



A N N U A L
R E P O R T
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■ ČEZ a. s. ("ČEZ") was created in May 1992 from the former state enterprise České energetické závody and follows a tradition of Czech electricity generation which goes back more than a century. ČEZ is the major producer of electricity in the Czech Republic. It ranks among the world's medium-size electricity companies with more than 16 000 employees and a generating capacity of 11 000 megawatts. It operates 1 nuclear, 10 hydro-electric and 10 fossil fuel power plants with an additional pumped storage hydro plant and a nuclear plant currently under construction.

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■ The joint stock Company was established at the beginning of May 1992 so it is not possible to compare actual business performance with previous years as is usual in corporate annual reports. Therefore, the following data have been selected to present as accurate a picture as possible of ČEZ's position. They have been modified to exclude the results of those parts of the former state enterprise České energetické závody which are no longer part of ČEZ a. s. This means that only the data expressed in physical units are fully comparable. Items expressed in financial units are estimates. Cost and Revenue data do not vary by more than plus or minus 100 million CSK. The data for 1992 represent 12 months. None of the data shown have been audited.

		1990	1991	1992
Operational Data				
Maximum load in Czech Republic	MW	9 596	9 268	8 690
Date of maximum load		11 Dec	21 Jan	9 Dec
Hour of maximum load		17.00	07.00	13.00
Installed capacity (total)	MW	12 531	11 573	11 143
Gross electricity production	GWh	50 243	48 953	47 460
– attributable to: fossil	GWh	36 592	35 903	34 054
nuclear	GWh	12 585	12 132	12 250
hydro–electric	GWh	1 066	918	1 156
Production of heat	TJ	15 740	16 073	15 028
Condensed Balance Sheet Data				
Fixed assets				
– at acquisition cost	mil. CSK	70 918	70 268	72 545
– at depreciated value	mil. CSK	37 542	34 154	33 744
Inventories	mil. CSK	3 114	4 428	5 347
Accounts receivable	mil. CSK	902	4 585	5 395
Loans	mil. CSK	12 172	11 139	11 691
Condensed Profit and Loss Data				
Materials	mil. CSK	10 610	17 574	16 281
– attributable to: fuel	mil. CSK	6 960	10 680	10 785
Depreciation	mil. CSK	2 854	3 413	3 751
Payroll	mil. CSK	762	938	1 148
Other costs	mil. CSK	1 719	1 421	2 383
Total costs	mil. CSK	15 945	23 346	23 563
Revenue from sale of electricity	mil. CSK	18 251	43 187	48 010
Revenue from sale of heat	mil. CSK	736	1 158	1 029
Other revenues	mil. CSK	851	947	1 050
Total revenues	mil. CSK	19 838	45 292	50 089
Income before taxation	mil. CSK	3 893	21 946	26 526



Foreword from the Chairman of the Board of Directors

ČEZ a. s. has only been in existence a few months which is too short a time to evaluate our achievements to date. However, I am convinced we have started in the right direction.

The privatisation process which began in the Czech Republic last year has had a fundamental effect on our Company. ČEZ a. s. was established when it separated from the state enterprise České energetické závody in May 1992 and then was included in the first wave of coupon privatisation. The privatisation process and the interest expressed by privatisation fund managers and individual investors in our shares underlines the confidence our citizens have in the future of the Company. It was the first clear proof that our chosen path is the right one and has strengthened our motivation to continue.

The modernisation programme which is upgrading our power stations to meet environmental standards is both extensive and financially demanding. This programme, together with the completion of the Temelín nuclear power station, will enable us to meet future demands for electricity and fulfil our responsibilities to the environment in which we live.

One of our first tasks, after the new company was established, was to start work on a corporate strategy which would allow us to achieve our commercial goals while maintaining the vital balance between the needs of man and nature.

Today's electricity generating industry is keenly aware of this balance and recognises it must be maintained if there is to be a successful future for mankind.

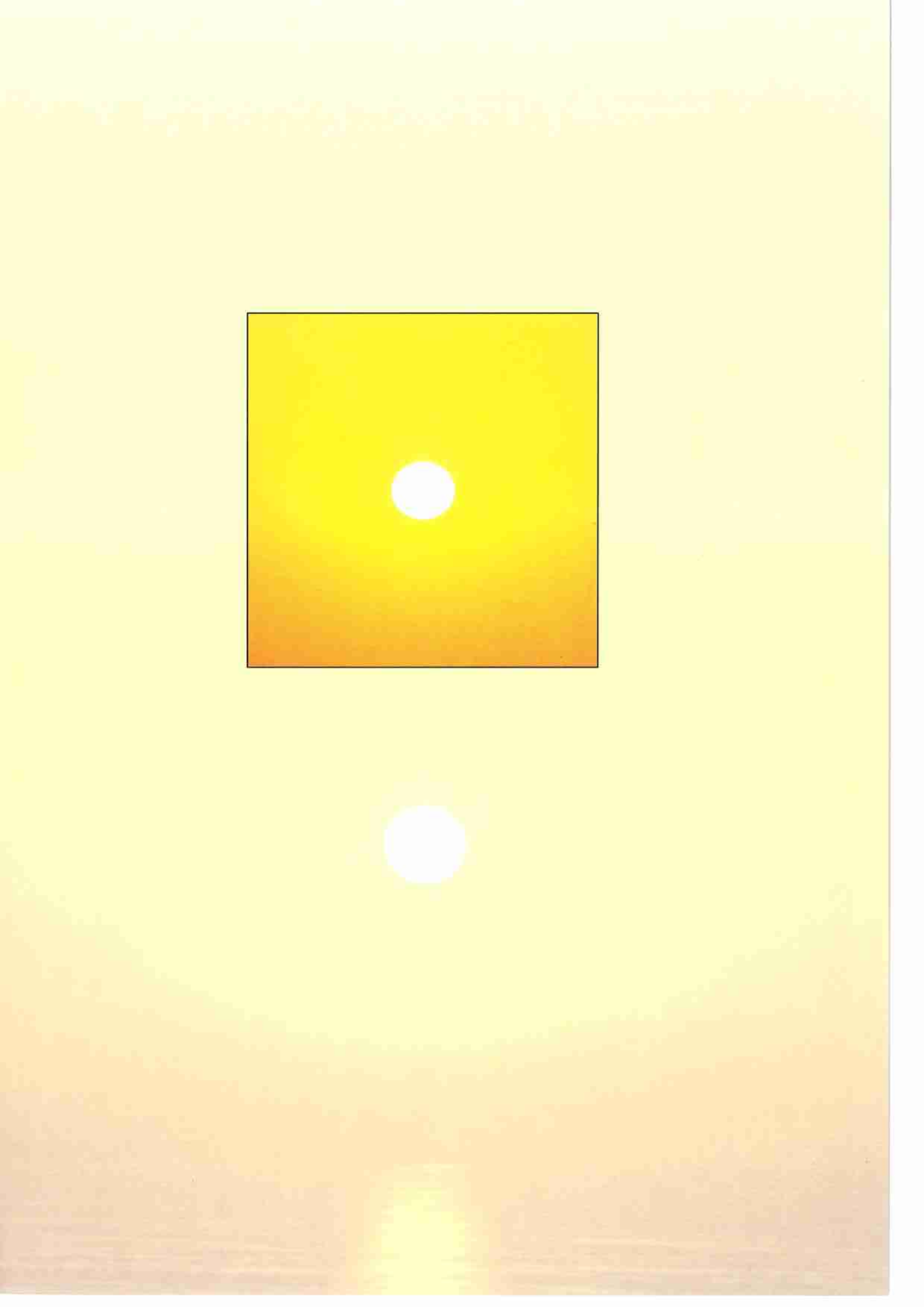
We have also begun to effect extensive changes to the organisational structure of the Company to increase operational efficiency, reduce administration and instill a more competitive attitude in our workforce.

Our first results indicate that we will be successful. The information contained in this report provides further evidence of this and while there is still a great deal for us to do, we are facing the future with confidence.

Prague, 10 April 1993



PETR KARAS
CHAIRMAN OF THE BOARD OF DIRECTORS



ČEZ a. s. was established by the National Property Fund of the Czech Republic as part of the first wave of coupon privatisation in May 1992. The initial balance sheet showed the total equity of the company as 58 918 477 000 CSK. Assets and liabilities as at 1 May 1992 were:

	Thousand CSK
Total assets	72 542 246
Third party liabilities	-13 623 769
Equity Capital	58 918 477
– attributable to:	
Shareholders' equity	49 181 248
Reserve fund	5 352 103
Other funds (including the Special Reserve Fund)	4 385 126

■ At the General Meeting held on 16 October, 1992 it was decided to transfer the balance of the Special Reserve Fund to the shareholders' equity, which, after adjustment, amounts to 53 521 026 000 CSK. This shareholders' equity is made up of 53 521 026 shares of 1 000 CSK nominal value, which after the first wave of coupon privatisation are owned by:

	Number of shares	% of Total
National Property Fund	38 069 577	71.1
Restitution Fund	1 605 631	3.0
167 Investment Privatisation Funds	11 862 298	22.2
149 380 individual investors	1 983 520	3.7

■ The main business activity, electricity supply, was affected by the Czech economic recession in 1992. Demand from large and medium-sized consumers (those connected to high-voltage and medium-voltage distribution lines) fell by 6.6 % compared to 1991. Demand from small consumers (i.e. connected to low-voltage distribution lines) increased only slightly by 1.7 %. This was in turn reflected by a decrease in demand from our major customers, the distribution companies. The data shown below are for the whole year 1992:

	GWh	Index 1992/1991 %	% of Total
Distribution companies	42 073	95.4	90.9
Direct large customers	165	73.0	0.4
Slovak Power Company (SEP)	2 345	73.9	5.1
Other export	1 680	113.4	3.6
Total electricity sold	46 263	94.5	100.0

The electricity was provided by the following suppliers:

	GWh	Index 1992/1991 %	% of Total
ČEZ power plants	44 207	97.2	95.6
Domestic purchases	2 627	79.1	5.7
Imports from abroad	989	46.5	2.1
ČEZ internal consumption (incl. pumped storage)	-521	57.0	-1.1
Transmission losses	-1 039	100.3	-2.3
Total electricity supplied	46 263	94.5	100.0

- Domestic demand had strengthened by the end of 1992 compared to the same period for 1991, but it would be premature to predict an upward trend for 1993.

