

**New World Resources B.V.**  
**Annual Report for the year ended**  
**31 December 2007**

*New World Resources is hereby furnishing its  
Annual Report for the year ended 31 December 2007  
To the Trustee and Holders of its Senior Notes*

Dated: 29 April 2008

## **EXPLANATORY NOTE**

This annual report is furnished pursuant to the Indenture, dated 18 May 2007, among New World Resources B.V., Deutsche Trustee Company Limited as Trustee, Deutsche Bank AG, London Branch, as Principal Transfer Agent and Principal Paying Agent, Deutsche Bank Luxembourg S.A. as Irish Listing Agent and Registrar, and Deutsche International Corporate Services (Ireland) Limited, as Irish Paying Agent and Irish Transfer Agent.

New World Resources B.V. is not subject to reporting obligations under Section 13 or 15(d) of the U.S. Exchange Act. Consequently, this annual report is not required to be, and will not be, filed with the U.S. Securities and Exchange Commission.

This annual report is not the Dutch statutory annual report of New World Resources B.V. and is not required to be, and will not be, filed with the Dutch Trade Registry.

The information included in this annual report is current through 31 December 2007, except to the extent any material developments have occurred from 31 December 2007 to the date of this annual report, in which case such material developments have been described in this annual report or elsewhere as noted in this annual report.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this annual report are not historical facts and are “forward-looking.” Forward-looking statements appear in various locations, including, without limitation, under the headings “SUMMARY,” “RISK FACTORS,” “OPERATING AND FINANCIAL REVIEW AND PROSPECTS” and “BUSINESS,” and located elsewhere in this annual report regarding the prospects of the Company’s industry and the Company’s prospects, plans, financial position and business strategy, may constitute forward-looking statements. Forward-looking statements are not historical facts and can often be identified by the use of terms like “estimates,” “projects,” “anticipates,” “expects,” “intends,” “believes,” “will,” “may,” “should” or the negative of these terms. All forward-looking statements, including discussions of strategy, plans, objectives, goals and future events or performance, involve risks and uncertainties. While these statements are based on sources believed to be reliable and on the current knowledge and best belief of the Company’s management, they are merely estimates or predictions and cannot be relied upon. The Company cannot assure prospective investors that future results will be achieved. Factors, risks and uncertainties that may cause actual outcomes and results to be materially different from those indicated, expressed, projected or implied in the forward-looking statements used in this annual report include, among others, the following:

- risks relating to changes in political, economic and social conditions in the Czech Republic and the CEE’;
- future prices and demand for the Company’s products and demand for the Company’s customers’ products;
- coal mine reserves;
- remaining life of the Company’s mines;
- coal production;
- trends in the coal industry and domestic and international coal market conditions;
- risks in coal mining operations;
- future expansion plans and capital expenditures;
- the Company’s relationship with, and conditions affecting, the Company’s customers;
- competition;
- railroad and other transportation performance and costs;
- availability of specialist and qualified workers and the Company’s relationship with labour unions;
- the ability of the Company to attract and retain key management personnel;
- weather conditions or catastrophic damage;
- risks relating to relationships with affiliates that provide services to the Company;
- risks relating to Czech law, regulations and taxation, including laws, regulations, decrees and decisions governing the Czech Republic coal mining industry, the environment and currency and exchange controls relating to Czech entities and their official interpretation by governmental and other regulatory bodies and by Czech Republic courts;
- risks relating to other countries where the Company may operate in the future;
- the indebtedness of the Company;
- risks relating to the Company’s offering of its shares in a public offering:
- dividend payments or other distributions by the Company;
- inter-divisional agreements;
- the effects of exchange rate fluctuations on certain investors; and
- other risks and uncertainties described in this annual report.

THIS LIST OF IMPORTANT FACTORS IS NOT EXHAUSTIVE. WHEN RELYING ON FORWARD-LOOKING STATEMENTS, PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE FOREGOING FACTORS AND OTHER UNCERTAINTIES AND EVENTS, ESPECIALLY IN LIGHT OF THE POLITICAL, ECONOMIC, SOCIAL AND LEGAL ENVIRONMENT IN WHICH THE COMPANY

OPERATES. SUCH FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE ON WHICH THEY ARE MADE. ACCORDINGLY, THE ISSUER DOES NOT UNDERTAKE ANY OBLIGATION TO UPDATE OR REVISE ANY OF THEM, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE, EXCEPT TO THE EXTENT REQUIRED BY APPLICABLE LAW. THE ISSUER DOES NOT MAKE ANY REPRESENTATION, WARRANTY OR PREDICTION THAT THE RESULTS ANTICIPATED BY SUCH FORWARD-LOOKING STATEMENTS WILL BE ACHIEVED, AND SUCH FORWARD-LOOKING STATEMENTS REPRESENT, IN EACH CASE, ONLY ONE OF MANY POSSIBLE SCENARIOS AND SHOULD NOT BE VIEWED AS THE MOST LIKELY SCENARIO. THESE CAUTIONARY STATEMENTS QUALIFY ALL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO THE ISSUER OR PERSONS ACTING ON THE ISSUER'S BEHALF.

### **ABOUT THIS ANNUAL REPORT**

References to the "Company" refer to New World Resources B.V. and all of its subsidiaries. The Company's website address is [www.nwrgroup.eu](http://www.nwrgroup.eu). The information contained on the Company's website is not part of this annual report and is not incorporated in this annual report by reference.

### **INDUSTRY AND MARKET DATA**

Certain information relating to market share, ranking and other industry data contained in this annual report are based on independent industry publications, report by market research firms or other published independent sources. The Company has not independently verified market share, ranking or other industry data from such third-party sources. While the Company believes this information is reliable and market definitions are appropriate, this information has not been verified by independent sources. Accordingly, the Company cannot assure you that such market share, ranking and other industry data are accurate or complete in all material respects.

In addition, in certain cases the Company has made statements in this annual report regarding the Company's industry and its position in the industry based on the Company's experience and the Company's own investigation of market conditions. The Company cannot assure you that any of these assumptions are accurate or correctly reflect the Company's position in the industry, and none of the Company's internal surveys or information has been verified by independent sources.

The various geographic regions and categories in which the Company's business is divided for the purpose of calculating market shares and assessing its competitive position are determined by management and may vary from those geographic regions and categories defined by other companies in the Company's industry. As a result, the market share data presented for the Company's geographic regions and categories may not be compatible to the market share data relating to other companies, including the Company's competitors that might define their segments and categories differently.

## PRESENTATION OF FINANCIAL INFORMATION

### *Historical Financial Information*

The historical financial information of the Company provided with this annual report consists of the 2007 Consolidated Financial Statements, which have been prepared in accordance with IFRS and are presented in euros with convenience translation to Czech korunas. Further, the Carve-out Accounts have been prepared in accordance with IFRS and are presented in Czech korunas with convenience translation to euros. Because of the corporate and accounting history of the businesses controlled by the Company and its predecessors, the Company presents carved-out financial statements of several legal entities as they relate to the results of operations and financial position of the Company and its predecessors or of businesses which the Company controls. This annual report is provided with the financial information set forth below. As a result of the recent creation of the Company and because of the effects of the Restructuring on the business of the Company and Former OKD (OKD's predecessor) the financial statement information between certain periods are not directly comparable as disclosed below. See the section of this document entitled "Operating and Financial Review And Prospects"—"Presentation of Financial Information and Comparability" for further details.

- **Financial Statements of the Company.** The audited consolidated financial statements as at and for the year ended 31 December 2007.

The audited financial statements of the Company for the period ended 30 June 2006 and the six-month period ended 31 December 2006 have no comparable financial periods and collectively do not reflect the operations of the Company's business for the full year because the Company had no business operations until 7 September 2006 and prior to 31 December 2006 changed its fiscal year end date to 31 December. The audited financial statements for the period ended 31 December 2006 are consolidated statements of the Company, however, the audited financial statements for the fiscal year ended 30 June 2006 are not consolidated financial statements. Because of the limited business operations of the Company during 2006, the Company has, in lieu of providing its historical financials, provided the carve-out financials for 2006 and for 2005 relating to businesses it controls as described below.

- **Carve-Out Financial Statements of the Mining Operations of RPGI.** Audited carve-out financial statements for the entities comprising the mining operations of RPGI for each of the years ended 31 December 2006 and 2005.

These carve-out financial statements comprise the results of OKD and its current subsidiaries and OKK.

### **Non-IFRS Measures**

This annual report, and the financial statements provided herewith, contain references to certain non-IFRS measures, including EBITDA.

The Company defines EBITDA as net profit after tax from continuing operations, before minority interest, income tax, net financial costs, depreciation and amortisation, impairment and reversals of impairment of PPE, gain/loss on disposal of interest in subsidiaries and gains/loss from sale of PPE. While the amounts included in EBITDA are derived from the Company's consolidated financial statements and carve-out financial statements, it is not a financial measure determined in accordance with IFRS and, accordingly, should not be considered as an alternative to net income or operating income as an indication of the Company's performance or as an alternative to cash flows as a measure of the Company's liquidity. The Company currently uses EBITDA in its business operations to, among other things, evaluate the performance of its operations, develop budgets, and measure its performance against those budgets.

The Company finds it a useful tool to assist in evaluating performance because it excludes interest, taxes and other non-cash charges.

EBITDA as presented in this annual report, and the financial statements provided herewith, may not be comparable to similarly titled measures reported by other companies due to differences in the way these measures are calculated. EBITDA measures used in this annual report, and the financial statements provided herewith, are each separately defined and are not the same as the definition of EBITDA used in the Senior Secured Facilities or the definition of Adjusted EBITDA used in the Indenture governing the Senior Notes. The financial information included in this annual report, and the financial statements provided herewith, is not intended to comply with reporting requirements of the SEC. Compliance with such requirements would require the modification or exclusion of certain financial measures.

### **Currency and Exchange Rate Information**

The Company prepares its consolidated financial statements in euros and prepared its carve-out accounts in Czech korunas. In this annual report, references to “U.S. dollars” or “USD” or “\$” are to the lawful currency of the United States. References to “euro” or “EUR” or “€” are to the single currency adopted by participating member states of the European Union as their lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union. References to “Czech koruna” or “CZK” are to the lawful currency of the Czech Republic. References to “£” or “UK Sterling” are to the lawful currency of the United Kingdom.

The following table sets forth the high, low, period average and period end noon exchange rates for one euro in effect at the end of the period noted. The Czech koruna exchange rates are based on the daily fixing rate as reported by the CNB. As of 18 April 2008 the exchange rate was CZK 25.12 = EUR 1.00.

<b>CZK</b>	<b>High</b>	<b>Low</b>	<b>Period<sup>(1)</sup> average</b>	<b>Period end</b>
	<b>(Per EUR)</b>			
<b>Year ended 31 December</b>				
2002 .....	32.38	28.97	30.75	31.60
2003 .....	32.89	31.18	31.89	32.41
2004 .....	33.33	30.40	31.89	30.47
2005 .....	30.56	28.87	29.80	29.01
2006 .....	29.05	27.42	28.34	27.50
<b>Month ended</b>				
October 2007 .....	27.59	26.87	—	26.97
November 2007 .....	27.03	26.26	—	26.26
December 2007 .....	26.62	26.00	—	26.62
January 2008 .....	26.36	25.86	—	26.07
February 2008 .....	25.87	24.99	—	25.22
March 2008 .....	25.60	24.92	—	25.34
April 2008 (through 18 April) .....	25.19	24.82	—	25.12

(1) Period average represents the average of the noon buying rates on the last business day of each month during the relevant period for yearly information.

The following table sets forth the high, low, period average and period end noon exchange rates for one dollar in effect at the end of the periods noted. The Czech koruna exchange rates are based on the daily fixing rate as reported by the CNB. The euro exchange rates are based on the noon buying rate

as reported by the Federal Reserve Bank of New York. As of 18 April 2008 the exchange rates were CZK 15.92 = \$1.00 and EUR 0.63 = \$1.00.

<b>EUR</b>	<b>High</b>	<b>Low</b>	<b>Period<sup>(1)</sup> average</b>	<b>Period end</b>
(Per USD)				
<b>Year ended 31 December</b>				
2002.....	0.95	1.16	1.05	0.95
2003.....	0.79	0.97	0.88	0.79
2004.....	0.73	0.85	0.80	0.74
2005.....	0.74	0.86	0.81	0.84
2006.....	0.75	0.84	0.79	0.76
<b>Month ended</b>				
October 2007.....	0.71	0.69	—	0.69
November 2007.....	0.69	0.67	—	0.68
December 2007.....	0.70	0.68	—	0.68
January 2008.....	0.69	0.67	—	0.68
February 2008.....	0.69	0.66	—	0.67
March 2008.....	0.66	0.63	—	0.66
April 2008 (through 18 April).....	0.64	0.63	—	0.63

(1) Period average represents the average of the noon buying rates on the last business day of each month during the relevant period for yearly information.

<b>CZK</b>	<b>High</b>	<b>Low</b>	<b>Period<sup>(1)</sup> average</b>	<b>Period end</b>
(Per USD)				
<b>Year ended 31 December</b>				
2002.....	37.16	29.12	32.48	30.14
2003.....	30.35	25.65	27.98	25.65
2004.....	27.66	22.34	25.65	22.37
2005.....	25.40	21.97	24.10	24.59
2006.....	24.56	20.76	22.41	20.88
<b>Month ended</b>				
October 2007.....	19.58	18.65	—	18.67
November 2007.....	18.74	17.79	—	17.79
December 2007.....	18.39	17.66	—	18.05
January 2008.....	18.18	17.37	—	17.53
February 2008.....	17.68	16.63	—	16.63
March 2008.....	16.53	15.88	—	16.02
April 2008 (through 18 April).....	16.08	15.60	—	15.92

(1) Period average represents the average of the noon buying rates on the last business day of each month during the relevant period for yearly information.

## SUMMARY

*This summary highlights certain information contained in this report. It does not contain all of the information that may be important to you and your investment decision. The Company urges you to carefully read the entire annual report, including the financial data provided herein and herewith and related notes and the matters set forth in the section entitled "Risk Factors."*

### Overview

The Company, through its subsidiary OKD, is the Czech Republic's largest hard coal mining company and is a leading producer of hard coal in the Czech Republic and Central Europe, which includes Austria, the Czech Republic, Hungary, Poland and Slovakia (in each case, on the basis of revenues and volume of coal produced) and serves customers in Central Europe and Germany. It is one of the largest industrial groups in the Czech Republic in terms of revenues and employees. The Company was the third largest natural resources company in the Czech Republic, based on revenues in 2006. During the year ended 31 December 2007, the Company employed an average of 18,360 employees and utilised an average of 3,576 workers employed by contractors, making it one of the largest private employers in the country. The Company believes the landlocked position of its operations in the vicinity of key customers and the high quality of its coal (in terms of calorific value and relatively low sulphur content as well as the percentage of coking coal in its coal mix), have enabled the Company to become a leading supplier of hard coal in terms of tonnage in Central Europe, which is comprised of some of the fastest growing economies in Europe on the basis of gross domestic product.

The Company's principal business is hard coal mining and coke production. Through its hard coal mining operations, the Company produces coking coal and steam coal. Coking coal is used as a raw material in steel production, whereas steam coal is sold to electric utilities, industrial users and other producers of electricity. Coking coal generally commands higher prices and generates higher revenues for the Company with higher margins relative to steam coal. In 2007, the Company sold approximately 13.1 million tonnes of coal (of which 1.0 million tonnes was sold to OKK), of which approximately 7.8 million tonnes was coking coal and approximately 5.3 million tonnes was steam coal representing 59% and 41% of total sales respectively. The Company also produced approximately 1.3 million tonnes of coke, converted from its own and purchased coking coal, which is used primarily as a raw material for steel, foundries and isolation material production. More than half of the Company's coal reserves consist of high quality coal (that is, coal having a high calorific (high BTU/short tonne) and low sulphur content) that can be sold as coking coal.

The Company's mining and related businesses operate in the northeastern region of the Czech Republic. The Company has five operating mines and two coking facilities that operate five coking batteries. As at 1 January 2008, the Company had approximately 419 million tonnes of proved and probable reserves (including the probable reserves at the Dębieńsko mine, an OKD mine being considered for development in Poland) and approximately 229 million tonnes of proved and probable reserves (excluding the probable reserves at the Dębieńsko mine).

As part of conducting its coal and coke business, the Company also engages in certain ancillary and support businesses, including energy services, land refurbishment, equipment repair and maintenance.

### Industry Overview

Coal is one of the most abundant fossil fuels worldwide and a major contributor to global energy supply in terms of global consumption. It is a widely distributed natural resource that is mined

commercially in over 50 countries and coal reserves are available in over 70 countries worldwide. According to WCI estimates, world hard coal production in 2006 was approximately 5.37 billion tonnes. According to the WCI, the world currently relies on coal to generate approximately 40% of its electricity supply and for approximately 66% of its steel production.

Coal is used to fuel the generation of electric power and to produce coke for the steel making process. Coal also fuels and heats various industrial facilities including district heating systems, paper mills, chemical plants and other manufacturing and processing plants. The majority of coal produced is consumed regionally due to high transportation costs relative to coal prices. According to the WCI, approximately 18% of total coal consumed is traded internationally, primarily by sea. The two major markets are the Atlantic region and the Pacific region, and there can be significant pricing differences between the two due to the cost of ocean freight and other transportation related costs.

Global coal markets are fragmented by geographical location, with coal prices varying significantly between the different regions of the world. In regions where coal resources are scarce, coal-fired power plants and other coal users depend on the transport infrastructure to obtain coal supplies from other regions. Most Western European countries and several Asian countries (primarily Japan and South Korea) have a high demand for coal in terms of consumption but have limited domestic coal resources, while other countries such as Australia, South Africa and Indonesia have abundant coal resources but relatively limited domestic demand. As a result of a number of factors, including economic growth, in recent years there has been higher global consumption of coal and a substitution of imported coal for domestic coal in Europe. This substitution reduces exposure to the high costs associated with transporting coal over long distances.

### **Competitive Strengths**

The Company believes that its key strengths are:

- A leading market position in the Czech Republic and Central Europe in terms of revenue and amount of coal produced;
- Landlocked position of customers and close proximity of mines to customers and transportation;
- High quality coal (based on the calorific content and low sulphur in the Company's coal), with coking coal accounting for more than half of total coal production in 2007 and large and diversified reserve base to satisfy customers' needs;
- Long standing relationships with customers and their predecessors that have lasted for significant periods, some in excess of 50 years, and which have resulted in a stable customer base;
- Increase in steel demand and positive trends in steel production and industrial growth in Central Europe;
- Integration of coal mining and coke production operations;
- Significant operational improvements resulting from the Restructuring (as described below), cost reduction initiatives and capital expenditure programs;
- Experienced and knowledgeable management and operational team based on their experience working with publicly-traded companies and with mining companies;

- Relationships with regulatory agencies and regional and municipal authorities; and
- Strategic shareholder support through regional and industry expertise.

### **Business Strategy**

The Company seeks to maintain its leading market position in the Czech Republic and Central Europe by:

- Improving efficiency and profitability of mining operations. To achieve the goals of its profit improvement plan, the Company intends to:
  - invest in more efficient equipment and technology;
  - consolidate procurement efforts; and
  - enhance operational efficiency;
- Strengthening reserve base from existing mines.
- Actively pursuing growth opportunities in Poland, the rest of Central Europe and elsewhere. In particular, the Company is currently pursuing mining projects in Poland in the Dębieńsko and Morcinek mining regions;
- Maintaining a strong health and safety record; and
- Implementing and maintaining international best practices in corporate governance.

### **The Restructuring and the Recapitalization**

Following the acquisition of the predecessor of OKD, from 2005 to 2008 the current shareholders of the Company and the Company's predecessor effected a restructuring of the business held by the Company and its predecessor companies to (i) separate the mining business from various unrelated activities in which the Former OKD and its subsidiaries were previously involved; (ii) simplify the holding structure of the Company; (iii) relocate the holding entity for the mining business to the Netherlands so as to better position it for access to international securities markets; (iv) transfer the gas, transport and certain non-core real-estate businesses from the Company to RPGI; (v) transfer Karbonia from OKD to become a direct subsidiary of the Company and create NWR Coking a.s. to be a direct subsidiary of the Company to serve as the holding company of OKK upon its transfer from OKD; and (vi) create the Real Estate Division.

### **Mining and Real Estate Divisions**

Prior to the Offer, the Company established two divisions within the Company which act as separate accounting and reporting units: the Real Estate Division and the Mining Division. The A Shares being offered and sold in the Offer are designed to track the performance, and represent the economic value, of the Mining Division. The "B" ordinary shares of EUR 0.40 each in the share capital of the Company are designed to track the performance, and represent the economic value, of the Real Estate Division. The A Shares do not track the performance, and do not represent the economic value, of the Real Estate Division. The Company is offering only A Shares in the Offer. The B Shares will be held before and upon completion of the Offer solely by RPGI, the controlling shareholder of the A Shares. The creation of the B Shares structure was implemented to produce the same economic effect as if the Assets

of the Real Estate Division had been removed from the Company and transferred to RPGI prior to the Offer. The allocation of rights and responsibilities between the Mining Division and the Real Estate Division is governed by the divisional policy statements adopted by the Board following approval by the Selling Shareholder.

In addition, prior to the Offer, the Company authorised and issued one share of a new class of shares (denominated, C Shares), which is held by the Company's current sole shareholder, RPGI. Shortly following Admission, there shall be a distribution of the entire share premium reserve attributed to the C Share (amounting to EUR 75 million) to the holder of the C Share, and the C Share shall subsequently be cancelled.

### Shareholders

Immediately prior to Admission, RPGI will own 100% of the A Shares, 100% of the B Shares and the only issued C Share. Immediately following the completion of the Offer (assuming no exercise of the Over-Allotment Option), RPGI will own 68.5% of the issued A Shares, 100% of the B Shares and the sole issued C Share. RPGP owns 81% of the issued shares in RPGI. Accordingly, after the Offer and the cancellation of the C Share, RPGP will have an 81% interest in the 68.5% of the issued A Shares and 100% of the B Shares held by RPGI.

### Summary of Reserves and Resources

The reserve numbers included in this annual report have been stated in accordance with the criteria for internationally recognised reserve and resource categories as included in the Australasian Code for Reporting Mineral Resources and Ore Reserves (2004) published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia, or the JORC Code. The coal holdings at each active mine and the Dębieńsko project were estimated and reviewed according to guidelines consistent with JORC standards to identify currently mineable demonstrated reserves. The reserve quantifications were initially prepared and reported on using the classification system and estimation methods for reserves and resources established by the Former Soviet Union, or FSU System, and then considered according to guidelines consistent with JORC standards.

The following table sets out the coal reserves for the Company's mines as at 1 January 2008.

#### Coal Reserves, (according to JORC) (‘000t)

Mine / Project	Proved	Probable	Total
ČSA .....	32,551	36,321	68,872
ČSM .....	37,302	17,912	55,214
Darkov .....	30,801	20,496	51,297
Lazy .....	22,687	3,217	25,904
Paskov .....	13,918	13,889	27,807
Dębieńsko .....	—	189,858	189,858
Frenštát .....	(classified as a resource)		
<b>Total</b> .....	<b>137,259</b>	<b>281,693</b>	<b>418,952</b>

Source: The Company

The reserve estimates provided in this annual report are an indicative equivalent to the JORC Code having been originally classified in accordance with the FSU System.

## RISK FACTORS

*You should carefully consider the following risk factors and the other information in this annual report before making an investment decision. The risks described below are not the only ones facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems immaterial may also materially and adversely affect the Company's business, financial condition, results of operations or liquidity. Any of the following risks could materially adversely affect the Company's business, financial condition or results of operations. In such case, you may lose all or part of your original investment.*

### **RISKS RELATING TO THE COMPANY'S BUSINESS AND THE INDUSTRY**

***The Company's business, results of operations and financial condition may vary with fluctuations in the production costs and the prices for coal.***

As the majority of the Company's revenue is derived from sales of coal to external parties (approximately 61%, based on consolidated accounts for the year ended 31 December 2007), the Company's business, results of operations and margin are substantially dependent on the market prices and the production costs of coal. The domestic and international coal markets exhibit fluctuations in supply and demand and, consequently, prices vary from year to year. These fluctuations in prices and production costs which affect the Company's results of operations and cashflows are subject to numerous factors beyond the Company's control, including, but not limited to:

- Central European and global economic trends and conditions;
- the supply of and demand for coal in Central Europe;
- the demand for electricity in Central Europe;
- Central European demand for and the price of steel and the continued financial viability of the Central European steel industry;
- the price and availability of alternative fuels and nuclear energy, including the effects of technological developments;
- costs of raw materials, labour and services related to operations such as steel, rubber, petroleum, products and electricity;
- the proximity to, capacity of and cost of transportation facilities;
- Central European and EU governmental regulations and taxes;
- currency exchange rate fluctuations and rate of inflation; and
- global or Central European political events and other market forces.

A majority of the Company's coal revenue is derived from sales of coking coal (approximately 70%, based on consolidated accounts for the year ended 31 December 2007), and as such, the Company's results of operations are particularly dependent on demand by such customers. As the demand for coking coal is primarily affected by global demand for coal from the steel industry, the price the Company charges its coking customers for coal is directly linked to the global market conditions of the steel industry. A drop in global steel prices is likely to put downward pressure on the prices the Company

can charge its coking customers. In addition, consolidation in the steel industry may lead to increased purchasing power for steel producers which could reduce the price paid for coking coal.

Historically, the domestic and international markets for coal have at times experienced alternating periods of increased demand, causing insufficient production capacity and higher prices and margins, as well as periods of excess supply, resulting in excess production and lower prices and margins. Central European or international demand for coal may not grow and may decline, in which case the Central European or international coal markets would likely experience excess supply. A significant decline in demand for coal may have a material adverse effect on the Company's business, results of operations and financial condition.

***A majority of the Company's revenues are derived from sales made in the Central European market and any significant downturn in the Central European economy or any decrease in the use of coal by the Company's Central European customers could have a material adverse effect on the Company's business, financial condition or results of operations.***

A majority of the Company's coal sales are made in the Central European market. For the year ended 31 December 2007 and 2006, approximately 71% and 86%, respectively, of the Company's total coal and coke gross sales (based on consolidated accounts) were pursuant to contracts entered into with the Company's Central European customers. As such, the Company's business, financial condition and results of operations are highly dependent on the Central European market. Any significant downturn in the Central European economy, and in particular, with respect to the Central European steel and coking industries, could have a material adverse effect on the Company's business and results of operations. Furthermore, a significant decline in demand for coal or its excess supply by other coal producers may have a material adverse effect on the Company's business, financial condition, and results of operations.

***The Company operates in a competitive industry, and the Company's business, financial condition or results of operations will be adversely affected if the Company is not able to compete effectively.***

Competition in the coal industry is based on many factors, including price, production capacity, coal quality and characteristics, transportation capability and costs and brand name. The Company's coal business competes principally in Central Europe with other Central European coal producers and faces competition from third parties, including state-owned and formerly state-owned coal industries in Central Europe, such as the Polish coal industry. The operations of state-owned coal companies may not be driven solely by profit and, as a result, may sell coal at lower prices than the Company does. The Company may be unable to compete effectively due to the improvements in the quality of coal sold by the Company's competitors, a decrease in the quality of the Company's coal, deterioration of coal reserve mining conditions or government-owned competitors selling coal at lower prices. Increased competition in the future, including from new competitors that may emerge, could have a material adverse effect on the Company's business, results of operations and financial condition.

***The Company's coal mining operations are subject to operating risks that could result in decreased coal production which could reduce its revenues.***

The level of the Company's coal mining production is subject to operating conditions and events beyond its control that could disrupt operations and affect production at particular mines for varying lengths of time. These conditions and events include:

- depletion of the Company's reserves;

- the Company's inability to acquire, maintain or renew necessary permits for mining or surface rights in a timely manner, or at all;
- the unavailability of qualified mining labour in the Czech Republic or other countries, including Poland, Slovakia and Ukraine where the Company seeks employees and contractors;
- changes in governmental regulation of the coal industry, including the imposition of additional taxes, fees or actions to suspend or revoke the Company's permits or changes in the manner of enforcement of existing regulations;
- adverse weather and natural disasters, such as heavy rains and flooding;
- increased or unexpected reclamation costs; and
- interruptions due to transportation delays.

In addition, the Company's underground mining operations are affected by mining conditions such as:

- unfavourable geologic conditions, such as the highly variable thickness of the coal deposits and the amount of rock embedded in or overlying the coal deposits, especially in the Ostrava region;
- the highly variable tectonic character of the coal deposits in the Ostrava region;
- mine safety accidents, including fires and explosions from methane or rock bursts and mine closures resulting from such accidents;
- mining and processing equipment failures and unexpected maintenance problems;
- increased water entering mining areas and increased or accidental mine water discharges; and
- other operational risks associated with industrial or engineering activity, such as mechanical breakdowns and the use of explosive materials.

In addition, although the Company has implemented a number of safety measures, the above risks may be exacerbated due to the depth of the Company's mines (currently ranging from approximately 600 to 1,100 metres deep, and in the future may extend to 1,400 metres deep), which are among the deepest in Central Europe. These conditions and events may increase the Company's cost of mining and delay or halt production at particular mines either permanently or for varying lengths of time. Furthermore, the realisation of some of these risks could result in damage to the Company's coal deposits or coal production facilities, or the transportation facilities it utilises, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining out coal or in the transportation of coal, which could lead to monetary losses and potential legal liability.

***Disruptions in transportation services or increases in the costs of transportation services could adversely impact the Company's ability to deliver coal to its customers, which could cause a decline in the Company's revenues and profitability.***

The cost and dependability of transportation are critical factors in the Company's customers' purchasing decisions. Increases in these transportation costs could make coal a less competitive source of energy or could make some of the Company's operations less competitive than other coal producers.

The Company depends primarily upon railroads to deliver coal to its customers. The Company purchases transportation services from two main railroad companies: ČD Cargo, a.s., an entity owned by the Czech government that operates the national railway system and provides a significant part of the Company's transportation services; and Doprava, which is owned by the Selling Shareholder, and which operates a regional railway system in the northeastern region of the Czech Republic. Further transportation services are purchased from Metalimex. The Company's transportation providers may face difficulties in the future that may impair the Company's ability to supply coal and coke to its customers. In addition, disruption of railroad services due to weather-related problems, mechanical difficulties, strikes, lockouts and other events could temporarily impair the Company's ability to transport coal to its customers and may result in breaches of supply agreements with customers and consequently a loss of such customers. If there are disruptions of the transportation services provided by the Company's primary rail carriers that transport its produced coal and the Company is unable to find alternative transportation providers to ship its coal, its business could be adversely affected. Prolonged disruptions to the Company's transportation services could result in delays to shipments to its customers or an inability to supply coal for its customers, which could result in customers using the Company's competitors for their coal needs, adversely affecting the Company's revenues and profitability.

Doprava was previously a wholly-owned subsidiary of the Company prior to its distribution to the Company's shareholder, RPGI, in June 2007. Doprava is owned and controlled by the Selling Shareholder and Indirect Shareholders. The Company has entered into supply agreements with Doprava to provide for stability in price, service levels and other key terms. These agreements can be terminated by either party upon notice of one to six months. Doprava may terminate its supply agreements with the Company or may significantly increase its prices which could have a material adverse effect on the Company's business, financial condition or results of operations. The Selling Shareholder and the Indirect Shareholders of the Company will, subject to the terms of Doprava's track transport supply agreements, be able to control or significantly influence the outcome of negotiations over transport services and amendments or renewals to such agreements. The interests of the Selling Shareholder and Indirect Shareholders may diverge from that of the Company and with those of other shareholders of the Company with respect to transport services, and it is possible that Doprava could be sold in the future to another person that is not an affiliate of the Indirect Shareholder; any of which could adversely affect the costs and availability of transport services. Any or all of these factors may adversely affect the Company's ability to provide coal to customers at a competitive price, which could negatively affect the Company's business, results of operations and prospects.

Doprava also owns "last mile" rail tracks connecting the Company's mines, and many of its significant customers, to the railway network. The Company has the right to use these "last mile" tracks under agreements with Doprava which can be terminated on 18 months' notice. If these track supply agreements are terminated, not renewed or the Company is no longer able or permitted to make use of the track, the Company may be unable to transport coal to its customers and suitable alternative transportation may not be available. Such disruption may have a material adverse effect on the Company's business, financial condition or results of operations.

***The volume and grade of the coal the Company recovers may be less than the estimates included in this annual report.***

The Company's coal reserves and resources data with respect to the Company's mines and the Dębnie project, on which the Company's production and technology implementation programme are based, are estimates that were provided by the Company and reviewed and substantiated by an independent mining consultant.

In addition, although the Company reports its coal reserves in accordance with the JORC Code, its coal resources were originally estimated and reported using the FSU System. Although the reserve tables included in this document are quoted pursuant to the JORC Code, there is no

guarantee that the Company's reserves would be of the same amount had the reserve amounts been originally reported in accordance with the JORC Code.

The coal reserve and mineral resource estimates inherently include a degree of uncertainty and depend to some extent on geological assumptions, coal prices, cost assumptions, and statistical inferences which may ultimately prove to have been unreliable. Consequently, coal reserve and mineral resource estimates are often regularly revised based on actual production experience or new information and could therefore be expected to change. Furthermore, should the Company encounter mineralisation or formations different from those predicted by past drilling, sampling and similar examinations, coal reserve and mineral resource estimates may have to be adjusted and mining plans may have to be altered in a way that might adversely affect the Company's operations. Moreover, a decline in the price of coal, stabilisation at a price lower than recent levels, increases in production costs, decreases in recovery rates or changes in applicable laws and regulations, including environment, permitting, title or tax regulations, that are adverse to the Company, the volumes of coal that the Company can feasibly extract may be significantly lower than the reserve and resource estimates indicated in this annual report. If it is determined that mining of certain of the Company's coal reserves have become uneconomic, this may ultimately lead to a reduction in the Company's aggregate reserves. Additionally, the reserve estimates in this document include Dębieńsko, even though it is a long-term development project rather than an existing operating mine. If the Company's actual mineral reserves and resources are less than current estimates, the Company's prospects, value, business, results of operations and financial condition may be adversely affected.

***The Company's reserves and resources differ from those disclosed in filings with the U.S. Securities and Exchange Commission in accordance with SEC Industry Guide 7.***

The reserve statements compiled by the Company in accordance with the criteria for internationally recognised reserve categories as included in the JORC Code. The reserve and resource estimates are disclosed in accordance with the EU Prospectus Regulation, applicable Dutch law, guidance from the Committee of European Securities Regulators, and the best practice principles associated with the former Chapter 19 of the Rules of the London Stock Exchange as in existence prior to the implementation of the Prospectus Regulation on 7 July 2005. These reserve and resources estimates are disclosed on a different basis than those disclosed in registration statements and other documents filed with the SEC. The disclosure rules and practices that are the basis for the reserve figures included in this annual report (which are based on the JORC Code) differ in several significant respects from the SEC Industry Guide 7, or Guide 7, which governs disclosures of mineral reserves in registration statements and reports filed with the SEC. In particular, Guide 7 does not recognise classifications other than proved and probable reserves, and the SEC does not permit mining companies to disclose mineral resources in SEC filings. The reserve and resources estimates included in this annual report, include measured, indicated and inferred resources, which are generally not permitted in disclosure filed with the SEC. Under SEC Guide 7, minerals may not be classified as a "reserve" unless the determination has been made that the minerals could be economically and legally produced or extracted at the time the reserve determination is made. All or any part of measured or indicated resources may never be classified as reserves. Further, there is a great amount of uncertainty as to the existence of "inferred resources" and as to whether they can be mined legally or economically. Accordingly, it should not be assumed that all or any part of an "inferred resource" will be upgraded to a higher category.

The reserves of the Company attributed to Dębieńsko include probable reserves of approximately 189.9 million tonnes. Dębieńsko, however, is not an operational mine and the development of this mine into an operational mine would require mining and environmental permits, approvals from and agreements with municipal authorities and significant capital expenditures (which are estimated to be in the region of EUR 0.6 billion to EUR 0.8 billion). In addition, even if these permits are obtained, while actual shaft construction can be achieved in less than four years, once land acquisition, mining rights,

surface site preparation, contract mobilisation and underground workings and development are taken into account, the total development process will take longer.

***Potential outsourcing of the Company's energy related assets could increase the cost of the provision of energy related services and supply of energy and could place these energy assets and services outside the control of the Company.***

The provision of energy related services including steam, heat and compressed air and the procurement and transport of electricity and natural gas are necessary to the functioning of the Company's mining business. The Company currently provides substantially all of these energy related services through Company owned assets and businesses, although the electricity and natural gas themselves are provided by third parties not affiliated with the Company.

The Company is in the process of reviewing its energy assets with a view towards aggregating them in a new business unit and separately managing these energy assets. The Company's energy assets unit would include, inter alia, its power distribution grid, gas pipelines, compressed air and heat assets. Virtually all of these assets are on-site at the Company's locations and owned and managed by the Company's existing coal and coke companies and operating mines. Some of the Company's employees would be allocated to the new unit. In connection with its review and consolidation of its energy assets, the Company is also considering the potential sale and outsourcing of such business unit to a third party. Any such outsourcing would involve the sale of these energy assets, long term supply agreements for these energy services and coal sale agreements. The Company has discussed the prospect of a sale with interested buyers but has not entered into any agreement for such an outsourcing. There are no assurances whether or when any such outsourcing would occur and, if so, the exact terms.

Although the Company would negotiate agreements with an interested buyer to provide energy related services to meet the Company's business objectives, any buyer of those assets may face difficulties in managing these energy assets and would be managing these assets for its own business purposes. Any disruption in energy related services may have a material effect on the Company's business, results of operations and prospects. Because these services are currently provided internally, the outsourcing would lead to an increase in costs. In addition, any coal supply agreement between the Company and the supplier to sell coal could be at a lower price than the market price. The Company would face risks related to conditions of such supply over the long term, its costs, reliability and the flexibility of the third party operator.

***The Company's profitability depends upon its ability to successfully exploit existing reserves and acquire and develop economically attractive coal reserves at competitive costs.***

The Company's profitability depends substantially on its ability to mine coal reserves that can be mined at competitive costs and to meet the quality needed by its customers. Reserves may not be available when required or, if available, may not be capable of being mined at costs comparable to those characteristic of the Company's current costs. Additionally, the Company may not be able to accurately assess the geological characteristics of any reserves that it acquires, which may adversely affect the Company's profitability and financial condition if the Company's assessment proves incorrect. Furthermore, the Company's planned development, acquisition and exploration projects and acquisition activities may not result in significant additional reserves and such reserves may not be profitable.

The Company has a right to develop the Morcinek mine but does not have a permit to commence mining operations. The Company has also obtained the designation of the Dębiesko mining area as an official mining area from the Polish Ministry of Industry and is currently seeking a license to commence mining operations at Dębiesko. The Company has also entered into a Letter of Intent dated 16 October 2007 to develop the Morcinek mining region with Jastrzębska Spółka Węglowa, including to designate

Morcinek as an official mining region in Poland and to obtain a license to commence mining operations at Morcinek. The Company may not be able to obtain the necessary permits to commence mining operations at some or all of these sites, and in particular, the Company may also be unable to economically mine the resources present at the Frenštát mine in the near future or at all, due to opposition from environmental organisations and local municipalities. In addition, the quantity, quality, demand and price of the coal mined at these mining areas may not outweigh the costs related to the acquisition, development and mining of such reserves to make these projects profitable.

***Failure by the Company to implement further cost reduction profit improvement initiatives could have a material adverse effect on its business, results of operations or financial position.***

The Company must continue to implement cost reduction and profit improvement initiatives to achieve its business plan and preserve its long-term prospects. These profit improvement plans depend on realising cost savings, efficiencies and synergies from the introduction of new technologies and operating processes, as well as reductions in the size of the Company's workforce. In addition, the wage levels of the Company's employees are likely to increase as a result of the continued integration of the Czech Republic into the EEA. The Company may be unable to implement one or more of its profit improvement initiatives successfully or it may experience unexpected cost increases that offset savings that it may achieve, which could have a material adverse effect on its business, results of operations or financial position.

Furthermore, entrenched views on the part of management and employees about modern machinery, its potential and the specificity of local conditions as well as employment policy are barriers to implementing cost reduction initiatives. Such views are present within OKD at all levels and necessitate considerable and sustained management action to rectify.

OKD's mines have historically been treated as cost centres rather than profit centres and, accordingly, incentives for coal preparation plants to maximise the yield of higher value coking coal have been low. This represents a loss of potential profitability.

***Delay or failure by the Company in acquiring, developing and completing its development projects could have a material adverse effect on the Company's growth prospects.***

Because the Company's coal reserves deplete as it produces coal, the Company's ability to sustain or increase its current level of production in the long-term depends, in part, upon its ability to acquire and develop additional coal reserves that are economically recoverable and to develop new and expand existing mining operations. The average reserve life of the Company's mines in the Czech Republic is estimated to be approximately 17 years based on current production plans at the Company's current reserves. Furthermore, a significant portion of the Company's current estimated coal resources are located in excess of 1,400 metres below ground, which would render such resources difficult to mine.

The Company's ability to obtain other reserves in the future could be limited by many factors beyond its control, including, but not limited to: the Company's ability to raise sufficient financing; restrictions under the Company's existing or future debt agreements; competition from other coal companies for suitable properties; the lack of suitable acquisition candidates; the inability to acquire coal properties on commercially reasonable terms; or economic conditions in Central Europe. Additional factors affecting the ability of the Company to successfully complete a project include the gathering of geological data, obtaining reserve assessments by external engineers, granting of consents and permits from the relevant government departments, working with environmental groups, working with unions, the availability, terms, conditions and timing of acceptable arrangements for mining, transportation and construction and the performance of engineering and construction contractors, mining contractors, suppliers and consultants. A delay in gathering information necessary for an application for or the denial

of a license or governmental approval may harm the Company. There can be no guarantee as to when the Company's development projects will receive the appropriate government approval and whether the necessary project infrastructure will be completed, whether the resulting operations will achieve the anticipated production volumes or whether the costs in developing these projects will be in line with those anticipated.

In particular, the Company may be unable to economically mine the resources present at the Frenštát mine in the near future or at all, due to opposition from environmental organisations and local municipalities. Moreover, the Company is seeking to develop and mine the Dębieńsko and Morcinek mining areas, each of which requires various approvals and licenses by the Polish government ministries and local municipalities and, in the case of Morcinek, an agreement between Czech and Polish regulators. The Company has only limited experience working with Polish regulatory bodies on a significant mining project. Certain permits necessary for new mining opportunities are obtained upon the approval of various governmental agencies and the absence of a long term relationship with Polish regulatory authorities makes it more difficult for the Company to obtain such necessary permits for new mining opportunities in the Czech Republic, Poland, Ukraine and other countries. Delay or failure in securing the relevant governmental approvals or permits as well as any adverse change in government policies may delay or impede the Company's development and acquisition plans. Even if relevant governmental licenses and permits are obtained, if the Company is unable to complete its development projects within the time frame allowed by the licenses and permits, it may lose its licenses to mine some of the mining areas designated to the Company.

The Company's inability to complete its development projects as planned may have a material adverse effect on the growth prospects of the Company or the results of the operations or financial condition of the Company.

***Proposed joint venture arrangements may not be successful.***

The Company is considering joint venture arrangements and minority investments for new mining projects and acquisitions. The successful operation of any joint ventures and minority investments entered into by the Company will be dependent on maintaining good relationships with the Company's joint venture partners and minority investors, who may have interests different from the Company's interests. If the Company is unable to maintain good relationships or resolve conflicts with the other joint venture parties and minority investors, the Company's results of operations may be harmed. Any current or future acquisitions, joint ventures or and minority investments may involve the Company making significant cash investments, issuing shares or incurring substantial debt. In addition, such acquisitions, joint ventures or and minority investments may require significant managerial attention, which may be diverted from the Company's other operations and could entail a number of additional risks, including problems with effective integration of operations, increased operating costs, exposure to unanticipated liabilities, and difficulties in realising projected efficiencies, synergies and cost savings.

***The Company must make significant capital expenditures in order to increase its production levels and improve overall efficiency. The inability to finance these and other expenditures could have a material adverse effect on the Company's business, financial condition or results of operations.***

The Company's business and development of any new reserves require significant capital expenditures with respect to development, maintenance, production, transport, exploration and coal preparation. The Company's business plan requires substantial capital expenditures for the foreseeable future for the purposes of, among other things, acquisition of machinery and equipment, expanding certain of the Company's producing companies and increasing production efficiency. The Company also has a number of development projects and prospects, as well as plans for its existing operations, which

involve significant capital expenditure. Some of the Company's development projects and prospects may require greater investment than currently planned. In late 2007, the Company adopted a new technology implementation programme of approximately EUR 315 million over three years beginning 2008 to improve productivity and its reserve base at its existing mines in the Czech Republic. Pursuant to this plan, the Company has entered into an agreement to acquire EUR 150 million worth of mining equipment and has submitted a purchase order to acquire a majority of the remaining EUR 165 million worth of equipment in the second quarter of 2008.

The business and mining plans for Frenštát, Dĕbieňsko and Morcinek will also entail significant capital expenditures if, and when, mining operations begin there. It is estimated that the initial investment required for the Dĕbieňsko project alone, prior to full production, will be in the range of EUR 0.6 billion to EUR 0.8 billion.

The Company is planning to implement continuous mining methods to extract coal in two of the sites at the Darkov mine, an OKD mine located in the northeastern region of the Czech Republic, that are currently identified as the Company's probable reserves. While the continuous mining method is a common and well known coal production method, the Company has not used such method in the past and its implementation could require such significant additional capital expenditures that it could render the coal reserves not economically recoverable.

The Company's current coke-production facilities produce coke at a level considerably below their original capacity and will need significant refurbishment or replacement in the near future, which will require significant capital expenditure. The Board has approved the construction of a new coking battery at its existing plant for an estimated cost of EUR 70 million. The Directors intend to maintain the Company's current coke production capacity. In addition, to maintain coke production, the Company will require additional investments to finance the refurbishment of, or technological improvements at one or more of its facilities, or the construction of another coking facility. The Company has not yet determined which of such options to pursue or the timing of pursuing any of these options, but will be evaluating feasibility proposals for these options. Pursuing any of the foregoing options would require significant additional capital expenditures.

The Company's ability to secure debt or equity financing in amounts sufficient to meet its financial needs could be adversely affected by many factors beyond its control, including but not limited to, economic conditions in Central Europe and the health of the Central European banking sector and capital markets. See the section of this document entitled "Risk Factors—Risks Relating to the Company's Financial Condition" for further details. If the Company is unable to raise the necessary financing, it will have to revise its planned capital expenditures. Such possible reduction could adversely affect the Company's ability to expand its business and meet its production targets, and if the reductions are severe enough, they could adversely affect the Company's ability to maintain its production at current levels.

***An increase in the Company's production costs could have a material adverse effect on its profitability.***

An increase in the Company's production costs could have a major impact on its profitability. The Company's main production expenses are contractor costs, materials, personnel costs and energy. Changes in the costs of the Company's mining and processing operations could occur as a result of unforeseen events, including international and local economic and political events, and could result in changes in profitability or reserve estimates. Many of these factors may be beyond the Company's control.

Wage levels, whilst historically low by comparison with Western European standards, are expected to increase at above inflation rates in the future, which would have an adverse effect on the

Company's results of operations and financial condition. The Company expects employee wage rates to increase by approximately 7% in 2008 based upon the most recent annual wage agreement between the Company and its miners under the terms of the applicable collective bargaining agreements.

The Company relies on third party suppliers for a number of its raw materials, including electricity, steel and parts used in the construction and continuing development of its mines and the processing of ore. In particular, the costs of electricity in the Czech Republic has increased significantly in the past few years, and the Company expects that such increase will continue and has budgeted accordingly. Any material increase in the cost of raw materials, or the inability by the Company to source third party suppliers for the supply of its raw materials, could have a material adverse effect on the Company's results of operations or financial condition.

***The Company's long-term framework agreements provide that prices are renegotiated periodically, which may lead to lower revenues when coal prices decline, and may result in economic penalties upon a failure to meet specifications.***

The Company's long-term framework agreements are typically periodic in nature. Long-term framework agreements are important to the stability and profitability of the Company's operations. The execution of a satisfactory coal supply agreement is frequently the basis on which the Company undertakes the development of coal reserves required to be supplied under the contract but because these long-term framework agreements require the purchase price and quantity to be renegotiated at periodic (typically annual) intervals, these agreements generally do not commit the Company's customers to purchase any quantity of coal at any price beyond a one year period. Any renegotiations would likely reflect prevailing market conditions at the time of the renegotiation and could result in decreased price, volume or both. As a result, the Company's long-term framework agreements would provide only limited price protection if coal prices decline. When the Company's current long-term framework agreements expire or are renegotiated, the Company's customers may decide not to extend or enter into new long-term framework agreements or may decide to purchase less coal than in the past or on different terms, including under different pricing terms. If one or more of the long-term framework agreements with the Company's major customers were modified or terminated or if any of the Company's major customers were to significantly reduce their purchases of coal from the Company, or the Company was unable to sell coal to them on terms as favourable to the Company as the terms under the Company's current agreements, the Company's revenues and operating profits could be materially adversely affected to the extent that it is unable to find alternate buyers for its coal on comparable terms as in its existing agreement.

The Company sometimes experiences a reduction in coal prices in new long-term framework agreements that replace some of its expiring contracts. Long-term framework agreements also typically contain force majeure provisions allowing temporary suspension of performance by the Company or the customer for the duration of specified events beyond the control of the affected party.

Additionally, most of the Company's long-term framework agreements contain provisions requiring the Company to deliver coal meeting quality thresholds for certain characteristics such as BTU, sulphur content, ash content, hardness and ash fusion temperature. Failure to meet these specifications could result in economic penalties, including price adjustments, the rejection of deliveries or, in the extreme, termination of the contracts.

Consequently, due to the risks mentioned above, the Company may not achieve the revenue or profit it expects to achieve from its long-term framework agreements.

***A shortage of skilled labour in the mining industry could result in the Company having insufficient employees to operate its business, which could adversely affect the Company's business, results of operations and financial condition.***

Efficient coal mining using modern techniques and equipment requires skilled labourers, preferably with at least one year of experience and proficiency in multiple mining tasks. There is currently a shortage of qualified skilled labour in the Czech mining industry, and the Company has been increasingly dependant upon its contractors to provide skilled labours to offset such shortage. Contractors represented 16% of total employees in 2007, compared with 16% in 2006 and 13% in 2005. In addition, the average age of the Company's mine workers is over 40 years of age, which is relatively old for the mining industry. It is expected that there will be a reduction in available skilled labour in the next few years due to limitations regarding cumulative dust exposure of current mine employees combined with competition for labour from other industries in the Ostrava region. In the event the current shortage of skilled labour continues or worsens or the Company is unable to retain the necessary amount of skilled labourers, there could be an adverse impact on the Company's labour productivity and costs and its ability to maintain or expand production, which could have a material adverse effect on the Company's business, results of operations and financial condition.

In the 1990s the Company began to increasingly rely on contractors who had been trained in other countries, particularly Poland, or on Polish contracting agencies operating in the Czech Republic that provided Polish as well as Czech and Slovak skilled workers. The Polish mining industry is currently government- owned. If the Polish mining industry becomes privatised in part or in full in the future, certain Polish skilled workers may return to Poland to work. In such event, the Company may not be able to compete with Polish mining companies for such skilled workers. As a result, the Company could be forced to rely on training workers on an in-house basis, could have insufficient workers to conduct its business at full capacity or could be forced to increase contractors' wages, each of which could increase the Company's operating costs and have a material adverse impact on the Company's business, results of operations and financial condition.

***The Company depends on a small number of large customers, the loss of any of which, or the Company's inability to collect payment from any customers, could adversely affect the Company's results of operations and financial condition.***

A substantial portion of the Company's sales volume of coal, including to its major customers, is sold under long-term framework agreements. For the year ended 31 December 2007, the Company derived approximately 65% of its third party steam coal revenues from sales to its six largest steam coal customers and 84% of its coking coal revenues from sales to its six largest coking coal customers. In addition, the Company derived approximately 78% of its third party coke revenue from sales to its six largest coke customers during this period. The Company's six largest coking coal customers during this period were U.S. Steel, Arcelor Mittal Steel, Voestalpine Stahl, Moravia Steel, Dalkia and ČEZ a.s., and its largest coke customers were Evonik Trading (formerly RAG Trading), Voestalpine Stahl, Moravia Steel and Arcelor Mittal Steel. At 31 December 2007, the Company had material supply agreements with these customers that expire at various times from 2008 to 2016. If one or more of these customers reduces their volume of purchased coal or does not renew their supply agreements, this could have a material adverse affect on the Company's business, results of operations and financial condition.

Furthermore, the Company's ability to receive payment for coal sold and delivered depends on the continued creditworthiness of its customers. If the Company is unable to collect payments from a number of these customers, the Company's financial condition and results of operations could be materially adversely affected.

***The Company's historical carve-out and consolidated financial statements may not be representative of its historic or future results of operations and may not be comparable across periods, which may make it difficult to evaluate the Company's results of operations and future prospects.***

The financial information provided with this annual report comprise: (i) the Carve-out Accounts; and (ii) the 2007 Consolidated Financial Statements. While the Company believes that the carve-out financial statements provide a meaningful accounting presentation of the businesses currently owned and operated by the Company, they may not be comparable across the periods, which may make it difficult for investors to evaluate the Company's results of operations and future prospects.

The Carve-out Accounts provided with this annual report may not reflect the financial condition, results of operations or cash flows that the Company would have achieved through the combined operations of its businesses as the Company is currently structured or those that may be achieved in the future. While the coke and coal mining have been operated by entities controlled by the Company's current controlling shareholder since November 2004, the Company was formed on 29 December 2005 and commenced actual operations in September 2006 when it acquired the businesses from its parents. Consequently, the audited financial statements of the Company from its date of incorporation to 30 June 2006 and the six-month period ended 31 December 2006 are not indicative of the financial condition, results of operations or business performance of the Company, as it reflects only a limited period of time of actual business operations, and have not therefore been provided by the Company.

Because of the significance of the Restructuring and the recapitalisation transactions of OKD, the financial statements for periods prior to such transactions are not comparable with those after the transactions, and the lack of comparable data may make it difficult to evaluate the Company's results of operations and future prospects.

***The divisional financial information included in and provided with this annual report with respect to the Company's Mining Division and Real Estate Division may not accurately reflect the accounting effects of this separation.***

The Company has prepared limited illustrative financial information to show the separate financial position of the Mining Division and Real Estate Division. The information was based on the Divisional Policy Statements, estimates and assumptions with respect to, among other things, the real estate used or useful in the mining business, assumptions relating to the working life of the Company's mines, and depreciation and amortisation changes. While the Company believes the estimates and assumptions it used in preparing the illustration financial information are reasonable, those estimates and assumptions may change.

***The Company's insurance coverage with respect to its operations may be inadequate and the occurrence of a significant event could adversely affect the Company's business, results of operations and financial condition.***

The Company currently does not maintain insurance coverage with respect to its operations except for certain coverage or statutory reserves against natural disasters and business interruption, among others (See the section of this document entitled "Business—Insurance" for further details). The Company may be subject to liability or other losses for hazards that cannot be insured against or against which it may elect not to be insured because of high premium costs. For example, the Company currently does not have insurance coverage on its underground mining operations because it does not consider that the premium costs are proportionate to the risks that would be insured against. Where present, insurance may not provide adequate cover for the potential losses. In addition, the Company may incur liabilities to third parties (in excess of any insurance cover or statutory reserves) arising from negative

environmental impacts or other damages or injury. The occurrence of a significant event leading to losses that are not fully covered by insurance could have a material adverse effect on the business, results of operations and financial condition of the Company.

