Positive Energy

Annual Report 2003

Člen skupiny e·on

Západoslovenská energetika

Annual Report

2003

Positive Energy

Dear Ladies and Gentlemen,
the year 2003 was the most dynamic year of structural changes for Západoslovenská energetika, a. s. ("ZSE" or "the Company") in its more than 80-year history. The word "restructuring", in its many meanings, has permeated every step and decision made in the process. However, the battle with time was not a simple exercise in chasing deadlines. The starting liberalization in the electricity market and Slovakia's historic accession to the European Union have dictated the pace of changes quite strictly.

The result of this joint effort is a streamlined and customer-oriented company prepared to respond flexibly to the growing needs of its clients, while also using its asset base more effectively. The unified approach to our sales structure means that our business clients receive customized, individual service from travelling key account managers or through the network of trade offices. As of July 2003, household customers have been enjoying the comfort of the new Call Centre that offers a comprehensive non-stop service by telephone.

Outsourcing the Company's three service divisions in July 2003 (Network Construction; Maintenance and Calibration of Electrometers; and Information Technologies) allowed a clear focus on its core business – the purchase, sale, and distribution of electricity. The outsourced services are now provided by ZSE's three subsidiaries and associates: Enermont, s.r.o., OTC, s.r.o., and is: energy Slovakia, s.r.o.

The structure of Company's shareholders has changed, too. In December 2003, the European Bank for Reconstruction and Development became another minority shareholder by purchasing 9% of ZSE's shares. After this transaction, E.ON Energie is holding 40% of all shares.

The removal of cross subsidies in energy prices and the cut of operational costs led to a significantly improved result Company's operations at the year's end. Though the amount of electricity sold to eligible customers and households went down a little bit, a small growth in the small and medium-sized business segments is very good news, indeed. This development confirms that the Government's economy policy is on the right track, contributing to the revival of the Slovak economy.

For this reason, ZSE has welcomed the agreement among shareholders to appropriate part of the 2003 profit to a fund for regional economic development to support further investment activities. This decision indicates that a mutual agreement can be achieved in other open issues as well, such as significant receivables from the health sector.

In the area of energy legislation and regulation, the progress of preparing important rules and norms was slower than expected. On the other hand, the communication on this issue with the Regulatory Offices for Network Industries and the Slovak Ministry of Economy is improving. This makes us optimistic in our hope that together we will set up a regulatory framework beneficial for both consumers and providers, resulting in fair prices, a reliable delivery, and a reasonable return on investments.

2003 was also the first full year of ZSE s operations in a wider international context. As a member of the E.ON Group, the Company's experts and staff had the opportunity to participate in several projects exploring the potential for synergies in this leading world energy company. Contacts to neighbouring sister companies E.ON Bohemia and E.ON Hungaria, as well as to the headquarters in Munich, were intense and regular.

In 2003, both E.ON and ZSE spent a lot of time with consolidating substantially their organizational structures and assets. While working on these challenging issues, our Company did not forget about its broader role as a socially responsible corporation. We are proud of our support to dozens of cultural activities, sporting events, educational and health projects. The Association of Industry and Environmental Protection ("APOP") noticed our activities and nominated ZSE for the prestigious Via Bona Slovakia Award for the year 2003.

We sincerely believe that we succeed in meeting our goals. Appreciation and thanks belong to all ZSE's employees and to our clients and partners who have contributed to this effort in their own unique way.

Let me conclude however, with the most important thing – welcome to Europe!

Konrad Kreuzer
Chairman of the Board of Directors

Table of Contents

Key figures of the Company at December 31, 2003

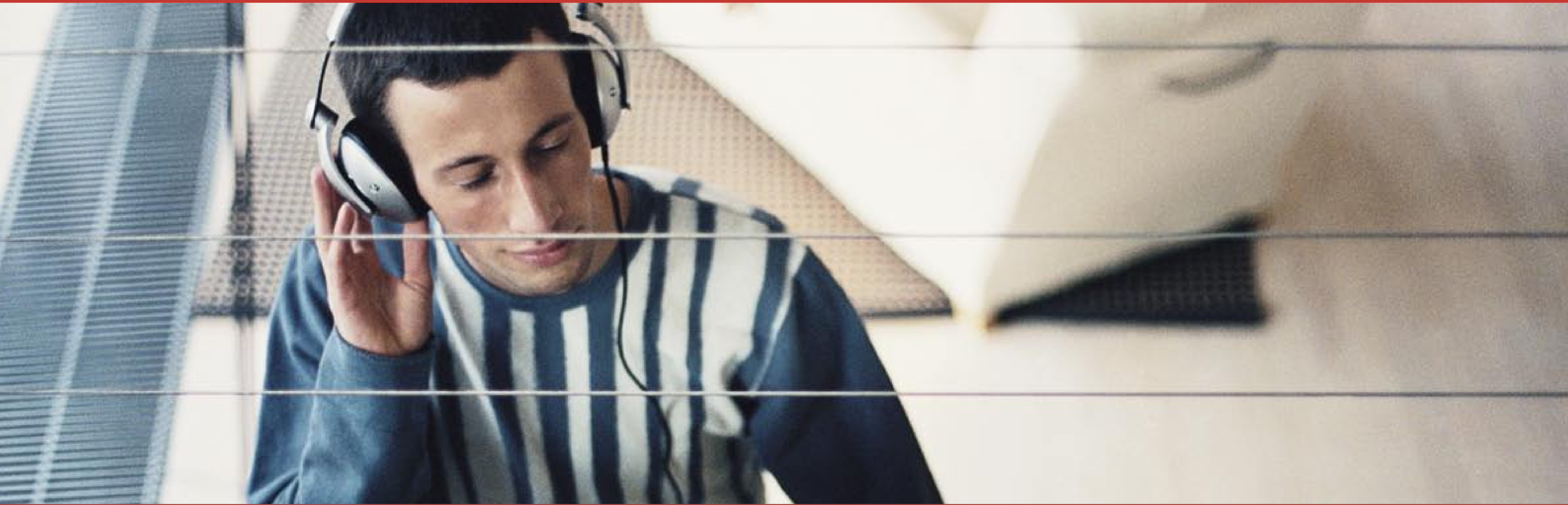
Key figures of the Company at December 31, 2003	December 31, 2003 (million SKK)	December 31, 2002 (million SKK)
Assets	11,461	9,517
of which: Non-current assets	6,574	6,346
Current assets	4,875	3,064
Other assets	12	107
Depreciation of non-current assets (%)	47%	44%
Liabilities and Shareholders' Equity	11,461	9,517
of which: Shareholders' Equity	8,801	7,181
of which: Share capital	5,935	5,935
Liabilities	2,642	2,330
of which: Bank loans and borrowings	305	635
Other liabilities	18	6
Revenues	22,794	19,638
Expenses	20,920	19,208
Profit before tax	2,630	722
Net profit	1,874	430
Net profit per share (SKK)	315.7	72.4
Dividend per share before tax (SKK)	188.0	64.3

Note: As the structure of the balance sheet and the income statement have been changed as of 1 January 2003, data for the previous accounting period shown in the balance sheet and the income statement have been adjusted accordingly without affecting the profit/(loss), equity, or the total value of assets and liabilities.

As the Company has prepared the consolidated financial statements for the year ended 31 December 2003 for the first time, the comparative figures for the previous year are taken from the individual statutory financial statements at 31 December 2002.

Figures	2003	2002
Volume of electricity sold (GWh)	7,303	7,172
Revenues from electricity sold (mil. SKK)	21,125	17,937
Average electricity sale price (SKK/MWh)	2,893	2,501
Volume of electricity purchased (GWh)	8,015	7,891
of which: Slovenské elektrárne, a. s. (%)	84	94
Cost of electricity purchases (million SKK)	15,966	14,721
Average purchase price (SKK/MWh)	1,992	1,867
Volume of electricity produced (GWh)	3.12	5.70
Number of outlets total (ranks)	985,381 (9)[1]	975,997
of which: wholesale purchase - vhv	26 (7)[1]	26
wholesale purchase - hv	4,659 (2)[1]	4,584
wholesale purchase total	4,685 (9)[1]	4,610
retail purchase - lv (corporate customers)	71,088	69,825
retail purchase - lv (household customers)	909,608	901,562
retail purchase total	980,696	971,387
corporate customers total - vhv, hv, lv	75,773 (9)[1]	74,435
household customers - lv	909,608	901,562
Area of distribution (km²)	14,928	14,850
Wiring vvn 110 kV (km)	2,719	2,719
Wiring vn 22 kV (km)	12,574	12,560
Wiring nn 0.4 kV (km)	19,291	19,071

[1] The data in brackets means: of which: non-regulated customers (eligible customers with an individual contract).
Note: vhv – very high voltage, hv - high voltage, lv – low voltage



ZSE's statutory bodies

The company bodies

Members of the Company's statutory bodies in 2003

Board of Directors

Chairman:	Konrad Kreuzer
Vice Chairman:	Ing. Zsolt Nyitrai (appointed on June 27, 2003)
	Doc. Ing. Peter Baláž, Csc. (disengaged on June 27, 2003)
Members:	Dietrich Max Fey
	Ing. Andrej Devečka
	PaedDr.Tibor Végh (appointed on June 27, 2003)
	Doc. Ing. Vladimír Vojtek (disengaged on June 27, 2003)

Supervisory Board

Chairman:	Jozef Urmín (disengaged on June 27, 2003)
Vice Chairman:	Dr. Walter Hohlefelder (Deputizing Chairman from June 27, 2003)
Members:	Ing. Ján Ďurana
	Ing. Dušan Koledzai (appointed on June 27, 2003)
	Ing. Jaroslav Kucbel (appointed on June 27, 2003)
	Martin Ondko (appointed on June 27, 2003)
	József Száraz (appointed on June 27, 2003)
	Ing. Štefan Bartošovič (disengaged on June 27, 2003)
	Ing. Dušan Haruštiak (disengaged on June 27, 2003)
	Ing. Peter Malík (disengaged on June 27, 2003)

Structure of ZSE's shareholders at December 31, 2003

Share in the share capital

	Share in SKK	% of share capital	Voting rights
The National Property Fund	3,026,643	51 %	51
E.ON Energie AG, Munich	2,373,838	40 %	40
EBRD, London	534,113	9 %	9

ZSE's history

January 10, 1902	The municipal power plant in Bratislava starts operation. On Main Square and Corso, the first electric street lamps are switched on.
December 20, 1921	Founding General Meeting of ZSE.
June 1, 1922	ZSE is registered as a legal entity.
February 11, 1942	ZSE commissions the first 100 kV line between Trnava and Bratislava, also with 100/22 kV terminals.
December 7, 1952	The first interstate connection at the level 110 kV between TR Nové Zámky and TR Kisigmánd (Hungary).
June 11, 1970	The VHV network of ZSE is connected to the 400 kV national transmission system, making the supply of electricity more reliable.
November 1, 2001	After 55 years, ZSE again becomes a joint stock company.
June 13, 2002	Representatives of the Government of the Slovak Republic and of the German concern E.ON Energie, based in Munich, signed an agreement on the transfer of a 49 % stake in ZSE, a. s., to E.ON Energie for a total price of EUR 330 million.
September 5, 2002	The stake of 49 % in ZSE, a. s., is transferred to E.ON Energie AG.
November 19, 2003	European Bank for Reconstruction and Development (EBRD) and E.ON Energie signed the agreement on the sale of 9% stake in ZSE.
December 16, 2003	E.ON Energie's 9% stake is transferred to European Bank for Reconstruction and Development (EBRD).

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Report of the Supervisory Board

Report on ZSE's Supervisory Board activities in 2003

This report analyses activities in the following areas:
1. The personal composition of the Supervisory Board
2. Meetings of the Supervisory Board in accordance with the 2003 Activity Plan
3. Execution of the Supervisory Board's Activity Plan in 2003
4. Performance Appraisal of the Board of Directors

1. The personal composition of the Supervisory Board

During the year, the Supervisory Board's activities were affected by the following three events related to its personal structure:

a) Replacement of representatives of one shareholder (the National Property Fund) and of the executor of shareholders' rights, the Slovak Ministry of Economy, according to the Resolution of the General Meeting held on June 27, 2003:
   - Disengaged: Ing. Jozef Urmín – Chairman of the Supervisory Board, and Ing. Peter Malík, Ing. Dušan Haruštiak, and Ing. Štefan Bartošovič – members of the Supervisory Board
   - Appointed members: Ing. Dušan Koledzai, Ing. Jaroslav Kucbel, Martin Ondko, and József Szárasz.

b) Three positions for staff representatives remained vacant. Representatives of five trade unions operating within the Company failed to come to an agreement on the rules for electing staff representatives to the Supervisory Board. Therefore, the election did not take place.

c) After withdrawing its chairman Ing. Jozef Urmín, the Supervisory Board worked under leadership of Mr. Walter Hohlefelder, the Vice Chairman, in the second half of the year.

In spite of these challenges, the Supervisory Board performed its tasks under the Company's Articles of Association.

2. The Supervisory Board's meetings in view of the 2003 Activity Plan

The Supervisory Board had four ordinary and three extraordinary meetings in 2003. The 2003 Activity Plan was accepted at the second meeting on May 26, 2003. In the future, it will be necessary to change the usual practice so that the Activity Plan for the next year is approved at the Supervisory Board's last meeting in the current year.

