This document is to be read in conjunction with the NWR Annual Report and Accounts 2008.

Carve-out financial statements of mining operation of RPG Industries SE

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

for the years ended 31 December 2006 and 2005

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CARVE-OUT FINANCIAL STATEMENTS OF MINING OPERATION OF RPG INDUSTRIES SE
PREPARED IN ACCORDANCE WITH IFRS AS ADOPTED BY THE EUROPEAN UNION

CARVE-OUT INCOME STATEMENT

FOR THE YEARS ENDED 31 DECEMBER 2006 and 2005

	Note	01/01/2006 - 31/12/2006 thousands CZK	01/01/2005 - 31/12/2005 thousands CZK
Revenues	3	35,002,143	38,741,047
Change in inventories of finished goods and work-in-progress		(264,688)	744,175
Consumption of material and energy		(9,028,718)	(11,796,675)
Service expenses		(7,587,308)	(6,054,483)
Personnel expenses	4	(9,648,473)	(9,545,677)
Depreciation	11	(6,102,854)	(5,922,652)
Amortization	12	(270,350)	(262,732)
(Impairment) / Reversal of impairment of property, plant and equipment	11	1,438,221	(2,907,354)
Reversal of impairment of receivables		43,292	196,560
Net gain from material sold		135,430	113,012
Gain from sale of property, plant and equipment		11,498	115,688
Other operating income	5	237,530	92,419
Other operating expenses	5	(895,792)	(489,672)
SUB-TOTAL		3,069,931	3,023,656
Financial income	7	1,878,273	1,272,063
Financial expense	7	(1,251,539)	(883,630)
PROFIT BEFORE TAXATION		3,696,665	3,412,089
Income tax expense	8	(844,171)	(848,063)
PROFIT AFTER TAX FOR THE PERIOD		**2,852,494**	**2,564,026**
Attributable to:			
Minority interest		0	63,080
Shareholders of carved-out entities		2,852,494	2,500,946

CARVE-OUT BALANCE SHEET

AS OF 31 DECEMBER 2006 and 2005

	Note	31 December 2006 thousands CZK	31 December 2005 thousands CZK
ASSETS			
Property, plant and equipment	11	29,563,110	31,917,889
Mining licences	12	5,015,473	5,285,823
Other financial investments	13	95,625	89,757
Long-term receivables	14	83,946	59,081
Restricted cash	15	489,129	264,294
TOTAL NON-CURRENT ASSETS		35,247,283	37,616,844
Inventories	16	1,141,254	1,673,221
Accounts receivable and prepayments	17	4,046,340	4,481,036
Derivatives	18	938,415	2,030
Income tax receivable	8	408,752	660,470
Cash and cash equivalents	19	27,354,481	11,573,528
TOTAL CURRENT ASSETS		33,889,242	18,390,285
TOTAL ASSETS		**69,136,525**	**56,007,129**
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	22	2,500,000	24,300,000
Capital reserve		0	5,741,805
Special liquidation reserve	22	2,378,798	2,378,798
Foreign exchange translation reserve	22	(3,790)	1,171
Restricted reserve	22	3,460,348	2,309,198
Retained earnings	22	26,262,572	5,667,121
EQUITY ATRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		34,597,928	40,398,093
Minority interest		0	0
TOTAL EQUITY		34,597,928	40,398,093
LIABILITIES			
Provisions	23	3,218,332	3,132,488
Long-term loans	21	16,956,688	4,560
Employee benefits	25	2,384,913	2,133,338
Deferred revenue	24	88,062	85,015
Deferred tax liability	26	3,551,006	4,263,224
Other long-term liabilities	27	6,582	11,532
TOTAL NON-CURRENT LIABILITIES		26,205,583	9,630,157
Provisions	23	425,090	198,112
Accounts payable and accruals	20	4,305,836	5,006,387
Derivatives	18	49,747	0
Income tax payable	8	753,319	664,500
Current portion of long-term loans	21	2,743,344	0
Short-term bank loans	21	55,678	109,880
TOTAL CURRENT LIABILITIES		8,333,014	5,978,879
TOTAL LIABILITIES		34,538,597	15,609,036
TOTAL EQUITY AND LIABILITIES		**69,136,525**	**56,007,129**

CARVE-OUT STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	*Share capital CZK'000*	*Special liquidation reserve CZK'000*	*Foreign exchange translation reserve CZK'000*	*Restricted reserve CZK'000*	*Retained earnings CZK'000*	*Total CZK'000*
1 January 2006		**2,500,000**	**2,378,798**	**1,171**	**3,120,954**	**32,397,170**	**40,398,093**
Currency translation		0	0	(4,961)	0	0	(4,961)
Additions to reserves		0	0	0	0	1,065	1,065
Total income and expense for the period recognised directly in equity		0	0	(4,961)	0	1,065	(3,896)
Net profit for the period		0	0	0	0	2,852,494	2,852,494
Total income and expense for the period		0	0	(4,961)	0	2,853,559	2,848,598
Allocation of profit		0	0	0	339,394	(339,394)	0
Dividends		0	0	0	0	(8,547,905)	(8,547,905)
Movement in investments in the non-mining operation	22					335,028	335,028
METALIMEX - fuel division - distribution to the shareholder		0	0	0	0	(435,886)	(435,886)
31 December 2006		**2,500,000**	**2,378,798**	**(3,790)**	**3,460,348**	**26,262,572**	**34,597,928**

CARVE-OUT STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	*Share capital CZK'000*	*Capital reserve CZK'000*	*Special liquidation reserve CZK'000*	*Foreign exchange translation reserve CZK'000*	*Restricted reserve CZK'000*	*Retained earnings CZK'000*	*Total CZK'000*	*Minority interest CZK'000*	*Total equity CZK'000*
1 January 2005		**24,300,000**	**5,741,805**	**2,378,798**	**0**	**2,053,843**	**6,930,782**	**41,405,228**	**1,040,919**	**42,446,147**
Currency translation		0	0	0	1,171	0	0	1,171	0	1,171
Total income and expense for the period recognised directly in equity		0	0	0	1,171	0	0	1,171	0	1,171
Net profit for the period		0	0	0	0	0	2,500,946	2,500,946	63,080	2,564,026
Total income and expense for the period		0	0	0	1,171	0	2,500,946	2,502,117	63,080	2,565,197
Allocation of profit		0	0	0	0	255,355	-255,355	0	0	0
Dividends		0	0	0	0	0	-5,151,600	-5,151,600	-22,285	-5,173,885
Changes in the minority share	22	0	0	0	0	0	0	0	-1,081,714	-1,081,714
Movement in investments in the non-mining operation	22	0	0	0	0	0	1,642,348	1,642,348		1,642,348
31 December 2005		**24,300,000**	**5,741,805**	**2,378,798**	**1,171**	**2,309,198**	**5,667,121**	**40,398,093**	**0**	**40,398,093**
OKD demerger - change of capital structure		-21,800,000	-5,741,805			811,756	26,730,049	0	0	0
1 January 2006		**2,500,000**	**0**	**2,378,798**	**1,171**	**3,120,954**	**32,397,170**	**40,398,093**	**0**	**40,398,093**

CARVE-OUT CASH FLOW STATEMENT

FOR THE YEARS ENDED 31 DECEMBER 2006 and 2005

	Note	01/01/2006 - 31/12/2006 thousands CZK	01/01/2005 - 31/12/2005 thousands CZK
Cash flows from operating activities			
Net profit before taxation and minority interest		3,696,665	3,412,089
Adjustments for:			
Depreciation	11	6,102,854	5,922,652
Amortization	12	270,350	262,732
Charge/(reversal) of impairment of assets	11	(1,438,221)	2,907,354
Changes in provisions		509,280	388,220
Profit on disposal of property, plant and equipment		(11,498)	(115,688)
Interest expense, net		(126,239)	(154,953)
Change in fair value of derivatives		(888,668)	0
Unrealized foreign exchange gains on long term borrowings		(293,468)	0
Operating profit before working capital changes		7,821,055	12,622,406
(Increase) / Decrease in inventories		531,967	(576,580)
(Increase) / Decrease in receivables		664,440	(458,064)
(Decrease) / Increase in payables		(1,030,610)	(774,435)
Changes in deferred revenue		3,046	(7,321)
(Increase) / Decrease in restricted cash		(224,835)	(264,294)
Other non-cash movements		(7,371)	(68,777)
Cash generated from operating activities		7,757,692	10,472,935
Interest paid		(17,315)	(21,177)
Corporate income tax paid	8	(1,222,924)	(3,124,577)
Net cash flows from/(used in) operating activities		**6,517,453**	**7,327,181**
Cash flows from investing activities			
Interest received		287,314	232,262
Purchase of land, property, plant and equipment		(2,324,162)	(2,537,266)
Acquisitions of subsidiaries, net of cash acquired		0	(1,067,258)
Cash inflows from non-mining operations		335,028	1,642,348
Proceeds from sale of property, plant and equipment		13,122	121,957
Net cash flows from/(used in) investing activities		**(1,688,698)**	**(1,607,957)**
Cash flows from financing activities:			
Repayments of long-term borrowings		0	(101,046)
Proceeds from long-term borrowings		17,204,721	0
Repayments of short-term borrowings		(104,147)	(23,444)
Proceeds from short-term borrowings		2,835,416	0
METALIMEX fuel division - distribution to the shareholder		(435,886)	0
Dividends paid		(8,547,905)	(5,137,721)
Net cash flows from/(used in) financing activities		**10,952,199**	**(5,262,211)**
Net increase in cash and cash equivalents		**15,780,953**	**457,014**
Cash and cash equivalents at the beginning of period		11,573,528	11,116,514
Cash and cash equivalents at the end of period	19	**27,354,481**	**11,573,528**

1. GENERAL INFORMATION

a) Purpose of the carve-out financial statements

The company RPG Industries SE (formerly RPG Industries Public Limited) incorporated in Cyprus is a sole shareholder of New World Resources B.V. ("NWR"). NWR is a corporation organized under Dutch law, it is a company engaged in the business of coal mining and coke production. NWR has been incorporated on 29 December 2005. It did not have any operations until 7 September 2006 (see information further in this note). Its principal operating subsidiaries are OKD, a.s. ("OKD"), a Czech corporation in the coal mining business, and OKD, OKK, a.s. ("OKK"), a Czech corporation in the coking business. Ultimate shareholders currently controlling NWR are the same as those controlling its predecessor (see information further in this note) as from the date of acquisition on 24 October 2004. NWR is currently in the process of initial public offering of its shares which is planned for December 2007.

Due to the restructuring outlined later in this note the current business of NWR i.e. the coal mining and coke production is not represented in the historical financial information of this company for 2005 and 2006. Information relating to the coal mining and coke production in 2005 and 2006 is included in the consolidated financial information of other entities – RPG Industries SE and/or OKD.

As a result NWR prepared the carve-out financial statements of the mining operation of its shareholder, RPG Industries SE, which include relevant entities and assets related to the mining business owned by NWR as of 30 June 2007 ("mining operation"). The purpose of the carve-out financial statements is to present the historical financial information of the mining operation for the years ended 31 December 2006 and 2005.

These carved-out financial statements were approved by the board of directors of New World Resources B.V. and authorised for issue effective on 29 April 2008.

b) Entities comprising the mining operation

The carve-out financial statements comprise of the following companies and businesses controlled by NWR as of 30 June 2007 which together make up the mining operation ("carve-out entities"):

Parent company	*% Equity = voting*	*Nature of Activity*	*Note*
OKD, a.s.	100 %	Coal mining	- Excluding non-mining real estate division disposed by de-merger of OKD on 1 January 2006; - Excluding financial investments in non-mining operation
Entities directly owned by OKD:			
OKD, Báňské stavby Ostrava, a.s.	100 %	Rentals (inactive company)	
OKD, BASTRO, a.s.	100 %	Engineering	
OKD, HBZS, a.s.	100 %	Emergency services	
OKD, OKK, a.s.	100 %	Coke plant	
OKD, PILA-SALMA, a.s.	100 %	Processing of wood	Merged with OKD as of 1 July 2006
CZECH-KARBON s.r.o.	100 %	Trade	
OKD, Rekultivace, a.s.	100 %	Restoration activities	
"KARBONIA PL" Sp. z.o.o	100 %	Electricity selling	Acquired in July 2005

EKO-KARBO, a.s.	100 %	Waste processing
METALIMEX – fuel trading division	100 %	Trade

All entities are incorporated in the Czech Republic with exception of “KARBONIA PL” Sp. Z.o.o., which is incorporated in Poland. All entities, except for METALIMEX – fuel trading division were included in the mining operation for the period from January 1, 2005 to December 31, 2005 and for the period from January 1, 2006 to December 31, 2006. Inclusion of METALIMEX – fuel trading division is explained in point 1c).

