NWR NEW WORLD RESOURCES

Annual Report and Accounts 2011

New World Resources Plc

Contents

The average exchange rate for 2011 used throughout this report is 24.59 CZK/EUR, unless stated otherwise.

Title photo: Kilometres of mine workings with various profiles are tunnelled in NWR mines every year.

Breakdown of contents

Signposting

We use the following symbols to point to sources of further information.

Related sections within this Annual Report and Accounts

Related information online at www.newworldresources.eu

NWR[1] at a glance

In 2011 New World Resources Plc ('NWR') reincorporated in the United Kingdom
We announced our intention to move domicile from the Netherlands to the United Kingdom in October 2010 and completed this process in May 2011. NWR remains headquartered in the Netherlands and remains a Dutch tax resident.

In June NWR was included in the FTSE series index, namely the FTSE 250 and FTSE 350 Mining indices. The process of reincorporating NWR in the UK included a share-for-share recommended exchange – holders of shares in NWR NV were given the opportunity to exchange one share in NWR NV[2] for one share in the new NWR Plc. Shares were exchanged in voluntary exchanges with 0.22 per cent of NWR NV's share capital currently subject to squeeze out proceedings.

This annual report covers NWR's activities for the financial year ended 31 December 2011.

We have three principal subsidiaries:

OKD, a.s. ('OKD')
Our principal wholly owned subsidiary OKD is the Czech Republic's only hard coal mining company and second largest private employer. Its four operating mines are located in Northern Moravia, south of the Polish border and are part of the Upper Silesian Coal Basin. Please refer to the Coal section of this report from page 34onwards for further information.

OKK Koksovny, a.s. ('OKK')
Our wholly owned coking subsidiary, situated at the Svoboda coking plant site in Ostrava, produces both foundry and blast furnace coke from four batteries. Please refer to the Coke section of this report from page 40 onwards for further information.

NWR KARBONIA S.A. ('NWR KARBONIA')
NWR KARBONIA oversees two development projects in southern Poland – Dębieńsko and Morcinek. Please refer to the Development projects section of this report from page 46 onwards for further information.

Who we are

NWR is one of Central Europe's leading hard coal and coke producers. We access coal from deep underground. NWR is headquartered in Amsterdam, listed on stock exchanges in London, Prague and Warsaw and included in the FTSE 250 and FTSE 350 Mining indices. NWR has four working mines and several development projects in the Czech Republic and Poland. NWR employs over 18,000 people and as at 1 January 2012 had 385 million tonnes of JORC[3] total reserves.

What we do

NWR is a trusted supplier of coal and coke. We principally produce coking and thermal coal for the steel and energy markets in Central Europe through our mining operations located in the Czech Republic. Our coke subsidiary is the largest producer of foundry coke in Europe. In 2011 total production of NWR reached 11.2 million tonnes of coal and NWR externally sold 4.4 million tonnes of coking coal, 6.2 million tonnes of thermal coal and 555 thousand tonnes of coke. NWR supplies to a blue chip customer base of steel makers and power generators in the Central European region, one with which we have developed longstanding relationships.

How we create value

The region suffers from supply constraints arising from limited port capacity and freight infrastructure and NWR is thus well positioned to serve its customer base more efficiently than overseas producers. We have invested in technologies, streamlined the business and extended our reserve base. We set the region's standards in terms of health and safety, technology, corporate governance and customer service. We have a track record of attracting and retaining the best people in the region.

What our aim is

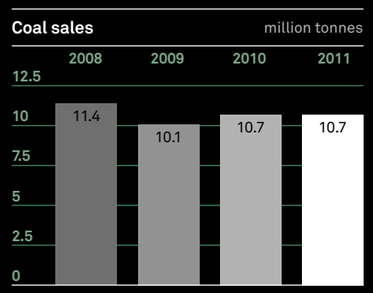
Our aim is to leverage our credentials as the first privatised, restructured and modernised coal business in Central Europe to create long-term value for our shareholders. We will achieve this by serving customers in the region's power and steel sectors, and by capitalising on opportunities to develop new reserves, organically as well as through regional consolidation.

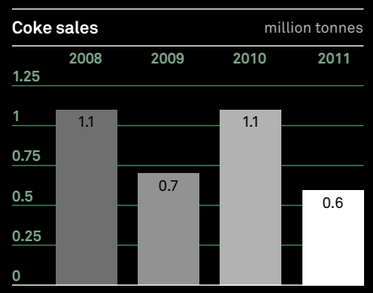
[1] NWR or the 'Company' refers to New World Resources Plc. The 'Group' or 'NWR Group' refers to New World Resources Plc and its subsidiaries.
[2] Refers to the entity New World Resources N.V.
[3] Full name: Joint Ore Reserves Committee. The Group currently uses the JORC system to report reserves and resources. The Group employs a certified geologist who prepares the reserve numbers and is the designated 'Competent Person' as defined by the JORC code.

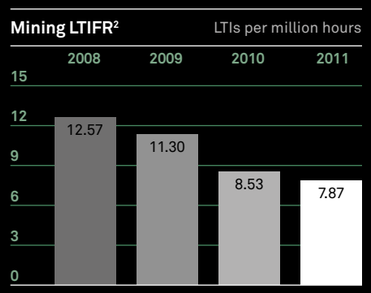
Highlights 2011

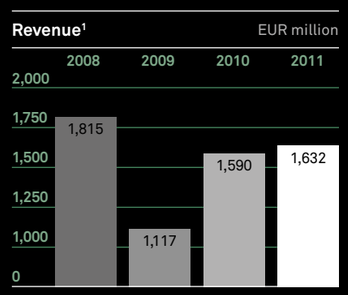
EBITDA

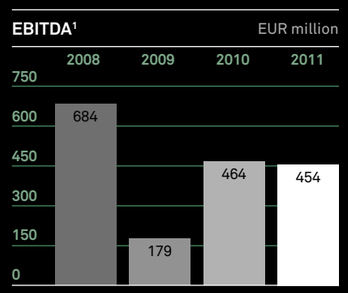
454 million EUR

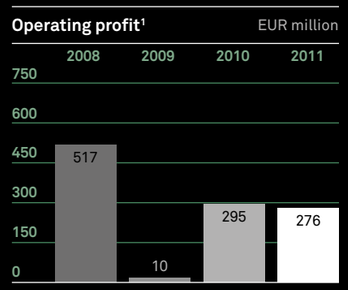












[1] As of 2008 till 2010, the Electricity Trading segment was classified as Discontinued Operations and is not included.
[2] Lost Time Injury Frequency Rate represents the number of reportable injuries causing at least three days of absence per million hours worked. Includes contractors.

Photo: The winding tower at the ČSM Mine.

Our operations and customer base

Our operations

Our mines are located near to our major customers' operations in Central Europe, giving us a significant advantage over our seaborne competitors due to our lower transportation costs and our market's landlocked location. We predominantly transport our coal and coke via the railway network directly to our customers.

We operate state-of-the-art mining technology for longwall production and gateroad development. We mine deep underground compared to most of the world's mines, at around 1,000 metres below the surface. Our deepest active floor is located at the Paskov Mine at a depth of 1,120 metres below the surface.

① Karviná Mine
2011 coal production: 4.1 million tonnes
Reserves: 89 million tonnes
Coal type: Semi-soft coking/hard coking/thermal

② ČSM Mine
2011 coal production: 2. 9 million tonnes
Reserves: 45 million tonnes
Coal type: Hard coking/thermal

③ Darkov Mine
2011 coal production: 3.2 million tonnes
Reserves: 37 million tonnes
Coal type: Semi-soft coking/thermal

④ Paskov Mine
2011 coal production: 1.0 million tonnes
Reserves: 24 million tonnes
Coal Type: Hard coking

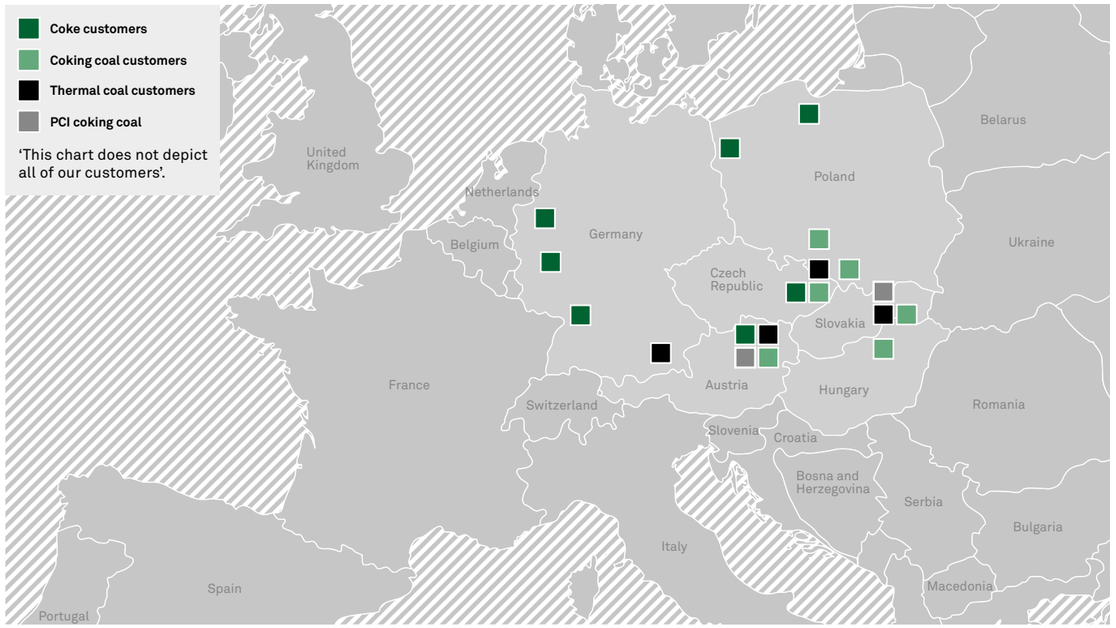
⑤ Svoboda coking plant
Capacity: 800 kilo tonnes
2011 production: 770 kilo tonnes
Coke type: Blast furnace/foundry/other

⑥ Dębieńsko development project
Final approval for the project was received in June 2011 with ground breaking in December 2011
Reserves: 190 million tonnes
Coal type: Semi-soft coking/hard coking/thermal

⑦ Morcinek development project
Morcinek development project adjacent to our operation (ČSM Mine) On going drilling and geological work.
Coal type: Semi-soft coking

⑧ Frenštát development project
Four year exploration process to ascertain the feasibility of the mine.
Hard coal resources: approximately 1.6 billion tonnes[1]
Mining area: 63 km²

[1] Estimate based on NWR's own calculations.



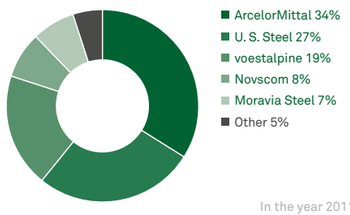
Our customer base

NWR is strategically located in Central Eastern Europe and supplies to a blue chip customer base of steel makers and power generators in the area.

We principally produce both coking (also known as 'metallurgical coal') and thermal coal (also known as 'steam coal'). Coking coal is used as a raw material in steel production and we supply to customers including ArcelorMittal, Moravia Steel, U.S. Steel, and voestalpine. We sell thermal coal to regional utilities with coal fired power stations including ČEZ, Dalkia and Verbund. Additionally, NWR supplies both foundry and blast furnace coke to steel customers throughout the region.

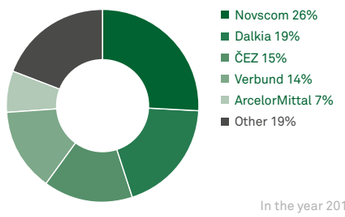
We have long-term framework agreements with our customers with quarterly pricing negotiations for coking coal and coke, and pricing terms for thermal coal are agreed on a calendar year basis.

Coking coal sales volumes by customers per cent



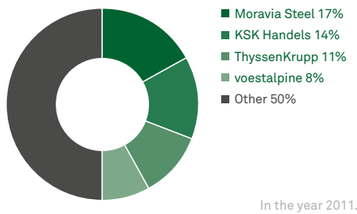
In the year 2011.

Thermal coal sales volumes by customers per cent



In the year 2011.

Coke sales volumes by customers per cent



In the year 2011.

Chairman's Statement

Mike Salamon
Executive Chairman of the Board

- » Final approval of Dębieńsko project in June with ground breaking in December 2011
- » Quarterly pricing for coking coal aligned our pricing with international trends
- » Early investment in underground mining equipment helped to mitigate geological challenges
- » Continued containment of input cost inflation
- » Further improvements in our safety record
- » Reincorporation in the United Kingdom and inclusion in FTSE 250 and the FTSE 350 Mining indices
- » Strong long-term fundamentals of the region and attractiveness of our business model

The most significant single event for NWR during 2011 was the final approval for the development of the Dębieńsko Mine, a 190 million tonnes hard coal deposit in southern Poland. We have assembled an international team to deliver the project and I am pleased to report that we have broken ground and commenced excavating works on site.

Review of 2011

With an EBITDA of EUR 454 million, NWR delivered one of its best financial performances ever in a period that has been characterised by severe challenges in the global economy. NWR reported consolidated profit for the period of EUR 130 million, 44 per cent lower than for 2010. Excluding the one-off EUR 82 million gain on the sale of the energy business and one-off EUR 23 million tax refund in the previous year, the consolidated underlying profit for the period increased 1 per cent from EUR 128 million in 2010.

Our containment of input cost inflation was a significant achievement in difficult circumstances with the rise in NWR's mining unit costs limited to just 12 per cent excluding the impact of foreign exchange. This was particularly creditable in the context of double digit price increases for energy and more than 20 per cent increases in European steel long product prices. As a result of year-on-year improved pricing in 2011 and our efforts to mitigate input cost inflation we improved our profitability yet further in 2011 with our EBITDA margin reaching 28 per cent.

Despite the difficult macroeconomic environment and the progressive deterioration in business confidence driven by increasing uncertainty in the Eurozone during the second half of 2011, the fundamentals of the regional coal industry remained strong. Car production in the region, one of the key drivers of local steel production, grew at a rapid pace in 2011 (up 12 per cent in the Czech Republic and 13 per cent in Slovakia), which reinforces our belief in the long-term prospects of the steel sector in the CEE. In parallel thermal coal continued to play an increasing role in the regional energy mix.

We remain well positioned to serve an increasing demand for our products in a region where competitor coal production continues to decline.

Development

During the year NWR continued to benefit from the considerable investment we have made in underground mining equipment over previous years, enabling us to mitigate the geological complexities of our operations and deliver another solid set of results. The fact that we are mining at around 1,000 metres below the surface is unusual in the global coal mining industry today and clearly this poses particular challenges in terms of both safety and production targets. Hitting our production targets and improving our safety record, in the context of such complex geological conditions, underlines the commitment of our disciplined workforce and supports our intensive capital investment in equipment.

The most significant milestone for NWR during the year was the final approval for the development of the Dębieńsko Mine. This is a 190 million tonnes hard coal deposit (7/8 coking coal and 1/8 thermal coal) in southern Poland over which a Polish subsidiary of NWR has a 50-year mining license. We have assembled an international team to deliver the project and I am pleased to report that we have broken ground and commenced excavation works on site. In 2012, we will invest around EUR 40–50 million as we work towards bringing the mine to production in 2017.

Looking further into new production opportunities, we announced our intention to explore the 1.5 billion tonnes hard coal resource at the Frenštát Mine in the Czech Republic.

Reincorporation in the United Kingdom

The reincorporation of NWR in the United Kingdom and subsequent inclusion in the FTSE 250 and FTSE 350 Mining indices has increased our visibility amongst the international investment community, to whom NWR represents an opportunity to gain exposure to both the global as well as regional hard coal growth phenomena.

Coal

Concerns about global economic growth in the second half of the year affected the year end environment for our customers. The slackening in actual demand for steel was significantly compounded by fears of a weak macroeconomic environment in 2012. This came after strong coking coal prices for much of the year, with car production in the region performing well. The long-term case for a strong steel sector in the Central and Eastern Europe remains intact.

For thermal coal we saw very strong regional demand in 2011. The outlook for thermal coal continues to be positive. With renewed investments in coal-fired power plants in countries such as Germany, thermal coal seems well positioned to play an ever-increasing role in the regional energy mix. In the longer term there are increasingly strong indications of growing demand for coal fired power generation capabilities compared to other forms of electricity generation in our markets, due in part to Germany's decision to close all its nuclear power plants following the Japanese earthquake, which led to damage at the Fukushima nuclear power plant.

As a result we are optimistic about the role NWR will play in the long-term future of both our coking and thermal coal markets.

Coke

Our coke production was in line with our expectations for the year at 770 kilo tonnes.

Our coke sales suffered due to lower capacity utilisation by our steel customers. Our much improved flexibility to increase the proportion of more demand-stable foundry coke in our sales mix, combined with the reduced cost profile of the new single site operation, helped us mitigate the impact of the weak merchant coke markets in the second half of the year. Despite this, our coke business made an overall loss for the year.

Chairman's Statement

Safety

Safety is a key priority in NWR. The main measure of overall safety performance, Lost Time Injury Frequency Rate[1], has improved by 8 per cent to 7.9 lost-time injuries per million hours worked. As expected, the rate of improvement is now slower compared to the dramatic reduction of the past few years but we continue to set a long-term positive trend. Whilst we are now aligned with incident rates comparable to global best performance in deep level coal mines, the particular challenges of mining the region's underground reserves will always be a significant threat, which makes our commitment to training, discipline and best in class equipment critical.

Despite this, the tragic loss of five employees at our mining operations during 2011 reminds us of the severity of the hazards stemming from our geological and mining environment, and hence we continue to place a strong focus on ways to limit the human impact of these.

Sustainability

Strict adherence to best practice sustainable development forms an integral part of our business strategy and helps us to secure the license to operate our coal mining and coke production businesses.

We realise that our long-term success depends on broad community support of our activities. Our focus is two fold: to ensure the sustainable and responsible management of natural resources, mining and processing; and secondly, to minimise the impact of our activities on the environment when planning, running and decommissioning our operations.

[1] Lost Time Injury Frequency Rate represents the number of reportable injuries causing at least three days of absence per million hours worked. Includes contractors.

Strategy

Our strategy is focused on maintaining operational excellence while pursuing opportunities for growth in order to serve a growing demand for our products in a region where our competitor's coal production continues to decline. The development and extension of our existing operations together with the identification and exploitation of new reserves will continue, as demonstrated by our investment at Dębieńsko and our intention to further explore the hard coal deposit at the Frenštát mine site in the Czech Republic. This aim is further strengthened by our focus on advanced mining techniques and a commitment to good corporate citizenship in its broadest sense.

Given our operations are at the hub of the CEE region's manufacturing base, we continue to see significant value potential in the business model of NWR. Our strategy is based upon ensuring sustainable coal production to serve a growing demand for our products in a region where competitor coal production continues to decline. Poland produced around 76 million tonnes of hard coal last year, 10 million tonnes less than three years ago and only half of what it produced back in 1990.

We continue to believe in the rationale for consolidation in the region over the longer-term and hence we closely monitor the market for potential opportunities.

The listing of our Polish peers is a positive development for both NWR and the sector as a whole. Greater visibility for the coal sector in general has further highlighted the potential for those producers such as NWR, who can sustain production and manage costs within those parts of Europe where coal is in strong demand. We have already invested heavily in our operations to help manage costs and operating risk.

Outlook

In the short-term we expect the market environment to continue to be challenging. Our customers remain cautious due to the uncertain economic environment and ongoing issues in the Eurozone. However, despite the current uncertainty, car production in the region, one of the key drivers of local steel production, is increasing, and hence we expect to continue to see strong demand for our coking coal.

At the same time, our move to quarterly pricing has allowed us to align ourselves with global pricing trends and while prices have dropped during the second half of 2011, as well as in early 2012, we believe that ongoing steel demand in the developing world will ultimately help to support prices.

We have reviewed our longer-term plans and we now expect to increase the proportion of our coking coal in our external sales mix above 50% over the medium term (2–3 years). Any further increase towards our historical levels is dependent on the outcome of our ongoing underground development works as well as favourable mining conditions. Longer term, the additional production from Debiensko is expected to further increase the proportion of coking coal in the overall coal mix.

Coke markets remain volatile, as nervousness amongst our customers is leading them to rely more on their own supplies of coke, and we expect this trend to continue in the short term. A number of our competitors have exited the market which, combined with our investment in the new coking battery, and the associated fall in our conversion costs, leaves us in a strong postion to cope with the current market conditions.

Demand for thermal coal, which is to a certain extent unaffected by the macro environment, has been growing and we expect this trend to continue. We are seeing renewed investment in electricity plants in our region and we expect Germany to need more coal from

neighbouring countries in the future to meet its demand. Therefore the share of coal in the energy mix in our region looks set to continue to increase and we are positive about thermal coal volumes and prices going forward.

Dividend

NWR has performed well against a backdrop of the recent macroeconomic uncertainty and both our business model and our long-term growth strategy remain intact. Therefore, in line with NWR's stated dividend policy of distributing 50 per cent of the Mining Division's consolidated annual net income over the course of the business cycle, I am pleased to propose a final dividend of EUR 0.07 per share, which, if approved by the Annual General Meeting in April, will bring the total dividend for FY 2011 to EUR 0.23 per share.

Mike Salamon
Executive Chairman of the Board

Strategy

JORC reserves as at 1 January 2012

385Mt

Highlights

- Total coal production per employee held constant over the past four years, and at the same time mining LTIFR has improved by 37 per cent
- Board approval for Dębieńsko and subsequently broke ground in December 2011
- Announced a four-year exploration process for Frenštát
- Renewed investment in electricity plants in the region, will ensure that coal remains an important fuel source in the region. Over 90 per cent of electricity production in Poland is from coal

Understanding of and support for our commercial aspirations are fundamental to our licence to operate. Therefore, we build and cultivate relationships with our customers, employees, local municipal authorities and other key stakeholders.

Early investment in the latest technology has meant that we are now producing coal from areas and at depths that were previously considered very difficult to mine, all whilst maintaining strong safety performance and keeping costs under control.

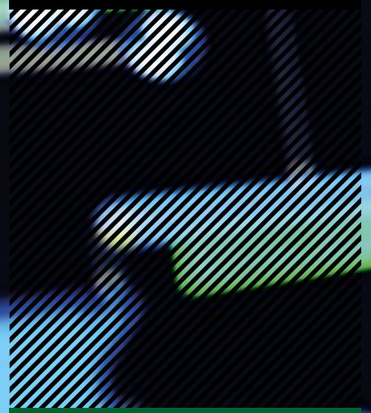


Photo: All activities in the mining operations are displayed by live feed to the controller's computer screen. This allows constant supervision from the preparatory work to the final distribution to customers.

Business strategy: delivering on our strategy

Strategy	Priorities	Progress 2008	2009	2010	2011	For further information
Sustainable development **Preserving the sustainability of NWR through development of the current reserve base; maintaining excellent relationships with customers; attracting and retaining the best people in the region; maintaining a strong financial performance; and importantly, upholding a high safety record.**	**» Extending reserves to sustain the coal quality mix and adding to mine life.**	» EUR 350 million POP 2010 launched: early investment in the latest technology to mine further coal seams. » Disposal of non core services of maintenance and reclamation works.	» Delivery and installation of POP 2010 units – 10 longwall units and 19 sets of development equipment.	» Approved EIA for Karviná (period 2011–2015), Darkov (period 2011–2020), ČSM (period 2009–2020). » Focus on unexploited hard coal resources in Dębieńsko. » Streamlining of core business – sale of NWR Energy.	» Final Board decision to proceed with Dębieńsko taken. » Four-year exploration process of Frenštát announced. » EIA for exploration of hard coal deposit at Frenštát completed. » EIA for exploration of hard coal deposit at Karviná being completed.	» Our operations and customer base page 4, 5 » Development projects page 49, 50 » Growth page 22 » Case study page 51
	» Improving health and safety performance.	» SAFETY 2010 launched: focus on personal protection equipment. » Installation of state-of-the-art mining technology (POP 2010).	» Continuous Improvement Programme ('CIP') launched: encouraging employees to offer ideas on improving operational efficiency and safety.	» Completion of SAFETY 2010.	» Implementation of greater safety driven initiatives around tectonic stress releases.	» LTIFR KPI page17 » Case study page 55
	» Maintaining a strong financial position with a balanced capital structure.	» IPO on the LSE, PSE and WSE.	» Partial redemption of 2015 Senior Notes.	» Refinanced debt with issuance of EUR 500 million Senior Secured Notes – prolonged average debt maturity.	» Prudent capital structure maintained; EUR 100 million RCF raised.	» Financial Review page 31, 32, 33 » Financial KPI page 16
	» Strengthening stakeholder partnerships and relationships.	» Mining apprenticeship programmes launched. » OKD Foundation launched: develop projects in the Czech Republic.	» Signed new long-term collective agreement with three relevant trade unions for period 2010–2012.		» Established integrated training centre; cooperation with local technical university. » Reincorportion of NWR to a UK plc; FTSE inclusion improves Company's exposure to global capital markets.	» Sustainability Report 2011 www.newworldresources.eu/sustainability » Shareholder information page 172
Operational excellence **Continuously improving operational excellence and efficiency through operational cost controls and productivity improvements.**	**» Containment of mining unit costs.** **» Improvement of operational efficiency.**	» POP 2010 launched to improve mining efficiency. » COP 2010 launched to modernise coking capacity. » Consolidation of internal services/ procurement efforts.	» POP 2010 concluded: installation of 10 longwall sets and 19 sets of development equipment. » Construction of coking battery no.10; modernisation of coking battery 8 and concentration of coking operations onto one site (COP 2010). » CIP launched: encouraging employees to offer ideas on improving operational efficiency and performance.	» First year of operation of new longwall sets and development equipment (POP 2010). » Start of trial production at new coking battery; consolidation of coke production onto one site at Svoboda (COP 2010). » PERSPective 2015 ('PERSP 2015') launched to improve operational performance over the next 5 years.	» Ongoing replacement and renewal of remaining longwall sets and development equipment. » Coking battery no.10 moves into full production (COP 2010).	» Total coal production per employee KPI page 17 » Mining costs per tonne; coke conversion costs pages 16 » Coal page 37, 38 » Coke page 43, 44 » CIP page 38, 43 » Case study page 39, 45
Growth **Actively pursuing growth projects in the CEE region; applying a disciplined approach to M&A in Poland and the Ukraine.**	**» Bringing Dębieńsko into production on time and on budget.**	» Granted 50-year mining licence to extract coal from Dębieńsko. » Began work on engineering studies needed for Dębieńsko.	» Completion of detailed development plan to mine coal at Dębieńsko.	» Applied for amendment to Dębieńsko mining licence. » Commenced detailed feasibility study for Dębieńsko.	» Final approval gained for Dębieńsko. » Breaking ground at Dębieńsko and development of box cut for Slope 1.	» Growth page 22, 23 » Development projects page 49, 50
	» Exploring organic growth opportunities.	» Cross boarder mining treaty signed between the Czech and Polish governments for Morcinek.	» Assessment of scope and nature of geological and pre-feasibility work required for Morcinek.		» Breaking ground at Dębieńsko. » Exploration continues at Morcinek. » Four-year exploration process announced for Frenštát.	
	» Becoming a regional consolidator by disciplined pursuit of M&A.			» Offer made for Lubelski Węgiel 'BOGDANKA' Spółka Akcyjna.		

Business model: how NWR creates value

All displayed logos are protected by copyright and are used by NWR with specific consent of the owners. NWR does not necessarily have a contractual relationship with the mentioned companies. Some of the companies are end users of coal related products. The locations of the logo's and company names displayed on the map above do not represent the exact location of the companies involved.

1 Regional leadership to capitalise on the location of our mines and product demand

» We operate in a landlocked region with a strong manufacturing base.

» Strong regional dynamics and above-average industrial growth in the region is coupled with a shortage of locally produced coking and thermal coal. (Reference: Strategic context in which NWR operates page 18 onwards).

» The proximity to our customers means that we offer low landed costs compared to both Polish and overseas producers.

[1] Source: Bloomberg
[2] Source: Czech Statistical Office
[3] Source: World Steel Association
[4] Source: IEA
[5] Source: NWR estimate

Regional GDP CAGR for 2002–2011 5 per cent compared to 1.1 per cent in the Eurozone.[1]

Car production in the Czech Republic rose by 12 per cent in 2011 and 13 per cent in Slovakia.[2]

Steel use per capita in Poland reached 253 kg in 2010 which is 14 per cent below EU-27 average.[3]

Over 90 per cent of electricity in Poland is from coal.[4]

145 million consumers in the CEE region.

8.9 million vehicles produced in Germany, Czech Republic, Poland, Slovakia and Austria in 2011.[5]

2 Competitive advantage

» Early investment in the latest technology has meant that NWR is now producing coal from areas and at depths that were previously considered very difficult to mine, all whilst maintaining a strong safety record and keeping costs under control. Our decision to pursue POP 2010 differentiates us from other regional producers.

» NWR is a trusted supplier to the local steel plants and energy producers, with long-term stable relationships.

» Understanding of and support for our commercial aspirations are fundamental to our licence to operate. Therefore, we systematically build and cultivate relationships with municipal authorities, relevant trade unions, regulatory agencies, and other governing bodies in the region.

» Our focus on maintaining a strong health and safety record is underpinned by a long-term positive trend in our LTIFR[1], setting the standard amongst our regional peers (reference: KPIs page 17; Sustainability page 54 onwards).

» NWR currently has 385 million tonnes of JORC[2] reserves. We aim to develop our reserve base from our existing footprint by accessing deeper coal seams at our current mines, and through organic expansion options (reference: Growth pages 22–23; Development projects page 48 onwards, Case Study 'Access to the Dębieńsko Mine' page 51).

» We are committed to improving efficiency at our operations on an ongoing basis through our Continuous Improvement Programme, which provides employees with the opportunity to volunteer their ideas for increasing safety at work and delivering operational savings in return for financial reward (reference: Coal page 36 onwards).

» We see strong corporate governance and transparent communication of financial and operational metrics as essential to our long-term success. As the first publicly owned coal miner in the Upper Silesian Coal Basin NWR aims to set a regional standard (reference: Corporate Governance page 60; Sustainability page 54 onwards).

[1] Lost Time Injury Frequency Rate represents the number of reportable injuries causing at least three days of absence per million hours worked. Includes contractors.
[2] Full name: Joint Ore Reserves Committee. The Group currently uses the JORC system to report reserves. The Group employs a certified geologist who prepares the reserve numbers and is the designated 'Competent Person' as defined by the JORC code.

3 A competitively run business

» We see the ability to consolidate, modernise and simplify our operations as fundamental to long-term value creation. We have successfully streamlined the business by investing in our core assets, enhancing our capital structure, as well as working practices, and overall corporate culture.

» We closely monitor the competitive regional environment in order to ensure our business remains attractive in terms of product specification and pricing throughout the cycle.

» We apply a disciplined approach to all growth opportunities both organic and by acquisition. Thorough feasibility studies are conducted for all organic projects.

» We identify the principal risks and uncertainties, that could have a financial, operational or reputational impact on NWR, and take necessary steps to mitigate these risks (reference: Risk management at NWR page 24 onwards).

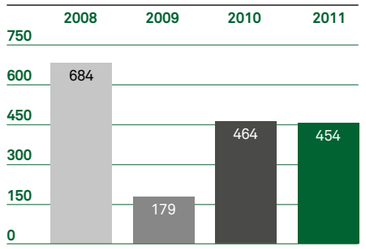
» NWR has a strong financial position which enables it to invest in its operations through the economic cycle and align returns with the long-term reward profile of developing new mines (reference: Financial Review page 30 onwards).

Key performance indicators

NWR uses a range of financial and operational key performance indicators ('KPIs') to help measure and manage its performance. These KPIs reflect the Company's continuous focus on efficiency, cost control and safety across all its operations. However, this list is not exhaustive and we also use a range of additional detailed performance measures internally to monitor our performance.

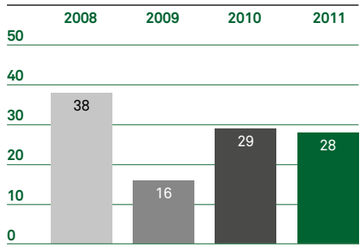
Financial

EBITDA EUR million



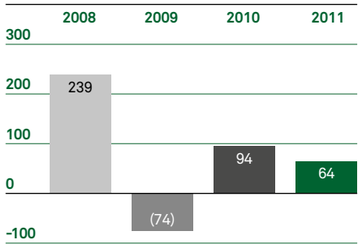
DEFINITION: Earnings before interest, tax, depreciation and amortisation from continuing operations and beforeexceptional items.
RELEVANCE: EBITDA predominately reflects the sales volumes and realised prices during the year, and is a key metric of performance.
PERFORMANCE: EBITDA was 1 per cent lower than in 2010 excluding FX fluctuations. Despite the increase in revenues in 2011, this was more than offset by an increase in the operating expenses net of changes in inventories.

EBITDA margin per cent



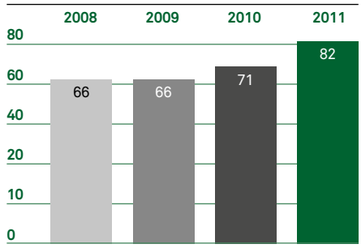
DEFINITION: The EBITDA margin shows earnings before interest, tax, depreciation and amortisation from continuing operations and before exceptional items as a percentage of revenue.
RELEVANCE: EBITDA margin measures how efficiently revenue is converted into EBITDA from continuing operations.
PERFORMANCE: EBITDA margin was at 28 per cent in 2011 thanks to improved pricing for coking coal and thermal coal coupled with good containment of input cost inflation.

Free cash flow EUR million



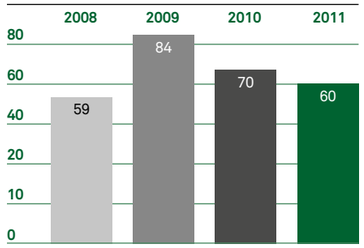
DEFINITION: Free cash flow is calculated as net operating cash flow minus capital expenditure.
RELEVANCE: Free cash flow represents the cash that a company is able to generate after investing to maintain or expand its asset base. It allows a company to enhance shareholder value through paying dividends, reducing debt or making acquisitions.
PERFORMANCE: Lower 2011 free cash reflects a decrease in net operating cash flow due to higher corporate tax and bond interest payments, partly offset by lower CAPEX.

Mining costs per tonne EUR



DEFINITION: Mining costs per tonne reflect the operating costs incurred in mining both coking coal and thermal coal. It includes consumption of material and energy, services (excluding transportation), personnel and other operating expenses. It does not include depreciation and amortisation.
RELEVANCE: Unit costs are a basic measure of a company's effectiveness.
PERFORMANCE: Mining costs per tonne rose by 12 per cent compared to 2010 excluding FX fluctuations, mainly due to the cash cost inflation, as well as 2 per cent decrease in production.

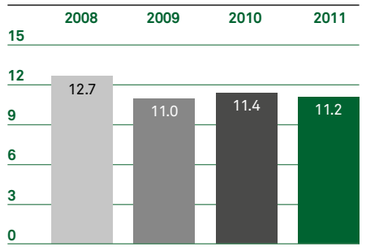
Coke conversion costs per tonne EUR



DEFINITION: Coke conversion costs per tonne reflect the operating costs incurred in converting coking coal into coke. It does not include the cost of coking coal charge. It includes consumption of material and energy, services (excluding transportation), personnel and other operating expenses. It does not include depreciation and amortisation.
RELEVANCE: Unit costs are a basic measure of a company's effectiveness.
PERFORMANCE: Despite the 23 per cent decrease in production, coke conversion costs per tonne decreased by 17 per cent excluding the impact of currency movements, driven by the modernisation and consolidation of our coke production facilities at a single plant.

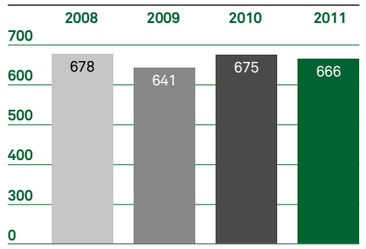
Operational

Total coal production million tonnes



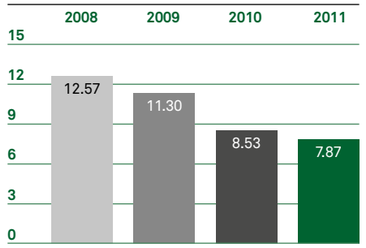
DEFINITION: The total production volumes of thermal and coking coal.
RELEVANCE: Total coal production is a key indicator of the Company's operating performance.
PERFORMANCE: With total coal production at 11.2 million tonnes, NWR has slightly exceeded its full year 2011 coal production target of 11 million tonnes.

Total coal production per employee tonnes



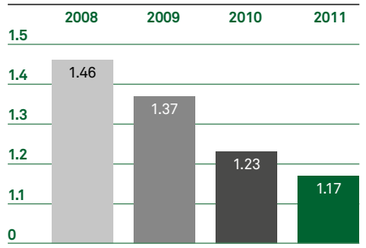
DEFINITION: Total coal production per mining employee including mining contractors.
RELEVANCE: It is a measure of the efficiency of the Company's mining operations.
PERFORMANCE: NWR maintained its level of total coal production per mining employee at efficient level, largely as a result of early investment in our mining equipment (POP 2010) that allowed us to decrease the total number of operating long walls.

Mining LTIFR LTIs per million hours



DEFINITION: Lost Time Injury Frequency Rate ('LTIFR') represents the number of reportable injuries causing at least three days of absence per million hours worked. Includes contractors.
RELEVANCE: LTIFR is an industry wide measure of overall safety performance.
PERFORMANCE: Mining LTIFR improved by 8 per cent in 2011 compared to 2010. Over the last four years mining LTIFR has fallen substantially by 37 per cent.

Employee turnover per cent



DEFINITION: Employee turnover rate is calculated using the end of year total number of employees who have left the organisation voluntarily (adjusted for employees having left due to dismissal, retirement or for health reasons).
RELEVANCE: High employee turnover results in changes to the human and intellectual capital of the organisation and can impact productivity. Our aim is to maintain low voluntary employee turnover rates.
PERFORMANCE: Employee turnover rate improved by 5 per cent in 2011 compared to 2010. Over the last four years employee turnover has fallen by 20 per cent.

Strategic context in which NWR operates

Our strategy and success is influenced by the economic factors which are faced by our customers as well as by the actions of our competitors. These impacts cover three main areas:

» Economic environment (global and regional)
NWR's thermal, coking coal and coke products serve industrial consumers in the countries of the CEE region. The demand for, and pricing of, those products is influenced by the economic environment in each of these regions, notably the demand for steel, as well as by the international coal markets which influence coal prices.

» Competitive environment
Although NWR is the only hard coal producer in the Czech Republic, and the first to be privatised in the CEE region, we compete with other companies (predominantly in Poland) to supply coking and thermal coal to the regional market. As a coke merchant, we produce and sell coke to a range of steel producers - some of which also have the capacity to produce their own coke.

» Cross-border trade
The financial returns generated by our business are also influenced by currency fluctuations driven by exchange rate dynamics.

Global economy

The return to positive growth following the financial crisis of 2009 was stimulated by unprecedented fiscal and monetary intervention by governments around the world, particularly in Europe and the USA where the recession was most severe. The resulting rebound in confidence saw a fragile recovery in global trade and manufacturing, which continued throughout 2010 and into the first half of 2011. This recovery, however, was marked by the continued divergence of economic performance between developed and emerging countries with most OECD countries recording small growth rates in contrast to the near double-digit growth of some developing economies, particularly China.

A largely negative or uncertain outlook in the OECD countries was reflected in weak financial markets, and the performance of the real economy during the autumn of 2011 further dampened earlier signs of recovery. Consumer and business confidence around the world again deteriorated as doubts about the future direction of world markets took hold.

Central and Eastern European regional economy

As one of the region's primary coal suppliers to steel industries and power generators, NWR's business is dependent upon the strength of the CEE regional economy, which is itself linked to global economic activity.

Imbalances in the world economy over the past number of years were mirrored by the diverging nature of economic performance and management between Europe's regions. The recovery from recession in the EU was driven primarily by the core economies and particularly the strength of Germany's exports growth. However, the Eurozone's periphery countries struggled to manage their escalating public debt issues with their difficulties compounded by growing pressure from the bond markets as their cost of borrowing rose to historical highs. Under these increasing strains Europe's political leaders were compelled to mount a coordinated response to prevent the continent from falling back into recession.

Key metrics

Figure 1 **Thermal and coking coal consumption in Europe** million tonnes

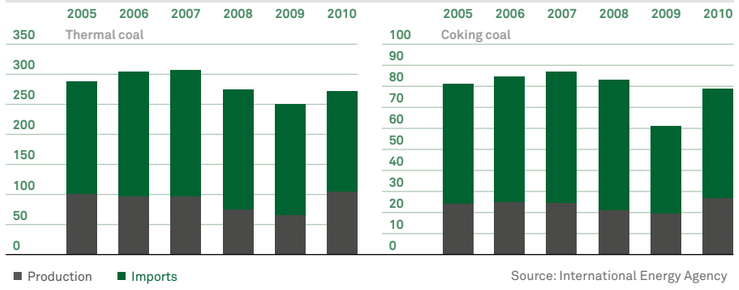
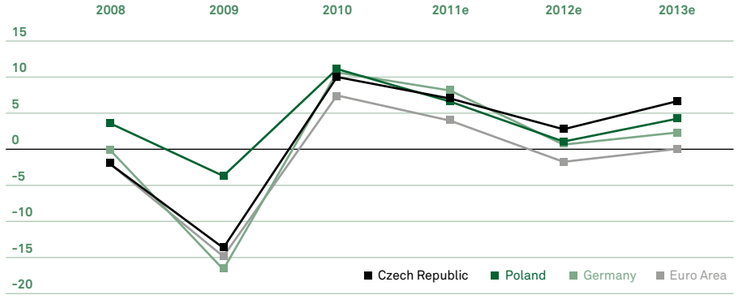


Figure 2 **Industrial production growth in region** per cent Source: Goldman Sachs



Whilst being undoubtedly affected, the countries within the CEE region have so far maintained a relatively strong fiscal position. The Czech economy recorded positive growth throughout 2011 and Poland, which was the only country in Europe to avoid recession in 2009, continued to outperform its neighbours. Domestic economies within the CEE region, especially in Poland, also maintained relatively healthy demand during the year since sustained infrastructure spending is required to bring the region up to western European standards. The banking sector in Poland and the Czech Republic is considered stronger than most in Europe and the governments' fiscal positions are relatively stable.

International coal markets

Coking coal

Europe has a substantial shortage of coal and relies on imports for the vast majority of its consumption. The CEE region is an importer of coal in circumstances where domestic demand cannot be met by domestic supply alone. NWR serves mostly global customers, which link our regional markets to the dynamics of the international coal markets to some, albeit limited, degree.

2011 saw the continuing dominance of China, and to a lesser extent India, in the internationally traded coal markets as the rapid industrialisation and development of these countries continued to require vast amounts of raw materials (reference: Figure 4). China, for instance, now produces almost half of the world's steel output and since becoming a net importer of coking coal in 2004, has been putting ever more pressure on the supply and price of coking coal.

Severe flooding at the end of 2010 in the Australian state of Queensland, where approximately 46 per cent of the world's internationally traded coking coal originates, further disrupted supply in 2011. Along with the revival of steel production in the rest of the world, which benefited from strong demand from the recovering automotive sector, coking coal spot prices peaked back towards record highs during the year, trading at USD 340/tonne in the first quarter.

The deteriorating macroeconomic conditions in the second half of 2011 led prices back down from peak levels but there is a general consensus that international coking coal prices will remain resilient in the long term, given the underlying demand from developing Asian countries, and limited availability of coking coal supplies given infrastructure constraints in the short-term.

These changing dynamics within the international markets over recent years renewed the large mining companies' justification for moving to quarterly contracts for their coking coal supply to the steel producers. A more liquid market now means the vast majority of contracts are settled on a quarter-by-quarter basis with increasing quantities also being sold on a monthly basis and on the spot market (reference: Figure 3).

Thermal coal

Unlike coking coal, thermal coal contracts usually cover a calender year period and as a result the market is more stable. The emergence of strong Indian demand growth in 2011 positively impacted international trade patterns overall. The trade flows from Australia to Japan and Korea also recovered during the year following the Japanese earthquake and subsequent move away from nuclear generation.

Figure 3 **International coal prices** USD/tonne Source: AME, Platts

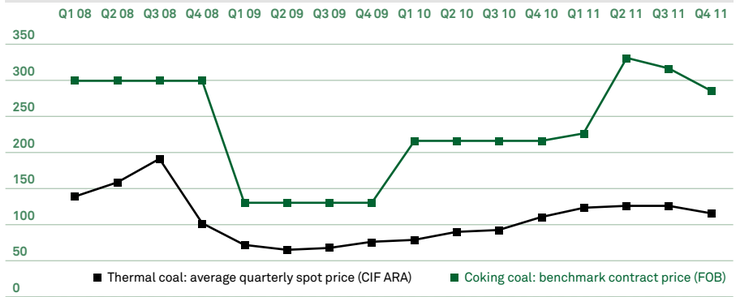
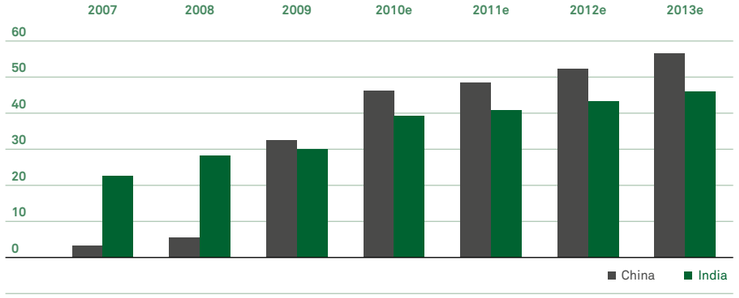


Figure 4 **Chinese & Indian net coking coal imports** million tonnes Source: AME



Strategic context in which NWR operates

High growth markets such as India, along with renewed investment in electricity plants in developed countries including Germany and Poland, will ensure that coal will remain an important fuel source for the world's electricity supply.

Regional coal markets

Coking coal

The market for coking coal in the CEE region will always be driven by steel production in the area. A relatively strong rebound by the regional steel producers at the beginning of the year was followed by growing uncertainty about the future direction of steel demand given the macroeconomic outlook. The steel output in our region, including the Czech Republic, Germany, Poland, Slovakia and Austria, increased by 2.3 per cent in 2011 compared to 2010 (reference: Figure 5).

Germany's strong industrial performance during the year demonstrated the importance of quality export-driven manufacturing (reference: Figure 6). The Czech Republic has been one of the best-performing markets this year. Car production in the Czech Republic, for instance, grew by 12 per cent compared to 2010 whilst steel consumption per capita increased towards the levels of more developed economies. Construction activity in the region grew and in particular Poland's ambitious infrastructure expenditure continued for much of 2011.

The demand and price for coking coal in the region reflected these steel dynamics during the year. Prices in the region are progressively being influenced by the international seaborne price but will continue to be somewhat insulated due to the long distance to major sea ports as well as local infrastructure constraints.

Thermal coal

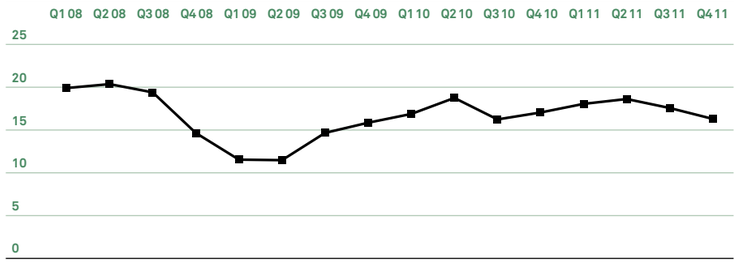
For thermal coal, prices and demand remained stable in the CEE during the year since there has been little shift in the source of electricity and heat production. Germany's decision to gradually close all its nuclear power plants in response to the Japanese crisis has further enhanced the share of coal in the energy mix in the region as the country looks to import more electricity from neighbouring countries. As shown in the following charts, Poland's electricity demand is similarly expected to rely heavily on coal with over 90 per cent of its electricity coming from this source.

Coke markets

Like coking coal, coke reflects the performance of the steel industry. The market in Europe is further characterised by the supply and demand balance between the merchant and integrated producers with the merchant coke makers subject to volatile swings in demand and prices as the market quickly moves in response to the business cycle. There is also a distinction between the two types of coke produced. Blast furnace coke is used in blast furnaces where pig iron is produced from iron ore. Foundry coke on the other hand is used mainly in larger furnaces where cast iron is produced as well as basalt-based insulation material from iron, scrap and other metallic components. There is generally a tighter market in Europe for foundry coke, which means it therefore commands a higher price than blast furnace coke.

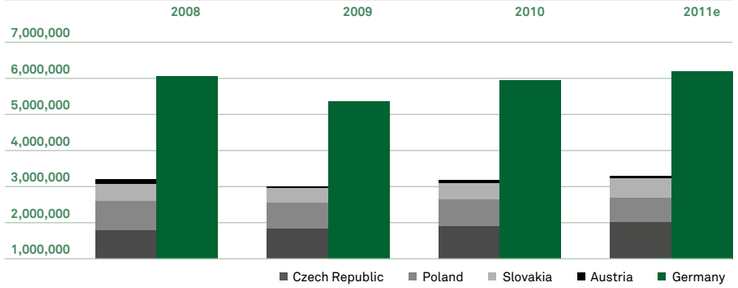
Figure 9 shows that prices for both blast furnace coke and foundry coke started the year at historically high levels, which began to fall later in the year. This is seen more prominently in relation to blast furnace coke as steel producers relied to a greater extent upon supply from their own coke production facilities rather than on supplies from the merchant coke producers.

Figure 5 **Steel production in NWR's customer markets**
million tonnes
Source: World Steel Association



Countries included: Czech Republic, Poland, Slovakia, Germany, Austria

Figure 6 **Vehicle production in region**
Source: 2008–2010: International Organisation of Motor Vehicle Manufacturers, 2011: NWR estimates



Competitive environment

NWR is the only hard coal producer in the Czech Republic and competes with hard coal producers in Poland to serve customers across the region. The Group is the second biggest producer of coking coal in the region overall and the fourth biggest thermal coal producer. It was also the first coal mining company in the CEE region to be made public with further Polish mining companies becoming public in subsequent years now promoting a more transparent and competitive environment.

Figure 7, 8 **Electricity generation by source**
per cent
Source: International Energy Agency

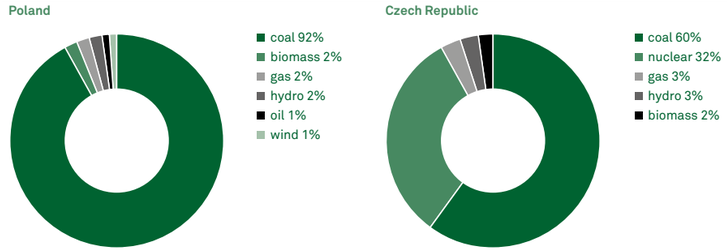
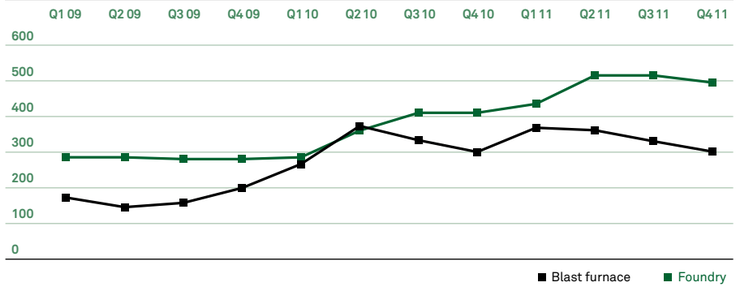


Figure 9 **European coke prices**
EUR/tonne
Source: Resource Net



These coal producers supply a well--established steel industry in the region, which in turn supplies the manufacturing and construction industries. The long-term viability of manufacturing in the CEE region is very much dependent on this reliable supply of good quality coal to the steel industry. The high quality of steel manufacturing is reflected in the fact that steel operations in the CEE region remain amongst the most competitive in Europe and have received significant investments in recent years. They are usually considered last when the multinational steel companies are looking to cut back production.

Production of coal in the region has consistently fallen over the last decade as reserve depletion has led to deeper mines and ever more complex mining conditions. In addition, continued demand for coal-fired power generation and a strong automotive industry, utilising locally sourced steel, supports the dynamics of thermal coal, coking coal as well as coke. On the supply side, our competitive position is supported by structural underinvestment in the regional coal industry in general together with supply constraints upon imported coal products.

Since the Group's stock exchange listings, NWR has invested heavily in modern mining techniques to access reserves safely and has maintained a strong competitive position within the region.

Outlook

Continuing uncertainty amongst global financial markets prevails and overall economic indicators reflect sustained risk aversion in many areas of the real economy. Confidence in financial systems remains fragile due to the sovereign debt crisis.

The risks associated with a continuation of the sovereign debt crisis, recession pressures and a demand slowdown will drive mainstream investor confidence, particularly in the context of continued speculation about a challenge to the Euro.

The EU's instability, however, masks a strong outlook for the countries in emerging Europe of which many are core to NWR. Long-term investment by the automotive sector and steel companies in the region, together with steel production forecast to grow by 2.5[2] per cent next year, provides a resilience to NWR's markets and price outlook.

The 2012 growth forecasts for Poland and the Czech Republic partially mitigate the economic contagion associated with some countries in the Eurozone. Volatility in markets is likely to be a feature of 2012 but the opportunities which this may present for investors in more stable industries should be positive.

[1] Source: SAP Czech carmakers union
[2] Source: Czech Statistical Office

Growth

Upper Silesian Coal Basin

Our growth strategy is focused on two main areas: first, by way of accessing new areas from our existing mines to sustain our production volumes and quality mix over time; and second, through the development of organic growth projects, with Dębieńsko being the most high profile of our development initiatives.

Additionally, we continue to believe in the long-term rationale for consolidation in the Central and Eastern European coal sector, and monitor developments in the region for potential acquisitions. Our strong financial position gives us the flexibility needed to react quickly to a prospect. We retain a disciplined approach to acquisitions, carefully considering the opportunities in line with Company objectives.

