

New World Resources B.V. Results for the Quarter Ended 30 September 2007

1. Third Quarter 2007 Financial Highlights

- The Company's revenues increased by 2% from CZK 8,924 million in the third quarter of 2006 to CZK 9,066 million in the third quarter of 2007
- Coking coal accounted for CZK 4,067 million in external sales in Q3 2007 on an EXW basis.
- Net coke sales totalled CZK 1,619 million in Q3 2007.
- Steam coal accounted for CZK 1,492 million in total sales in Q3 2007 on an EXW basis.
- EBITDA increased by 30% from CZK 1,756 million in Q3 2006 to CZK 2,275 million in Q3 2007, while the EBITDA margin increased from 20% to 25%.
- Average contracted coal and coke prices increased by 10% and 32% respectively in Q3 2007 compared to Q3 2006.
- Net profit after tax increased from CZK 256 million in Q3 2006 to CZK 1,863 million in Q3 2007.
- Total average number of staff decreased by 8% in Q3 2007 compared to Q3 2006.

2. Selected Financial and Operational Data

	Three month period ended 30		Change	
	September 2007	2006		
EBITDA (CZK million)	2,275	1,756	519	30%
of which Restricted Group	2,257	n/a	-	-
Total Cash Flow (CZK million)	3,285	646	2,639	409%
of which Restricted Group	3,261	n/a	-	-
Total Coal Production (kt)	2,856	3,071	-215	-7%
Average Number of Staff (incl. contractors)	21,654	23,634	-1,980	-8%
of which Restricted Group	21,230	n/a	-	-
Lost-time Injury Frequency Rate (cumulative)¹	16	18	-2	-11%

¹ Lost-time Injury Frequency Rate is calculated as follows: LTIFR = Σ LTI x 1,000,000 / Total Number of Man-hours Worked, where an Incident becomes registered as an Lost Time Injury (LTI) after three shifts have been lost.

3. Recent Developments

- **Reserves.** The Company recently conducted a review of its reserves and resources. As at 1 July 2007, the Company had approximately 736 million tons of resources and reserves (in accordance with the methodology issued by the Joint Ore Reserves Committee of the Australian Institute of Geoscientists and the Minerals Council of Australia), including approximately 218 million tons of reserves based on the Company's current 20 year mining plan. The Company continues to review its reserves and resources base in light of recent and future acquisitions of new mining equipment, the application of new technologies and progress in its developmental projects.
- **Polish Development Projects.** As part of its business strategy, the Company is actively pursuing growth opportunities in Poland. The Company is currently pursuing two mining projects in Poland in the Dębieńsko mining region and the Morcinek mining region.
 - The Dębieńsko mine is located in southern Poland. The Polish mining authority has approved the mining plan submitted by the Company and the Company has a two-year exclusive right to apply for a mining permit to mine this region.
 - The Morcinek mine is also located in southern Poland. The Company is in the process of conducting an assessment of the reserves base of this mine. On 16 October 2007 the Company entered into a Letter of Intent with Jastrzębska Spółka Węglowa to work jointly towards developing the Morcinek mine. The Company plans to take advantage of the proximity of its ČSM mine to the Morcinek mine, and expects initially to access the subsurface of the Morcinek mining region from the existing mine and surface facilities at its ČSM mine on the Czech side of the border. In connection with this plan, the Company is in the process of facilitating an agreement between the Czech and Polish authorities on cross-border mining between the two jurisdictions.
- **Frenštát Mine.** The Company continues to evaluate the economic feasibility of developing the coal resources at the Frenštát mine, which is located 40 kilometers south of Ostrava, Czech Republic.
- **Capital Investment.** On 19 November 2007, the Company announced plans for a major capital investment programme at OKD. Capital expenditures under the programme are expected to be approximately €300 million and involve the acquisition of 10 new systems of longwall mining equipment and 12 new sets of gateroad development equipment, all of which the Company anticipates will increase OKD's operating efficiency and enhance OKD's productivity and safety. In addition, this equipment should allow OKD to mine deeper seams of coal, while minimizing the amount of coal left behind. The Company has entered into letters of intent for the acquisition of such equipment and expects the equipment to be purchased and rolled out over the next two years.
- **Establishment of Mining and Real Estate Divisions.** As part of the Company's policy of separately managing the real estate business, effective as of 1 January 2008, the Company will establish two divisions consisting of the Mining Division and the Real Estate Division, which will act as separate accounting and reporting units. The Company will continue to control the operations of both divisions. Initially, it is allocating to the Mining Division all assets, liabilities and activities of the Company, other than the real estate assets and real estate subsidiaries currently held by the Company, which are being allocated to the Real Estate Division. The assets allocated to the Mining Division include all of the Company's activities and operations in connection with hard coal mining (including the production of coking coal and steam coal) and coke production (conducted through OKD, OKK, a.s.) and the right of access to the real estate used in the mining business during the life of the mining business. The allocation of the rights and responsibilities of the Mining Division and the Real Estate Division will be governed by the Company's Articles of Association and policy statements adopted by the Company's board of directors.

- **Board of Directors.** As part of enhancing NWR's corporate governance, the shareholder of NWR appointed the following persons to the board of directors as non-executive independent directors: Steven Schuit, Barry J. Rourke and Paul M. Everard. Andreas Nagelmaker has resigned from the board of directors and NWR wishes to thank Mr. Nagelmaker for his serving as a director for the past 2 years. Currently, the NWR board of directors comprises of the following executive directors: Miklos Salamon (Chairman), Klaus-Dieter Beck, Marek Jelínek (CFO) and the following non-executive directors: Zdenek Bakala, Peter Kadas, Alex Krueger, Christiaan Norval, Milan Jelinek, Hans-Jürgen Mende, Bessel Kok, Hans-Jörg Rudloff, Pavel Telička, Steven Schuit, Paul M. Everard and Barry J. Rourke.
- **Liquidity and Capital Resources.** On 18 October 2007, the Company made a special dividend of €276 million to its sole shareholder RPG Industries SE. The special dividend was financed by a drawdown of €275 million under the Additional Loan Option². On 28 November 2007, the Company made an additional drawdown of €25 million, thereby utilizing the remainder of the Additional Loan Option. The Company has reviewed its cash flow and operations, and believes that the cash generated from its operations and borrowing capacity will be sufficient to meet its working capital requirements, anticipated capital expenditures (other than major capital improvements, acquisitions or mining development projects), scheduled debt payments and distributions. To augment its existing cash and liquidity resources, the Company continues to evaluate a range of transactions, including debt financings and the issuance of equity securities as part of an initial public offering of its shares. While no decision has been made on whether to proceed with an initial public offering or on the timeframe for such an offering, the Company is evaluating the possibility of conducting such an offering in 2008.
- **Restructuring of OKD, OKK, a.s.** In October 2007, OKD transferred its coking business, OKD, OKK, a.s., and certain real estate to NWR. The creation of NWR Coking, a.s. as the direct subsidiary of NWR and the distribution of OKD, OKK, a.s. and certain real estate by OKD to NWR Coking, a.s. was to shorten reporting lines and separate from OKD the environmental assets and the potential environmental liability. NWR Coking, a.s. is expected to merge with OKD, OKK, a.s. in 2008, with OKD, OKK, a.s. remaining as the surviving entity and the direct subsidiary of NWR.

² The drawdown under the facility was partly in Euros and partly in Czech Crowns. The difference between the amount drawn down and the amount distributed was caused by exchange rate fluctuations between the date of the drawdown and the date of the distribution.

4. Use of Quarterly Report

This quarterly report is being provided pursuant to the indenture governing the Company's 7.375% Senior Notes due 2015. This announcement is not an offer to sell or a solicitation of any offer to buy the securities of the Company in the United States (the "US") or in any other jurisdiction. Securities may not be offered or sold in the US unless they are registered or exempt from registration under the US Securities Act of 1933 (the "Securities Act"). The Company has not and does not intend to register its securities or any portion of this offering under the Securities Act. Copies of this announcement may not be redistributed in or into the US.