In addition to the planned and regular agenda, ordinary meetings discussed key issues related to the Company's restructuring process and the acceptance of new Articles of Association. The Supervisory Board appreciates how the Company's management succeeded to manage the extensive programme of changes in a very short time.

Due to the complexity of structural changes, three extraordinary meetings of the Supervisory Board had to be called with the following agenda:

- February 5, 2003 – ZSE's Final Organizational Structure at July 1, 2003 was approved
- April 8, 2003 –Outsourcing the Network Construction and IT Divisions as well as the Division for Repairing Transformers and Inspecting Electrometers was approved
- June 13, 2003 – Session Rules of ZSE's Supervisory Board were approved.

3. Execution of the Supervisory Board's 2003 Activity Plan

Only two ordinary Supervisory Board's meetings (held on September 22, 2003 and on December 12, 2003) can be assessed with respect to the execution of the accepted Action Plan. Both meetings met their objectives. On May 26, 2003, the Supervisory Board discussed the ordinary financial statements and the distribution of the Company's 2002 profit and recommended to the General Meeting to approve them. In the future, it is necessary to discuss the Supervisory Board's Activity Plan for the next year at its last meeting in the current year.

4. Performance appraisal of the Board of Directors

Activities of the Board of Directors are analysed in the following two areas:
- Personal composition of the Board of Directors
- Execution of the Supervisory Board's supervision over the Board of Directors' performance in accordance with the Company's Articles of Association.

a) Similarly as in the Supervisory Board, representatives of the majority shareholder in the Board of Directors were also replaced due to the resolution of the extraordinary General Meeting held on June 27, 2003. Ing. Zsolt Nyitrai replaced Prof. Ing. Peter Baláž, PhD, the Vice Chairman of the Board of Directors, in his position and Ing. Tibor Végh replaced Prof. Ing. Vladimír Vojtek, the member of the Board of Directors.

b) The Supervisory Board's supervision over the Board of Directors' activities was carried out through sending information about the Board of Directors' meetings together with their agenda and Ing. Ján Ďurana's presence in the Board of Directors' meetings. Further information and communication between the members of the Supervisory Board and the Company's management occurred on an individual interest basis. The foreign shareholder's representatives in the Board of Directors remained and worked unchanged. Changes in the Board of Directors affected neither the Company's operation nor the activities of the Board of Directors in view of functions specified in the Company's Articles of Association.

Resolution of the ZSE's Supervisory Board

ZSE's Supervisory Board takes note of:
- ZSE's financial statements at December 31, 2003;
- ZSE's consolidated financial statements at December 31, 2003;
- the Report of Independent Auditors.

The Supervisory Board has reviewed the annual financial statements and the proposal for profit distribution and recommends to the General Meeting to approve the following:
- ZSE's statutory financial statements at December 31, 2003;
- ZSE's consolidated statutory financial statements at December 31, 2003;
- the proposal for profit distribution.

The proposal for profit distribution

	SKK
Retained Profit [1]	**1,877,300,264**
A/ Appropriations to the reserve fund (20%)	375,460,053
B/ Appropriations to other funds	0
C/ Appropriations to the social fund	5,000,000
D/ Bonuses - 0.3 %	5,631,901
Board of Directors 5/7	
Supervisory Board 2/7	
E/ Dividends	1,303,478,284
Total profit distribution	1,689,570,238
Profit not distributed	187,730,026

[1] The retained profit according to ZSE's statutory financial statements at December 31, 2003.

Ing. Ján Mitaľ
Chairman of the Supervisory Board of ZSE, a.s.

Proposal for profit distribution approved by the general meeting of the company on August 3, 2004 (in SKK)

Mutual consent of the shareholders, which followed after the meeting of the Supervisory Board had taken place, led to a decision to establish a fund for regional economic development intended as a contribution to positive development of economy on the territory of Western Slovakia. This decision was then approved by the general meeting of the company on August 3, 2004.

Profit distribution

	In SKK
Retained Profit [1]	**1,877,300,264**
A. Contribution to reserve fund (20%)	375,460,053
B. Contribution to regional economic development fund	375,460,053
C. Contribution to social fund	5,000,000
D. Renumeration of statutory body members - 0,3 %	5,631,901
Board of directors 5/7	
Supervisory Board 2/7	
E. Dividends	1,115,748,257
Total distribution of profit	1,877,300,264

[1] The retained profit according to ZSE's statutory financial statements at December 31, 2003.

Opening the electricity market – thinking and acting as partners

Energy enterprises are known for highlighting reliability of their services as part of their great tradition. Opening the market is a tool that shifts quality assessment of these traditions to the right place – to customers' hands.

ZSE did not wait for this moment with hands folded in its lap. Therefore, it took the chance to test the real market opening in 2003 as the only distribution company in Slovakia. Based on its practical experience and analysis of the needs of its clients, the Company has redesigned the structure of its customer services to meet the new demands. All its activities are now focused on the client and his needs.

TOP clients

Regulation No. 548/2002 Coll. of the Slovak Ministry of Economy formally opened the market already in 2002 – for the eligible customers with an annual consumption over 100 GWh (customers with the option to select their own electricity suppliers). Nevertheless, missing implementing rules prevented parties from concluding customized contracts. The decrease of the consumption threshold to 40 GWh in 2003 (set out in the Regulation) has significantly extended the range of potential applicants for such liberalisation benefits.

These customers were supposed to be the first to experience the benefits of opening the electricity market. That is why ZSE established a separate Customer Care Division for key clients as of 1 January 2003. Its main task is to provide individual care to the most important clients with annual consumption over 2 GWh. The Company has made its product and service portfolio even more attractive by increasing electricity imports and offering the conclusion of individual contracts beyond the scope of the regulated pricelist. Customers were also given the possibility of direct electricity imports.

The individual approach philosophy is based on making the supplier – customer relationship more personal. Now, an assigned Key Account Manager (KAM) tries to solve the requirements and needs of an eligible customer by visiting him directly in his premises. The number of KAMs increased from three to eight during the reporting year.

ZSE is also a Slovak pioneer in concluding first individual electricity supply contracts. Most eligible clients have used this opportunity thanks to the professionally provided information and the KAM support.

A positive response from our clients shows that ZSE has selected the correct approach and is on track to extend the reliability tradition also by the tradition of high-quality customer services.

TOP clients

	Amount	Consumption (GWh)	Share in the total supply of ZSE	Supply from another supplier (GWh)
TOP customers with consumption over 2 GWh	313	3,472	48 %	0
Customers with consumption over 40 GWh	13	1,668	23 %	96
Of which customers with individual contract	9	1,214	17 %	96

Business entities – Wholesale and retail

It was these small and medium businesses that made ZSE's electricity sales volume go up in 2003. Sales offices that, until then, were rather a general point of contact with customers, started to take over the client service in this customer segment.
Concentrated in catchment areas of the region, trade offices are going to become contracting and advisory centres for the most dynamically growing economy sector. In 2003, the way of serving clients, office interiors, but first of all filling job positions with candidates who put the customer on the first place and have adequate knowledge to serve him well, were adapted to this vision.

Household customers

ZSE has not forgotten about the largest group of clients either. On July 1, 2003, a new call centre was put in operation in Nitra. It provides comfortable complex non-stop services to customers, concentrated to one place.
The telephone customer service is supported by the latest information technology. The call centre operators can respond to any form of client requests – filed by phone, fax, e-mail or even by standard mail. The Company has thus positively responded to a growing customer demand for electronic services.
With a monthly average of 30 thousand taken calls with current 21 operators (at the end of 2003), a growth up to 75 thousand calls is expected in the future. This will require an extension to 54 operator positions.

Purchase of electricity

In 2003, many dynamic changes took place in operations as well as in technical terminology in this area, the key change having been the introduction of an average price for band energy by Slovenské elektrárne, a.s. ("SE"), which does not include fees for system services and system costs and the transmission grid access. The new elements of the Slovak energy market also included mechanisms of individual and delegated responsibility for deviations from the daily delivery diagram.

ZSE is the only distributor in Slovakia that has adopted the responsibility for daily diagram fluctuations. SE took this responsibility for other market participants or clearing entities. Even though these market conditions set by SE were not favourable for us, the Company managed to deal with them during the year. By adjusting the daily diagram, the Company optimised fluctuations and fees to the level appropriate to the distributed energy amounts. A continuous monitoring of factors affecting the hourly daily diagram has thus contributed to a better preparation for conditions expected in 2004, where a gradual development of free spot trading with fluctuations from the projected daily diagram is expected.

Environment

ZSE applies the partnership approach not only toward its customers. It has been adopted also towards the environment. The principles of a sustainable development were adopted already several years ago. The Board of Directors approved the Principles of Environmental Protection and Development and the Company regularly spends a lot of money to make its energy facilities more environmental friendly. The cost of these activities totalled SKK 43 million in 2003.

The Company creates conditions for ensuring an effective water consumption and keeping the pollution of wastewater as low as possible. It also consistently meets the strict requirements of the Water Act regarding the treatment of substances jeopardising the quality of surface water and groundwater.

ZSE's waste management follows its own Waste Management Program – prevention of waste creation, reduction of waste, and preference of waste recycling to its liquidation.

In 2003, the Company's activities have been directed also towards the protection of air fauna through installation of plastic spike protection. Within the Action Plan for Implementing the National Strategy of Biodiversity Protection in Slovakia in the Period from 1998 to 2010, the Company's technicians installed over 3,000 pieces of plastic spike protection on 22 kV lines to prevent the potential death of birds hit by electricity.

As a member of the non-governmental Association of Industry and Environmental Protection ("APOP"), the Company widely supports its environmental protection projects. For these activities, ZSE was nominated for a prestigious Via Bona Slovakia 2003 Award for an exemplary conduct in this area.

Subject of business activities

General information on the Company and its business activities

Západoslovenská energetika, a.s. (hereafter "the Company"), IČO (corporate ID) 35 823 551, registered address Čulenova 6, 816 47 Bratislava, was established on October 15, 2001 and incorporated in the Commercial Register on November 1, 2001. The Company is registered in the Commercial Register of the District Court Bratislava I, Section Sa, Insert 2852/B.

The Company is one of the legal successors of the state-owned company Západoslovenské energetické závody, štátny podnik. In accordance with decision No. 96/2001 issued by the Minister of Economy, this state-owned company was wound up without liquidation at October 31, 2001. One day after its wind-up, its assets and liabilities were transferred to the National Property Fund (FNM) of the Slovak Republic in accordance with the privatisation project. On November 1, 2001, the National Property Fund of the Slovak Republic contributed these assets and liabilities to the following joint-stock companies: Západoslovenská energetika, a.s., Bratislavská teplárenská, a.s. and Trnavská teplárenská, a.s.

In accordance with General Assembly decision from June 27, 2003, the Company sold parts of the company consisting of the divisions as follows: network building; information technologies; and electrometer maintenance and calibration) on July 1, 2003.

Core business activities according to the extract from the Commercial Register:

- electricity purchasing, transmission and distribution,
- development and design of power distribution networks, transformer stations up to a voltage of 110 kV, industrial installations,
- capital construction design,
- capital construction engineering,
- inspection of operational boilers and gas equipment,
- inspection of electrical equipment,
- installation, repair and maintenance of heating electrical equipment and production of low voltage distribution systems,
- installation and repair of gas equipment,
- repair and installation of boilers, stable pressure vessels,
- repair of electrometers, welding transformers, rotating machines and asynchronous motors, as well as servicing of hydraulic equipment
- installation and repair of heat meters,
- engineering for the HV network distribution system,
- operating overhead cable transformer stations up to 22 kV, LV public lighting networks,
- provision of software and automated data processing,
- provision of telecom services outside the public voice telephone service,
- provision of non-public telecom services through terrestrial satellite stations and VSAT stations.

Basic organisational structure of the Company

Basic organisational structure of the Company consists of:

• Administration of the Board of Directors,
• CIO,
• Distribution of Electric Energy Division,
• Finance and Internal Services Division,
• Trade and Sales of Electricity Division,
• Restructuring Directorate.

Its registered office is at the address Západoslovenská energetika, a. s., Čulenova 6, 816 47 Bratislava.

The organisational structure of the Company consists of two steering levels – division and section. As part of the sections, teams as the informal organisational units are set up.

The Company Západoslovenská energetika, a. s. has two subsidiaries as follows:

100% share in the share capital in the company ENERMONT, spol. s r. o., based on Hraničná 14, 827 14 Bratislava,

100% share in the share capital in the company OTC, spol. s r. o., based on M. R. Štefánika 85, 920 01 Hlohovec.