The following results were achieved in the operation of ČEZ power plants:

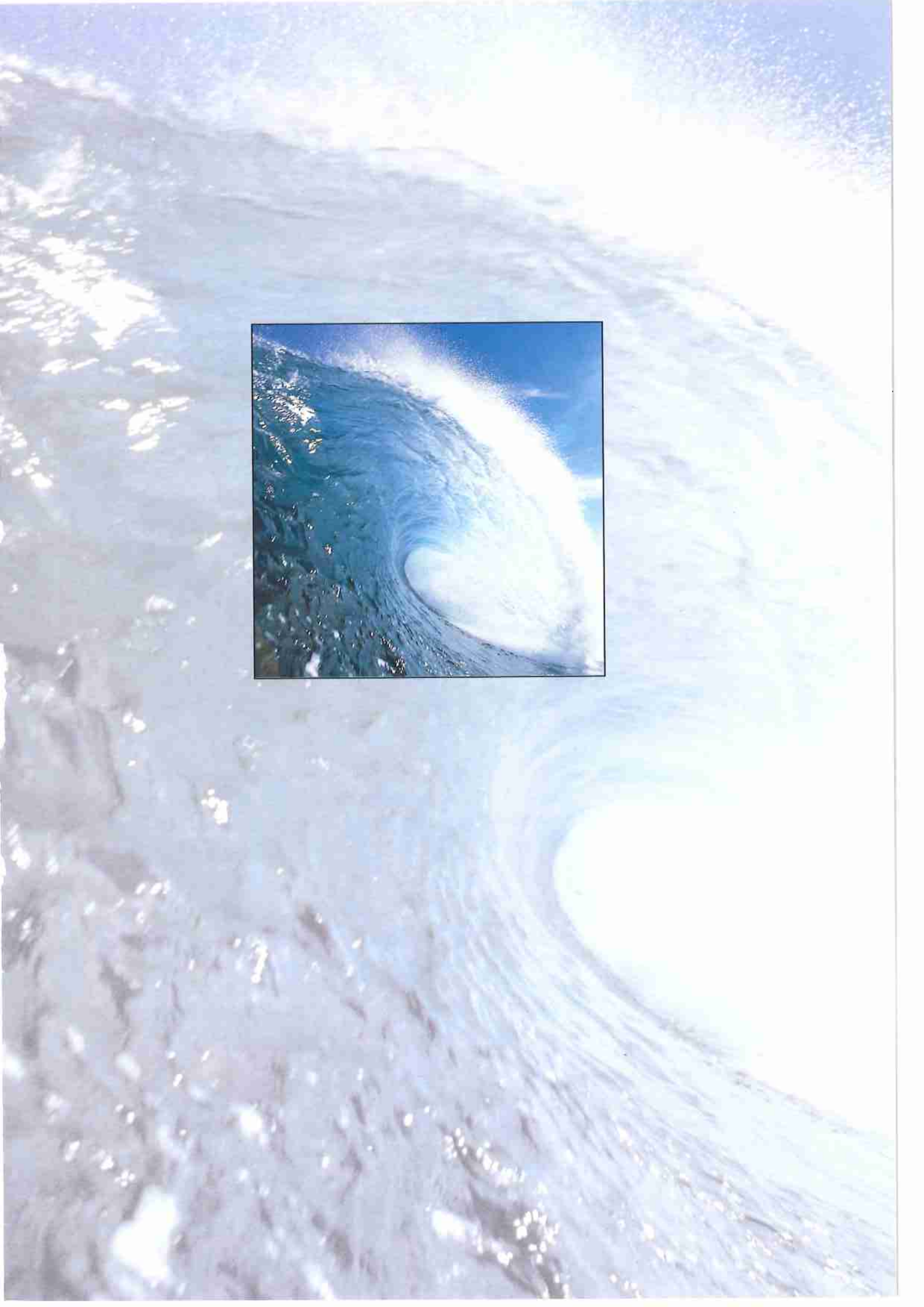
		1992	Index 1992/1991 %
Efficiency of fuel consumption			
in fossil power plants	GJ/MWh	11.4573	98.53
Efficiency of fuel consumption			
in the nuclear power plant	GJ/MWh	11.9963	99.78

- Total revenues of ČEZ in 1992 (May – December) were 31 974 million CSK, of which 30 770 million CSK (96.2 %) came from sales of electricity and 585 million CSK (1.8 %) from sales of heat. Total recurring costs were 15 404 million CSK leaving a profit balance derived from ordinary business of 16 570 million CSK. Including extraordinary revenues and costs, net pre-tax income was 15 766 million CSK representing a net pre-tax profit margin of 49.3 %. Net income after taxation was 6 962 million CSK.

The sources and uses of funds from 1 May to 31 December 1992 were as follows:

Source of funds	million CSK	Use of funds	million CSK
Income after taxation	6 962	Investments	10 548
Depreciation of fixed assets	2 583	– attributable to:	
Pre-tax profit allocation to funds	401	purchases	6 936
Investment loans	1 431	advance payments	2 523
Operation loans	1 310	repayment of loans	1 089
Increase in liabilities	140	Intangible assets	18
		Accounts receivable	647
		Inventories	557
		– attributable to: fuel	691
		Non-capitalised loan repayments	91
		Prepayments	3
		Overpayment to state budget	302
		Payments from funds	103
		Other use of profits	215
		Increase in cash	343
Total	12 827	Total	12 827

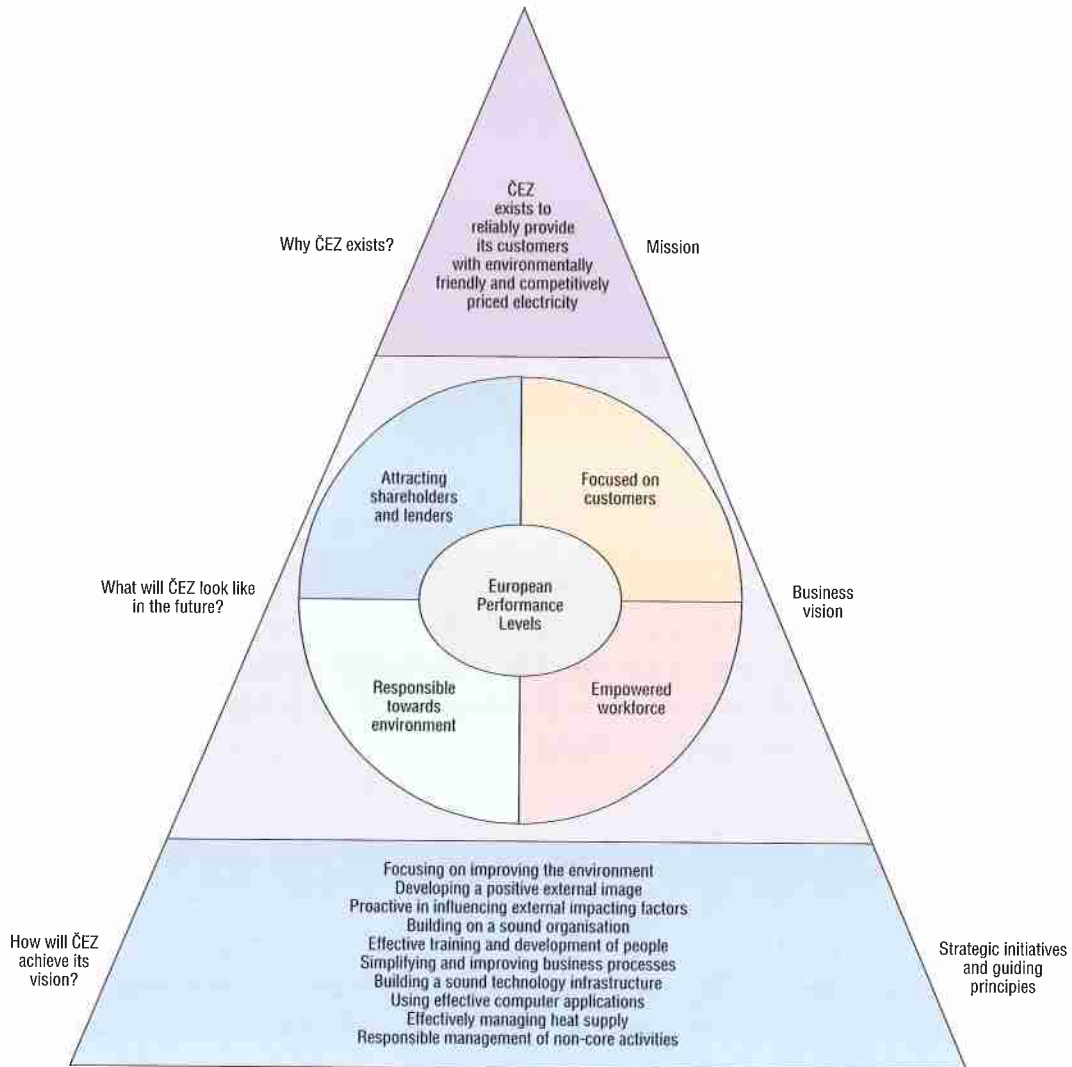
- Internal sources of funds (profit, depreciation and allocations to funds) represented 77 % of the total.
- On-going financing from May to December was ensured by reducing investment needs, and by the optimal use of short-term cash surpluses, managed by the new treasury function. At the year end, it was necessary to cover an expected cash shortage with two short-term loans from Citibank Prague.
- Total funds used for investment from May to December 1992 amounted to 10 547 722 000 CSK.



