



ČEZ Power Company
Annual Report
2001

How many colors does
rainbow power have?











rainbow power

From the beginning of 2002, the electricity market has been undergoing an historic change – a change with repercussions for the entire Czech economy. The first electricity customers are no longer required to purchase from a single distribution company; instead, they are free to choose their supplier. In conjunction with a change in its sales strategy to address the opening up of the electricity market to competition, ČEZ is offering a range of products like no other: RAINBOW POWER.

Seven colors of energy

Seven new products from ČEZ

Seven types of electricity supply

each distinguished by its own color

and, most of all, by price

The joint stock company ČEZ ("ČEZ, a. s." or "ČEZ") was founded by the National Property Fund of the Czech Republic, as sole founder, pursuant to a Certificate of Incorporation (containing a founder's decision in accordance with Sections 172(2), (3) and 171(1) of Act 513/1991 Sb. – the Commercial Code) dated 30 April 1992 and made in the form of a notarial record. The company came into existence on 6 May 1992, when it was registered in the Commercial Register. The majority owner of ČEZ, a. s. is the National Property Fund of the Czech Republic.

The principal business of ČEZ, a. s. is the sale of electricity, most of which it generates in its own facilities, and the related provision of Power System ancillary services. The principal business also includes the production, distribution and sale of heat. A more detailed description of the principal business is set forth in the company's Articles of Association, Article 5.

ČEZ is the largest producer of electricity in the Czech Republic. Its principal customers are the regional electricity distribution companies. ČEZ, a. s. is the sole owner of the joint stock company ČEPS, which operates the transmission grid.

In its Resolution No. 967 dated 4 October 2000, the Government of the Czech Republic decided to offer for sale the shares of ČEZ, a. s. and six of the regional distribution companies owned by the National Property Fund. Pursuant to a decision of the Annual General Meeting, ČEZ in 2001 provided extensive cooperation to a team of advisors to the National Property Fund to prepare the ground for the sale. In particular, it provided material for the Information Memorandum on ČEZ, a. s., assembled, coordinated and handed over a comprehensive set of key documents for the "data room", allowed for the performance of due diligence at the company, including arranging for potential investors to interview company executives and preparing a presentation by the company's top managers for all bidders who advanced to the second round of the tender. In the end, only one bidder satisfied the tender's conditions. However, the price offered by that bidder did not meet the Government's expectations. The situation was no different even in an additional tender round in which two bidders were allowed to submit revised bids. Therefore, in a resolution dated 9 January 2002 the Government ordered the National Property Fund to cancel the tender.

In its Resolutions No. 250 dated 11 March 2002 and No. 477 dated 6 May 2002, the Government of the Czech Republic approved the sale to ČEZ of the National Property Fund's majority stakes in five regional distribution companies along with minority stakes in three regional distribution companies. At the same time, the Government opted to transfer, for consideration, a majority stake in ČEPS, a.s., from ČEZ to the National Property Fund of the Czech Republic.

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Performance Highlights

9,123

million CZK

Net income increased by 26.1% in comparison with 2000.

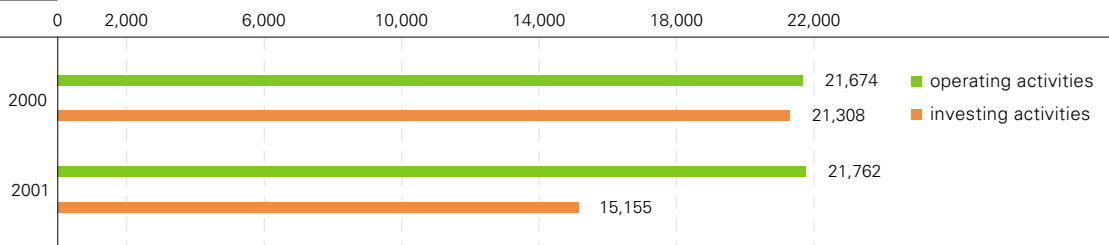
52.2

TWh

In 2001 ČEZ posted record output from its own generating facilities. Production rose by 2.6%.

Cash Flow

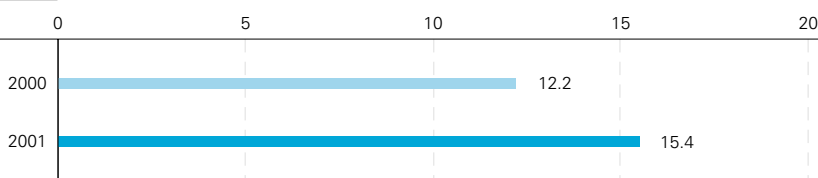
(CZK millions)



Earnings per Share

of Face Value CZK 100

(CZK/share)



2,842

thousand CZK/person

EBITDA per ČEZ/ČEPS employee increased by 22.3%, compared with 2000.

8,011

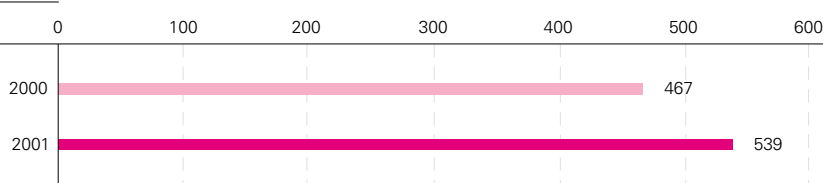
employees

During 2001 ČEZ/ČEPS staff was reduced by 13.7%.

ČEZ staff by 14.1% (from 8,795 to 7,552 employees) and ČEPS staff by 5% (from 483 to 459 employees).

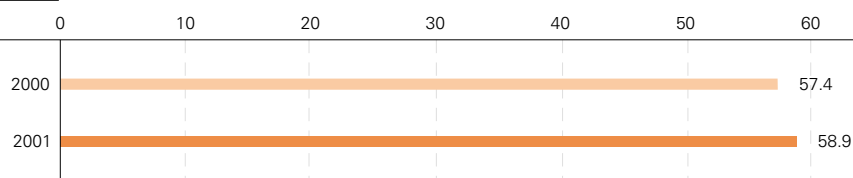
**Labor Productivity
from Gross Generation
per ČEZ Employee**

(MWh/person/month)



**ČEZ Power Plants'
Share in Supply
of Electricity in the
Czech Republic**

(%)



Selected Indicators	Unit	1999	2000	2001	Index 01/00 (%)
CZECH REPUBLIC					
Installed capacity as of December 31	MW	15,216	15,324	15,443	100.8
Peak requirement	MW	9,926	10,128	10,604	104.7
Date of peak requirement		1. 2.	26. 1.	13. 12.	x
Production of electrical energy	GWh	64,368	73,466	74,647	101.6
ČEZ, a. s.					
Installed capacity as of December 31	MW	10,151	10,146	10,146	100.0
Production of electrical energy	GWh	45,722	50,842	52,162	102.6
Production of heat	TJ	13,174	12,868	13,978	108.6
Number of ČEZ employees as of December 31	persons	9,266	8,795	7,552	85.9
Earnings per share (nominal value CZK 100)	CZK/share	7.2	12.2	15.4	127.0
Current ratio	1	0.92	0.77	0.71	92.2
Debt to equity ratio	1	0.46	0.43	0.36	83.7
Return on equity (net) ¹⁾	%	3.57	5.75	6.86	119.3

¹⁾ The shareholders' equity value in the denominator is the median of the year-end values for the previous and the current year.

Consolidated Balance Sheets	1999	2000	2001	Index 01/00 (%)
(CZK millions)				
Assets				
Property, plant and equipment:				
Plant in service	170,901	177,181	180,069	101.6
Less accumulated provision for depreciation	76,153	84,228	92,431	109.7
Net plant in service	94,748	92,953	87,638	94.3
Nuclear fuel, at amortized cost	4,913	5,764	5,967	103.5
Construction work in progress	91,460	103,591	111,929	108.0
Total property, plant and equipment	191,121	202,308	205,534	101.6
Investment in associate	5,024	5,225	5,518	105.6
Investment, net	2,515	2,935	4,110	140.0
Intangible assets, net	396	916	1,144	124.9
Total non-current assets	199,056	211,384	216,306	102.3
Current assets:				
Cash and cash equivalents	4,357	3,219	3,365	104.5
Receivables, net	3,536	4,032	3,933	97.5
Income tax receivable	956			
Materials and supplies, net	2,172	2,268	2,489	109.7
Fossil fuel stock	797	712	657	92.3
Other current assets	615	645	2,277	353.0
Total current assets	12,433	10,876	12,721	117.0
Total assets	211,489	222,260	229,027	103.0
Shareholders' equity and liabilities				
Shareholders' equity:				
Stated capital	59,209	59,209	59,050	99.7
Retained earnings	62,996	70,233	77,676	110.6
Total shareholders' equity	122,205	129,442	136,726	105.6
Long-term liabilities:				
Long-term debt, net of current portion	51,084	49,704	43,081	86.7
Accumulated provision for nuclear decommissioning and fuel storage	18,457	20,902	21,396	102.4
Total long-term liabilities	69,541	70,606	64,477	91.3
Deferred income taxes, net	6,265	8,057	9,870	122.5
Current liabilities:				
Short-term loans	2,804	1,104	514	46.6
Current portion of long-term debt	2,665	4,703	5,126	109.0
Trade and other payables	4,552	5,035	8,651	171.8
Income tax payable		643	953	148.2
Accrued liabilities	3,457	2,670	2,710	101.5
Total current liabilities	13,478	14,155	17,954	126.8
Total shareholders' equity and liabilities	211,489	222,260	229,027	103.0

Selected Data**from Consolidated****Statements of Income**

(CZK millions)

	1999	2000	2001	Index 01/00 (%)
Total revenues	53,542	52,692	56,597	107.4
of which, e.g.: Sales of electricity	50,678	49,675	53,300	107.3
Total expenses	43,416	39,837	41,684	104.6
of which:				
Fuel	12,957	12,800	13,220	103.3
Purchased power and related services	7,808	5,436	6,389	117.5
Repairs and maintenance	4,217	3,316	3,476	104.8
Depreciation and amortization	8,885	9,349	9,336	99.9
Salaries and wages	3,584	3,793	3,946	104.0
Materials and supplies	2,087	1,954	1,851	94.7
Other operating expenses	3,878	3,189	3,466	108.7
Income before other expenses (income) and income taxes	10,126	12,855	14,913	116.0
Other expenses (income)	4,917	2,254	1,621	71.9
of which, e.g.: Foreign exchange rate losses (gains), net	2,609	216	-2,110	x
Income from associate	-434	-319	-360	112.9
Income before income taxes	5,209	10,601	13,292	125.4
Income taxes	919	3,364	4,169	123.9
Net income	4,290	7,237	9,123	126.1

Selected Data**from Consolidated****Statements of Cash Flows**

(CZK millions)

	1999	2000	2001	Index 01/00 (%)
Operating activities				
Income before income taxes	5,209	10,601	13,292	125.4
Adjustments to reconcile income before income taxes to net cash provided by operating activities:	15,727	11,770	10,725	91.1
of which, e.g.:				
Depreciation, amortization and asset write-offs	9,687	9,406	9,429	100.2
Amortization of nuclear fuel	1,568	1,630	1,644	100.9
Foreign exchange rate loss (gain)	2,609	216	-2,110	x
Interest expense, interest income and dividends income, net	827	785	555	70.7
Provision for nuclear decommissioning and fuel storage	452	398	387	97.2
Income from associate	-434	-319	-360	112.9
Changes in assets and liabilities	801	-461	913	x
Income taxes paid	-701	26	-1,820	x
Interest paid, net of interest capitalized	-1,025	-1,072	-744	69.4
Interest received	153	189	178	94.2
Dividends received	133	160	131	81.9
Net cash provided by operating activities	19,496	21,674	21,762	100.4
Investing activities				
Total cash used in investing activities	-22,193	-21,308	-15,155	71.1
Financing activities				
Proceeds from borrowings	40,587	12,797	6,737	52.6
Payments of borrowings	-34,280	-14,287	-11,776	82.4
Total cash provided by (used in) financing activities	6,307	-1,490	-6,372	427.7
Net effect of currency translation in cash	-260	-14	-89	635.7
Net increase (decrease) in cash and cash equivalents	3,350	-1,138	146	x
Cash and cash equivalents at beginning of period	1,007	4,357	3,219	73.9
Cash and cash equivalents at end of period	4,357	3,219	3,365	104.5

Major Milestones of the ČEZ Power Company

1990	Regional Power Enterprises and Heat Plants are spun off from the state enterprise České energetické závody.
1992	Transformation of the state enterprise České energetické závody into the joint stock company ČEZ.
1993	Privatization of 27% of ČEZ shares in the first wave of voucher privatization. Transformation of the Regional Power Enterprises into the regional distribution companies.
1994	"Energy Act" passed by the Parliament of the Czech Republic.
1995	Partial privatization of the regional distribution companies and privatization of a further 6% of the shares of ČEZ in the second wave of voucher privatization.
1997	"Nuclear Act" passed by the Parliament of the Czech Republic.
1998	Establishment of ČEPS, a.s. – a 100% subsidiary of ČEZ, a. s. – as the owner and operator of the Czech Republic electricity transmission grid.
2000	Parliament of the Czech Republic passes a new "Energy Act" which envisions the opening up of the electricity market to competition in 2002–2006.
2001	Government of the Czech Republic commences tender to choose a strategic investor for the National Property Fund's remaining stake in ČEZ, a. s. and six regional distribution companies.
2002	Opening up of the electricity market for final customers with an annual consumption of over 40 GWh; for producers, the market is already fully open, with some small exceptions, starting in 2002. However, the playing field is not level. Electricity from smaller power plants and renewable sources enjoys an administrative price advantage, and the market has been opened in a lopsided fashion to electricity imports from neighboring countries. Government of the Czech Republic decides to cancel the tender announced for a buyer of the National Property Fund's stakes in ČEZ, a. s. and six regional distribution companies. Government of the Czech Republic issues Resolution No. 250 dated 11 March 2002, approving the sale to ČEZ of the National Property Fund's majority stakes in five regional distribution companies and minority stakes in three regional distribution companies. At the same time, the Government opts to transfer, for consideration, a majority stake in ČEPS, a.s., from ČEZ to the National Property Fund of the Czech Republic.

Main Events of 2001 and 2002 up to Annual Report Closing

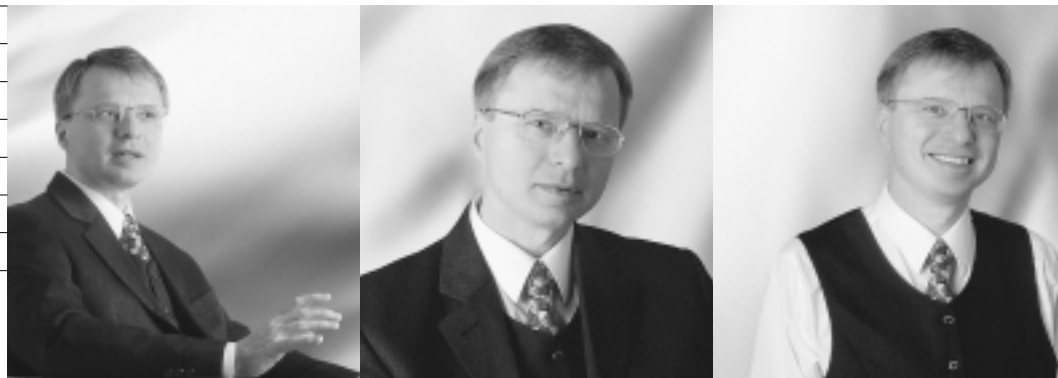
January 2001	Ministry of Finance Price Decree 01/2001 sets new electricity price levels for all end user groups.
	<p>Energy Regulatory Office Price Decision 1/2001 sets maximum prices for electricity, transmission and system services that may be charged between ČEZ, a. s. and the regional distribution companies. A new element in the price decision is the introduction of a system services fee paid by the distributors to ČEPS, a.s. for each MWh supplied from the distribution grids, as well as the transition to trading based on negotiated diagrams (hourly supply values). Compared to the previous regime, this mitigates the degree to which ČEZ is placed at a disadvantage.</p> <p>Reaffirmation of “Baa1” rating by Moody’s with change of negative outlook to stable.</p> <p>Signing of coal supply contracts with the companies Severočeské doly, Sokolovská uhelná, GEMEC - UNION and Lignit Hodonín, s.r.o.</p>
February 2001	Signing of coal supply contracts with the companies Mostecká uhelná and OKD.
	Handing over of land (0.62 km ² including necessary infrastructure) for the construction of Industrial Park Verne to the city of Klášterec nad Ohří.
March 2001	OSART, an international mission sent by the Vienna-based International Atomic Energy Agency (IAEA) to Temelín Nuclear Power Station, completes its work. The mission consisted of experts from France, Germany, Hungary, Romania, Russia, the USA, and Great Britain. In addition, French and Austrian experts were present at the power station as observers.
	<p>Completion of Unit One start-up stage at Temelín Nuclear Power Station with reactor running at 30% and, subsequently, 45% of capacity.</p> <p>Bystřice nad Pernštejnem City Hall issues zoning decision for the construction of a central spent nuclear fuel storage facility at the Skalka site.</p> <p>ČEZ places fifth in “100 Most Admired Corporations of the Czech Republic” competition organized by the CZECH TOP 100 Association.</p> <p>ČEZ is ranked second in information openness in the Paegas Signum Temporis 2000 competition.</p>
April 2001	Completion and release to public of “Report of the Commission for Evaluating the Environmental Impact of Temelín Nuclear Power Station” which states that the facility’s impact is low, insignificant and acceptable. A public hearing on the Report is held in České Budějovice.
May 2001	Separate company press conference and participation of ČEZ, a. s. at the Power Gen Europe conference held in Brussels and at the accompanying power industry trade show.
	<p>The company’s subsidiary, ČEPS, a.s., as the Czech Republic’s transmission grid operator, becomes a founding and full-fledged member of the newly established organization UCTE.</p> <p>Sections on the “zero option” (non-commissioning of Temelín Nuclear Power Station) and major nuclear accidents are added to the “Report of the Commission for Evaluating the Environmental Impact of Temelín Nuclear Power Station”.</p> <p>Government of the Czech Republic approves an amendment to the “Nuclear Act” relating to radiation protection for the purposes of harmonization with relevant European Union legislation.</p>

June 2001	<p>9th Annual General Meeting is held at which the shareholders approved a dividend for the first time in the history of ČEZ as a joint stock company.</p> <p>The CZECH TOP 100 ranks ČEZ first in the Czech Republic for the year 2000 in terms of corporate earnings and third in terms of revenues.</p> <p>Public hearing on the "Report of the Commission for Evaluating the Environmental Impact of Temelín Nuclear Power Station" held in Vienna.</p>
July 2001	<p>The Government of the Czech Republic expresses consent for the signing of an agreement with Deloitte & Touche on assistance and collaboration in the privatization of the electric power industry.</p>
August 2001	<p>An advertisement is published in major daily newspapers in the Czech Republic and abroad in which the National Property Fund calls upon potential investors to submit preliminary expressions of interest in a package of state-owned equity interests in gas and electric utility companies.</p>
September 2001	<p>ČEZ, a. s. unveils a new marketing strategy with the launch of "Rainbow Power" in the Czech Republic and commencement of contract negotiations for electricity supplies in 2002.</p>
October 2001	<p>Commencement of "hot tests" on Unit Two of Temelín Nuclear Power Station.</p> <p>Commencement of "due diligence" at privatized companies by bidders for the joint package of state-owned equity interests in ČEZ, a. s. and six electricity distributors.</p> <p>Rules for organizing the Czech Republic electricity market promulgated by Energy Regulatory Office in its Decree 373/2001 Sb.</p> <p>A new company, Coal Energy, a.s., is founded by the joint stock companies Severočeské doly, Mostecká uhelná společnost, Sokolovská uhelná, and ČEZ and by the limited liability company CARBOUNION BOHEMIA for the purpose of optimizing utilization of brown coal extraction capacities through secondary production of electricity in ČEZ brown-coal-fired power stations and its subsequent sale. Each of the founders holds 20% of the new company's shares.</p> <p>Completion of Unit One start-up stage at Temelín Nuclear Power Station with reactor running at up to 55% of capacity.</p>
November 2001	<p>OSART inspection mission is carried out at Dukovany Nuclear Power Station by the International Atomic Energy Agency (IAEA). The mission consists of experts from Brazil, France, Japan, Canada, Lithuania, Slovakia, Sweden, the USA, and Great Britain. In addition, French and Ukrainian experts were present at the power station as observers.</p> <p>The ČEZ, a. s. 2000 Annual Report takes three top rankings (Overall, Content, and Energy Industry) in annual report competition.</p> <p>Energy Regulatory Office of the Czech Republic announces 9.9% across-the-board increase in electricity prices for households.</p> <p>The ČEZ Power Company officially unveils the "Rainbow Logo" – the graphical symbol of "Rainbow Power", its new sales program.</p>

<p>December 2001</p>	<p>Tender for the state-owned equity interest in ČEZ and six regional distribution companies ends with no winner announced.</p> <p>Completion of Unit One start-up stage at Temelín Nuclear Power Station with reactor running at up to 75% of capacity.</p> <p>Internationally recognized EMS certificate is obtained for the organizational units Tušimice Power Stations, Chvaletice Power Station, Počeradý Power Station, Dětmarovice Power Station and Dukovany Nuclear Power Station.</p> <p>Contracts incorporating the new "Rainbow Power" product are signed, locking in the sale of 90% of planned electricity production for the year 2002 allocated to the domestic market. The remainder of ČEZ generating capacity is to be sold through short-term trades.</p> <p>Completion of the legislative process: "Nuclear Act" amendment becomes law.</p>
<p>January 2002</p>	<p>Cancellation of tender for buyer of the National Property Fund's equity stakes in ČEZ, a. s. and six regional distribution companies.</p> <p>Reactor of Unit One at Temelín Nuclear Power Station reaches 100% of capacity.</p> <p>Public tender announced for the construction of a new spent fuel storage facility at Dukovany Nuclear Power Station.</p> <p>ČEZ, a. s. sells its stake in the joint stock company Energotrans.</p> <p>Closing of a USD 70 million revolving loan. The arranger of the loan is Sumitomo Mitsui Banking Corporation.</p> <p>Reaffirmation of "Baa1" rating with stable outlook by Moody's and reaffirmation of "BBB+" rating with change in outlook from positive to stable by Standard & Poor's.</p> <p>Heating systems of all buildings in power station compound and district heat system of City of Týn nad Vltavou switched over to heat generated by Unit One turbine at Temelín Nuclear Power Station (instead of previous use of ancillary natural gas-fired boiler island).</p>
<p>March 2002</p>	<p>Unit Two of Temelín Nuclear Power Station loaded with fuel.</p> <p>Government of the Czech Republic approves sale to ČEZ of the National Property Fund's majority stakes in five regional distribution companies and minority stakes in three regional distribution companies; at the same time, the Government opts to transfer, for consideration, a majority stake in ČEPS, a.s., from ČEZ to the National Property Fund.</p> <p>ČEZ takes first place in information openness in the Paegas Signum Temporis 2001 competition.</p> <p>In the "100 Most Admired Companies of the Czech Republic" competition organized by the CZECH TOP 100 Association, ČEZ is ranked first in the category "Production and distribution of electricity, water, gas and steam".</p>
<p>April 2002</p>	<p>Inspection mission of the International Atomic Energy Agency (IAEA) is carried out at Temelín Nuclear Power Station, focusing on the station's physical security. Participating in the mission are experts from France, Canada and the USA with observers from Lithuania and Ukraine. The physical security system of Temelín Nuclear Power Station is found to be modern and fully comparable with systems throughout Western Europe and the USA.</p>

Chairman's Message

Our new product,
"Rainbow Power",
is set to become a synonym
for inexpensive,
environmentally friendly
energy from
the Czech Republic.



Dear shareholders,

This Annual Report presenting the results of the year 2001 finds its way to you in the time when ČEZ, a. s. is celebrating its tenth anniversary. I am pleased to be in a position to call these past ten years a very successful period. Since its foundation, ČEZ, a. s. has been in the black each year and has generated stable cash flows from its operations. This crucial achievement helped us successfully implement a financially demanding environmental program at our conventional power stations at the same time as we were building Temelín Nuclear Power Station. During 2002 both generating units of Temelín, our largest power station, will be put into trial operation, thereby bringing this demanding period to a close. Its completion will be a great advantage, since the tasks on which we are currently focusing are substantially different – now it is time to take our place in the European-wide electricity market as it gradually opens up to competition.

That is also the reason why we brought an entirely new product – "Rainbow Power" – to the domestic market. We are confident that it will become a synonym for inexpensive, environmentally friendly energy from the Czech Republic, associated with the ČEZ name. At the same time, we are fully aware that effective organization and low production costs are pre-conditions for us to operate successfully in the domestic and foreign markets.

Therefore, we have carried out major changes in the organization to strengthen our sales functions and take advantage of all the benefits of centralization. In order to help sell electricity, we established a new organizational unit, ČEZTrade, in which effective 1 March 2002 we concentrated all our electricity sales activities, including international trades. Following a major reorganization in 2000, the Head Office now focuses first and foremost on strategy, controlling, finance, property management, and similar issues. In 2001, with the formation of the "Conventional Power" section, we carried out fundamental changes in how our coal and hydro power stations are organized and in late 2002/early 2003 we will implement similar fundamental changes in the nuclear stations – i. e., a new "Nuclear Power" section will be formed to manage all the company's operations in nuclear power. Only through measures such as these can we bring about further cost savings, cut decision-making times and define in much better and more specific terms the accountability of all our employees.

These developments are crucial to prepare the company for the arrival of the fully competitive environment of the liberalized electricity market, in which ČEZ will be able to defend and reinforce its market position mainly by the price at which it offers its electricity to customers. In my opinion, our position is very good: we possess a fully balanced portfolio of production facilities that are able to meet demanding customer requirements at competitive cost levels not just in terms of supplying electric power, but also in terms of ancillary services in the Czech Republic Power System. Among Czech corporations in 2001 ČEZ was the most profitable and we also managed to make major inroads in foreign markets – we now export a quarter of our overall production. Maybe here is one area where we can discern the possible causes of certain not entirely transparent activities by which some have endeavored to cast our

company's performance in a problematic light. Starting in January 2002 the electricity market is liberalized for several dozen of the largest customers, representing approximately 30% of overall consumption. However, the market is already open to imports from foreign countries and regional distribution companies have become Eligible Customers within the rest of the market in order to cover the consumption of customers temporarily captured by them. What that means for all producers, us included, is that the market is 100% open starting in 2002.

There are some asymmetric elements in the liberalized market environment: for example, imports enjoy a price advantage over domestic electricity, and there is unjustified support for small generation facilities powered by renewable resources (while our large hydro plants are excluded from these advantages). The regulated purchase prices for electricity from co-generation prefer facilities with lower installed capacities which ČEZ does not operate. What is more, the advantages are reserved only for electricity supplied to the distribution grid, while ČEZ has most of its facilities connected to the transmission grid. Also, transmission grid use fees are not in line with justified costs for all players. Thus, the current conditions can be considered discriminatory, placing ČEZ and its shareholders at a disadvantage compared to certain other Czech producers and importers. In the end, customers are also disadvantaged, since the price of electricity does not reflect the lowest possible costs of its procurement. It is evident that this state of affairs is not acceptable or even sustainable over the long term. We at ČEZ, a. s. consider it our duty to endeavor to change it as soon as possible so as to level the playing field in the industry.

Realistically, the best expression of financial performance is profit. ČEZ's after-tax profit according to International Financial Reporting Standards (IFRS) totaled CZK 9.1 billion, up CZK 1.9 billion (26.1%) from the previous year.

We would like to continue paying dividends to you, our shareholders. Our current results and future forecasts are such that it will be our duty to do so.

A major goal of the company is to continuously improve our performance. To this end, we achieved an over 22% year-on-year increase in EBITDA per employee. The organizational measures mentioned above have allowed us to lower the number of ČEZ employees; in 2001 we cut the head count by 1,243, to 7,552 at year end. We expect to continue in this trend in 2002 and, even more so, in 2003, especially at the nuclear power stations in conjunction with the formation of the Nuclear Power Section.

Contributing to these good performance results were, of course, the company's sales policies, but also excellent – indeed, record-setting – electricity production in 2001, achieved in both conventional and nuclear power stations. On the nuclear side, Temelín Nuclear Power Station played a role alongside its older sister, Dukovany, for the first time, generating over 1 TWh during tests of its Unit One.

As I have mentioned, in the sales area the name of ČEZ, a. s. is already associated with the new trademark: "Rainbow Power", which is a symbol of how we are transforming ČEZ from a purely electricity producing enterprise into a company that also markets its products, a company that sells electricity produced in our generating facilities out of Czech inputs. By the end of 2001 we managed to sell 90% of the electricity we plan to produce in 2002. I am confident that "Rainbow Power" will become a symbol of the liberalization of the Czech Republic energy market, since it is a Czech product that, according to our calculations, gives jobs to over 100,000 people working in the energy sector both directly and indirectly, through activities such as raw materials extraction, repairs & maintenance, training, services, etc. "Rainbow Power" is also a good bargain, since we have lowered the prices at which we sell our electricity by roughly 5% compared to last year's Energy Regulatory Office price decree. We have been selling electricity at approximately the same price since 1992. Unfortunately, this fact has for all practical purposes not yet been reflected in the prices paid by small customers. We would like to offer "Rainbow Power" to other customers as well. Our priority for 2002 was not to win over end users as customers, when we came out with the philosophy of cooperating with the regional distribution companies. Nevertheless, a market that is open 100% for producers and only 30% for customers is, from our perspective, open in a lopsided way. Therefore, we would welcome a faster pace of market liberalization so that we can market our product to the widest possible range of customers.

Another priority that I must mention is that of developing the company without the involvement of a strategic partner, since the search for one failed in late 2001 and early 2002. While a strategic partner would have given us relatively problem-free access to European markets, without such a partner our priority will be to capture a strong position in the Central European region. That is why we have actively entered the recently commenced privatization process in Slovakia's electric power industry, declaring our interest in Východoslovenská energetika, a.s. and also declaring our interest in Slovenské elektrárne, a.s. in the event it is privatized.

We are also monitoring and supporting further steps by the Czech Government in its new project of linking up a decisive portion of Czech electricity production and distribution, on the one hand, and bringing about a greater division of production and transmission, on the other. In our opinion, this is a step in the right direction that optimally reacts to the development of conditions in this business area in Europe. Also, the Czech market will continue to retain a high degree of transparency compared to most countries of the European Union. At the same time, we are aware that in the Czech electricity market there still persist certain conditions that are discriminatory towards our company, and we will put up a sustained effort to bring about their removal.

Dear shareholders, in this message I have endeavored to convince you that our realistic goal is to win and defend, in a sustained, permanent fashion, a strong position for our company in the Czech market, as well to maintain our positions in European electricity markets.

Only by doing this can we ensure the highest long-term return on the capital you have invested in our company.

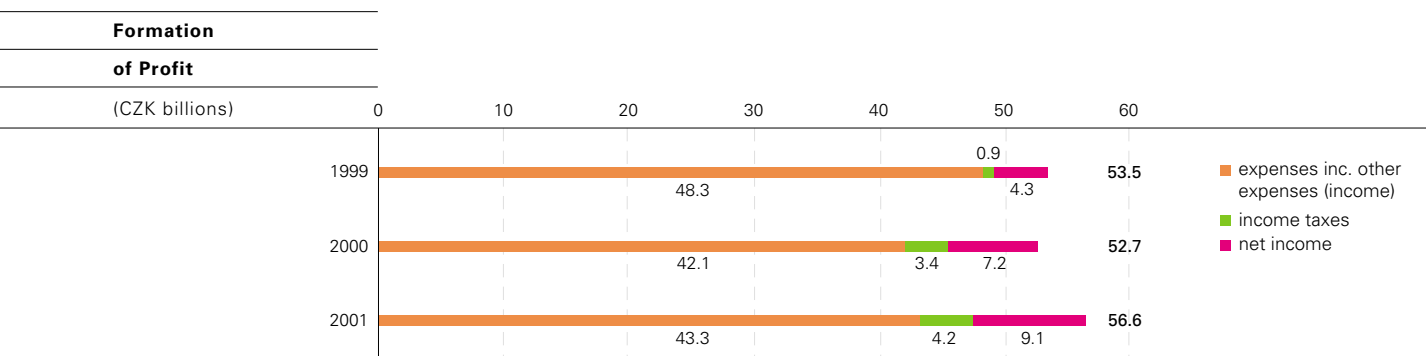
Jaroslav Mil
Chairman of the Board
of Directors and CEO



Business Performance

Development of Revenues, Costs and Profit

The following diagrams present the most important economic results achieved by ČEZ in 2001 and compare them with the results of 2000 and 1999.



Note: In 2001 the company adopted International Accounting Standard IAS 39, Financial Instruments: Recognition and Measurement. Following the introduction of IAS 39, all derivative financial instruments have been recognized as assets or liabilities. The opening balance of retained earnings as at January 1, 2001 has been adjusted. Prior year comparative figures have not been restated. For further details please refer to the notes to financial statements.

In 2001, ČEZ attained total revenue of CZK 56.6 billion with expenses of CZK 43.3 billion. Pre-tax profit increased by CZK 2.7 billion (25.4%) to CZK 13.3 billion as a result of higher revenues (by CZK 3.9 billion) and higher expenses (by CZK 1.2 billion), when operating expenses were higher by CZK 1.8 billion, while other expenses lowered by CZK 0.6 billion. Operating profit increased too, by CZK 2.1 billion to 14.9 billion. ČEZ realized a net profit of CZK 9.1 billion in 2001, CZK 1.9 billion (26.1%) more than in the previous year. Net income per share (CZK 100) for 2001 went up to CZK 15.4, approx. 26% increase compared to 2000 (CZK 12.2).

Total revenues in 2001 increased by CZK 3.9 billion (7.4%) compared with 2000. This increase was the result of higher revenues from electric power sold (CZK 53.3 billion), an increase of CZK 3.6 billion (7.3%) accompanied by higher heat sales and other revenues by CZK 0.3 billion.

- **Revenues from electric power**, as was mentioned, amounted to CZK 53.3 billion, an increase of CZK 3.6 billion (7.3%) as the result of several reasons, e.g. a change of the fee and the calculation base for system services. Regional distribution companies now pay ČEPS fees which are higher and which are charged on all electricity delivered by them to the final consumers (and not, as was the case in 2000, just on electricity sold by ČEZ to regional distribution companies). The sale of electricity to regional distribution companies was 36.9 TWh, an increase of 1.0%. Exports of electricity 12.1 TWh were lower by 2.5%. ČEZ succeeded in eliminating almost completely the impact of the E.ON contract cancellation and the bankruptcy of ENRON at the end of 2001.
- **Heat sales and other revenues** increased by 9.3%, i.e. CZK 280 million compared to 2000 level, from that heat sales increased by 7.3% (CZK 117 million) accompanied by an increase of other revenues (CZK 163 million).

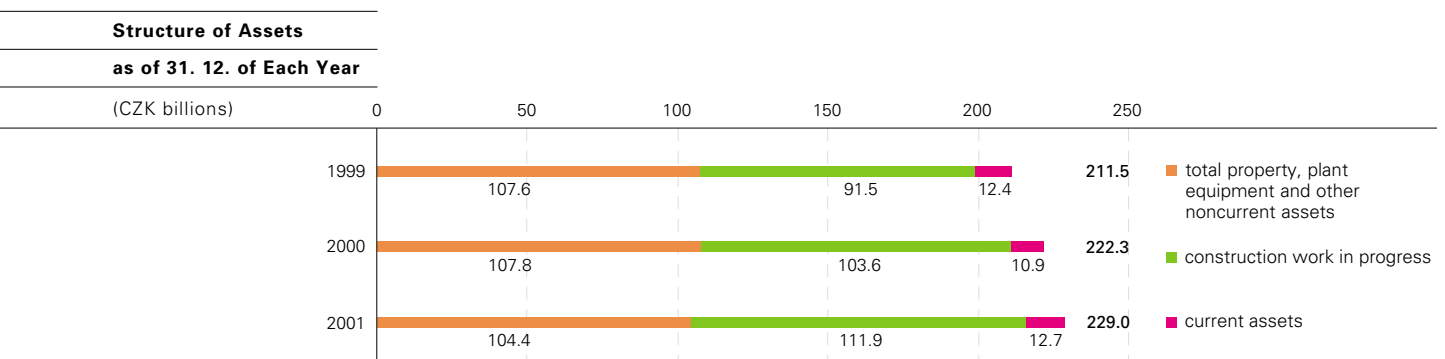
Overall expenses, including other expenses, increased to CZK 43.3 billion, which is CZK 1.2 billion (2.9%) more than in the previous year.

- **Fuel costs** of CZK 13.2 billion, accounting 30,5% of overall expenses, increased by 3.3% (CZK 0.4 billion), while the production of electricity from coal and nuclear power plants increased by 2.9%.

- **Electricity purchase costs** and related services of CZK 6.4 billion (14.8% of overall costs) increased by CZK 1.0 billion (17.5%) due to the higher purchase of ancillary services by ČEPS from other producers.
- **Repair and maintenance costs** of CZK 3.5 billion (8.0% of overall costs) increased by CZK 0.2 billion (by 4.8%).
- **Depreciation and amortization** remained at the same level as in 2000, i.e. CZK 9.3 billion.
- **Personnel costs** of CZK 3.9 billion, representing 9.1% of overall expenses, increased on an annual basis by CZK 0.2 billion (4.0%).
- **Materials and supplies** decreased by CZK 0.1 billion (5.3%).
- **Other operating expenses** increased from CZK 3.2 billion to CZK 3.5 billion, i.e. an annual increase of 8.7% (CZK 0.3 billion), mainly due to the lower settlement of provisions for environmental claims in 2001.
- **Other expenses** decreased from CZK 2.3 billion to CZK 1.6 billion, i.e. an annual decrease of 28.1% (CZK 0.7 billion), as a result of
 - stronger exchange rate of CZK, which resulted into exchange rate gains CZK 2.1 billion in 2001 compared to exchange rate losses CZK 0.2 billion in 2000
 - higher other expenses, which increased from CZK 0.3 billion to 2.0 billion due to losses on financial derivatives during 2001
 - increased interest of nuclear provisions by 15.6% (by CZK 0.2 billion) to CZK 1.5 billion due to provisions for Unit No.1 in Temelín nuclear power station, which tests started in 2000
 - lower interest on debt, which decreased from CZK 1 billion to CZK 0.8 billion. i.e. by 21.6% (CZK 0.2 billion).