NWR, its predecessor RPG Industries SE, and other holding companies which existed in 2005 and 2006 (KARBON INVEST a.s. and Charles Capital a.s.) are not considered as being an integral part of the mining operation. Therefore these entities are not included in the carve-out financial statements. OKD is therefore presented as the parent company of the mining operation.

RPG Industries, a.s., 100% owned subsidiary of NWR has a controlling agreement over OKD for indefinite period (see Note 29d)). This subsidiary is also not considered as being an integral part of the mining operation.

c) History of RPG group

In October 2004, RPG Partners Limited (“RPGP”), via its investment vehicle, Charles Capital a.s., acquired KARBON INVEST a.s. which owned OKD, a.s. (hereinafter called “Former OKD”), a predecessor company to the current OKD, a.s. RPGP over past three years transformed Former OKD into a focused coal producer with a simplified corporate structure and separated the mining operation from other, non-mining activities.

The transformation and restructuring had objectives to (i) separate the mining operation, the logistics business and the gas exploitation business from various unrelated activities that were then undertaken by Former OKD and its subsidiaries, (ii) simplify the holding structure and (iii) move the holding entity for the core businesses to the Netherlands so as to better position it for access to international capital markets.

In the period until 30 June 2007 the following relevant restructuring steps took place:

K. O. P., a. s., ČMD, a. s. and OKD, Podnikatelská, a. s. ceased to exist (being wound up without liquidation) as of 30 June 2005 in connection with their merger with Former OKD. As a result of the merger, Former OKD acquired interests originally owned by K. O. P., a. s. and ČMD, a. s. as of 1 July 2005. These companies are included in the carve-out financial statements.

In July 2005 OKD acquired a 100% interest in “KARBONIA PL” Sp. z o.o. with its registered office located in Kaczyce, Poland, which is engaged in distribution of power, mining gas and other trading activities. “Karbonia PL” Sp. Z o.o. is included in the carve-out financial statements.

In 2005, interests in Hornický penzijní fond Ostrava, a.s., OKD, Tatranský Permon, a.s., ČM kapitálová, a.s. and AL INVEST Břidličná, a.s. were sold. These companies are not included in the carve-out financial statements.

As of 1 January 2006 Former OKD has been de-merged into seven successor entities, resulting in the separation of businesses as follows:

- The mining operation was transferred into OKD, Mining, a.s. and subsequently renamed to OKD, a.s.

- The fuel and metals trading business, represented by METALIMEX a.s., were transferred to a new holding company RPG Trading. The fuel trading business was transferred into OKD on 1 June 2006.

- The coal bed methane extraction and heat and electricity production businesses, represented by OKD, DPB, a.s. were transferred to a new holding company RPG Gas, s.r.o..

- The logistics and transportation business, represented by OKD Doprava, akciová společnost was transferred to a new holding company RPG Transport s.r.o.

- Most real estate owned by Former OKD was transferred into three real estate companies, RPG RE Byty, s.r.o. (previously RPG RE Residential, s.r.o.), RPG RE Commercial, s.r.o. and RPG RE Land, s.r.o.

As a result of the de-merger the legal structure of OKD's equity has changed at 1 January 2006 – see statements in changes in equity at 1 January 2006.

In August 2006, the immediate owner of OKD, KARBON INVEST together with Charles Capital merged into RPG Industries Public Limited in a European cross-border merger, resulting in the creation of RPG Industries SE. Upon completion of this phase, RPG Industries SE was the immediate direct 100% shareholder of all successor entities to Former OKD resulting from the above de-merger.

On 7 September 2006, RPG Industries SE contributed all shares of OKD to NWR.

In order to consolidate the mining operation, the fuel trading division of METALIMEX a.s. was sold to OKD on 1 June 2006. In the period until 31 May 2006 coal sales outside of the Czech Republic and Slovakia were carried out by METALIMEX a.s. Thereafter the fuel division of METALIMEX a.s. was acquired and since then OKD has been selling coal directly to customers abroad. The financial performance of the fuel division is included in the carve-out financial statements.

In 2006, interests in KOVONA KARVINÁ, a.s., VOKD, a.s. and SLOVENERGO, spol. s r.o. were divested from OKD. These companies are not included in the carve-out financial statements.

d) Basis of preparation of the carve-out financial statements

The carve-out financial statements comprise of mining entities and businesses currently controlled by NWR at 30 June 2007.

On 1 June 2006 the fuel division of METALIMEX a.s. was acquired by OKD. In order to completely present the financial performance of the mining operation, financial performance of the fuel division is included in the carve-out financial statements.

The financial information of the fuel division has been prepared by splitting the financial information of METALIMEX a.s. into the fuel division and the metal trading division. Overheads were allocated between these two divisions on a reasonable and consistent basis. On 1 June 2006, the net assets of the fuel division were acquired without cash and cash equivalents resulting from the financial performance of the fuel division. Therefore the carve-out financial statements present a distribution to the shareholder in the amount of the corresponding cash and cash equivalents.

Real estates not relating to the mining operation but owned by OKD has been transferred to separate real estate entities during the period until 1 January 2006. As these real estate do not relate to the mining operation the carve-out financial statements assume the transfers had been made before 1 January 2005.

In 2005 and 2006 OKD had financial investments in subsidiaries that do not belong to the mining operation. These investments were either sold in 2005 and 2006 or demerged on 1 January 2006. These investments are eliminated from the carve-out balance sheet against the equity. Any net gain/(loss) related to the sale of these financial investments, including any dividend income, change in provision for these financial investments are presented within the statements of changes in equity together with relevant tax effect in the line "Movement in financial investments in non-mining operation".

The carve-out financial statements were prepared as a total of the reporting packages of the carve-out entities adjusted for elimination of "intra-group" transactions made in the reported periods between the carve-out entities. The carve-out financial statements are prepared on the historical cost basis except for derivative financial instruments which are stated at their fair value.

The reporting packages reflect "push-down" entries of the purchase price allocation from the acquisition by RPGP on 24 October 2004. The purchase price allocation has been carried out using external expert valuation.

The accounting policies have been applied consistently by the carve-out entities.

e) Statement of compliance

The carve-out financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board as adopted by the European Union effective as of 31 December 2006.

f) Presentation currency

The carve-out financial statements are presented in Czech Crowns (CZK), rounded to the nearest thousand, which is the functional currency of all carve-out entities (see definition below). except for "KARBONIA PL" Sp. z o.o. Functional currency of "KARBONIA PL" Sp. z o.o. is Polish zloty (PLN).

g) Estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note 11 – Property, plant and equipment,
- Note 18 – Financial instruments,
- Note 23 - Provisions,
- Note 25 - Employee benefits, and
- Note 29 – Contingent assets and liabilities

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) New IFRS

New standards and interpretations adopted

In 2006 the carve-out entities adopted the following International Financial Reporting Standards and IFRIC Interpretations, which were relevant for the carve-out entities:

- IAS 19 Amendment – Employee Benefits
- IAS 21 Amendment – The Effect of Changes in Foreign Exchange Rates
- IAS 39 Amendments – Financial Instruments: Recognition and Measurement
- IFRS 6 Exploration for and Evaluation of Mineral Resources
- IFRIC Interpretation 4 Determining whether an Arrangement contains a Lease
- IFRIC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

The principal effects of these changes are as follows:

IAS 19 Employee Benefits
As of 1 January 2006, the carve-out entities adopted the amendments to IAS 19. As a result, additional disclosures are made providing information about trends in the liabilities in the defined benefit plans and the assumptions underlying the components of the defined benefit cost. This change has resulted in additional disclosures being included for the year ending 31 December 2006 but has not had a recognition or measurement impact, as management chose not to apply the new option offered to recognize actuarial gains and losses outside of the income statement.

IAS 21 The Effects of Changes in Foreign Exchange Rates
As of 1 January 2006, the carve-out entities adopted the amendments to IAS 21. As a result, all exchange differences arising from a monetary item that forms part of the carve-out entities' net investment in a foreign operation are recognised in a separate component of equity in the carve-out financial statements regardless of the currency in which the monetary item is denominated. This change has had no significant impact as at 31 December 2006.

IAS 39 Financial Instruments: Recognition and Measurement
Amendment for financial guarantee contracts (issued August 2005) - amended the scope of IAS 39 to require financial guarantee contracts that are not considered to be insurance contracts to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue. This amendment did not have an effect on the financial statements.

Amendment for hedges of forecast intragroup transactions (issued April 2005) - amended IAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the income statement. As the carve-out entities currently has no such transactions, the amendment did not have an effect on the financial statements.

Amendment for the fair value option (issued June 2005) - amended IAS 39 to restrict the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The carve-out entities had not previously used this option, hence the amendment did not have an effect on the financial statements.

IFRS 6 Exploration for and Evaluation of Mineral Resources
The carve-out entities adopted IFRS 6 as of 1 January 2006, which requires to describe the accounting policy for expenditures incurred in the exploration and evaluation of mineral resources. The carve-out entities did not change its accounting policy and the application of IFRS 6 has had no impact on the financial statements.

IFRIC 4 Determining Whether an Arrangement contains a Lease
The carve-out entities adopted IFRIC Interpretation 4 as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This change in accounting policy has not had a significant impact on the carve-out entities as at 31 December 2006.

IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
The carve-out entities adopted IFRIC Interpretation 5 as of 1 January 2006, which establishes the accounting treatment for funds established to help finance decommissioning for an entity's assets. This interpretation has had no impact on the financial statements.

New IFRS Standards and IFRIC Interpretations issued but not yet effective

The carve-out entities are currently assessing the potential impacts of the new and revised standards that will be effective from 1 January 2007 or later. Most relevant to the carve-out entities' activities are IAS 1 Amendment Presentation of Financial Statements – Capital Disclosures , IFRS 7 Financial Instruments: Disclosures and IFRS 8 Operating Segments. Management currently does not expect that the new standards and interpretations will have a significant effect on the carve-out entities' results and financial position, although they may expand the disclosures in certain areas.

The principal effects of these changes are expected as follows:

IFRS 7 Financial Instruments: Disclosures
The carve-out entities did not apply the standard, which is effective from 1 January 2007. The Standard will require increased disclosure in respect of the carve-out entities' financial instruments. It supersedes IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions* and is applicable to all entities that prepare financial statements in accordance with IFRS. Management considers that the significant additional disclosures required will relate to its financial risk management objectives, policies and processes.

Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures
The carve-out entities did not apply the amendment to IAS 1 *Presentation of Financial Statements – Capital Disclosures,* which is effective from 1 January 2007. As a complementary amendment arising from IFRS 7 (see above), the Standard will require increased disclosure in respect of the carve-out entities and its capital structure.

IFRS 8 Operating Segments
The Standard requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The carve-out entities expect the new Standard to alter the presentation and disclosure of its operating segments in the financial statements. The standard is effective for the annual period from 1 January 2009.

Furthermore, there are the following new IFRS Standards and IFRIC Interpretations were issued but are not yet effective and are currently evaluated and no impact on the financial statements is expected:

IAS 23 Amendment – Borrowing Costs
The revised IAS 23 Borrowing Costs is effective for financial years beginning on or after 1 January 2009 and requires capitalisation of borrowing costs that relate to a qualifying asset. The transmittal requirements of the standard require it to be adopted as a prospective change from the effective date.

IFRIC 8 – Scope of IFRS2

The IFRIC Interpretation 8 requires IFRS 2 to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value.

IFRIC 9 – Reassessment of Embedded Derivatives
IFRIC 9 is effective for financial years beginning on or after 1 June 2006 and establishes that the due date to assess the existence of an embedded derivative is the date on which an entity first becomes party to the contract, with reassessment only if there is a change that significantly modifies the cash flows.