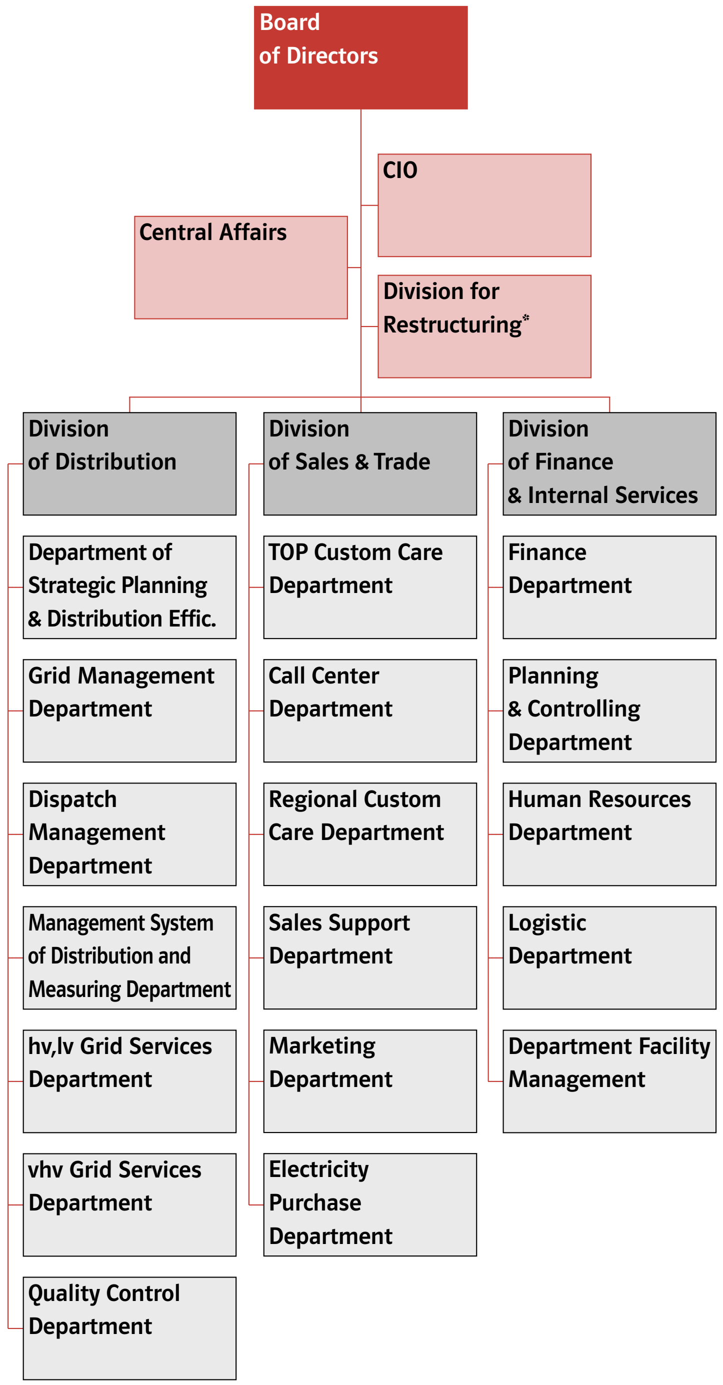
The Company Západoslovenská energetika, a. s. registers following shares:

90% share in the share capital in the company Nitrianska paroplynová spoločnosť, a. s., based on Čulenova 6, 816 47 Bratislava,

49% share in the share capital in the company is:energy Slovakia, spol. s r. o., based on Čulenova 6, 816 47 Bratislava,

16.67% share in the share capital in the company ENERGOTEL, a. s., based on Miletičova 7, 821 08 Bratislava.

Organisational chart



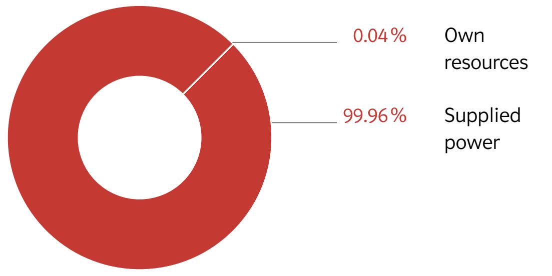
*temporary Division established until December 31, 2003

Structure of resources and utilization of electricity

Structure of resources of electricity

	(MWh)
Own resources	3,124
Supplied power	8,012,313

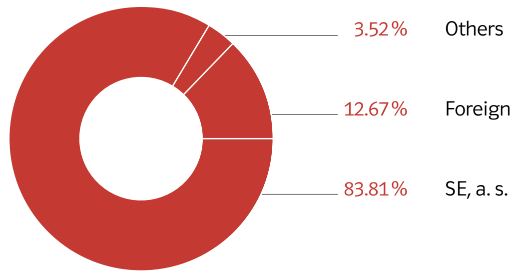
Structure of resources of electricity



Structure of supplied electricity

	(MWh)
Slovenské elektrárne, a. s.	6,715,182
Others	281,867
Foreign	1,015,264

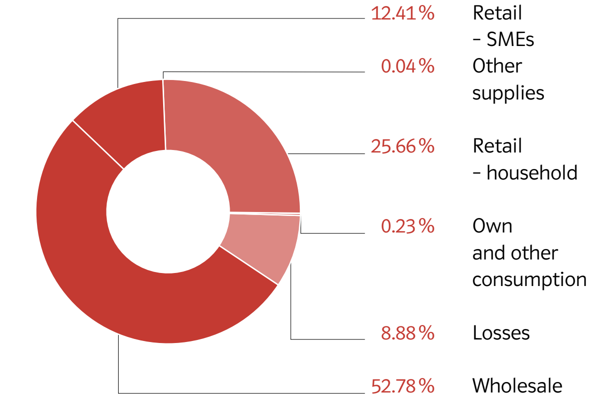
Structure of supplied electricity



Structure of electricity consumption

	(MWh)
Wholesale	4,230,415
Retail - SMEs	994,477
Retail - household	2,056,583
Other supplies	3,541
Own and other consumption	18,426
Losses	711,995

Structure of electricity consumption



Consumed power supply (GWh)

Year	Consumed power supply	Wholesale share	Retail share
2003	7,303	4,230	3,051
2002	7,172	4,090	3,061
2001	6,946	3,904	2,995
2000	6,779	3,676	3,051
1999	6,715	3,425	3,233
1998	6,662	3,454	3,147
1997	6,654	3,463	3,123
1996	6,626	3,498	3,046
1995	6,466	3,498	2,915
1994	6,195	3,399	2,731

Economy

Economy

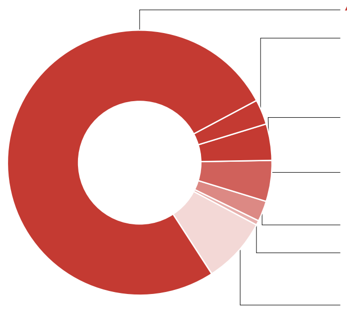
The Company made a consolidated after-tax profit of 1,873,734 TSKK, exceeding the plan by 600, 874 TSKK, or 47.21 %.

Review of 2003 ratios

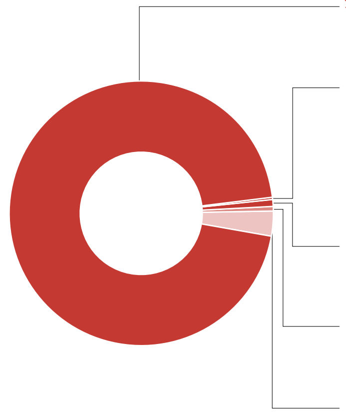
	Actual in TSKK
Revenues	21,604,012
EBIT (Profit/loss from operations)	2,258,545
EBIT-Margin	10.45 %
EBITDA	2,753,628
EBITDA-Margin	12.75 %
Profit for the accounting period	1,873,734

The consolidated profit before taxes for the period January to December 2003 totalled 2,630,400 TSKK, 53.28 % higher than planned.

Cost structure 2003

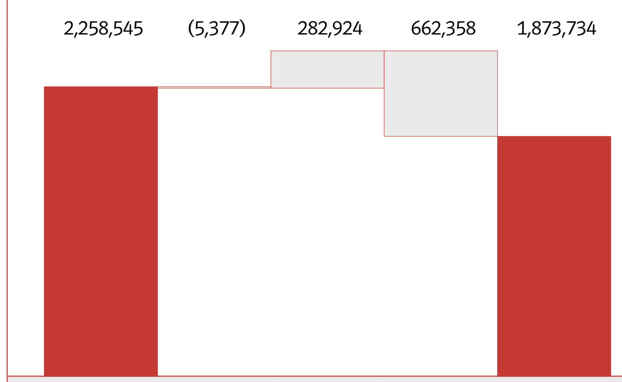


Revenue structure 2003



Profit structure in 2003 (TSKK)

TSKK



Financing

A surplus of free monetary funds from operating activities in 2003 as well as balances on the Company's bank accounts from previous periods had positively effected the Company's financial results in the reporting year. Owing to this, the interest income from free monetary funds amounted to about SKK 120 million in 2003.

No new loans were drawn in 2003. The Company covered the operational needs and capital expenditures from its own resources. The debt from the existing loan granted by Citibank (Slovakia) a.s. in 2001 was redeemed pursuant to the Loan Agreement. The total interest from the loan amounted to SKK 37 million for the reporting period. After repaying the loan principal of SKK 330 million in 2003, the total balance of the Company's loan was reduced to SKK 305 million at the year's end.

In July 2003, pursuant to ZSE General Meeting's resolution regarding the 2002 profit distribution, dividends net of the withholding tax were paid to the Company's shareholders, i.e. to the National Property Fund and E.ON Energy AG in the total net amount of SKK 343 million.

The shareholders' equity increased by SKK 1,620,587 thousand and the borrowed capital including other liabilities by SKK 322,756 thousand, resulting in the overall liability increase of SKK 1,943,343 thousand.

Trade receivables and payables

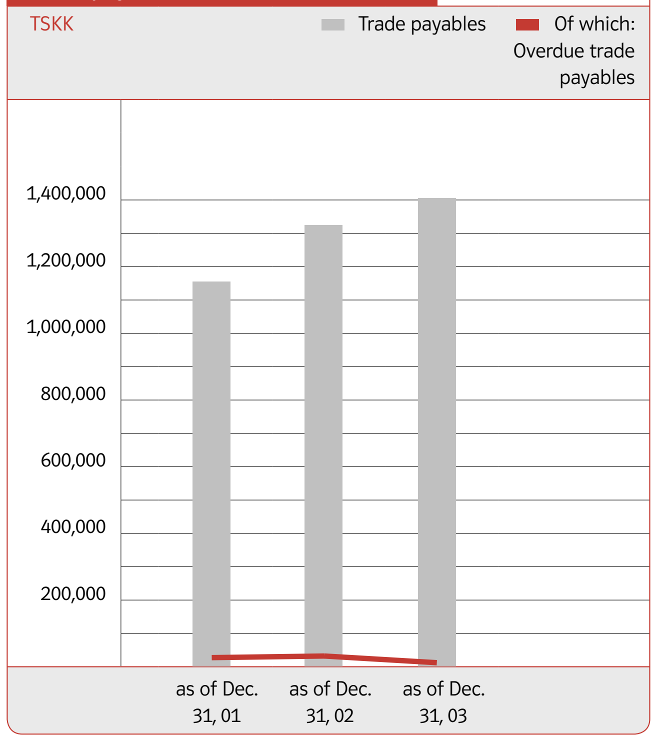
Trade receivables increased by 691,984 TSKK compared to 2002 resulting particularly from the increase of receivables from retail customers caused by stop measurement of electric energy. Overdue receivables increased by 130,546 TSKK compared to 2002 whereas the receivables for the electric energy totalled 1,151,086 TSKK, including the health sector, which accounted for 461,726 TSKK that represents the increase by 122,931 TSKK compared to 2002.

Trade receivables and payables

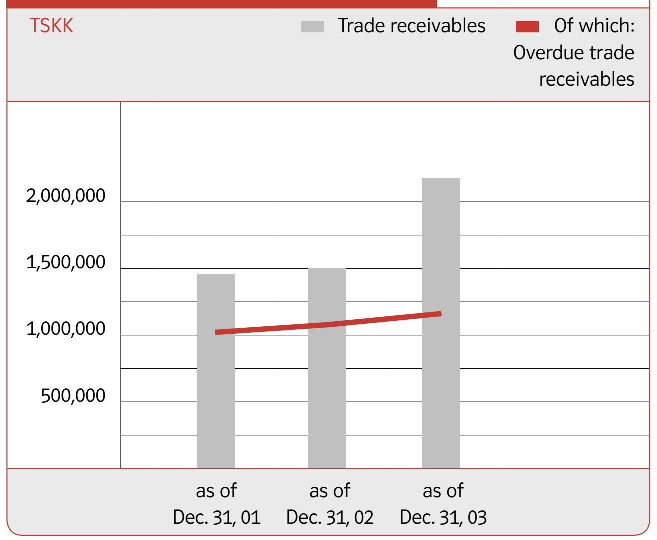
TSKK	as of Dec. 31, 01[1]	as of Dec. 31, 02[1]	as of Dec. 31, 03[1]
Trade receivables	1,472,462	1,509,289	2,201,273
of which: Overdue trade receivables	1,007,438	1,077,422	1,207,968
Trade payables	1,156,517	1,326,298	1,406,613
of which: Overdue trade payables	27,683	36,223	715

[1] As the structure of the balance sheet and the income statement have been changed as of 1 January 2003, data for the previous accounting period shown in the balance sheet and the income statement have been adjusted accordingly without affecting the profit/(loss), equity, or the total value of assets and liabilities.
As the Company has prepared the consolidated financial statements for the year ended 31 December 2003 for the first time, the comparative figures for the previous year are taken from the individual statutory financial statements at 31 December 2002.

