

ANNUAL REPORT 2004

FINANCIAL FIGURES

Report of the Supervisory Board of MVV Energie CZ s.r.o.

for the period of 2003/2004 (October 2003 – September 2004)

Membership of the supervisory board in the period of 2003/2004 (1 October 2003 – 30 September 2004):

Office	Name	Notes
Chairman/ Deputy Chairman	Dr. Werner Dub	was a member during the entire period, elected as chairman on 26 January 2004
Deputy Chairman	Karl-Heinz Trautmann	was a member since 13 January 2004, elected as deputy chairman on 26 January 2004
Member	Dr. Rudolf Shulten	member since 13 January 2004
Member	Ing. Helfried Kroke	member during the entire period
Member	Einar Westre	member until 22 September 2004
Member	Dr. Oliver Wittig	member until 22 September 2004
Chairman	Roland Hartung	chairman and member until 13 January 2004
Member	Dr. Karsten Nowak	member until 13 January 2004

MVV Energie AG, as the sole member of MVV Energie CZ s.r.o., decided on 13 January 2004 on a change in the supervisory board by recalling Mr. Hartung and Dr. Nowak, upon their resignation, and by appointing Dr. Schulten and Mr. Trautmann as new members of the supervisory board.

At its meeting held on 26 January 2004, the supervisory board elected its deputy chairman, Dr. Dub, as its new chairman, and Mr. Trautmann as its deputy chairman.

Mr. Westre resigned from his office on 31 July 2004. The next meeting of the supervisory board after this resignation was held on 22 September 2004. Although this meeting did not review Mr. Westre's resignation, his tenure ended as of its date.

Dr. Wittig resigned from his office on 21 September 2004. The next meeting of the supervisory board after this resignation was held on 22 September 2004. Although this meeting did not review Dr. Wittig's resignation, his tenure ended as of its date.

Thus, there were two vacancies in the supervisory board of MVV Energie CZ s.r.o. as of the last day of the period of 2003/2004.

The supervisory board held regular meetings after the end of each quarter, beginning with 26 January 2004. At these regular meetings, members of the supervisory board were regularly informed by the managing director of MVV Energie CZ s.r.o. about the financial situation of the company and of the group companies in which MVV Energie CZ s.r.o. holds equity interests. The supervisory board was also regularly informed about new projects on which MVV Energie CZ s.r.o. worked and on their progress.

At its meeting held on 22 September 2004, the supervisory board took note of the termination of the consolidation (merger) of MVV Energie CZ s.r.o., Teplárny Brno, a.s., Mčstské inčenčrské síť Studénka a.s. and OPATHERM a.s. With regard to the pending merger process, the supervisory board approved on 26 January 2004 interim financial statements for the period of 2002/2003 (October 2002 – September 2003). The termination of the merger process made it possible to the supervisory board to approve at its meeting held on 22 September 2004 the regular financial statements for the period of 2002/2003. The regular financial statements were accompanied by a report of the auditor Deloitte&Touche spol. s r.o. This meeting also approved a contract for sale of shares of Teplárny Brno, a.s., in which MVV Energie CZ held 85.1% of shares. The supervisory board took note of the Report on Related Parties for the period of 2003/2004 (October 2003 – September 2004), prepared by the managing director of MVV Energie CZ s.r.o.

The supervisory board reviewed and approved the financial statements of MVV Energie CZ s.r.o. for the fiscal year 2001/2002 (October 2001 – September 2002), which as submitted by the managing director of the company and was accompanied by the report of the auditor Deloitte&Touche spol. s r.o. The supervisory board approved the results of the company for the period under review in the amount of - 70,880,099.58 CZK and its transfer on the account of accumulated loss from the previous year as partial

covering of such loss. The supervisory board reviewed and approved the Report on Related Parties for the fiscal year 2003/2004 (October 2003 – September 2004), prepared by the managing director of MVV Energie CZ s.r.o.

The supervisory board states that the business activities of the company were carried on properly.

Dated at Mannheim on 12 November 2004



Dr. Werner Dub
Chairman of the Supervisory Board

Report on Relations among Related Parties

COMPANY:

Business name: MVV Energie CZ s. r. o.
Seat: Chrudimská 2526/2a, 130 00 Praha 3
Identification number: 496 85 490
Registered in Commercial Register administered by the register court in Prague, File No. C 23493,
(hereinafter the “Company”)

Managing director, Ing. Ivo Slavotínek

1) stated that

- there is no controlling agreement;
- there is no agreement on transfer of profit;
- there is no qualified holding;
- there is a de facto holding;
- therefore, the managing director is obligated to prepare, pursuant to Section 66(9) of the Commercial Code, a report on relations among related parties (hereinafter the “report”), while
- acknowledging that he, as the statutory body of a controlled person, would be liable, in accordance with Section 66a(15) of the Commercial Code, if the report does not the detriments caused to the Company, if such detriments are not settled or if no contracts for their settlement are concluded.

2) approved this

Report on Relations among Related Parties for the period of October 2003 – September 2004:

1. PARTIES RELATED TO THE COMPANY:

The Company is a member of the MVV Energie group (the structure of its part situated in the Czech Republic is shown in Annex No. 1 hereto).

1.1. Persons controlling the Company:

Corporate name or name of the controlling person	ID No.	Seat
MVV Energie AG	DE 811244542	Luisenring 48, D-68159 Mannheim, Federal Republic of Germany

1.2. Other persons controlled by the controlling person:

Controlling person	Persons directly controlled by it	Persons indirectly controlled by it	ID No.	Seat
MVV Energie AG			DE 811244542	Luisenring 48, D-68159 Mannheim Federal Republic of Germany
	MVV holding CZ s.r.o.		258 31 526	Chrudimská 2a/2526 Praha 3
	MVV Energie CZ s.r.o.			
		Zásobování teplem Vsetín a.s.	451 92 588	Jiráskova 1326, Vsetín
		CTZ s.r.o.	634 72 163	Sokolovská 572, Uherské Hradiště
		TERMO Děčín a.s.	640 50 882	Oblouková 25, Děčín III.
		Městské inženýrské sítě Studénka a.s.	651 38 155	Poštovní 772, Studénka
		MVV enservis s.r.o.	631 49 907	Pivovarská 2073, Česká Lípa
		Jablonecká teplárenská a realitní, a.s.	615 39 881	Liberecká 104, Jablonec nad Nisou
		OPATHERM a.s.	253 85 771	Horní nám. 58, Opava
		Teplárny Brno, a.s.	463 475 34	Okružní 25, Brno

Relations between MVV Energie CZ s.r.o. and persons controlled by it are described in reports prepared by these persons. This report contains only relations toward the parent company and affiliates.

2. CONTRACTS BETWEEN THE COMPANY AND RELATED PARTIES

No contracts between the Company and related parties were concluded.

3. OTHER LEGAL ACTS MADE IN FAVOUR OF RELATED PARTIES

Type of legal act	In favour of	Performance by the Company	Counter-performance	Detriment	Compensation
Amendment to loan agreement for the amount of 630 million CZK – extension for 27 months, other terms are the same	MVV Energie AG	Usual interest charged by commercial banks on loans in this currency	Provision of loan	No	
Amendment to loan agreement for the amount of 240 million CZK – extension for 24 months, other terms are the same	MVV Energie AG	Usual interest charged by commercial banks on loans in this currency	Provision of loan	No	
Amendment to loan agreement for the amount of 40 million CZK – extension for 24 months, other terms are the same	MVV Energie AG	Usual interest charged by commercial banks on loans in this currency	Provision of loan	No	
Amendment to loan agreement for the amount of 144 million CZK – extension for 24 months, other terms are the same	MVV Energie AG	Usual interest charged by commercial banks on loans in this currency	Provision of loan	No	

4. OTHER MEASURES TAKEN IN THE INTEREST OR AT THE SUGGESTION OF RELATED PARTIES

Type	In favour of	Counterperformance	Detriment	Compensation
Instalment of a loan in the amount of 400,000. EUR, provided in 2003	MVV Energie AG	Provision of a loan	No	
Instalment of a loan in the amount of 3,496,000. EUR, provided in 2003	MVV Energie AG	Provision of a loan	No	

5. OTHER PERFORMANCE AND COUNTERPERFORMANCE IN RESPECT OF RELATED PARTIES

Ground for performance	Counterparty	Company performance	Counterperformance	Detriment	Compensation
Loan agreement of 2003	MVV Energie AG	Usual interest charged by commercial banks on loans in this currency	Payment of interest	No	
Loan agreement of 2001	MVV Energie AG	Usual interest charged by commercial banks on loans in this currency	Payment of interest	No	
Loan agreement of 2001	MVV Energie AG	Usual interest charged by commercial banks on loans in this currency	Payment of interest	No	
Loan agreement of 2001	MVV Energie AG	Usual interest charged by commercial banks on loans in this currency	Payment of interest	No	
Loan agreement of 2001	MVV Energie AG	Usual interest charged by commercial banks on loans in this currency	Payment of interest	No	
Loan agreement of 2000	MVV Energie AG	Usual interest charged by commercial banks on loans in this currency	Payment of interest	No	
Loan agreement of 2000	MVV Energie AG	Usual interest charged by commercial banks on loans in this currency	Payment of interest	No	
Loan agreement of 2000	MVV Energie AG	Usual interest charged by commercial banks on loans in this currency	Payment of interest	No	
Contract for lease of non-residential premises	MVV holding CZ s.r.o.	Commonly charged rent	Sublease of non-residential premises	No	
Mandate	MVV holding CZ s.r.o.	Usual remuneration	Bookkeeping	No	

6. OTHER DETRIMENTS CAUSED TO THE COMPANY

No other detriments were caused to the Company.

7. CONCLUSION

The managing director of MVV Energie CZ s.r.o. states that the controlling company did not cause any detriment to the controlled company in the period from October 2003 to September 2004

Dated at Prague on 27 October 2004



Ing. Ivo Slavotínek
Managing Director of MVV Energie CZ s.r.o.

Auditor's Report

Deloitte.

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in Prague, Section C, File No. 24349

IČ: 49620592
DIČ: CZ49620592

Auditor's Report for the Member of MVV Energie CZ s.r.o.

Registered office: Chrudimská 2a/2526, 130 00 Prague 3

Identification Number: 49685490

Main object of business activities: a group of energy generating and distributing companies

Based on the completed audit, we issued on 26 October 2004 the following report to the financial statements attached to this annual report. Our report is included in the chapter "Financial Part" on pages V to XXXIII:

"We conducted an audit of the attached financial statements of MVV Energie CZ s.r.o. as of 30 September 2004. The responsibility for the compilation of the financial statements rests with the Company's executive. Our responsibility is to express an opinion on the financial statements as a whole, based on our audit.