IFRIC 10 – Interim Financial Reporting and Impairment
IFRIC 10 is effective for financial years beginning on or after 1 November 2006 and establishes that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

IFRIC 11 – Group and Treasury Share Transactions
IFRIC 11 was issued in November 2006 and becomes effective for financial years beginning on or after 1 March 2007.

IFRIC 13 – Customer Loyalty Programs
IFRIC 13 was issued in June 2007 and becomes effective for financial years beginning on or after 1 July 2008. This Interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted.

IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 14 was issued in July 2007 and becomes effective for financial years beginning on or after 1 January 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 19 *Employee Benefits*.

b) Basis of consolidation

(i) Consolidated group
The financial statements include the financial statements of entities representing the mining operation of RPG Industries SE. (the Group)

(ii) Subsidiaries
Subsidiaries are those entities controlled by RPG Industries SE. Control exists when RPG Industries SE has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of mining operation subsidiaries are included in the consolidated statements from the date that control commences until the date that control ceases.

(iii) Transactions eliminated on consolidation
Intra-group balances and transactions and unrealized gains arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(iv) Business combination involving entities under common control
A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and whereby control is not transitory.

In the absence of more specific guidance, management consistently applied the book value measurement method to all common control transactions. These book values were recorded in accordance with IFRS. Differences between the consideration paid and the carrying value of acquired net assets are recognized as a change in consolidated equity.

c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Czech Crowns (CZK) at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to CZK at the foreign exchange rates ruling at the dates the values were determined. Foreign exchange differences arising on translation are recognised in the income statement.

(ii) Foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to CZK at the exchange rate at the reporting date; income statement items of foreign operations are translated at exchange rates approximating the rates at the dates of the transactions. Equity items are translated at historical exchange rates. The exchange differences arising on the translation are recognized directly in equity. On disposal of a foreign operation (in full or in part), the relevant amount of accumulated exchange differences is transferred to the income statement.

d) Derivative financial instruments

The carve-out entities use derivative financial instruments (such as forward currency contracts, interest rates swaps and interest rates collar contracts) to hedge its exposure to foreign exchange risks. In accordance with its internal strategy, the carve-out entities do not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments and consequently classified as current assets.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Fair value is the amount determined based on the market price or an expert appraisal.

Hedge accounting has not been applied by carve-out entities with respect to their derivative financial instruments. Consequently, any gains or losses arising from changes in fair value on derivatives are recognized in the income statement. Any resulting receivable or liability is classified as current in the balance sheet.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is the estimated amount that the carve-out entities would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

e) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy l). Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The cost also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that it is recognised as a provision under IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

Where an item of property, plant and equipment is comprised of major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

(ii) Leased assets

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfilment is dependant on a specified asset; or
(d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal or extension period for scenario b).

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Finance leases, which transfer to the carve-out entities substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

(iii) Subsequent expenditure
The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the carve-out entities and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iv) Depreciation
Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. Land and construction-in-progress are not depreciated.

The estimated useful lives are as follow:

- Buildings 30-45 years
- Plant and equipment 4-15 years
- Other 4 years

Mining works are depreciated on a straight-line basis based on their estimated useful life and are included in category Buildings.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the carve-out entities will obtain ownership by the end of the lease term.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

f) Intangible assets

(i) Licenses

Licenses represent the coal reserve license owned by OKD, a.s. The coal reserve is the exclusive deposit and creates the mineral wealth of the Czech Republic and the licenses allow OKD, a.s. to extract coal from this deposit.
When determining at acquisition fair value of the coal reserve license OKD, a.s. used an income approach, specifically the Multi-period excess earning method (MEEM), taking into account specific finite horizon of OKD, a.s. coal-mining operations. Amortisation for the period was calculated as a proportion of the coal amount actually mined in this period to the total economically exploitable coal reserves as estimated by management.

The plan used for valuation comprises the whole projected period of future OKD coal-mining operations, i.e. from the year 2004 until the year 2033 and is based on estimated quantities of coal extraction and sales in particular years based on available geological information.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the carve-out entities have sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses

(iii) Other intangible assets

Other intangible assets that are acquired by the carve-out entities are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy l). Expenditure on internally generated goodwill and brands are recognised in the income statement as an expense as incurred.

(iv) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Other intangible assets are amortised from the date they are available for use.

(v) Emission rights

Emission rights represent the right of the owner of a facility, which in the course of its operation emits greenhouse gases, to emit during the calendar year equivalent of one ton of carbon dioxide. Based on the National Allocation Plan in 2006 and 2005 certain companies have been granted emission rights free of charge. These companies are responsible for determining and reporting the amount of greenhouse gases produced by its facilities in the calendar year and this amount has to be audited by an authorized person.

At April, 30, of the following year, at latest, these companies are required to remit a number of certificates representing the number of tones of CO_2 actually emitted. If a company does not fulfill this requirement and does not remit necessary number of emission rights, then the company has to pay a penalty in the amount of EUR 40 per 1 ton of CO_2.

Emission rights are accounted for using the net liability method (EFRAG). Under this method, emission rights allocated from the Government are measured at their nominal amount, which is nil. Purchased emission rights (acquired when the number of rights on hand is insufficient to cover the actual emissions made) are recognised as intangible assets, measured at cost and charged to the income statement when disposed of. Emission rights are not amortised.

The carve-out entities recognises a provision equal to the fair value of emission rights that would be needed if the actual emissions made could not be settled by emission rights on hand.

(vi) Exploration for and Evaluation of Mineral Resources
Expenditures on exploration for and evaluation of mineral resources are expensed as incurred.

g) Investments

Investments in equity securities held by the carve-out entities are classified as being available-for-sale.

Available-for-sale investments are recognised/de-recognised by the carve-out entities on the date it commits to purchase/sell the investments.

After initial measurement, available for sale financial assets are measured at fair value with unrealized gains or losses being recognised directly in equity, except in the case of impairment losses. Where the fair value cannot be reliably determined, investments are stated at cost.

When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognised in the income statement. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognised in the income statement as 'Dividends received' when the right of payment has been established.

h) Trade and other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement receivables are subsequently carried at their amortised cost using the effective interest method less any allowance for impairment (see accounting policy l).

i) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of merchandise is the acquisition cost on the weighted average basis. The cost of raw materials is the purchase cost on a weighted average basis. The cost of work-in-progress and finished goods is a standard cost based on the cost of direct materials and labour plus attributable production overheads based on a normal level of activity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and investments in marketable securities that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (with original maturity of three months and less).

k) Restricted cash

Restricted balances of cash, which are shown under non-current financial assets as restricted funds (see Note 15), relate to mining damages and restoration expenses. The non-current classification is based on the expected timing of the release of the funds of OKD, a.s.

l) Impairment

The carrying amounts of the carve-out entities' assets, excluding inventories (see accounting policy i) and deferred tax assets (see accounting policy s), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. The recoverable amount of receivables is calculated as the present value of expected future cash flows, discounted to their present value using the financial asset's original effective interest rate. Receivables with a short duration are not discounted. The recoverable amount of other assets is the greater of their net selling price and their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the income statement. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(i) Reversals of impairment

An impairment loss in respect of receivables carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed. For other assets, impairment losses recognized in prior periods are assessed at each reporting date for indications that the loss has decreased or no longer exist.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

m) Minority interest

The minority interest in the balance sheet and income statement represents the minority proportion of the net assets of the carved out but not wholly owned subsidiaries at the year-end and the share of results for the year, which is attributable to the minority shareholders.

n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. Related gains and losses are recognised in the income statement at the settlement date.

o) Employee benefits

The carve-out entities provide a number of different benefits to its employees – jubilee, loyalty, retirement and special miners’ benefits.

The carve-out entities’ net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the balance sheet date on Czech government bonds that have maturity dates approximating the terms of the carve-out entities’ obligations.

p) Provisions

A provision is recognised in the balance sheet when a carved out entity has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Restoration and mining damages provisions

The carve-out entities are liable for all environmental damage caused by mining activities. These future costs can generally be split into two categories – restoration costs and mining damages costs. Restoration costs and clean-up of land used for mining activities are liabilities to restore the land to the condition it was in prior to the mining activities or as stated in the exploration project.

Provisions for restoration costs are recognised as the net present value of the estimated outflow of economic resources to settle the obligation. Restoration costs represent a part of the acquisition cost of fixed assets and such assets are depreciated over the useful life of the mines using the sum of the digits method. Any change in the estimate of restoration costs is recognised within fixed assets and is depreciated over the remaining useful life of the mines.

The effects of changes in estimates relating to decommissioning liabilities, arising as a result of change of estimated cash flows that would be required to settle these liabilities or as a result of discount rate changes, are added to (or deducted from) the amount recognized as the related asset.

Mining damages costs are liabilities to reimburse all immediate damages caused by mining activities to third party assets. Mining damages costs are assessed by the carve-out entities for each individual exploration project. This assessment is reviewed and approved by the Czech Mining Authority.

(ii) Restructuring provision

A provision for restructuring including direct costs relating to restructuring is recognised when the carve-out entities have approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

q) Trade and other payables

Trade and other payables are recognised for amounts to be paid in the future for goods or services received, whether or not invoiced by the supplier. Trade and other payables are stated at amortized cost.

r) Revenue

(i) Goods sold and services rendered

Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is stated net of value added tax and excise duties and comprises the value of sales of own products, goods and services made in the normal course of business.

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. In instances where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses incurred that are recoverable.

(ii) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

OKD, a.s. receives operating subsidies to cover the social costs related to the closure of mines and incurred before privatisation of OKD, a.s. in 1993. The subsidies are recognised in the income statement on the accrual basis with related expenses.

s) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(ii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (see accounting policy d).

Revenue is recognized as interest accrues (using the effective interest method which uses the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset). Dividend income is recognised in the income statement on the date that the dividend is declared.

Borrowing costs are expensed when they are incurred. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

(iii) Income tax

Income tax on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax liability is calculated in accordance with the tax regulations of the states of residence of the carve-out entities and is based on the income or loss reported under local accounting regulations, adjusted for appropriate permanent and temporary differences from taxable income. Income taxes are calculated on an individual carved out entity basis as the tax laws do not permit combined tax returns.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

t) Segment reporting

A segment is a distinguishable component of the carve-out entities that is engaged in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments.

Segment information is presented in respect of he geographical segments. Inter-segment pricing is determined on an arm’s length basis.

u) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.
Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after deducting interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

3. SEGMENT INFORMATION

The primary segment reporting format is based on the business segments as the carve-out entities' risks and rates of return are predominantly determined by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The carve-out financial statements represent itself only one integral coal and coke business segment, which relates to coal extraction and coke production, therefore no primary segment information is presented in the notes to financial statements. Financial information for business segment is therefore equal to total figures presented in the geographical segment analysis, income statement and balance sheet.

Geographical Segments	*Czech Republic 1/1/2006 - 31/12/2006 CZK'000*	*European Union "old 15"* 1/1/2006 - 31/12/2006 CZK'000*	*European Union "new10"** 1/1/2006 - 31/12/2006 CZK'000*	*Middle and Eastern Europe 1/1/2006 - 31/12/2006 CZK'000*	*Total 1/1/2006 - 31/12/2006 CZK'000*
Segment revenue					
External revenue	21,457,196	6,508,512	6,461,486	574,949	**35,002,143**
Total assets	67,238,813	883,720	918,710	95,282	**69,136,525**
Capital expenditure	2,319,758	0	4,404	0	**2,324,162**

* Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Greece, Ireland, Italy, Louxemburg, Netherland, Portugal, Spain, Sweden
** Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia

3. SEGMENT INFORMATION (CONTINUED)

Geographical Segments	*Czech Republic*	*European Union “old 15“ **	*European Union – "new10" ***	*Middle and Eastern Europe*	*Total*
	01/01/2005 - 31/12/2005 CZK‘000	*01/01/2005 - 31/12/2005 CZK‘000*	*01/01/2005 - 31/12/2005 CZK‘000*	*01/01/2005 - 31/12/2005 CZK‘000*	*01/01/2005 - 31/12/2005 CZK‘000*
Segment revenue					
External sales	16,012,431	13,499,502	8,146,659	1,082,455	**38,741,047**
Segment Assets	53,963,615	951,531	834,129	257,855	**56,007,130**
Capital expenditure	2,534,146	0	3,120	0	**2,537,266**

* Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Greece, Ireland, Italy, Louxemburg, Netherland, Portugal, Spain, Sweden
** Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia

The split of revenues between Sales and Services rendered is as follows:

	01/01/2006 - 31/12/2006 CZK‘000	*01/01/2005 - 31/12/2005 CZK‘000*
Sales	33,341,765	37,062,366
Services rendered	1,660,378	1,678,681
	35,002,143	38,741,047

4. PERSONNEL EXPENSES

	01/01/2006 - 31/12/2006 CZK'000	*01/01/2005 - 31/12/2005 CZK'000*
Wages and salaries	6,337,249	6,170,470
Social insurance costs	2,307,182	2,227,524
Net benefit expense (see Note 25)	510,106	657,559
Social security and other payroll costs	493,936	490,124
	9,648,473	**9,545,677**
Average number of employees in the period:		
Managers	97	163
Staff	19,917	21,528
	20,014	**21,691**

The total remuneration and variable benefits received by the management in 2006 and in 2005 were CZK 205,872 thousand and CZK 177,033 thousand, respectively, out of which the social and health insurance were CZK 45,069 thousand and CZK 43,699 thousand, respectively.