Coal basins in Poland and the Ukraine

1 Lower Silesian Coal Basin
2 Upper Silesian Coal Basin
3 Lublin Coal Basin
4 Lvov-Volynsk Coal Basin
5 Donetsk Coal Basin

Development projects overview

	Early stages/ geological survey	Feasibility study/ EIA	Implementation	Expected completion
A Dębieńsko » Strategic growth project » 190 million tonnes of reserves » Expected coal mix of 7/8 coking coal and 1/8 thermal coal » Expected coking coal mix of 2/3 hard coking coal and 1/3 semi-soft coking coal » First coal expected in 2017 » Average yearly production of 2 million tonnes » Total costs of EUR 544 million: EUR 411 million of development CAPEX and EUR 133 million pre-production operating costs » 3 longwall sets operational with one spare » Expected mining unit costs of EUR 70/tonne[1] » Project manager: NWR KARBONIA				**2017**
B Karviná project 1 – Karviná » Extension of current operations » Expansion project at the Karviná Mine » Aim to extract more than 20 million tonnes of coking coal via existing Karviná Mine » Project manager: OKD				**2016–2017**
C Karviná project 2 – Orlová-Výhoda » Extension of current operations » Expansion project into the Orlová-Výhoda district in the Karviná area » Aim to extract approximately 10 million tonnes of coking coal from the site » Project manager: OKD				**2016–2017**
D Shaft deepening projects » Extension of current operations » Expansion project at the ČSA mining site of the Karviná Mine » A further 312 metres underground; total depth to reach approximately 1,270 metres by 2015 » Shaft sinking at the Lazy mining site of the Karviná Mine » Project manager: OKD				**2017–2020**
E Frenštát » Long-term project » 1.6 billion tonnes hard coal resource » 4-year exploration process underway » Project manager: OKD				
F Morcinek » Long-term project » Granted a 12-year exploration licence in 2003 for Morcinek 1 » Granted additional 6-year exploration licence for Morcinek 2 in 2008 » Project manager: NWR KARBONIA				

[1] in 2011 prices.

Risk management at NWR

Risk management approach

NWR's system of risk management ensures an effective approach to identifying risks and mitigating their impact on the achievement of company objectives. Risks are controlled and managed within the relevant operational areas in which they occur. It is the responsibility of every NWR entity to actively manage its own risks. Local management is responsible for identifying, assessing and mitigating risks with the support of risk managers, and to report to NWR's Audit and Risk Management Committee on decisions made and actions taken. The Group's Risk Management function is responsible for supervising this process, monitoring the key risks and managing them directly where relevant. This central risk management function is responsible for the implementation of appropriate structures and the co-ordination of risk management activities across the Group.

Risk management approach

Risk identification
A consistent approach to risk identification is key to effective management. All risks are documented by the Group Risk Manager in the Group Risk Register. Updated regularly, this information includes the factors influencing the risks, the respective risk owners, potential impact and likelihood and the status of mitigation measures. At a subsidiary level, all relevant detailed information related to the specific risks is collated and maintained to ensure appropriate monitoring and mitigating action, where required.

Risk evaluation
We evaluate annually identified risks based on possible economic and non-economic impact and likelihood. The adequacy and effectiveness of internal controls are assessed as part of each evaluation.

Risk response
Based on the risk evaluation, the Group's risk managers, in cooperation with relevant regional management teams formulate required responses and ensure that the right risk owners within the Group are involved in the development and implementation of necessary response measures. Examples of these responses are set out in detail below.

Risk reporting
All progress on risk identification, evaluation and response is documented and monitored by the Group Risk Manager in cooperation with the Entity Risk Managers, and is supervised by the Board with the assistance of the Audit and Risk Management Committee composed of Bessel Kok (Chairman), Hans-Jörg Rudloff, Steven Schuit and Barry Rourke.

Risk management update
On an ongoing basis, current activities and processes in the area of risk management are evaluated to identify any necessary implementation of new risk analysis and management measures. All implemented responses are regularly monitored and action is taken as necessary.

Further information on NWR's approach to risk management can be found in the Corporate Governance section on page 60 onwards of this report and in the Group Risk Management Policy on our corporate website www.nwrgroup.eu.

Principal risks and uncertainties

Set out below are the principal risks and uncertainties relating to the Group together with the primary source, the potential impact on the business and the mitigation measures.

Market risks

Economic environment uncertainty
Source
The global economic situation remains subject to significantly abnormal levels of volatility based on historic performance and the economies of the CEE region are exposed to this unstable situation. The main factor directly influencing NWR is the Group's exposure to the steel industry.

Impact
Worsening economic conditions globally and in the CEE region in which we operate have a significant negative impact on the steel industry, and thus may affect the demand for coal and coke products. This may in turn have a negative impact on NWR's revenues.

Mitigation
We closely follow all economic developments, both worldwide and in the region, to ensure that we are prepared to take any necessary steps. NWR cooperates closely with its suppliers and customers to ensure flexibility and to minimise impact.

Throughout and after the economic downturn of 2008/09, NWR developed increased structural efficiencies which resulted in greater operational flexibility to manage its investment schedule, costs and cash flow in order to improve resilience to challenging economic pressures. We have a prudent gearing policy, strong liquidity and a sound funding profile whereby there is no short-term need for refinancing given that the first maturing part of current financing occurs in 2015.

Pricing risks
Source
Volatility in the regional steel and energy markets affects both prices of our inputs as well as selling prices of our products.

Impact
A decrease in coal and coke prices may have a significant negative impact on NWR's revenues. An increase in input prices can cause a significant increase in input costs. Both factors could adversely affect NWR's financial performance.

Mitigation
We have long-term framework agreements in place with respect to sales volumes with customers and suppliers. These agreements, as well as the annual and quarterly price/supply agreements, are reviewed periodically, ensuring medium-term stability in sales levels of our products.

On the input side, the benefits of the investments in efficiency and safety have increased, to a certain extent, our flexibility in operating costs and production.

Customer concentration risk
Source
A substantial proportion of NWR's coal and coke is sold to a small number of customers.

Impact
Volatility in the steel and energy markets could cause a significant decrease in demand for coal and coke or even a loss of specific customers for NWR. The loss of one or more significant customers, or the inability to collect payments from such customers, could have a disproportionate effect on our financial results and performance.

Mitigation
Our long-term framework contracts ensure a reasonable level of predictability and security on our future ability to sell the produced coal and coke. Renegotiation of quarterly and annual contracts ensures that we continue to have mutually convenient sales agreements in place in

Specific risk areas in 2011

In 2011, specific areas of risk that we focused on included:

» Health and safety risks

NWR operates in some of the most demanding geological conditions for mining coal in the world, and thus safety remains a key priority. The tragic loss of five of our employees in 2011 again highlighted the importance of further understanding and mitigating challenging conditions in line with NWR's long-term goal of minimising the risk of safety incidents. Following the two fatal accidents caused by rock bounces in July, NWR assessed the increased risk of rock bursts and implemented additional and stricter safety procedures to identify such risks at an early stage. Amongst these measures are the extension of protected zones, installation of new equipment to better identify increasing stress areas, and providing special and more specific personal protective gear for the workers mining in the more bounce-prone areas. In addition, we are working together with other international experts to analyse appropriate bounce prevention initiatives.

» Economic environment uncertainty

We closely monitored the various European sovereign debt crises and the macro economic climate throughout 2011. As part of the business plan for 2012, NWR conducted scenario analysis, working on identifying and actively reducing its exposure to a possible severe crisis in the Eurozone and its potential knock-on effect on our business. Through identifying potential cost cutting and cash preserving measures as well as ensuring a strong balance sheet and debt optimisation, NWR is well prepared to take additional necessary steps forward to mitigate region-specific volatility.

» Pricing risks

Coal and coke prices have been affected by various factors recently, among which are the changes in pricing dynamics, volatility in the world markets and the global economic downturn. Importantly, in 2011, NWR moved to quarterly coking coal pricing to align the business with international coal trends and move the risk exposure away from regional coking coal price development towards global price development.

» Licensing risks

It is crucial for NWR to have a clear view of all the factors related to obtaining and keeping the required licences and permits for its operations. Our development project in Dębieńsko, where we broke ground in 2011, has increased adherence to international regulatory dynamics representing numerous licensing and regulatory challenges.

Risk management at NWR

terms of pricing and quality. This is crucial for good long-term relationships with our customers, to whom we provide a complete and reliable service including product blending and transportation. In addition, we regularly monitor our markets for potential new customers and sales opportunities.

Currency fluctuation risk

Source

Our activities take place in different countries, resulting in sales and costs in various currencies, mainly the Euro, Czech Koruna and Polish Zloty. Fluctuations in the respective exchange rates of these currencies can affect the Group in a variety of ways.

Impact

As our costs are largely in Czech Korunas, while revenues are a mixture of Czech Korunas and Euros, our financial results can be significantly affected by the appreciation of the Czech Koruna versus the Euro. Changes in the exchange rate of the Polish Zloty may also have a significant effect on our development projects in Poland.

Mitigation

NWR actively manages exposure to currency fluctuations by applying various financial instruments such as FX forwards and structured FX collars. The time horizon of these instruments matches the forecasted and contracted exposure as close as possible. (Reference: Financial Review page 30 onwards.)

Interest rate volatility

Source

Our activities are financed by a mixture of floating rate debt and fixed rate bonds with different maturities. Volatility in interest rates can affect the Company in a variety of ways.

Impact

Increases in mainly Euribor interest rates may have a significant effect on the cost of our existing floating rate debt finance.

Mitigation

NWR has entered into various financial instruments such as interest rate swaps to decrease the exposure to interest rate volatility. The time horizon of these instruments matches the maturities of the Group's debt and thus offers an appropriate mix of exposure to fixed/floating interest rates in the short-term. In the longer term, the Group is fully hedged against interest rate risk.

Strategic risks

Managing our future growth profile

Source

While NWR has a significant reserves base, it requires new reserves and development opportunities in order to maintain and develop its future growth profile. As part of these long-term development projects, NWR also needs to develop hard coal reserves in its existing mining areas.

Impact

If NWR is not able to acquire and develop growth opportunities, it is limited in creating long-term value for its shareholders.

Mitigation

NWR currently has three organic growth projects, Dębieńsko, Morcinek and Frenštát, with Dębieńsko being the most prominent. (Reference: Growth page 22; Development projects page 48 onwards.)

NWR applies stringent policies in the preparation and management of all its development projects, conducting detailed feasibility studies and hiring world-class experts and contractors for mine development projects.

NWR has built a solid and stable foundation for its business, from which it is well positioned to take advantage of regional acquisition opportunities to strengthen its position. NWR continues to see the long-term rationale of consolidation in the region with Poland as its primary target, and continues to monitor the market for potential investment opportunities.

Operational risks

Geological conditions

Source

NWR's mining operations are among the deepest coal mines in the world with an average depth of around 1,000 meters. The geological conditions are subject to unpredictable events that can significantly impact these operations.

Impact

Geological conditions at these depths may lead to increased operational risks and potential disruptions to production due to unforeseen occurrences, resulting in a need to change mine plans in order to access other less hazardous strata.

Mitigation

We have invested significantly in state-of-the-art mining technology, and continuously monitor its performance and analyse the geological conditions in and around our mining areas.

Health and safety risks

Source

The industry within which NWR operates is both hazardous and exceptionally challenging in terms of the underground conditions, leading to a physically demanding working environment for our employees.

Impact

Failure to ensure effective health and safety procedures as well as the inability to properly respond to health and safety issues can result in fatal accidents, injuries, production disruption, reputational damage and fines.

Mitigation

NWR regards health and safety as a priority and is committed to long-term continuous improvement of its safety performance, ensuring that appropriate and proactive measures are taken on safety issues. We have significant experience of preventing and dealing with mining accidents and have mining rescue units on standby at all mining

locations at all times. To ensure the best possible safety environment for employees, we continue to invest in safety improvements each year by way of mining equipment, protective gear renewal, investment and regular training. Additionally, NWR utilises modern mining techniques and rigorous processes to prevent and manage those safety risks which cannot be avoided.

Lack of qualified workforce

Source

NWR needs to attract and retain sufficient skilled employees to meet its operational needs.

Impact

If NWR is unable to attract and retain new skilled employees, as well as maintaining appropriately trained current employees, operational inefficiencies and a potential inability to fully capture the Company's growth potential could arise.

Mitigation

NWR aims to attract and retain a younger workforce through a number of initiatives including liaison with local education institutes and programmes, apprentice schemes and the hiring of college graduates. The importance of training and developing its current employees plays an integral part in NWR's operations, with continuous training forming an embedded part of our corporate culture. Comprehensive training is also provided in conjunction with equipment manufacturers.

In addition, employees are entitled to receive a number of above-standard benefits pursuant to the Collective Agreement, signed by OKD's senior management, and the relevant trade unions for the period 2010–2012. The main benefits provided to mining employees include contributions to supplementary pensions, insurance schemes, contributions to life insurance and rehabilitation care, as well as a range of performance and loyalty-related bonus arrangements.

Monthly targets such as the amount extracted and the progress of development works determine performance-related remuneration. Mining employees are compensated periodically according to their performance; miners receive their performance bonuses monthly; whilst management receive yearly bonus payments.

Social and environmental risks

Environment-related risks

Source

NWR's operations affect the environment in many ways. Inadequate preventative and remedial actions could lead to environmental damage being caused by our activities and fossil fuels contribute to greenhouse gas emissions during both extraction and end use.

Impact

NWR's activities can cause material damage to communities near its operations, the surrounding environment and the broader ecology, as well as adversely impacting our corporate reputation.

Mitigation

Management of the environmental impact of operations and activities is critical to minimising damage to the environment. We apply best-practice operating and mining processes that reduce the effect on the environment. In cases where the Company cannot avoid some environmental impact, we continue to focus on the reclamation of land affected by our work, coordinating activities with local organisations and governments to ensure appropriate rehabilitation. (Reference: Sustainability Report 2011).

Impact on communities

Source

NWR is the third largest private employer in the Czech Republic and interacts directly with local stakeholders on a number of levels. Consequently, there is a heightened sensitivity locally to any potential social or economic impact that results from our actions.

Impact

Inadequate response to local and regional stakeholders' needs and initiatives may adversely impact the Company's corporate reputation. Such an impact may influence our ability to further develop our operations.

Mitigation

NWR maintains meaningful and open relationships with local governments, organisations and its trade unions. We contribute to the development of the communities near our operations at all levels and aim to minimise any possible negative impact our operations may have on these communities.

Legal and regulation risks

Licensing risks

Source

The ability to obtain, prolong and renew licenses and permits is a vital issue for us and qualification for appropriate permits may become more onerous in the future depending on any regulatory changes. Cross-border (Czech Republic-Poland) developments may increase the regulatory burden upon the Company.

Impact

Domestic and international laws and regulations and possible changes may therefore limit NWR in its activities or constrain profitability.

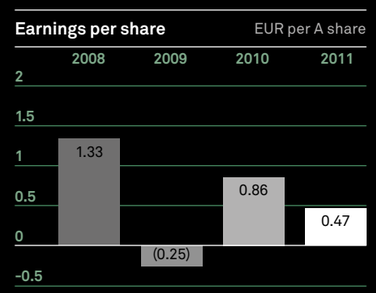
Mitigation

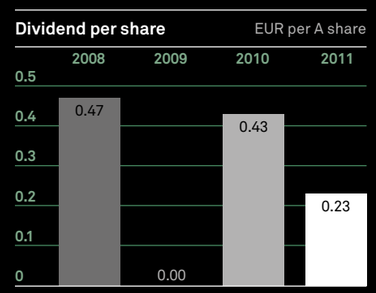
We are in close contact with local, regional and national government bodies in the Czech Republic and Poland, and actively cooperate in developing a sustainable business model that takes into account the needs and requirements of the regions in which we operate. NWR monitors political, regulatory and social developments closely and maintains regular dialogue with local, regional and national governments to ensure compliance with all relevant current and future laws and regulations in the industry.

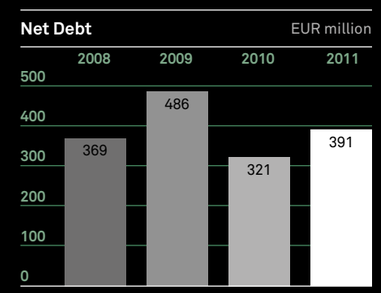
Financial Review

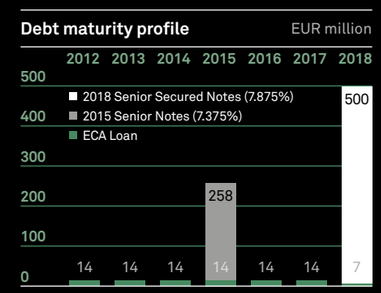
EBITDA margin

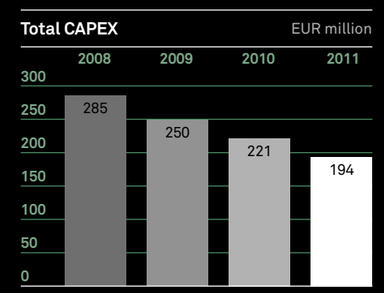
28%











Highlights

- Revenues of EUR 1.6 billion
- EBITDA of EUR 454 million
- Net profit of EUR 130 million
- Basic EPS of EUR 0.47
- Proposed final dividend of EUR 0.07 per A share, bringing full year dividend to EUR 0.23
- Strong balance sheet: EUR 537 million of cash and net debt of EUR 391 million with no significant short-term debt maturities

Photo: The coal has passed through the preparation plant process, and the cargo is ready for distribution to our customers, who are in close proximity to our operations.

Financial Review

Marek Jelínek
Executive Director and Chief Financial Officer

As a result of our cautious approach to cash management, we retained a strong balance sheet in 2011 despite the deteriorating macro econcomic climate, and going into 2012, our solid financial position and high level of liquidity will allow us to focus our energies on managing our core business, expanding our existing footprint and developing our principal growth project at Dębieńsko.

We paid an interim dividend of EUR 0.16 per A Share and proposed a final dividend of 0.07 bringing the total dividend for 2011 to EUR 0.23 per A share. This is in line with our current dividend policy of distributing 50 per cent of consolidated annual net income over the course of the business cycle.

Overview

In the difficult macroeconomic environment of 2011 NWR delivered one of its strongest financial performances underpinned by a disciplined approach to cost control and continuing focus on the fundamentals of the business. Our total revenues for 2011 increased by 3 per cent year on year to EUR 1,632 million mainly as a result of increased revenues from both thermal and, to a lesser extent, coking coal. Total EBITDA for the year was EUR 454 million compared to EUR 464 million in 2010.

Due to our very stringent cost control, unit costs of EUR 82 per tonne for the coal segment and EUR 60 per tonne for the coke segment were broadly on target, a significant achievement given rising input cost inflation during the year. CAPEX was also well controlled and fell by 12 per cent during the year to a total of EUR 194 million.

Basic earnings per A Share for 2011 were EUR 0.47 (EUR 0.86 for 2010)[1].

Coal

Revenues in the coal segment rose by 11 per cent to EUR 1,509 million. The main driver of revenue for the coal segment was the positive pricing environment for both coking and thermal coal, although this was limited by a lower than expected proportion of coking coal in the product mix. We increased revenues from coking coal by 8 per cent to EUR 800 million and thermal coal revenues by 27 per cent to EUR 437 million during the year.

The average coking coal price for 2011 was EUR 181 per tonne, an increase of 29 per cent, while the average price for thermal coal was EUR 70 per tonne, a 12 per cent increase over 2010.

Coal production for 2011 of 11.2 million tonnes and total external coal sales at 10.6 million tonnes slightly exceeded our full year coal production target of 11.0 million tonnes as well as the coal sales target of 10.3 million tonnes, as we took advantage of a strong thermal coal market in the last quarter to increase the thermal coal volumes. Indeed, we saw significant growth in demand for thermal coal during the year overall and into 2012.

Coke

Demand for merchant coke was strong early in the year but deteriorated in the second half of the year as the macro-economic situation worsened. The fall in coke sales volumes to 555 kilo tonnes for 2011 (1,100 kilo tonnes in 2010) was a result of our earlier decision to modernise and concentrate all coke production at a single site and the weak coke market in the second half of the year. The average achieved coke price of EUR 365 per tonne represents an increase of 33 per cent year-on-year. However, this increase in prices was more than offset by the decrease in sales volumes, and coke revenues for the year fell by 33 per cent to EUR 202 million.

Operating expenses

Our total operating expenses, net of other operating income and gain/loss from sale of material and property, plant and equipment ('PPE'), for the year including depreciation and amortisation increased by 11 per cent from EUR 1,260 million in 2010 to EUR 1,394 million.

Mining unit costs during 2011 increased broadly in line with our targets by 12 per cent on a constant foreign exchange basis to EUR 82 per tonne (EUR 71 per tonne in 2010). This increase in costs reflected significant input cost inflation resulting from higher European steel prices, electricity prices, and increased contractor costs as well as continuing mine development and the scheduled maintenance of mining equipment. Personnel expenses increased by 4 per cent on a constant currency basis, reflecting a 4 per cent increase in basic wages in 2011.

Despite the 23 per cent decrease in production, the coke conversion costs per tonne have fallen significantly, by 17 per cent year on year, to EUR 60 per tonne, in line with our estimates. This decrease in unit costs is due to the concentration of our coke production in one facility at the end of 2010 which has had the desired effect in terms of cost optimisation.

Operating cash flow and CAPEX

Operating cash flow after working capital movements and before taxes and interest increased to EUR 382 million, up 5 per cent compared to 2010. Net operating cash flow for 2011 was EUR 258 million, 18 per cent lower than in 2010 due to increased interest payments as well as higher income tax payments.

Total CAPEX for 2011 was down 12 per cent to EUR 194 million. Maintenance and safety-related CAPEX for both the mining and the coking segments accounted for approximately EUR 100 million, while EUR 90 million was invested in operational improvements and the development of existing operations.

CAPEX spend on our Dębieńsko project in 2011 was approximately EUR 5 million, which predominantly consisted of engineering, project planning, land purchases and other pre-development costs for the project. We expect CAPEX to rise significantly during 2012 to EUR 40–50 million as we ramp up development of the project, having broken ground in December 2011.

While the POP 2010 capital investment programme was completed in 2010, we continue to see benefits from the investments made in new machinery which requires less ongoing maintenance and replacement of technology.

Exchange rates

The relevant exchange rate for us is the Euro/Czech Koruna. The Czech Koruna appreciated by 3 per cent during the year to an average exchange rate of CZK/EUR 24.59. Our policy is to hedge 70 per cent of

[1] Includes EUR 82 million one-off gain from the sale of NWR Energy and EUR 23 million positive tax refund.

Financial Review

our foreign exchange cash flow exposure in order to provide sufficient clarity and predictability to our ongoing business. The move to quarterly rather than annual pricing for coking coal means that we now make more frequent adjustments to our hedging positions throughout the year.

Over time, with the development of the Debiensko project, we will start to see exposure to the Polish Zloty where we expect to adopt the same hedging policy. We do not to expect this exposure to be very significant during 2012.

Financial expenses and taxes

Net financial expenses decreased by 22 per cent to EUR 89 million in 2011. Both financial income and financial expenses decreased, mainly as a result of lower currency effects. In 2010, the financial expenses were also impacted by fees and interest expenses related to the proposed Lubelski Węgiel 'BOGDANKA' Spółka Akcyjna acquisition, as well as fees related to the repayment in full of the Senior Secured Facility.

NWR recorded net income tax expense of EUR 57 million in 2011, compared to a EUR 31 million net expense in the same period of 2010, which included a one-off tax refund associated with the reversal of the Czech tax authority's position on certain interest expenses that were previously deemed non tax-deductible.

Liquidity and capital resources

As a result of our cautious approach to cash management, we retained a strong balance sheet with EUR 391 million net debt and EUR 537 million of unrestricted cash at the end of 2011. This, together with our safe debt maturity profile, enables us to provide necessary financing for our Debiensko growth project and to take advantage of any potential M&A opportunities in the Central European region should they arise.

Due to the ongoing uncertainty in the Eurozone, we have been extremely conservative with regard to managing our cash during 2011. To this end, we have modified the cash flow instruments we use and reduced our exposure to the European banking sector which was perceived as risky. Furthermore, to strengthen our financial position we put in place a Revolving Credit Facility of EUR 100 million in February 2011. At the end of the year we chose to fully draw down the funds, although we had no immediate funding needs, in order to prevent the facility becoming unavailable to us in future. We intend to repay this loan once we become more comfortable with the situation in the Eurozone.

Our net debt at the end of 2011 was EUR 391 million, up 22 per cent from 31 December 2010, mainly due to the payment of the final dividend for the 2010 financial year (EUR 58 million and EUR 40 million B shares dividend) and the interim dividend for the 2011 financial year (EUR 43 million).

We currently have two outstanding bonds, with the nearest significant maturity not due until 2015, when the outstanding EUR 258 million Senior Notes mature. During 2011, we bought back EUR 10 million of these bonds and we might continue to do this on a small scale as and when they become available.

During 2012 we will continue to watch the markets closely so we are able to take advantage of opportunities either to raise new financing or to refinance our debt as they arise.

Dividends

We paid an interim dividend of EUR 0.16 per A Share and proposed a final dividend of 0.07 bringing the total dividend for 2011 to EUR 0.23 per A share. This is in line with our current dividend policy of distributing 50 per cent of consolidated annual net income over the course of the business cycle.

Reincorporation

We successfully completed our reincorporation in the United Kingdom during 2011 at a cost of approx. EUR 6.5 million. As a result of the redomiciliation process, we became eligible for inclusion in the FTSE 250 index as well as the FTSE 350 Mining index and thereby increased our visibility and exposure to international investor community. We remain confident about the benefits of undertaking this process for shareholders of the Company in the longer-term.

Outlook

Going into 2012 our solid financial position with a balance sheet and high level of liquidity will allow us to focus our energies on managing our core business, expanding our existing footprint and developing our growth project at Dębieńsko.

Our financial position also stands us in good stead to face potential recessionary scenarios in the Eurozone and we remain focused on the longer-term goals of our business. Additionally we have built flexibility into our mining production plan for 2012 so we are able to accelerate or reduce production depending on demand for our products. Given the significant shortage of both coking and thermal coal in Central Europe, we do not expect coal volumes to be impacted by a severe economic slowdown although this may have an impact on prices. We expect to produce between 10.8 and 11.0 million tonnes of coal in 2012.

As we have again seen in 2011, demand for coke is more sensitive to the economic environment. Our production target for coke for 2012 is 700 kilo tonnes, compared to 770 kilo tonnes produced in 2011. We will continue to sell a higher proportion of foundry coke which provides more value added and has a more diversified customer base.

We continue to target very stringent cost control for 2012 and our guidance is for flat mining unit costs year on year on a constant exchange rate basis.

We expect CAPEX in 2012 to be around EUR 250 million, including EUR 40–50 million of CAPEX for the Debiensko project as we

ramp up development of the mine during 2012. The ongoing CAPEX in our current operations will be used mainly to finance incremental underground development work aimed at maintaining production volumes and improving the coal mix. Further it includes expenditure for replacement and renewal of longwall sets, development sets, maintenance of mining equipment, as well as safety-related CAPEX.

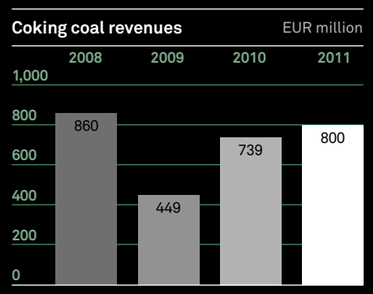
Furthermore, we continue to believe that there is significant potential for consolidation in our region and our strong financial position means that we have sufficient financing strength should an opportunity present itself in the course of the year.

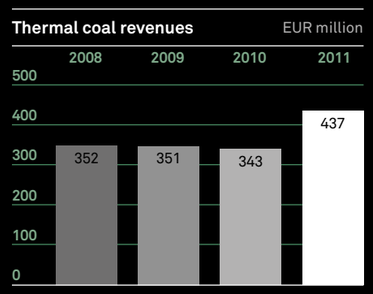
Marek Jelínek
Executive Director and Chief Financial Officer

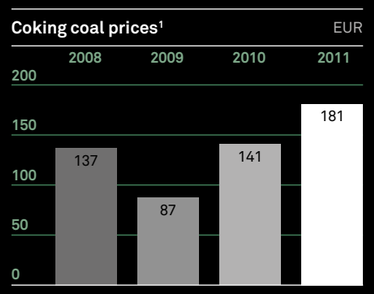
Coal

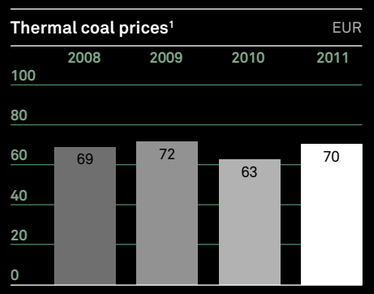
Coal production

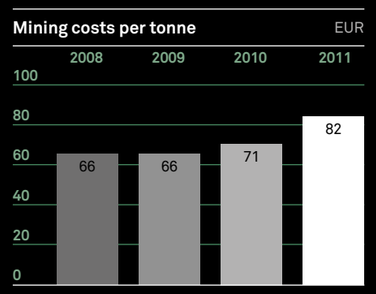
11.2Mt







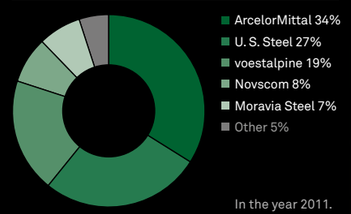




Highlights

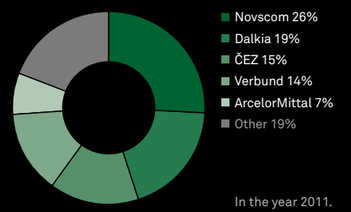
- Total coal production of 11.2 million tonnes
- Thermal coal revenues up 27 per cent to EUR 437 million
- Coking coal revenues up 8 per cent to EUR 800 million
- Less that 8 lost-time injuries per million hours worked – our best safety record to date
- Fundamentals for both coking and thermal coal remain attractive in our region in the long-term

Coking coal sales volumes by customers per cent



In the year 2011.

Thermal coal sales volumes by customers per cent



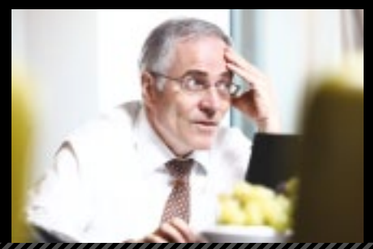
In the year 2011.

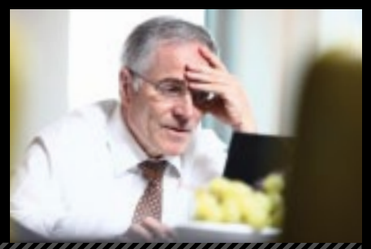
[1] Average sales price per tonne.

Photo: POP 2010 shearer at the mine. The installation of state if the art technology has improved our ability to mine more efficiency, and importantly improved the safety of our operations.

Coal

Klaus-Dieter Beck
Executive Director of NWR, Chief Executive Officer of OKD and Chairman of the Board of Directors of OKD





NWR's significant investment in new equipment in recent years has enabled us to better face the challenging environment of deep level mining in our region. The long-term outlook for both coking and thermal coal remains positive. In markets such as Germany and Poland, the outlook for thermal coal usage has been positive in comparison with alternatives such as nuclear.

Our safety and production performance, independently from economic headwinds, clearly demonstrate our on going operating efficiencies.

Highlights 2011

2011 has been a year in which the coal business performed in line with our expectations and which, compared to previous years, reflects a more regular operating pattern. The scale of early investment made in new equipment over recent years has led to significant improvements in the performance of the business enabling us to better face the challenging environment of deep level mining in our region.

Work around difficult geological conditions in the deposit remained a focus in 2011 in order to meet robust demand from our customers in the Central and Eastern European market. Despite the difficulties associated with mining at over 1,000 metres underground NWR continues to successfully access further areas that would have previously been impossible to reach safely.

Safety

Safety plays a pivotal role in our decision--making and is a key company performance metric. Mining LTIFR[1], the industry-wide safety indicator, improved in relation to our mining operations by 8 per cent to 7.87 – the best result in NWR's history. Major enhancements in safety performance have already been realised, although we remain committed to continuous improvement of the existing positive trend. Our health and safety standards are comparable with the levels reported by other major international mining companies. Given the relative complexities of the geology in which we mine, we remain committed to working further on our safety protocols for continuous steady improvement in the coming years.

Fatalities have regrettably occurred this year and we were saddened by the tragic loss of five workers. Two of these incidents were caused by 'tectonic stress releases', which could not have been predicted, or prevented and our commitment to move towards zero fatalities remains absolute. Further internal and external expertise in the area of tectonic stress release is included in all of our mining activities to help mitigate against these bounce issues and NWR, as one of the world's deepest-level coal mining companies, remains committed to developing practices to address these particular issues.

Markets

The main market development for coking coal during 2011 was the move to quarterly pricing, reflecting the impetus to move to shorter term pricing by the industry as a whole. Such a move has provided NWR with a greater level of parity with global coking coal prices. However, the long-term benefits of this move are as yet uncertain.

For thermal coal the demand dynamic over the year has improved and the signals from core electricity generators, in markets such as Germany, have been positive for coal usage by comparison to alternatives such as nuclear energy.

Coking coal prices peaked in the second quarter, although the deteriorating macroeconomic environment in the second half of the year has affected our coking coal customers and led to a reduction in coking coal prices. However, we have not experienced a dramatic change in the Central European region compared to previous years, and much of the underlying activity remains stable.

Looking ahead, the near-term outlook remains uncertain in terms of coking coal prices and we remain cautious on the near-term prospects of the regional steel industry, which has been affected by the wider European economy and the sovereign debt crisis. Nevertheless, we remain confident in the long-term fundamentals of the region given the significant manufacturing base and structural shortage of coking coal in the area.

Operational performance

Our safety and production performance in spite of the economic headwinds clearly demonstrate our ongoing operating efficiencies. The emergence of listed regional coal mining peers provides additional quarterly assessment of our comparative performance, which we see as a useful development.

Sales

Coking coal

External coking coal sales in 2011 reached 4.4 million tonnes and comprised approximately 53 per cent hard coking coal and 47 per cent semi-soft coking coal.

Since April 2011, 100 per cent of our coking coal sales have been priced on a quarterly basis in line with international markets. Average coking coal price in 2011 was EUR 181 per tonne, an increase of 28 per cent, taking out the impact of reclassification of PCI coking coal.

Given the ultimate consumer of PCI coking coal is the steel making industry, we started to classify its sales as coking coal as of 1 January 2012, in line with industry practice.

The average agreed price of coking coal, including PCI coking coal, for delivery in the first calendar quarter of 2012 is EUR 142 per tonne, a decrease of 13 per cent compared to the fourth quarter realised price and in line with developments in the global coking coal markets. This average price is based on expected Q1 2012 coking coal sales of approximately 54 per cent hard coking coal, 38 per cent semi-soft coking coal, and 8 per cent PCI coking coal.

Thermal coal

NWR sold 6.2 million tonnes of thermal coal in in 2011. Thermal coal sales in the period were approximately 77 per cent coal, 6 per cent PCI coking coal and 17 per cent middlings.

We sell 100 per cent of our thermal coal volumes on a calendar year basis and the average price agreed for thermal coal sales

[1] Lost Time Injury Frequency Rate represents the number of reportable injuries causing at least three days of absence per million hours worked. Includes contractors.

Coal

for the 2011 calendar year was EUR 70 per tonne, an 11 per cent increase excluding the impact of reclassification of PCI coking coal.

The average price agreed for thermal coal sales for the 2012 calendar year is EUR 74 per tonne, an 11 per cent increase compared to the 2011 average realised price and reflects strong regional demand for thermal coal as a source of power generation. This average price is based on expected calender year 2012 mix of 82 per cent thermal coal and 18 per cent middlings.

Costs & revenues

Revenues for the coal segment increased by 11 per cent to EUR 1,509 million mainly due to higher realised prices for both coking and thermal coal, and increased thermal coal sales volumes.

Main operating expenses for the coal segment increased by 13 per cent excluding the impact of currency movements to EUR 1,017 million. This increase was mainly driven by continuing mine development, as well as higher input prices of energy and steel, scheduled maintenance of mining equipment and increased costs for contractors and personnel.

Mining costs per tonne, which do not include the cost of transportation, rose by 12 per cent excluding FX fluctuations to EUR 82/tonne mainly due to the cash cost inflation detailed above, as well as 2 per cent decrease in production.

The coal segment generated EBITDA of EUR 483 million, a 10 per cent increase on 2010. The EBITDA margin remained flat at 32 per cent and EBITDA per tonne of production was EUR 43, up 12 per cent from 2010. The total coal production per coal segment employee including contractors reached 666 tonnes of coal in 2011.

Reserves

One of the largest, richest sources of hard coal in Central Europe, the Upper Silesian Coal Basin underpins the long-term prospects of our mining operations in the region. Our total JORC reserves was 385 million tonnes as at 1 January 2012.

Efficiency enhancement

A number of further steps have been taken to continue to improve efficiency during the year. The Continuous Improvement Programme and the PERSPective 2015 ('PERSP 2015') initiative have been central to improving production performance and cost control. PERSP 2015 refers to a range of measures to maximise the utilisation of the POP 2010 mining technology acquired in 2008–2009, in turn improving productivity whilst still replacing older production equipment as part of a regular replacement cycle. Throughout 2011 we allocated financial and management resources to the Continuous Improvement Programme, the aim of which is to encourage the submission by employees of innovative ideas and suggestions which help promote efficiency and safety measures, as well as achieving additional cost savings which in 2011 amounted to approximately EUR 12 million. The programme also exemplifies the co-operation between the Company and its employees.

Further enhancement to our infrastructure is the focus of the next stage of improvements. This activity relates to the mining operations as well as to areas including the supply and handling of material at both the surface and underground.

Gate road development between the Darkov and Karviná Mines

A connecting gate road development was initiated between the Darkov Mine and the Karviná Mine during spring 2011. Completion of the project, including the installation of belt haulage systems to facilitate the transportation of coal and other materials underground is scheduled for the second half of 2013 and will lead to the optimisation of OKD's preparation plant capability.

Outlook

The principal challenges for our mining operations in the coming year and beyond are the market environment in which we operate, and the nature of our deposits. As a result, our priority remains safety first, coupled with productivity improvements.

In relation to productivity improvements, further exploration of our existing mining areas is central to sustaining our production volumes and quality mix over time as the reserves are depleted. The principal projects we are currently working on include the expansion of the Karviná Mine to access adjacent coal reserves. Another ongoing project is the gateroad development between the Karviná and Darkov Mines, which is designed to facilitate the transportation of coal and other materials underground. In addition to the installation of new central air conditioning equipment at the Karviná Mine, we also continue to replace out-dated gateroad equipment with modern technology as part of the standard replacement cycle.

During the second half of the year, we announced our intention to explore the Frenštát deposit. This process will take four years to complete, after which we will be in a stronger position to outline the nature and quality of this reserve base, and thereafter, we will decide on the feasibility of developing the resource safely.

At the end of 2011 NWR announced the official ground breaking at the Dębieńsko Mine in southern Poland; we expect to first coal out of the deposit by 2017. For more details on our growth projects please refer to pages 22 and 23.

Klaus-Dieter Beck
Executive Director of NWR, Chief Executive Officer of OKD and Chairman of the Board of Directors of OKD

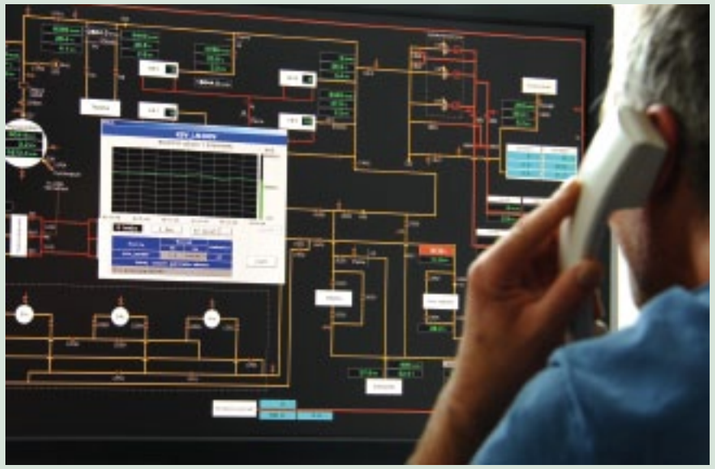
Case study

Mining controllers have access to new real time monitoring systems

We will deliver greater economies with the implementation of our new logistics system.

Logistics is fundamental to safe and efficient deep-mining operations and the new system is focused on increasing the efficiency of materials handling, from surface loading all the way through to underground deployment, dramatically reducing the physical effort involved in such processes, and importantly, increasing the safety of our operations. By transmitting information at each stage of the process over an underground online network, the new system enables the controller to monitor progress in real time, eliminating bottlenecks and the unnecessary stacking up of material.

With the pilot phase launched at our Darkov Mine in 2011, the new system will gradually be rolled out across all our mines with full implementation by 2014.

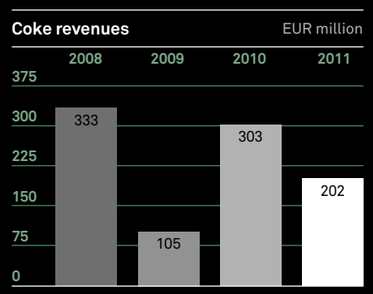


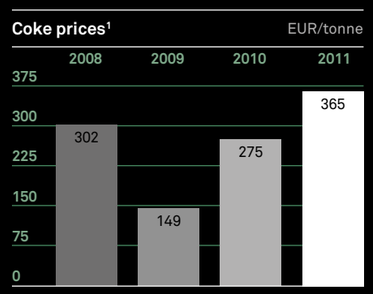
ČSM Mine in Karviná region produced 2,862,000 tonnes in 2011 which is record volume in its more than forty years history. The key determinants of the success were investment in mining technology and installation of new belt coal haulage. The greatest credit for reaching of production level and increasing the safety belongs ČSM Mine employees. By investing in modern technologies employees often exchanged paper and pencil for a computer connected online to surface and underground operations.

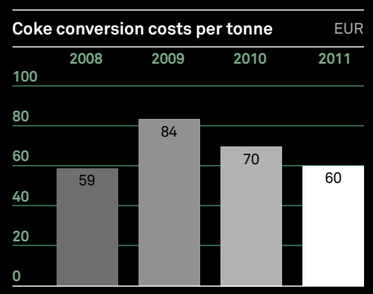
Coke

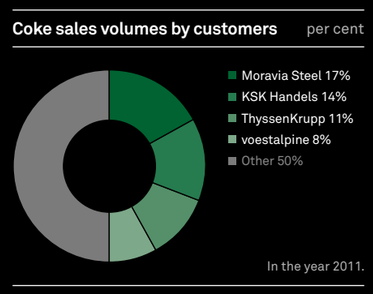
Coke conversion unit costs

60 EUR/t









Highlights

Maintained position as the largest producer of foundry coke in Europe

Newly constructed battery No. 10 fully operational

Coke conversion costs per tonne reduced by 17 per cent driven by modernisation and consolidation of our coke production facilities in a single plant

[1] Average sales price per tonne.

Photo: New coking battery no. 10 at the Svoboda coking plant in Ostrava produces principally foundry coke. The coking battery was built as part of the COP 2010 initiative.

Coke

Michal Kuča
Director of OKK, Chairman of the Board of Directors of OKK

OKK maintained its position as the largest producer of foundry coke in Europe. With the newly constructed coking battery no. 10 fully operational and serving a diverse range of customers, production is now significantly enhanced: less energy-intensive and requiring lower maintenance. As a result our coke unit conversion costs were 17 per cent lower, excluding the impact of currency movements, than a year ago.

Our operations have been successfully restructured and our strategy for the future is focussed on maintaining premium coke quality whilst managing costs.

Coke highlights of 2011

2011 has been a milestone year for the coke business with progress on all fronts, which leaves the business well positioned for the future as the industry continues to face uncertain times. At the beginning of 2011 we completed the transfer of all production to one facility, at Svoboda, and this concluded our large-scale investment programme, COP 2010.

As a result, we have significantly reduced costs, transformed safety and further reduced the impact of our operations on the environment. Unlike our previous configuration, the new plant is able to produce the full range of coke products with foundry coke being the higher-margin product.

Our operations have been successfully restructured and future capital expenditure in OKK will not match the magnitude of recent years. Our strategy for the future is focused on maintaining premium coke quality and managing costs rather than developing new capacity.

Safety

Safety continues to be an important focus for OKK and, given the nature of our 24-hour, 365-days-a-year operations, we are pleased to have achieved major improvements this year.

This achievement is underpinned by our comprehensive system of training and communication, which involves regular training for technicians, supervisors and foremen, and discussions with our internal staff and contractors. We have invested in the latest technology to include breathing apparatus and safety fuses for benzole absorption coolers.

Operational performance

Coke production in 2011 was 770 kilo tonnes - lower than in 2010 principally due to the planned closure of the outdated Jan Sverma coking plant, which reduced the Company's coke production capacity.

The consolidation of our production has significantly enhanced our cost position and coke unit conversion costs were 17 per cent lower than in 2010, on a constant currency basis, as our new production is considerably less energy intensive and requires lower maintenance costs than running the older plant.

One other significant advantage of our new facility is the ability of all four batteries to produce both foundry and blast furnace coke, giving us the ability to change production schedules to meet demand. This has proved to be a great asset during 2011 as we have been able to react flexibly to the changing market environment and increase the proportion of foundry coke in our production and sales mix.

Coke sales

Coke sales for 2011 were approximately 67 per cent foundry coke, 23 per cent blast furnace coke, and 10 per cent other types.

Coke prices are set quarterly and the average realised sales price during 2011 was EUR 365 per tonne, an increase of 33 per cent compared to the previous year.

Costs & revenues

Revenues for the coke segment decreased by 31 per cent to EUR 237 million, as the increase in prices was more than offset by the decrease in sales volumes, due to our reduced coke capacity, as well as due to weak demand for merchant coke in the second half of 2011.

Main operating expenses for the coke segment decreased by 10 per cent in 2011. Excluding the impact of currency appreciation, main expenses for the coke segment decreased by 12 per cent in the period, as lower production was partly offset by the increased unit price of coking coal.

Despite the 23 per cent decrease in production, coke conversion costs per tonne, which exclude the cost of coal inputs and transportation, decreased by 17 per cent, excluding the impact of currency movements, driven by the modernisation and consolidation of our coke production facilities in a single plant.

Challenges

In the second half of 2011 the European coke market tightened, which affected our performance and prompted us to lower our coke sales guidance for the full year 2011. Some coke customers from the steel industry have their own captive coking facilities and use third-party coke merchants to supplement supply when necessary. When steel producers' utilisation capacity decreases, a major challenge for any stand-alone coke merchant like OKK is that steel makers with captive supply do not buy its products. Even when coke unit production costs are relatively low, customers prefer to maintain their own production rather than mothball their coke plants and buy third-party coke.

Whilst independence from any single customer enables OKK to serve a relatively diverse variety of customers, it still means that we are dependent upon the dynamics of the European coke market. In times of weak customer demand OKK stockpiles coke as many customers reduce stock levels in order to lower their working capital requirements.

Continuous Improvement Programme ('CIP')

OKK has been successful in linking the performance of the business as a whole to the actions of individuals. Under the CIP initiative, OKK employees are eligible for financial rewards in return for improvements in quality, simplification and/or reduction in the costs of working processes. During 2011, the CIP delivered savings of around EUR 2 million.

Environmental

During the year we succeeded in our application to the Czech Ministry of the Environment for the reconstruction of the quenching tower no. 2 for coking batteries nos. 9 and 10 with the objective of further reducing emissions of solid pollutants. During 2012 we intend to reconstruct the

Coke

dust exhaust of flue gases at the coke separation facility no. 6 to further reduce solid pollutant emissions.

In addition to dust suppression and waste removal measures successfully taken during 2011, we commissioned an independent study on the identification and/or elimination of possible sources of secondary dust nuisance, the re-suspension of dust particles and the further prevention of leaks. This research will be completed in 2012 when we will look further into the economic and technical viability of the outcomes as we endeavour to improve the impact of our operations on the environment. During the years 2012 and 2013 a benzole washing unit will be reconstructed.

As a major industrial operation in the region, OKK regularly cooperates with the Czech Ministry of Environment and related authorities on ways to ease the environmental impact of our operations. In reviewing the Moravian-Silesian Regional Authority, Integrated Pollution Prevention and Control ('IPPC') conditions, on the recommended tightening emission limits applicable to coke production processes, the paper will be reformulated into new operational criteria following a mutual agreement with OKK.

2012 Outlook
The demand for merchant coke continues to be weak in the European market. We expect to produce 700kt and sell 600kt of coke in 2012. Coke unit conversion costs are expected to increase, in line with an expected decrease in production in 2012.

Michal Kuča
Director of OKK and Chairman of the Board of Directors of OKK

Case study

New battery no. 10 in full operation

The construction of a new coking battery at the Svoboda coking plant in Ostrava was successfully completed in autumn 2010.

In April 2011, representatives of the relevant state administrative bodies conducted inspections to test the coking battery's compliance with safety and environmental criteria before granting final approval. The battery has an annual production capacity of approximately 225 kilo tonnes per year, and principally produces foundry coke.

The new coking battery meets the highest environmental standards. Measuring stations, which continuously monitor harmful emissions, have been installed on and around the battery as well as around the entire Svoboda facility, and the data is evaluated on a regular basis. The battery is of a 'Still' design, and as such it operates at lower temperatures, leading to lower NOx emissions.

In the beginning of 2011, OKK integrated its production to one plant, Svoboda coking plant, in Ostrava-Přívoz. This was made possible thanks to the construction of a new coke oven battery No. 10 as a key part of COP 2010 program and refurbishment of the battery No. 8. OKK focuses on the production of foundry coke which is the largest European producer.

Development projects

Dębieńsko project ground breaking

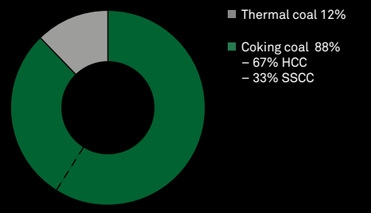
3 Dec 11

Highlights

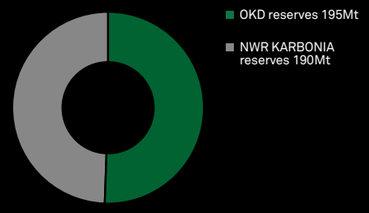
- Dębieńsko project progressing to plan with ground breaking in December 2011
- Karviná Mine expansion projects progress to access adjacent coal reserves
- Shaft deepening projects underway to access reserves further underground
- Announced intention to explore Frenštát
- Continued exploration works at Morcinek

[1] Source: International Energy Agency
[2] Source: 2000-2011 World Steel Association, 2012-2013 AME
[3] Source: International Energy Agency

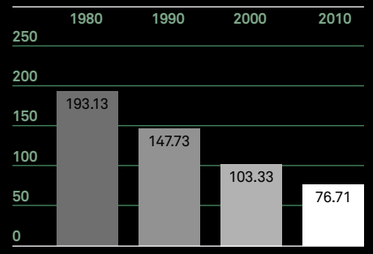
Dębieńsko mine - reserve base split per cent



Dębieńsko reserves base million tonnes



Hard coal production in Poland[3] million tonnes



Electricity generation in Poland[1] GWh

Steel production in EU-27[2] million tonnes

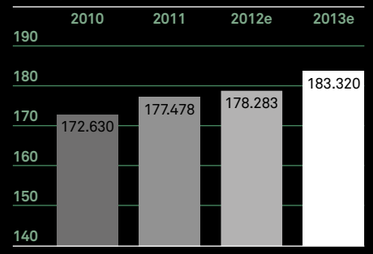
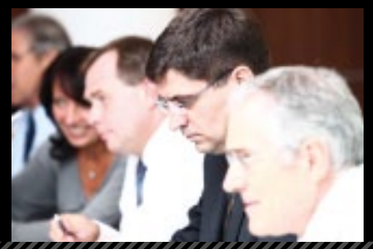


Photo: Computer generated image of the Dębieńsko Mine overground operations.

Development projects

Ján Fabián
Chief Operating Officer of NWR, Vice Chairman of the Board of Directors of OKD
and Chief Executive Officer and Chairman of the Board of Directors of NWR KARBONIA



Our growth strategy aims to capitalise on the strong supply and demand dynamic of the region by developing our current mining operations whilst also seizing new opportunities. In 2011, we broke ground with our Dębieńsko project in Poland, the first new mine to have been built in the Upper Silesian Coal Basin for twenty years. For the longer term we are also exploring new resources in the region at Morcinek and Frenštát.

Our decision to proceed with various projects reflects our confidence in the quality of our reserves and the long-term strength of demand across both coking and thermal coal markets in the area.

Our approach to development projects
Development projects are a key part of our strategy as they serve to underpin the long-term future of our operations. Our decision to proceed with various projects reflects our confidence in the quality of our reserves and the long-term strength of demand across coking coal markets in the area. Our development projects are located in the Upper Silesian Coal Basin, both in the Czech Republic and Poland, giving us the added advantage of using our regional mining expertise.

Our approach is to address regional issues that affect our license to operate. We adhere to strict EU legislation governing mining and environmental practices and look to action the concerns of local communities. We therefore approach development projects with the view that they must be viable from both the business and the social responsibility perspective. Our adherence to best practice social responsibility is described in detail in our Sustainability Report 2011.

We divide our development projects into three major groups – strategic, near-term and long-term – reflecting the respective stages of the projects, their timelines and the level of investment.

Strategic projects:
Dębieńsko – our largest growth project
NWR's Board of Directors gave its final approval for the Dębieńsko project in June 2011 following the completion of a Detailed Feasibility Study. Dębieńsko, located in southern Poland, will be the first new mine to have been built in the Upper Silesian Coal Basin for twenty years.

Project overview
NWR holds a 50-year mining license, granted in 2008, to extract coal from Dębieńsko. We started preparing the site and putting together a team of both international and regional experts during 2011 and reached a key milestone in the process with the ground-breaking in early December 2011.

In 2010 we applied for an amendment to this licence to enable us to mine additional coal reserves in Dębieńsko and we expect to secure the amended licence during 2012, following completion of the environmental review.

Total coal reserves at Dębieńsko amount to 190 million tonnes, of which seven eighths is expected to be coking coal and the remainder thermal coal. Two thirds of the coking coal is expected to be hard coking coal and one third semi-soft coking coal. Initial coal production is scheduled for 2017 and full production of roughly 2 million tonnes per annum will be achieved shortly after.

We are investing a total of EUR 544 million in the project of which EUR 411 million is development CAPEX and EUR 133 million will cover pre-production operating costs. These operating costs include maintenance of the existing shafts and mine workings, and the operation and maintenance of the electrical and water-pumping infrastructure, as well as the ventilation system. Once operational the mine will employ around 2,000 people, including contractors. We plan to finance the project using a combination of our own cash and debt.

Progress during 2011
We made good progress at Dębieńsko during 2011. We began work on the portal opening (technically referred to as a 'box cut') for one of the two planned slopes. We also signed the contracts necessary to start work on the excavation of Slope 1 scheduled to start in June 2012.

A number of the senior operational management positions were filled during 2011 and we have employed a strong team of international consultants to work alongside us on this landmark project. Furthermore, we commenced detailed technological planning for the consecutive elements of the entire underground access project, and are undertaking on going engineering studies using both global and local experts.

Outlook for 2012
We will complete the technological planning for the underground elements of the construction by June 2012 and begin work on the mine construction, which will include the excavation of Slope 1 and the surface infrastructure of the mine. We expect work on Slope 2 to begin by the end of 2012.