- As its primary task, the new Company needs to identify and define its role and mission in the Czech economy.
- As the dominant electricity producer and at the same time owner and operator of the transmission network, ČEZ is, and will remain, responsible for the reliable delivery of electricity to the networks of the distribution companies. In this respect its mission is the same as that of the state company, České energetické závody. It is, however, necessary to enhance this statement if ČEZ is to maintain its position in the electricity market of the future.
- In addition to reliability and flexibility, customers need a reasonably priced service to help them compete in international markets.
- Secondly, electricity must be delivered in a way that is environmentally acceptable and conforms to current and future legal standards.
- From this enhanced mission statement ČEZ's future strategy can be developed. ČEZ must match the levels of performance achieved by Western European electricity companies if it is to compete in the future. Therefore, while focusing on satisfying the needs of customers, shareholders and the financial markets and developing a responsible environmental policy, ČEZ must make certain that its workforce is capable and prepared to turn this commercial vision into reality.

The basic programmes that will help achieve this vision are:

- The three year Business Improvement Programme (BIP) developed by Andersen Consulting in co-operation with ČEZ and
 - A long-term capital investment programme covering the five year period to 1997 which is based on a Least Cost Development Study conducted by the Belgian company, Tractebel.
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- The three year time period allowed for the Business Improvement Programme is considered necessary to allow important changes in the business to be undertaken effectively. The programme will proceed quickly, but in a controlled fashion: co-ordinated, integrated and continuously monitored. It has been planned so that the work is manageable from an organisational, content and financial standpoint.
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- The long-term development programme is driven by the need to meet future demand. The Czech economy is undergoing a transformation which makes it extremely difficult to forecast future demand with any accuracy. The programme is based on the most likely demand scenario considered. This scenario assumes that the pre-transformation demand levels of 1990 will be reached in the five year period from 2001 to 2005 and assumes that the Czech economy will be, at the time, restructured and the current economic problems overcome.
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- While required power plant capacity is forecast to be the same as for 1990, the power plants will need to meet new standards of desulphurisation and denitrification if they are to comply with the latest environmental laws. Matching the service life of power plants to that of the desulphurisation equipment involves substantial investment costs. Power plants must also be adapted to allow



the Czech electricity grid to interconnect with the Western European grid, the UCPTÉ (Union for the Co-ordination of Production and Transmission of Electricity).

- The Least Cost Development Study demonstrated the advantages of completing two 1 000 MW units of the nuclear plant at Temelín, and the pumped storage hydro plant at Dlouhé Stráně. This solution is the best from the point of view of both environmental protection and capital requirements. It also makes it possible to decommission over 2 000 MW of the oldest coal plants before the year 2000. This strategic solution was approved by the Czech government, thus concluding a long period of disputes and uncertainty for ČEZ – whether to continue construction of Temelín or look for another,

albeit more expensive, solution. In the five year period from 1993 to 1997, the following expenditures will have to be made to implement the development programme:

	Billion CSK
Completion of Temelín nuclear power plant	42.8
Completion of Dlouhé Stráně pumped storage hydro plant	2.9
Desulphurisation and denitrification of fossil power plants	30.6
Construction of fluidised bed boilers to replace pulverised coal boilers	6.7
Retrofit of fossil power plants, ash storage, etc.	23.6
Retrofit of Dukovany nuclear power plant, interim storage facilities for spent fuel	13.2
Upgrade and development of the transmission network	4.6
Total	124.4

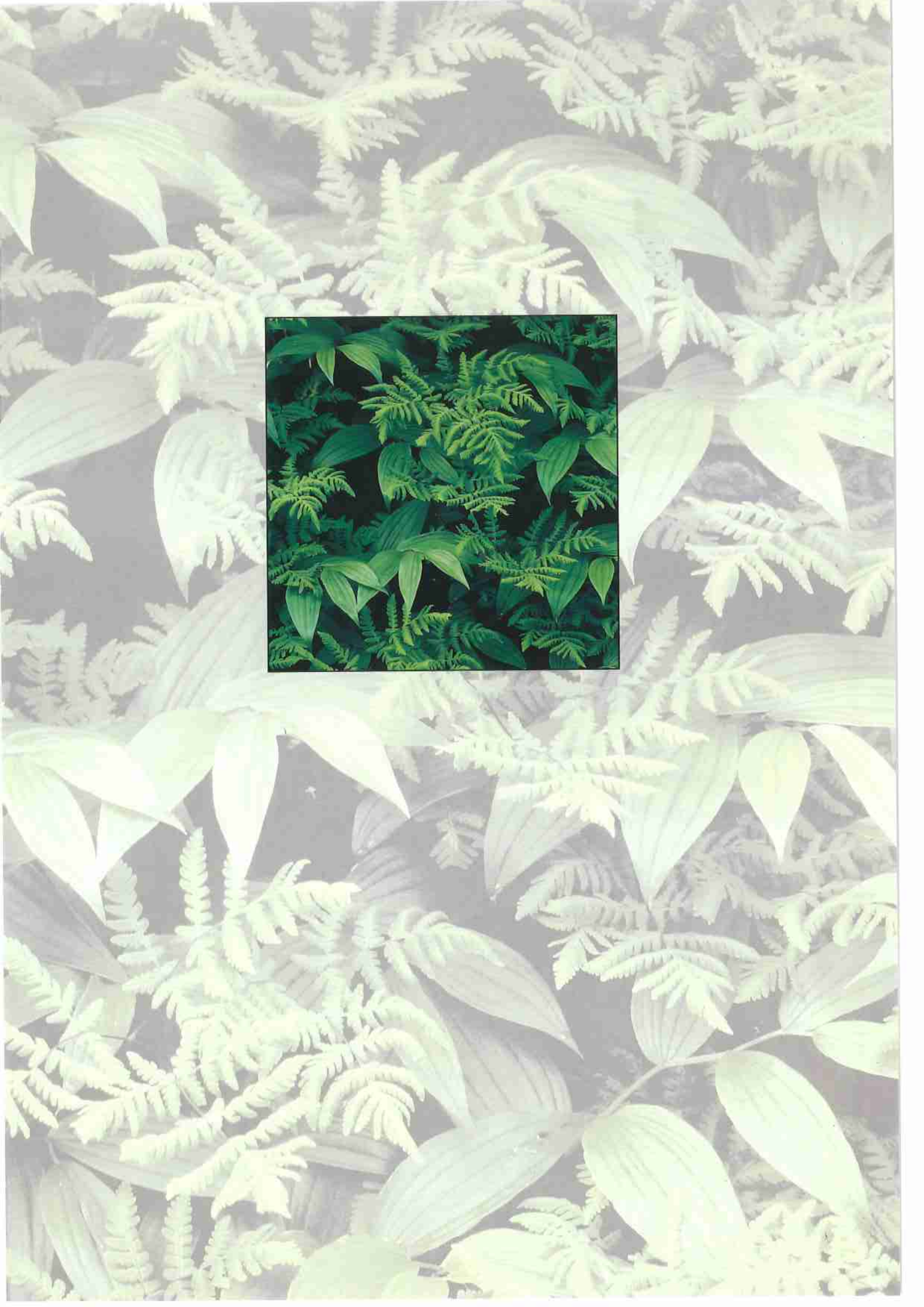
■ Thus, in the period 1993 – 1997, a sum equalling about two and half times current equity capital will be spent on development. In addition, financial resources for loan repayments, dividends and other costs paid from net income will be needed.

These needs represent the sum of	38.7
Total financial needs are	163.1

■ ČEZ's debt/shareholders' equity ratio is at present very low (22 %) and its financial creditability is supported by the evaluation of the American consulting company PlanEcon. The Company therefore plans to cover its financial needs in the following ways:

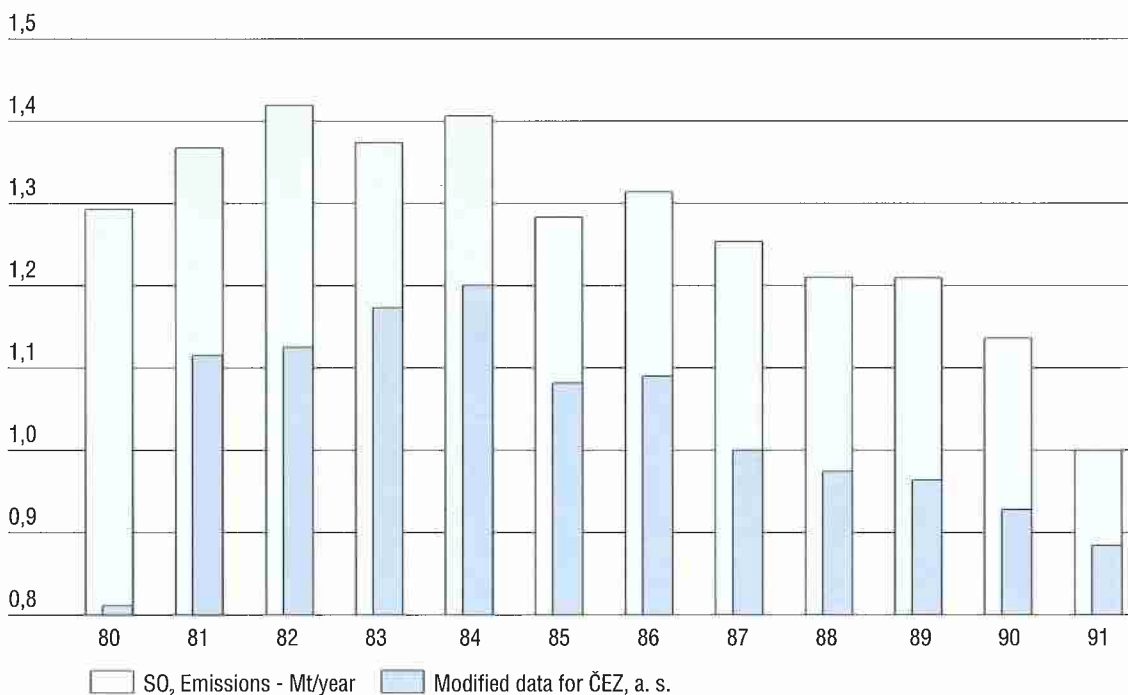
Internal financial resources	98.0
Loans	41.5
Issue of bonds on the Czech and foreign capital markets	21.5
Re-investment of dividends on shares owned by the ČR National Property Fund in the form of a loan	5.1

■ Currently, ČEZ's investment requirements are spread unevenly over the future. The goal is to make the financial needs more even and thus lower the overall requirement for bond issues in 1993 – 1997.



