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Introduction

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Introduction

Dear All,

2005 was a year of transformation for our Company. The structure of shareholders experienced major changes resulting in J&T FINANCE GROUP a.s. becoming the Company's majority shareholder.

The new majority shareholder brought along a revision of the Company's existing strategy. New priorities were defined, such as a significant increase in the volume of traded electricity, readiness to enter open positions, and last but not least, further development of our cooperation with independent electricity producers, including the ability to assume responsibility for a variance and to allow for trading with the whole diagram of produced electricity. Defining these new priorities did not diminish the Company's interest to continue in the ongoing business activities, namely operating the business portal e-broker and cooperating intensively with other traders active on the wholesale trading market in the Czech Republic and abroad.

During 2005, the Company prepared for the increase in its activities leading to the fulfilment of the above-mentioned strategy both at the staff and organisational level. The launch of this new strategy was scheduled for 1 January 2006.

Our aim is to become one of the leading traders with electricity in the Czech Republic while remaining trustworthy, reliable, flexible and open. We are aware that we will not be able to fulfil our goals without hard work of our workers and intensifying good cooperation with our business partners. On behalf of all members of the Company's Board of Directors, I would like to take this opportunity to express my thanks for their work in 2005 and for their share on the Company's results.

JUDr. Daniel Křetínský, v.r.
Chairman of the Board of Directors





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General Information

The První energetická a. s. Company was incorporated on the Establishing General Meeting on 13 December 1994 and was registered in the Commercial Registry in Prague 6 – Dejvice on 3 February 1995. The Shareholders adopted the Articles of Association of the Company, appointed the Board of Directors and the Supervisory Board of the Company.

The Registered Office of the Company is

První energetická a.s.
Washingtonova 17/1599
110 00 Praha 1
Telefon: +420 221 666 233
Fax: +420 221 666 235

Ownership profile of the Company

PEAS is a joint stock company. As at 31. December 2005 the only shareholder is J&T FINANCE GROUP, a.s Company.

Company's subscribed share capital totals CZK 10 million. The share capital is divided into 100 registered shares which are not traded publicly. The nominal value is CZK 100 000 per share.

Scope of Business as defined by the Trade Act

- Purchase of goods for their sale and resale. The Company is a licensed electricity trading company, the Licence was issued by the Czech Energy Regulation Authority (ERÚ)
- Organisation of training courses
- Organisational and economic consulting
- Intermediation services
- Electricity production





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Management of the Company

The General Meeting, the Board of Directors and the Supervisory Board are the Statutory bodies of the Company.

Board of Directors

JUDr. Daniel Křetínský	Chairman of the Board of Directors
Ing. Šárka Vinklerová	Vice-Chairman of the Board of Directors (terminated 22. May 2006)
Ing. Jana Miklošková	Member of the Board of Directors

Supervisory Board

Mgr. Marek Spurný	Chairman of the Supervisory Board (terminated 7. April 2006)
Mgr. Petr Sekanina	Vice-Chairman of the Supervisory Board
Ing. Petr Větrovec	Member of the Supervisory Board



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Report of the Board of Directors

Ladies and Gentlemen,

I am pleased to present the 2005 business activities of První energetická a.s. (hereinafter only PEAS).

As in the previous years PEAS participated on the electricity market as a trading company providing sale and purchase transactions for participants on the electric energy market as well as a provider of Trade Dispatching terminal (OD PEAS). In order to expand our trading capacity of the Company in Slovakia, a managing facility - První energetická a. s. - organizačná zložka was founded in July 2005 in Slovakia.

As a trader with electricity, PEAS purchased and sold electricity for other actors on the market on the basis of individual bilateral contracts, both with business partners in the Czech Republic and abroad.

An electronic portal operated by PEAS still ranks among the most significant electronic portals in the Czech Republic. PEAS contractors use some of the following modules to conduct their business:

The E-Broker is a system for electronic operating anonymous bilateral trading of fixed products. The module generates a comprehensive spreadsheet publishing the best prices on individual products. This system uses an Internet interface and is an add-on to the OD PEAS system.

Modul for bilateral trading is historical the firsts modul and is based on offer and demand of authentic subjects. Within its framework is possible to trade diagrams specified by the user in one hour intervals.

The PEAS Datafeed system provides users with transparent and comprehensive information on up-to-date and historical electricity prices on the Czech, as well as on the European market, and also enables to process this data, hence serves as a useful source of information necessary for easy orientation on electricity market.

Among companies trading through OD PEAS system on the bases of concluded contracts are for example: ČEZ, PRE, E.ON Energie, MORAVA-CHEM, Coal Energy, V-Electra, Entrade, Ezpada and others.

In 2005, PEAS traded a total volume of 671 994 MWh. Out of this volume, 274 550 MWh were traded on the spot market via the electronic dispatching. In the course of the year, PEAS exported 218 448 MWh and imported 64 438 MWh. Other trade transactions were concluded bilaterally.

Total revenues and expenses of PEAS for 2005

- Total revenues of PEAS in 2005 amounted to CZK 503 964 000.
- Total expenses of PEAS in 2005 amounted to CZK 506 848 000.
- Operating profit of PEAS in 2005 amounted to CZK 2 095 000.
- Loss of current accounting period 2005 amounted CZK -2 884 000.

The Company's income principally consists of sales of electricity. While the sales of electricity amounts were recognised as sales of own products and services in 2004, they were recognised as sales of goods this year. The Company's sales of goods, own products and services amounted to CZK 502 million, which was a year-on-year increase by 8.3 percent. This increase in sales was related to the increase in prices and volume of traded electricity. The added value decreased by CZK 5 million to CZK 7 million and the operating profit or loss decreased year-on-year by CZK 3 million to CZK 2.1 million. Due to a loss in the financial area, PEAS recognised a loss in the amount of CZK 2.9 million in 2005.



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BALANCE SHEET unabridged version as at 31 December 2005 (in CZK '000).