Additionally, we will start work on the existing shaft modernisation, which we plan to complete by the end of 2013. This shaft will supply fresh air into the mine, as well as being used to transport employees and materials.

Importantly, we expect to receive further environmental permits and an amended licence, which will allow us to mine additional seams.

Near-term projects:
development of current mines
We use the phase 'near-term projects' projects' to describe growth options opportunities, which relate to our existing mines. These deposits are included in our current JORC reserve base and help to sustain production volumes and quality, as well as improving overall returns by extending the life of our mines.

We are currently working on the expansion of the Karviná Mine to access adjacent coal reserves, a project that we aim to complete by 2016. This venture will allow us to access hard coking coal deposits through horizontal development of the Karviná Mine, and consists of two principal projects: Project Karviná and Project Orlová-Výhoda.

During the year, OKD representatives met with all relevant parties who would be affected by this activity to explain the rationale behind the plans, and to come to a common agreement. We are currently in the process of submitting the necessary paperwork for the projects to the Czech Ministry of Environment in line with the Environmental Impacts Assessment ('EIA') law.

Development projects

Project Karviná
In autumn 2011, we entered into negotiations with the City of Karviná regarding an extension to our mining activities in the area. We aim to extract more than 20 million tonnes of coking coal from the area via the existing Karviná Mine.

Project Orlová-Výhoda
In 2011, we announced our intention to extract hard coal from the Orlová-Výhoda district, a town in the Karviná region. We are currently waiting on the conclusion of the submitted EIA as well as other regulatory approvals, which will allow us to extract approximately 10 million tonnes of coking coal from the site.

Shaft deepening projects
In December 2011 we began work on the deepening of one of the shafts at the ČSA section of the Karviná Mine. Estimated to be completed by 2015, a further 312 metres will be excavated to bring the total depth of the shaft to approximately 1,270 metres below the surface.

Additionally, preparations and tenders for the deepening of two shafts at the Lazy section of the Karviná Mine are underway. We expect to reach a further 475 metres underground, bringing the total depth to approximately 1,346 metres. The shaft deepening project is expected to take five years to complete from the start of the excavations.

Long-term projects: exploring new resources – Morcinek and Frenštát
Our long-term projects are at the preparation stage or are undergoing geological surveys. This means that resources in those locations are not included in our JORC classification, and by surveying the resources we will be able to prepare more detailed information on future activity.

Morcinek
Morcinek, another development project in southern Poland, is a mothballed mine, which was last mined in the late 1990s and is a longer-term project for NWR. We were granted a 12-year exploration licence in 2003 for Morcinek 1, the mine, which has since been closed and an additional six--year licence for a second area, Morcinek 2, in 2008 in order to document the reserves. We drilled one borehole in 2011 and are now drilling the second of four exploration boreholes designed to delineate the area.

Following completion of the drilling and geological work we will apply to have the reserves included in Poland's official list of reserve bases. If this application is successful we will look to undertake an environmental impact assessment with a view to applying for a mining licence in the area.

Frenštát
In September 2011 we announced our intention to further explore the hard coal deposit at the Frenštát Mine site. This resource is not part of our current JORC reserve base and is estimated to be approximately 1.6 billion tonnes of coal. The exploration process is expected to take four years to complete, after which we will have a clear understanding of the mine and will decide on the feasibility of developing the resource.

The Frenštát Mine site is located in the northeast of the Czech Republic. The two shafts at Frenštát were built in the 1980s but were never brought into operation. Under the Czech Mining Act, NWR is obliged to maintain and look after the mine in order to prevent degradation, in particular of the technical conditions, dewatering and safety.

Ján Fabián
Chief Operating Officer

Case study

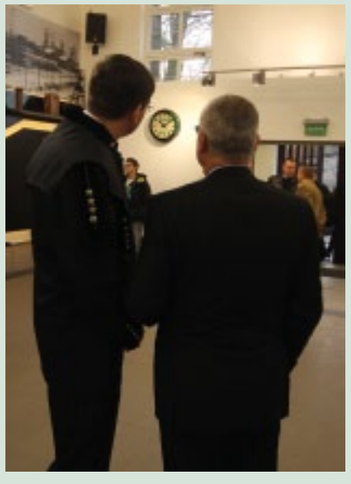
Access to the Dębieńsko Mine

Coal extraction from Dębieńsko 1 will be supported by the existing infrastructure of the former Dębieńsko Mine, currently owned by CZOK ('Centralny Zakład Odwadniania Kopalń').

The coal seams at Dębieńsko 1 will be accessible from the surface via Slopes nos. 1 and 2, which will reach depths of approximately 780 metres underground, and will be used to transport coal to the preparation plant, as well as for the transportation of workers, materials and machinery. A connection between the extraction level and the process unit has been designed to sit at this level, and will include vertical headings and large diameter holes through which fresh air will be circulated.

Further slopes will provide access to the working levels, which will reach depths of approximately 1,050 and 1,250 metres underground.

Through NWR's 'access project', we will install power grids as well as anti-fire and drainage systems. The project is tailored to the conditions of this particular coal deposit, including tectonic activity, and takes into account the old workings in the former Dębieńsko Mine.

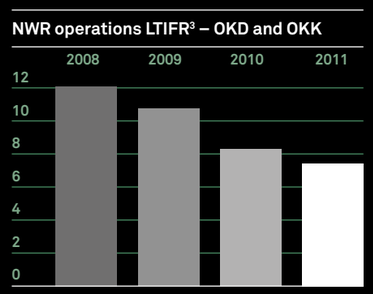


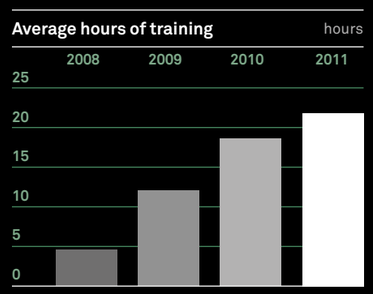
Symbolically, on the feast day of miners' patron St. Barbara, ceremony launching construction works took place in the renovated Hall of Traditions of Dębieńsko mine in municipality Czerwionka-Leszczyny. Construction began by symbolic first dig of the Slope 1 box-cut, which is one of two planned slopes of the mine. Construction of Debiensko Mine is the largest development project of NWR and coal production is planned to start in 2017.

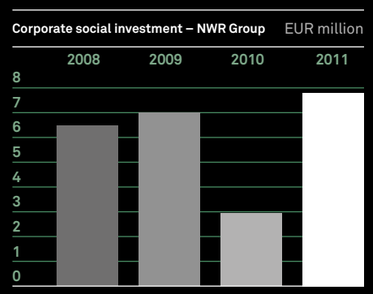
Sustainability

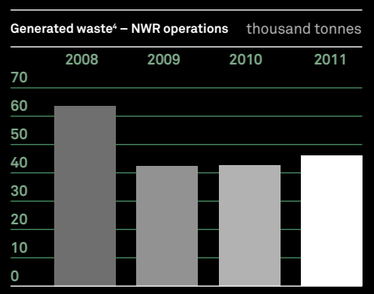
NWR operations LTIFR[3] – OKD and OKK

7.64









Highlights

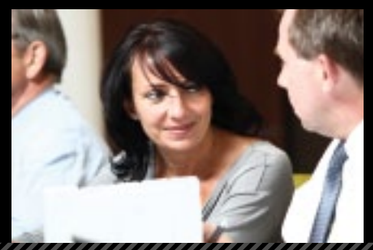
- Mining LTIFR improved by 8 per cent in 2011 compared to 2010. Over the last four years mining LTIFR has fallen substantially by 40 per cent
- Time dedicated to staff training increased 376 per cent from 2008 to 2011
- Total energy consumption down approximately by 10 per cent in 2011
- Voluntary employee turnover rate[1] further decreased to 1.17 per cent in 2011
- NWR Group's corporate social investment reached EUR 7.88 million in 2011
- Recycling of water in 2011 reached 49.6 per cent[2], an increase of 11 per cent in 4 years

[1] Voluntary employee turnover rate includes OKD and OKK.
[2] Estimate.
[3] Lost Time Injury Frequency Rate represents the number of reportable injuries causing at least three days of absence per million hours worked including contractors.
[4] The increase in generated waste was driven by scrap due to investments in modern technologies under the POP 2010. This is a usable waste with economic benefit to society.

Photo: Thanks to the implementation of the SAFETY 2010 programme, miners have been equipped with the latest personal protective equipment, delivering a marked improvement in safety conditions underground.

Sustainability

Petra Mašínová
Head of Corporate Communications and Sustainability



NWR continues to focus its efforts on the four pillars of sustainable development: corporate governance, employee welfare, environment and community. Reflecting the importance we attach to sustainability as an integral part of our business strategy, we have this year begun to report our sustainability performance in accordance with the internationally recognised GRI (Global Reporting Initiative) standards. Our aim is to set the benchmark for sustainability in the CEE regional mining industry.

In 2011 NWR concluded its first year of reporting sustainability performance in accordance with the Global Reporting Initiative ('GRI') and published its first annual Sustainability Report for the year.

Strategy

By its very nature, coal mining will always have an impact on the environment, and on the people who live nearby. That is why we are ever mindful of our responsibilities as we seek to expand our available coal reserves at our existing mines, develop new mines and pursue merger & acquisition opportunities. Indeed, it is incumbent upon us to go far beyond 'box ticking' compliance; in the course of our business we must maintain a working dialogue with the Czech, Polish and European Union regulators of our industry, with the local politicians who represent the towns and regions where we operate, and with the national politicians who legislate.

Sustainable development is integral to the business strategy of NWR. Ensuring that our business is economically and environmentally sustainable enables the NWR Group to maintain its social licence to mine coal and produce coke. We continuously monitor and evaluate the impact of our activities in order to effectively manage the sustainability of our business.

The long term success of the NWR Group depends strongly on maintaining a broad social licence to operate. We target:

» the sustainable and responsible use of natural resources that we mine and process;
» minimising the environmental impact of our activities by thorough planning of our coal and coke production, efficient execution and responsibly managing the landscape; and
» sustaining jobs within and bringing wider benefits to the local communities where we operate

By openly communicating our activities and aspirations, the NWR Group seeks to be an engaging and reliable partner for all stakeholders.

Stakeholder dialogue

When preparing reports on sustainable development, we followed the procedure recommended by the GRI. Those priority areas which stands at the forefront of the interest of our stakeholders are grouped in four pillars of sustainable development – corporate governance, our people, environment protection and relations with community – with an emphasis on safety.

Safety, Health and Sustainability Committee

The former Heath, Safety and Environment Committee ('HSEC') established in 2007 to assist NWR's Board of Directors with health, safety and environmental risks within NWR, was transformed into the Safety, Health and Sustainability Committee ('SHSC') by the Board of Directors on 15 November 2011. The purpose of the SHSC is to assist the Board in its management of corporate and social responsibilities, with a special emphasis on safety, health and environmental risks within the NWR Group. The Board approves the adequacy of risk-control measures to ensure that the risks are effectively controlled and prevented. The SHSC aims to provide the Board with additional focus, insight and guidance on key Group Sustainability and HSE issues and global trends. The members of the SHSC are: Paul Everard (Chairman), Mike Salamon, Klaus-Dieter Beck and Steven Schuit. The meetings are also regularly attended by Ján Fabián, Chief Operating Officer of NWR who is responsible for the overall operations of NWR KARBONIA and OKK, Petra Mašínová, the Head of Corporate Communications and CSR, and by two external experts, Stan Suboleski and Karl Friedrich Jakob.

Further details on functioning and activities of the SHSC may be found in the Corporate Governance section of this report on pages 77, 78.

Sustainability reporting

NWR publishes its first GRI compliant Sustainability Report, which measures NWR's performance through non-financial indicators. In line with the Company's aim to focus on corresponding activities, NWR intends to issue a Sustainability Report annually, shortly after the release of its Annual Report and Accounts.

Related information online at www.newworldresources.eu/sustainability

Case study

Detailed monitoring of employee movement improves safety

In 2011, the Czech Mining Authority invited mining companies to propose ideas for monitoring the traffic of employees in mining areas, as part of its on going project to improve safety in mining operations in the country.

NWR pioneered an initiative facilitated by UHF tags placed on the lower part of miners' lamps. The UHF, or RFID, tag contains a unique number and detailed information on its user. The tag also includes a back-up power source, ensuring its continued operation even if the main battery runs down. RFID readers are installed throughout the monitored areas, recording the movement of miners and storing the information in a database. Inspection service employees can therefore continuously monitor the movement of personnel, the number of miners on individual shifts, and any instances of entry into restricted areas.

The system is designed as M1-category equipment. It enables monitoring in adverse situations such as high methane concentration or a general power failure.

During 2011, 12 of these systems were installed across our mines. A central communication system is currently under development as part of the evolution of this concept as NWR seeks to further its safety improvements in stress-prone areas. This communication system will expand the capabilities of the existing safety system. The key requirement is to ensure basic communication between miners situated underground and the central operations desk.

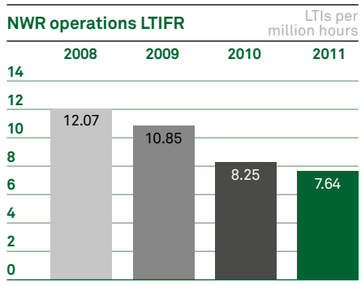
The four pillars of our approach to sustainability are corporate governance, the safety and welfare of our people, care for the environment and good community relations. Detailed goals and performance indicators are set within each of these pillars.

Our people[1]

Caring for our employees across safety, healthcare, working environment, appropriate remuneration and training, is a top priority. Every year NWR invests considerable amounts of time and money in improving employee safety and training.

NWR operations LTIFR

NWR operations[2] Lost Time Injury Frequency Rate (LTIFR) represents the number of reportable injuries after at least three days of absence divided by total number of hours worked expressed in millions of hours and including contractors.

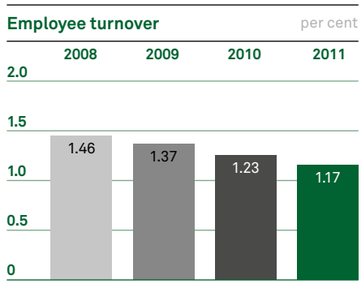


Performance

As a result of our focus on safety, the introduction of new mining technology and safety training and education we have succeeded in reducing the LTIFR by more than 7 per cent since 2010 and by over 37 per cent in the last 4 years. Our goal is to further reduce our LTIFR to 5 by 2015.

NWR operations employee turnover

Employee turnover rate is calculated using the end-of-year total number of employees who left the organisation voluntarily (adjusted for employees having left due to dismissal, retirement or for health reasons).



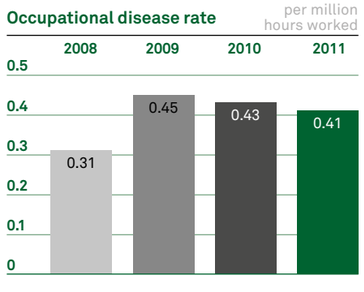
Performance

Our aim is to maintain low voluntary employee turnover rates in order to reduce any negative impact this may have on productivity or recruitment costs.

Our HR policy, benefits and motivation programmes have succeeded in reducing employee turnover by approximately 25 per cent in 4 years.

NWR operations occupational disease rate (ODR)

The frequency of occupational diseases relative to the total time worked by the total workforce in the reporting period.



Performance

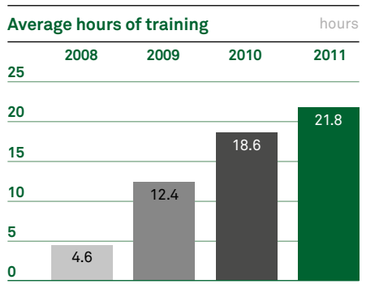
We focus our efforts on providing vitamins, recuperation breaks and rehabilitation care, all of which have proved to be key elements in maintaining low levels of ODR.

We have recorded continuous improvements in ODR, which has been reduced by 7 per cent since 2009.

[1] The Group has a policy towards disabled employees covered by the Code of Ethics. The subsidiaries act in compliance with Czech and Polish laws.
[2] NWR operations includes OKD and OKK as main production entities

NWR operations average hours of training per year per employee

Average hours of training per employee is calculated as the total number of hours dedicated to training divided by the average number of employees in the reporting period.



Performance

The time we dedicate to training and education has increased by 376 per cent in last four years. Training has a key role in improving human capital and preventing safety and health risks. It is also closely linked with new automated and computer controlled mining and development technology installed in POP 2010.

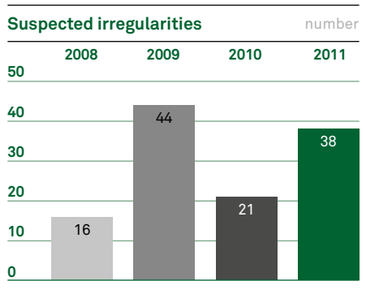
Sustainability Report 2011
www.newworldresources.eu/sustainability
Sections Our people, Scorecard, Strategy, Case study – Safety, GRI Content Index (LA indicators)

Corporate governance

We are committed to maintaining high standards of corporate governance, taking into account international best practice requirements. Reflecting the importance we attach to sustainability, the Health and Safety Environment Committee was transformed into the Safety, Health and Sustainability Committee during 2011 with broader sustainability issues in its focus.

NWR Group suspected irregularities

Number of suspected irregularities (phenomena) reported within our established whistleblower procedure which is part of NWR's Code of Ethics and Business Conduct.



Performance

The significant increase in suspected irregularities reported between 2010 and 2011 is due to the introduction of new reporting criteria.

In 2011 we report the number of incidents while in 2010 we reported the number for suspected irregularities.

One suspected irregularity may consist of two or more incidents.

Sustainability Report 2011
www.newworldresources.eu/sustainability
Sections Corporate Governance, Strategy, Ethics and society, GRI Content Index 4.1 – 4.10, HR indicators)

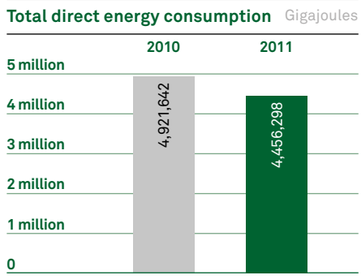
We keep in regular contact with all of our stakeholders who include our employees, investors, analysts and shareholders, the community, governmental and municipal authorities, suppliers, customers and educational institutions.

Environment

Mining, by its nature, affects the environment in a number of ways. We are aware of the impacts our activities have on the environment wherever we operate. To mitigate these we pay particular attention to water consumption, waste management, emissions and to biodiversity, in the form of our land reclamation projects.

NWR operations total direct energy consumption

Total direct energy consumption (in gigajoules, GJ) includes direct primary energy purchased and produced minus direct primary energy sold.



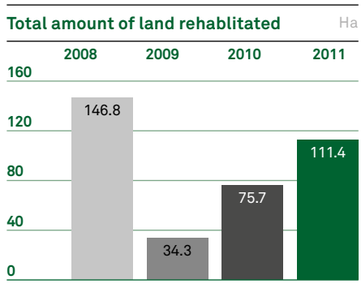
Performance

Total energy consumption decreased approximately 10 per cent in 2011 (reported in GJ) mainly due to the lower consumption of compressed air (OKD) and thermal energy (OKD, OKK). This decrease was driven by the substitution of compressed air with more efficient electricity.

Note: The total direct energy consumption is not available for 2008 and 2009 due to the unavailability of reportable audited data due to a significant change in the reporting base.

NWR operations total amount of land rehabilitated

Land rehabilitation (reclamation) is the area influenced by mining activities.

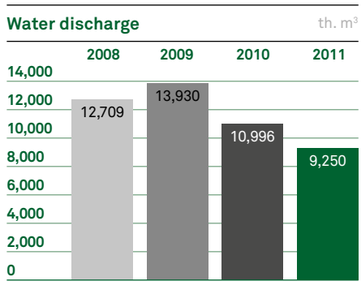


Performance

The total amount of land rehabilitated in reclamation projects is in accordance with 'Comprehensive Rehabilitation and Reclamation Plan' for a five-year period which is to be updated each year. The plan is regularly submitted to the Czech Ministry of the Environment for approval. The total amount of rehabilitated land planned for year 2012 amounts to 28.6 hectares.

NWR operations water discharge

The total amount of water effluents discharged over the course of the reporting period into subsurface waters, surface waters, sewers, treatment facilities, and ground water.



Performance

We continuously strive to reduce the total water discharge by increasing the volume of recycled water in our mining operations.

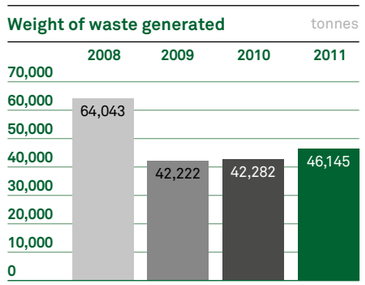
Recycled water accounted for 49.6 per cent of the total volume discharged in 2011 and this proportion has been increasing continuously since 2008.

Note: estimate for 2011

NWR operations weight of waste generated

The total weight of generated waste includes the total volume of hazardous waste and non-hazardous waste defined by the Czech legislation.

Non-hazardous waste contains all other forms of solid or liquid waste excluding waste water.



Performance

The total weight of generated waste increased in 2011 due to the higher production of scrap steel resulting from the decommissioning and replacement of old equipment with new technology under the POP 2010 and PERSP 2015 programmes.

Scrap steel is considered a recyclable material.

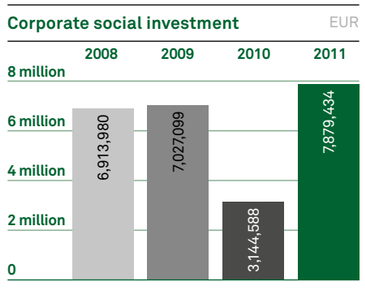
Sustainability Report 2011
www.newworldresources.eu/sustainability
Sections Chairman's statement, Environment, Scorecard, Strategy, Case studies Responsible Mining Practices throughout the Life Cycle, GRI Content Index (EN indicators, MM indicators)

Community

NWR maintains close relationships with the communities in which we operate and aims to develop mutually beneficial partnerships. We also invest significantly in social, cultural, sporting and educational activities wherever we operate.

Corporate social investment (CSI)

Group's[1] CSI spent primarily on social issues in the form of donations or sponsorship, excluding benefits for employees. CSI supported projects from the following areas: community, enterprise and job creation (scholarships, support of schools), health and culture (OKD Foundation); education (donations); environment (funds provided beyond the law requirements) and sport (sponsorship). NWR do does not support political parties and did not make any political donations during the year.



Performance

We are committed to social investment at both a corporate and operational level. The volume of investment is influenced by the prevailing economic situation of the industry.

The significant increase in CSI in 2011 is driven by OKD donations to the OKD Foundation, which increased 232 per cent.

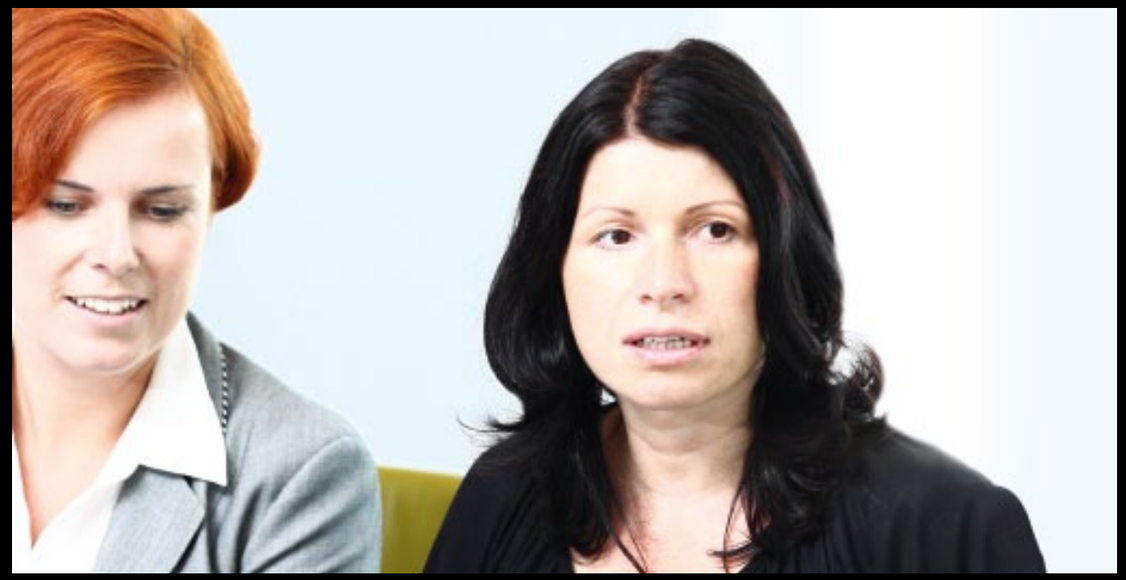
We rank amongst the largest private donors in the Czech Republic.

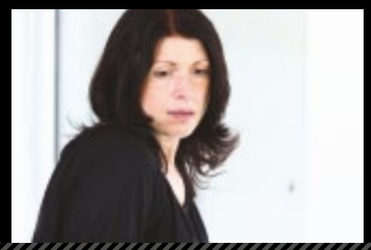
Sustainability Report 2011
www.newworldresources.eu/sustainability
Sections Chairman's statement, Community, Scorecard, Strategy, Case studies Responsible Mining Practices throughout the Life Cycle, GRI Content Index (SO indicators, MM indicators)

[1] In 2011, NWR donated EUR 250,000 to OKD Foundation and EUR 20,000 to St. Barbara Civic Association. In 2011 NWR supported sponsorship projects, with a total contribution of EUR 180,476. Supported sponsorship projects: International Viola Viola Festival in Haarlem in the Netherlands for EUR 40,000; European Business Congress in Katowice in Poland for EUR 10,220; Polish Coal 2011 forum in Katowice in Poland for EUR 10,220; International Contemporary Art Fair 'Art Prague 2011' in Prague in the Czech Republic for EUR 7,860; 54th Biennial: 'Federico Díaz: outside itself' in Venice in Italy for EUR 8,153; Mukachevo Expedition Project for orphan children from the Czech Republic and Ukraine for EUR 2,000; XXI economic forum in Krynica-Zdrój in Poland for EUR 10,500; Cool Math project aiming to improve the teaching of mathematics in primary schools in the Czech Republic for EUR 79,523; support for Ondřej Broda European Champion and World´s Vice Champion in swimming with fins for EUR 12,000.

Corporate Governance

Ivona Ročárková & Lucie Vávrová
Company Secretary





In 2011, NWR successfully completed its redomiciliation to the United Kingdom through a share exchange offer, replacing NWR NV with NWR Plc as the Group's holding company, enabling FTSE Index Series eligibility and reaffirming the Group's commitment to the highest standards of corporate governance and control. Consequently, as part of this reincorporation process, the Company made a number of amendments to its governance documents and Board Committee charters in line with the UK Corporate Governance Code and best practice, including the establishment of a new Nomination Committee. To complete the reincorporation, the Company initiated a squeeze out process relating to the remaining minority stakes in NWR NV.

Highlights 2011

Redomiciliation to the UK by way of a share-for-share offer through which one A Share issued by NWR was offered for one A share issued by NWR NV.

Replication of the corporate governance principles as well as the Committees' charters of NWR NV by NWR with amendments corresponding to the UK Corporate Governance Code and best practice in the UK.

Establishment of the Nomination Committee.

Adoption of the Compensation Manual implementing UK remuneration principles, changes to the Deferred Bonus Plan and issue of rollover options in respect of the Stock Option Plan of NWR NV.

Formulation of the Group's sustainability strategy and reporting and their monitoring by the Safety, Health and Sustainability Committee.

Adoption of the Business Integrity Policy setting a solid framework for implementation of the Bribery Act 2010 requirements.

Two-day strategy meeting of the Board including a visit to the Dębieńsko site.

Identification of the Group's main risks and their continuous monitoring.

Board of Directors and Senior Management

There were seven Board meetings and a strategy meeting for NWR following the incorporation on 30 March 2011. As a result of the process of NWR NV's reincorporation in the UK being successfully completed on 6 May 2011, the day-to-day governance and management of the Group was performed by NWR NV during the first part of 2011. As such, a description of the 2011 meetings and work of the board of directors of NWR NV has also been included here. The board of NWR NV met ten times (six times prior and four times after) the UK reincorporation in 2011. NWR NV held no strategy meetings. The table below outlines each Director's attendance record at the Board of both NWR and NWR NV during 2011:

	NWR[1]	NWR NV prior to UK Redomicilation	NWR NV after UK Redomicilation[2]
Mike Salamon	6	6	4
Marek Jelínek	8	6	4
Klaus-Dieter Beck	7	6	N/A
Zdeněk Bakala	5	4	N/A
Peter Kadas	7	5	N/A
Hans Mende	3	4	N/A
Pavel Telička	7	6	N/A
Kostyantin Zhevago	4	2	N/A
Bessel Kok	7	6	N/A
Hans-Jörg Rudloff	6	4	3
Steven Schuit	8	5	4
Paul Everard	7	6	4
Barry Rourke	6	5	4

[1] The first meeting of the Board of Directors of NWR was held on 7 April 2011. Except for Messrs. Jelínek and Schuit, all other Directors were appointed from 8 April 2011.
[2] Following the reincorporation of NWR NV in the UK through which the burden of the day-to-day governance of the Group has shifted to NWR, the board of directors of NWR NV was restructured, with seven directors resigning. In order to safeguard the interests of the shareholders (in particular the minority A Shareholders) as well as other stakeholders, the board of directors of NWR NV retains a majority of Independent Non-Executive Directors

1


(1) Mike Salamon
Executive Chairman of the Board, NWR
Mike Salamon was appointed a Director and Executive Chairman of NWR with effect from 8 April 2011. Mr. Salamon has served as a director and executive chairman of the board of directors of NWR NV since 1 September 2007 and continues to hold these positions following the reincorporation of NWR NV in the UK. Mr. Salamon also serves as a non-executive member of the board of directors of OKD, Central Rand Gold, Gem Diamonds, Ferrexpo Plc and Minera Las Cenizas. From 2007 till January 2012 he was also co-president of AMCI Capital. He has extensive knowledge of the international mining and extractive industries. His career spans more than 30 years, 21 years of which was spent with BHP Billiton, the world's largest diversified resources company.

Between 2003 and 2006, Mr. Salamon served as an executive director at BHP Billiton with responsibilities for the aluminium, copper and nickel businesses. From 2001 to 2006, he also chaired BHP Billiton's operating committee which was accountable for, among other things, the BHP Billiton group's health, safety and environment, projects, purchasing and operating excellence. In 2001, Mr. Salamon oversaw the merger- integration of Billiton Plc and BHP Limited. He was a co-founding director of Billiton Plc in 1997, and oversaw the Company's listing on the London Stock Exchange in 1997. Between 1985 and 1997, Mr. Salamon worked for Gencor Ltd, initially as marketing manager for coal. In 1989, he was appointed managing director of Gencor Ltd's coal business, Trans-Natal Coal Corporation, and was then appointed

2


a director of Gencor Ltd from 1993 to 1997. During this time, he was also executive chairman of Samancor Ltd and Chairman of Columbus Stainless Steel. Previously, Mr. Salamon was with the coal division of the Shell Group in various capacities between 1981 and 1985. Prior to that, he worked for the Anglo-American group, both in the Gold Division and at De Beers in trainee and junior management capacities. He started working for De Beers directly after graduation. Mr. Salamon graduated in 1975 from The University of the Witwatersrand, Johannesburg with a degree in Mining Engineering (Cum Laude) and obtained an MBA from the London Business School, University of London in 1981.
(British, 14 April 1955)

(2) Klaus-Dieter Beck
Executive Director of NWR, Chief Executive Officer of OKD
Klaus-Dieter Beck is a Director of NWR and was appointed with effect from 8 April 2011. Since 12 June 2007, Mr. Beck had served as a director of NWR NV, but following the UK redomiciliation he resigned with effect from 6 May 2011. He has served as CEO and chairman of the board of directors of OKD since 1 July 2007. Mr. Beck also served

3


as a member of the board of directors of OKK from 9 February 2009 to November 2010. Prior to joining OKD, he was senior vice-president for planning and engineering at Foundation Coal Holdings, Inc.
(German, 8 March 1955)

(3) Marek Jelínek
Executive Director and Chief Financial Officer of NWR
Marek Jelínek is a Director of NWR and was appointed upon the incorporation of NWR with effect from 30 March 2011. Mr. Jelínek has served as a director of the board of directors of NWR NV since 6 March 2007 and continues to hold this position. He has been a member of the board of directors of OKD since his appointment on 1 November 2007. Since March 2007, he has served as NWR's chief financial officer and is responsible for the Group-wide finance and treasury functions. In 2007 and 2008, Mr. Jelínek led the Group's bond issue and the successful Initial Public Offering in London, Prague and Warsaw. From March 2009 to March 2010, Mr. Jelínek was non-executive director of Ferrexpo Plc. Mr. Jelínek was a director of BXR Partners, a.s. (formerly RPG Advisors, a.s.) from 2005 to 2006. He joined BXR Group in December 2004 as financial officer and was responsible for a variety of areas including group financing, restructuring and divestitures. Prior to that, Mr. Jelínek served as an analyst and associate of the corporate finance department at Patria Finance, a Prague based investment banking boutique, from 1995 to 2004, where he managed merger and acquisition transactions for domestic and international clients. Mr. Jelínek graduated

Board of Directors and Senior Management

from the Anglo American College in Prague in 1995 with a Bachelor of Science degree in Business Administration.
(Czech, 27 December 1972)

(4) Zdeněk Bakala
Vice-Chairman and Non-Independent Non-Executive Director
Zdeněk Bakala is a Director of NWR and was appointed with effect from 8 April 2011. He has also been Vice-Chairman of NWR since 15 September 2011. Since 15 August 2006, Mr. Bakala had served as a director of NWR NV, but following the reincorporation of NWR NV in the UK he resigned with effect from 6 May 2011. He served as a member of the supervisory board of OKD from 2008 to 2010.
He has served as a director of BXR Real Estate Investments (formerly RPG Real Estate B.V.) since October 2006, as a director of RPG Property B.V. since December 2008 and as chairman of the supervisory board of BXR Partners, a.s. (formerly RPG Advisors, a.s.) since September 2005. In 2008, Mr. Bakala acquired a majority shareholding in Economia a.s., a leading Czech publishing house, and serves as Vice-Chairman of the board. Mr. Bakala was a member of the supervisory board of the Prague

Stock Exchange from 2005 to 2010. In 1994, he founded Patria Finance, the Czech Republic's first independent full-service investment bank, which was acquired by KBC, a Belgian banking group, in 2001.

Between 1990 and 1994, Mr. Bakala was head of the Czechoslovakia desk at Credit Suisse First Boston (CSFB) and was responsible for establishing a branch office of CSFB in Prague in 1991. Prior to that, he worked in the Corporate Finance department of Drexel Burnham Lambert (New York) from 1989 to 1990. Mr. Bakala graduated from the University of California, Berkeley USA in 1986 with a degree (with honours) in Economics, and obtained a Master of Business Administration degree from the Amos Tuck School of Business Administration, Dartmouth College, in 1989.
(Czech and USA citizenship, 7 February 1961)

(5) Peter Kadas
Vice-Chairman and Non-Independent Non-Executive Director
Peter Kadas was appointed as a Director of NWR with effect from 8 April 2011. He has also been Vice-Chairman of NWR since 15 September 2011. From August 2006, Mr. Kadas had served as a director of NWR NV, but following the reincorporation of NWR NV in the UK he resigned with effect from 6 May 2011. He served as vice-chairman of the board of directors of OKD from 2006 to 2007. Since 2006 he has also served as director of BXR Real Estate Investments B.V.

Mr. Kadas has been a director of Bakala Crossroads Partners, an affiliate of BXR Group since 2000. Before that he was managing director of Croesus Central

Europe. From 1996 to 1997 he also worked as managing director for MC Securities in London. In 1995 he co-founded Renaissance Capital, Russia's first private investment bank. In 1990 he was a director of Credit Suisse First Boston in Budapest. Mr. Kadas also served on numerous corporate boards in the region, including CSFB, the management committee of Renaissance Capital, and as vice-chairman of the board of directors of České radiokomunikace.

Mr. Kadas graduated in 1986 from Trinity College, University of Toronto with a Bachelor of Arts degree in Economics and Politics. In 1990 he obtained a Master of Business Administration degree from Dartmouth College.
(Canadian, 27 February 1962)

(6) Hans Jürgen Mende
Non-Independent Non-Executive Director
Hans Jürgen Mende is a former Director of NWR and was appointed with effect from 8 April 2011. Mr. Mende resigned as a Director of the Company with effect from 31 January 2012. Since 15 August 2006, Mr. Mende had served as director of NWR NV, but following the reincorporation of NWR NV in the UK, he resigned with effect from 6 May 2011. Mr. Mende is president of the AMCI Group since he co-founded the company in 1986. Mr. Mende has served as a chairman of the board of directors of ANR Holdings from 2003 to 2005.

Mr. Mende is currently a member of the board of directors of Excel Maritime Inc. (Nasdaq-US), Whitehaven Coal Co. and White Energy (ASX-Australia), and MMX in Brazil, all publicly traded entities. Mr. Mende was born in Lovosice, Czech

Republic in 1944, was educated in Germany and the US.
(German, 13 March 1944)

(7) Pavel Telička
Non-Independent Non-Executive Director
Pavel Telička is a Director of NWR and was appointed with effect from 8 April 2011. Since 11 September 2007, Mr. Telička had served as a director of NWR NV, but following the reincorporation of NWR NV in the UK he resigned with effect from 6 May 2011. In 2004, Mr. Telička co-founded BXL Consulting Ltd, a consultancy on European Union affairs, where he currently serves as director and is in charge of its Brussels office. Before that, also in 2004, he was nominated to hold the position of Member of the European Commission co-responsible for the portfolio of health and consumer protection. Between 1991 and 2004, Mr. Telička worked at the Czech Republic Ministry of Foreign Affairs, and occupied various positions during this time including Ambassador and Head of the Permanent Mission of the Czech Republic to the EC in Brussels, Secretary of State for European Affairs and First Deputy Minister of Foreign Affairs (during which time he was Chief Negotiator for the accession of the Czech Republic to the EU).

Mr. Telička has also been a Senior Advisor to the European Policy Centre since 2005 as a member of the Administrative Council of the Notre Europe Foundation, established by Jacques Delors. In July 2005, he was appointed European Coordinator for one of the priority projects within TEN-T for the railway network Rail Baltica. Mr. Telička is a member of the High Level Group on Administrative Burden Reduction in the EU, which is an advisory body to the

European Commission. Mr. Telička graduated from the Faculty of Law at the Charles University in Prague in 1986.
(Czech, 24 August 1965)

(8) Kostyantin Zhevago
Non-Independent Non-Executive Director
Kostyantin Zhevago was appointed a Director of NWR with effect from 8 April 2011. From 28 April 2009, Mr. Zhevago had served as a director of NWR NV, but following the reincorporation of NWR NV in the UK he resigned with effect from 6 May 2011. He has been a member of the Ukrainian Parliament since 1998. He is currently a member of the Parliamentary Committee on Law Policy and Chairman of the Parliamentary Group for Inter--Parliamentary Relations with Japan. Since 2002, Mr. Zhevago has been a member of the permanent delegation of the Ukrainian Parliament in the Parliamentary Assembly of the European Council and a member of the Ukrainian faction of the Committee for Parliamentary Cooperation between Ukraine and the European Union.
At present, Mr. Zhevago is the controlling shareholder of Ferrexpo Plc, and was appointed as its chief executive officer on 1 November 2008. He has previously served as chairman of the management board

and deputy chairman of the supervisory board of CJSC Commercial Bank Finance and Credit ('Finance and Credit Bank') and as a member of the supervisory board of JSC Ukrnafta. Between 1993 and 1996, he was financial director of Finance and Credit Bank. Mr. Zhevago graduated from the Kyiv State Economic University in 1996, specialising in international economics.
(Ukrainian, 7 January 1974)

(9) Bessel Kok
Non-Executive Senior Independent Director
Bessel Kok is a Director of NWR and was appointed with effect from 8 April 2011. From 11 September 2007, Mr. Kok had served as a director of NWR NV, but following the reincorporation of NWR NV in the UK he resigned with effect from 6 May 2011. He has served as chairman of the Ukrainian mobile operator LIFE since 2005. From 1995 to 2004, he was vice-chairman and chief operating officer of Český Telecom (now Telefonica/02) in the Czech Republic. During that time he also served as chairman of the board of directors of Eurotel.
Mr. Kok was President of Belgacom from 1989 until the end of 1994 and oversaw its privatisation. In 1973, Mr. Kok joined SWIFT (Society for Worldwide Interbank Financial Telecommunication) in Belgium

Board of Directors and Senior Management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and became its president and CEO in 1981, positions that he held until 1989. Mr. Kok graduated in 1963 from the Municipal University of Amsterdam with a degree in Economic Sciences.
(Belgian, 13 December 1941)

(10) Steven Schuit
Non-Executive Independent Director
Steven Schuit is a Director of NWR and was appointed on the incorporation of NWR on 30 March 2011. Since 20 November 2007, Mr. Schuit has served as a director of NWR NV and he continues to hold this position. He is also currently a part-time professor of International Commercial and Financial Law at Utrecht University and a part-time professor of Corporate Governance and Responsibility at the Strategy Center of Nyenrode Business University. He is also currently a member of the supervisory board of ZBG Capital N.V. and Breevast B.V. and chairman of Stichting Giving Back. He is currently legal counsel to Allen & Overy LLP in its Amsterdam office, having served as partner to this firm and its predecessor firm between 1976 and 2005.
Mr. Schuit has previously been a member of the supervisory board of Numico from 2002–2006. Mr. Schuit graduated in 1969 from Groningen University with a degree in Law and was admitted to the bar in the Netherlands in 1971.
(Dutch, 9 October 1942)

(11) Paul Everard
Non-Executive Independent Director
Paul Everard is a Director of NWR and was appointed with effect from 8 April 2011. Since 20 November 2007, Mr. Everard has served as a director of NWR NV and he continues to hold this position. Between 2001 and 2005, Mr. Everard served as deputy president of aluminium for BHP Billiton. From 1994 until 2001, up to Billiton's merger with BHP, he was executive director of Billiton Aluminium responsible variously for strategy, business development, and operations outside South Africa. He joined Billiton in 1974 becoming executive director in 1983, responsible for aluminium. Subsequently, in 1986 he assumed responsibility, as director, for all business performance, strategic planning, research, health, safety and environment and public affairs for the Billiton group.

He began his career with Shell Group in 1963 mainly working in oil marketing in East Africa until his transfer to Billiton. Mr. Everard graduated in 1962 from Cambridge University with an MA in Mechanical Sciences. He completed the Advanced Management Program at Harvard Business School in 1979.
(British, 6 May 1940)

(12) Barry Rourke
Non-Executive Independent Director
Barry Rourke is a Director of NWR and was appointed with effect from 8 April 2011. Since 20 November 2007, Mr. Rourke has


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served as a director of NWR NV, and he continues to hold this position. He served as an audit partner at PricewaterhouseCoopers from1984 until 2001. Mr. Rourke is currently an independent non-executive director of 3Legs Resources Plc, Avocet Mining Plc, OJSC RusRailLeasing and Ruukki Group Plc and is also the chairman of the audit committee for each of these companies. Mr. Rourke is a member of the remuneration committee for Avocet Mining Plc, OJSC RusRailLeasing and Ruukki Group Plc and a senior independent director for 3Legs Resources Plc and Ruukki Group Plc.
He is an independent member of the audit committee for the Department for Energy and Climate Change and a member of the Coal Liabilities Strategy board for that department. Mr. Rourke is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified as a Chartered Accountant in 1973.
(British, 19 August 1950)

(13) Hans-Jörg Rudloff
Non-Executive Independent Director
Hans-Jörg Rudloff is a Director of NWR and was appointed with effect from 8 April 2011. Since 11 September 2007, Mr. Rudloff has served as a director of NWR NV and he continues to hold this position. Since


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1998 he has served as chairman of Barclays Capital. Prior to that, he was chairman of MC-BBL Eastern Europe between 1995 and 1998. Mr. Rudloff was chairman and CEO of Credit Suisse First Boston Ltd from 1989 to 1993, and member of the executive board of Credit Suisse Zurich. Between 1968 and 1980, Mr. Rudloff served at Kidder Peabody International, where he became chairman in 1978. In 1980, he was also nominated to the board of Kidder Peabody Inc. New York. Mr. Rudloff is currently vice chairman of Rosneft. Mr. Rudloff also served as chairman of the International Capital Market Association from 2005 until May 2011. He was vice chairman, member of the audit committee and head of the compensation committee of Novartis from 1996 until 2011 and Chairman of BlueBay Asset Management Ltd from 2001 to 2010. He has also been an advisory board member of Thyssen Bornemisza Group since 1995, ABD Capital SA since 2003, Energie Baden-Wurttemberg since 2000 and Landeskreditbank Baden-Wurttemberg since 1993. Mr. Rudloff is chairman of the Marcuard Group, a privately held asset management group of companies. Mr. Rudloff graduated from the University of Berne in 1965 with a degree in Economics.
(German, 11 October 1940)


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(14) Ján Fabián
Chief Operating Officer
Ján Fabián was appointed Chief Operating Officer of the NWR Group in November 2008. He has overall responsibility for the operations of OKK and the Polish business operations of NWR KARBONIA. Mr. Fabián also serves as vice-chairman of the board of directors of OKD where he oversees the strategic planning and organisational development of OKD.

Prior to joining NWR, Mr. Fabián was advising companies from the energy sector, resources, steel, machinery and automotive industries. His main areas of focus included turn-around, privatisation, restructuring and process optimisation strategies. He graduated from the Technical University in Košice, Slovakia in 1988 with a degree in mining and gained a PhD in production optimisation for underground mining from the Technical University in Berlin in 1998.
(Slovak, 2 May 1966)

Corporate Governance

The Corporate Governance Policy of NWR is based primarily on the UK Corporate Governance Code and also complies with the spirit of the broad requirements of corporate goverance codes in the Czech Republic and Poland. The policy formulates the standards of governance that NWR's Board of Directors intends to uphold and ensures the maintainance of a coherent and effective system of governance. The policy can be found at www.newworldresources.eu.

The Company's policy is to achieve best practice in our standards of business integrity in all our activities around the world. This includes a commitment to follow the highest standards of corporate governance throughout the Group. This section of the annual financial report describes how the company has applied the Main Principles set out in the Corporate Governance Code.

Directors

Composition of the Board

NWR has a one-tier Board comprising both Executive and Non-Executive Directors. The Board is presided over by its Executive Chairman, Mike Salamon. As at 31 December 2011, the Board had 13 members in total. Of these, three were Executive Directors and five were Independent Non-Executive Directors. Non-Executive Directors assist in developing NWR's strategy and also monitor the performance of Executive Directors and Group management. Non-Executive Directors are entrusted with such duties as are or will be determined by or pursuant to the Articles of Association or a resolution of the Board. In December 2011, Mr. Mende, a Non-Executive Director, announced his resignation from the Board with effect from 31 January 2012.

The Chairman facilitates the work of the Board and ensures its effectiveness in all aspects of its role. Assisted by the Company Secretary, the Chairman is responsible for setting the Board's agendas, ensuring that Directors receive all the information and support necessary to carry out their role, including adequate induction and training. The Chairman has authority to act and speak for the Board between meetings, and, together with the Chief Financial Officer, acts as the main point of contact between Non-Executive Directors and senior management of the Group. The Chairman also decides on certain executive matters once the Board has granted him authority.

Contrary to provisions of A.2.1 and A.3.1 of the UK Corporate Governance Code, Mike Salamon has been appointed by the Company to act as Executive Chairman who upon his appointment did not meet the independence criteria set out in the UK Corporate Governance Code. NWR believes that the presence of Mr. Salamon as Executive Chairman is required to provide leadership at Group level in a holding structure in which the leadership of operations is exercised at operating company level. The presence of majority shareholder representatives on the Board, who were consulted prior to this appointment, alongside Independent Non-Executive Directors, guarantees that there are appropriate checks and balances in place.

The Chief Financial Officer of NWR, Marek Jelínek, has delegated authority to achieve the corporate objectives of the NWR Group. He is responsible for the Group's finance and administration, and reports to the NWR Board and its Executive Chairman. He oversees planning, financial control, accounting, restructuring, mergers and acquisitions, strategic expansion, and investor relations functions throughout the Group. He is also responsible for ensuring that financial and other information disclosed publicly is timely, complete and accurate.

Klaus-Dieter Beck, CEO of OKD, and chairman of OKD's board of directors is responsible for the operation of OKD. Ján Fabián, NWR's Chief Operating Officer has overall responsibility for OKK and NWR KARBONIA. They both report to NWR's Board.

In the process of the UK redomiciliation, all the directors of NWR NV have been appointed Directors of the Company to effectively replicate the previous board structure. As a result, the Company did not use an external search agency nor open advertising for the Board appointments (contrary to provision B.2.4 of the UK Corporate Governance Code). For the same reason, no job specification for the appointment of the Chairman was prepared (B.3.1 of the UK Corporate Governance Code). However such specification will be prepared by the Nomination Committee as a part of its succession planning work in the year ahead.

Role of the Board

The Board sets the Group's strategy and reviews management and financial performance. Its role is to create and deliver strong, sustainable financial performance and long-term shareholder value whilst protecting the interests of NWR Group and representing NWR, holders of A and B Shares (for definition of A and B Shares, please refer to the Articles of Association of the Company) and other stakeholders. Matters specifically reserved for the Board's decision-making include:

- Approval of the overall strategy and annual budgets of the business;
- Determination of the nature and extent of significant risks to be undertaken in achieving the strategic objectives;
- Appointment of the Board's Chairman;
- Approval of internal policies[1] (such as the Corporate Governance Policy, Code of Ethics and Business Conduct, Business Integrity Policy, Divisional Policy Statements, Share Dealing Code, the terms of reference of the Board's committees);
- Review of the financial and annual reports; and
- Approval of major transactions, including acquisitions, by NWR and its subsidiaries;
- Determination of the annual remuneration of Non-Executive Directors within the scope of the Articles of Association and the remuneration policy.

[1] As regards the payment of creditors, the policy applied by NWR (as well as the Group) is to agree credit terms prior to commencement of trading. Subject to any items of genuine dispute, it is Group policy to pay creditors within the terms agreed. Trade creditors of the Company as at 31 December 2011 were equivalent to 49 days' purchases, compared to 51 days in 2010.

Decisions of the Board regarding a major change in the identity or character of the Company shall be subject to the approval of the Annual General Meeting of Shareholders.

The Board manages the Mining Division and the Real Estate Division. Day-to-day operational decisions relating to these divisions are taken by NWR's employees and overseen by the Board (as described in more detail in the report of the Real Estate Committee on page 78).

Main activities of the Board in 2011

Following the Company's incorporation in March 2011, the Board held scheduled meetings regularly during the year and also met on an ad hoc basis as required. In 2011, the Board of NWR met seven times and also held a special two-day strategic meeting, which included a visit to the Dębieńsko development site. The board of NWR NV met six times prior to the UK redomiciliation. The four meetings of NWR NV's board after the UK redomiciliation were held jointly with the meetings of the Board of NWR.

The main activities of the Board during the year are described below and cover both the activities of NWR and NWR NV.

The activity dominating most of 2011 was the redomiciliation of NWR NV in the UK by means of a share-for-share exchange of shares issued by NWR NV for shares issued by NWR. In a public share-for-share exchange, the shareholders had the opportunity to obtain one A Share of NWR for each A share of NWR NV they held. At the same time, the B shareholders exchanged 100 per cent of the B shares in NWR NV for the newly issued B Shares of NWR, so that the shareholding structure of NWR NV with A and B Shares is replicated by NWR. The redomiciliation was undertaken to allow FTSE Index Series eligibility, to raise the profile of the Group with international investors and to demonstrate the Group's commitment to high governance and control standards. The UK redomiciliation was carefully considered by the Board of NWR as well as the board of NWR NV and was approved by both. In connection with the UK redomiciliation, NWR has replicated (to the extent possible) the corporate governance principles as well as the committees charters of NWR NV. Changes corresponding to the UK Corporate Governance Code and best practice in the UK have been made, affecting in particular the Compensation Manual (including the Remuneration Policy) and the charter of the Remuneration Committee and prompting the establishment of the new Nomination Committee. Unlike NWR NV, the Company did not establish a sponsorship and donation committee.

In line with UK practice, the Board set up a new Nomination Committee to advise on the composition of the Board and new appointments and also to consider the succession planning for key executives of the Group. For more details on the Nomination Committee please see page 79.

The UK redomiciliation also triggered changes to the existing share-based incentive plans of for the Executive Directors and senior and key employees of the Group – the legacy Stock Option Plan and the Deferred Bonus Plan. The Board has decided to grant equivalent (rollover) options over NWR A Shares to the participants of the Stock Option Plan which continue on the same terms and conditions as applied to the options granted originally under the Stock Option Plan. Also, NWR has put in place a Deferred Bonus Plan with terms substantially similar to the terms of the deferred bonus plan operated by NWR NV before the UK redomiciliation. The original deferred bonus plan of NWR NV was modified so that it now grants awards of NWR A Shares. A full description of the changes in remuneration and other relevant information can be found in the 'Remuneration Report' on page 94.

In addition to setting the corporate governance standards at the level of the Company in connection with the UK reincorporation, the Board adopted a new Business Integrity Policy to fully reflect its commitment to combat corruption, bribery and fraud. The Business Integrity Policy has been implemented across the Group and is being followed by a set of measures, such as changes to contract documentation, due diligence, trainings and practical guidelines.

Following the UK reincorporation, the Board decided to initiate a squeeze out process with respect to the minority shareholdings in NWR NV. At the date of this Annual Report, the squeeze out remains on-going.

At its strategy meeting, the Board discussed the strategy, business development and critical issues of the Group. Topics for discussion included the global and regional coal markets and OKD's future. The Board also considered the strategic opportunities open to the Group to pursue future growth, in particular in Poland and Ukraine. Directors visited the Dębieńsko development site. The strategy for and timing of the Dębieńsko project were discussed in detail, as it is fundamental to the growth of the Group and the Board approved it. The Board carefully considered the appropriate project management structure and its supervision, so that timely execution of the project is not hampered. The Board also addressed the challenges and importance of maintaining good public relations in Poland.

The Sponsorship and Donation Committee of NWR NV was abolished with effect from 15 September 2011.

In November 2011, the Board approved an amendment to the charter of the Health, Safety and Environment Committee, broadening the committee's role in terms of the area of corporate and social responsibilities and renaming the committee the Safety, Health and Sustainability Committee.

Attendance at Board and committee meetings

There are six committees of the Board: the Audit and Risk Management Committee;

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the Remuneration Committee; the Finance and Investment Committee; the Safety, Health and Sustainability Committee; the Real Estate Committee and the new Nomination Committee. All committee members are members of the Board. Attendance at Board meetings including the strategy meeting and Committee meetings during the year is outlined below. A description of the activities of the Committees during 2011 is included in separate reports of the Committees. Due to the UK redomiciliation, the Committees operated as committees of NWR NV for the first four months of 2011.