- ČEZ's attitude to the environment can be best expressed by one word: responsibility. Responsibility for nature which provides the resources for our electricity, and responsibility for the health of the Czech Republic's population. The awareness of our responsibility is the ethical dimension of the process of changing ČEZ into a modern dynamic company. ČEZ wants to compete against other electricity producers and generate electricity in a way that has a minimal impact on the environment.
- The starting point for implementing these principles is the ČEZ a. s. Programme for Environmental Improvements which will meet fully the Environmental Protection and Waste Disposal Laws. ČEZ is prepared to comply with these laws without exception. If some of its fossil power plants do not comply with the requirements of the Environmental Protection Law within the time limits, it intends to take them out of operation until technology is installed to meet the emission limits set by the Law.
- The Environmental Improvement Programme aims to reduce harmful gas emissions from fossil fired power plants and applies to all power plants in operation. It is satisfying to note that emissions of sulphur dioxide have already been decreasing for some time.

SO₂ Emissions



- The fall in SO₂ emissions over the past decade is the result of a reduction in electricity generation, and more efficient fuel consumption. This result has also been influenced by a decrease in the sulphur content of the fuel used.
- Of course, the nuclear power station Dukovany has had a very positive impact on the trend of SO₂ emissions across the area covered by the electricity network. This fact supports the arguments for implementing ČEZ's nuclear programme of constructing environmentally acceptable generation capacity.

The programme for reducing emissions of substances which cause air pollution is being implemented in four ways:

- removal of some fossil fired generating units from production. The target is to decommission 2000 MW before the year 2000. By the end of 1992, nearly 800 MW had already been taken out of operation
- installation of desulphurisation equipment
- use of modern fossil fuel burning technology
- replacement of brown coal by more ecologically acceptable fuel.

In 1992, the following fossil power plant capacity was taken out of operation:

Power Plant	Unit	Output
Tisová II	B7	103 MW
Prunéřov	B1	110 MW
Tušimice	B1	110 MW
Hodonín		50 MW

■ Construction of desulphurisation equipment should finish during 1993 – 1998 in compliance with legal regulations. In 1992, only the desulphurisation equipment in the power plant Tisová I was in operation. This equipment uses the dry limestone injection process. Construction of flue gas desulphurisation equipment at power plants Počeradý (units 5 and 6) and Prunéřov I continues and a contract has been signed for desulphurisation of Prunéřov II. Meanwhile, the bidding procedure for the desulphurisation of units 3 and 4 at Počeradý and units 2 and 3 at Ledvice has made considerable progress. This represents the desulphurisation of over 3 000 MW, all located in the Krušné Hory (the Ore Mountains) region where air pollution is worst.

■ Since the sixties, ČEZ has been measuring the level and development of air pollution in the ground layers of the atmosphere.

■ Based on analysis of the results, the following conclusions can be drawn:

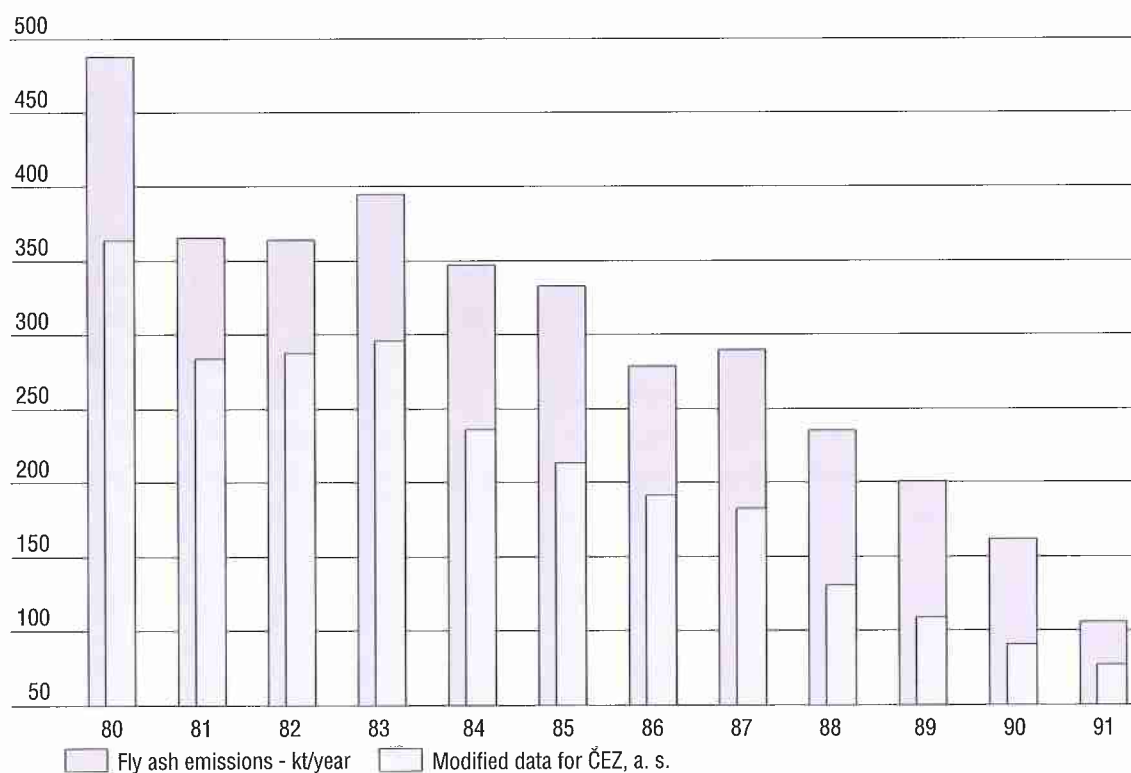
– when compared with other sources of air pollution in the area, power plants do not have an unduly high influence on their immediate surroundings (with the exception of mountain regions) due to their high-rise stacks

– improvement of local furnaces and other industrial sources of pollution which have low chimneys is of major importance in reducing the emission level in the ground layers of the atmosphere (especially in urban areas).

■ Another waste product of electricity generation is ash. The total area occupied by waste ash storage is about 13.5 km sq. The impact of this storage on the surrounding area has been reduced by technical measures. Following practice in other countries, the stabilised product is stored in a way that contributes to reducing the negative environmental impact of waste materials storage.

- Further improvements can be achieved by reducing the total amount of stored ash. One method concentrates on making productive use of fly ash, which represents more than 75% of the total ash production. This ash can be used in the production of construction materials, and in the restoration of areas devastated by mining activities, etc.
- ČEZ began to focus its attention on reducing emissions of solid materials in the eighties. An extensive and innovative programme of precipitators contributed to the considerable reduction of fly ash shown in this graph:

Fly ash emissions

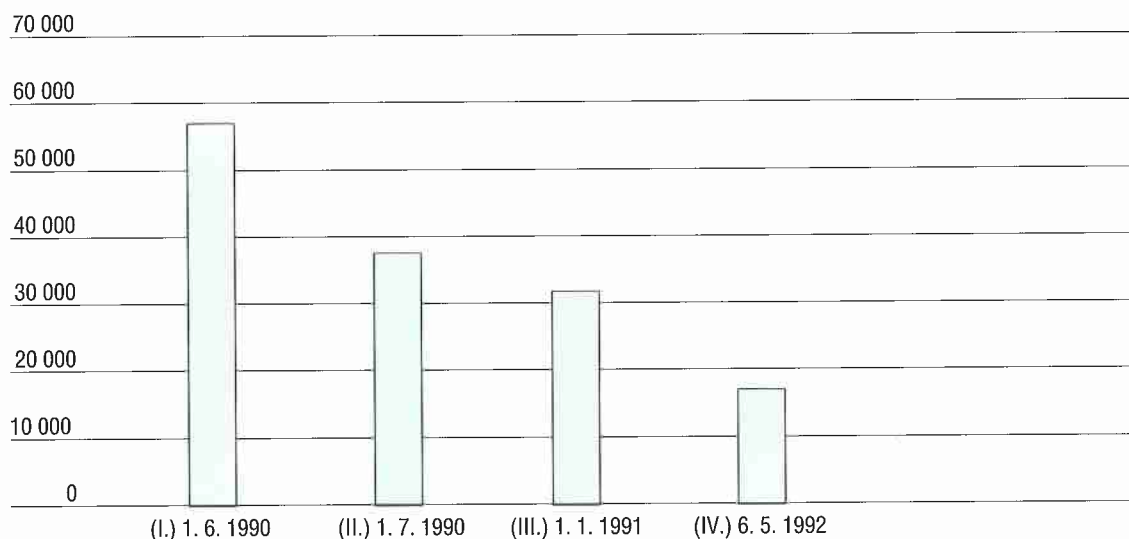


- Just as important is the radiation control within the area surrounding Dukovany. The results of monitoring during 1992 show that radiation in the outlets of ventilation stacks and water channels was always below national limits and usually well below them.
- Under the new ČEZ philosophy and development strategy, the programme for environmental protection is becoming our highest priority.



■ ČEZ has undergone a number of restructuring phases in the past three years. Prior to 1 July 1990, České energetické závody was responsible for all transmission and distribution and almost all generation of electricity in Bohemia and Moravia. On 1 July 1990, the part of the Company that distributed electricity was separated to become eight regional distribution companies. Over the next six months, some power plants which primarily generated heat and one engineering plant also became independent companies. Finally in May 1992, all parts of the business not directly involved in the generation and transmission of electricity were separated and ČEZ a. s. emerged.

ČEZ (České energetické závody) – Restructuring Phases – Number of Employees



■ By the end of December 1992, ČEZ employed a total of 16 062 employees. This represents a decrease of 896 employees since the date of ČEZ's incorporation. The total number of employees was made up of 10 906 manual employees (67.9 %) and 5 156 technical, clerical and managerial employees (32.1 %). The Company employed 3 960 (24.7 %) women. About 80% of employees are members of trade unions.

