

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

Second Quarter 2007 Financial Highlights

- Coking coal accounted for CZK 4,993 million in total sales in Q2 2007 on an EXW basis.
- Net coke sales totaled CZK 1,433 million in Q2 2007.
- Steam coal accounted for CZK 1,551 million in total sales in Q2 2007 on an EXW basis.
- EBITDA increased by 52.3% from CZK 1,673 million in Q2 2006 (adjusted for the retroactive price correction for the second quarter of 2006) to CZK 2,547 million in Q2 2007.
- Average contracted coal price increased by 9.98% in Q2 2007 compared to Q2 2006. Average contracted coke price increased by 18.95% in Q2 2007 from Q2 2006.
- Net profit after tax increased from a loss in the amount of CZK 587 million in Q2 2006 to a profit of CZK 389 million in Q2 2007.
- Total average number of staff decreased by 7.9% in Q2 2007 compared to Q2 2006.

Selected Financial and Operational Data

	<u>Q2 2006</u>	<u>Q2 2007</u>	<u>Change</u>
	CZK thousand		
EBITDA	1,673,001	2,547,431	52.3%
of which Restricted Group	n/a	2,367,615	-
Operating Cash Flow	981,133	1,716,287	74.9%
of which Restricted Group	n/a	1,730,313	-
Total Coal Production (thousand tons)	3,430	3,181	-7.2%
Average Number of Staff (incl. contractors)	26,763	24,637	-7.9%
of which Restricted Group	n/a	21,796	-
Lost-time Injury Frequency Rate	18.27	16.75	-8.3%

Recent Developments

- On September 1, 2007 Mr. Mike Salamon was appointed Chairman of NWR Board of Directors. Mr. Salamon has broad experience in coal business worldwide and will oversee strategic decisions and the direction of the Company.
- On May 15, 2007, Mr. Klaus-Dieter Beck was elected Chairman of the board of directors of OKD, the Company's principal coal mining subsidiary, and was appointed Chief Executive Officer of OKD.
- On August 15, 2007 Ms. Miloslava Trgiňová joined the management team as Chief Financial Officer of OKD, a.s. On August 20, 2007 Mr. Ján Fabián joined the management team as Chief Administration and Development Officer. Both having professional experience in international companies, they are expected to bring to OKD international managerial and leadership experience as part of the Company's strategy of improving management and applying international best practices and to drive for further development of the group.
- OKD Board of Directors is in the advanced stages of negotiating the terms of appointment of a new human resources director and new operating director.

- On June 28, 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. Both Doprava and Green Gas were classified as Unrestricted Subsidiaries under the Indenture governing the Notes.
- The Financial Directorate in Ostrava, the Czech Republic, has reversed on procedural grounds its two rulings on two related cases imposing fines of CZK 416 million (EUR 14.5 million) on OKD. The Financial Directorate had previously accused OKD of violating the Czech Act on Prices and obtaining unjustified economic benefit attributable to certain coke prices OKD charged in 2004 and 2005.
- The Czech Office for the Protection of Economic Competition (Czech Competition Office) has separately served OKD a request of information concerning situation on the coke market including certain facts on sales of coke by OKD for the years 2004 through 2007. The Czech Competition Office has not alleged any violation by OKD of applicable competition laws, and OKD is cooperating fully with respect to the request. There has been no confirmation that the Czech Competition Office will take any formal legal or administrative action against OKD, and NWR and OKD are unable to determine whether any such action will result from this information request.
- The Company decided in August 2007 to request drawdowns under the Additional Loan Option available under the Senior Secured Facilities Agreement dated February 14, 2006. The amount of the draw-down was the equivalent of EUR 275 million. The Company is negotiating an additional draw-down of EUR 25 million. The Company expects to pay a dividend of EUR 300 million with the amounts drawn down as part of the second part of the dividend recapitalization.

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 document does not constitute an offer of any securities for sale.

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.

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.

Exchange Rates

The Company's financial data for the periods ended June 30, 2006 and 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 June 30, 2006 and 2007 from euros to Czech Crowns were €1.00 = CZK 28.384 and €1.00 = 28.266, respectively.

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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 koruna” 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 June 28, 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 June 28, 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.

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

“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.

“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 December 4, 2006; (ii) the CZK 300 million Loan Products Agreement between OKD, OKK, a.s. and ČSOB, a.s. dated July 20, 2007; (iii) the CZK 50 million Loan Agreement between Česká Spořitelna, a.s. and Czech-Karbon, s.r.o. dated September 2, 2005; (iv) the CZK 70 million Loan Agreement between OKD, Rekultivace, a.s. and Česká Spořitelna, a.s. dated November 10, 2005; (v) the CZK 60 million Loan Agreement between OKD, DPB, a.s. and Česká Spořitelna, a.s. dated July 27, 2005; (vi) the CZK 150 million Loan Products Agreement between OKD, Doprava, akciová společnost and Citibank a.s. dated July 22, 2005; and (vii) the CZK

170 million Loan Products Agreement between OKD, Bastro, a.s. and Citibank a.s. dated March 20, 2006, in each case, as amended, replaced, restructured or Refinanced from time to time.

“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.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

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

The financial information for the three-month and six-month periods ended June 30, 2006 has been prepared on a combined basis. The combined group comprises of entities controlled by RPG Group via NWR at the time. The entities include OKD and its subsidiaries, OKD, Doprava, akciová společnost, OKD, DPB, a.s., and their respective subsidiaries, RPG Industries, a.s., and New World Resources B.V., collectively “combined entities”.

The financial information with respect to the three-month and six-month periods ended June 30, 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 second quarter of 2006, corresponding 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 second quarter of 2007 have been prepared in accordance with IFRS.

The combined and consolidated financial statements are presented in Czech Crowns (CZK), rounded to the nearest thousand. Czech Crowns is the presentation currency of the Company. Functional currency of NWR is 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 your 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.

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.

OPERATING AND FINANCIAL REVIEW

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, serving 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 4,993 million in total sales during the quarter ended June 30, 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 totaled CZK 1,433 million during the quarter ended June 30, 2007.

The Company also produces steam coal, which accounted for CZK 1,551 million in total sales during the quarter ended June 30, 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 June 28, 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 gas and logistics businesses remain a relevant part of the Company's income statement and operating cash flow for substantially all of the three and six month periods ended June 30, 2007. Due to the distribution prior to the end of the period, however, the consolidated balance sheet does not include the assets and liabilities of the gas and logistics businesses. Therefore discussions of the Company's financial statements as set forth below include the gas and logistics businesses. The impact of Unrestricted Subsidiaries on the financial performance of the Company is presented in this review.

