thousands SKK)	31 st Dec. 1999	31 st Dec. 2000	31 st Oct. 2001
TOTAL ASSETS	10 688 753	11 026 496	11 999 480
Stock subscription receivable	—	—	—
Fixed assets	7 900 873	7 980 687	8 448 127
Intangible assets	81 559	74 817	75 450
Tangible assets	7 312 926	7 557 124	7 691 815
Financial investment	506 388	348 746	680 862
Shareholding and deposits in companies in the group	399 300	184 602	396 900
Other financial investment	107 088	164 144	283 962
Current assets	2 624 541	2 523 159	3 387 909
Inventory	170 299	148 757	203 543
Long-term receivables	2 375	2 871	1 040
Short-term receivables	2 005 877	1 980 803	2 611 144
Financial accounts	445 990	390 728	572 182
Other assets	163 339	522 650	163 444



(in thousands SKK)	31 st Dec. 1999	31 st Dec. 2000	31 st Oct. 2001
TOTAL LIABILITIES	10 688 753	11 026 496	11 999 480
Shareholders' equity	6 711 122	6 906 647	8 991 570
Basic capital	4 497 077	4 497 077	4 497 077
Capital funds	276 267	374 284	398 203
Funds created from profit	1 092 623	1 093 317	1 093 965
Retained earnings/losses of previous years	775 827	832 761	929 509
Profit and loss for the accounting period	69 328	109 208	2 072 816
Liabilities	3 814 975	3 973 633	2 682 498
Legal reserves	145 049	—	—
Other reserves	260	195 496	—
Long-term liabilities	13 997	36 734	25 010
Short-term liabilities	1 409 651	1 713 765	1 657 488
Bank loans and notes	2 246 018	2 027 638	1 000 000
Long-term bank loans	2 242 178	1 688 138	1 000 000
Long-term bank loans	3 840	339 500	—
Other liabilities	162 656	146 216	325 412

(in thousands SKK)	1999	2000	Jan.—Oct. 2001
Revenues from goods sold	15 190	7 567	1 591
Cost of goods sold	12 787	6 428	1 268
Gross margin	2 403	1 139	323
Operational income	14 344 511	17 331 260	15 787 910
Revenues from finished products and services	13 931 222	16 879 242	15 418 479
Changes in inventory of own operation	–2 705	–2 727	15 167
Capitalisation	415 994	454 745	354 264
Consumption from operation	12 154 502	14 546 024	13 408 188
Value added	2 192 412	2 786 375	2 380 045
Personnel expenses	973 717	1 087 290	981 724
Taxes and fees	17 545	18 612	21 037
Other operational revenues	177 324	229 111	177 063
Other operational expenses	26 097	52 213	79 149
Amortization of intangibles and depreciation of tangibles	633 831	703 080	591 130
Settling of reserves, adjustments and accruals of operational expenses	140 917	70 967	882 438
Creation of reserves, adjustments and accruals of operational expenses	311 885	295 812	86 656
Transfer of operational revenues	—	—	—
Transfer of operational expenses	—	—	—



(in thousands SKK)	1999	2000	Jan.—Oct. 2001
Net operating results	547 578	929 446	1 679 850
Financial revenues	107 880	81 584	1 352 328
Financial expenses	449 252	352 197	489 997
Settling of reserves and adjustments to financial revenues	62 059	1 697	255 419
Creation of reserves and adjustments to financial expenses	1 697	43 121	—
Transfer of financial revenues	—	—	—
Transfer of financial expenses	—	—	—
Net result from financial activities	-281 010	-312 037	1 117 750
Due income tax on normal activity	171 503	404 185	727 166
Deferred income tax on normal activity	6 220	-726	-63 428
Net result from normal activities	88 845	213 950	2 133 862
Extraordinary revenues	27 832	28 326	31 125
Extraordinary expenses	82 761	324 516	113 625
Due income tax on extraordinary activity	-35 412	-191 448	-21 454
Deferred income tax on extraordinary activity	—	—	—
Net result from extraordinary activities	-19 517	-104 742	-61 046
Net income (net loss) for the accounting period	69 328	109 208	2 072 816

notes to the financial statements as of 31st october 2001

1. BASIS OF PRESENTATION AND GOING CONCERN

The financial statements of the Company consisting of the balance sheet as of 31st October 2001, the profit and loss account and notes to the financial statements as of 31st October 2001 including the cash-flow statement for the accounting period of 10 months then ended, are presented in accordance with the Act on Accounting and accounting procedures for entrepreneurs in the Slovak Republic. In the preparation of these financial statements the relevant provisions of the Decree No. 41/1993 of the Ministry of Finance of the Slovak Republic were applied, which set forth the procedures in the accounting and stock count of assets and liabilities, in order to exercise the provisions of Act No. 92/1991 on the conditions and terms of the transferring a state-owned property to other persons, as amended.

These financial statements have been prepared by the Management of the Company and in compliance with the valid Slovak legislation on extraordinary financial statements they will be submitted to the Company's establisher — the Ministry of Economy of the Slovak Republic. The reason for preparing of these financial statements was the wind up of the Company without liquidation as of 31st October 2001 under Decision No. 96/2001 of the Minister of Economy of the Slovak Republic in connection with the Company's transformation to three successor joint-stock companies.

These financial statements have been presented following the assumption that the successor companies will continue in the operations of the Company.

The financial statement of the previous year was approved at the Meeting of the Management held on 26th March 2001.