5. Cautionary Note Regarding Forward-Looking Statements

Certain statements in this quarterly report are not historical facts and are "forward-looking". The Company's prospects, plans, financial position and business strategy, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed in this quarterly report. All subsequently written and oral forward-looking statements attributable to the Company or persons acting on the Company's behalf are expressly qualified in their entirety by the cautionary statements included in this quarterly report.

Factors, risk and uncertainties that could cause actual outcomes and results to be materially different from those projected include, among others, the following: risks relating to changes in political, economic and social conditions in the Czech Republic; 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 weather conditions or catastrophic damage; 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.

Forward-looking statements speak only as of the date of this report. The Company expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained in this report to reflect any change in our expectations or any change in events, conditions, assumptions or circumstances on which any such statement is based unless so required by applicable law.

6. Industry and Market Share Data

Certain information relating to market share, ranking and other industry data contained in this quarterly report are based on independent industry publications, reports 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, and accepts responsibility for the correct reproduction of this information and ascertains that, to the best of the Company's knowledge, no facts have been omitted which would render such information inaccurate or misleading, this information has not been verified by independent sources. Accordingly, the Company cannot assure prospective investors 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 quarterly 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 prospective investors 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 purposes 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 comparable to the market share data relating to other companies, including the Company's competitors that might define their segments and categories differently.

7. Exchange Rates

The Company's financial data for the periods ended 30 September 2006 and 30 September 2007 are presented in Czech Crowns. A convenience conversion of Czech Crowns 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 Consolidated Balance Sheet Data with the period end exchange rate for the relevant periods. The period average exchange rates for the three month periods ended 30 September 2006 and 2007 from euros to Czech Crowns were €1.00 = CZK 28.330 and €1.00 = CZK 27.923 respectively. The period average exchange rates for the nine month periods ended 30 September 2006 and 2007 from euros to Czech Crowns were €1.00 = CZK 28.441 and €1.00 = CZK 28.075 respectively. The daily exchange rates valid on 30 September 2006 and 2007 from euros to Czech Crowns were €1.00 = CZK 28.330 and €1.00 = CZK 27.605 respectively.

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8. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

New World Resources B.V. was formed on 29 December 2005. Its then principal subsidiaries, OKD, Doprava and DPB were contributed to NWR on 7 September 2006 by its shareholder, RPG Industries SE.

The financial information with respect to the three-month and nine-month periods ended 30 September 2006 contained in this quarterly report has been derived from the combined accounts, prepared solely for the purpose of presenting historical financial information for the third quarter of 2006, and corresponds to the group holdings of the Company for the relevant comparable period in 2007. The combined accounts do not represent general purpose financial information.

The combined accounts were prepared as a total of the reporting packages of the combined entities, adjusted for elimination of transactions and balances between the combined entities and as if the assets, liabilities and results of operations were combined since 1 January 2006.

In preparing the combined accounts, any subsidiary of OKD and Doprava is first consolidated by these combined entities. Subsidiaries are entities controlled by these combined entities. Control exists when the combined entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the combined accounts from the date that control commences until the date that control ceases.

Amounts presented in the combined accounts have been compiled using reporting packages of individual companies used for IFRS consolidation of the immediate parent company, NWR, as of 31 December 2006, in accordance with International Financial Reporting Standards "IFRS" as adopted by the European Union. The reporting packages have been prepared using the carrying amounts of the assets and liabilities of the combined entities including the effects of "push-down" fair value acquisition adjustments. The purchase price allocation has been carried out by management of RPG Group using external expert valuation.

The consolidated financial statements for the third quarter of 2007 have been prepared in accordance with IFRS.

The combined and consolidated financial statements are presented in Czech Crowns, rounded to the nearest thousand. Czech Crown is the presentation currency of the Company. Functional currency of NWR is the Euro. Functional currency for the consolidated group is Czech Crown. The financial statements are prepared on the historical cost basis except for derivative financial instruments. For convenience, this quarterly report contains translations of certain Czech Crowns amounts into Euros at the rate or rates indicated. These translations should not be construed as representations that the Czech Crowns amounts actually represent such Euro amounts or could be converted into Euros at the rate indicated.

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

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

The accounting policies have been applied consistently by the Company entities. The accounting policies are described at the end of this document.

8.1. Non-IFRS Measures

This quarterly report contains references to certain non-IFRS measures, including EBITDA, Restricted Group EBITDA and Unrestricted Group EBITDA.

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 (“PPE”) and gains/loss from sale of PPE. While the amounts included in EBITDA are derived from the Company's consolidated 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.

The Company presents EBITDA for the Restricted Group and the Unrestricted Group to provide investors a basis for evaluating the performance of the Restricted Group, which is comprised of subsidiaries subject to the restrictive covenants of the Indenture governing the Notes. The Restricted Group EBITDA excludes the results of operations of all Unrestricted Subsidiaries. The Company has computed the Unrestricted Group EBITDA using the same formula as for EBITDA, based on the financial statements for Unrestricted Subsidiaries.

9. OPERATING AND FINANCIAL REVIEW

9.1. General Overview

Background

The Company is the sole producer of hard coal in the Czech Republic and a leading producer of hard coal in Central Europe on the basis of revenues and volume, and serves customers in the Czech Republic, Poland, Austria, Slovakia, Hungary and Germany. Its business is primarily focused on hard coal mining and coke production.

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

The Company's largest business in terms of revenue is the production of coking coal, which accounted for CZK 4,067 million in external sales during the quarter ended 30 September 2007 on an EXW basis. Coking coal is sold to steel producers and to independent coke producers. The Company also produces coke for sale to steel producers and foundries. Net coke sales totalled CZK 1,619 million during the quarter ended 30 September 2007.

The Company also produces steam coal, which accounted for CZK 1,492 million in total sales during the quarter ended 30 September 2007 on an EXW basis. While demand for steam coal tends to be more stable from year to year than for coking coal, coking coal production generally produces higher profit margins.

On 28 June 2007 NWR distributed in specie to its parent company, RPG Industries SE, its shares in its mine and landfill gas extraction business, Green Gas International BV ("Green Gas"), and its logistics business, Doprava. Prior to such distribution, Doprava and Green Gas were owned and controlled by the Company and were classified as Unrestricted Subsidiaries under the Indenture and, consequently, were generally not subject to the restrictive covenants applicable to NWR and its other subsidiaries. Since the distribution took place at the end of the second quarter of 2007, the consolidated balance sheet and income statement for the three month period ended at 30 September 2007 are not affected by the gas and logistics businesses. The impact of 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 in the Group. The financial performance of the gas and logistics businesses for the three month period ended 30 September 2006 is presented in the income statement as discontinued operations.

9.2. Description of Key Components of the Company's Income Statement

Revenue Sources

The Company derives revenues primarily from the sale of coking coal, steam coal and coke.

Principal Costs and Expenses

The most significant expenses of the Company are the consumption of material and energy, service expenses (including contracted workers) and personnel expenses. For the quarter ended 30 September 2007, the consumption of material and energy, service expenses and personnel expenses accounted for 30%, 27% and 30% of the total operating expenses, respectively.

Consumption of Material and Energy. The consumption of material and energy is a significant cost item. It consists of three main items relating to the mining business: consumption of material for mining operations (steel and wood supports etc.), consumption of spare parts for mining machines and consumption of energy.

Service Expenses. Service expenses comprise the cost of contractors and of consultation, professional, transportation and other services. The vast majority of transportation service expenses are pass-through costs invoiced directly to the Company's clients (and included in the Company's total revenue). Professional service expenses are those costs associated with the services of attorneys, consultants and other professionals.

As the Company uses contractors for sourcing miners, the costs of coal production have been increasingly reflected in service expenses. The Company expects to continue to use miners provided by contractors because such use allows for higher flexibility in employment and because of changes in the market for mining employees in the Czech Republic and Central Europe. The use of contract workers has improved the productivity of the Company's mining operations.

Personnel expenses. Personnel expenses consist of wages and salaries, social insurance costs, social security 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 payable more than 12 months after the balance sheet date that employees have earned in return for their services during the current and prior periods.