Assets Structure

The development of the asset structure of ČEZ in 2001 can be characterized by a change in the structure of assets and liabilities.



The total net assets of the company amounted to CZK 229.0 billion at the end of 2001, resulting in a 3.0 % increase compared to the end of 2000.

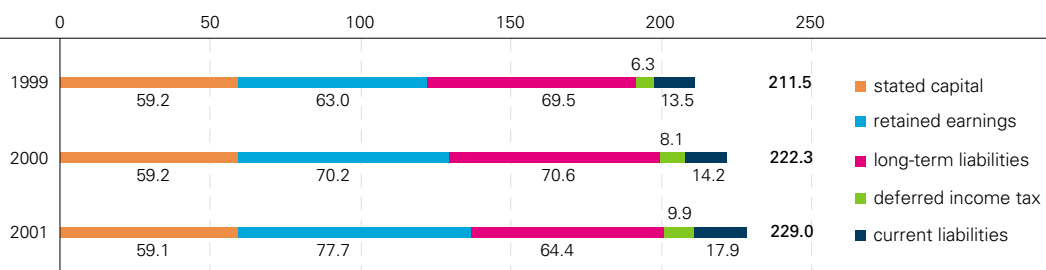
Fixed assets valued at CZK 216.3 billion comprise tangible and intangible assets (including investments under construction and advanced payments) and financial investments. Fixed assets formed a 94.4% share in total assets and increased by 2.3% compared to the previous year. Investments under construction and advance payments rose year-on-year by 8.0% to CZK 111.9 billion and their share in the total assets slightly increased from 46.6%, achieved at the end of 2000, to 48.9% at the end of 2001.

Current assets, comprising inventory, receivables and financial assets reached a net level of CZK 12.7 billion at the end of 2001, resulting in an 17.0% increase compared to the end of 2000. Individual items in the current assets category developed as follows:

- **Cash and cash equivalents**, as a result of all activities in 2001 increased from CZK 3.2 billion to CZK 3.4 billion (by 4.5%).
- At the end of 2001, net **receivables** decreased by CZK 0.1 billion (by 2.5%) as compared to the end of 2000 to a level of CZK 3.9 billion, which represents 30.9% of company's current assets.
- **Materials and supplies** slightly increased from CZK 2.3 billion at the end of 2000 to CZK 2.5 billion (by 9.7%), which represents 19.6% of the company's current assets.
- **Stocks of fossil fuels** slightly decreased by CZK 55 million (by 7.7%) and the amount of CZK 0.7 billion represents 5.2% of the company's current assets.
- **Other current assets** increased from CZK 0.6 billion to CZK 2.3 billion mainly due to an implementation of International Accounting Standard IAS 39. The balance at the end of 2000 did not include any fair values of derivatives, whereas the balance at the end of 2001 includes CZK 1.9 billion of fair value of derivatives.

Structure of Equity and Liabilities

(CZK billions)



Shareholders' equity, which consists of the stated capital and retained earnings, amounted to CZK 136.7 billion at the end of 2001, representing 59.7% of the value of company's capitalization and liabilities. The capitalization increased annually by CZK 7.3 billion (by 5.6%) due to the growth in retained earnings by CZK 7.5 billion, partially compensated by a slight decrease of stated capital.

Stated capital of the company decreased by CZK 158 million (as a result of purchase of treasury shares) to the level 59.1 billion.

Long-term liabilities decreased during 2001 to CZK 64.4 billion, i.e. by CZK 6.2 billion (8.7%). This was caused by a decrease of long-term debt, net of amount due within one year by CZK 6.6 billion, while amount of accumulated nuclear provisions increased by CZK 0.5 billion. Long-term debt, which at year end 2000 stood at CZK 49.7 billion, decreased by CZK 6.6 billion during the year to the level of CZK 43.1 billion, from that **bank and other loans** (net of current portion) by CZK 6.1 billion (from CZK 25.3 to CZK 19.2 billion) and **outstanding bonds** (CZK 24.4 billion) decreased by CZK 0.5 billion to CZK 23.9 billion.

Deferred income taxes increased during 2001 to CZK 9.9 billion, i.e. by CZK 1.8 billion (22.5%) and continued in a trend from previous years.

Current liabilities increased during 2001 from CZK 14.2 billion to CZK 17.9 billion, i.e. by CZK 3.7 billion (26.8%) mainly due to the increase of trade and other payable by CZK 3.6 billion. This was mainly due to implementation of

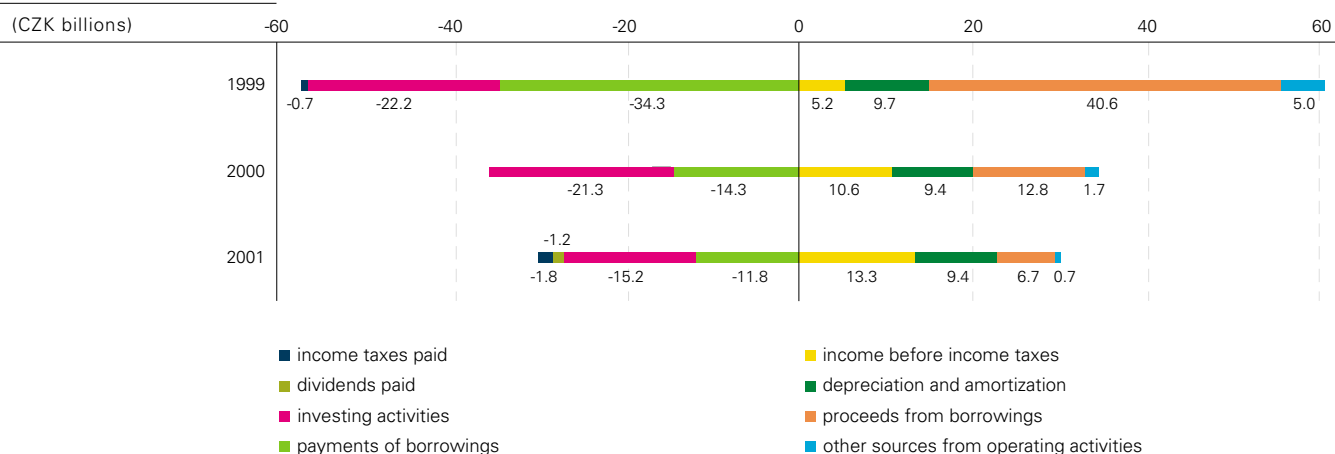
International Accounting Standard IAS 39. The balance at the end of 2001 includes CZK 4.0 billion of fair value of derivatives, while the balance at the end of 2000 did not include any fair values of derivatives. The short-term portion of long term debt (CZK 4.7 billion) at the end of 2000 increased by CZK 0.4 billion (9.0%) to CZK 5.1 billion, but the level of short term loans decreased by CZK 0.6 billion. Income tax payable increased by CZK 0.3 billion.

Company Financing

Over the course of 2001 cash increased by CZK 0.1 billion. Operating activities provided CZK 21.8 billion and financial activities used CZK 6.4 billion; the rest was used to cover the requirements of investment activities, which came to CZK 15.2 billion.

Sources and Uses

of Cash by ČEZ



Total cash used in investing activities in conjunction with acquiring fixed assets in 2001 was CZK 15.2 billion; CZK 15.3 billion was used for additions to property, plant and equipment and other non-current assets, while proceeds from sales of fixed assets were CZK 163 million.

The most significant items were CZK 6.5 billion (42.8%) for nuclear power engineering projects, of which CZK 4.9 billion (32.2%) was for the Temelín Nuclear Power Station.

The financial requirements of the company were secured both from internal and external resources. Funds provided by operating activities of CZK 21.8 billion were accumulated mainly from the following items:

- pre-tax profit of CZK 13.3 billion
- depreciation of fixed assets of CZK 9.4 billion
- amortization of nuclear fuel of CZK 1.6 billion
- foreign exchange gain CZK -2.1 billion
- increased level of nuclear provisions CZK 0.4 billion
- changes in assets and liabilities CZK 0.9 billion
- income tax paid CZK -1.8 billion.

Company's Debt and Maturity Thereof

The company's overall debt at 31 December 2001 totaled CZK 48.7 billion, of which long-term debt, including current portion, was CZK 48.2 billion. Long-term debt excluding bonds and including the current portion (CZK 5.1 billion) totaled CZK 24.3 billion. Outstanding domestic and foreign bonds comprised the remaining CZK 23.9 billion of long-term debt.

Long-term Debt	Creditor	Currency	Maximum debt amount	Debt at 31. 12. 2001	Maturity
			(millions of currency)	(CZK millions)	
	Bank Austria AG	ATS	271	259	2005
	Citibank International	USD	317	5,587	2002–2008
	ČSOB, a. s.	DEM	106	359	2002–2004
	Die Erste Bank AG	ATS	277	305	2004–2006
	European Investment Bank	USD	55	1,841	2013
	European Investment Bank	DEM	30	453	2013
	European Investment Bank	EUR	29	870	2013
	European Investment Bank	CZK	3,441	3,176	2012–2013
	Fortis Bank	USD	55	1,189	2008–2009
	ING Bank	NLG	59	351	2005
	International Bank for Reconstruction and Development	USD	145	3,170	2007
	International Bank for Reconstruction and Development	DEM	136	438	2007
	Nordic Investment Bank	USD	50	1,813	2007
	Komerční banka, a.s.	CZK	241	22	2002–2003
	Konsolidační agentura	CZK	80	80	2003
	Sumitomo Mitsui Banking Corporation	DEM	102	1,334	2003
	Sumitomo Mitsui Banking Corporation	CZK	3,115	2,492	2003
	Bonds	USD	178	6,419	
	Bonds	EUR	200	6,368	
	Bonds	CZK	13,000	11,089	
	Others			592	
	Total long-term debt			48,207	
	of which: current portion (due by year-end 2002)			5,126	
	Long-term debt, net of current portion			43,081	

Short-term Loans	Creditor	Currency	Loan amount	Debt at 31. 12. 2001
			(millions of currency)	(CZK millions)
	Short-term bank loans			
	ING Bank	EUR	7	224
	ČSOB, a. s.	USD	8	290
	Total short-term bank loans			514

The company did not default on any loan installment. In 2001, ČEZ, a. s. renewed back-up credit line agreements with Citibank, a. s., ČSOB, a. s., and ING Bank N. V. in conjunction with a new note program that was entered into in April 2000. The volume of committed credit lines totaled CZK 4.75 billion. In January 2002, ČEZ, a. s. renewed a revolving loan originally entered into in October 1996. The loan volume was reduced to USD 70 million. The arranger was Sumitomo Mitsui Banking Corporation (SMBC).

Financing of Westinghouse Deliveries for Temelin Nuclear Power Station

In the first half of 2001 it was decided, as allowed by the agreement signed with a syndicate of banks led by London-based Citibank with a guarantee from the U.S. Eximbank (and a State guarantee from the Czech side), not to draw down the remaining portion of the loan provided for the American and local portions of the control system and for

fuel to be used in Unit Two. The total amount not drawn down was USD 61 million. Thus, no amounts were drawn on the above loan in 2001. In the year in question nearly USD 38 million in principal was repaid, approximately USD 24 million of which was for the control system and the remainder was for fuel (for both units).

In the Belgian portion of the contract, the loan in question (for the control system only) was provided by a syndicate of banks led by Brussels-based Fortis Bank and insured by Belgium-based OND (also with a Czech Republic State guarantee). Slightly over USD 1.7 million was drawn on this loan in 2001. At year end 2001, approximately USD 10.5 million remained on the loan account available for draw-down until year end 2002. Approximately USD 4.5 million of principal was repaid on this loan during 2000.

Financial Indicators

The following table shows the development of financial indicators, comparing the figures achieved by the end of 2001 with those which are the limits to be met in several debt contracts (World Bank loan, European Investment Bank loan); shown are those from the end of 2000, 1999; values recommended with regard to good company stability.

Financial Indicators	Unit	1999	2000	2001
Profitability				
Return on equity (ROE) gross	%	4.34	8.43	9.99
Return on equity (ROE) net	%	3.57	5.75	6.86
Return on total assets (ROA) net	%	2.10	3.34	4.04
Return on capital employed (ROCE) net	%	2.61	4.09	5.08
Sales margin	1	0.10	0.20	0.23
Working ratio	%	61.8	60.0	56.9
maximum level – WB, EIB	%	60.0	60.0	60.0
Indebtedness				
Debt to equity ratio	1	0.46	0.43	0.36
Total indebtedness (provisions excluded)	%	31.9	30.9	29.8
maximum level – EIB, Eurobonds	%	50.0	50.0	50.0
Long-term indebtedness	%	24.7	22.5	18.8
Debt service ratio	1	2.3 (1.5) ^{*)}	2.6	2.2
minimum level – WB	1	2.2	2.2	2.2
minimum level – EIB	1	1.65	1.65	1.65
Liquidity				
Current ratio	1	0.92	0.77	0.71
Operational cash flow to liabilities ratio	%	21.8	23.4	23.6
Total assets turnover	1	0.25	0.24	0.25
Cash generation ratio	%	109.9 (84.9) ^{*)}	97.1	80.4
minimum level – WB	%	40.0	40.0	40.0
Fixed assets				
Coverage of fixed assets	%	99.5	98.4	97.6
Extent of depreciation	%	45	48	51
Capital market				
Earnings per CZK 100 share	CZK/share	7.2	12.2	15.4
Dividend share of profit	%	0.0	16.2	n.a.
Price-earning ratio	1	12.2	8.3	5.0

^{*)} explained in Annual Report 1999

The World Bank Indicators

The **working ratio** states that the ratio of operational expenses to operational revenues should not exceed 60%. The **debt service ratio** means that the company's net income must exceed the debt service 2.2 times. The **cash**

generation ratio states that the company has to create, from its own sources, cash exceeding 40% of the average yearly investment expenditures. In 2001 ČEZ met these limits.

The European Investment Bank Indicators

There are two identical indicators as in the World Bank contract – **the working ratio**, which should not exceed 60% and **the debt service ratio**, which has to be higher than 1.65. **The total indebtedness (provisions excluded)** should not exceed 50% of total shareholders' equity and liabilities. In 2001 ČEZ met these limits.

Profitability

Return on equity (ROE) gross (9.99%), i.e. profit before tax to average equity, increased by 18.5% due to the higher income before taxation (by 25.4%) accompanied by an increase of average equity 5.8%.

Return on equity (ROE) net (6.86%), i.e. profit after tax to average equity, increased by 19% due to the increase of net income (by 26.1%) and average equity, as mentioned, by 5.8%.

Return on total assets (ROA) net (profit after tax to average total assets), amounted to 4.04%, 21.2% more than in 2000 due to the increase of net income (26.1%) and average total assets by 4.0%.

Return on capital employed (ROCE) net (profit after tax to average sum of total capitalization and long-term debt, net of amount due within one year) amounted to 5.08%, i.e. 24.4% higher than in 2000 due to the increase of net income and growth of average capital employed (by 1.5%).

Sales margin (0.23), i.e. pre tax profit to total revenues, increased by 16.9% due to the increase of pre-tax profit (25.4%) accompanied by an increase of revenues by 7.4%.

Indebtedness

Debt to equity ratio (total debt to total capitalization) of 0.36 decreased from 0.43 at the end 2000 due to decrease of total debt (by 12.2%), while equity increased by 5.6%.

Total indebtedness (provisions excluded), i.e. total liabilities without provisions to total shareholders' equity and liabilities, decreased from 30.9% to 29.8%, because of decrease of long-term debt (including short-term portion) by 1.5%, while total capitalization and liabilities increased by 3.0%.

Long-term indebtedness, i.e. long-term debt to total shareholders' equity and liabilities, decreased from the level of 22.5% at the end of 2000 to 18.8% mainly due to a 14% decrease in long term debt, net of current portion, while total shareholders' equity and liabilities increased by 3.0%.

Liquidity

Current ratio (current assets to current liabilities) was 0.71, which is 7.6% below the level at the end of 2000 (0.77). The increase of current assets from CZK 10.9 billion to CZK 12.7 billion (by 17.0%) was prevailed by an increase of current liabilities from CZK 14.2 billion to CZK 18.0 billion (by 26.8%).

Operational cash flow to liabilities ratio, i.e. cash flow from operating activities to total liabilities, slightly increased from 23.4% to 23.6%.

Total assets turnover, i.e. total revenues to total assets, amounted to 0.25, and increased by 4.2% from the level achieved in 2000 (0.24) due to revenues increase by 7.4% accompanied by an increase of average assets by 4.0%.

Fixed Assets

Coverage of fixed assets, i.e. sum of long-term liabilities and total capitalization to fixed assets, slightly decreased 98.4% to 97.6%.

Extent of depreciation, i.e. accumulated provisions for depreciation to initial value of plant in service, increased from 48% to 51%, as a result of higher depreciation in 2001 in comparison with amount of commissioned new equipment during this year.

Capital Market

Earnings per CZK 100 share increased from a level at the end of 2000 (CZK 12.2) by 27.0% to CZK 15.4 as a result of an increase of net profit.

Dividend share of profit (dividends paid in 2001 from net income of the previous year) amounted 16.2% (for the first time in company's history dividends were paid to shareholders), is not available for 2001, because it will be the subject of the general meeting taking place in June 2002.

Price-earning ratio (share market price to earnings per share) decreased from 8.3 to 5.0, i.e. decreased by 39.8% due to the decrease of share price (comparing share price at the end of 2001, respectively 2000) by 23.3%, while earnings per share increased by 27.0%.

Represents an all-year, seven-day time band – non-stop supply of the same amount of electricity **24 hours a day, 365 days a year.**
The price of yellow electricity is a quarter less than the average price.
It is too good for anyone to refuse.

Yellow Electricity



Corporate Governance and Management

Board of Directors and Executive Officers

Jaroslav MÍL
(* 1958)
Chairman of the Board of Directors and CEO since 4 July 2000



A graduate of the Czech Technical University's Faculty of Electrical Engineering, where he majored in power industry economics and management, and postgraduate work in nuclear power, Mr. Míl was awarded an M.B.A. from the Sheffield Hallam University, UK, in 1998. From 1985 to March 2000 he worked for ČEZ in various technical positions, most recently as director of the purchasing and fuel cycles section. In late March and early April 2000 he was elected Chairman of the Board of Directors and appointed Chief Executive Officer of Elektrárny Opatovice, a.s., a company owned by UK-based International Power. He is a member of the Board of the Czech Power Industry Employers' Association, a member of the Eurelectric Committee, a member of the European Nuclear Council, a member of the international advisory committee of the Strategic Management Society and he represents ČEZ at the International Chamber of Commerce.

František HEZOUČKÝ
(* 1942)
Vice Chairman of the Board of Directors since 4 July 2000, Executive Director of the Temelín Nuclear Power Station Construction Division since 10 June 1999



A graduate of the Mechanical Engineering Faculty of the Czech Technical University, Department of Thermal Energy Equipment, Mr. Hezoučky also holds degrees in Nuclear Engineering from the Slovak and Czech Technical Universities. In 1965–1978 he worked at the Jaslovské Bohunice Nuclear Power Station as operator, block foreman, shift engineer, head of the technical development and operations planning department, and head of energy start-up testing. In 1979–1987 he worked at Dukovany Nuclear Power Station in the positions of Chief Engineer for Operating and Process Technology and Chief Start-Up Engineer for all four units. In 1987–1992 Mr. Hezoučky worked at Temelín Nuclear Power Station as Deputy Director, and in 1993–1997 he was a technical consultant to Westinghouse. From 1997 until January 1999 he was Chief Engineer at the Swiss company COLENCO. From February to June, 1999, Mr. Hezoučky was advisor to the Chief Executive Officer of ČEZ, a. s. for Temelín Nuclear Power Station. Since mid-2001 he has been a Member of the Board of Directors of Ústav jaderného výzkumu Řež a.s. (Řež Institute of Nuclear Research).

Ivan CESTR
(* 1954)
Member of the Board of Directors
since 24 May 2001



A graduate of the Charles University Law Faculty, where he also did post-graduate work in “Enterprise and Law”. Subsequently he worked for the Ministry of Finance, the “Praha” People’s Housing Co-operative and at Pražské energetické závody. Starting in 1990, he worked for České energetické závody, s. p. In 1992 Mr. Cestr became an employee of ČEZ, a. s. as head of the organization and legal department and later as Deputy CEO for Human Resources. In 1993–1994 he was a Member of the Board of Directors. Subsequently Mr. Cestr worked in the law offices Squire, Sanders & Dempsey and White Case & Feddersen, where he became a partner in 1997 and remains to the present.

Pavel HEJKAL
(* 1958)
Member of the Board of Directors
since 4 July 2000,
Executive Director Sales
since 16 September 2000



A graduate of the Production Economics Faculty of the Prague University of Economics. In 1982–1985 he worked as head of the finance department at the Nosek Tuchlovice Mine. In 1985–1998 he was an employee of METALIMEX, where he held various executive positions, including Director of the Fuels and Energy Division. From 1992 Mr. Hejkal worked for two years as METALIMEX’s representative at Germany-based BIG Bayreuth (fossil fuels and electricity trade). From 1998 to July 2000 he was Managing Director of CARBOUNION BOHEMIA, spol. s r.o.

Josef SEDLÁK
(* 1959)
Member of the Board of Directors since 4 July 2000



A graduate of the National Economy Faculty of the Prague University of Economics. In 1982–1987 he worked as enterprise economist at Královopolské strojírny Brno’s Moravské Budějovice Plant. He has been with ČEZ since 1987, when he accepted a position at Dukovany Nuclear Power Station. There he held various positions until 1993, when he became Director for Finance and Administration, one of two director-level positions at Dukovany Nuclear Power Station. Currently Mr. Sedlák is attending the InterManager European standard management skills course. He is a member of the Board of the Radioactive Waste Repositories Authority, a member of the Board of Severočeské doly a.s. and a member of the Supervisory Board of Jihomoravská energetika, a.s.

Petr VOBOŘIL
(* 1950)
Chief Financial Officer
since 1 September 2000,
Deputy CEO
since 9 October 2000



A graduate of the Mechanical Engineering Faculty of the Czech Technical University, where he specialized in environmental technology, and a postgraduate course of study in Heat Supply Development. In 1997 he completed the InterManager European standard management skills course. In 1970–1980 he worked for the State Electrical Energy Inspection's Industrial Power Unit. He has been with ČEZ since 1980. For ten years he worked in thermal energy operations and development. After 1990 Mr. Vobořil held various positions in finance, from 1 January 1995 he was named director of the Planning and Analysis Section, and from 1 May 1997 he has been Chief Financial Officer.

Pavel KLIKA
(* 1953)
Executive Director
Conventional Power
since 1 November 2000



A graduate of the Czech Technical University's Faculty of Electrical Engineering in Power Industry Economics and Management, he has worked in the electricity sector since 1976, when he began as a shift technician at the Tušimice Power Plants organizational unit. In 1981 he was transferred to the Prunéřov II Power Station, where he headed up two generating units. In 1985 he became head of maintenance at the turbine hall and in 1990 he was named Director of the Prunéřov II Power Station. In 1993 he was named Director of the Prunéřov Power Stations organizational unit. In 1993–1997 he attended various training courses (Air Pollution Control Technology Course in the USA, Combined Cycle Study Course and Power Gen Conference in the USA, Energy Efficiency and Energy Conservation in Japan). In January 2001 Mr. Klika completed a Masters of Business Administration (M.B.A.) at the Prague International Business School. Currently he is Chairman of the Board of CEZTel, a.s. and a member of the Supervisory Boards of GAPROM, s.r.o. and Severomoravská energetika, a.s.

Notes:

- In 2001, over and above the information presented in Notes to Financial Statements for the year ended 31 December 2001, members of the Board of Directors received CZK 81,825 and senior executives of the company received CZK 258,600 ¹⁾ in remuneration for positions they held in companies controlled by ČEZ, a. s. Other than the above, in 2001 no members of the Board of Directors and senior executives engaged in any trades, loans, loan guarantees, or other monetary arrangements with ČEZ, a. s. or with any companies controlled by ČEZ, a. s.
- Members of the company's Board of Directors and senior executives are entitled to a company car for both business and personal use.
- As company employees, senior executives receive contributions from their employer towards electricity consumption costs.
- The number of ČEZ, a. s. shares held by members of the Board of Directors as of 31 December 2001 was as follows: 1,144 shares with a total nominal value of CZK 114,400.
- The number of ČEZ, a. s. shares held by senior executives of the company as of 31 December 2001 was as follows: 2,632 shares with a total nominal value of CZK 263,200. ¹⁾

Explanatory Note:

¹⁾ The numbers of shares held in and income from companies controlled by ČEZ, a. s. for the company's senior executives which are at the same time members of the company's Board of Directors are included in the figures given for the Board of Directors.

Supervisory Board

<p>Milada VLASÁKOVÁ (* 1944) Chairwoman of the Supervisory Board since 4 July 2000</p>	<p>A graduate of the Secondary School of Economics, Mrs. Vlasáková's previous work experience includes mainly positions in banking and several years in management positions in industry. Since 1998 she has been Deputy Minister of Industry and Trade in charge of industry, restructuring, administration of the State's corporate holdings, and privatization. She is a member of the Presidium of the National Property Fund, the Ministry of Health's Council for Health and the Environment, the Committee for Defense Planning, vice chairwoman of the Council of the Ministry of the Environment's EMAS Program (Environmental Management Audit Scheme), vice chairwoman of the Board of Severočeské doly a.s. and, since December 2001, chairwoman of the Investment Council of the Government of the Czech Republic. She is also chairwoman of the Supervisory Boards of the companies UNIPETROL, a.s., CHEMOPETROL, a. s., BENZINA a.s. and the Revitalization Agency and a member of the Supervisory Board of Českomoravská záruční a rozvojová banka, a.s. She was delegated to all the above mentioned positions by the Ministry of Industry and Trade and represents the interests of the majority shareholder – the National Property Fund.</p>
<p>Oldřich VOJÍŘ (* 1961) Member of the Supervisory Board since 4 July 2000, Vice Chairman of the Supervisory Board since 8 August 2000</p>	<p>A graduate of the Pedagogical Faculty of the J. E. Purkyně University where he specialized in mathematics – foundations of technology, until 1994 Mr. Vojíř worked in education as a school principal. In 1994–1997 he was on the Boards of two companies: a company involved in producing and supplying thermal energy and a company involved in engineering, repairs and maintenance of electrical equipment up to 1 kV. Currently he is chairman of the Boards of KRUŠNOHORSKÁ INVESTORSKÁ, a.s., Dopravní podniky města Most a Litvínov, a.s., and PRVNÍ MOSTECKÁ a.s., Mr. Vojíř is chairman of the Supervisory Board of the National Property Fund. Since 1996 he has been a Member of Parliament where he is currently a member of the Chamber of Deputies' Economic Committee and the subcommittee for energy policy. In the ČEZ Supervisory Board he represents the National Property Fund.</p>
<p>Václav KREJČÍ (* 1953) Member of the Supervisory Board elected by employees since 8 August 2000, Vice Chairman of the Supervisory Board</p>	<p>A graduate of the Secondary Industrial School of Chemical Technology, Mr. Krejčí has seven years of experience working for Chemické závody Litvínov. Since 1982, he has worked at Dukovany Nuclear Power Station, where he is currently a communications officer.</p>
<p>Josef FLEKAL (* 1945) Member of the Supervisory Board since 4 July 2000</p>	<p>A graduate of the Prague University of Economics and postgraduate study at the Charles University Law Faculty. Until 1984, Mr. Flekal worked for the City of Prague in its Construction of Special-Purpose Structures unit. In 1984–1994 he worked at the Ministry of Finance as Deputy Director of the State Budget Department. Currently he is Managing Director of Consulting G 5, s.r.o. In the ČEZ Supervisory Board he represents the National Property Fund.</p>

František HAMAN (* 1958)	A graduate of the Secondary Industry School of Building Construction. With ČEZ since August 1984, Mr. Haman worked as an investment worker on the construction of Temelín Nuclear Power Station. Since 1992 he is on leave in order to act as Chairman of the Basic Labor Organization at Temelín Nuclear Power Station.
Member of the Supervisory	
Board elected	
by the employees on 9 November 2000	
Olga HORÁKOVÁ (* 1964)	A graduate of the Charles University Law Faculty in Prague, in 1986–1987 Mrs. Horáková worked as a lawyer in the budgetary organization of the Regional Investment Unit. In the two years that followed, she worked in the civil-law section of the Prague 6 District Attorney’s Office. Starting in 1991 she was an attorney focusing on commercial and financial law. In April 2001 she was named head of the legal section of the National Property Fund. Mrs. Horáková is a member of the Board of Directors of Severočeské doly a.s. and vice chairman of the Supervisory Board of Transgas, a.s. In the ČEZ Supervisory Board she represents the National Property Fund.
Member of the Supervisory Board since 19 June 2001	
Zdenka NĚMCOVÁ (* 1960)	A graduate of the Charles University Law Faculty. In 1986–1991 Mrs. Němcová worked as corporate counsel for the companies Triola, s. p., Hudební studio, and Investiční banka, a. s. In 1991–1994 she was banking trade specialist at Komerční banka, a.s. In 1994–1999 she was a full-time attorney. In 1999–2000 she was a member of the Executive Committee and Head of the Legal Section at the National Property Fund and currently she is Chairwoman of the Executive Committee of the National Property Fund. She is a member of the Board of Directors of Transgas, a.s., and a member of the Supervisory Board of UNIPETROL, a.s. In the ČEZ Supervisory Board, Mrs. Němcová represents the National Property Fund.
Member of the Supervisory Board since 4 July 2000	
Tomáš POTMĚŠIL (* 1949)	A graduate of the Prague University of Economics, where he majored in Finance & Credit with a specialization in State Finance, Mr. Potměšil also completed a post-graduate course of study at the same institution in 1981. After finishing his undergraduate work in 1973 he worked for the Ministry of Finance in the state finance policy section, and later in the State Bank, where he headed up the macroeconomic and currency analysis department. Since 1993 he was active as an advisor to the Governor of the Czech National Bank and since 1998 as an advisor to the Minister of Finance (where he has advised on the areas of financial policy, banking, privatization and the State budget). From 4 May 2001 to 31 January 2002 he was Deputy Minister of Finance. Mr. Potměšil is a member of the Supervisory Board of UNIPETROL, a.s. In the ČEZ Supervisory Board he represents the National Property Fund.
Member of the Supervisory Board since 19 June 2001	
Jan ŠEVR (* 1947)	A graduate of the Secondary Industrial School of Mechanical Engineering, Mr. Ševr has worked at the Mělník Power Station since 1966, where he currently heads up the shift operations management department. He is also chairman of the labor union organization at Mělník Power Station.
Member of the Supervisory Board elected by employees since 9 November 2000	

Jiří ŠVAMBERK (* 1944)	A graduate of the Secondary Industrial School of Mechanical Engineering, since 1962 Mr. Švamberg has worked at the Tisová Power Station, where he currently heads up the human resources department.
Member of the Supervisory	
Board elected by employees	
since 6 April 1998	

Zdeněk VORLÍČEK (* 1941)	A graduate of the Mechanical Engineering Faculty of the Czech Technical University, Mr. Vorlíček also did post-graduate work at the same institution and received the title of Docent (Senior Lecturer). First he worked as a design engineer and later as a professor at the Mechanical Engineering Faculty of the Czech Technical University. In 1992–1996 he was a member of the Czech Parliament, where he served on the Economics Committee of the Chamber of Deputies. Since August 1998 he has been with the Czech Ministry of Industry and Trade as Deputy Minister for Economic Policy. He is chairman of the Czech Republic Council for Quality, chairman of the Economic Policy Task Force of the Economic and Social Alliance Council, a regular guest of the Government's Research and Development Council, and delegate of the Ministry of Industry and Trade to the Academic Assembly of the Academy of Sciences. From December 1999 to July 2000 he was a member of the Board of Directors of ČEZ, a. s. Currently he is Chairman of the Supervisory Board of VÍTKOVICE, a.s. and a member of the Supervisory Board of the Academy of Sciences Grant Agency. He was delegated to the ČEZ Supervisory Board by the National Property Fund.
Member of the Supervisory	
Board since 4 July 2000	

List of Former Members of the ČEZ Supervisory Board for 2001:

Ladislav ZELINKA (* 1945) – removed from office at the Annual General Meeting of 19 June 2001,
Luboš ŽÍKA (* 1954) – removed from office at the Annual General Meeting of 19 June 2001,
František BROŽÍK (* 1955) – resigned on 12 July 2001.

Notes:

- In 2001, none of the members of the Supervisory Board received any income or bonuses, monetary or in-kind, from ČEZ or from companies in which ČEZ holds a majority stake, nor did they enter into any trades, loans, loan guarantees or other monetary relationships with ČEZ, beyond what is disclosed in the Notes to Financial Statements for the year ended 31 December 2001.
- The members of the company's Supervisory Board have the option to receive a company car which they can use for both business and personal purposes.
- Members of the Supervisory Board who are company employees receive contributions from their employer towards electricity consumption costs.
- The number of ČEZ shares owned by members of the company's Supervisory Board at 31 December 2001 was 283 shares, representing a total nominal share value of CZK 28,300.

Shareholders and Securities Outstanding

Shareholder Structure

The total amount of ČEZ's stated capital recorded in the Commercial Register as of the end of 2001 was CZK 59,209 million. The last increase of the company's stated capital took place on 30 September 1998 and was recorded in the Commercial Register in 2000. It was a non-monetary capital contribution of CZK 13.9 million invested by the National Property Fund pursuant to privatization projects. In accordance with option contracts under which stipulated amounts of company shares may be transferred to members of the Supervisory Board and Board of Directors as well as to selected company executives, late in the year ČEZ, a. s. purchased 1,950,000 of its treasury shares on the financial markets for a total purchase price of TCZK 158,397. The value of ČEZ shares owned by the company reduces the amount of stated capital shown in the balance sheet.

As of 31 December 2001, ČEZ had 133,146 shareholders, down 10,384 from the previous year.

Shareholder Structure		at 31. 12. 2000	at 19. 6. 2001 ¹⁾	at 31. 12. 2001
(%)				
Legal entities total		97.31	97.48	97.02
National Property Fund		67.60	67.60	67.61
Other legal entities		29.71	29.88	29.41
domestic		3.05	2.53	5.52
foreign		26.66	10.13	11.25
asset managers		–	17.22	12.64
Private individuals total		2.69	2.52	2.98
domestic		2.55	2.40	2.81
foreign		0.14	0.12	0.17

¹⁾ Determined as of the date of the 9th Annual General Meeting.

Using a list of the company's shareholders as of 31 December 2001 produced by the Securities Center, no other entity besides the National Property Fund was found to have a share of over 10% in the equity of ČEZ, a. s.

The ČEZ shareholder with a share of 5% or more in the company's stated capital as of 31 December 2001 was the National Property Fund (67.61%).

Československá obchodní banka, a. s. manages securities for 91 shareholders with a total value of 12.64% of the stated capital of ČEZ, a. s.

Foreign entities (legal entities and private individuals) held 11.42% of ČEZ's stated capital directly at 31 December 2001. ČEZ is not able to determine whether any of the securities that are managed by asset managers are owned by foreign entities.

Shareholder Structure		Number of shares	Number of shareholders
by Number			
of Shares Held			
(at 31 December 2001)			
1 – 100,000			132,979
100,001 – 500,000			109
500,001 – 1,000,000			24
1,000,001 – 10,000,000			30
over 10 million			4
Total			133,146

**Shareholder Structure
by Participation
in Stated Capital**

(at 31 December 2001)

Participation in stated capital

Number of shareholders

up to 1%	133,141
1% – 5%	4
5% – 10%	0
over 10%	1
Total	133,146

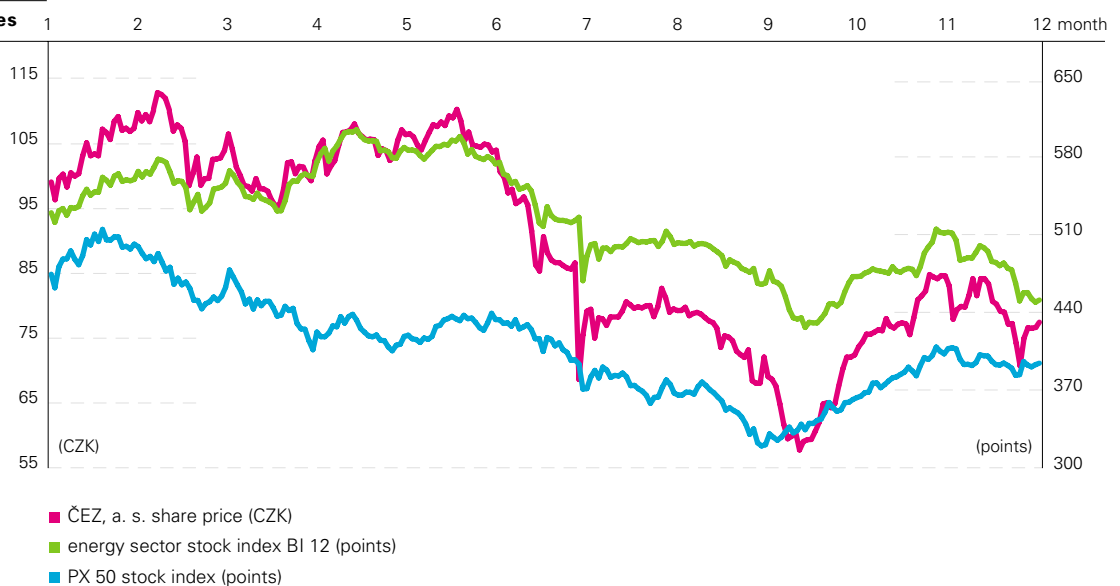
The binding period for payment of the 2000 dividend of CZK 1.2 billion (approximately 20.6% of the after-tax profit posted by the company) is from 1 August 2001 to 31 July 2006.

