

ANNUAL REPORT 2002





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## Dear Ladies and Gentlemen,

We are proud to present to you the results of our company's efforts in 2002.

This year at Západoslovenská energetika (ZSE) has been a truly historic one. The company celebrated its 80th anniversary as the oldest energy company in Slovakia, and, at the same time, became the first electricity provider in Slovakia to enter into an international partnership.

In 2002, the ice finally broke in the Slovak energy sector and the government gave a green light to international investors to acquire minority stakes in all three of the country's electricity distribution companies. We welcome the wisdom and boldness of such a decision by the Slovak political leadership on the eve of Slovakia's entry into the European Union. We also look forward to working with the government through the privatisation process and to market liberalisation in Slovakia.

There are 100 years of history between Slovakia's first day of electrical power and ZSE's entrance into the international arena. In 1922, ZSE was established as a legal entity, and 80 years later the top representatives of the Slovak government, ZSE and E.ON Energie AG signed an agreement elevating ZSE to the status of a world energy company. ZSE has become the newest member of E.ON Energie's global family.

We are pleased to announce that the challenge of such a major change in the life of the company has been met by both its leadership and employees. ZSE ended the fiscal year 2002 with a result better than expected and also began the process of major restructuring.

It is our ambition to make ZSE a top performer in the E.ON Energie group. As we focus on streamlining company operations and management structure, as well as improving customer service, we believe that reengineering will be completed by the end of 2003 – in record time.

We would like to extend our sincere gratitude to our employees and to all partners and customers of ZSE for giving us the opportunity to work with them.

It is our sincere hope that our joint effort will benefit everyone – employees, customers and partners. We will show that ZSE can be a strong company internationally while also being a responsible corporate citizen at home.



**Konrad Kreuzer**  
Chairman of the Board  
(September 5 – December 31, 2002)



**Andrej Devečka**  
General Director and Chairman of the Board  
(January 1 – September 5, 2002)

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**KEY FIGURES**

**EXECUTIVE AND SUPERVISORY BODIES  
OF ZSE**

**HISTORY OF ZSE**

**REPORT OF THE SUPERVISORY BOARD**

**SUBJECT OF BUSINESS ACTIVITIES**

**ORGANISATIONAL STRUCTURE OF ZSE**

**ORGANISATIONAL CHART**

## KEY FIGURES OF THE COMPANY

### Key Figures of the Company at December 31, 2002

	December 31, 2002	December 31, 2001
	(mil. SKK)	(mil. SKK)
<b>Assets</b>	9,517	9,485
Fixed assets	6,346	6,750
Current assets	2,881	2,464
Other assets	290	271
Depreciation of fixed assets	44 %	47 %
<b>Liabilities and Shareholders' Equity</b>	9,517	9,485
Shareholders' equity	7,181	6,629
Share capital	5,935	5,935
Liabilities	2,281	2,808
Bank loans	635	1,000
Other liabilities	55	48
	Jan. – Dec. 2002	Nov. – Dec. 2001
Revenues (mil. SKK)	19,638	3,633
Expenses (mil. SKK)	19,208	4,073
Gross profit (mil. SKK)	722	-392
Net profit (mil. SKK)	430	-440
Net profit per share (SKK)	72	0
Dividend per share before tax (SKK)	64.30	0



Figures	2002	2001
Volume of electricity sold (GWh)	7,172	6,946
Revenues from electricity sales (mil. SKK)	17,937	17,272
Average sale price (SKK/MWh)	2,475	2,487
Volume of electricity purchased (GWh)	7,891	7,714
From Slovak Power Plants (Slovenské elektrárne, a. s.) (%)	94 %	97 %
Cost of Electricity purchases (mil. SKK)	14,721	14,158
Average purchase price (SKK/MWh)	1,867	1,835
Volume of electricity produced (GWh)	6	144
Area of distribution (km <sup>2</sup> )	14,850	14,850
Number of outlets	975,997	969,414
Length of 110 kV network (km)	2,704	2,704
Length of low-voltage (LV) network (km)	12,554	12,449

## EXECUTIVE AND SUPERVISORY BODIES OF ZSE

Members of the statutory bodies of the Company as of August 31, 2002, as listed in the Commercial Register:

### Board of Directors

Chairman	Ing. Andrej Devečka
Vice Chairman	Ing. Igor Masár
Members	Ing. Rastislav Jamrich, Ing. Ľubomír Maco, Ing. Zdeněk Soukup

### Supervisory Board

Chairman	Ing. Márius Hričovský
Vice Chairman	Ing. Emil Baxa
Members	Ing. Ján Ďurana, Ing. Dušan Haruštiak, Ing. Peter Benčúrik, Prof. Ing. Peter Baláž, CSc., Ing. Emil Krondiak, Ing. Peter Malík, Ing. Ľudovít Šoltés, CSc., Ing. Ján Londák, Mgr. Zora Maková, Ing. Jozef Voštinár

The General Meeting on September 5, 2002 approved the appointment of the following members to the statutory bodies of the Company:

### Board of Directors

Chairman	Konrad Kreuzer
Vice Chairman	prof. Ing. Peter Baláž, CSc.
Members	Ing. Andrej Devečka, Dietrich Max Fey, prof. Ing. Vladimír Vojtek

### Supervisory Board

Chairman	Ing. Jozef Urmín
Vice Chairman	Dr. Walter Hohlefelder
Members	Ing. Štefan Bartošovič, Ing. Ján Ďurana, Ing. Dušan Haruštiak, Ing. Peter Malík

Structure of ZSE Shareholders as of December 31, 2002:

### Volume of Share Capital

	Number of shares	% of share capital	% of voting rights
National Property Fund	3 026 643	51 %	51
E.ON Energie AG, Mníchov	2 907 951	49 %	49

These changes were not entered in the Commercial Register before the Financial Statements as of December 31, 2002 were prepared. On June 27, 2002 the General Meeting of ZSE approved the Financial Statements for the two-month period ending December 31, 2001.



Konrad Kreuzer

prof. Ing.  
Peter Baláž, CSc.

Ing. Andrej Devečka



Dietrich Max Fey

prof. Ing.  
Vladimír Vojtek

On June 13, 2002 representatives of the Slovak Government and Germany based concern E.ON Energie AG, signed an agreement on the transfer of 49% of shares in ZSE joint-stock company to E.ON Energie AG. Shown in the photograph are, from the left: E.ON board member Walter Hohlefelder, E.ON chairman Hans-Dieter Harig, and Slovak Economy Minister Lubomír Harach.

## HISTORY OF ZSE

**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. Ing. Karol Stuchlý becomes first director, and also the first employee of ZSE joint stock company. He begins to build a power-generating all-purpose company, based in Bratislava, but faces obstacles from the city at each step.

**August 1, 1922**

ZSE acquires the power plant of Karol Eszterházy, which includes distribution equipment and electrified villages in Senec district. It begins to supply electricity at its own expense, and also the gradual electrification of towns and villages.

**February 11, 1942**

ZSE commissions the first 100 kV line between Trnava and Bratislava, also with 100/22 kV terminals.

**June 5, 1942**

Západoslovenské elektrárne, úč. spol. Bratislava (West Slovakian Power Plants, joint stock company, Bratislava) changes its name to Slovenské elektrárne, úč. spol., Bratislava (Slovakian Power Plants, joint stock company, Bratislava) after a gradual merger during the course of the year with companies Južnoslovenské elektrárne, úč. spol. Komárno (South Slovakian Power Plants, joint stock company, Komárno), Stredoslovenské elektrárne, úč. spol. Banská Bystrica (Central Slovakian Power Plants, joint stock company, Banská Bystrica), Východoslovenské elektrárne, úč. spol. Košice (East Slovakian Power Plants, joint stock company, Košice), and Spojené elektrárne severozápadného Slovenska, úč. spol. Žilina (United Power-Plants of the North-West Slovakia, joint stock company, Žilina).

**December 7, 1952**

The first interstate connection at the level 110 kV between TR Nové Zámky and TR Kisigmánd (Hungary).

**Apríl 2, 1960**

Chvojnica village in Senec district becomes the last village in the ZSE distribution area to be connected to the 22 kV network.

**January 1, 1969**

Slovenské energetické podniky (Slovakian Power Engineering Companies) comes into existence, under which ZSE, n. p., Bratislava (ZSE, state owned company, Bratislava) also operates.

June 11, 1970

The VHV network of ZSE is connected to the 400 kV national transmission system, making the supply of electricity more reliable.

September 3, 1990

Západoslovenské energetické závody is established as an independent state-owned company.

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, sign an agreement on the transfer of a 49 % stake in ZSE, a. s., to E.ON Energie for a total price of 330 million EUR.

September 5, 2002

The stake of 49 % in ZSE, a. s., is transferred to E.ON Energie AG, thus concluding the first phase of privatisation. ZSE thus becomes a part of the global family of E.ON Energie companies.

July 2002

Launch of the ZE-ON Project: the process of restructuring ZSE with the goal of preparing it for the conditions of an open electricity market.



Ing. Karol Stuchlý

**Západoslovenská Elektrárna úč. spol. v Bratislave.**

**Ústredná správa:** Bratislava, Štefanikova cesta 14. Telefon číslo 15-96.

*Okresné inšpektoráty:*  
**Trnava,** Chlebový rynek čís 4. Telefon čís. 31. – **Senec,** Telefon čís. 5.  
 Ďalšie okr. inšpektoráty budú v ďalších mestách postupne sriadované.

**Účastinný kapitál Kč 8000000'--.**  
 Z toho pripadá na účasť štátu 4,000.000'-- , na účasť miest 1,100.000'-- Kč, na súkromný kapitál bude postupne zvyšovaný na 16,000.000'--.

Spoločnosť bola založená r. 1921 podľa intencií elektrisačného zákona č. 438/1919, cieľom prevedenia elektrizácie XV. (bratislavskej) veľzupy a v r. 1923 bola min. ver. prác. prehlásená výnosom číslo 18-106/16763 1923 za elektrický podnik všeužitčný.

*Spoločnosť má v provozu:*  
 V Senci vlastnú dieselovú elektrárňu o výkone 800 HP s hlavnou transformačnou stanicou do výkonu 1500 kVA, 5250/22000 V. – V Trnave hlavnú transf. stanicu na 600 kVA, 22000/3000 V. Úhrnom 116 km elektr. dialkového vedenia o napnutí 22.000 V a 5200 V.

*Zásobuje elektrickou energiou obce:* Trnava, Modra, Pezinok, Sv. Júr, Šyansbach, Senec, Čeklýs, Ivánka, Farná, Oberufer, Eberhardt, Malá Borša, Račičtorf. Ďalej veľkostatek: Majorháza u Félu. Na ďalších projektoch a stavbách sa pracuje. Koope-ruje so závodnými elektrárňami fy. Dynamit-Nobel v Bratislave a s cukrovarom K. Stummera úč. spol. v Trnave.

# REPORT OF THE SUPERVISORY BOARD

## Report of the Supervisory Board of Západoslovenská energetika, a. s.,

to the Financial Statements and to the amendment of the Articles to Association of the Company and recommendations. (Report of the Supervisory Board, Stance of the Supervisory Board, on the Annual Financial Report and on the proposal of profit distribution for the year 2002 – for the General Meeting of ZSE, a. s., to be held on June 27, 2003)

The year 2002 was a year of significant changes, most significantly the entry of the strategic investor E.ON Energie AG into the ZSE, a. s., shareholders' structure and extensive amendment of the Company's Statutes.

The Supervisory Board of ZSE, a. s., convened both regularly and when required by the needs of the Company (established on November 1, 2001) – meeting ten times in 2002. As the supreme supervisory body of ZSE, a. s., and pursuant to the Statutes of the Company, it oversaw the activities of the Board of Directors and business activities of the Company.

The above mentioned changes were also reflected in personal changes in the Supervisory Board of ZSE, a. s., Bratislava (hereinafter referred to as DR ZSE, a. s.):

Name	Member of DR ZSE, a. s.
Márius Hričovský – Chairman of DR until Sep. 4, 2002	Jan. 1 – Sep. 4, 2002
Peter Baláž	Jan. 1 – Sep. 4, 2002
Peter Benčúrik	Jan. 1 – Apr. 22, 2002
Emil Krondiak	Jan. 1 – –
Ľudovít Šoltés	Jan. 1 – Sep. 4, 2002
Štefan Bartošovič	Apr. 22 – –
Ján Ďurana – Vice Chairman of DR until Sep. 4, 2002	Jan. 1 – –
Dušan Haruštiak	Jan. 1 – –
Peter Malík	Jan. 1 – –
Emil Baxa	Jan. 1 – –
Zora Maková	Jan. 1 – –
Ján Londák	Jan. 1 – –
Jozef Voštinár	Jan. 1 – Dec. 19, 2002
Walter Hohlefelder – Vice Chairman of DR since Sep. 5, 2002	Sep. 5 – –
Jozef Urmín – Vice Chairman of DR since Sep. 5, 2002	Sep. 5 – –

DR ZSE, a. s., reviewed the Annual Financial Statements, the auditor's report (signed by PricewaterhouseCoopers Slovensko, Ltd) and the proposal of profit distribution made by the Board of Directors of ZSE, a. s., at its meeting held on March 28, 2003. In this regard, DR ZSE, a. s., approved resolution No. 1/7/1/2003:

DR ZSE, a. s.:

1. **Approves the material** "Financial Statements of the company Západoslovenská energetika, a. s., Bratislava" as of December 31, 2002.
2. **Approves** the Audit opinion (notes No. 3 of the aforementioned material).
3. **Reviewed** the Annual Financial Statements and the proposal of profit distribution, and recommends the General Meeting to approve:
  - the Annual Financial Statements of the company Západoslovenská energetika, a. s., Bratislava, prepared as of December 31, 2002, pursuant to accounting standards in appendix No.1 of the aforementioned material
  - the proposal of profit distribution in wording of appendix No.2 of the aforementioned materia, as amended by the calculation of the dividend per share in the presented structure,
4. **Empowers** Prof. Ing. Peter Baláž, CSc., Vice Chairman of the Board of Directors and Mr. Dietrich Max Fey, member of the Board of Directors, to present the Annual Financial Statements and the proposal of the profit distribution to the General Meeting for approval pursuant to the Articles of association.