***The privatisation of the group comprising the Former OKD Group and government sales could be challenged and could result in the Company's ownership of its business being deemed invalid or could result in additional liability being attributed to the Company, which could materially affect the Company's business, financial condition and results of operations.***

The Company's business was privatised by the Czech government in a series of transactions throughout 1992 and 2004. These transactions involved privatisation through a voucher program and sales of shares to Karbon Invest by the NPF. In addition, between 2002 and 2004, Former OKD transferred mines that have become inactive (together with certain liabilities) to Czech state public enterprises. Such transactions generally are complex and may have been implemented by the government in a way that lacked transparency or is otherwise open to criticism and adverse publicity, which may lead to attempts to unwind or otherwise challenge such transactions through legal action. In the event that the ownership of any of the Company's subsidiaries or Company's assets is challenged through such legal action and the Company is unable to defeat any such action, the Company risks losing or altering ownership in such companies or such assets which could materially adversely affect its business, financial condition and results of operations.

***The Company could be adversely affected if it fails to maintain satisfactory labour relations.***

For the financial year ended 31 December 2007, the Company employed an average total of 18,360 employees and 3,576 contracted workers. At 31 December 2007, approximately 79% of the Company's employees were members of trade unions. Relations with the Company's employees and organised labour are important to its success. The majority of existing collective bargaining agreements with such unions are set to expire on 31 December 2008. The collective bargaining agreements do not stipulate any exact date of initiation of negotiation for renewal of such contracts, but the Company has a general obligation to initiate negotiation within one month following the labour unions' request. If the Company is unable to renew or extend these contracts with the respective trade unions on acceptable terms or if some or all of the affected employees strike, the Company's production levels, operating costs and deliveries to customers would be adversely affected.

Although the Company has historically enjoyed a positive and productive working relationship with the trade unions under the collective bargaining and wages agreements, no assurance can be made that these relationships will remain positive and productive, particularly in light of possible changes to Company policy and procedure that may result from the implementation of the Company's profit improvement plan. The Company's current compensation structure under OKD's collective bargaining agreement with trade unions is renegotiated annually. The next compensation negotiation is expected to commence before the end of 2008 in connection with negotiation of new collective bargaining agreements. If these negotiations result in changes in compensation structure or any other changes in Company policy or procedure, there may be a negative impact on the Company's relationship with the trade unions and the Company's employees, which could negatively affect the Company's business, results of operations and financial condition.

***The Company's ability to operate effectively could be impaired if the Company fails to attract and retain key managers.***

The Company's senior executives together have an average of approximately 18 years of experience in the coal industry, with experience in, among others, maintaining strong customer relationships and making strategic and opportunistic acquisitions. The Company strengthened the senior

management team by appointing, in 2007, Miklos Salamon as Executive Chairman of the Company and Klaus-Dieter Beck as the Chief Executive Officer and Chairman of the board of directors of OKD, and Marek Jelínek as the Chief Financial Officer of the Company. Due to Mr. Salamon and Dr. Beck's experience as coal mining executives and the important role they and Mr. Jelínek have taken in developing the Company's mining, business and financial plans, the Company could be adversely affected if any of Mr. Salamon, Dr. Beck or Mr. Jelínek ceased to actively participate in the management of the Company or left the Company entirely. There may be a limited number of persons with the requisite experience and skills to serve in the Company's senior management positions if existing management leave the Company. The Company may not be able to locate or employ qualified executives on acceptable terms. The Company does not currently maintain "key person" insurance.

The ability to maintain the Company's competitive position and to implement the Company's business strategy is dependent on the Company's senior management and the ability to attract and retain experienced and qualified members of management. If the Company's competitors offer, for instance, better compensation or working conditions, the Company could potentially lose some of its key managers. If the Company cannot attract, train and retain qualified managers, the Company may be unable to successfully manage its growth or otherwise compete effectively in the Central European coal industry, which could adversely affect its business.

***The Company is, and will be following the Offer, controlled by its controlling shareholder, RPGI, and the Indirect Shareholders, and their interests could conflict with the Company's interests, each other's interests and/or the interests of the Company's bondholders.***

Following the Offer, the controlling shareholder of the Company, RPGI, will own approximately 68.5% of the A Shares or 63.8% of the A Shares if the Over-Allotment Option is exercised in full. In addition, RPGI will own 100% of the B Shares. Whilst the Company and RPGI have entered into a Relationship Agreement which governs their relationship following Admission (see the section of this document entitled "Certain Relationships and Related Party Transactions" for further details), certain risks are inherent as a result of such shareholding.

RPGI is owned by the Indirect Shareholders. As a result of RPGI and the Indirect Shareholders' interests in the A Shares and the B Shares, RPGI and the Indirect Shareholders will have the power to control the outcome of matters to be decided by vote at a shareholders' meeting of the respective classes of shares and the general meeting of shareholders which do not require the approval of shares representing a higher percentage of the issued share capital of the Company (or the relevant class thereof) than is held by RPGI at the time of such meeting and, as long as they hold the majority of the A Shares, will control the election of the Board. RPGI and the Indirect Shareholders, through their holdings in the A Shares and the B Shares, will also be able to control or significantly influence the enforcement of the Relationship Agreement and the outcome of any vote on any proposed amendment to the Articles of Association, the Divisional Policy Statements and any proposed substantial sale of assets from the Mining Division and any other major corporate transactions or agreements by and between the Mining Division on the one hand and either the Real Estate Division and/or the Company's affiliates on the other, including Doprava and DPB.

RPGI and the Indirect Shareholders also have the power to influence the outcome of any proposed sale of Assets of the Real Estate Division from the Real Estate Division, acquisitions of assets by the Real Estate Division, mortgaging or encumbering of the Assets of the Real Estate Division and financing of the Real Estate Division from third party funding sources.

To the extent that any conflicts between RPGI and the Indirect Shareholders on the one hand, including in their capacity as holders of the B Shares or as owners of Doprava and DPB who have material contracts with the Company, and the Company's bondholders on the other are resolved in favour

of RPGI or the holders of the B Shares, there could be a material adverse effect on the Company's business, financial condition, results of operations or prospects. These conflicts may be resolved by the Board in a manner adverse to the interests of the holders of the Senior Notes.

The interests of the respective Indirect Shareholders may also conflict as the Indirect Shareholders may have different strategies in the future in pursuing the Company's development or any other conflicts of interests with respect to the Company's business. Any such conflicts or deterioration in the relationship among the Indirect Shareholders may have a material adverse effect on the Company's business, financial condition or results of operations.

The Board and the members of the senior management of the Company may have interests in and/or other duties to companies that may directly or indirectly compete with the Company, or may otherwise have interests that are not aligned with the Company's interests. See the section of this document entitled "Management" for further details.

***The Company depends on its business relationships with its controlling shareholder, Indirect Shareholders and external contractors which are affiliates of the Company.***

The Company believes that the involvement of RPGI and the Indirect Shareholders in the Company's operations has been, and will continue to be, important in the pursuit and implementation of the Company's strategy, due to their knowledge and experience of the mining industry in general and of the regions in which the Company operates. However, there can be no assurance that RPGI or the Indirect Shareholders will remain the Company's shareholders in the future or, even if they do remain shareholders, that they will continue to participate in the Company's business and support the implementation of the Company's strategy. The Company's business and results of operation could be adversely affected if RPGI or any of the Indirect Shareholders ceases to participate in the Company's operations.

The Company's operations are also dependent to a significant extent on the efforts and abilities of outside contractors, experts and other advisers that are affiliated with RPGI and Indirect Shareholders. The Company is party to agreements with certain Indirect Shareholders and certain of their affiliates involving the operation of its business, including consultancy and advisory agreements. Such agreements generally cover advisory services in connection with coal mining, pricing, group structure, and corporate governance. Therefore, the Indirect Shareholders and their affiliates are able to exert influence over the Company through these agreements. See the section of this document entitled "Certain Relationships and Related Party Transactions—Agreements with Indirect Shareholders and Certain of Their Affiliates" for further details. The Company may not be able to maintain these relationships in the future.

In particular, the transport and gas services are provided by Doprava and DPB, respectively, which are controlled by the Selling Shareholder and the Indirect Shareholders. In addition, Rekulivace is part of the Real Estate Division and provides reclamation services to the Mining Division. It is currently proposed that Rekulivace will be distributed in specie to the Selling Shareholder in 2008. The Selling Shareholder and the Indirect Shareholders are able to influence such entities in ways that are adverse to the Company. If one of the affiliates terminates the relationship with the Company, or substantially increases the costs for services, the Company may not be able to find a qualified replacement on a timely basis or at all. If this were to occur, production and operations may be curtailed or subject to interruptions or operating costs could increase thereby reducing the competitiveness of the Company.

***Fluctuation of the Czech koruna and other currencies against the euro could affect the Company's business, financial condition and results of operations.***

The Company's coal products are typically priced in Czech korunas and euros, and the Company's direct costs, including raw materials, labour and transportation costs, are largely incurred in Czech korunas, while other costs, such as interest expense, are incurred in Czech korunas and euros. The mix of the Company's revenues and costs is such that appreciation of the Czech koruna against the euro tends to result in a decrease in the Company's revenues relative to its costs and a decline in its results of operations. In addition, if the Czech koruna depreciates significantly against the euro, the Company could have difficulty repaying or refinancing its foreign currency denominated indebtedness. The Czech koruna appreciated against the euro by 4.8% in 2005, 5.2% in 2006 and 3.2% in 2007 according to data published by the CNB. Accordingly, fluctuations of the Czech koruna against the euro could affect the Company's business, financial condition and results of operations and further appreciation of the Czech koruna against the euro could adversely affect the Company's results.

In addition, the Company's development projects in Poland would be subject to fluctuations of the Polish zloty against the euro and Czech koruna. However, since the projects are not yet in operation, the potential adverse impact of said fluctuations on the Company's results of operations is difficult to estimate.

***Projected coal prices and coal demand projections included in this annual report may differ materially from actual coal prices and demand.***

The proposed coal price and demand projections included in this annual report are based upon a number of assumptions including, among other things, general economic activity, industrial production levels, existing and projected coal supply, the cost of other commodities and substitutes for coal, regional demand and supply considerations and transportation infrastructure and costs.

Some or all of these underlying assumptions may, or may not materially change. In addition, unanticipated events may adversely affect any of the assumptions stated above and may otherwise adversely affect the price and demand projections included in this annual report. Consequently, actual coal prices and demand may vary materially from this projections included in the annual report and annexes hereto.

***The Company's management information systems, accounting systems and internal controls may be subject to error.***

The Company's management information system and financial reporting function may be less developed in certain respects than those of companies in more developed markets and may not provide the Company's management with as much or as accurate information as those in more developed markets. Additionally, while the Company intends to establish an internal audit department, its internal audit function is currently underdeveloped in comparison to companies in more developed markets.

In addition, as of 1 January 2008, the Company's capital structure requires the Company to prepare one annual report containing one set of consolidated financial statements with separate financial information relating to the Mining Division and the Real Estate Division, which the Company has not previously prepared.

The Company does not have integrated information systems and each subsidiary has its own accounting platform and chart of accounts. The Company's subsidiaries prepare separate financial statements under Czech Republic accounting standards for statutory purposes. Part of the IFRS financial statements consolidation process is manual. It involves first, the transformation of the statutory financial

statements of the Company's subsidiaries into IFRS financial statements through accounting adjustments and, second, a consolidation of all entities' financial statements. This process is complicated and time-consuming and involves significant manual intervention which increases the possibility of errors. In addition this requires significant attention from the Company's senior accounting personnel at the Company's corporate headquarters and subsidiaries.

***The Company is required under Czech law to create and maintain cash reserves for reclamation costs and potential liability for damages to properties owned by third parties, and such reserves may be insufficient to cover the actual costs of reclamation and liabilities.***

Under Czech law, the Company is required to provide, as one of the requirements for obtaining a permit for mining each new part of the designated mining area, a reclamation plan which obligates the Company to restore the mining site in accordance with specific standards. The Company is further required to create and maintain a cash reserve to cover the costs of implementing such reclamation plan.

In addition, the Company is also required under Czech law to create and maintain cash reserves to cover for potential liabilities arising from damages associated with the Company's mining activities made to properties owned by third-parties. At 31 December 2007, approximately two-thirds of the land within the Company's active mining area was owned by the Czech government or other third- parties. The Company may therefore be liable for damages caused by its activities on such properties owned by third-parties.

If, as contemplated, in the event that the Company transfers any real estate assets to the holders of the B Shares or some other third party, it will be liable for any loss the transferee may incur on the real estate as a result of the Company's mining activities. Thus, as the potential liability increases, the Company may be required to create higher cash reserves.

These cash reserves may not be sufficient to cover the actual costs of reclamation or compensation paid to a third-party for property damages, either of which could require the Company to make significant payments in the future adversely impacting the Company's business, results of operations and financial condition.

## RISKS RELATING TO THE COMPANY'S FINANCIAL CONDITION

***The Company has substantial indebtedness and may be unable to service or refinance its debt, which could adversely affect the Company's ability to obtain additional financing, use the Company's operating cash flow in other areas of its business, prevent the Company from growing its business or otherwise adversely affect its operations.***

The Company has a substantial amount of indebtedness. As at 31 December 2007, the Company's total consolidated indebtedness (consisting of the aggregate amounts outstanding under the Senior Secured Facilities and the Senior Notes) was approximately CZK 28,909 million (EUR 1,086 million). All of this debt, including related interest expenses, has been allocated to the Mining Division.

The Company's ability to pay principal and interest on or to refinance the outstanding indebtedness under the Senior Secured Facilities and the Senior Notes depends upon the Company's operating performance, which will be affected by, among other things, general economic, financial, competitive, regulatory and other factors, some of which are beyond the Company's control. In particular, economic conditions could cause the price of coal to decline, which would lead to a diminishment of the Company's revenue, and thus, hamper its ability to repay or refinance such indebtedness. Moreover, the Company may not be able to refinance such indebtedness under the Senior Secured Facilities or redeem the Senior Notes (after they become redeemable) on commercially reasonable terms, on terms acceptable to the Company or at all. A failure to refinance such outstanding indebtedness could result in the Company being obligated to make principal and interest payments under such indebtedness that may be higher than payments that the Company would otherwise be obliged to make.

The level of the Company's indebtedness could have important consequences, including:

- increasing the Company's vulnerability to, and reducing its flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of the Company's cash flow from operations to the payment of principal of, and interest on, its indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures or other general corporate purposes;
- limiting the Company's flexibility in planning for, or reacting to, changes in its business, the competitive environment and the industry in which it operates;
- placing the Company at a competitive disadvantage as compared to its competitors that are not as highly leveraged; and
- limiting the Company's ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could have a material adverse effect on the Company's ability to satisfy its debt obligations, which could adversely affect the Company's business and operations.

***The Company may incur more debt in the future.***

The Company may need to incur additional debt in the future to complete acquisitions or capital projects or for working capital. See the section of this document entitled “Business—Projects and Prospects” for further details.

The Company’s technology implementation programme provides for the implementation of new underground mining equipment of approximately EUR 315 million over the 3 years beginning from 2008. The Company expects to use a portion of the proceeds from the Offer and cash from operations to finance its technology implementation programme. The business and mining plans for Frenštát, Děbieňsko and Morcinek will also entail significant capital expenditures, for the Děbieňsko project alone which is expected to be in the region of EUR 0.6 billion to EUR 0.8 billion, if and when mining operations begin there. To the extent the foregoing is insufficient to fully fund the Company’s technology implementation programme, the Company may also need to incur a substantial amount of additional indebtedness.

The Company is pursuing two Polish mining projects associated with the reopening of Polish mining sites. In the event that the Company is awarded mining licenses and commences construction at one or both of these projects (or in relation to any other new mining project), the Company may incur significant capital expenditure as well as substantial additional indebtedness to bring such mining projects to a state that would provide for active production. See the section of this document entitled “Business—Projects and Prospects” for further details.

In addition, the Company operates two coking facilities, consisting of five coking batteries. The remaining useful life of one of the coking batteries is expected to end in 2011. In the event that the Company refurbishes one or more of these facilities or constructs new coking facilities, it would incur substantial capital expenditures and would likely need to use cash from existing operations and incur additional indebtedness to finance such capital expenditures. The Board has approved the construction of a new coking battery at the existing plant for an estimated cost of EUR 70 million, and has agreed in principle to maintain its current production capacity, which may include additional refurbishment or the acquisition of additional coking facilities from a third party. See the section of this document entitled “Business—Coke Production” for further details.

Although the Senior Secured Facilities, (i) the CZK 1.138 billion Loan Products Agreement between OKD and Česká spořitelna dated 4 December 2006; (ii) the CZK 300 million Loan Products Agreement between OKK and Československá obchodní banka, a.s. dated 20 July 2007; (iii) the CZK 150 million Loan Agreement between Česká spořitelna and Czech Karbon, s.r.o. dated 2 September 2005; (iv) the CZK 70 million Loan Agreement between Rekultivace and Česká spořitelna dated 10 November 2005; and (v) the CZK 170 million Loan Products Agreement between OKD, Bastro, a.s. and Citibank a.s. dated 20 March 2006, in each case, as amended, replaced, restructured or refinanced from time to time, the Senior Notes, and other indebtedness may impose some limits on the Company’s ability to incur debt, the Company may incur additional debt if the Company satisfies a fixed charge coverage ratio or other exceptions from the debt incurred and covenants in the Indenture. See the section of this document entitled “Description of Certain Indebtedness” for further details. The Company may also need to refinance its existing indebtedness or negotiate new credit facilities in connection with incurring additional indebtedness. If the Company and its subsidiaries incur new debt in addition to its current debt level, the related risks related to being in a highly leveraged company that the Company now faces, as described elsewhere in this section “Risk Factors” could intensify.

***The Company is subject to restrictive debt covenants that may limit its ability to finance its future operations and capital needs and to pursue business opportunities and activities.***

The terms of the Senior Secured Facilities and the Indenture, among other things, restrict the Company's ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the Company's shares or those of its subsidiaries other than DPB, Dagrave, DLT s.v.o., ŽDD, a.s. and Rekulivace and any other subsidiaries of the Company that may be designated as unrestricted subsidiaries in the future in accordance with the terms of the Indenture;
- make investments;
- prepay or redeem subordinated debt;
- repurchase the Company's securities;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Company or any of its Restricted Subsidiaries;
- sell, lease or transfer certain assets, including stock of Restricted Subsidiaries;
- engage in certain transactions with affiliates;
- consolidate or merge with other entities;
- materially change the nature of the Company's business, enter into unrelated businesses or engage in prohibited activities; and
- impair the security interest for the benefit of the holders of the Senior Notes.

All of these limitations are subject to significant exceptions and qualifications. These covenants could limit the Company's ability to finance its future operations and capital needs and its ability to pursue business opportunities and activities that may be in the Company's interest.

In addition, the Company's Senior Secured Facilities limit the Company's ability to complete acquisitions using total consideration in excess of EUR 250 million during the term of the Senior Facilities Agreement without the consent of a majority of the lenders and contain other restrictions on permitted acquisitions. These limitations may reduce the Company's ability to make future acquisitions. See the section of this document entitled "Description of Certain Indebtedness" for further details.

The Company's Senior Secured Facilities also require it to, among other things, comply with financial ratios including the ratio of consolidated EBITDA (as defined below) to consolidated total net interest payable, and the ratio of consolidated total debt to consolidated EBITDA.

In addition, the Company and certain of its subsidiaries are subject to the affirmative and negative covenants contained in the Company's other indebtedness.

If the Company breaches any of these covenants, or if the Company is unable to comply with the required financial ratios, it may be in default under the Senior Facilities Agreement, the Indenture or other indebtedness. A significant portion of the Company's indebtedness may then become immediately due and payable. If the debt under the Senior Notes or other debt instruments is accelerated, the Company may not have sufficient assets to repay amounts due thereunder. The Company's ability to comply with these provisions of the Indenture and other agreements governing the Company's other debt may be affected by changes in economic or business conditions or other events beyond its control. See above in this section entitled "Risk Factors—Risks Relating to the Company's Business and the Industry."

***The Company's subsidiaries are subject to statutory cross guarantees which could be called upon at any time and monies thereunder may become immediately due and payable***

In connection with the Restructuring, and pursuant to Czech law, OKD and a number of companies controlled by RPGI are subject to a statutory cross guarantee. The statutory cross guarantee was given by each successor entity in relation to the liabilities of the demerged entity (Former OKD) existing at the time of the demerger that were assumed by each successor entity on the date of the demerger. The cross guarantee of each successor entity is limited to the value of the net assets of the guarantor as at the effective date of the demerger. Similar statutory cross guarantees have arisen as a result of the spin-off of the shares in OKK into a new subsidiary, NWR Coking, a.s., a wholly-owned subsidiary of the Company. Each guarantee covers only liabilities existing at the time of the spin-off and is limited to the value of net assets of the guarantor as of the date of the spin-off.

These statutory cross guarantees could be called upon at any time and monies thereunder may become immediately due and payable. OKD and NWR Coking may not have sufficient assets to pay amounts due under these cross guarantees and to the extent the guarantor's assets are insufficient, the Company may need to incur a substantial amount of indebtedness. If the Company incurs new debt in addition to its current debt level, the risks relating to it being a highly leveraged company, as described elsewhere in these "Risk Factors" could intensify.

## **RISKS RELATING TO GOVERNMENT REGULATION**

***Extensive government regulations impose significant costs on the Company's mining operations, and future regulations could increase those costs or limit the Company's ability to produce and sell coal.***

The coal mining industry is subject to increasingly strict regulation by Czech law with respect to matters such as:

- limitations on land use;
- employee health and safety;
- mandated benefits for retired coal miners;
- mine permitting and licensing requirements;
- reclamation and restoration of mining properties;
- air quality standards;
- water pollution;

- protection of human health, plant life and wildlife;
- the discharge of materials into the environment;
- surface subsidence from underground mining; and
- the effects of mining on groundwater quality and availability.

In addition, Czech regulations impose strict standards for particulate matter emissions which may restrict the Company's ability to develop new mines or could require the Company to modify its existing operations and increase its costs of doing business.

Czech safety and health regulation in the coal mining industry is a comprehensive and pervasive system designed for protection of employee safety and health. It is costly and time-consuming to comply with these requirements and new regulations or orders and this may materially adversely affect the Company's mining operations or cost structure, any of which could harm the Company's future results.

The costs, liabilities and requirements associated with these and other regulations may be costly and time-consuming and may delay commencement or continuation of exploration or production operations. Failure to comply with these regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of cleanup and site restoration costs and liens, the issuance of injunctions to limit or cease operations, the suspension or revocation of permits and other enforcement measures that could have the effect of limiting production from the Company's operations. The Company may also incur costs and liabilities resulting from claims for damages to property or injury to persons arising from the Company's operations. The Company must compensate employees for work-related injuries. If the Company does not make adequate provisions for its workers' compensation liabilities and is pursued for such sanctions, costs and liabilities, the Company's business, financial condition and results of operations could be adversely affected.

The possibility exists that new legislation and/or regulations and orders may be adopted that may materially adversely affect the Company's mining operations, the Company's cost structure and/or the ability of the Company's customers to use coal. New legislation or administrative regulations (or new judicial interpretations or administrative enforcement of existing laws and regulations), including proposals related to the protection of the environment that would further regulate and tax the coal industry, may also require the Company or its customers to change operations significantly or incur increased costs. These regulations, if enacted in the future, could have a material adverse effect on the Company's financial condition and results of operations.

***The passage of environmental regulations in response to the Kyoto Protocol or similar governmental initiatives could result in restrictions on coal use and reduce the demand for coal.***

The Czech Republic and more than 160 other nations are signatories to the 1992 Framework Convention on Global Climate Change, commonly known as the Kyoto Protocol, which is intended to limit or capture emissions of greenhouse gases, such as carbon dioxide. In December 1997, the signatories to the convention established a potentially binding set of emissions targets for developed nations. Although the specific emission targets vary from country to country, the Czech Republic would be required to reduce emissions to 92% of 1990 levels over a five-year budget period from 2008 through 2012. Increased efforts to control greenhouse gas emissions could result in reduced demand for coal or could adversely affect the business of the Company's customers and, in turn, have a material adverse effect on the Company's business, prospects and results of operations.

With effect from July 2007, manufacturers and importers of chemical substances must comply with the requirements set forth in the Regulation (EC) No 1907/2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals. Under REACH, each manufacturer or importer of a chemical substance in quantities of more than 1 tonne per year shall submit a registration to the European Chemicals Agency. In the event that any of the registered substances will be evaluated as hazardous, its future manufacturing or import may be subject to approval and restrictions. Such restrictions may result in increased costs and/or reduced demand for coal and therefore have a material adverse effect on the Company's business, prospects and results of operations.

In addition, stricter environmental regulations of emissions from coal-fired electric generating plants, including emissions of carbon dioxide, could increase the costs of using coal, thereby reducing demand for coal as a fuel source, and the volume and price of the Company's coal sales. Stricter regulations could make coal a less attractive fuel alternative in the planning and building of utility power plants in the future.

***The Company may be unable to obtain and renew permits and licenses necessary for its operation or mining of specific coal deposits, which would reduce its production and adversely impact the Company's business, financial condition and results of operations.***

Mining companies must obtain numerous permits issued by various governmental agencies and regulatory bodies that impose strict regulations on various environmental and safety matters in connection with coal mining. The permitting rules are complex and may change over time, making the Company's ability to comply with the applicable requirements more difficult or even impossible, thereby precluding continuing or future mining operations. Private individuals and the public have certain rights to comment upon and otherwise engage in the permitting process, including through court intervention. Accordingly, the permits the Company needs may not be issued, maintained or renewed, or may not be issued or renewed in a timely fashion, or may involve requirements that restrict the Company's ability to conduct its mining operations. An inability to conduct the Company's mining operations pursuant to applicable permits would reduce the Company's production, cash flow, and profitability.

Furthermore, the Company is required to obtain licenses for mining of specific coal deposits including the Polish Projects. While the Company holds a license for mining activities and concessions to mining areas covering all coal deposits, which it lists as reserves and resources, it needs to obtain a specific permit each time it wishes to commence the exploitation of any specific deposit. Although the Company has a good historic record of obtaining such specific permits in the Czech Republic, the Company may not be able to obtain such specific permits in the future. In particular, one of the conditions for obtaining each such specific permit in the Czech Republic is an agreement on handling of conflicts of interest with the owner or owners of properties affected by the proposed mining of the specific coal deposit. Although the Mining Act allows the relevant authorities to waive the requirement of entering into such agreement in certain circumstances, the relevant authorities have not been willing to grant any such waiver in the past. Accordingly, the failure to reach an agreement as to the remedy of mining damage with any owner of properties affected by the proposed mining of specific coal deposits may result in the Company being unable to mine such deposits. The failure to obtain a permit to commence mining any of the specific coal deposits, which comprise Company's reserves or resources, could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is required to obtain permits on an on-going basis for its existing mining operations. In addition, the Company requires permits and licenses with respect to any new mining project at all phases of project development. The failure, or delay, in obtaining the necessary permits and licenses to develop mining projects into commercial operations may adversely affect the Company's business, financial condition and prospects.

***The Company is subject to mining concession fee payments to the Czech government, and increases in such fees in the future could adversely affect the Company's business, results of operations and financial condition.***

Pursuant to the Mining Act, holders of mining licenses are required to pay concession fees to the Czech government. The concession fees comprise of fees calculated based on (i) mined area and (ii) mined coal fee, the levels of which are set by regulations of the Czech government and the Czech Ministry of Industry and Trade, respectively, up to a limit of (i) CZK 100 to CZK 1,000 p.a. per hectare of the mined area in case of the mined area fee and (ii) 10% of the average price of the unprocessed coal in case of the mined coal fee.

Currently, the level of concession fees that the Company is required to pay for coal are (i) the mined coal fee of 0.5% times the EXW (which refers to Ex Works Incoterm, when the seller fulfils its obligation to deliver to the buyer upon having the goods available at the seller's premises) revenues for unprocessed coal and (ii) the mined area fee of CZK 100 p.a. per hectare of the mined area. For the year ended 31 December 2007, the Company's total payment of mined coal fees was approximately CZK 115.3 million and mined area fees was approximately CZK 1.97 million.

Such concession fees may be increased significantly by the Czech government in the future, which would lead to an increase in the Company's mining costs, adversely affecting the Company's business, results of operations and financial condition.

***The Company's operations may substantially impact the environment or cause exposure to hazardous materials, and the Company's properties may have significant environmental contamination, any of which could result in material liabilities to the Company.***

The Company uses, and in the past has used, hazardous materials and generates, and in the past has generated, hazardous waste. In addition, many of the locations that the Company owns or operates were used for coal mining and/or involved hazardous materials usage either before or after the Company was involved with those locations. The Company may be subject to claims, for toxic torts, natural resource damages, and other damages as well as the investigation and clean up of soil, surface water, groundwater, and other media. Such claims may arise, for example, out of current or former activities at sites that the Company owns or operates currently, as well as at sites that the Company or predecessor entities owned or operated in the past, and at contaminated sites that have always been owned or operated by third parties. The Company's liability for such claims may be joint and several, so that it may be held responsible for more than its share of the remediation costs or other damages, or even for the entire share. The Company has from time to time been subject to claims arising out of contamination at its own and other facilities and may incur such liabilities in the future. Such liabilities include those deriving from environmental damage caused by the Company to Assets of the Real Estate Division and the Company will continue to be subject to these liabilities even after the relevant Assets of the Real Estate Division are transferred by the Real Estate Division to a third party. Whilst as a matter of law the Company as a whole will be responsible for the reclamation of such damaged land and the related costs, such responsibility and costs have been allocated under the Articles of Association and the Divisional Policy Statements to the Mining Division and the holders of the A Shares.

Mining operations can also impact flows and water quality in surface water bodies and remedial measures may be required, such as lining of stream beds, to prevent or minimise such impacts. The Company is studying, or addressing, those impacts and it has not finally resolved those matters. The costs of the Company's efforts at the streams it is currently addressing, and at any other streams that may be identified in the future, could be significant.

These and other impacts that the Company's operations may have on the environment, as well as exposures to hazardous substances or wastes associated with the Company's operations and environmental conditions at the Company's properties, could result in costs and liabilities that would materially and adversely affect the Company.

Currently, the Company's liability arising from the contamination of land caused in the pre-privatisation era may be covered by a state indemnity existing under the agreement entered into in 1996 by Former OKD and the NPF. Former OKD was the original party to the Ecological Agreement. Upon the de-merger of Former OKD into OKD, by the operation of law and in accordance with the applicable government order the rights and obligations of Former OKD under the Ecological Agreement were assigned to OKD.

Under this state indemnity the Ministry of Finance has the authority, in its sole discretion, to approve any reclamation project relating to historically damaged land and to decide whether compensation will or will not be paid in respect of such reclamation work carried out by OKD. As a result, if the Ministry of Finance decides not to indemnify OKD, OKD will be subject to the full costs of reclamation for historical damage.

The Company has transferred certain contaminated real estate property from OKD to OKK. Unless the Ministry of Finance for the Czech Republic consents to the assignment of the Ecological Agreement by OKD to OKK, the Company will retain its legal obligations to reclaim and pay for the reclamation of any historical environmental damage. In such a situation, although the Company will retain its right to claim for compensation under the state indemnity, there is a risk that the possibility of recovering the costs from the Czech State will be reduced.

***Political, economic and regulatory changes in Poland could negatively impact the Company.***

Part of the Company's assets and operations are expected to be located in Poland in connection with the Company's Polish Projects. Changes and developments in economic, regulatory, administrative or other policies of Poland, over which the Company has no control, could significantly affect the Company's business, prospects, financial conditions and results of operations.

## **RECENT DEVELOPMENTS**

On 10 April 2008, the Company announced its intention to commence an initial public offering of its A Shares on the main markets of the London Stock Exchange, the Prague Stock Exchange and the Warsaw Stock Exchange. The Offer comprises up to 13,500,000 New Shares, and up to 69,513,344 Existing Shares. The Company intends to raise gross proceeds of EUR 202,500,000 through the Offer, based on an Offer Price at the mid-point of the Price Range of £10.75-13.25.

The Company expects that the initial public offering of its shares will be consummated on or about 9 May 2008. Although the Underwriting Agreement has been signed with respect to the Offering, the pricing agreement has not yet been signed, and there is no obligation for the underwriters to purchase the shares. A pricing agreement is expected to be signed on 5 May 2008, but the consummation of the Offering will be subject to customary closing conditions. There is no assurance as to the price at which the shares will be purchased, or when or whether a pricing agreement will be executed. Should the Offering be effected, the Company will be required to comply with the listing and reporting requirements of each of the three exchanges on which it proposes to list its A Shares, and the reporting and other requirements of a public company in its home country and in each of the jurisdictions in which its shares are listed.

## SELECTED HISTORICAL CARVE-OUT AND CONSOLIDATED FINANCIAL DATA

The following table sets forth, for the periods indicated, the selected historical consolidated and carve-out financial data.

The selected historical financial data as for the year ended 31 December 2007 has been derived from the Company's audited consolidated financial statements (presented in euros) for the year ended 31 December 2007 provided with this annual report. The selected historical carve-out financial data (presented in Czech korunas) for the years ended 31 December 2006 and 2005 have been derived from the audited carve-out financial statements of the mining operations of RPGI, for each of the years ended 31 December 2006 and 2005 and which represent eleven commonly-controlled entities the Carve-out Entities provided with this annual report.

Unless otherwise indicated, the selected historical financial data has been prepared in accordance with IFRS effective as of the applicable year-end date of the relative financial statements.

The selected historical consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, the section "Operating and Financial Review and Prospects" and with the Company's financial statements and carved-out accounts and the related notes thereto provided with this annual report.

(in millions)	Historical			Historical		
	Company	Carve-out Entities		Company	Carve-out Entities	
	2007 <sup>(1)</sup>	2006	2005	2007	2006 <sup>(2)</sup>	2005 <sup>(2)</sup>
	Year ended 31 December			Year ended 31 December		
	CZK	CZK	CZK	EUR	EUR	EUR
<b>Income Statement:</b>						
Revenues .....	37,948	35,002	38,741	1,367	1,235	1,300
Changes in inventories of finished goods and work in progress.....	(278)	(265)	744	(10)	(9)	25
Consumption of material and energy .....	(10,105)	(9,029)	(11,797)	(364)	(319)	(396)
Service expenses .....	(8,495)	(7,587)	(6,054)	(306)	(268)	(203)
Personnel expenses <sup>(3)</sup> .....	(9,383)	(9,648)	(9,546)	(338)	(340)	(320)
Depreciation <sup>(4)</sup> .....	(4,358)	(6,103)	(5,922)	(157)	(215)	(199)
Amortization <sup>(5)</sup> .....	(250)	(270)	(263)	(9)	(10)	(9)
(Impairment)/reversal of impairment of property, plant and equipment .....	611	1,438	(2,907)	22	51	(98)
Reversal of impairment of receivables .....	—	43	197	—	2	7
Net gain from material sold .....	167	135	113	6	5	4

Gain from sale of property, plant and equipment.....	28	11	116	1	—	4
Other operating income.....	110	238	92	4	8	3
Other operating expenses.....	(222)	(895)	(490)	(8)	(32)	(17)
Subtotal (operating income).....	5,773	3,070	3,024	208	108	101
Financial income.....	3,970	1,878	1,272	143	66	43
Financial expenses....	(3,081)	(1,252)	(884)	(111)	(44)	(30)
Profit from continuing operations before tax.....	6,662	3,696	3,412	240	130	114
Income tax expense ..	(1,360)	(844)	(848)	(49)	(30)	(28)
Profit after tax from continuing operations.....	5,302	2,852	2,564	191	100	86

**Balance Sheet  
Data\* (at period end):**

Cash and cash equivalents <sup>(6)</sup> .....	12,618	27,354	11,574	474	995	399
Total assets.....	54,118	69,137	56,007	2,033	2,514	1,931
Total debt <sup>(7)</sup> .....	28,909	19,756	114	1,086	718	4
Equity.....	10,036	34,598	40,398	377	1,258	1,393

**Other Financial**

<b>Data:</b>						
EBITDA <sup>(8)</sup> .....	9,742	7,994	12,000	351	283	403
Capital expenditures..	2,165	2,324	2,537	78	82	85
Net debt <sup>(9)</sup> .....	16,291	(7,598)	(11,460)	612	(276)	(395)
Net working capital <sup>(10)</sup> .....	53	882	1,148	2	32	40
Ratios:.....	—	—	—	—	—	—
Total debt/EBITDA....	2.97	2.47	0.01	3.09	2.54	0.01
Net debt/EBITDA.....	1.67	(0.95)	(0.96)	1.74	(0.98)	(0.98)

\* For more detailed balance sheet data please see the section of this document entitled “Operating and Financial Review and Prospects”.

**Calculation of EBITDA:**

(in millions)	Historical			Historical		
	Company	Carve-out Entities		Company	Carve-out Entities	
	2007 <sup>(1)</sup>	2006	2005	2007	2006 <sup>(2)</sup>	2005 <sup>(2)</sup>
	Years ended 31 December			Years ended 31 December		
	CZK	CZK	CZK	EUR	EUR	EUR

Profit after tax from continuing operations.....	5,302	2,852	2,564	191	100	86
Income tax.....	1,360	844	848	49	30	28
Financial expenses, net <sup>(11)</sup> .....	(889)	(626)	(388)	(32)	(22)	(13)
Depreciation and amortization.....	4,608	6,373	6,185	166	225	208
Impairment/reversal of impairment of PPE.....	(611)	(1,438)	2,907	(22)	(51)	98
(Gain)/loss from sale of PPE.....	(28)	(11)	(116)	(1)	—	(4)
<b>EBITDA<sup>(8)</sup>.....</b>	<b>9,742</b>	<b>7,994</b>	<b>12,000</b>	<b>351</b>	<b>283</b>	<b>403</b>

The additional information in the table below headed “Additional financial data” is derived from the Company’s financial and operating records, but the information is not determined in accordance with IFRS.

**Additional financial data:**

	<b>Year ended 31 December</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>External coal and coke operating data:</b>			
<b>Tonnes sold (in thousands)</b>			
Coking coal <sup>(12)</sup> .....	6,781	6,590	5,665
Steam coal.....	5,283	5,707	5,771
Coke.....	1,262	1,310	1,145
<b>Average sales prices per tonne (CZK)</b>			
Coking coal <sup>(12)</sup> .....	2,388	2,190	2,617
Steam coal.....	1,333	1,284	1,326
Coke.....	4,941	4,077	5,395
<b>Average sales prices per tonne (EUR)<sup>(13)</sup></b>			
Coking coal <sup>(12)</sup> .....	86	77	88
Steam coal.....	48	45	45
Coke.....	178	144	181

(1) The financial data for the year ended 31 December 2007 have been derived from the consolidated financial statements of the Company for the year ended 31 December 2007, which are presented in euro. A convenience translation from euros to Czech korunas has been provided for purposes of comparability, where Income Statement data and Other Financial data have been translated with the period average exchange rate and the Balance Sheet Data with the period end exchange rate for the relevant period. The period average exchange rates for the year ended 31 December 2007 from euros to Czech korunas was EUR 1.00 = CZK 27.76. The period end exchange rates for the year ended 31 December 2007 from euros to Czech korunas was EUR 1.00 = CZK 26.62. As indicated, the amounts presented in Czech korunas have been translated from euros for information purposes and for the convenience of the reader. We do not represent that the translated amounts actually represent such Czech koruna amounts or could be converted into Czech korunas at the rates indicated or any other rate.

- (2) The financial data for the years ended 31 December 2006 and 2005 have been derived from the carve-out financial statements of the mining operations of RPI for the years ended 31 December 2006 and 2005, which are presented in Czech korunas. A convenience translation of Czech korunas to euros has been provided for purposes of comparability, where Income Statement data and Other Financial data have been translated with the period average exchange rate and the Balance Sheet Data with the period end exchange rate for the relevant periods. The period average exchange rates for the years ended 31 December 2005 and 2006 from Czech korunas to euros were EUR 1.00 = CZK 29.80 and EUR 1.00 = CZK 28.34 respectively. The period end exchange rates for the years ended 31 December 2005 and 2006 from Czech korunas to euros were EUR 1.00 = CZK 29.01 and EUR 1.00 = CZK 27.50. As indicated, the amounts presented in euros have been translated from Czech korunas for information purposes and for the convenience of the reader. We do not represent that the translated amounts actually represent such euro amounts or could be converted into euros at the rates indicated or any other rate.
- (3) Personnel expenses include employee benefits.
- (4) Depreciation excludes impairment and reversals of impairment of PPE, which is presented as a separate line item.
- (5) Amortization includes goodwill amortization.
- (6) Cash and cash equivalents excludes restricted cash, which represented, as of 31 December 2007, EUR 24 million deposited in an escrow account in connection with the Company's obligations under Czech law to maintain cash reserves for reclamation costs and potential liability for damages to properties owned by third parties.
- (7) Total debt includes issued bonds, long-term interest-bearing loans and borrowings, including current portion, plus short-term interest-bearing loans and borrowings. Total debt is based on gross amount of debt less related expenses. Interest-bearing loans, bond issues, and borrowings are measured at amortized cost.
- (8) EBITDA is defined as net profit after tax from continuing operations before minority interest adjusted for, income tax, net financial expenses, depreciation and amortization, impairment and reversals of impairment of PPE and gain/loss on disposal of interest in its subsidiaries and gain/loss from sale of PPE. While the amounts included in EBITDA have been derived from the historical financial statements, it is not a financial measure calculated in accordance with IFRS and, accordingly, should not be considered as an alternative to net income or operating income as an indicator of performance, or as an alternative to operating cash flows as a measure of the Company's liquidity. The Company currently uses EBITDA in its business operations to, among other things, evaluate the performance of its operations, develop budgets and measure its performance against those budgets. The Company finds it a useful tool to assist in evaluating performance because it excludes interest, taxes and other principal non-cash charges. In addition, the Company believes that EBITDA is a measure commonly used by investors. EBITDA, as presented in this annual report, may not be comparable to similarly titled measures reported by other companies due to differences in the way these measures are calculated. EBITDA used in this annual report is not the same as the definition of EBITDA used in the Senior Secured Facilities or the definition of cash flow used in the Indenture governing the Senior Notes.
- (9) Net debt represents total debt, as defined above, less cash and cash equivalents. It is not an IFRS measure.

- (10) Net working capital is calculated as inventories plus trade and other receivables minus accounts payable and accruals.
- (11) Financial expenses, net include financial revenue and financial expense.
- (12) Excludes coal sold to OKK, because OKK is a consolidated entity of the Company.
- (13) Calculated using the average foreign exchange rate for the relevant period as published by the CNB.

## OPERATING AND FINANCIAL REVIEW AND PROSPECTS

*The following discussion of financial condition and results of operations is based on the audited consolidated financial statements (presented in EUR) of the Company for the year ended 31 December 2007 prepared in accordance with IFRS and on the audited carve-out financial statements (presented in CZK) of mining operation of RPI, the Company's shareholder, for the years ended 31 December 2006 and 2005, which are prepared in accordance with IFRS, all of which are presented with this annual report. The Carve-out Accounts reflect, for the periods stated above, the results of operations and cash flows of the Company's Core Business (including the Real Estate Division, but excluding the transport and gas businesses, defined as unrestricted under the Indenture). Because OKD and other entities of the Company, including OKK, were not contributed to the Company until 7 September 2006, the Company's historical financial statements for this period are not a meaningful basis for the purposes of comparing the Company's results of operations of such period against the same period in 2005 and 2007. The income statement included in the 2007 Consolidated Financial Statements also includes the results of the Company's former transport and gas businesses, which are presented as discontinued operations. The Company believes, subject to the limitations disclosed herein, that the 2006 and 2005 Carve-out Accounts provide a reasonable basis for comparison of the historical results of businesses currently operated by the Company with the results from continuing operations presented in the 2007 Consolidated Financial Statements. This discussion should be read in conjunction with the information set forth in the Carve-out Accounts and the audited consolidated financial statements of the Company for the year ended 31 December 2007 presented with this annual report. See the section of this document entitled "Selected Historical Financial Data".*

*Some of the information contained in this discussion, including information with respect to the Company's plans, its business strategies and its expected sources of financing, contains forward looking statements that involve risk and uncertainties. The Company's future results could differ materially from those discussed below. You should read "Forward Looking Statements" for a discussion of the risks related to those statements. You should also read the section of this document entitled "Risk Factors" for a discussion of certain factors that may affect the Company's business, financial condition and results of operations.*

### **General Overview**

#### *Background*

The Company, through OKD, is the Czech Republic's largest hard coal mining company and is a leading producer of hard coal in the Czech Republic and in Central Europe, serving customers in the Czech Republic, Slovakia, Austria, Poland, Hungary and Germany. It is one of the largest industrial groups in the Czech Republic in terms of revenues and employees. For the year ended 31 December 2007, the Company employed an average of 18,360 employees and utilized an average of 3,576 workers employed by contractors, making it one of the largest private employers in the country. In terms of revenues in 2006, the Company was the third largest natural resources company in the Czech Republic. The Company's principal business is hard coal mining and coke production.

The Company's revenues for the year ended 31 December 2007 accounted for approximately EUR 1.37 billion.

The Company operates five mines and two coking facilities in the Czech Republic and serves several large steel and energy producers in CEE.

The Company's largest business in terms of revenue is the production of coking coal, which accounted for EUR 579,800 thousand of external net sales in 2007 on an EXW basis. Coking coal is sold

to steel producers and to independent coke producers. The Company also produces coke, primarily from its own coking coal, for sale to steel producers and foundries. Net coke sales totalled EUR 224,629 thousand in 2007.

The Company also produces steam coal, which accounted for EUR 253,495 thousand of net sales in 2007 on an EXW basis. While steam coal generally results in lower profit margins, it provides a more stable demand from year to year than coking coal.

The Company also generates revenue from the sale of coke by-products, electricity trading and the sales of coalbed methane to DPB and as part of invoicing its customers, the Company passes on the majority of the cost for coal transportation. These sources of additional revenues represented EUR 309,174 thousand in 2007.

Prior to the distribution of the Company's transport and gas businesses to RPGI in June 2007, the Company also provided transportation and logistics services, and extracted and sold methane gas, a by-product of its coal mining operations.

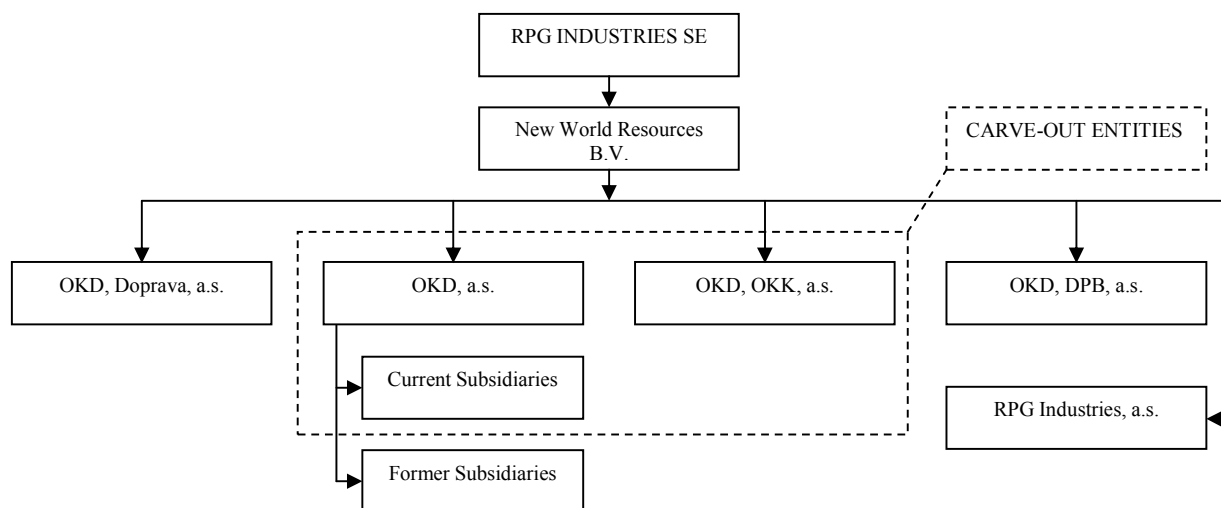
Until 1 June 2006 the Company also traded coal purchased from third parties via the coal trading division of Metalimex a.s. Metalimex is a former subsidiary of OKD that originally specialised in the trading of metal and coal. The coal trading division of Metalimex traded coal purchased from OKD as well as coal purchased from third parties. The coal trading division is included in the Carve-out Accounts as of 1 January 2005. The coal trading division was merged with OKD on 1 June 2006. Since then, the division has not traded coal purchased from third parties. While this transaction affected the Company's revenues and costs, its effect on the Company's net income was insignificant. The metal trading division is not included in the Carve-out Accounts and is not part of the Company.

### **Basis of Presentation of Financial Information**

The Company was formed on 29 December 2005, and its principal subsidiaries, OKD and OKK were contributed to it on 7 September 2006 by its shareholder, RPGI. The business and assets of OKD and OKK represent substantially all of the mining and coking business of RPGI for the years ended 2006 and 2005, and the mining and coking businesses operated by the Company for the year ended 31 December 2007. New World Resources B.V. will be converted into New World Resources N.V. (a public company with limited liability) prior to Admission. The financial information provided with this annual report comprises: (i) the 2007 Consolidated Financial Statements; and (ii) the Carve-out Accounts.

The Carve-out Accounts reflect, for the periods stated above, the results of operations and cash flows of the Company's Core Business (including the Assets of the Real Estate Division, but excluding the transport and gas businesses). Because OKD and other entities of the Company were not contributed to the Company until 7 September 2006, the Company's historical financial statements for this period are not a meaningful basis for the purposes of comparing the Company's results of operations of such period against the same period in 2005 and 2007. The Carve-out Accounts have been derived or "carved out" from RPGI's consolidated financial statements for the periods presented using historical results of operations and assets and liabilities of the Company's Core Business. The Company's management prepared the Carve-out Accounts in compliance with IFRS and believes the methodology underlying the preparation of the Carve-out Accounts gives a true and fair view of the Company's Core Business for the presented periods. The Carve-out Accounts are audited and represent the financial results and operations of the Company for the relevant periods. However, the Carve-out Accounts may not reflect the Company's results of operations, financial position and cash flow that the Company would have had, had the transport and gas businesses and other disposed businesses already been removed from the Company during the relevant periods.

The following is a schematic diagram illustrating Carve-out Entities:



- (1) OKD, OKK, a.s. is the official name of OKK. Whilst the Company often refers to it as OKK, the Company has kept OKD adjacent to OKK in the official name and as part of its branding in the Czech Republic.

The Carve-out Accounts reflect the results of operations and cash flows of the Company's Core Business. The income statement included in the 2007 Consolidated Financial Statements presents the financial performance of the transport and gas businesses separately as discontinued operations and therefore makes a distinction between Core Business results and the transport and gas businesses. Therefore to describe the development of the Core Business in this discussion, the Company only refers to the results from continuing operations for 2007.

The Company is split into two divisions: the Mining Division and the Real Estate Division. The Company has issued A Shares and B Shares prior to the date of this annual report. The A Shares and B Shares are tracking stocks which are designed to reflect the financial performance and economic value of the two divisions. The A Shares being offered hereby track the financial performance and economic value of the Mining Division but do not track the financial performance or economic value of the Real Estate Division, which are represented by the B Shares and are held by RPGI. The ownership of the A Shares and the B Shares represents an ownership interest in the Company as a whole, but does not represent a direct legal interest in the assets and liabilities of the assets of the Mining Division or the Real Estate Division, respectively. The historical financial statements of the Company, as described above, and the Carve-out Accounts reflect the results of operations and the financial position and performance of the assets and businesses currently owned and operated by the Mining Division and the Real Estate Division.

Because the A Shares and B Shares are tracking stocks of the same legal entity, the Company, separate financial statements are not provided. The Company has provided segmental information in the 2007 Consolidated Financial Statements for the Mining Division and the Real Estate Division. With effect from the Commencement Time, the Company has tracked the financial performance of the two divisions and presents corresponding financial information in the segmental information in its consolidated financial statements.

The financial information in this discussion is presented in EUR, which is the presentation currency of the Company. The 2007 Consolidated Financial Statements were prepared and audited in EUR. However the Carve-out Accounts were prepared and audited in CZK. For the purpose of the presentation in this discussion, the income statement data has been converted, if not directly available in EUR, into EUR using the average exchange rate for the corresponding years. Any balance sheet data presented in this discussion has been converted, if not directly available in EUR, into EUR using the rates valid on the last day of the accounting period published by the CNB. The following table presents the FX rates used:

<b>(CZK/EUR)</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Average exchange rate.....	27.762	28.343	29.784
Balance sheet exchange rate (31 Dec of year).....	26.620	27.495	29.005

This discussion does not eliminate the effects resulting from the conversion of amounts in the Carve-out Accounts from CZK into EUR on the comparability of financial information of the Company in different years. This can lead to an over or understatement of change in revenue and expenses from year to year when compared to the change in revenues in CZK. The financial statements and described trends could present differently if the financial information was in CZK.

### **Effects of Acquisitions, Restructuring and Disposals**

#### Fair Value Accounting and Purchase Price Allocation

The long term assets of the Company are valued based on the allocation of the purchase price paid in October 2004 by current shareholders for the acquisition of Former OKD. The purchase price was allocated in October 2004 based on an independent expert's valuation. This purchase price allocation resulted in a significant increase in the carrying value of these assets in the consolidated balance sheet of the Company.

#### Restructuring and Disposals

Following the acquisition of the Former OKD, from 2005 to 2008 the current shareholders of the Company and the Company's predecessor effected the Restructuring of the business held by the Company and its predecessor companies to (i) separate the mining business from various unrelated activities in which the Former OKD and its subsidiaries were previously involved; (ii) simplify the holding structure of the Company; (iii) relocate the holding entity for the mining business to the Netherlands so as to better position it for access to international securities markets; (iv) transfer the gas, transport and certain non-core real-estate businesses from the Company to RPGI; (v) transfer Karbonia from OKD to become a direct subsidiary of the Company and create NWR Coking a.s. to be a direct subsidiary of the Company to serve as the holding company of OKK upon its transfer from OKD; and (vi) create the Real Estate Division.

The Restructuring had a significant effect on the comparability of historical financial statements of the Company and its predecessors. As a result, the Company has prepared the Carve-out Accounts to provide comparable historical data. The Restructuring involved the disposition of several non core businesses from June 2004 to 31 December 2007 as described further in the table below. The table lists all dispositions effected from June 2004 to 31 December 2007 other than the disposition of certain real estate assets. The subsidiaries set out in the table below are collectively referred to as the "Disposed Subsidiaries."

<b>Company</b>	<b>Scope of business</b>	<b>Ownership interest</b>	<b>Month of disposition</b>
----------------	--------------------------	---------------------------	-----------------------------

<b>2004</b> .....	Sokolovská uhelná, a.s	Coal mining	36.32%	June
	Dom Polski, a.s.	Hotel owner and operator in Ostrava	5.5%	July
<b>2005</b> .....	Bohemiacoal s.r.o.	Coal contractor	34%	August
	KARBONIA KLADNO, a.s.	Coal contractor	45%	March
	Havířovská teplárenská společnost, a.s.	Heat utility in Havířov city	15%	July
	Projekce a výstavba dolů, a.s.	Underground and surface construction	35.3%	September
	ČM kapitálová, a.s.	Factoring	100%	October
	OKD, Tatranský Permon, akciová společnost	Hotel owner and operator in Slovakia	100%	October
	Hornický penzijní fond Ostrava, a.s.	Pension fund	97%	December
<b>2006</b> .....	AL INVEST Břidličná, a.s.	Aluminum processing, aluminum foil and sheet production	100%	December
	Metalimex a.s.	Metals and coal sales	100%	January
	Služby dolů, a.s.	Real estate	100%	February
	KOVONA KARVINÁ, a.s.	Manufacturing	97.1%	March
	SL-KD, s.r.o. „v likvidaci“	Prospecting in Slovakia (inactive)	100%	May
	EOSA 2002, S.A.	Construction company in Spain	50%	August
	VOKD, a.s.	Underground and surface construction company	100%	October
	Agrobanka Praha, a.s. v likvidaci	Bank	0.37%	October
	SLOVENERGO, spol. s r.o.	Coal and electricity trading company in Slovakia	90%	December
	<b>2007</b> .....	OKD, Báňské stavby Ostrava, a.s. “v likvidaci”**	Construction company	100%
Československá obchodní banka, a.s.		Bank	0.25%	June
Doprava*		Transportation company	100%	June
DPB*		Coalbed methane extraction and distribution	100%	June
Green Gas International B.V.*		Methane gas management and utilisation	70%	June
	RPGICZ	Special purpose vehicle	100%	November

\* Distributed by the Company to its shareholder, RPGI, through a dividend in kind on 28 June 2007.