Name	NWR Board meetings[1,2]	NWR NV Board meetings prior UK Redomiciliation	NWR NV Board meetings after UK Redomiciliation	Audit and Risk Management Committee	Remuneration Committee	Finance and Investment Committee	Safety Health and Sustainability Committee	Real Estate Committee	Nomination Committee
	(8)	(6)	(4)	(8)	(4)	(5)	(4)	(5)	(1)
Mike Salamon	6	6	4	–	–	Member (5/5)	Member (4/4)	–	Member (1/1)
Marek Jelínek	8	6	4	–	–	Member (5/5)	–	–	–
Klaus-Dieter Beck	7	6	N/A	–	–	–	Member (4/4)	–	–
Zdeněk Bakala	5	4	N/A	–	Chairman (4/4)	Member (5/5)	–	–	–
Peter Kadas	7	5	N/A	–	–	Chairman (5/5)	–	–	–
Hans Mende	3	4	N/A	–	–	–	–	–	–
Pavel Telička	7	6	N/A	–	–	–	–	–	–
Kostyantin Zhevago	4	2	N/A	–	–	–	–	–	–
Bessel Kok	7	6	N/A	Chairman (8/8)	Member (4/4)	–	–	–	Chairman (1/1)
Hans-Jörg Rudloff	6	4	3	Member (6/8)	Member (2/4)	–	–	–	–
Steven Schuit	8	5	4	Member (8/8)	–	–	Member (4/4)	Member (5/5)	Member (1/1)
Paul Everard	7	6	4	–	–	–	Chairman (4/4)	Member (5/5)	–
Barry Rourke	6	5	4	Member (8/8)	–	–	–	Chairman (5/5)	Member (1/1)

[1] All Directors, except Messrs. Jelínek and Schuit, were appointed at the first meeting of the Board with the effect from 8 April 2011.
[2] Includes the strategy meeting of the Board.

Terms of reference of each committee can be found on NWR's website at www.newworldresources.eu.

Non-Executive Directors

The Non-Executive Directors also met once during 2011 – without Executive Directors being present – to discuss the performance of the Board's Chairman and other Executive Directors. The session was chaired by the Senior Independent Director.

Board Effectiveness

Director independence

The Board determines whether or not a Director is independent, based on the independence criteria contained in NWR's Corporate Governance Policy. A Director shall not be deemed to be independent if the Director concerned (or his wife/her husband, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree) has been an employee of the Group within the last five years, receives personal financial compensation from any NWR Group company other than the compensation received as Director, has had an important business relationship with NWR or a company associated with it in the year prior to the appointment, holds

a cross-directorship or has any significant links with other Directors through involvement in other companies or bodies where these cross-directorships or links would materially interfere with the Director's objective, unfettered or independent judgment or ability to act in the best interests of NWR, holds directly or indirectly more than 10 per cent of the A Shares or B Shares, or is a member of the management or supervisory board or senior management of an entity, which holds directly or indirectly at least 10 per cent of the A Shares or B Shares.

Contrary to provision B.1.2 of the UK Corporate Governance Code, less than half the Board, excluding the Chairman, qualify as Independent Non-Executive Directors. However, the Board believes that the current proportion of the Independent Non-Executive Directors is adequate given the ownership structure of the Group. Moreover, the quality, expertise and deployment of these Directors ensure Board effectiveness. The Independent Non-Executive Directors are entrusted with the key tasks that require independence: staffing of the Audit and Risk Management Committee, which ensures the integrity of financial reporting and monitors the audit functions as well as potential conflicts of interest, and staffing of the Real Estate Committee, which protects the interests of holders of A Shares and B Shares.

Director appointment and re-appointment

Both the Company by ordinary resolution and the Directors have the power at any time to elect any person to be a Director, but the number of Directors shall not exceed the maximum number fixed by the Articles of Association of the Company. Any person so appointed by the Directors shall retire at the next Annual General Meeting and shall then be eligible for election by the shareholders. Under the Articles of Association each Director shall retire at the Annual General Meeting held in the fourth calendar year following the year in which he was elected or at such earlier Annual General Meeting as the Directors may decide. The office of a director shall be terminated on the occurrence of any of the events listed in Article 81 of the Articles of Association. The Company, by an ordinary resolution, may, in accordance with its Articles of Association, remove any Director from office and elect another person in place of the Director so removed.

In accordance with the UK Corporate Governance Code, Directors are intend to be subject to annual re-elections. In any case, all Directors (except for Mr. Mende who resigned effective from 31 January 2012) will retire at the forthcoming Annual General Meeting on 26 April 2012 and will offer themselves for re-election.

To assist with the Directors' appointment and re-appointment, NWR established a Nomination Committee, which is responsible for identifying suitable candidates for appointments to the position of Director and evaluating the balance of skills, knowledge, experience and diversity of members of the Board. Following evaluation by the Nomination Committee, the Board was satisfied that throughout 2011 each Director's performance continued to be effective and that each Director continued to demonstrate commitment to the role, and recommends the re-election of the Directors standing for re-election at the forthcoming Annual General Meeting. For more details on the expertise and experience of the Directors, please see Board expertise below.

Board expertise

The Board has the appropriate skills and experience necessary to discharge its functions. Executive and Non-Executive Directors have the experience required to contribute meaningfully to the Board's deliberations and resolutions, including international operational and financial experience, knowledge of the mining sector and capital markets, as well as a command of health, safety and sustainability issues.

Messrs. Salamon and Beck, as widely recognised and experienced professionals in the mining sector brought to the Board their know-how in relation to the international mining industry, its trends (including safety and health) and developments. They were supported by the COO and wide range of international experts whose advice they regularly sought. On top of their technical and operational knowledge, both gentlemen continuously proved to be excellent and respected leaders in all other areas of the Group's and OKD's business respectively.

Mr. Jelínek, as CFO, continued to be on top of the financing of the Group and has contributed his extensive working knowledge of and experience within the international financial and capital markets and knowledge of their practical impact on the business of the Group. Based on his regular involvement with the broad range of investors, he delivered to the Board market feedback on the Group's performance.

As experienced investors and shareholders' representatives, Messrs. Bakala and Kadas provided the Board with their mergers and acquisitions know-how and valuable insights into shareholders' requirements, in particular on further development projects, strategy and remuneration, allowing alignment of the Board with the shareholders' interests.

To cover the cross-border nature of the Group's business and potential future growth opportunities, Mr. Telička has provided his knowledge of EU affairs and the international political scene and Mr. Zhevago contributed with comparative knowledge of the Ukrainian coal market.

As Senior Independent Director, Mr. Kok capitalized on his top managerial experience and knowledge of the CEE market, and brought to the Board an independent view on the situation in the region in which the Group operates. As Chairman of the Audit and Risk Management Committee, together with the other Independent Directors, Messrs. Rudloff, Schuit and Rourke, they brought to the Board strong independent control of financial reporting and risk management.

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Mr. Rudloff is a renown and experienced banker having detailed and accurate information about the global financial market, its developments and sentiments, which he shared with the Board throughout the whole of 2011.

With his extensive legal background, Mr. Schuit contributed in particular in the areas of corporate governance, ethics (and the Company's whistleblower procedure) and compliance, where he focused on combating fraud and bribery.

Further to his numerous executive posts with BHP Billiton, Mr. Everard provided his independent opinion on the health and safety risks the Group is facing as well as other challenges of its mining business.

Mr. Rourke, as a former audit partner, brought to the Board his considerable expertise in the area of financial review and integrity. He has overseen the Real Estate Divisions, making sure that interests of both A and B Shareholders are adequately protected.

Full biographical details of each Director are given on pages 63 to 67.

Information and professional development

Directors receive a tailored induction upon joining the Board. They have full access to a regular supply of financial, operational, strategic and regulatory information to help them discharge their responsibilities. Much of this information is provided in presentations by senior management and the normal management reporting process. They also have access to training and seminars in respect of their duties as Board members.

Directors are also entitled to seek, at NWR's expense, independent professional advice where they judge it necessary. To this effect, the Board and its committees retained legal, compensation, mining, internal audit and general advisors in 2011.

Company Secretary

The Board has appointed Ivona Ročárková and Lucie Vávrová to act independantly as Company Secretary. The Company Secretary is responsible for advising the Board on all governance matters and ensuring that Board procedures and functions comply with relevant laws and regulations, and as such, the Company Secretary administers, attends and drafts minutes of Board meetings, its Committees and the general meetings of shareholders, and discharges other responsibilities assigned by the Board.

Board effectiveness and evaluation

In 2011, the Board conducted an internal evaluation of its own performance and the performance of individual Directors and Chairman through an evalution questionnaire completed by all Directors. The results were collected by the Company Secretary who collated the results into a report which was discussed at the Nomination Committee and the Board. The questionnaire covered the areas of strategic oversight, risk (including, among other things, safety, health and environmental risks to the Company) management, human resources, including sucession planning, remuneration and the secretarial support and organisation of the Board. The evaluation concluded that the Board and Committees performed well and are effective in meeting their objectives and fulfilling their responsibilities. In addition, it was concluded that the vast majority of the Directors' concerns raised in 2009 (during the external evaluation conducted at NWR NV) had been addressed, namely through the two-day strategy meetings held both in 2010 and 2011, implementation of the Deferred Bonus Plan and the Compensation Manual. The issue of succession planning for key executives is now the point of focus of the new Nomination Committee. An external evaluation of the Board's effectiveness will be performed again in 2012.

Competing Engagements

According to the Corporate Governance Policy, a Non-Executive Director should have no more than five board memberships in other companies (with chairmanship of a publicly listed company board counts double) not related between themselves, so that the proper performance of his/her duties is assured. Executive Directors may not be members of the board of more than two listed companies unrelated to the Group, nor can they be chairmen of the board of a listed company. The acceptance by an Executive Director of a board membership in a listed company requires the approval of the Board. Other important non-executive positions held by an executive director shall be notified to the Board.

Directors' indemnity and insurance

The Articles of Association provide for the relevant officers (Directors, Company Secretary, and directors and company secretaries of associated companies) to be indemnified, to the extent permitted by law (and subject to certain exempetions), against any liability incurred in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company or any associated company of the Company. No amount has been paid under any of these indemnities during the year.

The Company has purchased Directors' and Officers' insurance during the year. In broad terms, the D&O insurance policy protects, inter alia, private assets of directors and officers against financial losses from legal liability claims filed against such directors or officers arising out of alleged wrongful acts or omissions, either committed or attempted in the capacity as a director or officer of the company. D&O insurance typically does not cover claims relating to IPO or other securities claims, arising out if or in connection with public offer of securities, and there for the Company (and NWR NV) concludes the stand – alone policies for Public Offer of Securities (POSI).

Audit and Risk Management Committee Report

In connection with the successful UK redomiciliation of NWR NV, the Audit and Risk Management Committee of NWR NV was abolished and following the resolution of the Board on 8 April 2011, the Audit and Risk Management Committee ('ARMC') was established, as of 6 May 2011, as a Committee of the Company. On 8 April 2011, the Board also adopted the ARMC charter and appointed the ARMC members and chairman.

Audit and Risk Management Committee members

The ARMC is staffed solely by the following Independent Non-Executive Directors to reflect the independent nature of the work that the Committee undertakes:

- Bessel Kok (Chairman and Senior Independent Director)
- Hans-Jörg Rudloff
- Barry Rourke
- Steven Schuit

The Board has determined that the ARMC members have the skills and experience necessary to contribute meaningfully to the ARMC's deliberations. In addition, all members have experience in accounting and financial management.

Main responsibilities

The role of the ARMC is to ensure the integrity of the Company's financial reporting and the audit process and to ensure the effectiveness of the internal audit and risk management systems of the Company. To this end, the ARMC of NWR supports and advises the Board in its work by:

- overseeing the integrity of consolidated financial statements and consolidated accounts;
- reviewing with the Board and auditors the integrity of the financial statements and other formal announcements relating to NWR's financial performance;
- advising the Board on audit, accounting and financial disclosure matters regarding the Real Estate Division of NWR;
- making recommendations to the Board, for it to put to the shareholders for their approval at the Annual General Meeting, in relation to the (re-)appointment and removal of the external auditor;
- approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity, and the effectiveness of the audit process, taking into consideration UK professional regulatory requirements;
- monitoring the provision of non-audit services by the external auditor;
- reviewing the annual audit plan and reports by the external auditor on internal control systems and procedures;
- reporting to the Board on developments concerning the relationship with the external auditor;
- making recommendations to the Board on the appointment and dismissal of the Group internal auditor, reviewing the remit of the Group internal audit and the annual audit plan, and ensuring that the internal audit function is adequately resourced;
- reviewing the effectiveness of the systems for internal control, compliance, budgeting, forecasting and financial reporting of the Group, ensuring both qualitative and quantitative metrics are used, and procedures for identifying strategic and business risks;
- reviewing reports on any material breaches of risk limits and the adequacy of proposed actions as well as compliance issues;
- advising the Board on conflicts of interests, related party transactions and loans to Directors;
- reviewing the adequacy and security of NWR's arrangements for raising concerns about possible wrongdoing in financial reporting or other matters;
- reviewing NWR's procedures for detecting fraud and bribery (and their prevention) and any breaches arising under the Code of Ethics and Business Conduct and the Business Integrity Policy;
- approving the remit of the risk management function of NWR and ensuring it has adequate independence, resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards;
- monitoring the effectiveness of the Whistleblower Procedure within the Group; and
- advising the Board on proposed strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focusing in particular on risk, before a decision to proceed is taken by the Board.

In addition, in November 2011 the Board delegated to the ARMC the authority to approve the Company's quarterly financial statements and half yearly financial statements, with such authority to be valid (subject to further renewal) until 31 December 2012.

Activities undertaken during the year

In 2011, the ARMC met eight times. Five times of which (in January, February and three-times in March) as a committee of NWR NV and three times as the Company's committee (in May, August and November). NWR's Chief Financial Officer, the Group's internal auditor and the external audit partners attended all meetings of the ARMC, except for two meetings held in March where the UK redomiciliation was discussed. During these two meetings NWR's legal advisers were present. Neighter of the meetings held in March were attended by the Group's internal auditor. The Group Risk Manager regularly attended the ARMC meetings to walk the ARMC through the areas of risk which require attention, as necessary accompanied also by the COO and representatives of the operational subsidiaries. In accordance with its rules, the ARMC also met with the external audit partner as well as with the Group's internal auditor without management being present.

Integrity of financial reporting

The ARMC assists the Board in ensuring the integrity of financial reports to shareholders and banks by reviewing the budget, and together with the external auditor, the quarterly and half-yearly statutory and consolidated financial statements, preliminary announcements and related press releases.

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The ARMC receives regular reports from the Real Estate Committee and the Safety, Health and Sustainability Committee (formerly the Health, Safety and Environment Committee) on their activities to ensure adequate oversight by the ARMC of all key Group risks. The ARMC also regularly receives performance updates, treasury reports and information on the Company's legal affairs, M&A transactions, Group tax position and insurance policies as well as the Annual Report.

The ARMC reports to the Board on its discussions and submits its recommendations to the Board for approval. As of November 2011, the ARMC is also authorised to approve the Company's quarterly and half yearly financial statements.

Financial policies

At NWR level, on a consolidated basis, the financial statements are produced under IFRS as adopted by the EU whilst the subsidiaries of NWR produce their stand-alone accounts in accordance with the relevant applicable accounting standards. Further to a recommendation of the ARMC, Group financial policies and procedures have been consolidated to enable adequate oversight of internal control over financial reporting and the budgeting process.

External audit

NWR is a company incorporated in England and Wales, but its headquarters are in the Netherlands and its largest operations are located in the Czech Republic and increasingly also Poland, therefore the English, Dutch, Czech and Polish offices of the external auditor, as at 31 December 2011 KPMG Audit Plc, must be highly involved in the auditing process. Except for two meetings held in March, the representatives of the external auditor attended all meetings of the ARMC.

The external auditor provides the ARMC with regular status reports on its audit work based on the audit plan which for the year 2011 focused on the evaluation of financial reporting risks and their impact, accounting issues and other areas specific to the Group, including the UK redomiciliation, Group financing structure, impairments for property, plant and equipment, inventories, tax, restoration, mining damages and closure provisions, hedge accounting, employee benefits and share-based payments. In addition, every year the external auditor conducts a preliminary assessment of risks impacting the financial statements, including fraud risks, for the purposes of planning and scoping audit procedures and financial reporting.

The ARMC is also responsible for reviewing related party transactions against internal policies and procedures. Related party transactions are audited by the external auditor. These typically include transactions between the Real Estate Division and the Mining Division, transactions between Group entities and related party transactions of the Board members of the individual Group entities. The external auditor did not identify any significant issues.

The ARMC assesses the effectiveness, objectivity and independence of the external auditor, taking into consideration UK professional regulatory requirements, and has primary responsibility for making recommendations to the Board, for it to put to the shareholders for their approval at the AGM, relating to the appointment, reappointment and removal of the external auditor. The ARMC is responsible for ensuring that the rotation of the external audit engagement partner is carried out in compliance with best practice and applicable regulation. Following the UK redomiciliation, in May 2011 a rotation of the partners within the external auditor occurred.

The ARMC's assessment of the external auditor includes:

- reviewing and approving the terms of engagement and remuneration of the external auditor;
- reviewing the scope of the external auditor's work;
- assessing the process for the interim review; and
- reviewing and approving the annual audit plan.

The ARMC also monitors the provision of non-audit services by the external auditor to NWR and its subsidiaries and the related fees, in order to preserve the independence of the external auditor. In 2011, the external auditor provided transaction advice in connection with the UK redomiciliation, general accounting advice (including initial accounts of NWR) and certain valuation services required by statute in the UK. In the Czech Republic, the external auditor assisted with sustainability reporting and training relating to employee benefits. Being informed of these services, the ARMC concluded that the independence of the external auditor was safe-guarded and the external auditor is taking measures to preserve this independance.

Management responses to issues raised are discussed with the Chief Financial Officer. The reviews of the ARMC confirmed that all significant matters had been satisfactorily resolved in 2011.

Following this process, the ARMC recommended to that the Board that it puts to the shareholders for their approval at the AGM of the Company on 26 April 2012 the appointment of KPMG Audit Plc as the external auditor.

Provision of information to auditors:
Each Director in office at the date the Annual Report is approved, confirm that:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
(b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Internal audit

The Group internal audit function was established in November 2008. The Group's internal auditor is responsible for developing and overseeing the implementation of consistent internal auditing policies across the Group, delivering the audit plans and audit assignments, preparing internal audit charters and reporting on Group risk management and internal control. The Group's internal auditor functionally reports to the ARMC and its Chairman in particular and administratively to NWR's Chief Financial Officer. The Group's internal auditor reports the main findings of the completed audits and the status of their implementation to the ARMC.

The ARMC assesses the performance of the Group's internal auditor on an annual basis.

At OKD, the internal audit function is performed by an internal audit team, which assesses whether the internal control, risk management, and governance processes are adequate and effective. The head internal auditor reports internal audit findings and recommendations to the senior management team and the Audit Committee of OKD. The head internal auditor also submits annual reports on the activities of the internal audit team to the Audit Committee, the Board of Directors and the Supervisory Board of OKD. The head internal auditor has access to all necessary organisation units and their management and the right to request information and explanations, and has unfettered access to the Audit Committee and Supervisory Board of OKD. The internal audit team works closely with the Group's internal auditor. Internal audit in OKK and NWR KARBONIA is carried out by the Group internal audit function with the support of designated officers.

The internal audit functions at NWR and OKD have aligned audit processes on both levels and supervised implementation of their audit recommendations. As the ARMC's Chairman is a member of OKD's Audit Committee, the connection between the ARMC and the Audit Committee of OKD provides for adequate monitoring and communication.

Risk management, internal control and compliance

The ARMC is responsible for overseeing Group risk management and reviewing the internal control and risk management system. This supports the Board in discharging its responsibility for ensuring that the wide range of risks associated with the Group's operations are effectively managed to safeguard shareholders' investments and the Group's assets.

NWR's risk management policy, which applies to all Group entities, sets out the high level objectives of the Group's risk management, risk evaluation, documentation and reporting processes. The risk management policy can be found on the NWR website at http://www.newworldresources.eu/en/corporate-governance/policies.

The ARMC was kept updated with information relating to, and reviewed with a particular focus, the following risks relating to the Group for 2011:

- health and safety;
- pricing;
- licensing;
- reputational;
- corporate social responsibility;
- machinery availability; and
- budgeting and controlling.

The risk assessment and reporting criteria are designed to provide a consistent, Group-wide perspective of the key risks.

The ARMC has a crucial role in opining on and making proposals to the Board on all matters where a potential conflict of interest exists between NWR, its Directors, its controlling shareholder and other shareholders. In 2011, the ARMC examined a number of potential cases of conflict of interest, especially in connection with the UK redomiciliation.

For further details on risk management, including the Directors' review of the effectiveness of internal controls, please see 'Risk management' on pages 24 to 27 and 80.

Whistleblower Procedure

The Company's Whistleblower Procedure is appended to NWR's Code of Ethics and Business Conduct and enables employees to express, on a confidential basis, concerns over the conduct of Directors, officers, management and other employees. These include suspicions of criminal offences, violation of law, intentionally wrongful behaviour, manipulation of information and misconduct. The Whistleblower Procedure will be used to report suspected breaches of the Business Integrity Policy. The Company Secretary acts as confidential adviser for NWR and its subsidiaries and is responsible for investigating reports of suspected irregularity. The ARMC is responsible for establishing and reviewing the Whistleblower Procedure and is informed of reported cases through regular reports from the Company Secretary. In 2011, no reports were received or reported to the ARMC. The ARMC, however, reviewed the reports received from certain Group subsidiaries, in particular OKD.

The Whistleblower Procedure can be found on the NWR website at http://www.newworldresources.eu/en/corporate-governance/policies.

The ARMC believes that it carried out all the responsibilities set out in its charter and finds the charter adequate.

Remuneration Committee Report

In connection with the successful reincorporation of NWR NV in the UK, the Remuneration Committee of NWR NV was abolished and following a resolution of the Board adopted on 8 April 2011, the Remuneration Committee of NWR ('RC') was established, as of 6 May 2011, as a committee of the Company. On 8 April 2011, the Board also adopted the RC charter and appointed the RC members and chairman.

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Remuneration Committee members

The RC consists of Non-Executive Directors appointed by the Board. Two of the RC's members are Independent Directors:

» Zdeněk Bakala (Chairman)
» Bessel Kok
» Hans-Jörg Rudloff

Provision D.2.1 of the UK Corporate Governance Code recommends that the remuneration committee should be comprised entirely of independent non-executive directors. The Company does not comply with this provision as the Remuneration Committee is chaired by Zdeněk Bakala, who is not considered to be independent. However the Board regards Mr. Bakala's membership of the Committee as critical to the further alignment of directors' remuneration with shareholder interests. The Executive Directors of the Board attend meetings of the RC by invitation only and assist the RC in its discussions, except in matters associated with their own respective remuneration.

Main responsibilities

Following the reincorporation of NWR NV in the UK the main responsibilities of the RC have been brought into line with the principles of the UK Corporate Governance Code. In particular, the RC now sets the remuneration of the Executive Directors of the Board, the Chairman of the Board and the Group's senior managers and advises the Board in relation to its responsibilities with respect to the remuneration of the Non-Executive Directors. This is in accordance with provision D.2.2 of the UK Corporate Governance Code.

For the responsibilities of the Remuneration Committee of NWR NV prior to the UK redomiciliation, please refer to page 56 of the 2010 Annual Report of NWR NV.

Following the UK redomiciliation, the RC is responsible for

» setting the remuneration of the Executive Directors and the Chairman of the Board and their contractual terms, including share-based incentive plan payments, pensions rights and compensation payments;
» producing an annual summary for the Board of the Company's remuneration policy and remuneration practices, which will form the basis of the Remuneration Report of the Board, which itself forms part the Company's Annual Report and is put to shareholders for approval at the AGM; and
» preparation of proposals to the Board on:
» the remuneration policy (no member of the RC may participate in any discussions or make proposals in respect of his own remuneration);
» the individual salary levels, bonuses and other benefits of the Group's senior managers, as the case may be;
» contractual terms for the Non-Executive Directors of the Board; and
» the preparation and implementation of (share-based) incentive plans.

Activities undertaken during the year

The RC met four times during 2011, twice (in January and March) as a committee of NWR NV and twice as a committee of NWR (in May and November).

The Committee applies the principles of the Company's Compensation Manual and also fulfills the role given to it by the Deferred Bonus Plan. For more details on the Compensation Manual and the Deferred Bonus Plan, please refer to the Remuneration Report on page 94.

The Committee performed the annual review of the remuneration of the Executive Directors and the fee levels of the Non-Executive Directors in 2010 and found them appropriate also for 2011. Further details may be found in the Remuneration Report on pages 98 to 101.

The RC also determined that the performance conditions set for options granted on 17 March 2010 were met. Furthermore, in light of the termination of NWR NV's Stock Option Plan from 31 December 2010 and there being no transitional arrangements in respect of equity incentives for executive performance in 2010, the RC proposed that the Board adopt the approach of providing ad hoc grants of NWR NV A shares to a group of eligible NWR NV employees. The RC also approved the participation of certain Group employees in the Deferred Bonus Plan in the bonus year 2011. It further recommended to the Board the Group-wide performance criteria for 2011 and those for an Executive Director participating in the Deferred Bonus Plan.

In line with the Stock Option Plan rules, the RC also considered and approved vesting of certain stock options to 'good leavers', these being employees who leave NWR due to death, retirement at normal retirement age, redundancy or retirement through illness or injury, maternity leave, leave of absence, illness or personal reasons. Following the UK redomiciliation, all stock options and grants of A shares of NWR NV have been rolled over into stock options and grants of A Shares of the Company. Further details may be found in the Remuneration Report on page 97.

The RC is of the opinion that it has carried out all the responsibilities set out in the Committee's charter.

Finance and Investment Committee Report

In connection with the successful reincorporation of NWR NV in the UK, the Finance and Investment Committee of NWR NV was abolished and following the resolution of the Board adopted on 8 April 2011, the Finance and Investment Committee of NWR ('FIC') was established, as of 6 May 2011, as a committee of the Company. On 8 April 2011, the Board also adopted the FIC charter and appointed the FIC members and chairman.

Finance and Investment Committee members

The members are appointed by the Board and include Executive and Non-Executive Directors and NWR's Chief Financial Officer:

» Peter Kadas (Chairman)
» Zdeněk Bakala
» Mike Salamon
» Marek Jelínek

Main responsibilities

The main functions of the FIC are:

» reviewing and presenting the Group's annual budget to the Board;
» reviewing, approving and recommending to the Board all major strategic or financial investments and divestments and other major capital decisions;
» reviewing the adequacy of the Group's capital structure;
» advising on relationships with banks, rating agencies and financial institutions;
» providing oversight and guidance on funding and treasury management; and
» making decisions on all matters related to NWR subsidiaries.

Activities undertaken during the year

In 2011, the FIC met five times. Two times of which (in January and March) as a committee of NWR NV and three times as the Company's committee (in May, September and November). Among the main items discussed by the FIC was the Group budget for 2011, which was recommended for the Board's approval. Throughout 2011, the FIC followed up on the progress of the UK redomiciliation and the subsequent squeeze out process. Following the UK redomiciliation, the FIC attended to issuing new shares for the purpose of the employees' stock option plan. In the light of the volatile market situation, the FIC analysed the Company's risks and opportunities to identify suitable measures in response. As regards the financing arrangements, the FIC discussed the new Revolving Credit Facility and accession of the Company to the Group Pooling Agreement. The FIC also regularly reviewed financial and operational results and the financing and cash position of the Group including cash investments, cash pooling and hedging arrangements. The FIC continued to monitor the Group's debt position and compliance with bank covenants and also took a number of decisions regarding financial and operating matters of NWR's subsidiaries. The FIC reviewed, on a regular basis, market analysis, analyst and investor feedback and the performance of NWR's shares as well as the shareholder register. The FIC also prepared the 2012 budget.

The FIC is of the view that its composition is appropriate and that its members have carried out all duties and responsibilities set out in the charter.

Safety, Health and Sustainability Committee Report

On 15 November 2011, the Board substantially changed the Committee's charter and specifically included in the Committee's scope corporate and social responsibilities with an emphasis on health, safety and environmental risks. The Committee was renamed the Safety, Health and Sustainability Committee ('SHSC') with the SHSC members and chairman remaining unchanged.

In connection with the successful UK redomiciliation of NWR NV, the SHSC (at that moment still as the Health, Safety and Environment Committee) of NWR NV was abolished, and following the resolution of the Board on 8 April 2011, the SHSC of NWR was established, as of 6 May 2011, as a committee of the Company. On 8 April 2011, the Board also adopted the SHSC charter and appointed its members and chairman.

SHSC members

The SHSC consists of two Executive Directors (including the Executive Chairman) and two Independent Directors appointed by the Board:

» Paul Everard (Chairman)
» Mike Salamon
» Klaus-Dieter Beck
» Steven Schuit

Meetings during 2011 were also regularly attended by Ján Fabián, Chief Operating Officer of NWR who is responsible for the operations of NWR KARBONIA and OKK, and by two external experts, Stan Suboleski and Karl Friedrich Jakob, who are also members of the OKD Board of Directors. Stan Suboleski is currently senior vice-president of Evan Energy Investments and also serves on the board of Inter-American Coal Company. He was previously a commissioner with the US Federal Mine Safety and Health Review Commission. Karl Friedrich Jakob held numerous prominent managerial positions in Germany as well as with international mining companies and also worked for the German State Mining Authority. In connection with the new corporate and social responsibilities, the SHSC meetings in the second half of the year were also attended by Petra Mašínová, Head of Corporate Communications at NWR who manages CSR matters for the whole NWR Group.

Main responsibilities

According to its new charter, the SHSC assists the Board in its oversight of corporate and social responsibilities with a special emphasis on health, safety and environment risk within NWR and its subsidiaries as well as the Group's compliance with applicable legal and regulatory requirements associated with CSR and HSE matters.

The SHSC's main duties in the CSR area are to:

» monitor and review the internal policies and systems within the Group for implementing the sustainability programs, frameworks and objectives;
» monitor and review the Group's performance in relation to sustainability matters and follow up on the achievement of the respective key performance indicators and targets;
» advise the Board on the CSR aspects of the proposed strategic transactions;
» prepare sustainability reports (including the stand-alone CSR section) and submit them to the Board for review; and
» support stakeholder dialogue and engagement on sustainability performance.

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The SHSC's main duties in the HSE area continue to be to:

» oversee the Group's performance on health, safety and environmental matters;
» review reports and meet with senior management of Group subsidiaries to discuss the effectiveness of the Group's policies and systems for identifying and managing material HSE risks;
» monitor the impact of operations on the Group's reputation; and
» prepare the HSE section of NWR's Annual Report.

For both CSR and HSE matters, the SHSC is responsible for:

» reviewing the policies and systems within the Group for ensuring compliance with applicable social, health, safety, environment legal and regulatory requirements as well as for effective and positive employee and community relations;
» liaising with the ARMC to ensure adequate oversight of the Group's systems for managing the CSR and HSE risks;
» reviewing and, if appropriate, making recommendations to the Board relating to issues of CSR and HSE; and
» monitoring of CSR and HSE issues and trends, and regularly reporting to the Board on connected major concerns or risks.

For the responsibilities of the Health, Safety and Environment Committee of NWR NV prior to the UK redomiciliation and the committee's transformation into the SHSC, please refer to page 57 of the 2010 Annual Report of NWR NV.

Activities undertaken during the year

In 2011, the SHSC met four times, once in January, while still a committee of NWR NV and thereafter three times as a committee of the Company (in May, September and November). The SHSC also conducted one site visit to the OKD mines in the Czech Republic.

At its meetings, the SHSC reviewed the health, safety and environmental reports of NWR's core operations and also received detailed reports on extraordinary events that occurred at the operations. These included fatalities caused by seismic events (rock bounces) as well as a fatal locomotive accident. The SHSC closely followed investigations of these fatalities, the post accident response, and the safety and other measures that were adopted thereafter. In this context, the Committee was informed in detail about the recommendations of the international (Czech, German and Polish) panel of experts convened by OKD to propose new measures for bounce risk prevention and mitigation and how these recommendations were implemented in practice. The SHSC also received regular reports on site visits by the local mining authorities, the citations issued and other HSE-related regulatory matters. The SHSC was informed about the 2011 Safety Campaign at OKD, promoting a safer workplace which is a part of the Continuous Improvement Programme, and similar initiatives at OKK.

The SHSC also exercised its role in the area of CSR for the Group, as described in greater detail in the SHSC's charter after its amendment in November 2011. The SHSC reviewed the progress made in the rehabilitation and restorations project concerning the landscape affected by the Group's mining activities (e.g. redevelopment to support golf and water-based leisure activities).

A Sustainability section which describes NWR's approach in the area of corporate and social responsibility as well as the health, safety and environment at NWR's operations may be found on pages [52–59] of this Annual Report. In addition, NWR will also issue a separate Sustainability Report for 2011 detailing the strategy, trends and achievements in the area of corporate and social responsibility.

The SHSC believes that it has successfully fulfilled its duties and responsibilities set out in its charter.

The charter of the SHSC is available on NWR's website at www.newworldresources.eu.

Real Estate Committee Report

In connection with the successful reincorporation of NWR NV in the UK and in accordance with a resolution of the Board adopted on 8 April 2011, the Real Estate Committee of NWR ('REC') was established as a committee of the Company as of 6 May 2011. On 8 April 2011, the Board also adopted the REC charter and appointed the REC members and chairman.

The Real Estate Committee of NWR NV continues to exist in parallel to the REC of NWR.

Real Estate Committee members

The REC is wholly composed of Independent Non-Executive Directors appointed by the Board:

» Barry Rourke (Chairman)
» Steven Schuit
» Paul Everard

Main responsibilities

The role of the REC is to oversee the assets and liabilities of the Real Estate Division and the interaction between the Mining Division and the Real Estate Division of NWR. In its advice the REC endeavours to ensure that the interests of NWR and its shareholders as a whole have been identified and adequately taken into consideration.

The REC supports and advises the Board in its work by:

» advising the Board on matters regarding the Real Estate Division of NWR (except in relation to audit, accounting and financial disclosure matters, which fall within the remit of the ARMC);
» monitoring interactions between the Mining Division and the Real Estate Division and all transactions affecting the assets of the Real Estate Division with third parties and advising the Board in respect thereof;

» developing and interpreting the Divisional Policy Statements, proposing amendments, providing guidance on provisions and overseeing its implementation; and
» overseeing the compliance of NWR's subsidiaries with the Divisional Policy Statements.

For the responsibilities of the Real Estate Committee of NWR NV, please refer to page 58 of the 2010 Annual Report of NWR NV.

Activities undertaken during the year

During 2011, the REC met a total of five times. NWR's Chief Financial Officer attended all meetings. The REC met twice (in January and February) as a committee of NWR NV and three times (in May, August and November) as a committee of the Company, in a joint meeting with the Real Estate Committee of NWR NV.

In line with its responsibility for supervising transactions between the Mining Division and the Real Estate Division, the REC continued to monitor real estate transactions of NWR's core operations, including transactions with third parties (for example the swap of the real estate assets with local municipality or sale of real estate to third parties). In 2011, all proposed transfers were approved by the Board as well as by the holder of the B Shares. To assist the REC, the core operations submit monthly reports, which provide details on any such transactions.

The REC is notified of all transactions (internal or with third parties) in which qualified valuers are involved, in order to facilitate oversight by the REC of such transactions.

In a response to transfers reviewed by the REC in the first half of 2011, the REC decided to clarify the approval process so that the impact on both the Mining and Real Estate Divisions is more thoroughly explained and transactions are approved in advance by the CEO of the relevant core operation.

The REC further reviewed, on a regular basis, profit and loss accounts of the Real Estate Division.

The REC regularly reported to the Board and the ARMC on its activities and findings.

Divisional Policy Statements

The Divisional Policy Statements were adopted by the Board on 8 April 2011 with effect from 6 May 2011 and are intended to mirror Divisional Policy Statements adopted by the board of NWR NV. They refer to the Mining Division and the Real Estate Division that were created within the Group on 31 December 2007.

The Divisional Policy Statements have been prepared and adopted on the basis that the Mining Division has the right to maintain: (i) the undisturbed continuation of its mining, coking and related operations that are conducted on certain of the assets of the Real Estate Division; and (ii) unrestricted access to such assets of the Real Estate Division in connection with such mining, coking and related operations.

The Divisions operate separately for accounting and reporting purposes. Under the Divisional Policy Statements, OKD and the other subsidiaries of NWR carry out the day-to-day operations of the Real Estate Division. In carrying out such day-to-day operations, they are required to seek the prior approval of the Board, after the REC has provided its advice to the Board, when proposing to enter into transactions which: (i) are not considered by the Board to be in the ordinary course of business of the Real Estate Division; or (ii) relate to assets of the Real Estate Division, which have a book value of 5 per cent or more of the total book value of the assets of the Real Estate Division.

The Divisional Policy Statements as well as the Book of Procedures dealing with the accounting aspects of the Divisional Policy Statements, have been implemented by NWR's core operations.

Compliance is monitored by the REC through monthly reports received from the Company Secretary who has been designated to act as an intermediary between the REC, NWR and its subsidiaries.

The REC is of the opinion that it has carried out all the responsibilities set out in the REC's charter.

The Divisional Policy Statements are available on NWR's website at www.newworldresources.eu.

Nomination Committee Report

In connection with the successful UK redomiciliation of NWR NV and to comply with the UK Corporate Governance Code requirements and market practice, the Board resolved on 8 April 2011, with effect as of 6 May 2011, to establish a Nomination Committee (the 'NC'). On 8 April 2011, the Board also adopted the NC charter and appointed the NC members and chairman.

Nomination Committee members

The members are appointed by the Board and include Executive and Non-Executive Directors:

» Bessel Kok (Chairman)
» Mike Salamon
» Barry Rourke

Main responsibilities

The main functions of the NC are:

» reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any changes;
» making recommendations to the Board concerning succession planning for both Executive and Non-Executive Directors and in particular for the key roles of the Chairman of the Board and the chief executive officer and senior managers of the Group;

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- identifying and nominating for the approval of the Board, candidates to fill Board vacancies and evaluating the balance of skills, knowledge, experience and diversity on the Board, and, in light of this evaluation preparing a description of the role and capabilities required for a particular appointment;
- reviewing the results of the Board performance evaluation process that relate to the composition of the Board; and
- making recommendations to the Board on re-election by shareholders of Directors under the annual re-election provisions of the UK Corporate Governance Code and the retirement by rotation provisions in NWR's Articles of Association.

Activities undertaken during the year

In 2011, the NC met in September. The NC reviewed the outcome of the Executive Directors evaluation and discussed the various options regarding succession planning in respect of the Chairman of the Board and other Directors. The NC reviewed the appointment of a new Company Secretary and the best approach to corporate and social responsibilities. In its session in March 2012, the NC concluded that each Director makes an effective and valuable contribution to the meetings of the Board and the committees on which they sit, and that they demonstrate commitment to their roles.

The NC fully supports the Chairman of the Board in his commitment to making sure that the Group accesses the widest possible diversity of skills and talents, not only at the Board level, but throughout the Group. Together with Chairman of the Board, the NC promotes and purses recruitment and appointment of male and female candidates purely on the basis of the business needs, skills and abilities, in a clearly non-discriminatory manner.

The NC is of the view that its composition is appropriate and that its members have carried out all duties and responsibilities set out in its charter.

The charter of the NC is available on NWR's website at www.newworldresources.eu.

Accountability

Conflicts of interest

The Corporate Governance Policy sets out the rules for dealing with conflicts of interest. Directors are required to immediately report any conflict of interest or potential conflict of interest that is of material significance to the Senior Independent Director, and shall provide all relevant information, including information concerning a related party. If the Senior Independent Director has a conflict of interest or potential conflict of interest that is of material significance, he should immediately report to the Board and provid all relevant information.

The Audit and Risk Management Committee is responsible for making recommendations to the Board on potential conflicts of interest and related party transactions. Directors, to whom the conflict of interest issue relates, do not take part in the assessment by the Audit and Risk Management Committee of whether a conflict of interest exists.

Code of Ethics and Business Conduct

In addition to its Corporate Governance Policy, NWR has adopted a Code of Ethics and Business Conduct, which governs the behaviour of all officers and employees of NWR and its subsidiaries. Appended to it is the Whistleblower Procedure, which is a reporting mechanism enabling employees to express concerns to the Board's Chairman, Senior Independent Director and the designated officer in relation to the conduct of NWR, its officers and employees. To confirm its commitment to the high standards of conducting business and combating fraud and bribery, the Board has also adopted the Business Integrity Policy.

The core operations of NWR have implemented a corresponding procedure. To increase the effectiveness of this system, OKD has modified its whistleblower procedure so that complaints are now dealt with by an independent internal committee. The Audit and Risk Management Committee monitors, through reports received from the Company Secretary, the effectiveness of the procedure. Further details can be found in the report of the Audit and Risk Management Committee on page 75.

The Code of Ethics and Business Conduct and the Whistleblower Procedure, as well as the Business Integrity Policy are available on NWR's website at www.newworldresources.eu.

Risk management and internal controls

The Board has overall responsibility for the Group's system of internal controls and risk management policies and is also responsible for reviewing their effectiveness. The Board is supported in this area by the work of the Audit and Risk Management Committee. (For further details see the Audit and Risk Management Committee Report on pages 72 to 74) During 2011, the Directors have continued to review the effectiveness of the system of controls, risk management and the Group's high-level internal controls processes. These reviews have included an assessment of internal controls, and in particular, financial, operational and compliance controls and risk management and their effectiveness, supported by management assurance of the maintenance of controls, and report from Group Internal Audit and from the external auditor on matters identified in the course of its statutory audit work. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable (not necessarily absolute) assurance of effective operation and compliance with laws and regulations.

Underpinning these reviews is an annual process by which responsible senior management personnel confirm the adequacy of the systems of internal financial and non-financial controls, compliance with Group policies and relevant laws and regulations and that they

have reported any control weaknesses to the Audit and Risk Management Committee.

The internal control framework has been in operation throughout 2011 and continues to operate up to the date of the approval of this Annual Report. The Directors believe that the Group maintains an effective, embedded system of internal controls and complies with the Turnbull Report guidance and, in the view of the Directors, no significant deficiencies have been identified in the system.

Further information about the ways in which we manage our business risks is set out in the Risk management section from page 24, which also contains a list of the principal risks and uncertainties that we face.

Internal audit

The Group's Internal Auditor oversees the work of internal audit functions in NWR's subsidiaries. He is responsible for developing and overseeing the implementation of consistent internal auditing policies within the Group, delivering the audit plans and audit assignments, preparing internal audit charters and reporting on Group risk management and internal control. The Group's internal auditor reports to the Audit and Risk Management Committee and the Chief Financial Officer of NWR.

Going concern

The Directors consider that the Group has adequate financial resources to continue operating for the foreseeable future and that it is, therefore, appropriate to adopt the going concern basis in preparing the financial statements. The Directors have satisfied themselves that NWR Group is in a sound financial position and that it has access to sufficient borrowing facilities and can reasonably expect those facilities to be available to meet the NWR Group's foreseeable cash requirements, particularly those relating to major investments, including capital projects and acquisitions (further details in the Financial Review on page 30).

Insider trading

In compliance with relevant laws, rules and regulations of the UK, the Czech Republic and Poland, the Company has a Share Dealing Code, amended in connection with the UK reincorporation that covers dealings in NWR's shares and other securities, disposals of inside information and disclosure of information relating to securities by the Directors and certain employees of the Group. The Share Dealing Code restricts dealings during designated prohibited periods and at any time that the Directors and employees are in possession of unpublished price-sensitive information. The Share Dealing Code has been implemented throughout the Group and is monitored by NWR's Compliance Officer. A copy of the Share Dealing Code can be found on NWR's website at www.newworldresources.eu.

Articles of Association

The Articles of Association of the Company have been adopted by a special resolution passed on 8 April 2011 and may be amended by the passing of a special resolution at the general meeting of shareholders.

NWR's Articles of Association are available on NWR's website at www.newworldresources.eu.

Relations with shareholders

Market disclosure and relations with shareholders

The Board regards effective communication with shareholders as a priority.

Radek Němeček, Head of Investor Relations, is responsible for the external financial communications of NWR. Together with his team, he manages the ongoing dialogue with equity and credit analysts and NWR's shareholders, bondholders and potential new investors. As part of this process, the Board's Chairman, Chief Financial Officer, Chief Operating Officer and Investor Relations team meet with shareholders and other market participants in the UK, US, the Czech Republic, Poland and other European countries on a regular basis to discuss the Group's performance, strategy and governance. Additionally, presentations to investors and analysts take place at the time of quarterly, interim and final results as well as at sector and broker conferences that the Company participates in throughout the year.

The Board receives regular reports from the Investor Relations department on changes to the shareholding structure, analyst coverage of the stock, feedback from investors including market perception studies, share trading statistics and other information about the views of the capital markets.

Petra Mašínová, Head of Corporate Communications, is responsible for both external and internal corporate communications as well as the corporate social responsibility policy of NWR. Financial reports, press releases, regulatory announcements, investor presentations and other information on matters of interest to investors can be found on the Company's website at www.newworldresources.eu.

Senior Independent Director

The Senior Independent Director, Bessel Kok, is available to shareholders if they have concerns, which the Board's Chairman, the Vice-Chairmen or the Chief Financial Officer have not resolved, or if they have concerns related to Board independence. No such meetings or discussions were held or requested during 2011.

Share capital, controlling shareholder

BXR Mining B.V. ('BXRM') remains the majority shareholder of NWR, with its ultimate parent company being BXR Group Limited ('BXRG'). As at 31 December 2011, BXRM held 63.65 per cent of NWR A Shares.

Full details on the changes in the shareholding structure of NWR occurring in 2011 and details of the Directors' powers in

Corporate Governance

relation to the issuing and buying back by the Company of its shares, may be found in the 'Shareholder Information' section on page 174.

100 per cent of NWR's B Shares are owned by RPG Property B.V., which is an indirect subsidiary of BXRG.

The Board is satisfied that NWR is capable of carrying on its business independently of BXRM and BXRG and that all transactions and relationships between them are transparent and are carried out independently. The Board makes its decisions in a manner consistent with its duties to NWR and stakeholders of NWR and gives equal consideration to the potentially divergent interests of the holders of both classes of shares in NWR.

To ensure that all transactions and relationships between the Company and BXRM (and the wider BXRG group) are on arm's length terms, the Company is party to a Relationship Agreement with BXRM. If a conflict arises between BXRM and the Company, the Directors with a conflict of interest will take no part in the Board's decisions on that matter. For further information see the 'Related Party Transactions' section on page 84.

Annual General Meeting of Shareholders

The AGM provides an opportunity for shareholders to communicate with the Board. The Chairman aims to ensure that the respective chairmen of the Board committees are present at the AGM to answer shareholders' questions. The next AGM will be held on 26 April 2012.

Compliance with corporate governance standards

UK Corporate Governance Code

In accordance with the UK Corporate Governance Code and the Listing Rules of the UK Listing Authority, NWR follows the 'comply or explain' approach and states in its Annual Report whether it complied or will comply with the principles of good corporate governance set out in the UK Corporate Governance Code and, if it does not comply, NWR will explain the reasons for such non-compliance in the relevant sections of this Annual Report. Other than discussed on pages 68, 71, 76, 94 and 98, the Company has complied with the principles and provisions of the UK Corporate Governance Code.

Czech Corporate Governance Code

NWR is not obliged by the Czech National Bank or the Prague Stock Exchange to comply with the Czech Code of Corporate Governance.

Although NWR does not apply the Czech Corporate Governance Code directly, the Code is broadly similar to the UK Corporate Governance Code.

Polish Corporate Governance Code

The Company observes the majority of the principles of corporate governance contained in the Code of Best Practice for Warsaw Stock Exchange Listed Companies (the 'WSE Code')[1]. Certain principles of the WSE Code may only be applied to the Company to the extent permitted by and where compatible with its status as a public company, incorporated in the United Kingdom, under the laws of England and Wales. In particular, the WSE Code assumes that a company will have separate supervisory and management boards whereas the Company has a single board consisting of both Executive and Non-Executive Directors. Therefore, the Company complies only partially with Rules I.6, I.7, II.4, II.6, III.1–9 of the WSE Code concerning the supervisory board and its members. In cases where the Company is unable to comply with certain principles directly, it endeavors to comply with the spirit of such principles.

[1] The WSE Code requires companies listed on the Warsaw Stock Exchange to publish a detailed statement of any non-compliance or partial compliance with the WSE Code. The Company is also required to indicate the ways in which it eliminates possible consequences of such non-compliance, or describe steps which the Company intends to take to mitigate the risk of non-compliance. During the year under review, the Company complied with the WSE Code except in respect of the following rules:

Rule I.6. – A member of the supervisory board should have appropriate expertise and experience and be able to devote the time necessary to perform his or her duties. A member of the supervisory board should take relevant action to ensure that the supervisory board is informed about issues significant to the Company.

Rule I.7. – Each member of the supervisory board should act in the interests of the Company and form independent decisions and judgments, and in particular:

- refuse to accept unreasonable benefits, which could have a negative impact on the independence of his or her opinions and judgments; and
- raise explicit objections and separate opinions in any case when he or she deems that the decision of the supervisory board is contrary to the interest of the Company.

Rules I.6 and I.7 do not relate to the Company since it has a single-tier Board structure. However, the requirements of these Rules are substantially similar to those for Non-Executive Directors under the UK Corporate Governance Code (the 'UK Code') which the Company complies with.

Rule II.4 – A member of the management board should provide notification of any conflicts of interest which have arisen or may arise, to the management board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.

In order to avoid any conflicts of interest the Company has adopted a Corporate Governance Policy (the 'Policy'), enabling the Board to perform both its management and supervisory functions in an effective and transparent manner. Under the Policy, Directors are required to report any potential conflict of interest to the Senior Independent Director (or to the Board as the case may be). If there is a conflict between an Executive Director and the Company, the general meeting may appoint another person for decisions relating to the transaction involving the conflict. Under English company law, the Board is also subject to the statutory director's duties regime under the UK Companies Act 2006; in particular Section 175 which imposes a duty on directors to avoid conflicts of interest and Section 177 requiring directors to declare an interest in a proposed transaction or arrangement.

Rule II.6 – General meetings should be attended by members of the management board who can answer questions submitted at the general meeting.

The Board places considerable importance on effective communication with shareholders. However, the presence of Directors at meetings is not mandatory under English law and while the Company aims to ensure that the Directors are

present at general meetings of shareholders (the 'general meeting'), it cannot guarantee that all Directors will be present.

Rule III.1 – In addition to its responsibilities laid down in legal provisions, the supervisory board should:

- once a year, prepare and present to the annual general meeting of shareholders a brief assessment of the Company's standing including an evaluation of the internal control systems and the significant risk management systems;
- once a year, prepare and present to the annual general meeting of shareholders an evaluation of its work; and
- review and present opinions on issues subject to resolutions of the general meeting.

While the Company does not have a supervisory board, the above responsibilities are performed by the various committees established by the Board, which are intended to assist with the performance of its duties regarding internal control and risk management mechanisms.

Rule III.2 – A member of the supervisory board should submit to the Company's management board information on any relationship with a shareholder who holds shares representing not less than five per cent of all votes at the general meeting. This obligation concerns financial, family, and other relationships, which may affect the position of the member of the supervisory board on matters decided by the supervisory board.

The one-tier Board structure means the Company cannot directly observe Rule III.2.
Rule III.3 – General meetings should be attended by members of the supervisory board who can answer questions submitted at the general meeting.

As with the requirement for the management board to attend, it is the intention of the Board that Directors attend the general meetings and answer questions.

Rule III.4 – A member of the supervisory board should notify the supervisory board of all conflicts of interest, which have arisen or may arise, and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue, which gives rise to such conflict of interest.

The non-compliance with Rule III.4 is addressed by the statement made above in relation to Rule II.4.

Rule III.5 – A member of the supervisory board should not resign from this function if this action could have a negative impact on the supervisory board's capacity to act, including adoption of resolutions by the supervisory board.

This rule is observed by all members of the single-tier Board.

Rule III.6 – At least two members of the supervisory board should meet the criteria of being independent from the Company and entities with significant connections with the Company. The independence criteria should be applied under Annex II to the Commission Recommendation of 15 February 2005 (the 'Recommendation') on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the Company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the supervisory board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5 per cent of all votes at the general meeting.

As at the date of this statement, five out of 10 Non-Executive Directors meet the independence criteria.

Rule III.8 – Annex I to the Recommendation on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board should apply to the tasks and the operation of the committees of the supervisory board.

Each of the five independent Non-Executive Directors of the Company must meet the independence criteria contained in the Policy. The criteria are based on the best practice requirements contained in the UK Code and are typically more stringent than the requirements of the Recommendation regarding the role of Non-Executive Directors.

Rule III.9 – Execution by the Company of an agreement/transaction with a related entity, which meets the conditions of section II.3 requires the approval of the supervisory board.

Any transactions with related entities are monitored by the Audit and Risk Management Committee established by the Board which receives reports from the external auditor. The Committee advises the Board and examines such transactions to ensure they comply with the arm's length requirements of Rule II.3.

As required by Resolution No. 1013/2007 of the WSE dated 11 December 2007, a description of other relevant information may be found on the following pages of this Annual Report:

Operations and main powers of the general meeting, shareholders' rights and the exercise thereof are described in 'Shareholder Information' section on page 163.

Composition and operations of the managing and supervising bodies of the Company and their committees are described in the Corporate Governance Report on pages 68–80.

Detailed description of the 'Principal Risks and Uncertainties' may be found on pages 24–27.

Directors' report

The Directors' report, which has been prepared in accordance with the requirements of the Companies Act 2006, comprises the following sections:

- Strategy
- Business Review
- Corporate Governance
- Shareholder information
- Ancillary Shareholder Information

and has been signed on behalf of the Board.

Lucie Vávrová
Company Secretary
12 March 2012

Related party transactions

The following are significant related party transactions (being contracts entered into by, on the one hand, Group entities and, on the other, entities affiliated with them, in effect on 31 December 2011).

Agreement related to the restructuring

Cross guarantee

The former OKD was a government-controlled enterprise, and as a result it owned and operated a large range of businesses (including mining businesses, businesses ancillary to mining and unrelated businesses). A restructuring was undertaken, concerned primarily with disposing of certain of such ancillary and unrelated businesses in order to focus upon coal mining and coke production businesses. In addition, steps were taken to streamline the corporate structure of the BXR Group (removing certain intermediary holding companies from the structure). In connection with the restructuring, and pursuant to Czech law, OKD, DPB, Advanced World Transport a.s. ('AWT'), RPG Trading, s.r.o. (defunct since January 2010), RPG RE Land s.r.o., RPG RE Commercial s.r.o., and RPG Byty, s.r.o., the successor entities of the former OKD, are subject to a statutory cross guarantee. The statutory cross guarantee was given by each successor entity in relation to the liabilities of the demerged entity (formerly OKD) that were assumed by each successor entity on the date of the demerger. The cross guarantee of each successor entity is limited to the value of the net assets of the guarantor as at the effective date of the demerger.