We conducted our audit in accordance with the Act on Auditors and with the auditing standards of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. The audit includes examining, on a test basis, whether the amounts and information contained in the financial statement are complete and conclusive. The audit further includes an assessment of whether the accounting principles used and the significant estimates made by the Company are correct and suitable, and the evaluation of the overall financial statement presentation. We are convinced that our audit provides a reasonable basis for making our statement.

In our opinion, the financial statements provide in all material aspects a true and fair picture of the assets, liabilities, equity and financial situation of MVV Energie CZ s.r.o. as of September 30, 2004 and of the result of its operations for the twelve-month period ending on September 30, 2004 in accordance with Act on Accounting and applicable laws of the Czech Republic.

Without expressing any qualification, we note the following fact. The existing activities of the Company are significantly dependent on the continuing support by the parent company. Note 4.8.3 of the Notes to the Financial Statements shows that the amount of loans provided by the parent company as of September 30, 2004, including outstanding interest, amounted to 1,572,863 thous. CZK."

We audited the material accuracy of data stated in the related-party report, which is included in the “Financial Part” of this annual report, pages II to IV. The responsibility for the completeness and accuracy of the related-party report rests with the Company’s executive. Based on our audit, we did not find any material misstatements in this report.

Consolidated financial information shown in the “Financial Part”, pages XXXIV to XXXVII, does not represent consolidated financial statements of the Company and was not the subject of our audit.

We also audited the compliance of the other financial information included in this annual report with the above financial statements. The responsibility for the accuracy of such other information rests with the Company’s executive. In our opinion, all this information complies in all material aspects with the relevant financial statements.

At Prague on 25 February 2005

Auditor firm
Deloitte s. r.o.
Certificate no. 79
Represented by:



Responsible auditor:
Michal Petrman
Certificate no. č. 1105



Michal Petrman, Executive

Balance Sheet

Assets at 30. 9. 2004 (on ,000 CZK)

	Gross	Correction	Net	Net	Net
TOTAL ASSETS	2,754,041	-35,374	2,718,667	2,799,401	2,244,249
B. Fixed assets	2,616,957	-27,390	2,589,567	2,629,350	2,120,702
I. Intangible fixed assets	17,263	-10,034	7,229	6,118	7,562
2. Research and development	75	-75	0	17	42
3. Software	16,571	-9,959	6,612	5,101	7,520
7. Intangible assets in progress	617	0	617	0	
8. Advances to intangible assets – paid				1,000	0
II. Tangible fixed assets	7,164	-5,356	1,808	2,006	1,918
3. Separate movable things and sets of movable things	6,925	-5,117	1,808	1,971	1,820
6. Other tangible assets	239	-239	0	35	98
III. Financial investments	2,592,530	-12,000	2,580,530	2,621,226	2,111,222
1. Shares in controlled and managed persons	2,450,041	-12,000	2,438,041	2,491,311	1,968,701
4. Loans to controlled and managed persons and accounting entities under substantial influence (associates)	142,489		142,489	129,915	142,521
C. Current assets	135,611	-7,984	127,627	167,919	121,836
I. Inventory	6,139	-400	5,739	11,691	3,827
2. Work in progress and semi-finished products	6,139	-400	5,739	11,691	3,827
II. Long-term receivables	24,277	0	24,277	29,446	38,589
1. Accounts receivable	24,277		24,277	29,446	33,724
7. Deferred tax asset					4,865
III. Short-term receivables	61,659	-7,584	54,075	78,982	43,418
1. Accounts receivable	20,763	-7,584	13,179	31,838	26,322
2. Receivables from controlled and managed persons	31,620		31,620	32,004	6,808
6. Tax asset	228		228	1,614	113
8. Estimated assets	4,032		4,032	8,386	10,175
9. Other receivables	5,016		5,016	5,140	0
IV. Financial assets	43,536	0	43,536	47,800	36,002
1. Cash in hand	403		403	206	245
2. Bank accounts	43,133		43,133	47,594	10,757
3. Short-term notes	0	0	0	0	25,000
D. I. Accruals and deferrals	1,473	0	1,473	2,132	1,711
1. Prepaid expenses	1,473		1,473	2,132	1,711
Control number	11,014,691	-141,496	10,873,195	11,195,472	8,975,285

Liabilities (on ,000 CZK)

	30. 9. 2004	30. 9. 2003	30. 9. 2002
TOTAL LIABILITIES AND EQUITY	2,718,667	2,799,401	2,244,249
A. Equity	969,872	902,917	618,702
I. Registered capital	720,000	720,000	720,000
1. Registered capital	720,000	720,000	720,000
II. Capital funds	326,303	404,655	1
2. Other capital funds	1	1	1
3. Adjustments to assets and liabilities	326,302	404,654	
IV. Retained earnings/accumulated loss	-221,738	-101,299	-30,419
1. Retained earnings			
2. Accumulated loss	-221,738	-101,299	-30,419
V. Current profit/loss (+ -)	145,307	-120,439	-70,880
B. Liabilities	1,748,795	1,896,484	1,624,953
I. Reserves	6,032	4,495	5,281
4. Other reserves	6,032	4,495	5,281
II. Long-term liabilities	1,182,222	746,762	0
2. Payable to controlled and managed persons	1,054,000	644,853	
10. Deferred tax liability	128,222	101,909	
III. Short-term liabilities	529,533	1,108,176	1,593,364
1. Accounts payable	5,498	26,447	20,032
2. Payable to controlled and managed persons	518,863	1,066,158	1,543,791
5. Payable to employees	1,138	1,285	832
6. Social security and health insurance payable	808	906	561
7. Tax payable and subsidies	344	391	527
10. Estimated liabilities	2,182	12,289	26,921
11. Other liabilities	700	700	700
IV. Bank loans and short-term borrowings	31,008	37,051	26,308
1. Long-term bank loans	21,171	27,250	19,432
2. Short-term borrowings	9,837	9,801	6,876
C. I. Accruals and deferrals	0	0	594
1. Accrued expenses			334
3. Exchange rate losses			260
Control number	10,729,361	11,318,043	9,047,282

Income Statement (Profit and Loss Account)

		Period 1.10.2003–30 Sep 2004	Period 1.10.2002– 30 Sep 2003	Period 1.10.2001– 30 Sep 2002
I.	Revenue from sale of goods	169,542	179,093	128,538
A.	Cost of goods sold	154,097	153,669	116,835
+	Cost of goods sold	15,445	25,424	11,703
II.	Production	56,471	69,294	73,597
1.	Revenue from sale of internally developed products and services	62,423	62,426	75,934
2.	Change of the balance of internally developed inventory	-5,952	6,868	-2,337
B.	Production consumption	43,824	73,307	44,363
1.	Material and energy	2,412	13,473	2,508
2.	Services	41,412	59,834	41,855
+	Added value	28,092	21,411	40,937
C.	Personnel expenses	30,968	27,843	17,156
1.	Wages	22,244	20,050	12,241
3.	Social security and health insurance	7,725	6,978	4,226
4.	Social expenses	999	815	689
D.	Taxes and charges	30	121	53
E.	Depreciation of tangible/amortization of intangible assets	4,291	3,533	3,274
III.	Revenue from sale of fixed assets and material	2	159	2,534
1.	Revenue from sale of fixed assets	2	153	2,534
2.	Revenue from sale of material		6	
F.	Book value of sold fixed assets and material	0	0	2,370
2.	Material sold			2,370
G.	Change in the balance of operating reserves and provisions and comprehensive prepaid expenses	453	-1,937	5,394
IV.	Other operating revenue	1,570	358	1,440
H.	Other operating expenses	1,579	1,392	1,313
*	Operating profit/loss	-7,657	-9,024	15,351
VI.	Revenue from sale of securities and investments		20	
J.	Securities and investments sold		10	
VII.	Gains on financial investments	264,974	0	0
1.	Gains on investments in controlled and managed persons and in associates	264,974		
VIII.	Gains on financial assets	887	20	1,063
M.	Change of the balance of financial reserves and provisions			12,000
X.	Interest revenue	15,935	13,806	15,479
N.	Interest expense	129,969	117,370	95,101
XI.	Other financial revenue	2,835	3,965	3,183
O.	Other financial expenses	441	6,373	241
*	Profit/loss from financial activities	154,221	-105,942	-87,617
Q.	Income tax on current activities	1,257	1,808	-1,459
2.	– deferred	1,257	1,808	-1,459
**	Current profit/loss	145,307	-116,774	-70,807
XIII.	Extraordinary revenue		0	291
R.	Extraordinary expenses		3,665	364
*	Extraordinary profit/loss	0	-3,665	-73
***	Profit/loss for the period (+/-)	145,307	-120,439	-70,880
	Control number	1,757,336	517,271	500,305

Cash Flow Statement

		Period 30. 9. 2004	Period 30. 9. 2003	Period 30. 9. 2002
P.	Opening balance of cash and cash equivalents	47,800	36,002	20,531
Z.	Current profit/loss before tax	145,307	-116,944	-72,266
A.1.	Adjustments by nonmonetary operations	-147,506	-20,342	106,218
A.1.1.	Depreciation of fixed assets	4,291	6,028	3,274
A.1.2.	Change of the balance of reserves and provisions	-688	-13,592	25,856
A.1.3.	Gains (losses) on sale of fixed assets	-2	-178	-2,534
A.1.4.	Gains on dividends and profit-sharing	-264,974		
A.1.5.	Interest expense and revenue	114,034	-12,600	79,622
A.1.6.	Adjustments by other nonmonetary operations	-167		
A.*	Net cash flow from operations before changes in working capital	-2,199	-137,286	33,952
A.2.	Change of the balance of working capital	-132,809	118,131	-18,031
A.2.1.	Change of the balance of receivables and accrued assets	30,735	-33,075	-11,996
A.2.2.	Change of the balance of payables and deferred liabilities	-169,496	159,070	-8,422
A.2.3.	Change of the balance of inventory	5,952	-7,864	2,387
A.**	Net cash flow from operations before tax and extraordinary items	-135,008	-19,155	15,921
A.3.	Interest paid	-131,330	-1,206	-71,458
A.4.	Interest received	12,728	13,806	15,479
A.5.	Income tax on current activities – paid		-49	
A.6.	Income and expenses related to extraordinary accounting events		-3,665	-73
A.7.	Received dividends and shares in profit	255,107		
A.***	Net cash flow from operations	1,497	-10,269	-40,131
	Cash flow from investments			
B.1.	Expenses related to acquisition of fixed assets	-5,230	-1,444	-913,374
B.2.	Revenue from sale of fixed assets	2	178	2,534
B.3.	Loans and borrowings to related parties	-533	12,590	3,479
B.***	Net cash flow from investments	-5,761	11,324	-907,361
C.1.	Change of the balance of financing liabilities		10,743	662,963
C.2.	Impact of changes in equity	0	0	300,000
C.2.1.	Increase of the registered capital by cash contributions			300,000
C.***	Net cash flow from financial activities	0	10,743	962,963
F.	Net change of the balance of cash and cash equivalents	-4,264	11,798	15,471
R.	Final balance of cash and cash equivalents	43,536	47,800	36,002

