

Annual Report

1998

Ladies and Gentlemen,
dear business partners,

In the course of the last year our state enterprise Západoslovenské energetické závody proceeded in the systematic performance of our primary mission — the good and continuous supply of electric and thermal power to our customers.

In spite of the difficult economic background we fulfilled the given targets in compliance with our plan. The financial situation of the enterprise was unfavourably effected due to the persistent increase in expenses for the purchase of electric power and thermal power as well as for their transmission and sales. On the basis of the implemented demanding investment programme we proceeded in improving the conditions necessary for the reliable supply of electric and thermal power.

We managed to keep the good relations with the financial institutions. We settled the loan repayments of principals and interests in terms stipulated in contracts. In spite of some financial problems resulting particularly from the increase of the overdue receivables, we maintained the financial stability of our enterprise. During the year 1998 we completed the implementation of personnel management system in the sphere of the application of the new managing systems, and the system of work management in the sphere of electric power, where the modules of investments, work, construction units and standardization were introduced. In relation to our employees we fulfilled all commitments resulting from the enterprise collective agreement.

I am pleased to say that the achieved economic results are again satisfactory, which demonstrates the permanent stable position of ZSE, š. p., on the Slovak market.

However, the positive results could not be achieved without you, dear employees and business partners. In this connection I would like to pay my great respect and sincere thanks to all of you.



Lubomír Maco
the Director of the State Enterprise



■ *Lubomír Maco*, Director of State Enterprise



■ *Andrej Devečka*, Managing Director of EN Operation and Development



■ *Peter Gavula*, Managing Director of Economy and Trade



■ *Jozef Kovačovič*, Managing Director of Trade and CHP Operation

MISSION OF ENTERPRISE

ACTIVITY

- We have been present on the Slovak market for more than 75 years. Our basic activities — distribution and production of electric energy and heat — have a long tradition, we form an integral part of client's needs.

SERVICES

- We intend to maintain the tradition and at the same time to improve the services offered to our clients, in order to meet their wishes in every respect.
- Services of the highest quality to every client — it is a motivating power of our future development.
- We wish our client was well informed and supported our intentions, and our services were the part of his comfort.

DIMENSION

- We intend to be a financially stable company, which will develop in a dynamic way and become dominant on the market.
- To achieve this aim we intend:
 - to create an optimal capital structure of the firm,
 - to support the stabilization of the financial trade in Slovakia,
 - to be open to Slovak and international trade
 - to strengthen relations with external institutions
 - to invest in building own facilities for the production of electric energy and heat
 - to raise the educational level and creativeness of our employees, in order to get them involved in the process of changes.

ENVIRONMENT

- We intend to be an independent shareholding company with the basic scope of activities in the region of West Slovakia. Our key points will be professionalism, expertness and civility. Our employees will adopt the positive attitude towards the company: "My firm, that's me".
- Our aim is to satisfy the shareholder by satisfying the client and the employee.

SCOPE OF ACTIVITIES

- Západoslovenské energetické závody (ZSE), state enterprise, Bratislava, was established by the Ministry for Economy of the Slovak Republic on the 3rd September 1990.
- Its activities are represented by the supply of power and heat in the region of West Slovakia and Bratislava, the capital of the Slovak Republic. The total area covered by the supply is 14 928 km².

BASIC ACTIVITIES:

- purchase, distribution and sale of power and heat, including services connected with supply, consumption or utilization of power and heat,
- heat generation,
- electric power generation,
- engineering in investment construction, projecting of electric distribution systems, transformer stations, 110 kV distribution systems, industrial installations,
- projecting in investment construction,
- providing software, automatized data processing
- inspection of operating boilers, gas equipment, electric equipment and lifting equipment
- repair and calibration of measuring devices
- construction and mounting
- engineering of high voltage distribution system
- purchase and sale of goods in the scope of free trade
- providing telecommunication services out of public voice telephone service
- providing non-public telecommunication services by means of land satellite stations and VSAT networks.

The company is active within the area of Bratislava, the capital of the Slovak Republic and in 4 districts (Bratislava, Trnava, Trenčín, Nitra).

Management of the Company

- Lubomír Maco, Director of State Enterprise
- Andrej Devečka, Managing Director of EN Operation and Development
- Peter Gavula, Managing Director of Economy and Trade
- Jozef Kovačovič, Managing Director of Trade and CHP Operation

Supervisory Board of ZSE, š. p.

- Milan Dubnička, Ministry for Economy of the Slovak Republic
- Milan Buzinkay, Chairman of the Slovak Trade Unions, Energy Sector in ZSE, š. p.
- Ján Londák, ZSE, š. p.
- Emil Baxa, ZSE, š. p.
- Ján Dohňanský, Slovenské elektrárne, a. s.
- František Giváč, Ministry for Economy of the Slovak Republic
- Anna Jajcajová, Všeobecná úverová banka (General Credit Bank) Bratislava-mesto
- František Janíček, Slovak Technical University, FEI, Bratislava
- Emil Krondiak, ZSE, š. p.

ORGANIZATIONAL STRUCTURE

The changed external conditions and the new needs of our state enterprise invoked the changes in the organizational structure of the enterprise in the year 1998. From the beginning and during the year 1998 the following organizational changes have been implemented:

As of January 1, 1998 in the division of the director of the enterprise the section of legal affairs and internal control and the section of defence, protection, security and protection of health at work (BOZP) and fire protection (PO) were disestablished. The division of the organization and human resources and the division of systems were transferred to the division of the director of the enterprise. In the division of the management and control of the quality the department of BOZP and PO was established. In the division of the organization and human resources in the section of social care the department of economy and management of operations and the department of social care were established. In the division of systems the department of designing of information systems and the department of the development of information systems were established.

As of January 1, 1998 in the management of trade and EN distribution the division of marketing and the department of EN economy were disestablished. The division of trade was transferred from the management of trade and EN distribution to the management of economy and control development. In the management of trade and EN distribution the division of technical development was established, which consists of the department of perspective development and prognostic and the department of technical development and standardization. In the division of distribution the structure of the department of management and economy of operations was changed. In the Plant for the Operation and Maintenance of Transmission plants Bratislava the new section of open-airtransmission extra high voltage and very high voltage networks was established, which is subordinate directly to the director of the plant. As of January 1, 1998 the subordination of the district plants was transferred to the direct management of the director of the state enterprise. In coordination with the introduction of the second stage of the project SGP (the management of staff) the function of the manager of education and social care was established in the district plants. In the district plants operational administrations the function of the budget control manager was established.