\*\* On 23 February 2007, a court decision about the termination of the liquidation process became effective and the Company delisted from the commercial register.

The disposal of the Company's 0.25% equity interest in Československá obchodní banka, a.s. resulted in a gain of EUR 17 million (CZK 459 million) in 2007 as reflected in the 2007 Consolidated Financial Statements. Other gains and losses are, as explained below, not included in the Financial Statements included herein.

With effect from 1 January 2006, Former OKD was demerged into several successor entities. As a result of this demerger and several additional restructuring transactions effected during 2006, (i) the mining and coking business of Former OKD was contributed to OKD, (ii) the transport business of Former OKD became owned by Doprava, part of the Company at the time, (iii) the gas business of Former OKD became owned by DPB, part of the Company at the time, and (iv) the majority of Former OKD's real estate not related to the mining and coking business at that time was contributed to three subsidiaries of RPI held outside the Company.

In addition, on 1 January 2006, Former OKD disposed of several subsidiaries whose principal assets consisted of non core real estate by way of a demerger. This disposition had a significant impact on the comparability of assets reflected in the Company's consolidated accounts as of 31 December 2005 and 2006. The Carve-out Accounts exclude the demerged real estate and exclude any corresponding effect from the demerged real estate on the income statement.

As part of the Restructuring, the Company transferred its transport and gas businesses operated by Doprava and DPB from the Company to its sole shareholder, RPI, in June 2007. Doprava and DPB were classified as "Unrestricted Subsidiaries" under the Indenture. The income statement included in the 2007 Consolidated Financial Statements presents the financial performance of the transport and gas businesses separately as discontinued operations. The impact of the Company's Unrestricted Subsidiaries on the financial performance of the Company presented in this review represents the impact of Rekultivace, which is the only remaining Unrestricted Subsidiary of the Company. The Unrestricted Subsidiaries did not affect the financial performance of the Company significantly. Their contribution to the EBITDA of the Company during the year ended 31 December 2007 was approximately 0.7%<sup>1</sup>

As a result of the foregoing, the income statements of the Carve-out Accounts do not reflect the operations of or gains or losses from, the disposal of the Disposed Subsidiaries.

#### *Recapitalisation*

Following the completion of the acquisition of Former OKD, the current shareholder and its predecessors commenced a project to optimize its capital structure.

The Recapitalisation was effected by way of an initial drawdown of EUR 720 million from the Senior Secured Facilities by OKD in late 2006 and a distribution by the Company of EUR 801 million to RPI in January 2007 which was also partially financed by cash on hand.

The second portion of the Recapitalisation consisted of a EUR 276 million distribution that the Company made to RPI on 18 October 2007. This distribution was funded by a drawdown of EUR 275 million under the Additional Loan Option under the Senior Secured Facilities.

### **Segment Reporting**

#### *Operating Segments*

The Company's principal business is coal mining and coking operations. The Carve-out Accounts consist of the coal mining, coke production and coal and coke sales and marketing and several ancillary activities. The Company presents segmental information on the coal mining and coke operations and

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<sup>1</sup> Separate unaudited financial statements demonstrating the effect of the Unrestricted Subsidiaries have been provided as Exhibit I to this document.

geographic segments. In addition, effective 31 December 2007, the Company was divided into the Real Estate Division and the Mining Division, and as a result, the Company also presents these Divisions as separate segments in the 2007 Consolidated Financial Statements. For more details please refer to the notes to 2007 Consolidated Financial Statements included with this annual report.

The table below summarises revenues of the Company's Core Business for the period 2005 to 2007 based on the Carve-out Accounts (converted to EUR) and the 2007 Consolidated Financial Statements:

Revenues (EUR thousand)	Year ended 31 December					
	2007	2007%	2006	2006%	2005	2005%
External coking coal sales (EXW) .....	579,800	42%	509,278	41%	497,856	38%
External steam coal sales (EXW) .....	253,495	19%	258,457	21%	256,866	20%
External coke sales (EXW) .....	224,629	16%	188,413	15%	207,380	16%
Coal trading (Metalimex) <sup>(1)</sup> .....	0	0%	32,886	3%	141,906	11%
Coal and coke transport by OKD <sup>(2)</sup> .....	111,425	8%	99,354	8%	67,446	5%
Sale of coke by-products .....	24,939	2%	24,813	2%	19,660	2%
Electricity trading (Czech Karbon) <sup>(3)</sup> .....	78,528	6%	28,550	2%	18,570	1%
OKD other sales <sup>(4)</sup> .....	56,284	4%	62,777	5%	67,732	5%
Other <sup>(5)</sup> .....	37,998	3%	30,420	3%	23,318	2%
<b>Total</b> .....	<b>1,367,098</b>	<b>100%</b>	<b>1,234,948</b>	<b>100%</b>	<b>1,300,734</b>	<b>100%</b>

- (1) Metalimex, a.s. is a former subsidiary of OKD that originally specialized in the trading of metal and coal. The coal trading division of Metalimex traded coal purchased from OKD as well as coal purchased from third parties. The coal trading division is included in the Carve-out Accounts as of 1 January 2005. The coal trading division was merged with OKD on 1 June 2006. Since then, the division has not traded coal purchased from third parties. The metal trading division is not included in the Carve-out Accounts and is not part of the Company. The revenues and expenses had an impact on the consolidated revenues and operating expenses, but had no material impact on the net profit of the Company.
- (2) The transport of coal and coke represents the costs for transportation of coal to customers invoiced directly as part of the price for coal delivery.
- (3) Czech-Karbon, s.r.o. is a subsidiary of OKD that specializes in electricity trading. The company trades electricity with companies within the Company and with third parties. The revenues presented in the table represent the sales of electricity to third parties.
- (4) OKD other sales include sales of coalbed methane to DPB, rock, gasoline and other services.
- (5) Other includes revenues from auxiliary subsidiaries.

The majority of the Company's revenue is derived from coal and coke sales. Its key customers are Arcelor Mittal Steel, US Steel, Dalkia, Moravia Steel and Voestalpine Stahl. The majority of coal and coke sales are based on framework agreements which are re-priced mainly on an annual basis. See the section of this document entitled "Business—Long Term Framework Agreements" for further details.

The Company's hard coal mining business is conducted through OKD, a wholly owned subsidiary of the Company. OKD produces coking coal, accounting for approximately 56% of the overall tonnage of coal sold in 2007 to external customers, for use in steel production and high quality steam coal for use in power generation. Steam coal, which accounted for approximately 44% of all tonnage of the Company's coal sales in 2007, is used by utilities, heating plants and industrial companies to produce steam and

electricity. While steam coal margins generally are lower than coking coal margins, steam coal has historically provided a stable source of revenue.

### *Geographic Segments*

The Company operates in the Czech Republic and in other geographic segments. A summary of the Company's results by geographic segments in the 2007 Consolidated Financial Statements and in the Carve-out Accounts is presented below:

<b>Geographic Segments</b>	<b>Czech Republic</b>	<b>European Union "old 15"<sup>(1)</sup></b>	<b>European Union—"new 12"<sup>(2)</sup></b>	<b>Rest of Europe</b>	<b>Total</b>
<b>For the year ended 31 December 2007 (EUR thousand)</b>					
<i>Segment Revenues</i>					
External Sales .....	666,237	379,604	368,359	25,855	1,440,055
—Continuing operations .....	595,266	378,802	367,355	25,675	1,367,098
—Discontinued operations .....	70,971	802	1,004	180	72,957
Segment Assets .....	1,729,145	253,669	49,280	661	2,032,755
—Continuing operations .....	1,729,145	253,669	49,280	661	2,032,755
—Discontinued operations .....	—	—	—	—	—
Capital Expenditures .....	81,594	264	854	—	82,712
—Continuing operations .....	77,368	264	854	—	78,486
—Discontinued operations .....	4,226	—	—	—	4,226
<b>For the year ended 31 December 2006 (EUR thousand)</b>					
<i>Segment Revenues</i>					
External Sales .....	757,054	229,634	227,975	20,285	1,234,948
Segment Assets .....	2,445,491	32,141	33,414	3,465	2,514,511
Capital Expenditure .....	81,845	—	155	—	82,000
<b>For the year ended 31 December 2005 (EUR thousand)</b>					
<i>Segment Revenues</i>					
External Sales .....	537,618	453,247	273,525	36,344	1,300,734
Segment Assets .....	1,860,493	32,806	28,758	8,890	1,930,947
Capital Expenditure .....	85,084	—	105	—	85,189

(1) Includes Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Greece, Ireland, Italy, Luxemburg, the Netherlands, Portugal, Spain and Sweden.

(2) Includes Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia, Romania and Bulgaria but excludes the Czech Republic.

### *Reporting of the Results of the Mining Division and the Real Estate Division*

In connection with the establishment of the Mining Division and the Real Estate Division effective from 31 December 2007, the Company reports the Mining Division and the Real Estate Division as separate financial reporting segments and discloses the financial position of the Divisions as of 31 December 2007 in the 2007 Consolidated Financial Statements included with the annual report.

## **Description of Key Components of the Company's Income Statement**

### *Revenue*

The Company derives revenues primarily from the sale of coking and steam coal as well as coke. Other significant revenue categories include transport of coal and coke, sale of coke by-products and revenues from electricity trading. Prior to 2007, the Company was also involved in trading coal purchased from third parties. Prior to the distribution of the transport and gas businesses, the Company also derived revenue from the sale of methane gas obtained in mine gas degasification operations as well as from transport and logistics services. Revenues attributable to transport and gas business for the year ended 31 December 2007 are presented as discontinued operations in the 2007 Consolidated Financial Statements and are not presented in the revenues line of the income statement.

### *Principal Costs and Expenses*

The most significant expenses of the Company are the consumption of material and energy, service expenses (including contract workers) personnel expenses and depreciation. For the year ended 31 December 2007, the consumption of material and energy, service expenses, personnel expenses and depreciation accounted for 31%, 26%, 29% and 13%, respectively, of the operating expenses.

Consumption of Material and Energy. The consumption of material and energy is a significant cost item. It consists of three main items: consumption of material for mining operations (steel and wood supports etc.), consumption of spare parts for mining machines and consumption of energy. For 2005, a fourth significant item in consumption of material and energy was the costs of coal traded by Metalimex, purchased from third-party companies.

Service Expenses. Service expenses comprise the cost of contractors and of consulting, professional, transportation and other services. The vast majority of transportation services expenses are pass through costs invoiced directly to the Company's clients (and included in the Company's revenue). Professional service expenses are those costs associated with the services of attorneys, consultants and other professionals, and were relatively high in 2005 due to transactional costs associated with the Restructuring.

As the Company has increased its use of contractors for sourcing miners between 2005 and 2007, the costs of coal production have been increasingly included in service expenses. The Company expects to continue to use miners provided by contractors because it offers greater employment flexibility and because of the difficulty of hiring qualified mining employees. The use of contract workers has improved the flexibility and productivity of the Company's mining operations.

Personnel Expenses. Personnel expenses comprise of wages and salaries, social insurance costs, social security, employee benefits and other payroll costs for the Company's own employees. For comparison purposes, the employee benefits portion of the personnel expenses line item was presented under its own subheading. As discussed above, personnel expenses exclude the costs of workers employed by contractors, which are included in service expenses.

Employee Benefits. The Company's net obligation in respect of long term service benefits is the amount of benefits earned in return for their services in the current and prior periods payable more than 12 months after the balance sheet date. The change in the amount of the employee benefits obligation over the period is shown in the income statement.

The Company's employee benefit scheme covers the statutory requirements applicable to the mining industry and other benefits arranged with the labour union in the general labour agreement. All benefits are unfunded. Most of them are paid annually and are calculated based on length of service, level of exposure to health hazards and disability. Others are payable upon severance. Post employment and long term benefits are adjusted annually according to (i) a discount rate derived from the linear approximation of the yield curve of the Czech government bonds, (ii) the estimated wage increase per year, (iii) Czech official mortality models, and (iv) the applicable statutory retirement age.

Other Operating Expenses. Other operating expenses principally include compensation for mining damages, provisions for mine closures, property taxes and government fees and net loss on sale of receivables. Provisions for mine closures increased in 2006 as a result of a decision to close the Dukla site, which was part of the Paskov mine.

*Sub total (Operating Income).*

The income statement of the Company contains a line item captioned Sub total. The Company considers the line sub total in the financial statements to be the operating income of the Company. It includes all operating costs and revenues but does not reflect financial revenues or expenses or the effects of disposal of subsidiaries, results from discontinued operations and taxes.

### **Certain Factors Affecting Results of Operations**

Certain factors relating to the Company's business and industry as well as the political, economic and legal environment in CEE affect the Company's results of operations. Such factors include, among others, the demand for coal, which is driven by the level of macroeconomic and industrial activity, most notably steel production and electricity consumption; the price of coal; changes in coal and coke production capacity of competitors; the cost of labour; and the level of production of the Company's mines.

#### *Coal Prices and the Demand for Coal*

The most significant factor affecting the results of operations of the Company is the price of coal and coke.

Due to its landlocked nature and the significant cost of transportation for coal importers outside of Europe (Asia, Australia), the Czech Republic and neighbouring Central European countries represent a largely localized market for coal. The only significant regional coal producers capable of importing into the Czech market at competitive prices are mines in Poland, where there is significant domestic coal demand. As a result, historically there have been limited imports of coal into the Czech Republic with the majority of imports from Poland.

Driven by low wages, skilled labour force, a stabilizing economic and political environment and the proximity to established and other emerging markets, CEE has been experiencing significant private sector investments in industrial production and manufacturing capacity in recent years.

During the last three years, increasing demand for energy and increasing consumption of steel and steel products in CEE, resulted in relatively high prices of coking and steam coal as well as coke. A temporary decline in coking coal and coke prices occurred in 2006 caused by Polish competitors selling off excess inventory. Coking coal and coke prices have recovered in 2007. Coking coal prices increased in 2007 when the supply/demand balance stabilized. In the first three months of 2008 the average selling prices of coking coal increased by 61%, the average selling prices for the Company's steam coal increased by 44%, the average 6 month selling prices for the Company's coke increased 128% and the average 12 month selling price for coke increased by 37%. Any decrease in coal prices due to, among other things, fluctuations in the supply of domestic and foreign coal, the demand for electricity, and the price and availability of alternative fuels for electricity generation could adversely affect the Company's revenues, results of operations and its ability to generate cash flows.

The tables below summarize external coal and coke sales volumes and prices to external customers for the three years ended 31 December 2007, 2006 and 2005. For information regarding recent trends in coal prices, please see the section entitled "Recent Development, Current Trading and Prospects".

	<b>Year ended 31 December</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Volumes of coal and coke sold in thousands of tonnes</b>			

Coking coal.....	6,781	6,590	5,665
Steam coal.....	5,283	5,707	5,771
Coke.....	1,262	1,310	1,145
<b>Average sales prices per tonne (EUR)</b>			
Coking coal.....	86	77	88
Steam coal.....	48	45	45
Coke.....	178	144	181
<b>Average sales prices per tonne (USD)<sup>(1)</sup></b>			
Coking coal.....	117	97	109
Steam coal.....	66	56	56
Coke.....	243	181	225

- (1) Converted with average FX rates of 1.3670, 1.2536 and 1.2437 USD/EUR for the years ended 31 December 2007, 2006 and 2005 respectively. Sales are effected in EUR so the sale price in USD are provided just for convenience.

#### *Cost Trends*

The Company has experienced increased operating costs for spare parts, mining materials and fuel partly attributable to increased economic activity worldwide and in CEE. The Company has also experienced increases in labour costs as a result of admission of the Czech Republic to the EU and increased economic activity in the Czech Republic. This trend is expected to continue. Wage costs in CEE are expected to rise faster than in Western Europe in the coming years. The Company has in recent years used outside contractors to provide miners. The lower costs of contracted workers compared to own employees have increased the labour productivity of the Company's mining operations. In addition, the Company is currently reducing the level of employees in above ground operations and intends to reduce headcount further in connection with planned modernization of its mining equipment through the capital investment program, which is expected to improve the operational efficiency of its mines. Headcount of own employees decreased by 8% from 19,952 in 2006 to 18,360 in 2007. Headcount of contractors decreased by 8% from 3,871 utilized in 2006 to 3,576 utilized in 2007. For information regarding recent trends in employee/contractor costs, please see the section entitled "Recent Development, Current Trading and Prospects".

#### **Effects of the Separation of the Real Estate Division**

##### *Overview of the Separation of the Mining Division and the Real Estate Division*

The A Shares being sold in the Offer are designed to track the performance, and represent the economic value, of the Mining Division. The B Shares are designed to track the performance, and represent the economic value, of the Real Estate Division. The A Shares do not track the performance, and do not represent the economic value, of the Real Estate Division. The Company is offering only A Shares in the Offer. The B shares will be held before and upon completion of the Offer solely by RPGI, the controlling shareholder of the A shares.

##### *Segment Information reflecting the Separation of the Mining Division and the Real Estate Division*

The 2007 Consolidated Financial Statements disclose the financial position of the Mining Division and the Real Estate Division as at 31 December 2007 and certain income statement information. The segmental information is presented in the following table. Because the Mining Division and Real Estate Division were established at the Commencement Time, there were no revenues or costs attributable to

the Real Estate Division in 2007. For more detail see the section entitled “Selected Historical Financial Data”.

<b>(EUR thousand)</b>	<b>Year ended</b>	
	<b>31 December 2007</b>	
	<b>Mining</b>	<b>Real Estate</b>
	<b>Division</b>	<b>Division</b>
Segment revenues		
Total revenues.....	<u>1,367,098</u>	<u>—</u>
Segment Result		
Segment result.....	<u>207,516</u>	<u>—</u>
Assets and liabilities as at 31. 12. 2007		
Segment assets.....	1,944,731	106,220
Segment liabilities.....	1,645,164	28,324
Other segment information:		
Capital expenditures.....	78,486	—
Depreciation.....	156,931	—
Amortization.....	9,326	—
Reversal of impairment of assets.....	21,959	—
Interest income.....	13,096	—
Interest expense.....	52,642	—
Average number of employees.....	18,360	—

*Selected disclosures of basis of presentation of Division financial information*

The 2007 Consolidated Financial Statements include two segments: one for the Mining Division and one for the Real Estate Division. As the Real Estate Division is a basic administration unit designed to manage assets of the Real Estate Division and residual interests in real estate that is currently being used by the Mining Division and has limited other operations, supplemental footnote disclosures related to the Real Estate Division are very limited. Accordingly, the segment information presented for the Mining Division and the Real Estate Division have been presented to show the financial position of each Division as of 31 December 2007 with all income and expense related activity for the year ended 31 December 2007 allocated to the Mining Division. Effective 1 January 2008 the Company started accounting and reporting for the operations of the Divisions separately.

The Mining Division is provided with unrestricted access to all Real Estate Assets necessary for its mining, coking and related operations for the time period, until these operations cease to exist. The Real Estate Assets include two groups of assets:

- (i) Buildings and
- (ii) land.

For Buildings the following criteria for identifying the relation between the divisions as financial leasing are met:

- (i) the lease term is for the major part of the economic life of the asset,
- (ii) the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

Therefore the Buildings are accounted for in the balance sheet of the Mining Division and fully depreciated there. The Mining Division has a liability to return the Buildings to the Real Estate Division, however this liability becomes effective after mining, coking and related operations cease. Since the respective assets meet the criteria mentioned above, they will be fully depreciated in the Mining Division at the point in time when mining, coking and related operations stop in the future. Therefore there is a liability to return assets with a zero value, which is correspondingly valued at zero by the management of the Company. A finance leased asset has to be evaluated at the present value, which is the basis for depreciation. The annual fee paid for the use of the Assets of the Real Estate Division is accounted for as interest expense. The annual charge is capped by the Divisional Policy Statements at EUR 3,600 thousand per year for all Real Estate Assets provided by the Real Estate Division to the Mining Division. The cap may be adjusted upward for inflation. There is no requirement for the Mining Division to repay the present value of the Real Estate Assets provided in compliance with the overriding rules. Therefore, the amount of the present value, equal to the book value of the provided Real Estate Assets, is presented in the equity of the Mining Division. The amount decreases over time along with the depreciation of the provided assets. The cap is accounted for as financial interest from leasing in the Mining Division. The real estate assets' related deferred tax assets and liabilities are divided correspondingly between the divisions.

For land, the criteria for financial leasing cannot be met. However, land is provided to the Mining Division without any consideration. Thus the Mining Division is provided with the right to use the land for a period of time equal to the lifetime of its business operations. The right is depleted over the expected lifetime of the business operations using a linear amortization method. The assets are provided for an extensive period, however the value of the right is limited by the value of the asset provided. Therefore the right was determined as 100% of the book value on the date, when the divisions were established. The Real Estate Division has a corresponding liability to provide the land to the Mining Division, which decreases over time correspondingly to the depletion of the right to use the assets.

Shares of Garáže, all assets and liabilities of the consolidated subsidiary Rekultivace and all assets and liabilities in the IMGE internal unit of OKD are presented in the Real Estate Division.

If the Divisional Policy Statements had been in place as of 1 January 2007, the net impact on profit before tax allocated to the Mining Division for the financial year ended 31 December 2007 would have been EUR 9,465 thousand, representing 4% of net income before tax of the Company for the year ended 31 December 2007. The net impact results from additional costs of the Mining Division resulting from the cap of EUR 3,600 thousand and the depletion of the right to use land by the Mining Division of EUR 827 thousand, combined with the absence of the profit before tax of Rekultivace of EUR 5,038 thousand, since Rekultivace was part of the Mining Division until the implementation of the Divisional Policy Statements, but was allocated to the Real Estate Division as of 31 December 2007. The amounts are based on the assumption that the financial impact on the assets would have been the same as on 31 December 2007. As of 1 January 2008, the net profit of the Mining Division will be affected by additional costs resulting from the cap and the depletion of the right to use land by the Mining Division.

It is expected that, from time to time, provided that Czech law and the Company's business considerations allow, real estate will be transferred out of the relevant Czech subsidiaries of the Company to the holders of B Shares. Czech law and the Divisional Policy Statements will generally not permit real estate to be transferred out of the Czech subsidiaries until mining activity has ceased in the area proximate to the relevant real estate. The Company will declare distributions in kind from the equity allocated to the Real Estate Division solely to the holders of B Shares. The distribution of dividends is based on the Company's unconsolidated statutory shareholder's equity, which is higher than consolidated shareholder's equity as presented elsewhere in this annual report. Any share premium allocated to the B Shares will not be available for dividends, distributions or share repurchases or redemptions on the A Shares or other capital transactions. From the general share premium reserve of the Company EUR 75,000 thousand has been allocated to share premium reserve C and as at 31 December 2007,

EUR 90,000 thousand has been allocated to share premium reserve B and the remainder of EUR 244,839 thousand to share premium reserve A. This share premium reserve A, plus capital in excess of nominal value paid with respect to new A Shares sold in the Offer, plus retained earnings allocated to the Mining Division will be available to pay dividends and make other distributions to the holders of A Shares. To the extent that the Mining Division does not earn profits, its ability to pay dividends or other capital return transactions will be significantly limited.

## Results of Operations

### Fiscal Year 2007 versus Fiscal Year 2006

The following discussion is based on the 2007 Consolidated Financial Statements and the Carve-out Accounts (as converted to EUR).

(EUR thousand)	Year ended 31 December		Change	
	2007	2006		%
Revenues .....	1,367,098	1,234,948	132,150	11%
Change in inventories of finished goods and work-in-progress .....	(10,308)	(9,339)	(969)	10%
Net gain from material sold .....	6,385	4,778	1,607	34%
Consumption of material and energy.....	(363,977)	(318,552)	(45,425)	14%
Service expenses .....	(306,433)	(267,696)	(38,737)	14%
Personnel expenses .....	(334,965)	(322,418)	(12,547)	4%
Employee benefits .....	(3,251)	(18,000)	14,749	(82)%
Depreciation .....	(156,931)	(215,321)	58,390	(27)%
Amortization .....	(9,326)	(9,539)	213	(2)%
Reversal of impairment of property, plant and equipment.....	21,959	50,743	(28,784)	(57)%
Reversal of impairment of receivables .....	491	1,527	(1,036)	(68)%
Gain from sale of property, plant and equipment.....	1,305	406	899	221%
Other operating income .....	3,758	8,381	(4,623)	(55)%
Other operating expenses.....	(8,289)	(31,605)	23,316	(74)%
SUB-TOTAL OPERATING PROFIT .....	207,516	108,313	99,203	92%
Financial income .....	142,621	66,269	76,352	115%
Financial expense.....	(110,490)	(44,157)	(66,333)	150%
PROFIT FROM CONTINUING OPERATIONS—BEFORE TAX ..	239,647	130,425	109,222	84%
Income tax expense .....	(48,976)	(29,784)	(19,192)	64%
PROFIT FROM CONTINUING OPERATIONS .....	190,671	100,641	90,030	89%
PROFIT FROM DISCONTINUED OPERATIONS .....	5,821	—	5,821	—
PROFIT FOR THE PERIOD .....	196,492	100,641	95,851	95%

## Revenues

Revenues in 2007 were EUR 1,367,098 thousand, 11% higher than the revenues of EUR 1,234,948 thousand in 2006. The EUR 132,150 thousand difference reflects mainly an increase in revenues from coking coal and coke sales.

(EUR thousand)	Year ended 31 December		Change	
	2007	2006		%
<b>Revenues</b>				
External coking coal sales (EXW) .....	579,800	509,278	70,522	14%
External steam coal sales (EXW) .....	253,495	258,457	(4,962)	(2)%
External coke sales (EXW) .....	224,629	188,413	36,216	19%
Coal trading (Metalimex) .....	—	32,886	(32,886)	(100)%
Coal and coke transport by OKD .....	111,425	99,354	12,071	12%
Sale of coke by-products .....	24,939	24,813	126	1%
Electricity trading (Czech-Karbon s.r.o.) .....	78,528	28,550	49,978	175%
OKD other sales .....	56,284	62,777	(6,493)	(10)%
Other .....	37,998	30,420	7,578	25%
<b>Total .....</b>	<b>1,367,098</b>	<b>1,234,948</b>	<b>132,150</b>	<b>11%</b>

Coking coal sales at EXW prices increased by 14% to EUR 579,800 thousand for the year ended 31 December 2007 from EUR 509,278 thousand for the same period in 2006. The revenue increase of EUR 70,522 thousand reflects higher prices (representing an increase of EUR 56,060 thousand) combined with increased volumes of coking coal sold (increase of EUR 14,462 thousand). Tonnes sold increased by 3% to 6,781 thousand tonnes for the year ended 31 December 2007 from 6,590 thousand tonnes for the same period in 2006, reflecting a decline of stock.

Steam coal sales at EXW prices decreased by 2% to EUR 253,495 thousand for the year ended 31 December 2007 from EUR 258,457 thousand for the same period in 2006. The revenue decrease of EUR 4,962 thousand reflects higher prices (representing an increase of EUR 17,046 thousand), which were more than offset by a decrease in volumes of steam coal sold (decrease of EUR 22,008 thousand). Tonnes sold decreased by 7% to 5,283 thousand tonnes for the year ended 31 December 2007 from 5,707 thousand tonnes for the same period in 2006.

Coke sales at EXW prices increased by 19% or EUR 36,216 thousand to EUR 224,629 thousand for the year ended 31 December 2007 from EUR 188,413 thousand for the same period in 2006. Although tonnes sold decreased by 4% to 1,262 thousand tonnes for the year ended 31 December 2007 from 1,310 thousand tonnes for the same period in 2006 (representing a decrease in sales of EUR 8,283 thousand), this decrease in coke sale was more than offset by higher coke sales prices (representing an increase in sales of EUR 44,499 thousand). The decrease in volume of coke sold resulted in an increase of coke stock at OKD.

## Change in Inventories

Change in inventories of finished products and work-in-progress decreased by EUR 969 thousand for the year ended 31 December 2007 compared to the same period in 2006. The higher decrease in inventory for the year ended 31 December 2007 is mainly the result of a decrease in stock of coal at OKD, which is EUR 8,167 thousand higher than in the same period in 2006, which is partly offset by relatively lower decrease in coke inventory at OKK by EUR 6,585 thousand.

### Operating Expenses

Operating expenses were EUR 1,160,722 thousand for the year ended 31 December 2007, 3% above operating expenses for the same period in 2006. The difference of EUR 29,861 thousand is mainly due to the increase in consumption of material and energy and in service expenses.

### Consumption of Material and Energy

(EUR thousand)	Year ended 31 December		Change	
	2007	2006		%
<b>Consumption of material and energy</b>				
Mining material.....	90,811	86,834	3,977	5%
Spare parts.....	34,020	35,794	(1,774)	(5)%
Polish coal consumption for coking.....	52,674	33,340	19,334	58%
Energy for coal mining (OKD).....	67,299	64,343	2,956	5%
Energy for coking (OKK).....	11,860	11,644	216	2%
Coal trading (Metalimex).....	—	20,533	(20,533)	(100)%
Electricity trading (Czech Karbon).....	99,755	48,352	51,403	106%
Other.....	7,558	17,712	(10,154)	(57)%
<b>Total.....</b>	<b>363,977</b>	<b>318,552</b>	<b>45,425</b>	<b>14%</b>

Consumption of material and energy for the year ended 31 December 2007 was EUR 363,977 thousand, 14% above the consumption of material and energy of EUR 318,552 thousand in the same period in 2006. The most significant differences in the structure of consumption of material and energy are the increase in electricity trading activities of the Company's subsidiary, Czech-Karbon s.r.o., and the increase in consumption of Polish coking coal in the coking production, thus replacing own coking coal which is sold to third parties instead. This is partly offset by the decrease in trading activities of the coal trading division (originally operated by the former OKD subsidiary Metalimex), which ceased to trade coal from third parties after becoming part of OKD in June 2006. The consumption of mining material was stable reflecting the unit price increase.

### Service Expenses

Service expenses for the year ended 31 December 2007 were EUR 306,433 thousand, 14% higher than EUR 267,696 thousand for the same period in 2006. The difference is mainly due to an increase in transport expenses:

(EUR thousand)	Year ended 31 December		Change	
	2007	2006		%
<b>Service expenses</b>				
Coal and coke transport costs.....	114,108	97,334	16,774	17%
Contractors (OKD).....	70,558	68,804	1,754	3%
Maintenance for OKD and OKK.....	31,141	26,927	4,214	16%
Sidings at mines.....	10,346	12,184	(1,838)	(15)%
Consulting and advisory fees for OKD.....	12,136	20,171	(8,035)	(40)%
Advisory expenses for NWR.....	19,278	—	19,278	—
Other <sup>(1)</sup> .....	48,866	42,276	6,590	16%
<b>Total.....</b>	<b>306,433</b>	<b>267,696</b>	<b>38,737</b>	<b>14%</b>

(1) includes non-OKD contractors

Transportation expenses represent a significant portion of the service expenses. However, almost all transportation expenses are incurred in relation to deliveries of coal to customers and are then directly re-invoiced to these customers and included in revenue, which means that transportation costs are just a pass-through item and do not have a material impact on the Company's financial results. The increase in 2007 is the result of increased unit prices combined by a different customer portfolio with higher transportation expenses. The increase is reflected in the revenues from coal and coke transport.

Expenses associated with contractors for the year ended 31 December 2007 increased by 3% despite a decrease in headcount of 8%. The increase reflects the increase in average costs per contractor of 13%. The Company expects further increase in unit expenses for contractors in 2008.

	<b>Year ended</b>		<b>Change</b>	
	<b>2007</b>	<b>2006</b>		<b>%</b>
<b>Contractors average headcount</b>				
Total.....	3,576	3,871	(295)	(8)%
—of which OKD mining.....	3,068	3,387	(319)	(9)%

Consulting and advisory service expenses for OKD were lower for the year ended 31 December 2007 compared to the same period in 2006 because of higher costs associated with the Restructuring and Recapitalization in 2006. Also NWR issued bonds with a reporting covenant in 2007, resulting in an increase in advisory services required by the Company.

#### *Personnel Expenses*

Personnel expenses for the year ended 31 December 2007 were EUR 334,965 thousand, 4% above personnel expenses of EUR 322,418 thousand in 2006. The decrease in the average number of employees by 8% from 19,952 in 2006 to 18,360 in 2007 was more than offset by higher bonus payments in 2007 made to all employees of the Company, high severance payments for the year ended 31 December 2007 resulting from a higher number of lay offs in 2007 compared to 2006 and higher average wages.

	<b>Year ended</b>		<b>Change</b>	
	<b>2007</b>	<b>2006</b>		<b>%</b>
<b>Employees average headcount</b>				
Own employees.....	18,360	19,952	(1,592)	(8)%
—of which OKD mining.....	10,663	11,595	(932)	(8)%

#### *Depreciation*

Depreciation for the year ended 31 December 2007 was EUR 156,931 thousand, 27% lower than depreciation of EUR 215,321 thousand in 2006. The decrease is mainly due to a one-time depreciation of assets in the amount of EUR 40,171 thousand in 2006, resulting from the decision to close Dukla mine.

#### *Reversal of Impairment of Fixed Assets*

The impact of the reversal of the impairment of the coking assets in OKK was EUR 18,659 thousand for the year ended 31 December 2007 and EUR 50,743 thousand in 2006<sup>(1)</sup>. The impact of the reversal of the impairment of the assets in Rekultivace was EUR 3,300 thousand for the year ended 31 December 2007. There was no other impairment recognized or released in 2007 and 2006.

- (1) The original amount of impairment at OKK was released partly in 2006 and partly in 2007 based on updated business plans of OKK. The increase in coke prices in 2007 and 2008 was one of the main factors for the improvement in the business plans. The original amount of impairment at Rekultivace was released based on an expert's valuation of the assets.

#### *Reversal of Impairment of Receivables*

The net impact of the bad debt expense reversals (reversal of impairment of receivables) for the year ended 31 December 2007 was EUR 491 thousand and EUR 1,527 thousand in 2006.

#### *Net Gain from Material Sold*

The net gain from material sold for the year ended 31 December 2007 was EUR 6,385 thousand, 34% higher than net gain from material sold of EUR 4,778 thousand in 2006. The gain of EUR 1,607 thousand was primarily attributable to higher margins on material sold. The sale of material is not a Core Business activity.

#### *Gains from Disposal of Property, Plant and Equipment*

Gains from disposal of property, plant and equipment for the year ended 31 December 2007 were EUR 1,305 thousand compared to EUR 406 thousand for the same period in 2006. This increase was primarily attributable to the sale of a building by OKD, BASTRO, a.s. and by the sale of property from Dukla mine, which is being closed.

#### *Other Operating Income and Expense*

Other operating income was EUR 3,758 thousand for the year ended 31 December 2007, 55% lower than other operating income of EUR 8,381 thousand in the same period in 2006. Other operating expenses for the year ended 31 December 2007 were EUR 8,289 thousand, 74% lower than other operating expenses of EUR 31,605 thousand in the same period in 2006. Other operating expenses are influenced by a provision created for the Dukla mine closure in the amount of EUR 12,909 thousand in 2006, of which EUR 1,562 thousand was released in 2007.

#### *Operating Income (Sub-total)*

Operating income (Sub-total) for the year ended 31 December 2007 was EUR 207,516 thousand, which was 92% higher than the operating income of EUR 108,313 thousand in 2006. The increase was primarily the result of the increase in sales of coking coal and coke for the year ended 31 December 2007 and the one-time provision and depreciation relating to Dukla mine closing in 2006.

#### *Financial Income*

	<b>Year ended</b>		<b>Change</b>	
	<b>2007</b>	<b>2006</b>		<b>%</b>
<b>Financial income</b>				
Bank interest received .....	13,044	10,105	2,939	29%
Other interest received .....	52	32	20	63%
Realized and unrealized foreign exchange gains .....	69,481	16,940	52,541	310%
Profit on revaluation of derivative instruments .....	42,639	38,231	4,408	12%

Gain on disposal of investment .....	16,529	—	16,529	—
Other .....	876	961	(85)	(9)%
<b>Total .....</b>	<b>142,621</b>	<b>66,269</b>	<b>76,352</b>	<b>115%</b>

Financial income increased to EUR 142,621 thousand for the year ended 31 December 2007 from EUR 66,269 thousand in the same period in 2006. The increase was due primarily to gain on disposal of investment of EUR 16,529 thousand and to higher foreign exchange (mainly EUR/CZK FX rate) gains (EUR 69,481 thousand for the year ended 31 December 2007 compared to EUR 16,940 thousand in 2006). The income from revaluation of derivatives increased by EUR 4,408 thousand (EUR 42,639 thousand for the year ended 31 December 2007 compared to EUR 38,231 thousand in 2006).

#### *Financial Expense*

	Year ended		Change	
	31 December	2006		%
	2007	2006		
<b>Financial expense</b>				
Bank interest expense .....	36,863	3,424	33,439	977%
Bond interest expense .....	13,644	—	13,644	—
Interest on finance leases .....	4	19	(15)	(79)%
Other interest expense .....	2,131	2,240	(109)	(5)%
Realized and unrealized foreign exchange losses .....	50,091	22,131	27,960	126%
Loss on derivative instruments .....	—	6,466	(6,466)	(100)%
Bank fees .....	2,361	201	2,160	1075%
Other .....	5,396	9,676	(4,280)	(44)%
<b>Total .....</b>	<b>110,490</b>	<b>44,157</b>	<b>66,333</b>	<b>150%</b>

Financial expense is comprised primarily of foreign exchange losses (EUR 50,091 thousand for the year ended 31 December 2007 compared to EUR 22,131 thousand in 2006) and interest expense. The expense increase of EUR 66,333 thousand was primarily attributable to an increase in foreign exchange losses and to an increase in bank interest expense in the amount of EUR 33,439 thousand, as the drawdown of loans under the Senior Secured Facilities occurred in November 2006 and therefore the associated interest influenced primarily financial expenses for the year ended 31 December 2007, as well as interest expense in the amount of EUR 13,644 thousand for the year ended 31 December 2007, relating to the Company's EUR 300,000 thousand of 7.375% Senior Notes issued in May 2007.

#### *Profit from Continuing Operations before Tax*

Profit from continuing operations before tax for the year ended 31 December 2007 was EUR 239,647 thousand, which was 84% higher than profit before taxation of EUR 130,425 thousand in 2006. The factors influencing profit from continuing operations before tax are discussed above.

#### *Income Tax Expense*

Income tax expense for the year ended 31 December 2007 was EUR 48,976 thousand, 64% higher than the income tax expense of EUR 29,784 thousand in the same period in 2006 due to higher profit before tax. The effective tax rates were 21% and 23% for the years ended 31 December 2007 and 2006, respectively. The relatively higher effective tax rate in 2006 was primarily affected by non-deductible expenses related to the closure of the Dukla mine.

### *Profit from Discontinued Operations*

Doprava and DPB were subsidiaries of the Company until 28 June 2007. On 28 June 2007, they were distributed to the sole shareholder of the Company, RPGI. The financial performance of these companies for the period ended 28 June 2007 is presented in the line Profit from discontinued operations and amounts to EUR 5,821 thousand. Because of the methodologies used in the preparation of the Carve-out Accounts, Doprava and DPB were not included in the Carve-out Accounts for 2006.

### *Profit for the Period*

Profit for the year ended 31 December 2007 was EUR 196,492 thousand, which was 95% higher than profit of EUR 100,641 thousand for 2006. The increase was the result of an increase in profit before taxation and lower effective tax rate.

### **Review of Assets and Liabilities**

The following table sets forth, for the periods indicated, selected balance sheet data as of 31 December 2007, 2006 and 2005, including a convenience translation into EUR from CZK for the Carve-out Entities as of 31 December 2005 and 2006, and a convenience translation into CZK from EUR for the Company as of 31 December 2007.

<b>(in millions)</b>	<b>Historical</b>			<b>Historical</b>		
	<b>Company</b>	<b>Carve-out Entities</b>		<b>Company</b>	<b>Carve-out Entities</b>	
	<b>As of 31 December</b>			<b>As of 31 December</b>		
	<b>2007<sup>(1)</sup></b>	<b>2006</b>	<b>2005</b>	<b>2007</b>	<b>2006<sup>(2)</sup></b>	<b>2005<sup>(2)</sup></b>
	<b>CZK</b>	<b>CZK</b>	<b>CZK</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
<b>ASSETS</b>						
Property, Plant and Equipment .....	27,951	29,563	31,918	1,050	1,076	1,101
Mining licenses .....	4,765	5,016	5,286	179	182	182
Other financial investments .....	80	96	90	3	3	3
Long-term receivables .....	186	84	59	7	3	2
Deferred tax asset .....	53	—	—	2	—	—
Restricted cash .....	639	489	264	24	18	9
<b>TOTAL NON-CURRENT ASSETS .....</b>	<b>33,674</b>	<b>35,248</b>	<b>37,617</b>	<b>1,265</b>	<b>1,282</b>	<b>1,297</b>
Inventories .....	852	1,141	1,673	32	41	58
Accounts receivable and prepayments .....	4,259	4,047	4,481	160	147	154
Derivatives .....	2,023	938	2	76	34	—
Income tax receivable .....	692	409	660	26	15	23
Cash and cash equivalents .....	12,618	27,354	11,574	474	995	399
<b>TOTAL CURRENT ASSETS .....</b>	<b>20,444</b>	<b>33,889</b>	<b>18,390</b>	<b>768</b>	<b>1,232</b>	<b>634</b>
<b>TOTAL ASSETS .....</b>	<b>54,118</b>	<b>69,137</b>	<b>56,007</b>	<b>2,033</b>	<b>2,514</b>	<b>1,931</b>
<b>EQUITY AND LIABILITIES</b>						
<b>TOTAL EQUITY .....</b>	<b>10,036</b>	<b>34,598</b>	<b>40,398</b>	<b>377</b>	<b>1,258</b>	<b>1,393</b>
<b>LIABILITIES</b>						
Provisions .....	2,875	3,218	3,133	108	118	108
Long-term loans .....	19,273	16,957	4	724	616	—
Bond issued .....	7,693	—	—	289	—	—
Employee benefits .....	2,289	2,385	2,133	86	87	74
Deferred revenue .....	266	88	85	10	3	3
Deferred tax liability .....	2,795	3,551	4,263	105	129	147

Other long-term liabilities .....	—	7	12	—	—	—
<b>TOTAL NON-CURRENT LIABILITIES .....</b>	<b>35,191</b>	<b>26,206</b>	<b>9,630</b>	<b>1,322</b>	<b>953</b>	<b>332</b>
Provisions.....	240	425	198	9	15	7
Accounts payable and accruals .....	5,084	4,306	5,006	191	157	172
Accrued interest payable on bond.....	80	—	—	3	—	—
Derivatives .....	—	50	—	—	2	—
Income tax payable .....	1,544	753	665	58	27	23
Current portion of long-term loans.....	1,783	2,743	—	67	100	—
Short-term loans.....	160	56	110	6	2	4
<b>TOTAL CURRENT LIABILITIES .....</b>	<b>8,891</b>	<b>8,333</b>	<b>5,979</b>	<b>334</b>	<b>303</b>	<b>206</b>
<b>TOTAL LIABILITIES .....</b>	<b>44,082</b>	<b>34,539</b>	<b>15,609</b>	<b>1,656</b>	<b>1,256</b>	<b>538</b>
<b>TOTAL EQUITY AND LIABILITIES.....</b>	<b>54,118</b>	<b>69,137</b>	<b>56,007</b>	<b>2,033</b>	<b>2,514</b>	<b>1,931</b>

- (1) The financial data for the year ended 31 December 2007 have been derived from the consolidated financial statements of the Company for the year ended 31 December 2007, which are presented in euros. A convenience translation from euros to Czech korunas has been provided for purposes of comparability where Balance Sheet Data have been translated with the period end exchange rate for the relevant period. The period end exchange rate for the year ended 31 December 2007 from euros to Czech korunas was EUR 1.00=CZK 26.62. As indicated, the amounts presented in Czech korunas have been translated from euros for information purposes and for the convenience of the reader. We do not represent that the translated amounts actually represent such Czech koruna amounts or could be converted into Czech korunas at the rates indicated or any other rate.
- (2) The financial data for the years ended 31 December 2006 and 2005 have been derived from the carve-out financial statements of the mining operations of RPGI for the years ended 31 December 2006 and 2005, which are presented in Czech korunas. A convenience translation of Czech korunas to euros has been provided for the purposes of comparability, where Balance Sheet Data have been translated with the period end exchange rate for the relevant periods. The period end exchange rates for the years ended 31 December 2005 and 2006 from Czech korunas to euros were EUR 1.00=CZK 29.01 and EUR 1.00=CZK 27.50. As indicated, the amounts presented in euros have been translated from Czech korunas for information purposes and for the convenience of the reader. We do not represent that the translated amounts actually represent such euro amounts or could be converted into euros at the rates indicated or any other rate.

Non-current assets of the Company have been relatively stable from 2005 to 2007. Depreciation charges with respect to property, plant and equipment was substantially offset in each year by the purchase of additional equipment. As part of the Restructuring the Company disposed of significant amounts of non-core businesses. These disposals do not affect the carve-out financial statements of RPGI for the years 2005 and 2006 because these financial statements were prepared to reflect the coal and mining business of RPGI and do not include the disposed business. See the section of this document entitled "Operating and Financial Review and Prospects".

In 2007 the Company transferred its gas and transport businesses to RPGI, its then sole shareholder, as an in specie dividend. The gas and transport businesses were not included in the 2005 and 2006 carve-out financial statement of RPGI and are reflected as discontinued businesses in the 2007 financial statements of the Company.

Current assets increased 94% to EUR 1,232 million in 2006 from EUR 634 million in 2005. The increase was substantially attributable to a cash increase resulting from the initial drawdown of EUR 720 million under the Senior Secured Facilities in late 2006. This drawdown was in anticipation of a

dividend payment as part of the recapitalisation of the Company. The decrease of current assets by 38% to EUR 768 million from EUR 1,232 million in 2006 was primarily attributable to a decrease in cash. The decrease in cash of EUR 801 million distributed as dividend by the Company in January 2007 was partly offset by the additional drawdown of EUR 300 million under the Additional Loan Option under the Senior Secured Facilities and the proceeds of EUR 300 million from the 7.375% Senior Notes issued in May 2007.

Liabilities increased 133% from EUR 538 million in 2005 to EUR 1,256 million in 2006 and increased by 32% to EUR 1,656 million in 2007. The main factors affecting the increase in liabilities from 2005 to 2007 were the drawdowns of EUR 1,020 million under the Senior Secured Facilities and the issuing of EUR 300 million of 7.375% Senior Notes.

For further detail on the Company's indebtedness, development of working capital and cash refer to section of this document entitled "Operating and Financial Review and Prospects".

### **Liquidity and Capital Resources**

The Company is a holding company with no significant revenue-generating operations of its own and will rely on dividends or other distributions from subsidiaries, intercompany loans or other capital contributions to make interest and principal payments on its debt and distributions of dividends to its shareholders. The dividends, distributions or other payments from subsidiaries are expected to be funded by cash from their operations. The Company's working capital is funded through cash flow from the Company's operations, the proceeds raised in this Offer and availabilities under the Revolving Credit Facilities. The Company is of the opinion (having made due and careful enquiry) that the working capital available to the Company is sufficient for its present requirements, that is, at least for the period of 12 months from Admission.

The liquidity requirements of the Company arise primarily from required capital expenditures, working capital requirements, dividend payment, repayment of debt and, on a selective basis, acquisitions. The Company expects to continue to make additional capital expenditures to expand and improve the quality and coverage of operations as demand warrants. For example, in late 2007, the Company adopted a new technology implementation programme which includes implementation of technology in the amount of approximately EUR 315 million over three years beginning 2008 to improve productivity and its reserve base at its existing mines in the Czech Republic. Pursuant to this plan, the Company has entered into an agreement to acquire EUR 150 million worth of mining equipment and has submitted a purchase order to acquire a majority of the remaining EUR 165 million worth of equipment shortly. In addition, one of the two coking batteries operated by the Šverma coking facility is expected to have its useful life end in 2011 at which time, absent a refurbishment, it will cease operations. The Board recently agreed to construct a new coking battery at the Svoboda coking facility, which is expected to cost approximately EUR 70 million. The Directors have determined in principle to maintain the Company's current coke production abilities, which may require the refurbishment of, or technological improvements at one or more of its facilities, or the construction of another coking facility. The Company has not definitely decided upon which of such options to pursue or the timing of pursuing any of these options. The Company has retained an engineering firm to evaluate the costs and time frame for construction of new coking facilities and refurbishing the existing facilities. Pursuing any of the foregoing options would require significant additional capital expenditures. The management believes the majority of these requirements can be met by cash flow from operations, the Offer and the Revolving Credit Facilities.

The main factors affecting the Company's liquidity are the prices of coal and sales volumes, foreign exchange rates and the payment discipline of the Company's customers. The Company expects

production levels to decline in 2008 by approximately 1% compared to production levels in 2007. For further details, see the section of this document entitled “Derivatives” or “Risk Factors”.

### Fiscal year ended 31 December 2007 versus Fiscal year ended 31 December 2006

The table below sets forth, for the periods indicated certain information about the Company’s cash flow:

(EUR thousand)	Year ended 31 December	
	2007	2006
Profit/(loss) before taxation and minority interest.....	247,750	130,426
Adjustments for non-cash income items.....	69,007	144,906
Working capital changes.....	4,137	(2,236)
Corporate income tax paid.....	(63,324)	(43,147)
<b>Net cash flows from operating activities.....</b>	<b>257,570</b>	<b>229,949</b>
<b>Net cash flows used in investing activities.....</b>	<b>(75,631)</b>	<b>(59,581)</b>
Repayments of / Proceeds from borrowings.....	347,693	703,383
Dividends paid.....	(1,076,760)	(316,967)
<b>Net cash flows (used in)/from financing activities.....</b>	<b>(729,067)</b>	<b>386,416</b>

#### *Cash Flow from Operating Activities*

Net cash flows from operating activities increased by 12% to EUR 257,570 thousand for the year ended 31 December 2007, compared with EUR 229,949 thousand for the same period in 2006, primarily due to increase in revenue reflecting the increase in coal and coke revenues in the amount of EUR 101,776 thousand. The decrease in working capital for the year ended 31 December 2007 was mainly due to a decrease in inventories (EUR 8,096 thousand), resulting from an excess of coal production over coal sales volumes, and increase in payables resulting from a higher income tax payable for the year ended 31 December 2007 (EUR 58,446 thousand) compared to 2006 (EUR 29,588 thousand), partly offset by the increase in receivables resulting from higher sales (increase of EUR 15,067 thousand).

#### *Cash Flow from Investing Activities*

Net cash outflows from investing activities increased by 27% to EUR 75,631 thousand for the year ended 31 December 2007, compared with outflow of EUR 59,581 thousand for 2006. The amount mainly reflects purchases of property, plant and equipment. In 2007 the net cash flow used in investing activities includes cash of subsidiaries distributed as dividends in kind of EUR 24,445 thousand.

#### *Capital Expenditures*

The following table presents the Company’s capital expenditures as depicted in the Company’s statements of cash flows for the years ended 31 December 2007 and 2006:

(EUR thousand)	Year ended 31 December	
	2007	2006
Purchase of land, property, plant and equipment.....	82,712	82,001

Capital expenditures consist principally of expenditures for mining equipment. Capital expenditures increased for the year ended 31 December 2007 compared to the same period in 2006, due to higher prices of equipment and a higher amount of development investments (i.e. investments in equipment with higher capacity or more advanced technology than the equipment it replaced).

### *Net Cash Flows from Financing Activities*

Net cash flows from financing activities decreased to an outflow of EUR 729,067 thousand for the year ended 31 December 2007, compared to an inflow of EUR 386,416 thousand for 2006. The cash flow used in financing activities for the year ended 31 December 2007 is influenced by the distribution of dividends in the amount of EUR 1,076,760 thousand and repayment of net proceeds from borrowings in the amount of EUR 347,693 thousand compared to dividend of EUR 301,588 thousand and net proceeds from borrowings of EUR 703,383 thousand for 2006.

### *Capital Resources*

The Company's principal source of liquidity has historically been the Company's operating cash flows and bank borrowings. In connection with the Recapitalization and the Restructuring, OKD entered into the Senior Facilities Agreement. The net proceeds to the Company of the Offer will be used to finance future acquisitions and partially finance future capital expenditure of the Company. The remaining portion of future capital expenditure may be funded by the Company's operating cash flows or by funds raised through other means of financing, including an offering of debt or equity of the Company. In addition, in order to fund its Development Projects; at such time as the Company may engage in construction of infrastructure, the Company will be required to incur additional indebtedness or raise equity funds to fund such projects. See the section of this document entitled "Risk Factors—Risks Relating to the Company's Business and the Industry—The Company must make significant capital expenditures in order to increase its production levels and improve overall efficiency. The inability to finance these and other expenditures could have a material adverse effect on the Company's business, financial condition or results of operations" for further details.

The Company had EUR 69 million available under the Revolving Credit Facilities as at 31 December 2007.

Since the completion of the Recapitalization and the Restructuring, the Company has been highly leveraged and has serviced significant debt service obligations. As of 31 December 2007, the Company had approximately EUR 1,085,690 thousand of external indebtedness, of which EUR 790,679 thousand is from the Senior Secured Facilities, EUR 289,316 thousand is from 7.375% Senior Notes due 2015 and EUR 5,695 thousand is from other short term loans. No further drawdowns are available under the Senior Secured Facilities.

The Company monitors capital using a gearing ratio defined as net debt divided by EBITDA. As of 31 December 2007 the gearing ratio for the Company was 1.75. The Company is required to hold a gearing ratio of senior indebtedness below 2.75. The Company defines EBITDA as net profit after tax from continuing operations before minority interest, income tax, net financial costs, depreciation and amortization, impairment of property, plant and equipment and gains/losses from sale of PPE.

### *Off Balance Sheet Arrangements*

In the ordinary course of business, the Company is party to certain off balance sheet arrangements. These arrangements include assets related to the construction and related geological survey work at Frenštát. These assets are maintained by OKD but are not reflected in its books. The assets were booked as costs and have not been utilized. The original cost of these assets was EUR 33,494 thousand (based on the CZK/EUR exchange rate reported by Czech National Bank as at 31 December 2007), of which EUR 29,647 thousand was the value of assets located in the mine and EUR 3,847 thousand is the value of assets located on the surface. Liabilities related to these arrangements are not reflected in the Company's balance sheets and management does not expect that

these off balance sheet arrangements will have material adverse effects on the Company's financial condition, results of operations or cash flows.

The de-merger gave rise to cross-guarantees between the Company and certain affiliates of the Company, including OKD, Doprava and DPB, pursuant to which each party has a contingent liability for liabilities assumed by other parties to the demerger. Such contingent liability is limited to the amount of the net assets retained by such party in the demerger. Those guarantees are not reflected in the Company's balance sheets.

### Contractual Obligations

The following is a summary of the Company's significant future contractual obligations by year as of 31 December 2007. Some of the figures included below are based on management's estimates and assumptions about these obligations, including their duration, anticipated actions by third parties, and other factors. Because these estimates and assumptions are necessarily subjective, the enforceable and legally binding obligations payable in future periods may vary from those reflected below.