Educational background of ČEZ employees

University graduates	1 976	12.3 %
Full secondary education	4 594	28.6 %
Secondary education with apprenticeship	7 453	46.4 %
Basic education	1 943	12.1 %
Unfinished education	96	0.6 %

Age structure of ČEZ employees

Under 20 years	450	2.8 %
20–30 years	3 068	19.1 %
30–40 years	4 867	30.3 %
40–50 years	5 123	31.9 %
50–60 years	2 313	14.4 %
Over 60 years	241	1.5 %

- The qualifications of employees were developed further during 1992. In addition to professional training, employees attended foreign language courses (especially English and German), computer users training, management training and seminars about the new legislative rules covering all areas of the business.
- Some work in the area of personnel policy development was started last year with the objective of implementing a system to support professional career development and life-long training for ČEZ employees by 1994. A database of information will gradually be built about key professions in electric utilities and descriptions of competencies for managers at every level. The information collected in the database will provide practical human resources management for each professional from commencement of employment to the end of their working career.
- Steps towards staff rationalisation are taking place, mainly through reorganisation, increased use of technology and the closure of some power plants. Studies and programmes have been prepared, dealing with the personal and social impacts of reducing staff numbers. Further rationalisation will be achieved mainly by limited recruitment, routine turnover of personnel, transfer of qualified employees to other power plants in the region or to jobs connected with the decommissioning of plants or the introduction of new plants. When transferred to other jobs, employees will be offered requalification training. Support will also be provided for the establishment of new independent businesses, which will supply selected services to power plants on a contractual basis.
- In the area of social policy, work has started on the establishment of a health insurance office and the implementation of an additional pension insurance scheme for employees. In 1993, the existing fund for cultural and social needs will be replaced by a new social fund, which will build on the previous concept of social welfare and will provide a financial contribution towards canteen meals, recreation for employees and their children, health care and social aid. During the past year, a sum of 28.6 million CSK was provided from the existing fund for cultural and social needs. A new employee loan programme for housing and accommodation, and for assistance with temporary financial difficulties, has been prepared, also for introduction in 1993.



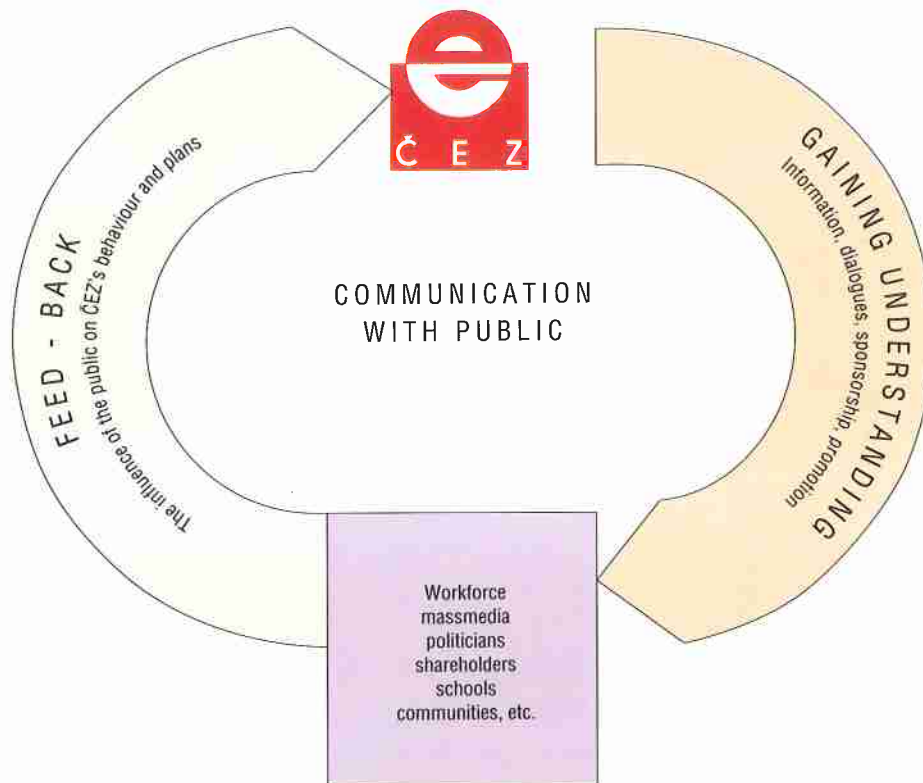
- Communication is a relatively new but key activity for ČEZ as it faces operating in a competitive market economy. ČEZ must provide information for a wide range of audiences, and consider their interests in developing its business strategy. What ČEZ does as a company is very much in the public eye as its actions affect so many people. It can be said, without exaggeration, that every citizen of the Czech Republic uses electricity generated by ČEZ.
- ČEZ must communicate with those inside the Company and those outside, who come into contact with it either directly or indirectly.

INTERNAL COMMUNICATIONS

- The goal of internal communications is to ensure that, at a minimum, the workforce understands the Company's activities, its progress and plans. Developing this goal further, ČEZ seeks to strengthen relationships between the workforce and ČEZ, the employer. The ideal is that employees will be proud to work for ČEZ.
- Several methods are used to communicate with the workforce, including our monthly newspaper Zpravodaj ČEZ („ČEZ Reporter“). Zpravodaj ČEZ is now in its fourth year, and reports all relevant information about the Company's activities. It publishes articles about electric energy issues, and covers important events with both words and pictures. It is open to contributions from both management and workforce.
- A new form of communication was introduced, namely personal letters from the Chairman of the Board of Directors. The first of these was sent out when the new company was established.
- ČEZ wants to encourage more two way communications between the workforce and management and is increasingly seeking employee views on various management issues. A questionnaire was sent to about half the workforce during the autumn to assess attitudes towards change. The results were then incorporated into the implementation plan for the company's strategy and a summary of the results made available to the workforce through Zpravodaj ČEZ.
- In the future, more questionnaires will be used to ensure employee input. Discussion with small groups of employees will also be used when more detailed feedback is required.

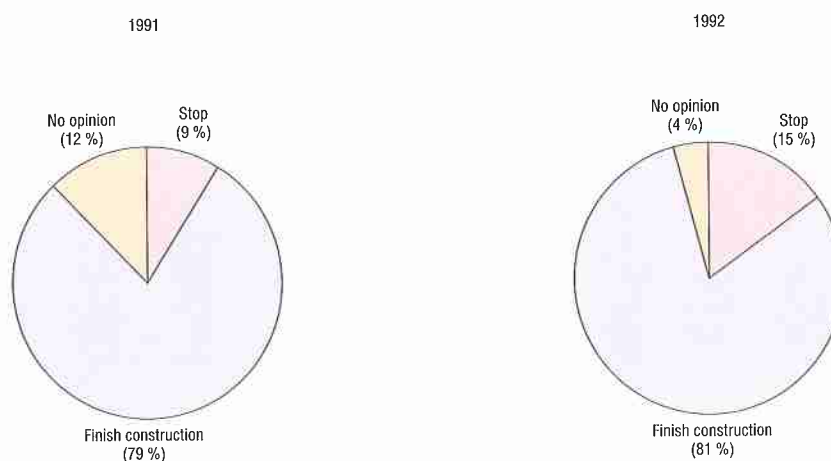
EXTERNAL COMMUNICATIONS

- The subject of power generation is emotive, and attracts a huge amount of public interest. ČEZ seeks to inform and educate the public of the facts surrounding generation, and is committed to being truthful to build public confidence.

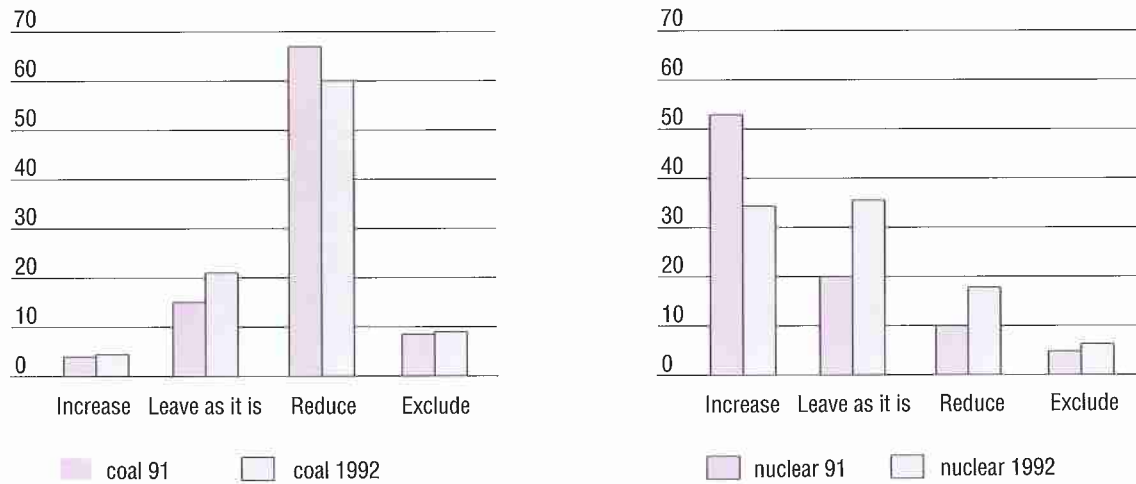


- In 1992, ČEZ conducted a public survey on electric energy issues. Opinions had clearly changed since the last survey in 1991. It is no surprise, given the increased interest of the public at large in nuclear energy, to see a change in views about the completion of the Temelín nuclear power plant and about nuclear power in general.