In the management of trade and CHP operation the section of dispatching control was established in the division of operation. In the division of development and marketing the administration of graphic information systems was established. The functions of the digital map administration technicians were established also in the Heating Plant Bratislava and in the Heat Production and Distribution Plant Trnava.

As of January 1, 1998 the names of the managements and divisions were changed as follows:

- a) the management of trade and EN distribution to *the management of EN operation and development*
- b) the management of economy and control development to *the management of economy and trade*
- c) the division of systems to *the division of information systems*
- d) the division of trade to *the division of trade and marketing*,

and functions:

- a) the head of the division of organization and human resources to *the director of the division of the organization and human resources*
- b) the head of the division of systems to *the director of the division of information systems*
- c) the head of the division of management and quality control to *the director of the division of management and quality control*
- d) the head of section to *the head of department*

As of May 1, 1998 in the Plant for Operation and Maintenance of Transmission Plants in the section of open-air transmission extra high voltage and very high voltage networks, the operational plant of extra high voltage and very high voltage networks and the maintenance plant of extra high voltage and very high voltage networks were established.

As of May 5, 1998 in the management of EN operation and development the administration of SGT (work management system) was established, which is subordinate directly to the managing director.

As of May 30, 1998 the functions of watchman and gateman were disestablished in the District Plant Bratislava, District Plant Dunajská Streda, Operation Administration Komárno, Operation Administration Nové Zámky, Operation Administration Partizánske, Operation Administration Levice, Transformer Repair Shop and Calibration Plant Hlohovec, Heating Plant II — Factory South, Plant for Operation and Maintenance of Transmission Plants Bratislava — in Transformer Stations Levice, Stupava Veľký Ďur and Bošáca.

As of July 1, 1998 the model of social services of the SGP system (the staff management) was introduced, which called for the changes in the system of work organization and in the organizational structure of the department of social services.

For the reason of necessity to realize the demanding activities in the field of measuring and regulating of the automatized control systems in the heating industry, as of August 1, 1998 the organizational changes were implemented in the department of the technological equipment development, the name of which was changed to the department of the heating industry development.

In order to improve the services provided to our clients, as of September 1, 1998 the following offices were established: — trading office Senica, branch Myjava
— trading office Topoľčany, branch Partizánske.

In the course of the year 1998 there were also some changes in other sections, however, those were the changes of smaller extent and/or transfers within the section.

Západoslovenské energetické závody, state enterprise, has the following organizational structure:

- The Management of the state enterprise
- District plants (Bratislava, Trnava, Dunajská Streda, Nitra) 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 and Heat Distribution Plant Bratislava subordinate to the managing director of trade and CHP operation
- Other plants (Construction and Assembly 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 quality management and control, Plant for Operation and Maintenance of Transmission Plants Bratislava subordinate to the managing director of EN operation and development).

CHARACTERIZATION OF THE STATE ENTERPRISE MANAGEMENT

The management of the state enterprise is formed by the professional managements, the divisional managements and the staff sections.

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 distribution of work to the lower levels of management is not efficient and economical.

CHARACTERIZATION OF THE DISTRICT PLANTS

The district plants perform the co-ordination and control of the operation plants 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 very high voltage, high voltage and low voltage networks and their maintenance in continuous time cycles. They make maintenance, inspection, repairs of transformer stations, distribution stations and switching stations, and operate them. In the framework of construction-assembly activity they build up new equipment for the electricity distribution stations for their own enterprise and for external customers. They also do the reconstructions and repairs of the equipment.

TRADING OFFICES

They make the publicity and execute the trading policy with regard to marketing. Trading offices maintain contractual contact with a customer. They make encashment of non-domiciled invoices.

CHARACTERIZATION OF THE 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 Distributing 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 does measuring, reading and invoicing to customers, as well as repairing the heating networks.

CHARACTERIZATION OF OTHER PLANTS

CONSTRUCTION AND ASSEMBLY PLANT NITRA

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

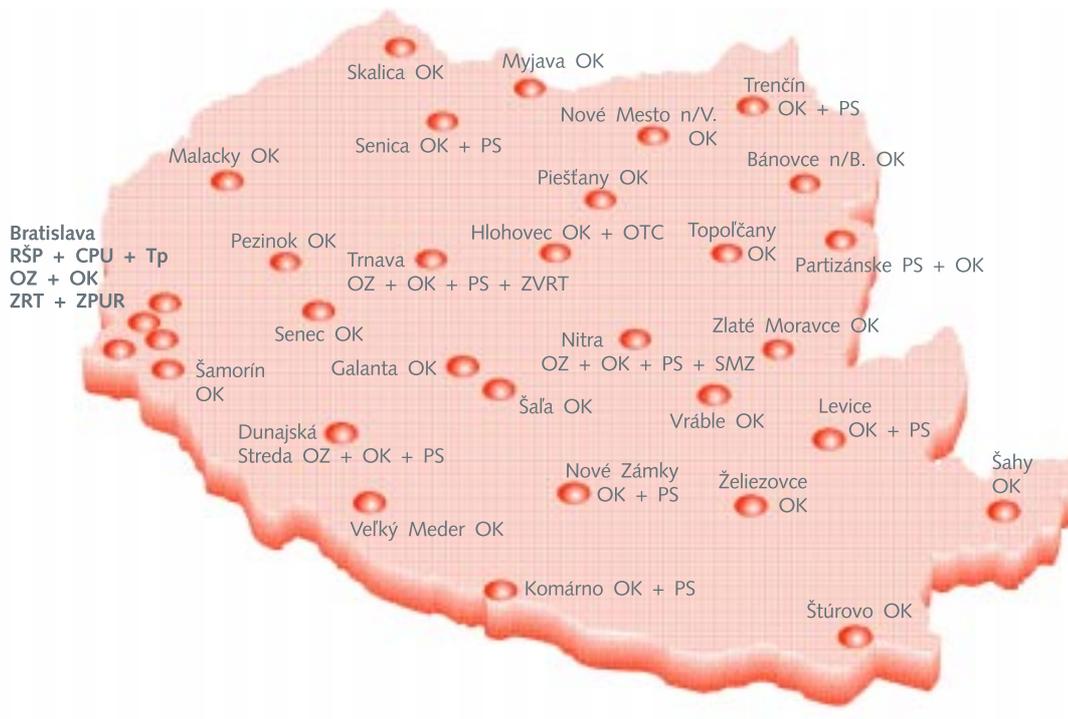
TRANSFORMER REPAIR SHOP AND CALIBRATION PLANT HLOHOVEC

The plant executes inspection and repairs of its own and external transformers, electric supply meters, time switches, (switch clock) and measuring sets. It liquidates physically and morally worn out transformers and makes filtrations of the 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

The plant executes operation and maintenance, inspections of the transformer stations and distribution system. It controls, operates and makes maintenance of the equipment of the control technology, operation and maintenance of extra high voltage and very high voltage networks.