(EUR thousand)	Payments for years ended 31 December			
	2008	2009	2010-2011	After 2011
7.375% Senior Notes due 2015 .....	—	—	—	300,000
Senior Secured Facilities .....	66,823	60,412	90,316	573,110
Short Term Bank Loans .....	2,049	3,646	—	—
Interest Payments .....	61,669	58,397	107,907	115,746
<i>Interest on Senior Secured Facilities</i> .....	39,544	36,272	63,657	41,074
<i>Interest on Senior Notes</i> .....	22,125	22,125	44,250	74,672
<b>Total<sup>(1)</sup></b> .....	<b>130,541</b>	<b>122,455</b>	<b>198,223</b>	<b>988,855</b>

(1) This table above excludes contractual obligations resulting from foreign exchange rate hedging derivatives and interest rate swaps.

As of 31 December 2007, the Company had outstanding commitments with respect to operating leases with payment obligations of EUR 7,294 thousand due within five years. The Company also had commitments to purchase property equal to EUR 25,731 thousand as at 31 December 2007. In late 2007, the Company adopted a new technology implementation programme which includes implementation of technology of approximately EUR 315 million over three years beginning 2008 to improve productivity and its reserve base at its existing mines in the Czech Republic. Pursuant to this plan, the Company has entered into an agreement to acquire EUR 150 million worth of mining equipment and has submitted a purchase order to acquire a majority of the remaining EUR 165 million worth of equipment in the second quarter of 2008.

### Pensions

Under the pension and retirement system of the Czech Republic, pension plans and retirement benefits are fully funded by the state budget. There are no pension liabilities born by the Company.

### Contingent Liabilities

Contingent liabilities include clean up liabilities related to a decommissioned coking plant owned by OKK, and the Company's involvement in several litigation proceedings. It is not possible to estimate the exact potential exposure related to such proceedings, as the monetary value of some of the claims have not been specified and the likelihood of success in such proceedings cannot be assessed at this

time. However, based on advice of counsel, management believes that the current litigation and claims will not have a significant impact on the Company's financial position.

The Company is liable for all environmental damage caused by mining activities since the original privatization. These future costs can generally be split into two categories—restoration and mining damages. Restoration liabilities are liabilities to restore the land to the condition it was in prior to the mining activities or as stated in the exploration project. Mining damages are liabilities to reimburse all immediate danger caused by mining activities to third party assets.

Provisions for restoration costs are recognized as the net present value of the estimated costs. Restoration costs represent a part of the acquisition cost of fixed assets and such assets are amortized over the useful life of the mines using the sum of the digits method. The provision is compounded every year to reflect the current price level. In addition, the Company analyzes the accuracy of the estimated provision annually. Any change in the estimate of restoration costs is recognized within fixed assets and is depreciated over the remaining useful life of the mines.

## **Derivatives**

The Company does 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.

For the year ended 31 December 2007 the gain from derivatives revaluation was EUR 42,639 thousand. As of 31 December 2007 the aggregate fair value of the cash flow hedges aggregates an unrealized gain of EUR 76,008 thousand and an unrealized loss of EUR 226 thousand, and this is recorded in current assets and current liabilities in the balance sheets respectively.

## **Seasonal Fluctuations in Quarterly Results of Operations**

There are no major fluctuations in quarterly results except a decrease in sold volumes of coal in July, with the July sale volumes approximately 15% below average. The coal production plans reflect the slight decrease in sales volumes in July and plans for main maintenance operations at that time.

## **Quantitative And Qualitative Disclosure About Market Risk**

### *Commodity Price Risk*

Market risks related to the Company's operations result primarily from demand for coking coal and fluctuations in coal prices, currency fluctuation and interest rates.

The Company does not hedge against, and is exposed to, any declines in coal prices. Because the Company's levels of coal production have been relatively stable, the price of coal is the most significant factor affecting the Company's results of operations.

A change in prices would significantly influence the financial performance of the Company. The coal mining business generally is a high fixed cost business. Consequently, a significant decline in the price of coal would have a material adverse effect on the Company's results of operations.

### *Foreign Currency Risk*

A significant amount of the Company's expenses are denominated in Czech koruna. The functional currency of the Company is the Czech koruna. Approximately 56% of the Company's revenues are denominated in Czech korunas and 44% of the Company's revenues are denominated in euros. A

substantial portion of the Company's long-term debt is in euros and the Company's working capital facilities, which are currently un-drawn, are denominated in Czech koruna. The Company's costs and revenues are positively affected by appreciation of the euro against the Czech koruna, and negatively affected when the euro depreciates against the Czech koruna.

The Company is exposed to foreign exchange risks arising from sales, purchases, receivables and loans that are denominated in currencies other than CZK. The Company mitigates foreign currency risks by entering into forward exchange rate contracts. The amount currently covered is approximately two-thirds of the expected open position per year through 2013 with average forward exchange rate of approximately 28 CZK/EUR through 2013.

The sensitivity of the Company's financial performance on the change in the foreign exchange rate is presented in the following table:

<b>Increase in foreign exchange rate by 1%</b>	<b>Effect on profit after tax in EUR thousand</b>
Cash & bank balances .....	(122)
Accounts receivables .....	(447)
Financial instruments .....	8,036
Accounts payables .....	163
Loans .....	2,012
<b>Total</b> .....	<b>9,642</b>

#### *Interest Rate Risk*

The Company has entered into forward interest rate swaps to convert floating rate loans to fixed rate loans. Specific amounts that the Company hedges are determined based on the prevailing market conditions and the current shape of the yield curve. The specific terms and notional amounts of the swaps are determined based on management's assessment of future interest rates, as well as other factors, including short term strategic initiatives. In connection with the initial drawdown of approximately EUR 720 million from the Senior Secured Facilities, the Company entered into forward interest rate swaps, covering 93% of the loan's principal amount at the time of the drawdown. Currently the swaps cover approximately 80% of the Company's interest rate exposure. The interest rates are hedged by interest swaps and collar options. As of 31 December 2007, the nominal value of derivative instruments was PLN 72,000 thousand and EUR 1,260,291 thousand by forward exchange contracts, CZK 3,950,138 thousand and EUR 419,250 thousand by interest swaps and CZK 469,138 thousand and EUR 48,570 thousand by collar options.

The following analysis shows the effect of changes in market interest rates on the Company's profit after tax as if market interest rates had been 0.25% higher over the whole period from 1 January 2007 to 31 December 2007. The analysis reflects all loans, all interest rate swap contracts and all interest rate collar contracts. The effect on profit after tax would amount to EUR (234 thousand).

#### **Subsequent events**

##### *Restructuring of OKD, OKK, a.s.*

Effective 1 July 2007, the board of directors of OKD, a.s. approved a de-merger of shares of OKD in OKK and the transfer of such shares to NWR Coking, a.s., a direct subsidiary of the Company. Through this de-merger there was no change in control. Pursuant to a merger expected to be completed on 30 April 2008, effective from 1 January 2008 NWR Coking, a.s. is intended to be merged with OKK, with OKK being the succession company.

#### *Distribution of Share Premium on the C Share*

Subsequent to the Offer, the Company intends to make a distribution from the share premium reserve C to the holder of the C Share, RPGI, in an amount equal to EUR 75 million. It is intended that the C Share will be cancelled by the Company following such distribution.

#### **Critical Accounting Policies**

The preparation of the financial information included in and provided with this annual report requires the management of the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Company evaluates these estimates on an ongoing basis. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

#### *Property, Plant and Equipment*

The Company's property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The Company's property, plant and equipment include expenditures that are directly attributable to the acquisition of the asset in determining the asset's cost. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overhead directly attributable to bringing the asset to working condition for its intended use. The cost also includes the estimated cost of dismantling and removing the items and restoring the site on or under which they are located, to the extent that such estimated cost is recognized as a provision under IAS 37 (Provisions, Contingent Liabilities and Contingent Assets). 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 recognized in the income statement.

#### *Mining Licenses*

Under Czech law, deposits of certain minerals, including coal, are the property of the state. The Czech government grants licenses to persons to exploit deposits of such minerals and to retain the income derived from such mining, but the state retains the legal ownership of such mineral resources. The Company's coal reserve licenses are amongst its principal assets. When determining fair value of its coal reserve licenses as part of the purchase price allocation, the Company uses the present value of the estimated income stream from the deposit. Specifically, the Company employs the MEEM, including assumptions regarding a finite time limitation on the Company's coal mining operations. The estimate of total economically exploitable coal reserves is based on the mining plan for the Company's coal mining operations for the projected period of operation.

#### *Depreciation and Amortization*

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 estimates used in calculating the estimated useful life of these items involve assumptions and uncertainties, some of which are beyond the Company's control; any changes in those estimates could have a material impact on net income. The Company reviews annually its depreciation methods, as well as the useful and residual values of its depreciable assets.

The Company amortizes its mining licenses over the reporting period by calculating the proportion of coal actually mined in this period to the total economically exploitable coal reserves as estimated by the Company. This estimate is based on engineering, economic and geological data assembled and analyzed by the Company and independent experts in mining, geology and reserve determination. Some of the factors and assumptions that impact the assessment of the estimated reserve life include geological and mining conditions; assumptions regarding future regulation and environmental liabilities; and assumptions concerning future costs of extraction, development, operation and reclamation.

#### *Impairment and Reversal of Impairment*

The Company conducts an annual review of the carrying amounts of its assets (excluding inventories and deferred tax assets which are not subject of impairment testing under IAS 36 Impairment of Assets) to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (for intangible assets with an indefinite useful life, the recoverable amount is estimated at each balance sheet date). 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 are largely independent from other assets and groups. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to cash generating unit and then to reduce the carrying amount of other assets on a pro rata basis.

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 recognized. Any impairment loss recognized in respect of goodwill is not reversed under any situation. For other assets, impairment losses are recognized following indications that the loss has decreased or no longer exists. 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.

#### *Restoration and Mining Damages Provisions*

The Company's mining operations are subject to various laws and regulations governing environmental protection and reclamation. The Company's potential liabilities for environmental damage caused by mining activities generally falls into two categories: restoration costs and mining damages costs. Restoration costs and clean up of land used for mining activities are liabilities to restore land to the condition it was in prior to the commencement of mining activities, or the condition stated in the Company's exploration proposal for the deposit. The Company makes provisions based on the net present value of the estimated cost to comply with this 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. Any change in the estimate of restoration costs is recognized 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 changes in the 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 in the related depreciable asset. Mining damages costs represent obligations to reimburse all immediate damages to third party assets caused by mining activities. Mining damages costs are assessed by the Company for each individual exploration project, and this assessment is reviewed and approved by the Czech Mining Authority.

Restricted balances of cash, which are shown under non-current financial assets as restricted funds, relate to mining damages and restoration expenses. The non-current classification is based on the expected timing of the release of the funds of the Company.

#### *Employee Benefits*

The Company provides a number of different benefits to its employees, including jubilee (anniversary), loyalty, retirement and special miners' benefits. The Company's obligation in respect of long term service benefits is the amount of future benefits that employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value; 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 similar to the terms of the Company's obligations.

#### *Derivative Financial Instruments*

The Company uses derivative financial instruments (such as forward currency contracts, interest rates swaps and interest rates collar contracts) to hedge its exposure to foreign exchange risks. The Company does 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.

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 the Company with respect to their derivative financial instruments. Consequently, any gains or losses arising from changes in fair value on derivatives are recognised in the income statement.

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 Company 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.

#### *Changes in Accounting Policies*

There were no changes in accounting policies, except for changes based on the changes and updates of IFRS, which would have a significant impact on the financial statements of the Carve-out Entities and the 2007 Consolidated Financial Statements. The changes and updates in IFRS that occurred in 2005, 2006 and 2007 are described in the notes to the financial statements provided with this annual report.

## **DIVIDEND POLICY**

### **General**

As a holding company, the ability of the Company to pay dividends and make distributions depends primarily upon the receipt of dividends and distributions from the Company's subsidiaries. The payment of dividends and distributions by the Company's subsidiaries is contingent upon the sufficiency of their earnings, cash flows and distributable reserves and provisions of the credit facility and

outstanding notes that restrict the ability of the subsidiaries to make dividend payments and distributions to the Company.

The Articles of Association include provisions which state, subject to the limitations of applicable law, that holders of A Shares will be entitled to receive distributions from the dividend reserve A on their A Shares when declared by the Board and that separately the holders of B Shares will be entitled to receive distributions from the dividend reserve B (whether in cash or in specie) on their B Shares when declared by the Board upon the proposal of the meeting of the holders of the B Shares. A payment to the holder(s) of A Shares or B Shares at the expense of a dividend reserve to which such class of share is entitled can only be made to the extent that the aggregate balance of the entitlement of all Shares of that specific class held by such holder to the share premium reserves and dividend reserves is positive. Dividends or distributions paid to the holders of the B Shares will reduce the funds of the Company legally available for payment of future dividends to the holders of the A Shares.

In connection with the establishment of the A Shares and the B Shares the Company has allocated its existing statutory shareholders equity. The table below sets out the allocated unconsolidated statutory shareholder equity as at 31 December 2007 and includes the allocation for the A Shares as adjusted for the Offer and for the C Share (which will be created on the Conversion Date) as if both allocations have taken place on 31 December 2007. The unconsolidated statutory shareholder's equity is higher than the consolidated shareholder's equity as presented in the 2007 Consolidated Financial Statements included elsewhere in this Prospectus. This difference is primarily due to valuation of the Company's investments at fair values in the unconsolidated statutory balance sheet upon contribution in kind in 2006.

**Unconsolidated Statutory Shareholder's equity of the Company  
(EUR) as at 31 December 2007**

	<b>A Shares (as Adjusted for the Dividend and the Offer<sup>(1)</sup>)</b>			
	<b>A Shares</b>	<b>B Shares<sup>(2)(3)</sup></b>	<b>C Share<sup>(3)</sup></b>	
Share Capital .....	100,096,000	105,496,000	4,000	0
Share Premium .....	244,839,038	441,939,038	90,000,000	75,000,000
Restricted Reserves ..	122,144,754	122,144,794	0	0
Retained Earnings ....	58,488,969	58,488,969	4,411,614	0
<b>Total Shareholders Equity .....</b>	<b>525,568,761</b>	<b>728,068,761</b>	<b>94,415,614</b>	<b>75,000,000</b>

(1) Reflects (i) the payment of a dividend of EUR 87 million on the A Shares on 27 March 2008, (ii) EUR 202,500,000, which is the gross proceeds of the Offer based upon an Offer Price at the mid-point of the Price Range converted into EUR from UK Sterling at an exchange rate of EUR 1.25/£1 and less EUR 47,293,449 of estimated expenses and (iii) after giving effect to and the application of the proceeds from the Offer, including the payment of a one-time dividend of EUR 75 million on the C Share.

(2) The Issuer intends to distribute certain real estate assets as dividend in kind to RPGI as sole holder of the B Shares. The net asset value of these assets under IFRS is expected to be approximately EUR 68 million based on accounting values as at 31 December 2007. This dividend is expected to be paid in the third quarter of 2008. Consequently, share premium and

shareholders equity allocated to the B Shares and total capitalisation of the Company are expected to be reduced by this amount.

- (3) Does not reflect the Offer and use of proceeds.

Under Dutch law, both share premium and retained earnings are freely distributable reserves, and are available to make distributions or dividends to shareholders, as the case may be.

The Issuer intends to make distributions out of the dividend reserve A on the A Shares of approximately 50% of the Mining Division's consolidated annual net income (as calculated under IFRS and subject to adjustments for extraordinary items) over the course of the Business cycle. The payment of any dividend is subject to shareholders' equity exceeding the sum of the Company's issued share capital and the reserves to be maintained under Dutch law. In addition, a payment to the holders of A Shares or B Shares at the expense of a free distributable reserve to which such shares are entitled can only be made to the extent that the aggregate balance of the entitlement of all shares of that class held by such holder to those reserves is positive. To the extent the Company declares and pays dividends or makes distributions on the A Shares, holders of the A Shares on the relevant record date will be entitled to receive dividends or distributions payable in respect of such A Shares. As set out in the Articles of Association, holders of the A Shares have no rights or entitlements (including those to dividends and distributions) in respect of the Real Estate Division and the B Shares.

As also set out in the Articles of Association, the Real Estate Division's financial performance and any dividends or other distributions in respect of or attributable to the performance or Assets of the Real Estate Division will be attributed solely to the holders of the B Shares. It is intended that dividends or distributions will be paid or made to the holders of the B Shares either in cash or by way of a dividend in specie of some or all of the Assets of the Real Estate Division (including special purpose companies formed as part of a reorganisation or spin off containing Assets of the Real Estate Division, subject to leases or other rights granted to the Mining Division) to the holder of B Shares. It is intended that, except where restrictions apply to the Company's ability to distribute its profits or distributable reserves (as to which, see below) all of the Real Estate Division's consolidated annual net income, as calculated under IFRS, will be available for payment as dividends and distributions to the holders of the B Shares (disregarding that part of the Real Estate Division's profits attributable to the transfer of the capital value of the assets within the Real Estate Division, such profits to be accumulated and retained until there are available for dividend or distribution in specie assets or shares in companies forming part of the Real Estate Division, in which case such profits and all other accumulated profits may then be applied towards such dividend or distribution) until no assets remain in the Real Estate Division. The Issuer expects to pay a dividend in specie consisting of shares of certain real estate subsidiaries (including, without limitation, the IMGE business unit of OKD, Rekultivace and Garáže) to the holder of the B Shares having an aggregate accounting value of EUR 68 million and expects this dividend to be paid in the third quarter of 2008. The holders of the A Shares will not be entitled to any portion of this dividend.

In addition, provided that the shareholders' equity exceeds the sum of the Company's issued share capital and the reserves to be maintained under Dutch law and the aggregate balance of the entitlements of all A Shares or B Shares to the respective dividend reserve A or dividend reserve B is positive, the Board may resolve to make interim distributions on the A Shares and the B Shares at the expense of the dividend reserve allocated to such class of shares. The resolution to make an interim distribution from the dividend reserve B may only be adopted upon the proposal of the meeting of the holders of the B Shares.

Dividends or distributions in cash are expected to be declared by the Company in euros.

When restrictions apply to the Company's ability to distribute its profits or distributable reserves, the Board will apportion the available capacity between the A Shares and B Shares based on the ratio of accumulated but undistributed profits of the Company attributable to each respective Division. The Issuer's dividend policy is primarily dependent upon, and will be adjusted from time to time to reflect, its results of operations and cash flows, its financial position and capital requirements, general business conditions, any legal, tax, regulatory or contractual restrictions on the payment of dividends or distributions and any other factors the Board deems relevant. The Indenture contains restrictive covenants, including restrictions applicable to the payment of dividends. The reserve and dividend policy shall be discussed during each annual general meeting of shareholders of the Company.

### **Recent Dividends**

Since its incorporation on 29 December, 2005, the Company paid a distribution out of cash available from its operations in the amount of EUR 303 million in October 2006. The Issuer further paid distributions in the amounts of EUR 800 million in January 2007, EUR 276 million in October 2007 and EUR 87 million on 27 March 2008 to its sole shareholder, RPGL. In the event the Company decides to proceed with the Offer, the Company also intends to distribute the entire EUR 75 million balance of the share premium reserve allocated to the C Share to RPGL as the holder of the C Share in cash shortly prior to Admission.

Because the Company was a wholly-owned subsidiary of RPGL prior to the Offer, historic dividends are not indicative of future dividend payments.

## BUSINESS

### OVERVIEW

The Company, through its subsidiary OKD, is the Czech Republic's largest hard coal mining company and is a leading producer of hard coal in the Czech Republic and in Central Europe (in each case, on the basis of revenues and volume of coal produced) serving customers in the Czech Republic, Slovakia, Austria, Poland, Hungary and Germany. It is one of the largest industrial groups in the Czech Republic in terms of revenues and employees. For the year ended 31 December 2007, the Company employed an average of 18,360 and utilised an average of 3,576 workers employed by contractors, making it one of the largest private employers in the country. In terms of revenues in 2006, the Company was the third largest natural resources company in the Czech Republic.

The Company's business is hard coal mining and coke production. Through its hard coal mining operations, the Company produces coking coal and steam coal. Coking coal is used as a raw material in steel production, whereas steam coal is sold to electric utilities, industrial users and other producers of electricity. Coking coal generally commands higher prices and generates higher revenues with higher margins for the Company relative to steam coal. In 2007, the Company sold approximately 13.1 million tonnes of coal of which approximately 7.8 million tonnes was coking coal (of which 6.8 million tonnes was sold to third parties) and approximately 5.3 million tonnes was steam coal. The Company also produced approximately 1.3 million tonnes of coke, converted from its own and purchased coking coal, which is used primarily as a raw material for steel, foundries and isolation material production. More than half of the Company's coal reserves consist of high quality coal (that is, coal having a high calorific (high BTU/short tonne) and low sulphur content) that can be sold as coking coal.

The Company believes the landlocked position of its operations in the vicinity of the Company's key customers and the high quality of its coal (in terms of calorific value as well as the percentage of coking coal in the coal mix), have enabled the Company to become a leading supplier of hard coal in Central Europe. Through the implementation of the Company's efficiency enhancement program, the Company has further consolidated and improved the efficiency and productivity of its mining operations. The Company has recently implemented a technology implementation programme involving the implementation of new underground mining equipment, implementation of new mining technologies and modernisation of underground mining processes. The objectives of the technology implementation programme are to improve productivity in the short term and enhance the Company's reserve base in the long term.

The Company's mining and related businesses operate in the northeastern region of the Czech Republic. The Company has five operating mines, and two coking facilities that operate five coking batteries. As at 1 January 2008, the Company had approximately 419 million tonnes of proved and probable reserves (including the probable reserves at Dębieńsko) and approximately 229 million tonnes of proved and probable reserves (excluding the probable reserves at Dębieńsko).

The Company has historically managed a portfolio of Assets of the Real Estate Division located predominantly in the northeastern region of the Czech Republic. As a part of the Restructuring, a substantial portion of the real estate held by the Company's predecessor was transferred to certain real estate holding subsidiaries of RPGI. The real estate initially transferred consisted primarily of commercial and residential buildings, but excluded the land relating to mining activities and land above active and inactive mines. Following the establishment of the Divisions, the Assets of the Real Estate Division, the IMGE business unit of OKD, Rekultivace and Garáže (to the extent owned by the Company), have been allocated to the Real Estate Division. The Real Estate Division will be managed as a separate business to the mining business carried out by the Mining Division.

For the year ended 31 December 2007, the Company had consolidated revenues from continuing operations (which excludes gas and transport businesses, which were held as assets held for sale until their disposition in June 2007) of approximately EUR 1.37 billion and EBITDA of EUR 351 million. During this period, the Company's external coal and coke sales at EXW basis accounted for EUR 1,058 million, which represented 77% of consolidated revenues in 2007.

As at 31 December 2007, the carrying value of the Assets of the Real Estate Division was EUR 460,323 thousand, of which buildings accounted for EUR 354,103 thousand, and land accounted for EUR 18,196 thousand. These amounts were allocated to the Mining Division based on the overriding rules of the Divisional Policy Statements.

## 2. COMPETITIVE STRENGTHS

- ***A Leading Market Position in the Czech Republic and Central Europe in Terms of Revenue and Amount of Coal Produced.*** The Company is the largest hard coal producer in the Czech Republic and a leading producer of hard coal in the Czech Republic and in Central Europe in terms of revenues and volume of coal produced. It is also the leading supplier of foundry coke for foundries and stone (mineral) wool producers based in the Czech Republic in terms of tonnage sold. Traditionally, the Company's main competitors in the Central European and Czech markets have been and continue to be Polish companies controlled by the Polish government. However, recent mine closures in Poland have strengthened the Company's position in Central Europe, allowing the Company to capitalise on increased sales opportunities and improve its market position within Central Europe generally and the Czech Republic in particular. With high-calorific and low sulphur content coal reserves located in the middle of Central Europe, the Company believes it is well positioned to maintain its position as a leading producer of coking coal in the region. The Company expects to benefit as the region's steel production continues to grow to meet the demands of the auto, appliance, construction and other manufacturing industries in Central Europe.
- ***Landlocked Position of Customers and Close Proximity of Mines to Customers and Transportation.*** The Company benefits significantly from the landlocked location of the production facilities of its customers in the Czech Republic and Central Europe and the proximity of its reserves and its facilities to the facilities of its customers. The limited reach of navigable waterways near many industrialised areas of Central Europe provides a competitive cost advantage to coal producers, such as the Company, with its coal mines being located near the sites of steel mills and electricity generating facilities in the region. The landlocked location of customers in Central Europe makes importing coal from overseas generally more expensive than using locally sourced coal. The Company believes that the higher transportation costs associated with such overseas coal provide the Company with a competitive cost advantage in servicing such customers as a result of the close proximity of the Company's coal mines to its customers' production facilities, and to a regional transportation system which facilitates the Company's delivery of coal to its customers, relative to overseas competitors, who rely on long distance sea freight, ports with limited capacity and longer overland distances from port to customer. This cost advantage is evidenced by the recent rises in costs for the transportation of coal in the region.
- ***High Quality Coal (Based on the Calorific Content and Low Sulphur in the Company's Coal), with Coking Coal Accounting for more than Half of Total Coal Production in 2007 and Large and Diversified Reserve Base to Satisfy Customers' Needs.*** A high percentage of the Company's proved and probable reserves is high quality coal (that is, coal having high calorific (high BTU/short tonne) and low sulphur content) which can be sold as coking coal. Coking coal generally commands higher prices and generates higher revenues

for the Company with higher margins relative to steam coal. Approximately 56% of the volume of coal sold to third parties by the Company in 2007 consisted of coking coal, and the growth in coking coal sales in 2007 is primarily the result of the Company's growth in sales to steel producers in the region. The Company also has a large reserve base and is able to source coal from multiple mines to meet the demands of customers who require specific blends of coal of varying specifications to run their businesses. As of 1 January 2008, the Company has approximately 419 million tonnes of proved and probable reserves (including the probable reserves at Dębieńsko) and approximately 229 million tonnes of proved and probable reserves (excluding the probable reserves at Dębieńsko). Having diversified reserves allows the Company to be flexible in times when one type of coal is preferred over another type of coal or when coal blends of several types of coal are required. The Company also adds, when necessary, small amounts of certain grades of high quality coal from overseas to blend with locally sourced coal to meet customer specifications. The Company's mix of coal qualities provides it with an opportunity to work with many different types of coal customers.

Furthermore, by improving its blending and beneficiation (coal washing) processes, the Company intends to make a larger portion of its coal suitable for use as a coking product, and to increase the overall percentage of coking coal recovered from its coal reserves. The Company's mining plan and technology implementation programme were also designed to allow the mining of deeper seams where coal quality is typically higher, and enable the Company to mine thinner seams and therefore increase the productivity of its mining operations.

- ***Long-Standing Relationships with Customers and Their Predecessors That Have Lasted for Significant Periods, Some in Excess of 50 Years, and Which Have Resulted in a Stable Customer Base.*** The Company has long-standing relationships with its key customers, many of which have production facilities which the Company or its predecessors have served for over 50 years. The Company's customers include large, established companies, including global steel producers, large regional steel producers, electric utilities and large industrial companies. The Company believes it has a reputation for reliability, superior product delivery, familiarity with its customers' needs and customer service that has enabled it to maintain these customer relationships. For example, steel companies typically adapt their coking ovens for specific coal qualities to increase efficiency and organise their logistics for coal delivery with their coal supplier. Consequently, the Company believes that coal customers have substantial investments embedded in their relationships with a particular supplier, such as the Company, and that the Company's long-term supply and logistics relationships with its customers, together with its ability to supply high quality coal blends, therefore provide it with a competitive advantage over other suppliers of coal.
- ***Increase in Steel Demand and Positive Trends in Steel Production and Industrial Growth in Central Europe.*** The Company believes it is well positioned to take advantage of any increase in industrial production generally and steel demand in particular in Central Europe, principally driven by the automobile, construction, manufacturing and machinery industries, which have been for the past 10 years, and are expected to continue to be, significant sources of growth in the region. Because steel production is an important component of industrial production in Central Europe, and because coal, particularly high calorific coking coal, is an essential component of steel production, coal production is currently a beneficiary of this industrial growth. In particular, the Company expects the demand for steel production, and in turn, coking coal, in Central Europe to increase due to the region's industrial base and lower cost work force compared to Western Europe.

The Company expects to continue to benefit from these industry trends, industrial growth in Central Europe and the related demand for high quality coal, partially due to recent large investments by the Company's steel customers to increase their steel production capacity, as well as the recent foreign direct investment inflow particularly from auto makers and auto industry suppliers. This growth in Central Europe is evidenced by the continued expansion of the automobile (exemplified by the expected opening of new Hyundai and Kia car production facilities in the Czech Republic and Slovakia, respectively), construction, manufacturing and machinery industries. The rise of coal demand worldwide in recent years (in terms of consumption)—particularly in Asia and also in Central Europe—as a result of an increasing demand for energy, and the emergence of new technologies that make coal more efficient and cleaner burning have also increased the price of coal.

- ***Integration of Coal Mining and Coke Production Operations.*** The Company benefits from the integration of its coal mining and coke production operations compared to its competitors who only operate coal mining operations. The Company generally sells coke to regional steel companies and foundries, who rely on the Company to provide certain qualities and blends of coke, and to larger steel companies, who rely upon the Company to supplement coking capacity during tight market conditions. In addition to allowing the Company to provide a broader range of services to its customers, the Company believes that this integration allows it to capture higher margins attributable to the sale of coke than would otherwise be achieved through the sale of coking coal alone and also allows the Company to maintain strong customer relationships by providing coke capacity.
- ***Significant Operational Improvements Resulting from the Restructuring, Cost Reduction Initiatives and Capital Expenditure Programs.*** Through the Restructuring and the implementation of the efficiency enhancement program, the Company and its predecessor have in the past few years commenced the process of transforming the Company from a previously state-owned company to a streamlined business with a simpler corporate holding structure, efficient mining operations and a productive workforce. The EBITDA margin for the year ended 31 December 2006 was 23% based on the Carve-out Accounts, and the EBITDA margin for the year ended 31 December 2007 was 26%. The Company also believes that it has lower unit operating production costs and logistics costs compared to its competitors in countries such as Germany and Poland. The Company believes that while labour costs in Poland are generally commensurate with the Czech Republic, Polish state-owned companies have historically maintained larger numbers of workers compared to the privately-held mining companies such as the Company, and the Company believes its unit operating costs are lower than its Polish peers. The Company has achieved a level of profitability which the Company believes has enabled it to maintain strong financial performance. This low operating cost provides the Company with an advantage as compared to other regional mining companies, including those in Poland. The Company, however, is working with the Polish government to allow the Company to reopen and operate at certain Polish mines in a manner consistent with the business plan at the Company's mines in the Czech Republic. The Company's recently implemented technology implementation programme is expected to further improve the Company's profitability by allowing the Company to go deeper into mines using new mining equipment and, consequently, mine more coking coal, which commands better margins than steam coal. See the section of this document entitled "Business—Business Strategy" for further details.
- ***Experienced and Knowledgeable Management and Operational Team (Based on Their Experience Working with Publicly-Traded Companies and with Mining Companies).*** The Company, with the support of the Indirect Shareholders, has assembled an executive team with several years of experience to provide strategic direction, mining expertise and international professionalism to the Company. This senior management team complements

the existing Czech management team's knowledge and experience in working with the Company's mines, its customers, government agencies and the Czech and Polish work force. The Company strengthened the senior management team by appointing, in 2007, Miklos Salamon, who most recently served as a director of BHP Billiton, as Executive Chairman of the Company and Klaus- Dieter Beck, who most recently served as a senior vice president for planning and engineering of Foundation Coal Holdings, Inc., as the Chief Executive Officer and the Chairman of the board of directors of OKD. In 2007, the Company also appointed Marek Jelínek, formerly Financial Officer of RPGA, as the Chief Financial Officer of the Company. Each of Mr. Salamon and Dr. Beck have many years of executive experience with international mining companies, and Mr. Jelínek is familiar with the Company's organisation and finances as well as its business operations in the Czech Republic. They are supported by newly appointed officers of OKD, including the chief administration and development officer, chief financial officer and chief operations officer. The Company's senior executives together have an average of approximately 18 years of experience in the coal industry, and bring to the Company regional experience, knowledge of coal marketing, cost cutting, managing coal production, financial structuring, and business development.

- ***Relationships with Regulatory Agencies and Regional and Municipal Authorities.*** The Company believes that its long-standing relationships with Czech government agencies and its new working relationship with Polish government agencies provide it with an advantage, enabling it to respond to changes in the regulatory environment. The coal industry in the Central European region is heavily regulated, with various regulatory agencies that oversee mining, environmental, health, safety and employment matters. The Company believes it benefits from established and cooperative relationships with regulatory agencies in the Czech Republic, attributable to the Company's predecessors having been Czech government controlled entities and the Company's position as one of the largest employers in the Czech Republic. These relationships are further enhanced by the Company's management and its Indirect Shareholders, who have several years of experience in working with the agencies responsible for regulating the mining industry in the Czech Republic. In Poland, the Company has also developed good relationships with the Polish government and the relevant regional and municipal governmental authorities in connection with the development of the Polish Projects, which includes reopening Polish mines. See the section of this document entitled "Business—Projects and Prospects" for further details. The historically high degree of regulatory oversight of the Company in its role as the Czech Republic's largest hard coal producer has resulted, in part, in the Company's emphasis on its health and safety record. In addition, good relationships with local communities and regional and municipal governmental authorities help to obtain mining permits for the Company in the Czech Republic and in Poland. The Company benefits from established and cooperative relationships with such communities and authorities in the Czech Republic and is working on building similar relationships through dialogue and collaboration efforts in Poland.
- ***Strategic Shareholder Support Through Regional and Industry Expertise.*** The Company's Indirect Shareholders are experienced investors with significant expertise and background in the energy industry and significant expertise and in-depth knowledge of the the CEE market generally and the Czech Republic in particular. Zdeněk Bakala and Crossroads Capital Investments Inc, both Indirect Shareholders, have made significant investments in and have a track record for growing companies in the CEE. Zdeněk Bakala, a Non-Executive Director of OKD, is an established figure in the Czech business community and has been involved in finance and business in the Czech Republic and the CEE since the early 1990s. Peter Kadas, a Non-Executive Director, has been involved in many investments in the CEE. In 1990, Mr. Kadas established the Budapest office of Credit Suisse First Boston and, in 1995, he co-founded Renaissance Capital, the first private investment bank in Russia. From 1997 to 2000, Mr. Kadas was managing director of a joint venture between Croesus of

New York and Central European Partners. See the section of this document entitled "Management" for further details. In addition, experienced coal industry investors, First Reserve and AMCI, purchased a minority equity stake in the Company in the second half of 2005. The Company benefits from the in-depth regional knowledge of its Indirect Shareholders, and RPGA, an affiliate of RPI, which is an advisory group based in Prague and advises the Company on strategic matters. The Company seeks to leverage their expertise and regional and industry knowledge to maintain its relationships with leading coal consumers, to secure new mining sites and to implement operational improvements.

### 3. BUSINESS STRATEGY

The Company seeks to distinguish itself from its competitors in terms of responsiveness to customer specifications, production of high quality coal products, timeliness of delivery and knowledge of market trends to maintain its leading market position in the Czech Republic and Central Europe. The Company intends to accomplish this by pursuing the following focused business strategy:

- **Improving Efficiency and Profitability of Mining Operations.** The Company will continue to focus on enhancing the profitability of its mining operations through improving operational efficiencies, which it initially commenced subsequent to the acquisition of the business by the Company's shareholder. The Company has implemented a profitability improvement plan to reduce costs, increase productivity, efficiency and safety. As part of this profitability improvement plan, the Company has also recently adopted a technology implementation programme to modernise the Company's mining infrastructure and to enhance productivity. To achieve the goals of its profit improvement plan, the Company intends to:
  - **Invest in more efficient equipment and technology.** The technology implementation programme involves the implementation of new equipment and technology to increase operational efficiency, including the investment in new long wall mining equipment. The new equipment to be implemented under the technology implementation programme includes ten sets of complete longwall systems and twelve sets of new gateroad development systems, which are expected to improve the efficiency of coal extraction by reducing the total number of longwalls from 25 to 15. The new equipment is also expected to enhance productivity and safety through the use of state-of-the-art technology, including advanced automation features used in the operations of mining companies in Germany, North America and Australia.
  - **Consolidate procurement efforts.** The Company is currently consolidating its procurement processes to gain efficiencies from working with fewer service providers and consolidating and centralising procurement efforts, which were previously conducted by each mine on an individual basis. The Company is also reviewing standard purchasing arrangements with a view towards establishing uniform pricing and delivery among all of the Company's mines.
  - **Enhance operational efficiency.** The Company intends to improve operating efficiencies by streamlining certain intercompany functions and continuing to work with the unions to improve labour productivity. The Company believes that the natural attrition of its work force, together with improved equipment and certain redundancy programs as a result of the use of such improvement equipment, will allow productivity improvements. The Company expects to achieve cost reductions through these operational improvements. The greater automation and reliability associated with new mining equipment is expected to increase the unit output for a given longwall installation and reduce the number of employees necessary to operate a given longwall installation.

- ***Strengthening Reserve Base from Existing Mines.*** The Company intends to continue to grow its business, primarily by adding reserves through, among other things, developing the Company's existing mines. The geological configuration of the Company's mines involves significant implementation of underground equipment, and the Company's mining plan and technology implementation programme have been designed to maximise the development of its reserve base. The new underground mining equipment to be implemented as part of the technology implementation programme is expected to provide for the safer extraction of a larger proportion of coal of the Company's existing resources. This larger proportion of coal extraction is achieved through the scaleable use of longwall equipment that allows for extraction from the full height of high coal seams, safe and more automated access to seams at low height, and extraction from deeper seams. The Company's reserve strategy is in the near term aimed at enhancing productivity and cash flow and planned enhancement of the Company's reserve base in the long term. The new equipment is expected to increase productivity by increasing the volume of coal recovery in the mining seams of the Company's existing mines and enhancing productivity through further automation of mining equipment and mine-to-shaft equipment. The Company's reserve strategy also involves assessing the extension of the working lives of the Company's existing mines.

The Company is currently working and cooperating with municipalities to assess the feasibility of developing business and mining plans to develop its resources in the Frenštát mining region of the Czech Republic. The Frenštát region is a mining site with two existing shafts. The Company is currently assessing the quantity and quality of resources at that location, the equipment and investment necessary to commence mining, the length of time required and cost to develop such resources, the ability to obtain any relevant mining or other governmental permits and the ability to work with any relevant local and governmental authorities.

- ***Actively Pursuing Growth Opportunities in Poland, the rest of Central Europe and Elsewhere.*** The Company intends to continue to expand its reserve base and long term production by actively seeking growth opportunities in Central Europe and other markets which would complement the Company's current operations. Coal companies and coal mines in Poland, which are currently state-owned and which may be privatised, represent the largest opportunity. In addition, the Company may pursue, on a selective basis, acquisitions outside the Central European region, on its own or with a joint venture partner.

In particular, the Company is currently pursuing a number of various opportunities in Poland, with two such mining projects—the development of the Dębnieńsko mining region and the Morcinek mining region, being the most advanced. The Dębnieńsko mine and the Morcinek mine are both located in southern Poland and near the existing mining operations of the Company in the Czech Republic. Each mine was previously operated by Polish state-owned companies and was closed in the recent past. The similar mining conditions and the proximity of such Polish mines to the Company's existing mining operations, coupled with the Company's existing use of Polish miners and intimate knowledge of the Polish mining business environment through the operations of its wholly-owned subsidiary, Karbonia, would provide a rational basis for integration and economies of scale with the Company's existing mining operations. Although each project would entail significant capital expenditures (in the case of the Dębnieńsko project. It is estimated that the initial investment prior to full production to be in the range of EUR 0.6 billion to EUR 0.8 billion), the Company believes it has the experience to implement a technology implementation programme and mining plan appropriate to the region. See the section of this document entitled "Business—Project and Prospects" for further details.

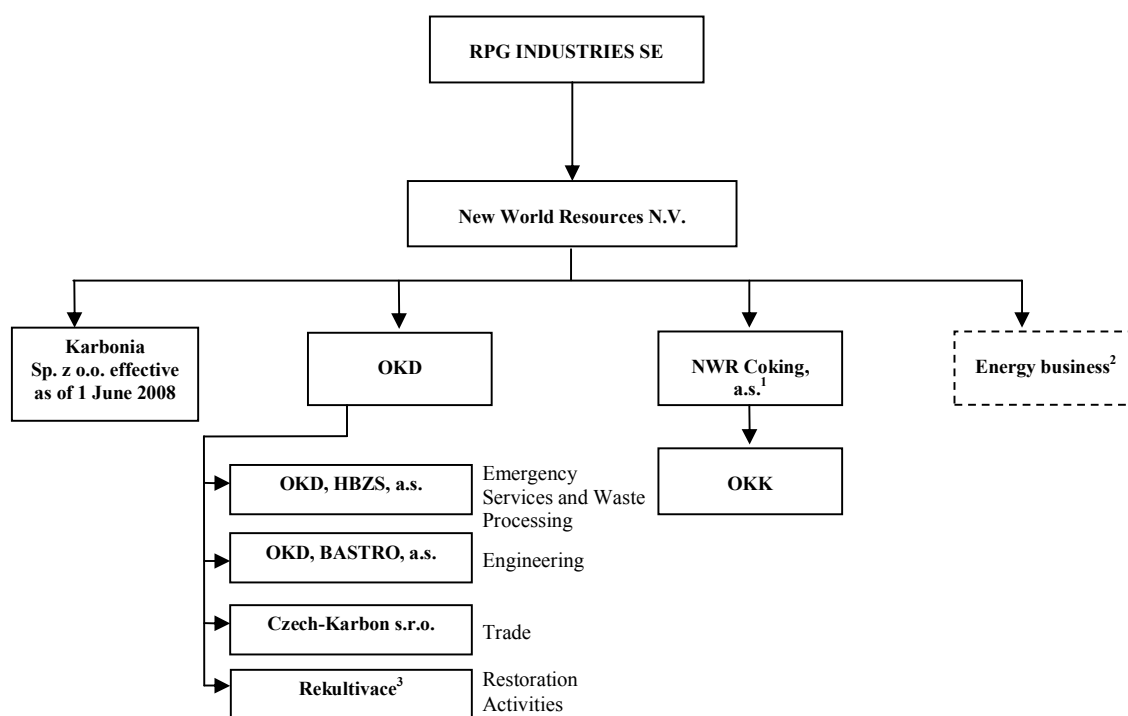
- *Dębieńsko*—The Company has been involved in developing the Dębieńsko project since 2006. In September 2007, pursuant to an extensive discussion with an inter-ministerial committee that oversees the economic management of the Polish natural resources, the Minister of Environment of Poland has accepted the Company's proposal for the Dębieńsko mining region, with probable reserves of approximately 189.9 million tonnes of coal. The Company has a two-year period from the approval date to present a concession application to the Polish authorities to mine the Dębieńsko mining area and a five-year exclusivity period from the approval date during which no other parties may obtain officially approved documentation of any resources at Dębieńsko. In coordination with the relevant local municipalities, the Company has also completed and submitted to the local governor for approval the Environmental Impact Assessment (EIA). The EIA was accepted and approved by the local municipalities, and all other documentation required for the mining license application was completed in February 2008. The Company filed an application with the Polish Ministry of Environment on 3 March 2008.
- *Morcinek*—The Company has been involved in developing the Morcinek project since 2002. The Company plans to take advantage of the proximity of the ČSM mine and plans to penetrate the southern part of the Morcinek mining region through the existing mine and surface facilities at ČSM in the event of expansion into the Morcinek mining region. Beginning in February 2007, the Company has been in discussion with Jastrzębska Spółka Węglowa, a Polish mining company for the region, to pursue the development of this mining region together, and the parties have entered into a Letter of Intent on 16 October 2007.
- **Maintaining Strong Health and Safety Record.** The Company focuses on maintaining a safe work environment to minimise injuries to its workforce and maintain the efficiency of its operations. The Company believes that its emphasis on safety is one of the key drivers of its relationship with its employees. The Company's ability to avoid lost-time injuries fosters good relationships with its employees, regulatory agencies and regional and municipal governmental authorities, which ultimately enhances the Company's business. The Company's safety track record is comparable to the U.S. when measured by lost-time injury rates. The equipment to be implemented as part of the technology implementation programme involves further automation of extraction and is expected to enhance the safety environment for the Company's workforce.
- **Seeking to Implement and Maintain International Best Practice in Corporate Governance.** The Company has implemented a stringent set of corporate governance standards in many respects, including appointing a new chairman of the Board, adding independent non-executive Directors to the Board, adding senior managers with international experience, realigning the Board, entering into a relationship agreement with its shareholder and complying with new internal control and reporting requirements in connection with the Company becoming a listed public company. Through implementation of the Policy Statements, the Company believes it has put in place sufficient safeguards to protect the holders of the A Shares. It is intended that further improvements to the corporate governance regime will be implemented as applicable.

#### 4. CORPORATE STRUCTURE

The Company is a holding company. The following chart sets forth the Company's corporate structure, as of the date hereof with respect to the Company's direct shareholder and its significant wholly-owned subsidiaries and their respective wholly-owned subsidiaries. Interests held by the Indirect Shareholders in the Company, which may constitute controlling interests in the Company, are described under the section of this document entitled "Principal Shareholders".

The Company has three directly-owned subsidiaries: OKD, which along with its subsidiaries operates the Company's mining operations; NWR Coking, a.s., which along with its subsidiary OKK, operates the Company's coke production operations; and Karbonia, which handles Polish operations and electricity sales.

Zdeněk Bakala and Crossroads Capital Investments, Inc. own their interests through RGP, the majority shareholder of RPGI. First Reserve and AMCI own their interest in the Company through RPGI. In the future, First Reserve and AMCI may cease to own their interests in the Company through RPGI, but may instead become direct shareholders of the Company.



- (1) The Company intends to conduct a merger between NWR Coking a.s. and OKK to simplify its corporate structure. It is estimated that such merger will be completed on 30 April 2008.
- (2) The Company is currently in the process of establishing two direct subsidiaries, with a subsidiary in each of the Czech Republic and Poland, which will contain the assets of the Company's energy business. Such assets are currently held by the Company and certain of the Company's subsidiaries. For a further description of these assets, see the section of this document entitled "Business—Energy Related Assets".
- (3) The shares of Rekultivace are expected to be distributed in specie as a dividend to RPGI as the sole B Shareholder along with other real estate assets.

Source: The Company

## 5. GROUP HISTORY

Regular mining activities in the northeast region of the Czech Republic commenced in 1782. Prior to 1946, the hard-coal mining business in the Ostrava- Karviná region was under the control of several companies. One of the most famous owners was the family of Salomon Mayer Rothschild.

With effect from 1 January 1946, the government of the then Czechoslovakia nationalised the hard coal mining industry. In the early 1990s, state enterprises engaged in coal mining were converted into two joint-stock companies (*akciová společnost*), Former OKD and ČMD, to prepare them for privatisation. Former OKD comprised of most of the mining industry located in the Ostrava-Karviná region, while ČMD operated hard-coal mines in the Kladno region and Ostrava-Karviná region (ČSM in Stonava).

In 1994 and 1997, respectively, 40% of Former OKD shares and 45% of ČMD shares were privatised through a voucher privatisation program and purchased by individuals and investment funds. From 1998 through to 2004, Karbon Invest acquired controlling stakes in ČMD and Former OKD from minority shareholders. A majority stake in Metalimex, a commodities trader, was acquired by ČMD and K.O.P., a.s. (both subsidiaries of Former OKD). In 1998, Former OKD purchased all of the outstanding shares of K.O.P., a.s., a majority shareholder of Metalimex.

In November 2004, Karbon Invest purchased 46% of the shares of Former OKD. Shortly thereafter, Karbon Invest was acquired by the RPG Group. In the second half of 2005, the majority shareholders bought out shares held by the minority shareholders under the newly introduced squeeze-out legislation, consolidating their shareholdings in Former OKD, ČMD and Metalimex.

On 29 December 2005, New World Resources B.V. was incorporated as a Dutch private limited liability company in connection with the Restructuring to serve as the holding company for the coal mining operations and the coking business of the Company and certain related businesses other than the Company's Business. New World Resources B.V. will be converted into New World Resources N.V. prior to consummation of the Offer. The Company represents the most significant holding in the RPG Group.

## **6. THE RESTRUCTURING AND THE RECAPITALISATION**

Following RPG Industries Limited's acquisition (through its wholly owned subsidiary Charles Capital) of the majority interest in Former OKD in November 2004, through the acquisition of Karbon Invest (Former OKD's majority shareholder) in November 2004, between 2005 and 2008 the current shareholders of the Company and the Company's predecessor effected a Restructuring of the business held by the Company and the Company's predecessor to (i) consolidate the shareholdings of Former OKD, ČMD and Metalimex by squeezing out all minority shareholders; (ii) consolidate all mining business of Former OKD Group into Former OKD itself by a series of mergers; (iii) demerge certain non-coal and coke producing businesses from Former OKD, thereby creating OKD, DPB, Doprava and other entities; (iv) convert RPG Industries Limited into RPG Industries Public Limited and merging that company with its wholly owned subsidiaries Charles Capital and Karbon Invest so that the successor entity, RPGL, directly owned OKD and all other entities demerged from Former OKD (see (iii) above), (v) establish the Company as a subsidiary of RPGL and then transfer DPB and Doprava to the Company; (vi) establish the Company's subsidiary GGI and enter into a transaction with shareholders of GGIL whereby such shareholders contributed to GGI all their shares in GGIL in exchange for approximately 30% of the shares in GGI and the Company contributed all its shares in DPB and cash in exchange for approximately 70% of the shares in GGI, (vii) transfer GGI to RPGL and distribute its shares in NWRT (to which Doprava had been contributed) to RPGL after which RPGL increased its stake in GGI to 75%, (viii) cause OKD to transfer OKK, its coking business, and certain real estate to NWR Coking a.s. and (ix) cause OKD to then transfer Karbonia to the Company.

## **7. ESTABLISHMENT OF THE DIVISIONS**

With effect from the Commencement Time, the Company established two divisions in the Company which act as separate accounting and reporting units, consisting of the Mining Division and the Real Estate Division.

## **8. RELATIONSHIP BETWEEN THE MINING DIVISION AND THE REAL ESTATE DIVISION**

The Divisional Policy Statements are a standard for the duties and responsibilities of the Board and the various other layers of management within the Company in relation to the management of the Assets of the Real Estate Division and the interaction between the Divisions that was adopted by the Board pursuant to the provisions of the Articles of Association and approved by the Company's sole shareholder, RPGL.

## **9. COAL MINING OPERATIONS**

The Company's hard coal mining business is conducted through OKD, a wholly-owned direct subsidiary of the Company. OKD produces coking coal for use in steel production and high quality steam coal for use in electricity generation. The Company sells coking coal to steel production companies and

foundries in either its raw form or as coke. Approximately 56% of the Company's external coal sales tonnage in 2007 was coking coal. Steam coal, which accounted for the remainder of the Company's coal sales, is used by utilities, heating plants and industrial companies to produce steam and electricity. Steam coal prices have tended to increase to the extent energy demand increases and supply diminishes. Steam coal margins are lower than coking coal margins.

The Company's mining operations are conducted in five active mines in the Upper Silesia Basin of the northeastern region of the Czech Republic. Each active mine has its own processing plant, which receives, processes and blends coal.

In 2007, OKD sold approximately 13.1 million tonnes of coal, of which approximately 7.8 million tonnes was sold as coking coal (of which 1.0 million tonnes was sold to OKK) and 5.3 million tonnes was sold as steam coal. In 2007, the Company's coal operations generated external revenues on an EXW basis of EUR 833 million, of which 70% was coking coal revenues.

### 9.1 Coal Characteristics

Coal found in the northeastern region of the Czech Republic tends to have a much higher heat value than coal found in other parts of the Czech Republic. The Company's coal is generally bituminous with high BTU, low (<1%) sulphur level and volatile matter averaging 17% to 22% at the Paskov mine and 27% to 32% at other mines. These are characteristics of coking coal, which is essential for steel production, that are found in over half of the Company's coal reserves.

Bituminous coals are classified according to vitrinite reflectance, moisture content, volatile content and are graded according to calorific value, the amount and nature of ash yield and sulphur content. Generally, the highest value bituminous coals are those which have a specific grade of volatility and ash content, especially with low carbonate and sulphur content.

Plasticity is essential for coking and steel making, where the coal must be able to mix with the iron oxides during smelting. This is measured by the Free Swelling Index test. The Swelling Index is used to select coals for coke blending.

The Swelling Index of coal is a measurement of its increase in volume when heated under prescribed conditions. The test consists of heating several 1 gram samples of pulverised coal in a silica crucible over a gas flame under prescribed conditions to form a coke button, the size and shape of which are then compared with a series of standard profiles numbered 1 to 9 in increasing order of swelling. The higher the number the better coking qualities.

The heat content of sub-bituminous coal ranges from 17 to 24 million BTU/short tonne (20 to 28 MJ/kg) on a moist, mineral- matter-free basis. Sub-bituminous coal is used almost exclusively by electric utilities and some industrial customers.

<b>OKD's Coking Coal Quality</b>	<b>Mine</b>	<b>Swelling index</b>	<b>Volatile matters</b>	<b>Sulphur content</b>
Hard coking coal.....	Paskov	8.1	18.7	0.60%
Hard coking coal.....	ČSM	7.1	26.3	0.60%
Semi hard coking coal .....	Darkov	7	27.1	0.43%
Semi soft coking coal.....	ČSA	3	28.5	0.45%
Steam coal .....	Lazy	7	28	0.74%

Source: The Company

Generally the Company's coking coal has a heat value which ranges from 28 to 30 MJ/kg (19 to 26 BTU/short tonne).

For the Company's steam coal, the general characteristics are:

- Heat content 28 to 31 MJ/kg (20 to 27 BTU/short tonne) for the high quality steam coal and 15 to 25 MJ/kg (13 to 21 BTU/short tonne) for the standard quality steam coal.
- Ash content for the high quality steam coal is 5 to 10% and for the standard quality steam coal 20 to 45%.

## 9.2 Coal Mines

The Company's hard coal reserves are situated in 8 mining areas in the Karviná and Ostrava regions of Upper Silesian basin. The coal deposits in the Karviná region, where all OKD mines except for Paskov are located, feature seam thickness ranging from less than 1 metre to 8 metres. The coal deposits in Ostrava region, where the Paskov mine is located, have usual seam thickness from 0.5 to 1.2 metres, while the coal found there shows the highest quality parameters.

As at 31 December 2007, and until 31 March 2008 the Company had five mines: Darkov, ČSM, ČSA mine, Lazy mine and Paskov. On 1 April 2008, the Company consolidated the administration of Lazy mine and ČSA mine under the name Karviná mine. The operating and statistical data in this annual report shows Lazy mine and ČSA mine as separate mines. The Company's five mines have 23 shafts extracting coal from the depth ranging from 600 to 1,100 metres below the surface. Darkov, ČSM, ČSA and Lazy are connected through underground tunnels and railways on the surface.

### Location of OKD Mines in the Ostrava/Karviná region



Source: The Company

The following provides a description of the operating characteristics of the principal mines and reserves of each of the Company's mining operations as of 1 January 2008 and for the year ended 31 December 2007.

#### Overview of Operating Mines

	<u>Units</u>	<u>Darkov</u>	<u>ČSA</u>	<u>Lazy</u>	<u>Paskov</u>	<u>ČSM</u>	<u>Total</u>
Proved and probable reserves .....	th.tonnes	51,297	68,872	25,904	27,807	55,214	229,094
Washing plant capacity .....	tonnes/hour	1,800	1,400	540	750	1,300	5,790
Mine Production (2007) .....	th.tonnes	3,940	2,805	1,870	1,110	2,730	12,455
Extraction from surface coal waste deposits .....	th.tonnes	222	220	0	0	0	442
Saleable production (2007) .....	th.tonnes	4,162	3,025	1,870	1,110	2,730	12,897
Number of shafts .....		5	5	3	6	4	23
Number of sites .....		2	1	1	1	2	7
Average number of longwalls (2007) ..		7	6	4	6	6	29
Lifespan .....	years	21	12	18	20	21	18
Number of workers							
—Employees .....		3,646	2,708	2,243	2,966	3,302	14,865
—Contractors <sup>(1)</sup> .....		1,115	866	271	453	690	3,395
Total .....		4,761	3,574	2,514	3,419	3,992	18,260

Source: The Company

(1) Estimate.