Trade payables



Trade receivables

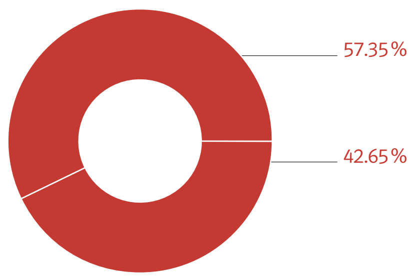


Financial indicators

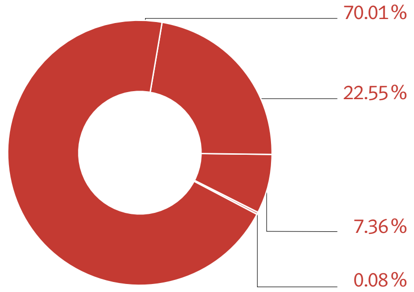
1. Liquidity indicators	Jan. – Dec. 2002	Jan. – Dec. 2003
Available liquidity (0.2-0.6)	0.89	1.11
Current liquidity (1-1.5)	1.98	2.26
2. Actvity indicators		
Stock turnover in days	3.13	2.30
Trade receivables turnover in days	29.26	31.01
Trade payables turnover in days	28.07	28.10
3. Debt indicators		
Debt level (from bank loans in %)	6.67	2.66
Debt level (from liabilities in %)	24.55	23.20
Degree of financial independence	32.54	30.22

Note: As the structure of the balance sheet and the income statement have been changed as of 1 January 2003, data for the previous accounting period shown in the balance sheet and the income statement have been adjusted accordingly without affecting the profit/(loss), equity, or the total value of assets and liabilities.
As the Company has prepared the consolidated financial statements for the year ended 31 December 2003 for the first time, the comparative figures for the previous year are taken from the individual statutory financial statements at 31 December 2002.

Assets structure as of Dec. 31, 2003

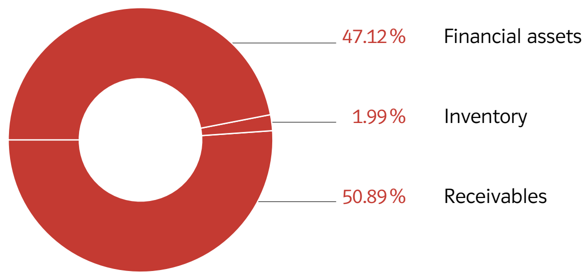


Tangible and intangible assets structure as of Dec. 31, 2003 [1]

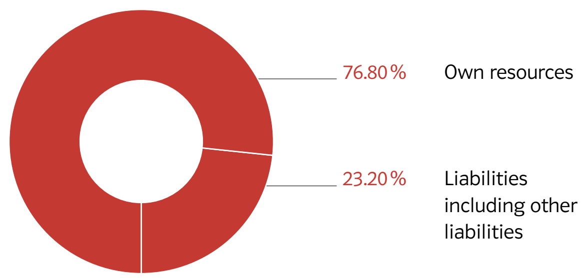


[1] Tangible and intangible assets without acquisition of non-current assets and advance payments

Current assets structure
as of Dec. 31, 2003

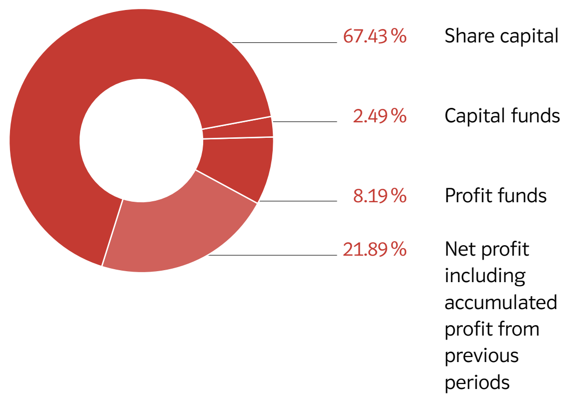


Capital structure as of Dec. 31, 2003



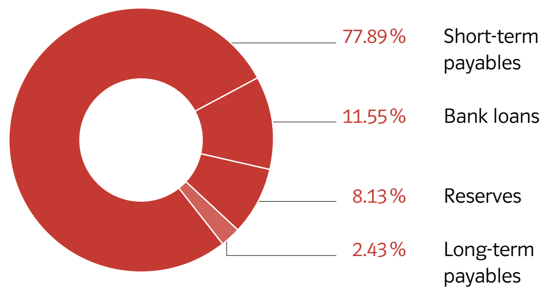
Shareholders' equity
as of Dec. 31, 2003

In the amount of 8,801,342 TSKK



Liabilities as of Dec. 31, 2003

In amount of 2,641,600 TSKK

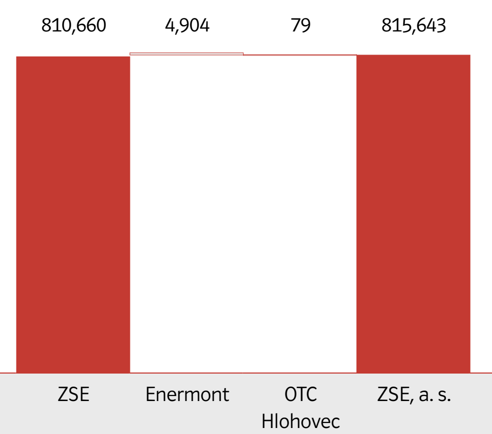


Capital expenditure

The volume of capital expenditure of the Company, including the 100 % - subsidiaries totalled 815,643 TSKK as of 31 December 2003.

Capital expenditure including 100%

Subsidiaries (TSKK)



The capital expenditure plan of mother company was fulfilled in the period in amount of 810,660 TSKK which represents 79.8 %. Unfulfillement of the plan was caused mainly by supplier constructions, reconstruction and also piece tangible assets.
Supplier constructions were fulfilled to the extent of 70.9 %, the own and joined investments were fulfilled to the extent of 93.1 % and capital expenditure for individual tangible assets was fulfilled to the extent of 69.1%.

The investments related to the electricity distribution network amounted to SKK 518 million.

The largest volume of investments

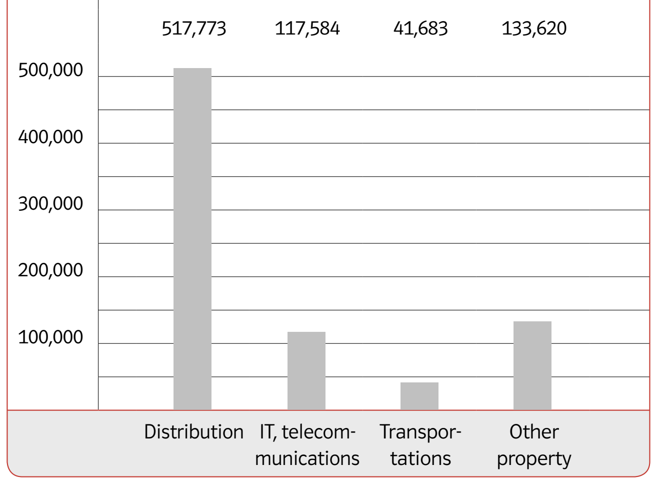
	TSKK
construction of control systems	46,778
Call Centre in Nitra	32,842
Reconstruction of 110 kV switching station in Bošáca-Dubnica	32,398
remote-operated section switches	22,030

Capital expenditure in ecological projects totalled SKK 13,126 thousand

	TSKK
Transformer station in Myjava – underground waters protection	4,488
Transformer station in Štúrovo – underground waters protection	4,347
Transformer station in Senec – underground waters protection	1,806

Investment structure

TSKK



Employee structure

Employee structure

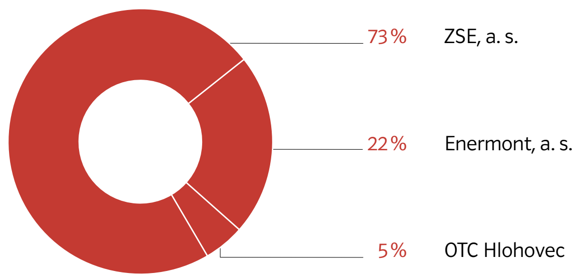
No. of employees at December 31, 2002	2,542
Additions during 2003	**72**
free recruitment	61
return from dormant contract	11
Termination of employment during 2003 year	**626**
by agreement	53
terminated by employee	2
terminated due to definite period	33
retirement, disability pension	28
death	7
in probationary period	3
for dormant contract	12
due to reorganization	372
delimitation of IS energy	116
No. of employees at December 31, 2003	**1,988**

No. of employees at December 31, 2003

	December 31, 2003	Share (%) in 2003
ZSE	1,437	73%
Enermont	442	22%
OTC Hlohovec	109	5%
Total	1,988	100%

Employees on payroll but on duty outside of ZSE (Maternity leave, mandatory military service)

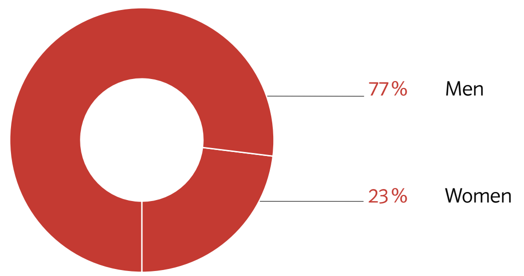
Structure of employees at December 31, 2003



Structure of employees by sex

	December 31, 2003	Share (%) in 2003
Women	457	23%
Men	1,531	77%
Total	1,988	100%

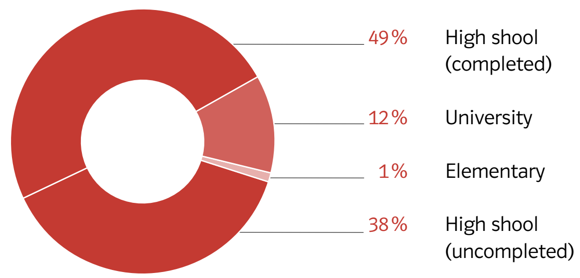
Structure of employees by sex



Structure of employees by education

	December 31, 2003	Share (%) in 2003
Elementary	23	1.2%
High school (uncompleted)	759	38.2%
High school (completed)	959	48.2%
University	247	12.4%
Total No. of employees	1,988	100.0%

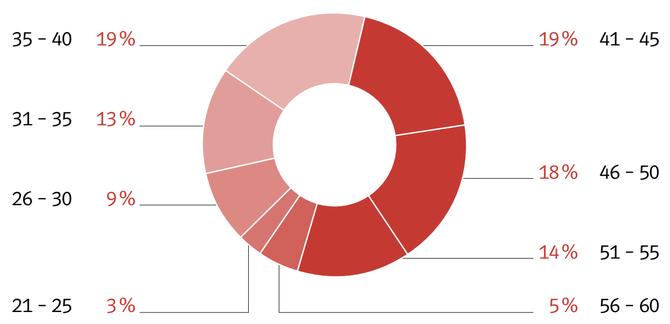
Structure of employees by education



Structure of employees by age at December 31, 2003

Age category	December 31, 2003	Share (%) in 2003
Up to 20 years	3	0.2 %
21 – 25 years	64	3.2 %
26 – 30 years	174	8.7 %
31 – 35 years	249	12.5 %
35 – 40 years	389	19.6 %
41 – 45 years	369	18.5 %
46 – 50 years	356	17.9 %
51 – 55 years	276	13.9 %
56 – 60 years	107	5.4 %
Over 60 years	1	0.1 %
Total	1,988	100.0 %

Structure of employees by age at December 31, 2003



Balance Sheet

Assets

Assets		Line No.	Current accounting period Net	Preceding accounting period Net
	Total assets line 002 + line 003 + line 032 + line 062	**001**	**11,460,808**	**0**
A.	**Receivables related to unpaid share capital (353)**	**002**	**0**	**0**
B.	**Non-current assets line 004 + line 013 + line 023**	**003**	**6,573,330**	**0**
B.I.	**Non-current intangible assets - total (lines 005 to 012)**	**004**	**203,669**	**0**
B.I.1.	Incorporation expenses (011) - /071, 091A/	005	361	0
2.	Capitalized development costs (012) - /072, 091A/	006	0	0
3.	Software (013)-/073, 091A/	007	3,336	0
4.	Valuable rights (014) - /074, 091A/	008	287	0
5.	Goodwill (015) - /075, 091A/	009	0	0
6.	Other non-current intangible assets (019, 01X) - /079, 07X, 091A/	010	0	0
7.	Acquisition of non-current intangible assets (041) - 093	011	199,685	0
8.	Advance payments made for non-current intangible assets (051) - 095A	012	0	0
B.II.	**Property, plant and equipment - total (lines 014 to 022)**	**013**	**6,320,138**	**0**
B.II.1.	Land (031) - 092A	014	389,873	0
2.	Structures (021) - /081, 092A/	015	3,708,307	0
3.	Individual movable assets and sets of movable assets (022) - /082, 092A/	016	1,192,972	0
4.	Perennial crops (025) - /085, 092A/	017	0	0
5.	Livestock (026) - /086,092A/	018	0	0
6.	Other property, plant and equipment (029, 02X, 032) - /089, 08X, 092A/	019	1,391	0
7.	Acquisition of property, plant and equipment (042) - 094	020	1,027,495	0
8.	Advance payments made for property, plant and equipment (052) - 095A	021	100	0
9.	Value adjustment to acquired assets (+/- 097) +/- 098	022	0	0
B.III.	**Non-current financial assets - total (lines 024 to 031)**	**023**	**49,523**	**0**
B.III.1.	Shares and ownership interests in a controlled entity (061) - 096A	024	900	0
2.	Shares and ownership interests with significant influence over enterprises (062) - 096A	025	37,486	0
3.	Other long-term shares and ownership interests (063, 065) - 096A	026	11,137	0
4.	Intercompany loans (066A) - 096A	027	0	0
5.	Other non-current financial assets (067A, 069, 06XA) - 096A	028	0	0
6.	Loans with maturity up to one year (066A,067A,06XA)-096A	029	0	0
7.	Acquisition of non-current financial assets (043) - 096A	030	0	0
8.	Advance payments made for non-current financial assets (053) - 095A	031	0	0