GEOGRAPHICAL LOCATION



RŠP Management of the State Enterprise
 OZ District Plant
 OK Trading Office
 PS Operating Administration
 CPU Computer Centre
 Tp Heating Plant

ZVRT Heat Production and Distribution Plant
 ZRT Heat Distribution Plant
 SMZ Construction and Assembly Plant
 OTC Transformer Repair Shop
 and Calibration Plant
 ZPUR Plant for Operation and Maintenance
 of Transmission Plants

STRUCTURE OF SOURCES AND USE OF ELECTRIC POWER:

Sources of electric power in GWh 1998

Thermal power plants of ZSE, š. p.	189
Hydropower plants	3
Own sources	192
Purchase from SE, a. s. and ZSE, š. p.	7 237
Purchase from industry and private enterprises	27
Purchase from abroad	2
External sources	7 266
TOTAL SOURCES OF ELECTRIC POWER:	7 458

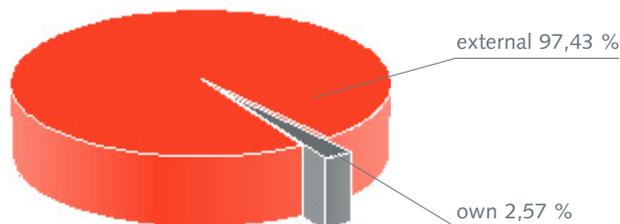
Use of electric power in GWh

Supply to bulk consumers	3 454
Supply to retail consumers	3 193
Own consumption	61
Supply to SSE, š. p. Žilina	0,4
Supply abroad	0,2
Total effective supply of electric power	6 709
Losses	749
TOTAL UTILIZATION OF ELECTRIC POWER:	7 458

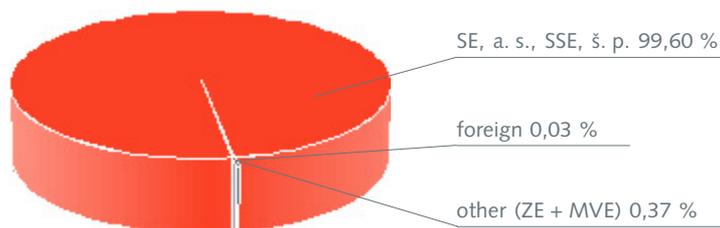
In the year 1998 in comparison with the last year the supply of electric power was realized by minimum increase of 0,42 % of the total sources. The purchase from Slovenské elektrárne, a. s., represented the biggest portion from the purchased electric power, up to 97,43 % from external sources.

The effective supply of electric power is characterized by only 0,81 % exceeding of the last year level. In the sphere of bulk sales further stagnation continued, which was manifested by

1. Structure of electricity sources 1998



2. Structure of external electricity sources 1997



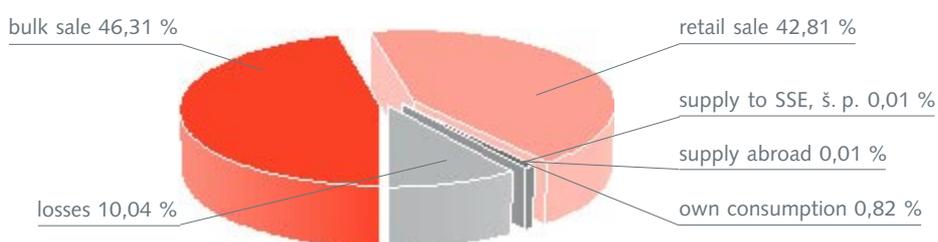
0,28 % decrease of MWh supplies, namely at tariffs A2, A10 and B4. In the sphere of retail sales the increase by 2,27 % was recorded, which consisted of 3,85 % increase in business sector and 1,59 % increase in retail sales — population. In the previous years the permanent and significant increase in the supply of electric power to population was recorded. In comparison with the last year the reason of the low growth in the MWh supply to population was the mild winter time.

Similarly, the climatic conditions had influence on the decrease of own electric power consumption, namely for the reason of lower heat supply to external subjects.

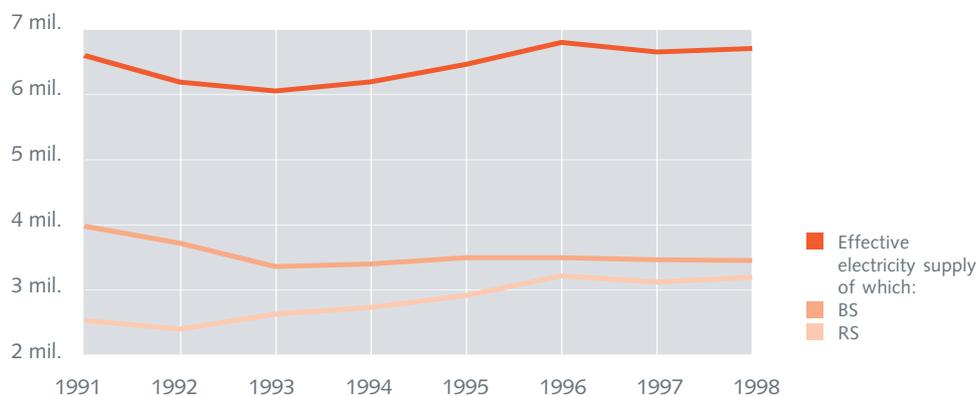
In the year 1998 with the intention to optimize the network connections in all regions, to improve the operation and to decrease the equipment failure frequency we managed to secure the continuous supply of electric power in compliance with the concluded contracts.

In the year 1999 we expect the total annual volume of the purchased electric power of 7503 MWh, which represents the increase of only 0,6 % in comparison with the year 1998. As for the structure of sales, we do not expect any outstanding change, bulk sales in volume of 3455 MWh, retail sales in volume of 3220 MWh.