As of 1 April 2008, OKD consolidated the management of two of its mines, Mine Lazy and Mine ČSA, under a new business unit called Karviná Mine.

#### 9.3 Brief History of Mines

##### ČSA Mine

The ČSA mine originally consisted of two mines, Jindřich and Františka, which were founded in 1856. Other mines that belong to ČSA today were founded as follows: Karel—1859, Jan—1860 and Hlubina—1870. In 1951, the mines were merged into one mine currently known as Jan-Karel.

Shaft Versuch was drilled in 1822 and the Eleonora mine was founded in 1854. In 1883, the mines were merged into the Doubrava mine, which was merged with ČSA in 1995.

##### Darkov Mine

Mining in the area where the Darkov mine is located began in 1853 in the Gabriela mine. The Hohenegger and Austria mines began production in 1883 and 1907, respectively. These mines were merged in the 1950s. The Závod 2 site began operations in 1982.

##### Lazy Mine

The construction works at the Lazy location began in 1890 under the name Neuschacht Lazy. Until 2006, Lazy also included the Dukla mine site, founded in 1907. In 2006, the Dukla site was transferred to Paskov and is currently being closed down.

## Paskov Mine

Paskov, with its one active site in Staříč, is the only active mine in the Ostrava region. The original Paskov site was founded in 1960, began operations in 1966 and closed in 1999. The Staříč site was founded in 1963 and began operations in 1970. In 1994, the Paskov and Staříč sites were merged into Paskov.

## ČSM Mine

The construction works for ČSM located in Karviná began in 1958 and operations began in 1969. In 2005, ČMD, which owned ČSM, was merged with OKD.

### 9.4 Mine Closures

During the period from 1992 to 2003, the Company closed and liquidated 8 mines, 3 ineffective localities and 62 shafts. In 2006, the Company commenced liquidation of the Dukla Mine and 2 shafts at Doubrava. The last remaining shaft at Doubrava is expected to be liquidated in 2008. Demolitions and terrain works for the Dukla Mine and Doubrava are expected to be completed in the first quarter of 2009. All costs connected with liquidations of mines since 2004 are borne solely by the Company. In 2004, 2005 and 2006, the Company incurred costs connected with mine closures of approximately CZK 127.6 million, CZK 209.9 million and CZK 144.9 million, respectively. For the year ended 31 December 2007, the Company incurred costs connected with mine closures of approximately CZK 389.9 million.

The process for closing and liquidating mines is regulated by Czech mining law. The District Mining Authority must approve all liquidation works in shafts and underground.

In general, mine liquidation includes sealing underground and shafts, demolition of unusable surface buildings, providing social benefits for employees who were laid off, and landscape reclamation or remediation. For shaft liquidation (filling the shaft), the Company uses hardened (mixture of ash and cement) and non-hardened (waste rock) material. Hoist tower, compressors, mining fans and other buildings are demolished during mine liquidation.

### 9.5 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 administered by Odra Mine to a state-owned company, DIAMO, s.p.

Effective 2004, OKD sold the 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. in a similar transaction.

By operation of law, OKD is the statutory guarantor of the obligations assumed by DIAMO, s.p. and PKU existing at the time of the transfer.

### 9.6 Coal Mining Techniques

There are two main types of coal mining methods: underground mining and open-pit mining. There are two forms of underground mining extraction procedures: longwall mining and room-and-pillar mining. Longwall mining is an established coal mining technique widely used in Europe, South Africa, the

United States, and Australia, among other places, while room-and-pillar mining is used especially in the United States and Canada.

The Company engages in underground mining and currently employs the longwall mining system to extract coal from each of its five mines, generally utilizing equipment purchased from German, Polish, Austrian and Czech manufacturers. Development is by means of single entry gate-roads and access tunnels. All five mines are operated under a relatively deep cover, ranging from approximately 600 metres to 1,100 metres, and are accessed by vertical shaft openings. As of April 2008, the Company operated 23 mining shafts. Coal seams range in thickness, from 1 to 8 metres.

In longwall mining, large panels of coal are identified during the development stage of the mine and are then extracted in a single continuous operation. Longwall mining is a fully mechanised underground mining technique in which the mining face is supported by hydraulic props and/or mainly with shield supports, while the coal is excavated by a coal shearer and/or coal plough and then transported to the surface by electric conveyor belts. Road headers and/or drilling and loading machines are used to develop access to long rectangular blocks of coal which are then mined with longwall equipment, allowing controlled subsidence behind the advancing machinery. After the mining of a particular longwall panel has been completed, the longwall system is moved to a new mining area.

The key characteristics of longwall mining include high productivity, comparatively high reserve recovery rates, safety and reliability. Longwall mining is most effective for large blocks of medium to thick coal seams. High capital costs associated with longwall mining demand a large, contiguous reserve base. Ultimate seam recovery of in-place reserves using longwall mining can reach more than 70%. This is much higher than the room-and-pillar mining underground method.

Although the Company does not currently engage in the room-and-pillar method, the Company has probable reserves available within the current mining areas which could be extracted provided that there is no surface subsidence, these include Darkov Spa and Karviná Town areas. The Company has developed conceptual mine plans to extract the coal from various seams in these areas using continuous mining and partial extraction leaving support pillars which include the room-and-pillar method.

#### Productive shafts at OKD mines as of April 2008

Mine	Plant	Name of the shaft	Shaft entrance	Shaft bottom	Total length
			on the surface (metres above sea level)	(metres below sea level)	(metres)
Darkov.....	Plant 2	Output shaft Mír 4	236.8	776.0	1,012.8
		Input shaft Mír 5	235.1	676.0	911.1
	Plant 3	Input shaft Da 1	233.6	665.4	899.0
		Input shaft Suchá—Stonava I	282.5	534.4	816.9
ČSA .....	Plant ČSA	Output shaft Suchá—Stonava III	282.5	530.4	812.9
		Input shaft 1(Jan)	234.0	727.9	961.9
	Input shaft 2 (ČSA 2)	234.0	724.0	958.0	
	Output shaft ČSA 3	230.0	775.0	1,005.0	
	Output shaft 1 (Eleonora)	278.0	510.4	788.4	
	Output shaft Do III	281.5	895.0	1,176.5	
Lazy .....	Plant Lazy	Input shaft 2	261.2	589.4	850.6
		Input shaft 5	261.7	585.4	847.1
		Output shaft 6	261.7	643.4	905.1
Paskov .....	Plant	Output shaft I/1	273.5	304.6	578.1
		Input shaft I/1	273.4	633.0	906.4
		Output shaft II/3	305.5	614.1	919.6
		Input shaft II/4	305.5	850.0	1,155.5
		Output shaft III/5	305.5	455.5	761.0
		Input shaft III/6	305.5	642.8	948.3

ČSM.....	ČSM Sever	Input shaft	272.6	831.8	1,104.4
		Output shaft	272.6	732.0	1,004.6
	ČSM Jih	Input shaft	277.9	826.0	1,103.9
		Output shaft	278.1	695.0	973.1

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Source: The Company

All of the raw coal mined at the Company's longwall mines is washed in preparation plants to remove ballast. The processing capacity of the washing/processing plants is designed to average the variations of the coal production volumes and coal quality within the seam(s) to get a homogenous product in terms of physical and chemical parameters. Generally, the Company uses three coal processing methods:

- Rough selection—first level of sorting, where the major impurities (such as large stones, wood, debris and metal) are eliminated by a system of screens.
- Washing—second level of sorting, where the larger grains (approximately 40 mm) are separated by washing and smaller grains (0.5-40 mm) are separated in washboxes and drawboys (at all mines except at Lazy) or heavy hydrocyclones and heavy sorting tanks (at Lazy only).
- Flotation—third level of sorting, where the smallest particles (0-0.5 mm) are separated by flotation methods (at all mines except for Lazy).

Each mine has its own coal processing unit specifically designed for the quality of coal produced by mining and for the final products delivered to the customer.

## 9.7 Coal Reserves

An international consulting firm conducted an independent review of the coal reserves at the Company's mines. This review included site visits to the mines to collect data and review the operations. Subsequent to the site visits, it reviewed the available information and conducted economic evaluations. Moreover, it reviewed the methodologies and data used by the Company and used to develop the Czech reserve estimates. Based upon its review, it believes that the resource estimates, on which it based its estimates of the Company's coal reserves, are consistent with prudent engineering practices. As at 1 January 2008, the Company had total proved and probable coal reserves of approximately 419 million tonnes of proved and probable reserves (including the probable reserves at Dębieńsko) and approximately 229 million tonnes of proved and probable reserves (excluding the probable reserves at Dębieńsko).

Of the approximately 229 million tonnes of proved and probable reserves (excluding the probable reserves at Dębieńsko), approximately 137.3 million tonnes are probable reserves, that the Company expects to be mined at operations that were active as of 1 January 2008. The remaining amount, approximately 91.8 million tonnes, are probable reserves for future development and, in most instances, would require new mining equipment and development work before the Company could commence coal mining.

The table below summarises the locations and coal reserves in thousands of tonnes of the Company's active mines according to the JORC Code as of 1 January 2008. The Company owns

approximately one third of the land that the Company mines with the remaining land owned by the Czech government and third parties.

### Coal Reserves as of 1 January 2008

Classification of Reserves	Operating Mines						Dębieńsko Development Project	Total
	ČSA	Darkov	Lazy	Paskov	ČSM			
	(in thousands of tonnes)							
Proved reserves .....	32,551	30,801	22,687	13,918	37,302	—	137,259	
Probable reserves .....	36,321	20,496	3,217	13,889	17,912	189,858	281,693	
Proved and probable reserves .....	68,872	51,297	25,904	27,807	55,214	189,858	418,952	

Source: Mining Expert Report

The Company's reserve estimate is based on geological data assembled and analyzed by its staff of geologists and engineers. Reserve estimates are periodically updated to reflect past coal production, new drilling information and other geological or mining data. Acquisitions or sales of coal properties will also change the reserve base. Changes in mining methods may increase or decrease the recovery basis for a coal seam as will plant processing efficiency tests.

#### 9.8 Coal Extraction and Production

In 2007 the Company sold 13.1 million tonnes of coal, substantially all of which was extracted from underground and the remainder of which was produced from surface coal waste deposits, which had been created in the past. The contribution of individual mines to the total coal production between 2005 and 2007 is depicted in the tables below.

#### Mine Output

	2005			2006			2007		
	Coking coal	Steam coal	Total	Coking coal	Steam coal	Total	Coking coal	Steam coal	Total
	(in thousand tonnes)								
Darkov.....	2,385	1,465	3,850	2,777	1,168	3,945	2,919	1,021	3,940
ČSA .....	948	1,722	2,670	1,261	1,649	2,910	1,016	1,789	2,805
Lazy .....	597	2,239	2,836	4	2,006	2,010 <sup>(1)</sup>	81	1,789	1,870
Paskov .....	921	71	992	1,190	325	1,515 <sup>(2)</sup>	1,062	48	1,110 <sup>(4)</sup>
ČSM.....	2,286	119	2,405	2,507	118	2,625	2,596	134	2,730
<b>Total Mine Output .....</b>	<b>7,137</b>	<b>5,616</b>	<b>12,753</b>	<b>7,739</b>	<b>5,266</b>	<b>13,005<sup>(3)</sup></b>	<b>7,674</b>	<b>4,781</b>	<b>12,455<sup>(5)</sup></b>

Source: The Company

- (1) The mine output figures for Lazy decreased in 2006 as a result of the transfer of the Dukla site from Lazy to Paskov on 1 February 2006.
- (2) The mine output figures for Paskov increased in 2006 as a result of the addition of the Dukla site to Paskov on 1 February 2006.

- (3) 13,005 thousand tonnes in the production of coking and steam coal from the mines only. Sludge ponds produced another 400 thousand tonnes of steam coal in 2006, making a total production of 13,405 thousand tonnes.
- (4) The mine output figures for Paskov for the year ended 31 December 2007 decreased as compared to the year ended 31 December 2006 as a result of the closure of the Dukla site at Paskov on 1 January 2007.
- (5) 12,455 thousand tonnes in the production of coking and steam coal from the mines only. Sludge ponds produced another 442 thousand tonnes of steam coal in 2007, making a total production of 12,897 thousand tonnes.

## **10. PROJECTS AND PROSPECTS**

The Company is pursuing several projects and prospects in the Czech Republic and Poland. The projects are categorised as follows:

### **10.1 Frenštát Mine**

Frenštát is located 30 kilometres south of Ostrava. The resource was identified and preliminary drilling was performed in the 1980s; however, after the collapse of communism, further development was halted. The Company has the right to develop this mine and is currently evaluating the economic feasibility of developing the resources, considering such factors as the quantity and quality of resources at Frenštát, the length of time required to develop such resources, its ability to obtain any relevant mining or other governmental permits and to work with any relevant local and governmental authorities. The Company believes that this mining area could potentially provide the Company with additional coal resources and has engaged a third party consultant to evaluate this opportunity.

Frenštát is not an operational mine and the development of Frenštát into an operational mine would require mining and environmental permits, approvals from and agreements with municipal authorities and significant capital expenditures.

### **10.2 Polish Development Projects**

#### **10.2.1 *Dębieńsko mining region, Poland***

The Dębieńsko mine is located in southern Poland, in the northwestern part of the Upper Silesia basin, near the city of Rybnik, approximately 40 kilometres from the border of the Czech Republic. The Dębieńsko mine was previously operated by various Polish companies until 2000 when Gliwicka Spółka Węglowa terminated mining due to lack of financing that would enable further development into depth in excess of 750 metres below surface.

In early 2006, the Company started to develop this project, aimed at accessing and mining seams in the region between 750 metres and 1,400 metres below surface. The Company commenced the preparation of the conceptual study that addressed all the important aspects of the project, including calculation of the reserves and limiting factors, underground and surface design and mining plan. On 31 August 2007, the Minister of Environment of Poland approved the Company's proposal providing for 2,800 thousand tonnes of saleable coking coal per year. Following such approval, the Company has a two-year exclusive period during which it may request to be granted the concession to mine the Dębieńsko resources. The Company, through close coordination with the relevant municipalities which would be affected by the mining activities, also completed the EIA which was submitted to the governor of the region for approval on 10 September 2007 and was accepted and approved in February 2008. The

Company has also finalised all other documentation required for the submission of the license application including the mining plan, together with all supporting documentation and filed the application with the Polish Ministry of Environment on 3 March 2008. The Company has also commenced a process which is aimed at the acquisition of key surface infrastructure in the area, including land and selected buildings which could be utilised in the Company's future mining operations. The Company had the mining concept and all supporting documentation reviewed by DMT and believes that there are approximately 189.9 million tonnes of probable reserves, of which substantially all is coking coal and over 50% of which is contained in thick seams greater than 1.5m offering potential for large longwall panel dimensions and thereby offering the possibility of mining the resources at a lower cost. The Company has engaged a mining consultant to carry out a feasibility study (which is not yet complete) to determine when the expected start of production will be. While actual shaft construction could be achieved in less than four years, taking into account land acquisition, mining rights, surface site preparation, contract mobilisation and underground workings and development, the total development process will take longer. It is estimated that the initial investment into the Dębnie project prior to full production will be in the range of EUR 0.6 billion to EUR 0.8 billion.

#### *10.2.2 Morcinek mining region, Poland*

Morcinek is located in southern Poland, next to the border with the Czech Republic in the area of a former mining district Kaczyce. This mining district is situated in the southern part of Upper Silesian coal basin. The last mining activity was commenced on the Morcinek mine by JSW in 1986 and in the following 12 years only 10 million tonnes of coal was extracted. Production at this mine was terminated in 1998 and the mine was liquidated at the end of 1999.

The Morcinek project was initiated by the Company around 2002 with the initial objective of accessing coal in the southern part of this mining district using mine and surface infrastructure of the ČSM mine after drainage of abandoned mine workings of the Morcinek mine. The Company has since acquired the relevant documentation and exploration concession enabling it to prepare the conceptual study and also acquired a license to extract coalbed methane from the area.

In the first phase of the Morcinek project, the Company intends to access coal from the existing facilities. These cross-border mining activities will be regulated by the Czech-Polish treaty that has been agreed by the intergovernmental committee and is now subject to ratification and signature by the respective governments and legislators. It is expected that this will be completed in June 2008.

The second phase of the project envisions the Company sinking a new shaft within the district territory and opening an access route to the central parts of the mining district. The Company believes that cooperation on the project with JSW would be mutually beneficial for both companies and has engaged in discussion with representatives of JSW. On 16 October 2007, the Company entered into a Letter of Intent with JSW which outlines the objectives of both parties and key milestones of the project.

Neither Dębnie nor Morcinek, however, is an operational mine and the development of either mine into an operational mine would require mining and environmental permits, approvals from and agreements with municipal authorities and significant capital expenditures.

## **11. COKE PRODUCTION**

The Company produces coke in five coking batteries located near its mining operations for a combined capacity of approximately 1.3 million tonnes per year. These coke production operations are conducted through OKK, a wholly-owned subsidiary of the Company.

Approximately 67% of the coking coal used by OKK in 2007 was produced by OKD. Coke is sold by OKD's Sales and Marketing department, together with other coal products. In addition to coke, OKK produces by-products such as washed coke gas, tar, benzene, ammonium sulphate and fluid sulphur. To produce coke, coking coal is heated to high temperatures in specialised facilities called coking batteries. These batteries produce a solid carbonaceous material that, along with iron ore, is a key input for steel production.

OKK operates two coking plants with a total of five coking batteries. In 2007, OKK produced 1.34 million tonnes of coke, of which 0.44 million tonnes was foundry coke and the remainder was blast furnace coke, heating coke and technological coke.

The Šverma facility produces blast furnace coke via two conventional top charging coke batteries each with approximately 70 ovens per battery. Each oven has a capacity of 15 tonnes of coke per load with coking time of 18 to 22 hours.

The Svoboda facility uses the stamp charging process to produce foundry coke. The facility comprises three batteries, with approximately 50 ovens per battery. Typically capacity of the ovens is 21 tonnes of coal yielding 16 tonnes of coke per load on average with coking time of approximately 32 hours.

One of the two coking batteries operated by the Šverma coking facility is expected to have its useful life end in 2011 at which time, absent a refurbishment, it will cease operations. The Board recently agreed to construct a new coking battery at the Svoboda coking facility, which is expected to cost approximately EUR 70 million. The Directors intend to maintain the Company's current coke production capacity. In addition, to maintain coke production, the Company will require additional investments to finance the refurbishment of, or technological improvements at one or more of its facilities, or the construction of another coking facility. The Company has not yet determined which of such options to pursue or the timing of pursuing any of these options. The Company has retained an engineering firm to evaluate the costs and time frame for construction of new coking facilities and refurbishing the existing facilities. Pursuing any of the foregoing options would require significant additional capital expenditures.

The following table represents the Company's coke sales for 2005, 2006 and 2007.

#### Coke Sales

	<u>Units</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Production.....	<b>'000 tonnes</b>	1,300	1,333	1,340
Sales.....	<b>'000 tonnes</b>	1,145	1,310	1,262
Revenues (on EXW basis).....	<b>CZK million</b>	6,177	5,340	6,236
Price.....	<b>CZK per tonne</b>	5,395	4,077	4,941

Source: The Company

## 12. OTHER ACTIVITIES

### 12.1 General

In addition to the coal mining and coke production business, the Company's Mining Division is involved in a number of other activities that support the Business, including supply of technology equipment, mining rescue services, lumber mill operation and wood processing, emissions trading and electricity trading.

## 12.2 Energy Related Assets

As an ancillary and supporting business to the Company's coal and coking businesses, the Company is engaged in various energy related activities consisting of (i) the procurement and distribution of electricity and natural gas, (ii) the production of heat, compressed and steam, in its own generating plants and through the distribution of heat, compressed and steam, via its own distribution network. The Company is, however, reviewing legal, technical and operational aspects of the energy assets held by its various subsidiaries with a view toward consolidating these energy assets and establishing one or more separate subsidiaries under a new business unit. As part of this internal restructuring, the Company expects to manage its energy assets as a separate business unit. This review of its energy assets and services is still underway and is not complete. The energy assets include 100% of its shares in CZECH-KARBON, s.r.o., an energy trading company, that is currently a subsidiary of OKD and which provides substantially all electricity for the Company. Whilst the Company is in the process of assessing the Company's energy assets, the Company does not expect the accounting value of its energy assets to exceed 3% of the Company's total assets.

In addition, as a part of its review of its energy assets and services, the Company is separately considering a potential sale of the energy business after its consolidation to a major European provider of energy services as an outsourcing arrangement. Any sale of the energy business is intended to occur concurrently with the Company entering into a long term energy services supply agreement with the buyer and a coal sale agreement with such buyer. After any such sale, the buyer would operate the energy assets and serve as a primary supplier of energy services to the Company. The Company has had discussions with interested buyers but has not entered into any binding agreement with respect to any sale of its energy business, nor with respect to any supply agreement for energy services, nor any coal sale agreement. There are no assurances on the terms of such sale, energy supply or coal sale agreement nor whether any such sale will occur, nor whether any energy supply or coal sale agreements will be entered into.

The Company does not expect to sell the energy assets to RPII or any other affiliate. The proceeds of any sale would be expected to be reinvested in the business. See subsection of this document entitled "Risk Factors—Risks Relating to the Company's Business and Industry".

## 12.3 OKD, Bastro, a.s.

The Company is currently reviewing the reorganisation of services provided by OKD, Bastro, a.s., a subsidiary which performs maintenance for both the Company and third parties. The reorganization is expected to involve (i) a transfer of energy related assets and employees to a newly established business unit within the Company, (ii) a transfer of the intragroup maintenance related services, assets and employees to OKD, (iii) a disposal of certain surplus assets and (iv) a disposal of the external maintenance business to a third party. Currently, the assets of OKD, Bastro, a.s. amount to less than 1% of the Company's assets.

## 13. SALES AND MARKETING

The Company is the largest producer of hard coal in the Czech Republic in terms of tonnage, serving a large portion of total demand for hard coal in the Czech Republic. Hard coal produced in the Czech Republic is primarily consumed in Central Europe by the local mills of multinational steel companies and regional utilities.

Coal and coke products of OKD and OKK are sold via OKD's internal sales department. Deliveries to municipalities, small businesses and households are provided through the contracts with wholesalers.

The following table shows total coal and coke sales on EXW basis for the Company.

**Total Coal and Coke Sales**

<b>(EUR million)</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Total coal sales</b> .....	<b>888</b>	<b>871</b>	<b>942</b>
<b>Coking coal sales</b> .....	<b>631</b>	<b>613</b>	<b>689</b>
Volumes (in thousands of tonnes) <sup>(1)</sup> .....	6,970	7,767	7,828
Price (EUR/tonne).....	91	79	88
<b>Steam coal sales</b> .....	<b>257</b>	<b>258</b>	<b>253</b>
Volumes (in thousands of tonnes) <sup>(1)</sup> .....	5,771	5,707	5,283
Price (EUR/tonne).....	45	45	48
<b>Coke sales</b> .....	<b>207</b>	<b>188</b>	<b>225</b>
Volumes (in thousands of tonnes).....	1,145	1,310	1,262
Price (EUR/tonne).....	181	144	178
<b>Total coal and coke sales</b> .....	<b>1,096</b>	<b>1,060</b>	<b>1,167</b>

(1) Includes sales to OKK, a subsidiary of NWR.

Source: The Company

## 14. CUSTOMERS

The Company applies an integrated approach to customer service, by providing end-to-end services to customers, including mining, processing, marketing, sale, transportation and coking of coal products. By providing services in an integrated manner, the Company enjoys improved efficiencies of scale, is able to deliver coal at a lower cost, enjoys a more comprehensive relationship with its customers and can better ensure the quality and consistency of products delivered to its customers.

### 14.1 Coking Coal Customers

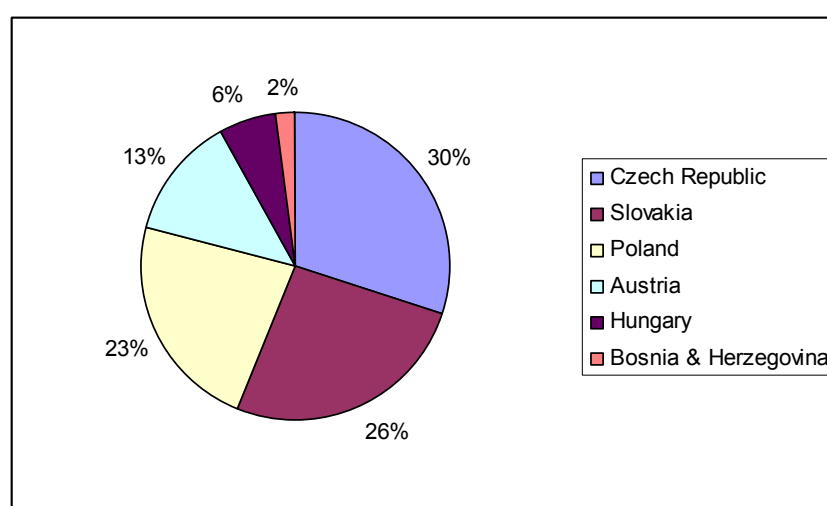
For the year ended 31 December 2007, the Company's top six coking coal customers generated approximately 84% of its third party coking coal revenues. The Company's six largest third party coking coal customers in such period were Arcelor Mittal Steel, U.S. Steel, Voestalpine Stahl, Moravia Steel, DBK and Zaklady Koksownicze Zdzieszowice. The customer base has not changed significantly over the past few years.

Steel ovens are calibrated for a certain coal quality and close proximity allows for reduced transport costs and more effective logistics planning. The primary facilities of two of the Company's largest steel customers are located within several kilometres of the Company's mines.

In some cases, customers operate ovens that are constructed to burn the type of coal mined by the Company. A change in supplier could result in increased costs to those customers and disruption to their production systems because changing suppliers could require them to recalibrate their ovens to use the coal which may have differing qualities. In addition, the logistics concerning the timing, transport and volume of deliveries could be more complex if the Company's customers were to switch to a coal provider where mines were more distant. The Company believes that, as a result of the inconvenience and potential for uneven end-products resulting from the use of coal from a different source, the risk of substitution by the Company's customers is low.

### Third Party Coking Coal Revenues (Year ended 31 December 2007)

#### By Territory



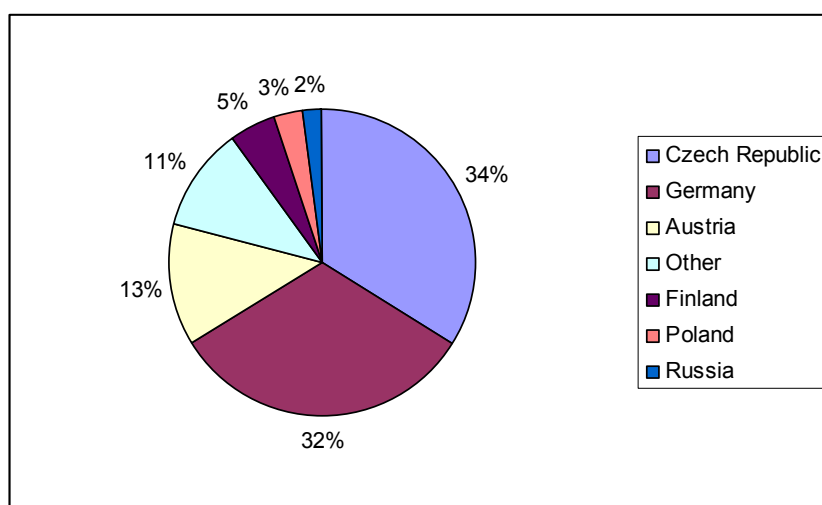
Source: The Company

## 14.2 Coke Customers

The Company's coke sales are more diversified than its coal sales, and the Company's top third party coke customers (Evonik Trading (formerly RAG Trading), Voestalpine Stahl, Moravia Steel, Arcelor Mittal Steel and ICS Trading AG) accounted for 78% of total coke revenues for the year ended 31 December 2007. There are three main groups of coke customers: blast furnaces, foundries and rock wool producers.

### Coke Revenues (Year ended 31 December 2007)

#### By Territory



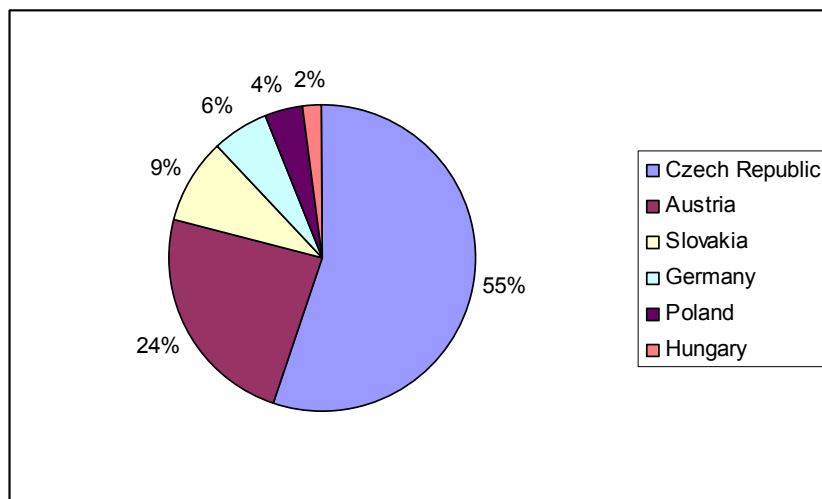
Source: The Company

## 14.3 Steam Coal Customers

The portfolio of steam coal customers is less concentrated than the portfolio of coking coal customers. For the year ended 31 December 2007, the Company's top six steam coal customers accounted for approximately 65% of total third party steam coal revenues. Exports of steam coal accounted for 45% of the total steam coal revenues during such period. The biggest customers are usually heat and power producers (e.g. ČEZ a.s., Dalkia, SWM and Verbund).

## Steam Coal Revenues (Year ended 31 December 2007)

### By Territory



Source: The Company

### 15. COMPETITION

The Company competes with other coal producers on quality of coal, proximity, transport systems, level of integration of services offered and customer relationships. The Company faces competition from coal produced in Poland, Russia and Ukraine as coal supplies from these countries are proximate to Central European customers. The Company believes that coal from international companies sourced outside Central Europe, Ukraine and Russia is not a significant threat due to high transport costs.

To take advantage of this relatively isolated market, the Company markets its coal predominantly to customers in Central Europe. These include regional and local companies as well as the local facilities of multi-national corporations. Polish, and to a lesser extent, Ukrainian and Russian coal producers represent the most significant competitive threat for the Company's market position in Central Europe. However, the Company is better positioned in countries to the south of the Czech Republic, where the Company faces less competition from Polish and Russian coal producers due to the greater distance between those countries and Poland and Russia.

Demand for coal and the prices that the Company will be able to obtain for its coal are closely linked to coal consumption patterns of the regional steel, heat and power generation industries, which have accounted for the majority of regional coal consumption in recent years. These coal consumption patterns are influenced by factors beyond the Company's control, including regional integrated steel capacity, the demand for heat and electricity, which is affected by economic activity and summer and winter temperatures in Central Europe, government regulation, technological developments and the location, availability, quality and price of competing sources of coal, alternative fuels such as natural gas, oil and nuclear, and alternative/renewable energy sources such as hydroelectric power, wind power plants and biomass.

Poland is an established supplier of steam and coking coal in the region. Polish mining operations are broadly comparable to the Company's mines in terms of overall geology and mining technology. Poland produced approximately 96 million tonnes of coal in 2007 of which approximately 1.7 million tonnes of coking coal and 8.5 million tonnes of steam coal were exported. Polish coal producers are all government controlled companies and, based upon the limited public information, the Company believes that these companies have overall lower productivity and higher production costs than the Company.

Given its proximity to the Company's customers and the quality of its coal, Polish producers remain the closest competitor to coal produced by the Company. However, the Company believes that the recent closures of mines by the Polish government have given the Company a competitive advantage in Central Europe, allowing the Company to capitalise on increased sales opportunities to continue to improve its market position within Central Europe generally and the Czech Republic in particular as compared to Poland.

While there are large reserves of coal in Russia, supplies of Russian coal to Central Europe are limited by infrastructure constraints, the lack of transport capacity and a reputation in the marketplace as being somewhat less reliable and of inconsistent quality.

The Company does not view the Ukrainian coal industry as a major threat. Ukrainian coal is generally of a poorer quality than that in the Czech Republic. In addition, exports of Ukrainian coal to Central European countries may be affected due to Ukraine's inability to meet its own domestic demand for coal.

## **16. LONG-TERM FRAMEWORK AGREEMENTS**

The Company and its coal customers generally enter into framework agreements that, in the Czech mining industry, are commonly referred to as long-term framework agreements. These agreements typically set forth quantities and prices, however, they generally do not commit the Company's customers to purchase any quantity of coal at any price beyond a one-year period. These long-term framework agreements are negotiated and entered into by the Company's wholly-owned subsidiary, OKD. The execution of a satisfactory coal supply agreement is frequently the basis on which the Company undertakes the development of coal reserves required to be supplied under the contract. A majority of all of the Company's sales volume of coal is sold under long-term framework agreements. At 31 December 2007, the Company's material long-term framework agreements had remaining terms averaging 2.5 years.

For the year 2007, a majority of the Company's coal sales volume was generated under long-term framework agreements. The Company's primary customer base is in Central Europe and most of its coal is sold within a 500 kilometer radius. OKD's long-term framework agreements with most of its key customers (U.S. Steel, Voestalpine Stahl, Moravia Steel, Arcelor Mittal Steel and Dalkia) extend through periods ranging from 2009 to 2016. The Company expects to continue selling a significant portion of its coal under long-term framework agreements.

The terms of these contracts do not vary significantly by customer except for coal quality requirements, quantity parameters and permitted sources of supply.

The nature of all of the Company's long-term framework agreements requires the parties to agree on a new price and quantity at specific times (typically annually). The Company sometimes experiences a reduction in coal prices in new long-term framework agreements replacing some of its expiring contracts to the extent the Company engages in such renegotiations at a time when the prevailing market conditions are not economically favourable.

Qualities and volumes of the coal are stipulated in coal supply agreements, and in some instances buyers have the option to vary annual or monthly volumes. Most of the Company's coal supply agreements contain provisions requiring it to deliver coal within certain ranges of characteristics such as calorific value, sulphur, ash, hardness and ash fusion temperature. Under some of the Company's contracts, the Company has a right of substitution, allowing it to provide coal from different mines as long as the replacement coal meets quality specifications and will be sold at the same delivered cost. Failure to meet these specifications can result in economic penalties, rejection of deliveries or termination of the contracts. The force majeure provisions generally contained in the coal supply agreements allow for the temporary suspension of performance by the Company or the customer during the duration of specified events beyond the control of the affected party, including events such as strikes, adverse mining conditions, mine closures or serious transportation problems that affect the Company or unanticipated plant outages that may affect the buyer. The Company has not been subject to any material penalties for failure to provide coal in satisfaction of contract provisions in the recent past.

The Company believes the supply contracts that it enters into with customers contain provisions and are negotiated in such a way which is consistent with Central European coal industry standards. It believes its strong relations with customers enable it to efficiently utilise this system.

All payments by the Company's domestic customers and U.S. Steel are in Czech korunas, while payments from its foreign customers are usually denominated in euros. The Company has not experienced in the recent past any significant problems in the timely payment by customers under its coal supply contracts.

The price of both the Company's domestic and export coal is determined primarily by market forces, which differ from market to market depending on the specific market environment and trends. Although market economics are a significant factor in the determination of the price the Company charges to its customers, the Company believes that its position as the leading Czech coal company allows it a greater ability in negotiating prices. The average EXW sales price of coal per tonne sold to third-party customers for the years ended 31 December 2005, 2006 and 2007 was EUR 66, EUR 62 and EUR 69, respectively.

## **17. SUPPLIERS**

In connection with the mining operations of the Company, more than CZK 20.5 billion was spent in 2007 to procure goods and services in support of its business activities, excluding capital expenditures. Principal purchases include transport, material and spare parts, electricity, maintenance and repairs and services (security, laundry, rescue squad, catering, etc.). The Company uses suppliers for a significant portion of its equipment rebuilds and repairs both on- and off-site, as well as construction and reclamation activities. Furthermore, the Company contracts part of its labour force (approximately 16.3% during 2007), and they are mainly from Poland, Slovakia and the Ukraine.

In May 2007, the new position of a Chief Procurement and IT Officer was established at the senior management level to oversee and enhance the procurement function of the Company. During the summer of 2007, the Company with the assistance of an outside adviser performed an extensive analysis of the overall procurement process in place and began implementing a centralised sourcing group which will be responsible for the negotiation and the procurement of mining equipment, spare parts, capital goods, contracted labour force, maintenance, repairs and other selected services. The implementation of the new procurement plan is expected to be completed within the next 12 to 18 months. The supplier base has been stable for many years, but there has been some consolidation. Wherever appropriate or possible, the Company seeks alternative suppliers to encourage competition (both in prices and quality) and to eliminate the risk of dependence on a single supplier. Nevertheless, the Company constantly seeks to broaden its potential supply base to encourage competition and thus reduce costs. The

Company seeks suppliers who identify and concentrate on implementing continuous improvement opportunities within their area of expertise.

Historically, the Company has relied on mining equipment produced mainly by German and Polish manufacturers which proved to best meet the Company needs because of the geological proximities of German and Polish mining industry. When the Company procures capital goods, it focuses on assessing the need to purchase spare parts during and after the guarantee period. However, in certain instances the Company is exposed to situations in which the number of alternative suppliers is very limited, such as with specialised equipment, which may reduce the extent to which the Company may be successful in encouraging price competition.

For the production of coke, the Company purchases part of the coking coal from other producers. There are several grades of coke and the basic grades are (in order of value per tonne) foundry coke, blast furnace coke and heating coke. Foundry coke is the most attractive product and heating coke is a valuable by-product. The individual coke grades can be further divided according to their physical and chemical characteristics, such as grain size and reactivity. These characteristics are driven by the composition of the coking charge and the method of processing. As coke demand is driven by physical and chemical characteristics, OKK must precisely balance the coking charge in the coking process. To get a quality coking charge, several grades of coking coal must be mixed together; for foundry coke, coke breeze is included in the charge. If coking coal with certain qualities is not produced by OKD mines, due to technological or geological reasons, such qualities must be purchased from other producers. For example, in 2007 the coking charges amounted to 1.56 million tonnes of coking coal, out of which approximately 33% was purchased from Poland. The ratio of own/purchased coking coal for coke production may vary depending on customers demand and availability of suitable OKD coal grades.

In addition, as it is involved in the mining industry, the Company is subject to the Public Procurement Act (as defined below). The Company is deemed to be a “sector contracting entity” pursuant to the Public Procurement Act. The Public Procurement Act affects public contracting entities, subsidised contracting entities and sector contracting entities. As a sector contracting entity, the Company is required to purchase supplies and services used for exploration and extraction of hard coal through a public procurement procedure in accordance with the Public Procurement Act. Major principles of legal regulation of public procurement are based on EU law and include in particular principles of transparency, equal treatment, non-discrimination, mutual recognition and proportionality. The Company assesses the applicability of the public procurement rules on a project by project basis, and believes it is in compliance with the Public Procurement Act.

## **18. TRANSPORTATION**

Currently, nearly all of the coal products that the Company sells are transported by railway, with the primary rail carriers being Doprava, a subsidiary of RPGI, the Company’s controlling shareholder, and České dráhy, a.s., a state owned railway operator. Transportation costs are normally borne by the purchaser. In addition, the Company has transportation agreements with Metalimex on the provision of rail transport services in various countries.

The Company’s coal transportation network, embodied in the form of a spur line of approximately 350 kilometres in length running from its facilities to several railroad stations operated by České dráhy, is owned and operated by Doprava. Doprava is one of the largest railroad haulage contractors in the Czech Republic. Doprava specialises in transport and logistics, providing rail and road transportation, handling and forwarding services for both the Company and third parties. Doprava also provides transportation logistics services (such as forwarding, vehicle hire and maintenance), operates natural gas filling stations, and maintains railways. See the section of this document entitled “Certain Relationships and Related

Party Transactions—Agreements with Indirect Shareholders and Certain of Their Affiliates—Agreements on Transport” for further details.

Doprava utilises its own fleet of approximately 100 locomotives and 2,400 railcars for transporting coal, coke and other bulk materials. Most of this fleet can be operated on Czech railroads as well as abroad. Maintenance and repairs are carried out at Doprava’s own locomotive depots and railcars service garages. Doprava also operates its own 350 kilometer-long railway network in the northeastern region of the Czech Republic.

Doprava was a former subsidiary of the Company before its distribution to the Company’s parent company, RPI, in June 2007. On 1 July, 2007, the Company entered into a framework agreement with Doprava for its transportation services in Poland and Belarus. Doprava also owns “last mile” rail tracks connecting the Company’s mines, and many of its significant customers to the railway network. The Company has the right to use these “last mile” tracks under agreements with Doprava which can be terminated on 18 months’ notice by either party. See the section of this document entitled “Risk Factors—Risks Related to the Company’s Business and Industry—Disruption in transport services or increases in the costs of transportation services could adversely impact the Company’s ability to deliver coal to its customers, which could cause a decline in the Company’s revenues and profitability” for further details.

## 19. GAS

Methane extracted from the Company’s mines during the exploration and production of coal is sold to DPB under a long-term framework agreement relating to each mine. The term of the original long-term framework agreement was scheduled to expire in 2015. The Company has amended the long-term framework agreement to extend the effectiveness of the agreement for the life of the relevant mines and to grant DPB an exclusive right to purchase methane from the Company under the same price formula.

DPB is also the Company’s supplier of nitrogen used in mines and certain specialised services related to safety at mines.

## 20. EMPLOYEES AND CONTRACTORS

For the year ended 31 December 2007, the Company employed an average of 18,360 employees (all allocated to the Mining Division) and 3,576 workers employed by contractors. During the fiscal year 2007, the average monthly wage of the Company’s employees was EUR 1,069; the average monthly wage of OKD’s employees was EUR 1,095; and the average wage of the other subsidiaries of the Company was EUR 893. The Company’s mining engineers, both at a senior and operating level, have extensive industry experience and are considered to be among the most experienced mining engineers in the Czech Republic.

The following is a summary of the Company’s average numbers of employees and contractors for the years indicated:

	For the year ended 31 December					
	2007	% of total	2006	% of total	2005	% of total
Own Employees .....	18,360	83.7%	19,952	83.8%	20,975	86.8%
Contractors.....	3,576	16.3%	3,871	16.2%	3,186	13.2%
Total.....	21,936		23,823		24,161	

Source: The Company

To increase flexibility in production, to reduce administration costs and to cover the lack of qualified underground workforce, the Company outsources certain mining and preparatory works to contractors, which are specialised companies that provide mining services with their own employees (mostly from Poland, Slovakia and the Ukraine). At the end of 2007, the vast majority of contracted workers hired by the contractors were part of the underground mining workforce. The Company hires and pays these labour contractors through contracting agencies on a project-by-project basis. The Company has relied on these contractors as a result of the decrease in its own employee base caused by the closure of many of the mining schools in the Czech Republic resulting from a decline in student enrolment. Czech citizens interested in underground work and meeting the health, age and certain education requirements are trained in a retraining scheme organised by the Company's own training institutions accompanied by further underground training organised by the mines and external training institutions.

The relationship with employees is governed by Czech law and collective bargaining agreements. For OKD, there is a 3 year collective agreement expiring 31 December 2008. However, the obligations of the collective bargaining agreements remain in effect until the earlier of the execution of a new collective bargaining agreement or 31 December 2009. Wages are negotiated annually. The social and financial benefits include contribution to pension insurance, an extra week of holiday for all employees above the minimum required under the labour laws in the Czech Republic, rehabilitative causes for underground employees, alimentionation contributions, extra bonuses for long-term employees, preventive medical checks, etc. Other companies in the Former OKD Group (with the exception of Czech-Karbon s.r.o.) have collective agreements similar to OKD.

The Company considers relations with its employees to be good as it has not experienced any work stoppages due to labour unrest or negotiations since 1990. As of 31 December 2007, 79% of the employees of the Company and its operating subsidiaries were members of trade unions. Relations with organised labour are important to the Company's success.

As a result of annual negotiations with labour unions, the Company expects the average employee wage rate for 2008 to increase by approximately 7% as compared to the same period in 2007.

## **21. INSURANCE**

The Company currently carries insurance against natural disasters, fire and consequent business interruption, theft and vandalism, and liability insurance and miscellaneous insurance such as car insurance, or insurance of electrical devices. The business interruption insurance covers the full value of potential or realised revenue losses resulting from major damage to the Company's property at an operational level.

In addition, the Company carries directors and officers insurance which provides coverage to former, current or future directors or officers of the Company for damages suffered in their capacities as directors or officers of up to CZK 1.5 billion for any one claim and in an annual aggregate.

OKK maintains liability insurance to the extent required by Act No. 59/2006 Sb. on prevention of major accidents caused by dangerous chemicals, as amended.

The Company currently does not carry insurance against damage to its underground structures and equipment. Moreover, the Company carries limited third party liability insurance. See the section of this document entitled "Risk Factors—Risks Relating to the Company's Business and the Industry—The Company's insurance coverage with respect to its operations may be inadequate and the occurrence of a significant event could adversely effect the Company's business, results of operations and financial condition" for further details.

## **22. INTELLECTUAL PROPERTY**

The Company has registered its trademark “NWR NEW WORLD RESOURCES” in the Netherlands, Belgium and Luxembourg and has applied for its registration in the EU and with the International Register of Marks maintained by the International Bureau of the WIPO under the Madrid Agreement and Protocol. Its trademark has been recently registered in the U.S.A., while other countries are reviewing the application. New World Resources Transportation B.V. the parent company for Doprava shares the “New World Resources” name, but intends to change its name following Admission.

OKD (and its subsidiaries) own no trademarks in Europe. Whilst the Company owns several European patents, it is not dependent on any of these patents for the operations of its business.

## **23. INFORMATION SYSTEMS**

The Company uses the SAP R/3 information system for accounting purposes. The Company maintains reserve information in secure computerised databases, and selected information is filed in hard copy as well. The ability to update and/or modify the reserve base is restricted to a limited number of qualified individuals and the modifications are documented.

In addition to the general support, the Company’s information systems and technology department develops customised information or accounting systems and customises SAP for the Company’s use, including:

- MIS—internal management information system developed by the Company;
- ASEP—employees records and registry—including, among others, access control, tracking/counting employees underground (according to legislation), personal protective equipment registry;
- Customised Information systems for coal production business units—including, among others, mining engineering (mining calculations, longwall records, etc.), operational control of mining (production monitoring, reserves monitoring, stoppages and breakdowns, etc.), quality and distribution management, business plan, statistics and security;
- Employee accounting registry—including, among others, wage calculation, social security, tax calculation, data transfers to other public institutions (health insurance companies, social security offices, etc.); the system communicates with SAP, MIS and ASEP;
- SMIS—information system for real estate management, which includes, among others, a real estate database, tenant registry and invoicing;
- GIS OKD—graphic information system developed for the Company, which contains, among others, land ownership registry (in connection with cadastral registry), media distribution networks and air photos; and
- Electricity trading system—supply diagrams, invoicing, SAP compatible.

## **24. PROPERTIES**

The Company’s production facilities are located in the Ostrava-Karviná area and the Paskov mine is located between Ostrava and Frýdek-Místek. The Company owns approximately 48.9 square kilometres of land, of which approximately 43.4 square kilometres are owned by OKD, with the remainder

owned by other direct or indirect subsidiaries of the Company. This real estate is part of the Real Estate Division. As part of the Mining Division, OKD has the option to purchase approximately 15 square kilometres of additional land from the Czech government at market price. If the option is exercised, such land shall be allocated to the Mining Division.

The Company has a considerable number of buildings, structures, undeveloped constructions and other real properties located on such land plots. The majority of these properties are owned by the Company. Some administrative buildings (e.g. OKD's headquarters and other real estate or land) are leased from one of RPGI's real estate holding subsidiaries. In certain exceptional cases, certain real estate (including administrative buildings) is leased from third party landlords.

The key assets allocated to the Real Estate Division which are owned by OKD consist of five coal processing and washing plants, approximately 40 transformation/switch stations and other production assets. The total office area of the 22 administrative buildings is more than 33,000 square metres.

The key assets owned by OKK are two coking facilities (five coking batteries in total), coke processing plants and chemical units and its administration building.

Certain of the Assets of the Real Estate Division described above are held in Rekultivace (part of the Real Estate Division), which holds a landfill and non-biological waste site in the town of Ostrava, an administrative building in the town of Havířov, three operational locations, an electrical ash dump and ten other non-operational locations, all situated between Ostrava, Havířov and Karviná towns in addition to operating the Company's land reclamation business. See the section of this document entitled "Business—Overview," "—Other Activities," for further details.

The Company intends to transfer the Assets of the Real Estate Division to the holder of the B Shares. Under the Divisional Policy Statements, the Mining Division has the right to maintain the undisturbed continuation of its mining, coking and related operations conducted on certain of the Assets of the Real Estate Division and is entitled to unrestricted access to such Assets of the Real Estate Division for use those mining operations.

## MANAGEMENT

### MANAGEMENT STRUCTURE

The Company has a one-tier board structure with a board of directors (*raad van bestuur*) consisting of executive and non-executive directors.

Dutch law only provides for a two-tier governance structure, i.e., a management board and a separate supervisory board. Dutch statutory law does not provide for a one-tier structure, i.e., a board consisting of executive and non-executive directors.

It is, however, established practice in the Netherlands to have a structure in the board of directors (*raad van bestuur*) which is similar to a one-tier structure. Although all members of the board of directors are formally directors (*bestuurders*), the Articles of Association may provide that certain directors have tasks and obligations which are similar to those of executive directors and other directors have tasks and obligations which are similar to those of non-executive directors. The Articles of Association may provide that some directors are responsible for the day-to-day management of a company and other directors are responsible for supervising the day-to-day management of a company. The number of executive and non-executive directors are determined by the board of directors, whereas the actual appointment of such directors shall be done by the general meeting of the shareholders of the Company. All responsibilities are subject to the overall responsibility of the board of directors. All statutory provisions relating to the members of the board of directors apply in principle to all members of a “one-tier board”.

The Board manages the Mining Division and the Real Estate Division. Day-to-day operational decisions relating to the Mining Division and Real Estate Division at the level of the Company are taken by the Company’s employees under the oversight authority of the Board. Because the Company is a holding company, the subsidiaries of the Company are managed by the respective board of directors and employees of the relevant subsidiaries, which in each case are wholly owned direct or indirect subsidiaries of the Company.

The Board has delegated to the Real Estate Committee (details of which are set out in subsection of this section entitled “Management—Real Estate Committee”) certain duties to oversee the Assets of the Real Estate Division and manage the interaction between the Mining Division and the Real Estate Division, except in relation to audit, accounting, and financial disclosure matters which will be dealt with by the Audit and Risk Management Committee (details of which are set out in subsection of this section entitled “Management—Audit and Risk Management Committee”) and dividends and distributions (on both a routine basis or on a winding up although the Real Estate Committee will still be required to provide its opinion to the Board on such dividends or distributions) which will be dealt with by the Board. The Real Estate Committee will, amongst others, act in an advisory role to the Board in relation to interpreting policies set out in the Divisional Policy Statements and advising on certain transactions relating to the Assets of the Real Estate Division.

### 2. POWERS, COMPOSITION AND FUNCTION OF THE BOARD OF DIRECTORS

The Board and each executive director is authorised to represent the Company on behalf of both of the Divisions and acts on behalf of the holders of all classes of the shares in the Company as well as other stakeholders.

The number of directors shall be determined by the Board in accordance with the Articles.

The general meeting of shareholders appoints the directors, based on the binding nomination of the Board, although pursuant to the Articles the meeting of holders of B Shares has the right to nominate

one director, as described below. The nomination must include the names of at least two candidates as well as whether the director is proposed to be an executive or non-executive director. A resolution to appoint a director nominated by the Board is adopted by an absolute majority of the votes cast, without a quorum being required. The general meeting may, at all times, overrule the binding nature of a proposal by resolution adopted with an absolute majority of the votes cast representing at least one-third of the Company's issued share capital. If an absolute majority of the votes cast is in favour of the resolution to overrule the binding nature of a proposal, but such majority does not represent at least one-third of the issued share capital, a second meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the portion of the issued share capital that this majority represents. If a binding proposal has been overruled by the general meeting, the general meeting may appoint a director at its discretion.

The Articles of Association provide that the general meeting shall appoint one director upon the binding nomination by the meeting of the holders of the B Shares. The general meeting may at all times overrule the proposal for nomination by resolution adopted with an absolute majority of the votes cast representing at least one-third of the issued share capital. If that absolute majority does not represent at least one-third of issued share capital, a second meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the portion of the issued share capital that this majority represents. If a binding proposal has been overruled by the general meeting, the general meeting may appoint a director at its discretion.

In the event the Board or the meeting of the holders of B Shares, as the case may be, has not made or has not made in time a binding nomination, the general meeting of shareholders may appoint a director at its discretion. A resolution to appoint a director who has not been nominated by the Board or the meeting of the holders of B Shares, as the case may be, is adopted by a two-third's majority of the votes cast, provided that at least half of the issued share capital is represented at the general meeting of shareholders.

In the event of a vacancy, the Board shall make a nomination to the general meeting. Pending one or more vacancies the Board remains properly constituted.

Unless the general meeting resolves otherwise at the proposal of the Board, a director is appointed for a maximum period of four years, whereby his or her term of office shall lapse on the day the annual general meeting of shareholders is to be held in the fourth year after the year of his or her appointment unless such director has retired beforehand. A retiring director is eligible for re-election. The Board has drawn up a retirement by rotation for the directors.

The directors may be suspended or dismissed at any time by the general meeting of shareholders. A resolution to suspend or dismiss a director is adopted by an absolute majority of the votes cast.

The Board is presided over by the chairman, appointed by the Board from among its members.

The non-executive directors supervise the policy and the fulfilment of duties of the executive directors, respectively, and the general affairs of the Company and they are furthermore entrusted with such duties as are or will be determined by or pursuant to the Articles of Association or a resolution of the Board.

The Board may appoint a person to act as company secretary. The company secretary administers, attends and drafts minutes of meetings of the Board, its committees and the general meetings and furthermore has such powers as are assigned to him or her by the Board on or after his or her appointment.

Pursuant to the Articles of Association, the Board can only adopt resolutions by a simple majority of the votes cast in a meeting where at least one half plus one of the members of the Board in office is present or represented. Each director has the right to cast one vote. In the event of a tied vote, the chairman has a casting vote. The Board can only adopt valid resolutions if all directors in office have been given notice of the meeting.

Without prejudice to the Articles of Association, resolutions of the Board regarding a significant change in the identity or nature of the Company or its business, shall require the approval of the general meeting, including in any event:

- a. the transfer of the business or the majority business of the Company to a third party;
- b. the conclusion or cancellation of any long-lasting cooperation by the Company or a subsidiary (*dochtermaatschappij*) with any other legal person or company or as a fully liable general partner of a limited partnership or a general partnership, provided that such cooperation or the cancellation thereof is of essential importance to the Company; and
- c. the acquisition or disposal of a participating interest in the capital of the Company with a value of at least one-third of the sum of the assets according to the consolidated balance sheet with explanatory notes thereto according to the last adopted annual accounts of the Company, by the Company or a subsidiary.