Description of Key Components of the Company's Income Statement

Revenue Sources

The Company derives revenues primarily from the sale of coking and steam coal as well as coke. The Company also derived revenue from the sale of methane gas obtained in mine gas degasification operations conducted through DPB as well as from transport and logistics services conducted through Doprava.

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 June 30, 2007, the consumption of material and energy, service expenses and personnel expenses accounted for 30%, 25% and 29% of the total operating expenses, respectively.

Consumption of Material and Energy. The consumption of material and energy is a significant cost item. Above 90% of this consumption are attributable to coal mining and coking operations. It consists of three main items: consumption of material for mining operations (steel and wood supports etc.), consumption of spare parts for mining machines and consumption of energy.

Service Expenses. Service expenses comprise the cost of contractors and of consulting, 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 it offers higher employment flexibility 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 comprise 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 that are payable more than 12 months after the balance sheet date and that employees have earned in return for their services in the current and prior periods.

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

Other Operating Expenses

Other operating expenses principally include compensation for mining damages, provisions for mine closures, property taxes and government fees and net loss on sale of receivables.

Depreciation and amortization

Depreciation and amortization include the depreciation of tangible fixed based on the accounting policies in compliance with IFRS and amortization of intangible fixed assets. The Company does not account for any goodwill or its amortization in the second 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 the line sub-total in the financial statements to be the operating income of the Company. It includes all operating costs and revenues but does not reflect financial revenues or expenses or the effects of disposal of subsidiaries and taxes.

Starting in 2006, the Company's principal business segments are as follows:

- Coal and Coke
- Transport (until June 28, 2007)
- Gas and Electricity (until June 28, 2007)

The table below summarizes revenues by segment in the second quarter of 2007:

	<u>Q2 2007</u>	
	CZK million	%
Coal and coke operations	9,180	93.7%
-of which		
Coal sales EXW*	5,876	60.0%
Coke sales EXW	1,433	14.6%
Coke By-products sales	260	2.7%
Coal and coke transport	808	8.2%
Other	803	8.2%
Transport operations	497	5.1%
Gas and Electricity operations	121	1.2%
Revenues	9,798	100.0%

*excl. 711 MCZK coking coal sales from OKD to OKK

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 is 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 the Issuer. OKD produces coking coal, accounting for 63.5% of the overall tonnage of coal sold for the quarter ended June 30, 2007, for use in steel production and high quality steam coal for use in power generation. Steam coal, which accounts for approximately 36.5% of all tonnage of the Company's coal sales for the quarter ended June 30, 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 a stable source of revenue. For the quarter ended June 30, 2007, the Coal and Coke segment represented 93.7% of revenues and 93.6% of the EBITDA of the Company. The increase in percentage of the Company's performance is mainly attributable to increased coal and coke prices.

Transport. The Transport segment, which was distributed together with the Gas and Electricity segment for the shareholder of the Company on June 28, 2007, was conducted by Doprava and its subsidiaries and consisted primarily of rail transport for the Company's coal and coke, rail transport for third parties and logistics services. For the quarter ended June 30, 2007, the Transport segment represented 5.1% of the Company's external revenues and 5.6% of the EBITDA of the Company. The decrease in the participation on external revenues is based on higher percentage of intragroup revenues of this segment in the second quarter. The income statements and operating cash flow for the second quarter of 2007 include the financial performance of the Transport segment for the period April 1, 2007 to June 28, 2007. As the distribution of the segment took place before June 30, 2007, the balance sheet dated June 30, 2007 does not include the assets and liabilities of this segment.

Gas and Electricity. The Gas and Electricity segment, which was distributed together with the Transport segment to the shareholder of the Company on June 28, 2007, was conducted by DPB which is active in the coal bed methane extraction and distribution business. It uses methane extracted from coal mines for heat and power generation, generating revenue from both extraction and sale. DPB operated two modern combined heat and power ("CHP") units with combined capacity of 1.4 MWe and 1.3 MWth in 2006 and it is currently installing 13 additional CHP units with combined capacity of 15.5 MWe and 15.8 MWth. For the quarter ended June 30, 2007, the segment's revenue represented 1.2% of Company's revenues and the segment's EBITDA represented 0.8% of the Company's total. The income statements and operating cash flow for the second quarter of 2007 include the financial performance of the Gas and Electricity segment for the period April 1, 2007 to June 28, 2007. As the distribution of the segment took place before June 30, 2007, the balance sheet dated June 30, 2007 does not include the assets and liabilities of this segment.

Second quarter of 2007 versus second quarter of 2006

Company Group Presentation

Revenues. The Company's revenues increased by 14 % from CZK 8,598 million in the second quarter of 2006 to CZK 9,798 million in the second quarter of 2007. The increase is mainly attributable to the increase in revenues from coal and coke operations driven by increasing prices of coal and coke in the world market.

Operating expenses. Total operating expenses decreased by 14.5% in the second quarter compared on a yearly basis. A one-time depreciation charge and the creation of a provision related to the closing of the Dukla mine in the second quarter of 2006 increased total expenses by CZK 1,344 million. Total expenses excluding this one-time charge remained relatively stable although certain factors affecting individual expenses are described further below.

Net profit before taxation. Net profit increased by CZK 1,287 million from a loss in the amount of CZK 612 million in the second quarter of 2006 to a net profit in the amount of CZK 675 million in the second quarter of 2007. Adjusted for the one-time depreciation charge and the creation of a provision related to the Dukla mine closing in the second quarter of 2006, net profit before taxation decreased by 7.8% from CZK 732 million in the second quarter of 2006 to CZK 675 million in the second quarter of 2007. This decrease is the result of the combined effect of increased operating result and decreased financial result. The operating result is the difference between revenues and total operating expenses discussed in the previous paragraph. The financial result decreased due to increased interest expenses (CZK 383 million) and the impact of revaluation of derivative instruments for interest rate and currency hedging (CZK 597 million).

Segmental Analysis

The Restricted Subsidiaries are represented by the result of operations of the Company's coal and coke subsidiaries comprising its coke and coal segment. The Company's subsidiary in transport and logistics, which comprise the transport segment, and the Company's subsidiary in gas, which comprise the gas segment, are Unrestricted Subsidiaries

The results of operations for Reaktivace, a.s. are included in the results of the coal and coke segment but as the results of Reaktivace are insignificant, the Company believes that the results of the coal and coke segment represent the performance of the Restricted Subsidiaries.