Statement Of Changes In Equity

	Registered capital	Capital funds	Accumulated loss	Current profit/loss	Total EQUITY
Balance at 30.9.2001	420,000	1	-13,505	-16,914	389,582
Increase of the registered capital	300,000	0	0	0	300,000
Transfer of loss of 2001			-16,914	16,914	0
Current loss				-70,880	-70,880
Balance at 30.9.2002	720,000	1	-30,419	-70,880	618,702
Transfer of loss of 2002			-70,880	70,880	0
Revaluation of assets		404,654			404,654
Current loss				-120,439	-120,439
Balance at 30.9.2003	720,000	404,655	-101,299	-120,439	902,917
Transfer of loss of 2003			-120,439	120,439	0
Revaluation of assets		-53,296			-53,296
Deferred tax from revaluation of assets		-25,056			-25,056
Current loss				145,307	145,307
Balance at 30.9.2004	720,000	326,303	-221,738	145,307	969,872

Notes to the financial statements as of 30 September 2004

Company name: MVV Energie CZ s.r.o.
Seat: Chrudimská 2526/2a, 130 00 Prague 3
Legal form: limited liability company
ID No. (IČ): 496 85 490

Prepared by: For the statutory body:
Ing. Jana Maudrová Ing. Ivo Slavotínek, jednatel

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1. COMPANY INFORMATION

1.1. Formation and characteristics of the Company

MVV Energie CZ s.r.o. (hereinafter the “Company”) was founded on 7 September 1993 by a memorandum of association of a limited liability company and was incorporated on 6 October 1993 by its registration in the Commercial Register administered by the Municipal Court in Prague.

The registered capital of the Company amounts to 720,000,000 CZK.

The sole member of the Company, who holds 100% of its registered capital, is MVV ENERGIE AG.

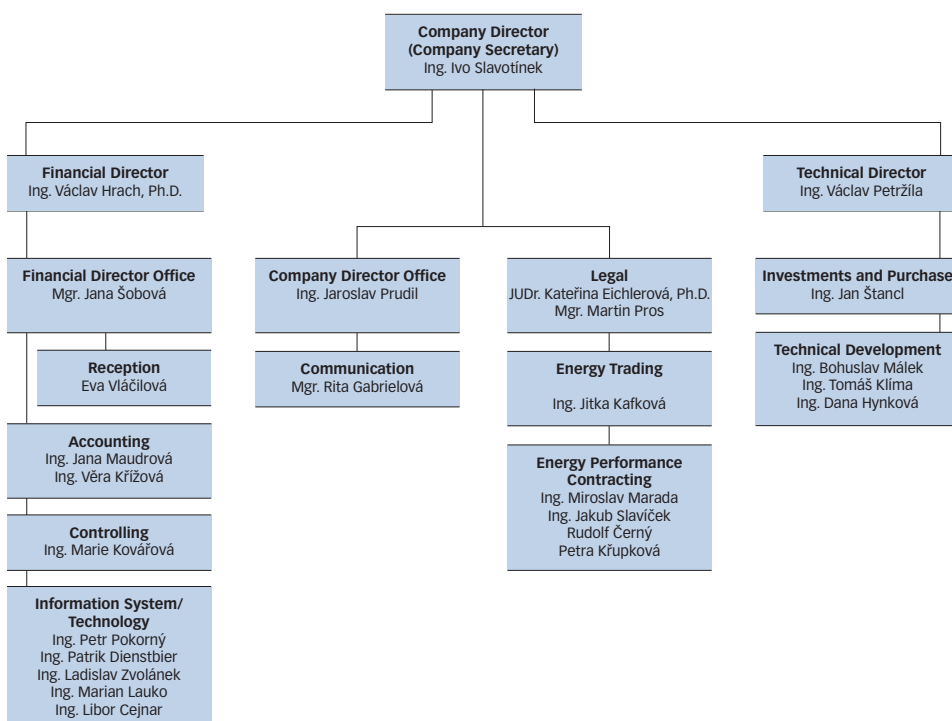
The basic purpose of the company is the forming of an important energy holding in the Czech Republic through acquisition of companies operating in the municipal sector of supply of heat and other kinds of energy, outsourcing of energy operations of industrial enterprises and facilities, and development of EPC (Energy Performance Contracting) projects.

1.2. Company structure

Definition of the structure of the Company

The structure of the Company is approved by its CEO, taking into account management efficiency and effectiveness. Thus structure is shown in the organizational scheme.

In the fiscal year under review, the Company closed the Back Office, which was a part of its structure, and replaced it by two new departments – the Office the Managing Director and the Financial Director’s Office. The latter supervises directly the Reception.



1.3. Statutory bodies in the accounting period

The Company is represented by its managing director, Ing. Ivo Slavotínek, who is authorized to represent the Company independently towards third parties and to sign independently on behalf of the Company by way of attaching his signature to the name of the Company.

SUPERVISORY BOARD AS OF 30 SEPTEMBER 2004

Office	Name
Chairman	Dr. Werner Dub
Deputy Chairman	Karl-Heinz Trautman
Member	Ing. Helfried Krobe
Member	Dr. Rudolf Schulten

1.4. Changes and amendments in the Commercial Register in the past accounting period

The following change in the Commercial Register relating to the membership of the supervisory board was made in the past accounting period:

- Election of Dr. Werner Dub as the chairman of the supervisory board:
date of assumption of the office is 26 January 2004
- Election of Karl-Heinz Trautmann as the deputy chairman of the supervisory board:
date of assumption of the office is 26 January 2004
date of assumption of the office is 13 January 2004
- Election of Dr. Rudolf Schulten as a member of the supervisory board:
date of assumption of the office is 13 January 2004
Termination of membership of Karsten Günter Nowak as of 13 January 2004
Termination of membership of Rolland Hartung as of 13 January 2004
Termination of membership of Einar Westre and Dr. Oliver Wittig as of 22 September 2004

There were two vacancies in the supervisory board as of 30 September 2004; new members will be appointed not later than the end of December 2004.

2. ACCOUNTING METHODS AND GENERAL ACCOUNTING PRINCIPLES

The Company's accounting is kept and the financial statements have been made in accordance with Act No. 563/1991 Coll. on Accounting, Decree No 500/2002 Coll. determining the structure and naming of items of the financial statements and the content of items of these statements, the guiding chart of accounts, accounting methods and their use, and with the Measure of the Ministry of Finance Ref. No. 281/89 759/2001 determining the chart of accounts and accounting procedures for businessmen, to the extent in which its subject is not regulated differently in Decree No. 500/2002 Coll.

The accounting complies with the general accounting principles, particularly the principle of valuation of assets by historical cost, except for certain areas described in Chapter 3.10., the accrual principle, principle of prudence and the going concern principle.

All data in these financial statements are stated in Czech crowns (CZK).

3. OVERVIEW OF MATERIAL ACCOUNTING RULES AND PROCEDURES

3.1. Tangible and intangible assets

VALUATION

Tangible fixed assets mean assets whose valuation exceeds 5,000 CZK per item and the useful life exceeds one year.

Intangible fixed assets include organizational costs in excess of 20,000 CZK and other assets whose valuation exceeds 5,000 CZK per item and the useful life exceeds one year.

Purchased tangible and intangible assets are valued at cost.

Tangible assets with the useful life longer than one year, which are valued upon acquisition at cost lower than 40,000 CZK and higher than 5,000 CZK, and intangible assets with the useful life longer than one year, which are valued upon acquisition at cost lower than 60,000 CZK and higher than 5,000 CZK, are considered as low-value tangible /intangible assets and are expensed in full upon their putting into use.

Cost of technical improvements of a single asset whose aggregate amount exceeds 40,000 CZK in a fiscal year is added to the acquisition cost of fixed assets.

ACCOUNTING DEPRECIATION

Fixed assets are depreciated by a straight-line method with the depreciation period indicated below.

Asset category	Depreciation period in years
Machinery and equipment	2 to 4
Transport means	2
Software	2 to 4

The depreciation period is determined separately for each fixed asset in accordance with its estimated useful life.

3.2. Financial investments

VALUATION

Securities and investments are valued, upon purchase, by their acquisition costs, which include related costs, e.g. fees and commissions paid to bYearers, advisors and stock exchanges.

Investments were valued by the equity method as of the balance sheet date, except for the investment Dúbská energetická společnost a.s., which is valued at cost, adjusted by a provision to this financial investment, as it was impossible to value this investment by the equity method.

Intercompany loans are valued by their nominal value.

3.3. Inventory

VALUATION

Work in progress relating to projects under construction is valued by their specific cost and the relevant portion of overhead costs.

METHOD OF CREATION OF PROVISIONS

The Company creates provisions to work in progress on the basis of individual evaluation of the status of each project. A 100% provision is created with respect of projects with doubtful feasibility. The Company did not create any provisions during the current accounting period.

3.4. Receivables

METHOD OF CREATION OF PROVISIONS

The following provisions to receivables were created in 2004 based on their aging:

Overdue receivables	Provisions in %
6 to 12 months	50 %
12 to 18 months	80 %
over 18 months	100 %

3.5. Loans

VALUATION

Loans are carried at their nominal value. Short-term loans include also parts of long-term loans that are due within one year after the balance sheet date.

3.6. Reserves

A reserve for payment of management bonuses was created in the accounting period.

3.7. Translation of items in foreign currencies to the Czech currency

Accounting operations in foreign currencies carried out during the year are accounted for by the exchange rate published by the Czech National Bank as of the date of the accounting event.

Receivables and payables denominated in foreign currencies are translated, as of the balance sheet date, by the exchange rate published by the Czech National Bank as of such date and any exchange rate differences are charged or credited to the account of exchange rate gains or losses.

3.8. Hire purchase contracts

The first instalment (down payment) relating to a hire purchase contract is accounted for by the accrual method or carried on the account of paid advances and released to expenses during the lease term.

3.9. Taxes

3.9.1. Tax depreciation of fixed assets

Tax depreciation is calculated by the straight-line method.

TAX DUE

The Company has no tax liability as of 30 September 2004.

3.9.2. Deferred tax

Deferred tax is calculated on the basis of all temporary differences between accounting and tax values, using the income tax rate of 26 %.

3.10. Changes in the valuation method, depreciation and accounting procedures in comparison with the previous accounting period

The Company prepared financial statements for three comparable periods, i.e. as of 30 September 2004, 2003 and 2002. Financial statements mean the balance sheet, income statement, statement of changes in equity and the cash flow statement.