The Supervisory Board finds that ZSE, a. s., earned an income of 429,737 TSKK for the year ended December 31, 2002. Simultaneously, upon reviewing the accounting documents and based on the Auditor's report, the Supervisory Board finds no deficiencies in the accounting of ZSE, a. s.

The audit of the Annual Financial Statements was performed and signed by the company PricewaterhouseCoopers Slovensko, Ltd, license No. SKAU No.161. The audit opinion dated February 28, 2003 states:

"At December 31, 2002 the Company has calculated the accrual for unbilled electricity in accordance with the methodology that has been consistently applied since December 31, 2001 and earlier. Currently the Company is undertaking the project to harmonize the methodology with E.ON's Energy methodology but to date has not quantified the impact, if any, that the application of the new methodology would have on the financial statements for the year ended December 31, 2002.

In our opinion, except for those adjustments, if any, that might be identified in respect of the matter referred to in paragraph 4, the accompanying financial statements present fairly, in all material respects, the financial position of Západoslovenská energetika, a. s. at December 31, 2002 and the results of its operations for the year then ended in accordance with the Accounting Act of the Slovak Republic."

At the same time, DR ZSE, a. s., finds that the Board of Directors failed, in spite of its best efforts pursuant to § 200, sections 5 and 6 of the Commercial Code, to organise a successful election of members of the Supervisory Board by employees at the end of 2002. Since no candidate received the sufficient number of votes required by law, then after the change of the shareholders' structure and the amendment of the Articles of association, the number of members of the Supervisory Board was reduced from 12 to 9.

### Final resolution of the Supervisory Board of ZSE, a. s.:

#### Final resolution of the Supervisory Board of ZSE, a. s.:

1. Pursuant to the Articles of association, the Supervisory Board of ZSE, a. s., reviewed:
  - Annual Financial Statements as of December 31, 2002,
  - Auditor's report

and **recommends them to the General Meeting for approval.**

2. The Supervisory Board of ZSE, a. s., **recommends the General Meeting to approve** the proposal of the profit distribution of the company ZSE, a. s., for the year 2002 as follows:

– Profit for the current period	429,736,826 SKK
– Allocation to reserve fund (10%)	42,993,537 SKK
– Allocation to social fund	1,711,000 SKK
– Remuneration of statutory bodies members	3,437,895 SKK
– Dividends	381,594,394 SKK
3. The Supervisory Board **recommends the General Meeting to obligate the Board of Directors of the Company** to continue to make great efforts in the cooperation with trade unions organizations with regard to the employees' election of members of the Supervisory Board of ZSE, a. s.

In Bratislava, on May 26, 2003

Ing. Jozef Urmín  
Chairman of DR ZSE, a. s.



## Subject of Business Activities

**Establishment of the joint-stock company**

The joint-stock company was established by virtue of the Deed of Incorporation of October 15, 2001, N 836/2001, in accordance with Articles 154 to 220 of Act No. 513/91 (Collection of Laws), and under the Slovak Government's decision on the privatisation of Západoslovenské energetické závody state company, of June 20, 2001, the Company was dissolved without liquidation by virtue of the Slovak Ministry of Economy Decision No. 96/2001 – No. 4278/2001 – 1000 – 101.

The joint-stock company was registered as of November 1, 2001 with the Bratislava I District Court, Section Sa, Insert 2852/B, as follows:

Trade name:	Západoslovenská energetika, akciová spoločnosť
Registered office:	Čulenova 6, 816 47 Bratislava
Company Identification Number:	35 823 551

## SUBJECT OF BUSINESS ACTIVITIES

### The Company's primary line of business includes:

1. electricity purchasing,
2. electricity transmission,
3. electricity distribution,
4. development and design of power distribution networks, transformer stations up to a voltage of 110 kV, industrial installations,
5. capital construction design,
6. capital construction engineering,
7. engineering for the HV network distribution system,
8. operating overhead cable transformer stations up to 22 kV, LV public lighting networks,
9. design, installation and service of telecom equipment of the single telecoms network,
10. provision of telecom services outside the public voice telephone service,
11. provision of non-public telecom services through terrestrial satellite stations and VSAT stations,
12. inspection of electrical equipment,
13. inspection of operational boilers and gas equipment,
14. inspection tests for capacity of lifting devices,
15. calibration of meters, measuring sets,
16. installation, repair, maintenance of confidential electric equipment, and LV distribution systems,
17. repair of meters, welding transformers, rotating machines, and asynchronous motors, as well as servicing of hydraulic equipment,
18. installation and repair of gas equipment,
19. repair and installation of boilers, stable pressure vessels,
20. installation and repair of heat meters,
21. provision of software,
22. processing of automated data,
23. repair and maintenance of motor vehicles,
24. use of road transport machinery,
25. rent of machinery including drivers,
26. mass, irregular public transport on roads,
27. cargo transport on roads,
28. locksmithery,
29. buying and selling goods within the scope of free trade,
30. catering and lodging.

**The basic organisational structure of the Company consists of:**

- General Director Directorate,
- Electricity Distribution Directorate,
- Investment Directorate,
- Finance Directorate,
- Sales Directorate,
- Services Directorate,
- IT Directorate.

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

The directorates are subdivided into divisions, plants, sections, and departments.

Plants of the joint-stock company are:

- regional plants – Bratislava, Trnava, Nitra, and Dunajska Streda, reporting to the Electricity Distribution Director
- other plants – Stavebnomontážny závod Nitra (Construction-Installation Plant Nitra), reporting to the Investment Director; Opravovňa transformátorov a ciachovňa Hlohovec (Transformer Repair Workshop Hlohovec), reporting to the Quality Management Director, (Plant for Operation and Maintenance of Distribution Bratislava), reporting to the Electricity Distribution Director.

**Characteristics of regional plants**

The regional plants co-ordinate and manage operational administration for a given area, providing electricity distribution, rationalising electricity consumption, co-ordinating and managing development objectives and implementation of capital and project activities, and supplying economic, transport, and social services.

**Operating administrations**

They operate and maintain high voltage (HV) and low voltage (LV) networks on a regular basis, as well as transformer stations and switching stations. As regards construction activity, they build new facilities for power substations for both the Company and external consumers. In addition, they carry out reconstruction and repair of these facilities.

## BASIC ORGANISATIONAL STRUCTURE

### Characteristics of other plants

#### **Stavebnomontážny závod Nitra (Construction-Installation Plant Nitra)**

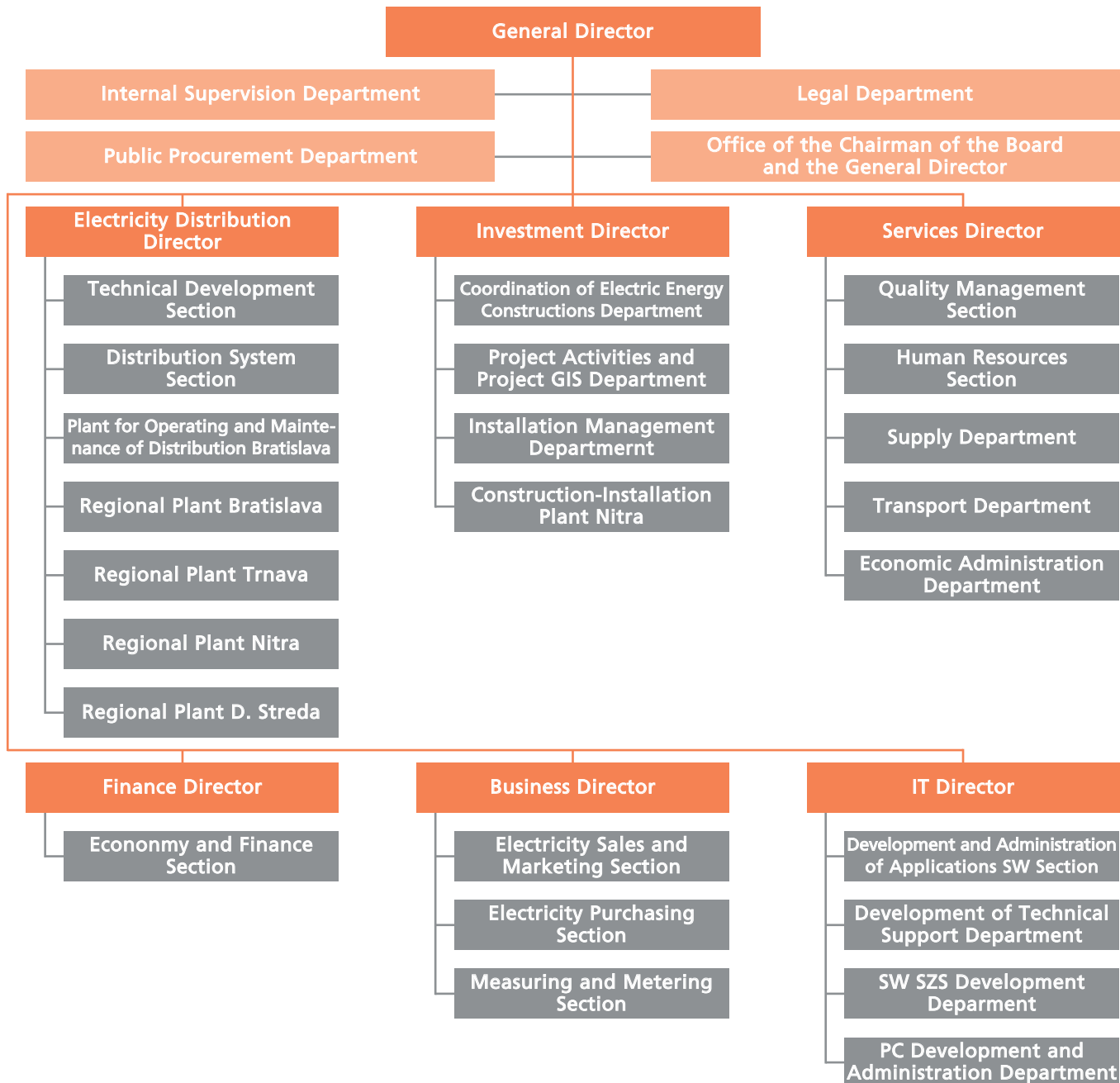
Constructs distribution facilities for both the Company and external customers. It specializes in large-scale repairs of specific power distribution equipment.

#### **Opravovňa transformátorov a ciachovňa Hlohovec (Transformer Repair Workshop and Calibration Station, Hlohovec)**

Carries out revision and repairs of transformers of own and other meters, time switches (timers), measuring sets. The Company disposes physically and morally outdated transformers and filters transformer oils. It also provides modification, testing and repairs of mass remote control, measuring equipment, as well as testing of protective devices. It organizes mass replacement of meters with the consumers in selected sites.

#### **Závod prevádzky a údržby rozvodní Bratislava (Plant for Operation and Maintenance of Distribution Equipment, Bratislava)**

The plant performs operation and maintenance, inspections of transformer stations of the transmission and distribution systems. It manages and ensures operation and maintenance of control equipment items, operation and maintenance of ultra high voltage (UHV) and very high voltage (VHV) networks.