On 19 June 2001 the company held its 9th Annual Shareholders Meeting, which approved the 2000 financial statements, earnings allocation proposal, an amendment to the company's Articles of Association, the business plan, remuneration of the company's boards, the management contract, the company's stock options program, and the sponsoring budget amount. Furthermore, the General Meeting removed from office and subsequently elected two new members of the Supervisory Board and granted consent for the Board of Directors to decide on the performance of due diligence (a legal, economic, technical and possibly environmental audit) in the context of completing ČEZ's privatization process. At the General Meeting, the Board of Directors presented a report on the development of average prices and black and brown coal purchasing amounts.

ČEZ Share Price in 2001

and Comparison with

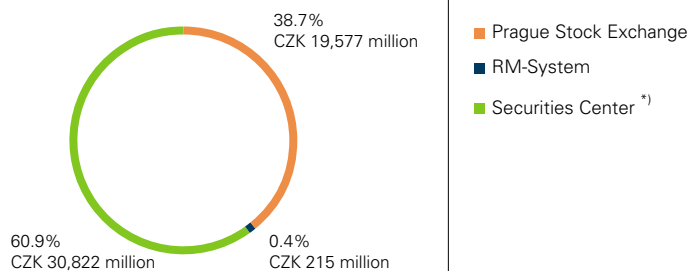
BI 12 and PX 50 Indexes



Trading in ČEZ, a. s.

Shares

(in 2001)



^{*)} over-the-counter trading equivalent

- The shares are traded on the Prague Stock Exchange (PSE) and through the RM-System. The Eurobonds are listed on the Luxembourg exchange and the Yankee Bonds are registered with the U.S. Securities and Exchange Commission.

Classes and Number

of Securities

Outstanding

Security	ISIN	Issue date	Interest	Maturity
1st share issue ¹⁾	CS0008441952	6. 5. 1992	x	x
2nd share issue ²⁾	CZ0005104950	8. 8. 1994	x	x
share split ³⁾	CZ0005112300	15. 2. 1999	x	x
1st bond issue	CZ0003500191	25. 6. 1993	16.50%	1998
2nd bond issue	CZ0003500233	27. 1. 1994	14 3/8%	2001
3rd bond issue	CZ0003500423	6. 6. 1995	11.30%	2005
4th bond issue	CZ0003500654	27. 6. 1996	10.90%	2001
5th bond issue	CZ0003500662	27. 6. 1996	11 1/16%	2008
6th bond issue	CZ0003501066	26. 1. 1999	zero coupon ⁴⁾	2009
7th bond issue	CZ0003501058	26. 1. 1999	9.22% ⁵⁾	2014
8th bond issue	CZ0003501090	7. 6. 1999	8 3/4%	2004
1st Eurobond issue	⁶⁾	15. 12. 1994	8 7/8%	1999
2nd Eurobond issue	⁶⁾	20. 10. 1999	7.25%	2006
Yankee bonds	⁶⁾	17. 7. 1997	7 1/8 %	2007

¹⁾ Face value at time of issue CZK 1,000, by decision of the General Meeting of September 20, 1993 raised to CZK 1,100. Number of shares issued: 51,731,161.

²⁾ The number of shares issued before and after the registration of Privatization Project supplements was 2,290,665 and 2,304,569, respectively.

³⁾ As of 15 February 1999, the first and second share issues were split into shares with face value of CZK 100. Number of shares outstanding (at 31 December 2001): 592,088,461.

- The company was not involved in any litigation that could have a material impact on earnings. During the period in question, two constitutional complaints were filed against ČEZ, a. s., in the matter of an ownership participation in KOTOUČ ŠTRAMBERK, spol. s r. o. and one relating to Temelín Nuclear Power Station. The company continues to be involved in active litigation with several regional distribution companies concerning payment of contractual penalties or penalty interest on late payments for electricity in 1996. The only litigation outside the Czech Republic was initiated in Linz, Austria against ČEZ, a. s. and concerned operation of Temelín Nuclear Power Station.

Credit Rating

On 26 January 2001, Moody's reaffirmed its "Baa1" rating of ČEZ and changed the outlook from negative to stable. This change reflected progress made in the construction of Temelín Nuclear Power Station, a higher degree of transparency in the regulatory environment, price revisions and the improving performance of the Czech economy. On 10 January 2002, the agency again reaffirmed the "Baa1" rating and the stable outlook, a move that reflects ČEZ's strong position in the domestic market as the principal electricity producer and the owner of the transmission grid.

On 10 January 2002, the rating agency Standard & Poor's reaffirmed its rating of "BBB+" and changed the outlook from positive to stable as a result of an anticipated reduction in wholesale electricity prices in the Czech Republic.

Form	Nominal value	Volume	Manager	Administrator	Early repayment
booked to bearer	CZK 1,100	CZK 56.9 billion	x	x	x
booked to bearer	CZK 1,000	CZK 2.3 billion	x	x	x
booked to bearer	CZK 100	CZK 59.2 billion	x	x	x
documentary	CZK 10,000	CZK 2.1 billion	Česká spořitelna	Česká spořitelna	25. 6. 1996
documentary	CZK 10,000	CZK 4.0 billion	Česká spořitelna	Česká spořitelna	27. 1. 1999
booked to bearer	CZK 10,000	CZK 4.0 billion	ABN-AMRO	Živnostenská banka	6. 6. 2000
booked to bearer	CZK 10,000	CZK 3.0 billion	Komerční banka, ING Barings Capital Markets, Česká spořitelna	Komerční banka	27. 6. 1999
booked to bearer	CZK 10,000	CZK 3.0 billion	Česká spořitelna, Komerční banka, ING Barings Capital Markets	Česká spořitelna	27. 6. 2003 or 27. 6. 2006 ⁸⁾
booked to bearer	CZK 1,000,000	CZK 4.5 billion	ING Barings Capital Markets	Citibank	x
booked to bearer	CZK 1,000,000	CZK 2.5 billion	ING Barings Capital Markets	Citibank	x
booked to bearer	CZK 10,000	CZK 3.0 billion	Česká spořitelna	Česká spořitelna	x
booked to bearer	USD 10,000	USD 150 million	J.P. Morgan	Citibank	x
booked to bearer	EUR 1,000	EUR 200 million	Credit Suisse First Boston	Chase Manhattan Trustees Limited	x
booked to bearer	EUR 10,000				
booked to bearer	EUR 100,000				
booked to bearer	USD 1,000	USD 200 million ⁷⁾	J.P. Morgan, Merrill Lynch, Salomon Brothers	The Chase Manhattan Bank	x

⁴⁾ Yield is the difference between value of bond at issue (CZK 1,862,905,005) and face value (CZK 4.5 billion).

⁵⁾ Starting in 2006, the bonds will bear interest at a variable rate defined as CPI + 4.2%.

⁶⁾ Issued through CEZ FINANCE B.V.

⁷⁾ USD 22 million bought back by issuer.

⁸⁾ Debtor (ČEZ, a. s.) has early repayment option.

Strategic Objectives

Business Plans and Strategies

The Annual General Meeting held on 19 June 2001 approved a new business strategy for ČEZ, a. s. The new plan reacts to the acceleration of development in the Czech energy industry, in the context of which it is becoming more and more necessary to manage the company using instruments compatible with the ongoing integration of the Czech economy into the structure of the European Union and to stipulate business aims in a way that lays the groundwork for the company's long-term prosperity. That said, in the ever more demanding competitive environment, ČEZ, a. s. remains an important part of the country's economic infrastructure and therefore it must respect certain aims that go beyond the narrow corporate framework.

According to the approved business strategy, the mission of ČEZ, a. s. is to satisfy the demand of both traditional and new customers for electrical energy and associated services, to operate successfully in the market and reliably supply electricity that is generated in a safe and environmentally friendly manner, mostly in the company's own production facilities. The plan also lays out a summary of the basic conditions for meeting these aims:

- optimum level of electricity sales, allowing for the effective utilization of the company's own production capacity, achieve a sustained reasonable return on capital invested and growth in the company's market value,
- be a recognized, reliable and sought-after business partner and an attractive employer.

The company's principal business activity continues to be focused on the sale of electricity and related ancillary services. The company's secondary activities include the generation and sale of heat and the processing of electricity generation by-products.

The new business strategy places emphasis on the transformation of ČEZ, a. s. from a primarily production-oriented company into a production- and sales-oriented company that implements active sales policies focused on traditional and new customers and markets. In the capital area, the company is prepared to manage its development so as to ensure it possesses a portfolio of production facilities that is optimized for mid-term utilization and at the same time to lay the groundwork for bringing about long-term growth. ČEZ, a. s. will utilize primary sources of energy in a responsible and rational manner in an effort to achieve long-term optimized utilization of the domestic raw materials base.

To ensure that the principal activities are carried out effectively, the plan calls for the creation of a reasonably sized team of capable, efficient, and loyal employees willing to carry out the company's business plans and strategies, and an environment suitable for the development of their professional careers. In corporate management, the plan focuses on creation of a transparent environment that stimulates cooperation in keeping the company prosperous over the long term. In the area of external relations, the plan considers it crucial for ČEZ, a. s. to respect good business practices and be perceived as a serious and successful company.

In order to maintain and increase revenues, ČEZ, a. s. intends to build a base of respectable, satisfied and long-term customers. On the expense side, ČEZ, a. s. will focus on maximum savings in all cost items that can be influenced, including the thorough leveraging of economic competition in procurement and the use of IT solutions to increase the efficiency of bidding processes.

Where appropriate, the financial performance of ČEZ, a. s. is supplemented by capital investments in other companies. The management of companies in which ČEZ holds equity stakes must take into account the necessity of engaging in businesses that serve or complement the parent company's business in a suitable fashion, as well as the need for a return on capital invested.

ČEZ, a. s. expects that the company's overall restructuring and subsequent strategic planning will lead to the creation of a strong energy group in Central Europe and, possibly, allow for the formation of alliances with partners beyond this region.

ČEZ Strategic Development Objectives

One of the company's most important developmental focuses in the past period was to support the Government in selecting a strategic partner and linking it, ownership-wise, with ČEZ, a. s. Intensive attention and effort was dedicated to the preparation and implementation of this project, since completing the privatization of ČEZ and the State's ownership interests in the regional distribution companies and subsequent integration into the group of a large European energy corporation would ensure the existence and effectiveness of the production-oriented segment of the Czech power industry and make it easier for the company to occupy a commensurate position in the liberalized electricity market both domestically and in Europe. Since the project was not completed, the Government decided to restructure the sector by consolidating the State's ownership stakes with the aim of creating a group of joint stock companies that is capable of withstanding competition from dominant foreign companies. To this end, the company created a plan to proceed further without a strategic partner. In evaluating this plan, it can be stated that ČEZ, a. s. is undoubtedly capable of operating with success on its own in the liberalized market in the Czech Republic and geographically near surrounding markets, assuming however that business conditions in the Czech Republic, and not just those relating to the electricity trade, will resemble those applicable to foreign electric utilities and traders. Since the processes of opening up electricity markets and integrating utilities in Europe are not yet finished, the plan for ČEZ's independent operation must be based on the assumption of effective regulation of the sector's non-competitive areas and a link-up with distributors, giving ČEZ access to final customers.

The company has set the following further transformation goals:

- increase quality of management by further streamlining the organization structure and introducing a system of management with clearly defined powers and accountability for well-defined, measurable goals, improving human resources management, supporting continuing education and employee career growth, and improving internal communication,
- complete the process of spinning off operations in areas where this is beneficial to the company,
- commence utilizing cash surpluses in sectors outside the company's principal business provided they can generate a high and safe return on our investments,
- improve the company's media image so that we are perceived as a reliable and willing partner that utilizes its capacity to the benefit not just of our shareholders and employees, but also our suppliers, our customers, and the Czech Republic Power System as a whole.

In order to develop markets for our electricity, the company is resolved to implement an effective marketing and sales program with the goal of marketing electricity to end users either directly or in appropriate alliances with other market players and suppliers. The goal is to restore the company to its former position in the domestic market and maintain our positions in markets abroad. ČEZ, a. s. will continue to roll out systems for managing quality, safety and environmental protection so as to be able to offer safe, reliable and competitive electricity and related ancillary services in the liberalized European market.

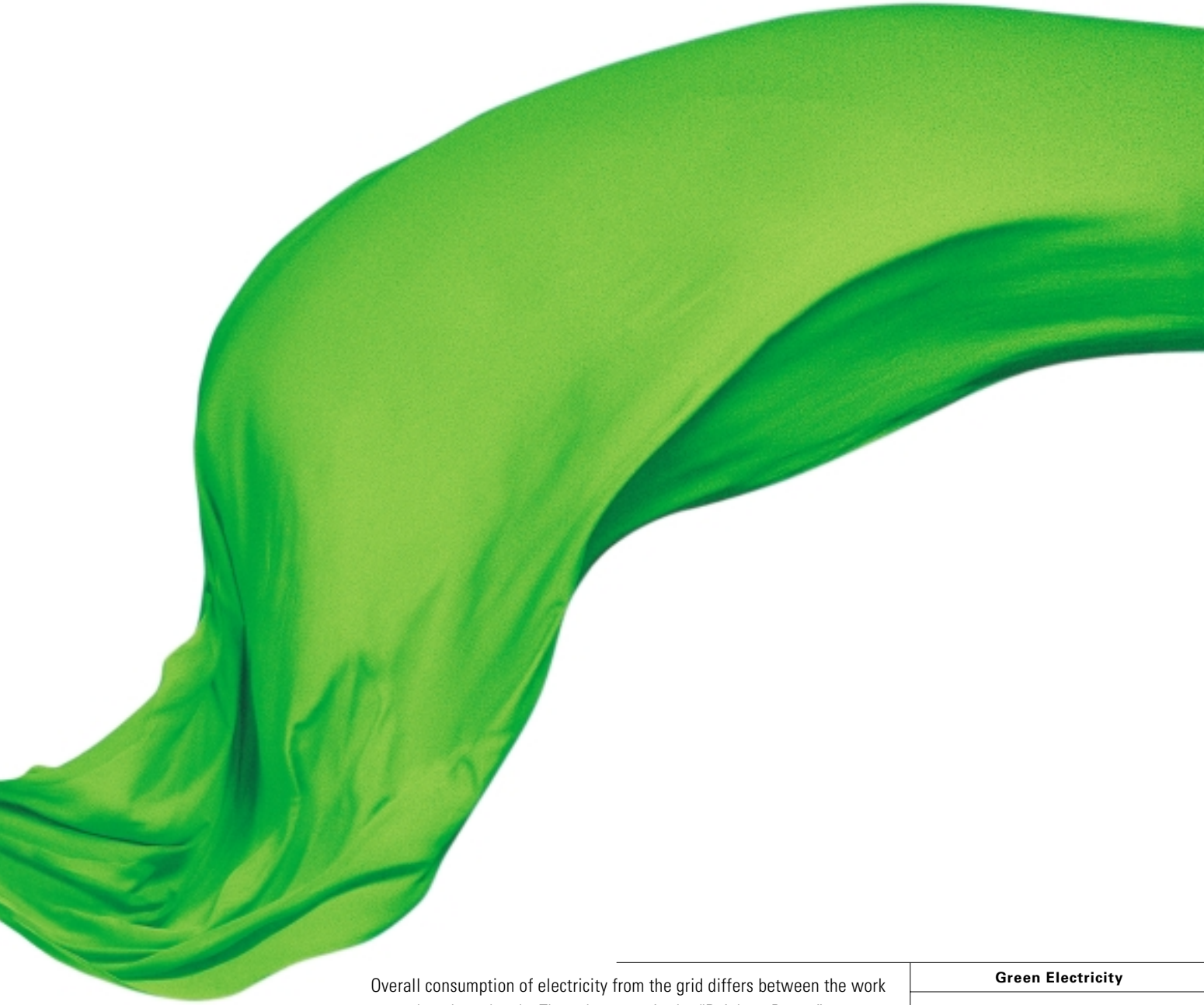
ČEZ Power Company is entering the newly opened electricity market with a new sales program – "Rainbow Power". Under this banner, ČEZ, a. s. is offering customers a wide range of supplies of various types of electricity varying in terms of price and the periods over which the electricity is consumed. The various types of supplies are color-coded and give customers the opportunity to strike just the right balance for maximum economic effectiveness by optimizing their consumption and cutting costs. In future, ČEZ plans to use – similarly to other large European utilities – the "Rainbow Power" brand for the supply of other types of energy and services such as heat and gas, as well as electricity.

“Rainbow Power” represents customers’ right to choose their electricity supplier and is a symbol of the upcoming liberalization of the Czech electricity market.

ČEZ’s focus, upon which it bases its offer of “Rainbow Power”, is to accelerate the liberalization process. Opening up the electricity market to competition at a more rapid pace will give the widest possible range of customers access sooner to the kinds of advantages that ensue from having the opportunity to choose freely one’s electricity supplier. In the production area, ČEZ’s goal is to complete the construction of Temelín Nuclear Power Station and to put it into safe, reliable and economic operation. The company will continue to optimize the structure of its production base, primarily by upgrading Dukovany Nuclear Power Station and, further, through controlled aging, decommissionings, economical purchases, taking of ownership interests, and possibly through the whole or partial sale of selected generation facilities.

Another aim of ČEZ, a. s. is to make maximally effective use of its capital stakes in other companies.





Overall consumption of electricity from the grid differs between the work week and weekends. The color green in the “Rainbow Power” program represents year-long supplies of electricity during all work days of the year with constant one-hour capacity for all 24 hours of the day.

Green Electricity

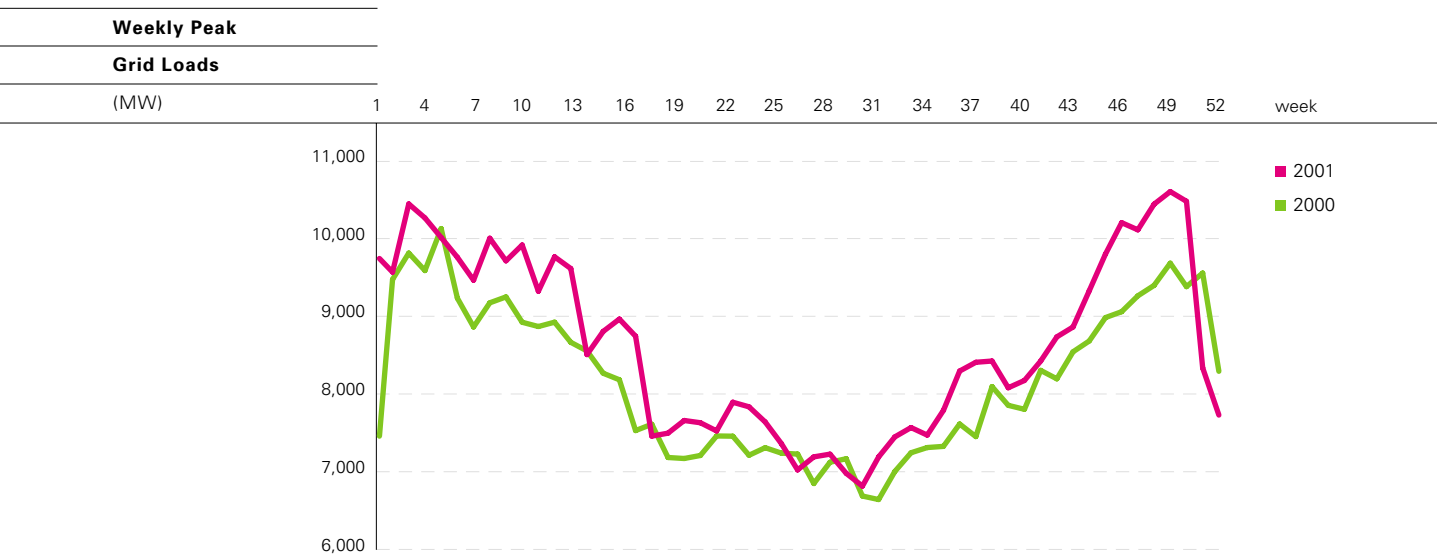
Electricity and Heat Sales

Electricity Sales

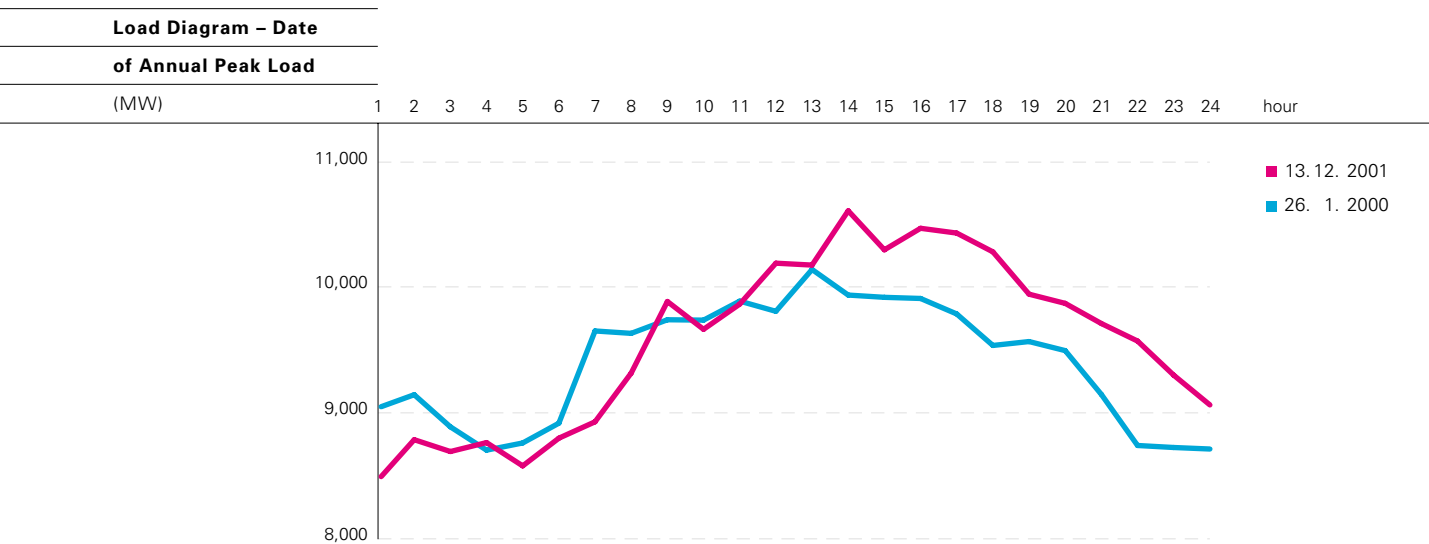
Demand for electricity in 2001 rose by 1,483 GWh (2.8%) compared to 2000, reaching 53,775 GWh. This growth was driven by the following factors:

- a) consumption by large customers, including special-purpose consumption of industrial power plants increased by 2.4%. This can be broken down as follows:
 - large customer consumption rose by 6.0%,
 - special-purpose consumption of industrial power plants fell by 9.2%;
- b) small commercial consumption rose by 3.4%;
- c) household consumption increased by 3.0%.

The increase in electricity demand was also reflected in the weekly peak loads on the Power System. The peak loads in 2001 were higher than in 2000 for 47 weeks, while the loads were lower in only 7 weeks.



The maximum load on the Czech Republic Power System in 2001 was 10,604 MW measured on Thursday, December 13 at 14:00. This is 476 MW higher than the highest load measured in 2000.



ČEZ Electricity Procurement and Supply	2000 (GWh)	2001 (GWh)	Index 01/00 (%)
Procurement:			
Generated in-house	50,842	52,162	102.6
Purchased from independent producers	3,483	3,274	94.0
Purchased to cover own consumption	21	17	80.9
Import	814	681	83.7
Total	55,160	56,134	101.8
Supply:			
Total sales	49,823	50,843	102.0
a) domestic	37,394	38,721	103.5
of which: regional distribution companies	36,565	36,942	101.0
ČEPS, a.s. (temporary electricity Market Operator) – regulation work	0	847	x
ČEPS, a.s. to cover losses in transmission grid	736	546	74.2
other domestic sales	93	386	415.1
b) export	12,429	12,122	97.5
Other ČEZ consumption	5,275	5,231	99.2
of which: for generation of electricity	4,102	4,218	102.8
for pumping at pumped-storage hydro power stations	749	556	74.2
other consumption by production facilities	424	457	107.8
Losses in ČEZ grids	62	60	96.8
Total	55,160	56,134	101.8

The share of ČEZ, a. s. in covering overall electricity demand in the Czech Republic (including the sale of purchased electricity) increased from 64.9% in 2000 to 65.6% in 2001. The share of electricity produced by ČEZ, a. s. in covering Czech Republic electricity demand grew from 57.4% to 58.9%.

Similarly to 2000, throughout 2001 we saw continuing imports of electricity into the Czech Republic by traders for the regional distribution companies despite the fact that there is unutilized capacity in domestic generating facilities and regardless of the detrimental impact of these imports on Power System operation. These imports flowed into areas that are isolated from the Czech Republic Power System. They accounted for 69% of overall electricity imports and 3% of overall electricity supplies.

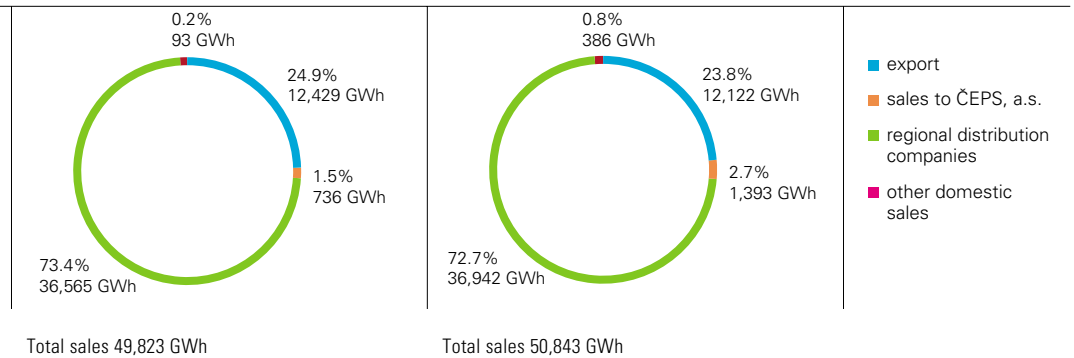
ČEZ electricity exports declined by 2.5% (307 GWh) in 2001 compared to 2000, but even so we managed to keep them at a high level that contributed to ČEZ's improved earnings result. The unilateral interruption by Germany-based E.ON of contracted-for supplies of electricity in July 2001 and another interruption of electricity supplies to the failing U.S. company ENRON late in the year did not have any material impact on ČEZ's export capability.

Structure of ČEZ

Electricity Sales

in 2000

in 2001



ČEZ, a. s. has entered into multi-year electricity purchase contracts with Sokolovská uhelná and Energotrans. Specific terms of electricity supplies and their regime for the given year are negotiated separately and incorporated into annual supplements to the contracts.

The majority of electricity sold by ČEZ (72.7%) in 2001 was supplied to the eight regional distribution companies which supply electricity to end users throughout the Czech Republic. The remaining portion consisted of electricity exports (23.8%), sale of electricity to ČEPS, a.s. to cover losses in the transmission grid, and electricity supplied in the course by providing ancillary services to ČEPS, a.s., as the interim electricity Market Operator, for Power System Operations Control, and sale of electricity to direct customers (including customers located in ČEZ, a. s. power station complexes).

Sale of Electricity to Regional Distribution Companies in 2001

Sales volume to the various regional distribution companies differs significantly and is influenced by a number of factors, the most important of which are:

- how many large electricity customers, especially industrial facilities, the distributor has,
- population in region,
- to what extent a particular regional distributor purchases electricity from suppliers other than ČEZ (imports, independent electricity producers).

Electricity was sold under contract. ČEZ has multiyear contracts with two regional distribution companies. For these two distributors, the specific electricity supply regime and price for a given year are specified in supplement to these multiyear contracts. With the other distributors ČEZ enters into single-year agreements.

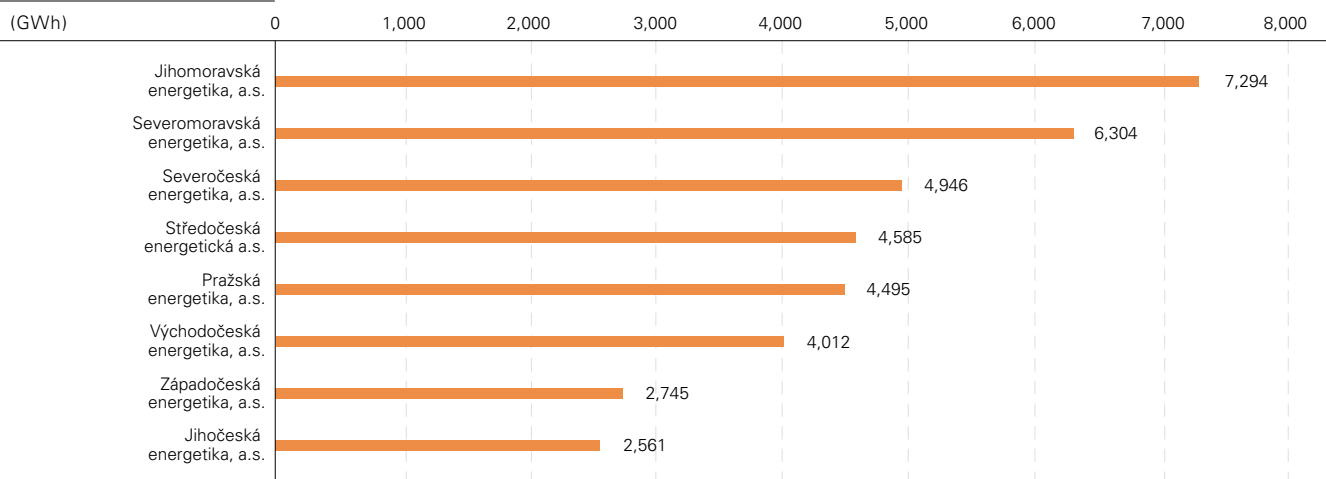
2001 was the last year in which ČEZ, a. s. sold electricity to the regional distributors at regulated prices, i.e. prices whose structure and amount is stipulated by a regulatory authority as a maximum price binding upon the parties to the sale transaction.

In order to negotiate contracts for higher supplies of electricity from ČEZ, a. s. in 2001 compared to supplies in 2000, the regional distribution companies were offered discounts on electricity prices based on a sliding scale according to the size of the supply increase. Seven of the eight regional distribution companies accepted the inclusion of the discounts in the agreements, while one demanded that the discount provision be struck. In the end, only four of the regional distribution companies took advantage of the discounts, and the total amount by which their contracted supplies increased compared to 2000 was approximately 1,084 GWh.

Sales of Electricity

to Regional Distribution

Companies in 2001



The timely signing of contracts for 2001 was made more complicated by the passage of electricity price-setting authority from the Ministry of Finance to the Energy Regulatory Office effective 1 January 2001, which caused a delay in the announcement of the new maximum prices. It was not until 4 January 2001 that the Energy Regulatory Office set the new maximum prices in its Price Decision No. 1/2001.

Although ČEZ, a. s. commenced contract negotiations for 2001 as early as December 2000, and intensive negotiations started immediately after the prices were set, the last contract was not signed until June 2001.

In the interests of preparing for the gradual liberalization of the Czech Republic electricity market from 1 January 2002, the Energy Regulatory Office issued a price decision that took effect on 1 July 2001. The decision made absolutely fundamental changes in the terms governing the relationship between ČEZ, a. s. and the regional distribution companies. These changes brought the trade process among these entities somewhat closer to the system of trading on the open market, i.e. in particular:

- trading pursuant to fixed negotiated supply diagrams (electricity supply amounts set on an hour-to-hour basis),
- possibility to make “on-the-go” changes to clarify the agreed-upon hourly values and purchase additional electricity also on an “on-the-go” basis,
- payment for supplies under the “take or pay” principle (payment pursuant to the agreed-upon electricity supply values),
- assessment and payment for deviations between the amounts actually supplied and the agreed-upon supply values.

The market for ancillary services necessary for reliable Power System operation was also partially opened up to competition. Specifically, this involves primary and secondary regulation, tertiary regulation, fast-starting back-up generating capacity and a grid control backup, i.e. services by which the transmission grid operator (system operator) creates conditions for smooth provision of system services relating to all electricity supplies realized through the entire Czech Republic Power System. System services payments for each MWh supplied from the distribution grids are already collected by ČEPS, a.s. directly from the regional distribution companies.

Sales of Heat

In 2001 ČEZ supplied heat from all its power stations, both fossil and nuclear, as follows:

Supplies of Heat to ČEZ Customers

through heat systems operated by ČEZ	Power Stations: Heat Plants:	Tisová, Mělník, Chvaletice, Poříčí, Hodonín, Dětmorovice Dvůr Králové, Náchod
through heat systems operated by other companies:	Power Stations:	Pruněřov, Tušimice, Ledvice, Temelín
to outside customers located within power station complexes	Power Stations:	Počerady, Dukovany

Heat supplies from ČEZ to outside customers grew 6.2% over 2000. Given that the number of heat customers remained practically constant, the higher heat sales figure was caused by increased demand in both the household and business segments, and especially in industry. Also making itself felt in all locations was the lower average temperature for the year (down 1.2°C from 2000).

ČEZ Heat Procurement

and Supply

	2000 (TJ)	2001 (TJ)	Index 01/00 (%)
Procurement:			
Generated in-house	12,868	13,978	108.6
Purchased from other producers	390	4	0.9
Total	13,258	13,982	105.5
Supply:			
Heat plant operators	3,401	3,725	109.5
Heat distributors	1,846	1,632	88.4
Other customers	4,472	4,963	110.9
Export	139	153	109.7
Total sales	9,858	10,473	106.2
ČEZ in-house consumption	2,020	2,154	106.7
ČEZ useful supply	11,878	12,627	106.3
Losses in ČEZ heat supply systems	1,380	1,354	98.1
Total	13,258	13,982	105.5

Nearly all heat supplied (95%) is based on combined generation of electricity and heat. The share of combined heat/power generation will be increased further when heat supplies for the City of Týn nad Vltavou are switched over to Unit One and Unit Two of Temelín Nuclear Power Station. In 2001 these supplies were met from an auxiliary gas boiler island.

ČEZ's share in overall heat supplies in the power plants and heat plants category (including industrial plants) in the Czech Republic is about 11%, which makes ČEZ one of the top three thermal energy producers in the Czech Republic.



In certain seasons – winter, especially – total electricity consumption is substantially higher than at other times, such as summer. Seasonal fluctuations in electricity use are addressed in the “Rainbow Power” program by Red Electricity, which sets a **monthly seven-day band of electricity supplies in individual months of the year for 24 hours on all days of the given month.**

Red Electricity



Generation and Supply of Electricity and Heat

Production Base

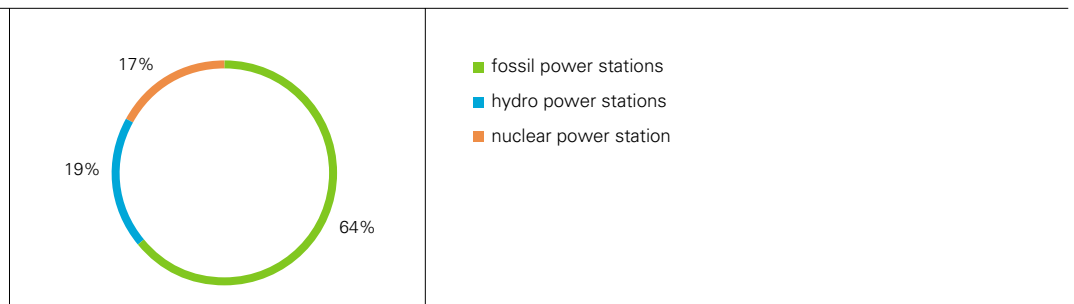
The map below illustrates the locations of the facilities in which ČEZ, a. s. generates electrical energy. The facilities consist mainly of fossil, nuclear and hydro power stations. Small amounts of electricity are also produced in wind power stations and one solar power station.



The total installed capacity and the shares of individual facility types in relation to the total did not change during 2001.

ČEZ Installed
Capacity
by Facility Type

at 31 December 2000 and 31 December 2001



ČEZ Installed**Capacity****by Facility Type**

(MW)

at 31 December 2000 and 31 December 2001

Fossil power stations	6,517
Hydro power stations	1,868
Nuclear power station	1,760
Solar and wind power stations	1
Total	10,146

Fossil**Power Stations**

(at 31 December 2001)

Station	Type of fuel	Installed capacity (MW)	Year commissioned	Desulfurized since
Mělník II	brown coal	2 x 110	1971	1998
Mělník III	brown coal	1 x 500	1981	1998
Tisová I	brown coal	2 x 55; 1 x 50; 1 x 12	1959–1960	1996–1997
Tisová II	brown coal	1 x 100	1961	1997
Poříčí II	black coal, brown coal	3 x 55	1957–1958	1996, 1998
Náchod ^{*)}	brown coal	1 x 5; 1 x 12	1950, 1969	1997
Dvůr Králové ^{*)}	brown coal	1 x 6.3; 1 x 12	1955, 1963	1997
Dětmarovice	black coal	4 x 200	1975–1976	1998
Chvaletice	brown coal	4 x 200	1977–1978	1997, 1998
Ledvice II	brown coal	2 x 110	1966	1996
Ledvice III	brown coal	1 x 110	1968	1998
Tušimice II	brown coal	4 x 200	1974–1975	1997
Počerady	brown coal	5 x 200	1970–1971, 1977	1994, 1996
Hodonín	lignite	1 x 50; 1 x 55	1954–1958	1996–1997
Pruněřov I	brown coal	4 x 110	1967–1968	1995
Pruněřov II	brown coal	5 x 210	1981–1982	1996
Total	x	6,517	x	x

^{*)} Heat plants are part of the Poříčí Power Stations organizational unit and compliance with emissions limits is ensured by using low-sulfur fuel and natural gas as a back-up fuel.