The following reclassifications, reflecting changes in the format of 2003 statement, were made in the financial statements for the comparable periods ending with 30 September 2003 and 30 September 2002:

- no lines with zero values are presented in the financial statements;
- creation of reserves and provisions is charged, and their use, reduction or release for redundancy is credited to expenses;
- deferred tax liability existing as of 30 September 2004 is carried as a long-term liability, while is was carried as a reserve as of 30 September 2003 and 2002;
- estimated assets or liabilities are included as of 30 September 2004 among short-term receivables or payables, while they were shown as of 30 September 2003 and 2002 among other assets or liabilities.

DETERMINATION OF REAL VALUE

Investments are valued by the equity method as of the balance sheet date, with the exception of the investment in Dubská energetická společnost a.s., which is valued at the acquisition cost, adjusted by a provision created to this financial investment, as it cannot be valued by the equity method.

4. ADDITIONAL INFORMATION TO THE BALANCE SHEET AND INCOME STATEMENT

4.1. Fixed assets

4.1.1. Intangible assets

ACQUISITION COST (in ,000 CZK)

	Balan- ce at 30. 9. 2001	Addi- tions	Dispos- als	Balan- ce at 30. 9. 2002	Reclassi- fication	Addi- tions	Dispos- als	Balan- ce at 30. 9. 2003	Addi- tions	Dispos- als	Balan- ce at 30. 9. 2004
Research and development	75	0	0	75	0	0	0	75	0	0	75
Software	7,381	3,820	0	11,201	126	307	259	11,375	5,196	0	16,571
Other intangible assets	126	0	0	126	-126	0	0	0	0	0	0
Acquisition of intangible assets	2,101	1,286	3,387	0	0	307	307	0	617	0	617
Advances for intangible assets	0	0	0	0	0	1,000	0	1,000	0	1,000	0
Total	9,683	5,106	3,387	11,402	0	1,614	566	12,450	5,813	1,000	17,263

DEPRECIATION (in ,000 CZK)

	Balan- ce at 3. 9. 2001	Addi- tions	Dispos- als	Balan- ce at 30. 9. 2002	Reclassi- fication	Addi- tions	Dispos- als	Balan- ce at 30. 9. 2003	Addi- tions	Dispos- als	Balan- ce at 30. 9. 2004
Research and development	8	25	0	33	0	25	0	58	17	0	75
Software	1,365	2,316	0	3,681	126	2,726	259	6,274	3,685	0	9,959
Other intangible assets	126	0	0	126	-126			0	0	0	0
Total	1,499	2,341	0	3,840	0	2,751	259	6,332	3,702	0	10,034

NET BOOK VALUE (in ,000 CZK)

	Balance at 30. 9. 2001	Balance at 30. 9. 2002	Balance at 30. 9. 2003	Balance at 30. 9. 2004
Research and development	67	42	17	0
Software	6,016	7,520	5,101	6,612
Other intangible assets	0	0	0	0
Acquisition of intangible assets	2,101	0	0	617
Advances for intangible assets	0	0	1,000	0
Total	8,184	7,562	6,118	7,229

Additions in 2004 represent an improvement of the accounting software Exact SW for group companies in the value of 927,000 CZK, purchase of wage-processing software Nugget in the amount of 736,000 CZK, purchase of SW for the Balancing and Planning System of ZTV in the amount of 1,109,000 CZK and SW Windows 2003 for 2,424,000 CZK.

Additions to software in 2003 represent an improvement of the accounting software Exact SW for group companies, which cost 307,000 CZK.

DEPRECIATION OF INTANGIBLE ASSETS CHARGED TO EXPENSES

Depreciation of intangible assets amounted in 2004 to 3,702,000 CZK, in 2003 to 2,751,000 CZK and in 2002 to 2,341,000 CZK.

4.1.2. Tangible assets

ACQUISITION COST (in ,000 CZK)

	Balance at 30. 9. 2001	Additions	Disposals	Balance at 30. 9. 2002	Reclassification	Additions	Disposals	Balance at 30. 9. 2003	Additions	Disposals	Balance at 30. 9. 2004
Separate movable things	3,530	4,444	2,469	5,505	2160	790	1,598	6,857	391	323	6,925
– Machinery and equipment	3,144	1,993	18	5,119	2160	790	1,212	6,857	391	323	6,925
– Transport means	386	2,451	2,451	386	0	0	386	0	0	0	0
Other tangible assets	2,101	292	74	2,319	–2,160	80	0	239	0	0	239
Total	5,631	4,736	2,543	7,824	0	870	1,598	7,096	391	323	7,164

ACCUMULATED DEPRECIATION (in ,000 CZK)

	Balance at 30. 9. 2001	Additions	Disposals	Balance at 30. 9. 2002	Reklasifikace	Additions	Disposals	Balance at 30. 9. 2003	Additions	Disposals	Balance at 30. 9. 2004
Separate movable things	3,045	739	99	3,685	2160	639	1,598	4,886	554	323	5,117
– Machinery and equipment	2,803	514	18	3,299	2160	639	1,212	4,886	554	323	5,117
– Transport means	242	225	81	386		0	386	0	0	0	0
Other tangible assets	2,101	194	74	2,221	–2,160	143	0	204	35	0	239
Total	5,146	933	173	5,906	0	782	1,598	5,090	589	323	5,356

NET BOOK VALUE (in ,000 CZK)

	Balance at 30. 9. 2001	Balance at 30. 9. 2002	Balance at 30. 9. 2003	Balance at 30. 9. 2004
Separate movable things	485	1,820	1,971	1,808
– Machinery and equipment	341	1,820	1,971	1,808
– Transport means	144	0	0	0
Other tangible assets	0	98	35	0
Total	485	1,918	2,006	1,808

DEPRECIATION OF TANGIBLE ASSETS CHARGED TO EXPENSES

Depreciation of tangible assets amounted in 2004 to 589,000 CZK, in 2003 to 782,000 CZK and in 2002 to 933,000 CZK.

4.1.3. Assets leased under financial and operative leases

HIRE PURCHASE CONTRACTS (in ,000 CZK)

Description ob object/ group of objects	Start date	Term in months	Total leasing value	Instalments paid until 30. 9. 2001	Instalments paid until 30. 9. 2002	Instalments paid until 30. 9. 2003	Due in 10/2003 – 9/2004	Due in the following years
HW	25 Oct 00	36	3,236	1,210	2,146	3,082	154	0
HW	9 Feb 01	36	356	151	301	354	1	0
HW	6 June 01	36	3,414	1,000	2,430	3,394	20	0
HW	1 Oct 03	36	6,707	0	0	0	2,236	4,471
Total			13,714	2,361	4,877	6,830	2,411	4,471

4.1.4. Mortgaged fixed assets

The Company has no mortgaged tangible or intangible assets.

4.2. Financial investments

ACQUISITION COST (in ,000 CZK)

	Balance at 30. 9. 2002	Additions	Disposals	Balance at 30. 9. 2003	Additions	Disposals	Balance at 30. 9. 2004
Securities and investments in subsidiaries	1,968,701	712,764	190,154	2,491,311	26	53,296	2,438,041
Intercompany loans	142,521	7,300	19,906	129,915	12,574	0	142,489
Total	2,111,222	720,064	210,060	2,621,226	12,600	53,296	2,580,530

A 0.01% share in Zásobování teplem Vsetín a.s. in the book value of 26,000 CZK was purchased in 2004. The Total share in the company reached as of 30 September 2004 82.24 %.

In 2003, the Company sold an ownership interest in BFE-CZ, institut pro energii a ekologii, whose acquisition cost and carrying value was 10,000 CZK.

Furthermore, the Company purchased in 2002 a 33.32% share in Městské inženýrské sítě Studénka a.s. at the acquisition cost and carrying value of 13,000,000 CZK. The Total share in this company reached as of 30 September 2003 99.92 %.

All other additions and disposals of securities and investments in subsidiaries resulted from the revaluation of each investment by the equity method.

4.2.1. Securities and investments in subsidiaries

2004 (in ,000 CZK)

Company name	Acquisition cost	Nominal value	No. of securities	Company equity	Current profit/loss	Share %	Provision	Revaluation – equity	Book value
Zásobování teplem Vsetín a.s. *	240,877	150,859	150,859	261,548	20,862	82,24	0	-25,779	215,098
CTZ s.r.o.	31,800	31,800	x	71,679	5,533	51	0	4,729	36,529
TERMO Děčín a.s.	312,234	345,965	345,965	512,343	41,288	66,66	0	29,277	341,511
Městské inženýrské sítě Studénka a.s.	53,000	129,761	129,761	98,460	-1,653	99,92	0	45,384	98,384
MVV enservis s.r.o.	50,000	1,000	x	38,522	12,349	100	0	-11,478	38,522
Dubská energetická společnost a.s. **	12,000	1,000	1,000	x	x	100	12,000	0	0
Jablonecká teplárenská a realitní, a.s.	255,000	198,000	198	434,288	23,239	66	0	30,678	285,678
OPATHERM a.s.	134,000	9,900	100	40,524	-2,854	100	0	-93,476	40,524
Teplárny Brno a.s.	904,807	753,641	753,641	1,623,731	99,776	85,10	0	476,988	1,381,795
Total	1,993,718	1,621,926		3,081,095	198,540		12,000	456,323	2,438,041

* The share was increased as of 14 November 2003 by 26,000 CZK

** A 100% provision was created as of 30 September 2002

2003 (in ,000 CZK)

Company name	Acquisition cost	Nominal value	No. of securities	Company equity	Book profit/loss	Share %	Provision	Revaluation – equity	Book value at 30. 9. 2003
Zásobování teplem Vsetín a.s.	240,850	150,839	150,839	240,986	14,363	82,22	0	-42,702	198,148
CTZ s.r.o.	31,800	31,800	x	66,360	848	51	0	2,018	33,818
TERMO Děčín a.s.	312,234	345,965	345,965	471,380	18,032	66,66	0	1,972	314,206
Městské inženýrské sítě Studénka a.s. *	53,000	129,761	129,761	96,582	1,506	99,92	0	43,508	96,508
MVV enservis s.r.o.	50,000	1,000	x	864	-537	100	0	-49,136	864
Dubská energetická společnost a.s.**	12,000	1,000	1,000	x	x	100	12,000	0	0
Jablonecká teplárenská a realitní a.s.	255,000	198,000	198	426,608	30,923	66	0	25,626	280,626
OPATHERM a.s.	134,000	9,900	100	35,684	9,782	100	0	-98,316	35,684
BFE-CZ institut pro energii a ekologii s.r.o.	10	x	x	x	x	x	0	x	x
Teplárny Brno a.s.	904,807	753,641	753,641	1,799,598	88,313	85,1	0	626,650	1,531,458
Total	1,993,701	1,621,906		3,138,062	163,230		12,000	509,620	2,491,311

* The share was increased as of 1 October 2002 by 13,000,000 CZK

** A 100% provision was created as of 30 September 2002

The purpose of Company's investments into companies in the Czech Republic is to form a portfolio of energy companies with a similar object of business activities, focusing on the operation of central sources of heat, generation of electricity, water distribution and operation of energy infrastructure.