Revenues for coal and coke operations increased by 13.7% from CZK 8,077 million in the second quarter of 2006 to CZK 9,180 million in the second quarter of 2007.

- Positive coal and coke price development. As set forth in the table below, average coal price increase by 10.0% and coke price by 19.0% in the three months ended June 30, 2007 compared to the three months ended June 30, 2006:

<u>Price development</u>	<u>Q2 2006</u>	<u>Q2 2007</u>	<u>Change</u>
	CZK/t		%
Coal	1,865	2,051	10.0%
coking coal	2,214	2,448	10.6%
steam coal	1,254	1,324	5.6%
Coke	3,899	4,638	19.0%

- The positive price development had a significant impact on the Company's revenues in coal and coke operations. Higher increase in external sales is the result of higher prices and higher proportion of volume sold to external customers compared to coal sold to the Company's

coking plant operated by OKD, OKK, a.s. The 6.3% increase in Coke revenues is a result of the combined effect of a 19% increase in prices offset in part by a 12% decrease in volume. The increase in coal and coke transport operations is due to higher transportation prices and to the fact, that in the second quarter of 2006 part of the transport business was managed by METALIMEX, a.s., a trading company which was responsible for the sale of coal of OKD outside the Czech Republic until June 1, 2006. The increase in the coal and coke operations can also be attributed to a significant increase of sales by Czech Karbon, a.s., an electricity trading company, to unrelated parties. Correspondingly its costs of goods sold presented in the income statement item Consumption of material and energy increased (see next paragraph). Czech Karbon is part of the coal and coke segment since the main purpose of the entity is to provide electricity to the mining entities more efficiently than the entities could achieve purchasing electricity directly on the market.

	<u>Q2 2006</u>	<u>Q2 2007</u>	<u>Change</u>
<u>Revenues</u>	CZK million		%
Coal and coke operations	8,077	9,180	13.7%
-of which			
Coal sales EXW*	5,266	5,876	11.6%
Coke sales EXW	1,347	1,433	6.3%
Coke By-products sales	249	260	4.5%
Coal and coke transport	551	808	46.5%
Czech Karbon external trading	247	438	77.3%
Other	416	365	-12.1%
Transport operations	410	497	21.4%
Gas and Electricity operations	112	121	8.0%
Total Revenues	8,598	9,798	14.0%

*excl. coking coal sales from OKD to OKK

- Despite strong increase in electricity prices in the Czech Republic and increases in price of steel used for mining equipment, the Company's expenses for consumption of material and energy increased by a mere 12.4%. This increase of 12.4 % is mainly attributable to the increased volume of electricity trading of Czech Karbon, a subsidiary to OKD, who buys electricity for the Group and also sells electricity to non-Company customers in the Czech electricity market. The external revenues of Czech Karbon have increased correspondingly. The decrease of the impact of consumption of material and energy in transport operations on consolidated consumption is due to higher purchase from other entities in the group.

	<u>Q2 2006</u>	<u>Q2 2007</u>	<u>Change</u>
<u>Consumption of material and energy</u>	CZK million		%
Coal and coke operations	2,061	2,381	15.5%
-of which			
Coal mining consumption of material and spare parts	924	926	0.2%
Coal mining and coking consumption of energy	485	488	0.6%
Czech Karbon higher costs of goods sold	204	379	85.8%
Other	448	588	31.3%
Transport operations	157	110	-30.0%
Gas and Electricity operations	26	31	19.4%
Total consumption of material and energy	2,244	2,522	12.4%

- The increase in Service expenses is mainly due to the increase in transportation costs. The costs in the Company's Coal and Coke operations consist of cost for transportation of coal and coke to customers and they are directly added to invoices to the customers in corresponding amounts and therefore increase the Company's revenues correspondingly. The line "Restructuring consulting services" in the following table refers to consulting services

provided in connection with the restructuring and recapitalization of the Company that occurred in 2006. These costs decreased significantly in 2007.

- The development of the impact of transportation and gas operations on the Company's consolidated performance is substantially influenced by the portion of services sold to third parties, which fluctuates depending on market opportunities in these segments.

	<u>Q2 2006</u>	<u>Q2 2007</u>	<u>Change</u>
<u>Service expenses</u>	CZK million		%
Coal and coke operations	1,909	2,057	7.8%
-of which			
Transport costs for coal and coke	551	822	49.0%
Restructuring consulting services	81	13	-83.5%
Other	1,276	1,222	-4.3%
Transport operations	-91	-2	-97.9%
Gas and Electricity operations	-10	1	-115.1%
Total	1,809	2,056	13.7%

- Total personnel expenses decreased by 9.1%. This decrease reflects an increase in average wages agreed with the trade unions based on the overall trends in Czech Republic (6% agreed with trade unions) was more than offset by improvement of productivity and corresponding headcount reduction in the core business – coal and coke operations. Personnel expenses in the Coal and Coke Operations decreased by 11.7%. Personnel expenses in Transport operations increased by 24.9% primarily attributable to reclassification of personnel expenses relating to pending vacation and Christmas bonus to provisions in the second quarter of 2006. Adjusted for this reclassification in the amount of CZK 28 million, the increase is 6.8%, which is primarily attributable to the increase in average wages.

	<u>Q2 2006</u>	<u>Q2 2007</u>	<u>Change</u>
<u>Personnel expenses</u>	CZK million		%
Coal and coke operations	2,484	2,194	-11.7%
Transport operations	165	206	24.9%
Gas and Electricity operations	40	45	13.1%
Total personnel expenses	2,689	2,445	-9.1%

- The increase in Employee benefits and corresponding expense in the second quarter of 2006 is derived from the total amount of Employee benefits calculated at the end of the year 2006 and the corresponding development in 2006. In 2007 the result of an IFRS compliant calculation of interim amount of Employee benefits change is not material, which is a combination of increased average wages with declining number of employees.

	<u>Q2 2006</u>	<u>Q2 2007</u>	<u>Change</u>
<u>Employee benefits</u>	CZK million		%
Employee benefits	-126	0	-100.0%

- 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, since other expense is often balanced by a corresponding other revenue. Net Other operating expenses decreased by 50.7% mainly because of the provision for the Dukla mine closing costs created in the amount of CZK 205 million in the second quarter of 2006.