Management comprises members of the board of directors and supervisory board, senior management, mine managers, mine operation managers, managers of non-mining internal organizational units.

5. OTHER OPERATING INCOME AND EXPENSES

Other operating income comprise:	*01/01/2006 - 31/12/2006 CZK'000*	*01/01/2005 - 31/12/2005 CZK'000*
Settlement agreement	59,280	0
Contractually agreed penalties charged	6,808	5,245
Bonuses granted by suppliers of material and spare parts	33,088	30,057
Revenues from rental of assets	7,985	5,765
Compensation received from insurance policies	2,676	571
Other	127,693	50,781
Total other operating income	**237,530**	**92,419**

Other operating expenses comprise:	*01/01/2006 - 31/12/2006 CZK'000*	*01/01/2005 - 31/12/2005 CZK'000*
Net loss on receivables sold / written-off	41,565	7,615
Compensation for mining damages	301,273	334,205
Settlement agreement	0	70,000
Assets under construction written-off	43,154	5,690
Property taxes and government fees	148,631	167,258
Gifts	12,185	11,579
Change in provisions	256,238	(146,418)
Other	92,746	39,743
Total other operating expenses	**895,792**	**489,672**

6. OWN WORK CAPITALIZED

Own work capitalized in the amount of CZK 752,767 thousand and CZK 643,452 thousand is not recognised in the revenues in 2006 and in 2005 respectively. It reduces expenses as follows:

	01/01/2006 - 31/12/2006 CZK'000	*01/01/2005 - 31/12/2005 CZK'000*
Consumption of material and energy	558,118	457,313
Service expenses	63,398	61,106
Personnel expenses	116,868	108,733
Other operating expenses	14,383	16,300
Total	**752,767**	**643,452**

7. FINANCIAL INCOME AND EXPENSES

Financial income comprise:	*01/01/2006 - 31/12/2006 CZK'000*	*01/01/2005 - 31/12/2005 CZK'000*
Bank interest received	286,414	229,738
Other interest received	900	2,523
Realized and unrealized foreign exchange gains	480,129	818,413
Gain on derivative instruments	1,083,571	130,016
Other	27,259	91,373
Total financial income	**1,878,273**	**1,272,063**

Financial expenses comprise:	*01/01/2006 - 31/12/2006 CZK'000*	*01/01/2005 - 31/12/2005 CZK'000*
Bank interest expense	97,033	2,811
Interest on finance leases	551	1,238
Other interest expense	63,490	73,261
Realized and unrealized foreign exchange losses	627,258	610,846
Loss on derivative instruments	183,265	157,017
Bank fees	5,697	6,200
Other	274,245	32,257
Total financial expenses	**1,251,539**	**883,630**

8. INCOME TAX EXPENSE

The corporate income tax is calculated in accordance with tax regulations applied in the country of the entity's residence, (i.e. for the Czech entities at the rate of 24% and Polish entity 19% in 2006 and 2005).

Components of tax expense:	*01/01/2006 - 31/12/2006 CZK'000*	*01/01/2005 - 31/12/2005 CZK'000*
Income statement:		
Current tax expense	1,556,389	2,355,646
Deferred tax benefit	(712,218)	(1,507,583)
Income tax expense	**844,171**	**848,063**

Reconciliation of the statutory and effective tax rates:	*01/01/2006 - 31/12/2006 CZK'000*	*01/01/2005 - 31/12/2005 CZK'000*
Profit before tax	3,696,665	3,412,089
Tax at the applicable rate of 24% in 2006 and 26 % in 2005	**887,200**	**887,143**
Tax effect of:		
- Non-deductible expense	454,692	291,773
- Tax exempt income	(305,697)	(385,710)
- Non-taxable allowances and provisions	0	(1,508)
- Other tax allowable credits	(10,825)	(13,214)
Change in statutory tax rates	(68,242)	(17,915)
Change in unrecognised deferred tax asset	(112,957)	87,494
Tax expense	844,171	848,063
Effective tax rate	23%	25%

The movement in the corporate income tax receivable/(liability) is as follows:

	01/01/2006 - 31/12/2006 CZK'000	*01/01/2005 - 31/12/2005 CZK'000*
Net tax receivable/(liability) at the beginning of the period	(4,030)	(697,186)
Current and supplementary tax due	(1,556,389)	(2,355,646)
Tax paid, net	1,222,924	3,124,577
Elimination of non-mining operations	(7,072)	(75,775)
Net tax liability at the end of the period	**(344,567)**	**(4,030)**

9. DIVIDENDS

In 2006 and in 2005, OKD, a.s. paid dividends to the shareholder of CZK 8,547,905 thousand and CZK 5,151,600 thousand, respectively. Dividend per share in 2006 and in 2005 was CZK 683,832 and CZK 212, respectively.

10. RELATED PARTY DISCLOSURES

During the period the carve-out entities had transactions in the normal course of operations with related parties. These represent transactions with the parent company, entities included in other investments, shareholders and senior management of the carve-out entities, and companies of which they are principal owners. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions:

Transactions with related parties included in the balance sheet and the income statement are as follows (in thousand CZK):

Balance sheet	*31/12/2006* *CZK'000*	*31/12/2005* *CZK'000*
Receivables from related parties under common control		
OKD, Doprava, akciová společnost	34,517	49,991
RPG Byty, s.r.o.	29,293	5,457
METALIMEX a.s.	26,082	15,007
OKD, DPB, a.s.	23,417	20,149
Depos Horní Suchá, a.s.	17,828	1,126
RPG RE Commercial, s.r.o.	4,230	354
Other related parties	1,788	4,130
VOKD, a.s.	0	33,135
Receivables from related parties in total	**137,155**	**129,349**
Payables to related parties under common control		
OKD, Doprava, akciová společnost	277,385	264,090
METALIMEX a.s.	215,770	201,331
RPG Advisors, a.s.	49,320	114,001
OKD, DPB, a.s.	29,177	26,330
RPG Byty, s.r.o.	21,507	1,932
RPG Industries SE	20,230	53,992
RPG RE Commercial, s.r.o.	5,123	0
Other related parties	1,501	65,353
VOKD, a.s.	0	282,360
New World Resources B.V.	0	13,877
Payables to related parties in total	**620,013**	**1,023,266**

The carve-out entities have no loans receivable from / payable to related parties under common control.

Income statement	*01/01/2006 - 31/12/2006 CZK'000*	*01/01/2005 - 31/12/2005 CZK'000*
Sales to related parties		
RPG Byty, s.r.o.	469,540	18,656
OKD, Doprava, akciová společnost	149,294	219,094
METALIMEX a.s.	129,396	90,932
OKD, DPB, a.s.	128,369	116,079
RPG RE Commercial, s.r.o.	56,424	360
VOKD, a.s.	40,390	5,901
Depos Horní Suchá, a.s.	22,577	4,657
Other related parties	127,615	153,041
Sales to related parties in total	**1,123,605**	**608,720**
Purchases from related parties		
OKD, Doprava, akciová společnost	1,352,763	1,186,753
METALIMEX a.s.	317,578	616,091
VOKD, a.s.	339,168	802,882
RPG Advisors, a.s.	282,919	191,598
OKD, DPB, a.s.	158,740	143,142
Polské uhlí, a.s.	0	659,518
Karbon Invest, a.s.	0	465,970
Other related parties	140,077	159,263
Purchases from related parties in total	**2,591,245**	**4,225,217**

All disclosed related parties are owned, controlled or by other means related to RPG Industries SE. The sales to RPG Byty, s.r.o. relate to heating. The purchases from RPG Advisors, a.s. relate to consultancy fees. The purchases from OKD, Doprava represent transportation and logistic services related with coal and coke, whereas the sales relate to coal and coke. Purchases from VOKD, a.s. relate to supplies of mine works.

The transactions with METALIMEX a.s. exclude sales of coal and coke which are eliminated in the income statement. Sales therefore relate to metal scrap and purchases relate to material and spare parts.

Compensation of key management personnel is stated in note 4.

In additions to these transactions the Group entered into other related party transactions as described in note 1c. There were no transactions of the carve-out entities between other personally related parties.

11. PROPERTY, PLANT AND EQUIPMENT

Cost:	*Land and Buildings CZK'000*	*Plant and Equipment CZK'000*	*Other assets CZK'000*	*Construction in Progress CZK'000*	*Total CZK'000*
At 1 January 2006	32,439,405	9,978,587	48,545	1,144,174	43,610,711
Additions	342,787	1,295,853	48,358	686,691	2,373,689
Disposals	(504,633)	(97,377)	(989)	(43,662)	(646,661)
Transfers	431,533	307,818	0	(739,351)	0
At 31 December 2006	32,709,092	11,484,881	95,914	1,047,852	45,337,739
Accumulated depreciation and impairment losses:					
At 1 January 2006	6,256,177	5,241,099	22,434	173,112	11,692,822
Depreciation charge for the year	4,012,715	2,041,826	48,313	0	6,102,854
Disposals	(486,066)	(95,771)	(989)	0	(582,826)
Reversal of impairment	(855,130)	(451,232)	(93)	(131,766)	(1,438,221)
At 31 December 2006	8,927,696	6,735,922	69,665	41,346	15,774,629
Net book value at 31 December 2006	**23,781,396**	**4,748,959**	**26,249**	**1,006,506**	**29,563,110**
Net book value at 1 January 2006	26,183,228	4,737,488	26,111	971,062	31,917,889

The net book value of plant and equipment as of 31 December 2006 and 31 December 2005 includes CZK 44,866 thousand and CZK 62,514 thousand, respectively, in respect of assets held under finance leases.

On 27 February 2006, the Board of Directors of OKD, a.s. decided to cease coal mining operations at the Dukla site, an internal organisational unit of Paskov Mine, on 31 December 2006 and to begin physical liquidation of property, plant and equipment and to begin the site restoration of this plant on 1 January 2007. The preparatory work to commence liquidation of the Dukla site began in 2006. The site restoration and liquidation will be carried out in the years 2007 to 2009. OKD, a.s. identified redundant tangible fixed assets of the Dukla mine and recognized additional depreciation of CZK 1,138,561 thousand. As at 31 December 2006, net book value of redundant tangible fixed assets of the Dukla mine amounts to zero.

Impairment

The 2005 impairment loss related to subsidiaries OKD, OKK, a.s., OKD, Bastro, a.s., OKD, HBZS, a.s., OKD, Rekultivace, a.s. was a result from drop in coke prices and changes in the Group entities' operations. The recoverable amount was quantified for the relevant cash generating units ("CGU") by the estimation of recoverable amount from operation of cash generating units (using discounted cash flow method).

	01/01/2005 - 31/12/2005 CZK'000	*Discount rates used*
Value in use as estimated for CGU		
OKD, Bastro, a.s.	81,640	10.21%
OKD, HBZS, a.s.	46,101	11.99%
OKD, Rekultivace, a.s.	197,262	11.99%
OKD, OKK, a.s.	0	not discounted*
	325,003	

* not discounted because of negative cash flows

Impairment loss reversal – OKD, OKK, a.s.