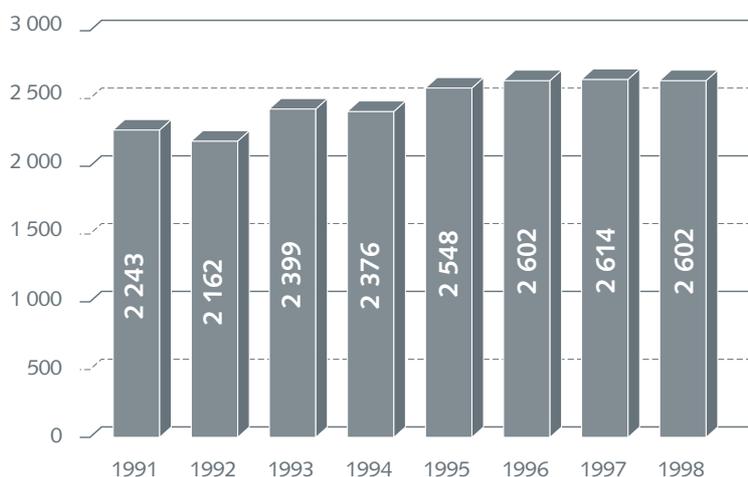
3. Structure of electricity use 1998



4. Development of effective electricity supply in MWh



5. Development of electricity annual consumption per one consumer's spot at population in kWh



STRUCTURE OF SOURCES AND USE OF THERMAL POWER

Sources of heat in TJ 1998

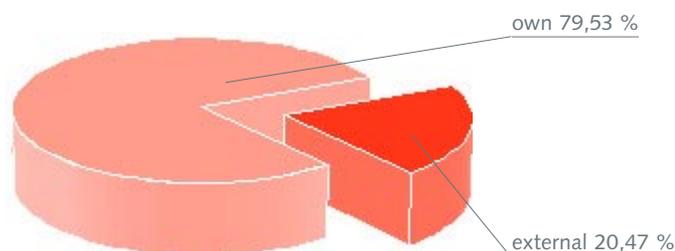
Own sources	6 655
External sources	1 713
TOTAL SOURCES OF HEAT:	8 368

USE of heat in TJ

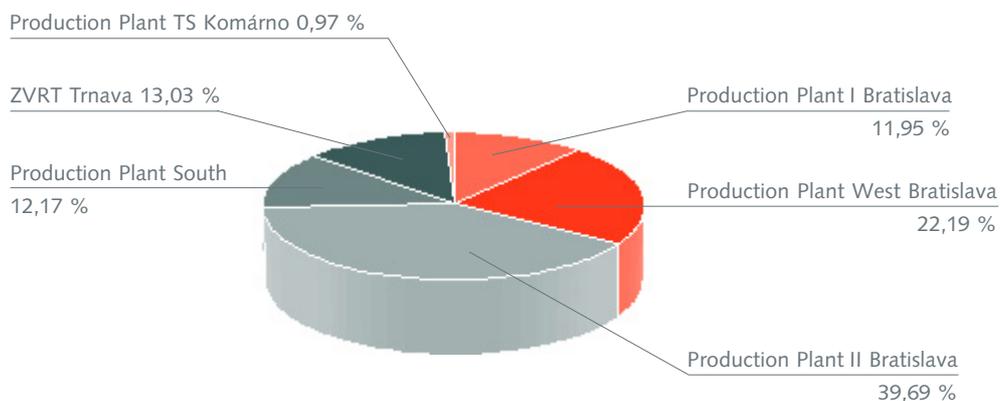
Supply to customers	7 557
Own consumption	112
Effective heat supply	7 669
Losses	699
TOTAL UTILIZATION OF HEAT:	8 368

In the year 1998 the sources of thermal power were provided in the volume lower by 11,9 % in comparison with previous period. The supply from own production plants was decreased by 21,66 %, whereby the purchase share from external subjects, i. e. from EBO Jasovské Bohunice and PPC, a. s., Bratislava, was increased by 70,72 %.

1. Structure of heat sources 1998



2. Structure of own heat sources 1998



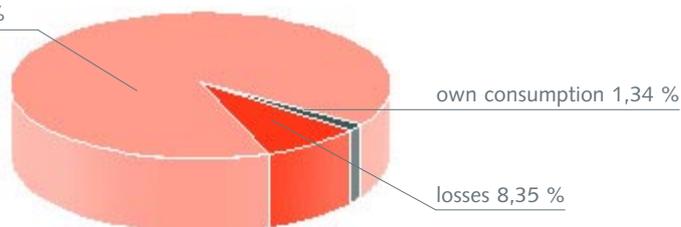
The effective heat supply is lower by 13,01 % in comparison with the last year. The results in the heat supply are unfavourable due to the climatic average temperatures in the course of the year.

The slight increase of losses in the absolute value caused mainly the decrease of this year heat supply in the caliducts.

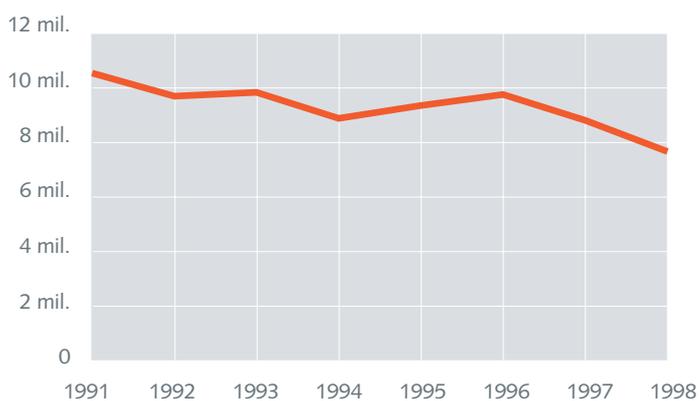
The annual values of heat sources in amount of 8600 GJ planned for the year 1999 exceeded the level of the year 1988 by 2,8 %, which corresponds to the effective heat supply increase by 2,6 %.

3. Structure of heat use 1998

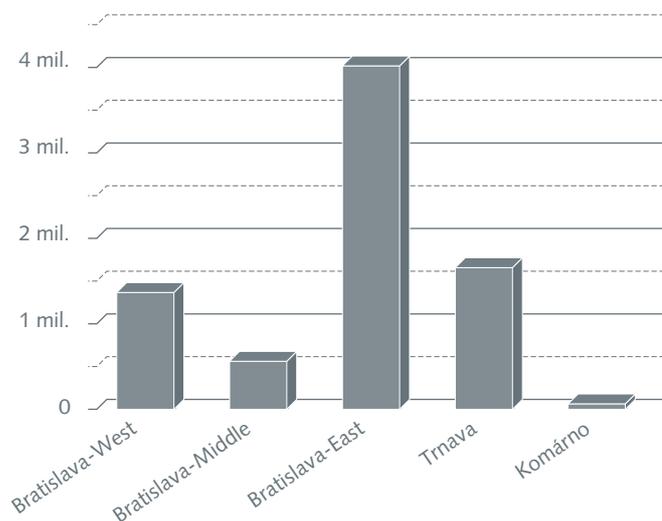
heat supply to consumers 90,31 %



4. Development of effective heat supply in GJ



5. Effective heat supply in GJ according to localities 1998



ECONOMY

THE FORMATION OF PROFIT OR LOSS

In the year 1998 the profit of ZSE, š. p., amounted to 149 949 thousands of Sk, which in comparison with the last year represented the decrease by 31,56 %. The profit after taxation amounted to 46 104 thousands of Sk with the total turnover amounting to 13 452 384 thousands of Sk.