Similar statutory cross guarantees have arisen as a result of the spin-off of OKK into NWR Coking a.s., ('NWR Coking'), a wholly-owned subsidiary of NWR NV. NWR Coking merged with OKK in April 2008, with OKK remaining as the surviving entity. OKK thus became a direct subsidiary of NWR NV and also became subject to the statutory cross guarantee.

Agreements with the BXR Group

Master Advisory and Services Agreement

On 28 March 2007, NWR NV entered into a master advisory and services agreement, as amended on 27 July 2007 and on 19 August 2010, with BXR Partners, a.s. ('BXRP'), a member of the BXR Group, in respect of the provision of certain non-exclusive advisory services by BXRP to NWR NV. effective as of 1 September 2006, including services in connection with the acquisition and divestiture of assets, entry into joint venture arrangements, corporate finance matters and market research initiatives within Central Europe, including the Czech Republic (the 'Master Advisory and Services Agreement'). The fees paid to BXRP are based generally on a cost plus formula, but specific arrangements may be made in respect of individual projects. NWR NV must reimburse BXRP for all expenses incurred by BXRP in connection with the provision of advisory services. The Master Advisory and Services Agreement may be terminated, with or without cause, by either party giving prior written notice to the other party, provided that, if the Master Advisory and Services Agreement is terminated for any reason other than a material breach, the notice period is one month. The Master Advisory and Services Agreement includes a one-year post-termination confidentiality clause.

In addition, from time to time, BXRP may provide services to NWR and be remunerated for such services on terms that are separately agreed.

BXR RE Services Agreement

On 26 May 2008, NWR NV entered into a services agreement with BXR Real Estate Investments B.V. (previously RPG Real Estate B.V., 'BXR RE') for the provision of certain services by NWR NV to BXR RE with effect from October 2006 (the 'BXR RE Services Agreement'). Under the BXR RE Services Agreement, NWR NV provides BXR RE with accounting and controlling services, advice on treasury and financing, secretarial, administration and IT services and organization of board meetings. Based on an amendment entered into on 17 February 2010, BXR RE agreed to pay NWR NV a flat monthly service fee in the amount of EUR 2,400.

Lease agreements

NWR NV has rented office space to AWT, Green Gas International B.V. ('GGI') and BXR RE with effect from 1 January 2009. The total size of the leased offices is 405.3m^2. AWT, GGI and BXR RE received a total credit for rent of EUR 309,000, which will be offset against the rent until the credit is fully utilised. The rent (including utilities) is approximately EUR 164,400 per year. The lease agreements have an indefinite term and may be terminated, with or without cause, by either party upon two months' prior written notice to the other party.

Donation agreements

In 2011, NWR NV donated EUR 250,000, and OKD donated CZK 71.04 million CZK to the OKD Foundation. The OKD Foundation supports projects in the field of social responsibility, such as the support of health and social care, the public sector, environmental protection and regional development. The donations may also be used to cover the organisational and administrative costs of the OKD Foundation. NWR NV further donated EUR 20,000 to the St. Barbara Civic Association in 2011.

Relationship Agreement

NWR NV, RPGI, Crossroads Capital Investment Inc. ('CCII') and Zdeněk Bakala entered into a relationship agreement on 22 April 2008, which regulates, in part, the degree of control that RPGI and its affiliates exercise over the management of NWR NV (as amended and/or restated, the 'Relationship Agreement'). Following RPGI's transfer to BXR Mining of the NWR NV A-shares held by it, BXR Mining assumed RPGI's rights and obligations under the Relationship Agreement by way of a Deed of Novation dated 1 February 2010. NWR is also party to this agreement after NWR signed the amended

and restated Relationship Agreement on 11 April 2011 and after the listing of NWR on the LSE, at the same time NWR NV ceased to be subject to the Agreement.

The principal purposes of the Relationship Agreement is to ensure that NWR is capable at all times of carrying on its business independently of the RPG Group; and that all of the NWR's transactions and relationships with the RPG Group are on arm's length terms.

Pursuant to the Relationship Agreement, BXR Mining, on the one hand, and NWR on the other, undertake that they shall (and shall procure that their relevant subsidiaries shall) conduct any transactions and relationships (whether contractual or otherwise, including any subsequent amendment thereof or variation thereto, including the implementation or enforcement thereof) between BXR Mining or any of its subsidiaries, on the one hand, and NWR or any of its subsidiaries, on the other, on arm's length terms. NWR undertakes that it shall treat all holders of the same class of shares that are in the sameposition equally in respect of the rights attaching to such shares.

CCII and Zdeněk Bakala undertake that they shall give notice to NWR of any opportunities involving the potential acquisition of a controlling stake in a business primarily focused on coal mining or coking facilities in Central and Eastern Europe. NWR shall have first right, for a period of 30 days from notification, to pursue the opportunity and neither CCII nor Zdeněk Bakala may pursue the opportunity within those 30 days unless NWR decides not to pursue it.

The Relationship Agreement shall continue until the earlier of, in each case in relation to the Group: (i) NWR's shares ceasing to be admitted to the Official List and to trading on the London Stock Exchange; or (ii) in case of change of control concerning NWR.

OKD agreements

BXRP-OKD Advisory and Service Agreement

On 29 September 2006, OKD entered into an advisory and service agreement with BXRP for the provision of certain advisory services by BXRP to OKD with effect from 1 October 2006 (the 'BXRP-OKD Advisory and Service Agreement'). Under the BXRP-OKD Advisory and Service Agreement, BXRP (or any subcontractors engaged by BXRP with the consent of OKD) is to provide OKD with certain non-exclusive advisory services, including in connection with the realisation of strategic projects, any initial public offering, financing and refinancing, services in connection with the Group's restructuring, acquisition and divestiture of OKD assets and corporate finance and business matters. The advisory fees being paid by OKD to BXRP cover costs and expenses incurred by BXRP together with a specified margin. The costs and expenses of BXRP include remuneration for third-party costs (such as subcontractors) and all relevant expenses incurred by BXRP in connection with the advisory services calculated on a pro rata basis according to the time spent. The BXRP-OKD Advisory and Service Agreement may be terminated, with or without cause, by either party upon one month's prior written notice to the other party. The BXRP-OKD Advisory and Service Agreement include a one-year post-termination confidentiality clause.

RPGREM-OKD advisory and service agreement

On 20 December 2006, OKD entered into an advisory and service agreement with RPG RE Management, s.r.o. ('RPGREM') for the provision of certain advisory services by RPGREM to OKD with effect from 1 December 2006 (the 'RPGREM-OKD Advisory and Service Agreement'). Under the RPGREM-OKD Advisory and Service Agreement, RPGREM (or any subcontractors engaged by RPGREM with the consent of OKD) is to provide OKD with certain non-exclusive advisory services, including services in connection with the acquisition and divestiture of fixtures, the initiation of development projects at OKD's current mining sites and the identification and preparation of possible development projects. The advisory fees paid by OKD to RPGREM should cover costs and expenditure incurred by RPGREM together with a specified margin. The RPGREM-OKD Advisory and Service Agreement includes a one-year post-termination confidentiality clause. Currently, no services are being provided under the RPGREM-OKD Advisory and Service Agreement. The notice period for termination is set at six months.

Cooperation Agreement on apartment lease

On 29 May 2009, OKD entered into a cooperation agreement with RPG Byty, s.r.o. ('RPG Byty') which owns and operates a large apartment portfolio in the OKD region (the 'Cooperation Agreement'). Under the Cooperation Agreement, RPG Byty has an obligation to initially offer its apartments for lease to the employees of OKD. The lease agreements may be concluded only with employees qualifying under certain non-discriminatory criteria, e.g. not already being a tenant of another RPG Byty apartment with state-regulated rent or not being subject to any criminal or other proceeding that could affect common tenant's obligations.

Each lease is provided for a period of one year and the rent is set at the relevant market price with a reduction of 15 per cent. Employees shall bear no administrative costs in relation to such leases. The Cooperation Agreement will expire on 31 May 2012 and may be rescinded by either party in the case of a material breach. The Cooperation Agreement replaces a similar cooperation agreement concluded on 18 April 2006.

Factory Railway Agreements

OKD entered into several factory railway agreements with AWT to provide factory railway transport at OKD mines for an indefinite period of time (the 'Factory Railway Agreements' and each a 'Factory

Related party transactions

Railway Agreement'). The fees to be paid by OKD to AWT were either set out in accordance with each respective Factory Railway Agreement or in a separate pricing agreement for each calendar year which amended the particular Factory Railway Agreement(s). Either party giving 18 months' prior written notice to the other party may terminate the Factory Railway Agreements, with or without cause. The Factory Railway Agreements have been replaced by a single master agreement between OKD and AWT with effect from 1 January 2011 for the period from 2011 to 2020 (which will automatically be extended for another five years, i.e. until 31 December 2025, provided that neither contracting party terminates the agreement by giving six months' notice of termination to the other) (the 'OKD Master Agreement'). The OKD Master Agreement covers all activities to be provided by AWT to OKD at particular business units, including:

(a) railway services and assurance of railway transport on factory railways;
(b) road transport and non-railway technological transport and transportation of raw and washed coal, sludge, etc., including related manipulations;
(c) railway technological transport including related activities; and
(d) manipulation activities with coal and other materials.

All of the above activities are dealt with in subcontracts, which concern specific conditions for particular time periods. Please note that the OKD Master Agreement does not deal with transportation of coal to customers.

AWT Transport Agreements

OKD has entered into transport agreements with AWT relating to the transport of coal and other materials from NWR NV to its largest customers (the 'AWT Transport Agreements' and each an 'AWT Transport Agreement'). The AWT Transport Agreements are 'umbrella' agreements covering periods of 4 years. Under the AWT Transport Agreements, AWT shall provide OKD with non-exclusive transport services. The transport fees to be paid by OKD to AWT are set out in the respective AWT Transport Agreement or in a price agreement for each calendar year amending the relevant AWT Transport Agreement(s) based on the weight of transported goods. The AWT Transport Agreements may be terminated in the event of a material breach or, with or without cause, by either party giving one month prior written notice to the other party. In 2010, agreements were concluded pursuant to public procurement tenders to transport coal and coke with a group of AWT group companies. These contracts' duration ranges from 1 January 2011 to 31 December 2014.

The agreements deal with railway transportation of coal and coke in:

(a) The Czech Republic, where the coal and coke is destined for export. In these agreements, the carrier is an association of AWT Čechofracht a.s. and AWT;
(b) The Federal Republic of Germany and the French Republic. In these agreements, the carrier is an association of AWT Čechofracht a.s. and AWT;
(c) The Republic of Poland. In these agreements the carrier is AWT. OKD has an agreement with Metalimex a.s., who has an agreement with Express Slovakia a.s., who has an agreement with the carrier, AWT; and
(d) The Czech Republic. In these agreements, the carrier is AWT a.s.

Settlement agreement between AWT and OKD

On 8 February 2011 AWT and OKD concluded a settlement agreement on the return of part of a guarantee fee paid by OKD to OKD, Doprava, akciová společnost ('Doprava') for the provision of a guarantee by Doprava under the facility agreement concluded among others between OKD, Citibank, N.A. and Citibank, a.s. on 14 February 2006. AWT, as a legal successor of Doprava, undertook to return to OKD part of the guarantee fee in the amount of CZK 27,905,432 out of total fee of CZK 42,976,720 due to the premature termination of the guarantee.

Master Agreements on the Sale of Methane

On 20 December 2006, OKD entered into a master agreement on the sale of methane with Green Gas DPB, a.s. ('DPB'), as amended on 26 September 2007, which envisages the conclusion of individual purchase agreements with respect to each OKD mine (the 'Master Agreement on the Sale of Methane'). Under the Master Agreement on the Sale of Methane, the minimum total annual volume of methane to be delivered amounts to 19,000m^3 while the specific annual volume delivered by the mines shall be stipulated by the individual agreements. The Master Agreement on the Sale of Methane was concluded for the life of the OKD mines and, in the case of a change in the mine owner or operator, OKD shall ensure assignment of all OKD's obligations arising under the agreement. The price was set at a fixed amount for 2007 and then calculated for each calendar year thereafter using the formula in the agreement. DPB is entitled to purchase all available methane production not used by OKD for its own use. Either party may rescind the agreement if the production of methane stops due to a decrease in coal mining activities or if circumstances of a technical nature preventing performance of this agreement arise of which neither party was aware when entering into the agreement.

On 27 November 2008, DPB and OKD entered into a framework agreement for supplies of methane for heat operations in connection with: (i) the provisions of the Master Agreement on the Sale of Methane under which DPB is entitled to purchase all available methane not used by OKD for its own use; and (ii) the transfer of OKD's energy equipment to

NWR Energy, a.s. ('NWR Energy') as part of the spin-off of the Group's energy assets in 2008 (the 'Framework Agreement for Supplies of Methane for Heat Operations'). Pursuant to the preamble, DPB shall deliver the processed methane to NWR Energy. The price was set at a fixed amount for 2008 and 2009 and for the following years according to the formula in this agreement. The volume of delivered methane was stipulated for 2008. The agreement has been entered into until 31 December 2028, subject to the prior termination of mining activities.

OKD trading agreements

OKD has entered into several agreements with AWT in relation to the delivery of coal, coking coal, coke, sludge and other products. In 2000, OKD entered into purchase agreements with AWT under which AWT sells granulated sediments to OKD. The agreements were originally made for a fixed period of time and later extended for an indefinite period of time. The prices are adjusted annually. The agreements further mention that the granulated sediments are resold to power and heating plants operated by Dalkia and ČEZ, a.s.

Agreements on Gaseous and Liquid Nitrogen Delivery

OKD has entered into four agreements on gaseous and liquid nitrogen delivery with DPB in relation to the delivery of gaseous and liquid nitrogen to OKD mines, namely Darkov, ČSA, ČSM and Lazy (the ČSA and Lazy Mines are now consolidated in the business unit Karviná Mine) (the 'Agreements on Gaseous and Liquid Nitrogen Delivery'). The price to be paid by OKD to DPB shall be set out in accordance with each respective Agreement on Gaseous and Liquid Nitrogen Delivery or amendments to it. In addition, OKD shall pay a fixed monthly fee for the lease, maintenance and control of the gas tubing and surface equipment. The majority of the Agreements on Gaseous and Liquid Nitrogen Delivery terminate on 31 December 2015.

Master Services Agreement Related to Mine Safety

On 13 March 2007, OKD and DPB entered into a master services agreement related to mine safety, covering a number of different services related to mine security (the 'Master Services Agreement Related to Mine Safety'). The Master Services Agreement Related to Mine Safety was concluded for a fixed period of time ending on 31 December 2015. The fee to be paid by OKD for 2007 was set at CZK 1,670,000 per month, later increased to CZK 1,734,693 per month for the years 2009 and 2010 (in each case excluding VAT). The fees to be paid by OKD for 2011 were set at CZK 1.717.693 per month (in each case excluding VAT), in conclusion of individual agreements with respect to each particular OKD mine are contemplated by this agreement.

Master Services Agreements for Drilling

On 13 March 2009, OKD and DPB entered into two master services agreements for work whereby DPB shall provide OKD with drills for degasation and geological surveying (the 'Master Services Agreements for Drilling'). Amendments to these Master Services Agreements for Drilling shall stipulate the drilling works and price list for the respective calendar year. Individual agreements envisaged by these Master Services Agreements for Drilling shall stipulate the amount of work in detail. In 2010, the total amount of footage for degasation drills was agreed at 31,050m and for geological survey the total amount of footage was agreed at 13,930m. In 2011, the total amount of footage for degasation drills was agreed at 40.800 m and for geological survey the total amount of footage was agreed at 14.570 m. Both these Master Services Agreements for Drilling expire on 31 December 2015.

Framework Agreement on Supplies and Services

In connection with the reorganisation of the energy assets of the Group, energy assets of OKD, including its stake in CZECH-KARBON s.r.o. ('CZECH-KARBON'), were transferred to NWR Energy a.s. ('NWR Energy') which was a direct subsidiary of NWR NV. The spin-off became legally effective as of 1 July 2008. Consequently, a framework agreement on supplies and services and some other related agreements were entered into by OKD, NWR Energy and CZECH-KARBON (the 'Framework Agreement on Supplies and Services'). The main purpose of these agreements was to ensure the supply of electricity, heat and compressed air and related services to OKD. The Framework Agreement on Supplies and Services has been amended in a complex manner in connection with the divestiture of NWR NV's energy assets. See Material Contracts - Sale of Energy Business on page X for further information. The current name of NWR Energy is Dalkia Industry CZ, a.s. and the current name of CZECH-KARBON is Dalkia Commodities CZ, s.r.o.

OKD lease agreements

OKD is a party to several real estate leases, including in relation to OKD's headquarters building in Ostrava, which is leased from RPG RE Commercial, s.r.o., a Czech-based indirect subsidiary of RPGI. The total rented space is 4,656m^2 and the annual rent (including utilities) is approximately CZK 19.1 million (excluding VAT) in the year 2011. The lease may be terminated, with or without cause, by either party upon three months' prior written notice to the other party, or by agreement between the parties. The total annual rent for the remaining lease agreements concluded between RPG RE Commercial, s.r.o. and OKD amounts to approximately CZK 3.84 million (excluding VAT).

Data Processing Agreement

On 21 January 2002, OKD entered into an agreement on conduct of work and services relation to automatic data processing with AWT in respect of providing certain services relating to automatic data processing for an indefinite period of time with effect as of 1 January 2002 (the 'Data Processing Agreement'). The fees to be paid by

Related party transactions

AWT to OKD are set out monthly in accordance with the Data Processing Agreement based on hours of services provided. Either party giving six months' prior written notice to the other party may terminate the Data Processing Agreement, with or without cause. The Data Processing Agreement includes a confidentiality clause.

Agreements with Directors

Consultancy Agreement

On 31 October 2006, NWR NV entered into a consultancy agreement with BXL Consulting Ltd ('BXL') in respect of certain consultancy services provided by BXL to NWR NV commencing on 1 October 2006 (the 'Consultancy Agreement'). Pavel Telička, a Non-Executive Director, is the co-founder and director in charge of the Brussels office of BXL. Under the Consultancy Agreement, NWR NV agreed to pay BXL a monthly consultancy fee of EUR 25,000 in exchange for consultancy services in the field of policies and legislation of the European Union and European Communities. In addition, NWR NV shall reimburse BXL for all of its reasonable out-of-pocket expenses. The Consultancy Agreement also provides for the payment, from time to time as agreed between NWR NV and BXL, of a 'success fee' for the successful completion of certain tasks. Either party upon one month's prior written notice to the other party may terminate the Consultancy Agreement, with or without cause. The Consultancy Agreement includes a confidentiality clause that survives the termination of the Consultancy Agreement.

Material contracts

Below is the description of material contracts, entered into by NWR and NWR's subsidiaries ('NWR Group'), in place at the date of this Annual Report and Accounts, and containing information which the shareholders could reasonably require.

2018 Senior Secured Notes

On 27 April 2010, NWR NV issued EUR 475 million in aggregate principal amount of Senior Secured Notes due 2018 ('2018 Notes'). Interest on the 2018 Notes accrues at a rate of 7.875 per cent per annum and is payable semi-annually in arrears on 1 May and 1 November.

On 18 May 2010 NWR NV issued an additional EUR 25 million in aggregate principal amount of 2018 Notes, with the same rights and privileges, including interest rate, interest payment dates and maturity date as the 2018 Notes issued on 27 April 2010, which increased the outstanding principal amount of 2018 Notes to EUR 500 million.

The 2018 Notes are senior obligations of NWR NV and are guaranteed on a senior basis by OKD, OKK and NWR Karbonia. The 2018 Notes are secured by a pledge on the shares on OKD, OKK and NWR Karbonia but are not secured by any of the other assets of NWR NV. Therefore, the 2018 Notes are effectively subordinated to secured indebtedness of OKD, OKK and NWR Karbonia, but the 2015 Notes (see below) will be effectively subordinated to the 2018 Notes to the extent of the value of the shares of OKD, OKK and NWR Karbonia.

The 2018 Notes may be redeemed, in whole or in part, at any time prior to 1 May 2014, at the option of NWR NV at a redemption price equal to 100 per cent of the principal amount of the 2018 Notes redeemed plus the applicable premium (as defined in the 2018 Notes Indenture). After 1 May 2014, NWR NV may, at its option, redeem all or any portion of the 2018 Notes at the prices set forth in the 2018 Notes Indenture. In addition, prior to 1 May 2014, NWR NV may redeem up to 35 per cent of the original aggregate principal amount of the 2018 Notes (after giving effect to the issuance of additional 2018 Notes) with the proceeds of one or more equity offers (as defined in the 2018 Notes Indenture), at a redemption price equal to 107.875 per cent of the principal amount thereof.

If there is a change of control (as defined in the 2018 Notes Indenture), holders of 2018 Notes shall have the right to require NWR NV to repurchase all or any part of the 2018 Notes at a purchase price equal to 101 per cent of the principal amount.

The 2018 Notes Indenture contains covenants that limit NWR NV's ability and the Restricted Subsidiaries' (as defined in the 2018 Notes Indenture) ability to, among other things: incur additional indebtedness; make restricted payments (including dividends); create liens; transfer, dispose of voting stock of any Restricted Subsidiary; sell assets; engage in transactions with affiliates; guarantee any debt of NWR NV or any of its Restricted Subsidiaries; consolidate, merge or sell all or substantially all of its assets.

2015 Senior Notes

On 18 May 2007, NWR NV issued EUR 300 million in aggregate principal amount of Senior Notes due 2015 ('2015 Notes'). Interest on the 2015 Notes accrues at a rate of 7.375 per cent per annum and is payable semi-annually in arrears on 15 May and 15 November.

On 30 September 2009 NWR NV closed an invitation for tenders of its 2015 Notes (the 'Invitation'). Pursuant to the Invitation, NWR NV accepted for purchase EUR 32,435,000 in aggregate principal amount of 2015 Notes, which reduced the outstanding principal amount of 2015 Notes to EUR 267,565,000.

In the period 4 October 2011 to 11 October 2011, NWR NV bought back EUR 10,000 thousand face value of its 7.375 per cent Senior Notes, which reduced the outstanding principal amount of 2015 Notes to EUR 257,565,000.

The 2015 Notes are senior obligations of NWR NV, and rank equal in right of payment to all of its existing and any future senior debt, including the 2018 Notes. The 2015 Notes are secured by a pledge on the shares of OKD, OKK and NWR Karbonia, which, pursuant to the terms of the Intercreditor Agreement and such share pledges, are subordinated to the share pledges securing the 2018 Notes, and are not guaranteed by any of NWR NV's subsidiaries. Therefore, the 2015 Notes are effectively subordinated to any existing and future liabilities of NWR NV's subsidiaries. The rights and obligations of the 2015 Noteholders in respect of such security are subject to the Intercreditor Agreement.

The 2015 Notes may be redeemed, in whole or in part, at any time prior to 15 May 2011, at the option of NWR NV at a redemption price equal to 100 per cent of the principal amount of the 2015 Notes redeemed plus the applicable premium (as defined in the 2015 Notes Indenture). After 15 May 2011, NWR NV may, at its option, redeem all or any portion of the 2015 Notes at the prices set forth in the 2015 Notes Indenture. In addition, prior to 15 May 2010, NWR NV may redeem up to 35 per cent of the original aggregate principal amount of the 2015 Notes with the proceeds of one or more equity offers (as defined in the 2015 Notes Indenture), at a redemption price equal to 107.375 per cent of the principal amount thereof.

If there is a change of control (as defined in the 2015 Notes Indenture), holders of 2015 Notes shall have the right to require NWR NV to repurchase all or any part of the 2015 Notes at a purchase price equal to 101 per cent of the principal amount.

The 2015 Notes Indenture contains covenants that limit NWR NV's ability and the Restricted Subsidiaries' (as defined in the 2015 Notes Indenture) ability to, among other things: incur additional indebtedness; make restricted payments (including dividends); create liens; transfer, dispose of voting stock of any

Material contracts

Restricted Subsidiary; sell assets; engage in transactions with affiliates; guarantee any debt of NWR NV or any of its Restricted Subsidiaries; consolidate, merge or sell all or substantially all of its assets.

In connection with the issuance of the Notes, NWR NV is redeeming all of the 2015 Notes. See the Offering Memorandum for the 2015 Notes, section Use of Proceeds.

Revolving Credit Facility

On 7 February 2011, NWR NV entered into a Revolving Credit Facility ('RCF') with, among others, Česká spořitelna, a.s. facility agent, Citigroup Global Markets Limited as documentation agent, Česká spořitelna, a.s., Československá obchodní banka, a.s., Citigroup Global Markets Limited, Komerční banka, a.s. and ING Bank N.V., Prague branch, as arrangers and original lenders. The lenders under the RCF acceded to the Intercreditor Agreement by signing the RCF.

The RCF provides for a bank loan facility of EUR 100 million, which will be available for three years after the date of signing. The proceeds of the RCF will be used for general corporate purposes. At any point in time, a maximum of 12 loans can be outstanding in any of the eligible funding currencies, being Euro, Polish Zloty and Czech Koruna. The RCF also provides for NWR NV to pay certain fees including a commitment fee, arrangement fees and agency fees.

The RCF is a secured obligation of NWR NV and benefits from the share pledges over the shares in NWR NV's subsidiaries and is guaranteed by them. The RCF contains certain negative undertakings that, subject to certain customary and other agreed exceptions (and other than as specifically provided for under the RCF), limit the ability of NWR NV and its subsidiaries to, among other things: create or permit to subsist any encumbrance or security interest over any of its assets; make any asset disposals; make any substantial change to the general nature of its business; enter into transactions other than on an arm's length basis; amalgamate or merge; incur other additional debt or become a creditor itself. NWR NV is also required to comply with certain financial ratios including the ratio of total net debt to EBITDA, and the ratio of EBITDA to net interest. If the Group breaches any of its covenants or is unable to comply with the ratios, it may be in default under its debt facilities. Amounts due under the RCF may then become immediately due and payable.

The RCF also contains certain affirmative undertakings, subject to certain qualifications, and including, but not limited to, undertakings related to: (i) supplying financial statements; (ii) notification of default; (iii) compliance with 'know your customer' or similar regulations; (iv) receipt, compliance and maintenance of necessary authorisations; (v) compliance with laws (including environmental laws); (vi) taxation; (vii) pari passu ranking of certain claims; (viii) maintenance of insurance and (ix) maintenance of books of NWR NV and its subsidiaries. The RCF contains financial covenants. Subject to certain exceptions, there are mandatory prepayments required to be made upon the occurrence of certain customary events such as a change of control.

The RCF was fully drawn down in December 2011.

Intercreditor agreement

To establish the relative rights of certain of the Group's creditors under its financing arrangements, NWR NV and OKD, OKK and NWR Karbonia, as subsidiaries guarantors under certain of NWR NV's financing arrangements, entered into an intercreditor agreement (the 'Intercreditor Agreement') with, among others, the Trustee for the 2015 Notes, the Trustee for the 2018 Notes, certain hedging counter parties and the security agent under the Intercreditor Agreement.

The Intercreditor Agreement sets out amongst other things, the following provisions:

- the relative ranking of certain debts of NWR NV, OKD and certain of their affiliates;
- the relevant ranking of security granted by NWR NV, OKD and certain of their affiliates;
- when payments can be made in respect of that debt;
- when enforcement action can be taken in respect of that debt;
- the effects of certain insolvency events;
- turnover provisions; and
- when security and guarantees will be released to permit an enforcement sale.

The 2015 Notes are secured on a second ranking basis by pledges over the shares of OKD, OKK and NWR Karbonia.

OKK Share Pledge Agreement

On 27 April 2010, NWR NV entered into a share pledge agreement (the 'OKK Share Pledge Agreement') in order to create a Czech law pledge over the shares it owns in OKK in favour of Citibank N.A., London Branch, as security agent (the 'Security Agent').

The pledge was granted as security for the payment of all obligations (the 'Secured Obligations') of each of NWR NV, OKK, OKD and/or NWR Karbonia towards the Security Agent, including, in particular, liabilities under the 2018 Notes and related guarantees, the 2015 Notes and the RCF.

The OKK Share Pledge Agreement provides that the pledged shares are being kept in the deposit of Citibank Europe Plc during the tenure of the pledge in accordance with Czech law and pursuant to a separate deposit agreement.

NWR NV provides certain customary covenants that it shall not grant any other security over, or in any other way dispose of, the pledged shares.

The OKK Share Pledge Agreement also sets out: (i) restrictions on NWR NV's ability to exercise its rights in respect of the pledged shares; (ii) the application of proceeds

from the pledged shares before and after the occurrence of a default under certain finance documents; and (iii) the rights of the Security Agent to enforce the pledge. The proceeds of any such enforcement must be applied in accordance with the Intercreditor Agreement.

OKD Share Pledge Agreement

On 27 April 2010, NWR NV entered into a share pledge agreement (the 'OKD Share Pledge Agreement') in order to create a Czech law pledge over the shares it owns in OKD in favour of the Security Agent as security for the Secured Obligations.

The OKD Share Pledge Agreement contains similar terms to the OKK Share Pledge Agreement, but in relation to a pledge over the shares held by NWR NV in OKD.

NWR Karbonia Share Pledge Agreement

On 27 April 2010, NWR NV entered into a share pledge agreement (the 'NWR Karbonia Share Pledge Agreement') in order to create a Polish law pledge over the shares it owns in NWR Karbonia in favour of the Security Agent as security for the Secured Obligations.

The NWR Karbonia Share Pledge Agreement contains identical terms to the OKK Share Pledge Agreement and OKD Share Pledge Agreement, but in relation to a pledge over the shares held by NWR NV in NWR Karbonia.

Export Credit Agency Facility

On 29 June 2009, NWR NV and OKD, as a co-obligor, entered into the Export Credit Agency Facility ('ECA Facility') with, among others, Natixis, as facility agent and documentation agent, KBC Bank Deutschland AG, as ECA Agent, and Česká spořitelna, a.s., Československá obchodní banka, a.s., KBC Bank Deutschland AG, and Natixis, as mandated lead arrangers, as amended on 3 August 2009. The ECA Facility provides for a term loan of approximately EUR 141.5 million, which, following an amendment dated 21 June 2010, was available to be drawn until 30 November 2010 and which is repayable in seventeen semi-annual equal instalments, with a final maturity of the date falling 102 months after the Starting Point of Credit (as defined in the ECA Facility). The proceeds of the ECA Facility are used to finance up to 85 per cent of the net purchase price of five longwall sets acquired pursuant to POP 2010.

The interest rate on each advance under the ECA Facility for each interest period is EURIBOR and an applicable margin.

The ECA Facility is an unsecured obligation of NWR NV and OKD as a co-obligor and is not guaranteed by any of NWR NV's subsidiaries. The ECA Facility is covered by a guarantee issued by the Federal Republic of Germany, represented by a consortium led by Euler Hermes Kreditversicherungs-AG, for which NWR NV has paid a premium.

The ECA Facility contains certain negative undertakings that, subject to certain customary and other agreed exceptions (and other than as specifically provided for under the ECA Facility), limit the ability of NWR NV, OKD and certain subsidiaries of NWR NV to, among other things:

- create or permit to subsist any encumbrance or security interest over any of its assets;
- make any asset disposals;
- make any substantial change to the general nature of its business;
- enter into transactions other than on an arm's length basis;
- amalgamate or merge;
- incur other additional debt; and
- dispose of the five longwall sets acquired or create any security over the five longwall sets acquired.

The ECA Facility also contains certain affirmative undertakings, subject to certain qualifications, and including, but not limited to, undertakings related to

(i) supplying financial statements; (ii) notification of default; (iii) compliance with 'know your customer' or similar regulations; (iv) supplying information on the performance of the supply contract for the five longwall sets acquired; (v) compliance with material obligations under the supply contract for the five longwall sets acquired; (vi) receipt, compliance and maintenance of necessary authorisations; (vii) compliance with laws (including environmental laws); (viii) taxation; (ix) pari passu ranking of certain unsecured and unsubordinated claims; (x) maintenance of insurance; and (xi) access to the premises and records of NWR NV and OKD.

The ECA Facility contains financial covenants requiring NWR NV and OKD ensure that at the end of any calculation period:

- the ratio of total net debt of NWR Group to EBITDA of the Group will not exceed an agreed multiple; and
- the ratio of EBITDA of the Group to the net interest payable by the Group will not exceed an agreed multiple.

Amounts outstanding under the ECA Facility may be prepaid at any time after 29 June 2010 (or, if earlier, the day on which the amounts available under the ECA Facility to NWR NV and OKD is zero) in whole or in part on 30 business days' notice subject to payment of a minimum amount of EUR 5 million.

Subject to certain exceptions, there are mandatory prepayments required to be made upon the occurrence of certain customary events such as a change of control and the ECA Facility will also be automatically cancelled where the ECA guarantee is terminated or cancelled.

The ECA Facility sets out certain events of default, including non-payment, breach of financial covenants, cross-default above certain agreed amounts, insolvency events, certain insolvency proceedings and the occurrence of events which, in the reasonable opinion of the Majority Lenders (as defined in the ECA Facility), is reasonably likely to have a Material Adverse Effect (as defined in the ECA Facility).

Material contracts

Hedging arrangements

The Group is party to certain interest rate hedging arrangements to mitigate interest rate risks. The Group is also party to certain foreign currency hedging arrangements to mitigate foreign currency risks resulting from operational costs outflow in Czech Koruna and Polish Zloty.

Sale of energy business

NWR NV entered into a share sale and purchase agreement with Dalkia Česká republika, a.s. ('Dalkia') on 8 January 2010, which provided for the sale by NWR NV to Dalkia of 100 per cent of the ownership in NWR Energy, a.s. ('NWR Energy'), CZECH-KARBON, s.r.o. ('CZECH-KARBON') and NWR ENERGETYKA PL Sp.z o.o. (together referred to as the 'Energy Subsidiaries'), which successfully closed on 21 June 2010. Dalkia is a leading energy group in the Czech Republic as a heat producer and distributor and is a member of the 'Veolia Environment Group'.

The Share Purchase Agreement (the 'SPA') provides for put and call options, as well as a pre-emption right of NWR NV, in respect of the energy assets and businesses transferred to Dalkia or replacing such energy assets or businesses upon the occurrence of certain events.

Before the closing of the sale, the Energy Subsidiaries supplied the utilities (in particular the supply and distribution of electricity and the production, supply and distribution of heat, compressed air and bathroom water) to OKD, primarily through a framework agreement on supplies and services between OKD, NWR Energy and CZECH-KARBON, dated 27 November 2008 (the 'Framework Agreement'), although certain other supplies were also made to OKD and other affiliates. The Framework Agreement was initially entered into in connection with the reorganisation of the energy business to provide a framework for the independent operation and arm's-length pricing of energy services. NWR Karbonia supplied CZECH-KARBON with electricity and distribution services up to 1 April 2009. In addition, OKK and Dalkia were already, prior to closing, party to an agreement pursuant to which OKK supplied Dalkia with coking gas and Dalkia supplied OKK with heat and OKD and NWR NV were parties to an agreement pursuant to which Dalkia, through NWR NV, supplied the ČSA mine with heat.

In connection with the consummation of the sale of the energy business to Dalkia the Framework Agreement and certain agreements implementing it were amended to reflect agreed commercial terms. The Framework Agreement, as amended, will terminate on 31 December 2029, subject to an option in favour of OKD to extend the Framework Agreement for an additional five year period. OKD is obliged, among other things, to supply NWR Energy with certain raw materials (coal, coke and water) used in the production of the utilities and to purchase energy utilities (mainly heat and compressed air) and electricity distribution services from NWR Energy and electric power from CZECH-KARBON; NWR Energy and CZECH-KARBON are obliged, among other things, to deliver the utilities to OKD in the requested volumes (subject to technical minimum and maximum amounts) at agreed prices. The pricing mechanism for supplies under the amended Framework Agreement (in respect of raw materials, utilities, services and relevant leases) will be applicable over the entire duration of the amended Framework Agreement on arm's-length terms. Dalkia has acceded to the rights and obligations of NWR Energy and CZECH-KARBON arising under the amended Framework Agreement and under implementation agreements relating to the same. The company NWR Energy was renamed to the new name Dalkia Industry CZ, a.s. on the date 24 June 2010 and the company CZECH-KARBON was renamed to the new name Dalkia Commodities CZ, a.s. on the date 1 August 2011.

Co-operation agreement between RPGI and Ferrexpo Plc

In October 2008, RPGI, a member of the BXR Group, purchased a shareholding of 25 per cent minus one share in Ferrexpo Plc ('Ferrexpo'), a Ukrainian iron ore company (the 'Ferrexpo Transaction'). In connection with the Ferrexpo Transaction, Ferrexpo's controlling shareholder Fevamotinico Sarl, a company incorporated with limited liability in Luxembourg ('Fevamotinico') and RPGI entered into an agreement in which the parties agreed to pursue a strategic alliance whereby RPGI and Fevamotinico would seek to find areas in which they could work together to develop their respective businesses in Central and Eastern Europe. As part of such strategic alliance, RPGI and Fevamotinico agreed to ask NWR NV and Ferrexpo, respectively, to consider working together to explore strategic opportunities to develop business together in Ukraine, the Czech Republic, Poland and other territories. A further aspect of the strategic alliance was for each of RPGI and Fevamotinico to nominate persons to be appointed to the board of directors of the other's affiliate, being NWR NV and Ferrexpo respectively. Miklos (Mike) Salamon, the Executive Chairman of NWR NV, and Marek Jelínek, the Executive Director and Chief Financial Officer of NWR NV, were appointed as non-executive directors of Ferrexpo, and Kostyantin Zhevago, the Chief Executive Officer of Ferrexpo, was appointed as a Non-Executive Director of NWR NV. Mr. Jelínek retired from the board of Ferrexpo in May 2010. In connection with the UK reincorporation Mr. Zhevago resigned from the board of NWR NV and was appointed as a Non-Executive Director of NWR with the effect from 6 May 2011.

Agreement on ICT services

On 29 April 2010, OKD, as client, HEWLETT-PACKARD s.r.o. and Siemens IT Solutions and Services, s.r.o. (now Atos IT Solutions and Services, s.r.o.), as suppliers, concluded an Agreement on ICT Services. Under this agreement,

the suppliers will provide OKD with IT services for a total consideration of CZK 482,009,138. The agreement was entered into for a period of 60 months and may be extended for an additional 24 months. The agreement may be terminated by either party in the case of a gross breach of the agreement or without cause after a six month notice period at any time after the second year of the term of agreement. The Agreement was modified by four amendments without a significant impact on the overall price of services.

Contract for works between OKD and GASCONTROL, Q-ELEKTRIK and VOKD

On 20 October 2010, OKD, as client, GASCONTROL, společnost s.r.o., Q-ELEKTRIK a.s. and VOKD, a.s., as suppliers, concluded a contract for works. Under this contract, the suppliers are obliged to supply OKD's mine sites with 60 circuit-breakers in 2010. OKD has an option for supply of another 690 circuit-breakers in between 2011 and 2013. The total consideration for the 750 circuit-breakers is CZK 927,504,000.

Commissionaire agreement for purchase of coking coal

Since 1 July 2011 NWR NV serves as a purchase commissionaire for OKD with respect to the purchase of coking coal. NWR NV receives a commission fee from OKD for the provided commissionaire services. As a result of this commissionaire agreement, NWR NV signed purchase agreements with Eurosource Trading & Consulting AG and Polské uhlí, a.s.. In 2011 various shipments of coal were purchased, with a total consideration of CZK 1,027,407,037.

Equipment Supply Contracts
NWR NV entered into an equipment supply contract on 22 December 2011, whereby it agreed to purchase certain equipment and services for longwall coal extraction to be used in the CSM mine. NWR NV signed contracts with various mining equipment suppliers. The total consideration of these contracts is EUR 22 million. The main supplier of the new longwall set is the Polish company Fabryka Zmechanizovanych Obudów Ścianowych Fazos S.A., delivering equipment with a value of EUR 11.8 million.

Chemical production sales agreement

On 1 January 2011 OKK entered into an agreement on the sale of chemical products with DEZA, a.s., a large Czech based producer of aromatic hydrocarbons and other chemical materials. OKK mainly sold tar, crude benzole and washing oil. In 2011 the sales attributable to this agreement were EUR 8.1 million. The contract will expire in 2015.

Remuneration Report

This Remuneration Report has been drawn up in line with the UK Corporate Governance Code, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the UK Financial Services Authority Listing Rules. The Remuneration Report, prepared by the Remuneration Committee, explains the main principles and rules regarding the remuneration of the Directors of the Company and also provides details of Directors' remuneration for the year ended 31 December 2011. This report will be subject to a shareholder vote at the Company's Annual General Meeting.

Information not subject to audit

Remuneration Committee

The Remuneration Committee is chaired by Zdeněk Bakala and the other members are Hans-Jörg Rudloff and Bessel Kok, all of whom are Non-Executive Directors. Provision D.2.1 of the UK Corporate Governance Code recommends that the Remuneration Committee should be comprised entirely of independent non-executive directors. The Company does not comply with this provision as the Remuneration Committee is chaired by Zdeněk Bakala, who the Board does not consider to be independent. However, the Board regards Mr. Bakala's membership of the Remuneration Committee as critical to the further alignment of directors' remuneration with shareholder interests.

Following the UK redomiciliation, the Remuneration Committee sets the remuneration for the Executive Directors, the Chairman of the Board and the Group's senior managers and advises the Board in relation to its responsibilities with respect to the remuneration of the Non-Executives Directors. For more information please see the Remuneration Committee Report on page 75–76.

During the year, the Remuneration Committee was not advised by any independent counsel.

Remuneration Policy

The Board of Directors adopted the compensation manual on 8 April 2011 with effect from 6 May 2011. The compensation manual records the remuneration policy of the Company, outlines principles regarding remuneration at senior and key positions within the NWR Group and provides the framework for the Board and the Remuneration Committee in this area. Due to the UK redomiciliation, the compensation manual has been amended so that it reflects the provisions of the UK Corporate Governance Code, in particular the new responsibilities of the Remuneration Committee.

The objective of the remuneration policy is to attract, retain and motivate talented executives by providing a well-balanced and appropriate remuneration package. The remuneration policy aims to ensure that a competitive remuneration package for the Executive Directors is maintained and benchmarked against other multinational companies based in Europe and operating in global markets. The Remuneration Committee believes that the remuneration policy remains appropriate for 2012.

In order to align executive performance with shareholder value, a significant part of the remuneration of Executive Directors is linked not only to individual performance but also to the Group's performance. The Remuneration Committee sets their contractual terms, salary, bonuses and other benefits of the Executive Directors. The remuneration policy also sets out the remuneration of Non-Executive Directors, as described further below. The Board has delegated its powers and responsibilities to certain authorised officers with respect to the remuneration of senior managers and key employees of the Group, who shall decide on salary, bonuses and other benefits of such managers and key employees.

Remuneration of Executive Directors

In 2011 as in previous years, the remuneration package for Executive Directors included a significant variable element in the form of a cash bonus incentive and a long-term incentive in the form of share grants and stock option grants. The Remuneration Committee ensured that an appropriate balance between the fixed and performance-related elements of executive remuneration was maintained.

The Remuneration Committee is also sensitive to pay and conditions elsewhere in the Group when determining the remuneration of the Executive Directors.

As a part of its remuneration policy for Executive Directors, the Company is using the Deferred Bonus Plan (implemented throughout the Group and fully effective since January 2011), as described in more detail below.

Base salary

To ensure remuneration remains effective in supporting the Group's business objectives, the Remuneration Committee annually reviews base salary levels for Executive Directors, taking into account external benchmarks. When setting salary levels, the Remuneration Committee takes into consideration individual performance, Group performance and changes in individual responsibilities.

Bonus

Executive Directors may be awarded cash bonuses upon the discretion of the Remuneration Committee. The value of the cash bonus is determined by the Remuneration Committee following evaluation of stretching financial and non-financial benchmarks, such as achievement of the approved budget (in particular KPIs, such as EBITDA, production thresholds and revenues) and individual contribution and achievement of each Executive Director.

Stock option plan for the Chairman of the Board

On 1 September 2008, Mr. Salamon was awarded share options equal to 0.5 per cent of NWR NV's A share capital as per the date of grant. Each share option gave Mr. Salamon the right to acquire one NWR NV A share on the vesting date. Following the UK redomiciliation, NWR and Mr. Salamon have amended the options granted to Mr. Salamon so that they now relate to the A Shares of the Company. The exercise price per option is EUR 0.01. The option award will enable Mr. Salamon to ultimately acquire up to 0.5 per cent of NWR's share capital by 1 September 2012, provided that: (i) he remains an executive member of the Board; and (ii) any other conditions for vesting have been met. The options vest over a period of five years so that 20 per cent of the total awarded options vest annually on each anniversary of 1 September 2008, when the initial 263,800 options (over NWR NV's A shares) vested. The number of options vesting depends on NWR's share capital on 1 September of that year. Mr. Salamon shall be compensated, in options, for any shortfall on each anniversary.

Share awards plan for the Chief Executive Officer of OKD

Mr. Beck received from OKD and its affiliates, at the cost of OKD, 250,045 A shares of NWR NV, or cash in lieu of shares, for each full year of his three-year term ending on 30 June 2010. Since Mr. Beck and OKD have agreed to extend Mr. Beck's employment term beyond the initial three years, his new employment agreement provides that he is entitled to receive 250,045 A Shares of NWR for each full year of the term beyond the initial three years up to a maximum of 1,250,225 A Shares of NWR.

Deferred Bonus Plan

The Group operates a deferred bonus plan (the 'Deferred Bonus Plan') as a long-term incentive and motivation instrument for Executive Directors as well as for senior managers and key employees of the Group. The Deferred Bonus Plan was adopted by the Board on 8 April 2011 with effect from 6 May 2011 and its terms are substantially similar to the terms of a deferred bonus plan operated by NWR NV before the UK redomiciliation. The deferred bonus plan operated by NWR NV was modified so that all outstanding awards over the A shares of NWR NV became awards of NWR A Shares and the board of NWR NV also resolved that no new awards will be granted under that plan.

Eligibility

Executive Directors, senior managers and key employees of the Group are eligible to participate in the Deferred Bonus Plan subject to approval of their participation by the Remuneration Committee.

Annual Bonus and Deferred Bonus Award

An annual bonus opportunity will be set as a percentage of base salary. In line with standard practice, Executive Directors would need to oversee the Company's achievement of at least 80 per cent of the annual EBITDA target for a bonus to be payable. This condition aims to provide a strong connection between business imperative and performance. If this condition is met the annual bonus for Executive Directors may be up to 250 per cent of their annual salary on the basis of performance evaluation based on the certain performance criteria. The EBITDA target does not apply to participants who are not Executive Directors or Board members of any Group company. For other participants the maximum bonus amount is set at either 200 or 300 per cent of the individual's annual salary depending on the position held.

Performance will be measured against a balanced scorecard, providing a shared framework within which specific performance criteria shall be set relevant to the participant and his or her area of responsibility, which may include one or more of EBITDA, CAPEX, cost control, production and/or safety record. Performance criteria for the Executive Directors are set by the Remuneration Committee and for other participants these criteria are set by the respective authorised officers. The Remuneration Committee also sets the Group-wide performance criteria for all participants.

Bonus eligibility will be determined using annual results and the Remuneration Committee shall decide on the actual amount of bonus payable to the Executive Directors. 50 per cent of the annual bonus award will be payable in cash and 50 per cent will be deferred into A Shares for a period of three years. The maximum number of A Shares offered under the Deferred Bonus Plan to an Executive Director

Remuneration Report

in one bonus year may not exceed 250,000 A Shares. In relation to other participants the percentage split is 70 per cent cash and 30 per cent deferred into A Shares for a period of three years, with the actual amount of the bonus being decided by the authorised officers (with the Remuneration Committee approving only the total volume of the deferred A Shares). The number of A Shares granted will be derived using the average of opening prices of an A Share as reported by the London Stock Exchange on each of the five business days preceding and including the date of grant.

Ad hoc grants
The Deferred Bonus Plan allows ad hoc grants of A Shares, although the use of such grants should be minimised. The value of any ad hoc grant shall not exceed 250 per cent of annual salary in each case in each financial year.

Vesting
After a period of three years from the date of deferral, the deferred bonus award will vest. The A Shares will be released to the participant provided that the participant is still employed by the Group or on the condition that the participant is a 'good leaver', where such person left NWR due to death, retirement at contractual retirement age, early retirement, maternity leave, authorised interim leave, leave of absence due to illness or personal reasons, transfers to an associated company or such other reasons as the Remuneration Committee may approve. No dividend will be paid out on the deferred shares during the deferral period.

Put option
Each participant will have a put option, which will give the participant a put at market price at the time the A Shares are released to enable such individual to benefit from future price increase, but protect such individual from any potential reduction in value that has already been earned. The period to exercise the put option will be limited to three years and the put option will cease to exist if the participant leaves the Group.

Adjustment and clawback provisions
If the Remuneration Committee believes that extraordinary circumstances have occurred during the period in which the predetermined performance criteria have been or should have been achieved, which lead to an unfair result with respect to the deferred bonus amounts awarded, the Remuneration Committee retains the discretionary power to adjust the value of the deferred bonus amounts as appropriate.

If any variable remuneration, be it in the form of cash or A Shares, has been awarded on the basis of incorrect financial or other data, the Board is entitled to recover such remuneration from the participant. This right of recovery exists irrespective of whether the participant has been responsible for the incorrect financial or other data or was aware or should have been aware of the inaccuracy. The right of recovery expires upon vesting.

Termination
If a participant ceases to be employed within the NWR Group before vesting, in particular due to death, retirement at contractual retirement age, early retirement, maternity leave, authorised interim leave, leave of absence, due to illness or personal reasons, transfers to an associated company or such other reason the Remuneration Committee may approve (a 'good leaver'), such person will be entitled to receive the deferred A Shares, unless the Remuneration Committee decides otherwise. Participants leaving employment by the Group for other reasons (such persons being 'bad leavers') will lose their entitlement to the deferred A Shares.

Changes in share capital
In the event of any capitalisation, consolidation, sub-division or reduction of the share capital and in respect of any discount element in any rights issue or any other variation in the share capital of NWR, the deferred A Shares may be varied in such manner as the Remuneration Committee shall determine.

Change in control
Upon a change in control of the Group, deferred shares will vest on a time pro-rated basis unless the Remuneration Committee decides that this is inappropriate given the individual's overall performance. Vested A Shares shall be issued or delivered, as the case may be, as soon as is practicable.

Amendments
The Board may at any time at its sole discretion alter the Deferred Bonus Plan or propose to discontinue it. Otherwise, the Remuneration Committee may, at its sole discretion, determine the vesting or cancellation of the deferred bonus award in accordance with principles of reasonableness and fairness and in exceptional circumstances.

Stock option plan for Executive Directors, senior management and key employees
Due to the implementation of the Deferred Bonus Plan, the stock option plan of NWR NV (the 'Stock Option Plan') was discontinued as of 31 December 2010 and hence no options were granted in 2011. The Stock Option Plan continues only in relation to options already granted. In connection with the UK redomiciliation, NWR has granted equivalent (rollover) options over NWR A Shares to the Executive Directors, senior managers and key employees who participated in the Stock Option Plan. These rollover options continue on the same terms and conditions as applied to the options granted originally under the Stock Option Plan, with appropriate adjustments.

Eligibility
Executive Directors, senior managers and key employees of the Group were eligible to participate in the Stock Option Plan. Individual eligibility was determined by the Board of NWR NV upon the recommendation of its remuneration committee.

Grant of options
The maximum number of NWR NV A shares over which options might have been granted under the Stock Option Plan could not exceed three per cent of the issued A share capital of NWR NV at the time of its initial public offer (the 'IPO'). Option holders were not required to pay for the grant of an option. Individual limits were dependent on the proportion of annual salary of the participants applied to the grant of options (for more details please see page 73 of 2010 Annual Report of NWR NV).

As at 31 December 2011, the total number of options granted over NWR A Shares (excluding options of holders who had left the Group and who have not obtained a 'good leaver exemption') was 5,512,468 and their total monetary value was GBP 11,152,796 (approx. EUR 13,043,610), calculated on the Black-Scholes model.

Exercise price
The exercise price of options granted upon completion of the IPO in May 2008 is GBP 13.25. The exercise price of options granted in 2009 is GBP 2.8285 and the exercise price of options granted in 2010 is GBP 7.128.

Exercise of options
Subject to certain conditions, the options vest over a three year period. For each year during the vesting period, one third of the granted options become eligible for vesting. 50 per cent of the stock options vest if the threshold performance is achieved, and 100 per cent of the stock options vest if the target performance is achieved. Vesting between threshold and target is on a straight-line basis. For Executive Directors and certain members of senior management and key employees, EBITDA threshold and target performance were used for vesting purposes. For other senior management and key employees of the Group, production and cost control thresholds and targets were set, as relevant to the participant and such participant's area of responsibility.

Options can be exercised after three years from the vesting date. Options which have not been exercised will normally lapse on the eighth anniversary of their grant. Options may, however, be exercised early under certain circumstances, including certain terminations of employment and in the event of a takeover (change of control), scheme of arrangement or winding up. Options are not transferable and may only be exercised by the persons to whom they are granted.

No options were exercised under the Stock Option Plan during 2011.

Issues of A Shares and variation in share capital
A Shares issued in a single year of options will rank equally with A Shares in issue at that time, except in respect of rights arising by reference to a prior record date. Options may be adjusted following certain variations in the share capital of the Group, including a capitalisation or rights issue, subdivision or consolidation of share capital.

For more details about the Stock Option Plan and its terms and conditions, please see pages 72 and 73 of the 2010 Annual Report of NWR NV.

Other benefits
In addition to the salary, bonus and share-based incentives, additional non-cash benefits may be provided by the Group to Executive Directors, such as relocation allowances, accommodation allowances, school fees, medical insurance and company car arrangements. The total annual value of the non-cash benefits provided may not exceed EUR 300,000 for each individual Executive Director. These do not include pension benefits as the Group does not operate any pension schemes on behalf of, or for the benefit of, its Directors.

Remuneration Report

Executive Directors are not entitled to any benefit upon termination of their employment agreement other than the contractual benefits that apply during their notice period.

Service contracts of Executive Directors

Name	Date of appointment[1]	Termination date of appointment	Notice period[2]
Mike Salamon	8 April 2011	–	12 months' notice by NWR; six months' notice by Director
Klaus-Dieter Beck	8 April 2011	30 June 2013	Six months' notice by either party
Marek Jelínek	30 March 2011	–	Two months' notice by NWR; one month's notice by Director

[1] Prior to the date of their appointment as Directors of NWR, Messrs. Salamon, Beck and Jelínek had been directors of NWR NV (as of 1 September 2007, 1 July 2007 and 6 March 2007, respectively). Messrs. Salamon and Jelínek continued to hold their directorships in NWR NV throughout the whole of 2011.
[2] Service contracts of Executive Directors provide for payment of salary alone in lieu of notice.
[3] The applicable law governing Mr. Beck's employment agreement provides for a statutory severance payment of his three-monthly average salary. However, he would only be entitled to such a severance payment if the position of Chief Executive Officer at OKD had ceased to exist (and not in the event of his replacement).