MVV Energie CZ s.r.o. withdrew on 12 November 2001 from contracts for transfer of securities for consideration, which were concluded on 30 May 2001 with former shareholders of Dubská energetická společnost a.s. This withdrawal was due to the assertion of a claim of česká konsolidační agentura toward Millenium Technologies s.r.o., whose liabilities are guaranteed by Dubská energetická společnost a.s. This liability, arising from the guarantee of Dubská energetická společnost a.s. for a third-arty liability, was not known to MVV Energie CZ s.r.o. until the moment of its assertion, which represented a serious breach of the contract for transfer of securities for consideration. Since the performance of the asserted claim exceeds materially the purchase price of the securities (stock) of Dubská energetická společnost a.s., MVV Energie CZ s.r.o. considers such fact as gross breach of contract term and as grounds of rescission of contracts for transfer of securities for consideration. Shares of Dubská energetická společnost a.s. are still held on the account of MVV Energie CZ s.r.o. kept at the Securities Centre, even though MVV Energie CZ s.r.o. rescinded the purchase contracts on 12 November 2001 and is no longer their owner, according to the management of the Company.

The Company filed with the Municipal Court in Prague on 17 January 2002 an action against Ing. Stanislav Kolba, Grisha Kahlen and Vladimír Bezdíček. This action is related to the rescission of contracts for acquisition of shares of Dubská energetická společnost a.s., which were formerly held by these persons. The sellers disagree with the legitimacy of the rescission and have not returned the purchase price.

The action was partially withdrawn at the beginning of 2003 and currently concerns the determination that the defendants are again holders of shares of Dubská energetická společnost a.s.

The Company believes that, based on its rescission of the contracts for transfer of securities for consideration, which occurred in November 2001, it ceased to be the owner of shares of Dubská energetická společnost a.s. (a lawsuit for the determination of ownership of these shares is currently held before the Municipal Court in Prague). Therefore, Dubská energetická společnost a.s. is shown in the above list solely for accounting purposes, and the Company has not been exercising any decisive influence in this company since the rescission of the contracts. Therefore, the Company does not know or include the results of Dubská energetická společnost a.s.

The subsidiary MVV enservis s.r.o. also owns a 35% interest in Českolipská teplárenská a.s., which is a company included in the sector portfolio of investments of MVV Energie CZ s.r.o.

2002 (in ,000 CZK)

Company name	Acquisition cost	Nominal value	No. of securities	Company equity	Book profit/loss	Share %	Provision	Book value
Zásobování teplem Vsetín a.s.	240,850	150,839	150,839	226,659	-5,848	82,22	0	240,850
CTZ s.r.o.	31,800	31,800	x	64,613	1,263	51,00	0	31,800
TERMO Děčín a.s.	312,234	345,965	345,965	487,051	-12,470	66,66	0	312,234
Městské inženýrské sítě Studénka a.s.	40,000	86,565	86,565	114,933	1,385	66,66	0	40,000
MVV enservis s.r.o.	50,000	1,000	x	1,401	-826	100,00	0	50,000
Dubská energetická společnost a.s.	12,000	1,000	1,000	x	x	100,00	12,000	0
Jablonecká teplárenská a realitní, a.s.	255,000	198,000	198	372,193	17,615	65,78	0	255,000
OPATHERM a.s.	134,000	9,900	100	23,407	1,397	100,00	0	134,000
BFE-CZ institut pro energii a ekologii s.r.o.	10	500	x	42	-15	100,00	0	10
Teplárny Brno a.s.	904,807	753,641	753,641	1,899,880	45,273	85,10	0	904,807
Total	1,980,701	1,579,210		3,190,179	47,774		12,000	1,968,701

4.2.2. Intercompany loans and receivables

2004 (in ,000 CZK)

Company	Amount	Interest rate	Interest p.a.	Due date	Security	Country (currency)	Provision
Long-term							
OPATHERM a.s.	115,708	9 %	11,705	31 Mar 2014	None	CZK	0
OPATHERM a.s.	15,281	5.75 %	1,170	25 Feb 2009	None	CZK	0
CTZ s.r.o. Uherské Hradiště	10,500	6M PRIBOR + 2.5 %	517	31 Dec 2005	None	CZK	0
MVV enservis s.r.o.	1,000	6 %	53	31 Jul 2006	None	CZK	0
Total long-term loans	142,489						
Short-term							
Unpaid interest on loan – OPATHERM	2,856						
Unpaid dividends – Jablonecká teplárenská a realitní a.s.	9,867						
MVV enservis s.r.o.	1,000	6 %	60	31 Dec 2004	None	CZK	0
OPATHERM a.s.	11,239	9 %	0	30 Sep 2004	None	CZK	0
OPATHERM a.s.	5,458	5.75 %	0	30 Sep 2004	None	CZK	0
MVV enservis s.r.o.	1,200	6 %	0	30 Sep 2005	None	CZK	0
Receivables from controlled and managed persons	31,620						
Total for the group	161,386						

* unpaid interest on loan

** unpaid dividends

2003 (in ,000 CZK)

Company	Amount	Interest rate	Interest p.a.	Due date	Security	Country (currency)	Provision
Long-term							
OPATHERM a.s.	124,798	9 %	12,413	31 Mar 2014	None	CZK	0
OPATHERM a.s.	5,117	5.75 %	0	25 Feb 2009	None	CZK	0
Total long-term loans	129,915		12,413				0
Short-term							
OPATHERM a.s.	10,282	9 %		31 Mar 2014	None	CZK	0
OPATHERM a.s.	2,183	5.75 %	0	25 Feb 2009	None	CZK	0
OPATHERM a.s.*	3,039						
CTZ s.r.o. Uherské Hradiště	10,500	6M PRIBOR + 2.5 %	493	30 Sep 2004	None	CZK	0
CTZ s.r.o. Uherské Hradiště	5,000	6M PRIBOR + 2.5 %	0	25 Sep 2004	None	CZK	0
MVV enservis s.r.o	1,000	6 %	85	30 Sep 2004	None	CZK	0
Receivables from controlled and managed persons	32,004		578				0
Total for the group	161,919		12,991				0

* unpaid interest on loan

Short-term loans are carried as receivables from companies with substantial influence (associates) and also include parts of long-term loans that are due within one year.

2002 (in ,000 CZK)

Company	Amount	Interest rate	Interest p.a.	Due date	Security	Country (currency)	Provision
Long-term							
OPATHERM a.s.	142,521	9 %	13,111	31 Mar 2014	None	CZK	0
Total long-term loans	142,521		13,111				0
Short-term							
MVV enservis s.r.o.	350	6 %	75	30 Sep 2002	None	CZK	0
MVV enservis s.r.o.	350	6 %		30 Sep 2003	None	CZK	0
MVV enservis s.r.o.	1,000	6 %		30 Sep 2003	None	CZK	0
CTZ s.r.o. Uherské Hradiště	5,108	6M PRIBOR + 2.5 % margin	0	30 Sep 2003	None	CZK	0
Receivables from controlled and managed persons	6,808		75				0
Total for the group	149,329		13,186				0

4.2.3. Pledged financial investments

2004 (in ,000 CZK)

Asset description	Book value	Description, scope and purpose of pledge/easement	value of secured liability
Ownership interest in CTZ s.r.o.	36,529	Pledge in favour of HVB CZ a.s.	65,180
Bulk share certificates in TERMO Děčín a.s. nos. 000004 and 000005	341,511	Amount of loans with HVB CZ a.s. as of 30 Sep 2004	299,466

HVB CZ a.s. provided to CTZ s.r.o. Uherské Hradiště a loan for a large-scale investment – unification of the central heat supply in the city of Uherské Hradiště. MVV Energie CZ s.r.o., as the majority owner CTZ s.r.o., has provided to HVB a.s. a security for this loan in the form of its ownership interest in CTZ s.r.o.

HVB CZ s.r.o. provided to TERMO Děčín a.s. a loan for a large-scale investment – a cogeneration heat source in Děčín – Želenice and for the construction of a central heat source in Děčín. MVV Energie CZ s.r.o., as the majority owner TERMO Děčín a.s., has secured these loans of HVB CZ a.s. by a pledge of 66.66 % shares of the company held by it.

2003 (in ,000 CZK)

Asset description	Book value	Description, scope and purpose of pledge/easement	value of secured liability
Ownership interest in CTZ s.r.o.	33,818	Pledge in favour of HVB CZ a.s.	79,760
Bulk share certificates in TERMO Děčín a.s. nos. 000004 and 000005	314,222	Amount of loans with HVB CZ a.s. as of 30 Sep 2003	344,914

2002 (in ,000 CZK)

Asset description	Book value	Description, scope and purpose of pledge/easement	value of secured liability
Ownership interest in CTZ s.r.o.	31,800	Pledge in favour of HVB CZ a.s.	31,800
Bulk share certificates in TERMO Děčín a.s. nos. 000004 and 000005	312,234	Amount of loans with HVB CZ a.s. as of 30 Sep 2002	358,977

4.3. Inventory

Inventory includes EPC savings projects built for specific customers.

4.4. Receivables

4.4.1. Trade receivables (in ,000 CZK)

	Balance at 30 Sep 2004	Balance at 30 Sep 2003	Balance at 30 Sep 2002
Long-term	24,277	29,446	33,724
– customers	24,277	29,446	33,724

Long-term receivables arise as a results of the implementation of projects by the Energy Performance Contracting method, which makes it possible to significantly reduce operating costs incurred in generation, distribution and use of energy. After the draft, preparation and implementation savings measures (mostly of investment nature) the entire project is repaid in instalments (in 6-8 years subject to the relevant contracts) out of the achieved cost savings (i.e. of energy cost). Savings are guaranteed in the agreed amount corresponding to the amount of instalments.

(in ,000 CZK)

	Balance at 30 Sep 2004	Balance at 30 Sep 2003	Balance at 30 Sep 2002
Short-term			
– customers	19,444	39,363	34,220
– operating advances – paid	1,319	1,141	926
– provisions	–7,584	–8,666	–8,824
Total	13,179	31,838	26,322

4.4.2. Age structure of receivables from customers (in ,000 CZK)

Year	Category	Before due date	Overdue					Total
			0–90 days	91–180 days	181–360 days	1–2 years	2 years and over	
2004	Short-term	7,913	1,511	1,037	2,464	2,015	4,504	19,444
	Provisions				1,232	1,848	4,504	7,584
2003	Short-term	25,883	3,003	545	1,825	5,459	2,648	39,363
	Provisions	,	,	90	707	5,221	2,648	8,666
2002	Short-term	6,328	9,940	7,807	5,464	1,286	3,395	34,220
	Provisions	,	,	1,561	2,732	1,136	3,395	8,824

Current maturity period of receivables is 14 days.