Nuclear**Power Stations**

(at 31 December 2001)

Nuclear power station in operation	Installed capacity (MW)	Year commissioned
Dukovany	4 x 440	1985–1987
Nuclear power station total	1,760	x
Nuclear power station under construction	Installed capacity (MW)	Commissioning planned for
Temelín	2 x 1,000	2002
Nuclear power station total	2,000	x

Hydro			
Power Stations			
(at 31 December 2001)		Installed capacity (MW)	Year commissioned
	Accumulation, run-of-river and small-scale hydro power stations		
	Lipno I	2 x 60	1959
	Lipno II	1 x 1.5	1957
	Hněvkovice	2 x 4.8	1992
	Kořensko I	2 x 1.9	1992
	Orlík	4 x 91	1961–1962
	Kamýk	4 x 10	1961
	Slapy	3 x 48	1954–1955
	Štěchovice I	2 x 11.25	1943–1944
	Vrané	2 x 6.94	1936
	Mohelno	1 x 1.2; 1 x 0.56	1977; 1999
	Dlouhé Stráně II	1 x 0.16	2000
	Kořensko II	1 x 0.94	2000
	Želina	2 x 0.315	1994
	Total	723	x
	Pumped-storage hydro power stations		
	Štěchovice II	1 x 45	1947–1949, overhauled 1996
	Dalešice	4 x 112.5	1978
	Dlouhé Stráně I	2 x 325	1996
	Total	1,145	x
	Hydro power stations total	1,868	x

Wind			
Power Stations			
(at 31 December 2001)		Installed capacity (MW)	Year commissioned
	Mravenečník (Jeseníky)	1 x 0.220; 1 x 0.315; 1 x 0.630	1998
	Wind power stations total	1.165	x

Solar			
Power Station			
(at 31 December 2001)		Installed capacity (MW)	Year commissioned
	Mravenečník (Jeseníky)	1 x 0.01	1998
	Solar power station total	0.01	x

Fuel Base for ČEZ Nuclear and Fossil Power Stations

Nuclear Power Stations

All supplies of uranium used to manufacture nuclear fuel for the Dukovany and Temelín Nuclear Power Stations in 2001 were obtained under long-term contracts from the domestic supplier DIAMO, state enterprise.

Also subject to long-term contracts were supplies of conversion and enrichment work for Temelín Nuclear Power Station carried out by the companies Cameco (Canada), Comurhex (France) and USEC (USA). In addition, enrichment work was purchased on the spot/short-term market at very advantageous price terms. The amount purchased is enough to cover the needs of one generating unit at Temelín Nuclear Power Station for a period of nearly two years. Nuclear fuel transports from Westinghouse (USA) for the first fuel load of Temelín's Unit Two were completed and subsequently we took delivery of a fuel supply for the first re-loading of Unit One of Temelín Nuclear Power Station. Also in 2001, a total of five fuel re-loads for Dukovany Nuclear Power Station were purchased and delivered from the Russian manufacturer JSC TVEL. Based on long-term contracts, this Russian supplier provides the necessary conversion and enrichment work along with the fuel. In June 2001, a new contract was signed with JSC TVEL for supply of advanced fuel for Dukovany Nuclear Power Station, which will cover the facility's needs in the 2005–2011 period. Advanced fuel with integral fuel burnable absorbers will further increase the efficiency of Dukovany Nuclear Power Station's fuel cycle and reduce the amount of spent nuclear fuel produced.

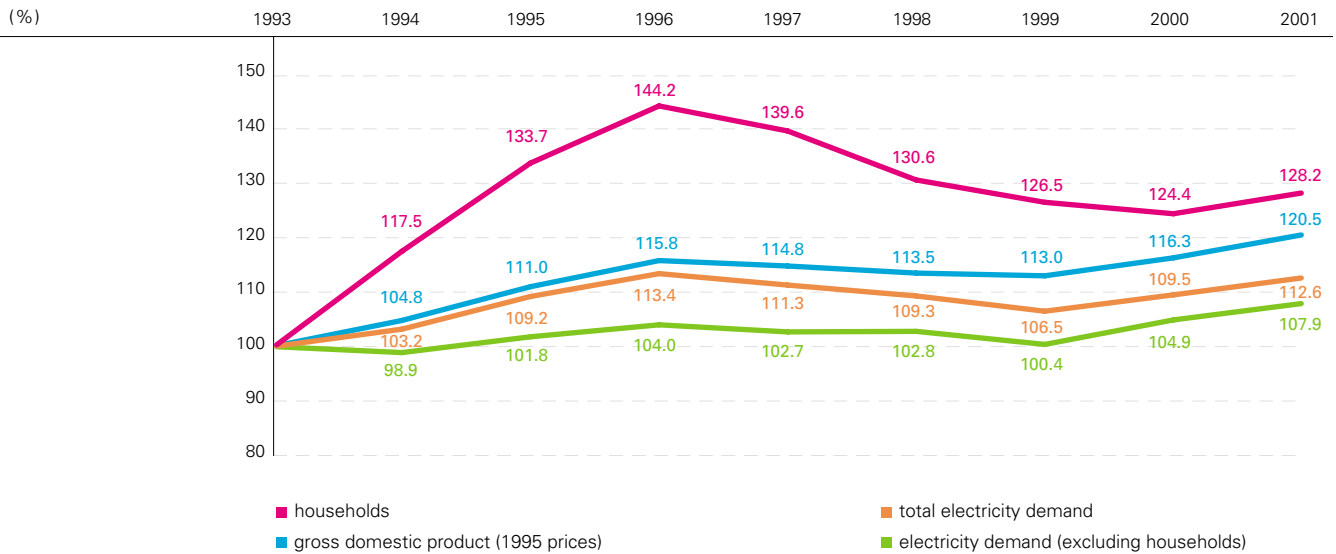
Fossil Power Stations

In 2001, fuel coal was supplied under one-year purchase contracts entered into with six major suppliers. Negotiations on the one-year contracts with Severočeské doly, Mostecká uhelná společnost, Sokolovská uhelná and OKD were based on medium-term framework agreements. In addition, ČEZ has a long-term agreement with Severočeské doly valid until 2015. The mid-term agreement with Mostecká uhelná společnost, a.s. expired on 31 December 2001.

All the key one-year purchase contracts were signed during January with the exception of the contracts with OKD, a. s. and Mostecká uhelná společnost, a.s., which were not signed until February, 2001.

Czech Republic Electricity Demand

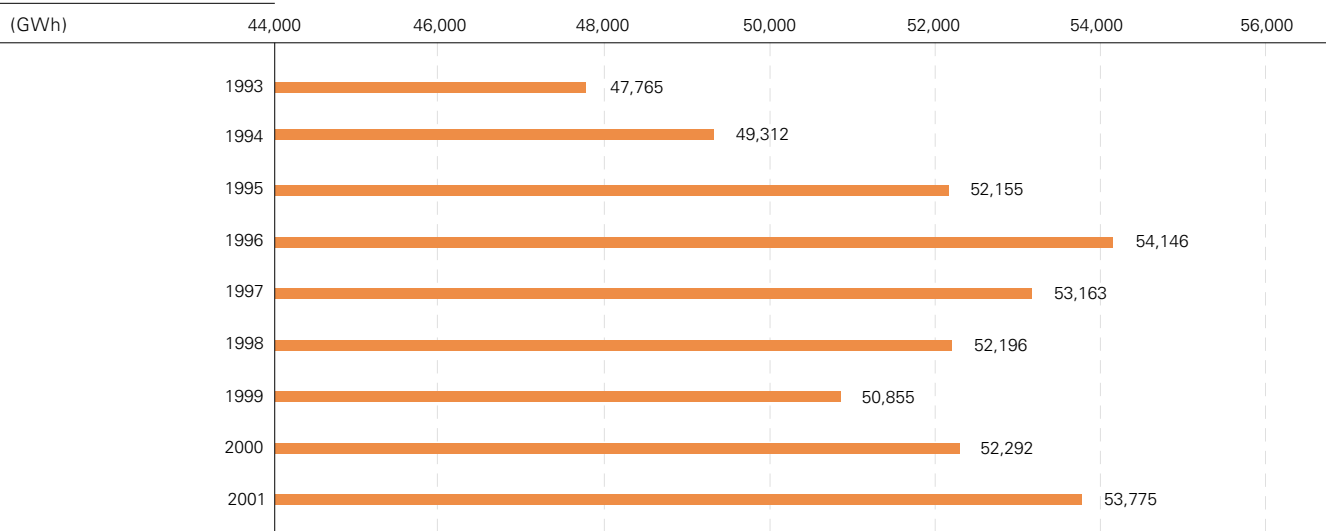
Comparison
of Czech Republic
GDP and Electricity
Demand



The above graph uses the latest GDP data published by the Czech Statistics Office in March 2002. Due to a change in methodology, these numbers differ from those published in past years.

The recession characterized by declining gross domestic product in 1996–1999 was replaced by economic growth, the first signs of which emerged in the second half of 1999. By 2000, the upturn was in full swing and the economy expanded by 2.9%. According to preliminary macroeconomic figures released by the Czech Statistical Office in March 2002, the Czech Republic GDP grew 3.6% in 2001, compared to the previous year. Two main factors drove the growth: increased inflows of foreign investments in response to the Government's investment incentives, and increased household consumption supported for the first time by substantial consumer lending by banks. While higher industrial production continued to be the main driver of GDP growth in 2001, for the first time we also saw higher expenditures for services.

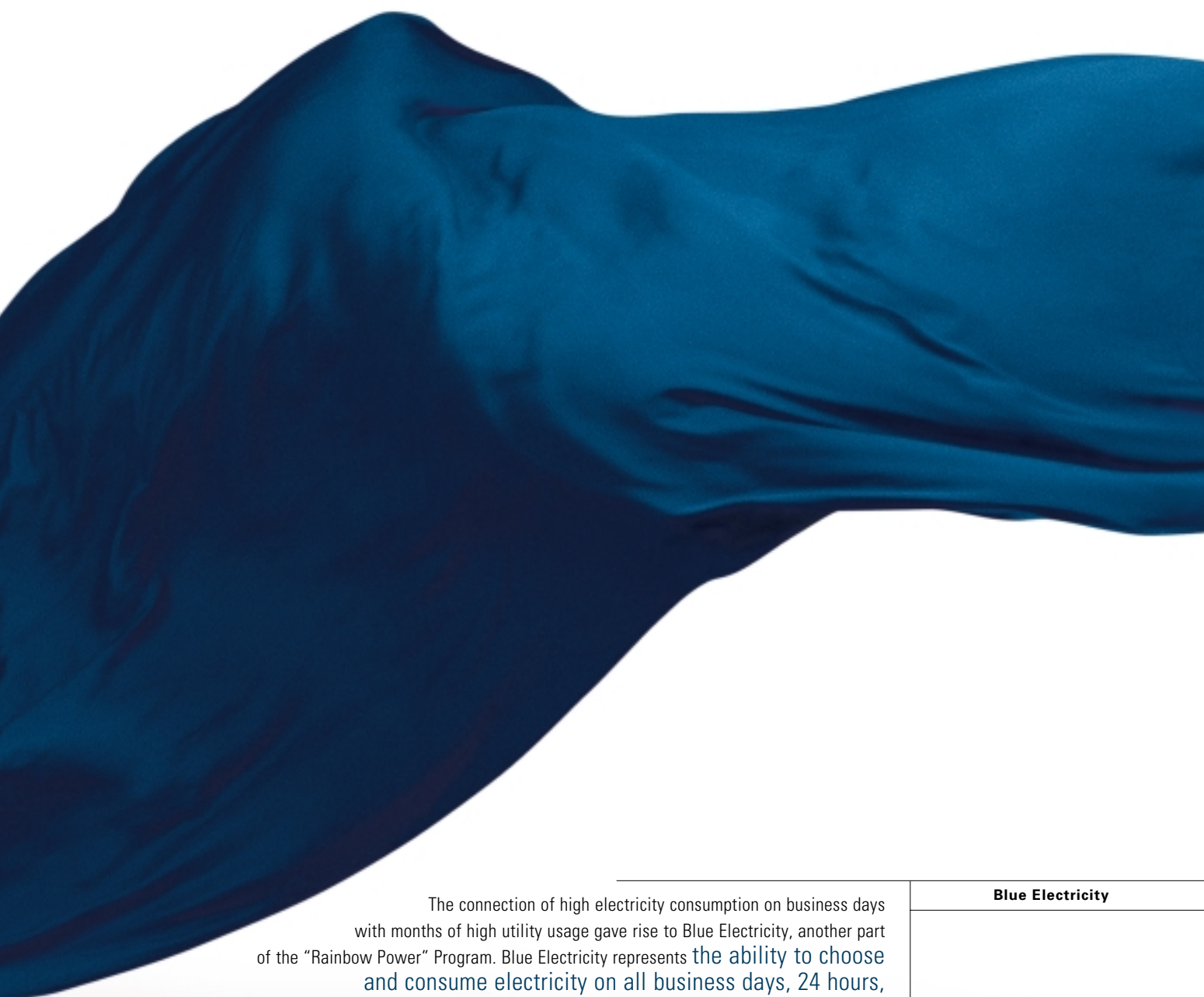
For the utilities sector, it is significant that 2001 saw the economic recovery reflected in growth in electricity consumption. This growth began in 2000 and in 2001 it continued at the same pace, i.e. 2.8% for the year. In 2001, the higher consumption was seen in all customer segments: the highest growth (3.4%) was in the small business category, followed household electricity consumption (up 3.0%), while large customers (including special-purpose consumption of industrial power plants) came in third with growth of 2.4%. However, the higher consumption was partially influenced by higher use of electricity for heating, due to colder weather. Adjusted for the weather factor, the overall growth in electricity demand was 1.9%, and 1.4% in the households segment.

Czech Republic**Electricity****Demand****Coverage of Electricity Demand****Electricity****Consumption and Supply**

(%)	1994	1995	1996	1997	1998	1999	2000	2001
Year-on-year electricity demand index	103.2	105.8	103.8	98.2	98.2	97.4	102.8	102.8
ČEZ-generated electricity share in meeting Czech Republic electricity demand	73.1	70.9	68.3	67.7	67.1	63.4	57.4	58.9
ČEZ share in meeting Czech Republic electricity demand	73.7	76.9	80.0	78.2	76.4	72.9	64.9	65.6
Year-on-year electricity generation index								
– Czech Republic	99.7	103.6	105.6	100.5	100.8	98.8	114.1	101.6
– ČEZ, a. s.	97.7	102.2	104.1	99.5	99.8	95.5	111.2	102.6

The year-on-year Czech Republic electricity demand index retained the pace of growth set in the previous year, i.e. 2.8%. The share of ČEZ-generated electricity in meeting overall demand rose from 57.4% to 58.9% (+ 1.5%), while the share of ČEZ, a. s. in meeting overall demand (including electrical energy purchased from outside ČEZ) rose slightly from 64.9% to 65.6% (+ 0.7%). The growth in electricity demand itself was covered by higher domestic electricity generation (+ 1.6%) and higher electricity imports (+ 9.4%). ČEZ imports fell by 16.3% and, since ČEZ exports declined by 2.5% over the same period, it may be stated that, essentially, all of ČEZ's increased share in meeting domestic demand was covered by increased electricity generation in the company's own facilities.





The connection of high electricity consumption on business days with months of high utility usage gave rise to Blue Electricity, another part of the “Rainbow Power” Program. Blue Electricity represents the ability to choose and consume electricity on all business days, 24 hours, in individual months of the year.

Blue Electricity

Czech Republic										
– Electricity										
Imports and Exports										
(GWh)	1993	1994	1995	1996	1997	1998	1999	2000	2001	Index 01/00 (%)
Import	903	1,593	2,539	3,090	2,565	2,069	2,431	2,415	2,641	109.4
Export	3,007	2,038	2,121	3,093	3,753	4,530	5,707	12,432	12,180	98.0
Balance	-2,104	-445	418	-3	-1,188	-2,461	-3,276	-10,017	-9,539	95.2
Transit	5,096	3,396	2,421	3,238	2,995	2,604	1,968	1,448	2,156	148.9

Electricity Generation

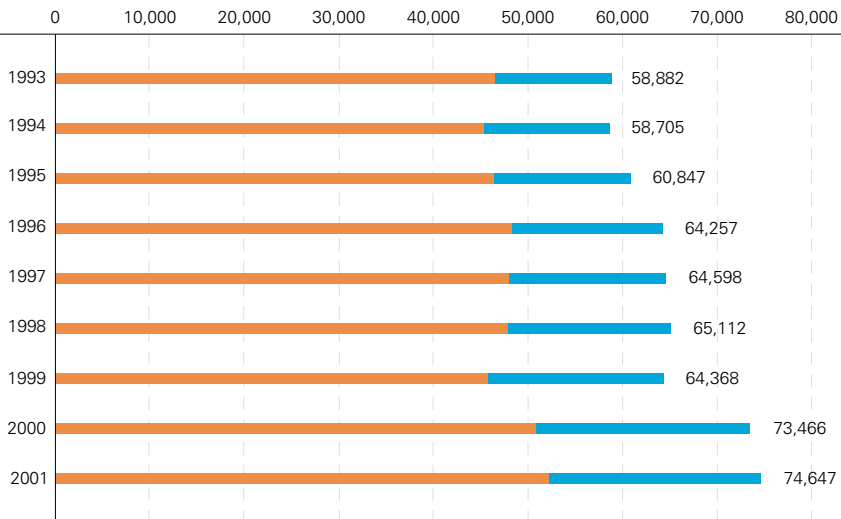
Installed Generating Capacity and Electricity Generation in the Czech Republic and at ČEZ											
	Unit of measure	1993	1994	1995	1996	1997	1998	1999	2000	2001	Index 01/00 (%)
Czech Republic											
Power System peak load	MW	9,288	9,632	10,415	10,814	10,814	10,149	9,926	10,128	10,604	104.7
	date	1. 12.	19. 12.	6. 12.	25. 1.	7. 1.	10. 12.	1. 2.	26. 1.	13. 12.	x
Czech Republic											
Power System peak load, adjusted to normal temperature and 50 Hz	MW	8,912	9,547	10,144	10,438	10,368	9,778	9,877	9,967	10,461	105.0
	date	1. 12.	19. 12.	6. 12.	25. 1.	7. 1.	10. 12.	4. 2.	14. 12.	13. 12.	x
Czech Republic											
Power System installed capacity at 31 December	MW	14,285	13,826	13,793	14,937	15,073	15,293	15,216	15,324	15,443	100.8
of which: ČEZ, a. s.	MW	10,655	10,235	10,184	10,999	10,999	10,900	10,151	10,146	10,146	100.0
	%	74.6	74.0	73.8	73.6	73.0	71.3	66.7	66.2	65.7	x
Czech Republic total											
electricity generation	GWh	58,882	58,705	60,847	64,257	64,598	65,112	64,368	73,466	74,647	101.6
of which: ČEZ, a. s.	GWh	46,445	45,377	46,361	48,266	48,008	47,892	45,722	50,842	52,162	102.6
	%	78.9	77.3	76.2	75.1	74.3	73.6	71.0	69.2	69.9	x

Czech Republic installed generating capacity grew by 0.8% in 2001, compared to 2000. ČEZ's installed capacity remained unchanged. Production of electricity by all generating facilities in the Czech Republic was up 1,181 GWh (1.6%). ČEZ electricity generation rose by 1,320 GWh (2.6%) and generation by non-ČEZ facilities fell by 139 GWh (0.6%), resulting in an increase in the share of ČEZ-generated electricity in the Czech Republic from 69.2% to 69.9%.

Czech Republic

Electricity Generation

(GWh)



ČEZ Electricity

Generation

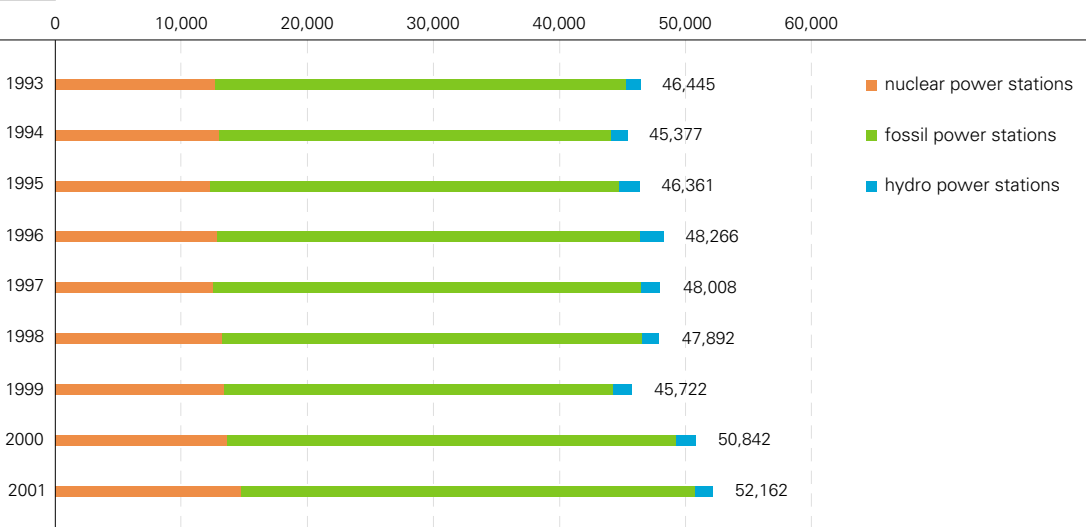
by Facility Type

Year 2000			Year 2001		
	GWh	%	Facility type	GWh	%
	35,694	70	Fossil power stations	35,958	69
	1,558	3	Hydro power stations	1,455	3
	13,590	27	Nuclear power stations	14,749	28
	50,842	100	Total	52,162	100

ČEZ Electricity

Generation

(GWh)



In 2001 ČEZ set another record in electricity generation both in fossil power stations and at Dukovany Nuclear Power Station. In the process of energy start-up, Unit One of Temelín Nuclear Power Station generated 1,156 GWh of electrical energy. In contrast, generation in hydro power stations decreased as a result of reduced usage of pumped-storage hydro power plants and poor hydrological conditions, especially in the first half of 2001.

Efficiency Indicators and Failure Rates

The heat rate at the company's fossil power stations exhibited a positive trend. For the time being, it reached its lowest level in the history of ČEZ, a. s. The numbers fully reflect upgrades at the facilities, such as the installation of frequency changers on selected drive assemblies, change-outs of control systems on generating units, improved sealing in the combustion portions of boilers, and desulfurization.

The heat rate achieved by Dukovany Nuclear Power Station continued to remain stable. In 2001 there was a very slight increase that was caused by forced short-duration shutdowns late in the year that were demanded by the Central Dispatch Centre of ČEPS, a.s., the transmission grid operator.



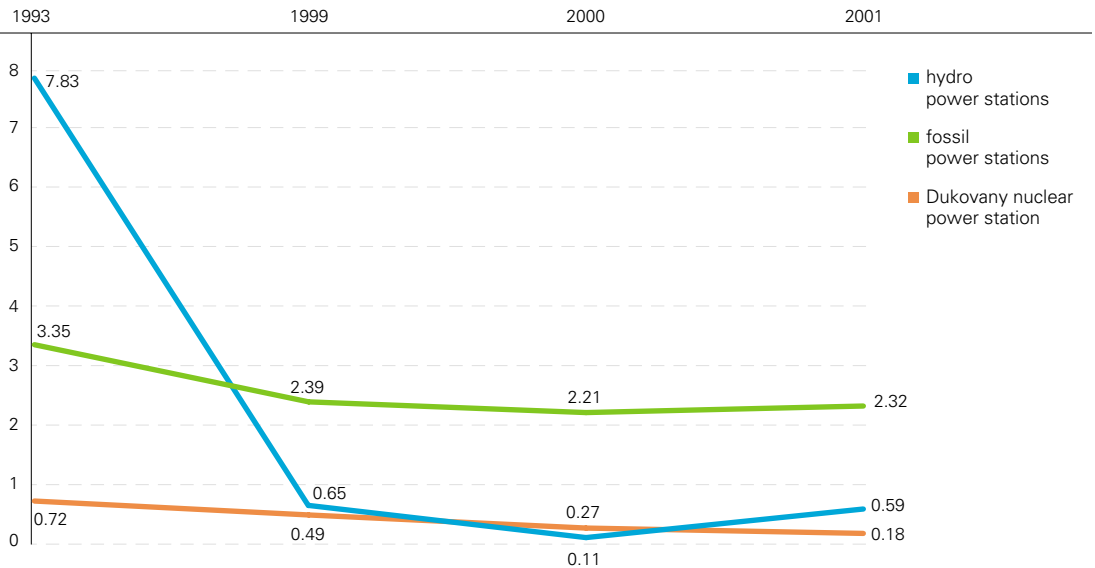
The failure rate of power generation equipment at Dukovany Nuclear Power Station has remained, long-term, below 1% of theoretical maximum capacity. This figure means that Dukovany Nuclear Power Station is one of the most reliable nuclear power plants in the world. In 2001, the facility posted its lowest failure rate yet: 0.18% of theoretical maximum capacity.

The failure rate in the company's fossil power stations remains below 2.5% of theoretical maximum capacity, which is optimal in terms of the costs incurred for repairs and maintenance. At the hydro power stations, including pumped-storage, failure rates do not exceed 1% of maximum capacity.

**Failure Rate at Fossil,
Hydro Power Stations
and Dukovany
Nuclear Power Station**

(% of Theoretical

Maximum Capacity)



Repairs and Maintenance Program

Dukovany Nuclear Power Station

During 2001, operational checks and equipment inspections were carried out in full at Dukovany Nuclear Power Station in accordance with the scheduled shutdowns of the various units, and an expanded program of operational checks was carried out on Unit Three. To keep the generating units in operation, Dukovany Nuclear Power Station obtained a position statement from regulatory authorities concerning optimizing of the frequency of operating checks of the reactor pressure vessel.

Fossil Power Stations

During the period in question, an overhaul of generating Unit No. 2 at the Ledvice Power Station was completed, as was an expanded routine repair of Unit No. 23 at Tušimice Power Stations. Six boiler and turbogenerator overhauls were performed at in-line type facilities (Tisová Power Station turbogenerator No. 2, Poříčí Power Stations turbogenerator No. 3, Dvůr Králové Heat Plant boiler No. 1 and turbogenerator No. 1, and Náchod Heat Plant boiler No. 5 and boiler No. 6).

Hydro Power Stations

Major repairs included the completion of an overhaul, commenced in October 2000, of generating set No. 1 in the Dalešice Power Station.

Capital Investment

Investment, Modernization and Development Policy Objectives

Principal activities continued to be focused on ČEZ's nuclear stations. The priority in 2001 was to carry out operational tests of Unit One of Temelín Nuclear Power Station and to prepare Unit Two for start-up. At Dukovany Nuclear Power Station, a program of compliance with nuclear station operating practice common in the European Union created conditions for future long-term safe and effective operation of this facility. Preparations also went forward for a new interim spent nuclear fuel storage.

In the conventional area, capital investment activity is focused in particular on keeping our existing facilities safe and in good operating order with the aim of optimal utilization and with an effort towards further rationalizing and automating facility operation. Another significant area was the creation of conditions for the utilization of power generation by-products, especially in the production of building materials and reclamation of fly-ash disposal sites. Innovation policy is focused in particular on necessary revamping of existing equipments and further improvements in operational economies.

ČEZ, a. s.							Program	Budget
Investment Program							1997–2001	2002
(CZK billions)		1997	1998	1999	2000	2001		
Investment category								
Nuclear power plants		6.9	10.0	11.3	11.1	6.3	45.6	5.6
of which: Temelín		6.1	9.3	10.3	9.4	4.9	40.0	4.2
Environment improvement investments		6.4	2.6	0.8	0.2	0.2	10.2	0.3
of which: desulfurization		3.9	1.1	0.3	0.0	0.0	5.3	0.1
fluidized-bed boilers		1.8	0.5	0.1	0.1	0.0	2.5	–
Waste management		1.4	0.6	0.4	0.3	0.4	3.1	0.9
Technical improvements		1.7	1.8	1.1	0.4	0.5	5.5	0.1
Heat supply		0.1	0.0	0.1	0.1	0.0	0.3	0.1
Hydroelectric power plants		0.1	0.1	0.1	0.2	0.1	0.6	–
Transmission grid		1.1	1.4	0.9	0.7	0.8	4.9	0.8
Other investments		1.1	1.1	1.2	1.0	0.6	5.0	1.6
Payments for nuclear fuel		1.6	1.4	2.2	4.2	3.4	12.8	2.6
Capitalized interest		2.9	3.1	3.4	2.8	2.4	14.6	1.3
Total		23.3	22.1	21.5	21.0	14.7	102.6	13.3

Note: Some figures were recounted due to implementation IAS 37 in 2000 and they are different from previously published data.

Investments in Nuclear Power

Temelín Nuclear Power Station

The main focus in 2001 on Unit One was to successfully complete generation start-up tests, and on Unit Two it was on achieving readiness for loading the first fuel cycle. In the process of generation start-up of Unit One, technical problems emerged in the secondary circuit of the facility, which affected the progress of work on Unit Two as well. By the end of 2001 a total of CZK 93.7 billion had been invested in the construction of Temelín Nuclear Power Station out of a total budget of CZK 98.6 billion. CZK 4.9 billion of budgeted funds remains to be drawn. These will be used primarily for the completion and commissioning of Unit Two.

Unit One

The first half of the year was marked by technical problems on equipment in the secondary, i.e. non-nuclear, circuit of the unit. The problems occurred primarily on the turboaggregate, hydraulic parts of its control system, the main regulating valves, high-pressure piping and associated water-removal system.

Power generation start-up at up to 30% of nameplate capacity was commenced in December 2000 and completed on 8 March 2001. However, the above mentioned problems made it necessary to shut the unit down during the time it was operating at this level.

Further revisions to the secondary circuit were carried out prior to the commencement of start-up to 55% of nameplate capacity. Power generation start-up to this level took place, in accordance with the time line, from 19 March 2001 until 25 April 2001. As a result of high vibration in the secondary circuit and subsequent damage to a low-pressure part of the turbogenerator, extensive repairs were called for, necessitating a several-month shutdown of the unit.

The repeat start-up of the unit in August 2001 confirmed that the repairs were successful, making it possible to complete all planned tests at the 55% capacity level by 4 October 2001.

Upon obtaining a permit from the State Office for Nuclear Safety, planned tests at 75% of nameplate capacity were carried out starting on 19 October 2001. At the end of October, a planned shutdown of the unit that was supposed to take place after the completion of testing at 75% of capacity was performed early due to defective sealing on an ancillary system related to the second main circulation pump.

The remaining tests at 75% capacity went forward without further problems and were completed on 20 December 2001. Tests at 90% capacity were completed successfully in the period remaining until the end of 2001 and in early 2002. Unit One reached 100% of nameplate capacity on 11 January 2002.

Unit Two

All of 2001 can be characterized as an effort to complete all equipment installation work and to finish pre-comprehensive testing of equipment.

One by one, the various control system cabinets were powered up to allow for testing and power-up of the various action elements in the Unit Two Control Room, necessary for achieving preparedness for the integrated hydrotest. The lever-type pressure relief valves on the steam generator were replaced by spring valves, meeting one of the State Office for Nuclear Safety's conditions for commencing the integrated hydrotest. During this test, it was verified that all the individual systems are capable of working together.

Dukovany Nuclear Power Station

In the **Control Systems Upgrade** project, 2001 saw the completion of the main portion of the licensing process and in September the State Office for Nuclear Safety issued a permit for the upgrade. The design preparation phase continued, basic design was completed and work commenced on the detail design phase. Late in the year the main portion of the design documentation was completed, allowing for commencement of upgrade realization work during a shutdown of Unit Three of Dukovany Nuclear Power Station in April 2002.

Spent Nuclear Fuel Storage

In accordance with the delivery agreement, four Castor containers were delivered to the operational **Interim Spent Fuel Storage Facility at Dukovany Nuclear Power Station** in 2001.

Interim Spent Fuel Storage Facility at Dukovany Nuclear Power Station

During 2001, design work continued for building permit proceedings, as did work on the Request for Proposal documentation to allow for the announcement of a tender in accordance with the "Public Procurement Act" to select a contractor for the building construction phase of the project. In December 2001, after the building permit documentation was completed, ČEZ filed to the State Office of Nuclear Safety for a permit to build the interim storage facility.

In May 2001 a contract for delivery of storage containers and related equipment was signed with the tender winner, GNB Gesellschaft für Nuklear-Behälter mbH, a subsidiary of NUKEM.

Interim Spent Fuel Storage Facility at Temelín Nuclear Power Station

Preparation of the facility for storing spent fuel from this power station will be commenced after Unit Two is commissioned.

Central Interim Spent Fuel Storage Facility at Skalka Locality

In March 2001, the building permit department of the Bystřice nad Pernštejnem City Hall issued a zoning decision for the facility "Central Spent Fuel Repository – Skalka Locality". This decision entered into legal force on 1 May 2001. During the year activities necessary for the possible renewal of preparations for building a storage facility at the Skalka location continued as a back-up solution for storing spent nuclear fuel.

Investments in Conventional Power

Environmental Investments

Work in 2001 focused mostly on completing projects aimed at optimizing our environmental investments. These investments related primarily to waste management in our fossil power stations (dry fly-ash removal, reclamation of disposal sites and settling pits), changes to power station water management systems, and other operational optimizing projects.

Mělník Power Station

Reclamation work continued on the "Panský les" settling pit site. The "Storm Sewer Back-up Holding Tank Reconstruction" project was completed. The latter project aims to prevent contamination of wastewater being released through the storm sewer system.

Poříčí Power Stations

The "Wastewater Discharge Minimizing" project was completed. This project aims to reduce the amount of wastewater discharged into the water run.

Dětmarovice Power Station

Work continued on optimizing the operational parameters of the desulfurization equipment. In 2002, work continues on the "Reclamation of Zimný důl Dump Facility" project.

Chvaletice Power Station

Work continued on the "Landscape Renewal II" project in which fly ash produced by the station is being used to in technical reclamation of a settling pit. Also in 2001, biological reclamation work was begun.

Ledvice Power Station

Work on optimizing the operating parameters of the Unit Four fluidized-bed boiler was completed. On the "Eleonora Ash Dump Reclamation" project, technical reclamation was completed in mid-2001 and the biological reclamation phase was commenced.

Tušimice Power Stations

Work continued on optimizing desulfurization technology operational parameters, as did work on the "Subsequent Reclamation of the Vysočany Settling Pit" project, which is due to be completed in 2011. 2001 also saw the commencement of another reclamation project: "Utilization of Sediments to Reclaim the Libouš Spoil Bank". In the second half of 2001, preparatory work began on the "Slag Removal from Tušimice Power Stations" project.

Počerady Power Station

On the "Počerady Power Station Ash Disposal Facility Clean-up and Reclamation" project, planting work was completed throughout the entire site and landscaping work continued.

Hodonín Power Station

Construction of the "Zbrod-South Ash Disposal Facility" continued. The project includes using by-products from the combustion of coal in fluidized-bed boilers as building material.

Pruněřov Power Stations

Work on the "Subsequent Reclamation of Verněřov Settling Pit" was completed in early 2002. The project "Subsequent Reclamation of Settling Pit A III" continued with technical reclamation work and preparatory work for the biological reclamation of the land in question. Preparatory work also began for the "North Quarry Disposal Site" project.

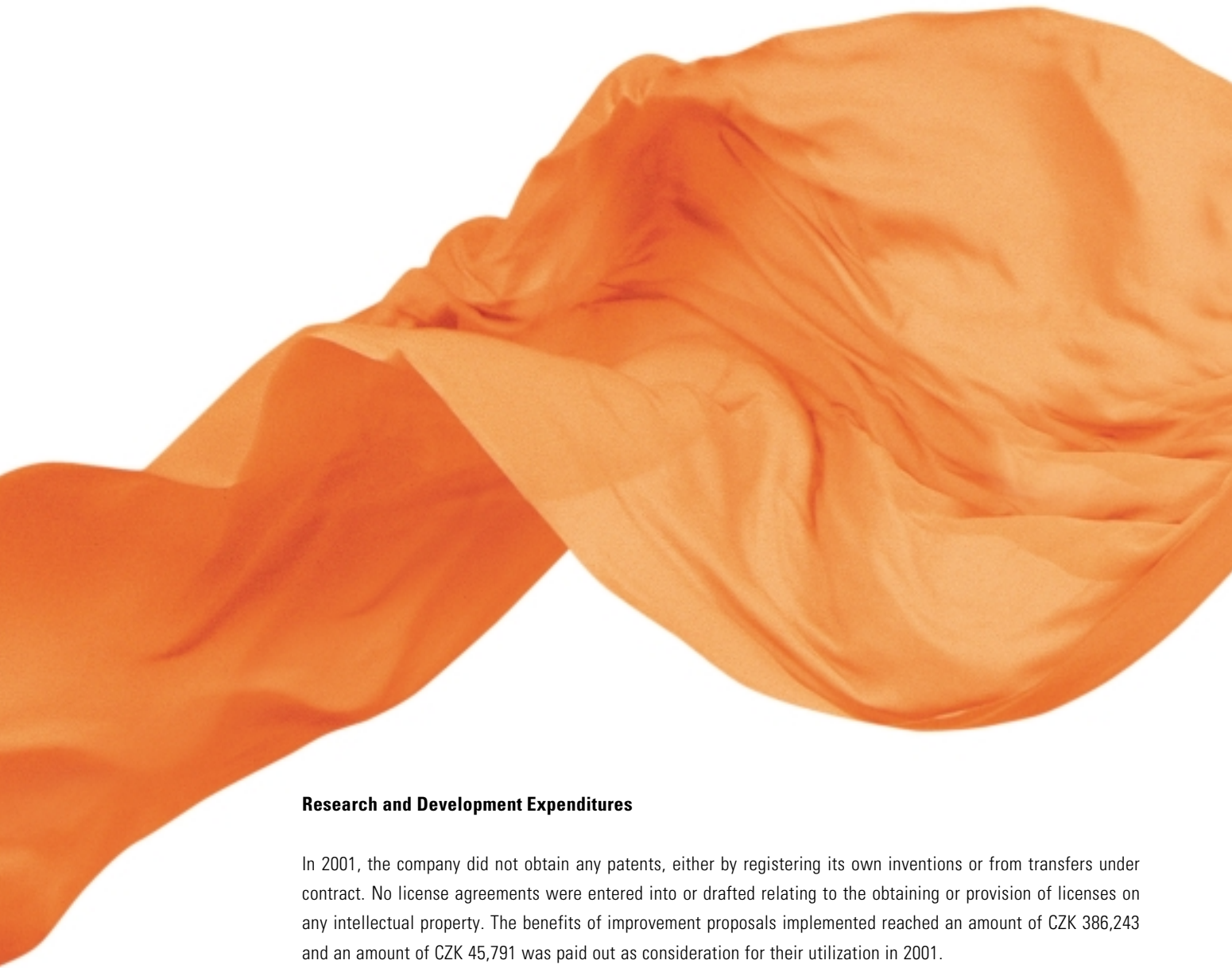
Long-term Financial Assets

In 2001, ČEZ, a. s. invested capital in the following long-term financial asset items:

Outlays for Acquisition of Long-term Financial Assets
--

(CZK millions)

AB Michle s.r.o. – increase of basic capital, including partners' additional payment for formation of shareholders' equity	630
Coal Energy, a.s. – initial capital contribution on formation of company	10
MOONSTONE, a.s. – initial capital contribution on formation of company	2
Rainbow Power Germany, GmbH – purchase of equity stake in company	1
Total	643



Research and Development Expenditures

In 2001, the company did not obtain any patents, either by registering its own inventions or from transfers under contract. No license agreements were entered into or drafted relating to the obtaining or provision of licenses on any intellectual property. The benefits of improvement proposals implemented reached an amount of CZK 386,243 and an amount of CZK 45,791 was paid out as consideration for their utilization in 2001.