	<u>Q2 2006</u>	<u>Q2 2007</u>	<u>Change</u>
<u>Other operating revenues and expenses</u>	CZK million		%
Other operating revenues	96,375	-63,785	-166.2%
Other operating expenses	-564,626	-167,016	-70.4%
Net other operating expenses	-468,251	-230,801	-50.7%

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

	<u>Q2 2006</u>	<u>Q2 2007</u>	<u>Change</u>
	CZK thousand		%
EBITDA	1,476,324	2,547,431	72.6%

The Company EBITDA for the second quarter of 2007 is CZK 2,547,431 thousand. Based on the combined financial information for the second quarter of 2006, the comparative EBITDA for the same period of 2006 is CZK 1,476,324 thousand. However the EBITDA for the quarter ended June 30, 2006 was affected by price negotiations with customers in the first half of 2006 associated with decreased market prices resulting in invoicing high 2005 prices in the first quarter of 2006 and retroactive correction of the prices and respective revenues in the second quarter of 2006. This retroactive correction relating to the first quarter of 2006 accounted for CZK 196,678 thousand. This amount represents credit notes issued by OKD in the second quarter of 2006 relating to invoices and corresponding revenues of the first quarter of 2006. Thus the result in the accounting books for the second quarter is lower by the negative correction relating to the first quarter. Eliminating this correction the resulting adjusted EBITDA for the quarter ended June 30, 2006 would be CZK 1,673,001 thousand. The increase of CZK 874,430 thousand between the adjusted EBITDA for the second quarter of 2006 and EBITDA for the second quarter of 2007 represents 52.3% increase on year over year basis.

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

	<u>Q2 2007</u>	
	CZK thousand	EUR thousand*
Calculation of EBITDA		
Net Profit after Tax from Continuing Operations	388,930	13,760
Income Tax	285,772	10,110
Net Financial Expenses	781,913	27,663
Depreciation and Amortization	1,174,703	41,559
Gains/Losses from Sale of PPE	-83,887	-2,968
EBITDA	2,547,431	90,124

*calculated with average exchange rate of 28.266 CZK/EUR

The contribution of Company's segments to EBITDA is presented in the following table.

	Q2 2007	
EBITDA	CZK thousand	%
Coal and coke operations	2,385,097	93.6%
Transport operations	141,857	5.6%
Gas and Electricity operations	20,478	0.8%
Total	2,547,431	100.0%

The following table provides EBITDA for the quarter ended June 30, 2007 for Restricted and Unrestricted Subsidiaries. Unrestricted Subsidiaries represent 7.1% of Company's EBITDA.

	Consolidated Group	Restricted Subsidiaries	Unrestricted Subsidiaries
EBITDA	CZK thousand	CZK thousand	CZK thousand
	2,547,431	2,367,615	179,816

The contribution of Doprava (Transport operations) and DPB (Gas and Electricity operations) to EBITDA and the main items influencing the financial results of the Company is discussed above. The remaining amount of CZK 17,481 thousand is attributable to Reaktivace.

- The decrease in depreciation of 53% is mainly due to a one time depreciation of the property at Dukla mine in the second quarter of 2006 when the board of OKD decided to close the mine in the following months and therefore the property with no future use had to be depreciated as of June 30, 2006. The one-time depreciation of Dukla assets amounted for CZK 1,139 million.

	Q2 2006	Q2 2007	Change
Depreciation	CZK million		%
Depreciation	2,368	1,111	-53.1%

- Financial revenue decreased significantly. The decrease is partly due to the successful recapitalization and corresponding increase in interest expense (CZK 383 million) and partly to revaluation of hedging instruments to cover future currency and interest rate risks (CZK 597 million). These future liabilities have to be revaluated at the end of each accounting period based on current market conditions.

	Q2 2006	Q2 2007	Difference
Financial result	CZK million		
Financial revenue	266,751	588,785	322,034
Financial expense	62,269	-1,370,698	-1,432,967
Financial result	329,020	-781,913	-1,110,933

- The development in tax is the result of different Net profit before taxation for the period.

Cash Flow

The following table compares main Cash Flow categories for the quarter ended June 30, 2007 to the same period of 2006.

	<u>Q2 2006</u>	<u>Q2 2007</u>	<u>Change</u>
	CZK thousand		
Net operating cash flow	981,133	1,716,287	74.90%
Net investing cash flow	-482,047	-520,880	8.10%
Net financing cash flow	137,532	8,155,666	5830.00%

Net cash flows from operating activities for the second quarter of 2007 are CZK 1,716,287 thousand, compared with CZK 981,133 thousand in the second quarter of 2006. This increase in net operating cash flow was mainly attributable to higher commodity prices and correspondingly higher Net profit and EBITDA as discussed above. As already discussed, price negotiations in the first half of 2006 and retrospective price adjustments decreased the presented EBITDA and correspondingly the cash flow. After adjustment for this effect the increase in net operating cash flow is 45.7% from CZK 1,177,811 thousand in the second quarter of 2006 to CZK 1,716,287 thousand in the second quarter of 2007.

Net investing cash flow from investing activities is negative, since capital expenditure (CAPEX) is higher than the proceeds from sale of long term assets. The increase in CAPEX correspondingly influences the increase in Net investing cash flow.

Net cash flow from financing activities was substantially influenced by cash proceeds from the 7.375% Senior Notes issued in May 2007 in the amount of EUR 300 million.

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

	Consolidated Group	Restricted Subsidiaries	Unrestricted Subsidiaries
	CZK thousand		
Net operating cash flow	1,716,287	1,730,313	-14,026
Net investing cash flow	-520,880	-341,331	-179,549
Net financing cash flow	8,155,666	8,208,009	-52,343

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.

The Company 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 management expects that cash flow from the Company's operations and from the Revolving Credit Facilities will be sufficient to meet these additional liquidity requirements for the foreseeable future.

As at June 30, 2007 the Group's net debt was CZK 13,380,147 thousand.

Unrestricted Subsidiaries and Non-Core Real Estate

Doprava and its subsidiaries, DPB and Rekulivace are Unrestricted Subsidiaries under the Indenture and generally were not bound by the restricted covenants of the Indenture applicable to the Company. The Company distributed Doprava and DPB on June 28, 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 period ending June 30, 2007 was only 7.5%.

NEW WORLD RESOURCES B.V.