2. INTANGIBLE FIXED ASSETS

The variations of intangible fixed assets for the accounting period of 10 months ended as of 31st October 2001 are summarised as follows:

(in thousands SKK)	Balance as of 31 st Dec. 2000	Additions	Disposals	Transfers	Balance as of 31 st Oct. 2001
Software	196 150	—	–789	14 658	210 019
Patents, rights and royalties	2 367	—	—	10 104	12 471
Small and other intangibles	21	—	—	538	559
Intangibles in progress	28 442	28 453	—	–25 232	31 663
Total acquisition cost	226 980	28 453	–789	68	254 712
Software	–151 706	–25 803	789	—	–176 720
Patents, rights and royalties	–450	–1 884	—	—	–2 334
Small and other intangibles	–7	–201	—	—	–208
Accumulated depreciation	–152 163	–27 888	789	—	–179 262
Net book values	74 817	—	—	—	75 450


The difference of 68 thousand SKK in transfers relates to putting into use of the intangible fixed asset through the account of tangibles in progress.

notes to the financial statements as of 31st october 2001

3. TANGIBLE FIXED ASSETS

The variations of tangible fixed assets during the accounting period of 10 months ended as of 31st October 2001 are summarised as follows:

(in thousands SKK)	Balance as of 31 st Dec. 2000	Addi- tions	Free of charge transfer	Gifts	Transfers	Re-va- luations	Disposals	Other	Balance as of 31 st Oct. 2001
Lands	876 448	—	—	—	87	-35 562	-11 103	—	829 870
Buildings, halls and constructions	9 232 473	—	42 492	20 340	200 150	—	-32 467	4 268	9 467 256
Machinery and equipment	5 134 548	—	10 674	7 792	269 351	—	-51 519	-4 334	5 366 512
Means of transport	356 012	—	—	—	29 495	—	-4 990	—	380 517
Furniture and Fixtures	31 478	—	—	—	125	—	-102	—	31 501
Other tangible assets	7 107	—	57	67	8 507	—	-15	66	15 789
Artwork	1 399	—	—	—	—	—	—	—	1 399
Tangibles in progress	857 124	714 107	—	6 765	-507 783	—	—	—	1 070 213
Advances for tangibles	1 440	1 603	—	—	—	—	—	—	3 043
Total acquisition cost	16 498 029	715 710	53 223	34 964	-68	-35 562	-100 196	—	17 166 100
Buildings, halls and constructions	-5 021 050	-210 116	-42 492	—	—	—	32 467	-1 776	-5 242 967
Machinery and equipment	-3 611 600	-321 132	-10 674	—	—	—	51 519	1 780	-3 890 107
Means of transport	-286 362	-32 572	—	—	—	—	4 990	—	-313 944
Furniture and fixtures	-20 895	-2 843	—	—	—	—	102	—	-23 636
Other tangibles assets	-998	-2 587	-57	—	—	—	15	-4	-3 631
Accumulated depreciation	-8 940 905	-569 250	-53 223	—	—	—	89 093	—	-9 474 285
Net book value	7 557 124	—	—	—	—	—	—	—	7 691 815



The additions to tangible fixed assets include realised exchange rate differences for the year 2001 amounting to 958 thousand SKK (2000: 33 292 thousand SKK) and interest costs on the capital borrowed amounting to 5 103 thousand SKK (2000: 11 116 thousand SKK).

As of 31st October 2001 the cumulative interest and the cumulative realised exchange rate differences amounting to 52 057 thousand SKK and 74 733 thousand SKK (as of 31st December 2000: 46 954 thousand SKK and 73 775 thousand SKK, respectively) are capitalised under the caption Tangible fixed assets.

The difference of 68 thousand SKK in transfers relates to putting into use of the intangible fixed asset through the account of Tangibles in progress.

The Company has received tangible fixed assets in the amount of 34 964 thousand SKK as donations. The impact of these gifts was recognised to Capital funds under Equity in the accompanying balance sheet, following the accounting legislation valid in the Slovak Republic.

In the year 2001 the Company obtained tangible fixed assets in the total amount of 53 223 thousand SKK, free of charge, of which tangible fixed assets amounting to 4 397 thousand SKK it obtained in compliance with the Act No. 278/93 of the Code. The assets newly identified during the fixed assets stock count were appraised at 48 826 thousand SKK by experts' opinions. Following the Slovak accounting legislation, the assets obtained free of charge were accounted for Accumulated depreciation.

As of 31st October 2001 no tangible fixed assets were pledged.

FUTURE INVESTMENT PLANS

The investment budget for the year 2002 was not prepared, since the Company had splitted of into three legal successors on 1st November 2001. The Management of the Company has assessed the investments needed for the distribution of the electric power in 2002 would amount to 750 000 thousand SKK and the investments needed for the harmonisation of the Company's activity with the law on water approximately in the amount of 67 million SKK, which is being dealt with in the long-term investment plan of the Company.

notes to the financial statements as of 31st october 2001

4. FINANCIAL INVESTMENT

The variations during the accounting period of 10 months ended as of 31st October 2001 are summarised as follows:

(in thousands SKK)	Balance as of 31 st Dec. 2000	Additions	Disposals	Transfers	Balance as of 31 st Oct. 2001
Investments in subsidiaries	396 900	—	—	—	396 900
Other securities and ownership interests	164 393	11 000	–164 050	—	11 343
Other loans and financial investments	26 000	17 416	–26 000	255 203	272 619
Total acquisition cost	587 293	28 416	–190 050	255 203	680 862
Investments in subsidiaries	–212 298	—	212 298	—	—
Other securities and ownership interests	–249	—	249	—	—
Other loans and financial investments	–26 000	—	26 000	—	—
Total provisions	–238 547	—	238 547	—	—
Net book values	348 746				680 862

The main movements on the financial investments accounts during the accounting period of 10 months ended as of 31st October 2001 were as follows:

- Addition of 11 000 thousand SKK — purchase of 16.7 % of Transtel, a. s., shares
- Addition of 17 416 thousand SKK — exchange rate difference and interest on bills of exchange issued by Paroplynový cyklus, a. s. Bratislava.
- Disposal of 164 050 thousand SKK — sale of Globtel, a. s., shares
- Disposal of 26 000 thousand SKK — write-off of the loan provided by 1. národný energetický investičný fond, i. f., a. s., in 1994 and 1995.
- Transfers of 255 203 thousand SKK — transfer of the outstanding bills of exchange issued by Paroplynový cyklus, a. s. Bratislava at the value as of 31st December 2000 from Short-term financial assets to Financial investments.

- Disposal of 238 547 thousand SKK in the provisions — release of the adjustments to the financial investment Paroplynový cyklus, a. s. Bratislava and to other financial investments in the amount of 212 547 thousand SKK following the Decree No. 41/93 of the Ministry of Finance of the Slovak Republic and a release of the adjustment to the loan granted as a result of write-off.

In respect of the financial investment Transtel, a. s., (later re-named on to Energotel, a. s.) the Company is considering the possibility of contributing certain assets to this company, or of their renting. The final decision as regards the amount and the way of the Company's participation has not been made to date.

The breakdown of investments in subsidiaries held by the Company as of 31st October 2001 is as follows:

Company:	Paroplynový cyklus, a. s. *	Nitrianska paroplynová spoločnosť, a. s. *	Total (in thousands SKK)
Capital owned (%)	66 %	90 %	
Voting rights (%)	66 %	90 %	
Share capital *	600 000	1 000	601 000
Funds created from profit *	16 276	9	16 285
Accumulated loss from prior periods *	-404 738	—	-404 738
Net income *	132 288	-36	132 252
Total equity *	343 826	973	344 799
Net book value	226 925	876	227 801

* Information derived from the last available financial statements dated 31st December 2000.

As of 31st December 2000, Paroplynový cyklus, a. s. Bratislava, showed accumulated losses of 404 738 thousand SKK, due to, mainly, the initial difficulties and almost a year lasting delay in launching the project. Considering the possibility of deducting losses for the purposes of the income tax as well as the potential future proceeds from contractual fines, the Company's Management is confident that the losses of Paroplynový cyklus, a. s. Bratislava will up to a significant amount be compensated in the course of the following two to four accounting periods. The expected future cash-flow includes such assumption.

notes to the financial statements as of 31st October 2001

During the accounting period of the year ended 31st December 2000, Paroplynový cyklus, a. s., Bratislava company accounted for an amount of 72 milion SKK (including VAT) due from the Company, based on a contract between tow companies, since the Company did not take a sufficient amount of heat.

Intercompany loans as of 31st October 2001 comprise bills of exchange of 6 236 thousand EUR issued by Paroplynový cyklus, a. s. Bratislava. These bills of exchange have an interest rate of 7.2 %, p.a. The due date agreed for 15th January 2002 was prolonged for 3 months later. In the accompanying financial statements as of 31st October 2001, these bills of exchange are recognised as fixed assets given that the contract on financing, signed between Paroplynový cyklus, a. s., Bratislava and the European Investment Bank, does not allow Paroplynový cyklus, a. s., Bratislava to make payments to its shareholders through distribution of dividends or interest installments, or principals of loan provided by shareholders before 31st December 2002.

5. INVENTORIES

The breakdown of inventories as of 31st October 2001 and 31st December 2000 is as follows:

(in thousands SKK)	31 st October 2001	31 st December 2000
Material in stock	175 560	160 102
Material in transit	9 634	4 730
Work in progress	15 594	426
Goods	395	668
Advance payments made	2 360	2 883
Adjustment to material	—	–20 052
Total	203 543	148 757

The variations during the ten-month period ended as of 31st October 2001 in the different accounts used to adjust the value of inventories to their fair value are summarised as follows.

(in thousands SKK)	
Beginning balance	20 052
Additions	—
Disposals	–20 052
Ending balance	—

6. ACCOUNTS RECEIVABLE

The breakdown of receivables as of 31st October 2001 and 31st December 2000 is as follows:

(in thousands SKK)	31 st October 2001	31 st December 2000
Intercompany receivables and receivables from other related parties	11 103	13 650
Trade receivables	2 496 509	2 499 461
Tax receivables	100 877	90 038
Other receivables	3 695	3 631
Adjustment to receivables	—	–623 106
Total	2 612 184	1 983 674

notes to the financial statements as of 31st october 2001

The breakdown of accounts receivable by due dates as of 31st October 2001 is as follows:

Due date	(in thousands SKK)
Total short-term receivables	2 611 144
Total long-term receivables	1 040
2003	1 008
2004	32
Total	2 612 184

Out of the total amount of receivables (both long and short-term) as of 31st October 2001 and 31st December 2000, the overdue receivables amount to 1 576 686 thousand SKK and 1 506 672 thousand SKK, respectively.