Fees Related to Registration of ČEZ Trademarks
(CZK '000)

Patent agent	182.6
Intellectual Property Office for registering trademarks in the Czech Republic	92.0
Total	274.6



Orange Electricity from the “Rainbow Power” program symbolizes and represents the possibility to choose and consume electricity throughout the year during a set daily period from 8:00 to 20:00 on all business days of the year.

Orange Electricity

Management of Selected Processes

Safety, Environmental Protection and Quality Management System

For the Conventional Energy Section, which was formed on 1 November 2000, the year 2001 was a turning point from the perspective of organizational centralization, which went forward in activities related to the system for managing safety, environmental protection and quality. The aim is to change the eleven existing autonomous systems run by the organizational units into a single, section-wide system that will guarantee compliance with applicable legal requirements in the areas in question. The new organizational set-up will also reduce by over 85% the number of internal, binding management documents that deal with conventional energy processes. The completion of the transformation of management documents, bringing a higher degree of stability to the new organizational environment, is planned for the first half of 2002.

During the year we managed to fulfill the company's plan of obtaining ČSN EN ISO 14001 certificates for five selected organizational units (Tušimice Power Stations, Chvaletice Power Station, Počeradý Power Station, Dětmarovice Power Station and Dukovany Nuclear Power Station). By 2001, Prunéřov Power Stations was also issued this internationally recognized EMS (Environmental Management System) certificate by the international certification company Det Norske Veritas. Applications for EMS certification for ČEZ's other fossil power stations will be filed in 2002. Then it is likely that a joint certificate will be issued covering all the power stations. The certification process will also be extended to include Temelín Nuclear Power Station after that facility's Unit Two is commissioned.

In the operation of ČEZ's nuclear stations, the highest priority is to maintain a high standard of safety. In terms of the results and indicators achieved in the area of nuclear safety and radiation protection, Dukovany Nuclear Power Station is one of the best run nuclear power stations in the world. During 2001 there were no unplanned fast automatic reactor shutdowns at Dukovany.

During the course of starting up Unit One at Temelín Nuclear Power Station, the safety indicators achieved were in line with those expected in the given phase of the commissioning process.

The good performance of both nuclear power stations in the safety area was also confirmed by missions of OSART (a team for evaluating the operational safety of nuclear power plants) of the International Atomic Energy Agency, which took place at Temelín Nuclear Power Station in February 2001 and at Dukovany Nuclear Power Station in November 2001.

All the above information aims to fulfill completely the goals under approved policies for safety, environmental protection and quality, thereby contributing to the implementation of the company's overall business plan by guaranteeing safe and reliable facility operation while at the same time minimizing negative environmental impacts.

Internal Control System

Company management is endeavoring to continually improve the company's internal control system in conjunction with changing internal and external business conditions. The goal is to care properly for the company's assets, protect them, increase the effectiveness with which they are utilized and the economy with which the company's finances are spent, and identify risks in timely fashion and overcome them.

The state and effectiveness of the internal control system are monitored and evaluated by the internal audit unit, which is formed along the lines of internationally recognized standards and whose objectiveness, professional expertise and correct orientation is guaranteed by the Audit Committee, comprised of representatives of the Board

of Directors and Supervisory Board. All internal audit reports are regularly presented to the company's Board of Directors, which takes any necessary corrective measures. The modern conception of internal audit, together with the company's governance bodies' approach to it, already today meets best practice standards recommended by the Corporate Administration and Management Codex, which is based on OECD principles and issued by the Czech Republic Securities Commission.

Internal audit focuses on examining and evaluating the company's material activities in terms of their correctness, effectiveness for the stated purpose, and economic feasibility, as well as on uncovering shortcomings, errors, discrepancies, risks and weak points, and on monitoring the effectiveness of other control activities in the company.

Risk Management Policy

2001 was a major milestone in the development of attitudes toward the policy and actual management of risks in the company. ČEZ took advantage of its expertise in managing financial market risk and expanded the risk management function to include other important activities according to principles approved in 1997. In so doing, we are reacting to changes in business conditions, particularly in conjunction with the opening up of the electricity market to competition and new international accounting standards concerning hedging transactions.

Integrated Risk Management System

In September, ČEZ commenced work on the implementation of an integrated approach to managing risks at the company. A Risk Supervision Committee consisting of top company executives was formed along with a supporting unit for risk supervision. The aim of this solution is to monitor exposure to risks and to set and verify compliance with respective limits for all substantive company activities, thereby minimizing the impact of unfavorable situations that could threaten the company's financial health.

Financial Market Risk Management

Credits, bonds and other funds obtained abroad are part of the company's portfolio of cash flows denominated in foreign currencies, which is the basis from which ČEZ's risk exposure is calculated. In accordance with the financial risk management policy, a portion of borrowed capital denominated in foreign currencies was hedged as part of the risk portfolio. Foreign bonds and credits from the European Investment Bank, ČSOB, a. s. (KfW), Citibank a.s., and a syndicated loan lead managed by Sumitomo Mitsui Banking Corporation (DEM 280 million) were partially hedged in this manner. The hedging was based primarily on swaps and options strategies.

The company bases management of foreign currency portfolio risk exposure on six-month and ten-day income and expense predictions (debt and non-debt). ČEZ, a. s. uses methods commonly used by banks (Value at Risk, stress test, and tests for the breakdown of correlations amongst currencies) as well as information from REUTERS terminals.

In order to comply with maximum possible loss limits that are set by the company's Board of Directors, long-term hedging transactions were entered into in 2001. As of 31 December 2001, the maximum possible loss on pending transactions was below the stipulated limits.

ČEZ, a. s. realized nearly 300 short-term spot, deposit and hedging transactions and took advantage of the development of foreign exchange rates to buy foreign currency at advantageous terms to cover the company's debt-related and non-debt-related expenditures. Amongst other effects, this policy helped reduce the company's costs.

New conditions in the electricity market and changes in international money and capital markets as well as the company's efforts to bring itself up to standards met by leading global corporations in its sector have all contributed to the implementation of the new "Treasury & Risk Management" system from the Sweden-based company ENTRA. The new software environment provides for on-line linkages of finance processes to information from the markets and to outputs from the electricity trading system. The system makes it possible to monitor ČEZ's current financial position and provides for automated inputs into the company's bookkeeping and management information systems. All financial activities of ČEZ, a. s. are centralized.

Insurance of Property and Casualty Risks

Insurance of the company's property and casualty risks covers mainly catastrophic damages that could have a major impact on the company's financial situation. Insurance of nuclear damage liability reflects the conditions laid out by the "Nuclear Act" which requires that operators of nuclear facilities carry this insurance.

The insurance we carry for our fossil, hydro and nuclear plants covers all assets. The insurance contract covering property damage at Temelín Nuclear Power Station entered into force in July 2000, when Unit One of the station was loaded with fuel. The insurer on the property contracts for the nuclear stations is the Czech Nuclear Pool.

The construction/installation insurance policy for Temelín Nuclear Power Station is valid up until the commissioning of Unit Two. The lead insurer on that policy is Česká pojišťovna a.s.

The duty set forth in the "Nuclear Act" to insure liability for nuclear damage caused by the operation of a nuclear power station is complied with by insurance policies covering liability for damage caused by the operation of the Dukovany and Temelín Nuclear Power Stations. Both policies are for the liability limit of CZK 1.5 billion set by law. The company also carries insurance against liability for nuclear damages arising out of the transport of nuclear fuel to Temelín and Dukovany. The Czech Nuclear Pool is the insurer on these policies as well.

Other important insurance contracts include a third-party liability policy covering the generation, transmission, transit, import and export of electricity and the generation, distribution and sale of heat.

IT and Telecommunications Development

In 2001, company management approved the ČEZ Information Technologies and Telecommunications Development Strategy, which supports the business activities set forth in the Business Plan and provides additional detail through 2003. In accordance with this Strategy, more fundamental changes were made in how IT and telecommunications are organized and managed, so as to better support the company's transformation. The goal of the changes is to create a process-oriented system for managing information systems and to improve, standardize and make more efficient the services provided to users. We are now migrating to a new services system defined by internal agreements concerning the extent and level of services and focused on maximum flexibility of information systems towards enterprise processes and on increasing the cost effectiveness of funds spent on IT. Late in the year we carried out the third phase of changes in this area at the Head Office and in the Conventional Power Section. By now we have reached a point where we can identify and analyze deviations and realize further optimizing steps.

The emergence of new players and newly defined relationships in the electricity market combined with the transformation of ČEZ, a. s. from a purely production-oriented company into one focusing on both sales and production are having a substantial impact on the changes currently taking place in ČEZ's information systems. The most important activity in 2001 was the building of an information system to support key customers, manage customer relations, and provide for communications with the Market Operator and the Grid Operator. Also, we finished implementing other fundamental projects necessary for company management, e.g. the central personnel information system, the central information system for property management, and the power stations management information system. Further modules of the management information system were put into day-to-day operation.

Telecommunications Infrastructure Development

During 2001 we completed telecommunications wiring and hook-up of the new building for ČEZ's Head Office in Prague 4 and commenced work on centralizing the data in telephone exchanges owned by ČEZ, a. s. and ČEPS, a.s. in the Czech Republic. By the end of first half 2002 we will have finished building a new telecommunications network exchange that will allow for detailed monitoring of calls for the needs of ČEZ with the aim of bringing about a major cost reduction. Over CZK 100 million will be invested in enlarging bandwidth of the ČEZNet data network. In late 2001, preparations were completed for a restructuring of assets by outsourcing activities not directly related to ČEZ's principal businesses. As part of this process, the relationship between ČEZ, a. s. and CEZTel, a.s. in terms of meeting the company's telecommunications needs was put on an equal footing. This included related changes in the area of equity participations, where currently CEZTel, a.s. provides telecommunications services within the ČEZ Group and the newly formed company MOONSTONE, a.s. provides for the commercial utilization of extra capacity in the telecommunications system that is currently being rolled out.

IT and Telecommunications Security

One of the basic pillars of the ČEZ Information Technologies and Telecommunications Development Strategy is the IT and telecommunications security management process. The company has created an IT and telecommunications security management system that is being continually monitored. Information security is an important priority of ČEZ, a. s. In 2001 a software legal compliance audit was conducted and ČEZ, a. s. became one of the first large corporations in the Czech Republic to obtain a "Declaration of Software Purity".

Software Licenses Acquired by Contract in 2001

(CZK millions)

Office systems software	2.809
Graphics software	3.032
Application software	28.035
Database systems	3.437
Network and operating systems	1.490
Total	38.803



Light-blue electricity from the "Rainbow Power" program is offered in one-month blocks for all business days from 8:00 to 20:00.

Light Blue Electricity



Communications

In its long-term communications strategy, the ČEZ Power Company endeavors to be perceived by the public as a strong, modern, dynamic and competitive Czech company at the European level, as a trustworthy firm with a friendly relationship to nature and the environment. Within this strategy, in 2001 we emphasized mainly the commercial aspect in conjunction with the beginning of electricity market liberalization.

ČEZ, a. s. prepared an entirely new, sales-oriented advertising campaign which was launched in late 2001. The campaign's goals are:

- to introduce ČEZ's new sales program, dubbed "Rainbow Power", and to present this new commercial mark, build name recognition for it and obtain customers for the new program,
- in an interesting and attention-focusing manner, to call the public's attention to the fact that the Czech Republic electricity market is being opened up to competition and to the fact that customers will be able to choose their electricity supplier.

For this purpose, a public info-line was set up (+42 0844 111 131) as well as an Internet page (www.duhovaenergie.cz).

ČEZ's long-term strategy is to be informationally open toward all groups of citizens. The success of our efforts in this area is reflected in our winning first place overall as well as in the categories "Content" and "Energy Sector" in the "Best Annual Report of the Year 2000" competition. The company's communications strategy also includes the publication of quarterly financial reports and regular press conferences on the company's financial performance.

An improvement of internal communication at the company was brought about by the ongoing change of content and format of the monthly "ČEZ Bulletin". Also of a high standard are the periodicals published by the nuclear power stations, which are distributed to citizens in the areas surrounding the facilities.

ČEZ, a. s. is the only industrial corporation in the Czech Republic to actively support education and scientific research in technical fields. Throughout the year, round-table discussions and seminars on nuclear energy were held at which secondary-school students throughout the Czech Republic heard lectures from university professors, nuclear station operators, and fellow students.

The development of the Czech public's opinion on the completion and commissioning of Temelín Nuclear Power Station is the subject matter of public opinion research conducted by professional agencies. A study by STEM agency conducted in 2001 confirmed the Czech public's positive attitude toward the completion of Temelín.

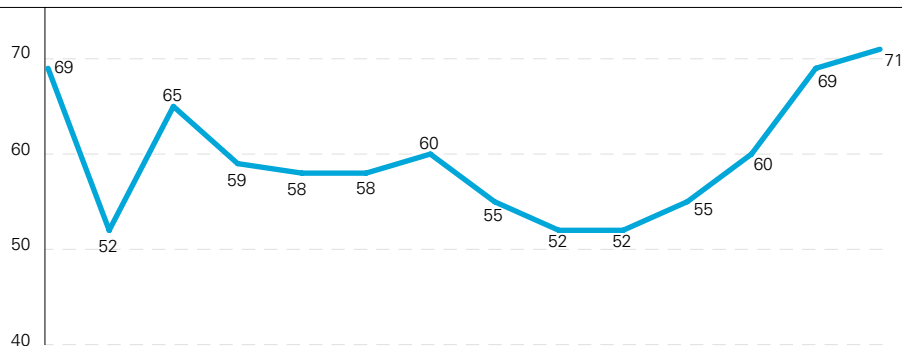
Public Approval

of Completion of Temelín

Nuclear Power Station

(%)

3/93 4/94 11/94 3/95 11/95 3/96 11/96 3/97 11/97 3/98 11/98 5/99 4/00 11/01



Sponsorship Program

A total of CZK 103.0 million was budgeted for the company's sponsorship program in 2001, CZK 50.8 million of which was a non-monetary gift to the City of Klášterec nad Ohří. The latter gift consisted of infrastructure that ČEZ, a. s. built in the industrial zone located in the adjacent Verněřov cadastral area. In this manner, ČEZ, a. s. made a significant contribution to supporting employment in the area of North Bohemia, since the new industrial zone is expected to create 10,000 new job opportunities.

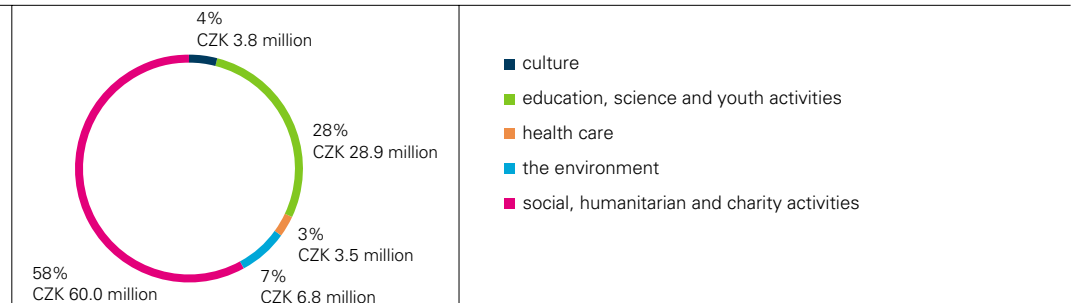
Other major projects in 2001 included ongoing cooperation with the Czech Foundation of Jan and Meda Mládek. ČEZ, a. s. became a patron of the Kampa Muzeum. In the culture area, ČEZ supports the Fidlovačka Foundation and the Podkrušnohorské Technical Museum. In the healthcare area, ČEZ contributed to support oncological gynecology and donated funds to the Třebíč Hospital and the Kadaň Hospital and Polyclinic to purchase a device for developing X-rays.

Smaller projects that support the regions in which the company operates its power stations are also a significant part of the ČEZ sponsorship program. This portion of the program provides support for health and social care, municipal development, education programs, programs for elementary schools, secondary schools, and universities, as well as conservation projects and many other activities.

Distribution of Sponsorship

Donations

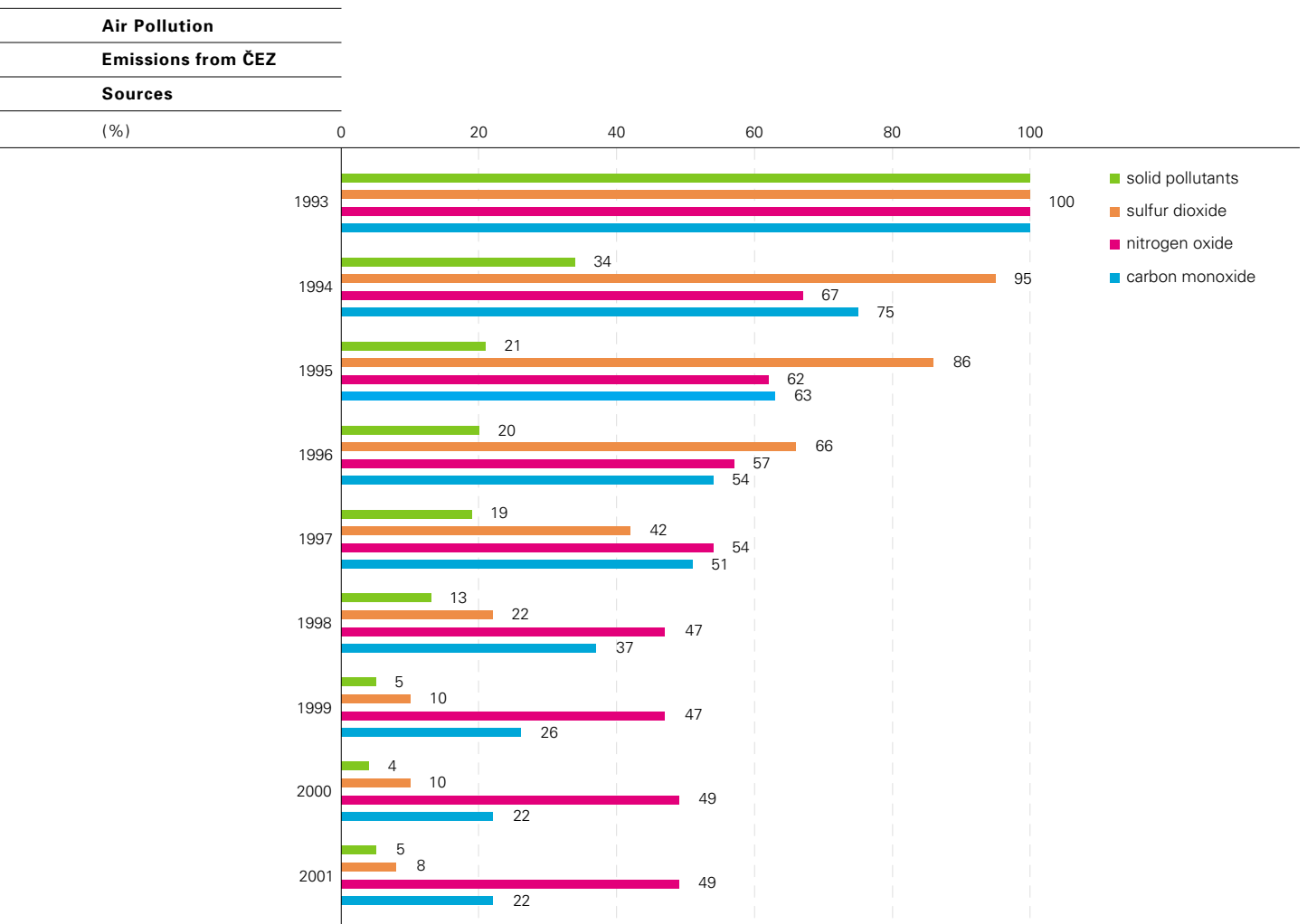
in 2001



Relation to the Environment

Clean Air

By the end of 1998, all of ČEZ's fossil power stations were fitted with equipment reducing their air emissions. The technical parameters of this equipment make it possible for ČEZ to comply with emissions limits stipulated by the Clean Air Act. Since 1993, ČEZ has achieved major reductions in the major pollutants, thereby contributing to the overall improvement in air quality. In 2000, the Czech Republic began the process of drafting a new Clean Air Act which is to reflect requirements of European Union directives concerning air protection. The new Clean Air Act is set to enter into force on 1 June 2002. The technical parameters of the emissions reduction equipment at ČEZ's fossil power stations will make it easier in the years to come to ensure compliance with the new Clean Air Act and other Czech Republic environmental regulations that are currently being drafted as part of the process of harmonizing Czech Republic legislation with that of the European Union.



Reduction in Air Pollution Emissions in 2001 Compared with 1993	Unit of measure	Solid pollutants	Sulfur dioxide	Nitrogen oxides	Carbon monoxide
1993	t	55,393	719,149	122,212	17,099
2001	t	3,106	59,999	63,784	4,073
Reduction	%	94.4	91.6	47.8	76.2
1993	kg/GJ ^{*)}	0.1793	2.3281	0.3956	0.0554
2001	kg/GJ ^{*)}	0.0095	0.1831	0.1946	0.0123
Reduction	%	94.7	92.1	50.8	77.8

Remark: ^{*)} Emissions numbers are given per 1 GJ of heat generated in boiler room.

Clean Water and Water Management

In the clean water area, ČEZ proceeds in accordance with applicable laws and regulations. Water use and wastewater discharge are governed by the conditions set forth in decisions issued by water management authorities. ČEZ also operates several water management facilities which are regulated by these authorities.

Power Generation By-Product Utilization

In the course of electricity and heat generation in 2001, ČEZ produced a total of 9.2 million tons of the following by-products: ash, semi-dry desulfurization product, and industrial gypsum produced by the wet limestone scrubbing process. Of the total amount produced, 58.2% was utilized as secondary raw materials.

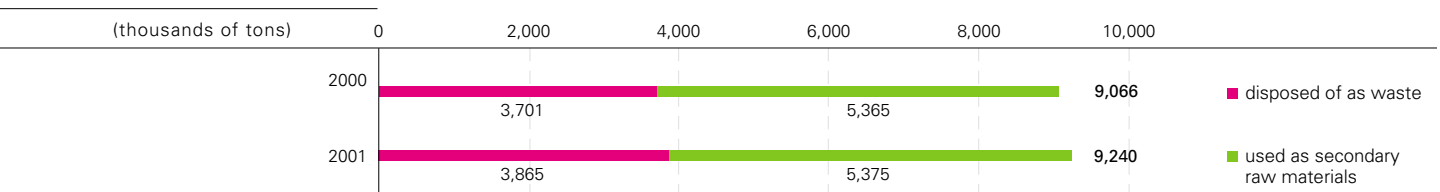
Ash and semi-dry desulfurization product are used in the reclamation of land affected by coal mining and settling pit sites. Certain ash components are used to produce cement, concrete mixes and asphalt insulation materials. Specially processed ash is used to build waste disposal facilities, where it serves as structural and sealing material in place of natural materials.

Industrial gypsum is used in the manufacture of gypsum drywall by KNAUF POČERADY, spol. s r.o. and Rigips, a.s. and in the production of cement as a substitute for natural gypsum.

Energy generation by-products are also used as secondary raw materials on the basis of certificates issued for individual applications. In 1996 there was a total of 13 certificates at all of ČEZ's organizational units. In 1998 the number of certificates had increased to 21. Currently ČEZ holds 39 valid certificates.

The remaining 3.9 million tons of unutilized by-products were disposed at ČEZ's own disposal facilities in accordance with the "Waste Act".

Production and Utilization of Power Generation By-Products in 2001			
	Unit	Total	%
Total by-products	thousands of tons	9,240	100.0
of which: used as secondary raw materials	thousands of tons	5,375	58.2
disposed of as waste	thousands of tons	3,865	41.8



Support for Renewable Energy Sources

ČEZ's activities in this area continued to focus in particular on the utilization of hydro energy, wind energy, the conversion of solar power into electricity using photovoltaic cells, and tapping into the energy potential of biomass. We are also engaged in new fuel cell technology research, as well as the accumulation and transformation of energy, including using biomass as a fuel in ČEZ generating facilities.

ČEZ, a. s. operates a farm of wind power stations at Mravenečník near the pumped-storage hydro power plant Dlouhé Stráně in the Jeseníky Mountains, which consists of three power stations with an aggregate total capacity of 1,165 kW. The complex also includes a 10 kW photovoltaic solar power station. The facility as a whole generated 167 MWh of electricity in 2001.

At the Tisová Power Station, a combustion test was carried out in July 2001 on that facility's fluidized-bed boiler in which a mixture of Sokolov coal and wood chip was used as fuel. This station, along with the Hodonín Power Station, where the same test was carried out in 2000, verified the possibility of utilizing combined combustion of biomass mixed with coal. Both stations are prepared to utilize the mixture as fuel on a long-term basis at a rate of approximately 10,000 tons of wood chips per year at each station. However, for the time being the plan is not feasible since there are not enough regional biomass suppliers in the fuels market that are capable of supplying biomass for the installed fluidized-bed and conventional boilers at competitive prices on a long-term basis.

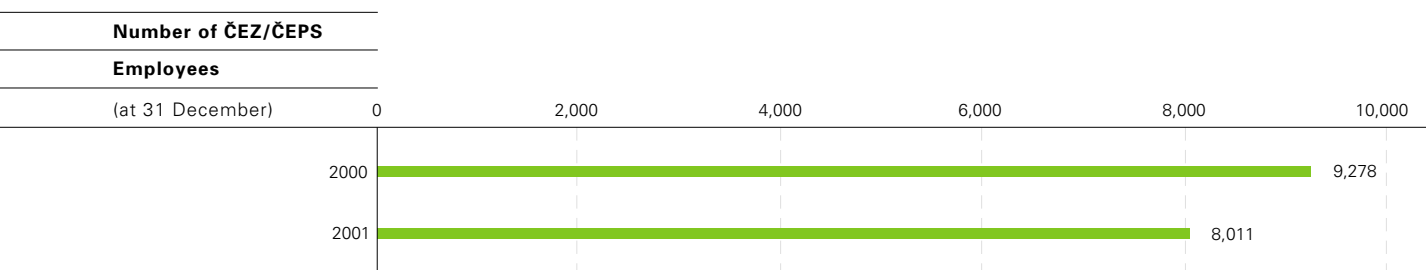
Traditionally, ČEZ has been and remains the largest producer of environmentally friendly electricity by harnessing the potential of the Czech Republic's water resources. ČEZ hydro power stations produced 1,455 GWh in 2001, 50 GWh of which was produced by seven small hydro stations, i.e. facilities with an installed capacity of under 10 MW per locality. The installed capacity of these small hydro stations represents 18 MW of a total of 1,868 MW of installed capacity in ČEZ hydro power stations.

HYDROČEZ, a.s., a subsidiary of ČEZ, a. s., operates a total of seven small hydro stations with an aggregate installed capacity of 14 MW, which together generated a total of 63 GWh of electrical energy in 2001.

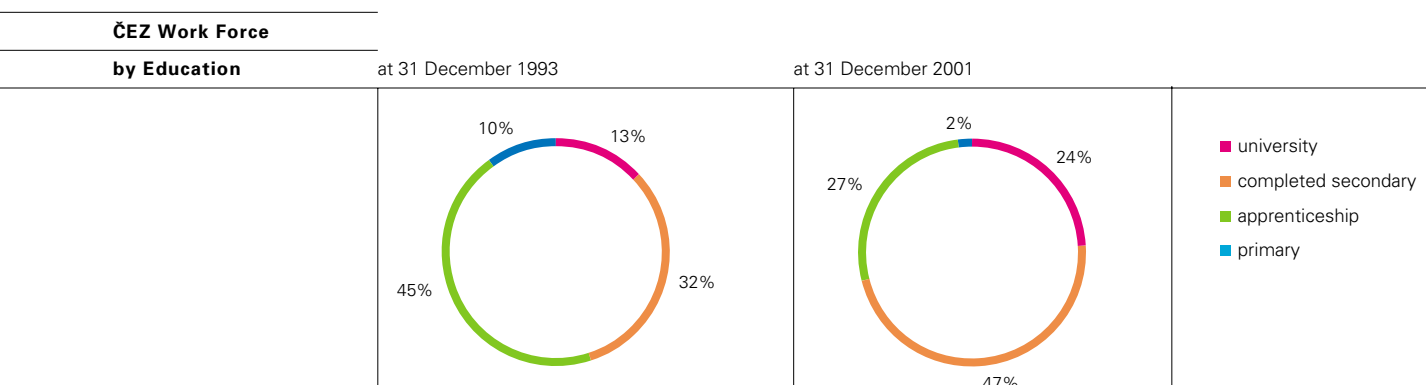
Human Resources

Work Force Size and Composition

Optimization and rationalization processes leading to a reduction in the number of employees were a key focus of ČEZ/ČEPS during 2001. The physical employee head count at 31 December 2001 was 8,011, down 1,267 from the end of 2000. A major reduction was made possible by process centralization in the newly formed Conventional Power Section.

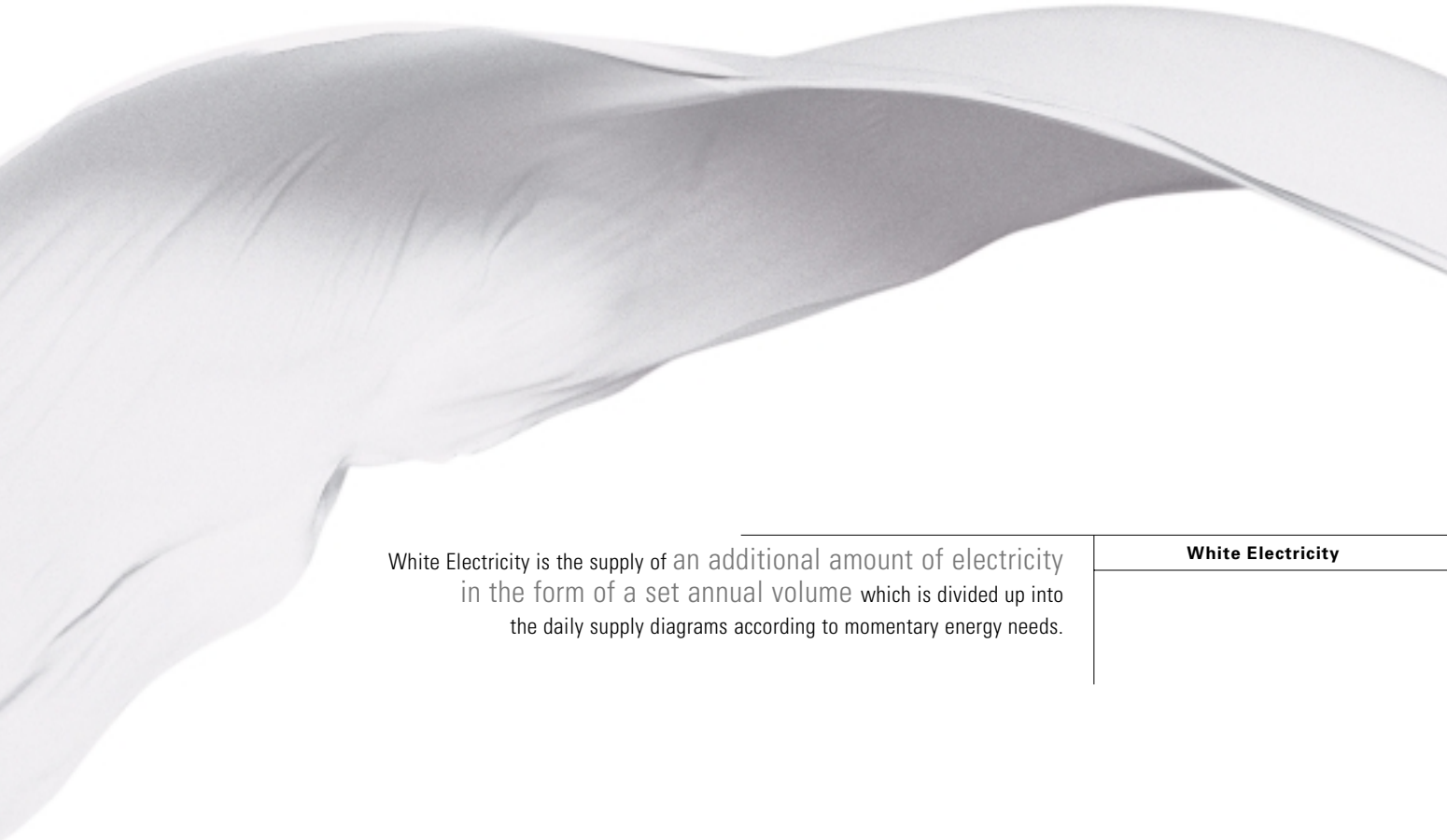


The work force qualification structure is improving. Since 1993, the share of university educated employees has increased by 11% and the share of employees with completed secondary school has risen by 15%.



Most of the company is made up of employees between 40 and 50 years of age (33%) and between 30 and 40 years of age (28%). Employees aged between 50 and 60 also comprise a substantial portion (24%). The relatively high average employee age is related to the age of the company’s conventional plants and overall work force stability. The work force optimizing process has also played a substantial role in this situation, since there has been practically no new hiring. In conjunction with the new strategy and the company’s transformation from a 100% production – oriented company into one that focuses on both sales and production, ČEZ will endeavor to lower the work force average age.





White Electricity is the supply of an additional amount of electricity in the form of a set annual volume which is divided up into the daily supply diagrams according to momentary energy needs.

White Electricity

Social Policy

The ČEZ social program encompasses a wide variety of activities and benefits provided to employees. A total of CZK 83 million was drawn from the social fund in 2001, and was used in particular for the following:

- meal plan (mainly in the company's own cafeterias),
- recreation and health treatment/sanatorium sojourns,
- children's recreation,
- social aid,
- physical fitness and cultural events organized for employees and their family members,
- health care programs,
- retirees' club activities – former employees,
- contributions to blood donors,
- health care (not covered by the State's mandatory health insurance plan),
- partial compensation of transitional accommodation costs.

The social program also includes a contribution for employees and former employees (retirees) towards electricity costs, a Supplemental Pension Insurance contribution, preventive medical check-ups, a one-off contribution upon birth of a child, and the provision of interest-free loans (e.g. to purchase an apartment from ČEZ, a. s.).

Average social program outlays per employee in 2001 totaled approximately CZK 43,000.

The Company and the Labor Unions

The ČEZ unionized labor force consists of 3,949 member employees (52% of the overall work force) who are organized in 23 independent labor organizations, which in turn are members of three labor unions: the Power Industry Employees Union (13 member organizations), the Union of Northwest Czech Energy Employees (8 member organizations), and the Union of Nuclear Power Station Employees (2 member organizations).

Despite the fact that both social partners have different interests and occasionally find themselves in opposing positions, a way to agreement has always been found. A tribute to this is the early signing of the ČEZ, a. s. Collective Agreement for the 2002–2003 period.

Energy Sector Forecast

Development of the Power Industry Legislative Framework

A major change in Czech Republic legislation during the past period was, first and foremost, the amendment of the Commercial Code (513/1992 Sb.). The purpose of the amendment (370/2000 Sb.) was to harmonize this key Czech company-law norm with European Union regulations. The amendment entered into force on 1 January 2001. ČEZ, a. s. revised its Articles of Association to bring them into compliance with the amended legislation and the amendment was passed by the Annual General Meeting held on 19 June 2001. At the same time, the same revisions were made in the Articles of Association of ČEZ's subsidiaries. The areas affected most by the legislative amendment are, in particular, shareholder rights and obligations, General Meeting powers (expanded to include approving silent partnership agreements, profit transfer agreements, control agreements, etc.), corporate governance, as well as a revision of terminology used in the Commercial Code.