Ref. a	Assets b	Current accounting period		Previous accounting period	
		Gross 1	Provision 2	Net 3	period 4
	TOTAL ASSETS	198 272	-1 978	196 294	44 347
A.	Receivables for subscriptions				
B.	Fixed assets	3 125	-1 978	1 147	893
B. I.	Intangible fixed assets	1 189	-881	308	590
B. I. 1.	Incorporation expenses				
B. I. 2.	Research and development				
B. I. 3.	Software	1 130	-822	308	590
B. I. 4.	Valuable rights				
B. I. 5.	Goodwill (+/-)				
B. I. 6.	Other intangible fixed assets	59	-59	0	
B. I. 7.	Intangible fixed assets under construction				
B. I. 8.	Advance payments for intangible fixed assets				
B. II.	Tangible fixed assets	1 936	-1 097	839	303
B. II. 1.	Lands				
B. II. 2.	Constructions				
B. II. 3.	Equipment	1 205	-1 097	108	303
B. II. 4.	Perennial crops				
B. II. 5.	Breeding and draught animals				
B. II. 6.	Other tangible fixed assets				
B. II. 7.	Tangible fixed assets under construction	731	0	731	
B. II. 8.	Advance payments for tangible fixed assets				
B. II. 9.	Adjustment to acquired assets (+/-)				
B. III.	Long-term financial assets	0	0	0	0
B. III. 1.	Shares in controlled and managed organizations				
B. III. 2.	Shares in accounting units with substantial influence				
B. III. 3.	Other securities and shares				
B. III. 4.	Loans to controlled and managed organizations and to accounting units with substantial influence				
B. III. 5.	Other financial investments				
B. III. 6.	Financial investments acquired				
B. III. 7.	Advance payments for long-term financial assets				

Ref. a	ASSETS b	Current accounting period			Previous accounting
		Gross 1	Provision 2	Net 3	period 4
C.	Current assets	136 412	0	136 412	43 395
C. I.	Inventory	0	0	0	0
C. I. 1.	Materials				
	2. Work in progress and semi-products				
	3. Finished products				
	4. Animals				
	5. Merchandise				
	6. Advance payments for inventory				
C. II.	Long-term receivables	0	0	0	5 145
C. II. 1.	Trade receivables				
	2. Receivables from controlled and managed organizations				
	3. Receivables from accounting units with substantial influence				
	4. Receivables from partners cooperative members and association members				
	5. Long-term deposits given				5 145
	6. Estimated receivable				
	7. Other receivables				
	8. Deferred tax receivable				
C. III.	Short-term receivables	110 618	0	110 618	29 383
C. III. 1.	Trade receivables	41 689	0	41 689	23 052
	2. Receivables from controlled and managed organizations				2 652
	3. Receivables from accounting units with substantial influence				
	4. Receivables from partners, cooperative members and association members				
	5. Receivables from social security and health insurance				
	6. Due from state -tax receivable	17 603	0	17 603	3 619
	7. Short-term deposits given	189	0	189	60
	8. Estimated receivables				
	9. Other receivables	51 137	0	51 137	
C. IV.	Short-term financial assets	25 794	0	25 794	8 867
C. IV. 1.	Cash	121	0	121	56
	2. Bank accounts	25 673	0	25 673	8 811
	3. Short-term securities and ownership interests				
	4. Short-term financial assets acquired				
D. I.	Accruals	58 735	0	58 735	59
D. I. 1.	Deferred expenses	58 727	0	58 727	43
	2. Complex deferred costs				
	3. Differed income	8	0	8	16

Ref. a	LIABILITIES AND EQUITY b	Current accounting period 1	Previous accounting period 2
	TOTAL LIABILITIES	196 294	44 347
A.	Equity	10 008	12 892
A. I.	Registered capital	10 000	10 000
A. I. 1.	Registered capital	10 000	10 000
	2. Company's own shares and ownership interests (-)		
	3. Changes of registered capital (+/-)		
A. II.	Capital funds	0	0
A. II. 1.	Share premium		
	2. Other capital funds		
	3. Differences from revaluation of assets and liabilities		
	4. Differences from revaluation in transformation		
A. III.	Reserve funds, statutory reserve account for cooperatives and other retained earnings	160	0
A. III. 1.	Legal reserve fund / invisible fund	160	
	2. Statutory and other funds		
A. IV.	Profit / loss - previous year	2 732	-298
A. IV. 1.	Retained earnings from previous years	2 732	
	2. Accumulated loss from previous years		-298
A. V.	Profit / loss - current year	-2 884	3 190
B.	Other sources	176 010	30 845
B. I.	Reserves	0	0
B. I. 1.	Reserves under special statutory regulations		
	2. Reserves for pension and similar payables		
	3. Income tax reserves		
	4. Other reserves		
B. II.	Long-term payables	14	13
B. II. 1.	Trade payables		
	2. Payables to controlled and managed organizations		
	3. Payables to accounting units with substantial influence		
	4. Payables from partners, cooperative members and association members		
	5. Long-term advances received		
	6. Issues bonds		
	7. Long-term notes payables		
	8. Estimated payables		
	9. Other payables		
	10. Deferred tax liability	14	13

Ref. a	LIABILITIES AND EQUITY b	Current accounting period 1	Previous accounting period 2
B. III.	Short-term payables	94 250	30 832
B. III. 1.	Trade payables	84 051	29 086
	2. Payables to controlled and managed organizations		
	3. Payables to accountin units with substantial influence		
	4. Payables from partners, cooperative members and association members		
	5. Payroll	268	359
	6. Payables to social securities and health insurance	102	274
	7. Due from state - tax liabilities and subsidies	52	1 092
	8. Short-term deposits received	8 578	
	9. Issues bonds		
	10. Estimated payables		
	11. Other payables	1 199	21
B. IV.	Bank loans and financial accomodations	81 746	0
B. IV. 1.	Long-term bank loans		
	2. Short-term bank loans	81 746	
	3. Short-term accomodations		
C. I.	Accruals	10 276	610
C. I. 1.	Accrured expenses	489	610
	2. Deferred revenues	9 787	

INCOME STATEMENT unbridged version as at 31 December 2005 (in CZK '000).