Views on construction of Temelín and other nuclear power plants



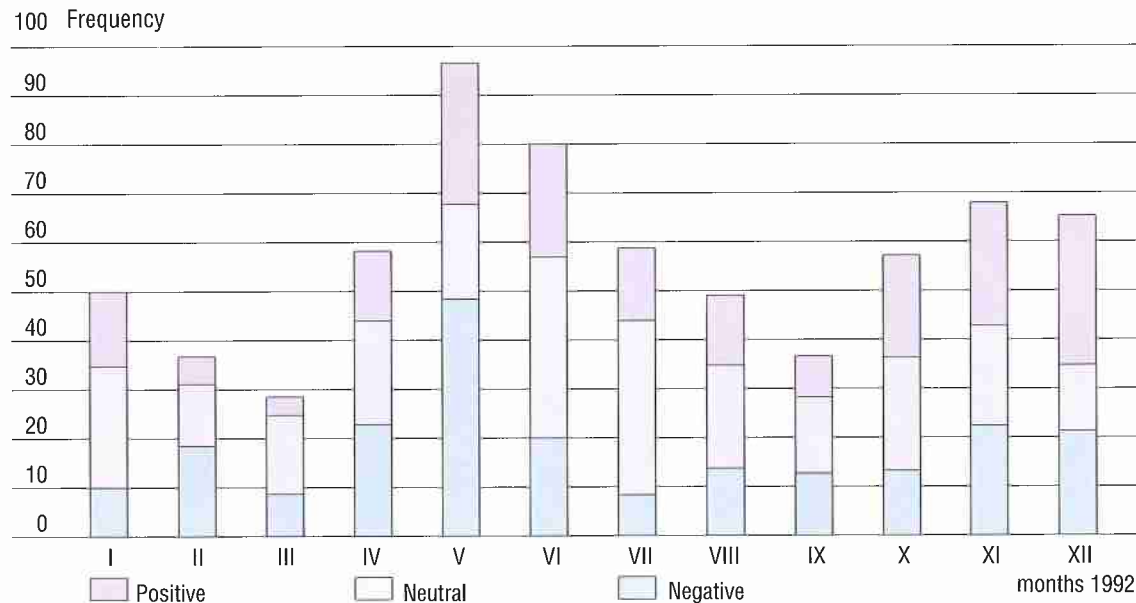
Shift in opinions about use of electric energy sources



■ Mass media is critical to ČEZ, especially the press. In 1992, ČEZ organised 6 press conferences to ensure that journalists were given an opportunity to ask questions about ČEZ's plans and actions. An analysis of articles in the Czech press in 1992 showed that 969 articles were published about the electricity industry. Of these, 683 articles were directly connected with ČEZ, or 70.5% of the total number.

■ In the following graph, the development of positive, negative and neutral views can be seen as expressed in the above mentioned articles:

Views in press articles 1992

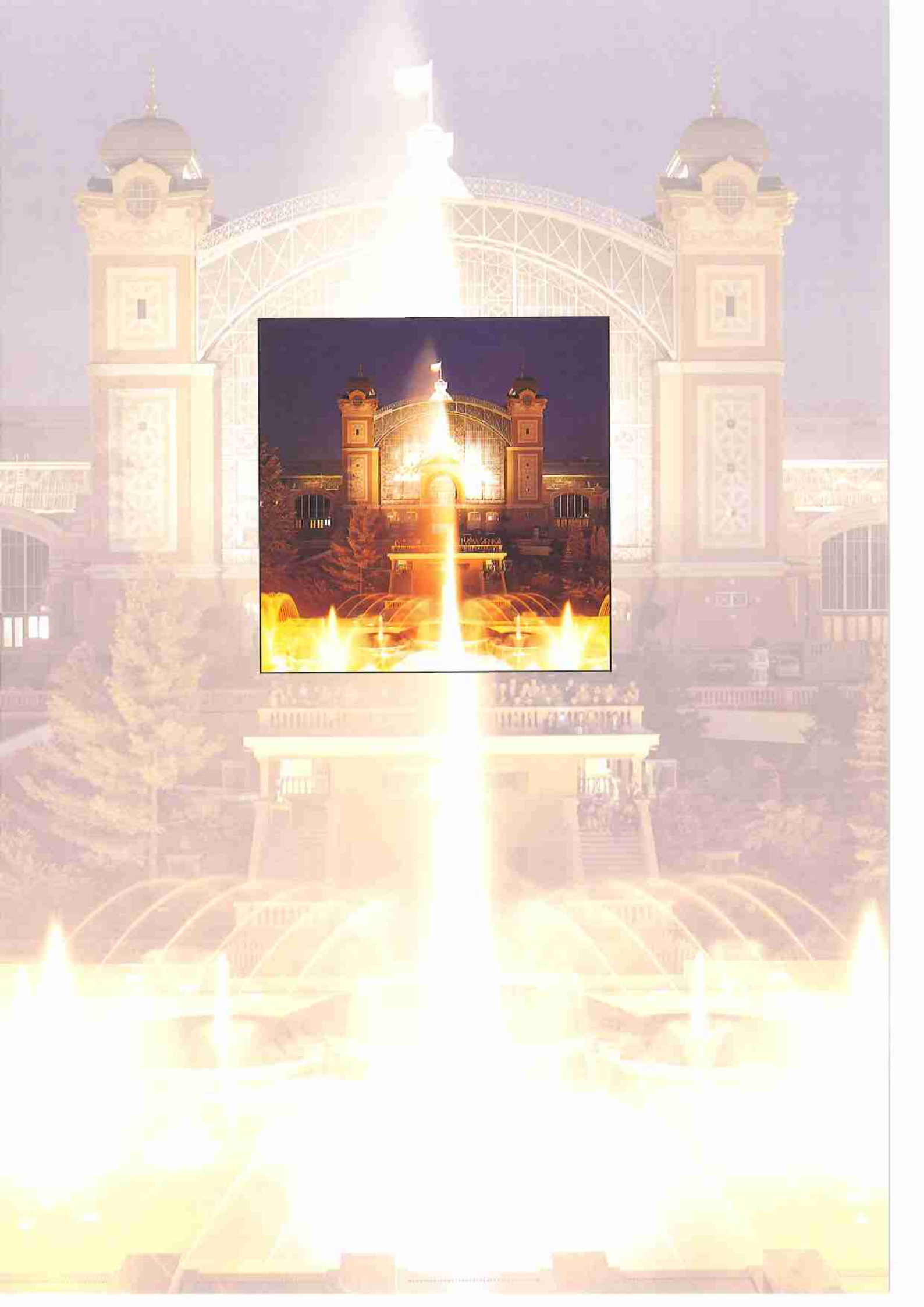


- The Company organised an eight-day trip to Sweden for a group of journalists and local mayors from the Dukovany region. They visited selected nuclear power plants and waste stores, which proved to be very informative. The trip contributed to increasing the knowledge of a group of people who can influence public opinion within their own surroundings. During the year, ČEZ conducted several information programmes to increase public interest in electric energy issues.

For elementary school and secondary school pupils, a long-term information and school programme „Energy for everyone“ was introduced. This programme was offered free of charge to 5 000 schools in the Czech Republic; nearly 2 000 schools took advantage of the materials.



- In 1992, ČEZ took part in several exhibitions:
 - Pragothem 92, a conference about improving energy savings
 - Comexpo 92, targeted at enhanced co-operation with schools, universities and the government education department
 - Země živelka („The Earth – our bread-winner“), provision of information about Temelín nuclear power plant.
- Information centres at Dukovany and Temelín received about 20 000 visitors in 1992 and make a valuable contribution to communication with the public.
- The major changes in the Company meant that it was necessary to find a brief but visible expression of the Company's new business philosophy for all communication. This has led to the design of a new ČEZ logo. The logo has been created around the idea of the balance between humanity and nature needed to generate electricity satisfactorily. This idea is reflected in the proportions of the graphic and type while the red colour symbolises energy. The logo is a symbol, a pledge to respect the principles acknowledged by the Company.



- ČEZ's financial results for the period May-December 1992 are based on the initial structure of assets and liabilities inherited by the Company in May 1992. They are framed by the economic, legal and political environment of the Czech Republic, currently undergoing transformation.

CONDENSED BALANCE SHEET DATA

ASSETS ('000's CSK)	1 May 1992 (unaudited)	31 December 1992
FIXED ASSETS	62 159 786	69 086 678
Net intangible assets	27 092	45 583
Net tangible assets	62 132 694	69 041 095
– land	231 834	229 685
– buildings and constructions	13 947 059	13 727 647
– machinery and equipment	21 060 502	19 786 651
– construction in progress and construction advances	26 893 299	35 297 112
CURRENT ASSETS	10 382 460	11 932 287
Inventories	4 790 589	5 347 323
– fuel	3 556 077	4 247 301
– other inventories	1 234 512	1 100 022
Accounts receivable	4 747 547	5 395 080
Cash	840 479	1 182 993
Prepayments	3 845	6 891
TOTAL ASSETS	72 542 246	81 018 965

LIABILITIES AND EQUITY CAPITAL ('000's CSK)	1 May 1992 (unaudited)	31 December 1992
EQUITY CAPITAL	58 918 477	65 595 063
Shareholders' equity	49 181 248	53 521 026
Reserve funds	9 737 229	5 793 094
– statutory reserve funds	5 352 103	5 700 294
– other funds	4 385 126	92 800
Retained earnings for current period	–	6 280 943
CURRENT AND LONG-TERM LIABILITIES	13 623 769	15 423 902
Accruals	2 067 575	2 468 808
Loans	10 130 231	11 691 279
Accounts payable	1 425 963	1 263 815
TOTAL LIABILITIES AND EQUITY CAPITAL	72 542 246	81 018 965

CONDENSED INCOME STATEMENT DATA

'000's CSK	May – December 1992	Cost Structure %
Total revenues	31 974 066	100.0
– from sales	31 853 964	
– other operational revenues	120 102	
Materials	10 746 732	33.6
– fuel	6 689 628	
– materials	967 385	
– other external supplies	3 089 719	
Payroll	1 267 061	4.0
– payroll	830 351	
– wage–volume tax	436 710	
Depreciation	2 759 234	8.6
– depreciation of fixed assets	2 582 479	
– depreciation of consumables	176 755	
Other operational costs	501 243	1.6
Interest	129 369	0.4
– received	-57 257	
– paid	186 626	
Extraordinary revenues	26 216	0.1
Extraordinary costs	830 397	2.6
Income before taxation	15 766 246	49.3
Income tax	8 798 023	27.5
Other taxes	5 921	
Income after taxation	6 962 302	21.8
Appropriations, subsidies	-1 497	
Allocation to funds	466 796	1.5
Other use of profits	216 060	0.7
Retained earnings for current period	6 280 943	19.6