Following the adoption of an "Energy Policy" document by the Government of the Czech Republic in January 2000 as a fundamental document outlining aims in the energy economy over the period of the next 15 to 20 years, a number of new regulations were passed in 2001 that have an impact on the business environment for energy sector players. The foundation of the legislative framework is composed of the "Energy Act" (458/2000 Sb.), the "Energy Management Act" (406/2000 Sb.), the "Nuclear Act" (18/1997 Sb.) and related secondary and implementing regulations (decrees, orders, directives, etc.).

1 July 2002 is the effective date of an amendment to the "Nuclear Act" passed by Parliament on 18 December 2001. The amendment is based on European Community regulations, in accordance with which it specifies and provides definitions for terms such as radiation activity, source of ionizing radiation, extraordinary radiation situation, etc. and stipulates ionizing radiation limits for natural persons as well as a new method for setting aside provisions for nuclear facility decommissioning.

Other legislation passed in 2001 that has a direct impact on the company's business includes the Act on Assessing Environmental Impact (100/2001 Sb.), the Waste Act (185/2001 Sb.), the Water Act (254/2001 Sb.), the Government Order on the Brown Coal Mining Industry Phase-Out and Restructuring Contribution (287/2001 Sb.), Decree of the Ministry of Environment stipulating the Waste Catalog (381/2001 Sb.), and Decree of the Ministry of Environment on Waste Management Details (383/2001 Sb.).

The period covered by this Annual Report saw the issue of most of the implementing regulations to Act 458/2000 Sb. that comprise the necessary legislative framework for the successful functioning of the power industry in the new conditions of the liberalized market.

Those regulations are the following, issued by the Ministry of Industry and Trade:

- Decree 218/2001 Sb. stipulating details on electricity metering and exchange of technical data,
- Decree 219/2001 Sb. on procedure in case of an impending or existing state of emergency,
- Decree 220/2001 Sb. on the Grid Control Rules of the Czech Republic Power System,
- Decree 221/2001 Sb. stipulating details for granting State authorization for construction of direct power lines,
- Decree 222/2001 Sb. stipulating details for granting State authorization for construction of electricity generation facilities,
- Decree 252/2001 Sb. on methods for purchasing electricity from renewable sources and from combined production of electricity and heat,

- Decree 18/2002 Sb. on conditions for electricity hook-ups and electricity conveyance in the Power System,
- Decree 19/2002 Sb. on organization of the spot electricity market.

During the period in question the Ministry of Industry and Trade also promulgated the following regulations implementing the “Energy Management Act”:

- Decree 150/2001 Sb. stipulating the minimum efficiency of energy utilization applicable to the generation of electricity and heat,
- Decree 151/2001 Sb. stipulating details on the efficiency of energy utilization in the distribution of thermal energy and indoor conveyance lines for thermal energy,
- Decree 152/2001 Sb. stipulating rules for heating buildings and supply of hot water, indicators for measuring consumption of heat for heating buildings and supply of hot water and requirements for equipping indoor heating equipment of buildings with devices that regulate the supply of thermal energy to end users,
- Decree 153/2001 Sb. stipulating details for determining the efficiency of energy utilization in distribution conveyance and indoor conveyance of electrical energy,
- Government order 195/2001 stipulating details on the content of power documentation for zoning purposes,
- Decree 212/2001 Sb. stipulating details for the preparation and realization of combined generation of electricity and heat,
- Decree 213/2001 Sb. stipulating details of power audits,
- Decree 214/2001 Sb. defining sources of energy that are to be considered renewable sources,
- Decree 215/2001 Sb. stipulating details on labeling electrical appliances and preparation of technical documentation, as well as minimum energy efficiency requirements for electrical appliances brought to market,
- Decree 291/2001 Sb. stipulating details on efficiency of energy utilization in the consumption of heat in buildings.

The Energy Regulatory Office issued the following decrees in 2001:

- Decree 154/2001 Sb. stipulating details for granting licenses to do business in the energy sectors,
- Decree 297/2001 Sb. stipulating conditions for hook-ups and electricity supplies for protected customers,
- Decree 306/2001 Sb. on quality of electricity supplies and related services in the electrical energy sector,
- Decree 373/2001 Sb. stipulating rules for electricity market organization and principles for determining prices through a Market Operator,
- Decree 377/2001 Sb. stipulating the method for selecting a particular license holder, method for calculating demonstrable loss and amount, including rules for paying financial contributions into this fund,
- Decree 438/2001 Sb. stipulating the content of economics data and procedures for regulating prices in the energy sector,
- Decree 439/2001 Sb. stipulating rules for keeping separate records of sales revenues, costs, and returns on invested capital in the energy sector.

This set of decrees based on the “Energy Act” defines the business environment in the area of electricity generation, transmission and distribution. Starting in 2002, the electricity market is, for practical purposes, entirely liberalized for producers and is being opened up gradually for end users (in 2002 for customers with annual consumption of over 40 GWh).

Brief Forecast of Power Industry Development from the Vantage Point of ČEZ

The development of the power industry, both world-wide and in the Czech Republic, is characterized by the opening of energy markets to competition. As this goes forward, we are seeing a polarization and intensification of varying, difficult-to-reconcile interests, the result of which is that the process moves in fits and starts, with imbalances between regions.

The driving force behind the liberalization of electricity markets is consumers' efforts to bring about an environment that stimulates the lowest possible retail prices by increasing competition among various market players. Working against that are, on the one hand, the efforts of existing dominant suppliers to protect their market shares and, on the other hand, the necessity of limiting the risks for the long-term capital investments typical for the sector and preventing supply interruptions, which become much more likely when market conditions are introduced that allow for fast-paced changes and speculative behavior on the part of market players.

The most important structure influencing the future development of the Czech electricity sector is the European Union. As a result of the above pressures, the European Commission and some member states are calling for a fast, complete opening of national markets and the removal of obstacles to electricity trading throughout the entire territory of the Union. Other countries prefer a more careful, evolutionary process underpinned by traditional practices. Thus, rather than globalization, in the European Union we are seeing more a regionalization of conditions for doing business in the sector, in reaction to which enterprises are creating multiutilities and closer vertical linkages in particular regions. The Commission is aware of the danger that the inconsistent conditions pose for the common market and is pushing for a more unified strategy. With the aim of preventing markets that are already open to competition from taking any measures that could reduce the degree of their liberalization, the Commission is resolved in 2002 to put through legislation that would require member states to move forward with liberalization more quickly. Last year, the draft of a new directive on the internal energy market, which had been vetoed by France and Germany, was reworked to take into account the most critical objections of those countries and, following the Barcelona summit, the way is opened for a hasty opening up of the entire market except for households and the adoption of the "ex ante" principle for selected activities even in the negTPA conception. The Commission continues to declare its aim of working towards the legal separation (with some exceptions) of key enterprises subject to regulation from undertakings involved in non-regulated activities. The Commission has readied for discussion a draft regulation that would ease the technical and commercial conditions for the transmission of electricity among European Union member states.

Unfortunately, only marginal attention in the process of drafting internal EU documents is being paid to countries preparing for EU membership and, despite the fact that the Czech Republic is the number-two electricity exporter within the European Union (second only to France), it is being allowed to participate in the preparation of the European Union power industry development rules only through an intermediary. This situation could become an obstacle to the development of trade, investment and logistics in the territory of an enlarged European Union after 2005. The European Union has not been able to prevent unilateral, politically motivated and substantively entirely unjustified, discriminatory steps taken by certain member states against electricity from the Czech Republic.

As experience in neighboring markets has shown, it can be expected that as the Czech Republic electricity market is opened up to competition on the customer side, it will be slow to exhibit commercial, evaluative behavior and there will be only cautious interest on the part of customers in changing their electricity supplier. For the next few years, organized multilateral trade will represent only a small percentage of the overall market both in the Czech Republic and in other countries as well.

In the European Union, despite there being a surplus of generating capacity, the rate of new construction exceeds that of decommissioning of older, obsolete generating plant. Thus, overall installed capacity in Europe is growing. Since much of the new generating plant is gas-fired, a rapid shift towards gas is occurring in the overall structure of fuels used to generate electricity, and this is increasing Europe's dependence on imports, particularly from Russia. From a long-term perspective, this is reducing the sector's fuel variety, with all the negative implications this has for its stability. Thus, the potential importance of those existing generating facilities that are not dependent on gas is on the rise. From this vantage point, ČEZ's portfolio can be seen as well structured, for now and for the long term as well.

In the future, State support for renewable resources is expected to rise. Although their technically feasible utilization potential is not high, ČEZ is prepared to utilize and develop these resources to an economically justified extent.

Although competition in the electricity generation market in the Czech Republic is more open than in neighboring markets, certain types of electricity generation are receiving price support on the basis of political decisions. These include primarily renewable energy resources and combined generation of electricity and heat (CHP), for which regulators have stipulated minimum mandatory purchase prices that are above the level of wholesale market prices, with an additional advantage for facilities with lower installed capacity and so-called "decentral" producers who are not connected to the transmission grid. Another unequal advantage is given to entities that generate electricity primarily for their own consumption – these players pay the transmission grid operator far lower rates for system services. In future, these measures will need to be reassessed and updated to ensure that State support does not result in deformations in the sector economy and does not bring about unjustified long-term investments or unjustified losses in individual enterprises.

The rapid and practically full opening of the generation side of the Czech electricity market to competition without any similar opening of neighboring market has put ČEZ, a. s. in a difficult, unequal situation that places great demands on our internal resources. Therefore, ČEZ expects that government agencies will carefully monitor the effectiveness of measures that protect the economy from unfair competition from abroad. ČEZ also expects that elements that discriminate against Czech producers will be eliminated by strict adherence to the principle of reciprocity with a view to the fact that currently, substantial administrative, price and/or organizational obstacles to electricity imports (including those from the Czech Republic) are in place in all the markets in the area surrounding the Czech Republic and that, in other countries, electricity generation tends to enjoy hidden advantages in the form of subsidized prices of inputs or low environmental, safety and/or social requirements. However, these defects in the business environment can be expected to be removed gradually, under pressure from European Union authorities and domestic consumers.

Anticipated Economic and Financial Situation of ČEZ in 2002

Without exaggeration, 2002 can be described as a turning point for ČEZ, a. s. The commenced “gradual” liberalization of the electricity market, under which the largest electricity customers – called “Eligible Customers” (i.e. those with annual electricity consumption of 40 GWh or higher) – have the right to choose their electricity supplier effective 1 January 2002, is not at all “gradual” for producers. Like the largest consumers, our key customers – the regional distribution companies – also have the right to choose their electricity supplier. Couched in the terminology of liberalization legislation, starting in January 2002 all of ČEZ’s customers in the domestic market are Eligible Customers.

This fundamental change represents a major shift for the company: from “we sold what we produced” to “we can produce only that which we have already sold on fully competitive electricity market”. That implies an about-face in the company’s orientation, from focusing 100% on production to becoming a sales- and production-oriented company, with a preference for selling electricity generated in-house.

Therefore, the principal task for the second half of 2001 was to prepare to sell electricity in 2002. With the “Rainbow Power” offering, the company aimed to appeal to customers through a range of precisely-defined products for various time segments of the year. Preference was given to the regional distribution companies who represent the so-called “Protected Customers” – i.e., customers who do not yet have the right to choose their supplier – and, subsequently, other Eligible Customers and traders (electricity trading license holders) through a public auction. Later in the year customers were also offered other electricity sales possibilities based on combinations of the various types of products offered in the “Rainbow Power” program. ČEZ’s goal was not to win over a particular number of Eligible Customers from their current suppliers (the regional distribution companies), but rather to attain a pre-determined volume of electricity sales in the form of one-year contracts. Attesting to the success of this marketing strategy is the fact that, as of 31 December 2001, contracts had already been signed covering almost 90% of the anticipated production volume for 2002. Remaining production was reserved for the spot/short-term market. The only case in which we failed to find a satisfactory solution through Yellow Electricity (the least expensive band in the Rainbow Power program) was Severomoravská energetika, a.s.

ČEZ’s position as the dominant electricity producer in the Czech Republic is becoming problematic as the market is being opened up to competition in a lopsided manner (full liberalization on the production side, partial liberalization on the consumption side), but also due to foreign competitors’ entering the Czech electricity market at an advantage (i.e., for practically no fee) compared to access of balanced electricity to certain foreign markets (border crossing fee and auction price for export profile capacity). Another problem is a deformation of the domestic electricity market represented by the preferential support given to CHP plants connected to distribution grid (ČEZ’s CHP plants are connected to transmission grid mostly). The support itself is desirable, but it is being granted in an inappropriate form.

In view of the above, the marketing-oriented offering of electricity for sale in the competitive wholesale market was based on prices lower than those in past years, with the aim of retaining our market position. As a result, we anticipate lower sales than we have been seeing in the past couple years. The change in the operation structure resulting from the planned start-up of trial operation of Temelín Nuclear Power Station's Unit One will include a reduction of certain cost items, which will partially balance the decrease of sales. Another significant influence, unlike previous years, will be beginning of depreciation of Unit One of Temelín Nuclear Power Station along with equipment common to both Units, after the start of trial operation. As a result, we expect lower level of 2002 operational profits.

In conjunction with the ongoing rationalization of the company's organization structure and the work force reductions, EBITDA per employee ratio is expected to show further improvement.

Generation of funds through operating activities is expected to be in line with previous years' performance, which should enable a further reduction in the company's liabilities. In 2002 we expect to repay nearly CZK 5 billion in long-term bank loans, and additional funds will be used to finance capital investment.

Short-term borrowing and a note program will be used for liquidity management.

In the area of acquisitions of tangible and intangible assets (capital expenditures), ČEZ plans to expend approximately the same level as in 2001. However, the total capital investment will not be determined until we know the financial demands that will ensue from eventual asset transfers with relation to ČEPS, a.s. and the possible purchase of shares in the regional distribution companies pursuant to Czech Republic Government Resolutions 250/2002 and 477/2002. The sale of a majority stake in ČEPS, a.s. envisioned by this transaction will also have a substantial one-off impact on earnings and tax liability ensuing from the anticipated difference between the selling price and the net book value of the equity stake to be transferred.

It can be assumed that these acquisition steps, aimed at reinforcing ČEZ's position in the electricity market, would require ČEZ's return to the financial markets as a borrower. Past experience together with our good debtor standing give us confidence in our ability to get good financing conditions.

Report of Independent Public Accountants


To the Board of Directors and the Supervisory Board of ČEZ, a. s.:

We have audited the accompanying consolidated balance sheets of ČEZ, a. s. (a Czech joint-stock company, "the Company") and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ČEZ, a. s., and subsidiaries as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001 in conformity with International Financial Reporting Standards, as published by the International Accounting Standards Board.

As discussed in note 2.3 to the consolidated financial statements, in 2001 the Company adopted International Accounting Standard IAS 39, Financial Instruments: Recognition and Measurement.



Arthur Andersen Česká republika, k. s.

Prague, Czech Republic

March 12, 2002

Consolidated Financial Statements Prepared in Accordance with International Financial Reporting Standards

Consolidated Balance Sheet as of December 31, 2001, 2000 and 1999 (CZK millions)

Consolidated Balance Sheet as of December 31 (CZK millions)	2001	2000	1999
Assets			
Property, plant and equipment:			
Plant in service	180,069	177,181	170,901
Less accumulated provision for depreciation	92,431	84,228	76,153
Net plant in service (Note 4)	87,638	92,953	94,748
Nuclear fuel, at amortized cost	5,967	5,764	4,913
Construction work in progress (Notes 3 and 20)	111,929	103,591	91,460
Total property, plant and equipment	205,534	202,308	191,121
Investment in associate (Note 18)	5,518	5,225	5,024
Investments (Note 5)	4,110	2,935	2,516
Intangible assets (Note 6)	1,144	916	396
Total non-current assets	216,306	211,384	199,056
Current assets:			
Cash and cash equivalents (Note 7)	3,365	3,219	4,357
Receivables, net (Note 8)	3,933	4,032	4,492
Materials and supplies, net	2,489	2,268	2,172
Fossil fuel stocks	657	712	797
Other current assets (Note 9)	2,277	645	615
Total current assets	12,721	10,876	12,433
Total assets	229,027	222,260	211,489
Shareholders' equity and liabilities			
Shareholders' equity:			
Stated capital (Note 10)	59,050	59,209	59,209
Retained earnings	77,676	70,233	62,996
Total shareholders' equity	136,726	129,442	122,205
Long-term liabilities:			
Long-term debt, net of current portion (Note 11)	43,081	49,704	51,084
Accumulated provision for nuclear decommissioning and fuel storage (Note 13)	21,396	20,902	18,457
Total long-term liabilities	64,477	70,606	69,541
Deferred income taxes, net (Note 17)	9,870	8,057	
Current liabilities:			
Short-term loans (Note 14)	514	1,104	2,804
Current portion of long-term debt (Note 11)	5,126	4,703	2,665
Trade and other payables (Note 15)	8,651	5,035	4,552
Income taxes payable	953	643	
Accrued liabilities (Note 16)	2,710	2,670	3,457
Total current liabilities	17,954	14,155	13,478
Commitments and contingencies (Note 20)			
Total shareholders' equity and liabilities	229,027	222,260	211,489

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income for the Years Ended December 31, 2001, 2000 and 1999 (CZK millions)

Consolidated			
Statements of Income			
(CZK millions)		2001	2000
		1999	
Revenues:			
Sales of electricity	53,300	49,675	50,678
Heat sales and other revenues	3,297	3,017	2,864
Total revenues	56,597	52,692	53,542
Expenses:			
Fuel	13,220	12,800	12,957
Purchased power and related services	6,389	5,436	7,808
Repairs and maintenance	3,476	3,316	4,217
Depreciation and amortization	9,336	9,349	8,885
Salaries and wages	3,946	3,793	3,584
Materials and supplies	1,851	1,954	2,087
Other operating expenses	3,466	3,189	3,878
Total expenses	41,684	39,837	43,416
Income before other expense (income) and income taxes	14,913	12,855	10,126
Other expense (income):			
Interest on debt, net of capitalized interest (Note 2.8)	796	1,015	966
Interest on nuclear provisions (Note 2.20 and 13)	1,463	1,265	1,230
Interest income	(177)	(188)	(157)
Foreign exchange rate losses (gains), net	(2,110)	216	2,609
Other expenses, net	2,009	265	703
Income from associate (Note 18)	(360)	(319)	(434)
Income before income taxes	13,292	10,601	5,209
Income taxes (Note 17)	4,169	3,364	919
Net income	9,123	7,237	4,290
Average number of shares outstanding (000s) (Note 10)	591,926	592,088	592,088
Net income per share, basic and diluted (CZK per share)	15.4	12.2	7.2

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2001, 2000 and 1999 (CZK millions)

Consolidated Statements of Shareholders' Equity (CZK millions)	Number of Shares			Stated Capital	Retained Earnings	Total Equity
	Series A Shares	Series B Shares	CZK 100 Shares (in thousands)			
December 31, 1998	51,731,161	2,304,569	–	59,209	58,706	117,915
Share split (Note 10)	(51,731,161)	(2,304,569)	592,088	–	–	–
Net income	–	–	–	–	4,290	4,290
December 31, 1999	–	–	592,088	59,209	62,996	122,205
Net income	–	–	–	–	7,237	7,237
December 31, 2000, as previously reported	–	–	592,088	59,209	70,233	129,442
Effect of adopting IAS 39 (Note 2.3)	–	–	–	–	(496)	(496)
January 1, 2001 as restated	–	–	592,088	59,209	69,737	128,946
Net income	–	–	–	–	9,123	9,123
Acquisition of treasury shares	–	–	(1,950)	(159)	–	(159)
Dividends declared	–	–	–	–	(1,184)	(1,184)
December 31, 2001	–	–	590,138	59,050	77,676	136,726

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows for the Years Ended December 31, 2001, 2000 and 1999 (CZK millions)

Consolidated			
Statements of Cash Flows			
(CZK millions)		2001	2000
		1999	
Operating activities:			
Income before income taxes		13,292	10,601
			5,209
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization and asset write-offs		9,429	9,406
Amortization of nuclear fuel		1,644	1,630
(Gain)/loss on fixed asset retirements		50	23
Foreign exchange rate loss (gain)		(2,110)	216
Interest expense, interest income and dividends income, net		555	785
Provision for nuclear decommissioning and fuel storage		387	398
Provisions for doubtful accounts, environmental claims and other adjustments		217	92
Income from associate		(360)	(319)
			(434)
Changes in assets and liabilities:			
Receivables		(1,027)	(520)
Materials and supplies		48	(246)
Fossil fuel stocks		56	85
Other current assets		(387)	(70)
Trade and other payables		1,809	550
Accrued liabilities		414	(260)
			291
Cash generated from operations		24,017	22,371
			20,936
Income taxes paid		(1,820)	26
Interest paid, net of capitalized interest		(744)	(1,072)
Interest received		178	189
Dividends received		131	160
			133
Net cash provided by operating activities		21,762	21,674
			19,496
Investing activities:			
Additions to property, plant and equipment and other non-current assets, including capitalized interest (Note 2.8)		(15,318)	(21,621)
Proceeds from sales of fixed assets		163	313
			533
Total cash used in investing activities		(15,155)	(21,308)
			(22,193)
Financing activities:			
Proceeds from borrowings		6,737	12,797
Payments of borrowings		(11,776)	(14,287)
Dividends paid		(1,174)	-
Acquisition of treasury shares		(159)	-
			-
Total cash provided by (used in) financing activities		(6,372)	(1,490)
			6,307
Net effect of currency translation in cash		(89)	(14)
			(260)
Net increase (decrease) in cash and cash equivalents		146	(1,138)
			3,350
Cash and cash equivalents at beginning of period		3,219	4,357
			1,007
Cash and cash equivalents at end of period		3,365	3,219
			4,357
Supplementary cash flow information			
Total cash paid for interest		3,527	4,402
			4,668

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements as of December 31, 2001

1. The Company

ČEZ, a. s. ("ČEZ" or "the Company") is a Czech Republic joint-stock company which was established as of April 30, 1992. At December 31, 2001 the Czech Republic National Property Fund owned 67.6% of the Company. The remaining shares of the Company are publicly held. The address of the Company's registered office is Jungmannova 29/35, Praha 1, 111 48, Czech Republic. The average number of employees of the Company and its consolidated subsidiaries was 8,532 and 9,553 for the year 2001 and 2000, respectively.

ČEZ is an electricity generation and transmission company, which produced approximately 70% of the electricity and a minor portion of the district heating in the Czech Republic in 2001. The Company sells substantially all of its electricity to eight distribution companies ("REAS") in the Czech Republic (see Note 18). The Company operates ten fossil fuel plants, thirteen hydroelectric plants and one nuclear plant. The Company also has one nuclear plant under construction (see Note 3).

On November 28, 2000 the Czech Parliament passed The Act on Conditions of Business Activity and State Administration in the Energy Industries and on State Power Inspection (the "Energy Law") which replaced the previous Energy Law effective from January 1, 1995. The Energy Law provides the conditions for business activities, performance of public administration and regulation in the energy sectors, including electricity, gas and heat, as well as the rights of and obligations of individuals and legal entities related thereto. The business activities in the energy sectors in the Czech Republic may only be pursued by individuals or legal entities upon the basis of government authorization in the form of licenses granted by the Energy Regulatory Office.

Responsibility for the exercise of public administration in the energy sectors shall be borne by the Ministry of Industry and Trade (the "Ministry"), the Energy Regulatory Office and the State Energy Inspection Board.

The Ministry, as the central public administration body for the energy sector, issues state approval to construct new energy facilities in accordance with specified conditions, develops the energy policy of the state and ensures fulfillment of obligations resulting from international agreements and treaties binding on the Czech Republic or obligations resulting from membership in international organizations.

The Energy Regulatory Office was established as the administrative office to exercise regulation in the energy sector of the Czech Republic, to support economic competition and to protect consumers' interests in sectors where competition is not possible. The Energy Regulatory Office decides on the granting of a license, imposition of the supply obligation beyond the scope of the license, imposition of the obligation to let another license holder use energy facilities in cases of emergency to exercise the supply obligation beyond the scope of the license and price regulation based on special legal regulations.

The State Energy Inspection Board is the inspection body supervising the activities in the energy sector.

It is planned that third-party access will be introduced gradually between 2002 and, at the latest, 2006 at which time electricity customers will be able to purchase electricity from any distributor, eligible generator, or trader.

In 2000, the Government of the Czech Republic decided on a scenario for the privatization of the state's interest in the Czech energy sector. Together with the sale of its 67.6% interest in ČEZ, a. s., the state intended to sell its interests in some REAS to a new investor. On January 9, 2002 the Government of the Czech Republic has canceled the privatization tender, because none of the potential investors had fulfilled the tender conditions. The Government then continued in negotiations with individual bidders but these discussions were also unsuccessful.

On March 11, 2002 the Government decided to sell its shares in the eight electric distribution companies (REAS), which are held by the National Property Fund, to ČEZ. Simultaneously the Government decided to purchase a majority of ČEZ's share in its transmission subsidiary ČEPS by the National Property Fund. The price will be determined by independent valuers. These transactions should be carried out in the first half of 2002.

2. Summary of Significant Accounting Policies

2.1. Basis of Accounting

The Company is required to maintain its books and records in accordance with accounting principles and practices mandated by the Czech Law on Accounting. The accompanying consolidated financial statements reflect certain adjustments and reclassifications

not recorded in the accounting records of the Company in order to conform the Czech statutory balances to financial statements prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. The adjustments are summarized in Note 21.

2.2. Financial Statements

The accompanying consolidated financial statements of ČEZ are prepared in conformity with Statements of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, effective as of December 31, 2001. The financial statements include the accounts of ČEZ, a. s., its wholly owned subsidiary, CEZ Finance B.V, incorporated under the law of The Netherlands and its wholly owned transmission subsidiary, ČEPS, a. s. (see Note 19), incorporated under the law of the Czech Republic. All significant intercompany transactions and accounts have been eliminated in consolidation. The Company has an ownership interest of 37.2% in Severočeské doly a.s. (see Note 18), which is accounted for using the equity method.

Other investments are excluded from the consolidation because the impact on consolidated financial statements would not be significant. These investments are included non-current assets and are stated at cost net of provision for diminution in value (see Note 5).

The financial statements were approved for issue by Petr Vobořil, Chief Financial Officer of ČEZ, on March 12, 2002.

2.3. Change in Accounting Principle

In 2001 the Company adopted International Accounting Standard IAS 39, Financial Instruments: Recognition and Measurement. Following the introduction of IAS 39, available-for-sale investments are carried at fair value and all derivative financial instruments have been recognized as assets or liabilities. The opening balance of retained earnings at January 1, 2001 has been adjusted. Prior year comparative figures have not been restated.

Certain prior year financial statement items have been reclassified to conform to the current year presentation.

2.4. Measurement Currency

Based on the economic substance of the underlying events and circumstances relevant to the company, the measurement currency of the company has been determined to be the Czech crown (CZK).

2.5. Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2.6. Revenues

The Company recognizes revenue and bills for electricity delivered and services rendered through the end of each month based on meter readings.

Approximately 85% of the Company's total electricity sales, and 99% of domestic sales, are to the eight REAS (see Note 1).

2.7. Fuel Costs

Fuel costs are expensed as fuel is consumed. Fuel expense includes the amortization of the cost of nuclear fuel. Amortization of nuclear fuel charged to fuel expense was CZK 1,644 million, CZK 1,630 million and CZK 1,568 million for the years ended December 31, 2001, 2000 and 1999, respectively. The amortization of nuclear fuel includes charges in respect of additions to the accumulated provision for interim storage of spent nuclear fuel (see Note 13). Such charges amounted to CZK 107 million, CZK 97 million and CZK 101 million in 2001, 2000 and 1999, respectively.

2.8. Interest

The Company capitalizes all interest costs incurred in connection with its construction program that theoretically could have been avoided if expenditures for the assets had not been made. Such capitalized interest costs amounted to CZK 2,783 million, CZK 3,330 million and CZK 3,643 million, which was equivalent to a capitalization rate of 7.5%, 8.0% and 9.4% in 2001, 2000 and 1999, respectively.

2.9. Property, Plant and Equipment

Property, plant and equipment are stated at historical original cost. Original cost of plant in service includes materials, labor, payroll-related costs and the cost of debt financing used during construction. The original cost also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that it is recognized as a provision under IAS 37, Provisions, Contingent Liabilities and Contingent Assets. In case that during the construction of an asset the constructed asset produces products or services, which are sold, the revenues from such sales are deducted from the original cost of that asset. Government grants received for construction of certain environmental installations decrease the acquisition cost of the respective items of property, plant and equipment.

The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense. Renewals and improvements are capitalized. Upon sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are included in the determination of net income.

The Company periodically reviews the recoverable amounts of its property, plant and equipment to determine whether such amounts continue to exceed the assets' carrying values.

Depreciation

The Company depreciates the original cost of property, plant and equipment by using the straight-line method over the estimated economic lives. The depreciable lives used for property, plant and equipment are as follows:

The Depreciable Lives Used for Property, Plant and Equipment		Lives
Buildings and structures		25 – 50
Machinery and equipment		4 – 20
Furniture and fixtures		8

Average depreciable lives based on the functional use of property are as follows:

Average Depreciable Lives	Average Life
Hydro plants	
Buildings and structures	45
Machinery and equipment	20
Fossil fuel plants	
Buildings and structures	30
Machinery and equipment	10
Ash storage facilities	5
Nuclear power plant	
Buildings and structures	30
Machinery and equipment	12
Transmission lines	30
Transformer stations	16

Depreciation of plant in service was CZK 9,097 million, CZK 9,113 million and CZK 8,739 million for the years ended December 31, 2001, 2000 and 1999, which was equivalent to a composite depreciation rate of 5.3%, 5.4% and 5.5%, respectively.

2.10. Nuclear Fuel

Nuclear fuel is stated at original cost, net of accumulated amortization. Amortization of fuel in the reactor is based on the amount of power generated.

2.11. Intangible Assets

Intangible assets consist mainly of software and are valued at their acquisition cost and related expenses. Intangible assets are amortized over four years using the straight-line method.

2.12. Investments

The company adopted IAS 39, Financial Instruments: Recognition and Measurement as of January 1, 2001. Accordingly, investments are classified into the following categories: held-to-maturity, trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity other than loans and receivables originated by the Company are classified as held-to-maturity investments. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading. All other investments, other than loans and receivables originated by the company, are classified as available-for-sale.

Held-to-maturity investments are included in non-current assets unless they mature within 12 months of the balance sheet date.

Investments held for trading are included in current assets. Available-for-sale investments are classified as current assets if management intends to realize them within 12 months of the balance sheet date.

All purchases and sales of investments are recognized on the settlement date.

Investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs.

Available-for-sale and trading investments are subsequently carried at fair value without any deduction for transaction costs by reference to their quoted market price at the balance sheet date. Equity securities classified as available-for-sale and trading investments that do not have a quoted market price in an active market are measured at cost (see Note 5). The carrying amounts of such investments are reviewed at each balance sheet date for impairment.

Gains or losses on measurement to fair value of available-for-sale investments are recognized directly in the fair value reserve in shareholders equity, until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in net profit or loss for the period.

Changes in the fair values of trading investments are included in other expense (income).

Held-to-maturity investments are carried at amortized cost using the effective interest rate method.

2.13. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, current accounts with banks and short-term bank notes with a maturity of three months or less (see Note 7). Foreign currency deposits are translated at December 31, 2001 and 2000 exchange rates, respectively.

2.14. Receivables, Payables and Accruals

Receivables are stated at the fair value of the consideration given and are carried at amortized cost after provision for impairment.

At December 31, 2001 and 2000 the provision for impairment of receivables amounted to CZK 715 and 251 million, respectively.

Payables are recorded at invoiced values and accruals are reported at expected settlement values.

2.15. Materials and Supplies

Materials and supplies are principally composed of power plant maintenance materials and spare parts. Cost is determined by using weighted average cost, which approximates actual cost. These materials are recorded in inventory when purchased and then expensed or capitalized to plant, as appropriate, when used. The Company records a provision for obsolete inventory as such items are identified. An accumulated provision for obsolete stocks of CZK 13 and 282 million was created against inventory as of December 31, 2001 and 2000, respectively.

2.16. Fossil Fuel Stocks

Fossil fuel stocks are stated at weighted average cost, which approximates actual cost.

2.17. Derivative Financial Instruments

Derivative financial instruments that are not designated as hedging instruments are classified as held-for-trading and carried at fair value under other current assets and trade and other payables, with changes in fair value included in other expense (income).

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value reported in net profit or loss.

2.18. Income Taxes

The provision for corporate tax is calculated in accordance with Czech tax regulations and is based on the income or loss reported under Czech accounting regulations, adjusted for appropriate permanent and temporary differences from Czech taxable income. In the Czech Republic, income taxes are calculated on an individual company basis as the tax laws do not permit consolidated tax returns. Current income taxes are provided at a rate of 31%, 31% and 35%, for the years ended December 31, 2001, 2000 and 1999, after adjustments for certain items which are not deductible for taxation purposes.

Certain items of income and expense are recognized in different periods for tax and financial accounting purposes. Deferred income taxes are provided on temporary differences between financial statement and taxable income at the subsequent year's tax rate using the liability method. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Income tax rates are published the year preceding their effectiveness and for 2002 the rate will be 31% (see Note 17).

Deferred tax assets and liabilities are recognized regardless of when the timing difference is likely to reverse. Deferred tax assets and liabilities are not discounted. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. A deferred tax liability is recognized for all taxable temporary differences, unless the deferred tax liability arises from goodwill for which amortization is not deductible for tax purposes.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

2.19. Long-term Debt

Borrowings are initially recognized at the amount of the proceeds received, net of transaction costs. They are subsequently carried at amortized cost using the effective interest rate method, the difference between net proceeds and redemption value being recognized in the net income over the life of the borrowings as interest expense.

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers; levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Such debt issuance costs amounted to CZK 96 million in 1999 only.

2.20. Nuclear Provisions

ČEZ has recognized provisions for its obligations to decommission its nuclear power plants at the end of their operating lives, and to store the related spent nuclear fuel initially on an interim and subsequently on a permanent basis.

The provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels, are discounted using a long-term real rate of interest of 2.5% per annum to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the nuclear plants. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. The estimate for the effect of inflation is approximately 4.5%, which is based on the current rate of interest on long-term Czech government bonds of approximately 7% and the estimated 2.5% real rate of interest.

The decommissioning process is expected to continue for approximately a sixty-year period subsequent to the final operation of the plants. Furthermore, spent nuclear fuel will be stored on a temporary basis until approximately 2060 when permanent storage facilities will become available. While the Company has made its best estimate in establishing its nuclear provisions, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning and fuel storage activities, the ultimate provision requirements could either increase or decrease significantly from the Company's current estimates.

2.21. Treasury Shares

Treasury shares are presented in the balance sheet as a deduction from equity. The acquisition of treasury shares is presented in the statement of equity as a reduction to equity. No gain or loss is recognized in the income statement on the sale, issuance, or cancellation of treasury shares. Consideration received is presented in the financial statements as an addition to equity.

2.22. Share Options

Board of directors, certain members of management of the Company and the Supervisory Board members have been granted options to purchase common shares of the Company. Employee compensation expense is measured on the date of the grant and represent the excess of the quoted market price of the shares over the share option price. Changes in the fair value of the issued share options are not recognized in the financial statements.

2.23. Translation of Foreign Currencies

Assets whose acquisition or construction costs were denominated in foreign currencies are translated to Czech crowns at the exchange rates prevailing at the date of each acquisition or at the date on which the related items were included in assets.

Foreign currency on hand, bank accounts, receivables and payables denominated in foreign currencies are translated to Czech crowns at the exchange rates existing at the transaction date and are adjusted at year-end to exchange rates at that date as published by the Czech National Bank.

Exchange rate differences arising on settlement of transactions or on reporting foreign currency transactions at rates different from those at which they were originally recorded are included in the Statement of Income as they occur.

3. Temelín Nuclear Power Plant

The Company is currently finalizing construction of a nuclear power plant in South Bohemia, in the Czech Republic. The plant consists of two Soviet-designed PWR 981 MW units with modifications to upgrade safety and operating systems to Western standards.

Construction of the Temelín nuclear power plant commenced in 1986 and was delayed in 1990. In March 1993 the government of the Czech Republic approved the completion of two out of an originally planned four units and at the same time ordered a fundamental change in the design of the plant, primarily to enhance operational safety of the nuclear power plant. This change consisted of adapting the already built Soviet plant technology to function with Western instrumentation and control systems. At that time, the budgeted cost of the plant was CZK 69 billion with estimated fuel loading of the first unit scheduled for the fall of 1995.

The adaptation of Western technology to the original Soviet plant construction at Temelín posed difficult and unprecedented technical challenges beyond what had been anticipated in 1993. As a result of extensive design and construction changes, the estimated completion date for Temelín was delayed several times.

In July 2000 the first unit of the Temelín nuclear power plant was loaded with fuel and in October 2000 construction was essentially completed and the initial nuclear reaction and testing activities began. The Company expects that the first unit will successfully complete its test period operations and will be fully operational in the first half of 2002, approximately one year later than had been previously anticipated.

In March 2002 the second unit was loaded with fuel and testing activities are expected to begin. The unit is expected to go into service at the end of 2002.

The budgeted cost of the Temelín nuclear power plant is CZK 99 billion, of which CZK 94 billion was incurred as of December 31, 2001. In addition to the budgeted cost of CZK 99 billion the Company has calculated that it will capitalize approximately CZK 17 billion of interest pursuant to its IFRS interest capitalization policy. Actual Temelín construction expenditures, net of electricity revenues capitalized (see Note 4), totaled approximately CZK 4 billion, CZK 10 billion and CZK 10 billion for the years ended December 31, 2001, 2000 and 1999, respectively.

Based on the current status of the plant's construction and testing activities, the Company believes the two units will be fully operational as described above and that the total investment in the plant will not exceed CZK 99 billion. However, due to the fact that the design modifications implemented at Temelín had no historical precedent, there can be no assurance that test period activities will be completed as currently planned and that the units will go into full operation as now scheduled.

Continuing environmental and other opposition to the plant also could result in delayed testing and/or the initial operation of Temelín due to events beyond the control of management.