The debtor's subledger includes certain payable balances. The total amount of these negative balances as of 31st October 2001 was 25 300 thousand SKK. The creditor's subledger includes certain receivables balances. The total amount of these negative balances as of 31st October 2001 was 3 843 thousand SKK.

The variations during the ten-month period ended as of 31st October 2001 in the different accounts used to adjust the value of the receivables to their fair value are summarised as follows:

(in thousands SKK)	Provisions	Tax deductible provisions
Beginning balance	356 040	267 066
Additions	—	86 656
Disposals	–356 040	–353 722
Ending balance	—	—

7. SHAREHOLDERS' EQUITY

The variations in the accounts of shareholders' equity during the ten-month period ended 31st October 2001 are summarised as follows:

(in thousands SKK)	Share capital	Capital funds	Funds created from profit	Retained earnings	Profit (loss) for the year	Total equity
Balance as of 31 st December 2000	4 497 077	374 284	1 093 317	832 761	109 208	6 906 647
Contribution fo social fund	—	—	—	—	-7 000	-7 000
Contribution to funds from profit	—	—	5 460	—	-5 460	—
Transfer to retained earnings	—	—	—	96 748	-96 748	—
Loss on sale of flats	-4 812	—	—	—	—	-4 812
Increase of share capital	4 812	—	-4 812	—	—	—
Increase of capital funds	—	79 822	—	—	—	79 822
Decrease of capital funds	—	-55 903	—	—	—	-55 903
Net income as of 31 st October 2001	—	—	—	—	2 072 816	2 072 816
Balance as of 31st October 2001	4 497 077	398 203	1 093 965	929 509	2 072 816	8 991 570

notes to the financial statements as of 31st october 2001

The variations in the accounts of shareholders' equity during the year 2000 were as follows:

(in thousands SKK)	Share capital	Capital funds	Funds created from profit	Retained earnings	Profit (loss) for the year	Total equity
Balance as of 31 st December 1999	4 497 077	276 267	1 092 623	775 827	69 328	6 711 122
Contribution fo funds from profit	—	—	3 466	—	-3 466	—
Contribution to social fund	—	—	—	—	-8 928	-8 928
Transfer to retained earnings	—	—	—	56 934	-56 934	—
Increase of basic capital	2 772	—	-2 772	—	—	—
Increase of capital funds	—	98 067	—	—	—	98 067
Decrease of capital funds	—	-50	—	—	—	-50
Decrease of funds from profit	-2 772	—	—	—	—	-2 772
Net income 2000	—	—	—	—	109 208	109 208
Balance as of 31 st December 2000	4 497 077	374 284	1 093 317	832 761	109 208	6 906 647

The net income of the Company for the period will be distributed to the equities of the new companies, based on the decision of the National Property Fund of the Slovak Republic.

SHARE CAPITAL

The share capital is not divided into shares. The Company was wound up without liquidation as of 31st October 2001. Its assets and liabilities were transferred to the National Property Fund of the Slovak Republic, which contributed them to its three joint-stock companies: Západoslovenská energetika, a. s., Bratislavská teplárenská, a. s., and Trnavská teplárenská, a. s., on 1st November 2001.

The Company's share capital increase during the period of 10 months ended 31st October 2001 represents a reversal of the share capital decrease, which the Company accounted for in accordance with the Decree No. 65/261/1993 of the Ministry of Finance of the Slovak Republic. As stipulated therein, any loss on sale of flats

carried out by a state organisation at regulated prices should have been accounted for as a decrease of the entity's share capital. The loss resulting from the sale of flats in 2001 was accounted for as a decrease in Funds created from profit by 4 812 thousand SKK in total.

CAPITAL FUNDS

The movement in Capital funds during the 10 months of the year 2001 represents an increase of 79 822 thousand SKK resulting from obtaining gifts (either through fixed assets or contribution in cash) and a decrease of 42 925 thousand SKK resulting from the revaluation and stock count of land and a reversal of 12 978 thousand SKK of the valuation difference from capital shareholdings.

The Company has increased its Capital funds in 2000 by 98 067 thousand SKK, which related to the gifts received (either through fixed assets or cash contributions).

RESTRICTED RESERVES

Funds created from profit include the Legal reserve fund of 1 093 965 thousand SKK and 1 093 317 thousand SKK as of 31st October 2001 and 31st December 2000, respectively. The use of the balances of these reserves is restricted under the Commercial Code in force in the Slovak Republic.

8. BANK LOANS AND SHORT-TERM NOTES

The breakdown as of 31st October 2001 of the balances of the bank loans (short-term and long-term) and the balances of short-term notes is as follows:

(in thousands SKK)	Short-term	Long-term	Total
Loans received	—	1 000 000	1 000 000
Total	—	1 000 000	1 000 000

The breakdown, by due dates, of debts with banks as of 31st October 2001 is as follows:

Due date	Total in thousands SKK
November 2002—October 2003	330 000
November 2003—October 2004	330 000
November 2004—October 2005	340 000
Total	1 000 000

The loan is repayable in Slovak crowns.

notes to the financial statements as of 31st october 2001

The structure of the individual bank loans is as follows (in thousands SKK):

	Type of loan	Maturity	Currency	Limit	Short-term	Long-term	Total debt
Citibank (Slovakia), a. s.	Restructing and refinancing	Loan is repayable in six-month installments commencing from 16 th December 2002	SKK	1 000 000	—	1 000 000	1 000 000
VÚB, a. s.	Revolving credit line and bank overdraft	31 st Dec. 2003	SKK	300 000	—	—	—
Tatra banka, a. s.	Bank overdraft	30 th Nov. 2001	SKK	400 000	—	—	—
Total				1 700 000	—	1 000 000	1 000 000

As of 31st October 2001 the average annual interest rate borne by these liabilities is 9.06 %.