Provisions for receivables are created by the method set forth in Chapter 3.4. The sole exception with respect to which no provisions are created are trade receivables arising from trade relations among group companies.

4.4.3. Intercompany receivables (in ,000 CZK)

Company name	Balance at 30 Sep 2004	Balance at 30 Sep 2003	Balance at 30 Sep 2002
Short-term trade receivables			
Zásobování teplem Vsetín a.s.	993	1,067	3,943
CTZ s.r.o.	2,359	2,747	3,000
TERMO Děčín a.s.	631	590	3,049
Městské inženýrské sítě Studénka a.s.	144	127	127
Jablonecká teplárenská a realitní, a.s.	542	7,904	481
OPATHERM a.s.	1,458	1,356	3,928
MVV enservis s.r.o.	2,962	2,050	1,336
Teplárny Brno a.s.	1,071	12,732	8
Total short-term intercompany receivables	10,160	28,573	15,997
Short-term intercompany loans	18,897	32,004	6,808
Total receivables from controlled and managed persons	31,620	32,004	6,808
Third-party accounts receivable	9,284	10,790	18,223
Total short-term receivables	51,064	39,363	34,220

Receivables of MVV Energie CZ s.r.o. from MVV enservis s.r.o., CTZ s.r.o. and OPATHERM a.s. arising from loans in the amount of 161,386,000 CZK are included in Note 4.2.2 hereof – Intercompany loans, out of which short-term loans represent 18,897,000 CZK.

4.4.4. Receivables secured by a pledge or another security

Based on an Agreement on Pledge of Receivables concluded with ČSOB a.s., the Company has a pledge in the creditor's favour, securing the creditor's receivables plus appurtenances arising under a Loan Agreement between the Company and ČSOB, a.s. The pledge applies to the value of all receivables of the Company.

4.5. Financial assets (in ,000 CZK)

	Balance at 30 Sep 2004	Balance at 30 Sep 2003	Balance at 30 Sep 2002
Treasury	106	50	109
Current accounts	43,133	25,084	7,847
Term deposits	0	22,510	2,910
Stamps	297	156	136
Deposit notes	0	0	25,000
Total financial assets	43,536	47,800	36,002

4.6. Estimated assets

The balance of estimated assets consists of the estimated unbilled revenue as of 30 September 2004. These are projects under construction, which are billed mostly once a year.

4.7. Reserves

The Company created in 2004 a reserve for payment of management bonuses in the amount of 6, 032,000 CZK (4,495,000 CZK in 2003).

4.8. Liabilities

4.8.1. Trade payables (in ,000 CZK)

	Balance at 30 Sep 2004	Balance at 30 Sep 2003	Balance at 30 Sep 2002
Short-term payables			
– suppliers and other trade payables	3,855	25,267	5,536
– advances received	1,643	1,180	14,496
Total	5,498	26,447	20,032

4.8.2. Aging of payables to suppliers (in ,000 CZK)

Year	Category	Before due date	Overdue					Total
			0–90 days	91–180 days	181–360 days	1–2 years	2 years and over	
2004	Short-term	3,242	–45	0	658	0	0	3,855
2003	Short-term	24,516	105	54	197	0	395	25,267
2002	Short-term	3,663	353	287	667	0	566	5,536

Current maturity period of payables is 14 days.

4.8.3. Intercompany payables (in ,000 CZK)

Company name	Balance at 30 Sep 2004	Balance at 30 Sep 2003	Balance at 30 Sep 2002
Short-term trade payables			
MVV enservis s.r.o.	28	866	0
Teplárny Brno a.s.	52	0	0
Total short-term intercompany payables	80	866	0
Payable to third parties	5,418	25,581	20,032
Total short-term trade payables	5,498	26,447	20,032

(in ,000 CZK)

Company name	Balance at 30 Sep 2004	Balance at 30 Sep 2003	Balance at 30 Sep 2002
Short-term financing payables			
Payables to MVV ENERGIE AG – loans	518,863	1,057,602	1,497,000
Payables to MVV ENERGIE AG – loan interest	0	1,373	46,791
Payables to Teplárny Brno	0	7,183	,
Total short-term payables	518,863	1,066,158	1,543,791
Long-term financing payables			
Payables to MVV ENERGIE AG – loans	1,054,000	639,736	0
Payables to Teplárny Brno	0	5,117	0
Total long-term payables	1,054,000	644,853	0
Total intercompany payables	1,054,000	1,711,011	1,543,791

The above financing payables include both long-term and short-term intercompany payables.

4.9. Bank loans and debentures

2004 (in ,000 CZK)

	Balance at 30 Sep 2004	Interest rate	Form of security	Book/market value of pledged assets	Description of pledged assets
ČSOB	370	Prime rate/2 + 3 %	Zást. právo k pohl. Záruka mat. společ.	See Note 4.2.3.	See Note 4.2.3.
ČSOB	4,447	Prime rate/2 + 2 %	Pledge of receivable Blank note	See Note 4.2.3.	See Note 4.2.3.
ČSOB	5,770	Prime rate/2 + 2 %	Pledge of receivable Blank note	See Note 4.2.3.	See Note 4.2.3.
ČSOB	1,009	Prime rate/2 + 2 %	Pledge of receivable Blank note	See Note 4.2.3.	See Note 4.2.3.
ČSOB	876	Prime rate/2 + 2.5 %	Pledge of receivable Blank note	See Note 4.2.3.	See Note 4.2.3.
ČSOB	9,720	1M PRIBOR + 2.5 %	Pledge of receivable Blank note	See Note 4.2.3.	See Note 4.2.3.
ČSOB	2,065	1M PRIBOR + 2.5 %	Pledge of receivable Blank note	See Note 4.2.3.	See Note 4.2.3.
ČSOB	1,791	1M PRIBOR + 2.5 %	Pledge of receivable Blank note	See Note 4.2.3.	See Note 4.2.3.
ČSOB	1,201	1M PRIBOR + 2.5 %	Pledge of receivable Blank note	See Note 4.2.3.	See Note 4.2.3.
ČSOB	1,333	PRIBOR + 2.5%	Pledge of receivable Blank note	See Note 4.2.3.	See Note 4.2.3.
ČSOB	2,426	PRIBOR + 2.5%	Pledge of receivable Blank note	See Note 4.2.3.	See Note 4.2.3.
Total	31,008				

PAYMENT SCHEDULE (in ,000 CZK)

Bank/ Creditor	Less than one year	Due in 1–2 Years	Due in 2–3 Years	Due in 3–4 Years	Due in 4–5 Years	Further periods	Total
ČSOB	370	0	0	0	0	0	370
ČSOB	1,980	1,980	487	0	0	0	4,447
ČSOB	2,340	2,340	1,090	0	0	0	5,770
ČSOB	552	457	0	0	0	0	1,009
ČSOB	504	372	0	0	0	0	876
ČSOB	2,136	2,136	2,136	2,136	1,176	0	9,720
ČSOB	435	435	435	435	325	0	2,065
ČSOB	377	377	377	377	283	0	1,791
ČSOB	249	249	249	249	205	0	1,201
ČSOB	378	412	412	412	412	344	2,370
ČSOB	516	563	563	563	563	1,032	3,800
Total	9,837	9,321	5,749	4,172	2,964	1,376	33,419

The total amount of loans shown in the payment schedule is increased by the unused part of credit limits as of 30 September 2004 in the total amount of 2,411,000 CZK.

2003 (in ,000 CZK)

	Balance at 30. 9. 2003	Interest rate	Form of security	Book/market value of pledged assets	Description of pledged assets
ČSOB	1,954	Prime rate/2 + 3 %	Pledge of receivable parent guarantee	See Note 4.2.3.	See Note 4.2.3.
ČSOB	6,427	Prime rate/2 + 2 %	Pledge of receivable Blank note	See Note 4.2.3.	See Note 4.2.3.
ČSOB	8,110	Prime rate/2 + 2 %	Pledge of receivable Blank note	See Note 4.2.3.	See Note 4.2.3.
ČSOB	1,561	Prime rate/2 + 2 %	Pledge of receivable Blank note	See Note 4.2.3.	See Note 4.2.3.
ČSOB	1,380	Prime rate/2 + 2.5 %	Pledge of receivable Blank note	See Note 4.2.3.	See Note 4.2.3.
ČSOB	11,500	1M PRIBOR + 2.5 %	Pledge of receivable Blank note	See Note 4.2.3.	See Note 4.2.3.
ČSOB	2,500	1M PRIBOR + 2.5 %	Pledge of receivable Blank note	See Note 4.2.3.	See Note 4.2.3.
ČSOB	2,169	1M PRIBOR + 2.5 %	Pledge of receivable Blank note	See Note 4.2.3.	See Note 4.2.3.
ČSOB	1,450	1M PRIBOR + 2.5 %	Pledge of receivable Blank note	See Note 4.2.3.	See Note 4.2.3.
Total	37,051				

Prime Rate is the minimum interest rate of the bank charged on loans, which is currently published.

All loans have been provided for the financing of projects implemented by the EPC method.

PAYMENT SCHEDULE (in ,000 CZK)

Bank/ Creditor	Less than one year	Due in 1-2 Years	Due in 2-3 Years	Due in 3-4 Years	Due in 4-5 Years	Further periods	Total
ČSOB	1,584	370	0	0	0	0	1,954
ČSOB	1,980	1,980	1,980	487	0	0	6,427
ČSOB	2,340	2,340	2,340	1090	0	0	8,110
ČSOB	552	552	457	0	0	0	1,561
ČSOB	504	504	372	0	0	0	1,380
ČSOB	1,780	2,136	2,136	2,136	2,136	1,176	11,500
ČSOB	435	435	435	435	435	325	2,500
ČSOB	377	377	377	377	377	284	2,169
ČSOB	249	249	249	249	249	205	1,450
Total	9,801	8,943	8,346	4,774	3,197	1,990	37,051

2002 (in ,000 CZK)

Bank/ creditor	Balance at 30. 9. 2002	Interest rate	Form of security	Book/market value of pledged assets	Description of pledged assets
ČSOB	3,538	Prime rate/2 + 3 %	Pledge of receivables parent guarantee	See Note 4.2.3.	See Note 4.2.3.
ČSOB	8,407	Prime rate/2 + 2 %	Pledge of receivables Blank note	See Note 4.2.3.	See Note 4.2.3.
ČSOB	10,450	Prime rate/2 + 2 %	Pledge of receivables Blank note	See Note 4.2.3.	See Note 4.2.3.
ČSOB	2,113	Prime rate/2 + 2 %	Pledge of receivables Blank note	See Note 4.2.3.	See Note 4.2.3.
ČSOB	1,800	Prime rate/2 + 2.5 %	Pledge of receivables Blank note	See Note 4.2.3.	See Note 4.2.3.
Total	26,308				

4.10. Estimated liabilities

Estimated liabilities include the estimated overhead for September 2004 and accrued cost of supply of projects implemented by the EPC (Energy Performance Contracting) method in the total amount of 2,182,000 CZK.

