



New World Resources N.V.

Additional 2009 Financial Disclosure

The disclosures set forth in the Additional 2009 Financial Disclosure contain an operating and financial review and certain additional financial disclosures. The Company is making this information available to investors and prospective investors in its shares and in its debt securities. This Additional 2009 Financial Disclosure should be read in connection with the Company's 2009 Annual Report, which is published and posted on the Company's website.

For purposes of holders of the Company's 7.375 per cent senior notes (the "Notes"), the annual report provided for under the indenture governing the Notes consists of the Company's 2009 Annual Report and this Additional 2009 Financial Disclosure.

Operating and Financial Review
for the year ended 31 December 2009

Operating and Financial Review for the year ended 31 December 2009

Corporate Information

New World Resources N.V. (“the Company”) is a public limited liability company with its registered office at Jachthavenweg 109h, 1081 KM Amsterdam, the Netherlands. The Company is the sole producer of hard coal in the Czech Republic and a leading producer of hard coal in Central Europe on the basis of revenues and volume, and serves customers in the Czech Republic, Poland, Austria, Slovakia, Hungary and Germany. The Company is primarily focused on hard coal mining and coke production.

The Company operates four mines and two coking facilities in the Czech Republic and serves several large Central and Eastern European steel and energy producers. Its key customers are Arcelor Mittal Steel, US Steel, DALKIA, Moravia Steel, Voestalpine and ČEZ. The majority of coal sales are based on long-term framework agreements, which are re-priced mainly on an annual basis.

The Company's hard coal mining business is conducted through OKD, a.s. (“OKD”), a wholly-owned subsidiary of the Company. OKD produces coking coal, which accounted for 51% and 55% of the tonnage of coal sold to third parties for the year ended 31 December 2009 and 2008 respectively, and is used in steel production, and high quality thermal coal, which is used in power generation.

The Company's largest business in terms of revenue is the production of coking coal, which accounted for EUR 448,624 thousand and EUR 859,718 thousand in external sales during the year ended 31 December 2009 and 2008 respectively. Additionally, external thermal coal sales amounted to EUR 351,379 thousand in the year ended 31 December 2009 and EUR 352,295 thousand in the same period in 2008. Net coke sales totalled EUR 105,092 thousand during the year ended 31 December 2009, compared to EUR 332,506 thousand in the same period in 2008.

Financial Results Overview

Revenues. The Company's revenues decreased by 38%, from EUR 1,814,785 thousand in the year ended 31 December 2008 to EUR 1,116,838 thousand in the year ended 31 December 2009. This decrease is mainly attributable to the decrease in revenues from coking coal and coke.

Operating expenses. Total operating expenses decreased from EUR 1,348,550 thousand to EUR 1,137,433 thousand or by 16% for the year ended 31 December 2009 compared to the same period in 2008. The decrease is mainly due to a EUR 84,896 thousand decrease in personnel expenses (excluding employee benefits), a EUR 36,219 thousand decrease in Polish coal consumption for coking, as well as EUR 19,501 thousand decrease in expenses for contractors.

EBITDA. EBITDA from continuing operations decreased by 74% from EUR 683,568 thousand in the year ended 31 December 2008 to EUR 178,685 thousand in the year ended 31 December 2009. Total EBITDA, including the results of both, continuing and discontinued operations, decreased by EUR 511,326 thousand from EUR 697,006 thousand in the year ended 31 December 2008 to EUR 185,680 thousand in the year ended 31 December 2009. This is mainly due to a decrease in operating result from continuing operations of EUR 507,156 thousand, as lower expenses did

not compensate for the decrease in revenues driven mainly by the decline of both coking coal and coke prices and volumes.

Basis of Presentation

General information

The condensed consolidated financial information (“financial information”) presented in this document is prepared for the year ended 31 December 2009. The financial information for the year ended 31 December 2008 represents the comparative period.

The financial information includes New World Resources N.V. and its following subsidiaries (together “the Group”) as of 31 December 2009:

Consolidated subsidiaries

<i>Entity</i>	<i>% Equity = voting</i>	<i>Nature of Activity</i>
<i>Entities directly owned by New World Resources N.V.:</i>		
OKD, a.s.	100 %	Coal mining
OKK Koksovny, a.s.	100 %	Coke production
NWR KARBONIA Sp. z o.o.	100 %	Coal mining
NWR Energy, a.s.*	100 %	Energy production and sale
<i>Entities directly owned by OKD, a.s.:</i>		
OKD, HBZS, a.s.	100 %	Emergency services, waste processing
<i>Entities directly owned by NWR Energy, a.s.:</i>		
CZECH-KARBON s.r.o.*	100 %	Electricity trading
NWR Energetyka PL Sp. z o.o.*	100 %	Energy production and sale

**presented as assets held for sale*

The objective of the Company is to act as a holding and financing entity for the Group.

See note “Changes in the consolidated group” on page 6 for information on the comparable period.

All of the Company’s consolidated subsidiaries are incorporated in the Czech Republic, with the exception of NWR KARBONIA Sp. z o.o. and NWR Energetyka PL Sp. z o.o., which are incorporated in Poland.

Statement of compliance

The presented financial information is prepared based on IFRS recognition and measurement criteria as adopted by the European Union.

The financial information has been prepared on the basis of the accounting policies and methods described in the notes to financial statements contained in the 2009 Annual Report of the Group.

Summary of changes in accounting policies

Except as described below, the accounting policies applied by the Group in the consolidated financial statements for the year ended 31 December 2009 are the

same as those applied in the consolidated financial statements for the year ended 31 December 2008.

The Group started to apply revised IAS 1 Presentation of Financial Statements, which is effective for annual periods starting 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. The Group also started to apply revised IAS 23, which requires the capitalization of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. This presentation has been applied in this financial information.

Basis of preparation

The financial information is prepared on the historical cost basis, except for derivative and other financial instruments, which are stated at their fair value. It is presented in Euros (EUR) and is rounded to the nearest thousand. Financial information of operations with functional currency other than EUR was translated to the Group presentation currency (EUR).

The functional currency of the Company is EUR. The functional currency of NWR KARBONIA Sp. z o.o. and NWR Energetyka PL Sp. z o.o. is the Polish Zloty (PLN). The functional currency of the remaining consolidated companies is the Czech Koruna (CZK).

The Group is organised into two divisions: the Mining Division 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 two divisions. The A Shares track the financial performance and economic value of the Mining Division, but do not track the financial performance or economic value of the Real Estate Division, which is represented by the B Shares. The B Shares are owned solely by the BXR Group, which also holds approximately 64% of the A Shares. The ownership of the A Shares and the B Shares represents an ownership interest in the Group as a whole, but does not represent a direct legal interest in the assets and liabilities of the assets of the Mining Division or the Real Estate Division, respectively. The financial statements of the Group reflect the results of operations and the financial position and performance of the assets and businesses currently owned and operated by the Mining Division and the Real Estate Division. As the A Shares and B Shares are tracking stocks of the same legal entity, separate financial statements are not provided. With effect from 31 December 2007, the Group has tracked the financial performance of the two divisions and presents corresponding financial information in the segmental information in its consolidated financial statements. See "Divisions and segments" for the segmental analysis of the Group.

Since July 2008 the Company has presented and followed the financial performance of the electricity trading business separately. Consequently, the Mining Division is represented by two sub-segments, one representing the coal & coke business and the other representing the electricity trading business. The electricity trading activities are presented as discontinued operations.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these consolidated financial statements, the

significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2008.

Changes in the consolidated group

The changes listed below include all changes in the consolidated group for the period from 1 January 2008 to 31 December 2009 to ensure comparability of the presented periods.

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 such 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 are recognised as a change in consolidated equity.

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

With effective date 1 January 2008 the 100% share in OKD, Rekultivace, a.s. ("Rekultivace"), the 49% share in Garáže Ostrava, a.s. and OKD's internal business unit IMGE were spun-off from OKD into four legal entities. On 30 September 2008, the Company distributed these four entities together with certain promissory notes received from the sale of real estate assets not used for its mining activities to the holder of B Shares (see section "Divisions and segments").

OKK Koksovny, a.s. ("OKK") merged with NWR Coking, a.s. with effective date 1 January 2008, with OKK as the legal successor. The control at the Company level did not change.

The Company established two special purpose vehicles, NWR Energy, a.s. and NWR Energetyka PL Sp. z o.o. in the second quarter of 2008. OKD's internal business unit Energetika, operating the energy assets of OKD, and the 100% share in CZECH-KARBON s.r.o. were spun-off from OKD into NWR Energy, a.s. with effective date 1 July 2008. The purpose of NWR Energy, a.s. is to manage and operate these energy assets. The purpose of NWR Energetyka PL Sp. z o.o. is to manage and operate energy assets, which were spun-off from NWR KARBONIA Sp. z o.o. in the first quarter of 2009. The entities do not perform any other activities than those related to this purpose. The control at the Company level did not change.

On 1 December 2008 OKD sold its subsidiary OKD, BASTRO, a.s. to Bucyrus DBT Europe GmbH, the German subsidiary of Bucyrus International, Inc., a mining equipment manufacturer.

On 24 June 2009 the Board of Directors of the Company ("the Board") approved the intention to sell the energy business of the Group under defined conditions. The

energy business of the Group is represented by NWR Energy, a.s., NWR Energetyka PL Sp. z o.o. and CZECH-KARBON s.r.o. Based on the Board's determination to sell the energy business, the assets and liabilities of these entities are classified as held for sale. Part of the energy business, which historically has been presented as the Electricity trading segment in the past, is presented as discontinued operations in this financial information.

On 13 October 2009, the Company contributed all its shares in NWR Energetyka PL Sp. z o.o. to its other subsidiary, NWR Energy, a.s. Thus all energy business is now consolidated under NWR Energy, a.s.

Non-IFRS Measures

The Company defines EBITDA as net profit after tax from continuing operations before minority interest, income tax, net financial costs, depreciation and amortisation, impairment of property, plant and equipment ("PPE") and gains/losses from sale of PPE. While the amounts included in EBITDA are derived from the Company's condensed consolidated financial statements, it is not a financial measure determined in accordance with IFRS. Accordingly, EBITDA should not be considered as an alternative to net income or operating income as an indication of the Company's performance or as an alternative to cash flows as a measure of the Company's liquidity. The Company currently uses EBITDA in its business operations to, among other things, evaluate the performance of its operations, develop budgets, and measure its performance against those budgets. The Company considers EBITDA a useful tool to assist in evaluating performance because it excludes interest, taxes and other non-cash charges.

The financial information shows the results from Electricity trading as profit from discontinued operations. To present comparable figures with previously published financial information, the Company presents Total EBITDA, which is defined as the total of EBITDA from continuing operations and EBITDA from discontinued operations. Discontinued operations are also presented in a separate part of this document.

The Company defines net debt as total debt less cash and cash equivalents. Total debt includes issued bonds, long-term interest-bearing loans and borrowings, including their current portions, plus short-term interest-bearing loans and borrowings. Total debt is based on gross amount of debt less related expenses. Interest-bearing loans, bond issues, and borrowings are measured at amortised cost.

Exchange Rates

The following table presents the FX rates used:

(CZK/EUR)	Year ended 31 December	
	2009	2008
Average exchange rate	26.435	24.946
Balance sheet exchange rate	26.473	26.875

The Czech Koruna depreciated (based on the average exchange rate) by 6% between the year ended 31 December 2008 and the year ended 31 December 2009.

Throughout the discussion of the operating results, the financial results and performance compared to the prior period, both in Euros and percentage terms, are given in Euros. The Company may also, where deemed significant, present variances in terms of constant foreign exchange rates, marked ex-FX, which exclude the effect of currency translation differences and is a non-IFRS financial measure.

This discussion does not eliminate the effects resulting from the conversion of amounts from CZK into EUR on the comparability of financial information of the Group in different periods. This can lead to an over- or understatement of change in revenue and expenses from period-to-period when compared to the change in revenues in CZK. The financial information and described trends could differ considerably if the financial information was presented in CZK.

Financial Performance

Revenues

Revenues of the Group decreased by 38% to EUR 1,116,838 thousand in the year ended 31 December 2009.

(EUR thousand)	Year ended 31 December		Change		
	2009	2008	y-y	y/y %	ex-FX
Revenues					
External coking coal sales (EXW)	448,624	859,718	(411,094)	(48%)	(45%)
External thermal coal sales (EXW)	351,379	352,295	(916)	(0%)	6%
External coke sales (EXW)	105,092	332,506	(227,414)	(68%)	(67%)
Coal and coke transport by OKD	114,413	107,034	7,379	7%	13%
Sale of coke by-products	12,492	22,384	(9,892)	(44%)	(41%)
OKD other sales	46,271	83,150	(36,879)	(44%)	(33%)
Reclamation works	0	20,952	(20,952)	(100%)	(100%)
Other revenues	38,567	36,746	1,821	5%	11%
Total	1,116,838	1,814,785	(697,947)	(38%)	(34%)

The decrease mainly reflects a decrease in revenues from coking coal and coke sales. The decrease in coking coal and coke sales is mainly attributable to a decrease in coking coal and coke prices, as well as a decrease in volumes of coking coal and coke sold to third parties.

Average sales prices per ton (EUR)	Year ended 31 December	
	2009	2008
Coking coal	87	137
Thermal coal	72	69
Coke	149	302

The following table reflects coal production and sales for the years 2009 and 2008.

Coal performance indicators (kt)	Year ended 31 December		Change	
	2009	2008	y-y	y/y %
Coal production	11,001	12,663	(1,662)	(13%)
Sales to OKK	(829)	(1,094)	265	(24%)
Sales to NWR Energy, a.s.	(49)	0	(49)	-
Internal consumption	(11)	(42)	31	(74%)
Coal production available for sale	10,112	11,527	(1,415)	(12%)
(Inventory build-up)	(51)	(140)	89	(64%)
Total net sales	10,061	11,387	(1,326)	(12%)
- of which				
Coking coal	5,170	6,293	(1,123)	(18%)
Thermal coal	4,891	5,094	(203)	(4%)

Total production of coal in the year ended 31 December 2009 decreased by 13% compared to total production in the year ended 31 December 2008. Volumes of coal sold to third parties decreased by 12%.

The following table reflects coke production and sales for the years 2009 and 2008.

Coke performance indicators (kt)	Year ended 31 December		Change	
	2009	2008	y-y	y/y %
Coke production	843	1,296	(453)	(35%)
Internal consumption	(53)	(78)	25	(32%)
(Inventory build-up)	(85)	(115)	30	(26%)
Coke sales	705	1,103	(398)	(36%)

Coke production decreased by 35% in the year ended 31 December 2009, when compared to the same period in 2008, while coke sales decreased by 36%. Lower volumes of sales compared to production volumes resulted in a build-up of inventory in both years. The decline of production was due in part to the fact that the Group decreased its utilization of certain coking facilities in 2009 as a result of the decreased demand for coke, resulting from the global economic downturn.

The Company distributed Rekulivace (which was the entity that provided reclamation works) to the B shareholders of the Company on 30 September 2008. Therefore, the Group did not provide any reclamation works to third parties in 2009.

Due to the transfer of energy assets from OKD into NWR Energy, a.s. on 30 June 2008, Other sales of OKD decreased by EUR 16,027 thousand. OKD other sales further decreased by EUR 16,745 thousand due to lower revenue from foreign currency forwards, which classify for hedge accounting.

The electricity trading business is classified as discontinued operations and is presented in a separate section Discontinued operations in this document.

Operating Expenses

Operating expenses decreased from EUR 1,348,550 thousand to EUR 1,137,433 thousand or by 16% for the year ended 31 December 2009 compared to the same period in 2008. The decrease is mainly due to a EUR 84,896 thousand decrease in personnel expenses, a EUR 36,219 thousand decrease in Polish coal consumption for coking, as well as EUR 19,501 thousand decrease in expenses for contractors.

Consumption of Material and Energy

The following table sets out the Group's costs for the consumption of material and energy for the years 2009 and 2008:

(EUR thousand) Consumption of material and energy	Year ended 31 December		Change		
	2009	2008	y-y	y/y %	ex- FX
Mining material	97,371	117,209	(19,838)	(17%)	(12%)
Spare parts	38,967	40,134	(1,167)	(3%)	3%
Polish coal consumption for coking	18,104	54,323	(36,219)	(67%)	(65%)
Energy for coal mining (OKD)	110,867	95,375	15,492	16%	23%
Energy for coking (OKK)	14,291	14,696	(405)	(3%)	3%
Other consumption of material and energy	12,713	46,295	(33,582)	(73%)	(74%)
Total	292,313	368,032	(75,719)	(21%)	(16%)

In the year ended 31 December 2009 the cost of energy consumption for coal mining increased by 16%. The increase in price of electricity and distribution in the Czech Republic by 33% in Euro terms was partly offset by lower consumption volumes of energy and material consumed for coal mining and coking. The line item Energy for coal mining (OKD) includes EUR 25,576 thousand in costs for compressed air for the year ended 31 December 2009, increased from EUR 13,124 thousand for the year ended 31 December 2008. The increase is principally driven by an organisational change within the Group: As of 1 July 2008 energy assets of OKD were transferred to a separate entity, NWR Energy, a.s. Before the transfer, compressed air was produced internally at OKD and costs associated with the production of compressed air (e.g. electricity, labour) were each included in the appropriate line item. Since the transfer of OKD's energy assets to NWR Energy, a.s., OKD has procured compressed air from NWR Energy, a.s. and accounts for its entire cost under Energy for coal mining.

The decrease in the line item Mining material reflects the reduction in coal production by 13% combined with the decrease in unit price of mining material by 7%. The decrease in Spare parts consumption is caused mainly by the decrease in production, which is partly offset by higher consumption of spare parts due to increasing depth of mining. The consumption of externally purchased Polish coal for

coking operations decreased mainly due to lower production levels of coke that require lower volumes of coal input as well as by substitution of externally purchased coal by coal produced internally by the Group.

Other consumption of material and energy decreased by 73%, primarily due to the distribution of Reaktivace on 30 September 2008 and the sale of OKD, Bastro, a.s. in December 2008.

The electricity trading business is classified as discontinued operations and is presented in a separate section Discontinued operations of this document.

Service Expenses

Service expenses decreased by 16% for the year 2009 compared to the year 2008 as set forth in the table below.

(EUR thousand)	Year ended 31 December		Change		
	2009	2008	y-y	y/y %	ex-FX
Service expenses					
Coal and coke transport costs	111,069	107,931	3,138	3%	9%
Contractors OKD	66,403	85,904	(19,501)	(23%)	(18%)
Maintenance for OKD and OKK	30,897	42,536	(11,639)	(27%)	(23%)
Advisory expenses on holding level	8,111	17,244	(9,133)	(53%)	(50%)
Reclamation works	0	12,148	(12,148)	(100%)	(100%)
Other service expenses	77,091	85,703	(8,612)	(10%)	(7%)
Total	293,571	351,466	(57,895)	(16%)	(12%)

The decrease in Service expenses is mainly attributable to a decrease in expenses for contractors by 23% and the decrease in maintenance costs by 27%. The decrease in Contractors costs is the result of a 12% decrease of unit costs per shift combined with a 13% decrease in number of shifts worked (which is also reflected in a decrease in the average number of contractors as reflected in the table below), corresponding to the decrease of coal production. The decrease in Maintenance costs is due to intensive cost reduction measures resulting in less maintenance works at the mines, partly due to the implementation of new mining technology. The Group did not provide reclamation works to third parties in 2009 due to the distribution of OKD Reaktivace, a.s. on 30 September 2008.

Coal and coke transport costs represent a significant portion of the service expenses. However, almost all transportation expenses are incurred in relation to the deliveries of coal and coke to customers and are then re-invoiced to these customers and included in the revenue, which means that transportation costs are just a pass-through item and do not have a material impact on the Group's financial results.

	2009	2008	y-y	y/y %
Contractors headcount				
Total	2,906	3,501	(595)	(17%)
- of which OKD mining	2,610	3,002	(392)	(13%)

Personnel Expenses

The following table reflects personnel expenses excluding employee benefits for the years 2009 and 2008.

(EUR thousand)	Year ended 31 December		Change		
	2009	2008	y-y	y/y %	ex-FX
Personnel expenses excl. employee benefits	343,195	428,091	(84,896)	(20%)	(16%)

Personnel expenses excluding employee benefits decreased by 20%. The decrease reflects a wage freeze agreed with the Group's trade unions as well as the decision not to pay certain bonuses and other extra payments to the employees of the Group in 2009. Personnel expenses also include the costs for share-based payments to Directors and employees in the amount of EUR 12,441 thousand and EUR 16,295 thousand for the year ended 31 December 2009 and 2008 respectively. Share-based payments are described in detail in the Share-based payments section of this document.

The following table reflects the number of employees for the years 2009 and 2008:

Employees headcount	Year ended 31 December		Change	
	2009	2008	y-y	y/y %
Own employees	16,044	17,738	(1,694)	(10%)
- of which OKD mining	9,911	10,374	(463)	(4%)

For the year ended 31 December 2009, the number of employees decreased by 10% compared to the number of employees in 2008, due to the decrease in production.

Other Operating Income and Expenses

The following table reflects other operating income and expenses in 2009 compared to 2008.

(EUR thousand)	Year ended 31 December		Change		
	2009	2008	y-y	y/y %	ex-FX
Other operating income	3,514	4,080	(566)	(14%)	(9%)
Other operating expenses	(28,812)	(27,625)	(1,187)	4%	11%
Net other operating income	(25,298)	(23,545)	(1,753)	7%	14%

Other operating income and expenses reflect insurance costs and payments, mining damage and indemnity, and related provisions and their release. Other operating expenses increased mainly due to an increase in charitable contributions to the OKD foundation by EUR 2,108 thousand.