The prior or simultaneous approval of the meeting of holders of B Shares shall be required for resolutions of the Board to (i) acquire any real estate or other assets for the Real Estate Division or to mortgage, charge, grant a license, or otherwise encumber the Assets of the Real Estate Division (or any of them) and (ii) finance the Real Estate Division from third party funding sources. In addition, the prior or simultaneous approval of the Company's general meeting and the meeting of holders of B Shares shall be required for board resolutions to amend, change, modify, rescind or suspend all or part of the Divisional Policy Statements in relation to the fundamental and overriding rights of the Mining Division, the payments for use and access to the Assets of the Real Estate Division, the amount of costs for overhead and support services payable by the Real Estate Division and the principles contained in the remainder of the Divisional Policy Statements and other matters that would adversely affect the rights of holders of B Shares. The Board may amend, change, modify, rescind or suspend any other aspects of the Divisional Policy Statements, or make exceptions to them or adopt additional policies without the prior written consent of the meeting of the holders of the B Shares, but subject to prior consultation with the holders of the B Shares.

### 3. MEMBERS OF THE BOARD OF DIRECTORS

At the date of this annual report, the Board is composed of the following fifteen members:

<b>Name</b>	<b>Position</b>	<b>Age</b>	<b>Member as of</b>
Miklos Salamon .....	<b>Executive Director / Chairman</b>	53	1 September 2007
Marek Jelínek .....	<b>Executive Director / CFO</b>	35	6 March 2007
Klaus-Dieter Beck .....	<b>Executive Director</b>	53	12 June 2007
Zdeněk Bakala .....	<b>Non Independent Non-executive Director / Vice-Chairman</b>	47	15 August 2006
Peter Kadas .....	<b>Non Independent Non-executive Director / Vice-Chairman</b>	46	15 August 2006
Alex T. Krueger .....	<b>Non Independent Non-executive Director</b>	34	15 August 2006
Christiaan Norval .....	<b>Non Independent Non-executive Director</b>	49	12 June 2007
Milan Jelinek .....	<b>Non Independent Non-executive Director</b>	76	8 November 2006

Hans-Jürgen Mende .....	<b>Non Independent Non-executive Director</b>	64	15 August 2006
Pavel Telička .....	<b>Non Independent Non-executive Director</b>	42	11 September 2007
Bessel Kok .....	<b>Independent Non-executive Director / Senior Independent Director</b>	66	11 September 2007
Hans-Jörg Rudloff.....	<b>Independent Non-executive Director</b>	67	11 September 2007
Steven Schuit .....	<b>Independent Non-executive Director</b>	65	20 November 2007
Paul Everard .....	<b>Independent Non-executive Director</b>	68	20 November 2007
Barry Rourke .....	<b>Independent Non-executive Director</b>	57	20 November 2007

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Source: The Company

The address of the Company's registered office serves as the business address for all members of the Board.

**Miklos Salamon** (born in 1955) is a director of the Company and was appointed on 1 September 2007. He has served as executive Chairman of the Company since this date. He also serves as a non-executive member of the board of directors of OKD since his appointment on 1 November 2007, Co-President of AMCI Capital and non-executive director of Central Rand Gold and Gem Diamonds. Between 2003 and 2006 Mr. Salamon served as an executive director of BHP Billiton with responsibilities for the aluminium, copper and nickel businesses. From 2001 to 2006 he also chaired BHP Billiton's Operating Committee which was accountable for inter alia the BHP Billiton group's health, safety and environment, projects, purchasing and operating excellence. In 2001, Mr. Salamon oversaw the merger integration of Billiton plc and BHP Limited. He was a co-founding director of Billiton plc in 1997, and oversaw the company's listing on the London Stock Exchange in 1997. Between 1985 and 1997 Mr. Salamon worked for Gencor Ltd, initially as marketing manager for coal. In 1989, he was appointed Managing Director of Gencor Ltd's coal business, Trans-Natal Coal Corporation, and was then appointed director of Gencor Ltd from 1993 to 1997. During this time he was also executive Chairman of Samancor Ltd and Chairman of Columbus Stainless Steel. Previously, Mr. Salamon was with the coal division of Shell Group in various capacities between 1981 and 1985. Prior to that he worked for the Anglo-American group, both in the Gold Division and at De Beers in trainee and junior management capacities. He commenced working for De Beers directly after graduation. Mr. Salamon graduated in 1975 from The University of the Witwatersrand, Johannesburg with a degree in Mining Engineering (Cum Laude) and obtained an MBA from the London Business School, University of London in 1981.

**Marek Jelínek** (born in 1972) (not a relative of Milan Jelínek) is a director of the Company and was appointed on 6 March 2007. He is also a director of RPG Trading and GGI and a member of the board of directors of OKD since his appointment on 1 November 2007. Since March 2007, he has been Chief Financial Officer of the Company and, in such capacity, is responsible for the restructuring activities within the Company. Mr. Jelínek was a director of RPGA from 2005 to 2006. Mr. Jelínek joined the RPG Group in December 2004 as Financial Officer and was responsible for a variety of areas including group financing, restructuring and divestitures. Prior to that, Mr. Jelínek served as an analyst and associate of the Corporate Finance department at Patria Finance, a Prague-based investment banking boutique, from 1995 to 2004, where he managed merger and acquisition transactions for domestic and international clients. Mr. Jelínek graduated from the Anglo-American College in Prague in 1995 with a bachelor of science degree in Business Administration.

**Klaus-Dieter Beck** (born in 1955) is a director of the Company and was appointed on 12 June 2007. He has served as CEO and Chairman of the board of directors of OKD since 1 July 2007. He acquired significant management experience from his previous jobs in prominent managerial posts in international coal companies in both Europe and the U.S. He gained a doctorate in mining engineering at the Rhine Westphalia University in Aachen, Germany. He started his professional career in 1976. From

1996 to 1998 he was general manager at a mine at Ruhrkohle Bergbau AG (nowadays called Mine West of RAG-Deutsche Steinkohle). He moved to the United States of America in 1998 to take on the position of Vice-President of Riverton Coal, Inc. Prior to joining OKD he was Senior Vice-President for Planning and Engineering at Foundation Coal Holdings, Inc. His expertise helped the company achieve strong growth and opened the way to further expansion.

**Zdeněk Bakala** (born in 1961) is a director of the Company and was appointed on 15 August 2006. On 22 October 2007, Mr. Bakala was appointed Vice-Chairman of the Company. He has served as Chairman of the board of directors of OKD since September 2006 and as a member of the board of directors of OKD since 1 November 2007; as a director of RPGICZ and of RPG Real Estate B.V. since October 2006, as Chairman of the Supervisory Board of RPGA since May 2006 and as a director of NWRT since June 2007. Mr. Bakala served as Chairman of the board of directors of each of Karbon Invest, a.s. and Charles Capital from 2004 to 2006 and from 2003 to 2005, respectively. Mr. Bakala has also been a member of the Supervisory Board of the Prague Stock Exchange since 2005. In 1994, Mr. Bakala founded Patria Finance, an investment-banking company in the Czech Republic, which was sold to KBC, a Belgian banking group, in 2001. Between 1990 and 1994, Mr. Bakala worked as Head of the Czech desk for Credit Suisse First Boston and was responsible for establishing a branch office in Prague in 1991. Prior to that, he worked in the Corporate Finance department of Drexel Burnham Lambert (New York) from 1989 to 1990. Mr. Bakala graduated from the University of California, Berkeley in 1986 with an A.B. degree (with honours) in Economics, and obtained a master of business administration degree from the Amos Tuck School of Business Administration, Dartmouth College, in 1989.

**Peter Kadas** (born in 1962) is a director of the Company and was appointed on 15 August 2006. On 22 October 2007, he was appointed Vice-Chairman of the Company. He had served as Vice-Chairman of the board of directors of OKD since September 2006 to November 2007. Since October 2006, he has served as director of RPG Real Estate B.V. Mr. Kadas has been a director of Crossroads Capital (UK) Ltd., an affiliate of Crossroads Capital Investments Inc, since 2000. Between 1997 and 2000, he was Managing Director of Croesus Central Europe, a joint venture between Croesus of New York and Central European Partners. From 1996 to 1997, Mr. Kadas worked as a managing director for MC Securities in London. In 1995, Mr. Kadas co-founded Renaissance Capital, Russia's first private investment bank. In 1990, Mr. Kadas worked as a director for Credit Suisse First Boston's branch office in Budapest. He also served on a number of corporate boards in the region, including CSFB Budapest, the Management Committee of Renaissance Capital and, between 2002 and 2005, Vice-Chairman of the board of directors of České Radiokomunikace. Mr. Kadas graduated from Trinity College, University of Toronto, in 1986, with a bachelor of arts degree in Economics and Politics and obtained a master of business administration degree from the Amos Tuck School of Business Administration, Dartmouth College, in 1990.

**Alex T. Krueger** (born in 1974), is a director of the Company and was appointed on 15 August 2006. He is a managing director of First Reserve Corporation which he joined in 1999. Prior to joining First Reserve, Mr. Krueger worked in the Energy group of Donaldson, Lufkin & Jenrette in Houston. Mr. Krueger holds two B.S. degrees from the University of Pennsylvania, one in Chemical Engineering and one in Finance and Statistics from the Wharton School. Mr. Krueger now serves, or has served within the past five years, as a director on the boards of Alpha Natural Resources, Inc., AMCI Capital GP Limited, AMCI Holdings Australia Pty Ltd., Asian American Coal, Inc., Asian American Gas, Inc., Foundation Coal Holdings, Inc., Narrabri Coal Pty Ltd., Natural Resource Partners, New World Resources B.V. and Whitehaven Coal Limited.

**Christiaan Norval** (born in 1959) is a director of the Company and was appointed on 12 June 2007. Mr. Norval is the co-founder, Chairman and CEO of GGI, an affiliated company focused on climate mitigation through elimination of methane as a greenhouse gas and the production of green energy. He was appointed as a member of the board of directors of DPB in January 2008. Prior to his involvement

with GGI, he was CEO and President of the SUAL International Group from 2002 to 2004, which was involved in Russian aluminium production, Kazakh coal and African Tantalum production. Mr. Norval spent a significant part of his career with what is today known as BHP Billiton. As head of Corporate Finance from 1997 to 2002, he oversaw most of the transactions to create BHP Billiton, including the execution of the IPO of Billiton Plc in 1997 and the merger with BHP in 2001. In addition, he was responsible for corporate venturing, innovation and the incubation of new businesses. Mr. Norval holds a certificate as a Chartered Accountant (SA) and is a member of the South African Institute of Chartered Accountants. He graduated from the Rand Afrikaans University in 1980 with a Bachelor of Commerce honours degree.

**Milan Jelinek** (born in 1931) (not a relative of Marek Jelinek) is a director of the Company and was appointed on 8 November, 2006. Mr. Jelinek also serves as a member of the board of directors of OKD since his appointment on 1 November 2007 and as director of NWRT since October 2007. He has served as a director of AMCI Capital since February 2007 and as member of the board of directors of Enerco BV since September 2007. He was a member of the executive board of OKD from 2005 to 2006. In 1990 Mr. Jelinek established ICS Trading AG, a German trading company and has served as its President since then. He also became the Chairman of the advisory board of Metalimex in 1996, a position he held until 2004. Mr. Jelinek joined Metalimex in 1953 and has held various positions such as Traffic Manager, Head of Iron and Manganese Ore Department, Head of Coal and Coke Department and Vice-Director of Coal and Coke division. In 1985, Mr. Jelinek established Trans Coal and Mineral Trading AG and was the company's President until the end of 1998 when he sold it. During this time he was also a non-executive director of Ingwe, a South African coal company and Billiton Marketing, a Dutch company. Between 1969 and 1985, Mr. Jelinek was with Stinnes AG in various capacities within the group, including director of Stinnes AG and executive Chairman of Stinnes Intercoal. Mr. Jelinek was also Chairman of the board of directors of IKO, a German coal and bentonite processing company; Chairman of Independence Coal Company in the United States; and Chairman of Agenzia Carbone in Italy. Mr. Jelinek graduated from the Charles University in Prague in 1952 with a Juris Doctorate degree in Law.

**Hans Jürgen Mende** (born in 1944) is a director of the Company and was appointed on 15 August 2006. Mr. Mende has served as President and Chief Operating Officer of AMCI since he co-founded the company in 1986. Prior to founding AMCI, Mr. Mende was with the Thyssen Group in various senior executive positions including President of Thyssen Carbometal Inc. from 1968 to 1986. Mr. Mende has served as a director of Alpha Natural Resources, Inc. and as Chairman of the board of directors of ANR Holdings from 2003 to 2005. Mr. Mende is a member of the board of directors of Quintana Maritime Inc. and MMX in Brazil, both publicly traded entities. Mr. Mende was born in Lobositz, Czech Republic in 1944, was educated in Germany and the U.S.A. and has been living in the U.S.A. since 1968.

**Pavel Telička** (born in 1965) is a director of the Company and was appointed on 11 September 2007. In 2004 Mr. Telička co-founded BXL Consulting Ltd, a consultancy on EU affairs, where he currently serves as director and is in charge of its Brussels office. He also became a member of the High Level Group on the Reduction of Administrative Burdens of the European Commission in November 2007. Before that, in 2004, he was nominated and held the position of Member of the European Commission co-responsible for the portfolio of health and consumer protection. Between 1991 and 2004, Mr. Telička had worked at the Czech Republic Ministry of Foreign Affairs, and occupied various positions during this time including Ambassador and Head of the Permanent Mission of the Czech Republic to the EC in Brussels, Secretary of State for European Affairs and First Deputy Minister of Foreign Affairs (during which time he was Chief Negotiator for the accession of the Czech Republic to the EU). Mr. Telička has also been a Senior Advisor to the European Policy Centre since 2005 as Member of the Administrative Council of the Notre Europe Foundation, established by Jacques Delors. In July 2005, he was appointed European Coordinator for one of the priority projects within TEN-T for the railway network Rail Baltica. Mr. Telička graduated from the Faculty of Law at the Charles University in Prague in 1986.

**Bessel Kok** (born in 1941) is a director of the Company and was appointed on 11 September 2007. On 22 October 2007, Mr. Kok was appointed Senior Independent Director. He has served as Chairman of Astelit/LIFE (Kiev), Scarlet Communications (Netherlands) and CV Warehouse (Belgium) since 2005. From 1995 to 2004, he was Vice Chairman and Chief Operating Officer of Český Telecom (formerly SPT Telecom) and now Telefonica/02 (Czech Republic). In the same years, he was a board member of Eurotel in Prague, and during 2002 to 2004, he also served as Chairman of the Board of Eurotel. Prior to that, Mr. Kok was the President of Belgacom from 1989 to the end of 1994 and oversaw its privatisation. In 1973, Mr. Kok joined SWIFT (Society for Worldwide Interbank Financial Telecommunication) in Belgium and became its President and CEO in 1981, positions which he held until 1989. Mr. Kok also served as Director of Business Intelligence Services (London) from 1968 to 1972. Mr. Kok graduated in 1963 from the Municipal University in Amsterdam with a degree in Economic Sciences.

**Hans-Jörg Rudloff** (born in 1940) is a director of the Company and was appointed on 11 September 2007. Since 1998, he has served as Chairman of Barclays Capital. Prior to that he was Chairman of MC-BBL Eastern Europe between 1995 and 1998. Mr. Rudloff was Chairman and CEO of Credit Suisse First Boston Ltd from 1989 to 1995, having previously served as vice chairman since 1983 and Managing Director from 1980 to 1983. He was also a Member of the executive Board for Credit Suisse, Zurich from 1986 and both Credit Suisse Holding & Credit Suisse First Boston Group Inc. from 1990 to 1995. Between 1968 and 1980, Mr. Rudloff served at Kidder Peabody International, where he became Chairman in 1978, having previously served as Managing Director. In 1980 he was also nominated to the Board of Kidder Peabody Inc. New York. Mr. Rudloff is currently Chairman of the Audit Committee for Rosneft, a position he has held since 2006. Mr. Rudloff has also served as Chairman of ICMA since 2005 and Bluebay Asset Management PLC since 2001. He has been Vice-Chairman, member of the Audit Committee and head of the Compensation Committee of Novartis since 1996. Mr. Rudloff also serves as Chairman to ICMA since 2005 and Bluebay Asset Management Limited since 2001. He has also been a board member of Thyssen Bornemisza Group since 1995, Ros Business Consulting since 2002, ABD Capital SA since 2003 and an advisory board member of Landeskreditbank Baden-Württemberg since 1993. In 2007, Mr. Rudloff joined the board of New World Resources B.V. Mr. Rudloff is also Chairman of the Marcuard Group, which is a privately held asset management group of companies. Mr. Rudloff graduated from the University of Berne in 1965 with a degree in Economics. He is also a member of the board of Energie Baden-Württemberg since March 2000.

**Steven Schuit** (born in 1942) is a director of the Company and was appointed on 20 November 2007. He is currently legal counsel to Allen & Overy LLP in its Amsterdam office, having served as partner to this firm and its predecessor firm between 1976 and 2005. From 1980 until 1990, he was the New York resident partner of this predecessor firm. He is also currently a part-time professor of International Commercial and Financial Law at Utrecht University and a part-time professor Corporate Governance and Responsibility at the Strategy Center of Nyenrode Business Universiteit. He is currently member of the supervisory board of ZBG Finance N.V., Amodo N.V., Breevast B.V. and Numico B.V., formerly Numico N.V.; he is a member of the advisory board of Petercam S.A., he is chairman of the board of directors of De Baak Management Center VNO-NCW, he is chairman of the board of directors of the Law Firm School and chairman of the board of directors of Stichting Giving Back and is a director of Stichting Grotius Academy. Mr. Schuit has previously been member of the supervisory board of Cyanamid N.V. from 1975 to 1982, member of the supervisory board of Burroughs N.V. from 1977 to 1979, member of the board of directors of the Netherlands-US Chamber of Commerce from 1985 to 1983, member of the board of governors (Algemene Raad) of the Dutch National Bar (Nederlandse Orde van Advocaten) from 1993 to 1999 and was a member of the Special Committee of the Dutch government to advise on commercial products of Dutch pension funds (Commissie Staatsen) between 2003 and 2004. Mr. Schuit graduated in 1969 from Groningen University with a degree in law and was admitted to the bar (beëdigd als advocaat) in the Netherlands in 1971.

**Paul Everard** (born in 1940) is a director of the Company and was appointed on 20 November 2007. Between 2001 and 2005, when he retired Mr. Everard served as Deputy President of Aluminium for BHP Billiton. From 1998 until 2001, he was executive director of Billiton Aluminium responsible for business development and strategy up to Billiton's merger with BHP. Between 1974 and 1998, Mr. Everard served at Billiton in a number of roles. Following the sale of Billiton by Shell to Gencor. From 1995 until 1998 he was Chief Executive of Aluminium with responsibility for managing and developing the company's businesses outside South Africa and prior to that, he was the director responsible for all business performance, strategic planning, research, HSE and public affairs for the company between 1986 and 1995. Mr. Everard joined Billiton International Metals B.V. in 1975 and was responsible for the global aluminium business until 1986. He began his career at the Shell Group in 1964, initially working in oil marketing in Kenya and Tanzania until 1970 and thereafter he transferred to the London Central Office working within both the Audit and Personnel Divisions. Mr. Everard graduated in 1962 from Cambridge University with an MA in Mechanical Sciences. He gained a Diploma of Management Studies from Greenwich University in 1973 and completed the Advanced Management Program at Harvard Business School in 1979.

**Barry Rourke** (born in 1950) is a director of the Company and was appointed on 20 November 2007. He served as partner at PricewaterhouseCoopers from 1984 until 2001, when he took early retirement. During his time at PricewaterhouseCoopers Mr. Rourke undertook various roles including Chairman of the UK Construction and Property Group, Member of the Oil and Gas Industry Group, member of the PricewaterhouseCoopers PFI Board and he was for a time liaison partner for the Netherlands. Mr. Rourke is currently Chairman of the board of directors of 3Legs Resources plc, independent member of the board of directors and Chairman of the Audit Committee for Columbus Acquisition Corp., independent member of the Audit Committee for the Department for Business Enterprise and Regulatory Reform and non-executive director and Chairman of the Audit Committee of Surrey and Borders Partnership NHS Trust. He is also an independent non-executive member of the Audit Committee for DTEK (a Ukrainian power company) and Metinvest (a Ukrainian steel company). Between 2001 and 2007 he was also Chairman of the board of directors of Threshold Housing and of the remuneration committee during that period, having previously served as Chairman of the Audit Committee and was the independent non-executive Chairman of the Audit Committee for the SUAL Group between 2004 and 2007. Mr. Rourke is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified as a chartered accountant in 1973.

### 3.1 Recent Developments

Klaus-Dieter Beck was elected to the board of directors of OKD on 15 May 2007 and has served as a senior executive within the Company since 1 July 2007. Dr. Beck and Christiaan Norval were elected to the Board with the effect as of 12 June 2007. As of 11 September 2007, Jonathan Zimmerman, Marshall Winn, Jan Scholts, Dirk Stolp, Arnout Stal, Roelof Langelaar, Allard van der Veen and Edwin Denekamp resigned from their functions of the directors of the Company and Bessel Kok, Pavel Telička and Hans-Jörg Rudloff were appointed as directors of the Company. As of 20 November 2007, Andreas Nagelmaker resigned from his position as director of the Company and Steven Schuit, Barry Rourke and Paul Everard were appointed as directors of the Company.

## 4. REAL ESTATE COMMITTEE

In accordance with the Corporate Governance Policy and the Divisional Policy Statements, the Company has established a Real Estate Committee, which oversees the Assets of the Real Estate Division and the interaction between the Mining Division and the Real Estate Division.

Pursuant to the Divisional Policy Statements and the rules of the Real Estate Committee, members of the Real Estate Committee have been, and will continue to be, selected and appointed by

the Board from amongst the members of the Board. At all times, all of the members will be independent non-executive directors of the Company. If a director, who is also a member of the Real Estate Committee, ceases to act as a director of the Company or ceases to be an independent non-executive director, his membership of the Real Estate Committee shall also immediately cease subject to the Articles of Association and any appropriate rules of the Board.

As at the date of this annual report, the Real Estate Committee is composed of Barry Rourke (Chairman), Steven Schuit and Paul Everard.

The board of directors of OKD has adopted the Divisional Policy Statements and has resolved to propose amendment to its articles of association for approval by its shareholder, the Company, to implement the Divisional Policy Statements. The Company expects its other subsidiaries to take similar actions with respect to the Divisional Policy Statements.

Under the Divisional Policy Statements, OKD, OKD's subsidiaries and the other subsidiaries of the Company (as applicable) carry out the day-to-day operations of the Real Estate Division. In carrying out such day-to-day operations, OKD, OKD's subsidiaries and the other subsidiaries of the Company (as applicable) are required to seek the prior approval from the Board, after the Real Estate Committee has provided its advice to the Board, when proposing to enter into transactions which: (i) are not considered by the Board to be in the ordinary course of business of the Real Estate Division; or (ii) relate to Assets of the Real Estate Division which have a book value of 5% or more of the total book value of the Assets of the Real Estate Division from time to time (or such lower percentage as determined by the Real Estate Committee from time to time). The Board shall issue guidance on the types of matters or transactions that require prior approval.

In relation to Real Estate Division transactions which require prior approval of the Board, the Real Estate Committee acts as an advisory body to the Board. In this advisory capacity, the Real Estate Committee will submit a report to the Board (either orally or in writing) setting out its advice in relation to the adoption of the referred transaction. When preparing its report, the Real Estate Committee is required to take into account the policies set out in the Divisional Policy Statements and the advice of an independent valuer or other expert (being nominated and appointed under a procedure set out in the Divisional Policy Statements). Directors of the Company who have a conflict of interest are required, under the Divisional Policy Statements and the Corporate Governance Policy, not to take part in any discussion or decision making on such a transaction and to abstain from voting upon the adoption of a resolution of the transaction. In making its final decision on a transaction, the Board may, in its sole discretion, decide whether to act upon, or to set aside, the advice of the Real Estate Committee.

The Real Estate Committee is also responsible for monitoring the compliance of all the Company's subsidiaries with the Divisional Policy Statements and for reporting to the Board about such compliance.

## **5. CORPORATE GOVERNANCE POLICY AND BOARD OF DIRECTORS' COMMITTEES**

The Board has adopted the Corporate Governance Policy to record the Company's system of corporate governance. The Corporate Governance Policy lays out various provisions including: the Board's main tasks and authorities, as well as its structure, composition, and functioning; the qualification and independence of directors, their nomination and election, directors' rights and duties, procedures to deal with conflicts of interest and related party transactions, rules on competing engagements and directors' retirement by rotation. On Admission, the Company will be required to comply with the Dutch Corporate Governance Code released by the Dutch Corporate Governance Code Committee. In addition, under the Listing Rules, the Company will be required to include a statement in its annual report and accounts as to the significant ways in which its actual corporate governance practices differ from those

set out in the UK Combined Code. For further details, see paragraph 18 below entitled “Corporate Governance.”

The Corporate Governance Policy provides that the Board should have a balance of non-executive and executive directors which is effective for the promotion of its corporate objectives, the protection of the interests of all shareholders and stakeholders and the governance of the Company. The Board will strive to have a majority of directors who are non-executive and are judged by the Board to be independent of judgment and character and free of material relationships with the Company and other entities and people that might influence or would be perceived by shareholders to influence such judgment. A director shall not be deemed to be independent if the director concerned (or his wife/her husband, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree) has been an employee of the Company within the last five years; receives personal financial compensation from the Company other than the compensation received as director; has had an important business relationship with the Company or a company associated with it in the year prior to the appointment; holds a cross-directorship or has any significant links with other directors through involvement in other companies or bodies where these cross-directorships or links would materially interfere with the director’s objective, unfettered or independent judgement or ability to act in the best interests of the Company; holds directly or indirectly more than ten percent of the A Shares or B Shares; or is a member of the (management or supervisory) board or senior management of an entity which holds directly or indirectly at least 10% of the A Shares or B Shares.

In accordance with its Corporate Governance Policy, and in addition to the Real Estate Committee, the Company has established four other committees: an audit and risk management committee, a remuneration committee, a finance and investment committee and a health, safety and environment committee. The members of the committees are members of the Board. The Board may at all times change the duties and composition of each committee, with the due understanding that any changes to the rules of the Real Estate Committee shall be in line with the Divisional Policy Statements. A brief description of the terms of reference of each of the committees is set out below.

#### 5.1 Audit and Risk Management Committee

The audit and risk management committee operates pursuant to a charter approved by the Board. The audit and risk management committee consists of four members, being Bessel Kok (chairman), Hans-Jörg Rudloff, Steven Schuit and Barry Rourke. The members are appointed by the Board from amongst its independent non-executive directors. The audit and risk management committee is responsible for advising the Board in its work and for ensuring the integrity of consolidated financial statements and consolidated accounts, and preparing resolutions in relation to this; taking decisions in accordance with authorities delegated to it by the Board; advising the Board on audit, accounting and financial disclosure matters regarding the Real Estate Division; reviewing with the Board and auditors the integrity of the financial statements and other formal announcements relating to the Company’s financial performance; observing the process for selecting the external auditor and making recommendations to the Board on the appointment, dismissal, terms of engagement and fees of the external auditor; assessing the external auditor’s effectiveness, independence and objectivity and its provision of non-audit services; reviewing the annual audit plan and reports by the external auditor on internal control systems and procedures; approving, monitoring and reviewing the Company’s charter and its subsidiaries’ internal audit division, making recommendations to the Board on appointment and dismissal of the internal auditor of the Company and its subsidiaries and approving its compensation; reviewing the effectiveness of the systems for internal control, compliance, budgeting, forecasting and financial reporting of the Company and procedures for identifying strategic and business risks; reviewing compliance issues arising in the past year, making recommendations to the Board on potential conflicts of interests, related party transactions and loans to directors; observing the effectiveness of the Company’s whistleblower procedure (see below); annually publishing a report of its deliberations and findings; and reporting to the Board on developments in the relationship with the external auditor.

## 5.2 Remuneration Committee

The remuneration committee operates pursuant to a charter approved by the Board. The remuneration committee consists of three members, being Zdeněk Bakala (chairman), Bessel Kok and Hans-Jörg Rudloff. The members are appointed by the Board and the remuneration committee is composed of at least three non-executive directors with a majority of independent non-executive directors (whereas the Combined Code recommends that the remuneration committee is comprised exclusively of independent non-executive directors). The chairman of the Board cannot be a member of the remuneration committee. The remuneration committee advises the Board in relation to its responsibilities with respect to the remuneration of directors and senior executives. The remuneration committee will prepare proposals to the Board on: the remuneration policy for directors for adoption at a general meeting; salary levels, bonuses and other benefits for executive directors and senior executives; contractual terms for executive and non-executive directors; preparation of share-based incentive plans; succession planning for senior executives; and preparation of remuneration report by the Board.

## 5.3 Finance and Investment Committee

The finance and investment committee operates pursuant to a charter approved by the Board. The committee consists of five members, being Peter Kadas (chairman), Zdeněk Bakala, Miklos Salamon, Marek Jelínek, and Alex T. Krueger. The finance and investment committee will review, recommend to the Board and, where appropriate, approve all major strategic or financial investments and divestments and other major capital expenditure decisions; review regularly the adequacy of the Company's capital structure and make recommendations to the Board; advise the chairman of the Board on relationships with banks, rating agencies and financial institutions; oversee and provide guidance to the Company's chief financial officer on all aspects of funding and treasury management; review and provide guidance to the Company's chief financial officer on the quality of the reporting of the Company's financial and operational performance to the Board; and review, recommend to the Board and, where appropriate, take decisions on all matters related to the Company's subsidiaries that are decided by the shareholders of the subsidiaries according to their respective articles of association, save for the Real Estate Division and where expressly assigned to other bodies of the Company. The members of the finance and investment committee are appointed by the Board, and must include the Company's chief financial officer.

## 5.4 Health, Safety and Environment Committee

The health, safety and environment committee operates pursuant to a charter approved by the Board. The committee consists of four members, being Paul Everard, Miklos Salamon, Klaus-Dieter Beck and Steven Schuit. The committee will assist the Board in its oversight of health, safety and environmental risks within the Company; oversee the performance of the Company in relation to health, safety and environmental matters; review the Company's policies and systems for ensuring compliance with applicable health, safety and environmental, legal and regulatory requirements; and discuss with senior management in the Company's subsidiaries the effectiveness of the Company's policies and systems for identifying and managing health and safety risks material to the achievement of the corporate objective. The committee also advises the Board on specific issues in these areas.

## 6. SENIOR MANAGEMENT

The Board is supported by the following other key corporate officers from the operating subsidiaries of the Company:

<u>Name</u>	<u>Age</u>	<u>Title</u>
Klaus-Dieter Beck.....	53	Chief Executive Officer of OKD

Miloslava Trgíňová.....	48	Chief Financial Officer of OKD Chief HR Officer of OKD
Ján Fabián .....	42	Chief Administration and Development Officer of OKD
Jan Matula.....	49	Chief Engineering Officer of OKD
Petr Otava Jr. ....	34	Chief Commercial Officer of OKD
Leo Bayer.....	55	Chief Operations Officer of OKD

**Miloslava Trgíňová** (born in 1960) has served as Chief Financial Officer of OKD since August 2007 and on 1 November 2007 she was appointed as the Vice-Chairman of the board of directors of OKD. In such capacity she has overall responsibility for the financial strategy and management of OKD. She was also appointed as Chief HR Officer of OKD in March 2008. Between 1997 and 2007 she worked for Sun Microsystems and her roles during this period included Finance Director for Central Europe and Director for Shared Service for Southern and Eastern Europe, the Middle East and Africa. Prior to this she worked in the auditing division of Price Waterhouse Coopers. In 1984 she graduated from Charles University with a degree in mathematics and physics and is a British qualified accountant having gained her FCCA certificate in 1996. The business address of Mrs. Trgíňová is Prokešovo náměstí 6/2020, 728 30, Ostrava, Czech Republic.

**Ján Fabián** (born in 1966) has served as Chief Administration and Development Officer of OKD since August 2007 and on 1 November 2007 he was appointed as the Vice-Chairman of the board of directors of OKD. In such capacity he has overall responsibility for the strategic planning and organisational development for OKD. Prior to joining OKD, he served as a Project Manager for Roland Berger Strategy Consultants from 1998 to 2007, where he managed transformation and restructuring projects focusing on production optimisation, process efficiency and growth strategies in the CEE, Russia, Ukraine and Western Europe. He managed some of the largest strategic and privatisation projects on the Czech market and cooperated with the European Commission on national strategies for the Czech as well as Romanian steel industries. Mr. Fabián served as a research analyst for Colenco Power Consulting in Switzerland between 1991 and 1992. In 1988 he graduated from the Technical University in Košice with a degree in mining and gained a PhD in production optimisation for the underground mining from the Technical University in Berlin in 1998. The business address of Mr. Fabián is Prokešovo náměstí 6/2020, 728 30, Ostrava, Czech Republic.

**Jan Matula** (born in 1959) has served as Chief Engineering Officer of OKD since 2005. In such capacity he is responsible for the coordination of mining strategies. Since joining OKD in 1982, Mr. Matula has had various roles within OKD. Since 1999, he has served as Chairman of the Supervisory Board of each of OKD, HBZS, a.s., and DPB. Prior to that, Mr. Matula served as Chairman of the board of directors of ČMD between 1999 and 2004; as Technical Director of Karbon Invest between 1999 and 2002; and as Director of the ČSM mine between 2003 and 2004. He received a professional license of a main mining surveyor issued by the Czech Mining Office in 1993. Mr. Matula graduated from the Mining University in Ostrava in 1982 with a master's degree in Underground Mining. The business address of Mr. Matula is Prokešovo náměstí 6/2020, 728 30, Ostrava, Czech Republic.

**Petr Otava Jr.** (born in 1974) has served as Chief Commercial Officer of OKD since 2006. In such capacity he is responsible for trading activities of OKD. He has also served as Chief Sales Manager of RPGICZ since 2006. Since October 2007, he has also served as a member of the board of directors of OKK and a member of the supervisory board of CZECH—KARBORN s.r.o. Between 2002 and 2006, he was Manager of the Coal Business Unit and a member of the board of directors of Metalimex. Prior to that, Mr. Otava Jr. was Assistant Sales Manager of Metalimex since joining Metalimex in 2000. Mr. Otava Jr. graduated from the Technical University in Ostrava in 2000 with a master's degree in Economics and Business Law. The business address of Mr. Otava Jr. is Jankovcova 1518/2, 170 88 Praha 7, Czech Republic.

**Leo Bayer** (born in 1953) has served as Chief Operations Officer of OKD since 2007. In such capacity he is responsible for strategic management of mines and enhancement in the areas of safety, production and costs. He also oversees all operations and is responsible for implementing procedures to improve the technological processes in the mines. Since joining OKD in 1976, Mr. Bayer has had various roles within the Darkov mine. He served as director of various internal operations and in 1995 he became a production manager of the Darkov mine. He served as Director of the Darkov mine between 2003 and 2007. Mr. Bayer graduated from the Mining University in Ostrava in 1977 with a master's degree in Heavy-current Electronics and in 1985 in Underground Mining. The business address of Mr. Bayer is Prokešovo náměstí 6/2020, 728 30, Ostrava, Czech Republic.

## **7. REMUNERATION**

### **7.1 Board of directors**

The Company has a remuneration policy for the directors of the Company which was adopted by a general meeting of the Company's shareholders upon the proposal of the Board on 1 April 2008, and became effective as of the same date. Any change to the remuneration policy must be approved by the general meeting of shareholders.

The salary, bonus, if any, and the other terms and conditions of employment of the executive directors of the Company shall be determined by the Board after a review of proposals submitted by the remuneration committee and with due observance of the remuneration policy. The Board must submit a proposed remuneration policy to the general meeting for its approval regarding share or option based remuneration of the directors (including any performance conditions relating to such remuneration). The proposal must include the number of shares or options over shares that may be awarded to the directors and which criteria apply to an award or a modification of such rights. The amount of the salary and bonus and other terms and conditions of employment, if any, of non-executive directors must be approved by the general meeting of shareholders, with due observance of the remuneration policy. The Board will receive proposals from the remuneration committee governing the individual salary levels, bonuses and other benefits for the Company's executive directors, the contractual terms for executive and non-executive directors, and the preparation of (share-based) incentive plans.

In connection with the Company's proposed initial public offering, the Company has disclosed details concerning the compensation of directors and senior management beyond that which is required under the Indenture. The Company provides such compensation disclosure in this annual report, but it may not provide such detailed information in subsequent annual reports.

## 7.2 Remuneration information for the Board for the fiscal year ended 31 December 2007

The table below provides the remuneration of each member of the Board for the fiscal year ended 31 December 2007. Certain material terms of the employment agreements of Miklos Salamon, Marek Jelínek, Klaus-Dieter Beck, Miloslava Trgiňová, Ján Fabián, Leo Bayer, Petr Otava Jr. and Jan Matula are included in paragraph 9 of this section entitled "Management."

<b>NAME</b>	<b>FIXED ANNUAL COMPENSATION</b>	<b>PERFORMANCE RELATED COMPENSATION</b>	<b>IN-KIND COMPENSATION<sup>(1)</sup></b>	<b>TOTAL</b>
<b>DIRECTORS</b>				
<i>MIKLOS SALAMON</i> .....	€123,038	—	—	€123,038
<i>MAREK JELÍNEK</i> .....	€183,333	€2,000,000	€76,048	€2,259,381
<i>KLAUS-DIETER BECK</i> .....	€206,569	€360,231	€187,316	€754,116 <sup>(2)</sup>
<i>ZDENĚK BAKALA</i> .....	€55,604	—	€3,854	€59,458
<i>PETER KADAS</i> .....	€51,784	—	—	€51,784
<i>ALEX, T. KRUEGER</i> .....	€24,386	—	—	€24,386
<i>CHRISTIAAN NORVAL</i> .....	€12,283	—	—	€12,283
<i>MILAN JELINEK</i> .....	€16,749	—	—	€16,749
<i>HANS-JÜRGEN MENDE</i> .....	€23,447	—	—	€23,447
<i>PAVEL TELIČKA</i> .....	€9,790	—	—	€9,790
<i>BESSEL KOK</i> .....	€32,025	—	—	€32,025
<i>HANS-JÖRG RUDLOFF</i> .....	€28,735	—	—	€28,735
<i>STEVEN SCHUIT</i> .....	€11,787	—	—	€11,787
<i>PAUL EVERARD</i> .....	€11,450	—	—	€11,450
<i>BARRY ROURKE</i> .....	€11,787	—	—	€11,787

(1) Includes in-kind compensation e.g. personal travelling costs, additional health insurance, housing etc. and coverage of tax effects.

(2) In addition to that, Mr. Beck received a one-time payment of USD 4.2 million from RPGI.

Source: The Company

### **FORMER DIRECTORS<sup>(1)</sup>**

<i>MARSHALL WINN</i> .....	€6,959	—	—	€6,959
<i>JONATHAN ZIMMERMAN</i> .....	€26,096	—	—	€26,096
<i>EDWIN DENEKAMP</i> .....	€6,959	—	—	€6,959
<i>ROELOF LANGELAAR</i> .....	€6,959	—	—	€6,959
<i>JOHANNES SCHOLTS</i> .....	€26,096	—	—	€26,096
<i>ARNOUT STAL</i> .....	€6,959	—	—	€6,959
<i>DIRK STOLP</i> .....	€6,959	—	—	€6,959
<i>ALLARD VAN DER VEEN</i> .....	€6,959	—	—	€6,959
<i>GUIDO NIEUWENHUIZEN</i> .....	€1,781	—	—	€1,781
<i>ANDREAS NAGELMAKER</i> .....	€33,493	—	—	€33,493

(1) Guido Nieuwenhuizen resigned as a director as of 6 March 2007, each of Marshall Winn, Jonathan Zimmerman, Edwin Denekamp, Roelof Langelaar, Johannes Scholts, Arnout Stal, Dirk Stolp and Allard Van der Veen resigned as a director as of 11 September 2007, and Andreas Nagelmaker resigned as a director as of 20 November 2007.

Source: The Company

There were no stock options, pension, retirement or similar benefits granted to the members of the Board set aside or accrued in 2007.

7.3 Remuneration information for senior management for the fiscal year ended 31 December 2007

For the financial year ended 31 December 2007, the aggregate total remuneration paid to senior management (including contingent or deferred compensation but excluding, for the avoidance of doubt, the value of any stock options granted) was EUR 2,208,972 and includes base compensation.

**8. LOANS TO DIRECTORS AND SENIOR MANAGEMENT**

As of 31 December 2007, no loans were outstanding to any of the Directors or senior management.

**9. EMPLOYMENT AND OTHER AGREEMENTS WITH MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT**

9.1 General

Neither the Company nor OKD has entered into employment or other similar agreements with Directors and senior management other than with Miklos Salamon, Marek Jelínek, Klaus-Dieter Beck, Miloslava Trgiňová, Ján Fabián, Petr Otava, Jr., Jan Matula and Leo Bayer. The Company has not entered into advisory agreements with Directors other than with Milan Jelinek, as discussed below. None of the employment or advisory agreements with the Directors and senior management provide for any benefits upon termination.

In connection with the Company's proposed initial public offering, the Company has disclosed details concerning the compensation of directors and senior management beyond that which is required under the Indenture. The Company provides such compensation disclosure in this annual report, but it may not to provide such detailed information in subsequent annual reports.

9.2 Terms of Employment

The terms upon which each of the Directors and senior management have been engaged are summarised below:

<b>NAME</b>	<b>DATE OF APPOINTMENT</b>	<b>NOTICE PERIOD</b>	<b>ANNUAL FEES/ANNUAL BASIC SALARY<sup>(1)</sup></b>
<b>EXECUTIVE DIRECTORS</b>			
<i>MIKLOS SALAMON<sup>(2)</sup></i> .....	<i>1 SEPTEMBER 2007</i>	<i>12 MONTHS NOTICE BY ISSUER; 6 MONTHS NOTICE BY DIRECTOR</i>	<i>£250,000</i>
<i>KLAUS-DIETER BECK<sup>(3)</sup></i> .....	<i>SEE BELOW</i>	<i>SEE BELOW</i>	<i>SEE BELOW</i>

MAREK JELÍNEK .....	6 MARCH 2007	2 MONTHS NOTICE BY ISSUER; ONE MONTH NOTICE BY DIRECTOR	€215,000
<b>NON-EXECUTIVE DIRECTORS</b>			
ZDENĚK BAKALA .....	15 AUGUST 2006	—	£60,000
PETER KADAS .....	15 AUGUST 2006	—	£60,000
ALEX T. KRUEGER .....	15 AUGUST 2006	—	£60,000
CHRISTIAAN NORVAL .....	12 JUNE 2007	—	£60,000
MILAN JELINEK .....	8 NOVEMBER 2006	—	£60,000
HANS-JÜRGEN MENDE .....	15 AUGUST 2006	—	£60,000
PAVEL TELIČKA .....	11 SEPTEMBER 2007	—	£60,000
HANS-JÖRG RUDLOFF .....	11 SEPTEMBER 2007	—	£60,000
BESSEL KOK .....	11 SEPTEMBER 2007	—	£60,000
STEVEN SCHUIT .....	20 NOVEMBER 2007	—	£60,000
BARRY ROURKE .....	20 NOVEMBER 2007	—	£60,000
PAUL EVERARD .....	20 NOVEMBER 2007	—	£60,000
<b>SENIOR MANAGERS</b>			
KLAUS-DIETER BECK .....	1 JULY 2007	6 MONTHS NOTICE BY ISSUER	CZK 12,120,000
MILOSLAVA TRGIŇOVÁ .....	15 AUGUST 2007	3 MONTHS NOTICE BY ISSUER OR SENIOR MANAGER	CZK 6,000,000
JÁN FABIÁN .....	20 AUGUST 2007	3 MONTHS NOTICE BY ISSUER OR SENIOR MANAGER	CZK 6,000,000
PETR OTAVA, JR. ....	11 SEPTEMBER 2006	3 MONTHS NOTICE BY ISSUER OR SENIOR MANAGER	CZK 10,500,000
JAN MATULA .....	1 JUNE 2005	3 MONTHS NOTICE BY ISSUER OR SENIOR MANAGER	CZK 3,100,000

LEO BAYER.....	1 OCTOBER 2007	2 MONTHS NOTICE BY ISSUER OR SENIOR MANAGER	CZK 3,840,000
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- (1) The annual fees and compensation set forth in the table above are based on employment agreements and existing board compensation policy. To the extent the Company revises its board compensation policy or committee membership changes, these expected annual compensation figures and actual compensation figures for 2008 and periods thereafter may differ from the amounts set forth in the table above.
- (2) In addition, the Company has agreed to deliver to Mr. Salamon, the number of A Shares equivalent to 0.1% of the number of issued A Shares on the first anniversary of his employment agreement and on each of the four anniversaries thereafter (based on the number of A Shares in issue at the date of such anniversary). On the first anniversary of his employment agreement, Mr. Salamon would receive A Shares having a value of EUR 3,956,100 (based upon the mid-point of the Price Range). The actual market price of the A Shares on any anniversary date may be higher or lower than the mid-point of the Price Range or the actual Offer Price.
- (3) In addition, OKD has agreed to deliver to Dr. Beck 250,045 A Shares on the anniversary date of his employment agreement for each year of his three year term under that agreement. Based upon the mid-point of the Price Range, Dr. Beck would receive 250,045 A Shares, having a value of EUR 3,750,675. The actual market price of the A Shares on any anniversary date may be higher or lower than the mid-point of the Price Range or the actual Offer Price.

Source: The Company

*Employment Agreement with Mr. Salamon*

The Company entered into an employment agreement with Miklos Salamon with an effective commencement date of 1 September 2007. The agreement provides for Mr. Salamon to act as executive chairman of the Company at a salary of £250,000 per annum. Mr. Salamon is also entitled to be vested with 0.1% of the issued A share capital of the Company on the first anniversary of the employment agreement and on each of the next four anniversaries of his employment. The agreement has no fixed term but can be terminated by Mr. Salamon by giving six months' written notice to the Company or by the Company giving 12 months' written notice to Mr. Salamon. The agreement also contains provisions for payment of salary alone in lieu of notice. He is not entitled to any benefit on termination of his employment agreement other than contractual benefits to be provided during any notice period.

*Employment Agreements with Dr. Beck*

On 6 June 2007, OKD entered into an employment agreement with Klaus-Dieter Beck, with an effective commencement date of 1 July 2007 (original agreement). The original agreement provided for Dr. Beck to act as chief executive officer and chairman of OKD. As of 6 January 2008 and 6 February 2008, respectively, OKD entered into another agreement outlining Dr. Beck's pay and duties as chief executive officer (management agreement) and amended the original agreement. Dr. Beck continues to act as a chairman of OKD under the original agreement at a salary of CZK 120,000 per annum. Under the management agreement, as chief executive officer, Dr. Beck is entitled to a salary of CZK 12,000,000 per annum with a discretionary bonus of up to CZK 8,000,000 per annum. The actual amount of the annual bonus for each year is to be determined by the Company (acting in the capacity of the shareholders' meeting of OKD) in its discretion based on annual review of budget benchmarks. In addition, the

management agreement provides for certain benefits for Dr. Beck, including certain insurance and transportation benefits. Both employment agreements have a fixed term ending on 30 June 2010 but can be terminated by either party on 6 months' notice in writing. The original agreement also contains provisions for payment of salary alone in lieu of notice.

Dr. Beck is also entitled to receive from OKD and its affiliates, at the cost of OKD, 100,018 A Shares of the Company for each full year of his three-year term (equal to 250,045 A Shares after reflecting the share split effected at the Conversion Date). Should OKD fail to procure timely transfer of such Shares to Dr. Beck, it shall pay the cash amount equal to the then fair market value of such Shares. In the event that Dr. Beck and OKD agree to extend his employment term beyond the initial three years, he is entitled to receive 100,018 A Shares (250,045 A Shares as adjusted for the share split effected at the Conversion Date) in the Company for each full year of the term beyond the initial three years up to a cumulative total maximum of 500,090 A Shares of the Company (1,250,225 A Shares as adjusted for the share split effected at the Conversion Date). In the event of any subsequent share splits, the number of shares to which Dr. Beck is entitled will be adjusted accordingly. For further details of the compensation paid to Dr. Beck during the year ended 31 December 2007, see section of this document entitled "Certain Relationships and Related Party Transactions."

Dr. Beck is not entitled to any benefit on termination of his employment agreements other than contractual benefits to be provided during any notice period. The applicable law governing the management agreement provides for a statutory severance payment of three average monthly salaries. He would be entitled to such severance payment, however, only if the position of chief executive officer has been cancelled (and not in the event of his replacement by a new manager).

#### *Employment agreement with Mr. Jelínek*

On 20 November 2007, the Company entered into an employment agreement with Marek Jelínek which replaced an employment agreement of 1 February 2007. The agreement provides for Mr. Jelínek to act as chief financial officer of the Company at a salary of EUR 215,000 per annum. The agreement has no fixed term and can be terminated by Mr. Jelínek by giving one month's written notice to the Company or by the Company giving two months' written notice to Mr. Jelínek. Mr. Jelínek is also entitled to an annual allowance of up to EUR 40,000 for accommodation and basic expenses for the education of his children in the Netherlands. He is not entitled to any benefit on termination of his employment agreement other than contractual benefits to be provided during any notice period. For further details of the compensation paid to Mr. Jelínek during the year ended 31 December 2007, see section of this document entitled "Certain Relationships and Related Party Transactions."

#### *Employment agreement with Ms. Trgiňová*

On 18 June 2007, OKD entered into an employment agreement with Miloslava Trgiňová. The agreement provides for Ms. Trgiňová to act as chief financial officer for a salary, including lump sum for overtime work, of CZK 6,000,000 (approx. EUR 220,000) per annum with a discretionary bonus of up to CZK 6,000,000 (approx. EUR 220,000) per annum. The agreement has no fixed term but can be terminated both by Ms. Trgiňová and by OKD by giving three months' written notice. She is entitled, under certain circumstances, to up to four annual salaries (excluding lump sum for overtime work, therefore up to quadruple of the amount of CZK 4,800,000) on termination of her employment agreement (recall/resignation from her position of chief financial officer).

#### *Employment agreement with Mr. Fabián*

On 15 June 2007, OKD entered into an employment agreement with Ján Fabián with effect as of 20 August 2007. The agreement provides for Mr. Fabián to act as chief administration and development

officer at a salary, including lump sum for overtime work, of CZK 6,000,000 (approx. EUR 220,000) per annum with a discretionary bonus of up to CZK 6,000,000 (approx. EUR 220,000) per annum. The agreement has no fixed term but can be terminated both by Mr. Fabián and by OKD by giving three months' written notice. He is entitled, under certain circumstances, to receive up to four annual salaries (excluding lump sum for overtime work, therefore up to quadruple of the amount of CZK 4,800,000) on termination of his employment agreement (recall/ resignation from his position of chief administration and development officer).

#### *Employment agreement with Mr. Bayer*

On 1 October 2007, OKD entered into an amendment to an employment agreement with Leo Bayer. The agreement provides for Mr. Bayer to act as chief operational officer of OKD at a salary of CZK 3,840,000 (approx. EUR 142,000) per annum with a discretionary bonus of up to CZK 3,840,000 (approx. EUR 142,000) per annum. The agreement has no fixed term but can be terminated both by Mr. Bayer and OKD by giving two months' written notice. He is entitled, under certain conditions, to one year's salary on termination of his employment agreement.

#### *Employment Agreement with Mr. Otava, Jr.*

On 11 September 2006, OKD entered into an employment agreement with Petr Otava, Jr. The agreement provides for Mr. Otava to act as chief commercial officer of OKD at a salary of CZK 10,500,000 (approx. €400,000) per annum with a discretionary bonus of up to CZK 10,000,000 (approx. €400,000) per annum. The agreement has no fixed term but can be terminated both by Mr. Otava and by OKD by giving three months' written notice. He is entitled, under certain conditions, to one year's salary on termination of his employment agreement.

#### *Employment Agreement with Mr. Matula*

On 12 September 2006, OKD entered into an employment agreement with Jan Matula. The agreement provides for Mr. Matula to act as chief engineering officer of OKD at a salary of CZK 3,100,000 (approx. €124,000) per annum with a discretionary bonus of up to 80% of his annual salary (approx. €99,200) per annum. The agreement has no fixed term but can be terminated both by Mr. Matula and by OKD by giving three months' written notice. He is entitled, under certain conditions, to one year's salary on termination of his employment agreement.

### 9.3 Retirement Scheme for Members of the Board

According to the Corporate Governance Policy, no more than  $\frac{1}{3}$  of the directors shall retire at the same time. Accordingly, the Company has adopted a retirement scheme for directors in order to prevent resignations and re-elections of more than  $\frac{1}{3}$  of its directors occurring simultaneously.

### 9.4 Other Agreements with Members of the Board

Milan Jelinek, a member of the Board, has entered into an agreement for services and an agreement for coking sales. For further details, see section of this document entitled "Certain Relationships and Related Party Transactions."

### 9.5 Current Letters of Appointment with Non-Executive Directors

Each Non-Executive Director has entered into a letter of appointment with the Company, the relevant terms of which are set out below:

In accordance with the Articles of Association, the term of appointment of the Non-Executive Directors is 4 years, subject to satisfactory performance and re-election when appropriate by the Company in general meeting.

No notice period applies for the termination of each Non-Executive Director's letter of appointment. Unless the appointment as a non-executive director is renewed on or prior to the termination date, the term as a non-executive director shall lapse immediately after the termination date. The appointment may also be terminated at any time by the general meeting of the shareholders of the Company.

The basic annual fee payable to the Non-Executive Directors is £60,000, which will be reviewable annually by the remuneration committee of the Board. Any amendments to the remuneration of the Non-Executive Directors require a resolution of the general meeting of the shareholders of the Company. In addition, the compensation payable for Non-Executive Directors who are members of the board committees is as follows:

	<b>Finance and Investment Committee</b>	<b>Health, Safety and Environment Committee</b>	<b>Remuneration Committee</b>	<b>Audit and Risk Management Committee</b>	<b>Real Estate Committee</b>
Chairman .....	£20,000	£40,000	£25,000	£50,000	£50,000
Member .....	£10,000	£10,000	£20,000	£25,000	£25,000

Source: The Company

At the completion of the Offer and once again 12 months thereafter, each of the independent Non-Executive Directors (Hans-Jörg Rudloff, Bessel Kok, Steven Schuit, Barry Rourke and Paul Everard) shall be granted A Shares in the value of EUR 200,000 per grant, provided that each director must hold the A Shares awarded for a minimum of one year after such award. The terms and conditions for this award to eligible independent Non-Executive Directors will be included in a share plan. The number of A Shares granted at the completion of the Offer will be equal to the outcome of the calculation of EUR 200,000 divided by the Offer Price. The number of A Shares to be granted 12 months after Admission will be equal to the outcome of the calculation of EUR 200,000 divided by the average of the highest market prices per share on each of the 5 trading days as reported by the London Stock Exchange.

In addition, each Non-Executive Director is eligible for reimbursement for all reasonable and properly documented expenses incurred in performing his or her role and is subject to confidentiality undertakings.

## 10. EQUITY HOLDINGS

Save in respect of their entitlement to A Shares pursuant to the options described below, and in respect of the A Shares to be granted to the Independent Non-Executive Directors referred to above, no member of the Board or senior management directly owns any of the A Shares, B Shares or the C Share. Mr. Bakala and Mr. Kadas (both members of the Board) are deemed to have an indirect interest in certain A Shares through their interests in the Indirect Shareholders.

Mr. Bakala holds no direct interest in A Shares, B Shares or the C Share but he is considered as being interested in the A Shares, B Shares and the C Share through Bakala entities holding an indirect ownership interest in RPGP. Immediately following the completion of the Offer (assuming no exercise of the Over-Allotment Option), RPGI will own 68.5% of the issued A Shares, 100% of the B Shares and the

sole issued C Share. RPGP controls RPI through its holding of 81% of the shares in this company. Accordingly, after the Offer and the cancellation of the C Share, RPGP will have an 81% indirect interest in the A Shares and a 100% interest in the B Shares held by RPI. Mr. Bakala, through the Bakala entities, owns 50% of the outstanding voting capital in RPGP.