**STRUCTURE OF RESOURCES  
AND UTILISATION OF ELECTRICITY**

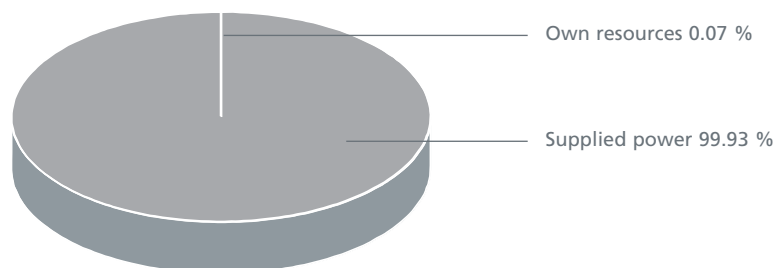
**ECONOMY**

**CAPITAL INVESTMENTS**

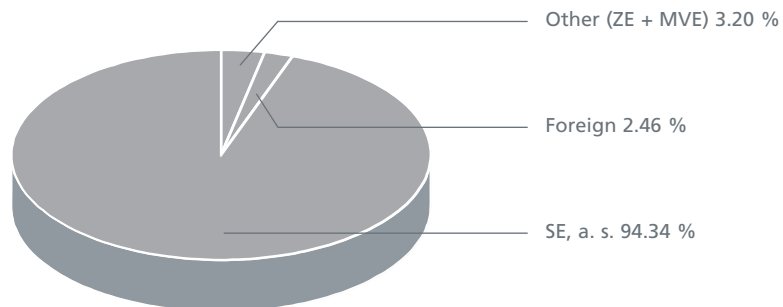
**EMPLOYEES**

## STRUCTURE OF RESOURCES AND UTILISATION OF ELECTRICITY

Structure of resources of electricity in 2002	(MWh)
Own resources	5,696
Supplied power	7,885,647

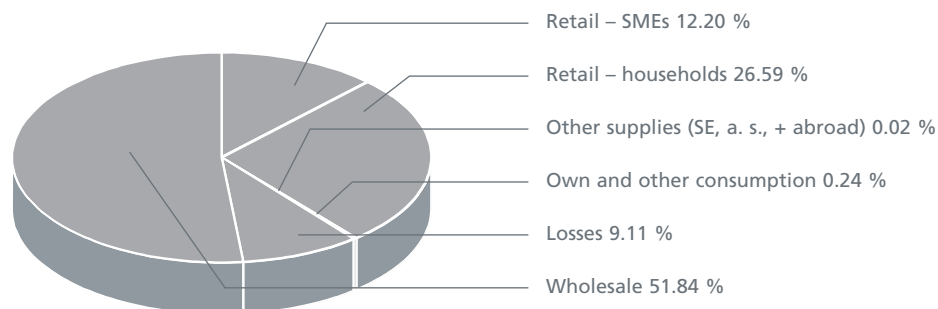


Structure of supplied electricity in 2002	(MWh)
SE, a. s.	7,439,198
Other (ZE + MVE)	252,200
Foreign	194,249





Structure of electricity consumption in 2002	(MWh)
Wholesale	4,090,923
Retail – SMEs	962,870
Retail – households	2,098,316
Other supplies (SE, a. s., + abroad)	1,254
Own and other consumption	18,750
Losses	719,230



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

# ECONOMY

## Economy

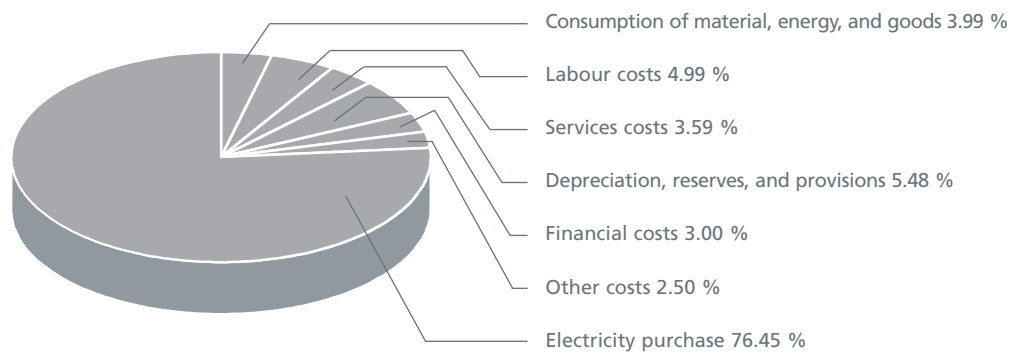
The company made an after-tax profit of 429,737 TSKK in the 2002, exceeding the plan by 18,743 TSKK, or 4.56 %.

Review of 2002 ratios:	Actual in TSKK
Revenues	18,213,619
EBIT	713,913
EBIT-Margin	3.9 %
EBITDA	1,304,266
EBITDA-Margin	7.2 %
Profit for the accounting period	429,737

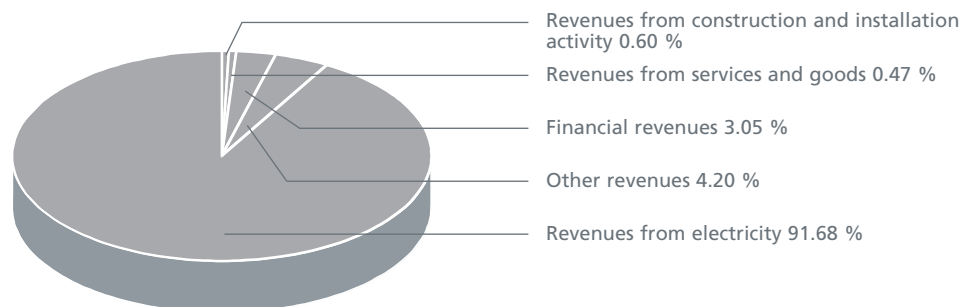
The profit before taxes for the period from January to December 2002 totalled 722,426 TSKK, 27,28 % higher than planned.

After-tax profit for 2003 is planned at 1,272,860 TSKK.

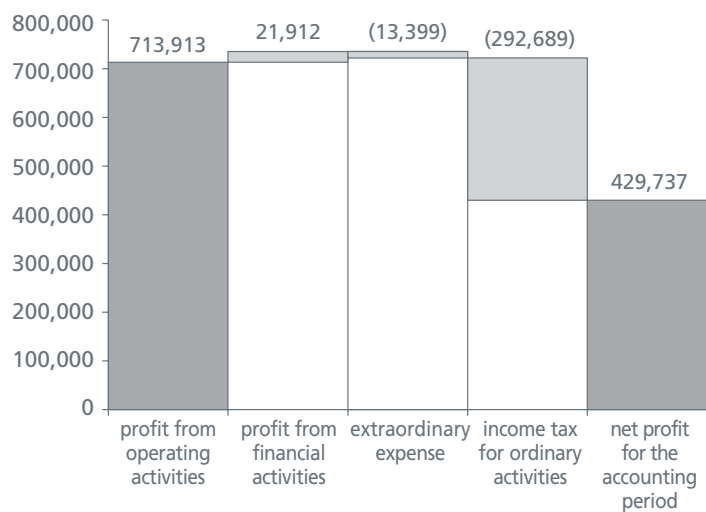
## Cost structure 2002



## Revenue structure 2002



## Profit structure in 2002 (TSKK)



### Financing

In 2002, the Company's financing reflected a positive cash-flow development. This development was influenced by received payments from PPC, a. s., and the sale of the property share in PPC (pursuant to the resolution of the Government of the Slovak Republic dated May 22, 2002); shares of PPC, a. s., were transferred to the National Property Fund for the nominal value of 386 mil. SKK pursuant to the resolution of the Government.

Fixed assets decreased by 403,466 TSKK and current assets, including other assets, increased by 436,379 TSKK.

The positive cash flow enabled the Company to earn interest on higher amounts of free financial funds and the interest on term deposits exceeded the plan. The interest on the short-term deposits totalled 67.8 mil SKK.

The deposit strategy of ZSE, a. s. was approved in 2002.

Signing of an amendment to the Agreement on Credit Provision by Citibank, whereby, among other things, the margin decreased, had a positive effect on the financial position of the Company.

An improvement of credit terms was agreed also with other banks which we cooperate in covering short-term financial deficits. In the first half of 2002, a margin adjustment of the overdraft account with Tatra banka was agreed.

The margin for drawing R-credit in SKK was also decreased in the Amendment to the Revolving and overdraft account concluded with Všeobecná úverová banka in 2002.

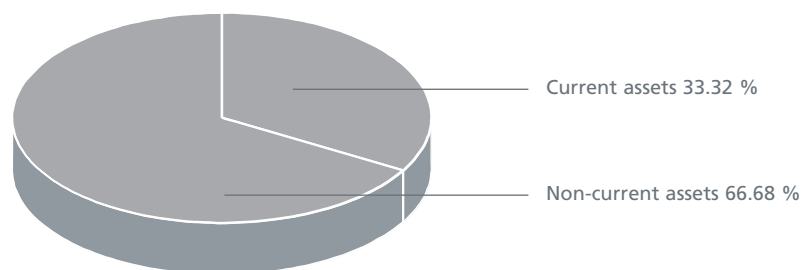
Neither short-term, nor long-term credits were drawn in 2002.

The interest of the credit from Citibank (Slovakia), a. s., in the total amount of 90,799 TSKK for the period from January 1, 2002 to December 31, 2002 was paid pursuant to the credit agreement.

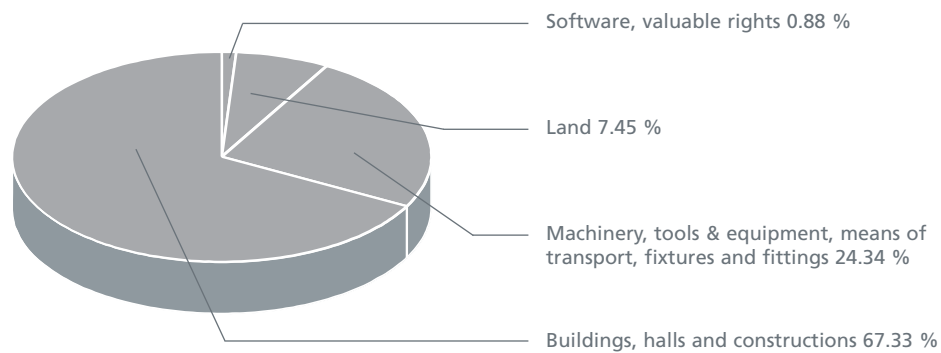
In December 2002, the loan repayment amount was increased to 365,000 TSKK reflecting the volume of free financial resources.

The amount of the shareholders' equity increased by 551,846 TSKK whereas liabilities decreased by 518,933 TSKK, resulting into overall liability increase of 32,913 TSKK.

## Assets and other assets structure as of Dec. 31, 2002

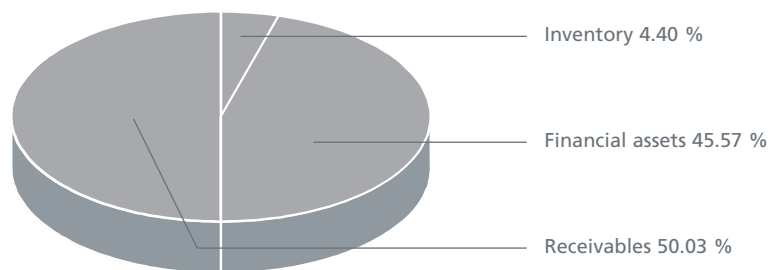


## Tangible and intangible assets structure as of Dec. 31, 2002

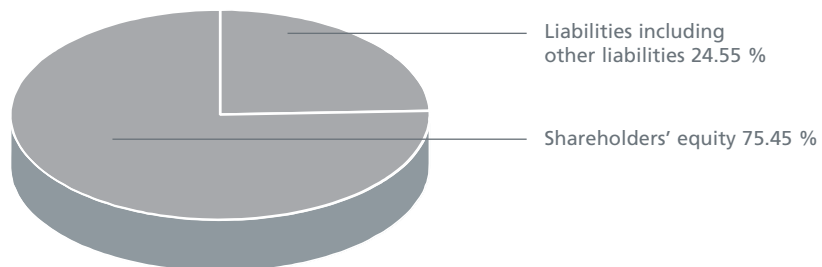


## ECONOMY

### Current assets structure as of Dec. 31, 2002



### Capital structure as of Dec. 31, 2002

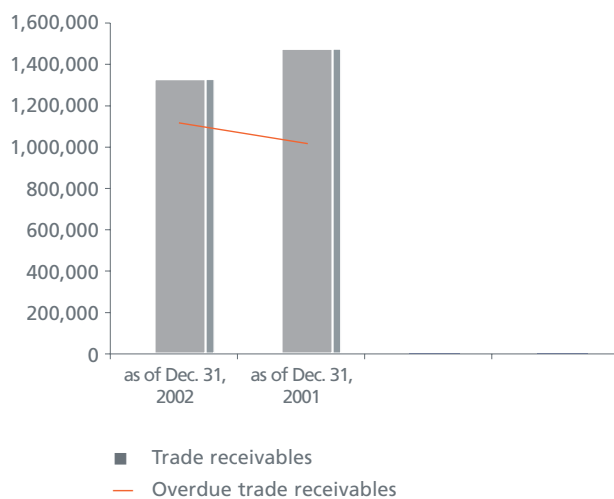


## Trade receivables and payables

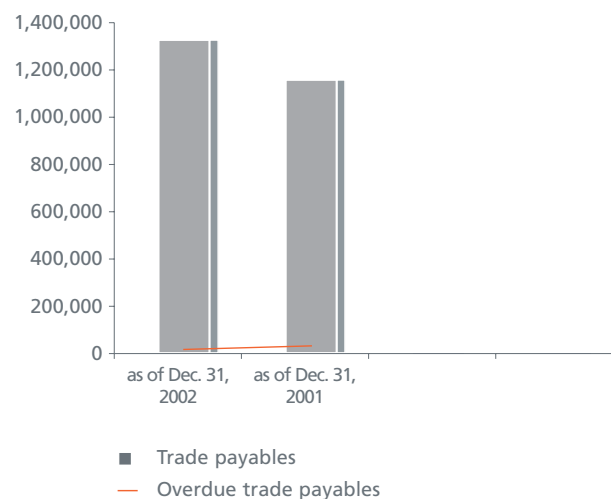
Trade receivables as of December 31, 2002 decreased by 145,759 TSKK compared to 2001 with overdue receivables increasing by 76,175 TSKK compared to the beginning of 2002. The overall debt related to electricity was in the amount of 1,048,445 TSKK including, the health sector which accounted for 338,795 TSKK.