ASSETS

FIXED ASSETS

■ *Tangible assets*

Fixed assets have been depreciated in accordance with Decree No. 586 on fixed assets depreciation from the Federal Ministry of Finance. Land and natural assets, assessed in accordance with the Decree No. 393/91, are included within the tangible assets classification. Land, valued at approximately 1 000 million CSK, for which the state ownership was not proven, is not included. It remains the property of the state enterprise České energetické závody and will be gradually transferred to ČEZ as part of an extension to the privatisation project. The net book value of tangible fixed assets was:

'000's CSK	1 May 1992	31 December 1992	%
Land	231 834	229 685	0.33
Buildings and constructions	13 947 059	13 727 647	19.88
Machinery and equipment	21 060 502	19 786 651	28.66
Construction in progress and construction advances	26 893 299	35 297 112	51.13
Total tangible assets	62 132 694	69 041 095	100.00

The amounts for construction include:

'000's CSK	1 May 1992	31 December 1992	%
Construction in progress	7 705 471	13 586 116	38.49
Construction advances	19 187 628	21 710 996	61.51

■ *Intangible assets*

ČEZ's intangible fixed assets consisted mainly of software. It has been depreciated over four years in accordance with Appendix No. 2 to instruction No. 1/1991 issued by ČEZ. The depreciated value of intangible assets was:

'000's CSK	1 May 1992	31 December 1992	%
Total intangible assets	27 092	45 583	100.00
– attributable to: software	22 183	40 459	88.76

■ *Current assets*

ČEZ's current assets were comprised of:

'000's CSK	1 May 1992	31 December 1992	%
Inventories	4 790 589	5 347 323	44.81
Accounts receivable	4 747 547	5 395 080	45.22
Cash	840 479	1 182 993	9.91
Prepayments	3 845	6 891	0.06
Total current assets	10 382 460	11 932 287	100.00

■ *Inventories*

Inventories represented 44.81% of current assets, of which the major component was fuel, including nuclear fuel. Inventories were comprised of:

'000's CSK	1 May 1992	31 December 1992	%
Fuel	3 556 077	4 247 301	79.42
Materials including sub-components	1 066 072	1 080 977	20.22
Consumables	144 598	7 312	0.14
Work in progress	19 982	8 053	0.15
Finished products and goods	3 861	3 680	0.07
Total inventories	4 790 589	5 347 323	100.00

■ *Accounts receivable*

Accounts receivable were comprised of:

'000's CSK	1 May 1992	31 December 1992	%
Receivables from domestic sales	1 539 386	3 153 981	58.46
– attributable to: electricity sales	1 337 162	2 315 175	42.91
Receivables from individuals	22 120	27 886	0.52
Receivables from foreign sales	251 040	246 515	4.57
Refundable social welfare	7 482	7 396	0.14
Other receivables	2 927 519	1 959 302	36.31
– attributable to:			
prepayments to fixed assets suppliers	2 683 483	2 439 542	45.22
prepayments to goods and services suppliers	167 508	83 371	1.55
Total accounts receivable	4 747 547	5 395 080	100.00

Total receivables increased during the period May – December 1992 by 13.64 %. This was due to the rising debts of electricity customers (3 153 981 000 CSK by 31 December 1992, including 2 172 611 000 CSK overdue), reflecting the insolvency of many enterprises in the national economy.

Offsetting this effect is a reduction of other receivables, which were influenced by fewer prepayments to fixed assets suppliers, amounting to 2 439 542 000 CSK at 31 December 1992.

■ *Cash*

Cash is shown in the following table:

'000's CSK	1 May 1992	31 December 1992	%
Cash	597	942	0.08
Cash at bank	724 963	1 099 575	92.95
Special accounts	73 642	40 928	3.46
Foreign currency cash	638	164	0.01
Foreign currency deposits	17 196	17 966	1.52
Money orders and postage	3 298	243	0.02
Short-term investments	20 145	23 175	1.96
Total cash	840 479	1 182 993	100.00

■ *Prepayments*

Prepayments of 6 891 000 CSK were made for advance lease payments at 31 December 1992.

LIABILITIES

EQUITY CAPITAL

■ *Shareholders' equity and reserve funds*

Shareholders' equity registered in the commercial index was 49 181 248 000 CSK at the time of the incorporation of ČEZ a. s. The reserve fund was created in accordance with the Commercial Code and on the basis of the instruction of the National Property Fund of Czech Republic No. 28/92 of 13 April 1992.

The General Meeting held on 16 October 1992 decided to increase shareholders' equity to 53 521 026 000 CSK and reserve funds to 5 352 103 000 CSK. Shareholders' equity was increased by the transfer of the remainder of the Special Reserve Fund. This fund was created by recalculation of the reserve funds according to the above mentioned instruction of the National Property Fund of the Czech Republic upon the incorporation of ČEZ. Reserve funds were increased, in accordance with ČEZ's articles of incorporation, by 348 191 000 CSK (5% of net profit after taxation) and as at 31 December 1992, the balance was 5 700 294 000 CSK (10.7% of equity).

CURRENT AND LONG-TERM LIABILITIES

■ *Loans*

Loans represented the major part of ČEZ's liabilities. They were broken down as follows:

'000's CSK	1 May 1992	31 December 1992	%
Loans for inventories	99 051	160 360	1.37
Short-term investment loans	1 087 570	993 280	8.50
Long-term investment loans	8 333 769	8 577 775	73.37
Consolidation loan	609 841	569 184	4.87
Foreign currency loans	0	190 680	1.63
Other loans	0	1 200 000	10.26
Total loans	10 130 231	11 691 279	100.00

Total debt as at 31 December 1992 amounted to 21.8 % of shareholders' equity.

Accounts payable were comprised of:

'000's CSK	1 May 1992	31 December 1992	%
Accounts payable – products / services	117 010	439 138	34.75
Accounts payable – capitalised goods	644 111	852 213	67.43
Products / services received not yet invoiced	553 860	210 209	16.63
Payable to individuals	1 504	2 136	0.17
Wages payable	54 169	64 820	5.13
Foreign accounts payable (advances)	-31 292	-131 040	-10.37
Payable (receivable) to government	31 831	-269 810	-21.35
Other liabilities	54 770	96 149	7.61
Total accounts payable	1 425 963	1 263 815	100.00

Total liabilities, excluding loans, decreased by 11.37 % over the period 1 May 1992 to 31 December 1992. However, accounts payable to investment suppliers increased by 32.30 % and to suppliers of products/services by 275.30 %.

The amount payable to government reflects a sum of 453 400 000 CSK overpaid by ČEZ netted against a government financial loan of 157 200 000 CSK.

Foreign accounts payable included prepayments to foreign suppliers of capitalised and non-capitalised goods, in accordance with the new accounting standards of 1992. Total prepayments were 143 348 000 CSK.

■ *Accruals*

Accruals consisted mainly of reserves for repairs and maintenance and for material, payroll and interest costs.

'000's CSK	1 May 1992	31 December 1992	%
Repairs and maintenance accruals	1 943 608	2 262 278	91.63
Accruals for materials	1 233	0	–
Accruals for payroll	3 120	16 544	0.67
Accruals for interest	117 899	189 986	7.70
Deferred revenue	1 715	0	–
Total accruals	2 067 575	2 468 808	100.00

The creation of and drawing from the accrual for repairs and maintenance is defined by ČEZ's internal instruction No. 2/1991.

CONDENSED PROFIT AND LOSS DATA

- Total revenues from the sale of electricity for the whole year were up on the same revenues of last year, even when sales attributable to those parts of the former České energetické závody which have become separate companies, have been deducted. The amount of electricity generated decreased slightly so the increase in revenue was due to price increases.
- Prices charged by ČEZ for electricity are set jointly by ČEZ, the government and the distribution companies each year. The prices are well below electricity prices in other parts of the world but they reflect ČEZ's need for capital over the next few years. Prices must include a sufficient profit margin to allow ČEZ to repay its debt obligations and to fund partially the Company's investment programme from internal sources. This will in turn help to limit the interest expenses and finance charges which ČEZ must bear.

Sales of electricity accounted for 96.2 % of revenues, while sales of heat accounted for 1.8 %. Heat is sold commercially by eight of the power plants located close enough to towns to make this a viable business. ČEZ has a number of other smaller revenue generating activities for example:

- providing software and computing services
- contracting out maintenance teams
- manufacturing bricks from ash.

■ Materials accounted for 33.6 % of costs. Of these, fuel accounted for the largest proportion. Coal costs, while still less than in much of the world, have been increasing over the past year and further high increases are expected. Nuclear fuel costs are increasing in a similar fashion.

■ Wages represented a small proportion of costs. During 1992 the wage-volume tax was 50 % of payroll costs.

■ Depreciation has been charged on a straight line basis. The depreciable lives of assets have been set by Czech tax and accounting principles and are as shown below:

	Depreciation rate per year
Buildings and structures	1.3 – 2%
Machinery and equipment	6 – 10%
Furniture and fixtures	8 – 20%
Motor vehicles	3 – 17%
Computer software	20%

■ Extraordinary revenues represent items which may occur in one or more years and which must be stated separately under Czech accounting principles. The figure shown includes payments received from insurance claims which arose during the period 1 May to 31 December 1992.

- Likewise extraordinary costs represent costs which may occur one or more years and which must also be stated separately. These costs are primarily related to payments of environmental penalties and inventory write-offs.
- Income tax was determined under Czechoslovak accounting principles at a rate of 55%, after adjustments for certain items which are not deductible for taxation purposes.