CONSOLIDATED INCOME STATEMENT (UNAUDITED) in Czech Crowns

Prepared under the International Financial Reporting Standards as Adopted by the European Union

On revalued values in terms of purchase price allocation as at 31.10.2004	1 April 2007- 30 June 2007 <i>CZK '000</i>	1 April 2006- 30 June 2006 <i>CZK '000</i>	1 January 2007- 30 June 2007 <i>CZK '000</i> <i>Cumulative</i>	1 January 2006- 30 June 2006 <i>CZK '000</i> <i>Cumulative</i>
Revenues	9,798,241	8,598,150	19,371,827	17,749,507
Change in inventories of finished goods and work-in-progress	-44,769	162,866	316,693	590,097
Consumption of material and energy	-2,522,200	-2,244,279	-5,384,375	-5,051,332
Service expenses	-2,056,268	-1,808,565	-3,917,042	-3,260,903
Personnel expenses	-2,444,844	-2,689,016	-5,098,977	-5,241,655
Employee benefits	0	-125,787	0	-125,787
Depreciation	-1,111,216	-2,367,557	-2,240,265	-3,766,258
Amortization	-63,487	-68,204	-130,716	-133,887
Reversal of impairment of property, plant and equipment	0	0	0	0
Change of impairment of receivables	-294	3,848	5,154	3,326
Net result from material sales	48,366	47,355	81,223	73,997
Net result from sale of property, plant and equipment	83,887	18,056	20,568	15,894
Other operating revenues	-63,785	96,375	51,922	121,658
Other operating expenses	-167,016	-564,626	-181,921	-718,859
Total operating expenses	<u>-8,296,857</u>	<u>-9,702,398</u>	<u>-16,794,429</u>	<u>-18,083,804</u>
SUB-TOTAL	<u>1,456,615</u>	<u>-941,381</u>	<u>2,894,091</u>	<u>255,801</u>
Financial revenue	588,785	266,751	1,764,166	413,895
Financial expense	-1,370,698	62,269	-3,028,584	-380,893
Profit/loss on disposal of interest in subsidiaries	0	0	0	129,137
NET PROFIT BEFORE TAXATION	<u>674,702</u>	<u>-612,361</u>	<u>1,629,673</u>	<u>417,940</u>
Income tax expense	-285,772	25,606	-574,844	-364,367
TOTAL NET PROFIT AFTER TAX FOR THE PERIOD	<u>388,930</u>	<u>-586,754</u>	<u>1,054,829</u>	<u>53,574</u>
Attributable to:				
Minority interest	-159	-465	-159	-1,393
Shareholders of the parent	<u>388,771</u>	<u>-587,219</u>	<u>1,054,670</u>	<u>52,181</u>

NEW WORLD RESOURCES B.V.

CONSOLIDATED INCOME STATEMENT (UNAUDITED) in Euro

Prepared under the International Financial Reporting Standards as Adopted by the European Union

On revalued values in terms of purchase price allocation as at 31.10.2004	1 April 2007- 30 June 2007 <i>EUR '000</i>	1 April 2006- 30 June 2006 <i>EUR '000</i>	1 January 2007- 30 June 2007 <i>EUR '000 Cumulative</i>	1 January 2006- 30 June 2006 <i>EUR '000 Cumulative</i>
Revenues	346,644	302,922	688,164	622,899
Change in inventories of finished goods and work-in-progress	-1,584	5,738	11,250	20,709
Consumption of material and energy	-89,231	-79,068	-191,274	-177,271
Service expenses	-72,747	-63,718	-139,149	-114,438
Personnel expenses	-86,494	-94,737	-181,136	-183,950
Employee benefits	0	-4,432	0	-4,414
Depreciation	-39,313	-83,412	-79,583	-132,173
Amortization	-2,246	-2,403	-4,644	-4,699
Reversal of impairment of property, plant and equipment	0	0	0	0
Change of impairment of receivables	-10	136	183	117
Net result from material sales	1,711	1,668	2,885	2,597
Net result from sale of property, plant and equipment	2,968	636	731	558
Other operating revenues	-2,257	3,395	1,844	4,269
Other operating expenses	-5,909	-19,892	-6,463	-25,228
				0
Total operating expenses	-293,528	-341,826	-596,605	-634,631
SUB-TOTAL	51,532	-33,166	102,810	8,977
Financial revenue	20,830	9,398	62,670	14,525
Financial expense	-48,493	2,194	-107,587	-13,367
Profit/loss on disposal of interest in subsidiaries	0	0	0	4,532
NET PROFIT BEFORE TAXATION	23,870	-21,574	57,892	14,667
Income tax expense	-10,110	902	-20,421	-12,787
TOTAL NET PROFIT AFTER TAX FOR THE PERIOD	13,760	-20,672	37,472	1,880
Attributable to:				
Minority interest	-6	-16	-6	-49
Shareholders of the parent	13,754	-20,688	37,466	1,831

*Currency translation with average FX rate for the corresponding period

NEW WORLD RESOURCES B.V.

CONSOLIDATED BALANCE SHEET (UNAUDITED)

Prepared under the International Financial Reporting Standards as Adopted by the European Union