EBITDA

The following table compares EBITDA for the year ended 31 December 2008 and 2009.

(EUR thousand)	Year ended 31 December		Change		
	2009	2008	y-y	y/y %	ex-FX
EBITDA from continuing operations	178,685	683,568	(504,883)	(74%)	(70%)
EBITDA from discontinued operations	6,995	13,438	(6,443)	(48%)	(45%)
Total EBITDA	185,680	697,006	(511,326)	(73%)	(70%)

The Company's EBITDA from continuing operations for the year ended 31 December 2009 was EUR 178,685 thousand, which is EUR 504,883 thousand lower than in the year ended 31 December 2008 and represents a 74% decrease.

As EBITDA is a non-IFRS measure, the following tables provide a reconciliation of EBITDA from continuing operations and EBITDA from discontinued operations to IFRS line items of the income statement.

Year ended 31 December

(EUR thousand)	2009	2008
Net Profit after Tax from Continuing Operations	(63,731)	341,096
Income Tax	5,811	117,673
Net Financial Expenses	67,873	58,340
Depreciation and Amortisation	172,849	168,511
Gains/Losses from Sale of PPE	(4,117)	(2,052)
EBITDA from continuing operations	178,685	683,568

Year ended 31 December

(EUR thousand)	2009	2008
Net Profit after Tax from Discontinued Operations	2,135	10,543
Income Tax	1,555	2,843
Net Financial Expenses	3,300	48
Depreciation and Amortisation	5	4
Gains/Losses from Sale of PPE	0	0
EBITDA from discontinued operations	6,995	13,438

Depreciation

The following table reflects depreciation for 2009 and 2008.

(EUR thousand)	Year ended 31 December		Change		
	2009	2008	y-y	y/y %	ex-FX
Depreciation	(164,497)	(158,346)	(6,151)	4%	10%

The majority of property, plant and equipment of the Group is located in Czech Republic. Therefore most of the depreciation is recorded in CZK. After elimination of the exchange rate impact on the historical costs, depreciation increased by 10%. This increase is mainly due to higher values of new equipment, in particular the Production Optimisation Programme ('POP 2010') mining equipment, as compared to the original gross values of the replaced equipment.

Financial Income and Expense

Financial result decreased by 15% for the year ended 2009 compared to the year 2008 as set forth in the table below.

(EUR thousand)	Year ended 31 December		Change	
	2009	2008	y-y	y/y %
Financial income	48,931	106,011	(57,080)	(54%)
Financial expense	(116,804)	(165,198)	48,394	(29%)
Financial result	(67,873)	(59,187)	(8,686)	15%

Financial income decreased by 54% to EUR 48,931 thousand for the year ended 31 December 2009. Financial expense decreased by EUR 48,394 thousand to EUR 116,804 thousand for the year ended 31 December 2009. The decrease in realised and unrealised foreign exchange gains of EUR 41,683 thousand was partly offset by the decrease in realized and unrealized foreign exchange losses of EUR 12,951 thousand. Loss on derivative instruments, which do not qualify for hedge accounting, decreased by EUR 18,820 thousand. Net interest expense decreased slightly as a result of lower market interest rates.

Profit/(Loss) from Continuing Operations before Tax

Loss from continuing operations before tax for the year 2009 was EUR 57,920 thousand, a decrease of EUR 516,689 thousand compared to a profit of EUR 458,769 thousand for the year 2008. The factors affecting this decrease in profits are discussed above.

Income Tax

The effective income tax rate of the Group was 26% in 2008. In 2009, the effective income tax rate was minus 10%, as the Group had income tax expense of EUR 5,811 thousand despite recording a loss in 2009. The income tax expense is negatively influenced by the tax non-deductibility of some expenses, especially the interest expense on the part of the Senior Secured Facilities, and by the fact that the holding company recorded a loss before tax for the year ended 31 December 2009, for which no deferred tax asset was recognised as at 31 December 2009, while majority of the operating entities recorded a profit and corresponding income tax. The Group income tax expense for the year ended 31 December 2009 is decreased by the recognition of a deferred tax asset resulting from the 2009 tax loss of OKK.

Profit/(Loss) from Discontinued Operations

Profit from discontinued operations, reflecting the result of the electricity trading business, decreased from EUR 10,543 thousand in 2008 to EUR 2,135 thousand in 2009.

Profit/(Loss) for the Period

Loss for the year 2009 was EUR 61,596 thousand, which was EUR 413,235 thousand lower than profit for the year 2008. The decrease was the result of decrease in profit before tax, which was partly offset by a decrease in the income tax expense.

Share-based Payments

Introduction to share-based payments of the Company

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 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, representing the extent to which the vesting period has expired and of the number of equity instruments that will ultimately vest. The movement in cumulative expense compared to the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity or liability, based on the type of share-based scheme.

For cash-settled share-based payment transactions, the Company measures the liability incurred at the fair value of the liability. The Company re-measures the fair value of the liability at the date of settlement and at the end of each reporting period until the liability is settled, with any changes in fair value recognised in profit or loss for the period.

The impact of the Group's share-based remuneration schemes on the diluted earnings per share is calculated according to the requirements of IFRS 2 and IAS 33.

The Company offers independent members of the Board and certain employees of the Group share-based remuneration packages (see below).

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 9 May 2008 and A Shares in the same value vesting on 9 May 2009. The Company settled the first tranche by issuing 59,260 ordinary A Shares with nominal value of EUR 0.40 each on 16 May 2008. The value of the transaction was determined by means of the market share price as per 16 May 2008. The second and final tranche was settled by issuing 266,490 ordinary A Shares with nominal value of EUR 0.40 each on 20 May 2009. 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.

Since the return is fixed in the same way as if settlement were to be made in cash for the shares vesting on 9 May 2009, the settlement was accrued for as a financial liability. The corresponding expenses are shown as Share-based payments under Personnel expense. The impact of granting shares to the Independent Directors on

the income statement for the period in 2009 equals to EUR 353 thousand. This amount relates fully to accrued expenses for the second tranche of granted shares.

b) Shares and share options granted to Executive Directors

Mr. Miklos Salamon was granted options for A Shares 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 and is presented correspondingly, in a separate equity category in the balance sheet of the Company. 263,800 options vested on 1 September 2008. 264,351 options vested on 1 September 2009. On each subsequent anniversary an additional 20% of the granted options will vest. The accrued expense for the granted share options has an impact of EUR 8,381 thousand for the year ended 31 December 2009.

Mr. Salamon's option plan has no dilutive impact since the fair value of the weighted average number of options that would have been issued at average market price would equal the fair value of the services the Company received from Mr. Salamon.

According to his employment contract with OKD, the Executive Director of the Company and the Chief Executive Officer of OKD, Mr. Klaus-Dieter Beck is entitled to receive 250,045 A Shares for each full year of his three-year term, starting as of 1 July 2007, up to a maximum total amount of 1,250,225 A Shares. The remuneration package classifies as an equity settled share-based payment transaction with cash alternative and is presented accordingly as a short-term liability.

Mr. Beck's incentive plan has no dilutive impact since the fair value of the weighted average number of shares that would have been issued at average market price would equal to the fair value of the services the Group received from Mr. Beck.

c) Share options granted to employees of the Group

Several eligible employees and Directors of the Group were granted options for A Shares of the Company in accordance with its Stock Option Plan for Executive Directors, senior management and key employees ("the NWR IPO Share Option Plan"). This remuneration package is classified as equity settled. The exercise price of the options granted on 9 May 2008 is GBP 13.25. The corresponding vesting period for these share options, numbering 619,878 in total, runs from 9 May 2008 to 9 May 2011. The second granting of options to certain employees and Directors took place on 24 June 2009. The exercise price of these options is GBP 2.8285. The corresponding vesting period for these share options, numbering 3,325,762 in total, runs from 24 June 2009 to 24 June 2012.

Similarly to the options granted to Mr. Salamon, the fair value of the options per grant date was calculated by using the Black-Scholes model.

Due to the Company's share market price as of 31 December 2009, which is lower than the exercise price of options granted under the NWR IPO Share Option Plan on 9 May 2008, these are out-of-the-money and therefore, do not have any dilutive potential regarding the calculation of the diluted earnings per share.

The second tranche of granted options is in the money. The average share price for the period was GBP 3.9443. The dilutive impact of the second tranche is 474,576 shares.

The following table presents the impact of the various share-based remuneration schemes on the profit of the Company.

Share-based remuneration schemes

<i>EUR thousand</i>	01/01/2009 - 31/12/2009	01/01/2008 - 31/12/2008
Independent Directors	353	1,846
Mr. Miklos Salamon	8,381	8,090
Mr. Klaus-Dieter Beck	2,013	5,764
Other	1,694	595
Total	12,441	16,295

Earnings per Share (“EPS”)

The diluted earnings per A Share amounted to EUR -0.25 per A Share for the year ended 31 December 2009 compared to EUR 1.33 per A Share for the same period in 2008.

Earnings per share (EUR)	Year ended 31 December 2009			
	A Shares	B Shares	C Share	The Company
Basic EPS	(0.25)	384.60	-	(0.23)
Number of shares	264,044,650	10,000	0	264,054,650
Adjusted EPS	(0.25)	384.60	-	(0.23)
Adjusted number of shares*	264,330,100	10,000	0	264,340,100
Diluted EPS	(0.25)	384.60	-	(0.23)
Diluted number of shares	264,519,226	10,000	0	264,529,226

Earnings per share (EUR)	Year ended 31 December 2008			
	A Shares	B Shares	C Share	The Company
Basic EPS	1.33	746.80	0.00	1.36
Number of shares**	258,981,995	10,000	0.24	258,991,996
Adjusted EPS	1.30	746.80	-	1.33
Adjusted number of shares*	264,330,100	10,000	0	264,340,100
Diluted EPS	1.33	746.80	0.00	1.36
Diluted number of shares	259,032,528	10,000	0.24	259,042,529

* adjusted to the actual number of A Shares as of 31 December 2009

** restated for the stock split of 2.5 that occurred on 5 May 2008

Cash Flow

The following table compares the main cash flow categories for the year ended 31 December 2009 and 2008.

(EUR thousand)	Year ended 31 December	
	2009	2008
Cash flow		
Net profit before taxation and minority	(54,230)	472,155

interest		
Adjustments for non-cash income items	249,180	248,924
Working capital changes	52,491	25,613
Interest paid	(52,852)	(65,989)
Corporate income tax paid	(18,364)	(157,047)
Net cash flows from operating activities	176,225	523,656
Net cash flows from investing activities	(239,411)	(260,872)
Proceeds from/(Repayments of) borrowings	(11,034)	(38,804)
Net proceeds from issued shares	0	217,188
Dividends paid	(47,484)	(235,536)
Net cash flows used in financing activities	(58,518)	(57,152)

Cash Flow from Operating Activities

Net operating cash flow for the year ended 31 December 2009 amounted to EUR 176,225 thousand, compared with EUR 523,656 thousand for the year 2008. This decrease in the net operating cash flow was mainly attributable to the decrease in net result due to lower revenues caused by lower prices and volumes of coal and coke sold. The impact of lower sales was partly offset by improved working capital management resulting in a positive cash flow resulting from the changes of receivables and payables in the amount of EUR 59,910 thousand. The lower cash inflow from operating activities was also partly offset by lower income tax paid.

The Group entered into a factoring agreement in December 2009. The Group sold trade receivables in the total value of approximately EUR 38,318 thousand in a non-recourse factoring and received cash in the amount of 90% of the nominal value of the receivables (EUR 34,426 thousand), which is reflected in the positive changes of working capital in 2009.

Cash Flow from Investing Activities

Net investing cash flow is negative, since capital expenditure is higher than the proceeds from sale of long-term assets. Capital expenditure decreased from EUR 285,094 thousand for the year ended 31 December 2008 by EUR 34,893 thousand to EUR 250,201 thousand for the year ended 31 December 2009, of which approximately EUR 128,890 thousand is related to the POP 2010 equipment. The decrease is mainly due to the decrease in POP 2010 related capital expenditure.

Cash Flow Used in Financing Activities

Cash flow used in financing activities was influenced by the proceeds from an initial public offering ("IPO") in May 2008, dividends paid, proceeds and repayments of loans and a partly redemption of the Company's Senior Notes. The net proceeds from the IPO in 2008 amounted to EUR 217,188 thousand. The Company paid dividends in the total amount of EUR 47,484 thousand in May 2009, compared to dividends in the amount of EUR 235,536 thousand paid in 2008. The Group also paid regular instalments on Facility 1 of the Syndicated Loan in February and August 2008 and February and August 2009. The EUR equivalent of the regular instalments in 2008 was EUR 65,148 thousand. The EUR equivalent in 2009 was EUR 63,486 thousand. The Group also repaid short-term borrowings in the amount of EUR 15,930 thousand in 2009 and drew down part of the ECA (Export Credit Agency) loan

facility in the amount of EUR 92,521 thousand in 2009. In October 2009 the Company repaid and cancelled part of its 7.375% Senior Notes in the nominal amount of EUR 32,435 thousand. The notes were purchased with a discount of EUR 2,270 thousand.

Liquidity and Capital Resources

The Company is a holding company and relies on dividends or other distributions from subsidiaries, inter-company loans or other capital contributions to fund its liquidity requirements. The liquidity requirements of the Group arise primarily from working capital requirements, interest and principal payments on the ECA loan, the Company's 7.375% Senior Notes, dividend payments, the need to fund capital expenditures and, on a selective basis, acquisitions. The dividends, distributions or other payments from subsidiaries are expected to be funded by cash from their operations. The Group continuously reviews its cash flow and operations, and believes that the cash generated from its operations and borrowing capacity will be sufficient to meet its principal uses of cash, which include future planned operating expenditures, anticipated capital expenditures (including acquisitions or mining equipment), scheduled debt and interest payments and distributions. To augment the existing cash and liquidity resources, the Company continues to evaluate a range of transactions, including debt financings. The Company may consider, from time to time, carrying out transactions to acquire, repay or discharge its outstanding debt (or portions thereof). The Group is leveraged at a standard level and its debt obligations consist of mandatory interest and principle payments.

As at 31 December 2009, the Group had cash and cash equivalents of approximately EUR 547,827 thousand. The Group's cash position was strengthened by the decision not to pay a year-end dividend due to the global economic crisis. The Group's stated dividend policy is to pay dividends amounting to 50% of net profit over the cycle.

The Company purchased EUR 32,435 thousand in aggregate principal amount of its 7.375% Senior Notes in October 2009. All purchased Notes were irrevocably and unconditionally cancelled, which reduced the outstanding principal amount of the Notes to EUR 267,565 thousand. The Notes that were purchased were acquired at a purchase price of EUR 930 for each EUR 1,000 in principal amount of Notes. The total purchase price for the Notes was EUR 30,165 thousand excluding the accrued interest.

In August 2009, the Company closed the ECA loan agreement for approximately EUR 141 million to finance Phase II of the POP 2010 capital investment programme. This loan will cover 85% of the net purchase price of five new longwall sets. The facility's availability period ends in June 2010 and NWR will repay the full facility in seventeen semi-annual linear instalments. As of 31 December 2009 the Company has drawn down EUR 92,521 thousand.

The Company entered into a share sale and purchase agreement with Dalkia Česká republika, a.s. ("Dalkia Ceska") on 8 January 2010 which provides for the sale by the Company to Dalkia Ceska of 100% of the ownership in the Energy Subsidiaries for CZK 3.209 billion in cash (the "SPA"). The purchase price is subject to certain adjustments based on the financial performance of the sold entities. The Group expects the closing of the sale of NWR Energy prior to June 2010, although there can be no assurances that the closing will occur prior to such date or at all.

As a direct result of the volatile economic environment, the Group unwound its EUR/CZK hedge contracts in October 2008, which allowed the Group to reassess its

position with regard to developments in the financial and foreign exchange markets. During the first quarter of 2009 the Company was 100% unhedged for foreign currency exposure. New hedging structures to cover the Group's net cash outflows in CZK were initiated in the second and fourth quarter of 2009 in line with the Company's stated policy to hedge 70% of foreign currency exposure for the Group for the rest of the year. The Group applies hedge accounting for such forward currency contracts. The following table shows the impact of realised forward currency contracts.

(EUR thousand)	Year ended 31		Change	
	December 2009	December 2008	y-y	y/y %
Revenues (OKD hedging)	7,993	24,738	(16,745)	(68%)
Consumption of material and energy	785	0	785	-
Service expenses	1,097	0	1,097	-
Personnel expenses	2,211	0	2,211	-

The Company paid out a final A Share dividend in the amount of EUR 47,484 thousand, EUR 0.18 per share on 22 May 2009. The dividend was paid in EUR, CZK, GBP and PLN based on the currency elections by the shareholders. No interim dividend was paid in October 2009.

As at 31 December 2009 the Company's net debt was EUR 485,860 thousand.

Unrestricted cash on hand amounted to EUR 547,827 thousand as at 31 December 2009.

The Indenture governing the 7.375% Senior Notes ("the Indenture") also imposes 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 (as such amounts are accrued on a quarterly basis) plus the net proceeds from the primary part of the 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 Group is subject to certain covenants under the Senior Secured Facilities agreement. As of 31 December 2009, the Group is in compliance with those covenants.

The restricted payment basket as defined by the Indenture amounts as of 5 February 2010 to approximately EUR 155,095 thousand.

Unrestricted Subsidiaries and Non-Core Real Estate

There was no consolidated subsidiary defined as Unrestricted Subsidiary for the year ended 31 December 2009.

Divisions and Segments

Introduction

In 2007 the Group early adopted IFRS 8 – Operating Segments. This standard requires an entity to report information about operating segments which is separately

available and which is regularly evaluated by the so called “Chief Operating Decision Maker” (“the CODM”).

Real Estate Division and Mining Division

In 2007 the Company separated the real estate of the Group into a new division in order to provide higher transparency to the mining and real estate assets. The Group began operating two segments determined by differences in their assets and products and services produced and provided. The segments were represented by the Mining Division (“the MD”) and the Real Estate Division (“the RED”), established internally by the Divisional Policy Statements as of 31 December 2007, at 23:59. The segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a separate strategic division that offers different products and services. The MD engages in coal extraction, production of coke and related operations and businesses. The RED solely provides inter-divisional service, i.e. provides real estate to the MD (see below). In connection to the newly operated segments MD and RED, no legal entity was established. The Company issued B Shares to track the financial performance of the RED.

Electricity trading

In 2008, the electricity-trading activities saw robust growth in sales volume, thus the management of the Group decided to present and follow the financial performance of the electricity trading business separately. Consequently, the MD is currently represented by two sub-segments, one representing the coal & coke business and the other representing the electricity trading business. In June 2009 the Board approved the intention to dispose of the energy business. Therefore the electricity trading segment is classified and presented as discontinued operations.

Relationship between the RED and the MD

As of 1 January 2008 the divisions are operated separately for accounting and reporting purposes to reflect the results of operations and the financial position of each division and to provide relevant information to the holders of the A Shares and B Shares, the CODM for the two reportable segments is the Board.

The RED comprised of the shares and corresponding investments in OKD, Rekultivace, a.s. and Garáže Ostrava, a.s., all of the assets and liabilities in the IMGE, former internal business unit of OKD and all real estate assets owned by the Group at the time of the establishment of the divisions (“the Real Estate Assets”). IMGE was an internal business unit of OKD specialised in land reclamation works, attributed with all real estate of OKD that was not being used for its mining and related operations. As the RED was established as of 31 December 2007, at 23:59, the segment did not have any revenues or expenses in the year ended 31 December 2007.

On 30 September 2008 the first distribution of assets of the Real Estate Division to RPG Industries SE, the sole holder of the B Shares, was effected. The assets included the shares and corresponding investments in RPG Rekultivace, a.s. (the sole shareholder in OKD, Rekultivace, a.s.), RPG Garáže, a.s. (the sole shareholder in Garáže Ostrava, a.s.), all of the assets and liabilities in IMGE (spun-off for the purpose of the distribution to special purpose entities named Dukla Industrial Zone, a.s. and RPG RE Property, a.s.) and certain promissory notes received for the sale of real estate assets.

In order to ensure fair treatment of all shareholders, the Company has adopted the Divisional Policy Statements, approved by RPG Industries SE. The fundamental and overriding principles are that the MD has the right to maintain:

- the undisturbed continuation of its mining, coking and related operations that are currently, or which are expected by the Board to be in the future, conducted using certain of the Real Estate Assets; and
- unrestricted access to the Real Estate Assets in connection with such mining, coking and related operations.

Based on these principles the MD is provided with unrestricted access to all Real Estate Assets necessary for its mining, coking and related operations for the time period, until these operations cease to exist. The Real Estate Assets include two groups of assets - buildings, constructions and similar real estate assets (“the Buildings”) and land.

Disclosures on Buildings

The RED provides the Buildings to the MD based on the fundamental principles provided by the Divisional Policy Statements. The management considers this relation between the divisions as a leasing relationship, where the RED provides property to the MD against remuneration. Following this approach, for the Buildings the following criteria for identifying the relation between the divisions as financial leasing are met:

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

The Buildings are recorded at the carrying amount in the balance sheet of the MD. Commencing 1 January 2008 the MD depreciates the Buildings. 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.

The Company did not reevaluate the Real Estate Assets for the purpose of presentation in the segment reporting. The assets are presented in the segment reporting at book values. These values also represent the basis for depreciation. Under IFRS finance lease assets shall be valued at the present value of minimum lease payments, which would also be the basis for depreciation under standard finance lease conditions. The RED does not charge lease payments to the MD for the access to the Real Estate Assets. Therefore, the Group decided to apply the book values for the allocation of the Real Estate Assets value between the divisions. The value of the Buildings provided to the MD at 31 December 2009 was EUR 290,416 thousand.