Ref. a	DESCRIPTION b	Accounting period	
		current 1	previous 2
I.	Revenues from sold goods	495 383	
A.	Expenses in sold goods	490 420	
+	Sale margin	4 963	0
II.	Production	6 538	463 391
II. 1.	Revenues from own products and services	6 538	11 920
1a.	Electricity sales		451 471
2.	Change in inventory of own products		
3.	Capitalisation		
B.	Production consumption	4 495	451 419
B. 1.	Consumption of material and energy	754	174
1a.	Cost of electricity sales		447 949
2.	Services	3 741	2 372
2a.	Cost of electricity transmission		924
+	Added value	7 006	11 972
C.	Personnel expenses	4 499	6 376
C. 1.	Wages and salaries	3 185	3 714
2.	Remuneration of board members	291	903
3.	Social security and health insurance costs	953	1 299
4.	Other social costs	70	460
D.	Taxes and fees	13	8
E.	Depreciations of intangible and tangible assets	479	646
III.	Revenues from disposals of fixed assets and materials	0	250
III. 1.	Revenues from disposals of fixed assets		250
2.	Revenues from disposals of materials		
F.	Net book value of disposed fixed assets and materials	0	0
F. 1.	Net book values of sold fixed assets		
2.	Net book values of sold material		
G.	Change in operating reserves and adjustments and complex deferred costs (+/-)	2	
IV.	Other operating revenues	128	8
H.	Other operating expenses	46	83
V.	Transfer of operating revenues		
I.	Transfer of operating expenses		
*	Operating profit / loss	2 095	5 117

Ref. a	DESCRIPTION b	Accounting period	
		current 1	previous 2
VI.	Revenues from sales of securities and ownership interests		
J.	Sold securities and ownership interests		
VII.	Revenues from long-term financial assets	0	0
VII. 1.	Revenues from shares in controlled and managed organisations and in accounting units with substantial influence		
2.	Revenues from other securities and ownership interests		
3.	Revenues from other long-term financial assets		
VIII.	Revenues from short-term financial assets		
K.	Expenses associated with financial assets		
IX.	Revenues from revaluation of securities and derivatives		
L.	Cost of revaluation of securities and derivatives		
M.	Change in financial reserves and adjustments (+/-)		
X.	Interest revenues	58	80
N.	Interest expenses	1 410	
XI.	Other financial revenues	1 857	1 004
O.	Other financial expenses	5 483	2 069
XII.	Transfer of financial revenues		
P.	Transfer of financial expenses		
*	Profit / loss from financial operations	-4 978	-985
Q.	Income tax on ordinary income	1	942
Q. 1.	- due tax		939
2.	- tax deferred	1	3
**	Operating profit / loss ordinary activity	2 884	3 190
XIII.	Extraordinary revenues		
R.	Extraordinary expenses		
S.	Income tax on extraordinary income	0	0
S. 1.	- due tax		
2.	- tax deferred		
*	Operating profit / loss extraordinary activity	0	0
T.	Transfer profit / loss to partners		
***	Profit / loss of current accounting period (+/-)	-2 884	3 190
****	Profit / loss before tax	-2 883	4 132

Notes to the Financial Statements for the Year Ended 31 December 2005

The notes to the Company's financial statements have been prepared as of the balance sheet date 31 December 2005 in accordance with the Accounting Act 563/1991 Coll., as effective for 2004; the Regulation 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act.

Article I – General information

1. Description of the Reporting Entity

Name: První energetická a.s.
Place of business: Washingtonova 17/1599, Praha 1
Registered: 3 February 1995

Scope of Business as defined by the Trade Act

- Purchase of goods for their sale and resale. The Company is a licensed electricity trading company, the Licence was issued by the Czech Energy Regulation Authority (ERÚ)
- Organisation of training courses
- Organisational and economic consulting
- Intermediation services
- Electricity production

Company's subscribed share capital totals CZK 10 million. The share capital is divided into 100 registered shares which are not traded publicly. The nominal value is CZK 100 000 per share.

PEAS is a joint stock company. As at 31. December 2005 the only shareholder is J&T FINANCE GROUP, a.s Company.

The only shareholder is J&T FINANCE GROUP, a.s.
Bratislava, Lamačská cesta 3, PSČ 841 04
Slovenská republika
BIN: 313 91 087 Registered: 7 February 2006

Board of Directors as at 31 December 2004

Chairman of the Board of Directors: Ing. Jan Kanta
Member of the Board of Directors: Ing. Miloslav Varady
Member of the Board of Directors: Ing. Michael Schmid

Supervisory Board as at 31 December 2004:

Chairman of the Supervisory Board: Ing. Vladislav Krajčíc
Member of the Supervisory Board: Ing. Igor Šmucr
Member of the Supervisory Board: Ing. Otto Karl

Board of Directors as at 31 December 2005

Chairman of the Board of Directors: JUDr. Daniel Křetínský
Vice-Chairman of the Board of Directors : Ing. Šárka Vinklerová
Member of the Board of Directors: Mgr. Marek Janča

Supervisory Board as at 31 December 2005

Chairman of the Supervisory Board: Mgr. Marek Spurný
Vice-Chairman of the Supervisory Board: Mgr. Petr Sekanina
Member of the Supervisory Board: Ing. Petr Větrovec

The Company is registered in the Register of Companies held by the Court in Prague, Section B, Insert 3005.

The Company is a VAT payer with a monthly taxation period.

Changes which were not entered in the details held at the Register of Companies submitted by 31 December 2005.

- Member of the Board of Directors Mr. Marek Janča was removed from the details held at the Register of Companies.
- The sole shareholder Mr. Daniel Křetínský was removed from the details held at the Register of Companies.

2. Staff and management costs

(a) Staff and management costs in years 2004 a 2005 (in CZK '000)

	Staff		Management		Total	
	2004	2005	2004	2005	2004	2005
Average number of Employees	3	3	1	1	4	4
Wages and salaries					3 714	3 185
Social security and Health insurance					953	1299
Other social costs					460	70
Staff costs total					6 376	4 499

(b) Bonuses paid to a statutory body in 2004 and 2005

	2004	2005
Wages and salaries to statutory bodies	903	291

(c) Cash or other consideration provided

During the year ended 31 December 2005, the members of statutory bodies were not provided further other consideration.