4. Plant in Service

Plant in service at December 31, 2001 and 2000 is as follows (in millions of CZK):

Plant in Service (CZK millions)	Buildings	Plant and Equipment	Land and Other	Accumulated Depreciation	Net Plant in Service
December 31, 1999	57,287	105,379	8,235	(76,153)	94,748
Plant additions	2,348	5,065	227	–	7,640
Retirements	(808)	(450)	(99)	1,038	(319)
Depreciation	–	–	–	(9,113)	(9,113)
Change in provisions	(3)	–	–	–	(3)
December 31, 2000	58,824	109,994	8,363	(84,228)	92,953
Plant additions	1,595	1,871	517	–	3,983
Retirements	(384)	(614)	(93)	894	(197)
Depreciation	–	–	–	(9,097)	(9,097)
Change in provisions	(5)	1	–	–	(4)
December 31, 2001	60,030	111,252	8,787	(92,431)	87,638

At December 31, 2001 and 2000, plant and equipment included the capitalized costs of nuclear provisions with a net book value of CZK 5,222 and 5,413 million, respectively (see Note 2.20). Capitalized costs of provisions related to Temelín nuclear power plant (see Note 3) are included in construction work in progress. Such capitalized costs amount to CZK 1,949 million, of which CZK 1,695 million relates to plant and equipment and CZK 254 million relates to nuclear fuel.

In 2001 and 2000 the Company capitalized CZK 922 and 1 million of revenues, which were earned during the construction of assets (see Note 2.9). No revenues were capitalized in 1999.

None of the Company's plant in service is pledged as security for liabilities.

5. Investments

Investments at December 31, 2001 and 2000 consist of the following (in millions of CZK):

Investments			
(CZK millions)			
		2001	2000
	Investments in REAS (see Note 1 and 18)	1,969	1,317
	Other shareholdings, net	2,092	1,566
	Long-term receivables, net	49	52
	Total	4,110	2,935

Investments consist of majority and minority shareholdings in operationally related companies and minor interests in shares and share rights of certain of the Company's electric distribution company customers (see Note 1).

There is currently no active market for any of the equity investments held by the Company. The Company therefore measures those investments at their acquisition cost net of impairment provisions and no changes in fair value of investments have been recognized in equity.

At December 31, 2001 and 2000 impairment provisions for other shareholdings amounted to CZK 221 and 147 million, respectively. At December 31, 2001 and 2000 impairment provisions for long-term receivables amounted to CZK 13 and 13 million, respectively.

6. Intangible Assets

Intangible assets at December 31, 2001 and 2000 were as follows (in millions of CZK):

Intangible Assets					
(CZK millions)					
		Software	Rights	Accumulated Amortization	Net Intangible Assets
	December 31, 1999	692	22	(428)	286
	Additions	504	10	–	514
	Retirements	(3)	–	3	–
	Amortization	–	–	(208)	(208)
	December 31, 2000	1,193	32	(633)	592
	Additions	521	4	–	525
	Retirements	(7)	(1)	4	(4)
	Amortization	–	–	(239)	(239)
	December 31, 2001	1,707	35	(868)	874

At December 31, 2001 and 2000, intangible assets presented on the balance sheet included intangible assets in progress in the amount of CZK 270 and 324 million, respectively.

7. Cash and Cash Equivalents

The composition of cash equivalents at December 31, 2001 and 2000 is as follows (in millions of CZK):

Cash and Cash Equivalents			
(CZK millions)			
		2001	2000
	Cash on hand and current accounts with banks	1,835	478
	Short-term bank notes	1,502	2,546
	Term deposits	28	195
	Total	3,365	3,219

At December 31, 2001 and 2000, cash and cash equivalents included foreign currency deposits of CZK 933 and 1,591 million, respectively.

The weighted average interest rate on short-term bank notes and term deposits at December 31, 2001 and 2000 was 4.2% and 5.2%, respectively. For the years 2001, 2000 and 1999 the weighted average interest rate was 4.8%, 5.1% and 5.9%, respectively. At December 31, 2001 and 2000, cash and cash equivalents included balances that are not available for use by the group in the amount of CZK 1,085 and 297 million, respectively. These restricted balances of cash relate to deposits for ash storage reclamation and cash guarantees given to swap transaction partners.

8. Receivables, Net

The composition of receivables, net, at December 31, 2001 and 2000 is as follows (in millions of CZK):

Receivables, Net		
(CZK millions)	2001	2000
Trade receivables	4,220	3,332
Other	428	951
Less allowance for doubtful receivables	(715)	(251)
Total	3,933	4,032

At December 31, 2001 and 2000, the total receivables included receivables from associates and unconsolidated subsidiaries in the amount of CZK 477 and 898 million, respectively.

9. Other Current Assets

The composition of other current assets at December 31, 2001 and 2000 is as follows (in millions of CZK):

Other Current Assets		
(CZK millions)	2001	2000
Advances granted	158	281
Prepayments	153	364
Derivatives	1,933	—
Embedded derivatives	33	—
Total	2,277	645

10. Shareholders' Equity

The Company's stated capital as of December 31, 2001 and 2000 is as follows:

Stated Capital	Number of Shares	Value per Share (CZK)	Total (CZK millions)
		2000	
Registered shares	592,088,461	100	59,209
Total	592,088,461		59,209
		2001	
Registered shares	592,088,461	100	59,209
Treasury shares	(1,950,000)	100	(159)
Total	590,138,461		59,050

In November and December 2001 the Company acquired 1,950,000 of its own shares ("treasury shares"). These shares are presented in the balance sheet at cost as a deduction from stated capital. In February 1999 the Series A shares with a nominal value of CZK 1,100, and the Series B shares with a nominal value of CZK 1,000, were split into 591,949,421 shares having a nominal value of CZK 100 per share. Shares used in the calculation of earnings per share for 1999 as shown on the Statements of Income reflect the effect of the share split.

In accordance with Czech regulations, joint stock companies are required to establish a reserve fund for contingencies against possible future losses and other events. Contributions must be a minimum of 20% of after-tax profit in the first year in which profits are made and 5% of profit each year thereafter, until the fund reaches at least 20% of capital. As of December 31, 2001 and 2000, the balance was CZK 8,528 and 8,083 million, respectively, and is reported as a component of retained earnings.

11. Long-term Debt

Long-term debt at December 31, 2001 and 2000 is as follows (in millions of CZK):

Long-term Debt (CZK millions)	2001	2000
7.125% Notes, due 2007	6,419	6,200
7.25% Eurobonds, due 2006	6,368	7,328
8.75% Debentures, due 2004	2,990	3,000
9.22% Zero Coupon Debentures, due 2009 ¹⁾	2,623	2,368
9.22% Debentures, due 2014 ²⁾	2,492	2,500
11.0625% Debentures, due 2008	2,984	3,000
Non-collateralized long-term bank loans:		
less than 4.00%, due 2002 to 2009	5,749	1,146
4.00% to 4.99%, due 2006 to 2013	5,440	576
5.00% to 5.99%, due 2003 to 2013	7,038	13,647
6.00% to 6.99%, due 2002 to 2013	553	6,545
7.00% to 7.99%, due 2002 to 2013	5,532	7,980
8.00% and more, due in 2003	19	117
Total long-term debt	48,207	54,407
Less: Current portion	(5,126)	(4,703)
Long-term debt, net of current portion	43,081	49,704

¹⁾ Nominal value of these zero coupon debentures is CZK 4,500 million.

²⁾ From 2006 the interest rate changes to consumer price index plus 4.2%.

The interest rates indicated above are historical rates for fixed rate debt and current market rates for floating rate debt. The actual interest payments are affected by interest rate risk hedging carried out by the Company. For fair values of interest rate hedging instruments see Note 12.

The future maturities of long-term debt are as follows (in millions of CZK):

The Future Maturities of Long-term Debt		
(CZK millions)		
	2002	5,126
	2003	4,727
	2004	5,484
	2005	2,585
	2006	8,866
	Thereafter	21,419
	Total long-term debt	48,207

The following table analyses the long-term debt denominated in foreign currencies at December 31, 2001 and 2000 by the currency (in foreign currency millions):

Long-term Debt Denominated in Foreign Currencies		
(in foreign currency millions)		
	2001	2000
USD	553.1	614.9
EUR	336.6	229.5
DEM	–	262.0
NLG	–	31.1
ATS	–	303.9

In the normal course of business, the financial position of the Company is routinely subjected to a variety of risks, including market risk associated with interest rate movements and with currency rate movements on non-Czech crown denominated liabilities. The Company regularly assesses these risks and has established policies and business practices to partially protect against the adverse effects of these and other potential exposures.

As currency rate movements expose the Company to significant risk, the Company uses sensitivity analyses to determine the impacts that market risk exposures may have on the fair values of the Company's financial instruments. To perform sensitivity analyses, the Company assesses the risk of loss in fair values from the impact of hypothetical changes in foreign currency exchange rates and interest rates on market sensitive instruments and considers the expected costs and benefits of various hedging techniques. The Company will continue to explore cost-effective possibilities to reduce its current exchange rate movement and other market risks.

The Company has entered into a number of currency swap contracts to hedge its long-term debt against currency risk (see Note 12). Although these swaps represent effective economic hedges of the currency risk, the Company elected not to apply hedge accounting for these transactions.

Long-term debt with floating interest rates exposes the Company to interest rate risk. The following table summarizes long-term debt with floating rates of interest by contractual reprising dates at December 31, 2001 and 2000 (in millions of CZK):

Long-term Debt with Floating Rates of Interest		
(CZK millions)	2001	2000
Floating rate long-term debt		
with interest rate fixed for 1 month	6,554	8,374
with interest rate fixed from 1 to 3 months	5,736	5,931
with interest rate fixed from 3 months to 1 year	7,276	9,547
with interest rate fixed for more than 1 year	2,492	2,500
Total floating rate long-term debt	22,058	26,352
Fixed rate long-term debt	26,149	28,055
Total long-term debt	48,207	54,407

12. Fair Value of Financial Instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Current Investments

The carrying amount of cash and other current financial assets approximates fair value due to the relatively short-term maturity of these financial instruments.

Investments

The fair values of instruments, which are publicly traded on active markets, are estimated based on quoted market prices. The management believes, that for instruments for which there are no quoted market prices the carrying amount approximates the fair value of such investments.

Receivables and Payables

The carrying amount of receivables and payables approximates fair value due to the short-term maturity of these financial instruments.

Short-term Loans

The carrying amount approximates fair value because of the short period to maturity of those instruments.

Long-term Debt

The fair value of long-term debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of long-term debt and other payables with variable interest rates approximates their carrying amounts.

Derivatives

The fair value of derivatives is based upon mark to market valuations.

Carrying amounts and the estimated fair values of financial instruments at December 31, 2001 were as follows (in millions of CZK):

Carrying Amounts and the Estimated Fair Values of Financial Instruments (CZK millions)	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Investments	4,110	4,110	2,935	2,935
Receivables	3,933	3,933	4,032	4,032
Cash and cash equivalents	3,365	3,365	3,219	3,219
Liabilities:				
Long-term debt	48,207	49,074	54,407	55,798
Short-term loans	514	514	1,104	1,104
Accounts payable	4,660	4,660	5,035	5,035
Derivatives:				
Currency swaps				
Assets	1,693	1,693	–	1,404
Liabilities	(3,583)	(3,583)	–	(1,651)
Currency swaps, net	(1,890)	(1,890)	–	(247)
Forward currency contracts – liabilities	–	–	–	(31)
Interest rate swaps				
Assets	228	228	–	108
Liabilities	(43)	(43)	–	(24)
Interest rate swaps, net	185	185	–	84
Other interest rate derivatives				
Assets	12	12	–	32
Liabilities	(91)	(91)	–	(35)
Other interest rate derivatives, net	(79)	(79)	–	(3)
Embedded forward currency contracts				
Assets	33	33	–	–
Liabilities	(274)	(274)	–	–
Embedded forward currency contracts	(241)	(241)	–	–

13. Nuclear Decommissioning, Radioactive Waste and Spent Fuel Disposal

ČEZ's operating nuclear plant, Dukovany, consists of four 440 MW units which were placed into service from 1985 to 1987. ČEZ is also finalizing construction of a second nuclear power plant, Temelín (see Note 3). The Czech government has enacted an Nuclear Act ("Act"), which defines certain obligations for the decontamination and dismantling ("decommissioning") of the Company's nuclear power plants and the final disposal of radioactive waste and spent fuel ("disposal"). The Act requires that all nuclear parts of plant and equipment be decommissioned following the end of the plant's operating life, currently 2018 for Dukovany and approximately 2033 for Temelín. A 1997 Dukovany and a 1999 Temelín decommissioning cost study estimates that nuclear decommissioning will cost CZK 12.5 billion and CZK 11.1 billion, respectively. According to the Act, an updated study is required every five years.

Pursuant to the Act, the Ministry of Industry and Trade established the Radioactive Waste Repository Authority ("RAWRA") as the central organizer and operator of facilities for the final disposal of radioactive waste and spent fuel. The RAWRA centrally organizes, supervises and is responsible for all disposal facilities and for disposal of radioactive waste and spent fuel therein. The activities of the RAWRA are financed through a "nuclear account" funded by the originators of radioactive waste (such as the Company). Contribution to the nuclear account was stated by a government resolution on in 1997, as CZK 50 per MWh produced at nuclear power plants. Since October 1, 1997, ČEZ has made regular payments to the nuclear account based on its average nuclear MWh generated during the last 5 years. The originator of radioactive waste directly covers all costs associated with interim storage of radioactive waste and spent fuel. Actual costs incurred are charged against the accumulated provision for interim and long-term spent fuel storage.

ČEZ has established provisions as described in Note 2.20, to recognize its estimated liabilities for decommissioning and spent fuel storage. The following is a summary of the provisions for the years ended December 31, 2001, 2000 and 1999.

Summary of the Provisions	Nuclear Decommissioning	Accumulated Provisions Spent Fuel Storage		Total
		Interim	Long-term	
Balance at December 31, 1998	2,925	2,117	12,862	17,904
Additions made during 1999				
Discount accretion	73	52	314	439
Effect of inflation	132	95	564	791
Provision	–	101	–	101
Current cash expenditures	–	(140)	(638)	(778)
Balance at December 31, 1999	3,130	2,225	13,102	18,457
Additions made during 2000				
Discount accretion	79	54	319	452
Effect of inflation	141	97	575	813
Provision	–	97	–	97
Capitalized cost of Temelin (Note 3) provisions	1,695	254	–	1,949
Current cash expenditures	–	(225)	(641)	(866)
Balance at December 31, 2000	5,045	2,502	13,355	20,902
Additions made during 2001				
Discount accretion	126	63	334	523
Effect of inflation	227	112	601	940
Provision	–	107	–	107
Effect of change in estimate	–	57	(288)	(231)
Current cash expenditures	–	(190)	(655)	(845)
Balance at December 31, 2001	5,398	2,651	13,347	21,396

In 2001 the Company revised the estimates of provisions for spent fuel storage and credited CZK 231 million to other operating expenses as result of the change in estimate.

The current cash expenditures for the long-term storage of spent nuclear fuel represent payments to the state controlled nuclear account and the expenditures for interim storage represent mainly the purchase of interim fuel storage containers.

The actual decommissioning and spent fuel storage costs could vary substantially from the above estimates because of new regulatory requirements, changes in technology, increased costs of labor, materials, and equipment and/or the actual time required to complete all decommissioning, disposal and storage activities.

14. Short-term Loans

Short-term loans at December 31, 2001 and 2000 are as follows (in millions of CZK):

Short-term Loans (CZK millions)	2001	2000
Revolving credit agreements	–	1,104
Other short-term loans	514	–
Total	514	1,104

Interest on short-term loans is variable. The weighted average interest rate was 3.0% and 7.9% at December 31, 2001 and 2000, respectively. For the years 2001, 2000 and 1999 the weighted average interest rate was 4.1%, 8.0% and 9.9%, respectively.

15. Trade and Other Payables

Trade and other payables at December 31, 2001 and 2000 are as follows (in millions of CZK):

Trade and Other Payables		
(CZK millions)	2001	2000
Trade payables	4,156	4,735
Other payables	504	300
Derivatives	3,717	–
Embedded derivatives	274	–
Total	8,651	5,035

16. Accrued Liabilities

Accrued liabilities at December 31, 2001 and 2000 consist of the following (in millions of CZK):

Accrued Liabilities		
(CZK millions)	2001	2000
Accrued interest	1,042	1,125
Provision for ash storage reclamation	395	304
Estimated environmental claims (Note 20)	254	288
Social and bonus funds	201	281
Unbilled goods and services	232	275
Other accrued liabilities	586	397
Total	2,710	2,670

17. Income Taxes

Income Tax Legislation

Corporate income tax is calculated in accordance with Czech tax regulations at the rate of 31% in 2001, 31% in 2000 and 35% in 1999, respectively. The corporate income tax rate for 2002 will be 31%.

The Czech Republic currently has a number of laws related to various taxes imposed by governmental authorities. Applicable taxes include value-added tax, corporate tax, and payroll (social) taxes, together with others. In addition, laws related to these taxes have not been in force for significant periods, in contrast to more developed market economies. Accordingly, few precedents with regard to issues have been established. Often, differing opinions regarding legal interpretations exist both among and within government ministries and organizations; thus, creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, who are enabled by law to impose extremely severe fines, penalties and interest charges. These facts create tax risks in the Czech Republic substantially more significant than typically found in countries with more developed tax systems. Management believes that it has adequately provided for tax liabilities in the accompanying financial statements; however, the risk remains those relevant authorities could take differing positions with regard to interpretive issues and the effect could be significant.

The tax authorities have completed audits of income tax returns of the Company through 2000. However, according to Czech legislation the audited periods can be reopened for review by the tax authorities.

Income Tax Provision

The components of the income tax provision are as follows (in millions of CZK):

Income Tax			
(CZK millions)	2001	2000	1999
Current income taxes	2,134	1,572	155
Deferred income taxes	2,035	1,792	764
Total	4,169	3,364	919

A reconciliation of "expected" income tax expense to the actual tax expense is as follows (in millions of CZK):

Reconciliation of "Expected" Income Tax Expense to the Actual Tax Expense			
(CZK millions)	2001	2000	1999
Income before income taxes	13,292	10,601	5,209
Statutory income tax rate	31%	31%	35%
"Expected" income tax expense	4,121	3,286	1,823
Add (deduct) tax effect of:			
Czech/IFRS accounting differences	17	15	34
Other non deductible provisions, net	4	109	(330)
Investment tax relief	(43)	(79)	(44)
Other non deductible (nontaxable) items, net	62	34	131
Tax credits	(79)	(1)	–
Additional tax assessments (tax refunds)	87	–	156
Difference resulting from using subsequent year tax rate for the calculation of deferred taxes	–	–	(851)
Income taxes	4,169	3,364	919
Effective tax rate (Note 2.18)	31%	32%	18%

Deferred Income Taxes, Net

Deferred income taxes at December 31, 2001 and 2000 consist of the following (in millions of CZK):

Deferred Income Taxes		
(CZK millions)	2001	2000
Accumulated provision for nuclear decommissioning and spent fuel storage	5,656	5,761
Tax loss carryforward	–	95
Foreign exchange	352	626
CASTOR containers write off	347	308
Derivatives	1,237	–
Other provisions	292	209
Other deductible differences	202	217
Total deferred tax assets	8,086	7,216
Tax depreciation in excess of financial statement depreciation	7,399	6,592
Capitalized interest	5,808	5,197
Capitalized cost of provisions	2,223	2,282
Repairs and maintenance accrual	891	777
Penalty receivables	187	–
Derivatives	609	–
Additional foreign exchange rate differences under IAS 39	259	–
Other IAS 39 differences	64	–
Investment in associate	516	425
Deferred tax liabilities	17,956	15,273
Total deferred tax liabilities, net	9,870	8,057

As result of IAS 39 adoption the Company has recognized in the opening balance sheet as of January 1, 2001, deferred tax assets in the amount of CZK 222 million, which were credited to retained earnings.

18. Related Parties

The Company purchases products from related parties in the ordinary course of business. Approximately 60% of the fossil fuel consumption is supplied by Severočeské doly a.s. (SD), a company in which ČEZ holds a 37% share. In 2001, 2000 and 1999, coal purchases from SD amounted to CZK 4,844 million, CZK 5,534 million and CZK 5,951 million, respectively. Receivables from SD amounted to CZK 11 and 10 million as of December 31, 2001 and 2000, respectively. Payables to SD amounted to CZK 515 and 592 million as of December 31, 2001 and 2000, respectively. The prices of fossil fuel supplies from SD do not differ significantly from market prices.

Škoda Praha, a.s. is the Company's general supplier of technology and equipment for the Temelín nuclear power plant (see Note 3) and is 55% owned by the National Property Fund (see Note 1). In February and July 1999, the Company purchased 166,122 shares of Škoda Praha, a.s., which represents a 30% interest in the company. The Company's purchases from Škoda Praha, a.s., including value added tax, amounted to CZK 4,862 million, CZK 8,237 million and CZK 8,271 million in 2001, 2000 and 1999, respectively. The purchases from Škoda Praha, a.s., are mainly for construction of Temelín nuclear power plant.

Between 1999 and 2001 the Company acquired minority interests ranging from 0.01% to 10.43% in six out of eight REAS, the Company's major customers (see Note 1). The interests were purchased at the direction of the Ministry of Industry and Trade to enable the National Property Fund, together with the Company, to regain majority interests for the government in the REAS.

During 2001 the Company granted share options to the Board of Directors, certain members of the management of the Company and Supervisory Board members. The aggregate number of share options granted to management and Board of Directors was 1,625,000 and the number of share options granted to Supervisory Board members was 1,750,000. The average exercise price for these share options was CZK 92.58 per share. The exercise price for the granted options was based on the average quoted market price on the Prague stock exchange in the six month period preceding the date of the grant. The options can be exercised during the terms of office of the respective Board's and management members, respectively in the period ending June 2003.

The Company has not recognized any employee compensation expense related to the granted options, as the quoted market price at the grant date was lower than the exercise price of the options (see Note 2.22). No options were exercised in 2001.

19. Segment Information

The following table summarizes segment information for the years ended on December 31, 2001 and 2000, respectively (in millions of CZK):

Segment Information						
(CZK millions)	Year 2000:	Power Production	Transmission	Combined	Elimination	Consolidated
	Sales other than intersegment sales	47,748	4,944	52,692	–	52,692
	Intersegment sales	5,644	3,362	9,006	(9,006)	–
	Total revenues	53,392	8,306	61,698	(9,006)	52,692
	Operating income	12,250	(220)	12,030	825	12,855
	Identifiable assets	194,099	20,544	214,643	(12,335)	202,308
	Identifiable liabilities	84,673	4,317	88,990	(4,229)	84,761
	Investment in affiliate	5,225	–	5,225	–	5,225
	Equity in earnings of affiliate	319	–	319	–	319
	Cash flow information:					
	Cash flow from operating activities	21,244	1,307	22,551	(877)	21,674
	Cash flow from investing activities	(20,711)	(621)	(21,332)	24	(21,308)
	Cash flow from financing activities	(1,490)	(853)	(2,343)	853	(1,490)
	Year 2001:	Power Production	Transmission	Combined	Elimination	Consolidated
	Sales other than intersegment sales	45,253	11,344	56,597	–	56,597
	Intersegment sales	7,193	1,102	8,295	(8,295)	–
	Total revenues	52,446	12,446	64,892	(8,295)	56,597
	Operating income	13,343	525	13,868	1,045	14,913
	Identifiable assets	197,444	19,323	216,767	(11,233)	205,534
	Identifiable liabilities	81,689	4,431	86,120	(3,689)	82,431
	Investment in affiliate	5,518	–	5,518	–	5,518
	Equity in earnings of affiliate	360	–	360	–	360
	Cash flow information:					
	Cash flow from operating activities	20,055	2,066	22,121	(359)	21,762
	Cash flow from investing activities	(14,393)	(762)	(15,155)	–	(15,155)
	Cash flow from financing activities	(6,372)	(359)	(6,731)	359	(6,372)

The power generation segment sells the major part of its electricity generated to the eight REAS. The power generation segment charges the cost of power losses in the transmission grid and the supplies of ancillary services to the transmission segment. The transmission segment sells ancillary services and transmission services mainly to the eight REAS.

The intersegment prices in 2001 were regulated by the Energy Regulatory Office (see Note 1).

20. Commitments and Contingencies

Construction Program

The Company's construction program as of December 31, 2001 is estimated to total CZK 47.9 billion over the next five years, as follows (in CZK billions): 12.0 in 2002, 10.6 in 2003, 8.7 in 2004, 8.5 in 2005 and 8.1 in 2006. These figures do not include the anticipated purchase of shares in the eight REAS (see Note 1). Pursuant to its interest capitalization policy (see Note 2.8), the CZK 47.7 billion includes approximately CZK 1.7 billion of interest in excess of interest capitalized under Czech accounting principles. Such additional capitalized interest results in an increase in the Company's net income and construction expenditures, but does not affect either its cash requirements or its cash flow. The construction programs are subject to periodic reviews and actual construction may vary from the above estimates. At December 31, 2001 significant purchase commitments were outstanding in connection with the construction program.

The Company projects that substantially all of its planned construction expenditures will be funded with cash provided by operating activities. To the extent financing is required, the Company has obtained the following credit ratings from Moody's Investors Service: Baa1 and Standard & Poor's: BBB+ with a stable outlook.

Environmental Matters

The Czech Republic has adopted a series of environmental acts and laws and regulations ("the Acts") including a timetable for the reduction of atmospheric emissions in the period from 1992 through December 31, 1998. As of December 31, 1998, all plants operated by the Company had been upgraded to meet the environmental requirements of the Acts.

The Company is also liable under the Acts for past environmental damage (see Note 16). In 2001, 2000 and 1999, payments made to state farms, individual farms, cooperatives, other agricultural firms and forests totaled CZK 7 millions, CZK 25 million and CZK 53 million, respectively. Based on current estimates of its probable future obligations, the Company provided CZK 57 million in 2001, CZK 83 million in 2000 and CZK 25 million in 1999, respectively, for pollution damages. In 2000, based on a successful legal case with the state forest company, the Company reversed CZK 300 million of the accumulated provision for environmental claims. In 2001 further CZK 84 million were reversed. Although uncertainties exist due to interpretations of applicable laws, management does not believe, based upon the information available at this time, that the ultimate outcome of these matters will have a material adverse effect on the Company's financial position or results of operations.

Insurance Matters

The Nuclear Act (see Note 13) sets limits for liabilities for nuclear damages by the operator of nuclear installations/licenses. The Nuclear Act provides that operators of nuclear facilities are liable for up to CZK 6 billion per incident and that the reimbursement of such liability up to CZK 6 billion is guaranteed by the state. The Nuclear Act limits the liability for damage caused by other activities (such as transportation) to CZK 1.5 billion. The Nuclear Act also requires an operator/licensee to insure its liability connected with the operation of a nuclear power plant up to a minimum of CZK 1.5 billion and up to a minimum of CZK 200 million for other activities (such as transportation). ČEZ has a nuclear third party liability policy for damages connected with the operation of the Temelín nuclear power plant. Two separate insurance policies for Temelín cover risk connected with transportation and storage of nuclear fuel according to the requirements of the Nuclear Act. ČEZ has a nuclear third party liability policy for damages connected with the operation of nuclear power plant Dukovany, a policy covering transport of nuclear fuel to Dukovany and a property insurance policy for Dukovany covering damages up to CZK 3 billion.

ČEZ and ČEPS have various insurance coverages, including Directors and Officers Liability, a property policy to cover "all risks" associated with the operation of ČEZ's fossil and hydro power plants, general third party liability insurance and risks connected with ČEPS' property and liabilities of the transmission business.

21. Presentation of Financial Statements

The accompanying consolidated financial statements are presented on the basis of International Financial Reporting Standards issued by the International Accounting Standards Board. Certain accounting principles generally accepted in the Czech Republic (CAS) do not conform to IFRS used in preparing the accompanying consolidated financial statements. A description of the significant adjustments required to conform the Company's statutory balances to consolidated financial statements prepared in accordance with IFRS is set forth in the following tables.

The effect on retained earnings of differences in IFRS and CAS is as follows (in millions of CZK):

The Effect on Retained Earnings of Differences in IFRS and CAS		December 31,	
(CZK millions)		2001	2000
	Balance per CAS	67,172	60,690
	Accumulated provision for nuclear decommissioning and spent fuel storage (Note 13)	(10,128)	(10,579)
	Deferred tax on nuclear provisions	3,140	3,280
	Capitalized costs of nuclear provisions, net of deferred tax	4,947	5,079
	Reversal of repairs and maintenance accrual, net of deferred tax	1,982	1,730
	CASTOR containers write-off, net of deferred tax	(772)	(686)
	Impact of CAS/IFRS accounting differences on the associate, net of deferred tax	(262)	(180)
	Interest capitalized, net of deferred tax	14,076	12,426
	Depreciation of interest capitalized, net of deferred tax	(1,149)	(859)
	Other depreciation differences, net of deferred tax	(450)	(482)
	Gain (loss) on derivatives, net of deferred tax	(1,231)	–
	Gain (loss) on embedded derivatives, net of deferred tax	(166)	–
	Additional foreign exchange rate differences under IAS 39, net of deferred tax	577	–
	Other IAS 39 differences	142	–
	Deferred tax on tax loss carryforward	–	95
	Reclassification of items from retained earnings	(202)	(281)
	Balance per IFRS	77,676	70,233

The effect on net income of differences in IFRS and CAS is as follows (in millions of CZK):

The Effect on Net Income of Differences in IFRS and CAS		Year ended December 31,		
(CZK millions)		2001	2000	1999
	Net income per CAS	7,801	6,070	1,624
	Nuclear decommissioning and spent fuel storage costs (Note 13)	452	268	173
	Deferred tax on nuclear provisions	(140)	521	(707)
	Capitalized costs of provisions, net of deferred tax	(132)	(736)	100
	Repairs and maintenance accrual, net of deferred tax	252	(441)	136
	CASTOR containers write-off, net of deferred tax	(86)	(102)	(80)
	Impact of CAS/IFRS accounting differences on the associate, net of deferred tax	(82)	46	(40)
	Interest capitalized, net of deferred tax	1,650	1,960	2,792
	Depreciation of interest capitalized, net of deferred tax	(290)	(275)	(260)
	Foreign exchange rate differences, net of deferred tax	–	–	(153)
	Other depreciation differences, net of deferred tax	32	33	4
	Gain (loss) on derivatives, net of deferred tax	(1,096)	–	–
	Gain (loss) on embedded derivatives, net of deferred tax	(58)	–	–
	Additional foreign exchange rate differences under IAS 39, net of deferred tax	844	–	–
	Other IAS 39 differences	127	–	–
	Deferred tax on tax loss carryforward	(95)	10	85
	Deferred tax on other provisions	–	(71)	305
	Deferred tax on negative goodwill write-off	–	–	410
	Reclassification of items from retained earnings, net	(56)	(46)	(99)
	Net income per IFRS	9,123	7,237	4,290

Consolidated Financial Statements Prepared in Accordance with Czech Accounting Standards

Consolidated Balance Sheets as of December 31, 2001, 2000 and 1999 (CZK thousands)

Consolidated				
Balance Sheets				
(CZK thousands)		2001	2000	1999
	TOTAL ASSETS	206,758,748	204,350,663	197,803,444
	A. Stock subscriptions receivable			
	B. Fixed assets	180,609,055	179,134,500	173,684,496
	B.I. Intangible assets	1,144,285	916,179	395,781
	B.II. Tangible assets	169,456,950	169,796,594	165,421,859
	B.III. Financial investment	4,110,022	2,935,117	2,515,506
	B.IV. Positive consolidation difference			
	B.V. Investment in associate	5,897,798	5,486,610	5,351,350
	C. Current assets	22,437,035	20,516,896	19,425,415
	C.I. Inventory	15,098,856	13,077,625	10,364,727
	C.II. Long-term receivables	119,824	92,230	74,860
	C.III. Short-term receivables	3,853,677	4,128,021	4,628,872
	C.IV. Financial accounts	3,364,678	3,219,020	4,356,956
	D. Other assets – temporary accounts	3,712,658	4,699,267	4,693,533
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	206,758,748	204,350,663	197,803,444
	A. Shareholders' equity	126,222,529	119,899,286	110,683,425
	A.I. Stated capital	59,050,449	59,208,846	59,208,846
	A.II. Capital funds	1,661,341	1,661,544	1,661,594
	A.III. Funds from net profit	8,729,798	8,364,021	8,341,110
	A.IV. Retained earnings	47,078,978	42,947,224	38,677,560
	A.V. Consolidated net income	7,801,377	6,069,503	1,623,835
	A.V.1. Net income	7,387,162	5,757,587	1,238,580
	A.V.2. Income from associate	414,215	311,916	385,255
	A.VI. Negative consolidation difference			
	A.VII. Consolidation reserve fund	1,900,586	1,648,148	1,170,480
	B. Liabilities	78,541,295	82,781,173	85,001,274
	B.I. Reserves	15,926,377	15,441,701	15,427,186
	B.II. Long-term liabilities	26,632,337	27,173,082	31,678,358
	B.III. Short-term liabilities	11,494,323	10,142,971	11,093,772
	B.IV. Bank loans and short-term notes	24,488,258	30,023,419	26,801,958
	C. Other liabilities – temporary accounts	1,994,924	1,670,204	2,118,745
	D. Minority interests			
	D.I. Minority stated capital			
	D.II. Minority capital funds			
	D.III. Minority net profit funds included retained earnings			
	D.IV. Minority net income			

Consolidated Statements of Income for the Years Ended December 31, 2001, 2000 and 1999 (CZK thousands)

Consolidated				
Statements of Income				
(CZK thousands)		2001	2000	
		1999		
Revenues from goods sold		7,352	6,834	5,592
Cost of goods sold		5,626	5,847	3,861
+ Sales margin		1,726	987	1,731
Production		56,409,398	52,929,171	53,852,617
Consumption from production		27,746,171	26,251,339	29,691,981
+ Value added		28,664,953	26,678,819	24,162,367
Personnel expenses		3,944,191	3,775,401	3,566,143
Amortization of intangibles and depreciation of tangibles		8,863,694	8,889,557	8,593,483
Reversal of operating reserves and adjustments		1,497,177	1,566,426	2,553,651
Creation of operating reserves and adjustments		3,117,046	1,635,338	3,340,422
Other operational revenues		1,090,996	485,754	1,402,147
Other operational expenses		2,154,513	1,841,778	2,846,129
* Consolidated operating income		13,173,682	12,588,925	9,771,988
Financial revenues		2,713,796	2,447,393	1,023,605
Financial expenses		8,435,547	9,335,493	8,986,719
* Consolidated loss from financial activities (incl. income taxes)		-5,721,751	-6,888,100	-7,963,114
** Consolidated net income from normal activities		7,451,931	5,700,825	1,808,874
Extraordinary revenues		34,938	140,708	46,675
Extraordinary expenses		99,707	83,946	709,382
Settlement of negative consolidation difference				92,413
Settlement of positive consolidation difference				
* Consolidated extraordinary income		-64,769	56,762	-570,294
*** Consolidated net income, net of equity in earnings of affiliate		7,387,162	5,757,587	1,238,580
of which: Income net of minority interests		7,387,162	5,757,587	1,238,580
Minority interests				
Income from associate		414,215	311,916	385,255
**** Consolidated net income		7,801,377	6,069,503	1,623,835

Financial Statements Prepared in Accordance with Czech Accounting Standards

Balance Sheets as of December 31, 2001, 2000 and 1999 (CZK thousands)

Assets (CZK thousands)	row	gross	2001 adjustments	net	2000 net	1999 net
TOTAL ASSETS	001	285,152,122	-82,778,807	202,373,315	202,223,562	196,509,960
A. Stock subscriptions receivable	002					
B. Fixed assets	003	256,507,559	-82,055,005	174,452,554	173,362,673	167,457,030
B. I. Intangible assets	004	1,861,671	-830,896	1,030,775	892,888	391,299
B. I. 1. Expenses of foundation and organization	005					
2. Research and development	006					
3. Software	007	1,579,480	-821,096	758,384	560,441	271,434
4. Patents, rights and royalties	008	16,612	-9,800	6,812	9,729	14,491
5. Other intangibles	009					
6. Intangibles in progress	010	264,578		264,578	322,569	90,552
7. Advances for intangibles	011	1,001		1,001	149	14,822
B. II. Tangible assets	012	242,357,445	-80,990,334	161,367,111	161,588,022	158,575,800
B. II. 1. Land	013	663,093		663,093	670,902	639,082
2. Buildings, halls and constructions	014	50,524,716	-23,399,029	27,125,687	27,835,405	29,538,912
3. Separate movable items and groups of movable items	015	99,630,794	-57,459,059	42,171,735	46,647,517	48,905,481
4. Permanent growth	016					
5. Livestock	017					
6. Other tangible assets	018	92,474	-78,620	13,854	13,797	13,675
7. Tangibles in progress	019	84,344,682	-53,515	84,291,167	72,826,563	64,013,969
8. Advances for tangibles	020	7,101,424		7,101,424	13,593,669	15,464,495
9. Adjustment to acquired property	021	262	-111	151	169	186
B. III. Financial investment	022	12,288,443	-233,775	12,054,668	10,881,763	8,489,931
B. III. 1. Majority shareholdings and participating interests (shareholdings > 50%)	023	5,791,117		5,791,117	5,018,809	3,051,607
2. Substantial shareholdings and participating interests (shareholdings of 20% – 50%)	024	4,465,839	-197,303	4,268,536	4,493,444	4,567,886
3. Other securities and deposits	025	1,102,236	-23,572	1,078,664	440,392	87,524
4. Intergroup loans	026					
5. Other financial investments	027	929,251	-12,900	916,351	929,118	782,914
C. Current assets	028	24,954,013	-723,802	24,230,211	24,015,108	24,222,728
C. I. Inventory	029	15,049,939	-12,685	15,037,254	13,022,059	10,296,156
C. I. 1. Materials	030	15,040,397	-12,685	15,027,712	13,003,024	10,241,232
2. Work in progress and semi-finished production	031	1		1		
3. Finished products	032					
4. Livestock	033					
5. Goods	034					26,748
6. Advances for inventory	035	9,541		9,541	19,035	28,176
C. II. Long-term receivables	036	2,681,601		2,681,601	1,812,804	3,515,581
C. II. 1. Trade receivables	037	76,586		76,586	30,913	42,348
2. Receivables from partners and associations	038					
3. Receivables from related companies (shareholdings > 50%)	039	2,565,278		2,565,278	1,742,105	3,448,560
4. Receivables from related companies (shareholdings of 20% – 50%)	040					
5. Other receivables	041	39,737		39,737	39,786	24,673
C. III. Short-term receivables	042	4,949,245	-711,117	4,238,128	6,107,666	6,367,325
C. III. 1. Trade receivables	043	4,277,555	-615,174	3,662,381	3,396,598	3,704,861
2. Receivables from partners and associations	044					
3. Receivables from social security	045					
4. Receivables from taxes	046	3,439		3,439	95	966,376
5. Deferred tax assets	047					
6. Receivables from related companies (shareholdings > 50%)	048	479,170		479,170	1,955,529	1,628,781
7. Receivables from related companies (shareholdings of 20% – 50%)	049	45,530	-45,530		670,122	
8. Other receivables	050	143,551	-50,413	93,138	85,322	67,307
C. IV. Financial accounts	051	2,273,228		2,273,228	3,072,579	4,043,666
C. IV. 1. Cash	052	3,287		3,287	3,511	3,712
2. Bank accounts	053	1,445,532		1,445,532	551,234	492,414
3. Short-term financial assets	054	824,409		824,409	2,517,834	3,547,540
D. Other assets – temporary accounts	055	3,690,550		3,690,550	4,845,781	4,830,202
D. I. Temporary accounts of assets	056	3,615,838		3,615,838	4,771,927	4,759,255
D. I. 1. Prepaid expenses	057	2,180,422		2,180,422	2,490,519	2,695,379
2. Unbilled revenues	058	1,237		1,237	151,982	146,634
3. Exchange rate losses	059	1,434,179		1,434,179	2,129,426	1,917,242
D. II. Contingencies	060	74,712		74,712	73,854	70,947