Based on the 2006 impairment test update, the CGU OKD, OKK, a.s. reversed part of its impairment recognised in 2005. The result of updated impairment test of OKD, OKK, a.s was positively influenced by internal and external factors that were included in business plan of this CGU. The major external factor influencing the business plan is the increase in coke prices in 2006. Estimated development of coke prices for the period 2007-2015 was based on actual coke prices. The reversal of impairment in 2006 for this CGU was CZK 1,438,221 thousand. The remaining impairment loss of this CGU as at 31 December 2006 is CZK 1,118,974 thousand. The recoverable amount as of December 31, 2006 was quantified for the CGU using the pre-tax discount rate 9% p.a., which represents the weighted average cost of capital of the CGU.

Cash flow projections were made for the period from 2007 to 2020 in order to reflect the life cycle of coking batteries existing at 31 December 2006. Cash flow projections for the period from 2007 to 2015 are based on detailed business plans for each year. Cash flow projections for the period from 2016 to 2020 were made by extrapolating the 2015 cash flows and applying a declining factor of 0.99 in each year.

Impairment in OKD, Bastro, a.s., OKD, HBZS, a.s. and OKD, Rekultivace, a.s. remained unchanged.

The reversals of impairment losses are recognised in the income statement in line Reversal of impairment of property, plant and equipment.

Construction of mine "Frenštát"

Assets relating to the construction of the mine "Frenštát" relate to geological survey work. These assets are maintained by OKD, a.s. but are not reflected in its books. The original cost of these assets amounts to CZK 920,904 thousand of which CZK 815,139 thousand is the value of assets located in the mine and CZK 105,765 thousand is the value of assets located on the surface.

Cost:	*Land and Buildings CZK'000*	*Plant and Equipment CZK'000*	*Other assets CZK'000*	*Construction in Progress CZK'000*	*Total CZK'000*
At 1 January 2005	31,510,098	8,168,502	19,444	1,395,976	41,094,020
Additions	627,864	1,590,659	25,521	687,550	2,931,594
Additions through acquisition of subsidiaries	29,695	32,757	3,650	6,169	72,271
Disposals	(299,853)	(114,310)	(70)	(72,941)	(487,174)
Transfers	571,601	300,979	0	(872,580)	0
At 31 December 2005	32,439,405	9,978,587	48,545	1,144,174	43,610,711
Accumulated depreciation and impairment losses:					
At 1 January 2005	1,926,199	1,197,434	4,315	0	3,127,948
Additions through acquisition and contribution of subsidiaries	4,125	13,948	1,226	0	19,299
Depreciation charge for the year	2,848,431	3,057,596	16,625	0	5,922,652
Disposals	(189,795)	(94,566)	(70)	0	(284,431)
Transfers	0	0	0	0	0
Recognized impairment	1,667,217	1,066,687	338	173,112	2,907,354
At 31 December 2005	6,256,177	5,241,099	22,434	173,112	11,692,822
Net book value at 31 December 2005	**26,183,228**	**4,737,488**	**26,111**	**971,062**	**31,917,889**
Net book value at 1 January 2005	29,583,899	6,971,068	15,129	1,395,976	37,966,072

12. LICENSES

	Cost CZK'000	*Accumulated amortization CZK'000*	*Net book value CZK'000*
At 1 January 2005	5,592,344	(43,789)	5,548,555
Movements in the period	0	(262,732)	(262,732)
At 31 December 2005	**5,592,344**	**(306,521)**	**5,285,823**
At 1 January 2006	5,592,344	(306,521)	5,285,823
Movements in the period	0	(270,350)	(270,350)
At 31 December 2006	**5,592,344**	**(576,871)**	**5,015,473**

Amortisation for the year was calculated as a proportion of the coal amount actually mined in this period to the total economically exploitable coal reserves from the year 2004 till the year 2033.

13. OTHER FINANCIAL INVESTMENTS

Other investments consist of equity securities available-for-sale.

	31/12/2006	*31/12/2005*
	CZK'000	*CZK'000*
Garáže Ostrava a.s.	80,600	80,600
ČSOB	13,000	0
Other investments	2,025	9,157
	95,625	**89,757**

These equity securities are carried at cost as they are not traded on any quoted market.

14. LONG-TERM RECEIVABLES

	31/12/2006	*31/12/2005*
	CZK'000	*CZK'000*
Trade receivables	20,493	21,637
Long-term advances granted	47,333	17,128
Other	16,120	20,316
	83,946	**59,081**

The maturity dates of these receivables do not exceed 5 years.

15. RESTRICTED CASH

As of 31 December 2006 and 31 December 2005, OKD, a.s. had restricted cash of CZK 489,129 thousand and CZK 264,294 thousand, respectively, kept in relation to mining damages and restoration expenditures. The amount of restricted cash corresponds to mining and restoration provision created in cash by OKD, a.s. since 1 January 2004 according to Czech legal requirements and can be used only to settle the mining damages and restoration expenditures.

16. INVENTORIES

	31/12/2006	*31/12/2005*
	CZK'000	*CZK'000*
Raw materials and spare parts	451,090	540,319
Work-in-progress and semi-finished goods	174,083	325,459
Finished goods	438,584	586,128
Merchandise	77,497	221,315
	1,141,254	**1,673,221**

The inventories as at 31 December 2006 and 31 December 2005 are disclosed net of write-downs for slow-moving and obsolete inventories of CZK 75,502 thousand and CZK 227,379 thousand, respectively. Write-downs are included in consumption of material and energy.

17. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31/12/2006	*31/12/2005*
	CZK'000	*CZK'000*
Trade accounts and notes receivable	3,681,281	3,888,950
Advance payments for inventories	8	1,301
Other advance payments	17,803	7,028
VAT and other tax receivables	86,050	403,028
Other receivables, estimated accounts receivables	204,535	144,251
Prepayments and accrued revenue	56,663	36,478
Total accounts receivable and prepayments	**4,046,340**	**4,481,036**

The accounts receivable and prepayments include related party balances that are disclosed in note 10. Total receivables as at 31 December 2006 and 31 December 2005 are stated net of a provision of CZK 74,055 thousand and CZK 124,089 thousand, respectively.

As at 31 December 2005 receivables in nominal value of CZK 125,391 thousand were pledged as security for loans. No receivables were pledged as at 31 December 2006.

18. FINANCIAL INSTRUMENTS

Risk management and financial instruments

The most significant risks that the carve-out entities are exposed to are foreign exchange risks on sales in foreign currencies, interest rates tied to all variable interest rates volatility risk and credit risk as an increase in secondary insolvency of key Czech and Slovak customers, especially in the steel industry has occurred.

These risks are managed by a variety of mechanisms implemented by the carve-out entities.

Credit (Customer) Risk

Credit risk arises from the potential inability of debtors to meet their obligations as they fall due. Credit risks are addressed by top management through efficient operation of the sales and related departments to prevent excessive bad debts. At the balance sheet date there are concentrations of credit risk to steel producers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Market risk

Market risk arises from the possible variations in the value of assets and liabilities due to fluctuations in foreign exchange rates, interest rates and operating results of subsidiaries. The carve-out entities have implemented policies and methods of monitoring these risks.

Foreign exchange rate risk

The carve-out entities are exposed to foreign exchange risks arising from sales, purchases, receivables and loans that are denominated in currencies other than CZK. The foreign currency exposure risks OKD, a.s. decreases by closing its open position by entering into forward exchange rate contracts "par forwards" with bank institutions. Forward contracts are concluded up to 2013 and they cover approx. 50% of the expected open position.

As at 31 December 2006 and 31 December 2005, the carve-out entities had the following EUR-denominated balances:

	31/12/2006 EUR´000	*31/12/2006 CZK'000*	*31/12/2005 EUR´000*	*31/12/2005 CZK'000*
Receviables	45,070	1,239,200	36,086	1,046,674
Payables	8,334	229,143	7,682	222,816
Loans	538,473	14,805,315	0	0

Interest rate risk

The carve-out entities' exposure to the risk of changes in market interest rates relates primarily to the carve-out entities' syndicated bank loan with floating interest rates. To manage this, the carve-out entities enter primarily into interest rate swaps and interest rate collars. At 31 December 2006 approximately 93% of the carve-out entities' long-term loans including the current portion are secured.

The following derivative financial instruments were entered into to mitigate the above risks:

Fair value of derivative instruments	*31/12/2006*		*31/12/2005*	
	Assets CZK'000	*Liabilities CZK'000*	*Assets CZK'000*	*Liabilities CZK'000*
Forward exchange contracts	816,661	0	2,030	0
Interest rates swap contracts	117,217	38,440	0	0
Interest rates collar contracts	4,537	11,307	0	0
	938,415	49,747	2,030	0

Nominal value of derivative instruments	*31/12/2006*			*31/12/2005*	
	Czech crown denominated contracts	*Euro denominated contracts*	*Euro denominated contracts translated to functional currency*	*Czech crown denominated contracts*	*Euro denominated contracts*
	CZK'000	*EUR'000*	*CZK'000*	*CZK'000*	*EUR'000*
Forward exchange contracts	0	703,373	19,339,241	1,065,517	0
Interest rates swap contracts	4,253,995	451,500	12,413,993	0	0
Interest rates collar contracts	505,225	52,500	1,443,488	0	0
	4,759,220	1,207,373	33,196,721	1,065,517	0

Gains or losses arising from changes in fair value on the derivatives during the period do not qualify for hedge accounting and are taken directly to the income statement.

Liquidity risk

Liquidity risk refers to the possibility of the carve-out entities being unable to meet its cash obligations mainly in relation to the settlement of amounts due to suppliers and bank loans and facilities. The carve-out entities manages risk by constant monitoring of the amount of current liabilities against the amount of cash and liquid assets.

Fair value

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

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

Cash and cash equivalents, current investments

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

Investments

For equity instruments for which there are no quoted market prices and which are carried at cost, the fair values cannot be estimated.

Receivables and Payables

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

Short-term loans

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

Long-term debt

The carrying amount of long-term debt and other payables with variable interest rates approximates their fair values as interest re-prices at a minimum each twelve months.

Derivatives

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

Carrying amounts and the estimated fair values of financial instruments at 31 December 2006 are as follows:

	31/12/2006		*31/12/2005*	
	Carrying Value CZK'000	*Fair Value CZK'000*	*Carrying Value CZK'000*	*Fair Value CZK'000*
Financial assets				
Other financial investments	95,625	N/A	89,757	N/A
Long-term receivables	83,946	83,736	59,081	58,933
Restricted cash	489,129	489,129	264,294	264,294
Trade and other receivables	4,046,340	4,046,340	4,481,036	4,481,036
Cash and cash equivalents	27,354,481	27,354,481	11,573,528	11,573,528
Derivative financial instruments	938,415	938,415	2,030	2,030

	31/12/2006		*31/12/2005*	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Financial liabilities				
Long-term loans	16,956,688	16,956,688	4,560	4,560
Other long-term liabilities	6,582	6,582	11,532	11,532
Accounts payable and accruals	4,305,836	4,305,836	5,006,387	5,006,387
Current portion of long-term loans	2,743,344	2,743,344	0	0
Short-term bank loans	55,678	55,678	109,880	109,880
Derivative financial instruments	49,747	49,747	0	0

19. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents comprise the following balance sheet amounts:

	31/12/2006	*31/12/2005*
	CZK'000	*CZK'000*
Cash in bank	27,762,314	4,819,213
Short-term deposits	76,630	7,012,547
Cash on hand and cash in transit	4,666	6,062
Less restricted cash	(489,129)	(264,294)
Cash and cash equivalents	**27,354,481**	**11,573,528**

Cash at the bank earns interest at floating rates based on daily bank deposit rates. Certain accounts are used for cash pooling. Short-term deposits are made for varying periods, typically one week, depending on the immediate cash requirements of the carve-out entities, and earn interest at short-term deposit rates. Short-term deposits are mainly represented by term deposits which carry interest rates approximating the effective interest rate

20. ACCOUNTS PAYABLE AND ACCRUALS

	31/12/2006	*31/12/2005*
	CZK'000	*CZK'000*
Trade accounts and notes payable	2,771,335	3,367,619
Dividends payable	42,322	46,196
Wages and salaries payable	612,873	616,691
Social and health contributions payable	374,911	369,620
VAT and other tax payable	188,662	324,614
Advance payments received	18,491	12,385
Other payables and estimated accounts payable	295,478	268,429
Accrued expenses	1,764	833
Total accounts payable and accruals	**4,305,836**	**5,006,387**

The balance includes related party balances that are disclosed in note 10.