Between the years 1997 and 1998 the work productivity from the added value was increased up to 14,69 %, which represented the increase by 7,62 % in comparison with the last year.

The economic results of the electric power was the amount of 96 846 thousands of Sk, which represented the increase by 59,27 % in comparison with the last year. Due to the change of methodology of the cost classification for the acquisition of electric and thermal power, the last year was re-calculated by prof. Kadrníčka's methodology for the reason of comparability, whereby the acquisition costs of electric power were increased and the acquisition costs of thermal power were decreased. The increase of economic result of the electric power was positively influenced especially by the effect of the average price and the structure of supply, which also covered the increase of fixed costs.

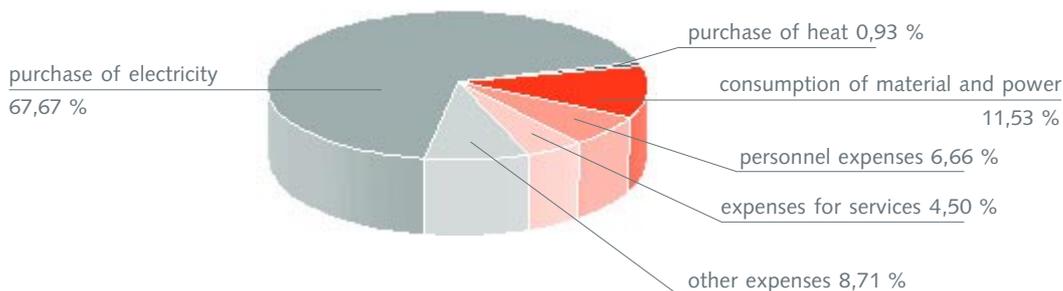
The economic result of thermal power amounted to 80 254 thousands of Sk, which represented the decrease by 37,05 %. It was effected by the decrease of the supplied thermal power quantity, in spite of the fact that the fixed costs showed the decrease. This year the prices fixed by the authorities of the local state administration effected the increase of the average sales price by 1 %.

In the sphere of construction-assembly activities the profit for the year 1998 in amount of 19 379 thousands of Sk represented the decrease by 2,89 % in comparison with the last year.

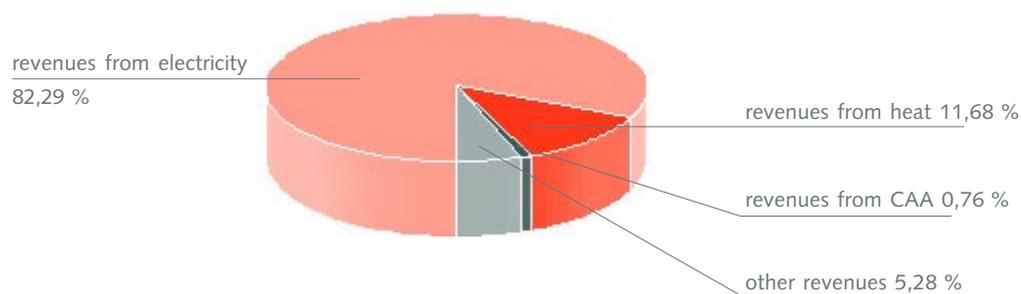
In evaluation based on the gained revenues of the biggest non-financial enterprises of the Slovak Republic Top '98 published in the weekly TREND, Západoslovenské energetické závody, š. p. Bratislava was ranked at the twelfth place, which proved its stable position among the biggest non-financial enterprises in the Slovak Republic.

At the beginning of the year 1999 on the basis of the existing conditions the profit formation plan was determined with 97,4 % decrease in comparison with the year 1998, amounting to only 3,8 millions of Sk.

1. Structure of expenses 1998



2. Structure of revenues 1998



INVESTMENT ACTIVITIES

In the year 1998 the volume of investments was 1299 millions of Sk, which represented a slight decrease by 5,44 % in comparison with the last year.

In the sphere of the electrification system the volume of investments amounted to 826 millions of Sk. The mentioned volume was effected mainly by the constructions concerning the re-construction of transformer shops or transmission plants, e. g.:

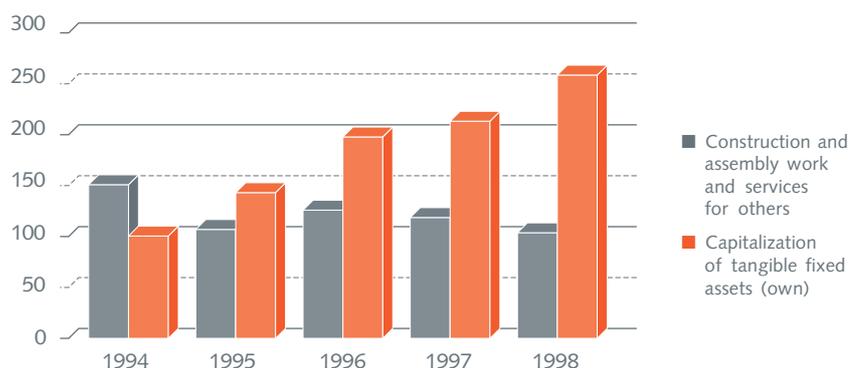
■ TR 110/22 kV Podunajské Biskupice	84 158 thousands of Sk
■ TR 110/22 kV Lamač	67 339 thousands of Sk
■ RZ 110 kV Bošáca	37 952 thousands of Sk

Further in the volume of the acquired investments the constructions concerning the optical connections participated markedly, such as: N. Zámky—Levice — 48 781 thousands of Sk, Partizánske—Levice — 32 898 thousands of Sk and Bošáca—Senica — 26 047 thousands of Sk.