	as of Dec. 31, 02	as of Dec. 31, 01
	(TSKK)	(TSKK)
Trade receivables	1,326,703	1,472,462
Overdue trade receivables	1,083,613	1,007,438
Trade payables	1,326,298	1,156,517
Overdue trade payables	22,484	27,683

## Trade receivables in TSKK



## Trade payables in TSKK

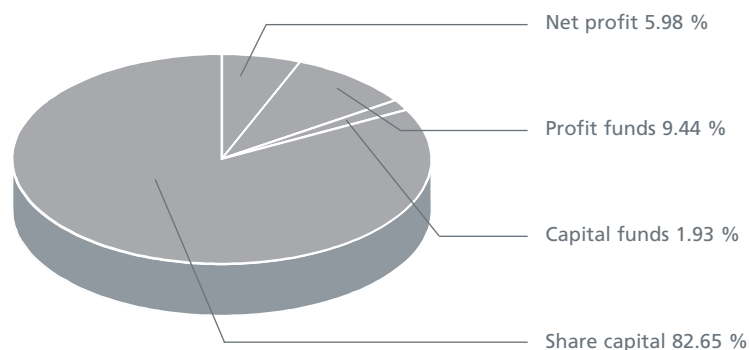


## ECONOMY

### Financial ratios

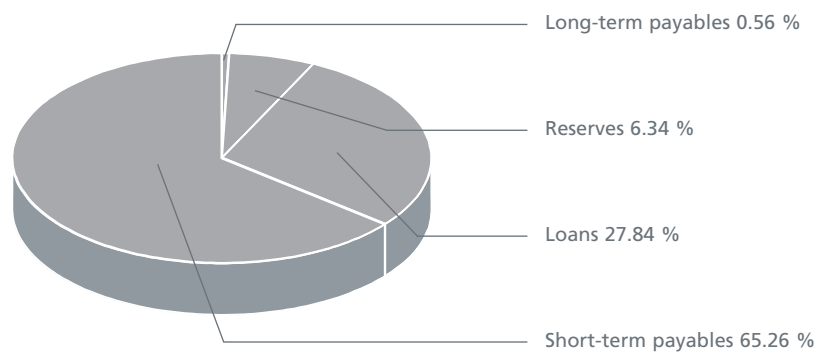
Financial coefficients:	Jan. – Dec. 2002	Nov. – Dec. 2001
<b>1. Liquidity</b>		
Disposable liquidity (0.2 – 0.6)	0.85	0.42
Quick ratio (1 – 1.5)	1.78	1.27
<b>2. Activity</b>		
Stock turnover	2.72	2.75
Trade receivable turnover	27.47	32.46
Trade payable turnover	28.07	21.63
<b>3. Debt ratios</b>		
Debt level (from bank loans in %)	6.67	10.54
Debt level (from liabilities in %)	24.55	30.11
Degree of financial independence	32.54	43.08

### Shareholders' equity as of Dec. 31, 2002 in the amount of 7,180,755 TSKK





## Liabilities as of Dec. 31, 2002 in the amount of 2,281,258 TSKK



## CAPITAL INVESTMENTS

Fulfilment of the investment plan is evaluated with regard to the plan adjustment approved by the Board of Directors on December 17, 2002. An investment limit in the amount of 825,470 TSKK was approved. The investment plan was fulfilled in the period to the extent of 91.7 %.

The largest investments, totalling 377 mil. SKK, related to the electricity distribution network.

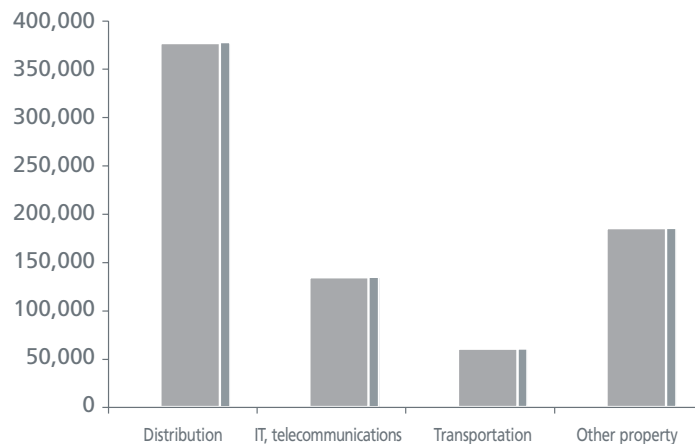
The most significant projects with the largest volume of investments (TSKK):

– extension of the 22 kV control room Čulenova	35,821
– remote-operated section switches	16,167
– data acquisition for dispatching	11,227
– measurement of electric operation	11,226

The investment programme also included ecological projects worth in total of 15,107 TSKK including:

– reconstruction of transformer stands in the 110/22 kV transformer station Štúrovo,	6,704 TSKK
– reconstruction of transformer stands, compensators, and site drainage of the 110/22 kV transformer station Senec	4,207 TSKK
– reconstruction of transformer stands in the 110/22 kV transformer station Piešťany	2,212 TSKK

### Investment structure (in TSKK)

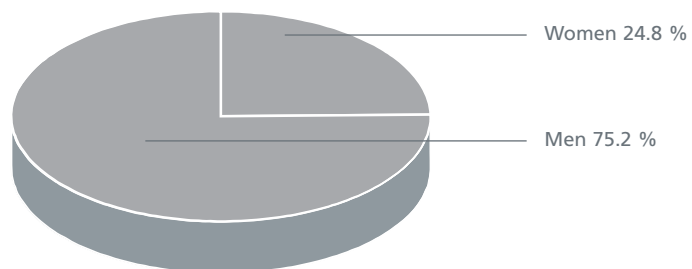


	Employees
<b>No. of employees as of Dec. 31, 2001</b>	<b>2,571</b>
<b>Additions</b>	<b>103</b>
– graduates	4
– free recruitment	77
– return from MEP (MD, ZVS)	22
<b>Terminations of employment</b>	<b>132</b>
– by agreement	43
– terminated by employee	6
– terminated due to definite period	16
– retirement, disability pension	27
– for MEP (MP, ZVS)	13
– due to reorganization	17
– other	10
<b>No. of employees as of Dec. 31, 2002</b>	<b>2,542</b>

## EMPLOYEES STRUCTURE

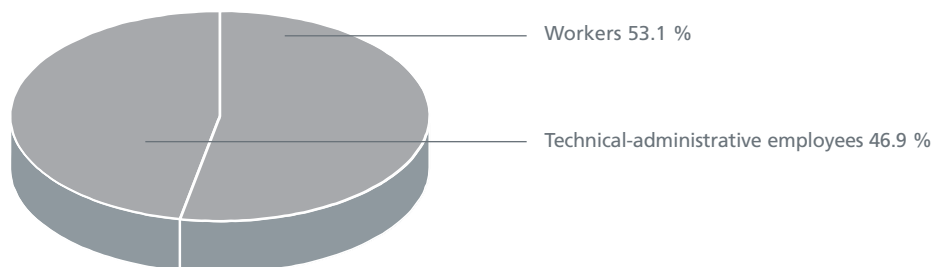
### Structure of employees by sex as of Dec. 31, 2002

By sex	Dec. 31, 2002	Share (%) in 2002
Men	1,911	75.2
Women	631	24.8



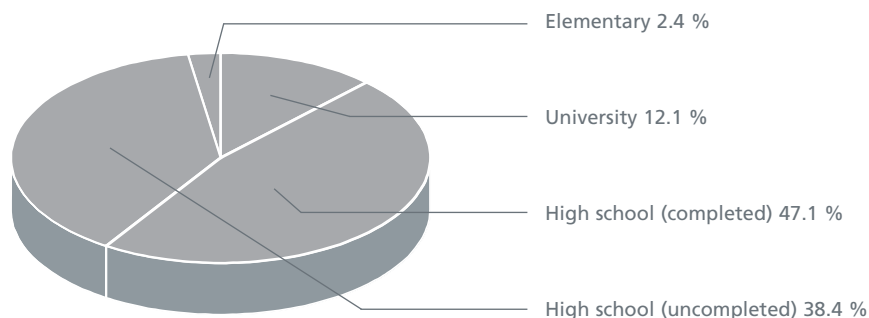
### Structure of employees by category as of Dec. 31, 2002

By category	Dec. 31, 2002	Share (%) in 2002
Workers	1,350	53.1
Technical-administrative employees	1,192	46.9



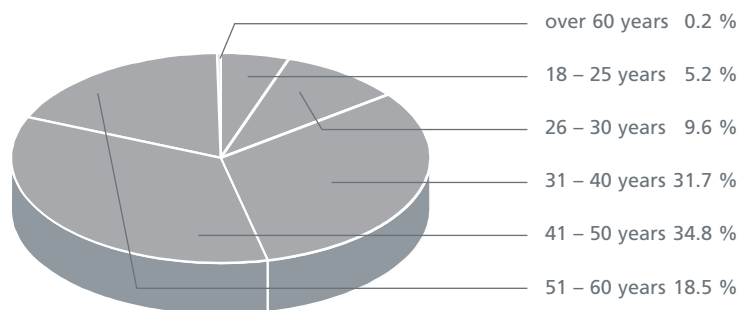
## Structure of employees by education as of Dec. 31, 2002

Educational Level	Dec. 31, 2002	Share (%) in 2002
University	307	12.1
High school (completed)	1,198	47.1
High school (uncompleted)	977	38.4
Elementary	60	2.4



## Structure of employees by age as of Dec. 31, 2002

Age category	18 – 25 years	26 – 30 years	31 – 40 years	41 – 50 years	51 – 60 years	over 60 years	Total No.
2002	133	243	807	885	469	5	2,542
Share %	5.2	9.6	31.7	34.8	18.5	0.2	100



The average age of employees in 2002 was 41 years.





**BALANCE SHEET**

**PROFIT AND LOSS STATEMENT**

**NOTES TO THE FINANCIAL STATEMENT  
AS OF DECEMBER 31, 2002**

**AUDIT OPINION**

# BALANCE SHEET

Balance sheet as of Dec. 31, 2002 in 000's SKK

BALANCE SHEET – LONG FORM	Line	31/12/02	31/12/02	31/12/02	31/12/01
		Gross	Adjustment	Net	Net
<b>TOTAL ASSETS</b>	<b>1</b>	<b>18,180,242</b>	<b>8,662,777</b>	<b>9,517,465</b>	<b>9,484,552</b>
<b>A. STOCK SUBSCRIPTION RECEIVABLE</b>	<b>2</b>	–	–	–	–
<b>B. FIXED ASSETS</b>	<b>3</b>	<b>14,384,039</b>	<b>8,037,723</b>	<b>6,346,316</b>	<b>6,749,782</b>
<b>B. I. Intangible fixed assets</b>	<b>4</b>	<b>312,398</b>	<b>163,559</b>	<b>148,839</b>	<b>58,596</b>
B. I. 1. Start-up costs	5	919	230	689	–
2. Research and development costs	6	–	–	–	–
3. Software	7	192,011	154,654	37,357	16,615
4. Valuable rights	8	16,769	8,675	8,094	8,853
5. Low-value and other intangibles	9	–	–	–	296
6. Intangibles in progress	10	101,061	–	101,061	32,832
7. Advances for intangibles	11	1,638	–	1,638	–
<b>B. II. Tangible assets</b>	<b>12</b>	<b>14,059,398</b>	<b>7,873,932</b>	<b>6,185,466</b>	<b>6,106,459</b>
B. II. 1. Land	13	389,001	–	389,001	388,968
2. Buildings, halls and constructions	14	7,891,277	4,374,529	3,516,748	3,448,461
3. Machinery, tools & equipment, means of transport, fixtures and fittings	15	4,738,572	3,468,490	1,270,082	1,322,029
4. Perennial crops	16	–	–	–	–
5. Livestock	17	–	–	–	–
6. Other tangible fixed assets	18	1,278	–	1,278	20,482



BALANCE SHEET – LONG FORM		Line	31/12/02	31/12/02	31/12/02	31/12/01
			Gross	Adjustment	Net	Net
	7. Tangibles in progress	19	1,039,270	30,913	1,008,357	925,655
	8. Advance payments made	20	–	–	–	864
	9. Adjustment to gained property	21	–	–	–	–
<b>B. III.</b>	<b>Financial investments</b>	<b>22</b>	<b>12,243</b>	<b>232</b>	<b>12,011</b>	<b>584,727</b>
B. III. 1.	Investments in subsidiaries (>50%)	23	900	–	900	306,979
	2. Investments in associates (from 20 to 50%)	24	–	–	–	–
	3. Other securities and ownership interests	25	11,343	232	11,111	11,109
	4. Intercompany loans	26	–	–	–	266,639
	5. Other loans and financial investments	27	–	–	–	–
<b>C.</b>	<b>CURRENT ASSETS</b>	<b>28</b>	<b>3,506,390</b>	<b>625,054</b>	<b>2,881,336</b>	<b>2,463,563</b>
<b>C. I.</b>	<b>Inventory</b>	<b>29</b>	<b>143,407</b>	<b>16,704</b>	<b>126,703</b>	<b>150,371</b>
C. I. 1.	1. Materials	30	141,400	16,704	124,696	148,260
	2. Work-in-progress and semi-finished products	31	1,266	–	1,266	1,463
	3. Finished products	32	–	–	–	–
	4. Livestock	33	–	–	–	–
	5. Goods	34	312	–	312	355
	6. Advance payments made	35	429	–	429	293