When the demand for unrestricted access to certain Real Estate Assets by the MD terminates, the overriding rules do not apply anymore and the Real Estate Assets are transferred back from the MD to the RED. This transfer becomes effective when the assets are not used for mining, coking and related operations anymore. Since the respective Buildings meet the criteria mentioned above, 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 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.

The Divisional Policy Statements determined in 2008 the annual fee paid for Real Estate Assets provided by the RED to the MD (the "CAP") to be EUR 3,600 thousand per year. The annual fee paid by the MD to the RED represents the financing costs on the Buildings provided. The CAP is accounted for as financial expense in the MD and as financial revenue in the RED. The CAP for the year 2009 amounts to EUR 3,807 thousand, after it was adjusted for the disposal of OKD, BASTRO, a.s. in 2008 and for the inflation index of 2008 according to the Divisional Policy Statements.

There is no consideration required from the MD to repay the present value of the Buildings provided in compliance with the Divisional Policy Statement. Therefore, the respective amount, or the book value, of the Buildings provided to the MD as at 31 December 2009 is presented in the equity of the MD.

Disclosures on land

Land is provided to the MD without any consideration. However the IFRS criteria for financial leasing cannot be met for land. IFRS do not provide a specific guideline for the presentation of such relationship. The Company decided to present this relationship in the segment analysis as a right to use land by the MD granted by the RED. The right is depleted over the expected lifetime of mining, coking and related businesses using a linear amortisation method. Management determined the value of the right being the book value of land at 31 December 2007, the date when the divisions were established. The residual amount of the right as of 31 December 2009 was EUR 14,730 thousand. The book value of the land provided as of 31 December 2009 was EUR 18,258 thousand.

Deferred revenue corresponding to the amount of the right to use is presented in the balance sheet of the RED. The deferred revenue will be released into revenues over the period correspondingly to the depletion of the right to use the land.

The revenues and expenses of the Real Estate Division consisted for the year ended 31 December 2008 mainly of the financial performance of the IMGE internal business unit of OKD and Rekultivace, which were allocated to the Real Estate Division at the date, when the divisions were set up. The financial income of the Real Estate Division also includes the fee that the Real Estate Division charges to the Mining Division for the use of the real estate provided according to the Divisional Policy Statements. The expenses include depreciation, change in deferred tax, a part of the costs relating to the spin-off and distribution of the assets of the Real Estate Division and other expenses related to the assets allocated to the Real Estate Division.

	Mining division segment						Real Estate division segment	Inter-segment Eliminations & adjustments	Continuing operations total
	Coal&Coke sub-segment	Electricity trading sub-segment	Eliminations & adjustments	Mining division consolidated - total	Eliminations & adjustments to discontinued operations	Mining division continuing operations - total			
	Continuing operations	Discontinued operations				Continuing operations			
	1/1/2009 - 31/12/2009	1/1/2009 - 31/12/2009	1/1/2009 - 31/12/2009	1/1/2009 - 31/12/2009	1/1/2009 - 31/12/2009	1/1/2009 - 31/12/2009	1/1/2009 - 31/12/2009	1/1/2009 - 31/12/2009	
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	
Segment revenues									
<i>Continuing operations</i>									
Sales to third party	1,112,548	0	0	1,112,548	0	1,112,548	212	1,112,760	
Sales to discontinued sub-segment	4,078	0	(4,078)	0	4,078	4,078	0	4,078	
Inter-segment sales	0	0	0	0	0	0	1,785	(1,785) 0	
<i>Discontinued operations</i>									
Sales to third party	0	117,406	0	117,406	(117,406)	0	0	0	
Sales to continuing sub-segment	0	70,172	(70,172)	0	0	0	0	0	
Total revenues	1,116,626	187,578	(74,250)	1,229,954	(113,328)	1,116,626	1,997	1,116,838	

	Mining division segment						Real Estate division segment	Inter-segment Eliminations & adjustments	Continuing operations total
	Coal&Coke sub-segment	Electricity trading sub-segment	Eliminations & adjustments	Mining division consolidated - total	Eliminations & adjustments to discontinued operations	Mining division continuing operations - total			
	Continuing operations	Discontinued operations				Continuing operations			
	1/1/2009 - 31/12/2009	1/1/2009 - 31/12/2009	1/1/2009 - 31/12/2009	1/1/2009 - 31/12/2009	1/1/2009 - 31/12/2009	1/1/2009 - 31/12/2009	1/1/2009 - 31/12/2009	1/1/2009 - 31/12/2009	
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	
Segment result	9,291	6,991	0	16,282	(6,991)	9,291	662	9,953	
Financial income				57,101	(8,122)	48,979	4,544	48,931	
Financial expenses				(132,528)	11,423	(121,105)	(291)	(116,804)	
Profit before tax				(59,145)	(3,690)	(62,835)	4,915	(57,920)	
Income tax expense				(6,297)	1,555	(4,742)	(1,069)	(5,811)	
PROFIT/(LOSS) FOR THE PERIOD				(65,442)	(2,135)	(67,577)	3,846	(63,731)	
Assets and liabilities as of 31 December 2009									
Total segment assets	2,160,816	41,290	(2,911)	2,199,195			33,356	2,215,531	
Total segment liabilities	1,632,425	24,436	(2,911)	1,653,950			18,426	1,655,356	

	Mining division segment						Real Estate division segment	Inter-segment Eliminations & adjustments	Continuing operations total
	Coal&Coke sub-segment	Electricity trading sub-segment	Eliminations & adjustments	Mining division consolidated - total	Eliminations & adjustments to discontinued operations	Mining division continuing operations - total			
	Continuing operations	Discontinued operations				Continuing operations			
	1/1/2008 - 31/12/2008	1/1/2008 - 31/12/2008	1/1/2008 - 31/12/2008	1/1/2008 - 31/12/2008	1/1/2008 - 31/12/2008	1/1/2008 - 31/12/2008	1/1/2008 - 31/12/2008	1/1/2008 - 31/12/2008	
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	
Business Segments									
Segment revenues									
<i>Continuing operations</i>									
Sales to third party	1,792,522	0	0	1,792,522	0	1,792,522	21,613	1,814,135	
Sales to discontinued sub-segment	650	0	(650)	0	650	650	0	650	
Inter-segment sales	1,924	49	0	1,973	0	1,973	4,544	0	
<i>Discontinued operations</i>									
Sales to third party	0	226,994	0	226,994	(226,994)	0	0	0	
Sales to continuing sub-segment	0	60,129	(60,129)	0	0	0	0	0	
Total revenues	1,795,096	287,172	(60,779)	2,021,489	(226,344)	1,795,145	26,157	1,814,785	

Business Segments	Mining division segment						Real Estate division segment	Inter-segment Eliminations & adjustments	Continuing operations total
	Coal&Coke sub-segment	Electricity trading sub-segment	Eliminations & adjustments	Mining division consolidated - total	Eliminations & adjustments to discontinued operations	Mining division continuing operations - total			
	Continuing operations	Discontinued operations				Continuing operations			
	1/1/2008 - 31/12/2008	1/1/2008 - 31/12/2008	1/1/2008 - 31/12/2008	1/1/2008 - 31/12/2008	1/1/2008 - 31/12/2008	1/1/2008 - 31/12/2008	1/1/2008 - 31/12/2008	1/1/2008 - 31/12/2008	
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	
Segment result	514,426	13,434	0	527,860	(13,434)	514,426	2,683	517,109	
Financial income				112,583	(6,743)	105,840	3,784	106,011	
Financial expenses				(175,550)	6,792	(168,758)	(53)	(165,198)	
Profit/(loss) on disposal of interest in subsidiaries				(2,140)	0	(2,140)	2,987	847	
Profit before tax				462,753	(13,385)	449,368	9,401	458,769	
Income tax expense				(118,582)	2,842	(115,740)	(1,933)	(117,673)	
PROFIT/(LOSS) FOR THE PERIOD				344,171	(10,543)	333,628	7,468	341,096	
Assets and liabilities as of 31 December 2008									
Total segment assets	2,205,749	41,947	(3,572)	2,244,124	0	0	29,970	2,249,538	
Total segment liabilities	1,581,264	30,979	(3,572)	1,608,671	0	0	19,099	1,603,214	

Disclosures on main financial assets allocated between the divisions

<i>EUR thousand</i>	Mining division 31/12/2009	Real Estate division 31/12/2009	Eliminations & Adjustments 31/12/2009	Total Group 31/12/2009
Land	4,750	18,258		23,008
Buildings and constructions	610,150	368		610,518
Plant and equipment	434,290	0		434,290
Other assets	6,450	0		6,450
Construction in progress	84,066	0		84,066
Rights to use land of Real Estate Division	14,730	0	(14,730)	0
Mining licences	161,757	0		161,757
Long-term receivables	1,568	0		1,568
Deferred tax asset	7,710	0		7,710
Restricted cash	13,926	0		13,926
Derivatives	251	0		251
TOTAL NON-CURRENT ASSETS	1,339,648	18,626	(14,730)	1,343,544
Inventories	85,819	0		85,819
Accounts receivable and prepayments	151,423	189	(1,956)	149,656
Derivatives	0	0		0
Income tax receivable	821	0	(161)	660
Cash and cash equivalents	533,698	14,129		547,827
Restricted cash	2,771	0		2,771
TOTAL CURRENT ASSETS	774,532	14,318	(2,117)	786,733
ASSETS HELD FOR SALE	85,015	412	(173)	85,254
TOTAL ASSETS	2,199,195	33,356	(17,020)	2,215,531
TOTAL EQUITY	545,245	14,930	0	560,175
Provisions	103,133	0		103,133
Long-term loans	679,854	0		679,854
Bond issued	260,096	0		260,096
Employee benefits	96,588	0		96,588
Deferred revenue	2,675	13,994	(13,994)	2,675
Deferred tax liability	101,512	0		101,512
Other long-term liabilities	648	0		648
Derivatives	18,649	0		18,649
TOTAL NON-CURRENT LIABILITIES	1,263,155	13,994	(13,994)	1,263,155
Short-term provisions	10,175	0		10,175
Accounts payable and accruals	237,115	2,508	(2,693)	236,930
Accrued interest payable on bond	2,467	0		2,467
Derivatives	2,144	0		2,144
Income tax payable	231	1,770	(161)	1,840
Current portion of long-term loans	74,842	0		74,842
Short-term loans	18,895	0		18,895
Cash-settled share-based payments payable	2,371	0		2,371
TOTAL CURRENT LIABILITIES	348,240	4,278	(2,854)	349,664
LIABILITIES RELATED TO ASSETS HELD FOR SALE	42,555	154	(172)	42,537
TOTAL LIABILITIES	1,653,950	18,426	(17,020)	1,655,356
TOTAL EQUITY AND LIABILITIES	2,199,195	33,356	(17,020)	2,215,531

Discontinued Operations

On 24 June 2009 the Board approved the intention to sell the energy business of the Group under defined conditions. The energy business of the Group is represented by NWR Energy, a.s., NWR Energetyka PL Sp. z o.o. and CZECH-KARBON s.r.o. Based on the decision, the assets and liabilities of these entities are classified as held for sale. Part of the energy business, presented as Electricity trading segment in the past, is presented as discontinued operations in this financial information.

The segment was not classified as discontinued operations in 2008 and the comparative information of income statement, statement of comprehensive income and statement of cash flows has been re-presented to show the discontinued operations separately from continuing operations.

The following table shows the detail of discontinued operations:

<i>EUR thousand</i>	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
Revenues	187,578	287,172
Change in inventories of finished goods and work-in-progress	0	0
Consumption of material and energy	(173,514)	(272,520)
Service expenses	(300)	(368)
Personnel expenses	(689)	(782)
Depreciation	(5)	(4)
Amortisation	0	0
Impairment of property, plant and equipment	0	0
Impairment of receivables	(445)	0
Net gain from material sold	0	0
Gain from sale of property, plant and equipment	0	0
Other operating income	19	0
Other operating expenses	(5,655)	(64)
Operating profit	6,991	13,434
Financial income	8,123	6,743
Financial expense	(11,423)	(6,792)
Profit before tax	3,690	13,386
Income tax expense	(1,555)	(2,843)
PROFIT FROM DISCONTINUED OPERATIONS	2,135	10,543

EBITDA from discontinued operations decreased to EUR 6,995 thousand for the year ended 31 December 2009 from EUR 13,438 thousand in 2008.

The revenues of the segment were presented as electricity trading in the detailed analysis of revenues of the Group before the operations were classified as discontinued. The consumption of material and energy was presented as consumption of material and energy for electricity trading. These lines do not appear in the analysis of continuing operation due to the new classification of these operations.

The following table shows the detail of assets and liabilities held for sale:

<i>EUR thousand</i>	31 December 2009
Property, plant and equipment	37,288
Trade and other receivables	36,143
Cash and cash equivalents	11,471
Other assets	352
Employee benefits	(804)
Deferred tax liability	(3,302)
Trade and other payables	(38,431)
Equity	42,717

The following table shows the cash flows from discontinued operations:

<i>EUR thousand</i>	1 January 2009- 31 December 2009	1 January 2008- 31 December 2008
Net cash flows from operating activities	344	2,960
Net cash flows from investing activities	0	0
Net cash flows from financing activities	1	(5,919)
Net effect of currency translation	440	207
Net cash flow from discontinued operations	785	(2,752)

Net cash flows from operating activities for the year ended 31 December 2008 were higher due to beneficial mark to market positions from electricity trading activities. Net cash flows from financing activities present a dividend paid to the Company in 2008.

Subsequent Events

The Company entered into a share sale and purchase agreement with Dalkia Česká republika, a.s. ("Dalkia Ceska") on 8 January 2010 which provides for the sale by the Issuer to Dalkia Ceska of 100% of the ownership in the Energy Subsidiaries for CZK 3,209 million in cash (the "SPA"). The purchase price is subject to certain adjustments based on the financial performance of the sold entities. The Group expects the closing of the sale of NWR Energy prior to June 2010, although there can be no assurances that the closing will occur prior to such date or at all.

OKD has repaid its short-term loan in the amount of CZK 500 million (EUR 18,887 thousand) on 27 January 2010.

The Company has drawn EUR 3,013 thousand under the ECA facility on 10 February 2010.

The Company has drawn EUR 8,888 thousand under the ECA facility on 15 February 2010.

Off-Balance Sheet Arrangements

In the ordinary course of business, the Company is a party to certain off-balance sheet arrangements. These arrangements include assets related to the construction and related geological survey work at Frenštát. These assets are maintained by OKD but are not reflected in its books. The assets were booked as costs and have not been utilised. The original cost of these assets, spent in the years 1980 to 1989, was CZK 921 million (equivalent of EUR 35 million translated with the exchange rate at 31 December 2009), of which CZK 815 million (EUR 31 million) was the value of assets located under ground and CZK 106 million (EUR 4 million) is the value of assets located on the surface. Liabilities related to these arrangements are not reflected in the Company's balance sheet and management does not expect that these off-balance sheet arrangements will have material adverse effects on the Company's financial condition, results of operations or cash flows.

Other Commitments

Contingent liabilities

Contingent liabilities include clean-up liabilities related to a decommissioned coking plant owned by OKK, and the Group's involvement in several litigation proceedings. It is not possible to estimate the exact potential exposure related to such proceedings, as the monetary value of some of the claims have not been specified and the likely outcome of such proceedings cannot be assessed at this time. However, based on advice of counsel, management believes that the current litigation and claims will not have a significant impact on the Group's financial position. An updated summary of the main litigation proceedings will be included in the annual financial statements of the Company for the year ended 31 December 2009.

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

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

Contractual obligations

The Group is subject to commitments resulting from its indebtedness. These result mainly from the loans drawn by the Group and notes issued. The following table includes contractual obligations resulting from the Syndicated Loan Agreement, the ECA loan and the 7.375% Senior Notes due 2015 as of 31 December 2009.

<i>(EUR thousand)</i>	2010	2011-2012	After 2012
7.375% Senior Notes due 2015	0	0	267,565
Senior Secured Facilities*	63,870	347,137	259,775

ECA loan	10,885	21,770	59,867
Other short term loans	18,887	0	0
TOTAL	93,642	368,907	587,207

*calculated with the CZK/EUR exchange rate as of 31 December 2009

Interest has to be paid semi-annually on the 7.375% Senior Notes.

The Company may elect the interest period on the Senior Secured Facilities. The interest rate can be fixed for a total period of six months with a maximum payment period of three months. The interest rate is based on EURIBOR for the EUR part and PRIBOR for the CZK part of the loan with a margin between 0.65% and 1.5% p.a. based on the financial situation of the Group.

The interest rate on the ECA loan is fixed for a total period of six months with a payment period of six months. The interest rate is based on EURIBOR with a fixed margin.

The Group has contractual obligations to acquire property, plant and equipment in the total amount of EUR 93 million, of which EUR 39 million result from the POP 2010 programme and EUR 30 million result from the COP 2010 programme relating to the overhaul of two coking batteries.

The Group is also subject to contractual obligations under lease contracts in the total amount of EUR 17 million, of which EUR 3 million are short-term obligations.

The restricted payment basket as defined by the Indenture amounts currently to EUR 155,095 thousand.

Operating and Financial Review
for the year ended 31 December 2008

Operating and Financial Review for the year ended 31 December 2008

Corporate Information

The Company's hard coal mining business is conducted through OKD a.s. ("OKD"), a wholly-owned subsidiary of the Company. OKD produces coking coal, which accounts for 55% of the tonnage of coal sold to third parties for the year ended 31 December 2008, and which is used in steel production, and high quality thermal coal, which is used in power generation. Thermal coal, which accounts for approximately 45% of the tonnage of the Company's external coal sales for the year ended 31 December 2008, is used by utilities, heating plants and industrial companies to produce steam and electricity.

The Company's largest business in terms of revenue is the production of coking coal, which accounted for EUR 859,718 thousand in external sales during the period. Additionally, net coke sales totalled EUR 332,506 thousand during the period and thermal coal sales totalled EUR 352,295 thousand in external sales during the period.

Financial Results Overview

Revenues. The Company's revenues increased by 49%, from EUR 1,367,098 thousand in the year ended 31 December 2007 to EUR 2,041,128 thousand in the year ended 31 December 2008. This increase is mainly attributable to the increase in revenues from coal and coke sales, which was driven by higher commodity prices, and an increase in electricity trading with third parties conducted mainly by Czech-Karbon s.r.o. ("Czech Karbon").

Operating expenses. Total operating expenses increased by EUR 400,721 thousand or 35% in the year ended 31 December 2008 as compared to the year 2007. The increase is mainly due to a EUR 140,063 thousand increase in costs of electric energy purchased for electricity trading, a EUR 30,911 thousand increase in consumption of energy for coal and coke production and due to an EUR 95,527 thousand increase in personnel costs excluding employee benefits expenses.

EBITDA. EBITDA increased by EUR 346,498 thousand from EUR 350,509 thousand in the year ended 31 December 2007 to EUR 697,007 thousand in the year ended 31 December 2008. This is mainly due to an increase in operating result of EUR 323,028 thousand, as the higher revenues more than compensated for the increase in operating expenses.

Basis of Presentation

General information

The condensed consolidated financial information ("financial information") presented in this document is prepared for the year ended 31 December 2008. The financial information for the year ended 31 December 2007 represents the comparative period.

The financial information includes New World Resources N.V. and the following subsidiaries (together "the Group") as of 31 December 2008:

<i>Consolidated subsidiaries</i>		
<i>Entity</i>	<i>% Equity = voting</i>	<i>Nature of Activity</i>
<i>Entities directly owned by New World Resources N.V.:</i>		
OKD, a.s.	100 %	Coal mining
OKD, OKK, a.s.	100 %	Coke production
KARBONIA PL, Sp. z.o.o	100 %	Coal mining
RPG RE Property, a.s.*	100 %	Real estate management
Dukla Industrial Zone, a.s.*	100 %	Real estate management
RPG Rekultivace, a.s.*	100 %	Holding
NWR Energy, a.s.	100 %	Energy production and sale
NWR Energetyka PL Sp. z o.o.	100 %	Energy production and sale
<i>Entities directly owned by OKD, a.s.,:</i>		
OKD, BASTRO, a.s.**	100 %	Engineering
OKD, HBZS, a.s.	100 %	Emergency services, waste processing
<i>Entities directly owned by NWR Energy, a.s.:</i>		
CZECH-KARBON s.r.o.	100 %	Electricity trading
<i>Entities directly owned by RPG Rekultivace, a.s.:</i>		
OKD, Rekultivace, a.s.*	100 %	Restoration activities

* *Entities holding real estate distributed on 30 September 2008.*

** *OKD, Bastro, a.s. was sold on 1 December 2008.*

The objectives of the Company are to act as a holding and finance company.

See note "Changes in the consolidated group" on page 6 for information on the comparable period.

All of the Company's consolidated subsidiaries are incorporated in the Czech Republic with the exception of KARBONIA PL, Sp. z.o.o. and NWR Energetyka PL Sp. z o.o. which are incorporated in Poland.

Statement of compliance

This financial information for the year ended 31 December 2008 is unaudited. The presented financial information is prepared based on IFRS recognition and measurement criteria as adopted by the European Union.

The financial information has been prepared on the basis of the accounting policies and methods of compilation consistent with those applied in 31 December 2007 annual financial statements contained within the Annual Report of the Group.

Basis of preparation

The financial information is prepared on the historical cost basis except for derivative and other financial instruments, which are stated at their fair value. It is presented in Euros (EUR) and is rounded to the nearest thousand. Financial information of operations with functional currency other than EUR was translated to the Group presentation currency (EUR).