9. CONTINGENCIES AND COMMITMENTS

FUTURE ACQUISITION OF FIXED ASSETS

As of 31st October 2001 the Company has concluded contracts on deliveries of fixed assets, which will be realised after 31st October 2001, for 29 100 thousand SKK in total.

PURCHASING HEAT FROM PAROPLYNOVÝ CYKLUS, a. s., BRATISLAVA

On 10th November 1999 the Company concluded the Contract on heat to be delivered and taken with Paroplynový cyklus, a. s., Bratislava. The Contract was concluded for a period until replaced by a 25-year framework contract on heat to be delivered and taken.

During the accounting period ended 31st December 2000, Paroplynový cyklus, a. s., Bratislava accounted for 72 million SKK (including VAT) due from the Company based on invoicing due to the fact that the Company did not take the amount of heat agreed in the Contract and it made a claim for payment.

For the year 2001 the value of the heat that the Company did not take from Paroplynový cyklus, a. s., Bratislava was quantified at 51 million SKK (excluding VAT).

According to the law office representing the Company the frame contract was not signed as of the date of issuing these notes, and therefore, both the Company and

Paroplynový cyklus, a. s., Bratislava are further bound by the Contract, which lacks the terms as required by law. For this reason, according to the law office the sanctions against the Company are disputable.

The Company's management has decided not to create any provisions or contingent payables in this respect.

10. REVENUES AND EXPENSES

a) NET REVENUES

The breakdown of net sales of the years ended 31st October 2001 and 31st December 2000 by line of activity is as follows:

(in thousands SKK)	31 st October 2001	31 st December 2000
Sale of electric power	13 820 685	15 082 333
Sale of heat	1 375 962	1 542 331
Services provided	100 309	95 686
Sale of goods	1 591	7 567
Other revenues	121 523	158 892
Total	15 420 070	16 886 809

The revenues of the Company for the period of 10 months ended 31st October 2001 and for the year 2000 were generated mainly from the territory of the Slovak Republic.

b) CAPITALISATION

(in thousands SKK)	31 st October 2001	31 st December 2000
Capitalisation of material and stock	3 058	4 591
Capitalisation of services	785	112 627
Capitalisation of intangible fixed assets	413	931
Capitalisation of tangible fixed assets	350 008	336 596
Total	354 264	454 745

notes to the financial statements as of 31st october 2001

c) PERSONNEL EXPENSES

The breakdown of personnel expenses as of 31st October is as follows:

(in thousands SKK)	Total
Wages and salaries	697 886
Bonuses paid	935
Social security	253 588
Other social expenses	29 315
Total	981 724

The breakdown of the Company's staff for the period of 10 months ended 31st October 2001 and for the year 2000, by category, is as follows:

Professional category	2001	2000
Top management	7	7
Other technical administrative employees	1 527	1 546
Workers	2 023	2 083
Total average headcount	3 557	3 636

d) FINANCIAL INCOME AND EXPENSES

The breakdown of financial income and expenses as of k 31st October 2001 and 31st December 2000 is as follows:

(in thousands SKK)	31 st October 2001		31 st December 2000	
	Revenues	Expenses	Revenues	Expenses
Securities sold	1 226 800	164 050	12 400	13 533
Revenues from financial investments	1	—	463	—
Interest	30 071	107 417	38 028	121 394
Realised exchange rate differences	82 478	111 641	30 693	169 344
Unrealised exchange rate differences	42 872	—	260	42 872
Adjustments of financial investments	212 547	—	1 437	249
Other	12 978	106 889	—	47 926
Total	1 607 747	489 997	83 281	395 318

e) EXTRAORDINARY INCOME AND EXPENSES

The breakdown of extraordinary income and expenses as of 31st October 2001 and 31st December 2000 is as follows:

(in thousands SKK)	31 st October 2001		31 st December 2000	
	Revenues	Expenses	Revenues	Expenses
Deferred expenses	—	108 352	—	313 397
Damages and shortages	—	4 868	—	6 923
Other extraordinary revenues and expenses	4 308	405	2 178	36
Other accounting periods	817	—	26 148	4 160
Settlement of adjustments to loans written-off	26 000	—	—	—
Total	31 125	113 625	28 326	324 516

notes to the financial statements as of 31st october 2001

11. LEASED ASSETS

The breakdown as of 31st October 2001 of the assets used by the Company under finance lease agreements is as follows (in thousands SKK):

	Contract date	Interest rate	Duration in months	Cost for the asset leased	Capital financed	Purchase option	Monthly payment
IBM	29. 9. 2000	LIBOR	36	223	26 324	Yes	24 × 1 090 12 × 13
Total							26 316

The information on the leased assets the Company used as of 31st December 2000 is the same as detailed in the table above.