## BALANCE SHEET

BALANCE SHEET – LONG FORM		Line	31/12/02	31/12/02	31/12/02	31/12/01
			Gross	Adjustment	Net	Net
<b>C. II.</b>	<b>Long-term receivables</b>	<b>36</b>	<b>2,519</b>	<b>–</b>	<b>2,519</b>	<b>3,211</b>
C. II. 1.	Trade and other receivables	37	2,519	–	2,519	3,211
	2. Receivables from partners and associations	38	–	–	–	–
	3. Receivables due from subsidiaries (>50%)	39	–	–	–	–
	4. Receivables due from associates (from 20 to 50%)	40	–	–	–	–
	5. Other receivables	41	–	–	–	–
<b>C. III.</b>	<b>Short-term receivables</b>	<b>42</b>	<b>2,047,524</b>	<b>608,350</b>	<b>1,439,174</b>	<b>1,543,063</b>
C. III. 1.	Trade receivables	43	1,932,533	608,350	1,324,183	1,469,251
	2. Receivables from partners and associations	44	830	–	830	1,330
	3. Receivables from social security authorities	45	–	–	–	–
	4. Receivables from state (taxes and subsidies)	46	111,623	–	111,623	69,786
	5. Deferred tax assets	47	–	–	–	–
	6. Receivables due from subsidiaries (>50%)	48	451	–	451	451
	7. Receivables due from associates (from 20 to 50%)	49	–	–	–	–
	8. Other receivables	50	2,087	–	2,087	2,245
<b>C. IV.</b>	<b>Financial accounts</b>	<b>51</b>	<b>1,312,940</b>	<b>–</b>	<b>1,312,940</b>	<b>766,918</b>
C. IV. 1.	Cash	52	8,036	–	8,036	9,223
	2. Bank accounts	53	1,304,904	–	1,304,904	757,695
	3. Short-term financial assets	54	–	–	–	–

<b>BALANCE SHEET – LONG FORM</b>		<b>Line</b>	<b>31/12/02</b>	<b>31/12/02</b>	<b>31/12/02</b>	<b>31/12/01</b>
			<b>Gross</b>	<b>Adjustment</b>	<b>Net</b>	<b>Net</b>
<b>D.</b>	<b>OTHER ASSETS</b>	<b>55</b>	<b>289,813</b>	<b>–</b>	<b>289,813</b>	<b>271,207</b>
<b>D. I.</b>	<b>Accruals</b>	<b>56</b>	<b>107,226</b>	<b>–</b>	<b>107,226</b>	<b>60,217</b>
D. I. 1.	Deffered expenses	57	13,716	–	13,716	20,280
	2. Accrued revenues	58	93,508	–	93,508	39,499
	3. Losses on period-end foreign exchange translation	59	2	–	2	438
<b>D. II.</b>	<b>Contingent receivables</b>	<b>60</b>	<b>182,587</b>	<b>–</b>	<b>182,587</b>	<b>210,990</b>
	<b>Control number</b>	<b>999</b>	<b>72,538,381</b>	<b>34,651,108</b>	<b>37,887,273</b>	<b>37,727,218</b>

## BALANCE SHEET

Balance sheet as of Dec. 31, 2002 in 000's SKK

BALANCE SHEET – LONG FORM	Line	31/12/02	31/12/01
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	<b>61</b>	<b>9,517,465</b>	<b>9,484,552</b>
<b>A. SHAREHOLDERS' EQUITY</b>	<b>62</b>	<b>7,180,755</b>	<b>6,628,909</b>
<b>A. I. Share capital</b>	<b>63</b>	<b>5,934,594</b>	<b>5,934,594</b>
A. I. 1. Share capital	64	5,934,594	5,934,594
2. Own shares	65	–	–
<b>A. II. Capital funds</b>	<b>66</b>	<b>138,373</b>	<b>16,264</b>
A II. 1. Share premium (agio)	67	–	–
2. Other capital funds	68	138,373	16,264
3. Revaluation of assets	69	–	–
4. Revaluation of investments	70	–	–
<b>A III. Funds created from profit</b>	<b>71</b>	<b>678,051</b>	<b>1,117,657</b>
A III. 1. Legal reserve fund	72	678,051	1,117,657
2. Non-distributable fund	73	–	–
3. Statutory and other funds	74	–	–
<b>A.IV. Retained earnings</b>	<b>75</b>	<b>–</b>	<b>–</b>
IV. 1. Retained profit from previous years	76	–	–
2. Accumulated losses from previous years	77	–	–
<b>A. V. Profit or loss for the current accounting period</b>	<b>78</b>	<b>429,737</b>	<b>-439,606</b>
<b>B. LIABILITIES</b>	<b>79</b>	<b>2,281,258</b>	<b>2,808,006</b>
<b>B. I. Reserves</b>	<b>80</b>	<b>144,656</b>	<b>20,033</b>
B. I. 1. Legal reserves (i. e. tax deductible)	81	–	–

<b>BALANCE SHEET – LONG FORM</b>	<b>Line</b>	<b>31/12/02</b>	<b>31/12/01</b>
2. Reserves for exchange rate losses	82	2	438
3. Other reserves	83	144,654	19,595
<b>B. II. Long-term liabilities</b>	<b>84</b>	<b>12,739</b>	<b>22,778</b>
B. II. 1. Long-term payables due to subsidiaries (>50%)	85	–	–
2. Long-term payables due to associates (from 20 to 50%)	86	–	–
3. Long-term advances received	87	6,000	6,187
4. Bonds issued	88	–	–
5. Long-term notes payable	89	–	–
6. Other long-term payables	90	6,739	16,591
<b>B. III. Short-term liabilities</b>	<b>91</b>	<b>1,488,863</b>	<b>1,765,195</b>
B. III. 1. Trade payables	92	1,313,559	1,133,739
2. Payables to partners and associations	93	5,472	5,556
3. Payables to employees	94	44,529	34,128
4. Social security payable	95	28,060	21,814
5. Taxes payable	96	60,520	513,355
6. Deferred taxes	97	15,212	16,668
7. Long-term payables due to subsidiaries (>50%)	98	–	–
8. Long-term payables due to associates (from 20 to 50%)	99	–	–
9. Other payables	100	21,511	39,935
<b>B. IV. Bank loans and short-term notes</b>	<b>101</b>	<b>635,000</b>	<b>1,000,000</b>
B. IV. 1. Long-term bank loans	102	305,000	835,000

## BALANCE SHEET

<b>BALANCE SHEET – LONG FORM</b>	<b>Line</b>	<b>31/12/02</b>	<b>31/12/01</b>
2. Short-term bank loans	103	330,000	165,000
3. Short-term notes	104	–	–
<b>C. OTHER LIABILITIES</b>	<b>105</b>	<b>55,452</b>	<b>47,637</b>
<b>C. I. Accruals</b>	<b>106</b>	<b>6,096</b>	<b>13,688</b>
C. I. 1. Accrued expenses	107	5,248	12,297
2. Deferred revenue	108	741	1,257
3. Gains on period-end foreign exchange translation	109	107	134
<b>C. II. Contingent payables</b>	<b>110</b>	<b>49,356</b>	<b>33,949</b>
<b>CONTROL NUMBER</b>	<b>999</b>	<b>37,590,767</b>	<b>38,343,865</b>

Profit and Loss Statement as of Dec. 31, 2002 in 000's SKK

PROFIT AND LOSS STATEMENT – LONG FORM	Line	01-12/2002	11-12/2001
Revenues from goods sold	1	1,604	197
A. Cost of goods sold	2	1,285	116
<b>Gross margin</b>	<b>3</b>	<b>319</b>	<b>81</b>
<b>Income from production</b>	<b>4</b>	<b>18,596,313</b>	<b>3,523,958</b>
1. Revenues from finished products and services	5	18,212,015	3,458,963
2. Change in stock of finished products and work in progress	6	-197	-14,009
3. Capitalization (of own work)	7	384,495	79,004
<b>B. Production costs</b>	<b>8</b>	<b>16,139,862</b>	<b>2,977,167</b>
B. 1. Consumption of material and energy	9	15,449,854	2,849,908
B. 2. Services	10	690,008	127,259
<b>Value added</b>	<b>11</b>	<b>2,456,770</b>	<b>546,872</b>
<b>C. Personnel expenses</b>	<b>12</b>	<b>958,902</b>	<b>138,579</b>
C. 1. Wages and salaries and earnings of partners and coop. members	13	688,014	99,143
C. 2. Bonuses to members of executive bodies of companies and cooperatives	14	4,770	476
C. 3. Social insurance and other expenses	15	239,896	35,333
C. 4. Statutory social expenses	16	26,222	3,627
D. Taxes and fees	17	28,860	404
E. Amortization of intangibles and depreciation of tangibles	18	590,353	101,833
Revenues from intangible and tangible assets and material sold	19	9,373	1,407
F. Net book value of intangibles, tangibles and material sold	20	9,070	1,383
Release of reserves and recognition of operating accrued revenues	21	–	–

## PROFIT AND LOSS STATEMENT

PROFIT AND LOSS STATEMENT – LONG FORM		Line	01-12/2002	11-12/2001
G.	Creation of reserves and recognition of operating deferred expenses	22	125,059	19,595
	Release of adjustments into operating income	23	285,732	–
H.	Creation of adjustments to operating expenses	24	337,036	608,477
	Other operating revenues	25	138,375	29,333
I.	Other operating expenses	26	127,057	2,386
	Transfer of operating revenues	27	–	–
J.	Transfer of operating expenses	28	–	–
	<b>Operating profit / (loss)</b>	<b>29</b>	<b>713,913</b>	<b>-295,045</b>
	Revenues from sale of investments and securities	30	396,000	–
K.	Investments and securities sold	31	396,000	–
	<b>Income from financial investments</b>	<b>32</b>	<b>3</b>	<b>–</b>
	1. Income from financial investments in companies within the group	33	–	–
	2. Income from other financial investments and securities	34	–	–
	3. Income from other financial investments	35	3	–
	Income from short-term financial assets	36	–	–
	Release of reserves into financial income	37	438	–
L.	Creation of reserve in financial expenses	38	2	438
	Release of adjustments into financial income	39	90,155	–
M.	Creation of adjustments in financial expenses	40	232	90,155
	Interest income	41	80,301	7,799
N.	Interest expenses	42	88,132	15,427



<b>PROFIT AND LOSS STATEMENT – LONG FORM</b>		<b>Line</b>	<b>01-12/2002</b>	<b>11-12/2001</b>
	Other financial income	43	31,424	24,406
O.	Other financial expenses	44	92,043	36,709
	Transfer of financial income	45	–	–
P.	Transfer of financial expenses	46	–	–
	<b>Profit / (loss) from financial activities</b>	<b>47</b>	<b>21,912</b>	<b>-110,524</b>
R.	<b>Income taxes on ordinary income</b>	<b>48</b>	<b>292,689</b>	<b>47,638</b>
R. 1.	– due	49	294,145	662
R. 2.	– deferred	50	-1,456	46,976
	<b>Income taxes on ordinary income</b>	<b>51</b>	<b>292,689</b>	<b>47,638</b>
	<b>Profit or loss from ordinary activities</b>	<b>52</b>	<b>443,136</b>	<b>-453,207</b>
	Extraordinary income	53	8,434	45,949
S.	Extraordinary expenses	54	21,833	32,348
T.	<b>Income tax on extraordinary activities</b>	<b>55</b>	<b>–</b>	<b>–</b>
T. 1.	– due	56	–	–
T. 2.	– deferred	57	–	–
	<b>Extraordinary profit or loss</b>	<b>58</b>	<b>-13,399</b>	<b>13,601</b>
U.	Income distribution to partners	59	–	–
	<b>Net profit or loss for the accounting period</b>	<b>60</b>	<b>429,737</b>	<b>-439,606</b>
	<b>CONTROL NUMBER</b>	<b>99</b>	<b>79,179,413</b>	<b>13,702,856</b>

# NOTES TO THE FINANCIAL STATEMENT AT DECEMBER 31, 2002

## (1) INFORMATION ABOUT THE COMPANY, CORPORATE PURPOSE

Západoslovenská energetika, a. s. ("the Company"), corporate ID 35 823 551, registered address Čulenova 6, 816 47 Bratislava, was established on 15 October 2001 and incorporated in the Commercial Register on 1 November 2001.

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

As a result, the financial statements as at 31 December 2001 include comparative information for a the two-month period starting 1 November 2001 and ending 31 December 2001 related to the profit and loss statement, the cash-flow statement and some notes to the financial statements.

At 1 November 2001, the Company became a shareholder in Paroplynový cyklus, a. s., Since the Company was not provided with the audited financial statements of Paroplynový cyklus, a. s, at 1 November 2001, and therefore was were not able to assess the required amount of provision for this investment at this date and could not assess the effect of any changes in this financial investment on the Company's retained earnings for the two-month period ended 31 December 2001.

The opening balance sheet at 1 November 2001 does not include provisions for assets deposited by shareholders or any reserves required at that date. The Company created adequate provisions and reserves charged to costs over the two-month period ended 31 December 2001. If the provisions and reserves were to be created at the required amount at 1 November 2001, the Company's retained earnings as at 31 December 2001 would be higher by SKK 681 million.