The functional currency of the Company is EUR. The functional currency of KARBONIA PL, Sp. z o.o. and NWR Energetyka PL Sp. z o.o. is Polish Zloty (PLN). The functional currency of the remaining consolidated companies is Czech Crown (CZK).

The Group is organised into two divisions: the Mining Division and the Real Estate Division. As at the end of 2007 and 2008, the Company had A Shares and B Shares outstanding. The A Shares and B Shares are tracking stocks, which are designed to reflect the financial performance and economic value of the two divisions. The A Shares track the financial performance and economic value of the Mining Division, but do not track the financial performance or economic value of the Real Estate Division, which are represented by the B Shares held by RPGI. The ownership of the A Shares and the B Shares represents an ownership interest in the Group as a whole, but does not represent a direct legal interest in the assets and liabilities of the assets of the Mining Division or the Real Estate Division, respectively. The historical financial statements of the Group, as described above reflect the results of operations and the financial position and performance of the assets and businesses currently owned and operated by the Mining Division and the Real Estate Division. As the A Shares and B Shares are tracking stocks of the same legal entity, separate financial statements are not provided. With effect from 31 December 2007, the Group has tracked the financial performance of the two divisions and presents corresponding financial information in the segmental information in its consolidated financial statements. See "Divisions" sections below presenting the segmental analysis of the Group.

In 2008, the Company's electricity trading activities incurred robust growth in sales volume. The management of the Group decided to present and follow the financial performance of the electricity trading business separately. Consequently, the Mining division is currently represented by two segments, one representing the coal & coke business and the other representing the electricity trading business.

Changes in the consolidated group

All changes in the consolidated group for the year ended 31 December 2008 qualify as business combinations involving entities under common control, except for the disposal of OKD, Bastro, a.s. sold to a third party (see below).

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 are recognised as a change in consolidated equity.

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

With effective date 1 January 2008 the 100% share in Rekultivace, the 49% share in Garáže Ostrava, a.s. and OKD's internal business unit IMGE were spun-off from

OKD into four legal entities. On 30 September 2008, the Company distributed these four entities together with certain promissory notes received from sale of real estate assets not used for its mining activities to the holder of B Shares (see section "Divisions and segments").

OKD, OKK a.s. merged with NWR Coking, a.s. with effective date 1 January 2008, with OKD, OKK a.s. as the legal successor. The control at the Company level did not change.

The Company established two special purpose vehicles, NWR Energy, a.s. and NWR Energetyka PL Sp. z o.o. in the second quarter of 2008. OKD's internal business unit Energetika, operating the energy assets of OKD, and the 100% share in CZECH-KARBON, s.r.o. were spun-off from OKD into NWR Energy, a.s. with effective date 1 July 2008. The purpose of NWR Energy, a.s. is to manage and operate these energy assets. The purpose of NWR Energetyka PL Sp. z o.o. is to manage and operate energy assets, which will be spun-off from „KARBONIA PL” Sp. z o.o. in the first quarter of 2009. The entities do not perform any other activities than those related to this purpose. The control at the Company level did not change.

On 1 December 2008, OKD sold its subsidiary OKD, BASTRO, a.s. to Bucyrus DBT Europe GmbH, the German subsidiary of Bucyrus International, Inc., a mining equipment manufacturer.

Non-IFRS Measures

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

The Company defines EBITDA as net profit after tax from continuing operations before minority interest, income tax, net financial costs, depreciation and amortization, impairment of property, plant and equipment ("PPE") and gains/loss from sale of PPE. While the amounts included in EBITDA are derived from the Company's consolidated financial statements, it is not a financial measure determined in accordance with IFRS. Accordingly, EBITDA should not be considered as an alternative to net income or operating income as an indication of the Company's performance or as an alternative to cash flows as a measure of the Company's liquidity. The Company currently uses EBITDA in its business operations to, among other things, evaluate the performance of its operations, develop budgets, and measure its performance against those budgets. The Company finds it a useful tool to assist in evaluating performance because it excludes interest, taxes and other non-cash charges.

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

Rekultivace was the only consolidated subsidiary defined as Unrestricted Subsidiary under the Indenture and generally is not bound by the restrictive covenants in the

Indenture applicable to the Company. Rekvizice was distributed to the holders of the B Shares on 30 September 2008.

The Company defines net debt as total debt less cash and cash equivalents. Total debt includes issued bonds, long-term interest-bearing loans and borrowings, including current portion, plus short-term interest-bearing loans and borrowings. Total debt is based on gross amount of debt less related expenses. Interest-bearing loans, bond issues, and borrowings are measured at amortized cost.

Exchange Rates

The following table presents the FX rates used:

(CZK/EUR)	Year ended 31 December	
	2008	2007
Average exchange rate	24.946	27.762
Balance sheet exchange rate	26.875	26.620

The Czech Koruna appreciated (based on the average exchange rate) by 11.29% between the year ended 31 December 2007 and the year ended 31 December 2008. This discussion does not eliminate the effects resulting from the conversion of amounts from CZK into EUR on the comparability of financial information of the Group in different periods. This can lead to an over- or understatement of change in revenue and expenses from period to period when compared to the change in revenues in CZK. The financial information and described trends could differ considerably if the financial information was presented in CZK.

Throughout the discussion of the operating results, the financial results and performance compared to the prior period, both in Euros and percentage terms, are given in Euros. The Company may also, where deemed significant, present variances in terms of constant foreign exchange rates, marked ex-FX, which exclude the effect of currency translation differences and is a non-IFRS financial measure.

Financial Performance

Revenues of the Group increased by 49% to EUR 2,041,128 thousand in the year ended 31 December 2008. The increase is mainly attributable to an increase in prices, as shown in the table below:

Average sales prices per tonne (EUR)	Year ended 31 December		Change	
	2008	2007	y-y	y/y %
Coking coal	137	86	51	59%
Thermal coal	69	48	21	44%
Coke	302	178	124	70%

Total production of coal in 2008 decreased by 2% compared to total production in 2007. Sales from production decreased by 2%, whilst net sales, or external sales were down by 6%, due to significantly decreased sell-off from inventories.

Coal performance indicators (kt)	Year 2008	Year 2007	Change	
Coal production	12,663	12,897	(234)	(2%)
Sales to OKK	(1,094)	(1,047)	(47)	4%
Internal consumption	(41)	(71)	30	(42%)
Sales from production	11,528	11,779	(251)	(2%)
Additional sales from inventory sell-out / (Inventory increase)	(140)	284	(424)	(149%)
Total Net sales	11,388	12,063	(675)	(6%)
<i>of which</i>				
Coking coal	6,293	6,781	(488)	(7%)
Thermal coal	5,095	5,282	(187)	(4%)

Coke production remained fairly stable in 2008, when compared to the year 2007, while coke sales decreased by 13%, mainly due to a drop of sales in the last quarter of the year 2008.

Coke performance indicators (kt)	Year 2008	Year 2007	Change	
Coke production	1,296	1,340	(44)	(3%)
Coke sale	1,103	1,262	(159)	(13%)

Revenues (TEUR)	Year ended 31 December		Change		
	2008	2007	y-y	y/y %	ex-FX
External coking coal sales (EXW)	859,718	579,800	279,918	48%	33%
External thermal coal sales (EXW)	352,295	253,495	98,800	39%	25%
External coke sales (EXW)	332,506	224,629	107,877	48%	33%
Coal and coke transport by OKD	107,034	111,425	(4,391)	(4%)	(14%)
Sale of coke by-products	22,384	24,939	(2,555)	(10%)	(19%)
Electricity trading	226,994	78,637	148,357	189%	159%
OKD other sales	83,150	56,284	26,866	48%	(5%)
Reclamation works	20,952	17,876	3,076	17%	5%
Other	36,095	20,013	16,082	80%	62%
Total	2,041,128	1,367,098	674,030	49%	33%

Czech Karbon, the electricity trading unit, has seen a significant increase in revenues to third parties. Correspondingly, the costs of electricity sold, presented in the income statement item Consumption of material and energy, also increased significantly.

(EUR thousand) Consumption of material and energy	Year ended 31 December 2008		Change		
	2008	2007	y-y	y/y %	ex-FX
Mining material	117,209	90,811	26,398	29%	16%
Spare parts	40,134	34,020	6,114	18%	6%
Polish coal consumption for coking	54,323	52,674	1,649	3%	(7%)
Energy for coal mining (OKD)	95,375	67,299	28,076	42%	27%
Energy for coking (OKK)	14,696	11,860	2,836	24%	11%
Electricity trading	212,341	72,278	140,063	194%	164%
Other consumption of material and energy	45,706	35,035	10,671	30%	17%
Total	579,784	363,977	215,807	59%	43%

Due to the strong increases in electricity prices in the Czech Republic, the total cost of energy increased by 39%. The increase in mining material and spare parts consumption reflects the price increase of steel used in mining equipment and higher costs relating to changing geological conditions. The increase in the line item "Polish coal consumption for coking" is due to higher coking coal prices, which is consequently reflected in the selling price of coke.

Czech Karbon, the entity that buys electricity for the Group and also sells electricity to third parties in the Czech market, increased significantly the volume of electricity trading with third parties, which is reflected in the revenues line as well as in the consumption of material and energy of the Group correspondingly.

(EUR thousand)	Year ended 31 December		Change		ex-FX
	2008	2007		%	
Service expenses					
Coal and Coke transport costs	107,931	114,108	(6,177)	(5%)	(15%)
Contractors	85,904	70,558	15,346	22%	9%
Maintenance for OKD and OKK	42,536	31,141	11,395	37%	23%
Advisory expenses on holding level	17,244	19,278	(2,034)	(11%)	(20%)
Reclamation works	12,148	4,616	7,532	163%	136%
Other service expenses	85,995	66,732	19,263	29%	16%
Total	351,758	306,433	45,325	15%	3%

	Year ended 31 December		Change	
	2008	2007	y-y	y/y %
Contractors headcount				
Total	3,501	3,576	(75)	(2%)
- of which OKD mining	3,002	3,068	(66)	(2%)

The increase in Service expenses is mainly attributable to the increase in maintenance works at OKD and OKK and to a 22% increase in expenses for contractors. This increase is due to the increase of costs per shift by 26%, partly offset by a decrease in the headcount. The increase in maintenance costs in the year ended 31 December 2008 is due to more extensive maintenance works at the mines compared to the year 2007.

(EUR thousand)	Year ended 31 December		Change		ex-FX
	2008	2007	y-y	y/y %	
Personnel expenses	(433,743)	(338,216)	(95,527)	28%	15%

	Year ended 31 December		Change	
	2008	2007		%
Employees headcount				
Own employees*	17,738	18,360	(622)	(3%)
- of which OKD mining	10,374	10,663	(289)	(3%)

*including members of Boards of Directors

Personnel expenses including employee benefits increased by 28%. The increase reflects an increase in average wages agreed with the Group's trade unions, which is based on the overall trends in Czech Republic, and bonuses and extra payments to the employees of the Group. The personnel expenses for the year ended 31 December 2008 also include the costs for share-based payments to directors and employees in the amount of EUR 16,295 thousand.

(EUR thousand)	Year ended 31 December		Change		
	2008	2007	y-y	y/y %	ex-FX
Other operating income	4,065	3,758	307	8%	(3%)
Other operating expenses	(27,689)	(8,289)	(19,400)	234%	200%
Net other operating income	(23,624)	(4,531)	(19,093)	421%	369%

Other operating income and expenses reflect, from time to time, insurance costs and payments, mining damage and indemnity, and related provisions and their release. These items should be analysed together. Other expenses are often balanced by corresponding revenues. Since the amounts are relatively low, they are sensitive to one-time effects and seasonal fluctuations. The increase in net other operating expenses in the year 2008 is mainly due to a use of provisions for the closure of Dukla mine in the amount of EUR 9,488 thousand in the year ended 31 December 2007 compared to EUR 3,669 thousand used in 2008, increase in compensations for mining damages cost by EUR 6,558 thousand to EUR 16,421 thousand, and donations to OKD foundation.

The following table compares EBITDA for the year 2007 and 2008.

(EUR thousand)	Year ended 31 December		y-y	Change	
	2008	2007		y/y %	ex-FX
EBITDA	697,007	350,509	346,498	99%	79%

The Company's EBITDA for the full year 2008 was EUR 697,007 thousand, which is EUR 350,509 thousand higher than in 2007 and represents a 99% increase.

The following table provides EBITDA for the year 2008 for Restricted and Unrestricted Subsidiaries. Unrestricted Subsidiaries represented less than 1% of the Company's EBITDA. The amount shown for unrestricted subsidiaries relates to Rekulivace, which was the only consolidated subsidiary defined as an Unrestricted Subsidiary under the Indenture. Rekulivace was distributed to RPGI on 30 September 2008.

(EUR thousand)	Consolidated Group	Restricted Subsidiaries	Unrestricted Subsidiaries
EBITDA	697,007	694,538	2,469
%	100.0%	99.6%	0.4%

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

(EUR thousand)	Year ended 31 December	
	2008	2007
Net Profit after Tax from Continuing Operations	351,639	190,671
Income Tax	120,516	48,976
Net Financial Expenses	58,389	(32,131)
Depreciation and Amortization	168,515	166,257
Reversal of impairment of property, plant and equipment	0	(21,959)
Gains/Losses from Sale of PPE	(2,052)	(1,305)
EBITDA	697,007	350,509

(EUR thousand)	Year ended 31 December		Change		
	2008	2007	y-y	y/y %	ex-FX
Depreciation	(158,350)	(156,931)	(1,419)	1%	(9%)

The increase in depreciation of 1% is primarily due to an increase in the value of property, plant and equipment, which represents the base for depreciation, as calculated in EUR. After elimination of the exchange rate impact on the historical costs, depreciation would decrease by 9%. This decrease is due to lower values of new equipment, as compared to the original gross values of the replaced equipment used under IFRS.

(EUR thousand)	Year ended 31 December		Change	
	2008	2007	y-y	y/y %
Financial result				
Financial revenue	112,754	142,621	(29,867)	(21%)
Financial expense	(171,990)	(110,477)	(61,513)	56%
Financial result	(59,236)	32,144	(91,380)	(284%)

Financial income decreased by 21% to EUR 112,754 thousand in the year ended 31 December 2008. The decrease is mainly due to lower gain from foreign currency translation. Financial expense increased by EUR 61,513 thousand to EUR 171,990 thousand. The main reason for the increase in financial expense was the impact of the revaluation of the Company's financial derivative instruments.

Income tax

The effective income tax rate of the Group increased from 20% to 26%. The effective income tax rate calculated on the current part of the tax expense decreased from 33% to 27% mainly due to a decrease in corporate income tax rate from 24% to 21% in Czech Republic and to a decrease in non-deductible expenses in the Group. The total effective income tax rate in 2007 was reduced by a decrease in deferred tax liability due to the decline in future nominal income tax rate in the Czech Republic.

Earnings per share ("EPS")

Adjusted earnings per share for the Company increased by 76%. The adjusted earnings per A Share amounted to EUR 1.30 per A Share for the year ended 31 December 2008.

Earnings per share (EUR)	Year ended 31 December 2008				2007
	A Shares	B Shares	C Share	Company	
Basic EPS	1.33	746.70		1.36	0.79
Number of shares*	258,981,995	10,000	0.24	258,991,996	250,054,275
Adjusted EPS	1.30	746.70		1.33	0.74
Adjusted number of shares**	263,799,259	10,000	0	263,809,259	263,809,259
Diluted EPS	1.33	746.70		1.36	0.79
Diluted number of shares	258,981,995	10,000	0.24	258,991,996	250,054,275
Basic EPS from continuing operations	1.33	746.70	0.00	1.36	0.76
Diluted EPS from continuing operations	1.33	746.70	0.00	1.36	0.76
Basic EPS from discontinued operations	0.00	0.00	0.00	0.00	0.03
Diluted EPS from discontinued operations	0.00	0.00	0.00	0.00	0.03

* restated for the stock split of 2.5 that occurred on 5 May 2008

** adjusted for the A Shares issued by the Company in the Initial Public Offering, for the A Shares granted to the five independent non-executive directors and for the conversion of one A Share into a C Share, in May 2008.

Cash Flow

The following table compares the main cash flow categories for the year ended 31 December 2008 to the same period of 2007.

(EUR thousand)	Year ended 31 December			Change	
	2008	2007	y-y	y/y %	ex-FX
Cash flow					
Net operating cash flow	523,127	257,570	265,557	103%	74%
Net investing cash flow	(260,341)	(75,631)	(184,710)	244%	209%
Net financing cash flow	(57,152)	(729,067)	671,915	(92%)	(93%)
Effect of currency translation	(899)	7,910	(8,809)	(111%)	(111%)
Total cash flow	204,735	(539,218)	743,953	(138%)	(130%)

Net operating cash flow for the year 2008 was EUR 523,127 thousand, compared with EUR 257,570 thousand in the year 2007. This increase in net operating cash flow was mainly attributable to higher revenues due to higher achieved prices of coal and coke.

Net investing cash flow is negative, since capital expenditure (CAPEX) is higher than the proceeds from sale of long-term assets. CAPEX increased by EUR 202,382

thousand to EUR 285,094 thousand in the year ended 31 December 2008, mainly related to the POP2010 equipment.

The cash flow used in financing activities was mainly influenced by dividends paid, bonds issued and IPO proceeds. The Company paid dividends in the total amount of EUR 1,076,760 thousand during 2007, dividends in the total amount of EUR 86,672 thousand in March 2008, a dividend in the amount of EUR 75,000 thousand in May 2008 (the C Share dividend), an interim dividend in the amount of EUR 73,864 thousand in October 2008. The Group also paid regular instalments on Facility 1 of the Syndicated Loan in February and August 2007 and February and August 2008. The amount of the regular instalment in February 2008 was EUR 32,315 thousand (split between EUR 23,445 thousand and CZK 224,754 thousand). The amount in August 2008 was EUR 32,831 thousand (split between EUR 23,445 thousand and CZK 224,754 thousand). In May 2008 the Company received proceeds from its IPO in the net amount of EUR 217,188 thousand.

The following table provides a cash flow overview for the year ended 31 December 2008 for Restricted and Unrestricted Subsidiaries.

(EUR thousand)	Consolidated Group	Restricted Subsidiaries	Unrestricted Subsidiaries
<u>Cash flow</u>			
Net operating cash flow	523,127	521,519	1,610
Net investing cash flow*	(260,341)	(254,082)	(6,261)
Net financing cash flow	(57,152)	(57,151)	(1)
Effect of currency translation	(899)	(928)	29
Total cash flow	204,735	209,358	(4,623)

*This line includes mainly the cash held by Reaktivace, the only Unrestricted Subsidiary, which was distributed from the Group on 30 September 2008.

Liquidity and Capital Resources

The liquidity requirements of the Company arise primarily from working capital requirements, interest and principal payments on Senior Secured Facilities and the Company's 7.375% Senior Notes, dividend payments, the need to fund capital expenditures and, on a selective basis, acquisitions.

The Company completed a successful Initial Public Offering in May 2008 to raise additional financing of its activities. The Company offered 13,500,000 new shares while existing shareholders offered 81,965,345 existing shares (including the Over-Allotment Option) in the IPO. The net proceeds from the primary offer amounted to EUR 217,188 thousand (calculated as gross proceeds from the primary offering reduced by the underwriting fee and by the portion of advisory fees attributed to the primary offer).

NWR is a holding company and will rely on dividends or other distributions from subsidiaries, inter-company loans or other capital contributions to fund its liquidity requirements. The dividends, distributions or other payments from subsidiaries are expected to be funded by cash from their operations. The Group continuously

reviews its cash flow and operations, and believes that the cash generated from its operations and borrowing capacity will be sufficient to meet its working capital requirements, anticipated capital expenditures (other than major capital improvements, acquisitions or mining development projects), scheduled debt payments and distributions. To augment the existing cash and liquidity resources, the Company continues to evaluate a range of transactions, including debt financings.

The Group unwound its EUR/CZK hedges that were in place for OKD for the period 2009-2013. For 2008, there will be no changes to the existing hedging structures. All of these hedges were initiated in 2006 and time had come to adjust these to the changes in the group organization. At the same time, the changed environment resulting from recent turmoil in financial markets has shown the need for NWR to reassess its position with regard to the developments in the financial and foreign exchange markets. New hedging structures will be initiated in the first quarter of 2009 following the guidelines of hedging 70% of foreign currency exposure for the Group.

The Company paid out an A-Share dividend in the amount of EUR 73,864 thousand, EUR 0.28 per share. The dividend was paid in EUR, CZK, GBP and PLN based on the currency elections of the shareholders on 23 October 2008.

As at 31 December 2008 the Company's net debt was EUR 368,866 thousand.

Unrestricted cash on hand amounted to EUR 679 million.

The Indenture also imposes 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 (as such amounts are accrued on a quarterly basis) plus the net proceeds from the primary part of the IPO and certain other adjustments (the "restricted payment build-up capacity"). The purchase price for investments in entities other than majority owned subsidiaries would constitute restricted payments. The restricted payment build-up capacity will be reduced by the amount of the purchase price of the Ferrexpo shareholding if NWR's independent shareholders approve the transaction and it is consummated. However, the Company believes this acquisition is of strategic importance to the Company.

The restricted payment basket as defined by the Indenture amounts as of 25 March 2009 to approximately EUR 233 million.