The investments in the sphere of the heating industry represented 275 millions of Sk, whereby the following constructions participated in the greatest extent:

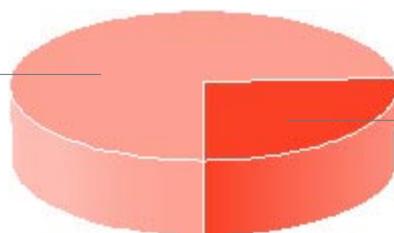
■ gas line K 5 ZVRT Trnava (ecological construction)	35 562 thousands of Sk
■ hot-water connection OD Tesco Bratislava	32 058 thousands of Sk
■ hot-water connection SONY Trnava	20 548 thousands of Sk
■ re-construction of boiler K 6 in Heating Plant II Bratislava	49 153 thousands of Sk
■ re-construction of HV South line	23 945 thousands of Sk
■ digital transmission system in the course of 1998	40 741 thousands of Sk

3. Revenues from construction and assembly activity in thousands of Sk



4. Structure of assets 1998

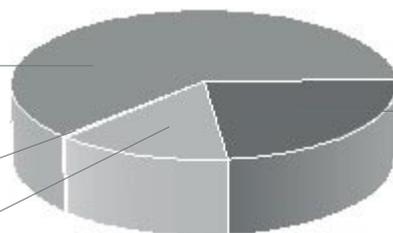
fixed assets 73,91 %



current assets 26,09 %

5. Structure of tangible and intangible fixed assets 1998

buildings, halls and constructions
62,13 %



machines, tools and equipment
transportation means, furniture
and office equipment

23,49 %

software 0,29 %

land 14,09 %

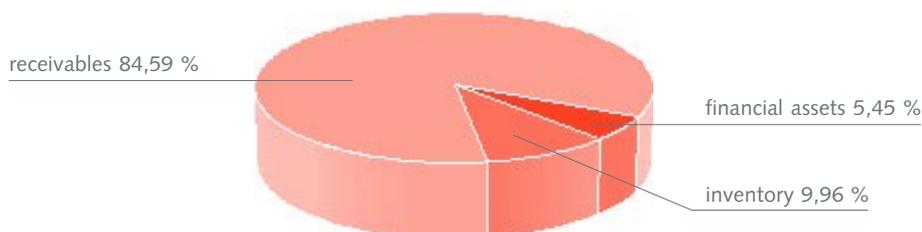
We expect the assumed volume of investments for the year 1999 in amount of 807 millions of Sk, which represents the decrease by 34,3 % in comparison with the year 1998. We intend to invest to the electrification system the amount of 556 millions of Sk and to the heating industry the amount of 111 millions of Sk.

In the sphere of electrification system the following re-constructions belong to the most important supplier constructions, which are planned for the realization in the year 1999:

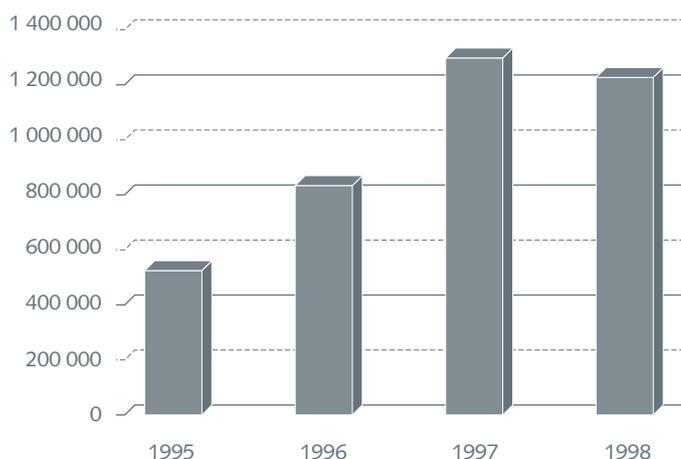
■ TR 110/22 kV Podunajské Biskupice	115 millions of Sk
■ RZ 110 kV Bošáca II	67 millions of Sk
■ RZ 22 kV Piešťany	30,6 millions of Sk

In the sphere of heating networks we plan to realize the construction of, e. g. the hot-water line Paulínska (the 2nd construction) Trnava — 24,5 millions of Sk and additional building to ZRT Bajkalská, Bratislava — 12 millions of Sk.

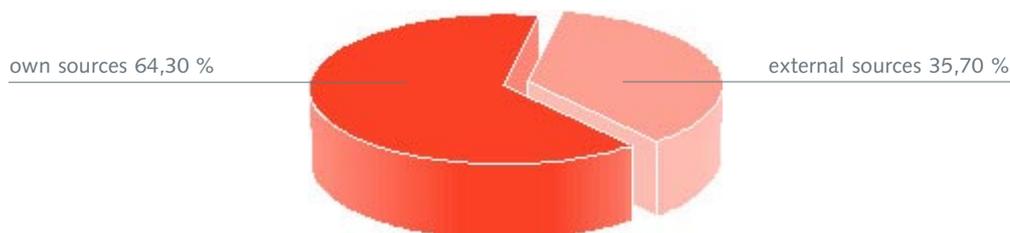
6. Structure of current assets 1998



7. Investment construction in thousands of Sk



8. Structure of capital 1998



FINANCING

The financial policy of the enterprise participated to a great extent in the implementation of the total economic results of the enterprise. We managed to repay the loans — principals and interests — in the terms stipulated in contracts. In spite of some financial problems resulting particularly from the increase of the overdue receivables, we managed to maintain the financial stability of the enterprise. The loan burden to own capital was kept within 32 %, which in comparison with the total development in the economy of the Slovak Republic can be considered as

a positive fact. At the same time one of three basic ratios, resulting from the syndicated revolving five-year loan in total amount of 100 millions of DEM drawn in the year 1997, was fulfilled.

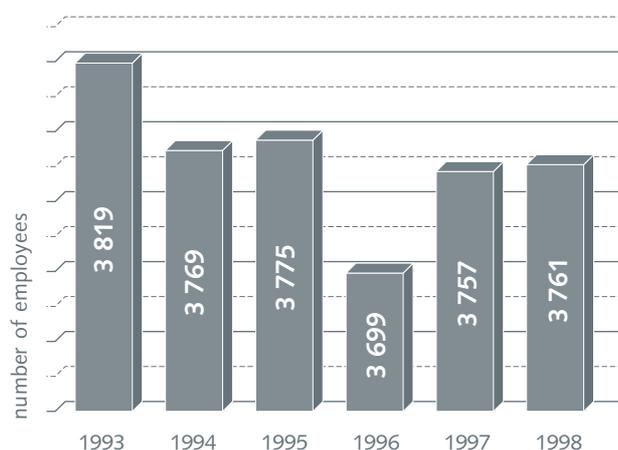
In the year 1998 the balance amount of assets was in comparison with the previous period increased up to 10 261 millions of Sk, whereby the share of the constant assets was increased by 0,55 %. In the structure of receivables the long-term receivables were decreased by 41,05 % and the amount of short-term receivables was increased by 18,06 %. The biggest amount was created by the increase of receivables resulting from sales up to 23,34 % and it reached the amount of 1718 millions of Sk.