The Company's employee benefit scheme covers both the statutory requirements applicable to the mining industry and other benefits arranged with labour unions as part of the Company's general labour agreement. All benefits are unfunded. Most benefits are paid annually and are calculated based on length of service, level of exposure to health hazards and disability. Other benefits 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 government bonds of the Czech Republic, (ii) the estimated increase in wages 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.

Depreciation and amortization. Depreciation and amortization include the depreciation of tangible fixed assets based on the Company's accounting policies, in compliance with IFRS, and amortization of intangible fixed assets. The Company does not account for any goodwill or amortization thereof in the third quarter of 2007 in the consolidated accounts.

Sub-Total (Operating Income)

The income statement of the Company contains a line item captioned Sub-Total. The Company considers this line item to be the operating income of the Company. It includes all operating costs and revenues, but does not reflect financial revenues, expenses, the effects of disposals of subsidiaries and taxes.

From 1 January 2006 to 28 June 2007 the Company's principal business segments were as follows:

- Coal mining and coke production
- Transport
- Gas and electricity

As of 29 June 2007, the Company's principal business segment is coal mining and coking.

Coal and Coke. The majority of the Company's revenue is derived from the Coal and Coke segment. Its key customers are Arcelor Mittal Steel, US Steel, DALKIA, Moravia Steel and Voestalpine. The majority of coal and coke sales are based on framework agreements, which are re-priced mainly on an annual basis.

The Company's hard coal mining business is conducted through OKD, a wholly-owned subsidiary of NWR. OKD produces coking coal, which accounts for 60% of the tonnage of coal sold to third parties for the quarter ended 30 September 2007, and which is used in steel production, and high quality steam coal, which is used in power generation. Steam coal, which accounts for approximately 40% of the tonnage of the Company's external coal sales for the quarter ended 30 September 2007, is used by utilities, heating plants and industrial companies to produce steam and electricity. While steam coal margins are lower than coking coal margins, steam coal has historically provided to be a stable source of revenue.

9.3. Third quarter of 2007 versus third quarter of 2006

Company Group Presentation

Revenues. The Company's revenues increased by 2%, from CZK 8,924 million in the third quarter of 2006 to CZK 9,066 million in the third quarter of 2007. This increase is mainly attributable to the increase in revenues from coal and coke sales, which is driven by increasing prices of coal and coke in the world market, and is partly offset by lower transport costs, that are invoiced to coal and coke customers and by the elimination of the impact on consolidated revenues of SLOVENERGO, spol. s r.o., a former subsidiary specializing in trading, which was sold by the Company on 22 December 2006.

Operating expenses. Total operating expenses decreased by 5% in the third quarter as compared on a yearly basis. This decrease is mainly due to a decrease in personnel costs driven by a reduction in headcount.

Net profit before taxation. Net profit increased by CZK 2,105 million from CZK 432 million in the third quarter of 2006 to CZK 2,537 million in the third quarter of 2007. This increase is the result of the combined effect of increased operating result and increased financial result. The operating result is the difference between revenues and total operating expenses discussed in the previous paragraph. Due to the increase in revenues and decrease in operating expenses, operating result increased by CZK 642 million. The financial result increased by CZK 1,463 million mainly due to the impact of revaluation of derivative instruments for interest rate and currency hedging (CZK 1,135 million).

Analysis

Rekultivace, the sole Unrestricted Subsidiary, represents 1% of the Company's total revenues, 1% of total EBITDA and less than 1% of total assets for the three month period ended and as at 30 September 2007. As a result, the Company deems Rekultivace's impact on the consolidated results of operations to be immaterial³ and the following analysis is based on the consolidated results of operations.

Revenues increased by 2% from CZK 8,924 million in the third quarter of 2006 to CZK 9,066 million in the third quarter of 2007.

³ The significance of the financial impact of Rekultivace is presented in the financial statements in sections 15 to 17.

- The average coal price increased by 10% and the average coke price increased by 32% in the three months ended 30 September 2007 compared to the three months ended 30 September 2006:

(CZK/t)	Three month period ended 30		Change	
	September			
Price development	2007	2006		
Coal	1,975	1,793	182	10%
coking coal	2,404	2,161	243	11%
steam coal	1,305	1,258	47	4%
Coke	5,318	4,031	1,287	32%

- The positive price development had a significant impact on the Company's revenues in coal and coke operations. The increase in external sales is the result of higher prices. The volume of sales of coking coal remained stable. The increase in sales of steam coal due to the increase in prices is more than offset by the decrease in sales volume from 1,279kt to 1,143kt. The 19% increase in Coke revenues is a result of the combined effect of a 32% increase in prices offset in part by a 10% decrease in volume. The decrease in coal and coke transport revenues is due to decreased sales volumes. Czech Karbon, s.r.o., has seen a significant increase in revenues to third parties. Correspondingly, its costs of goods sold, presented in the income statement item Consumption of material and energy, increased significantly. Czech Karbon is part of the coal and coke segment since its main business is providing electricity to the mining entities. A decrease in revenues in the amount of CZK 425 million can be attributed to the impact of SLOVENERGO, spol. s r.o., a subsidiary focused on third party coal trading, which was sold in December 2006.

(CZK million)	Three month period ended 30		Change	
	September			
Revenues	2007	2006		
Coking coal sales EXW*	4,067	3,731	336	9%
Steam coal sales EXW	1,492	1,609	-117	-7%
Coke sales EXW	1,619	1,357	262	19%
Coke By-products sales	155	163	-8	-5%
Coal and coke transport	762	917	-155	-17%
OKD other sales	254	207	47	23%
Czech Karbon	470	165	305	185%
SLOVENERGO, spol. s r.o. coal trading	0	425	-425	-100%
Other revenues	247	349	-102	-29%
Total Revenues	9,066	8,924	142	2%

*excl. 747 MCZK coking coal sales from OKD to OKK

- Despite the strong increases in electricity prices in the Czech Republic and increases in the price of steel used in mining equipment, the Company's expenses for consumption of material and energy increased by a mere 5%. This is mainly attributable to the increased volume of electricity trading of Czech Karbon, a subsidiary to OKD, which buys electricity for the Company and also sells electricity to third parties in the Czech electricity market. The external revenues of Czech Karbon have increased correspondingly. The relative increase in consumption of spare parts is due to a seasonal deviation and does not represent a long-term trend. The decrease in Other consumption of material and energy is mainly attributable to trading activities of the subsidiary SLOVENERGO, spol. s r.o., which was sold in December 2006. Revenues of the Group have decreased correspondingly.

(CZK million)	Three month period ended 30		Change	
	September			
	2007	2006		
<u>Consumption of material and energy</u>				
Consumption of material for mining	546	556	-10	-2%
Consumption of spare parts for mining	239	200	39	20%
Energy for coal mining (OKD)	387	365	22	6%
Energy for coking (OKK)	75	74	1	1%
Czech Karbon costs of goods sold	631	287	344	120%
Other consumption of material and energy	408	695	-287	-41%
Total Consumption of material and energy	2,286	2,176	110	5%

- The decrease in Service expenses is mainly attributable to the decrease in transportation costs, which are invoiced directly to the customers and, therefore, affect the Company's revenues correspondingly. The transport costs decreased due to decreased sales volumes. The increase in maintenance costs in the third quarter is due to more extensive maintenance works in the third quarter of 2007 as compared to 2006.

(CZK million)	Three month period ended 30		Change	
	September			
	2007	2006		
<u>Service expenses</u>				
Coal and coke transport costs	783	870	-87	-10%
Contractors at OKD	464	456	8	2%
Maintenance for OKD and OKK	239	205	34	17%
Other service expenses	570	607	-37	-6%
Total Service expenses	2,056	2,137	-81	-4%
Average Headcount of OKD contractors	3,519	3,832	-313	-8%

- Total personnel expenses decreased by 9%. The impact of employee benefits in the three month period ended 30 September 2006 was CZK 63 million. When adjusted for this item, the decrease in personnel expenses would be 7%. This decrease reflects an increase in average wages of 6% agreed with the Company's trade unions, which is based on the overall trends in Czech Republic, and was more than offset by the improvement in productivity and corresponding reduction in headcount in the Company's coal and coke operations.