Unrestricted Subsidiaries and Non-Core Real Estate

Rekultivace was the only consolidated subsidiary defined as Unrestricted Subsidiary under the Indenture and generally was not bound by the restrictive covenants in the Indenture applicable to the Company. While the Company has disposed of a significant amount of non-core real estate as part of its previous restructuring, it has identified additional non-core real estate and transferred these properties outside the Company on 30 September 2008.

The Unrestricted Subsidiary did not affect the financial performance of the Company significantly. The contribution to the operating profit of the Group during the year ended 31 December 2008 was less than 1%. It represented less 1% of the Company's total revenues and less than 1% of total EBITDA for the year ended 31 December 2008.

Divisions and segments

Introduction

In 2007 the Group early adopted IFRS 8 – Operating Segments. This standard requires an entity to report information about operating segments which is separately available and which is regularly evaluated by the so called “chief operating decision maker” (“CODM”).

Real Estate Division and Mining Division

In 2007 the Company separated the real estate of the Group into a new division in order to provide higher transparency to the mining and real estate assets. The Group began operating two segments determined by differences in their assets and products and services produced and provided. The segments were represented by the Mining Division (“MD”) and the Real Estate Division (“RED”), established internally by the Divisional Policy Statements as of 31 December 2007, 23:59. The segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a separate strategic division that offers different products and services. The MD relates to coal extraction, production of coke and related operations and businesses. The RED solely provides inter-divisional service i.e. provides real estate to MD (see below). In connection to the newly operated segments MD and RED, no legal entity was established. The Company issued B Class shares to track the financial performance of the RED.

Electricity trading

In 2008, electricity trading activities incurred robust growth in sales volume. The management of the Group decided to present and follow the financial performance of the electricity trading business separately. Consequently, the Mining division is currently represented by two segments, one representing the coal & coke business and the other representing the electricity trading business. The comparable information for the year 2007 was adjusted and is presented correspondingly.

Discontinued segments

In the past, the Group also operated the transport segment (represented by Doprava) and the gas and electricity segment (represented by GGI BV). The transport segment provided transportation and related services and the gas segment related to gas extraction and related electricity production activities. The entities representing Transport and Gas and electricity segments were distributed as a dividend in kind to the Company’s shareholder on 28 June 2007 and are excluded from consolidation as from that date. These entities are presented as discontinued operations in the financial information.

Relationship between the RED and the MD

As of 1 January 2008, the divisions are operated separately for accounting and reporting purposes to reflect the results of operations and the financial position of each division and to provide relevant information to the holders of the A and B Class share, the CODM for the two reportable segments is the Board of Directors of the Company.

The RED comprised of the shares and corresponding investments in the subsidiaries OKD, Rekultivace, a.s. and Garáže Ostrava, a.s., all of the assets and liabilities in the

IMGE internal business unit of OKD and all real estate assets owned by the Group at the time of the establishment of the divisions ("Real Estate Assets"). IMGE was an internal business unit of OKD specialized in land reclamation works, attributed with all real estate of OKD that was not being used for its mining and related operations. As the RED was established as of 31 December 2007, 23:59, the segment did not have any revenues or expenses in the year ended 31 December 2007.

On 30 September 2008, the first distribution of assets of the Real Estate Division to RPGI, the sole holder of the B Shares, was effected. The assets included the shares and corresponding investments in the subsidiaries RPG Rekultivace, a.s. (the sole holder of the share in OKD, Rekultivace, a.s.), RPG Garáže, a.s. (the sole holder of the share in Garáže Ostrava, a.s.), all of the assets and liabilities in the IMGE internal business unit of OKD (spun-off for the purpose of the distribution to special purpose entities named Dukla Industrial Zone, a.s. and RPG RE Property, a.s.) and certain promissory notes received for the sale of real estate assets in the nominal value of CZK 42,597 thousand (EUR 1,731 thousand). The impact of the dividend in kind on the consolidated equity of the Company was EUR 82,595 thousand.

In order to ensure fair treatment to all types of shareholders the Company has prepared and adopted the Divisional Policy Statements, approved by RPGI. The fundamental and overriding principles are that the MD has the right to maintain:

- the undisturbed continuation of its mining, coking and related operations that are currently, or which are expected by the Board of Directors of the Company to be in the future, conducted using certain of the Real Estate Assets; and
- unrestricted access to the Real Estate Assets in connection with such mining, coking and related operations.

Based on these overriding rules the MD is provided with unrestricted access to all Real Estate Assets necessary for its mining, coking and related operations for the time period, until these operations cease to exist. The Real Estate Assets include two groups of assets - buildings, constructions and similar real estate assets ("Buildings") and land.

Disclosures on Buildings

The RED provides Buildings to the MD based on the fundamental and overriding principles. The management considers this relation between the divisions as a kind of leasing relationship, where the RED provides property to the MD against remuneration. Following this approach, for Buildings the following criteria for identifying the relation between the divisions as financial leasing are met:

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

The Buildings are recorded at the carrying amount in the balance sheet of the MD. Commencing 1 January 2008, the MD depreciates the Buildings. 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.

The Company did not reevaluate the Real Estate Assets for the purpose of presentation in the segment reporting. The assets are presented in the segment reporting at book values. These values also represent the basis for depreciation. Under IFRS finance lease assets shall be valued at the present value of minimum

lease payments, which would also be the basis for depreciation under standard finance lease conditions. The RED does not charge lease payments to the MD for the access to the Real Estate Assets. Therefore the Group decided to apply the book values for the allocation of the Real Estate Assets value between the divisions. The value of Buildings provided to the MD at 31 December 2008 is EUR 322,168 thousand.

When the demand for unrestricted access to certain Real Estate Assets by the MD terminates, the overriding rules do not apply anymore and the Real Estate Assets are transferred back from the MD to the RED. This transfer becomes effective when the assets are not used for mining, coking and related operations anymore. Since the respective Buildings meet the criteria mentioned above, 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 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.

The Divisional Policy Statements determine the annual fee paid for Real Estate Assets provided by the RED to the MD (the "CAP") to be EUR 3,600 thousand per year in 2008. The annual fee paid by MD to RED represents the financing costs on the Buildings provided. The CAP is accounted for as financial expense in the MD and as financial revenue in the RED.

There is no consideration required from the MD to repay the present value of the Buildings provided in compliance with the Divisional Policy Statement. Therefore the respective amount i.e. the book value of the Buildings provided to the MD as at 31 December 2008 is presented in the equity of the MD.

Disclosures on land

Land is provided to the MD without any consideration. However the IFRS criteria for financial leasing cannot be met for land. IFRS do not provide a specific guideline for the presentation of such relationship. The Company decided to present this relationship in the segment analysis as a right to use land by the MD granted by RED. The right is depleted over the expected lifetime of mining, coking and related businesses using a linear amortization method. The management determined the value of the right being the book value of land at 31 December 2007 i.e. the date when the divisions were established. The residual amount of the right as of 31 December 2008 and 31 December 2007 was EUR 16,344 thousand and EUR 18,196 thousand respectively.

Deferred revenue corresponding to the amount of the right to use is presented in the balance sheet of the RED. The deferred revenue will be released into revenues over the period correspondingly to the depletion of the right to use the land.

The revenues and expenses of the Real Estate Division consist mainly of the financial performance of the IMGE internal business unit of OKD, a.s. and Rekultivace, which were allocated to the Real Estate Division at the date, when the divisions were set up. The financial income of the Real Estate Division also includes the fee that the Real Estate Division charges to the Mining Division for the use of the real estate provided according to the Divisional Policy Statements. The expenses include depreciation, change in deferred tax, a part of the costs relating to the spin-off and distribution of the assets of the Real Estate Division and other expenses related to the assets allocated to the Real Estate Division.

	Mining division segment			Real Estate division segment		Inter-segment Eliminations & Adjustments	Total
	<i>Coal&Coke sub-segment</i>	<i>Electricity trading sub-segment</i>		<i>Sub-segment eliminations & adjustments</i>	<i>Sub-segment adjustments</i>		
	<i>Continuing operations</i>						
	<i>1/1/2008 - 31/12/2008</i>	<i>1/1/2008 - 31/12/2008</i>	<i>1/1/2008 - 31/12/2008</i>	<i>1/1/2008 - 31/12/2008</i>	<i>1/1/2008 - 31/12/2008</i>	<i>1/1/2008 - 31/12/2008</i>	<i>1/1/2008 - 31/12/2008</i>
Segment revenues							
<i>Continuing operations</i>							
Sales to third party	1,792,521	226,994	0	2,019,515	21,613	0	2,041,128
Sub-segment sales	650	60,129	(60,779)	0	0	0	0
Inter-segment sales	1,924	49	0	1,973	4,544	(6,517)	0
Sales to discontinued operations	0	0	0	0	0	0	0
<i>Discontinued operations</i>							
Sales - discontinued operations	0	0	0	0	0	0	0
Total revenues	1,795,095	287,172	(60,779)	2,021,488	26,157	(6,517)	2,041,128
Segment result	514,427	13,434	0	527,861	2,683	0	530,544
Assets & liabilities as at 31. 12. 2008							
Segment assets	2,205,749	41,947	(3,572)	2,244,124	29,970	(24,556)	2,249,538
Segment liabilities	1,581,264	30,979	(3,572)	1,607,424	19,099	(24,556)	1,603,214

Disclosures on main financial assets allocated to the RED and not provided for mining, coking and related operations

<i>EUR thousand</i>	Mining division 2008/12/31	Real Estate division 2008/12/31	Eliminations & Adjustments 2008/12/31	Total 2008/12/31
Land	1,588	19,298		20,886
Buildings and constructions	669,415	966		670,381
Plant and equipment	313,284	0		313,284
Other assets	4,682	0		4,682
Construction in progress	78,820	0		78,820
Rights to use land of Real Estate Division	16,344	0	(16,344)	0
Mining licences	167,553	0		167,553
Other financial investments	0	0		0
Long-term receivables	11,173	0		11,173
Deferred tax asset	154	0		154
Restricted cash	25,861	0		25,861
Total non-current assets	<u>1,288,874</u>	<u>20,264</u>	<u>(16,344)</u>	<u>1,292,794</u>
Inventories	66,060	0		66,060
Accounts receivable and prepayments	203,402	5,732	(7,463)	201,671
Derivatives	39	0		39
Income tax receivable	7,804	0	(749)	7,055
Cash and cash equivalents	674,921	3,974		678,895
Restricted cash	3,024	0		3,024
Total current assets	<u>955,250</u>	<u>9,706</u>	<u>(8,212)</u>	<u>956,744</u>
Total assets	<u>2,244,124</u>	<u>29,970</u>	<u>(24,556)</u>	<u>2,249,538</u>
Provisions	103,962	0		103,962
Long-term loans	661,961	0		661,961
Bond issued	290,425	0		290,425
Employee benefits	88,188	0		88,188
Deferred revenue	5,593	15,566	(15,565)	5,594
Deferred tax liability	105,385	0		105,385
Other long-term liabilities	752	0		752
	<u>1,256,266</u>	<u>15,566</u>	<u>(15,565)</u>	<u>1,256,267</u>
Short-term provisions	5,569	0		5,569
Accounts payable and accruals	227,615	2,607	(8,242)	221,980
Accrued interest payable on bond	2,766	0		2,766
Derivatives	9,012	0		9,012
Income tax payable	11,713	926	(749)	11,890
Current portion of long-term loans	66,835	0		66,835
Short-term loans	28,540	0		28,540
Cash-settled share-based payments payable	355	0		355
	<u>352,405</u>	<u>3,533</u>	<u>(8,991)</u>	<u>346,947</u>
Total liabilities	<u>1,608,671</u>	<u>19,099</u>	<u>(24,556)</u>	<u>1,603,214</u>

Subsequent Events

The Company declared the pay out of a dividend in the amount of EUR 0.18 per A share on 24 February 2009. The dividend will be paid to the holders of the A shares in May 2009.

In March 2009, the regional court in Ostrava declared Moravia Energo, a.s. bankrupt. Moravia Energo, a.s. is a customer purchasing electricity from the Group. The Group estimates a negative impact on profit before tax resulting from the bankruptcy below EUR 2 million.

Off-Balance Sheet Arrangements

In the ordinary course of business, the Company is party to certain off-balance sheet arrangements. These arrangements include assets related to the construction and related geological survey work at Frenštát. These assets are maintained by OKD but are not reflected in its books. The assets were booked as costs and have not been utilised. The original cost of these assets, spent in the years 1980 to 1989, was CZK 921 million (equivalent of EUR 34 million translated with the exchange rate at 31 December 2008), of which CZK 815 million (EUR 30 million) was the value of assets located in the mine and CZK 106 million (EUR 4 million) is the value of assets located on the surface. Liabilities related to these arrangements are not reflected in the Company's balance sheets and management does not expect that these off-balance sheet arrangements will have material adverse effects on the Company's financial condition, results of operations or cash flows.

Other Commitments

Contingent liabilities

Contingent liabilities include clean up liabilities related to a decommissioned coking plant owned by OKK, and the Group's involvement in several litigation proceedings. It is not possible to estimate the exact potential exposure related to such proceedings, as the monetary value of some of the claims have not been specified and the likelihood of success in such proceedings cannot be assessed at this time. However, based on advice of counsel, management believes that the current litigation and claims will not have a significant impact on the Group's financial position. A summary of the main litigation proceedings will be included in the annual financial statements.

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

Provisions for restoration costs are recognized as the net present value of the estimated costs. Restoration costs represent a part of the acquisition cost of fixed assets and such assets are amortised over the useful life of the mines using the sum of the digits method. The provision is compounded every year to reflect the current price level. In addition, the Group analyses the accuracy of the estimated provision

annually. Any change in the estimate of restoration costs is recognized within fixed assets and is depreciated over the remaining useful life of the mines.

Contractual obligations

The Group is subject to commitments resulting from its indebtedness. These result mainly from the loans drawn by the Group and notes issued. The following table includes contractual obligations resulting from the Syndicated Loan Agreement and the 7.375% Senior Notes due 2015.

(EUR thousand)	Oct – Dec 2008	2009	2010-2011	After 2011
7.375% Senior Notes due 2015	—	—	—	300,000
Senior Secured Facilities	—	65,449	98,174	562,475
TOTAL	—	65,449	98.174	862,475

Interest has to be paid semi-annually on the 7.375% Senior Notes.

The Company may choose the interest period on the Senior Secured Facilities. The interest rate can be fixed for six months maximum with a maximum payment period of three months. The interest rate is based on EURIBOR for the EUR part and PRIBOR for the CZK part of the loan with a margin between 0.65% and 1.35% p.a. based on the financial situation of the Group.

The Group has contractual obligations to acquire property, plant and equipment in the total amount of EUR 266 million, of which EUR 158 million result from the POP 2010 program. OKK, a subsidiary of the Company, has contractual obligations in the amount of EUR 65 million relating to the overhaul of one of its coking batteries.

The Group is also subject to contractual obligations under lease contracts in the total amount of EUR 15 million, of which EUR 3 million are short term obligations.

The restricted payment basket as defined by the Indenture amounts currently to EUR 233,377 thousand.

Forward Looking Statements

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 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 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 the Company’s ability to control or predict. Forward-looking statements are not guarantees of future performances.

Factors, risk and uncertainties that could cause actual outcomes and results to be materially different from those projected include, but are not limited to, the following: risks relating to changes in political, economic and social conditions in the Czech Republic, Poland and the CEE 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; and weather conditions or catastrophic damage; risks relating to 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; and risks relating to global economic conditions and the global economic environment. Additional risk factors will be described in the Company’s annual report for the year ended 31 December 2009.

Forward-looking statements speak 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 N.V.

Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union

for the year ended 31 December 2008

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GENERAL INFORMATION

Executive directors

Miklos Salamon (Chairman)
Klaus-Dieter Beck
Marek Jelínek

Non-executive directors

Zdenek Bakala
Peter Kadas
Alex T. Krueger
Hans-Jürgen Mende
Christiaan Norval
Milan Jelinek
Pavel Telička

Non-executive independent directors

Bessel Kok
Hans-Jörg Rudloff
Steven Schuit
Paul M. Everard
Barry J. Rourke

As of 31 December 2008, the Board of Directors consisted of 3 executive directors and 12 non-executive directors, 5 of whom qualify as independent. The Company is represented by any executive director. The Board of Directors adopts its resolutions by an absolute majority of votes cast. Further distinction between an executive director and a non-executive director follows from the Articles of Association and is discussed in the Annual Report.

Registered Office

Jachthavenweg 109h
1081 KM Amsterdam
The Netherlands

Company Registration Number

Trade Register Amsterdam 34239108

Auditors

KPMG Accountants N.V., Amsterdam, The Netherlands

DIRECTORS' REPORT

Management hereby presents to the shareholders consolidated and non-consolidated financial statements of New World Resources N.V. (the "Company") for the year ended 31 December 2008.

General information

The principal business of the Company and its subsidiaries (the "Group") is hard coal mining and coke production. The Group, through OKD, a.s. ("OKD"), is the Czech Republic's largest hard coal mining producer and is a leading producer of hard coal in the Czech Republic and in Central Europe, serving customers in the Czech Republic, Slovakia, Austria, Poland, Hungary and Germany. It is one of the largest industrial groups in the Czech Republic in terms of revenues and employees. Development is being carried out also in Poland. In June 2008, a 50-year mining license for the Debiensko mine located in southern Poland was granted and the Company began the process of acquiring key surface infrastructure and preparations for the geological exploration in the area.

The Board of Directors of the Company (the "Board") has a one-tier board structure consisting of at least 9 and maximum of 20 directors. Currently the Board has 15 directors maintaining a balance of non-executive and executive directors that is effective for the promotion of the corporate objective, the protection of the interests of all shareholders of the Company and the governance of the Group. The Board strives to have a majority of directors who are non-executive and are judged by the Board to be independent of judgment and character and free of material relationships with the Group and other entities and people that might influence or would be perceived by shareholders to influence such judgment.

The decision-making of the Board is supported by five committees established by the Board in 2007: the Audit and Risk Management Committee, the Remuneration Committee, the Health, Safety and Environment Committee, the Finance and Investment Committee and the Real Estate Committee, each of them with defined responsibilities and own rules, which were approved by the Board. The committees advise the Board in its work but the Board remains responsible for its decisions.

On 31 December 2007, the Company established the Mining Division and the Real Estate Division which act as separate accounting and reporting units, and divided its share capital into A shares (attributable to the Mining Division) and B shares (attributable to the Real Estate Division). On 5 May 2008 the Company has converted one A Share into a C Share held by RPG Industries SE ("RPGI"). The C Share was cancelled on 22 July 2008. On 22 December 2008, RPGI transferred 10,000 B shares held by RPGI to RPG Property B.V.

The Company completed a successful Initial Public Offering ("IPO") in May 2008 to raise additional financing of its activities. The Company offered 13,500,000 new shares while RPGI offered 81,965,345 existing shares in the IPO reducing its share in the Company to approx. 64%. The legal form of the Company was transformed from the private limited liability company (*besloten vennootschap*) to the public limited liability company (*naamloze vennootschap*) in connection with the IPO. The net proceeds from the primary offer amounted to EUR 217,188 thousand (calculated as gross proceeds from the primary offering reduced by the underwriting fee and by the portion of advisory fees attributed to the primary offer).

Business strategy

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

1. Improving efficiency and profitability of mining operations;
2. Strengthening reserve base from existing mines;
3. Actively pursuing growth opportunities in Poland, the rest of Central Europe and elsewhere;
4. Maintaining strong health and safety record;
5. Seeking to implement and maintain international best practice in corporate governance.

Employees

During the year 2008 the Company and its subsidiaries employed an average of 17,738 employees and utilized an average of 3,501 workers employed by contractors. The Company expects a gradual decrease of the headcount in the future, following its aim to increase the productivity and efficiency of its operations. The development of average wage depends on negotiations with labour unions, which take place generally once a year.

Investments

In 2008, the Group continued in the implementation of the Productivity Optimisation Programme POP 2010. Through the programme, 10 complete sets of longwall equipment and 12 sets of gateroad development systems shall be implemented in two phases. The objective of this capital investment is to improve productivity in the short term and enhance the Group's reserve base in the long term. The new equipment is better suited to the existing coal seams and provides improved strength to allow deeper mining and improvements in overall productivity, efficiency and safety. The first sets of the equipment were put into operation in 2008.

The Company has also implemented an investment programme aimed at the refurbishment and a reconstruction of its coking plants (COP 2010).

The Group focuses on maintaining a safe work environment to minimise injuries to its workforce and maintain the efficiency of its operations. The Group believes that its emphasis on safety is one of the key drivers of its relationship with its employees. The Group's ability to avoid lost-time injuries fosters good relationships with its employees, regulatory agencies and regional and municipal governmental authorities, which ultimately enhances the Group's business. The equipment to be purchased as part of POP 2010 involves further automation of extraction and is expected to enhance the safety environment for the Group's workforce. In 2008, a number of safety initiatives were introduced, including new personal protective equipment, safety audits and safety briefings.

Capital expenditures of the Company and its current subsidiaries reached EUR 285,094 thousand for the year 2008.

Restructuring

In January 2008, the Company acquired a 100% share in „KARBONIA PL” Sp. z o.o. (“Karbonia PL”) from its subsidiary OKD. The sale was executed on 25 January 2008. The ownership transfer has no impact on the consolidated financial statements of the Company because „KARBONIA PL” Sp. z o.o. remains under the control of the Company.

As of 30 April 2008, NWR Coking, a.s. has merged into OKD, OKK, a.s. OKD, OKK, a.s. is a direct subsidiary to the Company, with effective date 1 January 2008.