In accordance with the government decree of the Slovak Republic No. 647 dated October 10, 1998, ZSE, š. p., and the city Nitra signed the corporate indenture and the memorandum of association Nitrianska paroplynová spoločnosť domiciled in Bratislava. The share of Západoslovenské energetické závody, š. p., in the association represents 90 % of the registered capital. The financial means invested to Nitrianska paroplynová spoločnosť, a. s. represented the amount of 300 thousands of Sk. Further financial means amounting to 53 500 thousands of Sk were, in accordance with the agreement with Slovak Power Plant, provided as an advancement for the purchase of Globtel GSM shares.

In the year 1998 the own capital of ZSE, š. p., was comprised by 64,30 % of liabilities and so it reached the amount of 6598 millions of Sk. As of December 12, 1998 the amount of the registered capital of the enterprise was changed to 4494 millions of Sk. The increase of external sources including other liabilities by 4,52 % was recorded, by which the assets up to 35,70 % were covered. The biggest portion of external sources was represented by the long-term bank loans, which amounted to 2072 millions of Sk, which means the increase by 6,81 % over two years. The long-term payables were increased by 7,61 % and the short-term payables were increased by 80,48 %. The biggest portion of payables were represented by the payables from sales amounting to 1161 millions of Sk, i. e. the increase by 75,54 % over two years.

In the year 1999 the primary task in the sphere of external sources to cover assets is to secure the continuous repayments of the principals and interests on loans, whereby the planned sum of interests amounts to 124 millions of Sk.

9. Total number of employees as of 31st December



Structure of Employees

a) according to sex

Total number of employees as of 31 st December 1998	3 761
of which men	2 865
women	896

b) according to category

of which workers	2 215
technical-administrative employees	1 546

PROFIT AND LOSS STATEMENT

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<i>(in thousands of Sk)</i>	<i>1997</i>	<i>1998</i>
Revenues from merchandise	14 533	22 487
Expenses on the merchandise sold	12 042	19 392
Trade margin	2 491	3 095
Production	12 970 641	13 429 897
Revenues from own products and services	12 627 561	13 039 397
Changes in materials inventory of own products	2 175	- 55
Capitalization	340 905	390 555
Production consumption	11 308 048	11 515 154
Added value	1 665 084	1 917 838
Personnel expenses	833 850	907 115
Taxes and fees	17 933	19 782
Other operating revenues	1 192 072	122 510
Other operating expenses	1 130 307	41 072
Depreciation expenses of tangible and intangible fixed assets	575 213	595 660
Accounting for reserves, provisions and deferrals to operating revenues	40 360	24 967
Additions to reserves, provisions and deferrals to operating expenses	43 672	77 233
Transfer of operating revenues	- 1 084 821	—
Transfer of operating expenses	- 1 084 821	—
Operational economic result	296 541	424 453

<i>(in thousands of Sk)</i>	1997	1998
Financial revenues	456 990	36 825
Financial expenses	523 619	251 227
Accounting for reserves and provisions to financial revenues	33 591	31 366
Additions to reserves and provisions to financial expenses	31 366	62 059
Transfer of financial revenues	—	—
Transfer of financial expenses	—	—
Economic result from financial operations	- 64 404	- 245 095
Income tax on ordinary income — due	109 824	116 098
Income tax on ordinary income — deferred	17 231	6 546
Economic result on ordinary income	105 082	56 714
Extraordinary revenues	1 095 501	7 248
Extraordinary expenses	1 112 931	39 657
Income tax on extraordinary income — due	- 8 243	- 21 799
Income tax on extraordinary income — deferred	—	—
Extraordinary economic result	- 9 187	- 10 610
Economic result for the accounting period	95 895	46 104

BALANCE SHEET

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ASSETS (in thousands of Sk) *as of 31st Dec. 1997* *as of 31st Dec. 1998*

Receivables for subscriptions for own equity capital	—	—
Fixed assets	6 886 496	7 583 863
Intangible fixed assets	82 371	81 510
Tangible fixed assets	6 299 161	6 995 384
Financial investments	504 964	506 969
Intercompany shares and ownership interests in enterprises	399 608	399 908
Other financial investments	105 356	107 061
Short-term assets	2 173 905	2 220 930
Inventory	247 521	221 165
Long-term receivables	10 513	6 167
Short-term receivables	1 586 059	1 872 513
Financial assets	329 812	121 055
Other assets	327 588	456 435
Total assets	9 387 989	10 261 228

LIABILITIES (in thousands of Sk) *as of 31st Dec. 1997* *as of 31st Dec. 1998*

Own capital	6 460 938	6 598 065
Registered capital	4 497 077	4 493 615
Capital funds	126 303	224 559
Funds from profit	1 090 595	1 095 389
Economic result from previous years	651 068	738 398
Economic result from the accounting period	95 895	46 104
External sources	2 780 956	3 515 120
Legal reserves	42 651	74 237
Other reserves	29 062	61 460
Long-term payables	38 758	41 706
Short-term payables	681 920	1 230 705
Bank loans and subsidies	1 988 565	2 107 012
Long-term bank loans	1 939 571	2 071 718
Short-term bank loans and subsidies	48 994	35 294
Other liabilities	146 095	148 043
Total liabilities	9 387 989	10 261 228