21. INTEREST-BEARING LOANS AND BORROWINGS

Long-term loans and borrowings:

Long-term bank loans	*Currency*	*Effective interest rate*	*Maturity*	*31/12/2006 CZK '000*
Bank loan - facility 1	CZK	3M PRIBOR+1.10%*	2011	3,191,546
Bank loan - facility 2	CZK	3M PRIBOR+1.35%	2012	1,145,410
Bank loan - facility 3	CZK	3M PRIBOR+1.50%	2013	758,237
Bank loan - facility 1	EUR	3M EURIBOR+1.10%*	2011	9,153,498
Bank loan - facility 2	EUR	3M EURIBOR+1.35%	2012	3,285,089
Bank loan - facility 3	EUR	3M EURIBOR+1.50%	2013	2,165,596
				19,699,376
of which current portion				2,743,344
Long-term liabilities from finance leases				656
Total long-term loans				16,956,688

* The margin rate can vary between 0.65% and 1.35% p.a. with respect to the actual leverage ratio

3M PRIBOR stands for 3-month Prague interbank offered rate and was 2,55 % at 31 December 2006. 3M EURIBOR stands for Euro interbank offered rate and was 3,25 % at 31 December 2006.

NWR is a guarantor of the syndicated loan drawn by OKD. All loans were secured by shares of companies OKD, OKD, OKK, a.s., RPG Trading, s.r.o. and OKD, Doprava, akciová společnost as of 31 December 2006.

The total long-term bank loans exclude the current portion of long-term bank loans and the long-term loans which are intended to be repaid earlier - in less than one year. These are included in short-term bank loans. All interest-bearing loans and borrowings are repriced at least once a year.

Short-term loans and borrowings:

Short-term bank loans in the year 2006 include credit lines that finally mature in 2008 - they are operating loans with withdrawal option in the form of an overdraft or revolving that may be repaid whenever before the maturity date, they are included in short-term loans.

Short-term bank loans	*Currency*	*Effective interest rate*	*Security*	*Maturity*	*31/12/2006 CZK '000*
Overdraft	CZK	PRIBOR+0.65%	note of bill, pledge of receivables	2008**	54,295
Credit cards liability	CZK	0%*	None	N/A	318
Total short-term loans					**54,613**
Short-term liabilities from finance leases					1,065
Total short-term interest-bearing loans					**55,678**

* Credit cards
** Short-term overdraft which is repayable in 2008

Short-term bank loans

	Currency	*Effective interest rate*	*Security*	*Maturity*	*31/12/2005 CZK '000*
Overdraft	CZK	PRIBOR+0.75%	Receivables, immovables, insurance immobilization	2006	108,102
Total short-term bank loans					**108,102**
Short-term liabilities from finance leases					1,778
Total short-term interest-bearing loans					**109,880**

Repayment schedule for long-term bank loans and borrowings:

	31/12/2006 CZK '000
2007	2,743,344
2008	2,743,343
2009	2,743,343
2010	2,743,343
2011	1,371,672
2012 and thereafter	7,354,331
	19,699,376

The carve-out entities are in compliance with credit contract covenants.

22. SHARE CAPITAL, RESERVES, MINORITY INTERESTS AND EARNINGS PER SHARE

	31/12/2006 CZK'000	*31/12/2005 CZK'000*
Share capital	2,500,000	24,300,000
Capital reserves	0	5,741,805
Special liquidation reserve	2,378,798	2,378,798
Foreign exchange translation reserve	(3,790)	1,171
Restricted reserve	3,460,348	2,309,198
Retained earnings	26,262,572	5,667,121
Total	34,597,928	40,398,093
Minority interest	0	0
Equity total	34,597,928	40,398,093

Basic and diluted earnings per share	*01/01/2006 - 31/12/2006 CZK'000*	*01/01/2005 - 31/12/2005 CZK'000*
Total net profit/loss after tax	2,852,494	2,564,026
Weighted average number of shares outstanding during the period	12,500	24,300,000
Basic earnings per share (CZK/share)	228,200	106
Diluted earnings per share (CZK/share)	228,200	205,122

Changes in capital structure
On 19 December 2005, the Board of Directors of OKD, a.s. approved the intention to divide OKD, a.s. ("de-merger plan). As a result of this de-merger plan equity of OKD, a.s. was restructured as of 1 January 2006 and the number of shares changed from 24,300,000 to 12,500 shares. The de-merger came into force as of 1 January 2006. For year 2005 and year 2006 the basic and diluted number of shares is 24,300,000 and 12,500, respectively.

Movement in investments in non-mining operation
Movement in investment in the non-mining operations represent impact to equity of non-inclusion of entities controlled by OKD in 2005 and/or 2006 which are not included in carve out accounts, because they do not form current mining operations.

Minority interests
Minority interests presented in the 2005 statement of changes in equity of CZK 1,040,919 thousand represent minority interests of Českomoravské doly, a.s. Squeeze out presented in the 2005 statement of changes in equity of CZK 1,081,714 thousand represents purchases of minority shares of Českomoravské doly, a.s.

Capital reserve

Capital reserve was recognized as a result of the purchase price allocation following the acquisition of the group by its current shareholders in 2004.

Special liquidation reserve
During the privatization of the former OKD, a.s. the special liquidation reserve (‘‘the Reserve’’) was designated and classified as an equity item in its statutory accounts. No shares were issued for the amount of the Reserve. The Reserve can only be used to cover losses from the liquidation of assets related to mines at mining locations which have been closed or are designated for closure. Therefore, the use of Reserve is restricted and the Reserve cannot be distributed.

Foreign exchange translation reserve
Reserve recognized on translation of foreign entities (“KARBONIA PL” Sp. z.o.o).

Restricted equity
In accordance with Czech regulations, joint stock companies (‘‘a.s.’’) are required to establish an undistributable statutory reserves for contingencies against possible future losses and other events. Contributions must be a minimum of 20% of after-tax profit in the first year in which profits are made and 5% of after-tax profit each year thereafter, until the fund reaches at least 20% of share capital. The fund can only be used to offset losses.

23. PROVISIONS

The provision balances are as follows:

	At 1 January	*Charged*	*Utilised*	*Unwinding of discount*	*At 31 December*
	2006	*2006*	*2006*	*2006*	*2006*
	CZK'000	*CZK'000*	*CZK'000*	*CZK'000*	*CZK'000*
Mining damage	422,931	204,508	(185,678)	0	441,761
Restoration provision	2,655,935	44,857	(102,996)	55,117	2,652,913
Dukla Mine closure	0	71,682	0	0	71,682
Other restoration costs	53,107	156	(1,287)	0	51,976
Other	515	642	(1,157)	0	0
Total long-term provisions	**3,132,488**	**321,845**	**(291,118)**	**55,117**	**3,218,332**
Employee redundancy	1,530	525	(1,530)	0	525
Dukla Mine closure	0	283,253	0	0	283,253
Unpaid vacation	86,926	4,192	(6,691)	0	84,427
Buy-out (family houses)	86,760	0	(51,716)	0	35,044
Other	22,896	21,812	(22,867)	0	21,841
Total short-term provisions	**198,112**	**309,782**	**(82,804)**	**0**	**425,090**
Total provisions	3,330,600	631,627	(373,922)	55,117	3,643,422

	At 1 January	*Charged*	*Utilised*	*Unwinding of discount*	*Reversed*	*At 31 December*
	2005	*2005*	*2005*	*2005*	*2005*	*2005*
	CZK'000	*CZK'000*	*CZK'000*	*CZK'000*	*CZK'000*	*CZK'000*
Mining damage	424,880	176,100	(178,049)	0	0	422,931
Restoration provision	2,648,588	55,153	(103,937)	56,131	0	2,655,935
Other restoration costs	63,020	1,645	(11,558)	0	0	53,107
Other	2,555	98	(2,138)	0	0	515
Total long-term provisions	**3,139,043**	**232,996**	**(295,682)**	**56,131**	**0**	**3,132,488**
Employee redundancy	75	1,530	(75)	0	0	1,530
Unpaid vacation	81,479	9,942	(4,495)	0	0	86,926
Buy-out (family houses)	0	86,760	0	0	0	86,760
Other	99,150	138,906	(88,537)	0	(126,623)	22,896
Total short-term provisions	**180,704**	**237,138**	**(93,107)**	**0**	**(126,623)**	**198,112**
Total provisions	3,319,747	470,134	(388,789)	56,131	(126,623)	3,330,600

Due to the long-term nature of the restoration provision, the biggest uncertainty in estimating the provision is the costs that will be incurred. OKD, a.s. has assumed that the site will be restored using technology and materials that are available currently. The provision has been calculated using a real discount rate of 2.2% p.a.

On 27 February 2006, the Board of Directors of OKD, a.s. decided to cease coal mining operations at the Dukla site, an internal organisational unit of Paskov Mine, on 31 December 2006 and to begin physical liquidation of property, plant and equipment and to begin the site restoration of this plant on 1 January 2007. The preparatory work to commence liquidation of the Dukla site began in 2006. The site restoration and liquidation will be carried out in the years 2007 to 2009. OKD, a.s. recorded a provision of CZK 354,935 thousand related to preparation of the site liquidation, site restoration and social and health related costs (especially severance and other social disbursements). The charge for the provision was included in other operating expenses.

24. DEFERRED REVENUE

	Government grants CZK'000	*Other CZK'000*	*Total CZK'000*
At 1 January 2005	83,579	8,690	92,269
Change in the period	(5,595)	(1,659)	(7,254)
At 31 December 2005	77,984	7,031	**85,015**
At 1 January 2006	77,984	7,031	85,015
Change in the period	(5,595)	8,642	3,047
At 31 December 2006	72,389	15,673	**88,062**

The carve-out entities have received government grants to cover environmental improvements. Government grants are being amortised over the expected useful life of the assets acquired with funds from a government subsidy.

25. EMPLOYEE BENEFITS

The carve-out entities provide a number of different benefits to its employees – jubilee, loyalty, retirement and special miners' benefits. The carve-out entities' net obligation in respect of long-term service benefits is the amount of benefits that are payable 12 months after the balance sheet date and that the employees have earned in return for their service in the current and prior periods.

The carve-out entities' employee benefit scheme covers the legal requirements valid for the mining industry and other benefits concluded with the labor union in the general labor agreement. All benefits are unfunded. Most of them are paid annually and the amount depends on the length of working relationship with the employer or is compensating the health problems of the miners. The significant benefits are listed below.

	31/12/2006	*31/12/2005*
	CZK'000	*CZK'000*
Special miners benefits	1,519,826	1,579,306
Loyalty benefits	334,733	478,300
Employees' jubilee	3,463	4,773
Severance payment	408,046	0
Other long-term benefits	118,845	70,959
Total employee benefits	**2,384,913**	**2,133,338**

Special miners' benefits
Length-of-service benefit for miners is paid to all employees in the mining profession once a year and is based on the length of employment relationship. The benefit is required by current legislation of the Czech Republic.

Special miner benefit is paid to employees working underground once they achieve 100% of the highest allowable exposure to mine dust, in case of both position transfer or employment termination. Those bonuses are paid monthly, until the pension entitlement arises or the age of 60 is reached. The benefit is required by current legislation of the Czech Republic.

Health-related severance payment is based on the collective agreement of OKD and its labor union. Entitled persons are employees whose employment relationship was dissolved owing to their inability for health reasons to continue performing their work and who are not entitled to receive other severance payment. This benefit is a one-time payment calculated as a multiple of average monthly wage in connection with years of service.

Retirement benefit is based also on the collective agreement between OKD and its labor union and is paid to employees who terminate their employment contract upon becoming entitled to draw an old age pension. The payment is a multiple of average monthly wage.

Loyalty benefits
Stabilization premiums are defined in the collective labor agreements of individual Group entities and belong to all current employees who are not entitled to length-of-service benefits for miners. This bonus is paid once a year and the amount is calculated according to the length of uninterrupted service.

Length-of-service bonuses are defined in the collective labor agreements of individual Group entities and paid based on the specific provisions of collective agreements, tied to years of uninterrupted service. This benefit is designed as a one-time payment.