On 30 June 2008, the 100% share in OKD, Reaktivace, a.s., the 49% share in Garáže Ostrava, a.s. and OKD's internal business unit IMGE were spun-off from OKD into four legal entities owned by the Company (the assets of IMGE being split between RPG RE Property, a.s. and Dukla Industrial Zone, a.s.), with effective date 1 January 2008. The control at the Company level did not change. On 30 September 2008, the Company effected a distribution from the share premium reserve B to RPI, the sole holder of the B shares. The distribution was satisfied by the transfer of (a) shares in the above mentioned four entities and (b) certain promissory notes belonging to the Real Estate Division received from the sale of certain real estate assets not used for its mining activities to RPI. The value of the dividend in kind distributed from the standalone balance sheet of the Company was EUR 89,877 thousand. The impact on the consolidated equity was EUR 82,595 thousand.

On 1 December 2008, OKD sold its subsidiary OKD, BASTRO, a.s. to Bucyrus DBT Europe GmbH, the German subsidiary of Bucyrus International, Inc., a mining equipment manufacturer.

In the second quarter of 2008, the Company established two special purpose vehicles, NWR Energy, a.s. and NWR Energetyka PL Sp. z o.o., to manage and operate its energy assets. NWR Energy, a.s. manages and operates energy assets, which were spun-off from OKD with effective date 1 July 2008.

The energy assets currently operated by Karbonia PL are anticipated to be spun off into NWR Energetyka PL Sp. z o.o. in April 2009. The entities do not perform any other activities.

Financial information

During the period under review, the Company business and performance indicators developed in line with expectations. The Company's strategic and financial targets were met and the consolidated entities showed balanced and stable financial performance supporting the ongoing restructuring and recapitalization.

On 25 January 2007, the Company paid a dividend of EUR 800,425 thousand to RPGI (paid as EUR 572,603 thousand and CZK 6,412,733 thousand). On 18 October 2007, the Company paid a dividend of EUR 276,335 thousand to the shareholder. On 28 June 2007 the Company has distributed in kind to the shareholder, RPG Industries SE, its shares in its mine and landfill gas extraction business, Green Gas International B.V. (Green Gas), and its transportation business, Doprava, in the total net book value of EUR 95,948 thousand. The Company has contributed EUR 12,018 thousand to Green Gas International B.V. On 27 March 2008 the Company paid a dividend of EUR 86,672 thousand to RPGI. On 9 May 2008 the Company paid a dividend of EUR 75,000 thousand to RPGI, the sole holder of the C Share. On 23 October 2008 the Company paid out a dividend to the holders of the A Shares in the equivalent of EUR 73,864 thousand, split into EUR, CZK, GBP and PLN based on the currency elections of the holders of the A Shares of the Company.

After merging two mines in 2008, the Group now operates four mines and two coking facilities in the Czech Republic and serves several large steel and energy producers in Central and Eastern Europe. The Group's revenues for the year ended 31 December 2008 accounted for approximately EUR 2,041 million. The Group's largest business in terms of revenue is the production of coking coal, which accounted for approximately EUR 860 million of sales to third parties in 2008 on an EXW basis ("EXW" refers to the "Ex Works" Incoterm, which is an international delivery condition under which the seller fulfils his obligation to deliver upon having the goods available at his premises to the buyer). Coking coal is sold to steel producers and to independent coke producers. The Group also produces steam coal, which accounted for approximately EUR 352 million of sales in 2008 on an EXW basis. While steam coal generally results in lower profit margins, it provides a more stable demand from year to year than coking coal. The Group also produces coke, primarily from its own coking coal, for sale to steel producers and foundries. Coke sales to third parties for 2008 were approximately EUR 333 million. The Group also generates revenue from the sale of coke by-products, electricity trading and the sales of coal-bed methane. As part of invoicing its customers, the Group passes on the majority of the cost for coal and coke transportation. These sources of additional revenues represented approximately EUR 496 million in 2008.

Due to its landlocked nature and the significant cost of transportation for coal importers outside of Europe (Asia, Australia), the Czech Republic and neighbouring Central European countries represent a largely localized market for coal. The only significant regional coal producers capable of importing into the Czech market at competitive prices are mines in Poland, where there is significant domestic coal demand. As a result, historically there have been limited imports of coal into the Czech Republic with the majority of imports from Poland. Driven by low wages, skilled labour force, a stabilizing economic and political environment and the proximity to established and other emerging markets, Central and Eastern Europe has been experiencing significant private sector investments in industrial production and manufacturing capacity in recent years.

The Group has experienced increased operating costs for spare parts, mining materials and fuel partly attributable to increased economic activity worldwide and in Central and Eastern Europe. The Group has also experienced increases in labour costs as a result of admission of the Czech Republic to the EU and increased economic activity in the Czech Republic. This trend is expected to continue. The Group has in recent years used outside contractors to provide miners. The lower costs of contracted workers compared to own employees have increased the labour productivity of the Group's mining operations. In addition, the Group is currently reducing the level of employees in above ground operations and intends to reduce headcount further in connection with planned modernization of its mining equipment through the capital investment program, which is expected to improve the operational efficiency of its mines.

In the last quarter of 2008, the Group decided to reflect the turbulences in the financial environment and carefully considered their possible impact on its operations. The Group has taken measures to mitigate any possible liquidity risks. As of the date of this report the Company did not register any liquidity problems in its operations. The Group is paying its liabilities in time and does not record any material overdue receivables.

Environmental and personnel related information

The hard coal mining industry in the Czech Republic is principally regulated by the Mining Act and the Czech Act No. 61/1988 Sb., as amended, (the “Act on Mining Activities”). There are a number of implementing regulations issued under these two statutes. Besides regulations specific to the mining industry, the Group is subject to other relevant legislation, including governing environmental, health and safety and employment matters. One of the relevant obligations under the Mining Act is the duty to reclaim the land affected by the exploitation and to compensate any damage caused to third-parties. To be able to cover future reclamation expenses and pay damages, the Group is required to make mandatory reserves. The Environmental Impact Assessment Act (“EIA”) sets forth a duty to conduct in certain cases an EIA prior to the approval of a new investment project by the relevant authorities. The public is allowed to participate actively in the intended investment project from when the investor applies for EIA analysis.

The Health, Safety and Environment Committee assists the Board in its oversight of health, safety and environmental risks within the Group; oversees the performance of the Group in relation to health, safety and environmental matters; reviews the Group’s policies and systems for ensuring compliance with applicable health, safety and environmental, legal and regulatory requirements; and discusses with senior management in the Company’s subsidiaries the effectiveness of the Group’s policies and systems for identifying and managing health and safety risks material to the achievement of the corporate objective.

Information regarding financial instruments

The Group’s principal financial instruments, other than derivatives, comprise bank loans and overdrafts, high yield bonds, finance leases, trade payables and leasing contracts. The main purpose of these financial instruments 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 risks on sales in foreign currencies and interest rate risks tied to all variable interest rates.

Credit risk arises from the potential inability of debtors to meet their obligations as they fall due. Credit risks are addressed by top management through efficient operation of the sales and related departments to prevent excessive bad debts. At the balance sheet date there are concentrations of credit risk to steel producers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group trades only with recognized, 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. Currently the Group does not record any material overdue receivables.

Market risk arises from the possible variations in the value of assets and liabilities due to fluctuations in foreign exchange rates, interest rates and prices of commodities (electricity). The Company has implemented policies and methods of monitoring these risks. The Company reduces foreign currency exposure risks by closing its open position by entering into forward exchange rate contracts “par forwards” with financial institutions.

The Company’s exposure to the risk of changes in market interest rates relates primarily to the Company’s syndicated bank loan with floating interest rates. To manage this, the Company entered into interest rate swaps and interest rate collars.

Liquidity risk refers to the possibility of the Company being unable to meet its cash obligations mainly

in relation to the settlement of amounts due to suppliers and bank loans and facilities. The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) 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 finance leases contracts.

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. The Company aims to mitigate foreign currency exposure risks resulting from operations in currencies other than the functional currency by entering into forward exchange rate contracts (par forwards) with financial institutions. For the year 2008, forward contracts have been in place expiring monthly, aimed at covering 70% of the expected opened position as of 31 December 2008. At the end of 2008, the Company reviewed its hedging strategy and unwound and cashed all the existing hedges maturing in 2009 until 2013 that were in place. The revaluation difference of EUR 44,373 thousand (CZK 1,192,531 thousand), prior to income tax effect, remained in equity and will be gradually recognized in the income statement when the hedged item is recorded. The new hedging strategy that is in place from 1 January 2009 concerns open exposure to currencies other than the functional currency of the Company (i.e. other than EUR) or exposure in other than functional currencies of other entities of the Group (i.e. other than CZK for Czech entities and PLN for Polish entities). Hedging will be done at the Group level to enable to hedge the net position for the Group. The aim is to minimize earnings volatility for the Group resulting from movements in foreign exchange rates.

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 value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In recent years the Group went through a process of significant financial restructuring, taking into consideration international standards of gearing in the mining industry. The management monitors the gearing. The Group's policy is to target a gearing ratio of 2.0 over the cycle. The Company is required under the Syndicated Loan agreement to hold a gearing ratio of senior indebtedness below 2.75 and a gearing ratio of total indebtedness below 3.25. The Group is in compliance with these covenants.

Information technology

The Group is providing information to investors primarily through the webpage of the Company, www.newworldresources.eu, and through the webpage of OKD, www.okd.cz, in the Czech Republic. Internally the Group is using a single system for controlling and accounting with unified processes and a centralized internal administration centre. OKD has developed its internal information system for production data related to coal mining.

Internal audit

The Company has created an internal audit function at Group level. Its tasks are (1) to ensure coverage of main risks and internal control issues at Group level, (2) to oversee and align operational risk and control reviews performed by local teams at subsidiary level where applicable, (3) to create and maintain a group-wide risk and internal control approach and mechanism and (4) to inform the Board of Directors of issues and developments in these areas. The head of internal audit at Group level has a direct reporting line to the chairman of the Audit and Risk Management Committee and works in close cooperation with the risk manager of the Company and the members of the executive team. There are internal audit teams at the Group level and in OKD. The team at Group level is reviewing and monitoring the internal audit organization to have sufficient resources in place in key positions. For the subsidiaries that do not have internal audit teams active, the Group level function organizes and supports the activities in this area until the internal audit organization has been fully established and functioning.

Remuneration of the Board of directors

The directors of the Company received for the year 2008 remuneration in the amount of EUR 11,895 thousand, of which EUR 9,936 thousand was received in shares and share options.

Future outlook

The Company believes that the fundamentals for both thermal and coking coal markets remain positive in the long-term. Hence its strategy is to ensure that it will be well positioned to take full advantage of the opportunities that will arise when the economy and the coal markets begin to recover..

Please see also section Corporate governance of the annual report and a specific section of the annual report presenting information required by the Takeover Directive.

Amsterdam, 25 March 2009

Members of the Board of Directors,

Miklos Salamon

Klaus-Dieter Beck

Marek Jelínek

Zdenek Bakala

Peter Kadas

Alex T. Krueger

Hans Mende

Christiaan Norval

Milan Jelinek

Bessel Kok

Hans-Jörg Rudloff

Pavel Telička

Steven Schuit

Paul Everard

Barry Rourke

NEW WORLD RESOURCES N.V.

CONSOLIDATED INCOME STATEMENT PREPARED IN ACCORDANCE WITH IFRS AS
ADOPTED BY THE EUROPEAN UNION

FOR THE YEAR ENDED 31 DECEMBER 2008

		1 January 2008 - 31 December 2008 <i>thousands EUR</i>	1 January 2007- 31 December 2007 <i>thousands EUR</i>
	<i>Note</i>		
Revenues	3	2,041,128	1,367,098
Change in inventories of finished goods and work-in-progress		34,242	(10,308)
Consumption of material and energy		(579,784)	(363,977)
Service expenses		(351,758)	(306,433)
Personnel expenses	4,28,29	(433,743)	(338,216)
Depreciation	12	(158,350)	(156,931)
Amortization	13	(10,165)	(9,326)
Reversal of impairment of property, plant and equipment	12	0	21,959
Reversal of impairment of receivables		46	491
Net gain from material sold		10,500	6,385
Gain from sale of property, plant and equipment		2,052	1,305
Other operating income		4,065	3,758
Other operating expenses	5	(27,689)	(8,289)
SUB-TOTAL		530,544	207,516
Financial income	7	112,754	142,621
Financial expense	7	(171,990)	(110,477)
Profit/loss on disposal of interest in subsidiaries		847	(13)
PROFIT FROM CONTINUING OPERATIONS - BEFORE TAX		472,155	239,647
Income tax expense	8	(120,516)	(48,976)
PROFIT FROM CONTINUING OPERATIONS		351,639	190,671
DISCONTINUED OPERATIONS			
PROFIT FROM DISCONTINUED OPERATIONS		0	5,821
PROFIT FOR THE PERIOD		351,639	196,492
Attributable to:			
Minority interest		0	6
SHAREHOLDERS OF THE COMPANY		351,639	196,486
EARNINGS PER SHARE	25		
Basic earnings per A share (EUR/share)		1.33	0.79
Diluted earnings per A share (EUR/share)		1.33	0.79
Basic earnings per A share from continuing operations (EUR/share)		1.33	0.76
Diluted earnings per A share from continuing operations (EUR/share)		1.33	0.76
Basic earnings per A share from discontinued operations (EUR/share)		N/A	0.03
Diluted earnings per A share from discontinued operations (EUR/share)		N/A	0.03
Basic earnings per B share (EUR/share)		746.8	0
Diluted earnings per B share (EUR/share)		746.8	0

The notes on pages 72 to 150 are an integral part of these consolidated financial statements.

NEW WORLD RESOURCES N.V.

CONSOLIDATED BALANCE SHEET PREPARED IN ACCORDANCE WITH IFRS AS ADOPTED
BY THE EUROPEAN UNION

AS OF 31 DECEMBER 2008

	31 December 2008 <i>thousands EUR</i>	31 December 2007 <i>thousands EUR</i>
<i>Note</i>	<u> </u>	<u> </u>
ASSETS		
Property, plant and equipment	12 1,088,053	1,049,381
Mining licences	13 167,553	178,683
Other financial investments	14 0	3,104
Long-term receivables	15 11,173	7,342
Deferred tax asset	30 154	2,438
Restricted cash	16 25,861	24,160
TOTAL NON-CURRENT ASSETS	<u>1,292,794</u>	<u>1,265,108</u>
Inventories	17 66,060	32,461
Accounts receivable and prepayments	18 201,671	159,296
Derivatives	20 39	76,008
Income tax receivable	19 7,055	25,722
Cash and cash equivalents	21 678,895	474,160
Restricted cash	16 3,024	0
TOTAL CURRENT ASSETS	<u>956,744</u>	<u>767,647</u>
TOTAL ASSETS	<u><u>2,249,538</u></u>	<u><u>2,032,755</u></u>
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	25 105,524	100,100
Share premium	25 54,971	3,679
Foreign exchange translation reserve	25 4,728	38,389
Restricted reserve	25 124,180	129,990
Equity-settled share based payments	25 8,037	0
Hedging reserve	25 34,328	0
Retained earnings	314,556	105,305
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY	<u>646,324</u>	<u>377,463</u>
LIABILITIES		
Provisions	26 103,962	108,103
Long-term loans	23 661,961	723,856
Bond issued	24 290,425	289,316
Employee benefits	28 88,188	85,634
Deferred revenue	27 5,594	10,299
Deferred tax liability	30 105,385	104,520
Other long-term liabilities	752	200
TOTAL NON-CURRENT LIABILITIES	<u>1,256,267</u>	<u>1,321,928</u>
Provisions	26 5,569	9,176
Accounts payable and accruals	22 221,980	190,232
Accrued interest payable on bond	2,766	2,766
Derivatives	20 9,012	226
Income tax payable	8 11,890	58,446
Current portion of long-term loans	23 66,835	66,823
Short-term loans	23 28,540	5,695
Cash-settled share-based payments payable	355	0
TOTAL CURRENT LIABILITIES	<u>346,947</u>	<u>333,364</u>
TOTAL LIABILITIES	<u>1,603,214</u>	<u>1,655,292</u>
TOTAL EQUITY AND LIABILITIES	<u><u>2,249,538</u></u>	<u><u>2,032,755</u></u>

The notes on pages 72 to 150 are an integral part of these consolidated financial statements.

NEW WORLD RESOURCES N.V.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY PREPARED IN ACCORDANCE WITH IFRS AS ADOPTED BY THE EUROPEAN UNION
FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital EUR'000	Share premium EUR'000	Foreign exchange translation reserve EUR'000	Restricted reserve EUR'000	Equity-settled share based payment EUR'000	Hedging reserve EUR'000	Retained earnings EUR'000	Total EUR'000
1 January 2008	100,100	3,679	38,389	129,990	0	0	105,305	377,463
Currency translation	0	0	(23,677)	(1,189)	0	0	0	(24,866)
Total income and expense for the period recognised directly in equity	0	0	(23,677)	(1,189)	0	0	0	(24,866)
Other movements	0	0	0	0	0	0	(534)	(534)
Net profit for the period	0	0	0	0	0	0	351,639	351,639
Total income and expense for the period	0	0	(23,677)	(1,189)	0	0	351,105	326,239
Derivatives	0	0	0	0	0	34,328	0	34,328
Reclassification Restricted reserve	25	0	0	(4,621)	0	0	4,621	0
Issue 13,5M share A re IPO	25	211,788	0	0	0	0	0	217,188
Issue 59,620 shares A re indep directors	24	1,176	0	0	0	0	0	1,200
Dividends paid and declared	10	(161,672)	0	0	0	0	(73,864)	(235,536)
Share options	29	0	0	0	8,037	0	0	8,037
Distribution in kind to shareholder	10	0	(9,984)	0	0	0	(72,611)	(82,595)
31 December 2008	105,524	54,971	4,728	124,180	8,037	34,328	314,556	646,324

The notes on pages 72 to 150 are an integral part of these consolidated financial statements.

NEW WORLD RESOURCES N.V.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY PREPARED IN ACCORDANCE WITH IFRS AS ADOPTED BY THE EUROPEAN UNION
FOR THE YEAR ENDED 31 DECEMBER 2007

	Share capital EUR '000	Share premium EUR '000	Special liquidation reserve EUR '000	Foreign exchange translation reserve EUR '000	Restricted reserve EUR '000	Retained earnings EUR '000	Total EUR '000	Minority interest EUR '000	Equity Total EUR '000
1 January 2007	100,018	911,840	83,967	38,628	122,144	97,749	1,354,346	0	1,354,346
Currency translation	0	0	0	7,029	0	0	7,029	0	7,029
Total income and expense for the period recognised directly in equity	0	0	0	7,029	0	0	7,029	0	7,029
Other movements	0	0	0	0	0	567	567	0	567
Net profit for the period	0	0	0	0	0	196,486	196,486	6	196,492
Total income and expense for the period	0	0	0	7,029	0	197,053	204,082	6	204,088
Reclassification of special liquidation reserve	0	0	(83,967)	0	0	83,967	0	0	0
Dividends paid	0	(911,840)	0	0	0	(164,920)	(1,076,760)	0	(1,076,760)
Increase of share capital	82	0	0	0	0	0	82	0	82
Increase of share premium	0	3,679	0	0	0	0	3,679	0	3,679
Currency translation	0	0	0	(7,846)	7,846	0	0	0	0
Distribution in kind	0	0	0	578	0	(108,544)	(107,966)	(6)	(107,972)
31 December 2007	100,100	3,679	0	38,389	129,990	105,305	377,463	0	377,463

The notes on pages 72 to 150 are an integral part of these consolidated financial statements.

NEW WORLD RESOURCES N.V.

CONSOLIDATED CASH FLOW STATEMENT PREPARED IN ACCORDANCE WITH IFRS AS ADOPTED
BY THE EUROPEAN UNION

FOR THE YEAR ENDED 31 DECEMBER 2008

		1 January 2008- 31 December 2008 <i>thousands EUR</i>	1 January 2007- 31 December 2007 <i>thousands EUR</i>
	<i>Note</i>		
Cash flows from operating activities			
Net profit before taxation and minority interest from continuing operations	3	472,155	239,647
Net profit before taxation and minority interest from discontinued operations	3	0	8,103
Net profit before taxation and minority interest		<u>472,155</u>	<u>247,750</u>
Adjustments for:			
Depreciation	12	158,350	140,000
Amortization	13	10,165	9,326
Changes in provisions		(4,722)	(15,972)
Profit on disposal of property, plant and equipment		(2,052)	(1,377)
Profit on disposal of other financial investments		(846)	(21,523)
Interest expense, net		50,292	40,230
Change in fair value of derivatives		27,679	(43,461)
Cash-settled share-based payment transactions		355	0
Equity-settled share-based payment transactions		9,237	0
Unrealized foreign exchange gains on long-term borrowings		39	4,657
Profit before working capital changes		<u>720,652</u>	<u>359,630</u>
(Increase) / Decrease in inventories		(39,540)	8,096
(Increase) / Decrease in receivables		(17,130)	(15,067)
(Decrease) / Increase in payables		24,026	30,264
Changes in deferred revenue		(4,701)	7,086
(Increase) / Decrease in restricted cash		(4,448)	(6,370)
Net proceeds from closed currency derivatives		99,913	0
Currency translation and other non-cash movements		(32,511)	(19,872)
Cash generated from operating activities		<u>746,261</u>	<u>363,767</u>
Interest paid		(66,087)	(42,873)
Corporate income tax paid		(157,047)	(63,324)
Net cash flows from operating activities		<u><u>523,127</u></u>	<u><u>257,570</u></u>
Cash flows from investing activities			
Interest received		22,216	12,906
Purchase of land, property, plant and equipment	12	(285,094)	(82,712)
Proceeds from sale of other financial investments		5,929	16,382
Cash and cash equivalents of distributed subsidiaries (in kind)		(6,117)	(24,445)
Proceeds from sale of property, plant and equipment		2,725	2,238
Net cash flows from investing activities		<u><u>(260,341)</u></u>	<u><u>(75,631)</u></u>
Cash flows from financing activities:			
Repayments of syndicated loan	23	(65,146)	(234,547)
Proceeds of long-term borrowings	23	0	301,016
Fee paid from proceeds of long term borrowings		0	(1,791)
Cash inflows from issued bond	24	0	300,000
Bond emission fee paid		0	(11,320)
Repayments of short-term borrowings		(5,350)	(9,355)
Proceeds of short-term borrowings		31,692	3,690
Proceeds from issued shares (IPO)		219,078	0
Transaction costs from issued shares (IPO)		(1,890)	0
Dividends paid	10	(235,536)	(1,076,760)
Net cash flows from financing activities		<u><u>(57,152)</u></u>	<u><u>(729,067)</u></u>
Net effect of currency translation		(899)	7,910
Net increase in cash and cash equivalents		204,735	(539,218)
Cash and Cash Equivalents at the beginning of period	21	474,160	1,013,378
Cash and Cash Equivalents at the end of period		<u><u>678,895</u></u>	<u><u>474,160</u></u>

The notes on pages 72 to 150 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION**a) Corporate information**

New World Resources N.V. (the “Company”) is a public limited liability company incorporated under the laws of the Netherlands on 29 December 2005. The registered office of the Company is at Jachthavenweg 109h, 1081 KM Amsterdam, The Netherlands.