On revalued values in terms of purchase price allocation as at 31.10.2004	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	CZK '000	CZK '000	EUR '000	EUR '000
ASSETS				
Property, Plant and Equipment, intangible assets net	28,735,361	31,587,070	1,000,709	1,108,513
Mining Licences	4,884,757	5,151,936	170,112	180,801
Other financial investments	82,626	164,687	2,877	5,780
Long-term receivables	154,846	74,630	5,393	2,619
Restricted cash	602,084	379,138	20,968	13,305
TOTAL NON-CURRENT ASSETS	34,459,674	37,357,461	1,200,058	1,311,018
Inventories	1,548,644	2,413,318	53,932	84,693
Accounts receivable and prepayments	5,062,082	6,063,480	176,287	212,791
Fair value of derivatives	476,366	163,930	16,589	5,753
Loan receivable	0	0	0	0
Income tax receivable	0	0	0	0
Cash and cash equivalents	13,910,750	13,261,955	484,442	465,413
TOTAL CURRENT ASSETS	20,997,842	21,902,683	731,250	768,650
ASSETS CLASSIFIED AS HELD FOR SALE	0	0	0	0
TOTAL ASSETS	55,457,516	59,260,144	1,931,308	2,079,668
EQUITY AND LIABILITIES				
				0
SHAREHOLDERS' EQUITY				
Share capital	2,749,995	495	95,769	17
Share premium	0	0	0	0
Special liquidation reserve	2,378,798	2,378,798	82,842	83,481
Foreign exchange translation reserve	5,689	-8,139	198	-286
Restricted Equity	3,460,348	3,460,484	120,507	121,442
Retained earnings and capital funds	4,226,633	36,658,817	147,193	1,286,500
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	12,821,463	42,490,456	446,508	1,491,155
Minority interest	0	4,055	0	142
TOTAL EQUITY	12,821,463	42,494,511	446,508	1,491,297
LIABILITIES				
Provisions	3,216,590	3,296,795	112,018	115,697
Long term interest bearing loans and borrowings	11,710,830	8,381	407,830	294
Bond issued	8,255,620	0	287,502	0
Employees benefits	2,384,913	2,332,206	83,055	81,846
Deferred revenue	91,611	115,966	3,190	4,070
Deferred tax liability	3,418,895	3,857,986	119,063	135,392
Other long term liabilities	67,645	48,204	2,356	1,692
TOTAL NON-CURRENT LIABILITIES	29,146,104	9,659,538	1,015,013	338,991
Provisions	359,749	779,277	12,528	27,348
Accounts payable and accruals	5,350,451	5,378,764	186,329	188,762
Fair value of derivatives	465,436	83,591	16,209	2,934
Income tax payable	0	0	0	0
Current portion of long term loans	7,213,785	7,414	251,220	260
Short term interest-bearing bank loans and borrowings	100,528	857,049	3,501	30,077
TOTAL CURRENT LIABILITIES	13,489,949	7,106,094	469,788	249,380
LIABILITIES CLASSIFIED AS HELD FOR SALE	0	0	0	0
TOTAL EQUITY AND LIABILITIES	55,457,516	59,260,144	1,931,308	2,079,668

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

NEW WORLD RESOURCES B.V.

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) in Czech Crowns

Prepared under the International Financial Reporting Standards as Adopted by the European Union

On revalued values in terms of purchase price allocation as at 31.10.2004	<i>1 April 2007 - 30 June 2007</i>	<i>1 April 2006 - 30 June 2006</i>	<i>1 January 2007 - 30 June 2007</i>	<i>1 January 2006 - 30 June 2006</i>
	<i>CZK'000</i>	<i>CZK'000</i>	<i>CZK'000</i>	<i>CZK'000</i>
Cash flows from operating activities				
Net profit before taxation and minority interest	674,701	-549,861	1,629,673	417,940
Elimination of deferred tax change of sold subsidiaries	0	-497	0	-497
Adjustments for:		0		0
Depreciation	1,111,216	2,367,557	2,240,265	3,766,258
Amortization	63,487	68,204	130,716	133,887
Impairment of assets	0	0	0	0
Changes in provisions	-58,562	613,666	-86,207	737,499
Change in fair value of derivatives	553,631	-80,339	877,738	-80,339
Profit on disposal of property, plant and equipment, investments and subsidiaries	-380,663	-18,056	-398,632	-145,032
Deferred revenue	82,559	28,722	91,611	25,188
Interest expense, net	343,205	-62,802	436,407	-109,349
Unrealized foreign exchange gains on long term borrowings	510,469	0	707,060	0
Operating profit before working capital changes	<u>2,900,043</u>	<u>2,366,595</u>	<u>5,628,631</u>	<u>4,745,556</u>
(Increase) / Decrease in inventories	-46,340	-59,471	-439,017	-631,530
(Increase) / Decrease in receivables	-97,473	273,889	-608,230	-304,324
(Decrease) / Increase in payables	-194,691	-1,209,385	-141,098	-815,889
(Increase) / Decrease in restricted cash	-110,654	-31,802	-112,955	-114,844
Other non-cash movements	21,907	-12,749	23,704	-486
Cash generated from operating activities	<u>2,472,792</u>	<u>1,327,077</u>	<u>4,351,035</u>	<u>2,878,484</u>
Interest paid	-322,641	13,298	-385,417	15,230
Corporate income tax paid	-433,864	-359,242	-856,445	-700,543
Net cash flows from operating activities	<u>1,716,287</u>	<u>981,133</u>	<u>3,109,173</u>	<u>2,193,170</u>
Cash flows from investing activities				
Interest received	62,866	63,283	139,051	121,678
Acquisitions of subsidiaries and other investments	0	14,819	0	14,819
Purchase of land, property, plant and equipment	-1,042,731	-559,767	-1,522,866	-1,406,111
Proceeds from sale of financial investments	446,030	0	471,874	0
Cash inflows from issued bond	0	0	0	0
Proceeds from sale of property, plant and equipment	12,955	-382	38,799	37,090
Net cash flows used in investing activities	<u>-520,880</u>	<u>-482,047</u>	<u>-873,142</u>	<u>-1,232,524</u>
Cash flows from financing activities:				
(Repayment) / Proceeds of Syndicated loan	-61,877	-117,639	-1,480,190	-89,851
Cash inflows from issued bond	8,255,620	0	8,255,620	0
Net proceeds from / (Repayments of) short-term borrowings	-38,076	255,170	-207,090	596,139
Dividends paid	0		-22,411,900	
Net cash flows used in financing activities	<u>8,155,666</u>	<u>137,532</u>	<u>-15,843,560</u>	<u>506,289</u>
Cash and cash equivalents of contributed subsidiaries	-344,557	0	-344,557	0
Net increase in cash and cash equivalents	9,032,360	636,619	-13,952,086	1,466,936
Cash and Cash Equivalents at the beginning of year	<u>4,878,390</u>	<u>12,625,336</u>	<u>27,862,837</u>	<u>11,795,019</u>
Cash and Cash Equivalents at the end of period	<u>13,910,750</u>	<u>13,261,955</u>	<u>13,910,751</u>	<u>13,261,955</u>

NEW WORLD RESOURCES B.V.