12. SUBSEQUENT EVENTS

Based on the Company's privatisation project, the Decree No. 569/2001 of the Government of the Slovak Republic and in compliance with the provision of § 11 sec. 1 of the Act No. 92/1991 of the Code on the conditions and terms of the transferring a state-owned property to other persons, as amended, the Company was wound up without liquidation as of 31st October 2001 under the Decision No. 96/2001 of the Minister of Economy of the Slovak Republic. The Company was removed from the Companies' Register of the Slovak Republic as of the same date.

After 31st October 2001 all assets and liabilities, rights and obligations (also the ones unknown), except for the rights under § 16 of the Act No. 92/1991 of the Code of the wound up Company were transferred to the National Property Fund of the Slovak Republic on 31st October 2001, which on 1st November 2001 contributed them to the following joint-stock companies Západoslovenská energetika, a. s., Bratislava, Bratislavská teplárenská, a. s., Bratislava, Trnavská teplárenská, a. s., Trnava.

13. CASH-FLOW STATEMENT


Cash-flow statement for the period of 10 months ended 31st October 2001 and for the year 2000.

(in thousands SKK)		2001	2000
A.	Cash-flow from basic business activities	1 057 720	1 263 343
P/L	Profit/loss from basic activities before tax	2 797 600	617 410
A.1	Adjustments by non-cash transactions	15 581	291 940
A.1.1	Fixed assets depreciation	591 130	703 080
A.1.2	Write-off of receivables	-575 302	—
A.1.3	Change in reserve balance	-195 496	50 187
A.1.4	Change in other assets balance	237 951	-359 311
A.1.5	Change in other liabilities balance	183 152	-16 440
A.1.6	Change in adjustments to fixed assets	-212 547	211 110
A.1.7	Change in revaluation of capital participation	-12 978	—
A.1.8	Other non-cash transactions	-329	-296 686
A.2	Change in working capital balance	-511 495	313 559
A.2.1	Change in accounts receivable balance from basic business activities	15 276	25 801
A.2.2	Change in short-term liabilities balance from basic business activities	-471 985	218 308
A.2.3	Change in inventories balance	-54 786	21 542
A.2.4	Change in short-term financial assets balance		47 908
A.3	Interest expense	107 417	121 394
A.4	Interest income	-30 071	-38 028
A *	Profit/loss from current activities before tax — adjusted	2 379 032	1 306 275

notes to the financial statements

as of 31st october 2001

(continued)		2001	2000
A.5	Items excluded from basic business activities	−1 058 229	644
A.5.1	Profit from sale of fixed assets	−1 062 750	—
A.5.2	Loss from sale of fixed assets	4 521	644
A.6	Specific items	−263 083	−126 936
A.6.1	Income tax on ordinary income — paid	−263 157	−126 936
A.6.2	Extraordinary revenues related to basic business activities	5 125	—
A.6.3	Extraordinary expenditure related to basic business activities	−5 051	—
A **	Cash-flow before separately disclosed items	1 057 720	1 179 983
A.7	Alternatively disclosed items	—	−83 366
A.7.1	Interest received	—	38 028
A.7.2	Interest paid	—	−121 394
A ***	Net cash-flow from basic business activities	1 057 720	1 096 617
B.	Cash-flow from investment activities		
B.1	Expenditure related to acquisition of fixed assets	−757 100	−971 632
B.1.1	Intangible assets acquisition	−28 453	−25 179
B.1.2	Tangible assets acquisition	−715 710	−879 453
B.1.3	Financial investments acquisition	−12 937	−67 000
B.2	Income from sale of fixed assets	1 232 133	28 184
B.2.1	Revenues from tangible assets sale	5 333	15 784
B.2.2	Revenues from financial investment sales	1 226 800	12 400
B.3.	Alternatively shown items	14 592	—
B.3.1	Interest received	14 592	—
B ***	Net cash-flow from investment activities	489 625	−943 448



(continued)	2001	2000
D. Cash-flow from financial activities		
D.1 Change in long-term liabilities balances (or short-term liabilities if appropriate)	-1 039 362	-195 643
D.1.1 Expenditure related to loans and borrowings received from financial institutions (bank)	-1 027 638	-218 380
D.1.2 Revenues from other long-term and short-term liabilities from financial activities	—	22 737
D.1.3 Expenditures from other long-term and short-term liabilities from financial activities	-11 724	—
D.2 Cash-flow related to equity	40 047	35 120
D.2.1 Financial (cash) gifts and subsidies received to equity	44 859	35 120
D.2.2 Expenditure related to buy-off of share on equity	-4 812	—
D.3 Alternatively shown items	-111 373	—
D.3.1 Interest paid	-111 373	—
D*** Net cash-flow from financial activities	-1 110 688	-160 523
F. Change in cash and cash equivalents balance	436 657	-7 354
G. Cash and cash equivalents balance at the beginning of accounting period	135 525	142 879
H. Cash and cash equivalents balance at the end of accounting period	572 182	135 525


financial statement as of 31st oct. 2001

prepared in accordance with international financial reporting standards

BALANCE SHEETS

Balance Sheets as of 31st October 2001 and 31st December 2000:

(in thousands SKK)	31 st October 2001	31 st December 2000
Current assets		
Cash and cash equivalents	572 182	135 525
Receivables from trade — net	1 835 109	2 159 822
Inventories	138 709	34 127
Other current assets	106 438	122 750
Investments	343	164 144
Total current assets	2 652 781	2 616 368
Non-current assets		
Investments	283 619	255 203
Share in joint-venture	287 925	287 925
Property, plant and equipment — net	7 959 096	7 864 202
Intangible assets	75 450	74 817
Deferred tax asset	60 059	89 770
Other non-current assets	1 940	3 770
Total non-current assets	8 668 089	8 575 687
Total assets	11 320 870	11 192 055