The objectives of the Company are to act as a holding and finance company.

RPG Industries SE (“RPGI”), a European public limited company whose corporate seat is in Nicosia, Cyprus, is the major shareholder of the Company, holding approximately 64% of the Company’s A Shares and all of its B Shares. The financial information of the Company is included in the consolidated financial statements of RPGI. Approximately 36% of the A Shares of the Company are listed on stock exchanges in London, Warsaw and Prague. New World Resources B.V. was converted to New World Resources N.V. before it issued shares on the stock exchanges. The ultimate parent of the Company is RPG Partners Limited.

These financial statements were approved by the board of directors and authorised for issue on 25 March 2009.

b) The Group

The consolidated financial statements include New World Resources N.V. and the following subsidiaries (together “the Group”) as at 31 December 2008:

<u>Consolidated subsidiaries</u>	<u>% Equity = voting</u>	<u>Nature of Activity</u>
Entities directly owned by the Company:		
OKD, a.s.	100 %	Coal mining
OKD, OKK, a.s.	100 %	Coke production
„KARBONIA PL” Sp. z o.o.	100 %	Coal mining and electricity sales
NWR Energetyka PL Sp. z o.o.	100 %	Electricity sales
NWR Energy, a.s.	100 %	Electricity production
Entities directly owned by NWR Energy, a.s.:		
CZECH-KARBON s.r.o.	100 %	Electricity trading
Entities directly owned by OKD, a.s.:		
OKD, HBZS, a.s.	100 %	Emergency services, waste processing

All of the Company’s consolidated subsidiaries are incorporated in the Czech Republic, with the exception of „KARBONIA PL”, Sp. z o.o. and NWR Energetyka PL sp. z o.o., which are incorporated in Poland.

See paragraph e) below for changes in the Group during the presented period.

As of 31 December 2007 the consolidated financial statements include New World Resources B.V. and the following subsidiaries (together “the Group”):

Consolidated subsidiaries	% Equity = voting	Nature of Activity
Entities directly owned by the Company:		
OKD, a.s.	100 %	Coal mining
RPG RE Property, a.s.	100 %	Real estate management
Dukla Industrial Zone, a.s.	100 %	Real estate management
NWR Coking, a.s.	100 %	Holding company
Entities directly owned by NWR Coking, a.s.:		
OKD, OKK, a.s.	100%	Coke production
Entities directly owned by OKD, a.s.:		
OKD, BASTRO, a.s.	100 %	Engineering
OKD, HBZS, a.s.	100 %	Emergency services, waste processing
CZECH-KARBON s.r.o.	100 %	Electricity trading
OKD, Rekulivace, a.s.	100 %	Restoration activities
„KARBONIA PL”, Sp. z.o.o	100 %	Electricity sales

c) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”). The consolidated financial statements also comply with the requirements of Book 2 Title 9 of the Netherlands Civil Code.

d) Basis of preparation

The consolidated financial statements are prepared on the historical cost basis except for derivative and other 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 (EUR). Functional currency of the Company is EUR. Functional currency of „KARBONIA PL” Sp. z o.o. and NWR Energetyka PL Sp. z o.o. is Polish Zloty (PLN). Functional currency of the remaining consolidated companies is Czech Crown (CZK). For details refer to Note 2d(ii). The accounting policies have been applied consistently by the Group entities.

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

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

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

Note 12 - Property, plant and equipment

Note 20 - Financial instruments

Note 26 - Provisions

Note 28 - Employee benefits

Note 29 - Share based payments, and

Note 32 - Contingent assets and liabilities.

e) 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.

On 28 August 2007, the board of directors of OKD approved the spin-off of the 100% share in OKK and certain land with effective date 1 July 2007 into a newly incorporated entity NWR Coking, a.s. The Company, acting as the sole shareholder, has approved the project of the spin-off from OKD on 29 October 2007. As of 30 April 2008 OKK merged with NWR Coking, a.s. with effective date for the merger of 1 January 2008 and OKK being the legal successor. The control at the Company level did not change.

Ownership interest transfer agreement between OKD as a seller of its 100% share in „KARBONIA PL” Sp. z o.o. and the Company as a buyer was signed on 16 January 2008. The sale was executed on 25 January 2008. „KARBONIA PL” Sp. z o.o. remains under the control of the Company.

With effective date of 1 January 2008 the 100% share in OKD, Rekultivace, a.s., the 49% share in Garáže Ostrava, a.s. and OKD's internal business unit IMGE were spun-off from OKD into four legal entities (RPG RE Property, a.s., Dukla Industrial Zone, a.s., RPG Rekultivace, a.s. and RPG Garáže, a.s.) 100% owned by the Company. The Company as the sole shareholder approved the project of the spin-off from OKD, a.s., acting as the sole shareholder of the new entities on 30 June 2008. The control at the Company level did not change because of the spin-off. On 30 September 2008, the Company distributed these four entities together with certain promissory notes received from sale of real estate assets not used for its mining activities to the holder of B shares (see below).

The Company established two special purpose vehicles, NWR Energy, a.s. and NWR Energetyka PL Sp. z o.o. in the second quarter of 2008. OKD's internal business unit Energetika, operating the energy assets of OKD, and the 100% share in CZECH-KARBON, s.r.o. were spun-off from OKD into NWR Energy, a.s. with effective date 1 July 2008. The purpose of NWR Energy, a.s. is to manage and operate these energy assets. The purpose of NWR Energetyka PL Sp. z o.o. is to manage and operate energy assets, which are anticipated to be spun-off from „KARBONIA PL” Sp. z o.o. in April 2009. The entities do not perform any other activities than those related to this purpose. The control at the Company level did not change.

(ii) Entities incorporated in 2008

RPG Rekultivace, a.s. and RPG Garáže, a.s. were established in 2008 as new entities by spin-off of certain assets from OKD. These two new entities carry part of spun-off assets from OKD. The purpose of RPG Rekultivace, a.s. is to hold the shares of OKD, Rekultivace, a.s.. The purpose of RPG Garáže, a.s. is to hold the shares of Garáže Ostrava, a.s.

(iii) Distribution in kind

On 23 May 2007, New World Resources B.V. contributed its 100% share in OKD, DPB, a.s. to New World Resources Acquisitions B.V. (subsequently renamed to Green Gas International B.V.), together with EUR 12,018 thousand in cash, thus acquiring 70 % share of New World Resources Acquisitions B.V.

On 28 June 2007, the Group distributed in kind to its parent company at that time, RPG Industries SE, its shares in its mine and landfill gas extraction and electricity business, Green Gas International B.V., and its transportation business, OKD, Doprava, akciová společnost ("Doprava"). The investment in these subsidiaries was excluded from the consolidated financial statements as from this date. The amount presented in the consolidated statement of changes in equity represents the net book value of the subsidiaries distributed to the owners. Both gas and electricity as well as transportation business segments are presented as discontinued operations in these financial statements. Refer to Note 9.

On 30 September 2008, the Company distributed its shares in RPG RE Property, a.s., Dukla Industrial Zone, a.s., RPG Rekultivace, a.s. (holding the shares of OKD, Rekultivace, a.s.) and RPG Garáže, a.s. (holding the shares of Garáže Ostrava, a.s.) together with certain promissory notes received from sale of real estate assets not used for its mining activities to the holder of B Shares.

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

On 23 February 2007, a court decision about the termination of the liquidation process of former subsidiary OKD, Báňské stavby Ostrava, a.s. "v likvidaci" became effective and the company was delisted from the commercial register.

(v) Sale of OKD, Bastro, a.s.

On 1 December 2008, OKD sold its subsidiary OKD, BASTRO, a.s. to Bucyrus DBT Europe GmbH, the German subsidiary of Bucyrus International, Inc., a mining equipment manufacturer. Net assets of disposed company amounted EUR 5,099 thousand as of 1 December 2008. The company was sold for EUR 5,946 thousand and a gain from sale of EUR 847 thousand was realised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) New IFRS

New standards and interpretations adopted during the financial year

In 2008, the Group adopted the following new or amended International Financial Reporting Standards and IFRIC Interpretations, which were relevant for the Group:

- IAS 39 Financial instruments: Recognition and Measurement and IFRS 7 Financial instruments: Disclosures (Amendments)
- IFRS 2 Share-based Payment (Revised)

The principal effects of the changes are as follows:

IAS 39 Financial instruments: Recognition and Measurement and IFRS 7 Financial instruments: Disclosures (Amendments)

On 13 October 2008, the IASB published amendments to allow reclassifications of certain financial instruments from held for trading and available for sale categories. The Group has analysed financial instruments held for trading and available for sale and the amendment of IAS 39 and IFRS 7 did not result in any re-classification of the Group's financial instruments nor had any impact on the financial position or performance of the Group.

IFRS 2 Share-based Payment (Revised)

The Group early adopted the amendment to IFRS 2, which is effective for the annual period from 1 January 2009. The revised standard clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It did not have an impact on the financial position or performance of the Groups as no events occurred that this interpretation relates to.

Improvements to IFRSs

In May 2008, the IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The Group has early adopted the following amendments to standards:

IAS 1 Presentation of Financial Statements: Assets and liabilities held for trading in accordance with *IAS 39 Financial instruments: Recognition and Measurement* are not automatically classified as current in the balance sheet. The Group amended its accounting policy accordingly and analysed whether Management's expectation of the period of realization of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the balance sheet.

IAS 16 Property, Plant and Equipment: Replace the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

IAS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one – the interest expense calculated using the effective interest rate method in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change of its financial position.

IAS 36 Impairment of Assets: When discounted cash flows are used to estimate "fair value less cost to sell" additional disclosures is required about the discount rate, consistent with disclosures required when the

discounted cash flows are used to estimate “value in use”. This amendment has no immediate impact on the consolidated financial statements of the Group, because the recoverable amount of its cash generating units is currently estimated using “value in use”.

IAS 38 Intangible assets: Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the services. This amendment has no impact on the Group because it does not enter into such promotional activities.

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

As of 1 January 2008, the Group has adopted IFRIC Interpretation 11, which requires arrangements whereby an employee is granted rights to an entity’s equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The Group amended its accounting policy accordingly.

New IFRS Standards and Interpretations issued but not yet effective

The Group is currently assessing the potential impacts of the new and revised standards that will be effective for annual periods from 1 January 2009 or later. Most relevant to the Group’s activities are IAS 1 Amendment Presentation of Financial Statements and IAS 23 Amendment Borrowing costs. The Group currently does not expect that the new standards and interpretations would have a significant effect on the Group’s results and financial position.

The principal effects of these changes are as follows:

Amendment to IAS 1 Presentation of Financial Statements

The Group did not apply the amendment, which is effective for annual period as of 1 January 2009. The amendment will require revision of the statement of changes in equity and additional disclosures, such as statement of other comprehensive income.

Amendment to IAS 23 Borrowing Costs

The Group did not apply the amendment, which is effective for the annual period as of 1 January 2009. The amendment will require including borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs shall be recognised as an expense. The Company will apply the amendment prospectively for the annual period from 1 January 2009 and, as a result, a portion of the borrowing costs will be capitalized as part of the cost of qualifying assets.

IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements (Revised)

The revised standards were issued in January 2008 and will become effective on 1 July 2009. Amended IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period of acquisition, and future reported results. The amended IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by revised IFRS 3 and IAS 27 will affect future acquisitions or loss of control and transactions with minority interests.

IAS 39 Financial Instruments: Recognition and Measurement

The Group did not early adopt the amendment to IAS 39, which is effective for the annual period as of 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value of changes or cash flow variability of a financial instrument as hedged item.

IFRIC 13 Customer Loyalty Programmes

The Group did not apply the interpretation, which is effective for the periods as of 1 July 2008. The Interpretation requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is

allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. If the cost of fulfilling the awards is expected to exceed the consideration received, the entity will have an onerous contract and a liability for the excess must be recognized.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The Group did not apply the interpretation, which is effective for the periods as of 1 October 2008. The Interpretation provides guidance in respect of hedges of foreign currency gains and losses on a net investment in a foreign operation.

b) Basis of consolidation

The financial statements include the accounts of New World Resources N.V. and its subsidiaries presented in Note 1.

(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.

c) Principles for preparation of the cash flow statement

Cash flow is presented using the indirect method. Net cash flows from operating activities are reconciled from profit before tax from continuing operations. 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 balance sheet date are translated to functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to functional currency at the foreign exchange rates which approximate rates ruling at the dates the values were determined. Foreign exchange differences arising on translation are recognized in the income statement.

(ii) Foreign operations

Assets and liabilities of operations with functional currency other than EUR, including goodwill and fair value adjustments arising on acquisition, 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 recognized directly in equity. 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.

Goodwill and fair value adjustments arising on the acquisition of an operation with functional currency other than EUR are treated as assets and liabilities of the operation and are translated at the closing exchange rate.

e) Derivative financial instruments

The Group uses derivative financial instruments (such as 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 recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at 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 directly 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 balance sheet 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:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- 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; or
- Hedges of a net investment in a foreign operation.

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:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the income statement.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the income statement over the remaining term to maturity. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedges item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedge item is derecognised, the unamortised fair value is recognised immediately in the income statement.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecasted sale occurs. Where the hedged item is a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecasted transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity 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 equity remain in equity until the forecasted transaction or firm commitment occurs.

In the period beginning on 1 January 2008 the Group applies hedge accounting for forward exchange rate contracts used as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments. Refer to Note 20 for more details.

The Group has an interest rate swap that is used as a hedge for the cash flow exposure resulting from its Syndicated Loan. See Note 20 for more details.

Current versus non-current classification

Derivative instruments that are not a designated and 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 balance sheet date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item).
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent 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 (see below) and impairment losses (see accounting policy l). Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The cost also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that it is recognised as a provision under IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

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

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

Borrowing costs are recognised as an expense when incurred.

(ii) Leased assets

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

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

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

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

Finance leases, which transfer to the 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.

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

(iii) Subsequent expenditure

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

(iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. Land and 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, a.s. The coal reserve is the exclusive deposit and creates the mineral wealth of the Czech Republic and the licenses allow OKD, a.s. to extract coal from this deposit. Licences are stated at cost less amortisation and impairment losses.

When determining fair value of the coal reserve license in the year 2004, OKD, a.s. used an income approach, specifically the Multi-period excess earning method (MEEM), taking into the account specific finite horizon of OKD, a.s. coal-mining operations. Amortisation for the period was calculated as a proportion of the coal amount actually mined in this period to the total economically exploitable coal reserves as estimated by management.

The plan used for valuation comprises the whole projected period of future OKD coal-mining operations.

(ii) Research and development

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

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

(iii) Other intangible assets

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

(iv) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Other intangible assets are amortised from the date they are available for use. Amortization methods, useful lives and residual values are reviewed at each reporting date.

(v) Emission rights

Emission rights represent the right of the owner of a facility, which in the course of its operation emits greenhouse gases, to emit during the calendar year an equivalent of one ton of carbon dioxide (CO₂). Based on the National Allocation Plan in 2008, 2007, 2006 and 2005 certain companies of the Group were granted emission rights free of charge. These companies are responsible for determining and reporting the amount of greenhouse gases produced by its facilities in the calendar year and this amount has to be audited by an authorized person.

As at April, 30, of the following year, at latest, these companies are required to remit a number of certificates

representing the number of tones of CO₂ actually emitted. If a company does not fulfill this requirement and does not remit necessary number of emission rights, then the company has to pay a penalty in the amount of EUR 40 per 1 ton of CO₂.

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

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

(vi) Exploration for and Evaluation of Mineral Resources

Expenditures on exploration for and evaluation of mineral resources are charged to expense as incurred.

h) Investments

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

Available-for-sale investments are recognised/de-recognized by the Group on the date it commits to purchase/sell the investments.

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

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

i) 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 m).

j) Inventories

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

k) 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).

l) Restricted cash

Restricted balances of cash, which are shown under non-current financial assets as restricted funds (see Note 16), relate to mining damages and restoration expenses. The non-current classification is based on the expected timing of the release of the funds of the Group.

m) Impairment

The carrying amounts of the Group's assets, excluding inventories (see accounting policy j) and deferred tax assets (see accounting policy t), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognized in the income statement. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(i) Calculation of recoverable amount

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

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

(ii) Reversals of impairment

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

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

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

n) Minority interest

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

o) Interest-bearing borrowings

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

p) 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 balance sheet date on Czech government bonds that have maturity dates approximating the terms of the Group's obligations.

q) Share-based payment transactions

Employees (including senior executives) of the Group receive remuneration for their services in the form of share-based payment transactions ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. This is then capitalized or expensed as appropriate.

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 as per stock exchange and whenever appropriate using option pricing models.

The cost of equity-settled transactions is recognized, 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 recognized 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 recognized as at the beginning and end of that period.

No expense is recognized 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 recognized is the expense as if the terms had not been modified. An additional expense is recognized 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 recognized for the award is recognized 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 (further details are given in Note 29).

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 balance sheet date up to and including the settlement date with changes in fair value recognized in the income statement.

r) Provisions

A provision is recognised in the balance sheet 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 current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Restoration and mining damages provisions

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

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

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

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

s) Trade and other payables

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

t) Revenue

(i) Goods sold and services rendered

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

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

(ii) Revenues from electricity contracts

The Group concludes sale and purchase contracts for physical delivery of specified commodities (defined quantity of electricity) over the counter and through energy exchanges. These transactions are entered into and continue to be held for the ultimate purpose of physical receipt or delivery of the commodity in accordance with the Group's expected sale or purchase requirements, are designated into an own use category at inception and are not within the scope of IAS 39.

Revenues from realised electricity sales are recognised in the income statement based on actual deliveries and when the significant risks and rewards of ownership have been transferred to the buyer in line with the contract conditions, recovery of the consideration is probable, the associated costs can be estimated reliably and there is no continuing management involvement with the delivered commodity. Revenue is stated net of value added tax and excise duties and comprises the value of sales of commodity made in the normal course of business.

Gains and losses arising from changes in fair value on contracts on energy exchanges, which result in cash inflows or outflows to and from an energy exchange, are recognised on balance sheet and upon settlement in the

income statement.

(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 instalments.

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

u) Expenses

(i) Operating lease payments

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

(ii) Net financing costs

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

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

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

(iii) Income tax

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

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.

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

v) Segment reporting

In 2007, the Group early adopted IFRS 8 – Operating Segments. 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. A start-up operation can be treated as an operating segment while it has yet to earn revenues.

w) Non-current assets held for sale and discontinued operations

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss. The same applies to gains and losses on subsequent re-measurement.

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 upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

x) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

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

3. SEGMENT INFORMATION

a) Introduction to segment information

In 2007, the Group early adopted IFRS 8 – Operating Segments. This standard requires an entity to report information about operating segments which are separately available and which are regularly evaluated by so called “chief operating decision maker” (“CODM”).

In 2007, the Company separated the real estate of the Group into a new division in order to provide higher transparency to the mining and real estate assets. The Group began operating two segments determined by differences in their assets and products and services produced and provided. The segments were represented by the Mining Division segment (“MD”) and the Real Estate Division segment (“RED”), established internally by the Divisional Policy Statements as of 31 December 2007. The segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a separate strategic division that offers different products and services. The MD relates to coal extraction, production of coke and related operations and businesses. Except for activities of OKD, Rekultivace, a.s. and Garáže Ostrava, a.s. the RED solely provides inter-divisional service i.e. provides real estate to MD (see below). In connection to the newly operated segments MD and RED, no legal entity was established. The Company issued B Class shares to track the financial performance of the RED as of 31 December 2007.

3. SEGMENT INFORMATION (CONTINUED)

As from 1 January 2008, the divisions are operated separately for accounting and reporting purposes to reflect the results of operations and the financial position of each division and to provide relevant information to the holders of the A and B Class shares. The CODM for the two reportable segments is the board of directors of the Company.

The RED comprised of the shares and corresponding investments in the subsidiaries OKD, Rekultivace, a.s. and Garáže Ostrava, a.s., all of the assets and liabilities in the IMGE internal business unit of OKD and all real estate assets owned by the Group at the time of the establishment of the divisions ("Real Estate Assets"). IMGE was an internal business unit of OKD specialized in land reclamation works, attributed with all real estate of OKD that was not being used for its mining and related operations. As the RED was established as of 31 December 2007, the segment did not have any revenues or expenses in the year ended 31 December 2007.