## (2) BASIS OF PREPARATION AND GOING CONCERN

The Company's financial statements consisting of the balance sheet at 31 December 2002, the related profit and loss account, and notes including the cash-flow statement at 31 December 2002 are prepared in accordance with the Act on Accounting and accounting procedures for entrepreneurs in the Slovak Republic.

These financial statements have been prepared by the Company's Board of Directors in accordance with applicable Slovak legislation and will be proposed for approval by the General Meeting.

These financial statements have been prepared on the "ongoing concern" basis.

## (3) PRINCIPLE ACCOUNTING POLICIES

A summary of the Company's accounting policies applied throughout the year is as follows:

### a) Information on accounting methods and generally accepted accounting principles

The financial statements have been prepared on the going concern basis in accordance with the requirements of Act 563/1991 Coll. on Accounting as amended under the historical cost convention.

### b) Intangible fixed assets

Intangible fixed assets are stated at acquisition cost, which includes the acquisition price, related costs, plus capitalised interests. The value of assets is adjusted by accumulated depreciation.

Internally produced intangible fixed assets is stated at own cost directly relating to their production.

### Depreciation plan

Low-value intangible fixed assets with a cost of less than SKK 40,000 are recorded and charged in full to expenses. These assets are recorded in the Company's books.

Low-value intangible fixed assets are depreciated applying the accelerated depreciation method at rates based on the years of estimated economic useful life.

Accounting depreciation is first applied in the month when assets are put into use. The expected useful life of assets for depreciation purposes is as follows:

Description	Years
Software and licences	4
Valuable rights	4

In case of temporary diminution in the value of intangible fixed assets, a provision is set up to reflect the net realisable value.

### c) Tangible fixed assets

Tangible fixed assets are posted at acquisition cost.

Acquisition costs includes the purchase price, plus costs related to the acquisition, such as freight, postage, duties, commissions, interest on investment loans and realised foreign exchange gains and losses posted before the tangible assets are capitalised or before they are put into use.

Internally developed fixed assets are stated at the accumulated cost (external costs, plus internal costs determined on the basis of the internal consumption of warehouse materials, and production costs allocated using hourly absorption rates similar to those used for inventory valuation). This process is recorded in profit and loss statement as "Capitalisation of fixed assets".

Fixed assets acquired under a free lease or as a gift are posted at replacement cost.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency are capitalised. Maintenance and repair expenses are expensed as incurred.

Interests on borrowings to finance the construction of fixed assets that are incurred before the assets are ready to use are part of acquisition costs and are depreciated over the useful life of the related asset.

Low-value tangible assets with a cost to SKK 20,000 are recorded and charged to expenses in full. These assets are recorded in the Company's books.

### Depreciation plan

Tangible fixed assets are depreciated by the straight-line and accelerated methods during the years of estimated useful life.

Accounting depreciation charges are first applied in the month the assets are put into use.

Estimated useful lives for depreciation purposes:

Description	Years
Buildings halls and constructions	30 – 40
Movable assets	4 – 30
Motor vehicles	4 – 15
Other tangible fixed assets	4 – 30

In case of temporary diminution in the value of tangible fixed assets, a provision is set up to reflect the net realisable value.

### d) Financial investments

Securities and investments are classified as financial investments when held by the Company for more than one year.

Financial investments are classified as "Investments in subsidiaries" if the Company owns more than 50% of the entity's share capital. Financial investments are classified as "Investments in associates" if the Company owns for 20% to 50% of the entity's share capital. Financial investments are classified as "Other securities and ownership interests" if the Company owns less than 20% of the entity's share capital.

Financial investments are posted at acquisition cost (including share premium). Securities denominated in foreign currency are converted into Slovak crowns at the National Bank of Slovakia exchange rate on the date of acquisition. If the market value of the financial investment falls below the cost, the Company creates an adjustment to the financial investment. If no market value exists, the Company's share of the financial investment in the equity is taken as an approximation of this market value.

#### **e) Inventories**

Inventories include materials in stock, work in progress, goods in stock and advances made for inventories. Materials and goods are posted at cost which includes the purchase price, plus the costs related to the acquisition of inventories.

Work in process is posted at the production cost, which includes the cost of:

1. Direct materials used in production.
2. Direct labour and other direct production costs, such as energy, depreciation of equipment, etc.
3. A reasonable part of indirect production costs and overhead expenses.

Stock is valued using the weighted average method.

Adjustments to inventories are created to reflect temporary decrease in their value recorded in the books. Adjustments to a specific inventory item are recorded when the accounting value exceeds the market value, recoverability of the value is uncertain or when it is considered to be obsolete or slow moving.

#### **f) Construction contracts**

The Company recognises construction contracts and revenues according to the stage of completion. Costs for construction contracts include direct costs (direct material, direct salaries, costs related to transporting machinery, equipment and material to and from the place of construction, rental payments for machinery and equipment) and indirect costs (production overheads). Income from the contracts is determined by the price equal to the costs, plus an agreed margin.

A contract's stage of completion is determined in each accounting period as a ratio of costs actually incurred in respect of the contract for the work performed and budgeted costs of the contract.

#### **g) Long-term and short-term receivables**

Receivables are posted at their nominal value, which is adjusted for doubtful and irrecoverable amounts.

In the accompanying balance sheet, receivables with a remaining maturity period of more than 12 months are classified under C.II., "Long-term receivables". Receivables with a remaining maturity period of less than 12 months are classified under C.III., "Short-term receivables".

#### **h) Financial assets**

Financial assets consist of cash on hand, balances held in banks, and short-term financial assets where the risk of changes in value is insignificant. Short-term 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.

#### **i) Other provisions**

Other provisions consist of those that the Company itself decides to create and use. These provisions relate to the estimated amount required for probable or definite liabilities arising from liabilities to employees in connection with the restructuring of the Company, and as a result of the expected level or recoverability of interests on delayed payments.

## NOTES TO THE FINANCIAL STATEMENT AT DECEMBER 31, 2002

These provisions are recognised when a contingency or obligation arises giving right to an indemnity or potential future payment.

### **j) Payables**

Short-term and long-term payables are posted at nominal value.

In the accompanying balance sheet, payables with a maturity period of more than 12 months are classified under B.II., "Long-term liabilities". Payables with a maturity period of less than 12 months are classified under B.III., "Short-term liabilities".

### **k) Corporate income tax**

Corporate income tax is recorded as an expense of the period when the tax liability arises. The related expense in the accompanying profit and loss account is calculated on the basis of profit or loss before taxes, increased or decreased by permanent and temporary adjustments to the tax base, by tax relief or any loss carried forward. The tax liability is stated net of tax advances the Company paid on corporate income taxes during the year.

The temporary adjustments do not have an impact on the corporate income tax liability, as long as the corresponding deferred tax (asset or liability) is recorded in the accompanying balance sheet.

As stated in accounting law, the Company has recorded only deferred taxes arising from adjustments made for the temporary difference of the fixed assets depreciation applied for accounting and tax purposes.

### **l) Foreign currency transactions**

Assets with acquisition or production costs that were denominated in foreign currency were converted into Slovak Crowns at the National Bank of Slovakia's exchange rate on the date of acquisition.

Transactions denominated in foreign currencies are converted into Slovak Crowns using the National Bank of Slovakia's exchange rate on the transaction date, and are adjusted at the year-end to the exchange rate then prevailing.

Exchange rate differences arising from the conversion of short-term financial assets (cash, bank accounts and other short-term financial investments) are posted to financial revenues/costs at the end of the year.

Exchange rate differences arising from adjustments made in connection with converting the balances of accounts payable and receivable, bank loans, short-term notes and financial investments denominated in foreign currency to Slovak Crowns using the National Bank of Slovakia's exchange rate valid at the year-end, have been recorded as follows:

1. Foreign exchange gains are posted to balance sheet as "Foreign exchange liabilities". The deferred positive differences are credited to the profit and loss account in the year the related accounts receivable and payable are due.
2. Foreign exchange losses are recognised in the balance sheet as foreign exchange assets. These assets are offset by the creation of a provision that is charged to the profit and loss account of the same year in which the exchange-rate difference arises.

### **m) Recognition of revenues and expenses**

Costs and revenues are recognised on an accrual basis when the actual transaction involving the related goods and services occurs, regardless of when the related monetary or financial transaction occurs.

In accordance with the accounting principle of prudence, the Company only recognises realised revenues at the end of the year, whereas foreseeable contingencies, including contingent payables, are posted as soon as they become known.

**n) Social security, health insurance and pension schemes**

The Company makes contributions to the state's medical, retirement benefit, health and unemployment schemes at the statutory rates in force during the year, based on gross salary payments. The cost of social security payments is charged to the profit and loss account in the same period as the related salary cost.

The Company participates in a supplementary insurance program for employees. There are no unrecorded liabilities to employees arising from this program.

**o) Leased assets**

The Company leases assets through operational and financial leasing agreements.

Operating leases are expensed directly.

The deposit for the finance lease is accrued and the following instalments are spread evenly across expenses. When the leasing contract expires, the leased asset is valued at its replacement cost and is recorded with a corresponding entry in the appropriate account of accumulated depreciation.

## NOTES TO THE FINANCIAL STATEMENT AT DECEMBER 31, 2002

### (4) INTANGIBLE FIXED ASSETS

#### Movements in intangible fixed assets during the period from January 1, 2002 to December 31, 2002

	Balance at 1. 1. 2002	Additions	Disposals	Transfers	Other	Balance at 31. 12. 2002
Start-up costs	–	–	–	919	–	919
Software	152,723	–	(23)	39,312	–	192,012
Valuable rights	12,471	–	–	4,298	–	16,769
Low value and other intangible FA	559	–	(559)	–	–	–
Acquisition of intangible investments	32,832	110,636	–	(41,299)	(1,109)	101,060
Advances for intangible FA	–	1,638	–	–	–	1,638
<b>Total acquisition cost</b>	<b>198,585</b>	<b>112,274</b>	<b>(582)</b>	<b>3,230</b>	<b>(1,109)</b>	<b>312,398</b>
Start-up costs	–	(230)	–	–	–	(230)
Software	(136,108)	(18,569)	23	–	–	(154,654)
Valuable rights	(3,618)	(5,057)	–	–	–	(8,675)
Low value and other intangible FA	(263)	(296)	559	–	–	–
Accumulated depreciation	(139,989)	(24,152)	582	3,230	(1,109)	(163,559)
<b>Net book value</b>	<b>58,596</b>					<b>148,839</b>

#### Insurance

The Company has no insurance policy to cover the risks associated with its intangible fixed assets.



**(5) TANGIBLE FIXED ASSETS****Movements in tangible fixed assets during the period from January 1, 2002 to December 31, 2002**

	Balance at 1. 1. 2002	Additions	Free transfers	Gifts	Disposals	Transfers	Other	Balance at 31. 12. 2002
Land	388,968	–	–	–	(502)	535	–	389,001
Buildings, halls and constructions	7,644,083	–	862	19,899	(37,843)	264,276	–	7,891,277
Machines, plant and equipment	4,148,065	–	164	5,451	(58,027)	221,773	26	4,317,452
Motor vehicles	346,384	–	–	–	(6,178)	51,639	23	391,868
Fixtures and fittings	29,154	–	–	–	(214)	312	–	29,252
Other tangible FA	23,017	–	–	–	(26,940)	3,949	(26)	–
Work of art	1,265	–	–	–	–	13	–	1,278
Fixed assets under construction	939,094	634,993	–	9,816	–	(545,742)	1,109	1,039,270
Advances for tangible FA	864	2,334	–	–	(3,198)	–	–	–
<b>Total acquisition cost</b>	<b>13,520,894</b>	<b>637,327</b>	<b>1,026</b>	<b>35,166</b>	<b>(132,902)</b>	<b>(3,245)</b>	<b>1,132</b>	<b>14,059,398</b>
Buildings, halls and constructions	(4,191,809)	(215,888)	(862)	–	37,843	–	–	(4,370,716)
Machines, plant and equipment	(2,896,061)	(293,253)	(164)	–	58,027	–	–	(3,131,451)
Motor vehicles	(282,560)	(35,392)	–	–	6,178	–	(23)	(311,797)
Fixtures and fittings	(22,953)	(2,503)	–	–	214	–	–	(25,242)
Other tangible FA	(3,800)	(23,140)	–	–	26,940	–	–	–
Provisions	(17,252)	(17,474)	–	–	–	–	–	(34,726)
Accumulated depreciation	(7,414,435)	(587,650)	(1,026)	–	129,202	–	(23)	(7,873,932)
<b>Net book value</b>	<b>6,106,459</b>							<b>6,185,466</b>

## NOTES TO THE FINANCIAL STATEMENT AT DECEMBER 31, 2002

From January 1, 2002 to December 31, 2002, the company acquired assets of 35,166,000 SKK as gift. The related impact of these gifts was recognised in the balance sheet in accordance with Slovak legislation as "Capital funds" under "Equity accounts".

From January 1, 2002 to December 31, 2002, the company acquired assets of 1,026,000 SKK without consideration in accordance with the provisions of Act 278/93 Coll.

As at December 31, 2002, the Company did hold any fixed assets as collateral.

In 2002, the Company did not capitalise any interests.

### Insurance

The Company has no insurance policy to cover the risks associated with its tangible fixed assets.