Audited information

Remuneration of Executive Directors in financial year 2011

The tables below provide a description of the pre-tax remuneration of Executive Directors for the fiscal year ended 31 December 2011 and 2010.

	Salary (EUR)		Cash bonus (EUR)		Other benefits[6] (EUR)		Value of stock options exercised (EUR)		Value of shareawards (EUR)		Total (EUR)	
Name	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Mike Salamon	287,522	291,475	–	–	–	–	1,610,457	2,342,419	–	–	1,897,979	2,633,894
	15%	11%	–	–	–	–	85%	89%	–	–	100%	100%
Klaus-Dieter Beck[1,2,3]	737,231	694,868	1,464,010	1,582,028	213,155	131,950	–	–	2,509,446	2,169,700[1]	4,923,842	4,578,546
	15%	15%	30%	35%	4%	3%	–	–	51%	47%	100%	100%
Marek Jelínek	290,000	290,396[4]	1,301,342[2]	1,582,028	112,073	102,129	–	–	–[5]	–	1,703,415	1,974,553
	17%	15%	76%	80%	7%	5%	–	–	–	–	100%	100%

The remuneration of the Executive Directors for 2010 is the remuneration received while they were directors of NWR NV.
The remuneration for 2011 includes remuneration received as Directors of both NWR and NWR NV.

[1] Mr. Beck receives his remuneration in CZK. The amounts stated in this table for 2010 were converted into EUR from CZK at an exchange rate of 25.284 CZK/EUR, which was the average exchange rate in 2010. The amounts stated in this table for 2011 were converted into EUR from CZK at an exchange rate of 24.590 CZK/EUR, which was the average exchange rate in 2011.
[2] The gross salary of Mr. Beck includes remuneration received from OKD and OKK for his board membership in 2010 and 2011.
[3] In January 2011, Mr. Beck received a cash amount of CZK 41,724,729 (which is approximately EUR 1,650,242) as a cash equivalent of 2009 share grant (please see below 'Stock option grants/Share awards 2011' table for more details). This amount is not included in this table. Furthermore, cash bonus of EUR 1,977,535, awarded for the year 2009, was paid to Mr. Beck in 2010, in addition to the cash bonus stated in the table and the cash equivalent of the 2009 share grant.
[4] The gross salary of Mr. Jelínek for 2010 includes remuneration received from OKD for his board membership in January and February 2010.
[5] Mr. Jelínek recevied also the 30,000 A shares, which have been deferred for 3 years, as an ad hoc grant under the Deferred Bonus Plan which are not included herein.
[6] Includes in-kind compensation, e.g. personal travel costs, additional health insurance, housing, etc.

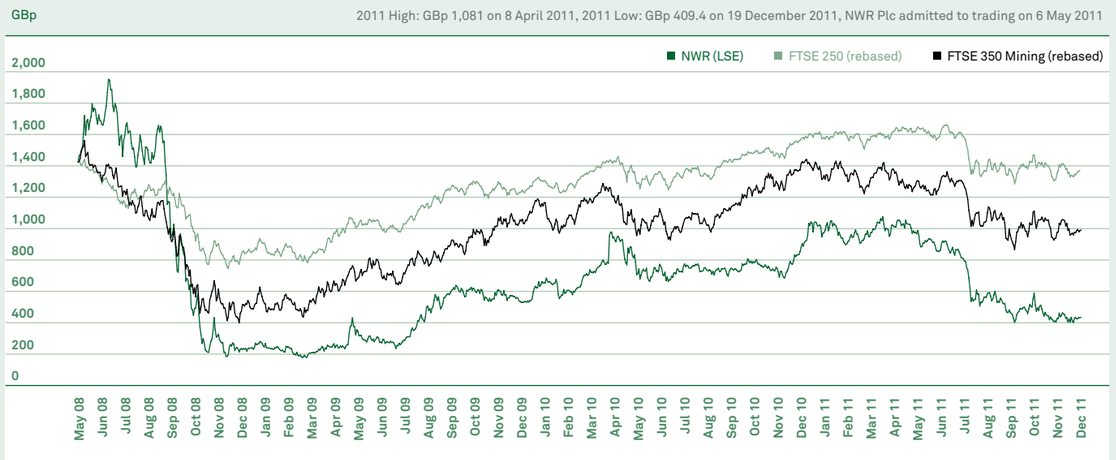
Mr. Salamon and Mr. Beck are serving as non-executive directors in other companies and the details of their remuneration are not stated herein contrary to the provision D1.2 of the UK Corporate Governance Code. The Company believes that the remuneration they receive as Executive Directors of the Company is sufficient to motivate them and ensure their full commitment. The level of remuneration the Executive Directors receive from other companies does not constitute an impediment to the proper performance of their duties.

Stock option grants/Share awards 2011

Name	Plan	Date of Grant[6]	Number of options[7]/ shares granted	Exercise Price	Exercise Period/ Vesting Date[8]
Mike Salamon[1]	Stock Option Plan	1 September 2008	1,319,000[2]	EUR 0.01	1 September annually up to 1 September 2012
Marek Jelínek[3]	Stock Option Plan	9 May 2008	39,776	GBP 13.25	8 years (3-year vesting period)
	Stock Option Plan	24 June 2009	221,889	GBP 2.8285	
	Stock Option Plan	17 March 2010	88,310	GBP 7.128	
	Deferred Bonus Plan	3 March 2011	30,000	N/A	3 March 2014
Klaus-Dieter Beck[4]	Employment agreement	1 July 2010	250,045[5]	N/A	1 July 2011

[1] Mr. Salamon received options under his stock option plan (details of this plan can be found in this section under 'Stock option plan for the Chairman of the Board'. 263,800 options in A shares of NWR NV vested on 1 September 2008, 264,351 options vested on 1 September 2009 and 265,150 options vested on 1 September 2010. Following the UK redomiciliation, the options granted to Mr. Salamon have been changed and relate to the A Shares of the Company, such 261,585 options vested on 1 September 2011 and an additional 20 per cent of granted options will vest on 1 September 2012.
[2] The stock option grants vesting in 2010 and 2011 have been included in the table above 'Remuneration of Executive Directors' – column 'Value of stock options exercised'.
[3] Mr. Jelínek received options under the Stock Option Plan. Due to discontinuation of the Stock Option Plan at the end of 2010, he received no options in 2011.
In the absence of a transitional arrangement for equity incentives to Executive Directors who participate in the Deferred Bonus Plan, for their performance in financial year 2010, the board of NWR NV resolved, on 3 March 2011, on an ad hoc grant of 30,000 deferred NWR NV A shares to Mr. Jelínek. The deferred shares, which have been rolled over to A Shares of the Company, will vest in three years, provided that Mr. Jelínek is employed by the Group on the vesting date.
[4] Details of the share award plan for Mr. Beck can be found in this section under 'Share awards plan for the Chief Executive Officer of OKD, a.s.'
In January 2010, Mr. Beck received a cash amount of CZK 41,724,729 (which is approximately EUR 1,650,242) equal to the then market value of 250,045 A shares of NWR NV that Mr. Beck was entitled to receive in July 2009 and which Mr. Beck and OKD agreed to defer until 2010 in response to the economic situation of OKD in 2009.
In July 2010, Mr. Beck received a cash amount of CZK 54,858,713 (which is approximately EUR 2,169,700) equal to the then market value of 250,045 A shares of NWR NV that Mr. Beck was entitled to receive in accordance with his share awards plan.
[5] Mr. Beck is entitled to receive 250,045 A Shares for each full year of his term.
The share awards in 2010 and 2011 have been included in the table above 'Remuneration of the Executive Directors' – column 'Value of share awards'.
[6] The respective closing share price on the London Stock Exchange on the date of the grant was as follows: 1 September 2008 – GBP 15.63; 9 May 2008 – GBP 14.30, 24 June 2009 – GBP 2.88; 17 March 2010 – GBP 7.45; 3 March 2011 – GBP 9.79; and 1 July 2010 – GBP 6.70.
[7] No options lapsed during 2011. There were no conditional share awards in 2011.
[8] The respective closing share price on the London Stock Exchange on the date of the vesting was as follows: 1 September 2010 – GBP 7.33; 9 May 2011 – GBP 10.25; and 1 September 2011 – GBP 6.00.

Share price performance graph. (This graph was not subject to audit.)



Remuneration Report

Remuneration of Non-Executive Directors

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

In accordance with NWR's Articles of Association, the term of appointment of the Non-Executive Directors is four years, subject to satisfactory performance and re-election when appropriate at the Annual General Meeting of Shareholders. A one-month notice period applies to the termination of each Non-Executive Director's letter of appointment. Unless the appointment as a Non-Executive Director is renewed on or prior to the termination date, the term as a Non-Executive Director shall lapse immediately after the termination date. The appointment may also be terminated at any time by the Company at General Meeting. None of the Non-Executive Directors is entitled to any benefit on termination of his letter of appointment.

The basic annual fee payable to the Non-Executive Directors is EUR 76,065, which is reviewed annually by the Remuneration Committee. Any amendments to the remuneration of the Non-Executive Directors require a resolution of the Board. The Remuneration Committee believes remuneration rates remain appropriate for 2012.

In 2010 and 2009, NWR NV operated a share plan for the Independent Non-Executive Directors. Under this plan the Independent Non-Executive Directors were awarded NWR NV A shares valued at EUR 200,000 in May 2010. (Details regarding these shares awards are described in the 2010 Annual Report on page 75 and 2009 Annual Report on page 81).

Non-Executive Directors are reimbursed for all reasonable and documented expenses incurred in performing their role.

Remuneration of Non-Executive Directors in financial year 2011

	Annual fee (EUR)		Committee chairmanship annual fee (EUR)		Committee membership annual fee (EUR)		Total compensation (EUR)[5]	
Name	2011	2010	2011	2010	2011	2010	2011	2010
Zdeněk Bakala[1]	**–**	–	**–**	–	**–**	–	**–**	–
Peter Kadas[1]	**–**	–	**–**	–	**–**	–	**–**	–
Hans Mende	**76,065**	76,065	**–**	–	**–**	–	**76,065**	76,065
Pavel Telička[2]	**76,065**	76,065	**–**	–	**–**	–	**76,065**	76,065
Kostyantin Zhevago[3]	**76,065**	76,065	**–**	–	**–**	–	**76,065**	76,065
Bessel Kok	**76,065**	76,065	**88,742**	63,387	**25,355**	25,355	**190,162**	164,807
Hans-Jörg Rudloff	**76,065**	76,065	**–**	–	**57,049**	57,049	**133,114**	133,114
Steven Schuit[4]	**76,065**	76,065	**–**	–	**95,082**	89,038	**171,147**	165,103
Barry Rourke	**76,065**	76,065	**63,387**	63,387	**44,371**	31,694	**183,823**	171,146
Paul Everard[4]	**76,065**	76,065	**63,387**	59,358	**31,694**	31,694	**171,146**	167,117

The remuneration for 2010 is the remuneration received as Non-Executive Directors of NWR NV.
The remuneration for 2011 includes remuneration received as Non-Executive Directors of both NWR and NWR NV.

[1] Mr. Bakala and Mr. Kadas waived their fees for the whole of 2011 as well as 2010. The emoluments were EUR 120,436 and EUR 101,420 respectively for both years.
[2] NWR entered into a consultancy agreement with BXL Consulting Ltd ('BXL'); Mr. Telička is the co-founder and director in charge of the Brussels office of BXL. For further details regarding these contracts, see the 'Related Party Transactions' section of this 2011 Annual Report.
[3] Mr. Zhevago agreed to waive his annual fee for the benefit of a charity for 2011 as well as 2010.
[4] For 2010, includes the increased fee for the membership in Safety, Health and Sustainability Committee, which applied from 27 April 2010.
[5] Excludes the value of NWR NV's A shares, in the amount of EUR 200,000, awarded to each Independent Non-Executive Director in 2010.

Directors' interest in shares and share options

The table below sets out information pertaining to the shares and share options held by the Directors in NWR.

Name	At 1 January 2011	At 31 December 2011[2]
Mike Salamon	570,193 shares and 525,699 options	700,986 shares and 264,114 options
Marek Jelínek	7,075 shares and 349,975 options	7,075 shares and 349,975 options and 30,000 deferred shares under Deferred Bonus Plan
Klaus-Dieter Beck	12,490	12,490
Zdeněk Bakala	[1]	[1]
Peter Kadas	[1]	[1]
Hans Mende	38,000	–
Pavel Telička	–	–
Kostyantin Zhevago	–	–
Bessel Kok	54,308	54,308
Hans-Jörg Rudloff	90,843	81,299
Steven Schuit	25,843	25,843
Paul Everard	67,843	67,843
Barry Rourke	55,843	55,843

[1] Please refer to the 'Shareholder Information' on page 174 in respect of the individual interests of entities affiliated with Messrs. Bakala and Kadas in the A Shares and B Shares of NWR.
[2] There have been no changes in the Directors' shareholdings from the 31 December 2011 to the date of the publication of this Annual Report.

Loans to Directors

No personal loans, guarantees or other similar instruments may be provided to the Directors by the Company.

Pension scheme

The Group does not operate any pension schemes on behalf of, or for the benefit of, its Directors or employees. Accordingly, the Group does not set aside or accrue amounts to provide pension, retirement or similar benefits.

This Remuneration Report has been approved by the Board.

Zdeněk Bakala
Chairman of the Remuneration Committee
12 March 2012

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the Directors are required to:

» select suitable accounting policies and then apply them consistently;
» make judgements and estimates that are reasonable and prudent;
» state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
» prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company s transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

» the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
» the Directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board
Lucie Vávrová
Company Secretary

Independent auditor's report

We have audited the group financial statements of New World Resources Plc for the year ended 31 December 2011 set out on pages 104 to 163. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 102, the Directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements
In our opinion the group financial statements:
» give a true and fair view of the state of the group's affairs as at 31 December 2011 and of its profit for the year then ended;
» have been properly prepared in accordance with IFRSs as adopted by the EU; and
» have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:
» certain disclosures of Directors' remuneration specified by law are not made; or
» we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:
» the Directors' statement, set out on page 81, in relation to going concern;
» the part of the Corporate Governance Statement on page 82 relating to the company's compliance with the nine provisions of the UK Corporate Governance Code.

Other matter
We have reported separately on the parent company financial statements of New World Resources Plc for the year ended 31 December 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

Jimmy Daboo
Senior Statutory Auditor

For and on behalf of KPMG Audit Plc, Statutory Auditor Chartered Accountants
15 Canada Square, London, E14 5GL
12 March 2012

Consolidated income statement
For the year ended 31 December 2011

EUR'000	Note	1 January 2011– 31 December 2011	1 January 2010– 31 December 2010
Continuing operations			
Revenues	3	**1,632,491**	1,589,990
Change in inventories of finished goods and work-in-progress		**37,708**	(34,954)
Consumption of material and energy		**(412,973)**	(373,153)
Service expenses		**(394,566)**	(341,843)
Personnel expenses	4	**(384,237)**	(361,117)
Depreciation and amortisation	11, 12	**(176,389)**	(170,348)
Net gain from material sold		**7,602**	5,177
Gain from sale of property, plant and equipment		**(1,536)**	715
Other operating income		**4,065**	5,062
Other operating expenses	5	**(36,097)**	(24,985)
OPERATING INCOME		**276,068**	294,544
Financial income	6	**31,580**	35,518
Financial expense	6	**(120,683)**	(150,373)
Profit on disposal of energy business	8	**–**	72,391
PROFIT BEFORE TAX		**186,965**	252,080
Income tax expense	7	**(57,147)**	(30,811)
PROFIT FROM CONTINUING OPERATIONS		**129,818**	221,269
Discontinued operations			
Profit from discontinued operations net of tax	8	**–**	12,045
PROFIT FOR THE YEAR		**129,818**	233,314
Attributable to:			
Non-controlling interests		**1,146**	–
SHAREHOLDERS OF THE COMPANY		**128,672**	233,314
EARNINGS PER SHARE (EUR/share)	23		
A share			
Basic earnings		**0.47**	0.86
Diluted earnings		**0.47**	0.85
Basic earnings from continuing operations		**0.47**	0.81
Diluted earnings from continuing operations		**0.47**	0.80
Basic earnings from discontinued operations		**–**	0.05
Diluted earnings from discontinued operations		**–**	0.05
B share			
Basic earnings		**345.80**	699.30
Diluted earnings		**345.80**	699.30

The Notes on pages 112 to 163 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December 2011

EUR'000	1 January 2011– 31 December 2011	1 January 2010– 31 December 2010
PROFIT FOR THE YEAR	**129,818**	233,314
OTHER COMPREHENSIVE INCOME		
Foreign currency translation differences	**(27,174)**	68,673
Derivatives – net change in fair value of cash flow hedges	**(18,619)**	(1,172)
Derivatives – net change in fair value of cash flow hedges reclassified to profit and loss	**(8,174)**	(8,361)
Other income	**–**	937
Income tax relating to derivatives – reclassification to profit and loss	**1,775**	1,603
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(52,192)**	61,680
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**77,626**	294,994
Attributable to:		
Non-controlling interests	**751**	–
SHAREHOLDERS OF THE COMPANY	**76,875**	294,994

The Notes on pages 112 to 163 are an integral part of these consolidated financial statements.

Consolidated statement of financial position
At 31 December

EUR'000	Note	2011	2010
ASSETS			
Property, plant and equipment	11	**1,354,356**	1,280,892
Mining licences	12	**148,196**	161,586
Accounts receivable	13	**10,217**	12,872
Deferred tax	7	**9,630**	8,601
Restricted cash	14	**12,506**	11,025
Derivatives	17	**15**	58
TOTAL NON-CURRENT ASSETS		**1,534,920**	1,475,034
Inventories	15	**93,089**	56,013
Accounts receivable and prepayments	16	**202,501**	197,746
Derivatives	17	**–**	34
Income tax receivable	7	**169**	143
Cash and cash equivalents	18	**536,910**	529,241
Restricted cash	14	**6,465**	–
TOTAL CURRENT ASSETS		**839,134**	783,177
TOTAL ASSETS		**2,374,054**	2,258,211
SHAREHOLDERS EQUITY			
Share capital	22	**105,756**	105,883
Share premium	22	**2,368**	66,326
Foreign exchange translation reserve	22	**56,056**	79,343
Restricted reserve	22	**129,136**	133,169
Equity-settled share-based payments	27	**14,235**	17,157
Hedging reserve	22	**(2,168)**	23,322
Merger reserve	22	**(1,631,161)**	–
Other distributable reserve	22	**1,692,319**	–
Retained earnings		**384,386**	384,195
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		**750,927**	809,395
Non-controlling interest	22	**1,632**	–
TOTAL EQUITY		**752,559**	809,395

EUR'000	Note	2011	2010
LIABILITIES			
Provisions	24	**166,756**	106,491
Long term loans	20	**76,184**	89,377
Bonds issued	21	**738,646**	745,497
Employee benefits	26	**87,912**	95,892
Deferred revenue	25	**2,128**	2,524
Deferred tax	7	**116,715**	118,938
Other long-term liabilities		**466**	576
Cash-settled share-based payments	27	**880**	–
Derivatives	17	**25,332**	19,280
TOTAL NON-CURRENT LIABILITIES		**1,215,019**	1,178,575
Provisions	24	**9,139**	5,820
Accounts payable and accruals	19	**219,234**	204,793
Accrued interest payable on bonds		**8,937**	9,029
Derivatives	17	**28,069**	4,771
Income tax payable	7	**26,881**	29,138
Current portion of long-term loans	20	**13,852**	15,276
Short-term loans	20	**99,695**	7
Cash-settled share-based payments	27	**669**	1,407
TOTAL CURRENT LIABILITIES		**406,476**	270,241
TOTAL LIABILITIES		**1,621,495**	1,448,816
TOTAL EQUITY AND LIABILITIES		**2,374,054**	2,258,211

The Notes on pages 112 to 163 are an integral part of these consolidated financial statements.

The financial statements on pages 104 to 163 were approved by the Directors on 12 March 2012 and signed on their behalf by:

Mike Salamon
Executive Chairman of the Board

Marek Jelínek
Chief Financial Officer

Consolidated statement of changes in equity
For the year ended 31 December 2011

EUR'000	Share capital	Share premium	Foreign exchange translation reserve	Restricted reserve	Equity-settled share-based payments	Hedging reserve	Merger reserve	Other distributable reserve	Retained earnings	Shareholders' equity	Non-controlling interest ('NCI')	Total equity
Balance at 1 January 2011	**105,883**	**66,326**	**79,343**	**133,169**	**17,157**	**23,322**	**–**	**–**	**384,195**	**809,395**	**–**	**809,395**
Profit for the year	–	–	–	–	–	–	–	–	128,672	**128,672**	1,146	**129,818**
Total other comprehensive income	–	–	(22,680)	(3,718)	–	(25,399)	–	–	–	**(51,797)**	(395)	**(52,192)**
Total comprehensive income for the year	–	–	(22,680)	(3,718)	–	(25,399)	–	–	128,672	**76,875**	751	**77,626**
Transaction with owners recorded directly in equity												
Share options exercised	105	–	–	–	(4,614)	–	–	–	4,512	**3**	–	**3**
Share options for A shares	–	–	–	–	6,121	–	–	–	(13)	**6,108**	13	**6,121**
Transfers within equity	–	–	–	–	(4,429)	–	–	–	4,429	**–**	–	**–**
Dividends paid to A shareholders	–	–	–	–	–	–	–	(2,498)	(97,931)	**(100,429)**	–	**(100,429)**
Dividends paid to B shareholders	–	–	–	–	–	–	–	–	(40,000)	**(40,000)**	–	**(40,000)**
Dividends paid to NCI	–	–	–	–	–	–	–	–	–	**–**	(157)	**(157)**
Reclassification in respect of reorganisation	1,691,650	(66,326)	(3,689)	(4,120)	–	(722)	(1,630,472)	–	(9,709)	**(23,388)**	23,388	**–**
Reduction of share capital	(1,694,817)	–	–	–	–	–	–	1,694,817	–	**–**	–	**–**
Acquisition of NCI settled by ordinary shares issued	2.935	2.368	3.082	3.805	–	631	(689)	–	10,231	**22.363**	(22,363)	**–**
Total transactions with owners	(127)	(63,958)	(607)	(315)	(2,922)	(91)	(1,631,161)	1,692,319	(128,481)	**(135,343)**	881	**(134,462)**
Balance at 31 December 2011	**105,756**	**2,368**	**56,056**	**129,136**	**14,235**	**(2,168)**	**(1,631,161)**	**1,692,319**	**384,386**	**750,927**	**1,632**	**752,559**

EUR'000	Share capital	Share premium	Foreign exchange translation reserve	Restricted reserve	Equity-settled share-based payments	Hedging reserve	Merger reserve	Other distributable reserve	Retained earnings	Shareholders' equity	Non-controlling interest ('NCI')	**Total equity**
Balance at 1 January 2010	**105,736**	**60,449**	**19,078**	**126,066**	**13,424**	**29,947**	**–**	**–**	**205,475**	**–**	**–**	**560,175**
Profit for the year	–	–	–	–	–	–	–	–	233,314	–	–	233,314
Total other comprehensive income	–	–	60,625	7,103	–	(6,625)	–	–	937	–	–	61,680
Total comprehensive income for the year	–	–	60,265	7,103	–	(6,625)	–	–	234,251	–	–	294,994
Transaction with owners recorded directly in equity												
Shares granted to independent Directors	41	959	–	–	–	–	–	–	–	–	–	1,000
Share options exercised	106	4,918	–	–	(4,996)	–	–	–	–	–	–	28
Share options for A shares	–	–	–	–	8,729	–	–	–	–	–	–	8,729
Dividends paid to A shareholders	–	–	–	–	–	–	–	–	(55,531)	–	–	(55,531)
Total transactions with owners	147	5,877	–	–	3,733	–	–	–	(55,531)	–	–	(45,774)
Balance at 31 December 2010	**105,883**	**66,326**	**79,343**	**133,169**	**17,157**	**23,322**	**–**	**–**	**384,195**	**–**	**–**	**809,395**

The Notes on pages 112 to 163 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2011

EUR'000	Note	1 January 2011– 31 December 2011	1 January 2010– 31 December 2010
Cash flows from operating activities			
Net profit before taxation and non-controlling interest from continuing operations		**186,965**	252,080
Net profit before taxation and non-controlling interest from discontinued operations		**–**	12,518
Net profit before taxation and non-controlling interest		**186,965**	264,598
Adjustments for:			
Depreciation and amortisation	11,12	**176,389**	170,348
Changes in provisions		**(1,186)**	(12,603)
Loss/(profit) on disposal of property, plant and equipment		**1,536**	(715)
Profit on disposal of energy business	8	**–**	(81,976)
Interest expense, net		**56,565**	67,340
Change in fair value of derivatives		**2,635**	(2,553)
Equity-settled share-based payment transactions		**6,121**	9,757
Profit before working capital changes		**429,025**	414,196
(Increase) / Decrease in inventories		**(37,075)**	29,879
(Increase) / Decrease in receivables		**(5,244)**	(68,449)
(Decrease) / Increase in payables and deferred revenues		**(7,481)**	(27,344)
(Increase) / Decrease in restricted cash		**(8,496)**	6,260
Currency translation and other non-cash movements		**11,720**	8,407
Cash generated from operating activities		**382,449**	362,949
Interest paid		**(69,111)**	(56,811)
Corporate income tax (paid)/received		**(55,732)**	9,029
Net cash flows from operating activities		**257,606**	315,167
Cash flows from investing activities			
Interest received		**11,631**	5,887
Purchase of land, property, plant and equipment	11	**(194,313)**	(220,871)
Proceeds from sale of energy business	8	**–**	124,631
Proceeds from sale of property, plant and equipment		**979**	1,566
Net cash flows from investing activities		**(181,703)**	(88,787)

EUR'000	Note	1 January 2011– 31 December 2011	1 January 2010– 31 December 2010
Cash flows from financing activities			
Repayments of Senior Secured Facilities		**–**	(678,284)
Repayments of other long term loans		**(14,246)**	(13,639)
Proceeds of long-term borrowings	20	**–**	24,238
Bond redemption		**(8,844)**	–
Repayments of short-term borrowings		**–**	(23,221)
Proceeds from exercise of share options		**3**	–
Proceeds of short-term borrowings	20	**99,695**	8,072
Proceeds from bonds issue	21	**–**	500,000
Transaction costs from issued bonds	21	**–**	(16,796)
Dividends paid to A and B shareholders		**(140,429)**	(55,531)
Dividends paid to non-controlling interest		**(157)**	–
Net cash flows from financing activities		**(63,978)**	(255,161)
Net effect of currency translation		**(4,256)**	(1,276)
Net increase/(decrease) in cash and cash equivalents		**7,669**	(30,057)
Cash and Cash Equivalents at the beginning of year classified as Assets held for sale		**–**	11,471
Cash and Cash Equivalents at the beginning of year		**529,241**	547,827
Cash and Cash Equivalents at the end of year		**536,910**	529,241

The Notes on pages 112 to 163 are an integral part of these consolidated financial statements.

Notes to consolidated financial statements
For the year ended 31 December 2011

1. General information

a) Corporate information
New World Resources Plc ('NWR Plc' or the 'Company') is a public limited liability company with its registered office at One Silk Street, London EC2Y 8HQ, United Kingdom.

The Company was incorporated on 30 March 2011 as part of a corporate reorganisation under which it became the new UK incorporated holding company for the businesses previously held by New World Resources N.V. ('NWR NV').

The reorganisation was undertaken by way of an offer by the Company to the shareholders of NWR NV to exchange shares in the Company for their shares in NWR NV on a one-for-one basis. The condition of the offer relating to acceptances was met on 5 May 2011 ('the first closing date') and the Company became the new holding company when it issued shares to accepting shareholders of NWR NV on 6 May 2011. At that date the Company held approximately 97.0% of the A shares of NWR NV and 100% of its B shares. The A shares of NWR NV that were not tendered into the offer at that date represented a non-controlling interest in NWR NV, that was decreased by additional closings and private share-for-share exchange to 0.22% as at 31 December 2011. The Company is currently in the process of a compulsory squeeze-out under which it intends to acquire the remaining shares in NWR NV.

In accordance with the requirements of International Financial Reporting Standards as adopted by European Union, the Company's consolidated financial results and financial position prior to the first closing date are those of NWR NV.

The objective of the Company is to act as a holding company for the Group.

BXR Mining B.V., an investment, public limited company, is the major shareholder of the Company, holding approximately 64% of the Company's A shares. 100% of the Company's B shares are owned by RPG Property B.V. The financial information of the Company is included in the consolidated financial statements of RPG Partners Limited. A shares of the Company are listed on stock exchanges in London, Warsaw and Prague, with NWR NV's A shares still listed on stock exchange in Warsaw. The ultimate parent of the Company, BXR Mining B.V., RPG Property B.V. and RPG Partners Limited is BXR Group Limited.

These financial statements were approved by the Board of Directors and authorised for issue on 12 March 2012.

b) The Group
The consolidated financial statements include New World Resources Plc and its subsidiaries (together the 'Group'). The Company´s significant subsidiaries as at 31 December 2011 are:

Consolidated subsidiaries	Abbreviation	% voting shares	Nature of Activity
Entity directly owned by the Company:			
New World Resources N.V.	NWR NV	99.8 %	Management services
Entities directly owned by NWR NV:			
OKD, a.s.	OKD	100 %	Coal mining
OKK Koksovny, a.s.	OKK	100 %	Coke production
NWR KARBONIA S.A.	NWR Karbonia	100 %	Coal mining
NWR Communications, s.r.o.	NWRC	100 %	Public relations
Entity directly owned by OKD:			
OKD, HBZS, a.s.	HBZS	100 %	Emergency services and waste processing

For changes in the Group during the periods presented see 'Changes in the consolidated group' on the next page.

NWR Karbonia changed its legal form from limited liability company (Sp. z o.o.) to joint-stock company (S.A.). The change was registered in Commercial register on 28 February 2011.

All of the Company's consolidated subsidiaries are incorporated in the Czech Republic, with the exception of NWR Karbonia (Poland) and NWR NV (The Netherlands).

c) Changes in the consolidated group
(i) Business combination involving entities under common control
A business combination involving entities or businesses under common control is a business combination in which all of the Group entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

In the absence of more specific guidance, the Group entities consistently applied the book value measurement method to all common control transactions. Differences between consideration paid and carrying value of acquired net assets is recognised as a change in consolidated equity.

The carrying amounts of the Group's interests and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

(ii) Changes in 2011
A new subsidiary NWR Communications, s.r.o. was established on 6 June 2011 to perform public relations and communication activities.

New World Resources Plc was incorporated on 30 March 2011 as part of a corporate reorganisation under which it became the new UK incorporated holding company for the businesses previously held by New World Resources N.V. For more details see 'Corporate information' and Note 22.

(iii) Discontinued operations and sale of the energy business
On 24 June 2009 the Board of Directors of NWR NV approved its intention to sell the energy business of the Group. The energy business of the Group comprised NWR Energy, a.s., NWR Energetyka PL Sp. z o.o. and CZECH-KARBON s.r.o. Based on the Board's decision to sell the energy business, part of the energy business, which historically was presented as the electricity trading segment, is presented as discontinued operations in comparatives of these financial statements. The sale was closed on 21 June 2010. For further details see Note 8.

2. Summary of significant accounting policies

a) Basis of preparation
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('adopted IFRS'). In accordance with these requirements, the Company's consolidated financial results and financial position prior to date the Company became the new holding company of the Group are those of NWR NV.

The consolidated financial statements are prepared on the historical cost basis except for derivative financial instruments, which are stated at their fair value. They are presented in Euro (EUR) and rounded to the nearest thousand. Financial statements of operations with functional currency other than EUR were translated to the Group presentation currency. The functional currency of NWR Plc and NWR NV is EUR. The functional currency of NWR Karbonia is Polish Zloty (PLN). The functional currency of the remaining consolidated companies is Czech Crown (CZK). For details refer to the Note 2d(ii). The accounting policies have been applied consistently by all Group entities.

New standards and interpretations adopted during the financial year
The accounting policies used in preparation of these financial statements are consistent with those of the previous financial year. The following new and amended standards and interpretations have been adopted:

» IAS 24 Related Party Disclosures (amendment) effective 1 January 2011
» IAS 32 Financial Instruments: Presentation (amendment) effective 1 February 2010
» IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011
» IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments effective 1 July 2010

Notes to consolidated financial statements
For the year ended 31 December 2011

2. Summary of significant accounting policies continued

» Improvements to IFRS 2010 covering further minor amendments:
  – IAS 1 Presentation of Financial Statements (amendment) effective 1 January 2011
  – IAS 27 Consolidated and Separate Financial Statements (amendment) effective 1 July 2010
  – IFRS 3 Business Combinations (amendment) effective 1 July 2010
  – IFRS 7 Financial Instruments Disclosures (amendment) effective 1 January 2011
  – IFRIC 13 Customer Loyalty Programmes (amendment) effective 1 January 2011

These amendments and new interpretations do not have an impact on the financial statements of the Group.

New standards and interpretations endorsed by the European Union but not effective yet
The Group is currently assessing the potential impacts of the new and revised standards that have been issued but are not yet effective as at 31 December 2011. The principal effects of these changes are as follows:

» Amendment to IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (effective 1 July 2012)
» Amendment to IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements (effective 1 July 2011)

Both amendments affect disclosure and presentation only and as such have no impact on the Group's financial position or performance.

Judgments, estimates and assumptions made in applying accounting policies
The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Set out below is information about:
» Critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements; and
» Assumption and estimation uncertainties that have a significant risk of resulting in a material adjustment within next financial year.

Critical judgments, estimates and assumptions
Coal reserves
Economically recoverable coal reserves represent the estimated quantity of product in an area of interests that can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions. The entity determines and reports coal reserves under JORC code. The determination of coal reserves includes estimates and assumptions about range of geological, technical and economic factors, including: quantities, grades, production techniques, recovery rates, productions costs, transportation costs, commodity demand, commodity prices and exchange rates. Changes in coal reserves impact the assessment of recoverability of property, plant and equipment, the carrying amount of mining licences depreciated on unit of production basis and mine closure and restoration provision. The amounts of these assets and provision are set out in the notes 11, 12, 24.

Restoration and mine closure provisions
Determining the cost of restoration, rehabilitation, and mine closure during mining activities in accordance with the Group's accounting policy (note 2q), requires the use of significant estimates and assumptions, including: the appropriate discount rate, the timing of the cash flows, expected life of the relevant mine, the application of relevant environmental legislation, and the future expected costs of restoration, rehabilitation and mine closure.

Changes in the estimates and assumptions used to determine the cost of restoration, rehabilitation and mine closure could have a material impact on the carrying value of the restoration and mine closure provision and relevant asset. The provision recognised for each mine is reviewed at each reporting date and updated based on the facts and circumstances available at that time. The carrying value of the provision is set out in note 24.

Impairment of assets
The recoverable amount of each non financial asset or cash-generating unit ('CGU') is determined as the higher of the value-in-use and fair value less costs to sell, in accordance with the Group's accounting policy (note 2l). Determination of the recoverable amount of an

asset or CGU based on a discounted cash flow model requires the use of estimates and assumptions, including: the appropriate discount rate, the timing of the cash flow and expected life of the relevant area of interest, exchange rates, coal and coke prices, reserves, future capital requirements and future operating performance. Changes in these estimates and assumptions impact the recoverable amount of the asset or CGU, and accordingly could result in an adjustment to the carrying amount of that asset or CGU.

Employee benefits
The Group's accounting policy for employee benefits requires management to make estimates and assumptions about discount rate, future remuneration changes, changes in benefits, life expectancy, retirement age, number of employees and expected remaining periods of service of employees. Changes in these estimates and assumptions could have a material impact on the carrying value of the employee benefit provision. Refer to note 26 for details of the key assumptions.

b) Basis of consolidation
The financial statements include the accounts of New World Resources Plc and its subsidiaries.

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

(ii) Transactions eliminated on consolidation
Intragroup balances and transactions and unrealised gains arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iii) Changes in ownership interest without a loss of control
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

(iv) Loss of control
Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in an entity that was previously a subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

c) Principles for preparation of the statement of cash flows
Cash flow is presented using the indirect method. Net cash flows from operating activities are reconciled from profit before tax and non-controlling interests ('NCI'). Interest received is classified as an investing activity as it mainly relates to investments. Interest paid is classified as an operating activity as it significantly affects the net profit.

d) Foreign currency
(i) Foreign currency transactions
Transactions in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

(ii) Foreign operations
Assets and liabilities of operations with functional currency other than EUR are translated to EUR at the exchange rate at the reporting date; income statement items of operations with functional currency other than EUR are translated at exchange rates approximating the rates at the dates of the transactions. Equity items are translated at historical exchange rates. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of an operation with functional currency other than EUR (in full or in part), the relevant amount of accumulated exchange differences is transferred to the income statement.

Notes to consolidated financial statements
For the year ended 31 December 2011

2. Summary of significant accounting policies continued

e) Derivative financial instruments

The Group uses derivative financial instruments (such as for example forward currency contracts, interest rate swap and interest rate collar contracts) to hedge its exposure to foreign exchange risk and interest risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken to 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 and interest rate collar contracts is the estimated amount that the Group would receive or pay to terminate the contract at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

For the purpose of hedge accounting, hedges are classified as:

» cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedges item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designed.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the income statement.

Amounts recognised as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged forecasted sale or expenditure occurs.

If the forecasted transaction or firm commitment is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecasted transaction or firm commitment occurs.

Current versus non-current classification

Derivative instruments that are not a designated as effective hedging instrument are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

» Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting), for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
» Derivative instruments that are designated as and are effective hedging instruments are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

f) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset including borrowing costs for long-term construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The cost also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that it is initially recognised as a provision under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Mining works are classified under the Land and Buildings class of property, plant and equipment. They are stated at cost less accumulated depreciation and impairment losses. Once approved, expenditure relating to a mining project that is designed to access a new mine level or to construction of new mining works (cross cuts, blind shafts, storage places, bins and mining depots, other auxiliary constructions etc.) are capitalised only if both following conditions are satisfied:

» mining work has useful life exceeding one year
» and such construction is necessary for accessing the new mining level.

These expenditures are capitalised and classified as construction in progress and the capitalisation ceases when the constructed mining work is finalised and ready for use. These costs are reclassified as land and buildings and depreciated from when the project is complete.

Expenditure for technical improvement of mining works are capitalised, even if they are not related to accessing a new mine level, but they represent a technical improvement of existing mining works.

Other mine development costs related to construction of undersurface located supporting structures (operational mining works) are expensed as incurred.

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) Borrowing costs

Borrowing costs from specifically draw down borrowings or generally used borrowings, which are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(iii) Leased assets

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

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

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

Finance leases, which transfer to the Group substantially all the risks and benefits related 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.

Notes to consolidated financial statements
For the year ended 31 December 2011

2. Summary of significant accounting policies continued

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

(iv) 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 Group 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.

(v) 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 assets in construction are not depreciated.
The estimated useful lives are as follow:

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

Mining works are depreciated on a straight-line basis based on their estimated useful life.

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 Group will obtain ownership by the end of the lease term.

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

g) Intangible assets
(i) Licenses
Licenses represent the coal reserve license owned by OKD. The coal reserve is the exclusive deposit and creates the mineral wealth of the Czech Republic and the licenses allow OKD to extract coal from this deposit. Licences are stated at cost less amortisation and impairment losses.

(ii) Other intangible assets
Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

(iii) Amortisation
Amortisation of licences for the period is calculated as a proportion of the coal amount actually mined in this period to the total economically exploitable coal reserves as estimated by management.

Amortisation of other intangible assets 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. Amortisation methods, useful lives and residual values are reviewed at each reporting date.

(iv) 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 an equivalent of one tonne of carbon dioxide (CO_2).

Based on the Czech Republic National Allocation Plan covering the period up to 31 December 2012, emission rights are granted to the Group, for its coking production, free of charge. Distribution of emission rights for free is planned also in the next National Allocation Plan covering period 2013–2020.

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.

(v) Exploration for and Evaluation of Mineral Resources
Expenditures on exploration for and evaluation of mineral resources are charged to expenses as incurred, until the Group determines that commercially viable coal reserves exist.

h) Trade and other receivables
Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement receivables are subsequently carried at their amortised cost using the effective interest method less any allowance for impairment (see accounting policy 2l).

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

k) Restricted cash
Restricted balances of cash, which are shown under non-current financial assets as restricted funds, relate to funds set aside to settle mining damages and restoration expenses and deposits with manufacturers of equipment the Group has on order. The current/non-current classification is based on the expected timing of the release of the funds of the Group.

l) Impairment
(i) Non-financial assets
The carrying amounts of the Group's non-financial assets, excluding inventories (see accounting policy i) and deferred tax assets (see accounting policy t(iii)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised whenever the carrying amount of a non-financial asset or the cash-generating unit to which it belongs exceeds its recoverable amount. A cash-generating unit (CGU) is the smallest identifiable asset group that generates cash flows that are largely independent from other non-financial assets and groups of assets.

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGU are allocated to reduce the carrying amount of the assets in the CGU (groups of CGU) on a pro rata basis.

Calculation of recoverable amount
The recoverable amount of a non-financial asset or the CGU to which it belongs is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows generated by the asset or the CGU 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 non-financial assets or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped

Notes to consolidated financial statements
For the year ended 31 December 2011

2. Summary of significant accounting policies continued

together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU and for such a non-financial asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Reversals of impairment
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.

(ii) Non-derivative financial assets
A non-derivative financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A non-derivative financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that non-derivative financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due by a debtor on terms that would not be considered otherwise by the Group, indications that a debtor or issuer will enter bankruptcy, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables
The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the following information is used historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a non-derivative financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognised in income statement and reflected in an allowance accounts against loans and receivables.

Calculation of recoverable amount
The recoverable amount of loans and 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. Loans and receivables with a short duration are not discounted.

Reversals of impairment
When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income statement. An impairment loss in respect of loans and receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

m) Non-controlling interest
The non-controlling interest in the statement of financial position and income statement represents the non-controlling proportion of the net assets of the consolidated but not wholly owned subsidiaries at the year-end and a share of results for the year, which is attributable to the non-controlling shareholders.

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

o) Employee benefits
The Group provides a number of different benefits to its employees – jubilee, loyalty, retirement and special miners' benefits.

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

p) Share-based payment transactions
Employees (including senior executives) of the Group receive part of the remuneration for their services in the form of share-based payment transactions.

Equity-settled transactions
The cost of equity-settled transactions with employees for awards granted is measured by reference to the fair value at the date on which they are granted. The fair value is determined based on the market price listed on the stock exchange and whenever appropriate using option pricing models.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured as the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Transactions with cash-alternative
The cost of transactions with a cash-alternative is measured initially at fair value at the grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date with changes in fair value recognised in the income statement.

Notes to consolidated financial statements
For the year ended 31 December 2011

2. Summary of significant accounting policies continued

q) Provisions
A provision is recognised in the statement of financial position when the Group 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 a current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Mine closure, restoration, and mining damages provisions
An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mining property and the Group is liable for environmental damage caused by mining activities. These future costs generally include restoration and remediation of land and disturbed areas, mine closure costs, including the dismantling and demolition of infrastructure and the removal of residual materials, and mining damages costs.

Decommissioning of mine sites and land and disturbed areas restoration costs are a normal consequence of mining. The majority of mine closure and rehabilitation expenditure is incurred at the end of the life of the mine. Although the ultimate cost to be incurred is uncertain, the Group's businesses estimate their respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Restoration costs and clean-up of land used for mining activities are liabilities to restore the land to the condition it was in prior to the mining activities or as stated in the relevant licences. These costs are incurred during the mining activity and can continue for many years depending on the nature of the disturbance and the remediation techniques. The mine closure costs include estimated costs of mine levels and pits closure, and capping of pits after removal of the surface construction.

Provisions for land restoration and mine closure costs are recognised as the net present value of the estimated outflow of economic resources to settle the obligation. Provisions are structured as land restoration and mine closure costs provision. Land restoration and mine closure 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 linear depreciation 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 amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period. The amortisation of the discount is shown as a financing cost, rather than as an operating cost.

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

r) 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 initially stated at fair value and then subsequently at amortised cost.

s) Revenue
(i) Own products sold and services rendered
Sales revenues consist of sales of coal, coke and related by-products (coking gas, chemical products, methane etc.) and services rendered to third parties, measured at the fair value of the consideration received, excluding any applicable taxes, excise duties, charges, discounts and rebates. Most of the sales are priced as carriage paid to (CPT), delivered at place (DAP) or delivered duty paid (DDP).

The Group has concluded that it is acting as a principal in all of its sales arrangements, delivering complete supplies to specified place including responsibility for transportation, handling, solving duty tax issues and possibly insurance. All amounts billed to customers for transportation and handling are classified mostly as a sales revenue from own products, as a part of selling price, or occasionally as services rendered, with transportation and handling costs recognised as service expenses.

A significant proportion of Group production is sold under frame contracts, which are quarterly (mostly for coking coal and partly for coke) or semi-quarterly updated by amendments specifying pricing or volumes for the next period. However, the sales revenue is only recognised on an individual sale when all of the following criteria are met:

- the significant risks and rewards of ownership of the product have been transferred to the customer;
- the Group has retained neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the sale will flow to the Group; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

All these conditions are generally satisfied, when the product is delivered to the destination specified by the customer and as such, the title passes to the customer. Sales revenue is commonly subject to adjustments based on an inspection of the product by the customer. Where there are agreed differences in volume or quality of delivered products, this is reflected as reduction or increase (usually for better qualities of coal) in sales revenue recognised on the sale transaction. Sales revenue from services rendered is recognised when services are rendered and accepted by the customer.

(ii) Revenues from electricity contracts
Revenues from electricity contracts were classified as discontinued operations. For the period 1 January–21 June 2010 the Group concluded sale and purchase contracts for physical delivery of specified commodities (defined quantity of electricity) over the counter and through energy exchanges. These transactions were classified as an own use category (with physical receipt or delivery of the commodity) at inception and were not within the scope of IAS 39.

Revenues from realised electricity sales were recognised in the income statement, net of value added tax and excise duties, based on actual deliveries and when the significant risks and rewards of ownership were transferred to the buyer in line with the contract conditions.

(iii) 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 installments.

t) 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 finance costs
Net finance costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on derivative instruments that are recognised in the income statement. Interest on borrowings is expensed only to the extent that they are not directly attributable to the acquisition, construction or production of a qualifying asset.

The finance income 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).

(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 or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

A current tax liability is calculated in accordance with the tax regulations of the states of residence of the Group companies 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 company basis as the tax laws do not permit consolidated tax returns.

Notes to consolidated financial statements
For the year ended 31 December 2011

2. Summary of significant accounting policies continued

A deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted in the expected period of settlement of deferred tax.

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.

u) Segment reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

v) Non-current assets held for sale and discontinued operations
A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations. Classification as a discontinued operation occurs when the operation meets the criteria to be classified as held for sale or upon disposal, if earlier.

w) Earnings per share
Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

3. Segment information

a) Introduction to segment information
The Group's business is organised into three segments (Coal, Coke and Real Estate Division ('RED') segment) for which financial and other performance measures are separately available and regularly evaluated by the chief operating decision maker ('CODM'). The CODM is the Board of Directors. These operational segments were identified based on the nature, performance and financial effects of key business activities of the Group.

The Group is furthermore organised into two divisions: the Mining Division ('MD') and the Real Estate Division. The Company had A Shares and B Shares outstanding for the presented periods. The A Shares and B Shares are tracking stocks, which are designed to reflect the financial performance and economic value of the MD and RED, respectively. Due to the public listing of the Company's A shares, the Group provides divisional reporting showing separately the performance of the MD and RED. The main rights, obligations and relations between the RED and MD are covered by Divisional Policy Statement ('DPS').

The divisional reporting, as such, is essential for the evaluation of the equity attributable to the listed part of the Group. As the operating segments form part of the divisions and in order to provide understandable and useful information, the Company decided to combine the segment and divisional disclosure in one table, with the Coal and Coke segments within the Mining Division and the RED segment within Real Estate Division. Headquarters cost are included within 'other' within the Mining Division.

The comparative period includes a separate electricity trading segment within discontinued operations and the electricity distribution business within the continuing operations as part of 'other'. The energy business was sold on 21 June 2010.

RED segment
The RED mainly provides inter-divisional service i.e. provides real estates to MD and concentrates ownership of certain assets, so called Real Estate Assets (buildings, surface construction and land), defined by the DPS. This group of Real Estate Assets was allocated to RED based on their book values as of 31 December 2007 when the divisional segments were established.

RED receives an annual fee (the 'CAP') for Real Estate Assets provided by the RED to the MD. The DPS determined the CAP value in an amount of EUR 3,600 thousand. The CAP is annually adjusted by inflation and disposals of the Group entities.

MD division
MD's core activities are mining and processing of coal (Coal segment) and coke production (Coke segment). MD has the right to access and usage of any Real Estate Assets as specified by the DPS for its operating activities.

There is no consideration required from the MD to repay the present value of the buildings provided in compliance with the DPS as would be usual under lease terms. Therefore the respective amount i.e. the book value of the buildings provided to the MD as of 31 December 2011 is presented in the equity of the MD.

EUR'000	2011	2010
Net book value of leased buildings and construction used by MD	**229,406**	261,212

The deferred tax assets, liabilities and their impacts on the financial result of the Group related to the Real Estate Assets are divided between the divisions correspondingly to the allocation of the assets.

b) Division and segment accounting policies, measurement and disclosure
The segment and division financial information is based on standalone financial statements of entities, prepared under adopted IFRS, including application of the DPS on the basis of the following policies:

- Sales and all transactions between division and segments are priced on arm's length basis.
- RED is obliged to provide certain buildings and construction to MD, if MD needs such assets for its operating activities. The management considers this relationship between RED and MD as a finance lease relationship, because RED provides buildings and construction for remuneration to MD, the lease term is for the major part of the economic part of the life of the assets and the leased assets are of such specialised nature that only lessee can use them without major modifications. However, there is no lease payment as under standard financial lease condition, only the CAP.
- Land is provided to the MD without any consideration. However, the adopted IFRS criteria for finance lease cannot be met for land. Adopted IFRS does not provide a specific guideline for the presentation of such a relationship. The Group decided to present this relationship in the segment analysis as a Right to use land ('Right') granted by RED to the MD and RED has deferred revenue for granting the Right. The management determined the original value of the Right being the book value of land at 31 December 2007. Buildings and construction leased from RED are disclosed in book value, depreciated by the MD.
- Real Estate Assets used by MD are presented within assets of MD; assets not used by the MD are presented in the assets of RED.
- The land used by the MD is in the accounts of the RED. It is replaced by the Right to use land in the accounts of the MD, amortisation of which is reflected in the result of the MD. The Right is depleted over the expected lifetime of mining, coking and related businesses using a linear amortisation method.
- When any building or construction is not needed by MD for its operating activities any more, the asset is transferred back to RED. Since the respective buildings and construction are expected to be used for the major part of the economic life of the assets, they will generally be fully depreciated at the moment, when mining, coking and related operations stop in the future. Therefore the transfer should include only fully depreciated assets with a zero book value. IAS 16 assumes some residual value of assets which should be equal to its estimated market value at the end of its useful life. However the Company is unable to make a reliable estimate of such residual value due to the character of the assets.
- Deferred revenue corresponding to the amount of the Right is presented in the statement of position of the RED. It will be released into revenues over the period correspondingly to the depletion of the Right. The deferred revenue is disclosed within revenues of RED.
- The CAP is accounted for as financial revenue in the RED and as financial expense in the MD. The CAP amount is annually adjusted by inflation rate and by impact of changes in the Group.
- The RED is allocated certain expenses related to revenues generated from sundry rentals.
- The RED is also charged a fee by the MD for utilization of supporting internal functions (audit, tax advisory, accounting, IT services etc.). The amount was capped to EUR 100 thousand in 2008. The limit is subject to adjustment by inflation.
- All Intercompany transactions are eliminated at appropriate level of segment or division.
- Margin on inventory held, not yet consumed by the acquiring segment, is eliminated from the sales of the selling segment in such period, and the inventory value of the acquiring segment is adjusted correspondingly.