(CZK million)	Three month period ended 30		Change	
	September			
	2007	2006		
<u>Personnel expenses</u>				
Coal and coke operations	2,300	2,524	-224	-9%
Average headcount of own employees	18,136	19,801	-1,665	-8%

- Other operating revenues and expenses reflect, from time to time, insurance costs and payments, mining damage and indemnity, and related accounting provisions and their release. These items should be analyzed together. Other expenses are often balanced by corresponding revenues. Since the amounts are relatively low, they are sensitive to one time effects and seasonal fluctuations. The positive amount in Other operating expenses represents a decrease in the provision for employees' vacation days.

(CZK million)	Three month period ended 30		Change	
	September			
	2007	2006		
<u>Other operating revenues and expenses</u>				
Other operating revenues	27	22	5	23%
Other operating expenses	42	-17	59	-347%
Net other operating revenues	69	5	64	1,280%

The following table compares EBITDA for the quarter ended 30 September 2007 to the same period of 2006.

(CZK million)	Three month period ended 30		Change	
	September			
	2007	2006		
EBITDA	2,275	1,756	519	30%

The Company's EBITDA for the third quarter of 2007 was CZK 2,275 million. Based on the combined financial information for the third quarter of 2006, the comparative EBITDA for the same period of 2006 was CZK 1,756 million. The increase of CZK 519 million represents a 30% increase on a year over year basis.

The following table provides EBITDA for the quarter ended 30 September 2007 for Restricted and Unrestricted Subsidiaries. Unrestricted Subsidiaries represent 1% of the Company's EBITDA.

(CZK million)	Consolidated	Restricted	Unrestricted
	Group	Subsidiaries	Subsidiaries
EBITDA	2,275	2,257	18

The amount of CZK 18 million is attributable to Rekulтивace.

As EBITDA is a non-IFRS measure, the following table provides a reconciliation of EBITDA to IFRS line items of the income statement.

Calculation of EBITDA	Three month period ended 30	
	September 2007	
	(CZK million)	(EUR million)
Net Profit after Tax from Continuing Operations	1,863	67
Income Tax	674	24
Net Financial Expenses	-1,394	-50
Depreciation and Amortization	1,134	41
Gains/Losses from Sale of PPE	-2	0
EBITDA	2,275	81

*calculated with average exchange rate of 27.923 CZK/EUR

- The decrease in depreciation of 10% is primarily due to a decrease in the value of property, plant and equipment, which represents the base for depreciation. This decrease is partly due to disposals of subsidiaries holding fixed assets in 2006 and partly due to lower values of new equipment, as compared to the original gross values of the replaced equipment used under IFRS.

(CZK million)	Three month period ended 30		Change	
	September			
	2007	2006		
Depreciation	1,076	1,195	-119	-10%

- Financial revenue increased significantly. The main reason for the increase in financial revenue was the impact of the change in foreign exchange rates on the value of receivables and liabilities of the Company, which was partly offset by the negative impact of the Company's financial derivative instruments, which relate to interest rate hedging (CZK 422

million). The significant decrease in financial expense is mainly due to the impact of revaluation of derivative financial instruments relating to foreign exchange rate hedging in the amount of CZK 1,557 million, which was partly offset by an increase in interest expense in the amount of CZK 672 million.

(CZK million)	Three month period ended 30		Change	
	September			
Financial result	2007	2006		
Financial revenue	998	469	529	113%
Financial expense	396	-537	933	-174%
Financial result	1,394	-68	1,462	-2150%

Cash Flow

The following table compares the main cash flow categories for the quarter ended 30 September 2007 to the same period of 2006.

(CZK million)	Three month period ended 30		Change	
	September			
Cash flow	2007	2006		
Net operating cash flow	1,133	1,715	-582	-34%
Net investing cash flow	-344	-635	291	-46%
Net financing cash flow	2,496	-434	2,930	n/a
Total cash flow	3,285	646	2,639	409%

Net operating cash flow for the third quarter of 2007 was CZK 1,133 million, compared with CZK 1,715 million in the third quarter of 2006. This decrease in net operating cash flow was mainly attributable to higher interest paid (CZK 186 million) and higher corporate income tax paid (CZK 322 million).

Net investing cash flow is negative, since capital expenditure (CAPEX) is higher than the proceeds from sale of long-term assets. The lower amount of CAPEX in the three month period in 2007 correspondingly influences the decrease in Net investing cash flow.

The Company repaid a part of its Senior Secured Facilities on 2 July 2007 in the amount of CZK 5,190 million. In August 2007 the Company drew down CZK 7,622 million under the Additional Loan Option. These two main factors influence the amount of Net financing cash flow in the three month period ended 30 September 2007.

The following table provides Net Operating Cash Flow for the quarter ended 30 September 2007 for Restricted and Unrestricted Subsidiaries.

(CZK million)	Consolidated	Restricted	Unrestricted
Cash flow	Group	Subsidiaries	Subsidiaries
Net operating cash flow	1,133	1,130	3
Net investing cash flow	-344	-326	-18
Net financing cash flow	2,496	2,457	39
Total cash flow	3,285	3,261	24

9.4. Liquidity and Capital Resources

The liquidity requirements of the Company arise primarily from working capital requirements, interest and principal payments on Senior Secured Facilities and the Notes, dividend payments, the need to fund capital expenditures and on a selective basis, acquisitions.

NWR is a holding company with no revenue-generating operations of its own and will rely on dividends or other distributions from subsidiaries, inter-company loans or other capital contributions to fund its liquidity requirements. The dividends, distributions or other payments from subsidiaries are expected to be funded by cash from their operations. The Company has reviewed its cash flow and operations, and believes that the cash generated from its operations and borrowing capacity will be sufficient to meet its working capital requirements, anticipated capital expenditures (other than major capital improvements, acquisitions or mining development projects), scheduled debt payments and distributions. To augment its existing cash and liquidity resources, the Company continues to evaluate a range of transactions, including debt financings and the issuance of equity securities as part of an initial public offering of its shares. While no decision has been made on whether to proceed with an initial public offering or on the timeframe for such an offering, the Company is evaluating the possibility of conducting such an offering in 2008.

As at 30 September 2007 the Company's net debt was CZK 11,771 million.

9.5. Unrestricted Subsidiaries and Non-Core Real Estate

Rekultivace is the only subsidiary defined as Unrestricted Subsidiary under the Indenture and generally is not bound by the restricted covenants of the Indenture applicable to the Company. The Company distributed the other Unrestricted Subsidiaries, Doprava and DPB, on 28 June 2007. While the Company has disposed of a significant amount of non-core real estate as part of the Restructuring, it has identified additional non-core real estate and intends to transfer these properties outside the Company. In addition, the Indenture permits the Company to distribute or dispose of the non-core real estate without complying with the restricted payment and asset sale covenants of the Indenture and the proceeds of such disposal would not inure to the benefit of Note holders.

The Unrestricted Subsidiaries did not affect the financial performance of the Company significantly. Their contribution to the operating profit of the Company during the three month period ending 30 September 2007 was only 1%.