A material item of estimated liabilities was represented in 2003 by supplies of heavy fuel oil by EXPOL TRADE s.r.o. in the amount of 5,359,000 CZK and by Vindu_ka in the amount of 2,278,000 CZK.

A material item of estimated liabilities was represented in 2002 by outstanding interest on loans provided by the parent company MVV ENERGIE AG in the amount of 23,643,000 CZK.

4.11. Deferred tax (in ,000 CZK)

	30 Sep 2004	30 Sep 2003	30 Sep 2002
Fixed assets			
Net book value of fixed assets	127	306	425
Trade receivables	0	0	2,371
Inventory	104	124	432
Other reserves	1,568	0	1,637
Accumulated tax loss from previous years	0	1,295	0
Other (unpaid bonuses, outstanding penalties)	0	1,332	0
Revaluation of financial investments by equity method	-130,021	-104,966	0
Total deferred tax asset	0	0	4,865
Total deferred tax liability	-128,222	-101,909	0

(in ,000 CZK)

Deferred tax asset/(liability) as of 30 Sep 2001	3,406
Impact of increase of deferred tax asset on the income statement	1459
Deferred tax asset/(liability) as of 30 Sep 2002	4,865
Impact of increase of deferred tax asset on the income statement	-1,808
Impact of increase of deferred tax liability on equity	-104,966
Deferred tax asset/(liability) as of 30 Sep 2003	-101,909
Impact of increase of deferred tax liability on the income statement	-1,257
Impact of increase of deferred tax liability on equity	-25,056
Deferred tax asset/(liability) as of 30 Sep 2004	-128,222

4.12. Assets and liabilities denominated in foreign currencies

The Company carries in foreign currencies:

short-term receivables from customers in the amount of 10,000 US\$ and claims for refunds of value added tax from the Financial Office in Bonn in the amount of 372 EUR.

Short-term payables relating to the parent company loans in the amount of 2,396,000 EUR (other loans are carried in CZK), which are translated by the exchange rate applicable as of the balance sheet date.

4.13. Current revenue by main activities (in ,000 CZK)

	Balance at 30 Sep 2004		Balance at 30 Sep 2003	Balance at 30 Sep 2002
	Foreign.	Domestic	Domestic	Domestic
Heavy fuel oil		135,366	140,738	106,517
Electricity		0	10,639	0
Coal		34,009	27,716	17,911
Other		167	0	4,110
Revenue from sale of goods		169,542	179,093	128,538
Implementation of energy saving projects		11,141	13,502	20,258
Energy audits and consultations		1,820	111	1,626
Shares in energy savings		10,834	11,350	17,905
Consultations, management and business services	255	38,373	37,463	36,145
Total revenue from sale of own goods and services	255	62,168	62,426	75,934

4.14. Related-party transactions

4.14.1. Revenues achieved with related parties

2004 (in ,000 CZK)

Name	Relation to Company	Goods	Services	Financial gains	Total
Zásobování teplem Vsetín a.s.	Subsidiary	8,648	5,477	0	14,125
CTZ s.r.o.	Subsidiary	17,058	2,570	639	20,267
TERMO Děčín a.s.	Subsidiary	0	7,026	0	7,026
Městské inženýrské sítě Studénka a.s.	Subsidiary	0	1,989	0	1,989
MVV enservis Česká Lípa s.r.o.	Subsidiary	0	1,079	113	1,192
Opatherm a.s.	Subsidiary	9,004	3,883	12,875	25,762
Dubská energetická společnost a.s.	Subsidiary	0	0	0	0
Jablonecká teplárenská a realitní, a.s.	Subsidiary	103,967	10,035	9,867	123,869
Teplárny Brno, a.s.	Subsidiary	30,865	4,478	255,107	290,450
Total		169,542	36,537	278,601	484,680

2003 (in ,000 CZK)

Name	Relation to Company	Goods	Services	Financial gains	Total
Zásobování teplem Vsetín a.s.	Subsidiary	9,591	5,102	3,665	18,358
CTZ s.r.o.	Subsidiary	7,800	2,552	493	10,845
TERMO Děčín a.s.	Subsidiary	0	20,455	0	20,455
Jablonecká teplárenská a realitní a.s.	Subsidiary	114,396	7,370	0	121,766
Městské inženýrské sítě Studénka a.s.	Subsidiary	0	1,703	0	1,703
MVV enservis s.r.o.	Subsidiary	0	1,326	85	1,411
OPATHERM a.s.	Subsidiary	10,325	3,580	12,413	26,318
Teplárny Brno a.s.	Subsidiary	26,342	1,054	0	27,396
MVV AG	Parent	10,639	0	0	10,639
Total		179,093	43,142	16,656	238,891

2002 (in ,000 CZK)

Name	Relation to Company	Goods	Services	Financial gains	Total
Zásobování teplem Vsetín a.s.	Subsidiary	14,461	5,098	393	19,952
CTZ s.r.o.	Subsidiary	0	5,403	0	5,403
TERMO Děčín a.s.	Subsidiary	4,110	13,632	0	17,742
MVV enservis s.r.o.	Subsidiary	0	1,138	75	1,213
Opatherm a.s.	Subsidiary	6,223	1,976	13,111	21,310
Dubská energetická společnost a.s.	Subsidiary	0	254	0	254
Jablonecká teplárenská a realitní, a.s.	Subsidiary	103,744	6,969	0	110,713
Městské inženýrské sítě a.s.	Subsidiary	0	1,090	0	1,090
Teplárny Brno a.s.	Subsidiary	0	7	0	7
Českolipská teplárenská a.s.	Owned by MVV enservis s.r.o.	0	578	0	578
Total		128,538	36,145	13,579	178,262

All revenues are attained under contracts concluded between MVV Energie CZ s.r.o. and its subsidiaries. These revenues are not presented on a separate line of the financial statements.

4.14.2. Purchases

2004 (in ,000 CZK)

Name	Relation to Company	Services	Financial expenses	Total
Zásobování teplem Vsetín a.s.	Subsidiary	0	10	10
Teplárny Brno a.s.	Subsidiary	0	1,029	1,029
MVV ENERGIE AG	Parent	86	127,547	127,633
MVV enservis s.r.o.	Subsidiary	1,431	0	1,431
Total		1,517	128,586	130,103

2003 (in ,000 CZK)

Name	Relation to Company	Materiál	Services	Financial expenses	Total
MVV ENERGIE AG	Parent	0	0	116,164	116,164
TERMO Děčín a.s.	Subsidiary	0	2	0	2
MVV enservis s.r.o.	Subsidiary	0	6,853	0	6,853
Jablonecká teplárenská a realitní a.s.	Subsidiary	0	30	0	30
Zásobování teplem Vsetín a.s.	Subsidiary	0	0	973	973
Total		0	6,885	117,137	124,022

2002 (in ,000 CZK)

Name	Relation to Company	Materiál	Services	Financial expenses	Total
MVV ENERGIE AG	Parent	0	0	93,753	93,753
TERMO Děčín a.s.	Subsidiary	6	26	159	191
MVV enservis s.r.o.	Subsidiary	13	1,420	0	1,433
Total		19	1,446	93,912	95,377

These purchases are not presented on a separate line of the financial statements.

4.14.3. Other related party transactions

No other related party transactions took place in the past accounting period.

5. EMPLOYEES, COMPANY MANAGEMENT AND STATUTORY BODIES

5.1. Personnel expenses and number of employees

The average number of employees and members of Company management is as follows:

2004 (in ,000 CZK)

	Number	Wage expenses	Social and health insurance	Other expenses	Total personnel expenses
Employees	25	14,548	5,031	474	20,053
Company management	3	7,696	2,694	525	10,915
Total	28	22,244	7,725	999	30,968

2003 (in ,000 CZK)

	Number	Wage expenses	Social and health insurance	Other expenses	Total personnel expenses
Employees	26	11,955	4,153	335	16,443
Company management	3	8,095	2,825	480	11,400
Total	29	20,050	6,978	815	27,843

2002 (in ,000 CZK)

	Number	Wage expenses	Social and health insurance	Other expenses	Total personnel expenses
Employees	20	7,073	2,417	138	9,628
Company management	5	5,168	1,809	551	7,528
Total	25	12,241	4,226	689	17,156

The number of employees is based on the average restated number of employees. The term “Company management” means the managing director of the Company and directors of each department. Other expenses include contributions to accident and life insurance and meal subsidies paid to the employees and management.

6. OFF BALANCE SHEET LIABILITIES

6.1 Material contingent losses

The Company is not aware of any material contingent losses that would require creation of accounting reserves.

6.2. Notes payable

MVV Energie CZ s.r.o. issued the following security notes and bank guarantees for its own liabilities (to be applied in case of default; none occurred):

Name of contract partner	Purpose	Balance of liability at 30 Sep 2004	Due date
Československá obchodní banka, a.s.	EPC projects + miscellaneous	33,419,000 CZK	
Československá obchodní banka, a.s.	AGORA – office lease	0	19 May 2004
Československá obchodní banka, a.s.	AGORA – office lease	0	19 May 2004
Československá obchodní banka, a.s.	AGORA – office lease	0	19 May 2004
Československá obchodní banka, a.s.	Krystal Veleslavin	0	30 Sep 2004
Československá obchodní banka, a.s.	DEPO Ostrava	0	15 Dec 2004
Československá obchodní banka, a.s.	OTE, a.s.	0	31 Dec 2004

MVV Energie CZ s.r.o. further issued the following security notes and bank guarantees for third-party liabilities:

SECURITY NOTES FOR THIRD PARTY LIABILITIES

Name of contract partner		Purpose	Amount	Due date
Československá obchodní banka, a.s.	co-acceptance of a bill of exchange issued by Zásobování teplem Vsetín a.s.	purchase of ZVI division	45,000,000 CZK	31 Dec 2007
Československá obchodní banka, a.s.	co-acceptance of a bill of exchange issued by Zásobování teplem Vsetín a.s.	renovation of ZTV's heating plant	79,200,000 CZK	30 June 2005

6.3. Litigation

The only pending litigation as of 30 September 2003 is the matter reviewed by the Municipal Court in Prague under file no. 50 Cm 24/2002, based on an action filed by our Company against Ing. Stanislav Kolba, Grisha Kahlen and Vladimír Bezdíček. The first hearing in the matter was ordered on 20 November 2003. The action concerns the acquisition of all shares of Dubská energetická společnost a.s. Due to the fact that Dubská energetická společnost a.s. concealed very important facts from Česká konsolidační agentura in the amount of approx. 20 million CZK arising under a guarantee for liabilities of Millenium Technologies s.r.o., the Company rescinded on 12 November 2001 the contracts under which it had acquired these shares. The sellers disagreed with the legitimacy of this rescission and did not provide assistance necessary for registration of the transfer of shares back to them. Due to the foregoing, the Company filed an action for determination of the owner of shares of Dubská energetická společnost a.s. and for refund of the purchase price in the amount of 12 million CZK. The action was partly withdrawn with respect to the part relating to the return of the purchase price.