(in thousands SKK)	31 st October 2001	31 st December 2000
Current Liabilities		
Trade payables	981 960	1 478 518
Other payables	189 231	193 422
Tax payables	545 310	97 434
Current portion of long-term debt	13 020	349 313
Total current liabilities	1 729 521	2 118 687
Non-current Liabilities		
Long-term debt — net of current portion	1 000 000	1 688 138
Other non-current liabilities	13 017	24 740
Total non-current liabilities	1 013 017	1 712 878
Deferred income	746 892	484 274
Equity		
Basic capital	4 497 077	4 497 077
Reserves	1 206 504	1 208 398
Undevided profit	2 127 859	1 170 741
Total shareholders' equity	7 831 440	6 876 216
Total liabilities and shareholders' equity	11 320 870	11 192 055


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STATEMENT OF INCOME

Statement of Income for the period of 10 months ended 31st October 2001 and for the year ended 31st December 2000:

(in thousands SKK)	31 st October 2001	31 st December 2000
Revenues from goods sold	15 420 068	16 886 810
Cost of electric power and heat sold	–12 014 740	–13 092 171
Gross profit	3 405 328	3 794 639
Other operating income	197 164	271 660
Changes in inventories and work in progress	15 167	–2 727
Capitalisation	353 625	342 240
Materials and supplies	–634 564	–691 023
Repair and maintenance	–320 613	–225 389
Personnel expenses	–979 725	–1 101 339
Depreciation and amortisation expense	–596 614	–738 558
Other operating expense	–658 367	–739 188
Profit from operations	781 401	910 315



(in thousands SKK)	31 st October 2001	31 st December 2000
Interest expense	–107 557	–121 412
Interest income	30 070	38 029
Foreign currency gain/loss, net	13 603	–151 973
Other financial results	980 484	–62 401
Total financial result — net	916 600	–297 757
Equity profit in joint-ventures	—	53 183
Profit before income tax	1 698 001	665 741
Current taxes	–705 712	–210 563
Deferred taxes	–29 711	84 419
Net profit	962 578	539 597

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STATEMENT OF CASH FLOW

Statement of Cash Flow for the period of 10 months ended 31st October 2001 and for the year ended 31st December 2000

(in thousands SKK)	2001	2000
Operating Activities		
Net profit	962 578	539 597
Adjustments to reconcile net profit to net cash provided by Operating activities:		
Depreciation and amortisation	596 614	738 558
Capitalisation of fixed assets	–353 625	–342 240
Interests capitalised to fixed assets	–5 103	–44 408
Profit from financial investments	—	–53 183
Release of deferred income	–14 337	–13 214
Exchange rate losses	–33 670	182 666
Loss from sale of investment property and financial investments	–1 058 229	–13 295
Net charge to deferred taxes	29 711	–84 419
Increase (decrease) in trade receivables — net	324 713	–409 645
Decrease in inventories — net	–104 582	79 982
Decrease in other current assets	16 312	41 975
Increase (decrease) in deferred income balance	205 655	–7 590
Increase in current liabilities (except short-term loans)	–52 873	332 317
Net cash by operating activities	513 164	937 101



(in thousands SKK)	2001	2000
Investing Activities		
Purchases of property and equipment	–295 728	–444 197
Purchases of intangible assets	–28 453	–25 179
Sale (purchase) of financial investments	1 226 800	3 608
Loans to joint-ventures	—	47 908
Increase of negotiable securities	–11 000	–67 000
Revenues from sale of investment property	5 333	28 590
Net decrease of other non-current assets	–15 835	–495
Cash used in investing activities	881 117	–456 765
Financing Activities		
Grants received	44 860	68 190
Increase of long-term liabilities	–666 191	–554 040
Increase (decrease) of short-term debt	–336 293	–1 840
Cash used in financing activities	–957 624	–487 690
Net cash generated (used)	436 657	–7 354
Balance of cash and cash equivalents at beginning of year	135 525	142 879
Balance of cash and cash equivalents at end of year	572 182	135 525
Cash paid for interest	111 373	116 366
Cash received for interes	14 592	36 598
Cash paid for taxes	263 157	118 531


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STATEMENTS OF CHANGES IN EQUITY

for the period of 10 months ended 31st October 2001 and for the year ended 31st December 2000

(in thousands SKK)	Share Capital	Reserves	Undevided profit/loss	Total
Balance as of 31 st December 2000, as stated before	4 497 077	1 208 398	1 170 741	6 876 216
Influence of IAS 39 application	—	726 885	—	726 885
Allocation to legal reserve fund	—	5 460	-5 460	—
Change of other reserves	—	-7 354	—	-7 354
Changes of the objective value of investments to disposition for sale	—	-726 885	—	-726 885
Net profit for 10 months as of 31 st October 2001	—	—	962 578	962 578
Balance as of 31 st October 2001	4 497 077	1 206 504	2 127 859	7 831 440



(in thousands SKK)	Share Capital	Reserves	Undevided profit/loss	Total
Balance as of 31st December 1999	4 497 077	1 207 934	631 144	6 336 155
Allocation to legal reserve fund	—	464	—	464
Net profit in 2000	—	—	539 597	539 597
Balance as of 31st December 2000	4 497 077	1 208 398	1 170 741	6 876 216

Financial Statements as of 31st October 2001 and 31st December 2000 prepared in accordance with International Financial Reporting Standards



REFERENCE AUDITORS' REPORT

To the owner of Západoslovenské energetické závody, štátny podnik:

We have reviewed the financial statements of Západoslovenské energetické závody, š. p. ("the Company"), as of 31 October 2001, which are part of the Annual Report.