Mr. Kadas holds no direct interest in A Shares, B Shares or the C Share but he is considered as being interested in A Shares, B Shares and the C Share because of CCII indirect ownership interest in RPGP and RPGP's indirect ownership interest in the Company (as referred to in the paragraph above). Companies controlled by CCII own 50% of the outstanding voting capital in RPGP. Certain trusts associated with the family of Mr. Kadas own a minority interest in CCII.

In addition, as set out under the terms of employment, the Company has agreed with Mr. Salamon under his employment agreement to deliver A Shares equivalent to 0.1% of the issued A share capital of the Company on the first anniversary of his agreement and on each of the next four anniversaries. OKD has agreed to deliver to Mr. Beck shares equivalent 100,018 A Shares (250,045 A Shares after the share split effected at the Conversion Date) for each full year of this three year term (with the possibility of an extension).

*Options held by members of the Board and senior management.*

The following options set forth in the table below indicating the monetary value of Admission Options in respect of A Shares will be granted to members of the Board and senior management upon Admission, each such option being exercisable at the Offer Price.

	<b>Date of Grant</b>	<b>Monetary Value in EUR of A Shares Option<sup>(1)</sup></b>	<b>Exercise Period</b>
<b>Executive Directors</b>			
Marek Jelínek.....	13 May 2008	215,000	3–8 years
<b>Senior Managers</b>			
Ján Fabián .....	13 May 2008	280,000	3–8 years
Miloslava Trgiňová.....	13 May 2008	280,000	3–8 years
Petr Otava, Jr.....	13 May 2008	420,000	3–8 years
Jan Matula.....	13 May 2008	124,000	3–8 years
Leo Bayer.....	13 May 2008	164,000	3–8 years
Total.....			

The Admission Options vest in accordance with the recipient achieving certain performance criteria (see subsection of this document entitled “Management – Stock Option Plan”).

(1) Mr. Jelínek's monetary value was fixed in EUR by the Board. The monetary values for the persons listed under the heading entitled “Senior Managers” were fixed in CZK by the Board and were converted into EUR from CZK at an exchange rate of 25.0 CZK/EUR. The Offer Price information was converted from UK sterling into EUR at an exchange rate of 1.25 EUR/£1. The number of Admission Options granted to each person will be determined by dividing the monetary

value by the value of one Admission Option, calculated on the basis of the Black Scholes option valuation taking into account the final Offer Price. The exercise price for each Admission Option is the Offer Price.

- (2) The actual number of A Shares underlying the Admission Options will depend upon the Offer Price, after applying the Black Scholes option valuation model used by the Company. The minimum number of A Shares under option assumes the Offer Price is at the highest point of the Price Range. The maximum number of A Shares under option assumes the Offer Price is at the lowest point of the Price Range.

## **11. OTHER INFORMATION RELATING TO MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT**

The Company is not aware, in relation to the members of the Board or senior management, of (i) any convictions in relation to fraudulent offences for the last five years, (ii) any bankruptcies, receiverships or liquidations of any entities in which such persons held any office, directorships or senior management positions in the last five years, or (iii) any official public incrimination and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company in the last five years. In addition, there are no family relationships between any of those persons listed in paragraph 10 above.

## **12. POTENTIAL CONFLICTS OF INTEREST**

Directors and members of the senior management and directors of the Former OKD Group also have ownership interests in and/or duties owing to other companies (including interests in, and duties owing to, the Indirect Shareholders). In addition, Directors and members of senior management of the Company who currently do not have private interests or duties owing to other companies could, in the future, have an interest in pursuing directorships, acquisitions, divestitures, financings, or other transactions that, in their judgment, would enhance their profile and equity investments, with regard to companies that may compete directly or indirectly with the Company. Conflicts may arise over corporate opportunities, and while the Company will have the first right of refusal in relation to certain opportunities under the Relationship Agreement for a period of 30 days from notification of such opportunities to the Company (see section of this document entitled “Certain Relationships and Related Party Transactions”), such first right of refusal will not be available when the Relationship Agreement ceases to have effect. Therefore, there is a potential for conflicts of interests between the Directors’ and senior management’s duties to the Company, on the one hand, and the personal interests in, and/or the duties such persons owe to, other companies, in circumstances where their interests and duties are not aligned with the Company’s interests. In this respect, the fully independent audit and risk management committee has a crucial role in opining and making proposals to the Board in all matters where a (potential) conflict of interest exists between the Company and its controlling shareholder and the Indirect Shareholders. See section of this document entitled “Risk Factors—Risks Relating to the Company’s Business and the Industry—The Controlling Shareholder and Indirect Shareholders exercise considerable influence over the Company and their interests or interests of their shareholders may conflict with the Company’s interests, interests of each other and/or the interests of the holders of the Notes” for further details.

According to the Corporate Governance Policy, a potential conflict of interest exists between the Company and a director if the Company intends to enter into a transaction with an entity: (i) in which a director or a related party thereof of the Company personally has a material financial interest; (ii) which has a management board member who has a relationship under family law with a director of the Company; or (iii) in which a director of the Company has a management or supervisory position. Decisions to enter into transactions in which the Company has a conflict of interest with one or more Directors that are of material significance to the Company and/or the relevant Directors may only be entered into following a resolution of the Board. A director shall not participate in the assessment by the Board of a potential conflict of interest involving that director or in any discussion or decision regarding a transaction in which that director has a conflict of interest.

Through the operation of the Articles of Association and Dutch law, if an executive director has a conflict of interest with the Company, the Company may be represented by each other Executive Directors unless the general meeting appoints another person for that purpose to represent the Company.

The existence of separate classes of shares in the Company could give rise to occasions when the interests of the Divisions and the interests of the holders of the A Shares and the holders of the B Shares may diverge, conflict or appear to diverge or conflict. In resolving such divergence or conflict of interests, the Board will act in accordance with the terms of the Corporate Governance Policy, the Articles of Association and the Divisional Policy Statements which govern the relationship between the Divisions, together with its duties, as directors of a Dutch company, which require the Board to consider the impact of these decisions on all stakeholders of the Company. To the extent that matters arise between the Divisions which are not provided for in the Articles of Association and the Divisional Policy Statements, the Board is required to handle such matters in a manner that is consistent with the best interests of the Company as a whole and all of its stakeholders after giving careful consideration to the potentially divergent interests and all other interests of the separate classes of shares in the Company. See section of this document entitled “Risk Factors—Risks relating to the different classes of share capital—There may be conflicts between the interests of the Mining Division and the Real Estate Division” for further details. These conflicts may be resolved by the Board in a manner adverse to the interests of the holders of the A Shares. Directors of the Company who are interested in the B Shares and as such do not qualify as independent directors under the rules of the Real Estate Committee are required to abstain from voting on certain matters before the board related to the Real Estate Division.

Other than as set out above, there are no potential conflicts of interest between any duties to the Company and the private interests and/or other duties of any of the Directors or senior managers of the Company. In addition to their directorships with the Company, the Company’s directors, executive officers and senior managers currently hold or have held the following directorships and/or have been a partner in the following partnerships in the five years prior to the date of this annual report:

<u>Name</u>	<u>Current directorships / partnerships</u>	<u>Previous directorships / partnerships</u>
<b><i>Executive Directors</i></b>		
Miklos Salamon .....	AMCI Capital Central Rand Gold Gem Diamonds OKD Randquest Syndicate Limited Tranquility CC	African Metals Limited BHP Billiton BHP Billiton Limited BHP Billiton Nickel West Pty Limited BHP Billiton plc BHP Billiton SA Limited BHP Billiton SA Holdings Limited Billiton Coal SA Limited Billiton plc Cerro Matoso SA Columbus Stainless (Pty) Ltd International Aluminium Institute International Manganese Institute McAlpine SA Limited Minera Escondida Limitada Mozal SARL QNI Limited Richards Bay Coal Terminal (Pty) Ltd Richards Bay Iron and Titanium (Pty) Ltd Samancor Chrome Limited Samancor Manganese (Pty) Ltd Tisand (Pty) Ltd WMC Limited World Coal Institute Worsley Alumina Pty Limited

Klaus-Dieter Beck.....	OKD	
Marek Jelínek.....	OKD	
	GGI	
	RPG Trading	
		Metalimex
		RPGA
		OKK
		NWR Transportation
		RPG Real Estate B.V.
<b>Non-Executive Directors</b>		
Zdeněk Bakala .....	OKD	
	NWR Transportation	
	RPG Real Estate B.V.	
	RPGA	
Peter Kadas .....	Crossroads Capital (UK) Ltd	
	RPG Real Estate B.V.	
Alex T. Krueger .....	Asian Energy Holdings, LLC	
	First Reserve Corporation	
	First Reserve GP IX, Inc.	
	First Reserve GP X, Inc.	
	First Reserve GP XI, Inc.	
	FR Horizon GP Limited	
	FR IX Offshore GP Limited	
	FR Sunbury Holdings, Inc.	
	FR Transport Holdings, Inc.	
	FR X Offshore GP Limited	
	FR X Southern Cross Coal Holdings LLC	
	FR XI Offshore GP Limited	
	FRC Southern Cross Coal Holdings, Inc.	
	AMCI Capital GP Limited	
	Asian American Coal, Inc.	
	FR Cooke Acquisition B.V.	
	FR Horizon GP Limited	
	Foundation Coal Holdings, Inc.	
	FR Transport Holdings, Inc.	
	FR China Coal Holdings, Limited	
	RPG Amfire Cayman Holdings, Ltd.	
	Southern Cross Cayman Holdings, Inc.	
	Whitehaven Coal Limited	
Christiaan Norval.....	GGI	
	DPB	
Milan Jelinek .....	OKD	
	AMCI Capital	
	ICS Trading AG	
	NWR Transportation	
	Enerco BV	
Hans-Jürgen Mende .....	A.M. Nova Holding Company	
	Alpine Development Company	
	AMCI Acquisition II, LLC	
	AMCI Acquisition III, LLC	
	AMCI Acquisition IV, LLC	
	AMCI Acquisition V, LLC	
	AMCI (BC) Pty Ltd.	
		Karbon Invest, a.s.
		Charles Capital, a.s.
		RPGICZ
		OKD
		Alpha NR Holding, Inc.
		FRC-NRP, Inc.
		FRC-WPP GP LLC
		Alpha Natural Resources, Inc.
		AMCI Holdings Australia Pty Ltd.
		Asian American Gas, Inc.
		Australian Coal Inter Holdings (LUX) I S.a.r.l.
		Australian Coal Inter Holdings (LUX) IA S.a.r.l.
		Australian Coal Inter Holdings (LUX) II S.a.r.l.
		Australian Coal Inter Holdings (LUX) IIA S.a.r.l.
		Narrabri Coal PTY Ltd
		Natural Resource Partners
		Whitehaven Coal Mining Limited
		SUAL International Group
		Metalimex
		Alpha Natural Resources, Inc.
		Foundation Coal Holdings, Inc.
		Barkers Ridge Development Company
		Hamburg Energy LLC
		Indian Ridge Development Company
		Laurel Mountain Management
		Madison Mining Company II, LLC

AMCI Capital GP Limited	Nova Solid Fuels Corporation
AMCI Capital LLC	Solomons Group, Inc.
AMCI Carbon AG	Tanoma Coal Company, Inc.
AMCI ConsMin GP (Cayman) Ltd.	Vollow Resources II, LLC
AMCI ConsMin (Cayman) L.P.	
AMCI Energy, I L.P.	
AMCI HM (Cayman) Limited	
AMCI Holdings, Inc.	
AMCI International AG	
AMCI Investments Pty Ltd	
AMCI Management (Cayman) Limited	
AMCI Minerals Corporation	
AMCI (MV) Pty Ltd.	
AMCI (Moorvale) Pty Ltd.	
AMCI Pty Ltd.	
AMCI Resources Inc.	
AMCI (SEQ) Pty Ltd.	
AMCI Shipping LP	
AMCI Shipping Services LLC	
AMCI (Switzerland) AG	
AMCI (WA) Pty Ltd.	
AMCI World Sales Corporation	
AMCI Dutch Co-op Partner Limited	
American Metallurgical Coal Sales LLC	
AMS Tube Corp. (Louisiana)	
AMS Tube Corp. (South Carolina)	
American Metals & Coal	
International, Inc.	
Bela Coal Pty Ltd.	
Bela Resources II, LLC	
Bela Resources III, LLC	
Bela Resources IV, LLC	
Betalpha Pty Ltd	
Bowen Basin Coal Australia	
Carbofer Finance Cooperative U.A.	
Consulting Coal Services, Inc.	
Christine Shipco LLC	
Creekside II, Inc.	
CPB Coed Pty Ltd	
Day Med Properties, Inc.	
Deerfield Resources, Inc.	
EneRmaR Carbon S.r.l.	
Energy Coal Marketing Pty Ltd.	
Felix Resources Limited	
First Carbofer LLC	
First Hamburg Finance LLC	
Hamburg Trust B.V.	
HM1, LLC	
HM1 Investor LP	
HM2, LLC	
Hope Shipco LLC	
HPC, Inc.	
Kirmar Investment Incorporated	

Kirrnar Limited Partnership  
 KPC, Inc.  
 K-M Investment Corporation  
 KMKT Partnership  
 LD Equipment Pty Inc.  
 LD Operations Pty Limited  
 Lille Shipco LLC  
 M-K (Cayman) Warrior GP Limited  
 M-K (Cayman) Warrior Limited  
 Namoi Mining Pty Ltd.  
 Naold Pty Ltd.  
 Narrabri Coal Pty Ltd  
 Olbye Engineering & Mining Services  
 Pty Ltd.  
 The Nicola Limited Partnership  
 QCR No. 2 Pty Ltd.  
 Prime Carbon AG  
 Raw Material Services LP  
 Redbank II, Inc.  
 RMS Services, Inc.  
 Riverview Coal Sales Inc.  
 RMS Services LLC  
 Sandy Huff Coal Company  
 Second Carbofer LLC  
 Second Hamburg Finance LLC  
 Senate Coal Mines, Inc.  
 Senate Resources, Inc.  
 South West Coal Pty Ltd.  
 Tanoma Energy Resources, Inc.  
 Tanoma Energy II, Inc.  
 Tanoma Mining Company, Inc.  
 Tarrawonga Coal Pty Ltd.  
 Triangle Resource Cayman LLC  
 Triangle Resource Holding  
 Trilabogarden Holding SA  
 Vasse Coal Management Pty Ltd.  
 Virginia Crews Coal Company  
 WA Resources Pty Ltd.  
 Western Coal Holdings Pty Ltd.  
 Westiron Pty Ltd.  
 Whitehaven Coal Mining Limited  
 Whitehaven Coal Holdings Pty Ltd.  
 World Energy Sales. Inc.  
 Xcoal Energy & Resources, L.P.

Bessel Kok .....	Astelit/LIFE (Kiev) Scarlet Communications (Netherlands) CV Warehouse (Belgium)	Telefonica/02 (Czech Republic) Eurotel
Hans-Jörg Rudloff.....	Barclays Capital ICMA Bluebay Asset Management Ltd. Novartis ABD Capital SA Thyssen Bornemisza Group	MC-BBL Eastern Europe Credit Suisse Kidder Peabody

	Ros Business Consulting Landeskreditbank Baden-Württemberg Marcuard Group	
Steven Schuit .....	ZBG Finance N.V. Amodo N.V. Breevast B.V. Numico B.V.	Allen & Overy LLP
Barry Rourke .....	3Legs Resources plc Columbus Acquisition Corp. Department for Business Enterprise and Regulatory Reform Surrey and Borders Partnership NHS Trust	Threshold Housing SUAL Group
<b>Senior Officers</b>		
Miloslava Trgíňová.....	OKD	
Ján Fabián .....	OKD OKD, Bastro, a.s. Karbonia	
Jan Matula.....	OKD, HBZS, a.s. DPB	ČMD Karbon Invest
Petr Otava Jr. ....	OKD OKK Czech-Karbon	Metalimex

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Source: The Company

### 13. DIRECTORS' INDEMNIFICATION AND INSURANCE

Under Dutch law, members of the Board may be liable for damages in the event of improper or negligent performance of their duties. They may be jointly and severally liable for damages to the Company and to third parties for infringement of the Articles of Association or of certain provisions of the Dutch Civil Code (*Burgerlijk Wetboek*). In certain circumstances, members of the Board may also incur additional specific civil and criminal liabilities. The Articles of Association also stipulate that current and former members of the Board are entitled to reimbursement of:

- reasonable costs of conducting a defence against claims based on acts or failures to act in the exercise of their duties or any other duties currently or previously performed by them at the request of the Company;
- any damages or fines payable by them as a result of an act or failure to act as referred to above; and
- reasonable costs of appearing in other legal proceedings in which they are involved as current or former members of the board of directors, with the exception of proceedings primarily aimed at pursuing a claim on their own behalf.

There is, however, no entitlement to reimbursement as described in the immediately preceding paragraph if and to the extent:

- a Dutch court has established in a final and conclusive judgment that the act or failure to act of the individual concerned may be characterised as wilful (*opzettelijk*), intentionally reckless (*bewust roekeloos*) or seriously culpable (*ernstig verwijtbaar*) conduct, unless Dutch law

provides otherwise or this would be unacceptable in view of the requirements of reasonableness and fairness (*redelijkheid en billijkheid*) when taking into account the relevant circumstances; or

- the costs or financial loss of the person concerned are covered by insurance and the insurer has made a payment covering the costs or financial loss.

The Company has obtained liability insurance for the benefit of the members of the Board and certain other officers, including those listed as senior management.

In addition, the Directors have entered into indemnification agreements with the Company with respect to any liability arising from the fulfilment (or lack thereof) of their duties as Directors.

#### **14. EMPLOYEES**

For the year ended 31 December 2007, the Company employed an average total number of 18,360 employees and utilised 3,576 workers employed by contractors. For additional information, see section of this document entitled “Business—Employees and Contractors.”

#### **15. LABOUR RELATIONS**

For further information regarding the labour relations of the Company see section of this document entitled “Risk Factors—Risks Relating to the Company’s Business and the Industry—The Company could be negatively affected if it fails to maintain satisfactory labour relations”.

#### **16. STOCK OPTION PLAN**

The Company will operate the Stock Option Plan, which will be adopted before the completion of the Offer. The terms of the Stock Option Plan will be substantially as set out below.

##### **16.1 Eligibility**

Executive directors, members of senior management and key employees of the Company are eligible to participate in the plan. Individual eligibility is determined by the remuneration committee on a discretionary basis.

##### **16.2 Operation**

The plan shall be operated and administered by the Board and remuneration committee.

##### **16.3 Grant of options**

The Board, may, at its discretion, grant options to acquire A Shares under the plan to any eligible employees. Options can normally only be granted in the days following the publication of the Company’s annual results. The maximum number of A Shares over which options under the Stock Option Plan may be granted under the Stock Option Plan may not exceed a number of A Shares, equal to 3 per cent of the issued A Share capital of the Company at Admission. At Admission Options to acquire A Shares will be granted with an exercise price equal to the Offer Price—these will vest in accordance with certain performance criteria. The total monetary value of the Admission Options will be EUR 3.7 million. The total number of Admission Options granted will be determined by dividing the total monetary value of the Admission Options by the value of one Admission Option, calculated on the basis of Black Scholes option valuation taking into account the final Offer Price.

Options may be granted subject to a performance condition based on objective criteria, such as EBITDA (in the case of the executive directors) or production targets and costs in the case of members of senior management and key employees of the Company.

Option holders are not required to pay for the grant of an option.

#### 16.4 Exercise price

Options will be granted with an exercise price which is set at the Offer Price in respect of the Admission Options and in respect of any other options granted under the plan will be not less than the average opening value of an A Share (as derived from the PSE) on the London Stock Exchange on the 5 business days immediately prior to the date of grant.

#### 16.5 Exercise of options

Options are normally exercisable, subject to the satisfaction of the relevant performance condition, following the third anniversary of grant, provided the Option holder remains an employee or director.

The options will vest after a three year period. For each year during the vesting period that the performance condition is met,  $\frac{1}{3}$  of the granted options may vest, with the understanding that if the threshold performance is met 50% (of  $\frac{1}{3}$ ) of the granted options will vest and if the target performance is met, 100% (of  $\frac{1}{3}$ ) of the granted options will vest. If the actual performance is between the threshold performance and the target performance, options vest on a linear basis.

Threshold and target performance are set for each year individually as part as the normal budgeting cycle.

For 2008 the targets and thresholds will be the following:

For executive directors and certain members of senior management and key employees designated by the Board:

- EBITDA threshold: EUR 512 million for consolidated NWR EBITDA at CZK/EUR of 25.0
- EBITDA target: EUR 640 million for consolidated NWR EBITDA at CZK/EUR of 25.0

For all other senior management and key employees:

- Production threshold: 11,224 mt of coal and coke combined
- Production target: 14,030 mt of coal and coke combined
- Total cost threshold: EUR 1,542 million of consolidated total operating costs, including transportation costs at CZK/EUR of 25.0
- Total cost target: EUR 1,402 million of consolidated total operating costs, including transportation costs at CZK/EUR of 25.0

Options which have not been exercised will normally lapse on the eighth anniversary of grant. Options may, however, be exercised early in certain circumstances, including certain terminations of

employment (see below) and in the event of a takeover (see below), scheme of arrangement or winding up. Options are not transferable and may only be exercised by the persons to whom they are granted.

#### 16.6 Termination of employment

If an Option holder ceases to be a director or employee of a member of the Company for reasons involving misconduct, all his options will lapse on such cessation. If an Option holder dies, retires at normal retirement age, is made redundant or retires through illness or injury, his Options may be exercised on a proportionate basis dependent upon the time which has elapsed since the date of grant and the to the relative satisfaction of any applicable performance condition.

#### 16.7 Change in control

In the event of a change in control of the Company, all options will vest.

#### 16.8 Issue of A Shares

A Shares issued on the exercise of Options will rank equally with A Shares in issue at that time, except in respect of rights arising by reference to a prior record date.

#### 16.9 Variation in share capital

Options may be adjusted following certain variations in the share capital of the Company, including a capitalisation or rights issue, subdivision or consolidation of share capital.

#### 16.10 Individual limits

Unless the remuneration committee determines that exceptional circumstances apply: (i) Options may not be granted to a member of senior management if this would cause the total amount payable on exercise of any Options granted in that financial year to exceed his fixed annual salary in the 12 months prior to grant, or to exceed five times his fixed annual salary in the 60 months prior to grant; and (ii) Options may not be granted to a key employee of the Company if this would cause the total amount payable on exercise of any Options granted in that financial year to exceed 60% of his fixed annual salary in the 12 months prior to grant, or to exceed three times his fixed annual salary in the 60 months prior to grant.

#### 16.11 Amendments

The remuneration committee has discretion to manage and administer the plan, interpret the same and (propose to) introduce changes therein, such changes subject to the provisions of any applicable law, including but not limited to Dutch corporate law and market abuse laws in both England and The Netherlands.

#### 16.12 Termination

The Board may terminate the plan at any time. If this happens, no further Options may be granted but the provisions of the plan will continue in relation to Options already granted. No Options may be granted after the eighth anniversary of the date of adoption of the plan.

## **17. PENSION SCHEMES**

The Company does not operate any pension schemes on behalf of, or for the benefit of, its directors or employees. The Company does not set aside or accrue amounts to provide pension, retirement or similar benefits. However, the Company does accrue certain benefits under applicable Czech law for medical leave, employment length of service and termination payments for its employees. For additional information, see note 28 to the Company's consolidated financial statements for the year ended 31 December 2007.

## **18. CORPORATE GOVERNANCE**

18.1 In addition to the Corporate Governance Policy, the Company has also adopted the CEBC. The CEBC governs the behaviour of all officers and employees of the Company and its subsidiaries. Appended to the CEBC is the Company's Whistleblower Procedure, pursuant to which, employees of the Company and its subsidiaries are able to express concerns to the chairman, senior independent director (at present Bessel Kok) and designated officer (at present Ivona Ročárková, company secretary) in relation to the conduct of the Company, its officers and employees which they consider contrary to the CEBC or if they wish to report a Suspected Irregularity (as defined in the Whistleblower Procedure).

### **18.2 Dutch Corporate Governance Code**

On Admission, although the Company will not be listing its A Shares at Euronext in Amsterdam, it will still be required to comply with the Dutch Corporate Governance Code. The Dutch Corporate Governance Code contains 21 principles and 113 best practice provisions for managing boards, supervisory boards, shareholders and general meetings of shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards. The Dutch Corporate Governance Code applies to all Dutch companies listed on a government-recognised stock exchange, whether in the Netherlands or elsewhere. Such companies are required under the laws of the Netherlands to disclose in their annual reports whether or not they apply those provisions of the Dutch Corporate Governance Code that are addressed to the managing board or, if any, supervisory board of the company and, if they do not apply those provisions, to give the reasons for such non-application.

Non-application of a specific best practice provision is not in itself considered objectionable by the Dutch Corporate Governance Code and may well be justified because of particular circumstances relevant to a company. Pursuant to the Decree of 23 December 2004, on the adoption of further regulations regarding the contents of the annual report, however, the Company discloses in its annual report the non-application of the best practice provisions of the Dutch Corporate Governance Code. To the extent the Company does not apply certain best practice provisions or does not intend to apply these in the current or the subsequent financial year, the Company states the reasons therefor.

The Company acknowledges the importance of good corporate governance. The Company has made an effort in drawing up internal corporate governance regulations that comply, to the extent possible, with the Dutch Corporate Governance Code. Where deviations from the Dutch Corporate Governance Code have been necessary, they have been indicated below and will furthermore be indicated in the Company's annual report and accounts. In addition, under the Listing Rules, the Company is required to include a statement in its annual report and accounts as to the significant ways in which its actual corporate governance practices differ from those set out in the UK Combined Code.

The Company has not applied a limited number of best practice provisions from the Dutch Corporate Governance Code, as it has not considered them to be appropriate for the Company and its stakeholders.

The best practice provisions currently not applied by the Company are:

- As the performance criteria pursuant to which the Options granted under the Stock Option Plan will vest, will be set for each year individually, the Stock Option Plan does not meet best practice provision II.2.1 of the Dutch Corporate Governance Code to the extent that this provision relates to predetermined performance criteria.
- The independent Non-Executive Directors are granted A Shares at the completion of the Offer and again 12 months thereafter. The A Shares are granted for no financial consideration. This grant is subject to the restriction that each award of A Shares is held for a minimum of one year. As the independent Non-Executive Directors shall not necessarily retain the A Shares for at least a period of five years and the number of A Shares to be granted shall not be dependent on the achievement of clearly quantifiable and challenging targets specified beforehand, the Company deviates from best practice provision II.2.3 of the Dutch Corporate Governance Code. The Company considers the practice in compliance with international business practice and it considers the grant of A Shares as an important incentive to attract individuals with the required skills and expertise to serve as independent non-executive directors. Although independent non-executive directors in a one-tier board structure (such as the Company) are to a certain extent comparable to supervisory directors in a two-tier structured public listed company, the Dutch Corporate Governance Code does not contain a prohibition on shares being granted to non-executive directors. Furthermore, upon the completion of the Offer and once again 12 months thereafter, the independent Non-Executive Directors shall be granted A Shares in the value of EUR 200,000 per grant, provided that each director must hold the A Shares awarded for a minimum of one year after such award. The terms and conditions for this award to eligible independent Non-Executive Directors will be included in a share plan.
- Under existing employment agreements of Mr. Miklos Salamon with the Company and Mr. Klaus-Dieter Beck with OKD, a number of A Shares shall be granted on certain anniversaries under their respective agreements. The A Shares are granted against no financial consideration. As the number of A Shares to be granted shall not be dependent on the achievement of clearly quantifiable and challenging targets specified beforehand, the Company deviates from best practice provision II.2.3 of the Dutch Corporate Governance Code. The Company considers the practice in compliance with international business practice and it considers the grant of A Shares as an important incentive to attract individuals with the required skills and expertise to serve as executive director of the Company.
- The Company has appointed an executive chairman and as such deviates from best practice provision III.8.1 of the Dutch Corporate Governance Code. The Company believes that the presence of an executive chairman is needed to provide leadership at group level in a holding structure in which leadership of operations is exercised at operating company level. The executive chairman has no current business relationship with the Selling Shareholder.
- In addition, the Board will not contain a majority of independent non-executive directors within the meaning of best practice provisions III.2.2 and III.8.4 of the Dutch Corporate Governance Code. The Company currently has three Executive Directors (who are considered to be non-independent) and twelve Non-Executive Directors out of whom five are considered to be independent, applying the criteria of best practice provision III.2.2. The Non-Executive Directors who are considered to be non-independent are Mr. Zdeněk Bakala, Mr. Peter Kadas, Mr. Alex T. Krueger, Mr. Christiaan Norval, Mr. Milan Jelinek, Mr. Pavel Telička and Mr. Hans-Jürgen Mende. The independent Non-Executive Directors are Mr. Hans-Jörg Rudloff, Mr. Bessel Kok, Mr. Steven Schuit, Mr. Barry Rourke and Mr. Paul Everard. The Company has a minority of independent Non-Executive Directors on the Board, because the

majority of Non-Executive Directors represent the Indirect Shareholders. However, as set out earlier in this section, independent Non-Executive Directors are entrusted with key tasks related to the role of the audit and risk management committee in monitoring the audit functions and potential conflicts of interest, as well as being all of the members of the Real Estate Committee.

- The Company has not installed a selection and appointment committee and as such deviates from principle III.5 and best practice provision III.5.13 of the Dutch Corporate Governance Code. The Company believes that its ownership structure and the number of independent non-executive directors account for the absence of such a committee. The Board anticipates that it shall jointly fulfill the tasks and responsibilities set out by the Dutch Corporate Governance Code for such committee.

### 18.3 UK Combined Code

As referred to above the Company is required to comply with Dutch Corporate Governance Code. However, pursuant to the UK Listing Rules, which will apply to the Company, the Company will be required to disclose in its annual report and accounts the significant ways in which its actual corporate governance practices differ from those set in the UK Combined Code. The Company has not applied a limited number of best practice provisions from the UK Combined Code, as it has not considered them to be appropriate to the Company and its stakeholders:

- The Company has appointed an executive chairman, which is contrary to the recommendation of the UK Combined Code (provision A.2.1).
- The executive chairman did not, upon appointment, meet the independence criteria set out in the UK Combined Code (provision A.3.1).
- The Board will not contain a majority of independent non-executive directors, which is recommended by UK Combined Code (provision A.3.2).
- The Board will carry out the tasks and responsibilities of the nominations committee whereas the UK Combined Code (provision A.4.1) recommends the appointment of a separate nomination committee.
- The remuneration committee is chaired by Zdeněk Bakala, whereas the UK Combined Code (provision B.2.1) recommends that the remuneration committee should be comprised entirely of independent non-executive directors. In addition, the remuneration committee does not have delegated responsibility for setting the remuneration for the executive directors, as recommended by the Combined Code (provision B.2.2). Instead, the remuneration committee is to, *inter alia*, prepare specific proposals to the Board with respect to the salary, bonuses and other benefits for the Company's executive directors.

Notwithstanding departures from the Dutch Corporate Governance Code and the UK Combined Code, the Board has adopted a 'Corporate Governance Policy' to ensure the maintenance of a coherent and effective system of governance and enable the Board to carry out its direction and control functions.

### 18.4 Czech Corporate Governance Code

In July 2004, the Czech Securities Commission (the former Czech regulator) issued a codex of corporate governance based on the OECD principles. The Company is not obliged to comply with this

codex by the CNB or the PSE. The CNB only recommends that a declaration about the compliance with the codex be included in the annual report of the Company.

The Company has established a corporate governance regime that generally adheres to the provision of the Dutch Corporate Governance Code and the UK Combined Code except as described above. Although the Company does not apply the Czech Corporate Governance Code, the codex is generally similar to the UK Combined Code and the material deviations are similar to those described in subsection of this document entitled “Management—Corporate Governance Issues—Dutch Corporate Governance Code.”

#### 18.5 Polish Corporate Governance Code

Pursuant to the Warsaw Stock Exchange Rules, and in connection with the listing of the A Shares on the Warsaw Stock Exchange, the Company is required to indicate which of the Polish principles of the WSE Corporate Governance Rules it does not intend to comply with and the reasons for non-compliance and this information should be published by the Company in its annual report.

The Company has decided to observe the majority of the WSE Corporate Governance Rules. However, certain principles will apply to the Company only to the extent allowed by Dutch corporate law and subject to certain reservations stemming from the Company’s corporate structure, especially the single board structure as opposed to the two-tier system that the WSE Corporate Governance Rules assume. Therefore, the Company complies partially or is unable to comply with Rules I.6, I.7, II.6 and III.I-9 in the WSE Corporate Governance Rules concerning the Supervisory Board and its members. In cases where the Company is unable to comply with a certain principle directly, the Company will endeavour to create procedures maintaining the spirit of such principle.

Detailed information on non-compliance, and the required explanations, will be given in the full text of the Company’s declaration regarding compliance with the WSE Corporate Governance Rules. This declaration shall be filed immediately upon the A Shares being admitted to trading on the WSE.

### 19. CONTROLLING SHAREHOLDER

Following the completion of the Offer, the controlling shareholder of the Company, RPGI, will own approximately 68.5% of the A Shares (or 63.8% of the A Shares if the Over-Allotment Option is exercised in full), 100% of the B Shares and the sole issued C Share. As a result, RPGI will, on Admission, have effective control of the Company. The Board is satisfied that the Company is capable of carrying on its business independently of RPGI and that all transactions and relationships between the Company and RPGI will be on arm’s length terms. The Board will make all of its decisions in a manner consistent with its duties to the Company and all of the Company’s stakeholders after giving fair consideration to the potentially divergent interests and all other relevant interests of the holders of the separate classes of shares in the Company.

To ensure that all transactions and relationships between the Company and RPGI are on arms-length terms, the Company has entered into a Relationship Agreement with RPGI. If a conflict arises between RPGI and the Company, the Directors with a conflict of interest will take no part in the board’s decisions on that matter. For further information on the Relationship Agreement, please see the description of the Relationship Agreement in the section of this document entitled “Certain Relationships and Related Party Transactions.”

## PRINCIPAL SHAREHOLDERS

In so far as is known to the Company, as of 22 April 2008 the persons in the table below have an interest in the Company's capital or voting rights. None of these holders have any different voting rights than other holders of the A Shares. The first column of the table below represent the relevant current shareholder's interest in the relevant person. The second and third columns reflect the ownership interest after giving affect to the Offer (assuming no exercise of the Over-Allotment Option) and after giving effect to the Offering (with the exercise of the Over-Allotment Option). There are no assurances that the Offer will be consummated or that the Over-Allotment Option will be exercised, or if so, on what terms such an Offer would occur.

<b>Name</b>	<b>Percentage of Ownership in A Shares of Company before the Offer</b>	<b>Percentage of indirectly attributed Ownership in A Shares of Company after the Offer</b>	<b>Percentage of indirectly attributed Ownership in A Shares of Company Assuming Over-Allotment Exercise in Full</b>
RPG Industries SE (Cyprus) .....	100%	68.5%	63.8%

In addition, RPGI also owns 100% of the B Shares and the C Share.

RPGP owns 81% of RPGI. As RPGP controls RPGI it may be deemed to beneficially own all the A Shares of the Company held by RPGI. RPGP disclaims beneficial interest in the A Shares to which it does not have a pecuniary interest. RPGP believes it will not have a pecuniary interest and entitlement to approximately 55.5% of the issued A Shares after the Offer, assuming there is no exercise of the Over-Allotment Option and approximately 51.7% of A Shares after the Offer assuming that the Over-Allotment Option has been exercised in full in each case representing the percentage ownership interest of RPGP in RPGI multiplied by the percentage interest of RPGI in the Company.

Prior to the Offer, the Company is a wholly-owned subsidiary of RPGI, which is a holding company with no material business operations or assets. The following table sets forth the relevant ownership interests in the Company held by each of the Indirect Shareholders through their respective affiliated entities:

<b>Name</b>	<b>Percentage of indirectly attributed ownership in A Shares of Company before the Offer</b>	<b>Percentage of indirectly attributed ownership in A Shares of Company after the Offer</b>	<b>Percentage of indirectly attributed ownership in A Shares of Company Assuming Over-Allotment Exercise in Full</b>
Crossroads Capital Investments Inc <sup>(1)</sup> .....	40.5	27.75	25.84
Zdeněk Bakala <sup>(2)</sup> .....	40.5	27.75	25.84
First Reserve <sup>(3)</sup> .....	14.25	9.76	9.09
AMCI <sup>(4)</sup> .....	4.75	3.24	3.03
Total Percentage held:			

by RPGI .....	100	68.5	63.8
by Public Shareholders .....	—	31.5	36.2
<b>Total A Shares .....</b>	<b>100</b>	<b>100</b>	<b>100</b>

- (1) Mr. Kadas, a Non-Executive Director, owns no direct interest in A Shares, B Shares or the C Share but he is considered as being interested in A Shares, B Shares and the C Share because of CCII's indirect ownership interest in RPKG and RPKG's indirect ownership interest in the Company. RPKG is the controlling shareholder of RPGI and, accordingly, after the Offer and the cancellation of the C Share, RPKG will own an indirect interest of 81% in the A Shares held by RPGI, being 68.5% of the issued A Shares (assuming no exercise of the Over-Allotment Option), and in the B Shares held by RPGI, being 100% of the issued B Shares. Companies controlled by CCII own 50% of the outstanding voting capital in RPKG. Certain trusts associated with the family of Mr. Kadas own a minority interest in CCII.
- (2) Mr. Bakala, a Non-Executive Director, holds no direct interest in A Shares, B Shares or the C Share but he is considered as being interested in the A Shares, B Shares and the C Share as a result of Bakala entities holding an indirect ownership interest in RPKG and RPKG's indirect ownership interest in the Company. Mr. Bakala, through the Bakala entities, owns 50% of the outstanding voting capital in RPKG. As set out in note (1) above, RPKG owns an indirect interest of 81% in the A Shares held by RPGI, being 68.5% of the issued A Shares (assuming no exercise of the Over-Allotment Option), and in the B Shares held by RPGI, being 100% of the issued B Shares.
- (3) Mr. Krueger, a Non-Executive Director, is a managing director of First Reserve Corporation. First Reserve owns no direct interest in A Shares, B Shares or the C Share. The indirect ownership interest of First Reserve arises as a result of its ownership of RPG Amfire Cayman Holdings Limited, which has a 14.25% interest in RPGI. In the future, First Reserve may hold its interest in the Company directly, rather than indirectly through RPGI.
- (4) Mr. Mende, a Non-Executive Director, is a 50% equity shareholder in AMCI. AMCI owns no direct interest in A Shares, B Shares or the C Share. The indirect ownership interest of AMCI arises as a result of its ownership of a 4.75% interest in RPGI. In the future, AMCI may hold its interest in the Company directly, rather than indirectly through RPGI.

Source: The Company

#### *Crossroads Capital Investments Inc*

Crossroads Capital Investments Inc is an international private equity investment group focused on investments in Eastern Europe, operating via offices located in the UK and Hungary. Crossroads Capital Investments Inc typically takes large or controlling stakes in investment companies and is active in the management of its investments. Peter Kadas, a Director, is also a director of Crossroads Capital (UK) Ltd., an affiliate of Crossroads Capital Investments Inc.

In addition to its investment in the Company, Crossroads Capital Investments Inc currently has investments in the Czech Republic and Hungary in real estate, household chemicals and carbon trading.

#### *Zdeněk Bakala*

Zdeněk Bakala has been involved in finance and business in the Czech Republic and the CEE since the early 1990s and as a result is an established figure in the Czech business community. Mr. Bakala is originally from, and has retained close ties with, the Czech Republic, establishing and

building businesses and serving on boards of companies in the CEE. In 1991, Mr. Bakala established the Prague office of Credit Suisse First Boston and, in 1994, he founded Patria Finance, one of the largest investment banking boutiques in the Czech Republic. Mr. Bakala is a Director. See subsection of this document entitled “Management—Members of the Board of Directors of the Company—Zdeněk Bakala for further information.”

#### *First Reserve Corporation*

First Reserve Corporation is a leading private equity firm in the energy industry. The firm is currently investing its most recent fund which closed in 2006 at approximately US \$8 billion. First Reserve has a twenty five year history of investing in the energy sector. Since raising its initial pure buyout fund in 1992, First Reserve has completed more than 90 principal transactions in its buyout funds, investing over \$6 billion of equity. First Reserve portfolio companies have completed another \$5 billion of acquisitions through approximately 250 add-on acquisitions. Current First Reserve portfolio companies include Brand Energy and Infrastructure Services, Inc., Dresser Inc., Acteon Group Ltd. and China Coal Energy Issuer Ltd. Former portfolio companies include Alpha Natural Resources, Foundation Coal Corp., Natural Resource Partners, Dresser-Rand Group Inc. and Weatherford International.

#### *AMCI*

AMCI is a privately owned mining and marketing company, founded in 1986 with interests in coal operations in the United States, Australia, South Africa, South America, and China. In 2003, AMCI contributed all of its U.S. production assets to Alpha Natural Resources. In Australia, AMCI has focused on developing and operating new mines and acquiring virgin coal reserves. AMCI continues to be an active investor in the global resources sector. In addition, AMCI has a global marketing network with offices in a number of countries.

First Reserve and AMCI have invested together in over ten investments in the coal industry, including Alpha Natural Resources, a U.S. Appalachian coal producer; Foundation Coal Holdings, a steam coal supplier to U.S. utilities for use in general electricity; and China Coal Energy Issuer Limited.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### Agreements Related to the Restructuring

In connection with the Restructuring, the Company entered into a conversion agreement and certain of its subsidiaries entered into dominance agreements. In contemplation of the Offer and as part of amending contractual arrangements between the Company and RPGI to provide for the independence of the Company, in accordance with the practice of other public companies, the Company, RPGI and certain affiliates have taken the steps described below under the headings "Conversion Agreement" and "Dominance Agreements and Sale of RPGICZ."

#### *Cross-Guarantee*

In connection with the Restructuring, and pursuant to Czech law, OKD, Doprava, DPB, RPG Trading, RPG RE Land, RPG Commercial and RPG Byty a.s. the successor entities of Former OKD are subject to a statutory cross-guarantee. The statutory cross-guarantee was given by each successor entity in relation to the liabilities of the demerged entity (Former OKD) that were assumed by each successor entity on the date of the demerger. The cross-guarantee of each successor entity is limited to the value of the net assets of the guarantor as at the effective date of the demerger.

Similar statutory cross-guarantees have arisen as a result of the spin-off of OKK into a new subsidiary of NWR Coking, a.s., a wholly-owned subsidiary of the Company.

#### *Conversion Agreement*

On 21 November 2006, the Company, OKD, RPGI and RPGICZ entered into the Conversion Agreement relating to the Senior Facilities Agreement. Under the Conversion Agreement, the Company, RPGI and RPGICZ provided certain assurances to OKD with respect to ensuring that the guarantors under the Senior Facilities Agreement comply with their obligations. The Company, RPGI and RPGICZ also provided certain assurances to OKD that, to the extent any of the guarantors under the Senior Facilities Agreement seek recourse against OKD in respect of any payment made by such guarantor to the lenders in relation to the Senior Facilities Agreement, such recourse claim would be capitalised into the equity of OKD in exchange for shares of OKD. With effect from 31 December 2007, the Company, OKD, RPGI and RPGICZ amended the Conversion Agreement to remove RPGI and RPGICZ as parties to the Conversion Agreement.

In June 2007, the Company, in its capacity as a guarantor under the Senior Facilities Agreement, applied EUR 150 million from the proceeds of the offering of Senior Notes to prepay Facility 1 under the Senior Secured Facilities. The resulting claim against OKD for EUR 150 million was capitalised into the equity of OKD in exchange for shares of OKD in September 2007.

Whilst RPG Trading, an affiliate of RPGI, was a guarantor under the Senior Facilities Agreement it sold all of its shares in its wholly owned subsidiary Metalimex. Part of the sales proceeds and certain distributions from Metalimex (approximately CZK 103 million (approximately EUR 3.7 million) were used to prepay outstanding amounts owed by both OKD and the Company under Facility 3 of the Senior Facilities Agreement.

Upon making the last of the pre-payments, RPG Trading ceased to be a guarantor under the Senior Facilities Agreement.

On 3 December 2007, the Company, RPG Trading, RPGI and OKD entered into the Crystallisation Agreement pursuant to which RPG Trading exchanged its recourse claims against OKD

and the Company that had arisen as a consequence of the pre-payments for the Demand Notes with an aggregate face value equal to the amount owed by the Company and OKD from OKD and the Company. RPG Trading then sold the Demand Notes to RPGI in exchange for a demand note. RPGI subsequently contributed the Demand Notes to the Company in exchange for shares of the Company. In turn, the Company capitalised the Demand Note from OKD into the equity of OKD in exchange for shares of OKD pursuant to the Conversion Agreement.

#### *Dominance Agreements and Sale of RPGICZ*

There were four Dominance Agreements in effect within Former OKD Group, three of which are between RPGICZ (as controlling party) and each of DPB and Doprava (each as a controlled party) and one of which is between OKD (as controlling party) and OKK (as controlled party). The powers provided under the Dominance Agreements for RPGICZ were actively exercised during the Restructuring transactions.

To maintain consistent strategic management during the times when Former OKD Group structure was in transition, the Dominance Agreements were established so that RPGICZ could control certain members of Former OKD Group. Under Czech law, when a dominance agreement is in place, the board of directors of the controlled party is bound by the instructions issued by the controlling party. The controlling party is required to compensate the controlled party for any loss arising in the annual financial results of the controlled party.

The Dominance Agreement between RPGICZ and OKD was terminated with effect from 31 December 2007. In addition, on 22 November 2007 RPGI purchased RPGICZ (along with a loan made by the Company to RPGICZ amounting in aggregate to CZK 136 million (approximately EUR 5.1 million) for EUR 1. (See section of this document entitled "Certain Relationships and Related Party Transactions)."

#### *Loan Agreements*

In connection with the Restructuring, pursuant to certain loan agreements, the Company provided two loans to RPGICZ whilst it was its subsidiary in an aggregate amount of CZK 136 million for general corporate purposes. In compliance with the laws of the Czech Republic, the interest rate on the principal amount of each of the loans was determined by a court-appointed appraiser at a rate of 12-months PRIBOR + 1.5% per annum. The loans were drawn down in two tranches on 20 September 2006 and 18 October 2006. The interest accrued on the loans is payable at the time of the repayment of the principal amounts of such loans. The loans were repayable upon the Company's request. These loans were sold to RPGI for the amount of EUR 1 at the same time the Company sold RPGICZ to RPGI.

### **Arrangements Related to the Share Structure of the Company**

#### *Divisional Policy Statements*

Upon the establishment of the Divisions, which resolution has been approved by the Company's general meeting of shareholders, the Board adopted various policies governing the relationship between the Divisions, as set out in the Divisional Policy Statements. The Divisional Policy Statements provide a standard for the duties and responsibilities of the board of the Company and the various other layers of management within the Company in relation to the management of the Assets of the Real Estate Division and the interaction between the Divisions, including, amongst other matters, the establishment of the Real Estate Committee, the allocation of corporate opportunities and corporate overheads and the sharing of tax payments and benefits between the Divisions.

## **Agreements with Indirect Shareholders and Certain of Their Affiliates**

### *Master Advisory and Services Agreement*

On 28 March 2007, the Company entered into the Master Advisory and Services Agreement, as amended on 27 July 2007 with RPGA, a Czech-based direct subsidiary of RGP, in respect of the provision of certain advisory services by RPGA to the Company effective as of 1 September 2006. Under the Master Advisory and Services Agreement, RPGA (or any subcontractors engaged by RPGA in its sole discretion) shall provide the Company with certain non-exclusive advisory services, including services in connection with the acquisition and divestiture of assets, the entry into joint venture arrangements, corporate finance matters and market research initiatives within Central Europe, including the Czech Republic. The advisory fees to be paid by the Company to RPGA, as well as the types of services to be provided by RPGA or its subcontractors, shall be set out in supplemental agreements entered into by the Company and RPGA for each project or transaction. The Company has to reimburse RPGA for all expenses incurred by RPGA in connection with the provision of advisory services. The Company indemnifies RPGA (and its members, employees or shareholders) for any loss suffered in connection with the provision of services under the Master Advisory and Services Agreement. The Master Advisory and Services Agreement may be terminated, with or without cause, by either party giving prior written notice to the other party; provided, that if the Master Advisory and Services Agreement is terminated for any reason other than a material breach, the notice period is one month. The Master Advisory and Services Agreement includes a one-year post-termination confidentiality clause.

### *Technical Consulting Agreement*

On 15 August 2006, the Company entered into the Technical Consulting Agreement with AMCI in respect of the provision of certain advisory services by AMCI to the Company effective as of 1 January 2006. Under the Technical Consulting Agreement, the Company agreed to pay AMCI an annual advisory fee of USD 200,000 in semi-annual payments (commencing for the period July—December 2006) in exchange for certain non-exclusive consulting, advisory and management services relating to the Company's coal mining and coke production activities. In addition, upon execution of the Technical Consulting Agreement, the Company paid AMCI a signing fee of USD 100,000. The Technical Consulting Agreement provides that AMCI will advise the Company in connection with (i) the identification and evaluation of coal and energy acquisition projects outside of the Czech Republic; (ii) the marketing and sale of coke and coal outside of the Czech Republic; (iii) budgeting and business planning, including coal price forecasting, cost assessment and benchmarking; and (iv) technical and production matters. In addition, the Company shall reimburse AMCI for all of its reasonable out-of-pocket expenses payable annually. The Technical Consulting Agreement may be terminated, with or without cause, by either party giving prior written notice to the other party; provided, that in the event the Technical Consulting Agreement is terminated for any reason other than a material breach, the notice period is three months. The Technical Consulting Agreement includes a one-year post-termination confidentiality clause.

### *RPGA Advisory and Service Agreement*

On 29 September 2006, OKD entered into the RPGA Advisory Agreement with RPGA for the provision of certain advisory services by RPGA to OKD with effect from 1 October 2006. Under the RPGA Advisory Agreement, RPGA (or any subcontractors engaged by RPGA with the consent of OKD) is to provide OKD with certain non-exclusive advisory services, including in connection with the realization of strategic projects, any initial public offering, financing and refinancing, services in connection with the Restructuring, acquisition and divestiture of OKD assets and corporate finance and business matters. The advisory fees being paid by OKD to RPGA covers costs and expenses incurred by RPGA together with an amount equal to a 9% margin. The costs and expenses of RPGA include remuneration for the subcontractors and wages and bonuses paid by RPGA to its employees (including directors) participating

in the provision of advisory services calculated on a pro rata basis according to the time spent. The RPGA Advisory Agreement may be terminated, with or without cause, by either party upon one month's prior written notice to the other party. The RPGA Advisory Agreement includes a one-year post-termination confidentiality clause.

#### *RPG RE Management—Advisory and Service Agreement*

On 20 December 2006, OKD entered into the RPGREM Advisory Agreement with RPGREM, a Czech-based indirect subsidiary of RPPG, for the provision of certain advisory services by RPGREM to OKD with effect from 1 December 2006. Under the RPGREM Advisory Agreement, RPGREM (or any subcontractors engaged by RPGREM with the consent of OKD) is to provide OKD with certain non-exclusive advisory services, including services in connection with the acquisition and divestiture of fixtures, the initiation of development projects at OKD's current mining sites and the identification and preparation of possible development projects. The advisory fees being paid by OKD to RPGREM shall cover costs and expenditures incurred by RPGREM together with an amount equal to a 9% margin. The RPGREM Advisory Agreement may be terminated, with or without cause, by either party upon six months' prior written notice to the other party. The RPGREM Advisory Agreement includes a one-year post-termination confidentiality clause.

#### *Agreements on Transport*

OKD entered into the Transport Agreements with Doprava relating to the transport of coal and other materials from the Company to its largest customers. The Transport Agreements are "umbrella" agreements covering periods of one to five years. Under the Transport Agreements, Doprava shall provide OKD with non-exclusive transport services. The transport fees to be paid by OKD to Doprava shall be set out in accordance with each respective Transport Agreement or in a price agreement for each calendar year amending the Transport Agreements based on weight of transported goods. The Transport Agreements may be terminated, with or without cause, by either party giving prior written notice to the other party, whereby the notice period varies from one to six months.

OKD concluded a Transport Agreement regarding transport to OKD's customer ČEZ, a.s. on 23 February 1999 for a period of five years from 1 January 1999 until 31 December 2003, whereby the agreement was extended by numerous amendments until 31 December 2007. Another Transport Agreement was concluded in 1999 with respect to the customer Dalkia for a period of 5 years ending 31 December 2003. Under another Transport Agreement, Doprava serves OKD's customers in other EU countries. This agreement was concluded on 7 February 2006 for an indefinite period starting on 1 January 2006.

#### *Agreements on Use of Factory Railway and Assurance of Railway Transport on Factory Railway*

OKD entered into the Factory Railway Agreements to provide factory railway transport at OKD mines for an indefinite period of time. The fees to be paid by OKD to Doprava are set out in accordance with each respective Factory Railway Agreement or in a separate pricing agreement for each calendar year amending the Factory Railway Agreements. The Factory Railway Agreements may be terminated, with or without cause, by either party giving prior written notice to the other party, whereby the notice period is 18 months.

#### *Agreements on Manipulation of Substrates*

OKD entered into the Manipulation Agreements with Doprava in respect of the extraction and manipulation of certain materials and substrates at its mines. The fees to be paid by OKD to Doprava are as set out in accordance with each respective Manipulation Agreement or in a special price agreement for

each calendar year amending the Manipulation Agreements based on the weight of manipulated substrates. The Manipulation Agreements may be terminated, with or without cause, by either party giving three months' prior written notice to the other party.

#### *Agreements on Sale of Methane*

On 20 December 2006, OKD entered into the Master Agreement on the Sale of Methane with DPB and in connection therewith into the "Agreements on the Sale of Methane relating to purchase of methane by DPB from OKD. There are five Agreements on the Sale of Methane for 2007 concluded between OKD and DPB and relating to OKD mines, in particular to ČSA, ČSM, Paskov, Lazy and Darkov.

The Master Agreement on the Sale of Methane was concluded for a period of nine years ending 31 December 2015. The price has been set at a fixed amount for 2007 and then will be calculated for each calendar year using the formula in the agreement. DPB shall purchase all available methane production not used by OKD.

Either party may rescind the agreement if the production of methane stops due to a decrease in coal mining activities or if such circumstances of technical nature appear that disallow performance of this agreement whereby either party was not aware of such circumstances when entering into this agreement.

The Company has amended the Master Agreement on the Sale of Methane to (i) extend the effectiveness of the agreement for the life of the relevant mines and (ii) grant DPB an exclusive right to purchase methane from the Company (excluding methane for the Company's own use) while the price formula will remain substantially the same.

#### *Agreements on Gaseous and Liquid Nitrogen Delivery and Tubing Operation*

OKD entered into four Agreements on Central Nitrogen Economy with DPB in relation to the delivery of gaseous and liquid nitrogen to OKD mines, namely Darkov, ČSA, ČSM and Lazy, and the CNE. The price to be paid by OKD to DPB shall be set out in accordance with each respective Agreement on Central Nitrogen Economy or its amendment. In addition OKD shall pay a fixed monthly fee for the lease, maintenance and control of the gas tubing and surface equipment of the CNE. The agreements were concluded for a definite period of time ending on 30 June 2008 (Lazy) or 31 December 2008 (Darkov, ČSA and ČSM) with the possibility of extension.

#### *Master Services Agreement Related to Mines' Safety*

On 13 March 2007, OKD and DPB entered into the Master Services Agreement Related to Mines' Safety. The Master Services Agreement Related to Mines' Safety was concluded for a definite period of time ending on 31 December 2015. The fee to be paid by OKD for 2007 was set at CZK 1,670,000 per month. Individual agreements shall be concluded with respect to each particular OKD mine.