### Provisions

Provisions for fixed assets are as follows

	Balance at	Creation	Balance at
	1. 1. 2002		31. 12. 2002
Provisions for buildings, halls and constructions	3,813	–	3,813
Provisions for assets during construction	13,439	17,474	30,913
<b>Total</b>	<b>17,252</b>	<b>17,474</b>	<b>34,726</b>

**(6) FINANCIAL INVESTMENTS****Movements in financial investments during the period from January 1, 2002 to December 31, 2002**

	Balance at 1. 1. 2002	Additions	Disposals	Balance at 31. 12. 2002
Shares and ownership interests in subsidiaries	396,900	–	(396,900)	–
Other shares and ownership interests	11,343	–	–	11,343
Other loans and financial investments	266,639	–	(266,639)	–
<b>Total costs</b>	<b>674,882</b>	<b>–</b>	<b>(663,539)</b>	<b>11,343</b>
Shares and ownership interests in subsidiaries	(89,921)	–	89,921	–
Other shares and ownership interests	(234)	(232)	234	(232)
Other loans and financial investments	–	–	–	–
<b>Total provisions</b>	<b>(90,155)</b>	<b>(232)</b>	<b>90,155</b>	<b>(232)</b>
<b>Net book value</b>	<b>584,727</b>			<b>11,111</b>

**Major movements in the accounts of financial investments from January 1, 2002 to December 31, 2002**

- Disposal of 396,000,000 SKK – sale of shares in Paroplynový cyklus, a. s., Bratislava.
- Disposal of 266,639,000 SKK – settlement of bills of exchange of Paroplynový cyklus, a. s., Bratislava.

**Shares and ownership interests in subsidiaries as of December 31, 2002**

Company	Share in reg. capital (%)	Share in voting rights (%)	Share capital <sup>(1)</sup>	Reserve fund <sup>(1)</sup>	Loss brought forward from previous <sup>(1)</sup>	Profit/loss for the current period <sup>(1)</sup>	Shareholders' Equity <sup>(1)</sup>	Net book value
Nitrianska PP spoločnosť, a. s. <sup>(1)</sup>	90%	90%	1,000	9	- 36	- 25	948	853
<b>Total</b>			<b>1,000</b>	<b>9</b>	<b>- 36</b>	<b>- 25</b>	<b>948</b>	<b>853</b>

<sup>(1)</sup> Information available from the latest financial statements at December 31, 2001.

## NOTES TO THE FINANCIAL STATEMENT AT DECEMBER 31, 2002

### Provisions for financial investments

Company	Balance at 1. 1. 2002	Release of provisions	Creation of provisions	Balance at 31. 12. 2002
Other	234	-234	232	232
<b>Total</b>	<b>234</b>	<b>-234</b>	<b>232</b>	<b>232</b>

## (7) INVENTORIES

### Structure of inventories at December 31, 2002 and December 31, 2001

	31. 12. 2002	31. 12. 2001
Material in stock	139,991	152,533
Material in transit	1,409	13,370
Work in progress	1,266	1,463
Goods	312	355
Advance for inventories	429	293
Provision for material	(16,704)	(17,643)
<b>Total</b>	<b>126,703</b>	<b>150,371</b>

Provisions for inventories were set up to reflect their fair market value over the period from January 1, 2002 to December 31, 2002

	000's SKK
Opening balance	17,643
Disposals	(17,643)
Additions	16,704
<b>Closing balance</b>	<b>16,704</b>

**Insurance of inventories** – The Company does not have any insurance contract to cover the risks connected with inventories.

**(8) RECEIVABLES****Structure of receivables at December 31, 2002 and December 31, 2001**

	31. 12. 2002	31. 12. 2001
Receivables from companies within the Group and from other related parties (see Note 18)	3,221	27,005
Trade receivables	1,929,763	2,016,279
Tax receivables (see Note 20)	111,623	69,786
Receivables from partners and association	830	1,330
Other receivables	2,087	2,245
<b>Total</b>	<b>2,047,524</b>	<b>2,116,645</b>

**Receivables at December 31, 2002 by due date**

Due date	000's SKK
<b>Total short-term receivables</b>	<b>2,047,524</b>
<b>Total long-term receivables</b>	<b>2,519</b>
2004	2,501
2005	18
<b>Total</b>	<b>2,050,043</b>

Of the total receivables at December 31, 2002, overdue receivables amount to 1,077,422,000 SKK. A provision for doubtful debts was created on the basis of the estimated recoverability of receivables from individual groups of customers.

**Movements in provisions for doubtful debts to reflect their net realisable value for the period from January 1, 2002 to December 31, 2002**

	31. 12. 2002	31. 12. 2001
Opening balance	573,582	–
Additions	34,768	573,581
<b>Closing balance</b>	<b>608,350</b>	<b>573,581</b>

None of the receivables were secured by pledge.

## NOTES TO THE FINANCIAL STATEMENT AT DECEMBER 31, 2002

### (9) FINANCIAL ASSETS

#### Structure of financial assets at December 31, 2002 and December 31, 2001

	31. 12. 2002	31. 12. 2001
Cash	4,048	4,011
Cash in transit	3,129	4,325
Stamps and vouchers	859	887
Bank accounts	1,304,904	757,695
– Current accounts	263,623	594,895
– Term accounts	1,041,281	162,800
<b>Total</b>	<b>1,312,940</b>	<b>766,918</b>

Restrictions related to the use of monies at December 31, 2002 are 4,500,000 SKK, covering bank security for customs charges.

### (10) OTHER ASSETS – ACCRUALS AND PREPAYMENTS

#### The amounts relate to the following

	31. 12. 2002	31. 12. 2001
Deferred expense – lease	6,581	16,087
Deferred expense – other	7,135	4,193
Contractual penalties	90,644	27,169
Other accrued revenues	2,864	12,330
Foreign exchange losses	2	438
Unbilled electricity supply	182,587	210,990
<b>Total</b>	<b>289,813</b>	<b>271,207</b>

**(11) SHAREHOLDERS' EQUITY****Movement in shareholders' equity during the period from January 1, 2001 to December 31, 2002**

	Share capital	Capital funds	Funds created from profit	Profit/loss for a current period	Total
Balance at 1. 1. 2002	5,934,594	16,264	1,117,657	(439,606)	6,628,909
Financial gifts received	–	86,943	–	–	86,943
Gifts of fixed assets received	–	35,166	–	–	35,166
Settlement of profit/loss at 31. 12. 2001	–	–	(439,606)	439,606	–
Profit/loss at 31. 12. 2002	–	–	–	429,737	429,737
<b>Balance at 31. 12. 2002</b>	<b>5,934,594</b>	<b>138,373</b>	<b>678,051</b>	<b>429,737</b>	<b>7,180,755</b>

The General Meeting held on June 27, 2002 approved the offset of the loss reported for the period from January 1, 2001 to December 31, 2001 from the reserve fund.

The 2002 profit distribution at December 31, 2002 has not been proposed by Board of Directors.

**Share capital**

Share capital is comprised of 5,934,594 shares with a value of 1,000 SKK for each share. The entire amount of share capital has been recorded in the Commercial Register.

**Shareholders' equity – funds with restricted use**

"Funds from profit" include a statutory reserve fund of 678,051,000 SKK at December 31, 2002. The Slovak Commercial Code restricts the disbursement of this fund.

## NOTES TO THE FINANCIAL STATEMENT AT DECEMBER 31, 2002

### (12) PROVISIONS

Movements in provisions for the period from January 1, 2002 to December 31, 2002

	Reserves for FX losses	Other reserves
Opening balance	438	19,595
Additions	2	125,059
Disposals	(438)	–
<b>Closing balance</b>	<b>2</b>	<b>144,654</b>

The balances on these accounts relate mainly to

	31. 12. 2002	31. 12. 2001
Reserves for unbilled penalties	78,556	19,595
Restructuring provision	66,098	–
<b>Total</b>	<b>144,654</b>	<b>19,595</b>

### (13) LONG-TERM LIABILITIES

The breakdown of long-term liabilities at December 31, 2002 and December 31, 2001 (excluding long-term bank loans specified below) is as follows

Maturity	In 000's SKK
2003	118
Not specified	12,621
<b>Total</b>	<b>12,739</b>



**(14) SHORT-TERM LIABILITIES**

The breakdown of short-term liabilities at December 31, 2002 and December 31, 2001 is as follows

	31. 12. 2002	31. 12. 2001
Payables to Group companies and other related companies (see Note 18)	788,857	774,449
Trade payables	524,702	359,290
Tax payables (see Note 20)	75,732	530,023
Payables to employees	44,529	34,128
Social security payables	28,060	21,814
Payables to partners and association	5,472	5,556
Other payables	21,511	39,935
<b>Total</b>	<b>1,488,863</b>	<b>1,765,195</b>

Of the total liabilities (short- and long-term) at December 31, 2002, overdue liabilities are 36,223,000 SKK.

**(15) SOCIAL FUND**

**Creation and disbursement of social fund for the period from January 1, 2002 to December 31, 2002**

	000's SKK
Balance at 1. 1. 2002	2,810
Creation of social fund	10,236
Disbursement of social fund:	12,393
Recreation	4,763
Contributions to pensioners	3,870
Loans provided	1,000
Social aid	150
Other	2,610
<b>Balance at 31. 12. 2002</b>	<b>653</b>

The social fund account balance has been charged to "Other liabilities" (short-term liabilities) and is kept in a separate bank account.

**(16) BANK LOANS AND SHORT-TERM NOTES****Structure of loans (short-term and long-term) and short-term notes at December 31, 2002**

	In 000's SKK
Loans received	635,000
<b>Total</b>	<b>635,000</b>

**Structure of bank loan balances at December 31, 2002 by due dates**

Due date	In 000's SKK
2003	330,000
2004	305,000
<b>Total</b>	<b>635,000</b>

The loans are payable in SKK.

**Structure of individual bank loans at December 31, 2002 (in 000's SKK):**

	Type of loan	Maturity	Currency	Interest rate	Limit	Total loan
Citibank (Slovakia), a. s.	Restructuring and refinancing loan	Payable in five semi-annual payments commencing Dec. 16, 2002	SKK	3-month Bribor	1,000,000 + 0,60 %	635,000
VÚB, a. s.	Revolving credit line and bank overdraft	31. 12. 2003	SKK	NBS refinancing interest rate + 0.6 %	300,000	–
Tatrabanka, a. s.	Bank overdraft <sup>1)</sup>	30. 11. 2003	SKK	Bribor + 0,65 % or 7,75 % <sup>2)</sup>	4,500	–
<b>Total</b>					<b>1,304,500</b>	<b>635,000</b>

<sup>1)</sup> Agreement on Bank Overdraft No. 673/2001 as amended is secured by blank promissory note issued by ZSE for Tatra Banka

<sup>2)</sup> 7.75% shall be applied if a repayment schedule is not agreed.

The loan from Citibank (Slovakia), a. s., is dependant on the Company meeting certain conditions. The Company was not in breach of any of the conditions at the balance sheet date. The loan from Citibank (Slovakia), a. s., is not guaranteed.

## NOTES TO THE FINANCIAL STATEMENT AT DECEMBER 31, 2002

### (17) OTHER LIABILITIES – ACCRUALS AND DEFERRED INCOME

The balances relate mainly to

	31. 12. 2002	31. 12. 2001
Accrued expenses	5,248	12,297
Interest on loans	1,843	4,510
Other	3,405	7,787
Deferred revenues	741	1,257
Prepaid electricity	77	–
Other	664	1,257
Estimated accounts payable	49,356	33,949
Unused holiday	28,858	24,979
Other	20,498	8,970
Foreign exchange gains	107	134
<b>Total</b>	<b>55,452</b>	<b>47,637</b>

**(18) BALANCES AND TRANSACTIONS WITH RELATED PARTIES****Structure of accounts payable and receivable with Group companies and other related parties at December 31, 2002**

Description	Receivables	Payables
Trade balances		
Slovenské elektrárne, a. s., Bratislava	133	782,792
Energotel, a. s., Bratislava <sup>(2)</sup>	2,205	871
Nitrianska paroplynová spoločnosť, a. s., Nitra <sup>(1)</sup>	451	–
Jihomoravská energetika a. s., Brno	15	25
E.ON Energie AG, München	417	–
A.EN Invent, Dresden	–	5,169
<b>Total</b>	<b>3,221</b>	<b>788,857</b>

<sup>(1)</sup> Financial investments in subsidiaries

<sup>(2)</sup> Other financial investments

These balances are disclosed in the sections, "Receivables" (see Note 8), "Short-term liabilities" (see Note 14 ) and "Financial investments" (see Note 6) .

**A summary of inter-company transactions and transactions with other related parties from January 1, 2002 to December 31, 2002:**

Description	Revenues	Transaction	Costs	Transaction
Trade transactions				
Slovenské elektrárne, a. s.	26,808	Telecom. services	13,955,200	Purchase of electricity
Energotel, a. s. <sup>(1)</sup>	10,953	Lease of technology	2,326	Lease of digit. network
Jihomoravská energetika a. s., Brno	27	Sale of electricity	216	Purchase of electricity
A.EN Invent, Dresden	–	–	399,527	Purchase of electricity
<b>Total</b>	<b>37,788</b>		<b>14,357,269</b>	

<sup>(1)</sup> Other financial investments

## NOTES TO THE FINANCIAL STATEMENT AT DECEMBER 31, 2002

### Price policy with related parties (transfer pricing)

All transactions with related parties are made at arm's length. The Company also sells products to governmental bodies and state-owned entities at arm's length.