Assets (continue)

Assets		Line No.	Current accounting period Net	Preceding accounting period Net
C.	**Current assets line 033 + line 041 + line 048 + line 056**	**032**	**4,875,192**	**0**
C.I.	**Inventory - total (lines 034 to 040)**	**033**	**96,855**	**0**
C.I.1.	Raw material (112, 119, 11X) - /191, 19X/	034	82,311	0
2.	Work in progress and semi-finished products (121, 122, 12X) - /192, 193, 19X/	035	14,107	0
3.	Construction contracts where the expected time of completion exceeds one year 12X-192A	036	0	0
4.	Finished goods (123) - 194	037	0	0
5.	Animals (124) - 195	038	0	0
6.	Merchandise (132, 13X, 139) - /196, 19X/	039	264	0
7.	Advance payments made for inventory (314A) - 391A	040	173	0
C.II.	**Non-current receivables - total (lines 042 to 047)**	**041**	**92,359**	**0**
C.II.1.	Trade receivables (311A, 312A, 313A, 314A, 315A, 31XA) - 391A	042	1,075	0
2.	Receivables from a controlled entity and a controlling entity (351A) - 391A	043	0	0
3.	Other intercompany receivables (351A) - 391A	044	0	0
4.	Receivables from participants, members, and association (354A, 355A, 358A, 35XA) - 391A	045	0	0
5.	Other receivables (335A, 33XA, 371A, 373A, 374A, 375A, 376A, 378A) - 391A	046	0	0
6.	Deferred tax asset (481 A)	047	91,284	0
C.III.	**Current receivables - total (lines 049 to 055)**	**048**	**2,388,898**	**0**
C.III.1.	Trade receivables (311A, 312A, 313A, 314A, 315A, 31XA) - 391A	049	2,200,198	0
2.	Receivables from a controlled entity and a controlling entity (351A) - 391A	050	551	0
3.	Other intercompany receivables (351A) - 391A	051	0	0
4.	Receivables from participants, members, and association (354A, 355A, 358A, 5XA) - 391A	052	0	0
5.	Social security (336) - 391A	053	0	0
6.	Tax assets (341, 342, 343, 345) - 391A	054	186,630	0
7.	Other receivables (335A, 33XA, 371A, 373A, 374A, 375A, 376A, 378A) - 391A	055	1,519	0
C.IV.	**Financial accounts - total (lines 057 to 061)**	**056**	**2,297,080**	**0**
C.IV.1.	Cash on hand (211, 213, 21X)	057	92	0
2.	Bank accounts (221A, 22X +/-261)	058	2,296,988	0
3.	Bank accounts with notice period exceeding one year 22XA	059	0	0
4.	Current financial assets (251, 253, 256, 257, 25X) - /291, 29X/	060	0	0
5.	Acquisition of current financial assets (259) - 291	061	0	0
D.	**Accruals/deferrals - line 063 and line 064**	**062**	**12,286**	**0**
D.1.	Prepaid expenses (381, 382)	063	5,787	0
2.	Accrued income (385)	064	6,499	0
Control number - total (lines 001 to 064)		**888**	**45,830,946**	**0**

Liabilities and equity

Liabilities and equity		Line No.	Current accounting period Net	Preceding accounting period Net
	Total equity and liabilities line 066 + line 086 + line 116	**065**	**11,460,808**	**0**
A.	**Equity line 067 + line 071 + line 078 + line 082 + line 085**	**066**	**8,801,342**	**0**
A.I.	**Share capital - total (lines 068 to 070)**	**067**	**5,934,594**	**0**
A.I.1.	Share capital (411 or +/- 491)	068	5,934,594	0
2.	Own shares and own ownership interests (/-/252)	069	0	0
3.	Change in share capital +/- 419	070	0	0
A.II.	**Capital funds - total (lines 072 to 077)**	**071**	**219,272**	**0**
A.II.1	Share premium (412)	072	0	0
2.	Other capital funds (413)	073	219,272	0
3.	Legal reserve fund (Non-distributable fund) from capital contributions (417, 418)	074	0	0
4.	Differences from revaluation of assets and liabilities (+/- 414)	075	0	0
5.	Investment revaluation reserves (+/- 415)	076	0	0
6.	Differences from revaluation in the event of amalgamation into a separate accounting entity or demerger (+/- 416)	077	0	0
A.III.	**Funds created from profit - total (lines 079 to 081)**	**078**	**721,044**	**0**
A.III.1.	Legal reserve fund (421)	079	721,044	0
2.	Non-distributable fund (422)	080	0	0
3.	Statutory funds and other funds (423, 427, 42X)	081	0	0
A.IV.	**Net profit/loss of previous years line 083 and line 084**	**082**	**52,698**	**0**
A.IV.1.	Retained earnings from previous years (428)	083	52,698	0
2.	Accumulated losses from previous years (/-/429)	084	0	0
A.V.	**Net profit/loss for the accounting period /+-/line 001 - (line 067 + line 071 + line 078 + line 082 + line 086 + line 116)**	**085**	**1,873,734**	**0**

Liabilities and equity (continue)

Liabilities and equity		Line No.	Current accounting period Net	Preceding accounting period Net
B.	**Liabilities line 87 + line 91 + line 102 + line 112**	**086**	**2,641,600**	**0**
B.1.	**Provisions - total (lines 088 to 090)**	**087**	**214,666**	**0**
B.I.1.	Legal provisions (451A)	088	0	0
2.	Other long-term provisions (459 A, 45XA)	089	165,946	0
3.	Short-term provisions (323, 32X, 451A, 459A, 45XA)	090	48,720	0
B.II.	**Non-current liabilities - total (lines 092 to 101)**	**091**	**64,097**	**0**
B.II.1.	Non-current trade liabilities (479A)	092	0	0
2.	Unbilled long-term supplies (476A)	093	0	0
3.	Non-current liabilities to a controlled entity and a controlling entity (471A)	094	0	0
4.	Other non-current intercompany liabilities (471A)	095	0	0
5.	Long-term advance payments received (475A)	096	4,165	0
6.	Long-term bills of exchange to be paid (478A)	097	0	0
7.	Bonds issued (473A/-/255A)	098	0	0
8.	Liabilities related to social fund (472)	099	3,370	0
9.	Other non-current liabilities (474A, 479A, 47XA, 372A, 373A, 377A)	100	6,622	0
10.	Deferred tax liability (481A)	101	49,940	0
B.III.	**Current liabilities - total (lines 103 to 111)**	**102**	**2,057,837**	**0**
B.III.1.	Trade liabilities (321, 322, 324, 325, 32X, 475A, 478A, 479A, 47XA)	103	1,395,826	0
2.	Unbilled supplies (326, 476A)	104	22,617	0
3.	Liabilities to a controlled entity and a controlling entity (361A, 471A)	105	0	0
4.	Other intercompany liabilities (361A, 36XA, 471A, 47XA)	106	0	0
5.	Liabilities to partners and association (364, 365, 366, 367, 368, 398A, 478A, 479A)	107	6,593	0
6.	Liabilities to employees (331,333,33X,479A)	108	43,051	0
7.	Liabilities related to social security (336, 479A)	109	24,912	0
8.	Tax liabilities and subsidies (341, 342, 343, 345, 346, 347, 34X)	110	544,900	0
9.	Other liabilities (372A, 373A, 377A, 379A, 474A, 479A, 47X)	111	19,938	0
B.IV.	**Bank loans and financial assistance - total (lines 113 to 115)**	**112**	**305,000**	**0**
B.IV.1.	Long-term bank loans (461A, 46XA)	113	0	0
2.	Current bank loans (221A, 231, 232, 23X, 461A, 46XA)	114	305,000	0
3.	Short-term financial assistance (241, 249, 24X, 473A,/-/255A)	115	0	0
C.	**Accruals/deferrals - total (lines 117 and 118)**	**116**	**17,866**	**0**
C.1.	Accrued expenses (383)	117	1,841	0
C.2.	Deferred income (384)	118	16,025	0
Control number - total (lines 065 to 118)		**999**	**43,951,632**	**0**

Income statement

Income statement		Line No.	Current accounting period	Preceding accounting period
Text				
I.	Revenue from the sale of merchandise (604)	01	1,189	0
A.	Cost of merchandise sold (504)	02	930	0
+	**Trade margin line 01- line 02**	**03**	**259**	**0**
II.	**Production line 05 + line 06 + line 07**	**04**	**21,833,660**	**0**
II.1.	Revenue from the sale of own products and services (601, 602)	05	21,602,823	0
2.	Changes in internal inventory (+/- account group 61)	06	12,886	0
3.	Own work capitalized (account group 62)	07	217,951	0
B.	**Production line 09 + line 10**	**08**	**17,745,748**	**0**
B.1.	Consumed raw materials, energy consumption, and consumption of other non-inventory supplies (501, 502, 503)	09	16,670,793	0
2.	Services (account group 51)	10	1,074,955	0
+	**Added value line 03 + line 04 -line 08**	**11**	**4,088,171**	**0**
C.	Personnel expenses total (lines 13 to 16)	12	885,930	0
C.1.	Wages and salaries (521, 522)	13	633,484	0
2.	Remuneration of board members of company or cooperative (523)	14	15,209	0
3.	Social security expenses (524, 525, 526)	15	213,754	0
4.	Social expenses (527, 528)	16	23,483	0
D.	Taxes and fees (account group 53)	17	22,313	0
E.	Amortization of non-current intangible assets and depreciation of property, plant and equipment (551)	18	495,083	0
III.	Revenue from the sale of non-current assets and raw materials (641, 642)	19	26,425	0
F.	Carrying value of non-current assets sold and raw materials sold (541, 542)	20	19,769	0
IV.	Use and reversal of provisions against operating income and accounting for complex deferred expenses (652, 654, 655)	21	144,654	0
G.	Creation of provisions for operations and accounting for complex deferred expenses (552, 554, 555)	22	214,666	0
V.	Use and reversal of value adjustments against operating income (657, 658, 659)	23	45,418	0
H.	Creation of value adjustments against operating expenses (557,558,559)	24	341,443	0
VI.	Other operating income (644, 645, 646, 648)	25	97,448	0
I.	Other operating expenses (543 to 546, 548, 549)	26	164,367	0
VII.	Transfer of operating income (-) (697)	27	0	0
J.	Transfer of operating expenses (-) (597)	28	0	0
•	**Profit/loss from operations line 11 - line 12 - line 17 - line 18 + line 19 - line 20 + line 21 - line 22 + line 23 - line 24 + line 25 - line 26 + (-line 27) - (-line 28)**	**29**	**2,258,545**	**0**

Income statement (continue)		Line No.	Current accounting period	Preceding accounting period
Text				
VIII.	Revenue from the sale of securities and shares (661)	30	0	0
K.	Securities and shares sold (561)	31	0	0
IX.	**Income from non-current financial assets line 33 + line 34 + line 35**	**32**	**4,194**	**0**
IX.1.	Income from securities and ownership interests in a controlled entity and in a company where significant influence is held (665A)	33	4,194	0
2.	Income from other long-term securities and shares (665A)	34	0	0
3.	Income from other non-current financial assets (665A)	35	0	0
X.	Income from current financial assets (666)	36	0	0
L.	Expenses related to current financial assets (566)	37	0	0
XI.	Gains on revaluation of securities and income from derivative transactions (664, 667)	38	0	0
M.	Loss on revaluation of securities and expenses related to derivative transactions (564, 567)	39	20,460	0
XII.	Interest income (662)	40	120,238	0
N.	Interest expense (562)	41	37,233	0
XIII.	Exchange rate gains (663)	42	9,444	0
O.	Exchange rate losses (563)	43	11,904	0
XIV.	Other income from financial activities (668)	44	114	0
P.	Other expenses related to financial activities (568, 569)	45	69,796	0
XV.	Use and reversal of provisions against income from financial activities (674)	46	0	0
Q.	Creation of provisions for financial activities (574)	47	0	0
XVI.	Use and reversal of value adjustments against income from financial activities (679)	48	232	0
R.	Creation of value adjustments against expenses related to financial activities (579)	49	206	0
XVII.	Transfer of financial income (-) (698)	50	0	0
S.	Transfer of financial expenses (-) (598)	51	0	0
•	**Profit/loss from financial activities line 30 - line 31 + line 32 + line 36 -line 37 + line 38 - line 39 + line 40 - line 41 + line 42 - line 43 + line 44 - line 45 + line 46 - line 47 + line 48 - line 49 + (-line 50) - (- line 51)**	**52**	**(5,377)**	**0**
T.	Income tax on ordinary activities line 54+ line 55	53	662,358	0
T.1.	- current (591,595)	54	666,216	0
2.	- deferred (+/-592)	55	(3,858)	0
••	**Profit/loss from ordinary activities line 29 + line 52 - line 53**	**56**	**1,590,810**	**0**
XVIII.	Extraordinary income (account group 68)	57	511,370	0
U.	Extraordinary expenses (account group 58)	58	134,138	0
V.	Income tax on extraordinary activities line 60 + line 61	59	94,308	0
V.1.	- current (593)	60	94,308	0
2.	- deferred (+/- 594)	61	0	0
•	**Profit/loss from extraordinary activities line 57 - line 58 - line 59**	**62**	**282,924**	**0**
Z.	Transfer of net profit/net loss shares to partners (+/-596)	63	0	0
•••	**Profit/loss for the accounting period (+/-) line 56 + line 62 - line 63**	**64**	**1,873,734**	**0**
	Control number total (lines 01 to 64)	**99**	**95,030,302**	**0**

Notes to consolidated financial statements for the period ended 31 December 2003

(1) General information on the company and its core business activites

a) Business name and address of consolidating entity

Západoslovenská energetika, a.s. ("the Company"), Corporate ID: 35 823 551, registered office at Čulenova 6, 816 47 Bratislava, was established on 15 October 2001 and incorporated in the Commercial Register on 1 November 2001 (Commercial Register of the District Court Bratislava I, Section Sa, Insert No. 2852/B).