Article II – Information on Used and General Accounting Policies and Valuation Methods

První energetická a.s.'s accounting books and records are maintained and the financial statements were prepared in accordance with the Accounting Act 563/1991 Coll., as effective for 2005; the Regulation 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records; and Czech Accounting Standards for Businesses accounting for pursuant to this Regulation.

Principal Accounting Policies Used by the Company**(d) Inventory**

Method A is used to account for the acquisition and disposal of inventory held in stock according to the Czech Accounting Standard for Businesses no. 015

Material for consumption and small promotional objects are charged directly to operations upon delivery.

The acquisition cost of material and goods is divided as follows in the analytical accounts:

- actual purchase cost
- actual indirect acquisition costs (freight costs, postal service charges, commission, customs fees, insurance charges)

Interest on loans provided for the acquisition of inventory is not included in the acquisition cost. Individual items of material and goods held in stock are valued at cost determined by the weighted arithmetic average method. The average cost is calculated when the goods are placed in stock or when their acquisition cost is changed due to discounts and the settlement of differences arising from rounding off. Indirect acquisition costs are released at the date of the monthly closing of the stock according to disposals of the inventory. Work in progress is valued at the amount equivalent to direct costs and operation overheads. Products are valued at the amount equivalent to direct costs and operation overheads. Supplies that were not invoiced are valued according to the concluded contract.

(e) Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets include assets with an acquisition cost greater than CZK 40,000 and CZK 60,000, respectively, on an individual basis and an estimated useful life greater than one year. The cost of fixed asset improvements exceeding CZK 40,000 for the reporting and taxation periods increases the acquisition cost of the related tangible fixed asset. Purchased tangible and intangible fixed assets are stated at cost including all costs related to the acquisition. The definition of costs related to the acquisition is governed by Regulation 500/2002 Coll., Section 47, with the exception of interest on loans, which, based on the decision of the joint stock company, will not be included as part of the acquisition cost. Assets with the acquisition cost ranging from CZK 501 to CZK 40,000 and intangible fixed assets with the acquisition cost ranging from CZK 1 to CZK 60,000 are treated as low value tangible fixed assets. These assets are not recognised in the balance sheet and are charged directly to operations at the year of the acquisition of these assets, are recorded in the underlying operating records of assets and in the off-balance sheet records. In terms of tangibles assets, these assets include principally furniture and fixtures, IT equipment, measuring equipment and mobile phones.

(f) Depreciation of Tangible Fixed Assets

Depreciation of tangible fixed assets is recorded on a straight line basis for tax and accounting purposes. The depreciation period reflects the classification of the assets in depreciation groups stated in the Appendix to the Income Taxes Act 586/92 Coll. Depreciation for accounting purposes is recorded on a monthly basis by a 1/12 of the annual depreciation for the relevant depreciation group in the next depreciation period. Depreciation starts from the month following the date the assets are acquired. Depreciation for tax purposes are governed by the Income Taxes Act 586/92 Coll., as amended.

(g) Depreciation of Other Tangible Fixed Assets

Special tools are maintained as other fixed assets. Their depreciation is calculated based on the determined wear and tear period. Assets with an acquisition costs lower than CZK 40,000 acquired for the lease purposes (contact spots) are also maintained within these assets. The depreciation rate is arrived at on the basis of the lease period stated in the contract. Depreciation is calculated on a monthly basis by a 1/12 of the set annual depreciation.

(h) Amortisation of Intangible Fixed Assets

Software maintained until 31 December 2000 is included in the amortisation group 1 with the amortisation period of four years. The amortisation for accounting purposes is calculated by the annual amortisation rate of 25 percent and will be recorded on a monthly basis by a 1/12 of the annual amortisation.

The amortisation of software maintained from 1 January 2001 is calculated based on the usage period. With regard to valuation rights, the amortisation for accounting purposes is calculated according to the contract while valid. The amortisation for accounting purposes will be recorded on a monthly basis by a 1/12 of the set annual amortisation.

Amortisation starts from the month following the date the assets are acquired. Amortisation for the purposes of the Income Taxes Act 586/1992 Coll. are determined based on Section 31 and will be calculated at the end of the reporting period.

(i) Non-Current Financial Assets

Non-current financial assets consist of equity investments, securities and equity investments available for sale and debt securities held to maturity, and are carried at cost. The cost includes the direct costs of acquisition, such as fees and commissions paid to brokers, advisors and stock exchanges.

At the balance sheet date, securities and equity investments available for sale are re-measured at fair value. Gains/losses from this re-measurement do not affect the Company's profit or loss before they are sold, and at the balance sheet date, they are charged as a change in gains or losses from the revaluation of assets and liabilities within equity. Equity investments in subsidiaries are valued according to the equity method of accounting at the balance sheet date.

(j) Provisioning and Reserves

Tax-deductible provisions against receivables are recognised in accordance with the Act on Reserves for the Purposes of Determining Income Tax Base 593/1992 Coll. Non-tax deductible provisions are created to the amount equal to 100 percent of the carrying value against receivables that are 12 months past their due date and up to 50 percent of their carrying value against receivables that are 6 months past their due date.

Non-tax deductible provisions against inventory are recorded against inventory older than six months in the amount of 50 percent of the carrying value. Inventory older than twelve months is provisioned in full. Inventory consisting of spare parts, which must be stored pursuant to relevant guarantee and service contracts, and basic material for the completion of the production is not provisioned.

(k) Reserves

Statutory reserves are an expense for securing and maintaining income and are created pursuant to the Act on Reserves for the Purposes of Determining Income Tax Base 593/1992 Coll. The Company creates the income tax reserve due to the fact that the date when the financial statements are prepared comes prior to the date when the tax liability is determined. The Company releases the reserve in the following reporting period and recognises the appropriate amount.

(l) Foreign Currency Translation

Transactions denominated in foreign currencies are translated using the daily exchange rate of the Czech National Bank. During the year, only realised foreign currency gains and losses are recorded. At the balance sheet date, assets and liabilities denominated in foreign currencies are translated using the official exchange rate of the Czech National Bank as of 31 December 2004. Unrealised foreign currency gains and losses are included in the profit or loss. With regard to non-current financial assets which will not be valued at fair value, foreign currency gains or losses are recorded to capital funds.