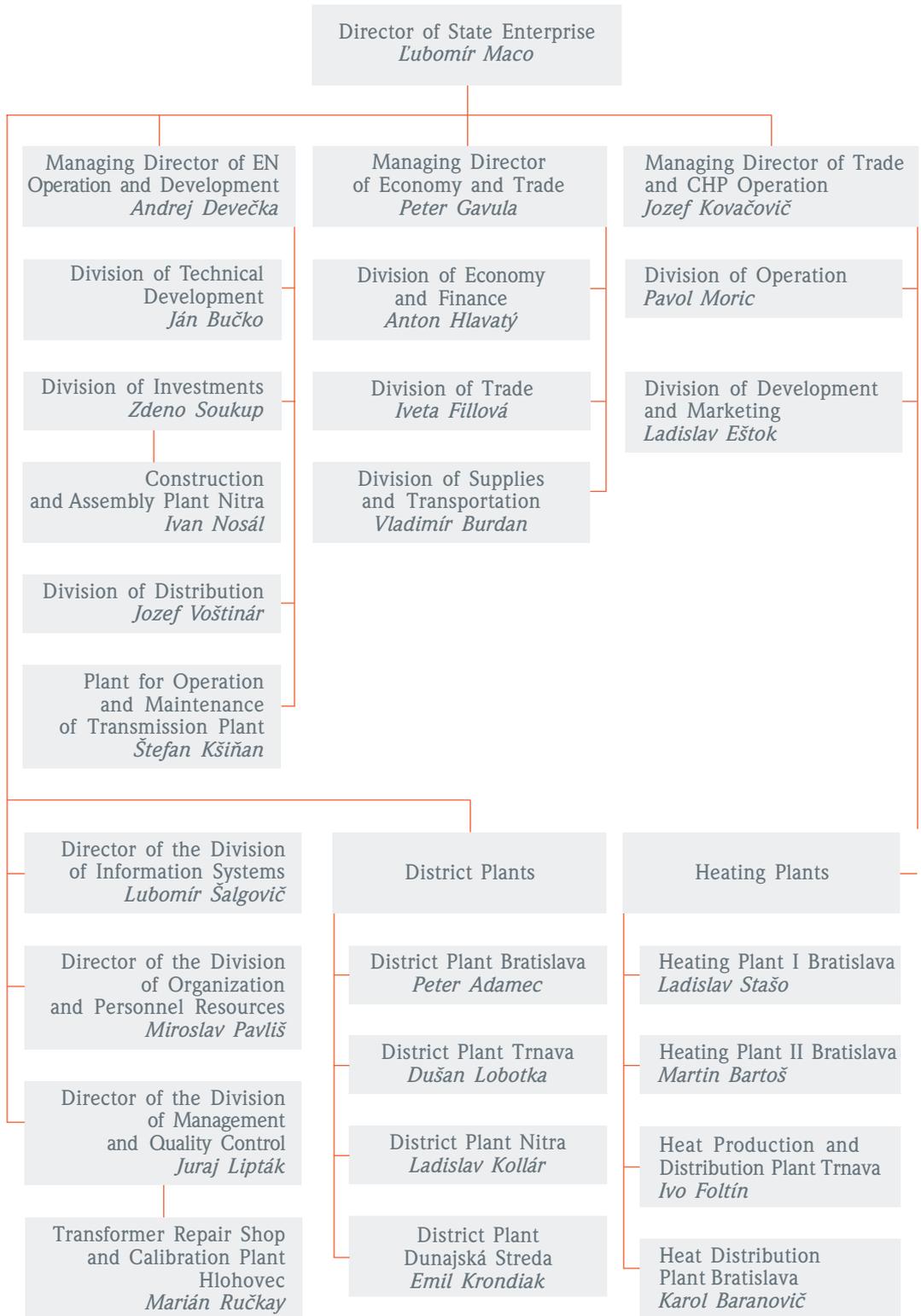
CASH FLOW*as of 31st Dec. 1998*

State of finance at the beginning of accounting period	329 812
Net cash flow from ordinary and extraordinary income	852 677
Accounting economic result	46 104
Adjustments for non-financial operations	531 040
Adjustments of short-term assets	275 533
Investment activity	- 1 203 662
Acquisition of fixed assets	- 1 205 913
Revenues from sales of fixed assets	2 251
Financial income	142 228
Changes in long-term payables	135 095
Increase and decrease of own capital from selected operations	7 133
Gap	0
State of finance at the end of accounting period	12 055

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ORGANIZATION CHART OF ZSE, š. p.



ARTHUR ANDERSEN

REFERENCING REPORT OF AUDITORS

To the shareholders and Board of directors of

Západoslovenské energetické závody, š. p. (state owned company), Bratislava:

We have audited the financial statements of Západoslovenské energetické závody, š. p., as of 31 December 1998 (not presented herein) in accordance with Standards on Auditing issued by the Slovak Chamber of Auditors (SKAU). In our report dated 31 March 1999, we expressed a qualified opinion on these financial statements. These financial statements are the responsibility of the Company's management.

We have reviewed the financial information stated in the Annual Report of Západoslovenské energetické závody, š. p., for the year ended 31 December 1998. During our review, nothing came to our attention that make us to believe that the summarized financial information included in the accompanying Annual Report is not consistent, in all material respects, with the financial statements from which it was derived.

For a better understanding of Západoslovenské energetické závody, š. p., financial position and the results of its operations for the period and of the scope of our audit, the accompanying Annual Report should be read in conjunction with the financial statements from which the summarized financial information presented in the Annual Report was derived and our audit report thereon.


ARTHUR ANDERSEN, k. s.
License No. 95




JÁN HOLÍČKA
License No. 715



31 March 1999
Bratislava, Slovak Republic

ORGANIZATIONAL UNITS OF ZSE

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<i>Name</i>	<i>Address</i>	<i>Telephone</i>	<i>Facsimile</i>
Západoslovenské energetické závody Headquarters of the State Enterprise	Čulenova 6 816 47 Bratislava	+421-7-52 96 17 41-5 +421-7-50 61 11 11	+421-7-52 92 53 14
District Plant Bratislava	Hraničná 14 827 14 Bratislava	+421-7-50 61 31 01	+421-7-53 41 75 96
District Plant Trnava	Ružindolská cesta 12 918 57 Trnava	+421-805-554 51 19-21	+421-805-554 50 81
District Plant Nitra	Štefánikova tr. 45 949 52 Nitra	+421-87-52 24 00-4	+421-87-52 58 47
District Plant Dunajská Streda	Kračanská cesta 1607/45 929 01 Dunajská Streda	+421-709-552 45 51-4	+421-709-557 31 91
Heating Plant I Bratislava	Čulenova 7 816 47 Bratislava	+421-7-50 61 21 01	+421-7-50 61 49 85
Heating Plant II Bratislava	Turbínová 3 832 26 Bratislava	+421-7-50 61 34 51	+421-7-50 61 35 91
Heat Production and Distribution Plant Trnava	Coburgova 84 917 42 Trnava	+421-805-553 60 77-9	+421-805-553 61 68
Heat Distribution Plant Bratislava	Bajkalská 21/A 821 01 Bratislava	+421-7-53 41 49 23	+421-7-50 61 32 90
Construction and Assembly Plant Nitra	Štefánikova tr. 45 949 52 Nitra	+421-87-52 24 00-4	+421-87-52 60 60
Transformer Repair Shop and Calibration Plant Hlohovec	M. R. Štefánika 85 920 01 Hlohovec	+421-804-742 21 20	+421-804-742 30 36
Plant for Operation and Maintenance of Transmission Plants Bratislava	Čulenova 3 816 47 Bratislava	+421-7-50 61 11 11	+421-7-50 61 49 91