Profit after taxation was distributed as follows:

Schedule of Distribution of Profits Million CSK	
Total profits	15 766
Other sources available for distribution	1
Total available for distribution	15 767
Taxes	8 804
Net profit after taxation and other sources	6 963

Distribution of net profit	
Allocation to reserve fund	348
Allocation to social fund	43
Allocation to bonus fund	75
Other uses of profit	216
Total distribution	682
Retained earnings	6 281

ČEZ's main business activities contributed to profits in the following way:

May to December 1992 Million CSK	
Total profits (losses)	15 766
– attributable to: heat	83
electricity	16 899
other	-1 216

ČEZ will be examining all non-generation activities over the next year to determine how to reduce the losses shown.

To the Board of Directors of ČEZ, a. s.

We have audited, in accordance with Decree No. 63/1989 Sb. on Auditors and Their Activities and Law No. 524/1992 on Auditors and on the Chamber of Auditors of the Czech Republic, the balance sheet form of ČEZ, a. s. (a Czech joint stock company) as of 31 December 1992, and the related statement of revenue and expense form and the schedule of distribution of profit for the period from the inception of the Company's operations (1 May 1992) to 31 December 1992 (not presented herein) and, in our report dated 2 April 1993, we expressed an opinion that those statutory financial statement forms were prepared in accordance with the applicable Czechoslovak regulations then in effect. In our opinion, the condensed balance sheet data at 31 December 1992, set forth on page 31, and the related condensed income statement data and condensed distribution of profit data for the period from 1 May 1992 to 31 December 1992, set forth on pages 32 and 39, are accurately stated, in all material respects, in relation to the statutory financial forms from which they have been derived.

The statutory financial statement forms, from which the condensed financial information on pages 31, 32 and 39 is derived, are prepared on the basis of the applicable Czechoslovak regulations in effect during the period from the inception of the Company's operations (1 May 1992) to 31 December 1992. Certain accounting practices applied by the Company that conform with the applicable Czechoslovak regulations may not conform with generally accepted accounting principles in other countries. The Czechoslovak regulations currently do not require the presentation of disclosures, including the Company's accounting policies, as required by generally accepted accounting principles in other countries. Accordingly, the statutory financial statement forms are not designed for those who are not informed about such matters.

ARTHUR ANDERSEN

Prague, Czech Republic
2 April 1993

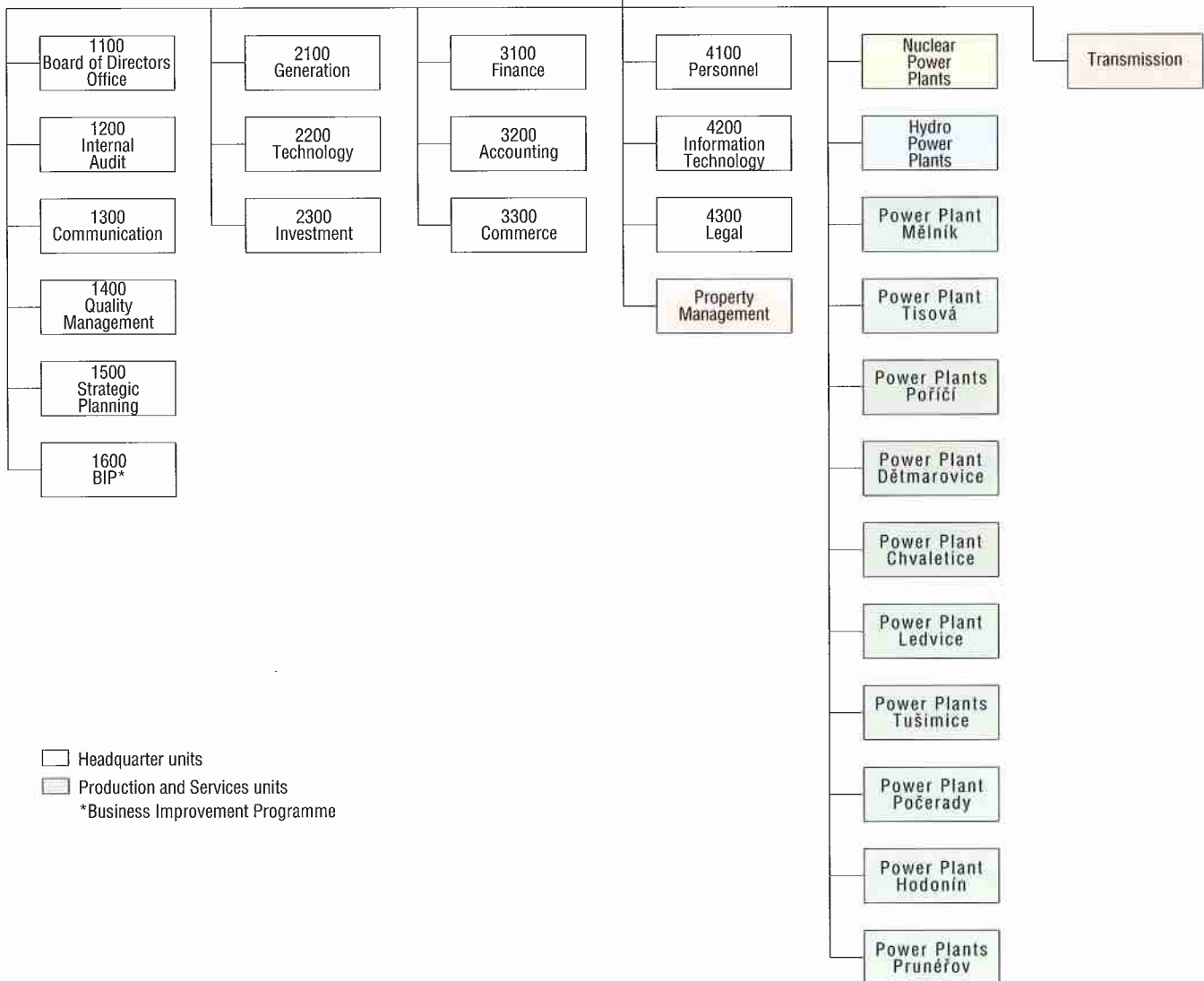
ČEZ, A. S. - POWER PLANTS



ORGANISATION STRUCTURE



BOARD OF DIRECTORS



The new structure has been developed using a highly consultative process, striking a careful balance between what is theoretically desirable and what is regarded by top management as workable at this time. It will be formally established in 1993 and represents a major step towards a new business structure.



ČEZ, A.S.
HLAVNÍ SPRÁVA
JUNGMANNOVA 29
111 48 PRAHA 1
TEL.: 02/24 08 11 11
FAX: 02/24 08 24 40



Elektrárna Mělník

ČEZ, A.S.
ELEKTRÁRNA MĚLNÍK
277 03 HORNÍ POČÁPLY
TEL.: 0206/69 21 11
FAX: 0206/69 22 26



Vodní elektrárny

ČEZ, A.S.
VODNÍ ELEKTRÁRNY
252 07 ŠTĚCHOVICE
TEL.: 02/994 10 88-90
FAX: 02/994 13 08

Vodní elektrárna Dlouhé Stráně

ČEZ, A.S.
VODNÍ ELEKTRÁRNA DLOUHÉ STRÁNĚ
788 12 LOUČNÁ NAD DESNOU - KOUTY
TEL.: 0649/943 33
FAX: 0649/943 22



Jaderná elektrárna Dukovany

ČEZ, A.S.
JADERNÁ ELEKTRÁRNA DUKOVANY
675 50 DUKOVANY
TEL.: 0509/92 31-2
FAX: 0509/92 23 90

Jaderná elektrárna Temelín

ČEZ, A.S.
JADERNÁ ELEKTRÁRNA TEMELÍN
373 01 TEMELÍN
TEL.: 0334/422 11 11
FAX: 0334/422 30 30

Elektrárna Tisová

ČEZ, A.S.
ELEKTRÁRNA TISOVÁ
POŠTOVNÍ PŘIHRÁDKA 98
356 69 SOKOLOV 1
TEL.: 0168/232 71
FAX: 0168/240 35

Elektrárny Poříčí

ČEZ, A.S.
ELEKTRÁRNY POŘÍČÍ
541 37 TRUTNOV
TEL.: 0439/53 11
FAX: 0439/754 14

Elektrárna Dětmarovice

ČEZ, A.S.
ELEKTRÁRNA DĚTMAROVICE
735 71 DĚTMAROVICE
TEL.: 06995/212 41-3
FAX: 06995/212 15

Elektrárna Chvaletice

ČEZ, A.S.
ELEKTRÁRNA CHVALETICE
533 12 CHVALETICE
TEL.: 0457/934 11
FAX: 0457/933 99

Elektrárna Ledvice

ČEZ, A.S.
ELEKTRÁRNA LEDVICE
418 48 BÍLINA
TEL.: 0417/92 54 61-5
FAX: 0417/92 56 44

Elektrárna Počeradý

ČEZ, A.S.
ELEKTRÁRNA POČERADY
439 44 POČERADY
TEL.: 0397/943 60-7
FAX: 0397/943 34

Elektrárna Hodonín

ČEZ, A.S.
ELEKTRÁRNA HODONÍN
U ELEKTRÁRNY 1
695 23 HODONÍN
TEL.: 0628/412
FAX: 0628/238 14

Elektrárny Tušimice

ČEZ, A.S.
ELEKTRÁRNY TUŠIMICE
432 01 KADAŇ
TEL.: 0398/45 41-9
FAX: 0398/26 49

Elektrárny Prunéřov

ČEZ, A.S.
ELEKTRÁRNY PRUNÉŘOV
432 01 KADAŇ
TEL.: 0398/49 21
FAX: 0398/27 95

In the process of printing of the annual report an error occurred on page 43 in the last sentence of the first paragraph. The right wording of the sentence is as follows: "In our opinion, the condensed balance sheet data at 31 December 1992, set forth on page 33, and the related condensed income statement data and condensed distribution of profit data for the period from 1 May 1992 to 31 December 1992, set forth on pages 34 and 41, are accurately stated, in all material respects, in relation to the statutory financial forms from which they have been derived."

We apologize sincerely for the error occurred. Thank you for your understanding.
BBK EURO RSCG