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) in Euro

Prepared under the International Financial Reporting Standards as Adopted by the European Union

On revalued values in terms of purchase price allocation as at 31.10.2004	<i>1 April 2007 - 30 June 2007</i>	<i>1 April 2006 - 30 June 2006</i>	<i>1 January 2007 - 30 June 2007</i>	<i>1 January 2006 - 30 June 2006</i>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Cash flows from operating activities				
Net profit before taxation and minority interest	23,870	-19,372	57,892	14,667
Elimination of deferred tax change of sold subsidiaries	0	-17	0	-17
Adjustments for:	0	0	0	0
Depreciation	39,313	83,412	79,583	132,173
Amortization	2,246	2,403	4,644	4,699
Impairment of assets	0	0	0	0
Changes in provisions	-2,072	21,620	-3,062	25,882
Change in fair value of derivatives	19,586	-2,830	31,181	-2,819
Profit on disposal of property, plant and equipment, investments and subsidiaries	0	0	0	0
Deferred revenue	2,921	1,012	3,254	884
Interest expense, net	12,142	-2,213	15,503	-3,837
Unrealized foreign exchange gains on long term borrowings	18,059	0	25,118	0
Operating profit before working capital changes	<u>102,598</u>	<u>83,378</u>	<u>199,951</u>	<u>166,540</u>
(Increase) / Decrease in inventories	-1,639	-2,095	-15,596	-22,163
(Increase) / Decrease in receivables	-3,448	9,649	-21,607	-10,680
(Decrease) / Increase in payables	-6,888	-42,608	-5,012	-28,633
(Increase) / Decrease in restricted cash	-3,915	-1,120	-4,013	-4,030
Other non-cash movements	775	-449	842	-17
Cash generated from operating activities	<u>87,483</u>	<u>46,754</u>	<u>154,566</u>	<u>101,017</u>
Interest paid	-11,414	469	-13,692	534
Corporate income tax paid	-15,349	-12,656	-30,424	-24,585
Net cash flows from operating activities	<u>60,719</u>	<u>34,566</u>	<u>110,450</u>	<u>76,967</u>
Cash flows from investing activities				
Interest received	2,224	2,230	4,940	4,270
Acquisitions of subsidiaries and other investments	0	522	0	520
Purchase of land, property, plant and equipment	-36,890	-19,721	-54,098	-49,346
Proceeds from sale of financial investments	15,780	0	16,763	0
Cash inflows from issued bond	0	0	0	0
Proceeds from sale of property, plant and equipment	458	-13	1,378	1,302
Net cash flows used in investing activities	<u>-18,428</u>	<u>-16,983</u>	<u>-31,017</u>	<u>-43,254</u>
Cash flows from financing activities:				
(Repayment) / Proceeds of Syndicated loan	-2,189	-4,145	-52,582	-3,153
Cash inflows from issued bond	292,069	0	293,272	0
Net proceeds from / (Repayments of) short-term borrowings	-1,347	8,990	-7,357	20,921
Dividends paid	0	0	-796,160	0
Net cash flows used in financing activities	<u>288,533</u>	<u>4,845</u>	<u>-562,826</u>	<u>17,768</u>
Cash and cash equivalents of contributed subsidiaries	-12,190	0	-12,240	0
Net increase in cash and cash equivalents	319,549	22,429	-495,634	51,480
Cash and Cash Equivalents at the beginning of year	<u>172,589</u>	<u>444,805</u>	<u>989,799</u>	<u>413,933</u>
Cash and Cash Equivalents at the end of period	<u>492,137</u>	<u>467,233</u>	<u>494,165</u>	<u>465,413</u>

*Currency translation with average FX rate for the period

NEW WORLD RESOURCES B.V.

**CONSOLIDATED INCOME STATEMENT (UNAUDITED)
AS COMPARED WITH RESTRICTED SUBSIDIARIES AND UNRESTRICTED
SUBSIDIARIES**

**Prepared under the International Financial Reporting Standards as Adopted by the
European Union**

On revalued values in terms of purchase price allocation as at 31.10.2004	1 April 2007- 30 June 2007 CZK '000	1 April 2007- 30 June 2007 CZK '000	1 April 2007- 30 June 2007 CZK '000
	Consolidated Group	Restricted Subsidiaries	Impact of Unrestricted Subsidiaries
Revenues	9,798,241	9,148,018	650,223
Change in inventories of finished goods and work-in-progress	-44,769	-44,242	-527
Consumption of material and energy	-2,522,200	-2,318,206	-203,994
Service expenses	-2,056,268	-2,075,120	18,852
Personnel expenses	-2,444,844	-2,152,009	-292,835
Employee benefits	0	0	0
Depreciation	-1,111,216	-1,040,651	-70,565
Amortization	-63,487	-63,487	0
Reversal of impairment of property, plant and equipment	0	0	0
Change of impairment of receivables	-294	303	-597
Net result from material sales	48,366	45,876	2,490
Net result from sale of property, plant and equipment	83,887	83,815	72
Other operating revenues	-63,785	-75,779	11,994
Other operating expenses	-167,016	-161,226	-5,790
SUB-TOTAL	1,456,615	1,347,292	109,323
Financial revenue	588,785	678,761	-89,976
Financial expense	-1,370,698	-1,368,206	-2,492
Profit/loss on disposal of interest in subsidiaries	0	0	0
NET PROFIT BEFORE TAXATION	674,702	657,847	16,855
Income tax expense	-285,772	-249,543	-36,229
TOTAL NET PROFIT AFTER TAX FOR THE PERIOD	388,930	408,304	-19,374
Attributable to:			
Minority interest	-159	0	-159
Shareholders of the parent	388,771	408,304	-19,533

NEW WORLD RESOURCES B.V.

**CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS COMPARED WITH RESTRICTED SUBSIDIARIES AND UNRESTRICTED
SUBSIDIARIES**