Notes to consolidated financial statements
For the year ended 31 December 2011

3. Segment information continued

» The result of foreign exchange rate hedging operations is presented within 'other' within the MD as correction of sales to third party.
» All assets, except for special items described in this section, are allocated to the segments based on the allocation of the entities holding such assets except for advance payments for property, plant and equipment and leased assets. Those are allocated based on the segment using the assets to be acquired or leased.
» All liabilities are allocated to the segments based on the allocation of the entities holding such liabilities.
» CAPEX is allocated and disclosed based on the segment using the assets acquired.

c) Presentation of business segments

Business Segments 1 January 2011–31 December 2011	Mining division					Real Estate division	Eliminations & adjustments[2]	Group operations total
EUR'000	Coal segment	Coke segment	Other	Eliminations & adjustments[1]	Mining division total	RED segment		
Segment revenues								
Continuing operations								
Sales to third parties	1,399,233	236,475	(3,510)[3]	–	**1,632,198**	**293**	–	**1,632,491**
Sales to continuing segments	110,123	84	838	(111,045)	**–**	**790**	(790)	**–**
Total revenues	1,509,356	236,559	(2,672)	(111,045)	**1,632,198**	**1,083**	(790)	**1,632,491**
Change in inventories of finished goods and work-in-progress	14,639	22,830	–	239	**37,708**	**–**	–	**37,708**
Consumption of material and energy	(322,477)	(199,567)	(75)	109,153	**(412,966)**	**(7)**	–	**(412,973)**
Service expenses	(340,132)	(35,653)	(20,410)	1,652	**(394,543)**	**(23)**	–	**(394,566)**
Personnel expenses	(354,526)	(16,798)	(12,808)	3	**(384,129)**	**(108)**	–	**(384,237)**
Depreciation and amortisation	(166,919)	(9,337)	(118)	–	**(176,374)**	**(15)**	–	**(176,389)**
Amortisation of rights to use land – divisional adjustment	(459)	(331)	–	–	**(790)**	**–**	790	**–**
Net gain from material sold	7,309	293	–	–	**7,602**	**–**	–	**7,602**
Gain/(loss) from sale of property, plant and equipment	(1,335)	47	–	–	**(1,288)**	**(248)**	–	**(1,536)**
Other operating income	3,586	436	30	(14)	**4,038**	**208**	(181)	**4,065**
Other operating expenses	(34,325)	(1,142)	(823)	12	**(36,278)**	**–**	181	**(36,097)**
Segment operating income/(loss)	314,717	(2,663)	(36,876)	–	**275,178**	**890**	–	**276,068**

[1] Elimination of intercompany transactions within the Mining division (e.g. coal sales, service fees)
[2] Elimination of transactions between the divisions (e.g. lease charges, service fees, annual fees for providing real estates)
[3] Foreign exchange hedging impact classified as revenue adjustment

Business Segments 1 January 2011–31 December 2011	Mining division					Real Estate division	Eliminations & adjustments[2]	Group operations total
EUR'000	Coal segment	Coke segment	Other	Eliminations & adjustments[1]	Mining division total	RED segment		
Financial income					**31,314**	**3,876**	(3,610)	**31,580**
Financial expenses					**(123,802)**	**(491)**	3,610	**(120,683)**
Profit before tax					**182,690**	**4,275**	–	**186,965**
Income tax expense					**(56,330)**	**(817)**	–	**(57,147)**
Profit for the year					**126,360**	**3,458**	**–**	**129,818**
Attributable to:								
Non-controlling interests					**1,146**	**–**	–	**1,146**
Shareholders of the company					**125,214**	**3,458**	–	**128,672**
Assets and liabilities at 31 December 2011								
Total segment assets	1,993,379	206,577	1,033,544	(869,374)	**2,364,126**	**25,180**	(15,252)	**2,374,054**
Total segment liabilities	1,080,896	151,513	1,259,112	(869,374)	**1,622,147**	**14,600**	(15,252)	**1,621,495**
Other segment information:								
Capital expenditures spent	184,207	10,090	16	–	**194,313**	**–**	–	**194,313**
Interest income	2,971	6	43,054	(39,655)	**6,376**	**92**	(31)	**6,437**
Interest income – divisional CAP	–	–	–	–	**–**	**3,573**	(3,573)	**–**
Interest expense	30,544	7,098	65,850	(39,655)	**63,837**	**31**	(31)	**63,837**
Interest expense – divisional CAP	3,207	366	–	–	**3,573**	**–**	(3,573)	**–**

[1] Elimination of intercompany balances within the Mining division
[2] Elimination of balances between the divisions

Notes to consolidated financial statements
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3. Segment information continued

Business Segments 1 January 2010–31 December 2010 EUR'000	Mining division Coal segment	Coke segment	Other	Electricity trading segment[3]	Eliminations & adjustments[1]	Mining division total	Real Estate division RED segment	Eliminations & adjustments[2]	Group operations total
Segment revenues									
Continuing operations									
Sales to third parties	1,229,033	341,529	17,145	–	–	**1,587,707**	**285**	–	**1,587,992**
Sales to continuing segments	127,346	113	30,176	–	(157,635)	**–**	**950**	(950)	**–**
Sales to discontinued segments	43	–	1,955	–	–	**1,998**	**–**	–	**1,998**
Discontinued operations									
Sales to third party	–	–	–	51,224	(51,224)	**–**	**–**	–	**–**
Sales to continuing segments	–	–	–	22,828	(22,828)	**–**	**–**	–	**–**
Total revenues	1,356,422	341,642	49,276	74,052	(231,687)	**1,589,705**	**1,235**	(950)	**1,589,990**
Change in inventories of finished goods and work-in-progress	(4,505)	(29,042)	(31)	–	(1,376)	**(34,954)**	**–**	–	**(34,954)**
Consumption of material and energy	(284,807)	(216,666)	(29,133)	(72,502)	229,965	**(373,143)**	**(10)**	–	**(373,153)**
Service expenses	(288,663)	(43,139)	(11,616)	(148)	1,730	**(341,836)**	**(7)**	–	**(341,843)**
Personnel expenses	(326,845)	(20,080)	(14,089)	(297)	300	**(361,011)**	**(106)**	–	**(361,117)**
Depreciation and amortisation	(159,336)	(10,779)	(153)	–	–	**(170,268)**	**(80)**	–	**(170,348)**
Amortisation of rights to use land – divisional adjustment	(546)	(322)	(82)	–	–	**(950)**	**–**	950	**–**
Net gain from material sold	4,988	171	18	–	–	**5,177**	**–**	–	**5,177**
Gain/(loss) from sale of property, plant and equipment	(193)	–	727	(3)	3	**534**	**181**	–	**715**
Other operating income	4,353	359	430	2,718	(2,772)	**5,088**	**5**	(31)	**5,062**
Other operating expenses	(21,428)	(2,572)	(1,004)	(77)	94	**(24,987)**	**(29)**	31	**(24,985)**
Segment operating income/(loss)	279,440	19,572	(5,657)	3,743	(3,743)	**293,355**	**1,189**	–	**294,544**

[1] Elimination of intercompany transactions within the Mining division (e.g. coal sales, service fees) and elimination of discontinued operations
[2] Elimination of transactions between the divisions (e.g. lease charges, service fees, annual fees for providing real estates)
[3] Discontinued operations

Business Segments 1 January 2010–31 December 2010 EUR'000	Mining division Coal segment	Coke segment	Other	Electricity trading segment[3]	Eliminations & adjustments[1]	Mining division total	Real Estate division RED segment	Eliminations & adjustments[2]	Group operations total
Financial income						**35,373**	**3,849**	(3,704)	**35,518**
Financial expenses						**(153,211)**	**(866)**	3,704	**(150,373)**
Profit on disposal of energy business						**68,779**	**3,612**	–	**72,391**
Profit before tax						**244,296**	**7,784**	–	**252,080**
Income tax expense						**(30,020)**	**(791)**	–	**(30,811)**
Profit from continuing operations						**214,276**	**6,993**	–	**221,269**
Profit from discontinued operations						**12,045**	**–**	–	**12,045**
Profit for the year						**226,321**	**6,993**	–	**233,314**
Attributable to:									
Non-controlling interests						**–**	**–**	–	**–**
Shareholders of the company						**226,321**	**6,993**	–	**233,314**
Assets and liabilities at 31 December 2010									
Total segment assets	1,917,383	222,806	954,795	–	(884,801)	**2,210,183**	**63,077**	(15,049)	**2,258,211**
Total segment liabilities	1,055,261	145,028	1,131,016	–	(884,801)	**1,446,504**	**17,361**	(15,049)	**1,448,816**
Other segment information:									
Capital expenditures spent	169,699	47,925	3,247	–	–	**220,871**	**–**	–	**220,871**
Interest income	1,456	15	22,137	9	(20,272)	**3,345**	**107**	–	**3,452**
Interest income – divisional CAP	–	–	–	–	–	**–**	**3,692**	(3,692)	**–**
Interest expense	20,520	4,812	60,390	13	(20,272)	**65,463**	**–**	–	**65,463**
Interest expense – divisional CAP	3,202	351	139	–	–	**3,692**	**–**	(3,692)	**–**

[1] Elimination of intercompany balances within the Mining division and elimination of discontinued operations
[2] Elimination of balances between the divisions
[3] Discontinued operations

Notes to consolidated financial statements
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3. Segment information continued

d) Additional information on divisions

This additional information is not required by IFRS 8 but is important for different users of financial statements.

	Mining division		Real Estate division	
EUR'000	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Non-current assets	**1,516,018**	1,455,567	**18,902**	19,467
Right to use land	**13,518**	14,685	**–**	–
Current assets	**834,590**	739,931	**6,278**	43,610
Total assets	**2,364,126**	2,210,183	**25,180**	63,077
Equity attributable to shareholders	**740,347**	763,679	**10,580**	45,716
Non-controlling interests	**1,632**	–	**–**	–
Total equity	**741,979**	763,679	**10,580**	45,716
Non-current liabilities	**1,215,019**	1,178,575	**12,767**	13,912
Current liabilities	**407,128**	267,929	**1,833**	3,449
TOTAL LIABILITIES	**1,622,147**	1,446,504	**14,600**	17,361
Total equity and liabilities	**2,364,126**	2,210,183	**25,180**	63,077

Non-current assets of RED include land amounting to EUR 18,616 thousand (2010: EUR 19,158 thousand). Current assets of RED include cash and cash equivalents of EUR 5,069 thousand (2010: EUR 43,593 thousand).

During 2011, the RED equity was reduced due to a cash dividend paid to B shareholders in the amount of EUR 40,000 thousand.

e) Geographical information

Revenue by location of customer:

EUR'000	1 January 2011–31 December 2011	1 January 2010–31 December 2010
Czech Republic	**600,913**	542,136
Poland	**265,819**	248,415
Austria	**265,353**	289,070
Slovakia	**264,766**	269,515
Germany	**121,171**	113,396
Hungary	**46,462**	66,134
Serbia	**23,320**	7,414
Bosnia and Herzegovina	**16,229**	14,889
Other	**28,458**	39,021
Consolidated revenues total	**1,632,491**	1,589,990

Non-current assets consisting of property, plant and equipment and mining licenses and capital expenditures spent per country based on the physical location of the non-current assets:

	1 January 2011–31 December 2011	1 January 2010–31 December 2010	1 January 2011–31 December 2011	1 January 2010–31 December 2010
EUR'000	Non-current assets		Capital expenditures spent	
Czech Republic	**1,496,319**	1,439,005	**189,785**	220,435
Poland	**6,120**	3,265	**4,512**	414
The Netherlands	**113**	208	**16**	22
	1,502,552	1,442,478	**194,313**	220,871

Significant customers of the Group

The Group has a stable key customer base and revenues of EUR 836,289 thousand were generated from trading with four significant customers (2010: EUR 779,363 thousand).

	1 January 2011–31 December 2011		1 January 2010–31 December 2010	
EUR'000	Coal segment	Coke segment	Coal segment	Coke segment
Customer A	**251,321**	**–**	246,093	–
Customer B	**249,923**	**–**	210,062	–
Customer C	**157,039**	**8,891**	104,671	4,804
Customer D	**155,949**	**13,166**	146,728	67,005
	814,232	**22,057**	707,554	71,809

The analysis of revenues between sales of own products and merchandise and services rendered is as follows:

EUR'000	1 January 2011–31 December 2011	1 January 2010–31 December 2010
Sales of own products and merchandise	**1,604,409**	1,549,593
Services rendered	**28,082**	40,397
Consolidated revenues total	**1,632,491**	1,589,990

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4. Personnel expenses

EUR'000	1 January 2011–31 December 2011	1 January 2010–31 December 2010
Wages and salaries	**267,356**	244,359
Social insurance costs	**83,797**	81,619
Social security and other payroll costs	**18,882**	17,525
Share based payments (see Note 27)	**8,802**	12,486
Net benefit expense (see Note 26)	**5,229**	3,701
Pensions	**2,269**	2,316
Total personnel expenses	**386,335**	362,006
Less own work capitalised	**(2,098)**	(889)
	384,237	361,117
Average number of employees in the period:		
Managers	**104**	108
Staff	**14,229**	15,038
	14,333	15,146

Total remuneration and variable benefits received by the management were EUR 33,527 thousand (2010: EUR 40,738 thousand), out of which the social and health insurance were EUR 1,744 thousand (2010: EUR 1,670 thousand). The stated amount includes share-based payments to the management in the amount of EUR 8,802 thousand (2010: EUR 12,486 thousand).

Management comprises executive and non-executive members of Boards of Directors, supervisory boards and senior management of the Company and its subsidiaries. OKD includes also mine managers, mine operation managers and managers of non-mining internal business units.

The members of the Board of the Company received EUR 3,261 thousand for their services in the year 2011 (2010: EUR 7,789 thousand), of which EUR 2,055 thousand (2010: EUR 6,075 thousand) was received in shares and share options. The amounts correspond to values recorded in the books of the Company for the year 2011, including accruals. The amounts include accrued expenses for share-based payments vesting after 31 December 2011. Please refer to the 'Remuneration Report' in the 2011 Annual Report for further information.

5. Other operating expenses

EUR'000	1 January 2011–31 December 2011	1 January 2010–31 December 2010
Compensation for mining damages	**16,090**	9,324
Property taxes and government fees	**8,054**	7,678
Gifts and donations	**6,333**	1,512
Insurance	**3,938**	4,053
Other	**1,682**	2,418
	36,097	24,985

6. Financial income and expenses

EUR'000	1 January 2011–31 December 2011	1 January 2010–31 December 2010
Financial income comprise:		
Realised and unrealised foreign exchange gains	**21,515**	27,909
Bank interest received	**6,382**	3,405
Profit on derivative instruments	**2,437**	3,682
Profit on bond redemption	**957**	–
Other	**289**	522
	31,580	35,518

EUR'000	1 January 2011–31 December 2011	1 January 2010–31 December 2010
Financial expenses comprise:		
Bonds interest expense	**61,900**	48,621
Realised and unrealised foreign exchange losses	**29,450**	39,303
Loss on derivative instruments	**26,457**	24,570
Bank interest expense	**1,749**	13,546
Bank fees	**598**	14,010
Other	**529**	10,323
	120,683	150,373

Bank fees in 2010 included amounts of EUR 12,510 thousand, which represented bank charges for loan arrangements related to attempted acquisition of Bogdanka and EUR 620 thousand, which represented bank charges related to the Senior Secured Facility repayment.

Other financial expenses in 2010 included amounts of EUR 5,699 thousand which represented one-off amortisation of expenses related to the Senior Secured Facility and EUR 1,636 thousand, which represented letter of credit fees related to Bogdanka acquisition project.

Please refer to the Statement of other comprehensive income for the financial income and expenses recognised directly in equity.

Notes to consolidated financial statements
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7. Income tax expense and deferred tax

The corporate income tax in 2011 and 2010 is calculated in accordance with tax regulations applied in the country of each Group entity's tax residence, (i.e. for the Czech entities at the rate of 19%, Dutch entity 25.5%, Polish entities 19%). The Group applies a tax rate of 19% for an effective tax rate reconciliation due to the fact the Group, sofar, pays income tax only in Czech Republic, through OKD.

The Company (as a Dutch tax resident) and NWR NV suffered fiscal losses in this and previous periods, and as such, no corporate income tax is due in the Netherlands. No deferred tax was recognised, as it is not probable that future taxable profit will be available to utilise the benefits from the deferred tax assets.

The net expense in 2010 was composed of a EUR 54,006 thousand income tax expense offset by a one-off tax reclaim in the amount of EUR 23,195 thousand, that arose from the reversal of the Czech tax authority´s position on certain interest expenses which were previously deemed non-tax deductible.

Components of income tax expense:

EUR'000	1 January 2011–31 December 2011	1 January 2010–31 December 2010
Income statement:		
Current tax expense	**55,491**	17,593
Deferred tax expense	**1,656**	13,218
Income tax expense	**57,147**	30,811

Reconciliation of the statutory and effective tax rate:

EUR'000	1 January 2011–31 December 2011	1 January 2010–31 December 2010
Profit before tax from continuing operations	**186,965**	252,080
Profit before tax from discontinued operations	**–**	12,518
Profit before tax	**186,965**	264,598
Tax at the applicable rate of 19%	**35,523**	50,274
Tax effect of:		
– Non-deductible expense	**2,124**	5,589
– Other tax allowable credits	**(1,198)**	(385)
– Tax exempt income on sale of energy business	**–**	(16,731)
– Change in unrecognised deferred tax asset	**26,431**	20,274
Effect of the applicable tax rates other than 19% in other jurisdictions	**(6,966)**	(4,542)
Prior period income tax adjustment (2010: One-off tax reclaim)	**1,233**	(23,195)
Tax expense	**57,147**	31,284
Effective tax rate	**31%**	12%
Tax expense reported in the financial statements	**57,147**	30,811
Income tax attributable to discontinued operations	**–**	473
Tax expense	**57,147**	31,284

The movement in deferred tax asset/liability is as follows:

EUR'000	31 December 2011	31 December 2010
Deferred tax asset:		
At 1 January	**33,894**	30,723
Deferred tax charge for the period	**(989)**	1,427
Currency translation	**(909)**	1,744
At 31 December	**31,996**	33,894
Deferred tax liability:		
At 1 January	**144,231**	124,525
Deferred income tax related to items charged or credited directly to equity:		
– Net loss on revaluation of cash flow hedges	**(1,775)**	(1,604)
Deferred tax charge for the period	**667**	14,255
Currency translation	**(4,042)**	7,055
At 31 December	**139,081**	144,231
Deferred tax liability net	**107,085**	110,337
Out of which presented in balance sheet:		
Deferred tax asset	**9,630**	8,601
Deferred tax liability	**116,715**	118,938

Deferred tax is presented in the balance sheet based on the net of the liability and asset, relating to each taxable entity.

Deferred tax analysed by the type of temporary difference:

EUR'000	31 December 2011	31 December 2010
Deferred tax asset relates to the following:		
Allowances, adjustments and provisions	**6,185**	5,204
Employee benefits	**16,497**	17,999
Tax losses carried forward	**9,314**	10,691
Deferred tax asset	**31,996**	33,894
Deferred tax liability relates to the following:		
Property, plant and equipment	**135,223**	138,485
Derivatives	**3,858**	5,746
Deferred tax liability	**139,081**	144,231

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7. Income tax expense and deferred tax continued

Tax losses to be carried forward and offset against future taxable income are available at NWR Plc, NWR NV and OKK. OKK has an unrecognised deferred tax asset in an amount of EUR 2,059 thousand in relation to losses it does not expect to be able to recover. No deferred tax asset is recognised by the Company and NWR NV, as it is not considered probable that future taxable profits will be available to offset any of the accumulated tax losses. Details of the accumulated tax losses of NWR Plc and NWR NV are disclosed below. Of these amounts, the Company incurred a tax loss of approximately EUR 3,600 thousand (included in the 2011 number below).

EUR'000	31 December 2011	31 December 2010
Tax losses arising in 2006	**342**	342
Tax losses arising in 2007	**40,036**	40,036
Tax losses arising in 2008	**55,132**	55,132
Tax losses arising in 2009	**48,306**	48,306
Tax losses arising in 2010	**78,459**	78,480
Tax losses arising in 2011	**102,067**	–
	324,342	222,296
Deferred tax at the applicable rate of 25.5% (Dutch income tax rate)	**82,707**	56,686
Provision for unrecognised deferred tax asset	**(82,707)**	(56,686)
Deferred tax asset recognised in respect of tax losses carried forward	**–**	–

8. Energy business and disposal of discontinued operations

On 21 June 2010 the Company closed the sale of NWR Energy, a.s. (including its subsidiaries NWR ENERGETYKA PL Sp. z o.o. and CZECH-KARBON s.r.o.) to Dalkia Česká Republika, a.s. The sale price is still subject to an adjustment related to the performance of CZECH-KARBON's electricity trading portfolio, which may result in a reduction of the sale price of no more than approximately EUR 2 million. This potential reduction relates to audited results for the years 2010 and 2011. The sale price is also subject to standard representations and warranties resulting from the share purchase agreement. In connection with the sale of NWR Energy, NWR will continue to purchase utilities from NWR Energy and CZECH-KARBON under a long term agreement, expiring in 2029.

The energy business comprised two parts: (1) an electricity trading business presented as the Electricity trading segment in the financial statements and classified as a discontinued operation and (2) a utility business presented in part in the 'other' component of the Mining Division and in part in the RED. See also Note 1c)(iii).

Detailed information about disposal of energy business and net assets of sold entities is presented below:

EUR'000	21 June 2010
Selling price	138,518
Associated selling costs	(3,846)
Net assets of energy business sold	(52,696)
Profit on disposal of energy business	81,976
Out of this profit attributed to continuing operations* (of which EUR 3,612 thousand to RED)	72,391
Out of this profit attributed to discontinued operations*	9,585

* There was one selling price for all entities sold. The Company allocated the selling price and hence profits based on current EBITDA multiples that market pays for the respective energy businesses disposal.

Effect of disposal on the financial position of the Group:

EUR'000	21 June 2010
Property, plant and equipment	(38,915)
Trade and other receivables	(35,737)
Cash and cash equivalents	(10,681)
Other assets	(1,180)
Employee benefits	826
Deferred tax liability	3,749
Trade and other payables	29,242
Net assets	(52,696)

The results of discontinued operations in 2010 are presented below:

EUR'000	1 January 2010–21 June 2010
Operating revenue	74,052
Operating expense	(70,309)
Operating profit	3,743
Financial expense	(810)
Profit on disposal of energy business attributed to discontinued operations	9,585
Profit before tax from discontinued operations	12,518
Income tax expense	(473)
Profit for the period from discontinued operations	12,045

Operating revenue of discontinued operations in 2010 consists of sales of goods EUR 74,051 thousand and sales of services in an amount of EUR 1 thousand.

The net cash flows of discontinued operations in 2010 were as follows:

EUR'000	1 January 2010–21 June 2010
Net cash flows from operating activities	86
Net cash flows from investing activities*	28,127
Net cash flows from financing activities	89
Net effect of currency translation	126
Net cash flow from discontinued operations	28,428

* Includes cash inflow from sale of energy business attributed to discontinued operations of EUR 28,129 thousand.

9. Dividends

Dividends in 2011:
The Group paid A share dividend in the total amount of EUR 100,586 thousand for the year, consisting of a final dividend of EUR 0.22 per share in respect of the year ended 31 December 2010 and an interim dividend of EUR 0.16 per share for the half-year ended 30 June 2011. Of the interim dividend EUR 157 thousand was paid to non-controlling interests. Furthermore, the Group paid a dividend in an amount of EUR 40,000 thousand to B shareholders.

Dividends in 2010:
On 22 October 2010, NWR N.V. paid a EUR 0.21 per A share interim dividend for the half-year ended 30 June 2010, totalling EUR 55,531 thousand.

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10. Related party disclosure

During the year the Group had transactions in the normal course of operations with related parties. This includes transactions with the ultimate parent company (see Note 1b), entities under common control, shareholders and key management personnel of the Group (i.e. those charged with governance, including executives and persons whose responsibility is derived from the Act on Mining of the Czech Republic and their close members of the family), and companies of which they are principal owners. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

The sales to RPG Byty s.r.o. in 2010 relate mainly to heating. The sales to Green Gas DPB, a.s. and Green Gas Germany GmbH relate mainly to extracted gas. The purchases from these companies relate mainly to mine and safety services. The purchases from Advanced World Transport a.s. and AWT Čechofracht a.s./AWT SPEDI-TRANS s.r.o. relate to coal transport services. The purchases from BXR Partners, a.s. relate to consultancy services. GASCONTROL společnost s r.o. delivers mine cooling and central air-conditioning system, special high-voltage switches.

Balances with related parties included in the statement of financial position are as follows:

EUR'000	31 December 2011	31 December 2010
Receivables from related parties under common control		
Green Gas Germany GmbH	**4,722**	–
Advanced World Transport a.s.	**1,513**	270
Green Gas DPB, a.s.	**1,412**	1,156
BXR Group B.V.	**312**	–
AWT Rekultivace a.s.	**130**	166
Receivables from other related parties	**50**	169
	8,139	1,761
Payables to related parties under common control		
Advanced World Transport a.s.	**10,029**	12,655
AWT Čechofracht a.s.*	**9,355**	2,156
GASCONTROL společnost s r.o.	**6,746**	–
Green Gas DPB, a.s.	**2,563**	2,141
AWT Rekultivace a.s.	**1,800**	4,749
RPG Byty, s.r.o.	**852**	906
RPG RE Commercial, s.r.o.	**103**	110
Payables to other related parties	**377**	395
	31,825	23,112

* As of 30 June 2011 AWT SPEDI-TRANS s.r.o. became a part of AWT Čechofracht, a.s., the balance of 2010 expresses purchases from AWT SPEDI-TRANS s.r.o.

Receivables from related parties form part of the balance of accounts receivable and prepayments shown in the statement of financial position. Similarly, payables to related parties form part of the balance of accounts payable and accruals.

Transactions with related parties included in the income statement in continuing operations are as follows:

EUR'000	1 January 2011–31 December 2011	1 January 2010–31 December 2010
Sales to related parties under common control		
Green Gas Germany GmbH	**42,281**	–
Green Gas DPB, a.s.	**7,343**	7,990
Advanced World Transport a.s.	**3,362**	2,186
AWT Rekultivace a.s.	**587**	234
RPG RE Commercial, s.r.o.	**41**	832
RPG Byty, s.r.o.	**37**	13,131
RPG Služby, s.r.o.	**88**	95
Sales to other related parties	**548**	540
	54,287	25,008
Purchases from related parties under common control		
AWT Čechofracht a.s.*	**79,207**	39,156
Advanced World Transport a.s.	**55,404**	81,016
GASCONTROL společnost s r.o.	**26,347**	–
Green Gas DPB, a.s.	**12,151**	13,278
AWT Rekultivace a.s.	**8,742**	11,114
Green Gas Germany GmbH	**2,222**	–
RPG RE Land, s.r.o.	**1,198**	12
Doubravan Car, s.r.o.	**1,031**	–
RPG RE Commercial, s.r.o.	**1,014**	1,218
Depos Horní Suchá, a.s.	**253**	216
BXR Partners, a.s.	**104**	4,102
Advanced World Transport B.V.	**149**	2,136
Purchases from other related parties	**1,078**	811
	188,900	153,059

* As of 30 June 2011 AWT SPEDI-TRANS s.r.o. became a part of AWT Čechofracht, a.s., the balance of 2010 expresses purchases from AWT SPEDI-TRANS s.r.o.

Transactions with related parties included in the income statement as discontinued operations consist of sales of EUR 254 thousand and purchases of EUR 3,125 thousand. Purchases consist mainly from purchases of 'green' electricity (renewable resources) from Green Gas, DPB, a.s.

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11. Property, plant and equipment

EUR'000	Land and buildings	Plant and equipment	Other assets	Construction in progress	Total
Cost					
At 1 January 2011	1,235,099	1,066,433	13,382	36,244	2,351,158
Additions	18,755	118,760	5,931	74,846	218,292
Disposals	(7,059)	(51,496)	(3)	–	(58,558)
Transfers	17,207	2,050	–	(19,257)	–
Restoration and mine closure costs	67,110	–	–	–	67,110
Currency translation	(39,734)	(32,719)	(760)	(3,741)	(76,954)
At 31 December 2011	1,291,378	1,103,028	18,550	88,092	2,501,048
Accumulated depreciation and impairment losses					
At 1 January 2011	603,277	458,878	5,781	2,330	1,070,266
Depreciation charge for the year	77,483	86,103	2,850	682	167,118
Disposals	(4,952)	(49,958)	(3)	–	(54,913)
Currency translation	(20,804)	(14,661)	(200)	(114)	(35,779)
At 31 December 2011	655,004	480,362	8,428	2,898	1,146,692
Net book value at 1 January 2011	**631,822**	**607,555**	**7,601**	**33,914**	**1,280,892**
Net book value at 31 December 2011	**636,374**	**622,666**	**10,122**	**85,194**	**1,354,356**

The Group identified assets financed through generally borrowed funds as qualifying assets for capitalisation of borrowing costs. Borrowing costs in the amount of EUR 1,680 thousand were capitalised in 2011 (2010: EUR 280 thousand). The borrowing costs were determined using the average capitalisation rate of 8.082% (2010: 6.368%).

The Group capitalised mine closure costs within land and buildings in the amount of discounted estimated expenses of the technical liquidation of the mine pits including liquidation of the surface pits constructions and buildings. For more details see note 24.

OKD received a grant in an amount of EUR 729 thousand (2010: EUR 355 thousand) from the resources of structural funds of the European Union through Regional Operational Programme Moravia Silesia as a support for construction of infrastructure under the project Golf Park Darkov and EUR 137 thousand from Research fund for Coal & Steel under project OPTI-MINE. Acquisition costs of buildings, plant and equipment were reduced by this amount in line with accounting policy stated in note 2(s)(iii).

EUR'000	Land and buildings	Plant and equipment	Other assets	Construction in progress	Total
Cost					
At 1 January 2010	1,134,304	823,448	10,473	86,912	2,055,137
Additions	14,116	175,705	2,468	26,444	218,733
Disposal	(12,546)	(26,528)	(118)	(718)	(39,910)
Transfers	35,023	45,703	–	(80,726)	–
Currency translation	64,202	48,105	559	4,332	117,798
At 31 December 2010	1,235,099	1,066,433	13,382	36,244	2,351,158
Accumulated depreciation and impairment losses					
At 1 January 2010	500,778	389,158	4,023	2,846	896,805
Depreciation charge for the year	85,949	73,658	1,538	–	161,145
Disposals	(12,296)	(25,882)	(12)	(628)	(38,818)
Currency translation	28,846	21,944	232	112	51,134
At 31 December 2010	603,277	458,878	5,781	2,330	1,070,266
Net book value at 1 January 2010	633,526	434,290	6,450	84,066	1,158,332
Net book value at 31 December 2010	631,822	607,555	7,601	33,914	1,280,892

Accumulated impairment loss amounts to EUR 6,891 thousand (2010: EUR 6,985 thousand) and it is related to certain Group buildings and construction in progress.

Construction of the 'Frenštát' mine

Assets relating to the construction of the 'Frenštát' mine relate to the construction and related geological survey work. These assets are maintained by OKD but are not historically reflected in its books. The original cost of these assets amounts to EUR 35,115 thousand, of which EUR 31,610 thousand is the value of assets located in the mine and EUR 3,505 thousand is the value of assets located on the surface. On 26 September 2011, the Company announced its intention to explore the hard coal deposit at the Frenštát mine site. The exploration process is expected to take four years to complete.

12. Mining licences

EUR'000	Cost	Accumulated amortisation	Net book value
At 1 January 2011	223,149	(61,563)	161,586
Amortisation for the period	–	(9,271)	(9,271)
Currency translation	(6,282)	2,163	(4,119)
At 31 December 2011	**216,867**	**(68,671)**	**148,196**

EUR'000	Cost	Accumulated amortisation	Net book value
At 1 January 2010	211,247	(49,490)	161,757
Amortisation for the period	–	(9,203)	(9,203)
Currency translation	11,902	(2,870)	9,032
At 31 December 2010	223,149	(61,563)	161,586

The Group was granted a mining licence regarding Dębieńsko 1 in Poland in June 2008. The licence was granted for 50 years for mine construction and operations at nil cost. All other mining areas have concessions with no expiry date.

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13. Long-term receivables

EUR'000	31 December 2011	31 December 2010
Trade receivables	**84**	105
Long-term advances granted	**20**	24
Other	**10,113**	12,743
	10,217	12,872

Other long-term receivables include an amount of EUR 8,460 thousand (2010: EUR 11,700 thousand) which represents the security deposits under bank collateral agreements which secure OKD´s open interest swap rate derivatives. The amount of deposit required is dependant on the value of the derivatives. The collateral agreements were concluded in connection with the repayment of a Senior Secured Facilities with Citibank and Barclays bank which expire as the derivative contracts mature through to 2016.

14. Restricted cash

As of 31 December 2011 and 31 December 2010, the Company had long-term restricted cash of EUR 12,506 thousand and EUR 11,025 thousand, respectively, in relation to mining damage and restoration expenditures. The amount of restricted cash corresponds to the mining and restoration provision created by OKD since 1 January 2004 in accordance with Czech legal requirements and the restricted cash can be used only to settle the mining damages and restoration obligations.

As of 31 December 2011, the Company had short-term restricted cash of EUR 6,465 thousand (31 December 2010: nil).

15. Inventories

EUR'000	31 December 2011	31 December 2010
Raw materials and spare parts	**30,056**	27,202
Finished goods	**58,187**	26,623
Work-in-progress and semi-finished goods	**4,846**	2,188
	93,089	56,013

The inventories are disclosed net of provisions for slow-moving and obsolete inventories of EUR 2,756 thousand (2010: EUR 4,540 thousand). Provisions are included in consumption of material and energy and change in inventories of finished goods and work-in-progress in the income statement.

16. Accounts receivable and prepayments

EUR'000	31 December 2011	31 December 2010
Trade receivables	**162,259**	174,074
Other receivables, accrued income	**15,441**	6,115
VAT and other tax receivables	**19,179**	1,893
Accounts receivable	**196,879**	182,082
Advance payments for property, plant and equipment	**902**	4,653
Advance payments for financial investments	**–**	2,873
Other advance payments	**1,315**	4,894
Prepayments and accrued revenue	**3,405**	3,244
	202,501	197,746

For terms and conditions relating to related party receivables, refer to the Note 10. Trade receivables are non-interest bearing and are generally on 20–45 days' terms. Total receivables are stated net of a provision for impairment of trade and other receivables, that amounts to EUR 681 thousand as of 31 December 2011 (2010: EUR 698 thousand). As of 31 December 2011 and 31 December 2010, the analysis of accounts receivable that were either not past due or past due but not impaired is as follows:

		Past due but not impaired			
EUR'000	Neither past due nor impaired	<30 days	31–90 days	>90 days	Total
31 December 2011	183,532	12,804	499	44	196,879
31 December 2010	172,325	9,084	669	4	182,082

17. Financial instruments and risk management

Risk management

The Group's principal financial liabilities, other than derivatives, comprise bank loans and overdrafts, high yield bonds, trade payables, cash-settled share-based payments payable and leasing contracts. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, cash, restricted cash and short-term deposits, which arise directly from its operations.

The most significant risks that the Group is exposed to are foreign exchange rate risk on sales and purchases in foreign currencies, interest rates tied to variable market interest rates and credit risk resulting from potential insolvency of key customers, which might occur especially in the steel industry.

The Board reviews and agrees policies for managing each of these risks, which are summarized below.

The Group enters into derivative transactions, primarily interest rate swaps, interest rate collars and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout 2011 and 2010 the Group's policy that no speculative trading in derivatives shall be undertaken.

» Credit Risk

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

Notes to consolidated financial statements
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17. Financial instruments and risk management continued

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant (see Note 16). For OKD, representing the main part of the Group's receivables, the Chief Commercial Officer is responsible for the customer management database, systematic monitoring of customers, their ratings and corresponding risks.

With respect to credit risk arising from other financial assets of the Group, which comprise of cash, cash equivalents and restricted cash and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments, which is stated in the table at the end of this Note. There was no impairment of financial assets other than trade receivables recognised as of 31 December 2011 and 31 December 2010 (see note 16).

» Liquidity risk
Liquidity risk refers to the possibility of the Group being unable to meet its financial obligations, when they fall due, mainly in relation to the settlement of amounts due to suppliers, bondholders and financial institutions.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of its financial investments, financial assets (e.g. accounts receivables, other financial assets), financial liabilities and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, issued bonds and leases contracts with the aim to have sufficient liquidity to meet its due obligations under any conditions.

The Group values its business relationships. It is the Group's policy to agree credit terms prior to commencement of trading. Subject to any items of genuine dispute, it is Group policy to pay creditors within the terms agreed.

The table below summarizes the contractual maturity profile of the Group's financial liabilities at 31 December 2011 and 31 December 2010 based on undiscounted payments including interest.

EUR'000	< 1 year	1 to 5 years	> 5 years	Total
At 31 December 2011				
Loans	117,753	62,194	21,516	**201,463**
Bonds issued	58,370	462,554	559,063	**1,079,987**
Other long-term liabilities	–	464	2	**466**
Accounts payable and accruals	219,234	–	–	**219,234**
Interest rate swaps	3,351	12,400	–	**15,751**
Interest rate collars	–	302	–	**302**
Forward foreign exchange contracts	24,718	12,630	–	**37,348**
Cash-settled share-based payments	669	880	–	**1,549**

EUR'000	< 1 year	1 to 5 years	> 5 years	Total
At 31 December 2010				
Loans	18,177	62,518	35,909	116,604
Bonds issued	59,108	494,130	598,438	1,151,676
Other long-term liabilities	–	513	63	576
Accounts payable and accruals	204,793	–	–	204,793
Interest rate swaps	3,565	19,257	(291)	22,531
Interest rate collars	–	314	–	314
Forward foreign exchange contracts	1,206	–	–	1,206
Cash-settled share-based payments	1,407	–	–	1,407

» Market risk
Market risk arises from the possible variations in the value of assets and liabilities due to fluctuations in foreign exchange rates, interest rates and commodities. The Group has implemented policies and methods of monitoring these risks as detailed for each risk as follows.

a) Foreign exchange rate risk
The Group has significant transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. In 2011 approximately 41% of the OKD' sales (2010: 41%) were denominated in currencies other than its functional currency, whilst most of its costs were denominated in the functional currency. No significant exposure arises on OKK level.

The Group aims to mitigate foreign currency exposure risks by entering into forward exchange rate contracts with financial institutions. In 2010 and 2011 the Group entered into foreign exchange forward contracts to hedge the EUR denominated revenues of OKD (which has CZK as its functional currency). Hedging is managed at the Group level as part of the centralised treasury functions. The aim is to minimize earnings volatility for the Group resulting from movements in foreign exchange rates. The Group's policy is to cover up to 70% of its currency exposure.

It is the Group's policy to negotiate the terms of the derivatives to match the terms of the item at risk to maximize effectiveness of the derivative as a hedge of a foreign currency risk. In 2011 and 2010 the Group applied hedge accounting for forward foreign exchange rate contracts used as hedges of its exposure to foreign currency risk in forecasted transactions and commitments. See Note 2e) for the detailed application of the hedge accounting policies. For the remaining derivatives instruments, hedge accounting is not applied.

The Company and NWR NV had the following CZK-denominated balances and the consolidated subsidiaries had the following EUR-denominated balances which when retranslated affect the income statement:

	31 December 2011			31 December 2010		
EUR'000	EUR denominated	CZK denominated	Total	EUR denominated	CZK denominated	Total
Cash & bank balances	33,488	12,332	45,820	76,235	(106,220)	(29,985)
Accounts receivable*	297,956	174,913	472,869	297,228	6,738	303,966
Accounts payable*	(168,298)	(787)	(169,085)	(18,824)	(4,339)	(23,163)
Loans	–	(9,689)	(9,689)	–	–	–
Gross balance sheet exposure	**163,146**	**176,769**	**339,915**	354,639	(103,821)	250,818

* Including intercompany balances and intercompany loans

The following table demonstrates the sensitivity of strengthening (i.e. appreciation) CZK to EUR exchange rate by 3% (the Group´s estimate of a reasonably possible change over the following 12 months), with all other variables held unchanged, of the Group's profit after tax (due to changes in the fair value of monetary assets and liabilities and derivatives).

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17. Financial instruments and risk management continued

EUR'000	31 December 2011 EUR denominated	31 December 2011 CZK denominated	31 December 2011 Total	31 December 2010 EUR denominated	31 December 2010 CZK denominated	31 December 2010 Total
Appreciation of CZK against EUR by 3%						
Effect on profit after tax	**(3,964)**	**5,303**	**1,339**	(8,618)	(3,115)	(11,733)

The appreciation of the CZK towards EUR by 3%, with all other variables held unchanged would result in profit after tax EUR 1,339 thousand (2010: loss after tax EUR 11,733 thousand). Unadjusted 2010 comparative figures calculated with appreciation of the CZK towards EUR by 4% resulted in loss after tax EUR 15,643 thousand).

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

Fair value of derivative instruments EUR'000	31 December 2011 Assets	31 December 2011 Liabilities	31 December 2010 Assets	31 December 2010 Liabilities
Forward foreign exchange contracts	**–**	**37,348**	34	1,206
of which short-term part	**–**	**24,718**	34	1,206
of which long-term part	**–**	**12,630**	–	–

Nominal value of derivative instruments EUR'000	31 December 2011 Czech crown denominated contracts	31 December 2011 Polish zloty denominated contracts	31 December 2010 Czech crown denominated contracts	31 December 2010 Polish zloty denominated contracts
Forward exchange contracts	**526,500**	**120,000**	129,697	–

The Company concluded forward exchange contracts in the total nominal value of CZK 7,921,330 thousand (EUR 323,000 thousand) throughout 2011.

In 2011 and 2010, changes in the fair value of forward exchange contracts applied for hedge accounting were accounted in the hedging reserve that is part of equity. The reserve amounts to EUR (2,168) thousand as of 31 December 2011 (2010: EUR 23,322 thousand). The hedging reserve is recognised in the income statement when the hedged item (portion of EUR inflows arising from coal and coke sales) is recorded. The amount recognised in equity is then transferred to the income statement. The impact in the income statement, net of tax during the year 2011 was EUR 3,980 thousand (2010: EUR 12,439 thousand).

b) Interest rate risk
The Group aims to minimize the exposure to the risk of changes in market interest rates. The Group has entered into forward interest rate swaps and collars to convert floating rate loans to fixed rate loans. Specific amounts that the Group hedges are determined based on the prevailing market conditions and the current shape of the yield curve. The specific terms and notional amounts of the swaps are determined based on management's assessment of future interest rates, as well as other factors, including short-term strategic initiatives. As of 31 December 2011, the swaps and collars covered all of the Group's scheduled interest rate exposure pursuant to which the Group receives floating EURIBOR and PRIBOR in exchange for paying a fixed rate of interest. In order to match the Group's exposure to floating interest rates resulting from the Group's significant cash balance, the Group has entered into a forward interest rate swap as a result of which the Group receives a fixed interest rate in exchange for paying a floating EURIBOR plus spread. The fixed rate that the Group receives matches the fixed rate that the Group pays on its Senior Secured Notes.

For short-term loans outstanding, which comprise mainly revolving credit facility, no interest rate hedging is in place, mostly due to the nature of these credit lines compared to the long-term loans.

Exposure to the interest rate risk of floating rate bank loans is presented by way of sensitivity analysis. This sensitivity analysis shows effects of changes in market interest rates on Group's profit after tax as if market interest rates had been 0.25% higher respectively lower over the whole period from 1 January 2011 to 31 December 2011 with all other variables held unchanged. The interest rate sensitivity analysis is calculated from all loans, all cash in banks and all interest rates swap contracts and interest rate collar contracts. The hypothetical effect on profit after tax amounts to EUR 1,237 thousand respectively EUR (1,237) thousand.

7.375% Senior Notes due 2015 and 7.875% Senior Notes due 2018 ('bonds') bear a fixed interest rate and are stated at amortised cost. Therefore the change in the market interest rates and subsequent change in the fair value of the bonds do not have any impact on the effective interest rate and carrying value of the bonds, as recorded in the financial statements.

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

Fair value of derivative instruments EUR'000	31 December 2011 Assets	31 December 2011 Liabilities	31 December 2010 Assets	31 December 2010 Liabilities
Interest rates swap contracts	**–**	**15,751**	–	22,531
Interest rates collar contracts	**15**	**302**	58	314
	15	**16,053**	58	22,845
Of which short-term part	**–**	**3,351**	–	3,565
Of which long-term part	**15**	**12,702**	58	19,280

Nominal value of derivative instruments EUR'000	31 December 2011 Czech crown denominated contracts	31 December 2011 Euro denominated contracts	31 December 2010 Czech crown denominated contracts	31 December 2010 Euro denominated contracts
Interest rates swap contracts	**41,983**	**509,727**	50,400	545,527
Interest rates collar contracts	**8,397**	**–**	10,080	–
	50,380	**509,727**	60,480	545,527

Nominal value of interest rates swap contracts and interest rates collar contracts presented in the above tables is derived from the sum of open individual contracts as at the year end.

Changes in the fair value of interest rate swaps and collars were recorded directly in the income statement as the hedge accounting is not performed.

Capital management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder's value. All this is done in order to safeguard the business as a going concern.

The Group defines its total capital at total equity plus net debt and amounted to EUR 1,144,026 thousand at 31 December 2011 (2010: EUR 1,130,311 thousand).

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The management regularly review the capital structure of the Group and monitors the gearing.

The net debt increased in the year ended 31 December 2011 as a result of revolving credit facility that was drawn in full in December 2011. The funds may be used for general corporate purposes of the Group.

Notes to consolidated financial statements
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17. Financial instruments and risk management continued

The Group dividend policy is to target distribution of approximately 50% of the Mining Division's consolidated annual net income over the course of the business cycle.

The Group monitors capital using a gearing ratio defined as net debt divided by EBITDA (calculated on a twelve month rolling basis for the corresponding group).

The Company and its subsidiaries are not subject to externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the year 2011.

The Group includes interest bearing short-term and long-term loans and borrowings and issued bonds, less cash and cash equivalents, within the net debt. The Company defines EBITDA as net profit after tax from continuing operations before non-controlling interest, income tax, net financial costs, depreciation and amortisation, impairment of property, plant and equipment ('PPE') and gains/losses from sale of PPE.

EUR'000	31 December 2011	31 December 2010
Interest bearing loans and borrowings		
Bonds issued	**738,646**	745,497
Long-term loans	**76,184**	89,377
Current portion of long-term loans	**13,852**	15,276
Short-term loans	**99,695**	7
	928,377	850,157
Less Cash and cash equivalents	**536,910**	529,241
Net debt	**391,467**	320,916
Profit before tax from continuing operations	**186,965**	252,080
Financial costs, net (including profit on disposal of interest in subsidiaries)	**89,103**	42,464
(Gain)/loss from sale of property, plant and equipment	**1,536**	(715)
Depreciation	**167,118**	161,145
Amortisation	**9,271**	9,203
EBITDA	**453,993**	464,177
Gearing ratio	**0.86**	0.69

The Group's policy is to target a gearing ratio of 2.0 (net debt / EBITDA) over the cycle (international standards of such gearing in the mining industry state the maximum at 3.5). The gearing ratio for the year ended 31 December 2011 and 31 December 2010 is calculated on annual basis. The Company is required under the ECA Facility agreement and the Revolving Credit Facility agreement to hold a gearing ratio of total indebtedness below 3.25. The gearing ratio of total indebtedness calculated using the results of both continuing operations and discontinuing operations amounts to 0.86 as of 31 December 2011 (2010: 0.69). The Company was in compliance with all its covenants for the reported period.

Fair value

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

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

Financial instrument	Fair value estimation
Cash Cash equivalents Current investments	The carrying amount approximates fair value due to the relatively short-term maturity and reset periods of these financial instruments.
Short-term receivables Short-term payables	The carrying amount approximates fair value due to the short-term maturity of these financial instruments.
Long-term receivables	The carrying amount approximates fair value due to the relatively short-term maturity and reset periods of these financial statements.
Cash-settled share-based payments	These are carried at fair value measured in accordance with adopted IFRS.
Short-term loans	The carrying amount approximates fair value because of the floating interest rate and the short period to maturity of those instruments.
Bonds	The fair value is based upon the quoted price on the Global Exchange Market of the Irish Stock Exchange.
Long-term debt	The carrying amount of long-term debt and other payables with variable interest rates approximates their fair values as interest reset at a minimum each twelve months. Fair value may be affected also by changes in the Group credit rating.
Derivatives	The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of interest rate derivatives is estimated by discounting the difference between the contractual interest rate and current interest rate for the residual maturity of the contract using a risk-free interest rate.

Notes to consolidated financial statements
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17. Financial instruments and risk management continued

Carrying amounts and the estimated fair values of financial assets and liabilities at 31 December 2011 and 31 December 2010 are as follows:

EUR'000	31 December 2011	31 December 2010
	Carrying Value	Carrying Value
Financial assets:		
Fair value through profit or loss		
Interest rate collars	**15**	58
Forward exchange contracts, designated as hedges	**–**	34
Loans and receivables		
Long-term receivables [Fair value 2011: 10,088 (2010: 12,786)]	**10,217**	12,872
Accounts receivable and prepayments	**202,501**	197,746
Available for sale		
Restricted cash	**18,971**	11,025
Cash and cash equivalents	**536,910**	529,241
Total	**768,614**	750,976
Financial liabilities:		
Fair value through profit or loss		
Interest rate swaps	**15,751**	22,531
Interest rate collars	**302**	314
Forward exchange contracts	**18,729**	–
Forward exchange contracts, designated as hedges	**18,619**	1,206
Other		
Long-term loans	**76,184**	89,377
Bonds issued [Fair value 2011: 700,024 (2010: 798,855)]	**747,583**	754,526
Other long-term liabilities	**466**	576
Accounts payable and accruals	**219,234**	204,793
Current portion of long-term loans	**13,852**	15,276
Short-term bank loans	**99,695**	7
Cash-settled share-based payments	**1,549**	1,407
Total	**1,211,964**	1,090,013

Except where noted, carrying amounts equal fair value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1	quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3	inputs for the asset or liability that are not based on observable market data (unobservable inputs)

In order to determine the fair value of the financial instruments, the Company used valuation techniques used by banks in which all significant inputs were based on observable market data.

	31 December 2011		31 December 2010	
Fair value of derivative instruments EUR'000	Assets Level 2	Liabilities Level 2	Assets Level 2	Liabilities Level 2
Interest rates swap contracts	–	15,751	–	22,531
Interest rates collar contracts	15	302	58	314
Forward foreign exchange contracts	–	37,348	34	1,206
	15	**53,401**	92	24,051

18. Cash and cash equivalents

Cash and cash equivalents comprise the following statement of financial position amounts:

EUR'000	31 December 2011	31 December 2010
Cash in bank	**536,763**	529,099
Cash on hand and cash in transit	**147**	142
	536,910	529,241

Cash at the bank earns interest at floating rates based on daily bank deposit rates. Certain bank accounts are used for cash pooling. Short-term deposits are made for varying periods, typically one or two weeks or one month, depending on the immediate cash requirements of the Group, and earn interest at short-term deposit rates.

19. Accounts payable and accruals

EUR'000	31 December 2011	31 December 2010
Trade payables	**137,911**	130,979
Wages and salaries payable	**15,692**	23,798
Social and health insurance payable	**9,418**	9,143
VAT and other tax payable	**4,206**	7,892
Advance payments received	**275**	1,570
Other payables and accruals	**51,732**	31,411
	219,234	204,793

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20. Interest-bearing loans and borrowings

Long-term bank loan
The long-term bank loan comprises an Export Credit Agency ('ECA') loan.

EUR'000	Currency	Effective interest rate	Maturity	31 December 2011	31 December 2010
ECA loan	EUR	EURIBOR+1.65%	2010–2018	90,036	104,653
Total long-term loans				**90,036**	104,653
of which current portion				13,852	15,276
of which long-term portion				**76,184**	89,377

The Group concluded the ECA loan agreement in August 2009. The funds available under the ECA loan were used for financing the POP 2010 capital investment programme. The Group will repay the full facility in semi-annual instalments (of EUR 7,123 thousand). The Group is subject to certain covenants under ECA loan agreement and was in compliance with all those covenants in the reporting period.

Short-term bank loan
Short term bank loan consists of a Revolving Credit Facility ('RCF') loan of EUR 99,695 thousand (2010: credit cards loan EUR 7 thousand).

EUR'000	Currency	Effective interest rate	Maturity	31 December 2011
RCF loan	EUR/CZK	Euribor, Pribor + 1.0–1.3% p.a.	2014*	99,695
Total short-term interest-bearing loans				**99,695**

* RCF is available till January 2014, however repayment in 2012 is expected

On 7 February 2011, the Group entered into RCF, which provides for a bank loan facility of EUR 100,000 thousand available for three years after the date of signing. The RCF was fully drawn down in December 2011 (consists of EUR 90,000 thousand and CZK 250,000 thousand) and may be used for general corporate purposes.

21. Bonds issued

a) The Senior Secured notes due 2015
NWR NV issued a high-yield bond on Global Exchange Market of the Irish Stock Exchange on 18 May 2007. The aggregate principal amount of the 7.375% Senior Notes due 2015 was EUR 300,000 thousand. The outstanding balance as of 31 December 2011 is EUR 257,565 thousand (2010: EUR 267,565 thousand). Effective interest rate is 8.064%.

In October 2011 NWR NV bought back EUR 10,000 thousand face value of its 7.375% Senior Notes for EUR 8,844 thousand. These notes had a book value of EUR 9,800 thousand and were cancelled following acquisition.

b) The Senior Secured notes due 2018
NWR NV issued EUR 475 million Senior Secured Notes due 2018 on Global Exchange Market of the Irish Stock Exchange on 27 April 2010. The notes were issued with a coupon of 7.875%. Effective interest rate is 8.656%. The net proceeds of the offering together with approximately EUR 181 million cash were used to repay in full the outstanding amounts under the Senior Secured Facilities, accrued interest and fees.

On 18 May 2010, NWR NV issued an additional EUR 25 million of Senior Secured Notes due 2018 in a private placement. The additional notes are entitled to the same rights and privileges as the EUR 475 million of Senior Secured Notes due in 2018, including a coupon of 7.875%. Effective interest rate is 8.656%.

The Senior Secured Notes due 2018 do not include maintenance covenants and are secured by a pledge of the shares of OKD, OKK and NWR Karbonia.

22. Share capital and reserves

The Company was incorporated on 30 March 2011 as part of a corporate reorganisation under which it became the new UK incorporated holding company for the business previously held by NWR NV. The reorganisation was undertaken by way of an offer by the Company to the shareholders of NWR NV to exchange shares in the Company for their shares in NWR NV on a one-for-one basis.

Reincorporation
On 11 April 2011, the boards of NWR NV and NWR Plc announced a recommended share offer for all of the A ordinary shares of EUR 0.40 each in the capital of NWR NV (the 'Existing A shares') (the 'Offer'). The condition of the Offer relating to acceptances was met on 5 May 2011 ('the first closing date') and the Company became the new holding company when it issued 256,780,388 new A shares to accepting shareholders of NWR NV on 6 May 2011 (being approximately 97% of the Existing A shares), resulting to non-controlling interest of approximately 3%.

In addition, after the Offer became wholly unconditional in all respects, NWR Plc acquired 10,000 B ordinary shares in the share capital of NWR NV by issuing the same number of new B ordinary shares of NWR Plc (being 100% of the B ordinary shares in the capital of NWR NV).

NWR Plc issued the above number of A and B shares with a nominal value of EUR 7.00 per share. The difference between the nominal value of the new A and B shares and carrying value of net assets acquired is recognised as a change in consolidated equity, resulting in the recognition of negative merger reserve of EUR 1,630,472 thousand.

On 11 May 2011, the Company reduced its share capital by reducing the nominal value of each of the A and B ordinary shares from EUR 7.00 per share to EUR 0.40 per share. This reduction of capital created distributable reserve of approximately EUR 1,694,817 thousand in NWR Plc.

After the subsequent four closings, the Company received valid acceptances in respect of approximately 99.6% of the Existing A shares in total, resulting in a non-controlling interest decrease of about 2.6%, as of 30 June 2011.

On 19 July 2011, NWR Plc initiated a compulsory squeeze-out procedure in accordance with Dutch law under which NWR Plc intends to acquire all remaining outstanding shares in NWR NV.

On 30 September 2011, pursuant to a private share-for-share exchange, NWR Plc acquired an additional 397,969 Existing A shares, taking NWR Plc's total shareholding in NWR NV to 264,119,398 Existing A shares (approximately 99.8%), in exchange for the Company issuing 397,969 A shares at a value of EUR 6.35 per share, resulting in the recognition of a share premium of EUR 2,368 thousand.

The issuances of A shares after each closing date and in connection with the private share-for-share exchange were treated as acquisitions of the non-controlling interests with the impact recognised directly into equity.

The reincorporation did not lead to a change in control and did not result in any changes to the day-to-day operations of the Group.

Share capital
As of 1 January 2008, NWR NV established two divisions within the Group which act as separate accounting and reporting units: the 'Real Estate Division' and the 'Mining Division' (see note 3).

The Company's share capital is divided into A shares and B shares. The rights and obligations attaching to the A shares and B shares, and other provisions related to them, are set out in the Articles of Association of the Copmany, subject to the limitations of Divisional Policy Statements and applicable law.

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For the year ended 31 December 2011

22. Share capital and reserves continued

The A Shares are designed to track the performance, and represent the economic value, of the Mining Division and the B Shares are designed to track the performance, and represent the economic value, of the Real Estate Division. Holders of the A Shares are not entitled to receive any dividends, liquidation proceeds or other distributions which relate to the Real Estate Division and holders of B Shares are not entitled to dividends, liquidation proceeds or other distributions which relate to the Mining Division.