(m) Income Tax

Income tax for the current period consists of current tax payable and a change in deferred tax. Current tax payable includes an estimate of the tax calculated from the tax base using the tax rate effective in the current year and all additional and returned taxes from the previous periods.

Deferred tax is based on all temporary differences between the carrying and the tax amount of an asset or a liability using the anticipated tax rate effective for the next period.

(n) Changes in Valuation, Depreciation or Accounting Policies

In the reporting period, there were no changes in valuation and depreciation.

Article III – Additional Information on the Balance Sheet and Profit and Loss Account

1. Fixed Assets

(a) Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets represent an insignificant part of the Company's aggregate assets. Tangible and intangible fixed assets include only administrative assets.

2. Current Financial Assets

	2004	2005
Cash on hand	56	121
Cash at bank	8 811	25 673
Short-term investments and securities		
Total	8 867	25 794

3. Receivables and Payables

(a) Receivables as of 31 December 2005

Receivables as of 31 December 2005 (in CZK '000)

Trade receivables	41 689
Prepayments made	189
Receivables from employees	0
Receivables from state	17 603
Receivables from controlled entities past due 12 months	0
Other short-term receivables	51 137

Other receivables disclosed in the Company's balance sheet include short-term deposits necessary for the Company's operation with regard to the purchase and sale of electricity.

The receivables are not provisioned as no receivables are past their due date.

(b) Payables

Payables (in CZK '000)

Short-term trade payables	84 051
Prepayments received	8 578
Payables to employees	268
Payables to shareholders	0
Other payables	1 198

4. Tax Payables and Social Security Payables

(a) Tax payables

The Company maintains the following tax payables as of 31 December 2005:

Tax payables (in CZK '000)

Income tax from the dependant activity – prepayments	52
--	----

(b) Tax receivables

Tax receivables (in CZK '000)

Income tax – prepayments	470
Added value tax	17 133

Receivable from the Financial Authority arising from the VAT of CZK 509 thousand constitutes the value added tax for December 2004 plus an additional tax return for December 2004.

(c) Social security and health insurance payables

Social security and health insurance payables (in CZK '000)

Health insurance	29
Social security	73

The social security payable was settled in January 2006.

5. Income

The Company's income principally consisted of sales of electricity. As opposed to 2004 when the sales of electricity were recognised as sales of own products and services, this item was recognised as sales of goods in the year ended 31 December 2005.

6. Share Capital

The Company's issued share capital is CZK 10,000,000. It consists of one hundred registered shares in the nominal value of CZK 100,000. The shares are in the form of a security.

Structure and changes registered Capital	as at 1 Jan 2005	Decrease	Increase	as at 31 Dec 2005
Share capital	10 000			10 000
Treasury shares				
Share premium				
Other capital funds				
Gains or losses from the revaluation of assets and liabilities				
Statutory reserve fund			159	159
Employee fund				
Accumulated profit brought forward	-298	298	2732	2 732
Profit or loss for the current period				-2 884

7. Income Tax

Given that the Company presented a loss for the year ended 31 December 2005, the corporate income tax was not accounted for in the year ended 31 December 2005.

8. Material Post Balance Sheet Events

The Company's management is not aware of any events that occurred subsequent to the balance sheet date that would require a revision of the Company's financial statements.

Cash Flow Statement

in CZK '000

		CF 2005	CF 2004
P	Balance of cash on hand and financial equivalents as at the beginning of reporting period	8 867	896
Cash flows from running activities			
Z	Accounting profit +/- loss -/- from running activities before taxation	-2 883	4 132
A.1.	Adjustments by non-cash operations	1 833	316
A.1.1.	Depreciation of fixed assets and amortization of adjustments to aquired assets	479	646
A.1.2.	Change in balance of adjustments, reserves +/-	2	
A.1.3.	Profit from sales of fixed assets		- 250
A.1.4.	Revenue from dividends and shares in profit		-80
A.1.5.	Accounted for interest expense, exclusive of interest capitalization and accounted for credit interest	1 352	
A.1.6.	Possible adjustments by other non-cash operations		
A.*	Non-cash flow from running activities before taxation, changes in working capital and extraordinary items	-1 050	4 448
A.2.	Changes in non-cash items of working capital	-60 275	3 393
A.2.1.	Change in balance of receivables from running activities, temporary assets accounts	-134 296	22 191
A.2.2.	Change in balance of short-term payables from running activities, temporary liability accounts	74 021	-18 798
A.2.3.	Change in balance of inventory		
A.2.4.	Change in balance of current liquid assets not included in cash or equivalents		
A.**	Net cash flow from running activities before taxation and extraordinary items	-61 325	7 841
A.3	Interests paid exclusive of interest capitalization	-1 410	
A.4.	Interests received	58	80
A.5.	Income tax from running activities and additional tax assessments for previous periods	-1 409	0
A.6.	Income and expence on unusual and / or extraordinary items, including income tax		
A.7.	Dividends received +/-		
A.***	Net cash flow from running activities	-64 086	7 921

		CF 2005	CF 2004
Cash flows from investing activities			
B.1.	Expense on fixed assets acquisition	-733	-200
B.2.	Income from fixed assets sales		250
B.3.	Loans to related parties		
B.***	Net cash flow from investing activities	-733	50
Cash flows from financing activities			
C.1.	Change in balance of long and short-term payables	81 746	
C.2.	Impact of changes in equity on cash on hand and financial equivalents		
C.2.1.	Increase in cash in hand as a result of increased registered capital, share premium etc.		
C.2.2.	Payments of share in equity to partners		
C.2.3.	Other contributions of cash by partners and shareholders +/-		
C.2.4.	Loss coverage by partners +/-		
C.2.5.	Direct debit fund payments -/-		
C.2.6.	Dividends paid or shares in profit, including taxes paid/-/		
C.***	Net cash flow from financing activities	81 746	0
F.	Net increase / decrease in cash on hand	16 927	7 971
R.	Balance of cash on hand and financial equivalents at the end of reporting period	25 794	8 867



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Auditor's Report

Independent Auditor's Report for the shareholders and the statutory body of První energetická a.s.