#### *Lease Agreements*

OKD is a party to several real estate leases, including OKD's headquarters building in Ostrava, which is leased from RPG RE Commercial, a Czech-based subsidiary of RPGI. The total size of the leased offices is 4,265 sq. metres and the rent (including utilities) is approximately CZK 10.1 million per year. The lease agreement has an indefinite term and may be terminated, with or without cause, by either party upon three months' prior written notice to the other party.

#### *Agreement on Conduct of Work and Services of Automatic Data Processing*

On 21 January 2002, OKD entered into the Data Processing Agreement with Doprava in respect of providing certain services of automatic data processing for an undefined period of time with effect as of 1 January 2002. The fees to be paid by OKD to Doprava are set out monthly in accordance with the Data Processing Agreement based on hours of services provided. The Data Processing Agreement may be terminated, with or without cause, by either party giving six months' prior written notice to the other party. The Data Processing Agreement includes a confidentiality clause.

#### *NWRT Service Agreement*

On 9 November 2007, the Company entered into the NWRT Service Agreement with NWRT for the provision of certain services by the Company to NWRT with effect from July 2007. Under the NWRT Service Agreement, the Company is to provide NWRT with certain non-exclusive corporate maintenance services, including co-ordination of tax and audit compliance, preparation of financial statements, corporate governance and HR management. For the services provided in 2007 NWRT will pay the Company the flat fee of EUR 45,000. Starting from 1 January 2007, the service fees being paid by NWRT to the Company covers expenses incurred by the Company together with a monthly flat fee of EUR 7,500. The costs and expenses of the Company include remuneration for the subcontractors. The NWRT Service Agreement may be terminated, with or without cause, by either party upon one month's prior written notice to the other party. The NWRT Service Agreement includes a four-year post-termination confidentiality clause.

#### *GGI Service Agreement*

On 10 December 2007, the Company entered into GGI Service Agreement with GGI for the provision of certain services by the Company to GGI with effect from 1 May 2007. Under the GGI Service Agreement, the Company is to provide GGI with certain non-exclusive services, including the arrangement of audit and tax compliance, assistance in preparation of financial statements, advice on financing, financing structure and reporting, arranging insurance cover for directors and officers, and services related to corporate governance. For the services provided in 2007 GGI will pay the Company the flat fee of EUR 32,000. Starting from 1 January 2007, the service fees being paid by GGI to the Company covers expenses incurred by the Company together with a monthly flat fee of EUR 4,000. The costs and expenses of the Company include remuneration for the subcontractors. The GGI Service Agreement may be terminated, with or without cause, by either party upon one month's prior written notice to the other party. The GGI Service Agreement includes a four-year post-termination confidentiality clause.

### **Agreements with Certain Managers**

#### *Senior Facilities Agreement*

OKD (formerly OKD Mining) is party to the Senior Facilities Agreement pursuant to which Senior Secured Facilities of up to EUR 1,070 million are available to OKD from Citibank N.A. and Citibank, a.s., affiliates of Citigroup Global Markets Limited. In October 2007 Česká spořitelna agreed to provide EUR 25 million of funds to the Company under the terms of the Additional Loan Option.

#### *OKD Facilities Agreement*

OKD is party to the Agreement on Credit Products with Česká spořitelna. The Agreement on Credit Products enables the borrower to draw a revolving facility, overdraft facility, bank guarantees and letters of credit up to the aggregate amount of CZK 1.138 billion.

### *Overdraft Facilities*

OKK is a party to an overdraft facility, letter of credit and bank guarantee pursuant to which up to CZK 300 million is available to OKK from Československá obchodní banka, a.s., an affiliate of Patria Finance.

OKD, Bastro, a.s. is party to an overdraft facility, letter of credit and bank guarantee pursuant to which up to CZK 170 million is available to OKD, Bastro, a.s. from Citibank a.s., affiliates of Citigroup Global Markets Limited.

Czech Karbon is party to an overdraft facility, letter of credit and bank guarantee pursuant to which up to CZK 150 million is available to Doprava from Česká spořitelna.

### *Hedging Arrangement*

OKD concluded a Framework Treasury Agreement with Česká spořitelna. OKD is also party to several confirmations with Česká spořitelna.

OKD is party to the 2002 ISDA Master Agreement and Schedule thereto dated 24 March 2006, with Citibank, N.A., an affiliate of Citigroup Global Markets Limited.

## **Agreements with Directors**

### *Agreement for Services*

Milan Jelinek, a member of the Board, provides certain advisory services to the Company under the Services Agreement, including providing advice in respect of new projects of the Company and cost and quality improvement for the Company. As of 1 November 2006 the Services Agreement may be terminated by either party with thirty days' notice to the other party. Mr. Jelinek received a one-time payment of CHF 1,200,000 for work performed in 2006 and continues to receive, a fixed monthly advisory fee of CHF 100,000. He is also reimbursed by the Company for reasonable expenses in connection with his advisory work.

### *Compensation Agreement*

On 5 June 2007, the RPGI and Klaus-Dieter Beck entered into the Compensation Agreement. Under the terms of the Compensation Agreement, RPGI agreed to make a one-time payment to Mr. Beck in the amount of USD 4.2 million to compensate him for forfeiture of stock option rights under his previous employment arrangements. In the event that Mr. Beck's engagement terminates prior to the agreed upon term of his employment, Mr. Beck would be required to repay a proportion of the one-time payment.

For the performance of services for RPGA and its affiliated companies, in 2006, Mr. Marek Jelínek received a total bonus payment of approx CZK 33.8 million (approx. EUR 1.35 million). RPGA contributed approx. CZK 28.3 million (approx. EUR 1.13 million) to this amount. Mr. Jelínek received another CZK 4.9 million (approx. EUR 195,000) from RPGA under its stock option plan. Mr. Jelínek also received CZK 500,000 (approx. EUR 20,000) from OKK.

### *Agreement for Coke Sales*

Milan Jelinek, a member of the Board, founded and is President of ICS. Since 1994, ICS has been party to a contract with OKD pursuant to which OKD provides coke to ICS, which ICS then resells to a third party that is also a customer of OKD.

### *Consultancy Agreement*

In October 2006, the Company entered into the Consultancy Agreement with BXL in respect of certain consultancy services provided by BXL to the Company commencing on 1 October 2006. Pavel Telička, a Non-Executive Director, is the co-founder and Director in charge of the Brussels office of BXL. Under the Consultancy Agreement, the Company agreed to pay BXL a monthly consultancy fee of EUR 25,000 in exchange for consultancy services in the field of policies and legislation of the European Union and European Communities. In addition, the Company shall reimburse BXL for all of its reasonable out-of-pocket expenses. The Consultancy Agreement also provides for the payment, from time to time as agreed between the Company and BXL, of a “success fee” for the successful completion of certain tasks. The Consultancy Agreement may be terminated, with or without cause, by either party upon one month’s prior written notice to the other party. The Consultancy Agreement includes a confidentiality clause that survives the termination of the Consultancy Agreement.

### **Relationship Agreement**

The Company, CCII and Zdeněk Bakala entered the Relationship Agreement with RPGI which will, conditional upon Admission, regulate (in part) the degree of control that RPGI and its affiliates may exercise over the management of the Company. The principal purposes of the Relationship Agreement are to ensure that the Company is capable at all times of carrying on its business independently of RPGI and its affiliates; and all of the Company’s transactions and relationships with RPGI and its affiliates are on arm’s length terms.

The Relationship Agreement will continue until the earlier of (i) the Shares ceasing to be admitted to the Official List and to trading on the LSE or (ii) RPGI (together with any of its subsidiaries) or CCII, Zdeněk Bakala or any entities that they individually or jointly control (directly or indirectly) ceasing to be a controlling shareholder of the Company. For these purposes, a controlling shareholder is any person (or persons acting jointly by agreement, whether formal or otherwise) who is entitled to exercise, or to control the exercise of, 30% or more of the rights to vote at the General Meetings or able to control the appointment of directors who are able to exercise a majority of votes at the Company’s board meetings.

Under the Relationship Agreement, except in relation to the exercise of the rights of the holders of the B Shares in the Divisional Policy Statements or the Articles of Association, other than (6) below, to which this exception shall not apply, RPGI undertakes, amongst other things, that:

- (1) the Company shall be operated in the best interests of its stakeholders including the shareholders of the Company from time to time as a whole;
- (2) it will allow the Company at all times to carry on its business independently of RPGI and its subsidiaries;
- (3) neither RPGI nor its subsidiaries shall act in any way or omit to act in any way which shall prejudice the ability of the Company and its subsidiaries to carry on its business independently of RPGI or its subsidiaries;
- (4) the Audit Committee shall be comprised entirely of independent directors;
- (5) RPGI may not exercise voting rights attaching to its shares in the Company to procure any amendment to the Articles of Association which will be inconsistent with or breach any of the provisions of the Relationship Agreement;

- (6) for so long as RPGI or its affiliates own, directly or indirectly, B Shares, RPGI may not exercise voting rights attaching to its A Shares on any resolution to amend the Articles of Association or the Divisional Policy Statements in a manner which would adversely affect the rights of the holders of A Shares as against the holders of the B Shares;
- (7) RPGI may not exercise its voting rights attaching to its A Shares on a resolution to authorise the issue of additional B Shares in a manner that would materially alter the relative proportions of voting rights at general meetings of the A Shares and the B Shares as at the date of Admission; and
- (8) the Company is managed in accordance with the DCC and the Dutch Corporate Governance Code and complies with any further amendments or supplements to the code of best practice in the Dutch Corporate Governance Code insofar as is appropriate and practicable for a company of the Company's size and nature or to disclose any non compliance with the Dutch Corporate Governance Code.

Both RPGI and the Company undertake that they shall (and shall procure that the relevant subsidiaries shall) with effect from the date of the Relationship Agreement conduct any transactions and relationships (whether contractual or otherwise, including any subsequent amendment thereof or variation thereto, including the implementation or enforcement thereof) between RPGI or any of its subsidiaries, on the one hand, and the Company or any of its subsidiaries, on the other, on arm's length terms.

The Company undertakes that it shall treat all holders of the same class of Shares that are in the same position equally in respect of the rights attaching to such Shares.

Also, CCII and Zdeněk Bakala have undertaken in the Relationship Agreement to:

- provide the Company in writing with notice of all opportunities that the Relevant Entities should come across which might involve the potential acquisition of a controlling stake in a business whose primary focus is operating coal mines or coking facilities in the Czech Republic, Poland, Ukraine, Austria, Slovakia, Hungary or Russia not otherwise known to the Company or which, if known, is an opportunity that one or both of them would wish to pursue. For these purposes, an "opportunity" excludes any business whose primary focus is some business other than the operation of coal mines or coking facilities in the Czech Republic, Poland, Ukraine, Austria, Slovakia, Hungary or Russia, but which operates one or more coal mines or coking facilities in such countries as an ancillary part of that business. The Company has 30 days to indicate in writing that it wishes to pursue such opportunity and, if so, neither CCII, Zdeněk Bakala nor the Relevant Entities may pursue the opportunity unless the Company subsequently decides not to do so; and
- ensure that any transferee of shares in the Company which are referable to CCII or Zdeněk Bakala, where such transferee is CCII, Zdeněk Bakala or any of the Relevant Entities, shall enter into an agreement of adherence to the Relationship Agreement which provides agreements and undertakings severally by the transferee in all material respects in the same terms as the agreements and undertakings of RPGI in the Relationship Agreement.

The Board believes that the terms of the Relationship Agreement will enable the Company to carry on its business independently from RPGI and its subsidiaries, and ensure that (subject to all other existing contractual arrangements with RPGI as at the date of Admission) all transactions and relationships between the Company and RPGI and its subsidiaries are, and will be, at arm's length, such that RPGI is not able to abuse its position as a controlling shareholder of the Company.

## DESCRIPTION OF CERTAIN INDEBTEDNESS

### Indebtedness

	<b>As at 31 December 2007<sup>(1)</sup></b>
	<b>(EUR million)</b>
Cash and cash equivalents <sup>(1)(3)</sup> .....	474
<b>Current Financial Receivable</b> .....	<b>474</b>
Current Bank debt .....	6
Current portion of non-current debt .....	67
<b>Current Financial Debt</b> .....	<b>73</b>
<b>Net Current Financial Indebtedness</b> .....	<b>(401)</b>
Non current bank loans .....	724
Bonds issued .....	289
Other non current loans .....	0
<b>Non current Financial Indebtedness<sup>(1)</sup></b> .....	<b>1,013</b>
<b>Net Financial Indebtedness<sup>(1)</sup></b> .....	<b>612</b>

(1) As part of the Company's investment programme, the Company has agreed to acquire EUR 150 million of mining equipment and has submitted purchase orders for the majority of the EUR 165 million remaining to be committed under such plan. The investment in this equipment may be structured as an operating lease. The Company expects to make these investments or begin to pay the leasing fees over the next 18 months.

Other than the adjustments reflected in the As Adjusted and As Further Adjusted columns to the capitalisation table and the notes thereto, the Company does not believe there have been any material changes since 31 December 2007 to the capitalisation and indebtedness of the Company.

### 1. SENIOR SECURED FACILITIES

In connection with the Recapitalisation, Senior Secured Facilities were made available to OKD, as borrower pursuant to the Senior Facilities Agreement entered into as of 14 February 2006, between, among others, OKD (and Former OKD as replacement borrower), the guarantors named therein, the lenders named therein, Citibank N.A. and Citibank a.s. as arrangers and underwriters, Citibank a.s., as facility agent, security agent and account bank, as amended from time to time. The Company agreed to become an additional guarantor under the Senior Secured Facilities pursuant to an accession agreement dated 9 November 2006.

The Senior Secured Facilities provide for financing of up to EUR 1,070 million and consist of:

- a senior secured amortizing term loan facility in a maximum aggregate principal of EUR 450 million with advances to be repaid in equal semi-annual installments and a final maturity five years after the date of the Senior Facilities Agreement ("Facility 1");
- a senior secured bullet term loan facility in a maximum aggregate principal amount of equivalent EUR 350 million, including the Additional Loan Option (as defined below), with a final maturity six years after the date of the Senior Facilities Agreement ("Facility 2");

- a senior secured bullet term loan facility in a maximum aggregate principal amount of EUR 270 million, including the Additional Loan Option described below, with a final maturity seven years after the date of the Senior Facilities Agreement (“Facility 3”); and
- a EUR 350 million, the Additional Loan Amount, which was made available as part of Facility 2 and Facility 3 in the amounts of EUR 188.5 million from available amount of Facility 2 and EUR 161.5 million from the available amount of Facility 3, and a EUR 25 million, the Additional Loan Amount, which was made available by Česká spořitelna from the available amount of Facility 3.

The interest rate on each advance under the Senior Secured Facilities for each interest period is the rate per annum which is the aggregate of the applicable (a) margin (see below), (b) EURIBOR, LIBOR or PRIBOR (as the case may be) and (c) any applicable mandatory cost of compliance with (i) the cash ratio and special deposit requirements of the Bank of England; and/or (ii) banking supervision or other costs imposed by the Financial Services Authority; or (iii) and regulation or reserve asset requirements of the European Central Bank. The initial margin for each of Facility 1, Facility 2 and Facility 3 are 1.10%, 1.35% and 1.50% per annum, respectively, and is subject to an adjustment mechanism for Facility 1 allowing for a step down to a minimum of 0.65%. The downward adjustment (and possible subsequent upward adjustments, as applicable, to a maximum of 1.35%) may be triggered following the delivery of quarterly financial statements for a period of at least two complete financial quarters after the date of the first drawdown upon meeting certain consolidated total debt to consolidated EBITDA ratio requirements.

A total amount of EUR 1,020 million has been drawn down and no further utilizations are available. On 2 July 2007, the Company, as guarantor, applied EUR 150 million from the proceeds of its Senior Notes issuance to the amounts outstanding under Facility 1. Pursuant to a conversion agreement, the recourse claim of the Company, as guarantor, against OKD as a result of the above prepayment was converted into equity of OKD as of 3 September 2007.

In May 2007 RPG Trading received approximately CZK62.1 million distribution (approximately EUR 2.2 million) as proceeds from Metalimex. In its capacity as guarantor it applied this amount to prepay outstanding amounts owed by OKD under the Senior Secured Facilities. Later in 2007 RPG Trading received a dividend of approximately CZK 35 million and sold its remaining 10 per cent. stake in Metalimex for CZK 6 million. Both these amounts were used to prepay outstanding amounts owed by both the Company and OKD under the Senior Secured Facilities. It was agreed amongst the Company, OKD and RPG Trading that these prepayments gave rise to recourse claims against the Company and OKD in favour of RPG Trading. The Company, RPI, RPG Trading and OKD have subsequently engaged in a series of transactions resulting in such recourse claims being converted into the equity of the Company. See section of this document entitled “Certain Relationships and Related Party Transactions” for further details. The recourse claims against OKD that were transferred to the Company as part of the series of transactions mentioned above have also been converted into the equity of OKD.

In August and November 2007, lenders allowed the Company to borrow under the Additional Loan Option. A total amount of EUR 275 million has been drawn by the Company in August 2007 and EUR 25 million in November 2007. These loans are guaranteed by OKD. The first of these draw-downs was used to make a distribution to RPI in October 2007.

The Company may further prepay the loans in whole or in part subject to payment of a break fee. The Senior Secured Facilities contain mechanics for mandatory prepayment upon certain customary events such as a change of control (excluding the Restructuring transaction), asset sales, receipt of insurance proceeds, receipt of certain recovery proceeds and excess cash flow. The Senior Secured Facilities are secured by first ranking security pledges shares in OKD and the material subsidiaries.

The Senior Facilities Agreement contains certain customary negative undertakings that limit the ability of each Obligor to among other things: create any encumbrance or security interest over any of its assets; make any asset disposals; make any substantial change to the general nature of its business; enter into material transactions other than on an arm's length basis; amalgamate or merge; extend any loan or guarantee; incur other additional debt; enter into certain sales of receivables; issue new shares; enter into derivatives contracts; make acquisitions of companies, shares or securities, businesses or undertakings; amend certain Material Condition Precedent Documents as set forth in the Senior Facilities Agreement; and make minority investments or investments in joint ventures, venture businesses or unlimited liability vehicles.

The Senior Facilities Agreement also contains certain affirmative undertakings, subject to certain qualifications and including, but not limited to, undertakings related to (i) supplying financial statements, related documents and other information; (ii) notification of default; (iii) compliance with "know your customer" or similar regulations; (iv) receipt, compliance with and maintenance of necessary authorisations; (v) compliance with laws (including environmental laws); (vi) taxation; (vii) *pari passu* ranking of certain unsecured and unsubordinated claims; (viii) maintenance of insurance; (ix) access in the case of a default; (x) preservation of intellectual property rights necessary for the business of OKD and its subsidiaries; (xi) compliance with financial assistance requirements; (xii) ensuring that certain bank accounts required to be maintained pursuant to the cash management system are subject to security in favour of the security agent under the Senior Facilities Agreement; (xiii) provision of guarantees and security by certain subsidiaries; and (xiv) implementation of the agreed hedging strategy.

The Senior Facilities Agreement contains financial covenants (in each case as defined therein) requiring the Obligors (as defined therein) ensure that at the end of any calculation period: the ratio of consolidated total senior net debt to consolidated EBITDA (senior leverage) will not exceed 2.75:1 for the period ending 5 years after the signing date and in excess of 2.50:1 thereafter; the ratio of consolidated total net debt to consolidated EBITDA (leverage) will not exceed 3.25:1; and the ratio of consolidated EBITDA to consolidated total net interest payable (fixed cover) will not be less than 3.50:1. The Company aims to maintain a ratio of consolidated total net debt to consolidated EBITDA (leverage) of 2.0x average EBITDA over the economic cycle.

## **2. SENIOR NOTES**

On 18 May 2007, the Company issued EUR 300 million in aggregate principal amount of its Senior Notes. Interest on the Senior Notes accrue at a rate of 7.375% per annum and will be payable semi-annually in arrears on 15 May and 15 November commencing on 15 November 2007. The Senior Notes are unsecured obligations of the Company.

The Senior Notes may be redeemed, in whole or in part, at any time prior to 15 May 2011, at the option of the Company at a redemption price equal to 100% of the principal amount of the Senior Notes redeemed plus the applicable premium (as defined in the Indenture). After 15 May 2011, the Company may, at its option, redeem all or any portion of the Senior Notes. In addition, prior to 15 May 2010 the Company may redeem up to 35% of the original aggregate principal amount of the Senior Notes with the proceeds of one or more equity offers (as defined in the Indenture), at a redemption price equal to 107.375% of the principal amount thereof.

If there is a change of control (as defined in the Indenture), holders of Senior Notes shall have the right to require the Company to repurchase all or any part of the Senior Notes at a purchase price equal to 101% of their principal amount.

The Indenture contains covenants that limit the Company's ability and the Restricted Subsidiaries' ability to, among other things: incur additional indebtedness; make restricted payments (including

dividends); create liens; transfer, convey, sell, lease or otherwise dispose of voting stock of any Restricted Subsidiary; sell assets; engage in transactions with affiliates; guarantee any debt of the Company or any of its Restricted Subsidiaries; consolidate, merge or sell all or substantially all of its assets.

### **3. INTERCREDITOR AGREEMENT**

To establish the relative rights of certain of the Company's creditors under the Company's financing arrangements, the Company (in its capacity as a guarantor and Obligor under the Senior Facilities Agreement) entered into the Intercreditor Agreement with, among others, borrower, the other Obligors, the lenders and agents under the Senior Facilities Agreement, certain hedging counterparties and the security agent for such facilities.

The Intercreditor Agreement sets out:

- the relative ranking of certain debt of the Company, OKD and certain of their affiliates;
- the relevant ranking of security granted by the Company, OKD and certain of their affiliates;
- when payments can be made in respect of that debt;
- when enforcement action can be taken in respect of that debt;
- the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions; and
- when security and guarantees will be released to permit an enforcement sale.

### **4. OKD FACILITIES**

On 4 December 2006 OKD entered into the "Agreement on Credit Products. The Agreement on Credit Products, as amended, enables the borrower to draw a revolving facility, overdraft facility, bank guarantees and letters of credit up to the aggregate amount of CZK 1.138 billion.

The interest rate on the revolving facility and on the overdraft facility is the rate per annum consisting of the applicable PRIBOR, EURIBOR, LIBOR rate (as the case may be) and a margin equalling to 0.60% and 0.65%, respectively. The fee for issuing a bank guarantee or a letter of credit equals to 0.60% of the nominal amount per annum (a minimum of CZK 2,000) plus fees according to the bank scale of fees.

The Agreement on Credit Products is secured by a pledge over business receivables and by a blank promissory note.

The Agreement on Credit Products imposes certain restrictive obligations on the borrower such as: pari passu provision; to route certain amounts of cash through the accounts maintained by the financing bank; to inform the bank of any corporate changes, such as a change in the shareholding structure or company bodies or restructuring or an increase or decrease in registered capital; corporate changes are subject to prior approval of the bank; to maintain certain financial indicators; not to make any asset disposals unless expressly permitted in the agreement; not to provide any loan or guarantee unless

expressly permitted in the agreement; and not to acquire assets over 5% of borrower's assets unless expressly permitted in the agreement or consented to by the bank.

The final maturity date with respect to all credit products is 31 December 2009.

OKD may, subject to certain conditions set out in the Agreement on Credit Products, cancel and prepay the facility. OKD may voluntarily prepay the revolving facility on the last day of each interest period. No break costs shall be charged.

## **5. HEDGING ARRANGEMENTS**

The Company is party to the following hedging agreements:

- the 2002 ISDA Master Agreement and Schedule thereto dated 24 March 2006, together with all Transactions (as defined therein) thereunder, including three Transactions with Effective Dates (as defined therein) of 14 February 2007 evidenced by Confirmations (as defined therein) amended and signed by Citibank, N.A. on 31 July 2006 and signed by OKD on 7 August 2006, in each case between OKD and Citibank, N.A., as further amended from time to time;
- the 2002 ISDA Master Agreement and Schedule thereto dated 23 March 2006, together with all Transactions (as defined therein) thereunder, including three Transactions with Effective Dates (as defined therein) of 14 February 2007 evidenced by Confirmations (as defined therein) amended as of 7 July 2006 and signed by Calyon on 10 July 2006 and by OKD on 21 August 2006, in each case between OKD and Calyon, as further amended from time to time.
- A framework treasury agreement with ING Bank N.V. dated 30 April 2007, together with all Transactions (in Czech "*Transakce*" as defined therein) thereunder evidenced by Confirmations (in Czech "*Potvrzení*") as defined therein).

OKD entered into several confirmations with Barclays Bank PLC regarding both interest and currency risk. In addition, the Company is negotiating a 2002 ISDA Master Agreement and Schedule thereto with Barclays Bank PLC.

The Company may from time to time enter into additional hedging arrangements.

## DEFINITIONS

“2007 Consolidated Financial Statements” refers to the audited consolidated financial statements of the Company as of and for the year ended 31 December 2007.

“A Shares” refers to the issued and outstanding “A” ordinary shares of EUR 0.40 each in the share capital of the Company from time to time which are designed to track the performance of, and represent the economic value in the Mining Division.

“Additional Loan Option” refers to the Company’s draw down of EUR 300 million out of the total additional amount of EUR 350 million available to the Company under certain conditions under the Senior Secured Facilities, which were made available as part of Facility 2 and Facility 3 in the amounts of EUR 163 million from the available amount of Facility 2 and EUR 137 million from the available amount of Facility 3.

“Admission” refers to admission to the Official List together with admission to trading on the main market of the London Stock Exchange, the Prague Stock Exchange and the Warsaw Stock Exchange, respectively.

“Admission Options” refers to the options granted at the Board’s discretion to acquire A Shares under the Stock Option Plan to any eligible employees.

“Agreement on Credit Products” refers to the agreement on credit products between OKD and Česká spořitelna dated 4 December 2006.

“Agreements on Central Nitrogen Economy” refers to the four agreements on gaseous and liquid nitrogen delivery and tubing operations between OKD and DPB in relation to the delivery of gaseous and liquid nitrogen to OKD mines, namely Darkov, ČSA, ČSM and Lazy.

“Agreements on the Sale of Methane” refers to the five agreements relating to the purchase of methane by DPB from OKD for 2007 for each of ČSA, ČSM, Paskov, Lazy and Darkov.

“AMCI” refers to American Metals & Coal International, Inc., a corporation incorporated under the laws of the state of Connecticut, United States, its affiliate AMCI Acquisition IV, LLC, a limited liability company organised under the laws of Delaware or any other affiliate of American Metals & Coal International, Inc. that may hold shares in RPGI.

“Arcelor Mittal Steel” refers to Mittal Steel Company N.V., a *naamloze vennootschap* organised under the laws of the Netherlands, or any of its affiliates.

“Articles of Association” or “Articles” refers to the articles of association of the Company as of the date of Admission.

“Assets of the Real Estate Division” refers, to: (i) all of the rights, rental or lease income, title and interest in or to all assets of the Real Estate Division owned and/or registered (with the exception of leases (other than leases with an unexpired lease term in excess of 50 years)) and options to acquire assets of the Real Estate Division (other than to the extent any such option has been exercised and paid for by the Commencement Time) in favour of the Company as at the Commencement Time; (ii) all of the assets and liabilities of the IMGE internal business unit of OKD as at the Commencement Time (iii) all of the issued share capital in Rekultivace and all its assets and liabilities as at the Commencement Time; (iv) all of the issued share capital in Garáže owned by the Company as at the Commencement Time

(representing 49.03% of the entire issued share capital of Garáže) and all its assets and liabilities as at the Commencement Time; and (v) all rights, rental or lease income, title and interest in or to all the assets referred to in (i), (ii), (iii) and (iv) as they are supplemented, modified or reduced subsequently pursuant to the terms of the Divisional Policy Statements (including any business, rights, benefits, shares in companies and other assets related to or derived from the assets in (i), (ii), (iii) and (iv) (whether existing at, or arising after, the Commencement Time), including the goodwill attached to the assets in (i), (ii) and (iii) and the business, assets, rights, benefits or property thereof or which arise when the disposal of such assets and the income generated therefrom (as such may be reinvested from time to time).

“Bakala entities” refers to certain family trusts and affiliated companies of Zdeněk Bakala.

“Barclays Capital” refers to Barclays Bank PLC.

“Board” means the board of directors of the Company from time to time.

“B Shares” refers to the “B” ordinary shares of EUR 0.40 each in the share capital of the Company, which are designed to track the performance of, and represent the economic value in the Real Estate Division.

“Board” means the board of directors of the Company from time to time.

“Buildings” refers to buildings, constructions and similar real estate assets.

“Business” refers to the coal mining and coke production business of the Company.

“BXL” refers to BXL Consulting Ltd.

“C Share” refers to one “C” ordinary share of EUR 0.40 in the share capital of the Company.

“Carve-out Accounts” refers to the carve-out financial statements of mining operations of RPGI as currently owned by the Company for the years ended 31 December 2006 and 2005.

“Carve-out Entities” refers to OKD, its current subsidiaries, NWR Coking a.s., its current subsidiaries, and Karbonia.

“CCII” or “Crossroads Capital Investments” refers to Crossroads Capital Investments, Inc., a company incorporated under the laws of the British Virgin Islands.

“CEBC” refers to the Company’s internal Code of Ethics and Business Conduct.

“CEE” refers to the geographic region of Central and Eastern Europe, which includes Albania, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Poland, Romania, Serbia, the Republic of Montenegro, Slovakia and Slovenia.

“Central Europe” refers to the geographic region of Central Europe, which includes Austria, the Czech Republic, Hungary, Poland and Slovakia.

“Česká spořitelna” refers to Česká spořitelna, a.s.

“Charles Capital” refers to Charles Capital, a.s., a joint-stock company (*akciová společnost*) organised under the laws of the Czech Republic.

“CHF” refers to the lawful currency of Switzerland.

“ČMD” refers to the now non-existent ČMD, a.s., a mining company in the Former OKD Group and a joint-stock company (*akciová společnost*) organised under the laws of the Czech Republic which was merged with Former OKD on 30 November 2005.

“CNB” refers to the Czech National Bank.

“CNE” refers to the central nitrogen economy.

“Commencement Time” refers to the time of commencement of the operation of the Real Estate Division and the Mining Division as separate divisions of the Company pursuant to the Articles of Association being 23:59 on 31 December 2007.

“Company” refers to New World Resources B.V. and all of its subsidiaries.

“Consultancy Agreement” refers to the consultancy agreement concluded between the Company and BXL in October 2006.

“Conversion Agreement” refers to the conversion agreement entered into on 21 November 2006 between the Company, OKD, RPGI and RPGICZ.

“Conversion Date” refers to the date on which the Company will be converted from a private company with limited liability into a public company with limited liability, which will be on or about the date of completion of the Offer.

“Core Business” refers to the Company’s principal business, being hard coal mining and coke production.

“Corporate Governance Policy” refers to the corporate governance policy of the Company adopted by the Board, including, amongst other things, rules governing the Board principles and best practices.

“Crystallisation Agreement” refers to the crystallisation agreement between the Company, RPG Trading, RPGI and OKD dated 3 December 2007.

“ČSA” refers to the ČSA mine, an OKD mine located in the northeastern region of the Czech Republic.

“ČSM” refers to the ČSM mine, an OKD mine located in the northeastern region of the Czech Republic.

“Czech koruna” or “CZK” refers to the lawful currency of the Czech Republic.

“Czech law” or “Czech regulations” refers to statutes of the Czech parliament, decrees and regulations of the Czech government, ministries and other competent state agencies and regulators as well as EU law as applicable in the Czech Republic.

“Czech Mining Office” refers to Český báňský úřad, the supreme mining regulatory body in the Czech Republic.

“Czech State” refers to Ministry of Finance of the Czech Republic.

“Dalkia” refers to Dalkia Česká republika, a.s.

“Darkov” refers to the Darkov mine, an OKD mine located in the northeastern region of the Czech Republic.

“Data Processing Agreement” refers to the Agreement on Conduct of Work and Services of Automatic Data Processing between OKD and Doprava dated 21 January 2002 in respect of providing certain services of automatic data processing for an undefined period of time which came into effect on 1 January 2002.

“Dębieńsko” refers to the Dębieńsko mine, an OKD mine being considered for development in Poland.

“Demand Notes” refers to the Crystallisation Agreement pursuant to which RPG Trading exchanged its recourse claims against OKD and the Company that had arisen as a consequence of the pre-payments for demand notes with an aggregate face value equal to the amount owed by the Company and OKD from OKD and the Company.

“Development Projects” refers to Frenštát, Dębieńsko and Morcinek.

“DCC” refers to the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*).

“Directors” refers to the directors of the Company whose names appear in the section of this document entitled “Management”, and an “Executive Director” means any one of them.

“Disposed Subsidiaries” refers to those entities set forth on the table in the section of this document entitled “Operating and Financial Review and Prospects”.

“Division(s)” refers to the Real Estate Division and/or the Mining Division, as applicable.

“Divisional Policy Statements” refers to the divisional policy statements adopted by the Board and approved by the general meeting which, together with the Articles of Association, govern the relationship between the Divisions and include policies which set out, amongst other things, the allocation of tax payments and benefits, corporate opportunities and corporate overheads between the Divisions.

“Dominance Agreements” refers to the four dominance agreements, three of which are between RPGICZ and each of OKD, DPB and Doprava and one of which is between OKD and OKK.

“Doprava” refers to OKD, Doprava, a joint-stock company (*akciová společnost*) organised under the laws of the Czech Republic.

“DPB” refers to Green Gas DPB, a.s., a joint-stock company (*akciová společnost*) organised under the laws of the Czech Republic.

“Dutch Civil Code” refers to the Dutch Civil Code (*Burgerlijk Wetboek*).

“Dutch Corporate Governance Code” refers to Dutch Corporate Governance Code released by the Dutch Corporate Governance Committee (the Tabaksblat Committee).

“EBITDA”, with respect to the Company, refers to the definition of EBITDA set forth in footnote 8 of the table set forth in the section of this document entitled “Selected Historical Financial Information” of this annual report.

“Ecological Agreement” refers to the agreement entered into in 1996 by Former OKD and NPF on environmental liability caused prior to the privatisation of OKD, as amended in 1998.

“EIA” refers to environmental impact assessment.

“EU” refers to the European Union.

“euro” or “EUR” or “€” refers to the single currency adopted by participating member states of the European Union as their lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union.

“Executive Directors” refers to the executive directors of the Company whose names appear in the section of this document entitled “Management—Members of the Board” and a “Executive Director” means any one of them.

“EXW” refers to the “Ex Works” Incoterm, which is when the seller fulfils his obligation to deliver upon having the goods available at his premises to the buyer.

“Factory Railway Agreements” refers to agreements between OKD and Doprava for the provision of factory railway transport at OKD mines for an indefinite period of time.

“Facility 1” refers to a euro senior secured amortizing term loan facility under the Senior Facilities Agreement with a maximum aggregate principal of EUR 450 million with a final maturity five years after the date of the Senior Facilities Agreement.

“Facility 2” refers to a euro senior secured bullet term loan facility under the Senior Facilities Agreement with a maximum aggregate principal amount of equivalent EUR 350 million, subject to the Additional Loan Option, with a final maturity six years after the date of the Senior Facilities Agreement.

“Facility 3” refers to a euro senior secured bullet term loan facility under the Senior Facilities Agreement with a maximum aggregate principal amount of EUR 300 million, subject to the Additional Loan Option, with a final maturity seven years after the date of the Senior Facilities Agreement.

“First Reserve” refers to First Reserve Corporation, FR X Offshore, L.P., a limited partnership organised under the laws of the Cayman Islands and its affiliate RPG Amfire Cayman Holdings Limited, a company organised under the laws of the Cayman Islands, or any other affiliate of First Reserve Corporation that may hold shares in RPGI.

“First Reserve Corporation” refers to First Reserve Corporation, a company incorporated under the laws of the State of Delaware.

“Former OKD” refers to the now non-existent OKD, a.s., the legal predecessor of OKD, ČMD, ČMD’s former holding company KOP a.s., Doprava, DPB and certain entities owning real estate.

“Former OKD Group” refers to, in the aggregate, Former OKD; Doprava; DPB.; RPGICZ; and their respective subsidiaries.

“Frenštát” refers to the Frenštát mine, an OKD mine being considered for development in the northeastern region of the Czech Republic.

“FSMA” refers to the Financial Services and Markets Act 2000, as amended.

“FSU System” refers to the classification system and estimation methods for reserves and resources established by the former Soviet Union, last revised in 1981

“Garáže” refers to the 49.03% of the entire issued share capital of Garáže Ostrava a.s., a Czech company owned by the Company and held as part of the Real Estate Division.

“GGI” refers to Green Gas International B.V. a private company with limited liability, with a corporate seat in Amsterdam, and having its registered address at Fred. Roeskestraat 123, 1076 EE Amsterdam, the Netherlands.

“GGIL” refers to Green Gas International Limited, a company organised under the laws of the British Virgin Islands.

“GGI Service Agreement” refers to the service agreement between the Company and GGI dated 10 December 2007, for the provision of certain services by the Company to GGI with effect from 23 May 2007.

“GSI” refers to Goldman Sachs International.

“Guide 7” refers to SEC Industry Guide 7.

“IFRS” refers to International Financial Reporting Standards as adopted by the EU

“Indenture” refers to the indenture governing the Senior Notes dated 18 May 2007 entered into by and among New World Resources B.V., Deutsche Trustee Issuer Limited, Deutsche Bank AG (London Branch), Deutsche Bank Luxembourg S.A. and Deutsche International Corporate Services (Ireland) Limited.

“Indirect Shareholders” refers to Zdeněk Bakala and Crossroads Capital Investments Inc. and their respective affiliates and First Reserve and AMCI.

“Initial Unrestricted Subsidiaries” refers to DPB, Doprava, DLT s.r.o., ŽDD, a.s. and Rekultivace.

“Intercreditor Agreement” refers to the Intercreditor Agreement entered into as of 16 November 2006 between, *inter alios*, New World Resources B.V., as Original Parent, the Original Obligors as named therein, the Original Senior Creditors as named therein, the Original Senior Hedge Counterparties as named therein, the Original Second Priority Hedge Counterparties as named therein, Citibank a.s., as Original Security Agent and Original Senior Agent, as amended from time to time.

“JORC” refers to the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy.

“JORC Code” refers to the Australasian Code for Reporting Mineral Resources and Ore Reserves (2004) published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia.

“JSW” refers to Jastrzębska Spółka Węglowa a company incorporated under the laws of Poland.

“Karbon Invest” refers to KARBON INVEST, a.s., a joint-stock company (*akciová spoločnosť*) organised under the laws of the Czech Republic which was merged with Charles Capital, a.s. and RPG Industries Public Limited into RPGI on 3 August 2006.

“Karbonia” refers to KARBONIA PL Spółka z ograniczoną odpowiedzialnością, a joint-stock company organised under the laws of Poland which became a direct subsidiary of the Company on 28 January 2008.

“Lazy” refers to the Lazy mine, an OKD mine located in the northeastern region of the Czech Republic.

“Listing Rules” refers to the listing rules made by the FSA from time to time pursuant to Part VI of FSMA.

“London Stock Exchange” or “LSE” refers to the London Stock Exchange plc.

“Manipulation Agreements” refers to the agreements between OKD and Doprava on manipulation of substrates.

“Master Advisory and Services Agreement” refers to the master advisory and services agreement dated 28 March 2007 between the Company and RPGA.

“Master Agreement on the Sale of Methane” refers to the master agreement on the sale of methane between OKD and DPB dated 20 December 2006.

“Master Services Agreement Related to Mines’ Safety” refers to the master services agreement on provision of specialised services (in geophysics, seismology, etc.) related to mines’ safety by DPB between OKD and DPB dated 13 March 2007.

“MEEM” refers to multi period excess earning method.

“Metalimex” refers to Metalimex a.s., a joint-stock company (*akciová společnost*) organised under the laws of the Czech Republic.

“Mining Act” refers to Czech Act No. 44/1988 Sb., on protection and use of mineral treasure, as amended.

“Mining Division” refers to the division of the Company consisting of all assets and liabilities of the Company other than the assets and liabilities of the Real Estate Division (being the Assets of the Real Estate Division).

“Moravia Steel” refers to MORAVIA STEEL, a.s., a joint-stock company (*akciová společnost*) organised under the laws of the Czech Republic.

“Morcinek” refers to the Morcinek mining region, Poland.

“Non-Executive Directors” refers to the non-executive directors as set out in in the section of this document entitled “Management—Members of the Board” and a “Non-Executive Director” means any one of them.

“NPF” refers to the Czech National Property Fund, a quasi governmental body in the Czech Republic.

“NWRT” refers to New World Resources Transportation B.V. a public company with limited liability with its corporate seat in Amsterdam, the Netherlands.

“NWRT Service Agreement” refers to the service agreement between the Company and NWRT dated 9 November 2007 for the provision of certain services by the Company to NWRT with effect from July 2007.

“Obligors” refers to the Company and certain of its material subsidiaries that are guarantors under the Senior Facilities Agreement.

“OECD” refers to the Organisation for Economic Co-operation and Development.

“Offer” refers to the offer of the Offer Shares.

“Offer Price” refers to the price per A Share pursuant to the Offer.

“Offer Shares” refers to the new A Shares and existing A Shares which are the subject of the Offer.

“Official List” refers to the list maintained by the FSA in accordance with Part VI of FSMA.

“OKD” refers to OKD, a.s. (formerly OKD, Mining, a.s.), a joint-stock company (*akciová společnost*) organised under the laws of the Czech Republic and the principal direct subsidiary of the Company, which assumed the Business as a part of the Restructuring.

“OKK” refers to OKD, OKK, a.s., a joint-stock company (*akciová společnost*) incorporated under the laws of the Czech Republic which is a subsidiary of NWR Coking, a.s. and an indirect subsidiary of the Company.

“Options” refers to options granted under the Stock Option Plan.

“Over-Allotment Option” refers to the option granted by the Selling Shareholders to GSI.

“Paskov” refers to the Paskov mine, an OKD mine located in the northeastern region of the Czech Republic.

“Patria Finance” refers to Patria Finance, a.s.

“PKU” refers to Palivový kombinát Ústí, s.p. a state-owned company incorporated under the laws of the Czech Republic.

“Polish Projects” refers to Dębnieńsko and Morcinek.

“PPE” refers to property, plant and equipment.

“Prague Stock Exchange” or “PSE” refers to *Burza cenných papírů Praha, a.s.*

“Price Range” refers to the indicative price range of £10.75 to £13.25 per A Share.

“Public Procurement Act” refers to the Czech Act No. 137/2006 Sb. on Public Procurement, as amended.

“REACH” refers to Regulation (EC) No 1907/2006 concerning the to the Registration, Evaluation, Authorisation and Restriction of Chemicals.

“Real Estate Committee” refers to the committee of independent non-executive directors appointed by the Board which is responsible for providing advice and recommendations to the Board on matters relating to the Real Estate Division.

“Real Estate Division” refers to the division of the Company consisting of all the assets of the Real Estate Division, as described in the Articles of Association.

“Recapitalisation” refers to the recapitalisation transactions of OKD as described under the caption “The Restructuring and the Recapitalisation.”

“Rekultivace” refers to OKD, Rekultivace, a.s., a company organised under the laws of the Czech Republic.

“Relationship Agreement” refers to the relationship agreement between the Company, RPGI, CCII and Zdeněk Bakala designed to ensure that the Company is capable at all times of carrying on its business independently of RPGI and its subsidiaries and that all of the Company’s transactions and relationships with RPGI and its subsidiaries are on arm’s length terms.

“Restricted Subsidiaries” refers to all of the subsidiaries of the Company other than the Unrestricted Subsidiaries.

“Restructuring” refers to the restructuring transactions of OKD as described under the caption “The Restructuring and the Recapitalisation.”

“Revolving Credit Facilities” refers to (i) the CZK 1.138 billion Loan Products Agreement between OKD and Česká spořitelna dated 4 December 2006; (ii) the CZK 300 million Loan Products Agreement between OKK and Československá obchodní banka, a.s. dated 20 July 2007; (iii) the CZK 150 million Loan Agreement between Česká spořitelna and Czech-Karbon, s.r.o. dated 2 September 2005; (iv) the CZK 70 million Loan Agreement between Rekultivace and Česká spořitelna dated 10 November 2005; and (v) the CZK 170 million Loan Products Agreement between OKD, Bastro, a.s. and Citibank a.s. dated 20 March 2006, in each case, as amended, replaced, restructured or refinanced from time to time.

“RPG Group” refers to, in the aggregate, the Company, RPGP and entities directly or indirectly controlled by RPGP.

“RPGA” refers to RPG Advisors, a.s., a joint-stock company (*akciová společnost*) organised under the laws of the Czech Republic.

“RPGA Advisory Agreement” refers to the advisory agreement dated 29 September 2006 between OKD and RPGA for the provision of certain advisory services by RPGA to OKD that came into effect on 1 October 2006.

“RPGREM” refers to RPG RE Management, s.r.o. a Czech based indirect subsidiary of RPGP.

“RPGREM Advisory Agreement” refers to the advisory and services agreement between OKD and RPGREM dated 20 December 2006 for the provision of certain advisory services by RPGREM to OKD which came into effect on 1 December 2006.

“RPGI” or “RPG Industries” refers to RPG Industries SE, a European company organised under the laws of Cyprus.

“RPGICZ” refers to RPG Industries, a.s., a joint-stock company (*akciová společnost*) organised under the laws of the Czech Republic.

“RPGP” or “RPG Partners” refers to RPG Partners Limited, a company organised under the laws of Cyprus.

“RPG RE Commercial” refers to RPG RE Commercial, s.r.o., a legal successor to Former OKD that assumed the commercial real property of Former OKD as a result of the Restructuring.

“RPG RE Land” refers to RPG RE Land, s.r.o., a legal successor to Former OKD that assumed part of the real property consisting of land not used for mining operations of Former OKD as a result of the Restructuring.

“RPG Trading” refers to RPG Trading, s.r.o., a legal successor to Former OKD that assumed the commodities trading business of Former OKD as a result of the Restructuring.

“RPG Transport” refers to RPG Transport, s.r.o., a legal successor to Former OKD that assumed the logistics business of Former OKD as a result of the Restructuring.

“SEC” refers to the U.S. Securities Exchange Commission.

“Selling Shareholder” refers to RPGI whose registered office is 4<sup>th</sup> Floor, Anemomylos Building, 8 Michalaki Karaoli St, Nicosia 1095, Cyprus.

“Senior Facilities Agreement” refers to the Term Loan Facilities Agreement governing the Senior Secured Facilities entered into as of 14 February 2006, between, among others, OKD, the guarantors named therein, the lenders named therein, Citibank N.A. and Citibank a.s. as arrangers and underwriters, Citibank, as facility agent, security agent and account bank, as amended from time to time.

“Senior Notes” refers to EUR 300,000,000 aggregate principal amount of 7.375% senior notes due 15 May 2015 which were issued by the Company on 18 May 2007.

“Senior Secured Facilities” refers to Facility 1, Facility 2 and Facility 3, which were used to finance the Recapitalisation.

“Services Agreement” refers to the advisory services agreement between Milan Jelinek, a member of the Board, and the Company.

“Stock Option Plan” refers to the stock option plan operated by the Group and fully described in the section of this document entitled “Management”.

“Technical Consulting Agreement” refers to the technical consulting agreement between the Issuer and AMCI dated 15 August 2006.

“Transport Agreements” refers to the agreements on transport between OKD and Doprava relating to the transport of coal and other materials from the Issuer to its largest customers.

“UK Combined Code” refers to the UK combined code on corporate governance published in June 2006 by the Financial Reporting Council.

“UK Listing Authority” refers to FSA in its capacity as competent authority under section 73A of FSMA.

“Underwriting Agreement” means the underwriting agreement between the Company, the Directors and the Managers, dated 22 April 2008.

“Unrestricted Subsidiaries” refers to the Initial Unrestricted Subsidiaries and any other subsidiaries of the Issuer that may be designated as unrestricted subsidiaries in the future in accordance with the terms of the Indenture.

“U.S.” or “United States” refers to the United States of America and all areas subject to its jurisdiction.

“U.S. dollars” or “USD” or “\$” refers to the lawful currency of the United States.

“U.S. Exchange Act” refers to the U.S. Securities Exchange Act of 1934.

“U.S. Steel” refers to U.S. Steel Košice, s.r.o., a limited liability company (*spoločnosť s ručením omezeným*) organised under the laws of the Slovak Republic.

“Warsaw Stock Exchange” or “WSE” refers to *Gielda Papierów Wartościowych w Warszawie S.A.*.

“WCI” refers to the World Coal Institute.

**EXHIBIT I – FINANCIAL STATEMENTS REFLECTING THE RESTRICTED GROUP,  
AS UNDER THE INDENTURE**

<b>NEW WORLD RESOURCES B.V. IMPACT OF UNRESTRICTED GROUP</b>		
<b>CONSOLIDATED INCOME STATEMENT PREPARED IN ACCORDANCE WITH IFRS</b>		
	<b>Whole group</b>	<b>Restricted group</b>
	AUDITED	NON-AUDITED
(EUR thousand)	Year ended 31 December 2007	
Revenues	1,367,098	1,350,702
Change in inventories of finished goods and work-in-progress	(10,308)	(10,350)
Consumption of material and energy	(363,977)	(361,469)
Service expenses	(306,433)	(300,158)
Personnel expenses	(338,216)	(332,108)
Depreciation	(156,931)	(155,925)
Amortization	(9,326)	(9,326)
Reversal of impairment of property, plant and equipment	21,959	18,659
Reversal of impairment of receivables	491	246
Net gain from material sold	6,385	6,361
Gain from sale of property, plant and equipment	1,305	1,244
Other operating income	3,758	3,609
Other operating expenses	(8,289)	(9,383)
	<hr/>	
SUB-TOTAL	207,516	202,102
Financial income	142,621	142,517
Financial expense	(110,477)	(110,446)
Profit/loss on disposal of interest in subsidiaries	(13)	(13)
	<hr/>	
PROFIT/(LOSS) FROM CONTINUING OPERATIONS - BEFORE TAX	239,647	234,160
Income tax expense	(48,976)	(49,378)
	<hr/>	
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	190,671	184,782
	<hr/>	
DISCONTINUED OPERATIONS		
PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	5,821	0

<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b><u>196,492</u></b>	<b><u>184,782</u></b>
Attributable to:		
Minority interest	6	0
<b>SHAREHOLDERS OF THE COMPANY</b>	<b><u>196,486</u></b>	<b><u>184,782</u></b>

**NEW WORLD RESOURCES B.V. IMPACT OF UNRESTRICTED GROUP  
CONSOLIDATED BALANCE SHEET PREPARED IN ACCORDANCE WITH IFRS**

	<b>Whole group</b>	<b>Restricted</b>
	AUDITED	NON-AUDITED
(EUR thousand)	As of 31 December 2007	
<b>ASSETS</b>		
Property, plant and equipment	1,049,381	1,039,335
Mining licences	178,683	178,683
Other financial investments	3,104	16,122
Long-term receivables	7,342	6,902
Deferred tax asset	2,438	1,950
Restricted cash	24,160	24,160
<b>TOTAL NON-CURRENT ASSETS</b>	<u>1,265,108</u>	<u>1,267,152</u>
Inventories	32,461	32,045
Accounts receivable and prepayments	159,296	150,563
Derivatives	76,008	76,008
Loan receivable	0	0
Income tax receivable	25,722	25,722
Cash and cash equivalents	474,160	469,536
<b>TOTAL CURRENT ASSETS</b>	<u>767,647</u>	<u>753,874</u>
<b>ASSETS HELD FOR SALE</b>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u><b>2,032,755</b></u>	<u><b>2,021,026</b></u>
<b>EQUITY AND LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	100,100	100,100
Share premium	3,679	3,679
Capital funds	0	0
Special liquidation reserve	0	0
Foreign exchange translation reserve	38,389	38,375
Restricted reserve	129,990	129,990
Retained earnings	105,305	100,629

EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		
	<u>377,463</u>	<u>372,773</u>
Minority interest	0	0
TOTAL EQUITY	<u>377,463</u>	<u>372,773</u>
LIABILITIES		
Provisions	108,103	107,107
Long-term loans	723,856	723,856
Bond issued	289,316	289,316
Employee benefits	85,634	85,277
Deferred revenue	10,299	10,299
Deferred tax liability	104,520	104,520
Other long-term liabilities	200	103
TOTAL NON-CURRENT LIABILITIES	<u>1,321,928</u>	<u>1,320,478</u>
Provisions	9,176	8,817
Accounts payable and accruals	190,232	185,024
Accrued interest payable on bond	2,766	2,766
Derivatives	226	226
Income tax payable	58,446	58,424
Current portion of long-term loans	66,823	66,823
Short-term loans	5,695	5,695
TOTAL CURRENT LIABILITIES	<u>333,364</u>	<u>327,775</u>
LIABILITIES RELATED TO ASSETS HELD FOR SALE	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	<u>1,655,292</u>	<u>1,648,253</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>2,032,755</b></u>	<u><b>2,021,026</b></u>

**NEW WORLD RESOURCES B.V. IMPACT OF UNRESTRICTED GROUP**  
**CONSOLIDATED CASH FLOW STATEMENT PREPARED IN ACCORDANCE WITH IFRS**

(EUR thousand)	<b>Whole group</b>	<b>Restricted group</b>
	AUDITED	NON-AUDITED
	Year ended 31 December 2007	
<b>Cash flows from operating activities</b>		
Net profit before taxation and minority interest	247,750	234,160
Depreciation	140,000	137,266
Amortization	9,326	9,326
Changes in provisions	(15,972)	(16,509)
Profit on disposal of property, plant and equipment	(1,377)	(1,244)
Profit on disposal of other financial investments	(21,523)	(21,523)
Interest expense, net	40,230	40,467
Change in fair value of derivatives	(43,461)	(43,461)
Unrealized foreign exchange gains on long-term borrowings	4,657	4,657
Profit before working capital changes	359,630	343,139
(Increase) / Decrease in inventories	8,096	9,067
(Increase) / Decrease in receivables	(15,067)	(8,652)
(Decrease) / Increase in payables	30,264	24,354
Changes in deferred revenue	7,086	7,095
(Increase) / Decrease in restricted cash	(6,370)	(6,370)
Currency translation and other non-cash movements	(19,872)	(21,267)
Cash generated from operating activities	363,767	347,366
Interest paid	(42,873)	(42,846)
Corporate income tax paid	(63,324)	(59,978)
<b>Net cash flows from operating activities</b>	<b>257,570</b>	<b>244,542</b>
<b>Cash flows from investing activities</b>		
Interest received	12,906	12,642
Purchase of land, property, plant and equipment	(82,712)	(79,825)
Proceeds from sale of other financial investments	16,382	16,382
Cash and cash equivalents of distributed subsidiaries (in kind)	(24,445)	0
Proceeds from sale of property, plant and equipment	2,238	2,172
<b>Net cash flows from investing activities</b>	<b>(75,631)</b>	<b>(48,629)</b>
<b>Cash flows from financing activities:</b>		
Repayments of syndicated loan	(234,547)	(234,547)
Proceeds of long-term borrowings	301,016	300,763
Fee paid from proceeds of long-term borrowings	(1,791)	(1,791)
Cash inflows from issued bond	300,000	300,000
Bond emission fee paid	(11,320)	(11,320)
Repayments of short-term borrowings	(9,355)	(6,811)

Proceeds of short-term borrowings	3,690	3,690
Dividends paid	(1,076,760)	(1,076,760)
<b>Net cash flows from financing activities</b>	<b>(729,067)</b>	<b>(726,776)</b>
Net effect of currency translation	7,910	7,863
Net increase in cash and cash equivalents	(539,218)	(523,000)
Cash and Cash Equivalents at the beginning of period	1,013,378	992,536
<b>Cash and Cash Equivalents at the end of period</b>	<b>474,160</b>	<b>469,536</b>