10. CONSOLIDATED INCOME STATEMENT UNAUDITED (CZK)

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

	1 July 2007- 30 September 2007 <i>CZK '000</i>	1 July 2006- 30 September 2006 <i>CZK '000</i>	1 January 2007- 30 September 2007 <i>CZK '000</i> <i>Cummulative</i>	1 January 2006- 30 September 2006 <i>CZK '000</i> <i>Cummulative</i>
Revenues	9,065,560	8,923,786	27,301,148	25,801,860
Change in inventories of finished goods and work-in-progress	-265,040	-360,303	64,875	209,726
Consumption of material and energy	-2,286,456	-2,176,366	-7,332,325	-6,901,561
Service expenses	-2,056,400	-2,136,963	-5,959,465	-5,516,540
Personnel expenses	-2,300,086	-2,524,235	-6,708,909	-7,485,007
Depreciation	-1,076,192	-1,195,236	-3,190,553	-4,857,771
Amortization	-57,562	-68,569	-188,278	-202,456
Reversal of impairment of receivables	48	-10,213	5,202	-8,321
Net gain from material sold	47,866	34,739	124,233	94,965
Gain from sale of property, plant and equipment	1,573	8,566	21,324	23,871
Other operating income	26,752	22,133	62,809	120,189
Other operating expenses	42,325	-16,907	-109,683	-682,734
SUB-TOTAL	1,142,388	500,431	4,090,378	596,220
Financial income	998,399	469,015	2,339,379	854,925
Financial expense	395,796	-537,142	-2,254,927	-889,767
Profit/loss on disposal of interest in subsidiaries	0	0	0	129,137
PROFIT/(LOSS) FROM CONTINUING OPERATIONS - BEFORE TAX	2,536,583	432,304	4,174,830	690,515
Income tax expense	-673,517	-176,137	-1,271,255	-500,344
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	1,863,066	256,167	2,903,575	190,171
PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	0	220,420	163,859	339,990
PROFIT/(LOSS) FOR THE PERIOD	1,863,066	476,588	3,067,434	530,161
Attributable to:				
Minority interest	0	-465	159	928
SHAREHOLDERS OF THE COMPANY	1,863,066	477,053	3,067,275	529,233

11. CONSOLIDATED INCOME STATEMENT UNAUDITED (EUR)

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

	1 July 2007- 30 September 2007 <i>EUR '000</i>	1 July 2006- 30 September 2006 <i>EUR '000</i>	1 January 2007- 30 September 2007 <i>EUR '000</i> <i>Cummulative</i>	1 January 2006- 30 September 2006 <i>EUR '000</i> <i>Cummulative</i>
Revenues	324,663	314,994	972,436	907,206
Change in inventories of finished goods and work-in-progress	-9,492	-12,718	2,311	7,374
Consumption of material and energy	-81,884	-76,822	-261,169	-242,662
Service expenses	-73,645	-75,431	-212,269	-193,964
Personnel expenses	-82,372	-89,101	-238,964	-263,177
Depreciation	-38,541	-42,190	-113,644	-170,802
Amortization	-2,061	-2,420	-6,706	-7,118
Reversal of impairment of receivables	2	-360	185	-293
Net gain from material sold	1,714	1,226	4,425	3,339
Gain from sale of property, plant and equipment	56	302	760	839
Other operating income	958	781	2,237	4,226
Other operating expenses	1,516	-597	-3,907	-24,005
SUB-TOTAL	40,912	17,664	145,695	20,963
Financial income	35,755	16,555	83,326	30,060
Financial expense	14,175	-18,960	-80,318	-31,285
Profit/loss on disposal of interest in subsidiaries	0	0	0	4,541
PROFIT/(LOSS) FROM CONTINUING OPERATIONS - BEFORE TAX	90,842	15,260	148,703	24,279
Income tax expense	-24,121	-6,217	-45,281	-17,592
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	66,722	9,042	103,422	6,687
PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	0	7,780	5,836	11,954
PROFIT/(LOSS) FOR THE PERIOD	66,722	16,823	109,259	18,641
Attributable to:				
Minority interest	0	-16	6	33
SHAREHOLDERS OF THE COMPANY	66,722	16,839	109,253	18,608

*Currency translation with average FX rate for the corresponding period

12. CONSOLIDATED BALANCE SHEET UNAUDITED

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

	30 September 2007	30 September 2006	30 September 2007	30 September 2006
	<i>CZK '000</i>	<i>CZK '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
ASSETS				
Property, plant and equipment	28,051,675	30,988,411	1,016,181	1,093,837
Mining licences	4,827,195	5,083,367	174,867	179,434
Other financial investments	82,626	164,826	2,993	5,818
Long-term receivables	164,919	76,062	5,974	2,685
Restricted cash	605,551	380,743	21,936	13,440
TOTAL NON-CURRENT ASSETS	33,731,966	36,693,409	1,221,951	1,295,214
Inventories	1,229,795	2,017,186	44,550	71,203
Accounts receivable and prepayments	4,694,065	5,608,721	170,044	197,978
Fair Value of Derivatives	1,079,627	67,812	39,110	2,394
Loans receivable	0	0	0	0
Income tax receivable	1,112,890	934,892	40,315	33,000
Cash and cash equivalents	17,195,321	13,908,262	622,906	490,938
TOTAL CURRENT ASSETS	25,311,698	22,536,873	916,924	795,513
ASSETS CLASSIFIED AS HELD FOR SALE	0	0	0	0
TOTAL ASSETS	59,043,664	59,230,282	2,138,876	2,090,726
EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	2,749,995	2,749,995	99,619	97,070
Share premium	1,369,661	33,853,154	49,616	1,194,958
Special liquidation reserve	0	2,378,798	0	83,967
Foreign exchange translation reserve	-11,202	-5,780	-406	-204
Restricted equity	3,460,348	3,460,348	125,352	122,144
Retained earnings and capital funds	7,173,923	529,233	259,878	18,681
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY	14,742,725	42,965,748	534,060	1,516,617
Minority interest	0	1,877	0	66
TOTAL EQUITY	14,742,725	42,967,625	534,060	1,516,683
LIABILITIES				
Provisions	3,193,343	3,286,639	115,680	116,013
Long-term interest bearing loans and borrowings	19,103,542	18,071	692,032	638
Bond issued	7,983,893	0	289,219	0
Employee benefits	2,159,269	2,402,630	78,220	84,809
Deferred revenue	84,603	97,442	3,065	3,440
Deferred tax liability	3,369,304	3,643,195	122,054	128,598
Other long-term liabilities	67,678	41,498	2,452	1,465
TOTAL NON-CURRENT LIABILITIES	35,961,632	9,489,475	1,302,722	334,962
Provisions	219,558	541,946	7,954	19,130
Accounts payable and accruals	4,834,308	4,724,748	175,124	166,775
Fair Value of Derivatives	6,040	65,921	219	2,327
Income tax payable	1,400,921	1,026,921	50,749	36,249
Current portion of long-term loans	1,687,414	0	61,127	0
Short-term interest bearing loans and borrowings	191,066	413,646	6,921	14,601
TOTAL CURRENT LIABILITIES	8,339,307	6,773,182	302,094	239,082
LIABILITIES CLASSIFIED AS HELD FOR SALE	0	0	0	0
TOTAL LIABILITIES	44,300,939	16,262,657	1,604,816	574,044
TOTAL EQUITY AND LIABILITIES	59,043,664	59,230,282	2,138,876	2,090,727

*Currency translation with FX rate as of 30 September 2007 and 30 September 2006 correspondingly