Severance payments
Severance payments are based on Czech law. Entitled persons are employees whose employment relationship was dissolved owing to having achieved 100% of the highest allowable exposure to mine dust or occupational injury or incidence of occupational illness and inability to find another suitable position for them within entity. The payment is made as a one-time disbursement.

The following table summaries the components of net benefit expense recognised in the income statement and the funded status and amounts recognised in the balance sheet for the respective plan:

Net benefit expense

	01/01/2006 - 31/12/2006	*01/01/2005 - 31/12/2005*
	CZK'000	*CZK'000*
Current service costs	135,923	118,065
Interest cost on benefit obligation	85,598	75,987
Employment reduction	84,802	0
Past service cost	548,088	1,049
Actuarial loss/(gain)	(46,081)	462,458
Curtailments	(298,225)	0
Net benefit expense	**510,105**	**657,559**

Employee benefits development in 2005 and 2006

Employment reduction – This item represents an estimate of the severance payments which are assumed to be paid out during the year 2007 to employees of the carve-out entities that were expected leave during 2007 in consequence of commitments to rationalize the entities‘ operations stated in announced plans and projections valid at 31 December 2006.

Past service cost – The carve-out entities introduced during the year 2006 two new benefits and modified some of the other benefit schemes. This item represents attribution of these liabilities to the past service of employees. The major contributions to this item resulted from an amendment to legal regulation of compensations to which are entitled employees who leave because of certain qualified reasons (impact of CZK 257 million) and from introduction of bonus payment for retiring personnel (impact of CZK 171 million). The combined effect of modification introduced to other benefits amounts to CZK 120 million.

Actuarial loss/(gain) – The actuarial gain of CZK 46 million recorded in the year 2006 reflects the combined effect of the change in the portfolio of employees with the right of future "health exposure" benefits and of using higher interests rates in 2006 then in the 2005 calculation and updated assumptions regarding mortality of employees. The actuarial loss in the year 2005 represents a combined effect of updated and modified assumptions regarding mortality, health exposure and fluctuation of employees and of using lower interest rates in 2005 then in the 2004 calculation.

Curtailments - This item represents the effect of reduction in total employees of the carve-out entities between the year-ends of 2005 and 2006 from 23,831 down to 18,963 employees.

Changes in the present value of the defined benefit obligation

	01/01/2006 - 31/12/2006 CZK'000	*01/01/2005 - 31/12/2005 CZK'000*
Defined benefit obligation at 1 January	2,133,338	1,699,908
Net benefit expense	510,106	657,559
Benefits paid	(258,531)	(224,129)
Defined benefit obligation at 31 December	**2,384,913**	**2,133,338**

The principal financial and demographic assumptions used in determining post-employment benefits and other long-term employee benefits are shown below:

Discount rate - Discounts rates are derived from the linear approximation of the yield curve of the Czech government bonds at 31 December 2006 and 31 December 2005. The average discount rate used for the calculation of employee benefits is 3.98% per annum and 3,63% per annum.

Wage increase - This assumption is relevant where the benefit depends on the future wage. In all these cases the carve-out entities estimate the steadily average wage increase of 5% per annum.

Mortality - Model mortality for the relevant benefit calculation is undertaken from the statistical tables published by the Czech statistical office.

Retirement age - The retirement age is according to the former and current Czech legislation, as follows: For retirements before 31. 12. 1995 the retirement age is 60 for men and 57 – 53 for women (depending on the number of children). The retirement age after the year 2013 is 63 for men and 63 – 59 for women (depending on the number of children). The retirement age between those two years mentioned above is determined by the linear approximation.

26. DEFERRED TAX

	2006	*2005*
	CZK'000	*CZK'000*
Deferred tax liability:		
At 1 January	4,263,224	5,770,807
Deferred tax benefit for the period	(712,218)	(1,507,583)
At 31 December	**3,551,006**	**4,263,224**

	31/12/2006	*31/12/2005*
Deferred taxes at 31 December relate to the following:	*CZK'000*	*CZK'000*
Property, plant and equipment	4,126,937	4,964,584
Adjustments and provisions	(994)	(261,552)
Employee benefits	(572,377)	(512,001)
Tax losses carried forward (see below)	(10,287)	(36,262)
Other	7,727	108,455
	3,551,006	4,263,224

Tax losses available to be carried forward and offset against future taxable income are as follows:

	Tax loss 31/12/2006 CZK'000	*Year of expiry*
The Czech Republic:		
Tax losses arising in 2000	22,465	2007
Tax losses arising in 2001	0	2008
Tax losses arising in 2002	14,826	2009
Tax losses arising in 2003	5,573	2008
Tax losses arising in 2004	0	2009
Tax losses arising in 2005	0	2010
Tax losses arising in 2006	0	2011
Total available amount of tax losses carried forward	42,864	
Deferred tax at the applicable rate of 24%	10,287	

	Tax loss 31/12/2005 CZK'000	*Year of expiry*
The Czech Republic:		
Tax losses arising in 1999	96,930	2006
Tax losses arising in 2000	22,965	2007
Tax losses arising in 2001	0	2008
Tax losses arising in 2002	25,623	2009
Tax losses arising in 2003	5,573	2008
Tax losses arising in 2004	0	2009
Tax losses arising in 2005	0	2011
Total available amount of tax losses carried forward	151,091	
Deferred tax at the applicable rate of 24%	36,262	

27. FUTURE COMMITMENTS

The carve-out entities have the following commitments in respect of:

	31/12/2006 CZK'000	*31/12/2005 CZK'000*
Non-cancellable operating leases		
Instalments due within one year	26,415	24,177
Instalments due between two and five years	81,906	77,832
	108,321	102,009
Acquisition of property, plant and equipment		
From third parties	429,041	165,333

The majority of operating lease contracts are concluded as indefinite term and short notice period. Leased items include equipment, land and buildings. There are none with term exceeding 5 years.

28. CONTINGENT ASSETS AND LIABILITIES

The carve-out entities have following significant contingent assets and contingent liabilities as at 31 December 2006.

a) Promissory notes and guarantees:

OKD, BASTRO, a. s.

The company had a credit line provided by a bank, which was secured by immovable assets and receivables. The agreement was terminated and overdraft repaid in 2006. A new contract was concluded for provision of bank services with another bank at 20 March 2006. Loan taken from the latter bank is secured by receivables, blank promissory note and oral guarantee given by OKD, a.s.

Transfer of certain old mines

Until 2000, OKD had concentrated all discontinued mines into a division called Odra Mine. The main purpose of this division was to supervise reclamation works at the closed mines and to administer claims and obligations towards current and former employees of the discontinued mining units. Effective 2002 OKD sold closed mines administration. Effective 2004, OKD sold mine Barbora to DIAMO s.p. At this time DIAMO, s.p. also assumed all of OKD's obligations vis-à-vis all its former employees. Simultaneously, ČMD sold its closed mines in the Kladno area to state owned Palivový kombinát Ústí, s.p. (''PKU'') in a similar transaction. By operation of law, OKD is the statutory guarantor of the obligations assumed by DIAMO and PKU existing at the time of the transfer.

b) Environmental issues:

OKD, a.s.:

In accordance with privatization projects, the National Property Fund of the Czech Republic ("NPF") reimburses acquirers of privatized assets in respect of expenses incurred for the clean-up of environmental damage relating to the pre-privatization period. In 1993, OKD, a.s. asked NPF to reimburse its expenses for cleaning-up damages in accordance with government decision No. 123 dated 17 March 1993. On 18 April 1996 contract no. 131/96 was concluded between NPF and OKD, a.s. relating to environmental issues in the area in the entity's ownership.

OKD, OKK, a.s. :

The entity's assets include the grounds of the former ČSA coking plant located in Karviná-Doly. Coking operations were discontinued at 30 June 1997 and the grounds were classified by the Czech Ministry of the Environment as an old source of environmental burden. For this reason, an *Old environmental burden risk analysis* addressing the scope of contamination and restoration work was drawn up for this site in 1997-1998. Restoration works should be financed by Czech Ministry of Finance(MF), which overtook liabilities of NPF(NPF ceased its activities). To date, no addendum to Environmental Contract No. 131/96 between the NPF(respectively MF) and OKD, a.s. on the updating of this risk analysis and the holding of a tender for an improvement work contractor has been executed.

Entity's assets include the grounds of the former Trojice coking plant in Slezská Ostrava. These grounds were classified as an old source of environmental burden and an *Old environmental burden risk analysis* is being drafted for it. Decontamination of the grounds is contingent on the conclusion of an addendum to Contract No. 131/96 between the NPF and OKD, a.s.

The entity operates the grounds of the Svoboda and Šverma coking plants for which risk analyses are being drafted to address post-operations improvement work. The exact time-frame, percentage share of the state in eradicating past damage and the value and duration of the contingent liabilities accrual are not yet known.

c) Claims and litigations:

OKD, a.s.

- Litigation in respect of Moravskoslezské teplárny, a.s. securities with a value of CZK 32,611 thousand, including related interest – claimant no.1: PRAGUE INVESTMENT HOLDINGS (CYPRUS) LIMITED, no. 2: Manhattan, investiční fond, akciová společnost, v likvidaci, no.3 CENTRAL EUROPEAN PRIVATIZATION FUND L.P., no.4 Prague Associates (Cyprus) Limited and no. 5 Marcuard Cook & Cia S.A. against no. 1 OKD, a.s., and no. 2 PROSPER TRADING, a.s. for damage caused by acting in concert. Up to the date of the carve-out financial statements, the relevant court in Ostrava did not issue any document and the court hearing has not yet been scheduled. An attempt for out-of-court settlement was unsuccessful and the proceedings continue.

- Litigation between the claimant, OKD, a.s., and the defendant, Slovenský Investiční Holding, a.s. (formerly VSŽ Košice, a.s.), concerning guaranteed payments of coal deliveries. OKD, a.s. is a party to disputes relating to promissory notes and arbitration proceedings in respect of VSŽ letter of guarantee and filed a claim for a compensation of damage potentially incurred if VSŽ guarantee was rendered invalid by the court in the preceding proceedings due to an absence of a foreign exchange permit.

- Litigation between the defendant, OKD, a.s., and the claimant, Slovenský Investiční Holding, a.s. (formerly VSŽ Košice, a.s.), concerning guaranteed payments of coal deliveries. VSŽ filed an action against OKD, a.s. with the Regional Court in Bratislava for the annulment of promissory notes, coal purchase contracts and the VSŽ's letter of guarantee.

  All litigation with VSŽ mentioned above is subject to the Master Settlement Agreement concluded between RPG INDUSTRIES LIMITED, being one party, and Penta Investments Limited, Penta Investments a.s. and Slovenský Investiční Holding, a.s., being the other party, on 15 August 2005. The parties agreed on a conditional settlement of various contentious and doubtful claims between the parties to the Master Settlement Agreement or with other entities. The Master Settlement Agreement includes, inter alia, the settlement of disputes whose parties are also OKD, a.s. and KOP, a.s. (already dissolved by merger with OKD, a.s.). In line with this Master Settlement Agreement were undertaken by all involved parties relevant actions during 2006 to terminate all law proceedings. No settlement has been settled in 2006.

- In connection with redemption of participating securities of Českomoravské doly, a.s.., METALIMEX a. s. and OKD, a.s., the following court proceedings, to which OKD, a.s. is a party, are in progress:

  - Petition to review the appropriateness of consideration for shares of Českomoravské doly, a.s., the petitioner Ing. Tomáš Klesňák, OKD, a.s. being a party to proceedings as legal successor of Českomoravské doly, a.s. and K.O.P., a.s. The statement and legal succession notification were submitted. No proceedings were ordered by court so far.

  - Petition to review the appropriateness of consideration for shares of OKD, a.s., the petitioner Ing. Tomáš Klesňák, Tomáš Veichart. OKD, a.s. being a party to proceedings together with RPG INDUSTRIES SE as legal successor of KARBON INVEST, a.s. The statement and legal succession notification were submitted. There was prepared new independent expert evidence, which was completed and submitted to court in 2007. No proceedings were ordered by court so far.

  - Petition to review the appropriateness of consideration for shares of METALIMEX, a. s., the petitioner OSDA – ČR – METALIMEX, OKD, a.s. being a party to proceedings as legal successor of K.O.P., a.s. The Regional Court in Ostrava stated its lack of jurisdiction and the case was transferred to the Municipal Court in Prague. OKD, a.s. was not asked to submit the statement yet.