If the court concluded that the Company is still the sole shareholder of Dubská energetická společnost a.s., it would have the following consequences:

- the Company would have to reimburse the defendants for all legal costs incurred in these proceedings;
- it cannot be ruled out that certain (currently unknown) duties may arise toward Dubská energetická společnost a.s. (see Note 3.2.1).

6.4. Environmental liabilities

No environmental audit of the Company was made as of 30 September 2004. Therefore, the Company management is unable to estimate any contingent liabilities relating to damage caused by past activities, or liabilities relating to the prevention of contingent damage; however, it is not aware of any such liabilities.

6.5. Third party suretyship

MVV Energie CZ s.r.o. signed the following suretyship declarations:

Name of contract partner		Purpose	Outstanding balance as of 30 Sep 2004	Due date
Československá obchodní banka, a.s.	Suretyship declaration (ZTV)	purchase of energy division of ZM	21,350,000 CZK	31 Dec 2007
Československá obchodní banka, a.s.	Suretyship declaration (ZTV)	refinancing of reconstruction of heating facility to heating plant	13,960,000 CZK	30 Jun 2005
HypoVereinsbank CZ a.s.	Suretyship declaration up to 60,000,000 CZK (CTZ)	financing of modernization of heat management	65,180,000 CZK	31 Mar 2009
Československá obchodní banka, a.s.	Suretyship declaration (MISS) – relating to the 99.92 % share	purchase of source from ČKD Vagonka	20,260,000 CZK	14 Aug 2008

6.6. Liabilities relating to construction and acquisition of investments (including financial investments)

As of the balance sheet date, the Company has no contingent liabilities relating to long-term expenses that would arise under concluded contracts.

7. EVENTS AFTER THE BALANCE SHEET DATE

A contract for sale of a financial investment of MVV Energie CZ s.r.o. in Teplárny Brno a.s., or its wholly owned subsidiary TEZA a.s., was concluded on 14 October 2004 between the Company and the City of Brno. The sale price of 85.1 % interest amounts to 1,035 million CZK.

Prepared by:



Ing. Jana Maudrová



Ing. Ivo Slavotínek
Managing Director of the Company

Consolidated results of operations of MVV Energie CZ

Consolidated results of operations of the entire MVV Energie CZ s.r.o. group include results of all subsidiaries and have been compiled as a basis for consolidation of the group MVV Energie AG, Mannheim, in accordance with the international accounting standards and with the policy of this group.

For comparison, the consolidated results also include consolidated results for the previous period, which were compiled by the same method.

Consolidated revenues for the fiscal year of 2003/2004 amounted to 3,001 million CZK, which represents a 1.5% year-to-year decline. the total consolidated profit after tax and after exclusion of minority interests amounts to 55.5 million CZK, which represents a year-to-year decline of 60.7%. Such significant decline is not caused by the operating or financial activities of the group, but by accounting for a deferred tax liability arising from temporary differences between the accounting and tax value of fixed assets of Tep-lárny Brno a.s.

Another significant indicator is the achieved EBIT value (earnings before interest and tax), the consolidated amount of which, i.e. 360.2 million CZK, exceeded to a significant extent the value planned for this fiscal year.

The balance sum fell in comparison with the previous year by more than 296 million CZK, which is due mostly to the reduction of inventory, trade receivables and of the value of fixed assets by depreciation. On the other hand, the equity balance grew by a total of 80 million CZK, which is a significant increase with regard to the fact that there was no new acquisition whose equity would have had a positive effect on the total consolidated amount of equity. Furthermore, liabilities from bank loans were reduced significantly by 210 million CZK, as well as liabilities to the parent company, which fell by 126 million CZK.

The total results of operation of MVV Energie CZ had an important positive effect on the total consolidated results of the group MVV Energie AG.

PROFIT AND LOSS ACCOUNT

	10/2000-9/2001	10/2001-9/2002	10/2002-9/2003	10/2003-9/2004
	thous. CZK	thous. CZK	thous. CZK	thous. CZK
Revenue	786,564	2,627,467	3,048,955	3,001,454
Sales of internally developed goods and services	751,802	2,573,719	2,980,974	2,949,274
Other operating revenue	33,215	40,258	40,172	70,345
Change in the balance of internally developed inventory	-6,743	-958	19,565	-19,167
Capitalization	8,290	14,448	8,244	1,002
Operating expenses	678,735	2,025,020	2,244,097	2,217,180
Material/purchased services	447,088	1,675,290	1,820,473	1,803,297
Personnel expenses	109,595	239,585	280,606	287,386
Other operating expenses	122,052	110,145	143,018	126,497
Earnings before interest, tax and depreciation (EBITDA)	107,829	602,447	804,858	784,274
Depreciation	160,950	343,853	420,137	424,041
Earnings before interest and tax (EBIT)	-53,121	258,593	384,721	360,233
Net interest expense	53,094	168,823	189,268	190,091
Interest expense	64,372	195,703	209,356	205,923
Interest revenue	11,278	37,014	20,088	15,832
Depreciation of financial investments	0	10,133	0	0
Extraordinary revenue/expenses	-934	364	0	0
Earnings before tax (EBT)	-105,281	89,406	195,453	170,142
Income tax	1,982	5,054	183	9,164
Deferred tax asset	30,536	37,548	18,077	8,912
Deferred tax liability	2,050	8,151	19,562	77,254
Profit after tax	-78,777	113,748	193,785	92,636
Share profit in equity	0	-724	-2,443	-7,997
Total profit/loss after tax	-78,777	114,472	196,228	100,633
Minority profit/loss	-14,703	29,450	54,742	45,081
Total profit/loss after tax and deduction of minority interests	-64,074	85,022	141,486	55,552

ASSETS

	10/2000-9/2001	10/2001-9/2002	10/2002 – 9/2003	10/2003 – 9/2004
	thous. CZK	thous. CZK	thous. CZK	thous. CZK
Assets				
Organizational costs	11	2	0	0
Stock subscriptions receivable	0	0	0	0
Fixed assets	1,886,867	4,611,136	4,434,170	4,212,680
Intangible fixed assets	160,738	-206,519	-181,991	-184,696
SW	11,593	33,538	20,144	10,208
Goodwill	145,582	-240,183	-203,276	-196,513
Other intangible assets	0	0	0	0
Advances for intangible assets – paid	3,563	126	1,141	1,609
Tangible fixed assets	1,683,260	4,787,246	4,583,120	4,356,538
Lands, land titles, buildings	993,956	2,017,069	2,138,801	2,097,027
Separate movable things and sets of movable things	539,568	2,253,879	2,374,255	2,179,011
Other tangible assets	5,201	10,071	8,534	10,592
Advances for tangible assets – paid	144,535	506,227	61,530	69,908
Financial investments	42,868	30,407	33,041	40,838
Participating securities and investments in consolidated undertakings	0	10	0	0
Participating securities and investments in undertakings consolidated by the equity method	29,585	30,309	32,753	40,750
Other participating securities and investments	0	0	200	0
Minority interests	0	88	88	88
Loans to consolidated undertakings	0	0	0	0
Other loans	13,233	0	0	0
Other financial investments	50	0	0	0
Current assets	455,236	1,588,500	1,203,932	1,153,398
Inventory	89,750	169,929	151,440	102,627
Material	75,699	132,194	83,005	57,607
Work in progress	7,244	6,236	25,801	6,634
Merchandise	0	0	0	0
Advances for inventory	6,807	31,499	42,634	38,386
Accounts receivable	132,657	133,407	180,221	127,790
Other assets	33,777	38,467	37,511	50,969
Other receivables	33,777	38,462	37,491	50,969
Other intercompany receivables	0	5	20	0
Financial assets	199,052	1,246,696	834,760	872,012
Short-term financial assets	0	1,038,096	358,672	255,349
Bank accounts	199,052	208,600	476,088	616,663
Estimated assets	60,441	9,738	51,420	31,809
Deferred tax asset	31,959	55,762	10,941	6,788
TOTAL ASSETS	2,434,516	6,265,140	5,700,463	5,404,675

LIABILITIES AND EQUITY

	10/2000-9/2001	10/2001-9/2002	10/2002-9/2003	10/2003-9/2004
	thous. CZK	thous. CZK	thous. CZK	thous. CZK
Liabilities and equity				
Equity	341,905	714,558	832,497	912,374
Registered capital	420,000	720,000	720,000	720,000
Capital funds	114	5,435	7,972	15,256
Funds from profit	1	-7,819	-8,635	29,485
Retained earnings/accumulated loss from previous years	-14,135	-88,080	-28,326	92,081
Profit/loss	-64,075	85,022	141,486	55,552
Minority equity interests	387,389	639,092	644,582	641,564
Reserves	4,484	9,270	9,032	11,719
Income tax reserve	1,958	895	2,190	3,078
Other reserves	2,526	8,375	6,842	8,641
Liabilities	1,584,652	4,599,805	3,885,509	3,481,253
Long-term liabilities	1,349,688	4,271,566	3,554,908	3,219,520
Bank loans	447,267	744,766	1,083,451	872,797
Financial leasing payables	13,306	2,930	7,295	8,381
Other long-term payables	4,283	1,980,079	765,451	765,479
Liabilities to MVV GmbH	884,832	1,543,791	1,698,711	1,572,863
Accounts payable	60,065	137,941	158,752	85,268
Payable to suppliers	60,065	137,814	158,692	85,268
Payable to MVV GmbH	0	127	60	0
Received advances	96,817	130,804	132,676	119,644
Other liabilities and equity	78,081	59,493	39,173	56,821
Other payables	78,081	58,812	39,173	56,821
Other payables to MVV GmbH	0	681	0	0
Estimated liabilities	68,954	181,488	175,665	143,509
Deferred tax liability	47,130	120,925	153,178	214,256
Total liabilities and equity	2,434,516	6,265,140	5,700,463	5,404,675