13. CONSOLIDATED CASH FLOW STATEMENT UNAUDITED (CZK)

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

	1 July 2007- 30 September 2007 CZK '000	1 July 2006- 30 September 2006 CZK '000	1 January 2007- 30 September 2007 CZK '000	1 January 2006- 30 September 2006 CZK '000
Cash flows from operating activities				
Net profit before taxation and minority interest	2,536,583	494,485	4,402,933	912,425
Adjustments for:				
Depreciation	1,076,192	1,242,278	3,332,083	5,008,537
Amortization	57,562	68,569	188,278	202,456
Impairment of assets	0	0	0	0
Changes in provisions	-177,421	-190,843	-489,272	546,657
Change in fair value of derivatives	-1,062,657	78,448	-184,919	-1,891
Profit on disposal of property, plant and equipment, investments and subsidiaries	-1,573	-10,738	-22,140	0
Profit on disposal of other financial investments	0	0	-458,874	-129,138
Interest expense, net	206,970	-38,805	643,377	-118,090
Unrealized foreign exchange gains on long-term borrowings	-456,633	0	214,221	0
Operating profit before working capital changes	<u>2,179,023</u>	<u>1,643,395</u>	<u>7,625,687</u>	<u>6,420,955</u>
(Increase) / Decrease in inventories	309,030	396,133	-120,168	-235,397
(Increase) / Decrease in receivables	-731,030	-535,556	-1,302,952	-839,880
(Decrease) / Increase in payables	262,261	534,663	237,526	-281,225
Changes in deferred revenue	-7,007	-18,524	7,440	6,664
(Increase) / Decrease in restricted cash	-3,467	-1,605	-116,422	-116,449
Other non-cash movements	-64,608	-399	78,240	-14,212
Cash generated from operating activities	<u>1,944,202</u>	<u>2,018,106</u>	<u>6,409,351</u>	<u>4,940,455</u>
Interest paid	-189,313	-3,445	-574,730	-18,569
Corporate income tax paid	-622,081	-299,686	-1,505,679	-1,000,229
Net cash flows from operating activities	<u><u>1,132,807</u></u>	<u><u>1,714,975</u></u>	<u><u>4,328,942</u></u>	<u><u>3,921,657</u></u>
Cash flows from investing activities				
Interest received	102,872	56,029	241,923	177,997
Acquisition of subsidiaries and other investments	0	0	0	14,819
Purchase of land, property, plant and equipment	-450,372	-698,895	-1,549,420	-2,092,175
Proceeds from sale of financial investments	0	0	471,874	27,985
Cash and cash equivalents of distributed subsidiaries (in kind)	0	0	-688,130	0
Proceeds from sale of property, plant and equipment	3,113	7,738	43,398	16,843
Net cash flows used in investing activities	<u><u>-344,387</u></u>	<u><u>-635,128</u></u>	<u><u>-1,480,355</u></u>	<u><u>-1,854,531</u></u>
Cash flows from financing activities:				
Repayments of syndicated loan	-5,190,124	0	-6,670,315	0
Proceeds of long-term borrowings	7,622,265	0	7,622,265	0
Fee paid from proceeds of long-term borrowings	-45,051	0	-45,051	0
Cash inflows from issued bond	0	0	8,614,500	0
Bond emission fee paid	0	0	-358,880	0
Repayments of short-term borrowings	-109	-438,605	-309,939	-438,605
Proceeds of short-term borrowings	109,170	5,067	163,281	511,356
Dividends paid	0	0	-22,531,964	0
Net cash flows used in financing activities	<u><u>2,496,151</u></u>	<u><u>-433,538</u></u>	<u><u>-13,516,102</u></u>	<u><u>72,751</u></u>
Net increase in cash and cash equivalents	3,284,571	646,306	-10,667,515	2,139,877
Cash and Cash Equivalents at the beginning of period	<u>13,910,750</u>	<u>13,261,956</u>	<u>27,862,836</u>	<u>11,795,017</u>
Cash and Cash Equivalents at the end of period	<u><u>17,195,321</u></u>	<u><u>13,908,262</u></u>	<u><u>17,195,321</u></u>	<u><u>13,908,262</u></u>

14. CONSOLIDATED CASH FLOW STATEMENT UNAUDITED (EUR)

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

	1 July 2007- 30 September 2007 <i>EUR '000</i>	1 July 2006- 30 September 2006 <i>EUR '000</i>	1 January 2007- 30 September 2007 <i>EUR '000</i> <i>Cummulative</i>	1 January 2006- 30 September 2006 <i>EUR '000</i> <i>Cummulative</i>
Cash flows from operating activities				
Net profit before taxation and minority interest from continuing operations	91,889	15,260	148,703	24,279
Net profit before taxation and minority interest from discontinued operations	0	2,195	8,125	7,802
Net profit before taxation and minority interest	91,889	17,454	156,828	32,081
Adjustments for:				
Depreciation	38,985	43,850	118,685	176,103
Amortization	2,085	2,420	6,706	7,118
Impairment of assets	0	0	0	0
Changes in provisions	-6,427	-6,736	-17,427	19,221
Change in fair value of derivatives	-38,495	2,769	-6,587	-66
Profit on disposal of property, plant and equipment, investments and subsidiaries	-57	-379	-789	0
Profit on disposal of other financial investments	0	0	-16,345	-4,541
Interest expense, net	7,498	-1,370	22,916	-4,152
Unrealized foreign exchange gains on long-term borrowings	-16,542	0	7,630	0
Operating profit before working capital changes	78,936	58,009	271,618	225,764
(Increase) / Decrease in inventories	11,195	13,983	-4,280	-8,277
(Increase) / Decrease in receivables	-26,482	-18,904	-46,410	-29,531
(Decrease) / Increase in payables	9,500	18,873	8,460	-9,888
Changes in deferred revenue	-254	-654	265	234
(Increase) / Decrease in restricted cash	-126	-57	-4,147	-4,094
Other non-cash movements	-2,340	-14	2,787	-500
Cash generated from operating activities	70,429	71,236	228,294	173,709
Interest paid	-6,858	-122	-20,471	-653
Corporate income tax paid	-22,535	-10,578	-53,631	-35,169
Net cash flows from operating activities	41,036	60,536	154,192	137,887
Cash flows from investing activities				
Interest received	3,727	1,978	8,617	6,258
Acquisition of subsidiaries and other investments	0	0	0	521
Purchase of land, property, plant and equipment	-16,315	-24,670	-55,189	-73,562
Proceeds from sale of financial investments	0	0	16,808	984
Cash and cash equivalents of distributed subsidiaries (in kind)	0	0	-24,510	0
Proceeds from sale of property, plant and equipment	113	273	1,546	592
Net cash flows used in investing activities	-12,476	-22,419	-52,729	-65,206
Cash flows from financing activities:				
Repayments of syndicated loan	-188,014	0	-237,589	0
Proceeds of long-term borrowings	276,119	0	271,497	0
Fee paid from proceeds of long-term borrowings	-1,632	0	-1,605	0
Cash inflows from issued bond	0	0	306,839	0
Bond emission fee paid	0	0	-12,783	0
Repayments of short-term borrowings	-4	-15,482	-11,040	-15,422
Proceeds of short-term borrowings	3,955	179	5,816	17,980
Dividends paid	0	0	-802,563	0
Net cash flows used in financing activities	90,424	-15,303	-481,428	2,558
Net increase in cash and cash equivalents	118,985	22,813	-379,965	75,239
Cash and Cash Equivalents at the beginning of period	503,921	468,124	992,443	414,719
Cash and Cash Equivalents at the end of period	622,906	490,938	612,478	489,022

*Currency translation with average FX rate for the corresponding period

15. CONSOLIDATED INCOME STATEMENT OF RESTRICTED SUBSIDIARIES UNAUDITED

PRESENTING THE IMPACT OF UNRESTRICTED SUBSIDIARIES

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

	1 July 2007- 30 September 2007 CZK '000	1 July 2007- 30 September 2007 CZK '000	1 July 2007- 30 September 2007 CZK '000
	Consolidated Group	Restricted Subsidiaries	Impact of Unrestricted Subsidiaries
Revenues	9,065,560	8,954,797	110,763
Change in inventories of finished goods and work-in-progress	-265,040	-265,976	936
Consumption of material and energy	-2,286,456	-2,265,520	-20,936
Service expenses	-2,056,400	-2,008,715	-47,685
Personnel expenses	-2,300,086	-2,259,943	-40,143
Depreciation	-1,076,192	-1,069,223	-6,969
Amortization	-57,562	-57,562	0
Recognised impairment/reversal of impairment of receivables	48	529	-481
Net gain from material sold	47,866	47,742	124
Gain from sale of property, plant and equipment	1,573	818	755
Other operating income	26,752	25,691	1,061
Other operating expenses	42,325	28,060	14,265
SUB-TOTAL	1,142,388	1,130,698	11,690
Financial income	998,399	930,842	67,557
Financial expense	395,796	395,967	-171
PROFIT/(LOSS) FROM CONTINUING OPERATIONS - BEFORE TAX	2,536,583	2,457,507	79,076
Income tax expense	-673,517	-671,988	-1,529
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	1,863,066	1,785,519	77,547
PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	0	0	0
PROFIT/(LOSS) FOR THE PERIOD	1,863,066	1,785,519	77,547
Attributable to:			
Minority interest	0	0	0
SHAREHOLDERS OF THE COMPANY	1,863,066	1,785,519	77,547