At the carve-out financial statements' preparation date, based on legal advise the management of carve-out entities believes that the current litigation and claims have no significant impact on the carve-out entities' financial position at 31 December 2006.

29. OTHER MATERIAL MATTERS

a) Merger of OKD, a.s., OKD, PILA-SALMA, a.s. and OKD, Restrukturalizace, a.s.

On 16 October 2006 an approval concerning the merger of OKD, a.s., OKD, PILA-SALMA, a.s. a OKD, Restrukturalizace, a.s. was issued as a result of previously initiated law proceedings. The approval became effective on 31 October 2006 and the merger was entered into the commercial register. The decisive date of the merger was 1 July 2006.

b) Merger of EKO-KARBO, a.s. a OKD, HBZS, a.s.

On 7 November 2006 the board of directors of OKD, a.s. decided on the merger of the wholly owned subsidiaries EKO-KARBO, a.s. and OKD,HBZS a.s. into one continuing entity OKD, HBZS, a.s. The merger was completed on 13 June 2007. The Czech Commercial Code enables retrospective decisive date. The decisive date of the merger was 1 January 2007. As a result of this, EKO-KARBO, a.s. ceased to exist (being wound up without liquidation) as of 1 January 2007.

c) Personal changes in the statutory bodies and management

OKD, a.s.

According to the decision of the sole shareholder of OKD, a.s. on 11 September 2006 Mr. Josef Goj, Mr. Petr Motloch, Mr. Petr Havlíček and Prof. Mr. Evžen Kočenda were called out from its functions as members of the Board of directors.

New members were appointed with an effective date 11 September 2006. As members following persons were appointed: Mr. Zdeněk Bakala, Mr. Peter Kadas, Mr. Csaba Barta and Mr. Michael Jasanský. Mr. Zdeněk Bakala was appointed as the Chairman of the Board of directors and Mr. Peter Kadas was appointed as the Deputy Chairman of the Board of directors.

Newly nominated Board of directors appointed new management in line with the approval of changed organizational structure of OKD, a.s. in which the management was separated from the Board of directors. Nominated and approved by the Board of directors were Mr. Josef Goj as a Chief Executive Officer, Mr. Petr Motloch as Chief Finance Officer, Mr. Petr Otava jr. as a Chief Trade Officer. The decision became effective on 11 September 2006. Further Mr. Petr Mokroš as a Chief Economics Officer and Mr. Jan Matula as a Chief Production Officer were appointed with an effective date on 12 September 2006.

d) Controlling agreements

There is, as in prior period, a controlling agreement for indefinite period between RPG Industries, a.s. as the “Controlling person” and OKD, a.s. as the “Controlled person” concluded. Nevertheless RPG Industries, a.s. does not form part of mining operations. The reason why RPG Industries, a.s. is not included in carve-out accounts is described in note 1b). The ultimate parent of RPG Industries, a.s. is RPG Partners Limited

Under this agreement, the Controlled person, to the extent permitted by law, is subject to the sole control of the Controlling person. The Controlling person is authorized to impose written instructions on the Controlled person in all matters within the remit of the statutory body, even instructions that may be disadvantageous to the Controlled person, if they are in the interest of the Controlling person or another person with which the Controlling person forms a concern. Instructions from the Controlling person may not contravene the legal regulations or the Articles of Association of the Controlled person. The controlling agreement includes the obligation of indemnification and the obligation to settle losses if, for duration of the agreement’s validity, the Controlled person finishes a year with a loss according to financial statements that have been independently audited and then approved by the sole shareholder (acting in the capacity of the General Meeting).

30. SUBSEQUENT EVENTS

a) Liquidation of the company OKD, Báňské stavby Ostrava, a.s. "v likvidaci"("in liquidation")

As at 23 February 2007 a court decision about the termination of the liquidation process of OKD, Báňské stavby Ostrava, a.s. "v likvidaci" has become effective and the company was delisted from the commercial register. Impact on the financial result from the liquidation is not significant for February 2007.

b) Equity payout

NWR approved a payout from the equity of OKD of CZK 22,950,000 thousand on 24 January 2007. The payment took place on 25 January 2007 and the funds were paid to NWR, followed by a payment made from NWR into RPG Industries SE. After the equity payout the carve-out entities are in compliance with credit contract covenants. There are no income tax consequences for the shareholders on the receipt of the dividend

c) Foreign exchange risk policy changes

The carve-out entities have decided to increase the share of foreign exchange rate forward contracts up to the maximum 65% of the expected open position.

d) Personal changes in the statutory bodies of the carve-out entities

OKD, a.s.

On 24 January, 2007 Mr. Csaba Barta was removed from the OKD Board of Directors and replaced by Mr Lajos Varga.

On 23 February 2007 (effective from 1 March 2007) Mr Michael Jasansky was removed from the OKD Board of Directors.

On 8 March 2007 Mrs Petra Sokolova and Mr Jan Matula resigned from OKD Supervisory Board (effective from 10 April 2007).

On 6 April 2007 Mr Josef Nejezchleba resigned from OKD Supervisory Board (effective from 10 April 2007).

Sole shareholder of OKD, a.s. decided on the change of the Statutes of the company and decrease the number of Supervisory Board members from nine to six and the number of Board of Directors members from four to three on 10 April 2007.

On 15 May 2007 Mr Lajos Varga was removed from the OKD Board of Directors and replaced by Mr Klaus-Dieter Beck (effective from 21 May 2007).

On 21 May 2007 Mr Zdenek Bakala resign as Chairman of the Board of Directors and Mr Klaus-Dieter Beck was elected as Chairman of Board of Directors.

On 31 May 2007 Mr Lubos Rezabek was elected Chairman of the OKD Supervisory Board.

On 1 November 2007, the number of OKD Board of Directors members increased as Mrs Miloslava Trgiňová, Mr Ján Fabián, Mr Marek Jelínek, Dr Milan Jelinek, Mr Karl Friedrich Jakob and Mr Miklos Salamon were appointed as new members. On 1 November 2007 Mr Peter Kadas resigned from the OKD Board of Directors.

e) Draw-down of Green Shoe option

The Group decided in August 2007 to use the Green Shoe option provided by the Term Loan Facility Agreement dated 14 February 2006. The amount of the draw-down was the equivalent of EUR 275 million (CZK 7,624,375 thousand´). NWR paid a dividend in the amounts drawn down as part of the second part of the dividend recapitalization. On 27 November the Group drew down an additional amount equivalent to EUR 25 million (CZK 687,000 thousand).

f) Repayment of syndicated loan and increase of share capital of OKD

On 2 July 2007 the Group executed extraordinary repayment of EUR 112,440 thousand and CZK 1,077,972 thousand (total CZK 4,306,687 thousand) for the Syndicated Loan according to Waiver, Consent and Amendment Request from 22 June 2007. On 15 August 2007 the Company, as the sole shareholder of OKD, increased the share capital of OKD by CZK 4,217,800,000 (to a new total amount of CZK 6,717,800,000). The shares were issued at a premium of CZK 59,000. The liability of CZK 4,217,859,000 will be settled by crediting current receivables of the Company from OKD. The share capital increase became effective on 3 September 2007.

g) Amendments to Articles of association of OKD, a.s.-Special liquidation reserve status changed

In 2007 the Articles of association of OKD, a.s. were amended and by this the special liquidation reserve became unrestricted and therefore was transferred to retained earnings.

h) Capital investment

The Company plans for a major capital investment programme of approximately EUR 300 million at its wholly-owned subsidiary OKD, a.s. The capital investment programme involves the acquisition of 10 new systems of longwall mining equipment and 12 new sets of gateroad development equipment for OKD's mining operations and is expected to be purchased and rolled out in phases over the coming 24 months. A Letter of Intent to purchase the equipment has been signed with suppliers.

i) Termination of the domination agreement between RPG Industries a.s. and OKD

In order to simplify the corporate structure, the dominance agreements between OKD on the one hand and RPG Industries a.s. on the octher hand were terminated on 12 November 2007.

j) Agreement in principle to issue tracking stock over certain real estate assets in NWR

In addition to mining assets, NWR, through OKD and other subsidiaries, is the owner of a significant portfolio of real estate on which its mines have been developed. Under Czech mining laws any real estate necessary for the mining activities of OKD must remain under OKD's ownership for the duration of all mining activities.

In order to provide higher transparency to the mining and real estate assets, NWR decided to separate the real estate of the Group into a new division and to issue a new security – B Class shares – to track the financial performance of the property division as of 31 December 2007. Procedures and safeguards will be built-in to the provisions of the ordinary and B shares in NWR to ensure that each shareholder class is fairly treated. This includes separate accounting for the real estate division and a separate oversight committee of the NWR board of directors composed of independent directors. All of the B shares were issued to RPG Industries SE.

k) Review of the coke selling prices appropriateness

In June 2007 OKD received rulings for two related cases from the Financial Directorate in Ostrava, the relevant regional financial authority of the Czech Republic responsible for enforcement of the Czech Act on

Prices (regulation no. 526/1990 Coll.). The two related rulings imposed fines on OKD a.s. in the aggregate amount of CZK 416 million. These related rulings were based on allegations that OKD a.s. had obtained "unjustified economic benefit" from the sale of its coke by charging prices in excess of the "usual price," defined under Czech law as to reflect, among other things, the consideration of the cost basis and fair profit. Based on OKD's appeal the Financial Directorate has reversed on procedural grounds both rulings.

l) Sale of „KARBONIA PL" Sp. z o.o.

Ownership interest transfer agreement between OKD as a seller of its 100% share in „KARBONIA PL" Sp. z o.o. and NWR as a buyer was signed on 16 January 2008. The sale was executed on 25 January 2008. This transfer of ownership has no impact on financial statements because after the transfer „KARBONIA PL" Sp. z o.o. remains under the control of NWR.

m) OKD Foundation

OKD established its foundation in January 2008. The foundation will support educational, health, cultural projects and other beneficial activities for public. OKD plans to support the Foundation from 2008 by donating 1% of its profit before tax.

n) Increase of share capital in OKD, a.s.

NWR, as the only shareholder of OKD, a.s. has increased the share capital of OKD, a.s. by issuing 371 shares of nominal value CZK 200 thousand each, in total EUR 2,914 thousand. The increase of the share capital is effective from 17 March 2008.

o) Payment of a dividend

NWR approved the pay out of a dividend out of A share premium in the amount of CZK 2,200,000 thousand to RPG Industries SE in March 2008. The dividend was paid out on 27 March 2008. Dividend per share amounts CZK 21.98.

p) Hedge accounting for foreign exchange derivatives

In the period beginning on 1 January 2008 the carve-out entities apply hedge accounting for forward exchange rate contracts. According to the hedge accounting policy realized gains or loses from forward exchange rate contracts are accounted for in revenues. Unrealized gains or losses from foreign exchange forward contracts are fair valued at the balance sheet date and any gain or loss is recognized directly in equity.

q) Planned IPO

NWR announced in April 2008 its intention to commence an Initial Public Offering ("IPO") on the main markets of the London Stock Exchange, the Prague Stock Exchange and the Warsaw Stock Exchange.

APPROVED BY BOARDS OF DIRECTORS OF NEW WORLD RESOURCES B.V.

To: the Board of Directors of New World Resources B.V.

Auditor's report

Report on the carve-out financial statements

We have audited the accompanying carve-out financial statements of the mining operations of RPG Industries SE, which represent eleven commonly controlled entities (OKD, a.s. and its subsidiaries) and that together make up the "Mining operations", which comprise the balance sheets as at 31 December 2006 and 2005, the profit and loss accounts, statements of changes in equity and cash flow statements for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility

The carve-out financial statements have been prepared from the books and records maintained by the carve-out entities and the adjustments maintained by RPG Industries SE, as described in Note 1 to the carve-out financial statements.

Management is responsible for the preparation and fair presentation of the-carve-out financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the carve-out financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the carve-out financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the carve-out financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements give a true and fair view, for the purpose of information to the bondholders, of the financial position of the Mining operations as at 31 December 2006 and 2005, and of its results and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Amstelveen, 29 April 2008

KPMG ACCOUNTANTS N.V.

J. Humme RA