Balance Sheets as of December 31, 2001, 2000 and 1999 (CZK thousands)

Shareholders' Equity and Liabilities		row	2001	2000	1999
(CZK thousands)					
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		061	202,373,315	202,223,562	196,509,960
A. Shareholders' equity		062	123,897,070	118,940,762	110,048,990
A. I. Stated capital		063	59,050,449	59,208,846	59,208,846
A. I. 1. Stated capital		064	59,208,846	59,208,846	59,208,846
2. Own shares		065	-158,397		
A. II. Capital funds		066	1,661,341	1,661,544	1,661,594
A. II. 1. Share premium		067			
2. Other capital funds		068	1,661,341	1,661,544	1,661,594
3. Revaluation of assets		069			
4. Revaluation of capital participation		070			
A.III. Funds from net profit		071	8,729,798	8,364,021	8,341,110
A. III. 1. Legal reserve fund		072	8,528,479	8,082,811	7,974,818
2. Indivisible fund		073			
3. Statutory and other funds		074	201,319	281,210	366,292
A.IV. Retained earnings		075	48,021,040	43,960,937	38,677,589
A. IV. 1. Retained earnings of previous years		076	48,021,040	43,960,937	38,677,589
2. Retained losses of previous years		077			
A. V. Profit / loss of current accounting period		078	6,434,442	5,745,414	2,159,851
B. Liabilities		079	76,445,796	81,613,612	84,344,001
B. I. Reserves		080	15,926,330	15,441,679	15,427,046
B. I. 1. Legal reserves		081	6,419,671	5,128,480	4,986,767
2. Reserve for exchange rate losses		082	1,136,580	2,019,848	1,887,087
3. Other reserves		083	8,370,079	8,293,351	8,553,192
B. II. Long-term liabilities		084	26,632,337	27,173,082	31,678,358
B. II. 1. Long-term payables to related companies (shareholdings > 50%)		085	13,450,117	13,527,867	13,553,867
2. Long-term payables to related companies (shareholdings of 20% – 50%)		086			
3. Long-term deposits received		087	182,220	645,215	1,124,491
4. Bonds payable		088	13,000,000	13,000,000	17,000,000
5. Long-term notes payable		089			
6. Other long-term payables		090			
B.III. Short-term liabilities		091	9,398,871	8,975,432	10,436,639
B. III. 1. Trade payables		092	4,037,764	5,142,501	4,987,554
2. Payables to partners and associations		093	10,255		
3. Payables to employees		094	146,678	2,993	3,842
4. Social security payables		095	96,316	108,632	100,006
5. Taxes payable and subsidies		096	1,124,010	844,723	138,509
6. Deferred tax liabilities		097	3,749,559	2,701,732	5,029,759
7. Payables to related companies (shareholdings > 50%)		098			
8. Payables to related companies (shareholdings of 20% – 50%)		099			
9. Other payables		100	234,289	174,851	176,969
B.IV. Bank loans and short-term notes		101	24,488,258	30,023,419	26,801,958
B. IV. 1. Long-term bank loans		102	19,131,974	24,662,840	21,801,310
2. Short-term bank loans		103	5,356,284	5,360,579	5,000,648
4. Short-term notes		104			
C. Other liabilities – temporary accounts		105	2,030,449	1,669,188	2,116,969
C. I. Accruals		106	1,543,656	1,112,942	1,256,839
C. I. 1. Accruals		107	815,889	842,136	1,171,503
2. Deferred income		108	202,669	105,104	55,181
3. Exchange rate gains		109	525,098	165,702	30,155
C. II. Contingencies		110	486,793	556,246	860,130

Statements of Income for the Years Ended December 31, 2001, 2000 and 1999 (CZK thousands)

Statements

of Income

(CZK thousands)

	row	2001	2000	1999
I. Revenues from goods sold	01	7,352	47,047	71,111
A. Costs of goods sold	02	5,626	46,060	69,380
+ Sales margin	03	1,726	987	1,731
II. Production	04	52,276,354	53,636,588	54,218,385
II. 1. Revenues from finished products and services	05	51,851,799	53,134,882	53,887,883
2. Changes in inventory of own production	06			
3. Capitalization (of own work)	07	424,555	501,706	330,502
B. Consumption from production	08	26,256,579	28,538,132	30,579,781
B. 1. Consumption of material and energy	09	19,250,312	19,618,548	22,276,745
B. 2. Services	10	7,006,267	8,919,584	8,303,036
+ Value added	11	26,021,501	25,099,443	23,640,335
C. Personnel expenses	12	3,727,581	3,573,338	3,482,141
C. 1. Wages and salaries	13	2,446,154	2,507,271	2,477,692
C. 2. Bonuses to board members	14	9,571	8,972	6,807
C. 3. Social insurance	15	879,482	905,948	888,462
C. 4. Other social expenses	16	392,374	151,147	109,180
D. Taxes and fees	17	1,085,934	1,003,534	1,034,347
E. Amortization of intangibles and depreciation of tangibles	18	8,079,961	8,220,768	8,339,395
III. Revenues from intangibles, tangibles and material sold	19	195,902	427,940	1,323,707
F. Net book value of intangibles, tangibles and material sold	20	643,676	457,598	1,420,674
IV. Reversal of reserves and prepaid expenses	21	1,187,146	1,520,358	2,253,612
G. Creation of reserves and prepaid expenses	22	2,555,065	1,402,230	3,152,972
V. Reversal of adjustments	23	309,231	46,068	300,039
H. Creation of adjustments	24	553,439	228,722	187,450
VI. Other operational revenues	25	878,356	72,895	70,481
I. Other operational expenses	26	409,567	401,868	378,934
VII. Transfer of operational revenues	27			
J. Transfer of operational expenses	28			
* Net operating results	29	11,536,913	11,878,646	9,592,261
VIII. Revenues from sale of securities and deposits	30	5,952		15,967
K. Sold securities and deposits	31	8,619		13,816
IX. Revenues from financial investments	32	131,160	160,234	133,625
IX. 1. Revenues from securities and deposits in group	33	112,753	155,800	128,033
2. Revenues from other securities and deposits	34	18,407	3,941	4,725
3. Revenues from other financial investments	35		493	867
X. Revenues from short-term financial assets	36	1,282		
XI. Reversal of financial reserves	37	2,019,848	1,887,087	555,817
L. Creation of financial reserves	38	1,136,580	2,019,848	1,887,087
XII. Reversal of adjustments	39			
M. Creation of adjustments	40	73,408	141,467	18,900
XIII. Interest revenues	41	385,379	503,627	331,426
N. Interest expenses	42	3,309,596	3,856,180	4,328,682
XIV. Other financial revenues	43	444,158	328,830	310,633
O. Other financial expenses	44	539,313	531,177	1,163,953
XV. Transfer of financial revenues	45			
P. Transfer of financial expenses	46			
* Net results from financial activities	47	-2,079,737	-3,668,894	-6,064,970
R. Income taxes on normal activity	48	2,958,234	2,510,113	702,195
R. 1. – Due	49	1,910,407	1,560,105	156,296
2. – Deferred	50	1,047,827	950,008	545,899
	51			
** Net results after taxes from normal activity	52	6,498,942	5,699,639	2,825,096
XVI. Extraordinary revenues	53	26,038	123,615	44,130
S. Extraordinary expenses	54	105,944	67,101	709,375
T. Income tax on extraordinary activity	55	-15,406	10,739	
T. 1. – Due	56	-15,406	10,739	
2. – Deferred	57			
* Net results from extraordinary activity	58	-64,500	45,775	-665,245
U. Income distribution to partners	59			
*** Net profit (loss) for the accounting period	60	6,434,442	5,745,414	2,159,851
Profit (loss) before income taxes	61	9,377,270	8,266,266	2,862,046

Cash Flow Statements for the Years Ended December 31, 2001, 2000 and 1999 (CZK thousands)

Cash Flow

Statements

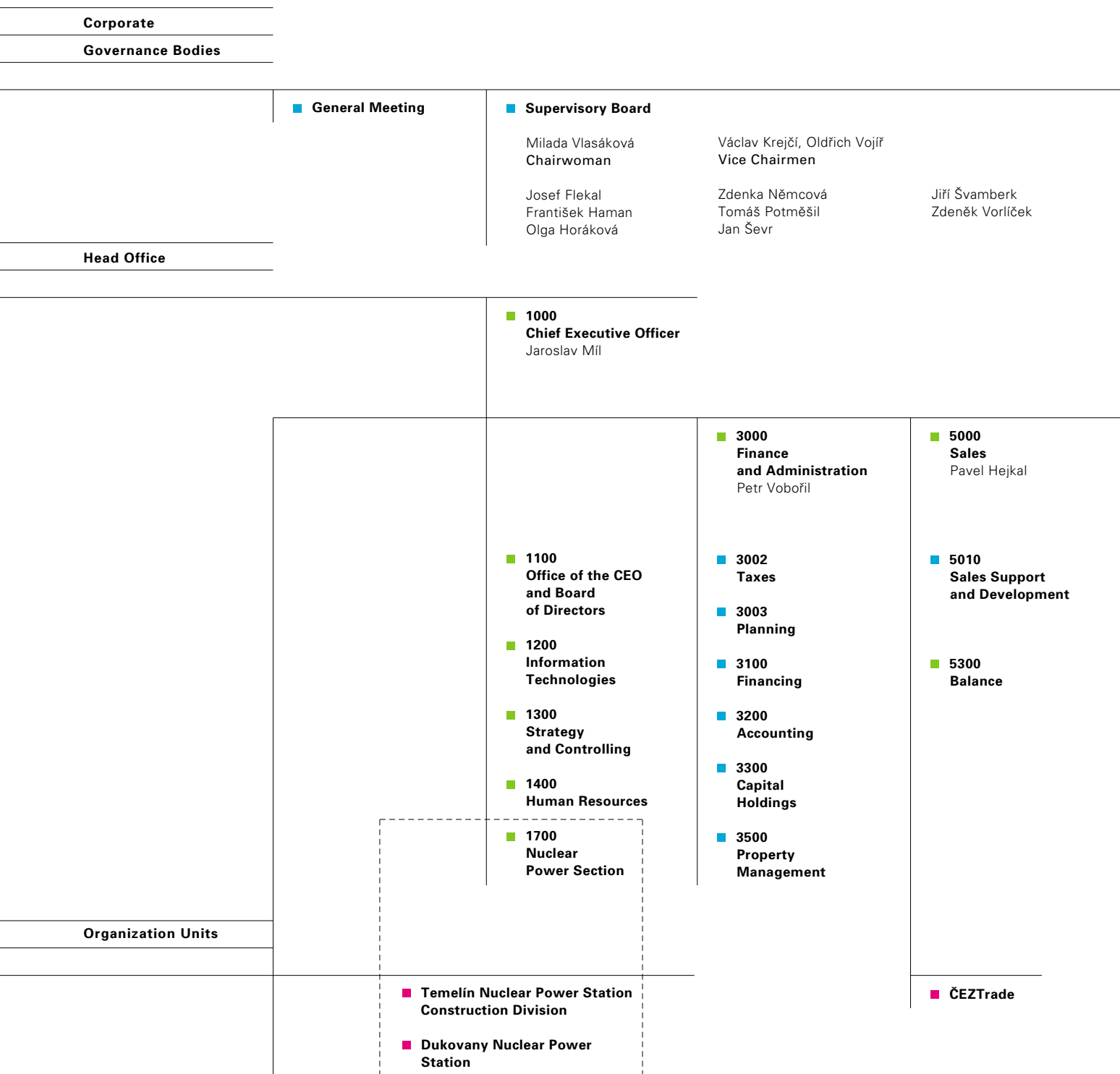
(CZK thousands)

	2001	2000	1999
P. Cash and cash equivalents at beginning of period	3,072,579	4,043,666	1,007,232
Operating activities			
Z. Pre-tax profit from normal activity	9,457,176	8,209,752	3,527,291
A.1. Adjustments by non-cash transactions	13,114,330	11,521,069	12,657,053
A.1.1. Depreciation, amortization and writing-off	8,139,744	8,238,227	8,361,788
A.1.1.1. Depreciation and amortization of fixed assets	8,130,663	8,226,761	8,339,413
A.1.1.2. Receivables writing-off	9,081	11,466	22,375
A.1.2. Change in adjustments, reserves and temporary accounts	1,992,648	-97,891	197,876
A.1.2.1. Change in adjustments	317,599	324,103	-93,707
A.1.2.2. Change in reserves	484,651	14,633	2,230,630
A.1.2.3. Change in temporary accounts of assets and liabilities	1,190,398	-436,627	-1,939,047
A.1.3. Gain/loss on fixed assets retirements	57,721	28,180	100,133
A.1.4. Interest expenses and revenues	2,924,217	3,352,553	3,997,256
A.1.4.1. Interest expenses	3,309,596	3,856,180	4,328,682
A.1.4.2. Interest revenues	-385,379	-503,627	-331,426
A.* Net cash provided by operating activities before taxes, changes in working capital and extraordinary items	22,571,506	19,730,821	16,184,344
A.2. Change in working capital	-2,012,486	-2,704,270	1,009,431
A.2.1. Change in receivables from operational activities	-45,733	237,802	76,635
A.2.2. Change in short-term payables from operational activities	-221,024	-65,543	1,590,733
A.2.3. Change in inventory	-1,745,729	-2,876,529	-657,937
A.** Net cash provided by operating activities before taxes and extraordinary items	20,559,020	17,026,551	17,193,775
A.3. Interest paid, excl. capitalized interest	-3,135,622	-3,912,995	-4,386,817
A.4. Interest received	535,104	495,191	189,634
A.5. Income taxes paid	-1,816,557	28,072	-700,214
A.6. Revenues and expenses related to extraordinary items	-77,645	78,955	-17,417
A.*** Net cash provided by operating activities	16,064,300	13,715,774	12,278,961
Investing activities			
B.1. Fixed assets acquisition	-9,420,704	-13,806,961	-17,639,894
B.1.1. Additions to tangible assets	-7,907,714	-13,138,918	-15,617,328
B.1.2. Additions to intangible assets	-381,919	-390,457	-160,277
B.1.3. Change in financial investment	-639,536	-605,178	-1,561,135
B.1.4. Change in payables from investing activity	-493,930	289,074	-264,733
B.1.5. Change in payables from investing activity (emerging from exchange rate differences)	2,395	38,518	-36,421
B.2. Proceeds from sales of fixed assets	98,767	535,542	280,516
B.2.1. Proceeds from sales of tangible assets	134,960	305,728	516,632
B.2.2. Proceeds from sales of intangible assets	-4	4	
B.2.3. Proceeds from sales of financial investment	5,952		15,967
B.2.4. Change in receivables from sales of fixed assets	-42,141	229,810	-252,083
B.*** Total cash used in investing activities	-9,321,937	-13,271,419	-17,359,378
Financing activities			
C.1. Change in long-term liabilities and short-term loans	-6,075,906	-1,283,815	8,245,352
C.1.1. Change in long-term bank loans	-5,530,866	2,861,530	2,947,931
C.1.2. Change in short-term bank loans and notes	-4,295	359,931	-8,036,440
C.1.3. Change in long-term bonds payable		-4,000,000	4,362,905
C.1.4. Change in other long-term liabilities	-540,745	-505,276	8,970,956
C.2. Impact of changes in equity by cash	-1,465,808	-131,627	-128,501
C.2.1. Monetary donations and subsidies to equity			8,284
C.2.2. Direct payments debited to funds	-123,866	-131,627	-136,785
C.2.3. Paid-out dividends and profit shares	-1,183,545		
C.2.4. Purchase of own shares	-158,397		
C.*** Net cash from financing activities	-7,541,714	-1,415,442	8,116,851
F. Net increase/decrease in cash	-799,351	-971,087	3,036,434
R. Cash and cash equivalents at end of period	2,273,228	3,072,579	4,043,666

Enclosures

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	Explanations of Terms, Units, Technical Standards, Laws, Price Decrees, and Names of Government Agencies	123
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Organization Chart



Green color ■ indicates members of the extended management meeting which is also attended by ČEZ's press spokesperson.
 ----- Nuclear Power Section will be formed effective 1 January 2003

	<ul style="list-style-type: none"> ■ Board of Directors <table border="0" style="width: 100%;"> <tr> <td style="width: 25%;">Jaroslav Míl Chairman</td> <td style="width: 25%;">František Hezoučký Vice Chairman</td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> </tr> <tr> <td>Ivan Cestr</td> <td>Pavel Hejkal</td> <td>Josef Sedlák</td> <td></td> </tr> </table> <hr/> <ul style="list-style-type: none"> ■ 0101 Internal Audit Department 	Jaroslav Míl Chairman	František Hezoučký Vice Chairman			Ivan Cestr	Pavel Hejkal	Josef Sedlák	
Jaroslav Míl Chairman	František Hezoučký Vice Chairman								
Ivan Cestr	Pavel Hejkal	Josef Sedlák							

Conventional Power Section

	<ul style="list-style-type: none"> ■ 2000 Conventional Power Pavel Klika <hr/> <ul style="list-style-type: none"> ■ 2010 Quality, Security and Services ■ 2020 Human Resources ■ 2030 Economy ■ 2100 Generation ■ 2200 Technology ■ 2300 Trade ■ 2500 Property Management
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Organization Units

<ul style="list-style-type: none"> ■ Hydro Power Stations ■ Mělník Power Station ■ Tisová Power Station 	<ul style="list-style-type: none"> ■ Poříčí Power Stations ■ Dětmarovice Power Station ■ Chvaletice Power Station 	<ul style="list-style-type: none"> ■ Ledvice Power Station ■ Tušimice Power Stations ■ Počerady Power Station 	<ul style="list-style-type: none"> ■ Hodonín Power Station ■ Pruněřov Power Stations
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Directory of Organization Units and Information Centers

Head Office	<p>Jaroslav Míl, CEO</p> <p>ČEZ, a. s.</p> <p>Jungmannova 29/35, 111 48 Praha 1</p> <p>tel.: +420/2/7113 1111, fax: +420/2/7113 2001</p>
Nuclear Power Stations	<p>Dukovany Nuclear Power Station</p> <p>Aleš John, Technology Director</p> <p>Josef Sedlák, Director of Finance and Property Management</p> <p>ČEZ, a. s. – Jaderná elektrárna Dukovany</p> <p>675 50 Dukovany</p> <p>tel.: +420/618/81 1111, fax: +420/618/86 6360</p> <p>Information Center</p> <p>Jana Matoušková</p> <p>ČEZ, a. s. – Jaderná elektrárna Dukovany</p> <p>Information Center</p> <p>675 50 Dukovany</p> <p>tel.: +420/618/81 5519, fax: +420/618/81 4960</p> <p>e-mail: infocentrum.edu@mail.cez.cz</p> <p>Opening Hours: 9:00 – 16:00 seven days a week, excepting state holidays, closed on first Monday of every month</p> <p>Temelín Nuclear Power Station</p> <p>František Hezoučký, Executive Director Temelín Nuclear Power Station Construction Division</p> <p>ČEZ, a. s. – Jaderná elektrárna Temelín</p> <p>373 05 Temelín – elektrárna</p> <p>tel.: +420/334/78 1111, fax: +420/334/78 2708</p> <p>Information Center</p> <p>Milan Malík</p> <p>ČEZ, a. s. – Jaderná elektrárna Temelín</p> <p>Information Center</p> <p>373 05 Temelín – elektrárna</p> <p>tel.: +420/334/78 2639, fax: +420/334/78 4900</p> <p>e-mail: infocentrum.ete@mail.cez.cz</p> <p>Opening Hours: 9:00 – 16:00 seven days a week, on state holidays by telephone appointment, larger groups and visits inside the power station complex by telephone appointment only</p>

Hydro Power Stations

Aleš Tomec, Director

ČEZ, a. s. – Vodní elektrárny

Prof. VI. Lista 329, 252 07 Štěchovice

tel.: +420/2/994 1088 – 90, fax: +420/2/994 1308

Information Center

Jan Kynčl, Head of Quality Control and Safety Dept.

Štěchovice run-of-river and pumped storage hydro power station

ČEZ, a. s. – Vodní elektrárny

Information Center

Prof. VI. Lista 329, 252 07 Štěchovice

tel.: +420/603/769 197 – appointments Jan Frouz

Opening Hours: May 1 – August 31: Fridays, 14:00 – 16:00; Saturdays and Sundays, 10:00 – 15:30;

other days and during off-season by appointment only (closed on state holidays)

Dlouhé Stráně pumped storage hydro power station

Tours arranged by:

Energotis, s. r. o.

Rejhotice 75, 788 12 Loučná nad Desnou

tel.: +420/649/23 5091 – appointments Veleoslav Trnečka , fax: +420/649/23 5094

Opening Hours: April 1 – August 31: Monday through Friday, 8:00 – 15:00,

Saturday – Sunday, 8:00 – 12:00 (by appointment only); entrance fee CZK 25

(private property – protected area), during off-season by appointment only (closed on state holidays)

Dalešice pumped storage hydro power station

Tours arranged by:

Energotis, s. r. o.

Rejhotice 75, 788 12 Loučná nad Desnou

tel.: +420/509/65 2221 – appointments Blanka Mašíňová, fax: +420/509/65 2224

Opening Hours: May 1 – September 30: Monday through Friday, 9:00 – 16:00;

during off-season by appointment only (closed on state holidays)

From 1 May:

Information Center

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Fossil Power Stations		
	<p>Mělník Power Station Jiří Černý, Director ČEZ, a. s. – Elektrárna Mělník 277 03 Horní Počaply tel.: +420/206/61 1111 fax: +420/206/62 6840</p>	<p>Ledvice Power Station Josef Kašparů, Director ČEZ, a. s. – Elektrárna Ledvice 418 48 Bílina tel.: +420/417/80 1111 fax: +420/417/80 1501</p>
	<p>Tisová Power Station Jaroslav Souček, Director ČEZ, a. s. – Elektrárna Tisová P.O.BOX 98 356 69 Sokolov 1 tel.: +420/168/65 1111 fax: +420/168/65 1006</p>	<p>Tušimice Power Stations Otakar Tuček, Director ČEZ, a. s. – Elektrárny Tušimice 432 01 Kadaň tel.: +420/398/32 1111 fax: +420/398/32 3880</p>
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	<p>Dětmarovice Power Station Karel Šik, Director – long-term out of office for illness Lumír Jendryščík, Director – from 1 May 2002 ČEZ, a. s. – Elektrárna Dětmarovice 735 71 Dětmarovice tel.: +420/69/658 2111 fax: +420/69/655 0326</p>	<p>Hodonín Power Station Ludvík Trávník, Director ČEZ, a. s. – Elektrárna Hodonín U elektrárny 1 695 23 Hodonín tel.: +420/628/300 111 fax: +420/628/353 814</p>
	<p>Chvaletice Power Station Lumír Jendryščík, Director – up to 30 April 2002 Jaroslav Kužel, Director – from 1 May 2002 ČEZ, a. s. – Elektrárna Chvaletice 533 12 Chvaletice tel.: +420/40/683 1111 fax: +420/40/683 3600</p>	<p>Prunéřov Power Stations Jiří Šinágl, Director ČEZ, a. s. – Elektrárny Prunéřov 432 01 Kadaň tel.: +420/398/30 1111 fax: +420/398/33 2697</p>

Explanations of Terms, Units, Technical Standards, Laws, Price Decrees, and Names of Government Agencies

Glossary of Terms

Term	Explanation
Achievable capacity	Power station nameplate capacity less outages caused by changes that are permanent in character
Alternative sources	Power plants run on renewable sources of energy such as solar energy, wind energy, etc.
Automated Control System (ACS)	An automated system for controlling technical processes – a system for managing generating units
BI12	Energy sector stock market index
CEZTel, a. s.	(also referred to as CEZTel) A 100% subsidiary of ČEZ that provides telecommunications services for its founder and its founder's subsidiary, ČEPS – inception October 1999
CHP	Combined heat and power (plant, generation)
Czech Nuclear Pool	Consortium of insurance companies insuring nuclear facilities
Czech Republic Power System	Term covering all plant and equipment necessary to generate and transmit electricity in the Czech Republic
ČEPS, a.s.	(also referred to as ČEPS) A 100% subsidiary of ČEZ that is fully in charge of operating the Transmission Grid – inception October 1998
Desulfurization/desulfurization equipment	A type of technology used to reduce SO ₂ emissions from powder-coal fired boilers
Distribution Grid	A mutually interconnected system of 110 kV lines and equipment, with the exception of 110 kV lines and equipment that are part of the Transmission Grid, and lines and equipment at the 0.4/0.23 kV, 3 kV, 6 kV, 10 kV, 22 kV and 35 kV voltage levels that are used to distribute electricity within the territory of the Czech Republic, including metering, protective, control, safety, information and telecommunications systems; the Distribution Grid is built and operated in the public interest
Due diligence	Legal, financial, technical and, possibly, environmental audit
EDI format	Electronic Data Interchange among independent information systems of separate legal entities over communications networks
EIA	Environmental Impact Assessment
Electricity demand	Total electricity generated by domestic sources less electricity consumed by power stations less network losses less electricity used for pumping at pumped-storage hydro power stations plus balance of foreign electricity trade
Electricity Importer	Private individual or legal entity that holds an electricity trading license and purchases electricity abroad for resale in the home market
Electricity Market Operator	A legal entity that coordinates supply and demand in the electricity market within the borders of the Czech Republic
Electricity Producer	A natural person or legal entity that produces electricity and holds a license to produce electricity
Electricity Production	Overall electricity generated, as measured from generator terminals over the period in question
Electricity supply	Overall production of electricity less own consumption and losses associated with generation processes
Eligible Customer	A natural person or legal entity having the right to choose its electricity supplier, which can be any entity licensed to generate or distribute electricity, or by purchasing electricity directly on the electricity market organized by the Electricity Market Operator
Emission limits	Maximum allowed concentrations of pollution released into the atmosphere

Term	Explanation
Energy Regulatory Office	Administrative agency for regulation of the energy industry; has its own section in the State budget. Based in Jihlava. The Energy Regulatory Office's powers and responsibilities include facilitating competition and protecting the interests of consumers in those areas of the energy sectors in which competition is not possible, with the aim of satisfying all reasonably justifiable demands for energy supply.
EURELECTRIC	Until December 1999, the European association of electric utility companies; in December 1999 merged with the UNIPED association, creating a new organization retaining the name EURELECTRIC (Union of the Electricity Industry), which combines the activities of both predecessor organizations
ex ante regulation	Regulation in which regulation decisions are taken before the regulated activity takes place (opposite of ex post regulation)
Failure rate	Rate of failures that affect allocation of resources to meet current needs of the Czech Republic Power System
Final Consumer	Customer who consumes all electricity purchased; does not trade in electricity
Fluidized-bed boiler	Boiler in which coal combustion takes place in a rising column of air. Flue gas desulfurization takes place by adding ground limestone to the fuel. This renders unnecessary the desulfurization equipment used with more common powder-coal boilers.
IFRS	International Financial Reporting Standards
Industrial Power Station	(also referred to as Autoproducers, APP) A power station whose first responsibility is to provide power to an industrial plant where it is located; any surplus power generated is then offered for sale through the public grid
Installed capacity	Sum of generator nameplate capacities, including generators for in-house consumption. The only generator capacities that are not counted are for generators that have been permanently decommissioned and generators whose drive motor has been permanently removed and therefore are serving as compensators.
International Atomic Energy Association (IAEA)	The International Atomic Energy Association (IAEA), based in Vienna, Austria
Large Electricity Customer	Customer supplied through the medium- and high-voltage networks
Liberalization of the electricity market	The process of creating a competitive, market environment. For natural reasons, monopolies remain in the electricity industry particularly in the use of the Transmission Grid and the Distribution Grids, including the provision of system services. Electricity generation and the sale of electricity and related ancillary services are being liberalized. For the time being, the organization of the short-term/spot electricity market in the Czech Republic is also a State monopoly.
negTPA concept	The concept of negotiated third party access (to grids)
NUSS	Nuclear Safety Standards – promulgated by the IAEA
PDMS	Plant Design Management System – a graphical database system
Peak load	Highest load on the grid measured during a given period
Privatization	The transfer of ownership of an enterprise from the State to a private-law entity. Currently, ČEZ and the Regional Distribution Companies are in the final phase of complete privatization; for a number of years now, these originally State-owned and operated enterprises have had minority shareholders and preparations are currently underway for the sale of the remaining shares owned by the State/National Property Fund.
Protected Customer	A natural person or legal entity that is entitled to be hooked up to the Distribution Grid and to be supplied with electricity in the stipulated quality and for regulated prices

Term	Explanation
Rainbow Power	<p>A new marketing strategy by which ČEZ is offering to its customers several types of color-coded electricity supplies:</p> <p>Yellow: All year, seven-days a week Uninterrupted supply of the same amount of electricity, 24 hours a day, 365 days a year</p> <p>Green: All year, business days only All-year electricity supply with constant hourly capacity, 24-hours a day on all business days of the year</p> <p>Red: Month-to-month, seven-days a week Supply of electricity in individual calendar months, 24 hours a day on all days of the given month</p> <p>Blue: Month-to-month, business days only Supply of electricity in individual calendar months, 24 hours a day on all business days of the given month</p> <p>Orange: All-year, business days 8:00 – 20:00 Supply of electricity on all business days of the year 8:00 – 20:00 each day.</p> <p>Light-blue: Month-to-month, business days 8:00 – 20:00 Supply of electricity on all business days 8:00 – 20:00 each day, for individual calendar months</p> <p>White: Residual diagram An additional, set amount of electricity that is gradually written into daily supply diagrams according to actual energy consumption. Since this is not a time block, this type of electricity was originally marketed as "Rainbow Power". However, to prevent any confusion, this product was assigned its own color.</p>
Regional Distribution Companies	(Czech abbreviation is REAS) The eight regional electric utility companies, covering the entire country, that distribute electricity to Final Consumers
Regulated third party grid access	Access to the grid under terms and conditions set forth by law and for regulated prices (set by the Energy Regulatory Office); the grid operator cannot choose its partners – instead, it is obligated to do business with everyone who satisfies the legal terms and conditions
Small Electricity Customer	<p>– Businesses – customers that are connected to the low-voltage (1 kV and under) grid with the exception of hook-ups for personal use (households) and for personal use by household members, provided the customers are citizens or permanent residents of the Czech Republic</p> <p>– Households – customers that are connected to the low-voltage grid. Maximum regulated prices for these customers apply only to household hook-ups provided the electricity provided through the hook-up is for the customer's personal use (households) and for personal use by household members and other persons in the household, provided these customers are citizens or permanent residents of the Czech Republic</p>
State Energy Inspection (SEI)	An organization in charge of exercising State administration (supervision in particular) in the power sector
SÚJB	State Office for Nuclear Safety
ŠKODA JS a.s.	ŠKODA Jaderné strojírenství
ŠKODA – ÚJP, Praha a.s.	ŠKODA Ústav jaderných paliv
"Take or Pay"	A type of trading based on payment for an agreed amount of electricity regardless of whether or not the entire amount was actually used
Transmission Grid	That portion of the Czech Republic Power System used to transmit electricity at 400 kV and 220 kV as well as those 110 kV lines used to convey electricity out of ČEZ power stations
WANO	World Association of Nuclear Power Station Operators

Explanation of Units Used in This Document

Unit	Explanation
kV	$kV = 10^3 V$, V = unit of electrical potential (voltage)
MW	$MW = 10^6 W = 10^3 kW$, W = unit of capacity
GWh	$GWh = 10^9 Wh = 10^3 MWh = 10^6 kWh$, Wh = 3,600 Ws
TJ	$TJ = 10^{12} J = 10^3 GJ = 10^6 MJ$, J = Ws = unit of work (energy)
Nnom	Nominal (name-plate) capacity
SO ₂	Sulfur dioxide
NO _x	Oxide(s) of nitrogen
CO	Carbon monoxide
CO ₂	Carbon dioxide

Laws and Notices Referred to in This Document

Official Title	Referred to in Text as:
Act 309/1991 Sb. on Protection of Air Against Pollutive Materials (Clean Air Act), as amended (full text published under 211/1994 Sb.)	"Clean Air Act"
Act 513/1991 Sb. the Commercial Code, as amended	"Commercial Code"
Act 199/1994 Sb. on Public Procurement, as amended	"Public Procurement Act"
Act 125/1997 Sb. on Waste, as amended by Act No. 167/1998 Sb.	"Waste Act"
Act 18/1997 Sb. on Peaceful Use of Nuclear Energy and Ionizing Radiation and the Amendment of Certain Laws, as amended by Act No. 83/1998 Sb.	"Nuclear Act"
Act 362/2000 Sb. Amending Act 591/1992 Sb. on Securities, as amended, and certain other laws	"Securities Act"
Act 406/2000 Sb. On Energy Management	"Energy Management Act"
Act 458/2000 Sb. on Conditions for Doing Business and Carrying Out State Regulation in the Energy Sectors and on Amendments to Certain Laws (Energy Act)	"Energy Act"
Resolution 967/2000 Resolution of the Government of the Czech Republic dated 4 October 2000 on the proposed process of privatizing the ČEZ Power Company and the Regional Distribution Companies	
Resolution 250/2002 Resolution of the Government of the Czech Republic dated 11 March 2002 on further action in the privatization of the State's ownership participation in ČEZ, a. s. and the Regional Electricity Distribution Companies	
Decree 373/2001 Sb. stipulating rules for organizing the electricity market and principles for setting prices through a Market Operator	

List of Technical Standards Mentioned

Number of Standard	Name
ČSN EN ISO 14 001	Environmental Management System – specification and instructions for use

Price Decrees

Name Used	Full Name
Decree 1/2001	Decision of the Energy Regulatory Office stipulating maximum electricity prices

Governmental Bodies

Name Used	Full name
Academy of Sciences	Academy of Sciences of the Czech Republic
Chamber of Deputies	Chamber of Deputies of the Parliament
Government	Government of the Czech Republic (i.e., the Cabinet)
National Property Fund	Fund of National Property of the Czech Republic
Ministry of Finance	Ministry of Finance of the Czech Republic
Ministry of Local Development	Ministry for Local Development of the Czech Republic
Ministry of Industry and Trade	Ministry of Industry and Trade of the Czech Republic
Ministry of Foreign Affairs	Ministry of Foreign Affairs of the Czech Republic
Ministry of Health	Ministry of Health of the Czech Republic
Ministry of the Environment	Ministry of the Environment of the Czech Republic
Parliament	Parliament of the Czech Republic


Information for Shareholders

Events Calendar

End of February 2002	<p>Preliminary, unaudited unconsolidated financial performance figures for 2001 according to Czech Accounting Standards</p> <ul style="list-style-type: none"> • Press conference • 2001 Financial Performance Summary (Czech language version)
End of March 2002	<p>Report on Relations among Affiliated Entities for the Year 2001</p>
Mid-April 2002	<p>Financial Performance Summary (English language version)</p>
End of April 2002	<p>Unaudited, unconsolidated financial performance figures for 1st quarter 2002</p> <ul style="list-style-type: none"> • Press conference • Financial Performance Summary (Czech and English language versions)
May 2002	<p>Publishing of 2001 Annual Report (Czech language version)</p>
May 2002	<p>Extraordinary General Meeting</p>
June 2002	<p>Publishing of 2001 Annual Report (English language version)</p>
June 2002	<p>10th Annual General Meeting</p>
End of July 2002	<p>Half-year Report</p>
End of July 2002	<p>Unaudited, unconsolidated financial performance figures for 1st half 2002</p> <ul style="list-style-type: none"> • Press conference • Financial Performance Summary (Czech and English language versions)
End of October 2002	<p>Unaudited, unconsolidated financial performance figures for 1st – 3rd quarters 2002</p> <ul style="list-style-type: none"> • Press conference • Financial Performance Summary (Czech and English language versions)

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Jungmannova 29/35	
111 48 Prague 1	Year established: 1992 Legal form: Joint stock company
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