16. CONSOLIDATED BALANCE SHEET OF RESTRICTED SUBSIDIARIES UNAUDITED

PRESENTING THE IMPACT OF UNRESTRICTED SUBSIDIARIES

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

	30 September 2007 CZK '000	30 September 2007 CZK '000	30 September 2007 CZK '000
	Consolidated Group	Restricted Subsidiaries	Impact of Unrestricted Subsidiaries
ASSETS			
Property, plant and equipment	28,051,675	27,873,624	178,051
Mining licences	4,827,195	4,827,195	0
Other financial investments	82,626	425,122	-342,496
Long-term receivables	164,919	154,042	10,877
Restricted cash	605,551	605,551	0
TOTAL NON-CURRENT ASSETS	33,731,966	33,885,534	-153,568
Inventories	1,229,795	1,218,750	11,045
Accounts receivable and prepayments	4,694,065	4,545,944	148,121
Derivatives	1,079,627	1,079,627	0
Income tax receivable	1,112,890	1,112,550	340
Cash and cash equivalents	17,195,321	17,074,852	120,469
TOTAL CURRENT ASSETS	25,311,698	25,031,723	279,975
TOTAL ASSETS	59,043,664	58,917,257	126,407
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	2,749,995	2,749,995	0
Share premium	1,369,661	1,369,661	0
Foreign exchange translation reserve	-11,202	-11,202	0
Restricted reserve	3,460,348	3,460,348	0
Retained earnings	7,173,923	7,168,420	5,503
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY	14,742,725	14,737,222	5,503
Minority interest	0	0	0
TOTAL EQUITY	14,742,725	14,737,222	5,503
LIABILITIES			
Provisions	3,193,343	3,166,792	26,551
Long-term loans	19,103,542	19,103,544	-2
Bond issued	7,983,893	7,983,893	0
Employee benefits	2,159,269	2,148,293	10,976
Deferred revenue	84,603	84,601	2
Deferred tax liability	3,369,304	3,369,309	-5
Other long-term liabilities	67,678	65,151	2,527
TOTAL NON-CURRENT LIABILITIES	35,961,632	35,921,583	40,049
Provisions	219,558	210,537	9,021
Accounts payable and accruals	4,834,308	4,762,474	71,834
Derivatives	6,040	6,040	0
Income tax payable	1,400,921	1,400,921	0
Current portion of long-term loans	1,687,414	1,687,414	0
Short-term loans	191,066	191,066	0
TOTAL CURRENT LIABILITIES	8,339,307	8,258,452	80,855
TOTAL LIABILITIES	44,300,939	44,180,035	120,904
TOTAL EQUITY AND LIABILITIES	59,043,664	58,917,257	126,407

17. CONSOLIDATED CASH FLOW STATEMENT OF RESTRICTED SUBSIDIARIES UNAUDITED

PRESENTING THE IMPACT OF UNRESTRICTED SUBSIDIARIES

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

	1 July 2007- 30 September 2007 CZK '000	1 July 2007- 30 September 2007 CZK '000	1 July 2007- 30 September 2007 CZK '000
	Consolidated Group	Restricted Subsidiaries	Impact of Unrestricted Subsidiaries
Cash flows from operating activities			
Net profit before taxation and minority interest	2,536,583	2,457,507	79,076
Adjustments for:			
Depreciation	1,076,192	1,069,223	6,969
Amortization	57,562	57,562	0
Changes in provisions	-177,421	-174,286	-3,135
Profit on disposal of property, plant and equipment	-1,573	-818	-755
Profit on disposal of financial investments		0	
Interest expense, net	206,970	207,910	-940
Change in fair value of derivatives	-1,062,657	-1,062,657	0
Unrealized foreign exchange gains on long-term borrowings	-456,633	-456,633	0
Profit before working capital changes	<u>2,179,023</u>	<u>2,097,808</u>	<u>81,215</u>
(Increase) / Decrease in inventories	309,030	308,422	608
(Increase) / Decrease in receivables	-731,030	-729,157	-1,873
(Decrease) / Increase in payables	262,261	315,119	-52,858
(Increase) / Decrease in restricted cash	-3,467	-3,467	0
Other non-cash movements	-64,608	-42,732	-21,876
Changes in deferred revenue	-7,007	-7,010	3
Cash generated from operating activities	<u>1,944,202</u>	<u>1,938,983</u>	<u>5,219</u>
Interest paid	-189,313	-189,313	0
Corporate income tax paid	-622,081	-620,151	-1,930
Net cash flows from operating activities	<u><u>1,132,807</u></u>	<u><u>1,129,519</u></u>	<u><u>3,289</u></u>
Cash flows from investing activities			
Interest received	102,872	101,933	939
Purchase of land, property, plant and equipment	-450,372	-431,772	-18,600
Proceeds from sale of other financial investments	0	0	0
Proceeds from sale of property, plant and equipment	3,113	4,014	-901
Net cash flows used in investing activities	<u><u>-344,387</u></u>	<u><u>-325,825</u></u>	<u><u>-18,562</u></u>
Cash flows from financing activities:			
Repayments of syndicated loan	-5,190,124	-5,190,125	1
Fee paid from proceeds of long-term borrowings	-45,051	-45,052	1
Cash inflows from issued bond	0	0	0
Bond emission fee paid	0	0	0
Repayment of short-term borrowings	-109	-20,049	19,940
Proceeds of short-term borrowings	109,170	90,235	18,935
Proceeds of long-term borrowings	7,622,265	7,622,265	0
Dividends paid	0	0	0
Net cash flows used in financing activities	<u><u>2,496,151</u></u>	<u><u>2,457,274</u></u>	<u><u>38,877</u></u>
Net increase in cash and cash equivalents	3,284,571	3,260,966	23,605
Cash and Cash Equivalents at the beginning of period	<u>13,910,750</u>	<u>13,813,886</u>	<u>96,864</u>
Cash and Cash Equivalents at the end of period	<u><u>17,195,321</u></u>	<u><u>17,074,852</u></u>	<u><u>120,469</u></u>

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) New IFRS

New standards and interpretations adopted during the financial year 2006

In 2006, the Company adopted the following new or amended International Financial Reporting Standards and IFRIC Interpretations, which were relevant for the Company:

IAS 19 Amendment—Employee Benefits

IAS 21 Amendment—The Effect of Changes in Foreign Exchange Rates

IAS 39 Amendments—Financial Instruments: Recognition and Measurement

IFRS 6 Exploration for and Evaluation of Mineral Resources

IFRIC Interpretation 4 Determining whether an Arrangement contains a Lease

IFRIC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

The principal effects of these changes are as follows:

IAS 19 Employee Benefits

As of January 1, 2006, the Company adopted the amendments to IAS 19. This change has resulted in additional disclosures being included for the year ended 31 December 2006 but has not had a recognition or measurement impact, as management chose not to apply the new option offered to recognize actuarial gains and losses outside of the income statement.

IAS 21 The Effects of Changes in Foreign Exchange Rates

As of January 1, 2006, the Company adopted the amendments to IAS 21. As a result, all exchange differences arising from a monetary item that forms part of the Company's net investment in a foreign operation are recognised in a separate component of equity in the Combined accounts regardless of the currency in which the monetary item is denominated. This change has had no significant impact as of 30 June 2006.

IAS 39 Financial Instruments: Recognition and Measurement

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

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

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

IFRS 6 Exploration for and Evaluation of Mineral Resources

The Company adopted IFRS 6 as of January 1, 2006, which requires the description of the accounting policy for expenditures incurred in the exploration and evaluation of mineral resources. The Company did not change its accounting policy and the application of IFRS 6 did not have an impact on the financial statements.

IFRIC Interpretation 4 Determining Whether an Arrangement contains a Lease

The Company adopted IFRIC Interpretation 4 as of January 1, 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This change in accounting policy has not had a significant impact on the Company as at 31 December 2006.

IFRIC Interpretation 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

The Company adopted IFRIC Interpretation 5 as of January 1, 2006, which establishes the accounting treatment for funds established to help finance decommissioning for an entity's assets. This interpretation did not have an impact on the financial statements.

b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the foreign exchange rate in effect on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate in effect on that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated at the foreign exchange rates in effect on the dates the values were determined. Foreign exchange differences arising on retranslation are recognised in the income statement.