## (19) OTHER FINANCIAL OBLIGATIONS

To reduce the risks of foreign exchange rate movements, the Company uses the following financial derivatives:

At 31 December 2002, the Company had outstanding foreign-currency forward contracts to purchase SKK 502,721 thousand and sell CZK 370,134 thousand. These forward contracts are due no later than December 31, 2003.

## (20) CONTINGENT LIABILITIES

At 31 December 2002, the Company had concluded contracts worth SKK 155,042 thousand, contracts for the delivery of assets and for other future liabilities, totalling Skk 110,590 thousand.

In addition, to meet the requirements of the Act on Water, the Company would need approximately SKK 438 million, which is considered in the long-term capital investment plan.

### Capital investments are planned as follows

Year	In 000's SKK
2003	21,000
2004	23,000
2005	26,000
2006	27,000
2007	56,000
Following periods	285,000
<b>Total</b>	<b>438,000</b>

**(21) TAX ISSUES****Structure of accounts payable and receivable with the Tax Authority at December 31, 2002 and December 31, 2001**

	31. 12. 2002		31. 12. 2001	
	Receivables	Payables	Receivables	Payables
Corporate income tax	–	50,383	–	510,040
Deferred income tax	–	15,212	–	16,668
VAT	111,623	–	69,786	–
Other direct taxes	–	8,292	–	3,015
Other indirect taxes	–	1,845	–	300
<b>Total</b>	<b>111,623</b>	<b>75,732</b>	<b>69,786</b>	<b>530,023</b>

The Tax Office performed a control on the corporate income taxes of Západoslovenské energetické závody, š. p. Bratislava, the Company's legal predecessor. Based on its findings, the Tax Office levied additional income tax of SKK 75,507 thousand, plus a penalty of SKK 75,507 thousand for late payment. The Company appealed against this decision to the Slovak Supreme Court, but is has not made a ruling yet.

Both amounts are recognised in the Company's 2002 income statement as a tax expense and were paid to the Tax Office.

**Calculation of the corporate income tax base for the period from January 1, 2002 to December 31, 2002**

	01-12/2002
Profit/loss before tax	722,426
+ Permanent differences between accounting depreciation charges and limit for passenger vehicles	16
+ Expenses of prior periods	120
+ receivables write-off	25,668
+ Expenses for ensuring appropriate work and social conditions and health care exceeding the amount allowed for tax purposes.	4,206

## NOTES TO THE FINANCIAL STATEMENT AT DECEMBER 31, 2002

	01-12/2002
+ Expenses exceeding the incomes in establishments for employees or other individuals	4,513
+ Remuneration of members of statutory bodies and other bodies of legal entities	6,837
+ Representation costs and advertisement items	8,407
+ Creation of provisions and reserves	446,509
+ Other items not deductible for tax	139,733
+ Delayed interest and contractual penalties received in accordance with § 23 para. 3, that are not entered into profit/loss	8,644
+ Amounts under § 24 para. 3 and amounts of contractual penalties outstanding at the end of the tax period or other date set out by	1,004
+ Positive difference between tax and accounting depreciation of assets	4,676
- Delayed interest and contractual penalties under § 23 para. 16 if the payment was not received before the end of tax period, amounts under § 24 para. 3, and contractual penalties paid during the tax period	(75,347)
- Amounts under § 24 para. 3, and amounts of contractual penalties paid during the tax period however do not enter into profit/loss	(1,477)
- Other items not included in the tax base, reducing profit/loss before tax	(392,652)
- Tax loss deduction	(29,283)
- Amount of gifts under § 20 para. 7	(2,118)
- contribution to one association under § 20 para. 12	(243)
- Other advertisement costs under § 34 para. 1 a)	(17)
- Cost of advertisement items under § 34 para. 1 b)	(1,806)
Tax base	869,816
Tax rate	25 %
Tax	217,454
- Tax relieves under § 35 para. 16 and 17	(140)
<b>Tax to be paid</b>	<b>217,314</b>



**(22) REVENUES AND COSTS****a) Net revenues****Structure of net sales by line of activity in 2002**

	01 – 12/2002	11 – 12/2001
Sale of electricity	17,937,378	3,398,076
Services provided	90,276	26,201
Sale of goods	1,604	197
Other revenues	1,608,892	34,666
<b>Total</b>	<b>19,638,150</b>	<b>3,459,160</b>

The revenues in 2002 were generated mainly in Slovakia.

**b) Capitalisation**

	01 – 12/2002	11 – 12/2001
Inventories	5,113	1,001
Services	1,017	41
Intangible FA	251	50
Tangible FA	378,114	77,912
<b>Total</b>	<b>384,495</b>	<b>79,004</b>

## NOTES TO THE FINANCIAL STATEMENT AT DECEMBER 31, 2002

### c) Personnel costs

Structure of personnel costs for the period from January 1, 2002 to December 31, 2002:

	Management	Employees	Total
Wages and salaries	9,511	678,503	688,014
Bonuses	2,306	2,464	4,770
Social insurance	955	238,941	239,896
Other social costs	58	26,164	26,222
<b>Total</b>	<b>12,830</b>	<b>946,072</b>	<b>958,902</b>

Number of staff by categories at December 31, 2002 and December 31, 2001:

Category	31. 12. 2002	31. 12. 2001
Executive management	6	5
Other technical and admin. staff	1,194	1,180
Workers	1,360	1,386
<b>Staff number</b>	<b>2,560</b>	<b>2,571</b>

### d) Bonuses for current and former members of statutory bodies

Structure of bonuses paid to members of statutory bodies in 2002:

Company body	Incomes in cash
Board of Directors	2,306
Supervisory Board	2,068
<b>Total</b>	<b>4,374</b>

### e) Financial income and expenses

Structure of financial income and expenses for year ended December 31, 2002

	01 – 12/2002		11 – 12/2001	
	Incomes	Expenses	Incomes	Expenses
Interest	80,301	88,132	7,799	15,427
Realised foreign exchange differences	30,247	36,278	24,318	28,789
Creation and release of adjustments for FX losses	438	2	–	438
Creation and release of adjustments	90,155	232	–	90,155
Sale of shares in PPC Bratislava	396,000	396,000	–	–
Other	1,180	55,765	88	7,920
<b>Total</b>	<b>598,321</b>	<b>576,409</b>	<b>32,205</b>	<b>142,729</b>

### f) Extraordinary income and expenses

Structure of extraordinary costs and revenues in 2002

	01 – 12/2002		11 – 12/2001	
	Income	Expenses	Income	Expenses
Compensation for damage	7,271	–	–	31,842
Losses and damage	–	13,021	40,817	–
Other	1,163	8,812	5,132	506
<b>Total</b>	<b>8,434</b>	<b>21,833</b>	<b>45,949</b>	<b>32,348</b>

## NOTES TO THE FINANCIAL STATEMENT AT DECEMBER 31, 2002

### (23) LEASED ASSETS

#### Structure of leased assets used by the Company at December 31, 2002

	Contract date	Interest rate	Term in months	Costs of leased assets	Capital financed	Purchase option	Monthly payment
IBM	29. 9. 2000	LIBOR	36	223	26,324	Yes	24 × 1,090
							12 × 13
<b>Total</b>							<b>26,316</b>

Information on the structure of leased assets used at January 1, 2002 is identical to that shown in the table above.

### (24) RESEARCH AND DEVELOPMENT

During the period from January 1, 2002 to December 31, 2002 the Company was not involved in any research or development activity.

**(25) CASH-FLOW STATEMENT AT DECEMBER 31, 2002**

	01 – 12/2002	11 – 12/2001
P. Opening cash and cash equivalents balances	766,918	566,251
Cash flow from operating activities		
Z. Accounting profit/loss from current activities before tax	722,426	(405,569)
<b>A.1. Adjustments by non-cash transactions (A.1.1 to A.1.5)</b>	<b>704,354</b>	<b>(184,612)</b>
1. Depreciation of fixed and current assets (+)	590,353	101,833
2. Change in adjustments, reserves, accruals	109,491	(286,445)
1. Accrued interest	4,510	–
2. Foreign exchange losses and gains related to liabilities in foreign currency arising from the purchase of fixed assets	–	–
3. Profit (-), loss (+) from the sale of fixed assets	–	–
4. Incomes from dividends and share in profit (-)	–	–
5. Interest expense recognised (+) with the exception of capitalised interest and interest income (-)	–	–
A.* Net cash-flow from operating activities before tax, changes in working capital and extraordinary items (Z + A.1)	1,426,780	(590,181)
<b>A.2 Changes in non-monetary parts of working capital (A.2.1 to A.2.4)</b>	<b>253,724</b>	<b>994,621</b>
1. Change in receivables from operating activities (+/-)	68,524	776,336
2. Change in short-term liabilities from operating activity (+/-)	161,532	201,073
3. Change in inventories (+/-)	23,668	17,212

## NOTES TO THE FINANCIAL STATEMENT AT DECEMBER 31, 2002

	01 – 12/2002	11 – 12/2001
4. Change in short-term financial assets		
A** Net cash-flow from operating activities before tax and extraordinary items (A.* + A.2)	1,680,504	404,440
A.3. Interest expenses, excluding capitalised interest (-)	(4,510)	–
A.4. Interest income, excluding investment companies and investment funds (+/-)	–	–
A.5. Income tax on ordinary activities paid and assessments for previous period (-)	(753,803)	(21,165)
A.6. Incomes and expenses related to extraordinary operations entering into extraordinary profit /loss including income tax on extraordinary activities paid (+/-)	–	(269)
A.7. Dividends and share in profit received (+)	–	–
A*** Net cash-flow from operating activities (A.** + A.3 to A.7)	922,191	383,006
Cash-flow from investment activities		
B.1. Costs of fixed assets acquisition (-)	(744,107)	(187,370)
B.2. Incomes from the sale of fixed assets (+)	2,169	–
B.3. Credits and loans to related parties (-/+)	–	–
B*** Net cash-flow from investment activities (B.1 to B.3)	(741,938)	(187,370)
Cash-flow from financial activities		
C.1. Change in long-term and short-term liabilities (+/-)	(383,813)	(2,232)
Change in receivables excluding trading activities (+/-)	(662,639)	–
C.2. Impact of changes in shareholders' equity on cash (C.2.1 to C.2.6)	86,943	7,263
1. Increase of share capital, share premium or reserve fund including deposits paid for the increase (+)		
2. Payment of the share in equity to partners (-)		

	01 – 12/2002	11 – 12/2001
3. Monetary gifts, contributions to shareholders' equity and other cash deposits of partners and shareholders (+)	86,943	7,263
<b>C.3. Dividends and share in profit received, excluding investment companies and investment funds (+)</b>		
C*** Net cash-flow relating to financial activities (C.1.1 + C.1.2 + C.2)	365,769	5,031
F. Net increase/decrease of cash and cash equivalents (A.*** + B.*** + C.***)	546,022	200,667
R. Closing cash and cash equivalent balances (P + / - F)	<b>1,312,940</b>	<b>766,918</b>

## NOTES TO THE FINANCIAL STATEMENT AT DECEMBER 31, 2002

### (26) COMPLEMENTARY DATA TO THE CASH-FLOW STATEMENT

#### Cash and cash equivalents

Cash and cash equivalents are summarised as follows

	31. 12. 2002	31. 12. 2001
Cash on hand	8,036	9,223
Bank accounts	1,304,904	757,695
<b>Total</b>	<b>1,312,940</b>	<b>766,918</b>

### (27) SUBSEQUENT EVENTS

No matters occurred after the balance sheet date that would have a material impact on accounting-related issues.

This balance sheet was prepared on February 28, 2003 at Čulenova 6, 816 47 Bratislava, Slovak Republic



**prof. Ing. Peter Baláž, CSc.**  
Vice Chairman of the Board of Directors



**Dietrich Max Fey**  
Member of the Board of Directors



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

- 1 We have audited the accompanying financial statements of Západoslovenská energetika, a. s. ("the Company") for the year ended 31 December 2002. Our audit has been carried out in accordance with Slovak auditing guidelines issued by the Slovak Chamber of Auditors and with International Standards on Auditing.
- 2 The board of directors of the Company is responsible for the preparation of the financial statements and for maintaining accounting records that are complete, supportable and accurate in accordance with relevant laws of the Slovak Republic. Our responsibility is to express an opinion on these financial statements based on the results of our audit.
- 3 Except for the matter described in paragraph 4, our audit was planned and performed so as to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles applied and significant estimates made by the Company's management, and an evaluation of the overall presentation of those financial statements. We believe that our audit provides a reasonable basis for our opinion.
- 4 At 31 December 2002 the Company has calculated the accrual for unbilled electricity in accordance with the methodology that has been consistently applied since 31 December 2001 and earlier. Currently the Company is undertaking the project to harmonize the methodology with E.ON's Energy methodology but to date has not quantified the impact, if any, that the application of the new methodology would have on the financial statements for the year ended 31 December 2002.
- 5 In our opinion, except for those adjustments, if any, that might be identified in respect of the matter referred to in paragraph 4, the accompanying financial statements present fairly, in all material respects, the financial position of Západoslovenská energetika, a.s. at 31 December 2002 and the results of its operations for the year then ended in accordance with the Accounting Act of the Slovak Republic.

Bratislava, 28 February 2003



PricewaterhouseCoopers Slovensko, s. r. o.  
SKAU licence No.: 161



Ing. Mária Frühwaldová  
SKAU Decree No.: 47





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