We issued the following auditors' report to the statutory financial statements of the Company as of 31 October 2001.

1. We have audited the accompanying extraordinary financial statements of Západoslovenské energetické závody, š. p. ("the Company") comprising the balance sheet as of 31 October 2001 and the related profit and loss account and notes to the extraordinary financial statements including the cash flows statement for the ten-month period ended 31 October 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Except for the matter described in paragraph 3 below, we conducted our audit in accordance with Standards on Auditing issued by the Slovak Chamber of Auditors (SKAU). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their compliance with the accounting legislation, as well as assessing significant estimates made by the management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Our work did not include an examination of the financial statements of Paroplynový cyklus a. s., Bratislava (the Company's share on basic capital of this entity represents 66%) for the ten-month period ended 31 October 2001, since this company did not prepare its financial statements as of that date. Based on the latest financial statements available, i.e. as of 31 December 2000, the share of the Company in the assets, accumulated losses and net profit of Paroplynový cyklus a. s., Bratislava represents SKK 396 million, SKK 267 million and SKK 87 million, respectively.
4. As further described in the note 19 to the accompanying financial statements, based on the contract concluded between the Company and Paroplynový cyklus, a. s. Bratislava on 10 November 1999, Paroplynový cyklus, a. s. Bratislava invoiced SKK 72,038 thousand (including 10% VAT) to the Company as a penalty for non-observance of the agreed volume of heat to be purchased during the year 2000. Based on the actual volume of the heat taken in 2001, the maximum penalty for the ten-month period ended 31 October 2001 was quantified at SKK 51,974 thousand (excluding 10% VAT). These penalties are in dispute and the management of the Company did not account for them. The effect of this matter on the accompanying financial statements had the management of the Company recorded these penalties, would be a decrease in retained earnings by SKK 72,038 thousand, decrease in net income by SKK 51,974, increase in trade payables by SKK 72,038 thousand and increase in accrued expenses by SKK 51,974 thousand.
5. Following Measure No. 41/1993 of the SR Ministry of Finance applied in connection with the privatisation, the Company did not create new, and released the all existing, provisions for inventories and receivables. The Company has also released the reserve for risks connected with the recoverability of the uninvoiced overdue interest. Had the Company not released these provisions and the reserve, and created them in a sufficient amount, the recognised net profit for the first ten-month period would decrease by SKK 946,758 thousand, of which SKK 1,008,329 thousand would represent the provisions created in the previous periods, SKK 15,929 thousand the amount of the additional provisions required in 2001, and SKK 77,500 the related decrease in the income tax.



For privatisation purposes, the Company revalued its land applying Decree No. 465/1991 Coll. of the SR Ministry of Finance. Had the Company not carried out this revaluation, the value of land would increase by SKK 35,562 thousand.

6. In our opinion, except for the adjustments, if any, that would be necessary, had we been able to perform the procedures described in paragraph 3 above and except for the adjustments described in paragraphs 4 and 5 above, the accompanying financial statements give a true and fair view of the financial position of Západoslovenské energetické závody, štátny podnik, as of 31 October 2001 and the results of its operations and its cash flows for the year then ended in accordance with Act No. 563/1991 Zb. on Accounting and other relevant accounting legislation in the Slovak Republic.
7. Without further qualifying our opinion, we draw attention to note 13 of the accompanying financial statements. The Company discloses that the corporate income tax for the year 1999 was inspected by the Tax Authority, resulting in an additional tax quantified at SKK 75,507 thousand. Additionally, a penalty of SKK 75,507 thousand was calculated in this respect. The Company plans to appeal against the decision, if any, of the Tax Authority. Due to various interpretations that can be made of the tax regulations applicable to the Company's operations might give rise to tax contingencies, such as referred to above, which can not be estimated as of the date of this report. For this reason, the accompanying financial statements do not include any contingent payable in this respect.
8. Without further qualifying our opinion, we draw attention to the following facts included in our report on the financial statements of the Company for 2000:
 - a) Our work did not comprise an audit of the financial statements as of 31 December 2000 of Paroplynový cyklus, a. s., Bratislava. Those financial statements were audited by other auditors, and in our auditors' opinion, as expressed in the report on the financial statements of the Company, as regards that company, we relied upon the report of other auditors.
 - b) We emphasized the matters described in paragraph 4 above.

The accompanying Annual Report for 2001 comprises the financial statements of the Company, an analysis on past and projected results of the operations, and an analysis on the financial situation of the Company. We reviewed the financial statements included in the Annual Report of the Company as of 31 October 2001. We did not review other than accounting related information in the Annual Report.

Arthur Andersen Slovensko, spol. s r. o.

ARTHUR ANDERSEN
Slovensko, spol. s r. o.
SKAU License No. 146

Gazdová

Eva GAZDOVÁ
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31 May 2002
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Západoslovenská energetika

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THE ACT OF CREATION,
WHEN A LIFE IS BEING TRANSMITTED
LIKE AN ELECTRIC SPARK

Creation of Adam by Michelangelo,
detail, 1510