(ii) Foreign operations

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

c) Derivative financial instruments

The Company uses derivative financial instruments (such as forward currency contracts, interest rate swaps and interest rate collar contracts) to hedge their exposure to foreign exchange risks and interest rate cash flow risk. In accordance with internal strategy, 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 such derivative contracts are 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.

d) Property, plant and equipment

(i) Owned assets

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

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

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

(ii) Leased assets

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

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

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

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

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

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

(iii) Subsequent expenditure

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

(iv) Depreciation

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

The estimated useful lives are as follows:

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

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

Mining works are depreciated on a straight-line basis based on their estimated useful life. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

e) Intangible assets

(i) Licenses

Licenses represent the coal reserve license owned by OKD. The coal reserve is the exclusive deposit (and creates a portion of the mineral wealth) of the Czech Republic and the licenses allow OKD to extract coal from this deposit.

When determining fair value of the coal reserve licenses OKD used an income approach, specifically the Multi-period excess earning method (MEEM), taking into account the specific finite horizon of OKD coal-mining operations. Amortisation for the period was calculated as a proportion of the coal amount actually mined in this period to the total economically exploitable coal reserves as estimated by management.

The plan used for valuation comprises the projected period of future OKD coal-mining operations, (i.e. from the year 2004 until the year 2033).

(ii) Goodwill and negative goodwill

Goodwill (negative goodwill) represents amounts arising on acquisition of subsidiaries. Goodwill represents the excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree at the date of acquisition. When the excess is negative (negative goodwill) it is immediately recognised in income.

Goodwill is not amortized and is stated at cost less impairment losses (see accounting policy k).

(iii) Research and development

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

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if costs can be reliably measured, the product or process is technically and commercially feasible, and the Company has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate overhead that can be directly attributed. Other development expenditure

is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

(iv) Other intangible assets

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

(v) Amortisation

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

(vi) Emission rights

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

At 30 April of the following year, at latest, these companies are required to remit a number of certificates representing the number of tones of CO₂ actually emitted. If a company does not fulfill this requirement and does not remit necessary number of emission rights, then the company has to pay a penalty in the amount of EUR 40 per 1 ton of CO₂.

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

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

(vii) Exploration for and Evaluation of Mineral Resources

Expenditures on exploration for and evaluation of mineral resources are expensed as incurred.

f) Investments

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

Available-for-sale investments are recognised/de-recognised by the Company on the date they commit to purchase/sell the investments.

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

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

g) Trade and other receivables

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

h) Inventories

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

i) Cash and cash equivalents

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

j) Restricted cash

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 OKD

k) Impairment

The carrying amounts of the Company's assets, other than inventories (see accounting policy h) and deferred tax assets (see accounting policy r), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised 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 recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

(i) Calculation of recoverable amount

The recoverable amount of investment in receivables is calculated as the present value of expected future cash flows, discounted to their present value using the financial asset's original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversal of impairment

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

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

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any 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 amortisation, if no impairment loss had been recognised.

l) Minority interest

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

m) Interest-bearing borrowings

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

n) Employee benefits

The Company provides a number of different benefits to its employees—jubilee, loyalty, retirement and special miners' benefits.

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

o) Provisions

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

(i) Restoration and mining damages provisions

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

Provisions for restoration costs are recognised at the net present value of the estimated outflow of economic resources to settle the obligation. Restoration costs represent a part of the acquisition cost of

fixed assets and such assets are depreciated over the useful life of the mines using the sum of the digits method. Any change in the estimate of restoration costs is recognised within fixed assets and is depreciated over the remaining useful life of the mines.

The effects of changes in estimates relating to decommissioning liabilities, arising as a result of change of estimated cash flows that would be required to settle these liabilities or as a result of discount rate changes, are added to (or deducted from) the amount recognised as the related 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. This assessment is reviewed and approved by the Czech Mining Authority.

(ii) Restructuring provisions

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

p) Trade and other payables

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

q) Revenue

(i) Goods sold and services rendered

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

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

(ii) Government grants

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

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

r) Expenses

(i) Operating lease payments

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

(ii) Net financing costs

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

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

The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

(iii) Income tax

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

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

Deferred tax is recognised using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

s) Segment reporting

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

Segment information is presented in respect of the Company's business and geographical segments. The primary format, business segments, is based in management and internal reporting structure.

Inter-segment pricing is determined on an arm's-length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total of costs that incurred during the period to acquire property, plant and equipment.

19. 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 CZK 921 million, of which CZK 815 million was the value of assets located in the mine and CZK 106 million 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.

In addition, certain subsidiaries of the Company, have granted cross-guarantees in connection with the demerger effected pursuant to the Restructuring, pursuant to which each party to the demerger 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.

20. DEFINITIONS AND ABBREVIATIONS

“Additional Loan Option” refers to €300 million out of the total additional amount of €350 million available to the Company under certain conditions under the Senior Secured Facilities, which may be made available as part of Facility 2 and Facility 3 in the amounts of €163 million from the available amount of Facility 2 and € 137 million from the available amount of Facility 3.

“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.

“Company” refers to New World Resources B.V., the Issuer, and all of its subsidiaries.

“Czech Crowns” or “CZK” refers to the lawful currency of the Czech Republic.

“Doprava” refers to OKD, Doprava, akciová společnost, a joint-stock company (*akciová společnost*) organized under the laws of the Czech Republic, distributed to the parent company of New World Resources B.V. on 28 June 2007.

“DPB” refers to OKD, DPB, a.s., a joint-stock company (*akciová společnost*) organized under the laws of the Czech Republic, distributed to the parent company of New World Resources B.V. on 28 June 2007.

“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.

“IFRS” refers to International Financial Reporting Standards as adopted by the E.U.

“Indenture” refers to the Indenture, dated May 18, 2007, by and among New World Resources B.V., as Issuer, 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.

"Initial Unrestricted Subsidiaries" refers to DPB, Doprava, DLT s.r.o., ŽDD, a.s. and Rekultivace.

“Issuer” or “NWR” refers to New World Resources B.V., a private company with limited liability organized under the laws of the Netherlands.

“kt” refers to thousand metric tons

“Notes” refer to the Issuer’s €300 million aggregate principal amount of 7.375% Senior Notes due 2015.

“OKD” refers to OKD, a.s. (formerly OKD, Mining, a.s.), a joint-stock company (*akciová společnost*) organized under the laws of the Czech Republic and the principal direct subsidiary of the Issuer, which assumed the core business as a part of the Company’s restructuring.

“Rekultivace” refers to OKD, Rekultivace, a.s.

"Restricted Group" refers to all of the subsidiaries of the Issuer other than the Unrestricted Subsidiaries.

“Restructuring” refers to the restructuring transactions of the Company with the aim to (i) separate the core business and the logistics business from various unrelated activities in which the former OKD and its subsidiaries were engaged, (ii) simplify the holding structure of the Company and (iii) move the holding entity for the core business to the Netherlands so as to better position it for access to international securities markets.

“Revolving Credit Facilities” mean (i) the CZK 2 billion Loan Products Agreement between OKD, a.s. and Česká Spořitelna, a.s. dated 4 December 2006; (ii) the CZK 300 million Loan Products

Agreement between OKD, OKK, a.s. and ČSOB, a.s. dated 20 July 2007; (iii) the CZK 50 million Loan Agreement between Česká Spořitelna, a.s. and Czech-Karbon, s.r.o. dated 2 September 2005; (iv) the CZK 70 million Loan Agreement between OKD, Rekultivace, a.s. and Česká Spořitelna, a.s. dated 10 November 2005; (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, NWR and its subsidiaries, RPGP and entities directly or indirectly controlled by RPGP.

"RPGP" or "RPG Partners" refers to RPG Partners Limited, a company organized under the laws of Cyprus.

"Senior Secured Facilities" refers to the senior secured facilities governed by the terms of the Term Loan Facilities Agreement entered into as of February 14, 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.

"ton" or "t" refers to one metric ton.

"Unrestricted Group" 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.