FinAudit s.r.o.
Chamber of Auditors of the Czech Republic
Certificate no. 154
Register of Companies: Regional Court in Ostrava, Section C, Insert 12983

We have audited the accompanying ordinary financial statements of První energetická a.s., identification number (IČ) 618 60 948, having its registered office at Prague 1, Washingtonova 17/1599, 110 00, as of the balance sheet date 31 December 2005 for the year ended 31 December 2005. The Company's principal activity is the purchase of goods for further resale, and sale. These financial statements are the responsibility of the Company's management. Our task is to issue an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors 254/2000 Coll., International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic.

Those standards require that the auditor plan and perform audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. On a test basis, an audit includes examining of the completeness and supportability of amounts and disclosures in the financial statements and assessing the correctness and appropriateness of accounting principles and significant estimates made by the Company's management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion stated below.


In our opinion, the financial statements give a true and fair view, in all material respects, of the assets, liabilities and equity and financial position of První energetická a.s. as of 31 December 2005 and of the expenses, income and results of its operations for the year ended 31 December 2005 in accordance with the Accounting Act and relevant regulations applicable in the Czech Republic.

As of the date of the issue of the auditor's report, the annual report was not submitted. Based on the contractual arrangement, information in the annual report will be reviewed separately and on the basis of such a review a separate auditor's report will be issued.

The financial statements of První energetická a.s. for the year ended 31 December 2004 was audited by Consultas – Audit s.r.o. and the auditor's report of 29 June 2005 included an unqualified opinion.

In Prague on 2 May 2006




Ing. Pavel Průdek
Auditor č. osvědčení 240
odpovědný za vypracování zprávy,
prokurista společnosti
FINAUDIT s.r.o.
č. osvědčení 154
tř. Svobody 2, Olomouc



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Report of the Supervisory Board

The Supervisory Board examined the Report on Relations between Related Parties pursuant to Section 66a Subsection 9 of the Commercial Code, and facts which are subject to this Report, and states no objections or reservations to this Report.

In Prague, on 29 March 2006

Mgr. Marek Spurný
Chairman of the Supervisory Board

Mgr. Petr Sekanina
Vice-Chairman of the Supervisory Board



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Report on Relations between Related Parties

Report on Relations between Related Parties

Report on relations between the Controlling and Controlled entity and on relations between the Controlled entity and other entities controlled by the same Controlling entity, i.e. between Related parties pursuant to 66a Subsection 9 of the Commercial Code in the 2005 financial year.

The report was assembled by the Board of Directors of PEAS registered Praha 1, Washingtonova 17/1599, Postcode 110 00, Business Id No. (BIN) 61860948 and is based on information known to the Board.

Controlled entity

První energetická a.s., Washingtonova 17/1599, 110 00 Praha 1

Controlling entity

As at 1. January 2005:

- Severočeská energetika, a.s., registered Teplická 874/8, 405 49 Děčín IV, BIN 49903179, owned 27% of registered capital.
- Středočeská energetická, a.s., registered Vinohradská 325/8, 120 21 Praha 2, BIN 60193140, owned 27% of registered capital.
- Východočeská energetika, a.s., registered Sladkovského 215, 501 03 Hradec Králové, BIN 60108720, owned 27% of registered capital.
- Západočeská energetika, a.s., registered Guldenerova 19, 303 28 Plzeň, BIN 49790463, owned 19% of registered capital.

Through these companies PEAS became indirectly controlled by ČEZ, a.s.

On 18 February 2005 the shareholder structure changed again and JUDr. Daniel Křetínský became the Sole shareholder of the Company.

On 31 December 2005 the shareholder structure changed again and J&T FINANCE GROUP, a.s., registered Lamačská cesta 3, 841 04 Bratislava, Slovenská republika, BIN 31391087, the Sole shareholder of the Company.

It is not known to the Board of Directors of PEAS that PEAS would control directly other entity.

Based on information provided by J&T FINANCE GROUP, a.s., it is known to the Board of Directors of PEAS that J&T FINANCE GROUP, a.s., is controlling directly or indirectly following entities, and thus PEAS became related to these parties:

- J&T Asset Management, investiční společnost, a.s., registered Praha 8, Pobřežní 14/297, Postcode: 186 00, BIN 47672684, 100% is owned by J&T FINANCE GROUP, a.s.
- J & T GLOBAL CZ, a.s. registered Praha 8, Pobřežní 297/14, Postcode 18600, BIN 26440547, 77,65% is owned by J&T FINANCE GROUP, a.s. and 22,35 % is owned by Geodezie Brno, a.s.
- ZST a.s., registered Lamačská cesta 3, Bratislava 843 08, Slovakia, BIN 35709502, 100 % is owned by J&T FINANCE GROUP, a.s.
- Výskumný ústav papiera a celulózy a.s., registered Bratislava, Lamačská 3, Postcode 841 04, Slovakia, BIN 31380051, 100 % is owned by J&T FINANCE GROUP, a.s.
- J & T BANKA, a.s., registered Praha 8, Pobřežní 297/14, Postcode 186 00, BIN 47115378, 100 % is owned by J&T FINANCE GROUP, a.s.
- J & T GLOBAL, a.s. registered Lamačská cesta 3, Bratislava 841 04, Slovenská republika, BIN 35712155, 100% is owned by J&T FINANCE GROUP, a.s.
- J&T SECURITIES (SLOVAKIA), o.c.p., a.s. registered Lamačská cesta 3, Bratislava 841 04, BIN 35681403, 100% is owned by J&T FINANCE GROUP, a.s.
- J&T Private Equity B.V., registered 1017SG Amsterdam, Weteringschans 26, 100% is owned by J&T FINANCE GROUP, a.s.
- Slovenský odpadový priemysel, a.s. registered Lamačská cesta 3, Bratislava 841 04, Slovakia, BIN 35713411, 100% is owned by J&T FINANCE GROUP, a.s.
- C.E.N. s.r.o., registered Gagarinova 12, Bratislava 821 05, BIN 35780886, 95,88% is owned by J&T FINANCE GROUP, a.s.
- J&T ASSET MANAGEMENT, a.s., registered Lamačská cesta 3, Bratislava 841 04, Slovakia, BIN 31 399 941, 100% is owned by J&T FINANCE GROUP, a.s.
- Bea Development, a.s., registered Praha 8, Pobřežní 297/14, Postcode 186 00, IČ 26118106, 0,98% is owned by J&T FINANCE GROUP, a.s. and 99,02% is owned by J&T BANKA, a.s.
- Geodezie Brno, a.s., registered Brno, Dvořákova 14, BIN 46345906 čp. 78,97 % is owned by J&T FINANCE GROUP, a.s.
- Vodní sklo Brno, a.s., registered Dornych 47, Brno, Postcode: 656 16, BIN 25598384, 100% is owned by J&T FINANCE GROUP, a.s.
- J&T Investment Advisors, s.r.o. registered Pobřežní 14, č.p. 297, Praha 8, Postcode 18600, BIN 26687259, 100% is owned by J&T FINANCE GROUP, a.s.
- Honor Invest, a.s., registered Praha 8, Pobřežní 297/14, Postcode 186 00, BIN 27145565, 100% is owned by J&T FINANCE GROUP, a.s.
- J & T SERVICES, s.r.o., registered Pobřežní 297/14, Praha 8, Postcode 186 00, BIN 27193527, 100% is owned by J&T FINANCE GROUP, a.s.
- První zpravodajská, a.s., registered Praha 2, Blanická 1008/28, Postcode: 120 00, BIN 272 04 090, 100% is owned by J&T FINANCE GROUP, a.s.
- J&T Credit Investments Ltd., BIN 5316383, Bedford row 22, London WC1R 4JS, England, 100% is owned by J&T FINANCE GROUP, a.s.
- JMK Logistics, Sp.z.o.o. BIN 0000211494, registered Iłżecka 26 building E, Warszawa, 02-135 Poland, in dates between 1 January 2005 and 6 June 2005 75% is owned J&T FINANCE GROUP, a.s.

- Nitra park, s.r.o. BIN 35 888 539, registered Lamačská cesta 3, Bratislava, Postcode 841 04, Slovakia, in dates between 1 January 2005 and 13 April 2005 50% is owned by J&T FINANCE GROUP, a.s.
- Európská zdravotná poisťovňa, a.s., BIN 35 954 175 registered Lamačská 3, 841 04 Bratislava, Slovakia, od 13. 9. 2005 100% is owned by J&T FINANCE GROUP, a.s.
- J&T FACILITY MANAGEMENT, s.r.o., registered Lamačská 3, Bratislava 841 04, Slovakia, BIN 35953705, from 9 September 2005 100% is owned by J&T FINANCE GROUP, a.s.
- IBI Bank AG, registered Talacker 50 12th floor 8001 Zürich, Switzerland, from 1 November 2005 100% is owned by J&T FINANCE GROUP, a.s.
- IBI FUND ADVISORY S.A. registered Aldrigen 11, 1118 Luxembourg, 100% is owned by IBI Bank AG.
- AISE, s.r.o., registered Zlín, Pekárenská 400, Postcode 760 01, BIN 634 72 651, in dates between 1 January 2005 and 31 June 2005 51% is owned by J&T Investment Advisors, s.r.o. and from 1 July 2005 51% is owned by J&T FINANCE GROUP, a.s.
- Tehelňa Gbelce, a.s. registered Lamačská cesta 3, Bratislava 841 04, BIN 35768134, in dates between 1 January 2005 and 20 December 2005, 100 % is owned by J&T Finance Group II, a.s.
- GeoMedia, s.r.o., registered Praha 7, Františka Křížka 1, Postcode 170 00, BIN 62906879, in dates between 1 January 2005 and 20 December 2005 49% is owned by J&T Finance Group II, a.s.
- JT INVEST investiční společnost, a.s. "Company in Liquidation", registered Brno, Dvořákova 14, Okres: Brno-město, BIN 60729724, 100 % is owned by J&T Finance Group II, a.s.
- MEDI - LINE s.r.o. Company in Liquidation, registered Jemčina č.I, Novosedly n/Než., zámek Jemčina, Postcode: 37817, BIN 60729724, in dates between 1 January 2005 and 20 December 2005, 100 % is owned by J&T Finance Group II, a.s.
- J & T INVESTMENT HOLDING, a.s, registered Brno, Dornych 47, Postcode: 601 68, BIN 49969498, 60,38 % is owned by J&T Finance Group II, a.s.
- Pražská energetika, a.s., BIN 60193913, registered Praha 10, Na Hroudě 1492/4, Postcode 100 05, 34% is owned by Honor Invest, a.s.
- PREdistribuce, a.s., BIN 273 76 516, registered Praha 5, Svornosti 3199/19a, Postcode 15000, from 7 September 2005 100% is owned by Pražská energetika, a.s.
- KO-BRA Airport Partners, a.s, BIN 35 963 662, registered Lamačská cesta 3, 841 04 Bratislava, from 15 November 2005 50% is owned by J&T FINANCE GROUP, a.s.
- J&T Investment Pool - I- CZK, a.s. registered Praha 8, Pobřežní 297/14, Postcode 18600, BIN 26714 493, 86,40% is owned by J&T International Anstalt.
- J&T Capital Management Anstalt, registered Ruggell, Liechtenstein, FL-0002.116.628-6, J&T Investment Pool - I- CZK, a.s. owns 50% of registered capital
- investAGe, a.s. Company in Liquidation, registered Praha 1, Opletalova 33/960, BIN 43875408, J&T AM owns 100% of registered capital
- Lamačská 3, s.r.o., registered Lamačská cesta 3, Bratislava 841 04, BIN 35 812 991, Výskumný ústav papiera a celulózy a.s. owns 100% of registered capital
- J&T Financial Services Ltd., registered Arch. Makariou III, 284, Fortuna Court, Block B, 2nd Floor, 3105 Limassol, Cyprus, BIN 131 634, J&T Private Equity B.V.