The Company is one of the legal successors of Západoslovenské energetické závody, š.p. At 31 October 2001, the state enterprise was wound up without liquidation based on the resolution No. 96/2001 of the Slovak Minister of Economy. One day later, its' assets and liabilities were transferred to the Slovak National Property Fund ("NPF") in accordance with the privatisation project. On 1 November 2001, the NPF contributed them to the following joint-stock companies: Západoslovenská energetika, a.s., Bratislavská teplárenská, a.s., and Trnavská teplárenská, a.s.

Based on the resolution of the General Meeting held on 27 June 2003, the Company sold a part of its' business (Building Division, IT Division, and the Division for repairing transformers and inspecting electrometers) on 1 July 2003.

b) Core business activities of the Company

- purchase, transit, and distribution of electricity;
- development and design of the electric distribution networks, transformer stations up to 110 kV, industrial installations;
- designing in capital construction;
- engineering activities in capital construction;
- inspection of operating cauldrons and gas equipment;
- inspection of electric equipment;
- installation, repairs, and maintenance of electrical heating equipment and production of low-voltage cross-connecting frames;
- installation and repair of gas technical equipment;
- repair and installation of cauldrons and stable-pressure vessels;
- repair of electrometers, welding transformers, rotating machines, and asynchronous motors, service of hydraulic equipment;
- installation and repairs of thermometers;
- engineering activities related to the distribution system of the high-voltage network;
- air, cable transformations up to 22 kV, low-voltage networks, public lights;
- providing software and automated data processing;
- providing telecommunication services other than the public voice telephone service;
- providing non-public telecommunication services through land-based satellite stations and VSAT networks.

c) Business name and address of consolidated entities

The company Enermont s.r.o., Corporate ID: 35 859 423, registered office at Hraničná 14, 827 14 Bratislava, was established on 14 April 2003 and incorporated in the Commercial register on 10 June 2003 (Commercial register of the District Court Bratislava I, Section Sro, Insert No. 28992/B).

The company OTC, s.r.o., Corporate ID: 36 254 711, registered office at M. R. Štefánika 85, 920 01 Hlohovec, was established on 14 April 2003 and incorporated in the Commercial register on 2 June 2003 (Commercial register of the District Court Trnava, Section Sro, Insert No. 14151/T).

The company is:energy slovakia spol. s r.o., Corporate ID: 31 404 600, registered office at Čulenova 6, 816 47 Bratislava, was established on 22 August 1995 as the company SLOVAKIA EKOSPOL spol. s r.o., Bratislava and incorporated in the Commercial register on 25 October 1995 (Commercial register of the District Court Bratislava I, Section Sro, Insert No. 9763/B).

The structure of voting rights and portion of consolidating entity on registered capital of consolidated entities at 31 December 2003

Entity	Equity	Portion on registered capital	Voting rights	Profit/(loss)
Subsidiaries				
Enermont, s. r. o., Bratislava	106,626	100 %	100 %	42,816
OTC, s. r. o., Hlohovec	25,037	100 %	100 %	8,027
Total	**131,663**			**50,843**
Associates				
is:energy slovakia, s. r. o., Bratislava	75,423	49 %	49 %	7,267
Total	**75,423**			**7,267**
Other investment				
Energotel, a. s., Bratislava	80,365	16.67 %	16,67 %	8,152
Total	**80,365**			**8,152**

The consolidating entity with the consolidated entities are refered hereinafter as Group.

d) Company's shareholders

The structure of the Company's shareholders at 31 December 2003	Absolute amount	In %	Voting rights
Fond národného majetku	3,026,643	51	51
E.ON Energie AG, Mníchov	2,373,838	40	40
EBRD, Londýn	534,113	9	9

The changes in the shareholders were not recorded in the Commercial Register at the balance sheet date.

e) Consolidation methods

Companies Enermont s. r. o., Bratislava and OTC, s. r. o., Hlohovec, where the consolidating entity has the controlling interest, were consolidated using full method of consolidation.
Consolidation of capital was performed using accounting value method, no goodwill has arisen. Date of the first consolidation of capital was 31 December 2003.
Intracompany profit on sale of fixed assets and inventory at 31 December 2003 represented in companies Enermont, s.r.o. Bratislava the amount of SKK 50,899 thousand and in OTC, s.r.o. Hlohovec the amount of SKK 7,705 thousand.
The Company is:energy slovakia, spol. s r.o., where the consolidating entity has significant interest, was consolidated using equity method of consolidation.
Consolidation of capital was performed using method of portion on equity, no goodwill has arisen. Date of the first consolidation of capital was 31 December 2003.
Intracompany profit on sale of fixed assets and inventory at 31 December 2003 with the company is:energy slovakia, spol.s r.o. amounted to SKK 3,716 thousand.
The Company Energotel, a.s. was not consolidated. It is included in the consolidated financial statements at costs.

f) Subsidiaries not included into the consolidated financial statements using full method or equity method of consolidation

Nitrianska paroplynová spoločnosť, a.s. Nitra was not included into consolidation as it is in process of liquidation. Investment remained at its' book value.

g) Average number of staff

Average number of staff of the consolidated group in the year 2003 was 2 223, of which 115 were management.

h) Date of approving the financial statements for the previous accounting period

Consolidated financial statements were for the first time prepared for the period ended 31 December 2003.

i) Legal reason for preparation of consolidated financial statements

Consolidated financial statements for the period ended 31 December 2003 have been prepared as ordinary financial statements under § 17 Sec. 6, 22 and 23 of the Slovak accounting act No. 431/2002 Coll. for the accounting period from 1 January 2003 to 31 December 2003.

j) Information about Group

The Group is included in the consolidated financial statements of the E.ON Energie AG, Munich, Germany, which are part of the consolidated financial statements of the Group E.ON AG, Düsseldorf, Germany. The consolidated financial statements of the Group are prepared by E.ON AG, Düsseldorf, Germany. These consolidated financial statements are available directly at the seat of the companies stated above.

(2) Basic accounting principles and accounting methods

A summary of basic accounting principles and accounting methods, the Group applied during the reporting period:

a) Accounting principles and general accounting methods

The Group's financial statements have been prepared on the going concern basis in accordance with the Slovak Accounting Act and the related regulation. The principle of historic costs has been applied in the financial statements.
The Board of Directors has prepared these financial statements in accordance with the effective Slovak legislation on the ordinary financial statements. They will be submitted to the ordinary General Meeting of the Company's shareholders for approval.
The Group consistently applied the accounting methods and the general accounting principles, except for changes resulting from the changed Accounting Act effective as of 1 January 2003 and Regulation No. 23 054/2002-92 of Ministry of Finance of the Slovak Republic which provide details about accounting principles and procedures and chart of accounts for businesses using double entry accounting. Changes of the method are described below (in the relevant parts) in more detail. Changes of the method are described below (in the relevant parts) in more detail.

b) Non-current intangible and tangible fixed assets

Acquired non-current assets are stated at cost, which includes the acquisition price and the related acquisition costs (customs duty, transport, assembly, insurance, etc.). As of 1 January 2003, neither the interest on borrowed capital nor the realised foreign exchange differences are included in the acquisition costs.
Internally generated non-current assets are stated at own cost, which includes all direct costs spent on production or other activities and indirect costs related to production or other activity.
Non-current assets acquired as grants are stated at replacement cost, which is the price at which these assets would be acquired at the time they are accounted for.

c) Depreciation plan

Non-current assets are depreciated under a plan that has been prepared on the basis of their expected economic useful lives and expected wear-and-tear. Accounting depreciation is applied for the first time in the month in which the respective asset is put into use.
Low-value non-current intangible assets with an acquisition cost (or own cost) not exceeding SKK 50,000 (until 31 December 2002, SKK 40,000) are expensed when put into use.
Non-current intangible assets are depreciated up to five years, using the accelerated depreciation method at depreciation rates derived from the economic useful life of these assets. Non-current intangible assets acquired prior to 2003 are depreciated on a straight-line basis.

Estimated useful life of assets for depreciation purposes

Description	Number of years
Incorporation expenses	4
Software and licences	4
Valuable rights	4

In case of a temporary diminution in the value of a non-current intangible asset, a provision is set up to reflect its net realisable value.
Low-value non-current tangible assets with an acquisition cost (or own cost) not exceeding SKK 30,000 (until 31 December 2002, SKK 20,000) are expensed when put into use.
Non-current tangible assets are depreciated using the straight-line and accelerated depreciation methods during their estimated economic useful lives.

Estimated useful life of assets for depreciation purposes

Description	Number of years
Buildings, halls, and structures	30 – 40
Tangible assets	4 – 30
Vehicles	4 – 15
Other non-current tangible assets	4 – 30

In case of a temporary diminution in the value of a non-current asset identified during physical verfication that is significantly lower than its carrying value after deducting the accumulated depreciation, a provision is set up to reflect its' net realisable value.

c) Non-current financial assets

Securities and ownership interests are classified as non-current financial assets when held by the Company for more than one year.
When acquired, financial assets are stated at cost, which includes the acquisition price and the related acquisition costs (until 31 December 2002, at the acquisition price without the related acquisition costs). Securities denominated in a foreign currency are converted into Slovak crowns using the NBS exchange rate at the date of acquisition.
Ownership interests held by the Company are stated at cost (until 31 December 2002, at the acquisition price without the related acquisition costs). If the investment's market value falls below the acquisition price, a provision is set up. Where no market value is available, the Company's share in the equity of the investment held is taken as an approximation of this market value.

d) Inventories

Inventories include material in stock, work in progress, merchandise on stock, and prepayments for inventories.
Material and merchandise are stated at cost, which includes the acquisition price and the related acquisition costs (customs duty, transport, insurance, commissions, etc.). Interest on borrowed capital is not part of acquisition costs. The Group uses method A for the accounting treatment of inventories. For additions to stock, the method of the weighted arithmetical average from acquisition costs is used. A withdrawal from stock is stated at prices of inventories on stock.
Work in progress is stated at own cost, which includes mainly costs related to:

1. the direct material used in production;
2. direct processing costs and other direct costs of production, such as energy, depreciation of equipment, etc., and
3. the reasonable part of indirect production costs and overhead expenses.