The allocation of rights and responsibilities between the Mining Division and the Real Estate Division is governed by the Divisional Policy Statements adopted by the Board.

The following table tracks the number and nominal value of the share capital of NWR NV up to the date of the first closing and NWR Plc thereafter.

Issued and fully paid up share capital EUR'000	Number of shares		Aggregate nominal value	
	2011	2010	2011	2010
A ordinary shares				
At 1 January	**264,698,715**	264,330,100	**105,879**	105,732
Shares granted to independent Directors	**–**	103,465	**–**	41
Share options exercised	**261,585**	265,150	**105**	106
Effect of reorganisation	**(7,918,327)**	–	**1,691,583**	–
Reduction of share capital	**–**	–	**(1,694,751)**	–
Acquisition of NCI settled by ordinary shares issued	**7,339,010**	–	**2,936**	–
At 31 December	**264,380,983**	264,698,715	**105,752**	105,879
B ordinary shares				
At 1 January	**10,000**	10,000	**4**	4
Effect of reorganisation	**–**	–	**67**	–
Reduction of share capital	**–**	–	**(67)**	–
At 31 December	**10,000**	10,000	**4**	4
Total share capital	**264,390,983**	264,708,715	**105,756**	105,883

Share Premium
Share premium was affected by the process of reorganisation as described at the beginning of this note. The closing balance is a result of the issuance of 397,969 A shares pursuant to a private share-for-share exchange. These A shares were issued at a value of EUR 6.35 per share, resulting in the recognition of a share premium of EUR 2,368 thousand.

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

Foreign exchange translation reserve
Translation reserve includes foreign exchange rate effects of translation of the balance sheet and the income statement from the functional currency to the presentation currency.

Hedging reserve
Changes in the fair value of forward exchange rate contracts used for hedging purposes, and for which hedging accounting applies, are accounted via the hedging reserve that is part of equity. For more details see Note 17.

Other comprehensive income, net of tax

EUR'000	Foreign exchange translation reserve	Restricted reserve	Hedging reserve	Retained earnings	Other comprehensive income attributable to Shareholders of the Company	Other comprehensive income attributable to NCI	Total other comprehensive income
Year ended 31 December 2011							
Foreign currency translation differences	(22,680)	(3,718)	(471)	–	(26,869)	(305)	**(27,174)**
Derivatives – net change in fair value of cash flow hedges	–	–	(18,557)	–	(18,557)	(62)	**(18,619)**
Derivatives – fair value of cash flow hedges reclassified to profit and loss	–	–	(6,371)	–	(6,371)	(28)	**(6,399)**
Total other comprehensive income, net of tax	**(22,680)**	**(3,718)**	**(25,399)**	**–**	**(51,797)**	**(395)**	**(52,192)**
Year ended 31 December 2010							
Foreign currency translation differences	60,265	7,103	1,305	–	68,673	–	68,673
Derivatives – net change in fair value of cash flow hedges	–	–	(1,172)	–	(1,172)	–	(1,172)
Derivatives – fair value of cash flow hedges reclassified to profit and loss	–	–	(6,758)	–	(6,758)	–	(6,758)
Other income	–	–	–	937	937	–	937
Total other comprehensive income, net of tax	60,265	7,103	(6,625)	937	61,680	–	61,680

23. Earnings per share

The calculation of earnings per share at 31 December 2011 was based on profit attributable to the shareholders of the Company, and a weighted average number of shares outstanding during the year, calculated as follows:

Profit attributable to the shareholders of the Company

	2011			2010		
EUR'000	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit for the year	**128,672**	**–**	**128,672**	221,269	12,045	233,314
Profit attributable to A shareholders	**125,214**	**–**	**125,214**	214,276	12,045	226,321
Profit attributable to B shareholders	**3,458**	**–**	**3,458**	6,993	–	6,993

Weighted average number of shares (basic)

Number of A shares	2011	2010
Issued shares at 1 January	**264,698,715**	264,330,100
Effect of shares issued to independent Directors	**–**	63,497
Effect of share options exercised	**78,117**	20,340
Effect of reorganisation	**(1,062,294)**	–
Weighted average number of shares at 31 December	**263,714,538**	264,413,937

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23. Earnings per share continued

The weighted average number of B shares equal to number of shares issued, 10,000, in both periods.

Weighted average number of shares (diluted)
In the calculation of diluted weighted average number of shares the dilutive potential impact of individual share-based payments arrangements is taken into account.

Number of A shares at 31 December	2011	2010
Weighted average number of shares (basic)	**263,714,538**	264,413,937
Effect of share options	**1,939,934**	2,046,897
Effect of deferred shares	**83,957**	–
Weighted average number of shares (diluted)	**265,738,429**	266,460,834

The share options granted to Mr. Mike Salamon and the first and second tranches of share options granted to employees have no dilutive impact. The third tranche of share options granted to employees has dilutive impact of 1,939,934 shares. More about various share-based payment arrangements see note 27.

24. Provisions

The provision balances are as follows:

EUR'000	1 January 2011	Charged	Capitalised	Utilised	Unwinding of discount	Currency translation	31 December 2011
Restoration and mine closure provision	94,917	–	67,110	(6,952)	121	(5,471)	**149,725**
Mining damage	10,225	14,041	–	(7,971)	–	(570)	**15,725**
Other restoration costs	1,349	–	–	(6)	–	(37)	**1,306**
Total long-term provisions	**106,491**	**14,041**	**67,110**	**(14,929)**	**121**	**(6,078)**	**166,756**
Taxation	–	4,591	–	–	–	–	**4,591**
Unpaid vacation	2,867	6,253	–	(5,836)	–	(98)	**3,186**
Other	2,953	394	–	(1,975)	–	(10)	**1,362**
Total short-term provisions	**5,820**	**11,238**	**–**	**(7,811)**	**–**	**(108)**	**9,139**

In 2011 the Company revised its 20 year operating plan, based on which the Group changed its best estimate of the cost of restoration and mine closure. Mine closure and restoration costs are a normal consequence of mining, and the majority of mine closure and restoration expenditure is incurred at the end of the relevant operation. The group's operating mines are expected to close down in the period 2030–2039.

Although the ultimate cost to be incurred is uncertain, the Group's businesses estimate their respective costs based on feasibility and engineering studies using current restoration standards and techniques. Provisions of EUR 149,725 thousand (2010: EUR 94,917 thousand) for mine closure and restoration costs and environmental clean up obligations include estimates of the effect of future inflation and have been adjusted to reflect risk. These estimates have been discounted to their present value using discount rates of 3.71% p.a. (2010: 3.99% p.a.).

The Group recognised a tax provision of EUR 4,591 thousand relating to an on-going tax audit initiated by the tax authorities in 2011.

25. Deferred revenue (long-term)

Deferred revenue is represented mostly by government grants that are being amortised over the expected useful life of environmental improvements acquired with funds from government subsidies. Total book value of deferred revenue amounts to EUR 2,128 thousand as of 31 December 2011 (2010: EUR 2,524 thousand), out of which government grants amounts to EUR 1,752 thousand (2010: EUR 1,997 thousand).

26. Employee benefits

The Group provides a number of different benefits to its employees – special miners' benefits, severance payments, vouchers, loyalty benefits and other. The Group's net obligation in respect of long-term service benefits is the amount of benefits that are payable after the balance sheet date and that the employees have earned in return for their service in the current and prior periods.

The Group's employee benefit scheme covers the legal requirements valid for the mining industry and other benefits concluded with the labour union in the general labour agreement. All benefits are unfunded. The significant benefits are listed below.

EUR'000	31 December 2011	31 December 2010
Special miners benefits	**54,669**	58,914
Severance payment	**21,951**	24,218
Vouchers	**8,864**	10,449
Loyalty benefits	**1,240**	1,326
Other long-term benefits	**1,188**	985
	87,912	95,892

Decrease in employee benefits as of 31 December 2011 compared to 31 December 2010 is a cumulative result of updated assumptions that are disclosed at the end of this Note.

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

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

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

Retirement benefits are based also on a collective agreement of OKD and its labour union and are paid to employees who terminate their employment contract upon becoming entitled to draw an old age pension. The one-time payment is a multiple of average monthly wage.

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

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26. Employee benefits continued

Vouchers
This new benefit was recognised at OKD as of 1 January 2009 based on amendment to the collective agreement of OKD and its labour union. All employees are granted vouchers annually (2010: semi-annually) and the amount is based on the length of employment relationship. Employees may use these vouchers for health, cultural, sporting, educational and holiday purposes.

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

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

Changes in the present value of the defined benefit obligation:

EUR'000	2011	2010
Defined benefit obligation at 1 January	**95,892**	96,588
Benefits paid	**(10,766)**	(9,800)
Net benefit expense	**5,229**	3,701
Currency translation	**(2,443)**	5,403
Defined benefit obligation at 31 December	**87,912**	95,892

The following table summarizes the components of net benefit expense recognised in the income statement and the funded status and amounts recognised in the statement of financial position for the respective plan:

EUR'000	1 January 2011–31 December 2011	1 January 2010–31 December 2010
Current service cost	**5,083**	5,011
Interest cost on benefit obligation	**2,948**	3,179
Actuarial loss/(gain)	**(2,802)**	(4,489)
Net benefit expense	**5,229**	3,701

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

Discount rate – Discount rates are derived from the linear approximation of the yield curve of the Czech government bonds as of balance sheet date. Average period of payment is considered. Discount rates used for the calculation of employee benefits as of 31 December 2011: 3.58% p.a. (as of 31 December 2010: 3.91% p.a.).

Wage increase – This assumption is relevant where the benefit depends on the future wage. In all these cases the Group estimates an average wage increase of 6% per annum as of 31 December 2011 (6.25% per annum as of 31 December 2010).

Mortality – Model mortality for the benefit calculation is undertaken from the statistical tables, relevant for region in which OKD mines, published by the Czech Statistical Office.

Retirement age – that variable has changed in 2011 compared to 2010 due to change of applicable Czech legislation.

Retirement age:
The retirement age for men is set as follows:
- 55 years if the person permanently worked underground for 15 years as of 31 December 1992
- 55 years and 6 months if the person permanently worked underground for minimum 11 years and maximum 14 years as of 31 December 1992 and in total worked 25 years
- Retirement age for men by Czech legislation less 5 years if an employee started working as a miner before 1 January 1993 and worked 3300 shifts in underground by 31 December 2008
- 66 years (2010: 65 years) for all other men not fulfilling above criteria

The retirement age for women is set to 63 years (2010: 63 years) – assuming women to have on average two children.

Number of employees – estimated future number of current employees per each year is derived from estimated future output (production) in particular year.

27. Share-based payments

The Group offers independent members of the Board and certain employees of the Group various share-based remuneration packages (see below). The reorganisation of the Group did not have any substantive impact on existing schemes as all provisions of already granted options or shares rights continue except that such options or shares rights over A shares of NWR NV has been exchanged for equivalent options and share rights over A shares of NWR Plc.

a) Shares granted to independent Directors
The Company granted each of its five independent Directors A shares in the value of EUR 200 thousand vesting on 27 April 2010. This remuneration package classifies as an equity-settled transaction with no vesting conditions. The Company settled this tranche by issuing 103,465 ordinary A shares with nominal value of EUR 0.40 each on 21 May 2010. The corresponding expenses are shown as share-based payments personnel expense. The number of shares granted was determined as the average of opening prices of an A share on the London Stock Exchange over a period of five business days preceding the date of share issue. There was no additional grant during the year 2011.

b) Shares and share options granted to executive Directors
Mr. Mike Salamon was granted options for A share with exercise price of EUR 0.01 in the amount equal to 0.5% of the issued share capital of the Company. This remuneration package classifies as an equity-settled share-based payment transaction. The option award was designed to enable Mr. Salamon to ultimately acquire up to 0.5% of the Company's share capital by 1 September 2012, provided that: (i) he remains an executive member of the NWR Board; and (ii) any other conditions for vesting have been met. The options vest over a period of five years, as to 20% on each anniversary of 1 September 2008, with following number of options having already vested:

Period	1 September 2008	1 September 2009	1 September 2010	1 September 2011
Number of options vested	263,800	264,351	265,150	**261,585**

Contractual life of options is 8 years and all vested options have been exercised.

Executive Director of the Company and Chief Executive Officer of OKD Mr. Klaus-Dieter Beck is granted a certain number of A shares according to his employment contract with OKD. This remuneration package classifies as share-based payment transaction with cash alternative and is presented correspondingly as a short-term liability. The agreement specifies that Mr. Beck will be granted 250,045 A shares every year, starting as of 1 July 2007, up to a maximum total amount of 1,250,225 A shares granted.

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27. Share-based payments continued

c) Share options granted to employees of the Group

Several eligible employees and Directors of the Group were granted options over A shares of the Company in accordance with its Stock Option Plan for Executive Directors, senior management and key employees. This remuneration package classifies as equity-settled. The terms and conditions related to the grants of the share option are as follows:

Grant date	Number of options at grant date	Vesting conditions	Contractual life of option
9 May 2008	619,878	Same for each grant: 3 years' service from the grant date and various performance conditions depending on participant	8 years
24 June 2009	3,325,762		8 years
17 March 2010	1,742,631		8 years
Total share options granted	**5,688,271**		

Due to the implementation of the Deferred Bonus Plan, the Board decided to terminate the Stock Option Plan as of 31 December 2010. Subsequently, no further options may be granted, although the provisions of the Stock Option Plan will continue in relation to options already granted.

d) Deferred Bonus Plan

Starting 1 January 2011, the Company implemented a new remuneration program, the Deferred Bonus Plan. A group of eligible employees and Directors of the Group, after meeting specified conditions, will be entitled to the annual bonus, part of which will be payable in cash and part will be deferred into A shares for a period of three years. In addition, each participant will have put option which enables the holder to sell the shares back to the Company at market price set at the time the A shares are issued or delivered. The period to exercise the put option is limited to three years. This remuneration package classifies as share-based payment transaction with cash alternatives and as such, the Company has granted compound financial instrument.

Grant date	Number of options at grant date	Vesting conditions	Contractual life of option
3 March 2011	101,136	3 years' service from the grant date	3 years from vesting date

Measurement of fair value

The fair value of all equity-settled share-based payments plans was measured based on the Black-Scholes model. The fair value of compound financial instrument is measured based on fair value of A shares at each balance sheet date for cash-settled part (shares granted) and combination of Monte Carlo simulation and binomial model as a valuation tool for equity-settled part (put option granted).

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payments plans were as follows:

	Stock option plan 2010	Deferred bonus plan 2011
Fair value at grant date	EUR 3.28	EUR 3.04
Share price at grant date	EUR 7.95	EUR 11.44
Exercise price	EUR 7.95	–
Expected volatility	40.3 per cent	15.18 per cent
Expected life	8 years	3 years
Expected dividends	1.6 per cent	3.85 per cent
Risk-free interest rate	3.3 per cent	3.19 per cent

EUR'000	1 January 2011–31 December 2011	1 January 2010–31 December 2010
Share-based remuneration schemes:		
Independent Directors	**–**	1,000
Mike Salamon	**2,207**	4,833
Klaus-Dieter Beck	**1,777**	2,732
Stock Option Plan	**3,855**	3,921
Deferred Bonus Plan	**963**	–
Total expense recognised as personnel expenses	**8,802**	12,486

From the Deferred Bonus Plan, EUR 59 thousand was recognised within the equity-settled share based payment reserve and EUR 880 thousand within long-term liabilities as cash-settled part of the compound financial instrument.

Reconciliation of outstanding share options

The number and weighted average exercise of share options under stock option plan and Mike Salamon plan is as follows:

	Number of options 2011	Weighted average exercise price (EUR) 2011	Number of options 2010	Weighted average exercise price (EUR) 2010
Outstanding at 1 January	**6,040,068**	**5.69**	4,605,171	4.52
Granted during the year	**–**	**–**	1,743,981	7.95
Forfeited during the year	**(2,215)**	**0.01**	(43,934)	7.46
Exercised during the year	**(261,585)**	**0.01**	(265,150)	0.01
Expired during the year	**–**	**–**	–	–
Outstanding at 31 December	**5,776,268**	**5.95**	6,040,068	5.69
Exercisable at 31 December	**601,314**	**16.69**	–	–

The options outstanding at 31 December 2011 have an exercise price in the range of EUR 0.01 to EUR 16.69 (2010: EUR 0.01 to EUR 16.69) and a weighted average contractual life of 5.5 years (2010: 6.5 years)

28. Future commitments

The Group has the following commitments in respect of:

EUR'000	31 December 2011	31 December 2010
Non-cancellable operating leases		
Instalments due within one year	**2,548**	3,239
Instalments due between two and five years	**9,274**	12,199
	11,822	15,438
Acquisition of property, plant and equipment		
From third parties	**102,973**	82,596

Leased items include equipment, land and buildings. There are none with term exceeding 5 years. Operating lease expense in 2011 was EUR 2,994 thousand (2010: EUR 3,267 thousand).

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29. Auditor´s remuneration

EUR'000	1 January 2011–31 December 2011	1 January 2010–31 December 2010
Audit service pursuant to legislation		
audit of these financial statements	**366**	410
audit of financial statements of subsidiaries	**336**	267
	702	677
Audit related services		
review/agreed upon procedures on interim financial statements	**355**	330
	355	330
Non audit services		
services in relation to reincorporation	**341**	–
services in relation to bond issue	**–**	337
services in relation to attempted acquisition of Bogdanka	**–**	644
other services	**235**	47
	576	1,028
	1,633	2,035

30. Contingent assets and liabilities

The Group has the following significant contingent assets and contingent liabilities as of 31 December 2011:

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

b) Environmental issues
(i) OKD:
In accordance with legislation relating to privatisations projects in the Czech Republic, the National Property Fund of the Czech Republic ('NPF') reimburses acquirers of privatized assets in respect of expenses incurred for the clean-up of environmental damage relating to the pre-privatization period. In 1993, OKD asked NPF to reimburse its expenses for cleaning-up damages in accordance with government decision No. 123 dated 17 March 1993. On 18 April 1996 contract no. 131/96 was concluded between NPF and OKD relating to environmental issues in the area in the entity's ownership. Based on addendum to Environmental Contract No. 131/96 between the NPF (respectively Czech Ministry of Finance), OKD and OKK all rights and obligations concerning environmental issues were transferred to OKK, as the fixed assets to which environmental issues relate, were concentrated in OKK.

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

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

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

In 2008, all fixed assets with above mentioned environmental issues were concentrated in OKK by a merger of OKK and NWR Coking, a.s

c) Claims and litigations
OKD have been claimed against for unfounded enrichment by Mr. Otakar Černý in relation to Improvement proposal no. 31/5-15/95 in total value of CZK 1.087 billion (approx. EUR 42 million). The first hearing was held on 18 January 2012, when the petition was partially rejected by the court and the proceeding was suspended until a similar dispute led by the Regional Court in Ostrava is settled. OKD believes that the claim is unjustified and will be dismissed by the courts.

Litigation is pending against OKD (as successor entity) regarding the review of the adequacy of the consideration for shares of ČMD, a.s. paid out to minority shareholders (constituting at the time 5.915% of the shareholders of the company) in a squeeze-out procedure relating to ČMD, a.s. If the courts decided in the claimants' favour, the judgment would ensure to the benefit of all minority shareholders subject to the squeeze-out procedure. The proceeding is still pending, and the potential impact of a decision in the claimants' favour is impossible to assess given that the consideration is subject to review. OKD believes that the claim is unjustified and will be dismissed by the courts.

The Group is involved in other, less material, litigation claims. As inherent in such proceedings, outcomes cannot be predicted with certainty and there is a risk of unfavourable outcomes to the Group. The Group disputes all pending and threatened litigation claims of which it is aware and which it considers unjustified. No provision has been set up as of 31 December 2011 for the litigations. At the date of this financial statements, based on advise of counsel, the management of the Group believes that the litigations have no significant impact on the Group's financial position as at 31 December 2011.

31. Other material matters

Restrictions on the Company´s ability to pay dividends
The indenture governing the 7.375% Senior Notes due 2015 and 7.875% Senior Notes due 2018 impose restrictions on the Company´s ability to pay dividends. Generally the Company may not pay dividends or make other restricted payments, which exceed, in the aggregate, 50% of consolidated net income since 1 April 2007 (such amounts are accrued on a quarterly basis) plus the net proceeds from the primary tranche of the 2008 IPO and certain other adjustments (the 'restricted payment build–up capacity'). The purchase price for investments in entities other than majority owned subsidiaries would also constitute restricted payments.

The restricted payment basket as defined by the 7.375% and the 7.875% Indentures governing the notes amounted to approximately EUR 116,962 thousand as at 31 December 2011.

32. Subsequent events

Following the payment of the 2011 interim dividend of EUR 0.16 per A share, paid on 30 September 2011, the Directors have declared a final dividend of EUR 0.07 per A share in respect of the six month period ended 31 December 2011, making a total dividend for the year 2011 of EUR 0.23 per A share.

Company financial statements

Company statement of financial position
At 31 December 2011

EUR'000	Note	31 December 2011
ASSETS		
Investments	D	**1,819,807**
Total non-current assets		**1,819,807**
Prepaid expenses		**141**
Total current assets		**141**
Total assets		**1,819,948**
Equity and liabilities		
Shareholder's equity		
Share capital	E	**105,756**
Share premium	E	**2,368**
Equity-settled share based payments	F	**14,235**
Other distributable reserve	E	**1,692,319**
Retained earning	E	**1,532**
Total equity		**1,816,210**
Liabilities		
Cash-settled share based payments		**178**
Total non-current liabilities		**178**
Trade and other payables		**1,338**
Cash pool liabilities		**2,222**
Total current liabilities		**3,560**
Total liabilities		**3,738**
Total equity and liabilities		**1,819,948**

The notes on pages 167 and 170 form an integral part of these financial statements.

The financial statements on pages 164 to 170 were approved by the Board of Directors and authorised for issue on 12 March 2012 and were signed on its behalf by

Mike Salamon
Executive Chairman of the Board

Marek Jelínek
Chief Financial Officer

New World Resources Plc
Registered number: 07584210

Company statement of changes in equity
For period ended 31 December 2011

EUR'000	Share capital	Share premium	Equity-settled share-based payments	Other distributable reserve	Retained earnings	Total
Balance at 30 March 2011 – Incorporation of the Company	0	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	36,717	**36,717**
Transactions with owners						
New ordinary shares issued (A and B shares)	1,797,533	–	–	–	–	**1,797,533**
Equity-settled share based payments	–	–	18,849	–	–	**18,849**
Reduction in nominal value of ordinary shares	(1,694,817)	–	–	1,694,817	–	**–**
Additional A ordinary shares issued	2,935	2,368	–	–	–	**5,303**
Share options exercised	105	–	(4,614)	–	4,512	**3**
Dividend paid to A shareholders	–	–	–	(2,498)	(39,697)	**(42,195)**
Balance at 31 December 2011	**105,756**	**2,368**	**14,235**	**1,692,319**	**1,532**	**1,816,210**

The notes on pages 167 and 170 form an integral part of these financial statements.

Company financial statements

Company statement of cash flows
For period ended 31 December 2011

EUR'000	30 March 2011–31 December 2011
Cash flows from operating activities	
Net profit	36,717
Adjustments for:	
Share-based payment transactions	1,877
Dividend income	(42,195)
Loss before working capital changes	(3,601)
(Increase)/decrease in receivables	(141)
Increase/(decrease) in payables	1,517
Net cash flows from operating activities	**(2,225)**
Cash flow from investing activities	
Dividend income	42,195
Cash flows from investing activities	**42,195**
Cash flows from financing activities	
Dividend paid to A shareholders	(42,195)
Proceeds from share options exercised	3
Increase in cash pool liabilities	2,222
Net cash flows from financing activities	**(39,970)**
Net increase/(decrease) in cash and cash equivalents	–
Cash and Cash Equivalents at the beginning of period	–
Cash and Cash Equivalents at the end of period	–

The notes on pages 167 and 170 form an integral part of these financial statements.

Notes to the Company financials statements
For period ended 31 December 2011

A General information

a) Corporate Information
New World Resources Plc (the 'Company', 'NWR Plc') is a public limited company incorporated under the laws of England and Wales. Its registered office is One Silk Street, London EC2Y 8HQ, United Kingdom.

The Company was incorporated on 30 March 2011.

b) Statement of compliance
The financial statements are prepared based on the recognition and measurement principles of International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU').

Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

c) Basis of preparation
The Company financial statements are prepared for the period from incorporation (30 March 2011) to 31 December 2011. Starting from 2012 the accounting period will follow the calendar year. The financial statements are presented in Euros (EUR), which is the functional currency of the Company and rounded to the nearest thousand. They are prepared on the historical cost basis.

The preparation of financial statements in conformity with IFRS as adopted by the EU 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 recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

B Principal accounting policies

The Company follows the accounting policies of the Group (NWR Plc and its subsidiaries) as described in the note 2 Summary of significant accounting policies in the notes to the consolidated financial statements of this document.

a) Investments
Fixed assets investments are carried at cost less impairment provisions. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the Company issues shares to acquire an interest in a subsidiary and section 612 of the Companies Act 2006 applies, the investment is recorded at the nominal value of shares issued plus the fair value of other consideration paid.

b) Share-based payment transactions
The cost of equity-settled transactions with employees is measured by reference to the fair value at the grant date and is recognised as an expense for employees working for the Company and as an addition to the cost of the investment in the subsidiary in which the relevant employees work over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. The fair value is determined by reference to the share price on the grant date. In valuing equity-settled transactions of the Company, no account is taken of any vesting conditions because no market conditions apply for vesting. At each balance sheet date, before the end of the vesting period, the cumulative expense is calculated, reflecting the extent to which the vesting period has expired and the number of equity instruments that is expected to ultimately vest. The movement in cumulative expense compared to the previous balance sheet date is recognised as personnel expense in the income statement or as an addition to the cost of the investment in the balance sheet, with a corresponding entry in equity or liability, based on the type of share-based scheme.

Company financial statements

B Principal accounting policies continued

c) Dividends
Dividend income from subsidiary is recognised in the income statement once the Company's right to receive the payments has been established. Dividends are recognised as a liability and reduction in equity once the criteria for a present obligation are met.

C Profit of the company

The profit of the Company for the period from incorporation, 30 March 2011, to 31 December 2011 amounted to EUR 36,717 thousand, including dividend income amounting to EUR 42,195 thousand. Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

D Investments

The Company has the following investment:

EUR'000	% voting shares	31 December 2011
New World Resources N.V. ('NWR NV')	99.78%	1,819,807

The movement in investment in NWR NV may be detailed as follows:

EUR'000	
Opening balance	–
264,129,398 shares acquired (by ordinary shares issued)	1,802,836
Liability assumed in respect of share-based payments	14,592
Increased in cost in respect of share-based payments	2,379
At 31 December 2011	**1,819,807**

The Company was incorporated on 30 March 2011 as part of a corporate reorganisation under which it became the new UK incorporated holding company for the business previously held by NWR NV.

On 11 April 2011, the boards of NWR and NWR NV announced a recommended share offer for all of the A ordinary shares of EUR 0.40 each in the capital of NWR NV (the 'Existing A shares') (the 'Offer'). The condition of the Offer relating to acceptances was met on 5 May 2011 ('the first closing date') and the Company became the new holding company when it issued 256,780,388 new A shares to accepting shareholders of NWR NV on 6 May 2011 (being approximately 97 per cent of the Existing A shares).

In addition, after the Offer became wholly unconditional in all respects, NWR acquired 10,000 B ordinary shares in the share capital of NWR NV by issuing the same number of new B ordinary shares of NWR (being 100 per cent of the B ordinary shares in the capital of NWR NV).

After the subsequent four closings and a private share-for-share exchange, the Company received valid acceptances in respect of 264,119,398 Existing A shares in total, being approximately 99.8 per cent of the Existing A shares.

On 19 July 2011, the Company initiated a compulsory squeeze-out procedure in accordance with Dutch law under which the Company intends to acquire all remaining outstanding shares in NWR NV, i.e. approximately 0.22 per cent of shares in NWR NV held by other shareholders.

E Share capital and reserves

EUR'000	Share capital	Share premium	Other distributable reserve	Retained earnings
Balance at 31 December 2011				
A shares	105,752	2,368	1,692,253	1,532
B shares	4	–	66	–
Total	**105,756**	**2,368**	**1,692,319**	**1,532**

At incorporation, the Company issued 2 ordinary shares (Subscriber shares) at EUR 0.40 each and 50,000 redeemable non-voting preference shares a GBP 1.00 each. The Subscriber shares were repurchased and cancelled by the Company on 23 June 2011 at par value. The redeemable non-voting preference shares were redeemed and cancelled on 21 November 2011.

Following the acquisition of NWR NV by share swap, the Company issued:

» 256,780,388 A shares and 10,000 B shares (EUR 7.00 each) on 6 May 2011
» 2,769,054 A shares (EUR 0.40 each) on 20 May 2011
» 2,174,475 A shares (EUR 0.40 each) on 2 June 2011
» 1,154,529 A shares (EUR 0.40 each) on 16 June 2011
» 842,983 A shares (EUR 0.40 each) on 1 July 2011
» 397,969 A shares (EUR 6.35 each) on 30 September 2011.

On 11 May 2011, the Company reduced the nominal value of ordinary shares from EUR 7.00 each to EUR 0.40 each and thus created distributable reserve of EUR 1,694,817 thousand.

On 14 September 2011, Mr. Mike Salamon exercised his options and the Company issued another 261,585 A shares.
Further disclosure on A and B shares is included in the notes to the consolidated financial statements within this document.

F Equity-settled share-based payment reserve

EUR'000	
At 30 March 2011	–
Liability assumed on acquisition of interest in NWR NV	14,592
Charged during the period	1,877
Increase in cost of investment in NWR NV	2,379
Share options exercised	(4,614)
At 31 December 2011	**14,235**

For further information about various share-based payments schemes please refer to the note 27 of the consolidated financial statements within this document.

Company financial statements

G Related party transactions

During the period the Company had transactions in the normal course of operations with related parties. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

EUR'000	31 December 2011
Payables to related party	
New World Resources N.V.	2,222

H Subsequent events

Following the payment of the 2011 interim dividend of EUR 0.16 per A share (EUR 42,195 thousand in total), paid on 30 September 2011, the Directors have declared a final dividend of EUR 0.07 per A share (EUR 18,507 thousand in total) in respect of the six month period ended 31 December 2011, making total a total dividend for the year 2011 of EUR 0.23 per A share.

Independent auditor's report

We have audited the parent company financial statements of New World Resources Plc for the period from 30 March 2011 (date of incorporation) to 31 December 2011 set out on pages 164 to 170. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 102, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the parent company financial statements:

» give a true and fair view of the state of the company's affairs as at 31 December 2011;
» have been properly prepared in accordance with IFRSs as adopted by the EU; and
» have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

» the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and,
» the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

» adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
» the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
» certain disclosures of Directors' remuneration specified by law are not made; or
» we have not received all the information and explanations we require for our audit.

Other matter

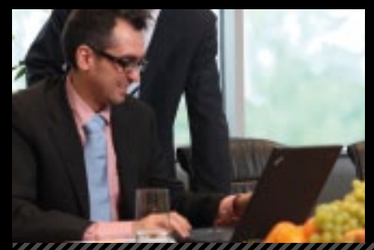
We have reported separately on the group financial statements of New World Resources Plc for the year ended 31 December 2011.

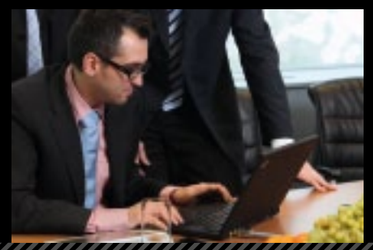
Jimmy Daboo
Senior Statutory Auditor

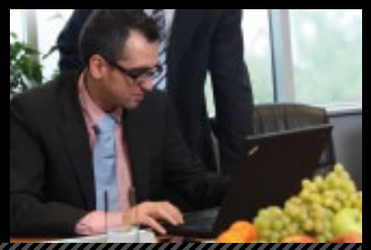
For and on behalf of KPMG Audit Plc, Statutory Auditor Chartered Accountants
15 Canada Square, London, E14 5GL
12 March 2012

Shareholder information

Radek Němeček
Head of Investor Relations







NWR, listed on the London, Prague and Warsaw stock exchanges, completed its reincorporation in the United Kingdom during 2011 and is now included in the FTSE 250 and FTSE 350 Mining indices, which provides even greater exposure to an international investor community. The Company has just over 36 per cent free float with shareholders in the US and Europe including UK, Poland, and the Czech Republic. We are fully dedicated to an ongoing dialogue with our shareholders, analysts and potential new investors.

Markets

As at 31 December 2011, A Shares of NWR were listed on the London Stock Exchange ('LSE'), the Prague Stock Exchange ('PSE') and the Warsaw Stock Exchange ('WSE').

Share ownership

Share capital

Details about NWR's share capital are presented in Note 22 of the Consolidated Financial Statements on pages 153–155.

Shareholder structure

Reincorporation in the United Kingdom

On 11 April 2011, the Board of NWR and the board of NWR NV announced a recommended share offer for all of the A Shares of EUR 0.40 each in the capital of NWR NV (the 'Offer'). The full terms and conditions of the Offer were set out in a combined prospectus and offer document jointly published by the two companies on 11 April 2011, as amended and supplemented by a supplementary prospectus and offer document on 18 May 2011.

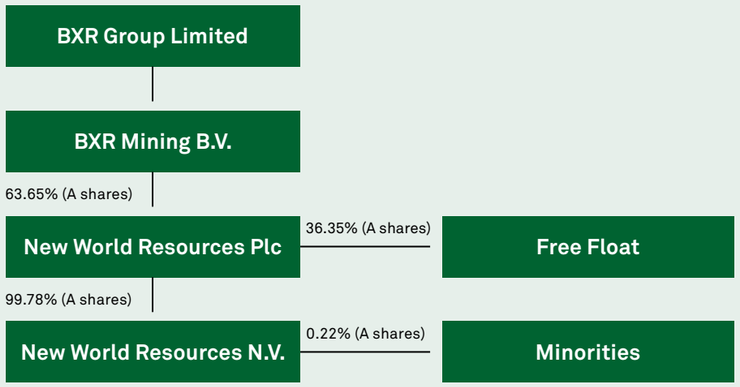
A summary of the Offer is as follows:

- 5 May 2011: First closing – NWR held 97.01 per cent of the NWR NV A shares (256,780,388 of 264,698,715 NWR NV A shares);
- 19 May 2011: Second closing – NWR held 98.05 per cent of the NWR NV A shares (259,549,442 of 264,698,715 NWR NV A shares);
- 1 June 2011: Third closing – NWR held 98.88 per cent of the NWR NV A shares (261,723,917 of 264,698,715 NWR NV A shares);
- 15 June 2011: Fourth closing – NWR held 99.31 per cent of the NWR NV A shares (262,878,446 of 264,698,715 NWR NV A shares); and
- upon the fifth and final closing on 30 June 2011, NWR held 99.63 per cent of the NWR NV A shares (263,721,429 of 264,698,715 NWR NV A shares).

On 19 July 2011, NWR initiated a compulsory squeeze-out procedure in accordance with Dutch law under which NWR intended to acquire all remaining outstanding shares in NWR NV, which amounted to approximately 0.37 per cent of shares in NWR NV held by other shareholders.

On 30 September 2011, NWR issued a total of 397,969 A Shares to certain shareholders of NWR NV, pursuant to a private share-for-share exchange agreement entered into between the Company and specific shareholders; after which NWR held 99.78 per cent of the NWR NV A shares (264,119,398 of 264,698,715 NWR NV A shares) leaving the outstanding amount of shares for squeeze-out at 0.22 per cent of NWR NV share capital.

Shareholder sturcture



Note: BXR Group Limited ('BXRG') owns the shares in BXR Mining B.V. ('BXRM') indirectly.

Shareholder information

The following table sets forth the relevant ownership interests in NWR Plc:

Total percentage held	Current percentage of indirectly attributed ownership in A shares of NWR Plc
by BXRG [1,2]	63.65 per cent
by public shareholders	36.35 per cent
Total A shares	**100 per cent**

[1] Mr. Kadas, a Non-Executive Director of NWR Plc, owns no direct interest in A shares or B shares but he is considered as being interested in A shares and B shares because of his associated family trust having a minority ownership interest in BXRG and BXRG's indirect ownership interest in NWR. BXRG is the indirect parent company of BXRM and RPG Property B.V. ('RPG Property') and, accordingly, BXRG owns a 100 per cent indirect interest in the A shares held by BXRM, being approximately 63.65 per cent of the NWR Plc A shares, and in the NWR Plc B shares held by RPG Property, being 100 per cent of the B shares. Peter Kadas, a Non-Executive Director of NWR Plc, is also a director of Bakala Crossroads Partners Ltd an affiliate of BXRG.

[2] Mr. Bakala, a Non-Executive Director of NWR Plc, holds no direct interest in NWR Plc A shares or B shares but he is considered as being interested in the NWR Plc A shares and NWR Plc B shares as a result of a trust and affiliated companies relating to him and his family (collectively referred to as the 'Bakala entities') holding an indirect ownership interest in BXRG, and BXRG's indirect ownership interest in NWR. Mr. Bakala and his family, through the Bakala entities, own 50 per cent of the outstanding voting capital in BXRG. As set out in note (1) above, BXRG owns a 100 per cent indirect interest in the NWR Plc A shares held by BXR Mining, being approximately 63.65 per cent of the NWR Plc A shares, and in the NWR Plc B shares held by RPG Property, being 100 per cent of the NWR Plc B shares.

Note: There have been no changes in the majority shareholdings in NWR Plc, between 31 December 2011 and the date of the publication of this Annual Report.

For the résumés of Mr. Bakala and Mr. Kadas please refer to page 64 of the Board and Management section of this report.

Majority shareholder

The controlling shareholder of NWR, BXRM, owns approximately 63.65 per cent of the A Shares and as a result has effective control of NWR.

BXRM is indirectly owned by BXRG. BXRG also owns indirectly, through RPG Property, 100 per cent of the B Shares. Accordingly, BXRG has a 63.65 per cent indirect interest in A Shares and a 100 per cent of interest in the B Shares.

BXRG is an international investment group focused on investments in Central and Eastern Europe. It also has investments in Western Europe. BXRG typically takes large or controlling stakes in companies and is active in the management of its investments. In addition to the investment in NWR, BXRG currently has also investments in real estate, logistics, green energy, financial services and other industries.

Changes in the majority shareholder structure during 2011

In May 2011, BXRM acquired 168,274,654 A Shares in the Company, as a result of acceptance of the share for share exchange offer of series A Shares in NWR NV for A shares of NWR Plc. Following that, BXRM held 65.53 per cent of A Shares in NWR Plc.

As a result of the further acceptances of the exchange offer, as well as the share issuances in September 2011, the shareholding decreased to 63.65 per cent of A Shares.

More details can be found in Purchase and issue of shares paragraph of this section.

Free float

At the date of publishing this Annual Report and Accounts, public shareholders held approximately 36.35 per cent of A Shares.

The Company has received no filings under the DTR 5, and no public information is available with respect to the ownership of shares.

The geographical concentration of the free float is depicted in the chart below – take for the latest share ID from KingWorldwide.

Purchase and issue of shares

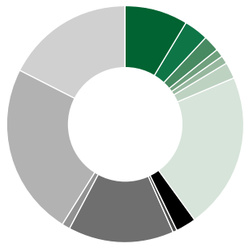
In 2011, NWR did not purchase any of its own shares. In November 2011, NWR redeemed 50,000 Redeemable Non-Voting Preference Shares of GBP 1 each, held by BXRM, which were cancelled upon the redemption.

During 2011, the Company issued a total of 659,554 of A Shares, which comprised the following: on 14 September, NWR issued 261,585 new A Shares to the Board's Chairman under his Stock Option Plan; on 30 September NWR issued 397,969 new A Shares to certain shareholders of NWR NV, pursuant to private share-for-share exchange agreements entered into between the Company and such NWR NV shareholders.

On 2 August 2011 NWR also applied for a Block Listing of 5,514,755 A Shares under the Employee Stock Option Plan.

Authority was given to the Directors at the Company's general meeting held on 8 April 2011 to allot unissued A Shares up to an aggregate nominal amount of EUR 35,293,162, and further nominal amount of EUR 35,293,162 in connection with an offer by way of a rights issue. Authority was also given to allot unissued B Shares up to an aggregate nominal amount of EUR 1,333, and a further nominal amount of EUR 1,333 in connection with an offer by way of a rights issue. Further authority was given allowing the Company to make market purchases of up to 26,469,871 of its own A Shares. As these authorities expire at the forthcoming 2012 Annual General Meeting of Shareholders ('AGM'), the Directors will be seeking new authorities, details of which are set out in the Company's Notice of AGM.

Free float geographical split per cent



Voting and transfer of shares

NWR's Articles of Association do not contain specific restrictions on the size of the shareholder's holding or on the transfer of shares. Not is the Company aware of any agreements between shareholders that may result in the restrictions on the transfer of securities and/or voting rights.

NWR's Articles of Association do not contain, and the Company is not aware of, any restrictions on voting rights including any limitations on voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights and arrangements by which, with the Company's co-operation, financial rights carried by securities are held by a person other than the holder of the securities.

For further information please refer to the Corporate Governance section of the Company's website www.newworldresources.eu.

Annual General Meeting of Shareholders

The AGM of the Company will be held at on 26 April 2012 at The Dorint Hotel, Amsterdam, the Netherlands at 10.00 CET.

Full details relating to the AGM, including the explanatory notes, are contained in the Notice of AGM published on 14 March 2012. The Notice sets out the resolutions to be proposed at the AGM and an explanation of each resolution. All documents relating to the AGM are available on the Company's website at www.newworldresources.eu.

Share price information

The table below shows the closing share prices for the period indicated for the A Shares on each of the stock exchanges listed below.

		Closing price		
Stock exchange	Currency	**31 December 2011**	31 December 2010	31 December 2009
LSE	GBp	**442.9**	961.0	560.0
PSE	CZK	**135.8**	271.0	161.6
WSE	PLN	**23.5**	44.4	25.3

Allotments of equity securities

During the period under review, no allotments of equity securities in NWR were made in exchange for cash other than the delivery of shares to the Chairman of the Board (also described in the Remuneration Report from pages 94 onwards of this Annual Report).

Dividend policy

NWR's dividend policy is to target distribution of approximately 50 per cent of the Mining Division's consolidated annual net income over the course of the business cycle, to be paid as interim and final dividends.

The dividend for NWR is declared in Euros. Holders of A Shares may elect to receive their dividend in Euros or Pounds Sterling. The default election will be deemed to be Euros, if a shareholder expresses no preference.

Subject to various exceptions and exemptions, shareholders are generally subject to Dutch dividend withholding tax at the rate of 15 per cent on dividends distributed by NWR, which sum NWR is required to withhold and account for to the Dutch tax authorities.

Shareholders should consult their own tax advisers as to the particular tax consequences for them as a result of receiving dividends from NWR.

Dividends on A Shares

NWR paid an interim dividend for the half-year ended 30 June 2011 of EUR 0.16 per A Share.

The Directors of NWR have proposed a final dividend for the year ended 31 December 2011 of EUR 0.07 per A Share paid to A Shareholders on 2 May 2012. Together with the interim dividend of EUR 0.16 per A Share paid in September 2011, this takes the full year dividend payable to A Shareholders to EUR 0.23 per Share in respect of the year ended 31 December 2011. This represents an approximately 50 per cent payout ratio for 2011.

Payment of the final dividend is subject to shareholder approval at the Annual General Meeting, which will be held on 26 April 2012.

Provision of the Annual Report and Accounts

The 2011 Annual Report and Accounts of NWR is available on the Company's website at www.newworldresources.eu. A hard copy of the report can be requested from the Investor Relations team. Shareholders may also inspect the report at the Company's headquarters in the Netherlands.

Radek Němeček
Head of Investor Relations
ir@nwrgroup.eu

Ancillary information for shareholders

New World Resources Plc
Registered Office
c/o Hackwood Secretaries Limited
One Silk Street
London EC2Y 8HQ
United Kingdom

Headquarters:
Jachthavenweg 109h
1081 KM Amsterdam
The Netherlands
Tel: +31 20 570 2200
Fax: +31 20 570 2222
E-mail: info@nwrgroup.eu

www.newworldresources.eu

A public company incorporated in England and Wales with Company Number 7584218

Shareholder information
Stock Exchange Listings
Prague Stock Exchange
Warsaw Stock Exchange
London Stock Exchange
Trading symbol: NWR
ISIN: GB00B42CTW68

Registrar
Computershare Investor Services Plc
The Pavilions
Bridgwater Road
Bristol BS99 6ZY
United Kingdom

Glossary

B

Benzole absorption cooler, or benzole washing unit: an apparatus designed to absorb benzole from the coke oven gas using washing oil.

Benzole washing unit, or benzole absorption cooler: an apparatus designed to absorb benzole from the coke oven gas using washing oil

Benzole stripping column: a still distillation column, also commonly referred to as a benzole stripper. The apparatus is used to remove benzole from the washing oil by means of steam.

Blast furnace coke: coke used to power blast furnaces. This coke must have a high strength to support heavy loads in the blast furnace without disintegration. Also known as metallurgical coke.

Brownfield sites: abandoned or underused industrial and commercial facilities available for re use.

By-product: material other than the principal product generated by an industrial process.

Box-cut: a small open cut created to provide a secure and safe portal as access to a decline to an underground mine..

C

CAGR: Compound Annual Growth Rate, number that describes the steady rate at which the initial value would have to grow every year to achieve the specific end value.

Coal: a readily combustible rock, formed from plant remains that have been compacted, chemically altered and metamorphosed by heat and pressure over millions of years.

Coke: the solid carbonaceous material derived from the destructive distillation of coal.

Coke conversion costs: reflects the operating costs incurred in converting coking coal into coke. It does not include the cost of internally or externally purchased coking coal. The main line items are the consumption of material and energy, services, personnel and other operating expenses. It does not include Depreciation and Amortisation.

Coking coal: high volatility coal used to create coke, which is consumed in the steel reduction process.

Continuous Improvement Programme: short form 'CIP', NWR's programme to improve efficiency by rewarding employees who submit innovative ideas and suggestions.

COP 2010: NWR's Coking Plant Optimisation Programme, a capital investment programme designed to improve the productivity of its coking operation.

D

Deposit: refers to an area of coal resources or reserves identified by surface mapping, drilling or development.

Detailed Feasibility Study: a study to determine definitively whether to proceed with the project, which will provide the budget figures for the project. Detailed feasibility studies require a significant amount of formal engineering work.

E

Environmental impact assessment: short form 'EIA' is a procedure that ensures that the environmental implications of decisions are taken into account before the decisions are made. Environmental assessment can be undertaken for individual projects on the basis of Directive 85/337/EEC, as amended (known as 'Environmental Impact Assessment' – EIA Directive).

Emerging Europe: refers to European countries that are in the process of growth and industrialisation.

Emission: pollution discharged into the atmosphere by commercial or industrial facilities, or by motor vehicle, locomotive or aircraft exhausts.

Extraction: the process of mining and removal of coal or ore from a mine.

EXW/ex works: a trade term requiring the seller to deliver goods at his or her own place of business. All other transportation costs and risks are assumed by the buyer.

F

Foundry coke: coke used in furnaces to produce cast and ductile iron products. It is a source of heat and also helps maintain the required carbon content of the metal product. Foundry coke production requires lower temperatures and longer times than blast furnace coke.

FTSE 250: a capitalisation-weighted index of 250 UK domiciled companies on the London Stock Exchange.

FTSE 350 Mining: a capitalisation–weighted index of 350 UK domiciled mining companies on the London Stock Exchange.

G

GDP: Gross Domestic Product, the total value of all goods and services produced in a particular economy.

Greenfield sites: undeveloped land in a city or rural area either used for agriculture, landscape design, or left to naturally evolve. These areas of land are usually agricultural or amenity properties being considered for urban development.

H

Hard coal: another name for anthracite, the coal with the highest level of carbon and the lowest level of impurities. Both metallurgical coking coal and thermal coal are forms of hard coal.

Hard coking coal: refers to a type of coking coal which enables the coke to be more efficient in steel making when it converts iron ore to raw steel.

J

JORC: the Joint Ore Reserves Committee.

Glossary

K
Kt: kilotonne, one thousand (1,000) metric tonnes.

L
Longwall mining: a fully mechanised underground mining technique in which a coal face is excavated by a shearer and then transported to the surface by conveyor belt.

LTIFR: Lost Time Injury Frequency Rate represents the number of reportable injuries causing at least three days of absence per million hours worked. Includes contractors.

M
M1 category: equipment classified under the M1 category may be operated, unlike M2 category equipment, under conditions of increased methane concentrations, exceeding 1.5 per cent. That allows the controller to maintain a continuous oversight of the presence and movement of employees within monitored areas of the mine. Being fitted with an accumulator and a battery, the equipment remains operational even during a power-supply failure.

Metallurgical coal: an informally recognised name for bituminous coal that is suitable for making coke by industries that refine, smelt and work with iron. Generally, this coal will have less than 1 per cent sulphur and less than 8 per cent ash on an air-dried basis. Metallurgical coal is sometimes referred to as coking coal.

Mining face: the working area where the extraction of coal takes place in an underground mine.

Mining licence: permission to mine minerals from a mineral rights area.

Mining unit cash costs: reflect the operating costs incurred in the Coal Segment for mining both coking coal and thermal coal.

The main line items are the consumption of material and energy, services, personnel and other operating expenses. It does not include Depreciation and Amortisation.

Mt: one million (1,000,000) tonnes.

N
NOx: gases that are oxides of nitrogen.

O
OECD: Organisation for Economic Co-operation and Development, an organisation that acts as a meeting ground for 30 countries which believe in the free market system and provides a forum for discussing issues and reaching agreements, some of which are legally binding.

Open-pit mining: mining in which the coal is extracted after removing the overlying strata or overburden.

P
Preparation plant: a plant used to make raw coal a product suitable for a particular use.

Project: a mineral deposit with insufficient data available on the mineralisation to determine if it is economically recoverable, but warranting further investigation and not currently included in the Group's future mining plans.

POP 2010: NWR's Productivity Optimisation Programme, a major capital investment programme designed to improve the productivity of its mines.

PCI: Pulverised Coal Injection. PCI is injected into a blast furnace as a supplementary fuel to reduce the amount of coke consumed, having a knock on effect on reducing operating costs in the production of pig iron, and ultimately crude steel.

PERSPective 2015 programme: short form PERSP 2015 is NWR's programme to maximise the returns on our recent investments in state of the art technology and health and safety. The plan focuses on five main areas: People, Efficiency, Reserves, Safety and Predictability.

Q
Quenching tower: water spraying tower for cooling coke after it emerges from the furnace.

R
Reclamation: the restoration of land and environmental value to a surface mine site after the coal is extracted. Reclamation operations usually get underway as soon as the coal has been removed from a mine site. The process includes restoring the land to its approximate original appearance by restoring topsoil and planting native grasses and ground covers.

RFID: Radio Frequency Identification, a data collection technology that uses electronic tags for storing data.

Reserves: those parts of mineral resources for which sufficient information is available to enable detailed or conceptual mine planning and for which such planning has been undertaken. Reserves are classified as either proved or probable.

Resources: all of the potential minerals in a defined area based on points of observation and extrapolations from those points. Potential minerals are defined as minerals which have been or could be beneficiated to give a quality acceptable for commercial usage in the foreseeable future and excludes minor mineral occurrences.

Redomiciliation/reincorporation: the process by which a company moves its domicile from one jurisdiction to another by changing the country under whose laws it is registered or incorporated, whilst maintaining the same legal identity.

S
Seam: a geological structure containing a series of layers of coal, shale and other mineral materials of varying thicknesses.

Shaft: a mine working (usually vertical) used to transport miners, supplies, ore and waste.

Sludge: high ash reject material from the fine coal washing circuits that can be recovered and re-processed to sell as additional coal by blending it with other products.

Steam coal: coal that will be used for steam generation principally in thermal power plants.

T
Tectonic stress release: the result of energy releases in the mass of rock from the creation of empty underground spaces. The rock is stressed by the extraction of ore, pressure is created in it and energy is accumulated, which can be released in an instant by a rockfall. Bumps and slides occur mainly in saddle seams, where there is solid overlying rock.

Thermal coal: coal used in combustion processes by power producers and industrial users to produce steam for power and heat. Also called steam coal.

Tonne: a metric tonne, a measure of mass equal to one thousand (1,000) kilogrammes or approximately two thousand, two hundred and five (2,205) pounds.

U
Underground mining: the extraction of coal or its products from layers of rock by underground mining methods such as room-and-pillar mining and longwall mining.

Upper Silesian Basin: a coal basin in Silesia in Poland and the Czech Republic. The area contains a number of mineable resources including lead, silver and zinc; and resources of coal reach depths of 1000 metres below ground, approximately seventy (70) billion tonnes of coal.

UHF tags: a RFID tag that works in a portion of the ultra high frequency (UHF) range.

Notes

Designed and produced by Dynamo design s.r.o.
www.dynamodesign.cz

Disclaimer and Cautionary Note on Forward Looking Statements and Notes on Certain Other Matters

Certain statements in this document are not historical facts and are or are deemed to be 'forward-looking'. The Company's prospects, plans, financial position and business strategy, and statements pertaining to the capital resources, future expenditure for development projects and results of operations, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology including, but not limited to; 'may', 'expect', 'intend', 'estimate', 'anticipate', 'plan', 'foresee', 'will', 'could', 'may', 'might', 'believe' or 'continue' or the negatives of these terms or variations of them or similar terminology. Although the Company has made every effort to assure the accuracy of the used information and 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. These forward-looking statements involve a number of factors, risks, uncertainties and other facts that may cause actual results to be materially different from those expressed or implied in these forward-looking statements because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond NWR's ability to control or predict. Forward-looking statements are not guarantees of future performances.

Factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those projected can be a result of or include, but are not limited to, the following: changes in political, economic and social conditions in the Czech Republic, Poland, the United Kingdom, the Netherlands and the Central and Eastern Europe region; 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; weather conditions or catastrophic damage; risks relating to Dutch, UK, Czech or Polish law, regulations and taxation, including laws, regulations, decrees and decisions governing the coal mining industry, the environment and currency and exchange controls relating to Czech and Polish entities and their official interpretation by governmental and other regulatory bodies and by the courts; developments in the financial markets; and risks relating to global economic conditions and the global economic environment. Additional risk factors are as described in this Annual Report.

Forward-looking statements are made only as of the date of this document. 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 its expectations or any change in events, conditions, assumptions or circumstances on which any such statement is based unless so required by applicable law.

New World Resources Plc
c/o Hackwood Secretaries Limited
One Silk Street
London EC2Y 8HQ
United Kingdom

Headquarters:
Jachthavenweg 109h
1081 KM Amsterdam
The Netherlands

For investor enquiries please contact:
Investor Relations
Tel: +31 20 570 2270
E-mail: ir@nwrgroup.eu

For media enquiries please contact
NWR Communications, s.r.o.
Tel: +420 225 282 451
Fax: +420 225 282 415
E-mail: pr@nwrgroup.eu

www.newworldresources.eu