owns 100% of registered capital

- J&T FINANCIAL INVESTMENTS LTD (TRIM LUFFER LIMITED), registered Savvides Center, 59-61 Acropoles Avenue, 1st floor, office 102, 2012 Nicosia, Cyprus, BIN 99801, J&T Private Equity B.V. owns 100% of registered capital.
- J&T International Anstalt, registered Rugell, BIN H 111255, Lichtenstein, J&T Private Equity B.V. owns 100% of registered capital.
- Equity Holding, a.s., registered Praha 8, Pobřežní 297/14, Postcode 186 00, BIN 10005005, J&T International Anstalt, owns 58,3% of registered capital.
- imAGe GROUP, a.s. registered Praha 1, Krakovská 7/1392, Postcode 110 00, BIN 61057801 Equity Holding, a.s., owns 22,76 % of registered capital.
- MOUNTAIN HOLIDAY&SKI RESORTS PUBLIC LIMITED COMPANY, registered Cencion House, The Deva Centre, Manchester, M37BB, England, BIN 4984509, J&T Private Equity B.V. owns 100% of registered capital.
- KMOTR – Masna Kroměříž, a.s., registered Kroměříž, Hulínská 2286, Postcode 767 60, BIN 25570765, from 1 January 2005 until 1 July 2005 J&T Private Equity B.V. owns 100% of registered capital.
- Tatranské lanové dráhy, a.s., registered Tatranská Lomnica 7, Vysoké Tatry 059 60, BIN 31396216, in dates between 1 January 2005 and 1 November 2005 MOUNTAIN HOLIDAY&SKI RESORTS PUBLIC LIMITED COMPANY owns 100% of registered capital.
- Ingramm International, B.V., registered Oslo 24, Barendrecht, 2993LD, Holland, BIN 24258319, J&T Investment Advisors, s.r.o. owns 100% of registered capital.
- KABLO ELEKTRO, a.s. registered Vrchlabí, Českých bratří 509, Postcode 543 14 BIN 46504753, Ingramm International, B.V. owns 94,19% of registered capital.
- KABLO ELEKTRO Velké Meziříčí, s.r.o., registered Velké Meziříčí, U Tržiště 685/1, okres Žďár nad Sázavou, BIN 25250264, KABLO ELEKTRO, a.s. owns 100% of registered capital.
- RM-S HOLDING, a.s., registered Praha 9, Libeň, Podvinný mlýn 2178/6, Postcode 19000, BIN 00025500, J&T Private Equity B.V. owns 86,67% of registered capital.
- RM-SYSTÉM, a.s., registered Praha 9, Libeň, Podvinný mlýn 2178/6, Postcode 190 00, BIN 47116404, RM-S HOLDING, a.s., owns 100% of registered capital.
- RM-S FINANCE, s.r.o., registered Praha 9, Podvinný mlýn 2178/6, Postcode 190 00, BIN 62915240, RM-S HOLDING, a.s., owns 100% of registered capital.
- PROPORTION, a.s., BIN 27213480 registered Praha 9, Libeň, Podvinný mlýn, Postcode 190 00, RM-S HOLDING, a.s., owns 100% of registered capital.
- Komoditní burza Praha BIN 267 28 087 registered Praha 9, Podvinný mlýn 6, Postcode 180 00, RM-SYSTÉM, a.s., owns 33,33% of registered capital.
- KOLIBA REAL, s.r.o., BIN 35 725 745 registered Lamačská cesta 3, Bratislava 841 04, 100% is owned by Ing. Jakabovič Ivan.
- FASCINATING TRADING LIMITED, BIN HE 146967 registered Larnakos, 60 Flat/ Office 301 Aglantzia, P.C. 2101, Nicosia, Cyprus, 50% is owned by Ing. Jakabovič Ivan.
- J&T Securities, s.r.o., BIN 31 366 431, registered Lamačská cesta 3, 841 04 Bratislava, 33% is owned by Ing. Jakabovič Ivan.

I. Contractual relations between the Controlling entity and the Controlled entities:

Electricity supply agreement in 2005 (ČEZ, a.s.) – První energetická a.s. is in individual electricity trades either supplier or the purchaser of electricity and ČEZ, a.s. as a counter partner.

II. Other legal acts completed in the interests of Related Parties

In the course of the financial year, the Controlled entity implemented in relation to the Controlling entity, the shareholder of the Controlled entity, no legal acts reaching beyond the framework of standard legal acts implemented on the basis of provisions of generally binding regulations for the benefit of the Controlling entity or for the benefit of an entity controlled by the same Controlling entity.

III. Measures taken in the interests or at the request of Related Parties

In the course of the financial year, the Controlled entity implemented in relation to the Controlling entity, the shareholder of the Controlled entity, no measures reaching beyond the framework of standard measures implemented on the basis of provisions of generally binding regulations for the benefit of the Controlling entity or for the benefit of an entity controlled by the same Controlling entity.

IV. Damage incurred to the Controlled entity and damage compensation

On the basis of the aforementioned agreements, other legal acts, other measures, provided supplies or accepted counter-performances, no damage was incurred to the Controlled entity.

V. Confidentiality of information

Within the Group, information and facts forming parts of trade secrets of the Controlling entity, Controlled entity and other Related entities, as well as information denoted as confidential by any Related party is considered confidential. Furthermore, confidential is trade information, which might be on its own or in connection with other information or facts cause damage to any of the Related parties.

To prevent damage to the Controlling entity and with regard to the provisions of § 51 of the Act No. 513/1991 Coll, the Commercial Code, as amended, there is no information of such kind available in this Report.

VI. Conclusion

No damage resulting from the above stated Agreements was incurred to První energetická a.s., and no counter-performance, which would be disadvantageous for

První energetická a. s. was rendered.

The aforementioned business relationships were entered into under conditions usual in business relationships; the agreements were not advantageous for either of the Contracting parties.

In Prague, on 1 March 2006

JUDr. Daniel Křetínský
Chairman of the Board of Directors

Ing. Jana Miklošková
Member of the Board of Directors