Provisions for inventories are set up to reflect a temporary diminution in their book value. Adjustments to a specific item are recorded when the accounting value exceeds the market value created if the book value of a specific inventory item is higher than its market value, the recoverability is uncertain, or when it is considered to be obsolete or slow-moving.

e) Construction contracts

The Group accounts for construction contracts and revenues using the percentage-of-completion method. Costs of each contract include direct costs (direct material, direct wages, costs related to relocating machines, equipment, and material to and from the place of the order, rent for machines and equipment) and indirect costs (factory overhead expenses). Revenues from the contract are determined by the production costs, plus the agreed margin.
The extent to which the contract is completed is determined cumulatively in each accounting period by the proportion of actually incurred costs for the contract to total budgeted costs for the contract.

f) Receivables

When originated, receivables are stated at their nominal value. A provision is set up for bad and doubtful debts, as well as for receivables from debtors in bankruptcy.
Receivables falling due after more than 12 months are shown on the balance sheet under item C.II. Non-current receivables. Those falling due within 12 months are shown on the balance sheet under item C.III. Current receivables.

g) Financial accounts

Financial accounts consist of cash, bank account balances, and current financial assets while the risk of changes in the value of these assets are negligibly low. Current financial assets include short-term securities (equity shares and debt securities) that are due at the time of acquisition or are intended for sale within one year of the date of acquisition.

h) Deferred expenses and accrued income

Deferred expenses and accrued income are stated at their nominal value, which reflects the accrual principle.

i) Provisions
Provisions are liabilities of uncertain timing or amount and are stated at the expected amount of the liability.

j) Liabilities
Both short- and long-term liabilities are stated at their nominal value.
On the accompanying balance sheet, liabilities falling due after more than 12 months are shown under item B. II. Long-term liabilities. Liabilities falling due within 12 months are shown under item B. III. Short-term liabilities.

k) Deferred revenues and accrued expenses
Deferred revenues and accrued expenses are stated at their nominal value, which reflects the accrual principle.

l) Deferred taxes
Deferred taxes (a deferred tax asset and a deferred tax liability) relate to:
a) temporary differences between the carrying value of assets and the carrying value of liabilities shown on the balance sheet and their tax base;
b) the possibility to carry forward a tax loss in future periods, which means the possibility to deduct the tax loss from the tax base in the future; and
c) the possibility to transfer unused tax deductions and other tax claims to future periods.
Until 31 December 2002, deferred taxes related only to temporary differences between the depreciation of non-current assets for accounting and tax purposes. At 1 January 2003, a deferred tax liability and a deferred tax asset were calculated in accordance with new principles. That part of a deferred tax liability and a deferred tax asset that would be recognised as an expense or income at 31 December 2002 was posted to account 428 – Retained earnings.

m) Group income tax
The Group income tax is expensed in the period when the tax liability arises. In the accompanying income statement, it is calculated on the basis of the profit/(loss) before taxes that has been adjusted for tax-deductible and tax non-deductible items due to permanent and temporary adjustments to the tax base, for tax relief, and any loss carried forward. The tax liability is stated net of corporate income tax advances that the Company paid during the year.

n) Foreign currency
Assets and liabilities in foreign currency are converted into Slovak crowns using the foreign exchange rate of the National Bank of Slovakia at the transaction date and in the financial statements at the balance sheet date. The resulting foreign exchange differences are posted to the profit and loss account (until 31 December 2002, unrealised foreign exchange gains were posted without affecting income and unrealised foreign exchange losses were posted to financial expenses by setting up a provision for foreign exchange losses).

o) Leasing
Assets acquired under financial lease contracts are expensed on a monthly basis at the same amounts during the lease term, including the accrued first instalment.
Assets acquired under operative lease contracts are expensed on a monthly basis at the same amounts during the lease term.

p) Financial derivatives
Upon acquisition, financial derivatives are stated at the acquisition price and at their fair value at the balance sheet date.
Fair value changes of hedging derivatives are posted, without affecting income, directly to equity to account 414. The result of using hedging derivatives is posted to accounts 567 – Expenses related to derivative transactions, and 667 – Income from derivative transactions.
Fair value changes of financial derivatives designated for trading on a domestic or a foreign stock exchange or on another public market are posted, affecting profit, to accounts 567 and 667.
Fair value changes of financial derivatives designated for trading on a non-public market are posted, without affecting profit, directly to equity to account 414. The result of making these transactions is posted to accounts 567 – Expenses related to derivative transactions, and 667 – Income from derivative transactions.

q) Recognition of revenues and expenses
Costs and revenues are recognised on an accrual basis in the period they relate to, regardless of when the payment occurs.
In accordance with the accounting principle of prudence, the Group recognises only earned revenues at the year's end, while all potential liabilities that are expected, including probable losses, are charged to expenses, as soon as they become known.

(3) Non-current intangible assets

The movement schedule of non-current intangible assets from 1 January to 31 December 2003 is shown in the table below:

Non-current intangible assets

	Balance at 1 Jan. 2003	Additions	Disposals	Reclassification	Other	Balance at 31 Dec. 2003
Incorporation expenses	919	16	0	0	0	935
Software	192,011	22	(199,863)	11,695,	0	3,865
Valuable rights	16,769	0	(19,345)	2,870	0	294
Non-current intangible assets under construction	101,061	119,753	0	(12,927)	(7,765)	200,122
Prepayments for non-current intangible assets	1,638	0	0	(1,638)	0	0
Total acquisition costs	**312,398**	**119,791**	**(219,208)**	**0**	**(7,765)**	**205,216**
Incorporation expenses	(230)	(344)	0	0	0	(574)
Software	(154,654)	(45,738)	199,863	0	0	(529)
Valuable rights	(8,675)	(10,677)	19,345	0	0	(7)
Total accumulated depreciation	**(163,559)**	**(56,759)**	**219,208**	**0**	**0**	**(1,110)**
Provisions	**0**	**(437)**	**0**	**0**	**0**	**(437)**
Net book value	**148,839**					**203,669**

Insurance

The Group has no insurance contract to cover the risks associated with its non-current intangible assets.

(4) Non-current tangible assets

The movement schedule of non-current tangible assets from 1 January to 31 December 2003 is shown in the table below:

Non-current tangible assets

	Balance at 1 Jan. 2003	Additions	Grants received	Gifts.	Disposals	Reclass-ification	Other	Balance at 31 Dec. 2003
Land	389,001	0	0	15	0	857	0	389,873
Constructions	7,891,277	0	6,392	13,402	(26,356)	400,158	0	8,284,873
Individual movable assets and sets of movable assets	4,738,572	0	0	2,208	(941,796)	265,302	0	4,064,286
Other non-current tangible assets	1,278	0	0	0	(6)	119	0	1,391
Non-current tangible assets under construction	1,039,270	669,699	0	4,872	(4,662)	(664,106)	1,274	1,046,347
Advance payments on account of non-current tangible assets	0	2,430	0	0	0	(2,330)	0	100
Total acquisition costs	**14,059,398**	**672,129**	**6,392**	**20,497**	**(972,820)**	**0**	**1,274**	**13,786,870**
Constructions	(4,370,716)	(217,947)	(6,392)	0	26,356	0	0	(4,568,699)
Individual movable assets and sets of movable assets	(3,468,490)	(344,620)		0	941,796	0	0	(2,871,314)
Total accumulated depreciation	**(7,839,206)**	**(562,567)**	**(6,392)**	**0**	**968,152**	**0**	**0**	**(7,440,013)**
Provisions	**(34,726)**	**(22,906)**	**0**	**0**	**30,913**	**0**	**0**	**(26,719)**
Net book value	**6,185,466**							**6,320,138**

From 1 January 2003 to 31 December 2003, the Group received non-current assets of SKK 20,497 thousand as a gift. The related impact of these gifts was recognised in accordance with the Slovak accounting legislation as "Capital funds" under "Equity" on the accompanying balance sheet.
From 1 January 2003 to 31 December 2003, the Group acquired, in accordance with Act No. 278/93 Coll., non-current assets of SKK 6,392 thousand as grants for relocating energy equipment.

Insurance

Non-current tangible assets are insured against damages caused by theft, natural disaster (or other reasons), up to the amount of SKK 17,798,095 thousand.

Movements in the provision for non-current tangible assets

	Balance at 1 January 2003	Creation	Release	Balance at 31.December 2003
Provision for constructions	3,813	4,054	0	7,867
Provision for non-current tangible assets under construction	30,913	18,852	(30,913)	18,852
Total	**34,726**	**22,906**	**(30,913)**	**26,719**

(5) Inventories

The structure of inventories at 31 December 2003:

The structure of inventories	31 December 2003
Material in stock	93,587
Material in transit	724
Work in progress	14,107
Merchandise	264
Prepayments for inventories	173
Provision for material	(12,000)
Total	**96,855**

The set-up of provision for material reflected the diminution in the carrying value of inventories.

Movements in the provision for material from 1 January 2003 to 31 December 2003 are presented in the following table:

Movements in the provision for material	SKK '000
Opening balance	16,704
Creation	4,995
Release	(9,699)
Closing balance	**12,000**

Insurance of inventories
The Group has no insurance contract to cover the risks associated with its inventories.

(6) Receivables

The breakdown of short-term receivables at 31 December 2003:

The breakdown of short-term receivables	31 December 2003
Receivables from companies within the Group and other related parties (see Note 20)	125,837
Trade receivables	2,074,912
Tax receivables (see Note 19)	186,630
Other receivables	1,519
Total	**2,388,898**

Of the total receivables at 31 December 2003, overdue receivables represent SKK 1,207,968 thousand.
The provision for bad and doubtful debts was set up based on the estimated recoverability of receivables from individual groups of customers.

Movements in provisions for bad and doubtful debts adjusting receivables to their net realisable value for the period from 1 January 2003 to 31 December 2003:

Movements in provisions for bad and doubtful debts	31 December 2003
Opening balance	608,350
Creation	308,974
Release	(4,805)
Closing balance	**912,519**

(7) Deferred tax asset

The calculation of a deferred tax asset is shown in the following table:

The calculation of a deferred tax asset	31 December 2003
Temporary differences between the book value of assets and liabilities and their tax base (until 31 December 2002: only the difference between the book and tax depreciation)	74,362
Tax loss carried forward	16,691
Unused tax deductions	231
Total	**91,284**

A change in the deferred tax asset is presented in the table below:

A change in the deferred tax asset	
Balance at 31 December 2002	**0**
Recognised as income (applies to the 2003 accounting period)	33,434
Posted to retained earnings (applies to previous accounting periods)	57,850
Balance at 31 December 2003	**91,284**

(8) Financial accounts

The breakdown of current financial assets at 31 December 2003:

The breakdown of current financial assets	31 December 2003
Cash on hand	37
Cash in transit	3,933
Stamps and vouchers	55
Bank accounts	2,293,055
Current accounts	82,355
Term deposits	2,210,700
Total	**2,297,080**

Cash on hand and bank accounts are shown on financial accounts. Bank accounts are fully available for the Group's use, except for a deposit of SKK 4,500 thousand covering customs guarantees provided by the bank.

(9) Other assets – accruals and prepayments

The breakdown of accruals and prepayments is presented in the following table:

The breakdown of accruals and prepayments	31 December 2003
Deferred expenses - other	5,787
Construction contracts	6,320
Other accrued income	179
Total	**12,286**

(10) Shareholders' equity

A summary of movements in Shareholders' equity from 1 January 2003 to 31 December 2003:

A summary of movements in Shareholder's equity

	Share capital	Capital funds	Profit reserves	Retained earnings	Profit/ (loss) for the current year	Total
Balance at 1 January 2003	5,934,594	138,373	678,051	0	429,737	7,180,755
Financial gifts received	0	60,402,	0	0	0	60,402
Non-current assets received as a gift	0	20,497	0	0	0	20,497
Appropriation to the legal reserve fund	0	0	42,993	0	(42,993)	0
Appropriation to the social fund	0	0	0	0	(1,711)	(1,711)
Dividends	0	0	0	0	(381,595)	(381,595)
Royalties paid to statutory bodies	0	0	0	0	(3,438)	(3,438)
Settlement of the deferred tax at 1 January 2003	0	0	0	52,698	0	52,698
Profit/(loss) for the current year	0	0	0	0	1,873,734	1,873,734
Balance at 31 December 2003	**5,934,594**	**219,272**	**721,044**	**52,698**	**1,873,734**	**8,801,342**

At 31 December 2003, the Company's registered share capital consisted of 5,934,594 shares with a nominal value of SKK 1,000 for each share. The entire amount of share capital has been recorded in the Commercial Register. The item "Profit reserves" includes the legal reserve fund totalling SKK 721,044 thousand at 31 December 2003, the use of which is limited by the Slovak Commercial Code.
At 1 January 2003, retained earnings were increased by the deferred tax of SKK 52,698 thousand related to previous accounting periods.

The proposal of 2003 profit distribution was not aproved at the date of consolidated financial statements.

(11) Provisions

Movements in provisions for the period from 1 January 2003 to 31 December 2003:

Movements in provisions	Short-term provisions	Long-term provisions
Opening balance	46,143	144,656
Creation	48,720	165,946
Release	(46,143)	(144,656)
Closing balance	**48,720**	**165,946**

The balances on accounts	31 December 2003
Provision for employees benefits	165,946
Provision for untaken holiday	28,034
Provision for restructuring	5,250
Provision for annual bonuses	12,546
Other provisions	2,890
Total	**214,666**

(12) Long-term liabilities

The breakdown of long-term liabilities at 31 December 2003 by due date:

The breakdown of long-term liabilities Falling due	31 December 2003
within 1 year	3,370
between 1 and 5 years	60,727
Total	**64,097**

(13) Short-term liabilities

The breakdown of short-term liabilities at 31 December 2003:

The breakdown of short-term liabilities	31 December 2003
Payables to companies within the Group and other related parties (see Note 20)	910,539
Trade payables	485,287
Not billed supplies	22,617
Tax payables (see Note 19)	544,900
Payables to employees	43,051
Payables to social security institutions	24,912
Payables to partners and the association	6,593
Other payables	19,938
Total	**2,057,837**

Of the total liabilities (both short- and long-term) at 31 December 2003, overdue liabilities amounted SKK 715 thousand.

(14) Deferred tax liability

The calculation of a deferred tax liability is shown in the following table:

The calculation of a deferred tax liability	31 December 2003
Temporary differences between the book value of assets and liabilities and their tax base (until 31 December 2002, only the difference between the book and tax depreciation)	49,940
Nevyužité daňové odpočty a iné daňové nároky	0
Total	**49,940**

A change in the deferred tax liability	
Balance at 31 December 2002	**15,212**
Recognised as an expense (applies to the 2003 accounting period)	29,576
Posted to retained earnings (applies to previous accounting periods)	5,152
Balance at 31 December 2003	**49,940**

(15) Social fund

Appropriations to and withdrawal from the social fund for the period from 1 January 2003 to 31 December 2003:

Social fund	31 December 2003
Opening balance at 1 January 2003	653
Appropriations to the social fund	12,420
Usage of the social fund	(9,703)
Closing balance at 31 December 2003	**3,370**

According to the Social Fund Act, one part of appropriations must be expensed and another part of the social fund may be created from profit. The social fund is utilised for social, medical, recreational, and similar employee needs.
The social fund balance is held on a separate bank account.