**Prepared under the International Financial Reporting Standards as Adopted by the
European Union**

On revalued values in terms of purchase price allocation as at 31.10.2004

	30 June 2007 <i>CZK'000</i>	30 June 2007 <i>CZK'000</i>	30 June 2007 <i>CZK'000</i>
	Consolidated Group	Restricted Subsidiaries	Impact of Unrestricted Subsidiaries
ASSETS			
Property, Plant and Equipment, intangible assets net	28,735,361	28,566,576	168,785
Mining Licences	4,884,757	4,884,757	0
Other financial investments	82,626	425,122	-342,496
Long-term receivables	154,846	145,857	8,989
Restricted cash	602,084	602,084	0
TOTAL NON-CURRENT ASSETS	34,459,674	34,624,396	-164,722
Inventories	1,548,644	1,536,991	11,653
Accounts receivable and prepayments	5,062,082	4,915,260	146,822
Fair value of derivatives	476,366	476,366	0
Cash and cash equivalents	13,910,750	13,813,886	96,864
TOTAL CURRENT ASSETS	20,997,842	20,742,503	255,339
TOTAL ASSETS	55,457,516	55,366,900	90,616
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	2,749,995	2,749,995	0
Share premium	0	0	0
Special liquidation reserve	2,378,798	2,378,798	0
Foreign exchange translation reserve	5,689	5,689	0
Restricted Equity	3,460,348	3,460,348	0
Retained earnings and capital funds	4,226,633	4,231,907	-5,274
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	12,821,463	12,826,737	-5,274
Minority interest	0	0	0
TOTAL EQUITY	12,821,463	12,826,737	-5,274
LIABILITIES			
Provisions	3,216,590	3,189,406	27,184
Long term interest bearing loans and borrowings	11,710,830	11,710,830	0
Bond issued	8,255,620	8,255,620	0
Employees benefits	2,384,913	2,373,937	10,976
Deferred revenue	91,611	91,611	0
Deferred tax liability	3,418,895	3,418,899	-4
Other long term liabilities	67,645	65,183	2,462
TOTAL NON-CURRENT LIABILITIES	29,146,104	29,105,486	40,618
Provisions	359,749	348,227	11,522
Accounts payable and accruals	5,350,451	5,306,701	43,750
Fair value of derivatives	0	465,436	-465,436
Current portion of long term loans	7,213,785	7,213,785	0
Short term interest-bearing bank loans and borrowings	100,528	100,528	0
TOTAL CURRENT LIABILITIES	13,489,949	13,434,677	55,272
TOTAL EQUITY AND LIABILITIES	55,457,516	55,366,900	90,616

NEW WORLD RESOURCES B.V.

**CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
AS COMPARED WITH RESTRICTED SUBSIDIARIES AND UNRESTRICTED
SUBSIDIARIES**

**Prepared under the International Financial Reporting Standards as Adopted by the
European Union**

On revalued values in terms of purchase price allocation as at 31.10.2004	<i>1 April 2007 - 30 June 2007</i>	<i>1 April 2007 - 30 June 2007</i>	<i>1 April 2007 - 30 June 2007</i>
	<i>CZK '000</i>	<i>CZK '000</i>	<i>CZK '000</i>
	Consolidated Group	Restricted Subsidiaries	Impact of Unrestricted Subsidiaries
Cash flows from operating activities			
Net profit before taxation and minority interest	674,701	657,847	16,854
Elimination of deferred tax change of sold subsidiaries	0	0	0
Adjustments for:			
Depreciation	1,111,216	1,040,651	70,565
Amortization	63,487	63,487	0
Impairment of assets	0	0	0
Changes in provisions	-58,562	-79,628	21,066
Change in fair value of derivatives	553,631	553,631	0
Profit on disposal of property, plant and equipment, investments and subsidiaries	-380,663	-459,117	78,454
Deferred revenue	82,559	-5,522	88,081
Interest expense, net	343,205	346,047	-2,842
Unrealized foreign exchange gains on long term borrowings	510,469	519,158	-8,689
Operating profit before working capital changes	2,900,043	2,636,554	263,489
(Increase)/ Decrease in inventories	-46,340	-40,320	-6,020
(Increase)/ Decrease in receivables	-97,473	73,512	-170,985
(Decrease)/ Increase in payables	-194,691	-297,315	102,624
(Increase)/ Decrease in restricted cash	-110,654	-110,654	0
Other non-cash movements	21,907	174,588	-152,681
Cash generated from operating activities	2,472,792	2,436,365	36,427
Interest paid	-322,641	-321,913	-728
Corporate income tax paid	-433,864	-384,139	-49,725
Net cash flows from operating activities	1,716,287	1,730,313	-14,026
Cash flows from investing activities			
Interest received	62,866	59,296	3,570
Acquisitions of subsidiaries and other investments	0	0	0
Purchase of land, property, plant and equipment	-1,042,731	-885,095	-157,636
Proceeds from sale of financial investments	446,030	471,874	-25,844
Proceeds from sale of property, plant and equipment	12,955	12,594	361
Net cash flows used in investing activities	-520,880	-341,331	-179,549
Cash flows from financing activities:			
(Repayment)/Proceeds of Syndicated loan	-61,877	-61,877	0
Cash inflows from issued bond	8,255,620	8,255,620	0
Net proceeds from/ (Repayments of) short-term borrowings	-38,076	14,266	-52,342
Dividends paid	0	0	0
Net cash flows used in financing activities	8,155,666	8,208,009	-52,343
Cash and cash equivalents of contributed subsidiaries	-344,557	0	-344,557
Net increase in cash and cash equivalents	9,032,360	9,596,991	-564,631
Cash and Cash Equivalents at the beginning of year	4,878,390	4,216,895	661,495
Cash and Cash Equivalents at the end of period	13,910,750	13,813,886	96,864

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 December 31, 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 June 30, 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 December 31, 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 whole 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.

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.

In June 2007 NWR received rulings for two related cases from the Financial Directorate in Ostrava, the relevant regional financial authority of the Czech Republic responsible for enforcement of the Czech Act on Prices (regulation no. 526/1990 Coll.). The two related rulings imposed fines on OKD in the aggregate amount of approximately CZK 416 million (EUR 14.5 million). These related rulings were based on allegations that OKD had obtained "unjustified economic benefit" from the sale of its coke by charging prices in excess of the "usual price," defined under Czech law as to reflect, among other things, the consideration of the cost basis and fair profit. These two rulings were the result of two administrative proceedings brought by the Financial Directorate against OKD pursuant to an investigation relating to OKD's coke prices in 2004 and 2005, respectively. During the administrative proceedings and the initial investigation, OKD had presented data and its arguments opposing the allegations. Based on OKD's appeal the Financial Directorate has reversed on procedural grounds both rulings on two related cases imposing fines of CZK 416 million (EUR 14.5 million) on OKD.

The Czech Office for the Protection of Economic Competition (Czech Competition Office) has separately served OKD a request of information concerning situation on the coke market including certain facts on sales of coke by OKD for the years 2004 through 2007. The Czech Competition Office has not alleged any violation by OKD of applicable competition laws, and OKD is cooperating fully with respect to the request. There has been no confirmation that the Czech Competition Office will take any formal legal or administrative action against OKD, and NWR and OKD are unable to determine whether any such action will result from this information request.

OKD maintains that its coke prices are in accordance with and permitted by the applicable Czech law and are consistent with prevailing market prices.