(16) Bank loans

The breakdown of individual bank loans at 31 December 2003 (in SKK thousand):

The breakdown of individual bank loans	Type of loan	Maturity	Currency	Interest rate	Limit	Total loan
Citibank (Slovakia), a.s.	Restructuring and refinancing loan	The loan is due in 5 semi-annual instalments commencing on 16 December 2002	Sk	3-month Bribor + 0.60 %	1,000,000	305,000
Total					**1,000,000**	**305,000**

The loan from Citibank (Slovakia), a.s. is associated with certain covenants that the Group must meet. The Group was not in breach of any of these covenants at the balance sheet date.

The loan from Citibank (Slovakia), a.s. is not pledged or otherwise secured.

(17) Other liabilities – accruals and deferred income

The breakdown of accruals and deferred income is shown in the following table:

The breakdown of accruals and deferred income	31 December 2003
Accrued expenses	1,841
Loan interest	903
IT services	628
Other	310
Deferred income	16,025
Prepaid electricity	37
Construction contracts	15,398
Other	590
Total	**17,866**

(18) Revenues and expenses

a) Sale revenues

The breakdown of revenues by activities:

The breakdown of revenues by activities	Jan – Dec 2003
Sale of electricity	21,354,207
Services provided	92,017
Sale of merchandise	1,189
Other revenues	156,599
Total	**21,604,012**

The Group's revenues in 2003 were generated mainly in Slovakia.

b) Capitalisation

Capitalisation	Jan – Dec 2003
Capitalisation of material and merchandise	1,350
Capitalisation of internal services	1,206
Capitalisation of non-current intangible assets	0
Capitalisation of non-current tangible assets	215,395
Total	**217,951**

c) Staff costs

The breakdown of staff costs for the period from 1 January 2003 to 31 December 2003:

The breakdown of staff costs	Top management	Employees	Total
Wages and salaries	10,316	623,168	633,484
Remuneration to members of the Company's bodies	14,503	706	15,209
Legal social insurance	5,320	208,434	213,754
Other social insurance	1,050	22,433	23,483
Total	**31,189**	**854,741**	**885,930**

The average number of staff in 2003 by individual categories:

The average number of staff	
Staff category	31 December 2003
Top management	8
Other employees	2,215
Number of employees	**2,223**

d) Cost of services provided

Overview of cost of services provided	Jan – Dec 2003
Repairs of constructions, machines, and equipment	335,515
IT services and maintenance of IT equipment	240,371
Rent	29,240
Legal, economic, and other consulting services	28,992
Postal charges	42,986
Telecommunication charges	32,384
Cost of forest paths and ground cover	41,033
Security services	29,659
Sub-deliveries of constructional and installation activities	30,777
Other services provided	263,998
Total	**1,074,955**

e) Other income from operating activities

An overview of other significant income from operating activities	Jan – Dec 2003
Sale of non-current assets and material	26,425
Use and release of reserves and provisions	190,072
Other income from operating activities	97,448
Total	**313,945**

f) Other expenses from operating activities

An overview of other significant costs from operating activities	Jan – Dec 2003
Net book value of sold non-current assets and material	19,769
Creation of reserves and provisions	556,109
Other expenses from operating activities	164,367
Total	**740,245**

g) Financial income and expenses

The breakdown of financial income and expenses	Income	Expenses
Share of profit from associates	4,194	0
Interest	120,238	37,233
Creation and release of provisions	232	206
Derivative transactions	0	20,460
Insurance expenses	0	17,423
Realised foreign exchange losses	0	11,904
Realised foreign exchange gains	9,337	0
Unrealised foreign exchange losses	0	0
Unrealised foreign exchange gains	107	0
Other	114	52,373
Total	**134,222**	**139,599**

h) Extraordinary income and expenses

The breakdown of extraordinary income and expenses	Income	Expenses
Change in the accounting method	369,647	0
Other – sale of part of the business	141,723	134,138
Total	**511,370**	**134,138**

As part of accounts closing procedures the Group estimates the retail customers electricity consumption since the last billing. In 2003 the Group has modified its cut-off procedures used for estimation of accrued but not yet invoiced sales. The Group estimated the 2003 consumptions since the last billing for every individual customer using daily accruals basis and historical experiences. This has had the one-off effect of recognizing SKK 369,647 thousand of additional sales in December 2003 compared to the prior methods. Therefore additional sale in the amount of SKK 369 million accounted for in 2003 relate to 2002 and before. The effect on net income after tax for the year ended 31 December 2003 is SKK 277,235 thousand.

(19) Taxation

The breakdown of payables to and receivables from the Tax Office at 31 December 2003:

The breakdown of payables to and receivables from the Tax Office

	Receivables	Payables
Corporate income tax	0	535,051
Deferred income tax	91,284	49,940
VAT	186,630	0
Other direct taxes	0	9,805
Other indirect taxes	0	44
Total	**277,914**	**594,840**

The reconciliation from the theoretical to the reported 2003 corporate income tax is shown in the following table:

The reconciliation from the theoretical to the reported 2003 corporate income tax

	Tax base	Tax charge	Tax in %
Profit/(loss) before taxes	2,630,400		100
of which: theoretical tax		657,600	25.00
Tax non-deductible expenses	784,600	196,150	7.46
Income not subject to the income tax	(343,621)	(85,905)	(3.27)
Loss deduction	(29,283)	(7,321)	(0.28)
Current tax		760,524	28.91
Deferred tax		(3,858)	(0.15)
Total reported tax		**756,666**	**28.77**

An overview of items included in the deferred tax

	2003
Total deferred income tax recognised as an expense or income in the current accounting period resulting from the changed income tax rate	(13,056)
Total deferred tax asset recognised in the current accounting period related to the tax loss carried forward, the unused tax deductions and other tax claims, as well as temporary differences from previous accounting periods for which no deferred tax asset was recognised in previous accounting periods	52,698

(20) Balances and transactions with related parties

The breakdown of receivables from and payables to related parties at 31 December 2003:

The breakdown of receivables from and payables to related partties

Description	Receivables	Payables
Trade balances		
Slovenské elektrárne, a. s., Bratislava	1	495,640
Energotel, a.s., Bratislava	2,729	2,276
Nitrianska paroplynová spoločnosť, a. s., Nitra	451	0
SEPS a.s.	85,387	324,055
Is:energy Czech	56	96,643
E.ON Bohemia	0	(8,075)
E.ON Sales & Trading GMBH, Munchen	37,171	0
E.ON Hungaria	42	0
Total	**125,837**	**910,539**

A summary of transactions with related parties in the period from 1 January 2003 to 31 December 2003:

A summary of transactions with related parties

Trade transactions	Revenues	Description of transaction	Expenses	Description of transaction
Slovenské elektrárne, a. s.	1,434	Consumption of distribution points	8,507,515	Purchase of electricity
Energotel, a.s.	25,462	Rental of technologies	16,869	Rental of digital network
E.ON Bohemia	0		482,548	Purchase of electricity
E.ON Sales & Trading GMBH, Munchen	17,361	Sale of electricity	578,401	Purchase of electricity
SEPS a.s.	51,329	Maintenance of transmission network	5,849,944	Fees for purchase of electricity
E.ON Hungaria	42	Accommodation services	0	
Total	**95,628**		**15,435,277**	

Price policy with related parties

All transactions with related parties have been carried out based on contracts and under the arm's length principle (usual business terms and conditions). The Group also sells products to government bodies and state-owned business entities under usual business terms and conditions.

(21) Other financial obligations

To reduce the risk resulting from foreign currency exchange rate movements, the Group uses forward transactions.

At 31 December 2003, the Group has no open currency forward transactions.

(22) Contingent liabilities and commitments

At 31 December 2003, the Group concluded contracts for the delivery of long-term assets totalling SKK 418 million to be effected after this date.
In addition, the Board of Directors estimates that around another SKK 108 million are needed to ensure that the Company's activities comply with the Water Act. This need is reflected in the Company's long-term capital and operational plan.
Projected capital investments and repairs in individual years are presented in the following table:

Projected capital investments and repairs in individual years

Year	31 December 2003
2003	0
2004	27,000
2005	34,000
2006	98,000
2007	64,000
2008	71,000
Following periods	232,000
Total	**526,000**

On 1 June 2003, the Company concluded an IT service supply contract with the firm is:energy, s.r.o. The Company cannot terminate this contract before 31 December 2007. A detailed list of services provided and their prices is reviewed annually. For six months in 2003, the costs of these services amounted to SKK 224 million.

(23) Cash flow statements at 31 december 2003

Cash flow statement at 31. december 2003

		01-12/2003
P.	Cash and cash equivalents at the beginning of the accounting period	1,312,940
	Cash flow from main profit-making activities (operating activities)	
Z.	Accounting profit or loss from current activities before taxes	2,630,400
A.1.	Adjustments by non-cash transactions (A.1.1 up to A.1.5)	772,649
1.	Depreciation of non-current and current assets (+)	495,083
2.	Changes in provisions for assets and liabilities and in accruals and deferrals (+/-), i.e. accruals and deferrals of expenses and income	366,037
	1. Accrued interest	903
3.	Profit (-) or loss (+) from the sale of non-current assets	(6,369)
4.	Income from dividends and profit shares (-)	0
5.	Recognised interest expense (+) and recognised interest income (-)	(83,005)
A*	Net cash from operating activities before taxes, changes in working capital, and extraordinary items (Z + A.1)	3,403,049
A.2.	Changes in non-monetary components of the working capital (A.2.1 až A.2.4)	(1,230,719)
1.	Changes in receivables from operating activities (+/-)	(1,013,263)
2.	Changes in short-term liabilities from operating activities (+/-)	(252,008)
3.	Changes in inventories (+/-)	34,552
A**	Net cash from operating activities before taxes and extraordinary items (A.* + A.2)	2,172,330
A.3.	Payments of interests (-)	0
A.4	Interest received except for investment companies and investment funds (+/-)	120,238
A.5.	Income tax on ordinary activities paid and additional taxes for the previous period (-)	(275,661)
A.6.	Receipts and payments related to extraordinary accounting events constituting the profit/(loss) from extraordinary activities including the due income tax from extraordinary activities paid (+/-)	0
A.7.	Dividends and profit shares received (+)	0
A***	Net cash from operating activities (A.** + A.3 up to A.7)	2,016,907
	Cash flow from investing activities	
B.1.	Payments related to the acquisition of non-current assets (-)	(709,636)
B.2.	Receipts from the sale of non-current assets (+)	17,932
B.3.	Borrowings and loans to related parties (-/+)	0
B.4.	Payments related to the acquisition of shares in other companies	(33,292)
B***	Net cash used in investing activities (B.1 up to B.3)	(724,996)
	Cash flow from financing activities	
C.1.	Changes in long-term or short-term liabilities (+/-)	(330,000)
	Payments of interests (-)	(38,173)
	Changes in receivables (other than trade receivables) (+/-)	0
C.2.	Impacts of changes in equity on cash (C.2.1 up to C.2.6)	60,402
1.	Increase of the registered share capital, the share premium, or the reserve fund, including deposits made for this increase (+)	0
2.	Payment of the share in equity to partners (-)	0
3.	Cash gifts and subsidies into equity and other cash deposits of partners and shareholders (+)	60,402
C.3.	Dividends and profit shares received, except for investment companies and investment funds (+)	0
C***	Net cash used in financing activities (C.1.1 + C.1.2 + C.2)	(307,771)
F.	Net increase or decrease of cash and cash equivalents (A.*** + B.*** + C.***)	984,140
R.	Cash and cash equivalents at the end of the accounting period (P + / - F)	2,297,080

(24) Complementary information to the cash flow statement

Cash and cash equivalents

A summary of cash and cash equivalents	31 December 2003
Cash in hand	92
Bank accounts	2,296,988
Total	2,297,080

(25) Post balance sheet events

After 31 December 2003, no significant events have occurred that would require recognition or disclosure.

This consolidated financial statements were prepared on 28 April 2004 at Čulenova 6, 816 47 Bratislava, Slovak republic.

Dietrich Max Fey
člen predstavenstva

Ing. Andrej Devečka
člen predstavenstva

Report of independent auditors

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

1 We have audited the accompanying consolidated financial statements of Západoslovenská energetika, a.s. ("the Company") and its subsidiaries ("the Group") for the year 2003, that comprises the consolidated balance sheet as of 31 December 2003, the related consolidated statement of income for the year then ended and the notes thereto. These consolidated financial statements are the responsibility of the Company's Board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

3 In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group Západoslovenská energetika, a.s. as of 31 December 2003 and the results of its operations for the year then ended in accordance with the Accounting Act of the Slovak Republic and related accounting regulation.

4 Without qualifying our opinion we draw attention to note 18 h) which explains that improved 2003 year end procedures the Company applied to estimation of revenue accrual, have resulted in a one-off effect of recognizing additional income of SKK 369 million in 2003. The net effect after tax is an additional SKK 277 million of profit in 2003.

Bratislava, 28 April 2004

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