On 30 September 2008, the first distribution of assets of the Real Estate Division to RPG Industries SE, the sole holder of the B Shares, was effected. These assets included the shares and corresponding investments in the subsidiaries RPG Rekultivace, a.s. (the sole holder of the share in OKD, Rekultivace, a.s.), RPG Garáže, a.s. (the sole holder of the share in Garáže Ostrava, a.s.), all of the assets and liabilities in the IMGE internal business unit of OKD (spun-off for the purpose of the distribution to special purpose entities named Dukla Industrial Zone, a.s. and RPG RE Property, a.s.) and certain promissory notes received for the sale of real estate assets in the nominal value of CZK 42,597 thousand (EUR 1,731 thousand). The impact of the dividend in kind on the consolidated equity of the Company was EUR 82,595 thousand.

In the year 2008, electricity trading activities incurred robust growth in sales volume. Next to that the management of the Group decided to present and follow the financial performance of the electricity trading business separately. Consequently, the Mining division segment is currently represented by two sub-segments, one representing the coal & coke business and the other representing the electricity trading business. The comparable information for the year 2007 was adjusted and is presented correspondingly.

In the past, the Group also operated the transport segment (represented by OKD, Doprava, akciová společnost) and the gas and electricity segment (represented by Green Gas International B.V.). The transport segment provided transportation and related services and the gas segment related to gas extraction and related electricity production activities. The entities representing transport and gas and electricity segments were distributed as a dividend in kind to the Company's shareholder on 28 June 2007 and are excluded from consolidation as from that date. These entities are presented as discontinued operations in the comparative financial information of these financial statements (see Note 9).

In order to ensure fair treatment to all shareholders the Company has prepared and adopted the Divisional Policy Statements, approved by RPG Industries SE. The fundamental and overriding principles are that the MD has the right to maintain:

- the undisturbed continuation of its mining, coking and related operations that are currently, or which are expected by the board of directors of the Company to be in the future, conducted using certain of the Real Estate Assets; and
- unrestricted access to the Real Estate Assets in connection with such mining, coking and related operations.

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

- buildings, constructions and similar real estate assets ("Buildings") and
- land.

The Group provides its products to customers in different geographical areas and therefore provides information on geographical segments as well.

3. SEGMENT INFORMATION (CONTINUED)

b) Disclosures on Buildings

The RED provides Buildings to the MD based on the overriding rules. The management considers this relation between the divisions as a kind of leasing relationship, where the RED provides property to the MD against remuneration. Following this approach of the Company, for Buildings the following criteria for identifying the relation between the divisions as financial leasing are met:

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

The Buildings are recorded at the carrying amount in the balance sheet of the MD. Commencing 1 January 2008 MD will depreciate the Buildings. 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.

The Company did not revalue the Real Estate Assets for the purpose of presentation in the segment reporting. The assets are presented in the segment reporting at book values. These values also represent the basis for depreciation. Under IFRS finance lease assets shall be valued at the present value of minimum lease payments, which would also be the basis for depreciation under standard finance lease conditions. The RED does not charge lease payments to the MD for the access to the Real Estate Assets. Therefore the Group decided to apply the book values for the allocation of the Real Estate Assets value between the divisions. The value of Buildings provided to the MD at 31 December 2008 is EUR 322,168 thousand.

When the demand for unrestricted access to certain Real Estate Assets by the MD terminates, the overriding rules do not apply anymore and the Real Estate Assets are transferred back from the MD to the RED. This transfer becomes effective when the assets are not used for mining, coking and related operations anymore. Since the respective Buildings meet the criteria mentioned above, 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.

3. SEGMENT INFORMATION (CONTINUED)

The Divisional Policy Statements determine the annual fee paid for Real Estate Assets provided by the RED to the MD (the "CAP") to be EUR 3,600 thousand per year in 2008, adjusted for inflation in subsequent years. The annual fee paid by MD to RED represents the financing costs on the Buildings provided. From 1 January 2008 the CAP is accounted for as financial expense in the MD and as financial revenue in the RED.

There is no consideration required from the MD to repay the present value of the Buildings provided in compliance with the Divisional Policy Statement. Therefore the respective amount i.e. the book value of the Buildings provided to the MD as of 31 December 2008 is presented in the equity of the MD.

c) Disclosures on land

Land is provided to the MD without any consideration. However the IFRS criteria for financial leasing cannot be met for land. IFRS do not provide a specific guideline for the presentation of such relationship. The Company decided to present this relationship in the segment analysis as a right to use land by the MD granted by RED. The right is depleted over the expected lifetime of mining, coking and related businesses using a linear amortization method. The management determined the original value of the right being the book value of land at 31 December 2007 i.e. the date when the divisions were established. The residual amount as of 31 December 2008 and 31 December 2007 was EUR 16,344 thousand and EUR 18,196 thousand respectively.

Deferred revenue corresponding to the amount of the right to use is presented in the balance sheet of the RED. The deferred revenue will be released into revenues over the period correspondingly to the depletion of the right to use the land.

d) Disclosures on assets allocated to the RED and not provided for mining, coking and related operations

Real Estate Assets currently not used for mining, coking and related operations are presented in the Real Estate Division.

3. SEGMENT INFORMATION (CONTINUED)**e) Presentation of business segments**

Business Segments	Mining division segment		Real Estate division segment	Inter-segment Eliminations & Adjustments		Total	
	Coal&Coke sub-segment	Electricity trading sub-segment	Eliminations & adjustments- sub-segment	Total			
<i>Continuing operations</i>							
	1/1/2008 - 31/12/2008 EUR '000	1/1/2008 - 31/12/2008 EUR '000	1/1/2008 - 31/12/2008 EUR '000	1/1/2008 - 31/12/2008 EUR '000	1/1/2008 - 31/12/2008 EUR '000	1/1/2008 - 31/12/2008 EUR '000	
Segment revenues							
<i>Continuing operations</i>							
Sales to third party	1,792,521	226,994	0	2,019,515	21,613	0	2,041,128
Sub-segment sales	650	60,129	(60,779)	0	0	0	0
Inter-segment sales	1,924	49	0	1,973	4,544	(6,517)	0
Sales to discontinued operations	0	0	0	0	0	0	0
<i>Discontinued operations</i>							
Sales - discontinued operations	0	0	0	0	0	0	0
Total revenues	1,795,095	287,172	(60,779)	2,021,488	26,157	(6,517)	2,041,128
Segment Result							
Segment result	514,427	13,434	0	527,861	2,683	0	530,544
Financial income				112,583	3,784	(3,613)	112,754
Financial expenses				(175,550)	(53)	3,613	(171,990)
Profit/loss on disposal of interest in subsidiaries				(2,140)	2,987	0	847
Profit before tax				462,754	9,401	0	472,155
Income tax expense				(118,583)	(1,933)	0	(120,516)
Net profit				344,171	7,468	0	351,639
Assets and liabilities as at 31. 12. 2008							
Segment assets	2,205,749	41,947	(3,572)	2,244,124	29,970	(24,556)	2,249,538
Segment liabilities	1,581,264	30,979	(3,572)	1,608,671	19,099	(24,556)	1,603,214
Other segment information:							
Capital expenditures	284,497	0	0	284,497	597	0	285,094
Depreciation	157,119	4	0	157,123	1,227	0	158,350
Amortization	11,267	0	0	11,267	0	(1,102)	10,165
Change in provisions	(4,668)	0	0	(4,668)	(54)	0	(4,722)
Reversal of impairment of assets	0	0	0	0	0	0	0
Interest income	21,712	529	0	22,241	3,739	(3,613)	22,367
Interest expense	76,170	98	0	76,268	7	(3,613)	72,662

3. SEGMENT INFORMATION (CONTINUED)

Business Segments	Mining division segment				Real Estate division segment	Inter-segment Eliminations & Adjustments	Total	Transport	Gas and Electricity	Total
	Coal&Coke sub-segment	Electricity trading sub- segment	Eliminations & adjustments- sub-segment	Total						
	Continuing operations						Discontinued operations			
	1/1/2007 - 31/12/2007 EUR '000	1/1/2007 - 31/12/2007 EUR '000	1/1/2007 - 31/12/2007 EUR '000	1/1/2007 - 31/12/2007 EUR '000	1/1/2007 - 31/12/2007 EUR '000	1/1/2007 - 31/12/2007 EUR '000	1/1/2007 - 31/12/2007 EUR '000	1/1/2007 - 30/6/2007 EUR '000	1/1/2007 - 30/6/2007 EUR '000	1/1/2007 - 30/6/2007 EUR '000
Segment revenues										
<i>Continuing operations</i>										
Sales to third party	1,282,754	78,639	0	1,361,393	0	0	1,361,393			
Sub-segment sales	3,366	42,763	(46,129)	0	0	0	0			
Inter-segment sales	0	0	0	0	0	0	0			
Sales to discontinued operations	5,493	212	0	5,705	0	0	5,705			
<i>Discontinued operations</i>										
Sales - discontinued operations								60,156	12,801	72,957
Total revenues	1,291,613	121,614	(46,129)	1,367,098	0	0	1,367,098	60,156	12,801	72,957
Segment Result										
Segment result	201,999	5,517	0	207,516	0	0	207,516	5,356	1,137	6,493
Financial income				142,621	0	0	142,621	0	0	1,793
Financial expenses				(110,477)	0	0	(110,477)	0	0	(183)
Profit/loss on disposal of interest in subsidiaries				(13)	0	0	(13)	0	0	-
Profit before tax				239,647	0	0	239,647	5,356	1,137	8,103
Income tax expense				(48,976)	0	0	(48,976)	0	0	(2,282)
Net profit				190,671	0	0	190,671	5,356	1,137	5,821
Assets and liabilities as at 31. 12. 2007										
Segment assets	1,915,531	31,974	(2,774)	1,944,731	106,220	(18,196)	2,032,755	0	0	0
Segment liabilities	1,621,944	25,994	(2,774)	1,645,164	28,324	(18,196)	1,655,292	0	0	0
Other segment information:										
Capital expenditures	78,486	0	0	78,486	0	0	78,486	3,164	1,062	4,226
Depreciation	156,925	6	0	156,931	0	0	156,931	4,058	970	5,028
Amortization	9,326	0	0	9,326	0	0	9,326	0	0	0
Change in provisions	(15,972)	0	1	(15,971)	0	0	(15,971)	0	0	0
Reversal of impairment of assets	21,959	0	0	21,959	0	0	21,959	0	0	0
Interest income	12,969	127	0	13,096	0	0	13,096	156	10	166
Interest expense	52,596	46	0	52,642	0	0	52,642	16	9	25

3. SEGMENT INFORMATION (CONTINUED)**f) Detailed presentation of the Mining and the Real Estate Divisions**

As of 31 December 2008 assets and liabilities of the divisions and the reconciliation to the consolidated balance sheet is as follows:

	ionMining divis 31/12/2008 EUR '000	E Real tsate divisino 31/12/2008 EUR '000	Eliminations & Adjustments 31/12/2008 EUR '000	Total 31/12/2008 EUR '000
Land	1,588	19,298		20,886
Buildings and constructions	669,415	966		670,381
Plant and equipment	313,288	0		313,288
Other assets	4,677	0		4,677
Construction in progress	78,821	0		78,821
Rights to use land of Real Estate Division	16,344	0	(16,344)	0
Mining licences	167,553	0		167,553
Long-term receivables	11,173	0		11,173
Deferred tax asset	154	0		154
Restricted cash	25,861	0		25,861
TOTAL NON-CURRENT ASSETS	1,288,874	20,264	(16,344)	1,292,794
Inventories	66,060	0		66,060
Accounts receivable and prepayments	203,402	5,732	(7,463)	201,671
Derivatives	39	0		39
Income tax receivable	7,804	0	(749)	7,055
Cash and cash equivalents	674,921	3,974		678,895
Restricted cash	3,024	0		3,024
TOTAL CURRENT ASSETS	955,250	9,706	(8,212)	956,744
TOTAL ASSETS	2,244,124	29,970	(24,556)	2,249,538
TOTAL EQUITY	635,453	10,871		646,324
Provisions	103,962	0		103,962
Long-term loans	661,961	0		661,961
Bond issued	290,425	0		290,425
Employee benefits	88,188	0		88,188
Deferred revenue	5,593	15,566	(15,565)	5,594
Deferred tax liability	105,385	0		105,385
Other long-term liabilities	752	0		752
TOTAL NON-CURRENT LIABILITIES	1,256,266	15,566	(15,565)	1,256,267
Short-term provisions	5,569	0		5,569
Accounts payable and accruals	227,615	2,607	(8,242)	221,980
Accrued interest payable on bond	2,766	0		2,766
Derivatives	9,012	0		9,012
Income tax payable	11,713	926	(749)	11,890
Current portion of long-term loans	66,835	0		66,835
Short-term loans	28,540	0		28,540
Cash-settled share-based payments payable	355	0		355
TOTAL CURRENT LIABILITIES	352,405	3,533	(8,991)	346,947
TOTAL LIABILITIES	1,608,671	19,099	(24,556)	1,603,214
TOTAL EQUITY AND LIABILITIES	2,244,124	29,970	(24,556)	2,249,538

3. SEGMENT INFORMATION (CONTINUED)

	Mining division	Estate division Real	Eliminations & Adjustments	Total
	31/12/2007	31/12/2007	31/12/2007	31/12/2007
	EUR '000	EUR '000	EUR '000	EUR '000
Land	0	69,242		69,242
Buildings and constructions	746,274	13,989		760,263
Plant and equipment	185,753	2,162		187,915
Other assets	776	4		780
Construction in progress	30,769	412		31,181
Rights to use land of Real Estate Division	18,196	0	(18,196)	0
Mining licences	178,683	0		178,683
Other financial investments	0	3,104		3,104
Long-term receivables	6,900	442		7,342
Deferred tax asset	1,950	488		2,438
Restricted cash	24,160	0		24,160
TOTAL NON-CURRENT ASSETS	1,193,461	89,843	(18,196)	1,265,108
Inventories	32,044	417		32,461
Accounts receivable and prepayments	148,122	11,147		159,296
Derivatives	76,008	0		76,008
Income tax receivable	25,722	0		25,722
Cash and cash equivalents	469,374	4,786		474,160
TOTAL CURRENT ASSETS	751,270	16,377	0	767,647
TOTAL ASSETS	1,944,731	106,220	(18,196)	2,032,755
TOTAL EQUITY	299,567	77,896		377,463
Provisions	107,107	996		108,103
Long-term loans	723,856	0		723,856
Bond issued	289,316	0		289,316
Employee benefits	85,197	437		85,634
Deferred revenue	10,291	17,377	(17,369)	10,299
Deferred tax liability	104,079	441		104,520
Other long-term liabilities	99	101		200
TOTAL NON-CURRENT LIABILITIES	1,319,945	19,352	(17,369)	1,321,928
Short-term provisions	8,817	359		9,176
Accounts payable and accruals	182,468	8,591	(827)	190,232
Accrued interest payable on bond	2,766	0		2,766
Derivatives	226	0		226
Income tax payable	58,424	22		58,446
Current portion of long-term loans	66,823	0		66,823
Short-term loans	5,695	0		5,695
TOTAL CURRENT LIABILITIES	325,219	8,972	(827)	333,364
TOTAL LIABILITIES	1,645,164	28,324	(18,196)	1,655,292
TOTAL EQUITY AND LIABILITIES	1,944,731	106,220	(18,196)	2,032,755

3. SEGMENT INFORMATION (CONTINUED)

Revenues and expenses of divisions for the twelve months of 2008 and reconciliation to the consolidated income statement:

	Mining division <i>1/1/2008 - 31/12/2008</i> <i>EUR '000</i>	Real Estate division <i>1/1/2008 - 31/12/2008</i> <i>EUR '000</i>	Eliminations & Adjustments <i>1/1/2008 - 31/12/2008</i> <i>EUR '000</i>	Total <i>1/1/2008 - 31/12/2008</i> <i>EUR '000</i>
Revenues	2,021,488	26,157	(6,517)	2,041,128
Change in inventories of finished goods and work-in-progress	34,303	(61)	0	34,242
Consumption of material and energy	(577,131)	(2,835)	182	(579,784)
Service expenses	(341,957)	(14,671)	4,870	(351,758)
Personnel expenses	(428,214)	(5,529)	0	(433,743)
Depreciation	(157,123)	(1,227)	0	(158,350)
Amortization	(11,267)	0	1,102	(10,165)
Reversal of impairment of property, plant and equipment	0	0	0	0
Reversal of impairment of receivables	93	(47)	0	46
Net gain from material sold	10,459	41	0	10,500
Gain from sale of property, plant and equipment	765	1,287	0	2,052
Other operating income	4,008	149	(92)	4,065
Other operating expenses	(27,563)	(581)	455	(27,689)
SUB-TOTAL	527,861	2,683	0	530,544
Financial income	112,583	3,784	(3,613)	112,754
Financial expense	(175,550)	(53)	3,613	(171,990)
Profit/loss on disposal of interest in subsidiaries	(2,140)	2,987	0	847
PROFIT FROM CONTINUING OPERATIONS - BEFORE TAX	462,754	9,401	0	472,155
Income tax expense	(118,583)	(1,933)	0	(120,516)
PROFIT FROM CONTINUING OPERATIONS	344,171	7,468	0	351,639

As the divisions were established as of 31 December 2007 and they are operated separately for accounting and reporting purposes since their establishment, there is no income statement to be presented for comparable period 2007.

Revenues of MD and RED include revenues from inter-segment transactions related to entities that were distributed as dividend in kind as of 30 September 2008, such transactions are eliminated in a value of EUR (5,415) thousand (2007: EUR 0 thousand).

3. SEGMENT INFORMATION (CONTINUED)

Other eliminations and adjustments include mainly elimination of RED revenue from release of deferred revenue in an amount of EUR (1,102) thousand (2007: EUR 0 thousand) (refer to point c)).

Amortization adjustment of EUR 1,102 thousand (2007: EUR 0 thousand) eliminates amortization of right to use land, which was provided by RED to MD.

Divisional equity

MD equity amounts to EUR 635,453 thousand (2007: EUR 299,567 thousand), out of which share capital amounts to EUR 105,520 thousand (2007: EUR 100,096 thousand).

Restricted reserve in an amount of EUR 124,180 thousand (2007: EUR 129,990 thousand) is included in MD equity.

RED equity amounts to EUR 10,871 thousand (2007: EUR 77,896 thousand), out of which share capital amounts to EUR 4 thousand (2007: EUR 4 thousand).

3. SEGMENT INFORMATION (CONTINUED)**g) Geographical information**

<i>Geographical Segments</i>	<i>Czech Republic</i>	<i>European Union "old 15" *</i>	<i>European Union – new countries **</i>	<i>Middle and Eastern Europe</i>	<i>Total</i>
	<i>1/1/2008 - 31/12/2008</i>	<i>1/1/2008 - 31/12/2008</i>	<i>1/1/2008 - 31/12/2008</i>	<i>1/1/2008 - 31/12/2008</i>	<i>1/1/2008 - 31/12/2008</i>
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
Segment revenues					
External revenues	969,690	505,074	537,206	29,158	2,041,128
- Continuing operation	969,690	505,074	537,206	29,158	2,041,128
					0
Non-current assets***	1,252,281	235	3,090	0	1,255,606
- Continuing operation	1,252,281	235	3,090	0	1,255,606
					0
Capital expenditure	277,091	6,305	1,698	0	285,094
- Continuing operation	277,091	6,305	1,698	0	285,094

* Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Greece, Ireland, Italy, Luxemburg, Netherlands, Portugal, Spain, Sweden

** Bulgaria, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia. Czech Republic is presented separately

*** Includes Property plant and equipment and Mining licence

<i>Geographical Segments</i>	<i>Czech Republic</i>	<i>European Union "old 15" *</i>	<i>European Union – new countries **</i>	<i>Middle and Eastern Europe</i>	<i>Total</i>
	<i>1/1/2007 - 31/12/2007</i>	<i>1/1/2007 - 31/12/2007</i>	<i>1/1/2007 - 31/12/2007</i>	<i>1/1/2007 - 31/12/2007</i>	<i>1/1/2007 - 31/12/2007</i>
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
Segment revenues					
External revenues	666,237	379,604	368,359	25,855	1,440,055
- Continuing operation	595,266	378,802	367,355	25,675	1,367,098
- Discontinued operation	70,971	802	1,004	180	72,957
Non-current assets***	1,226,073	227	1,764	0	1,228,064
- Continuing operation	1,226,073	227	1,764	0	1,228,064
- Discontinued operation	0	0	0	0	0
Capital expenditure	81,594	264	854	0	82,712
- Continuing operation	77,368	264	854	0	78,486
- Discontinued operation	4,226	0	0	0	4,226

* Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Greece, Ireland, Italy, Luxemburg, Netherlands, Portugal, Spain, Sweden

** Bulgaria, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia. Czech Republic is presented separately

*** Includes allocation of Property plant and equipment and Mining licence

3. SEGMENT INFORMATION (CONTINUED)

External revenues attributed to countries on the basis of customer's registered location:

	<i>European Union "old 15"</i>	<i>European Union "old 15"</i>
	<i>1/1/2008 - 31/12/2008</i>	<i>1/1/2007 - 31/12/2007</i>
	<i>EUR'000</i>	<i>EUR'000</i>
Austria	317,014	231,011
Germany	156,435	103,777
Great Britain	23,189	35,799
France	5,514	3,370
Belgium	1,816	793
Italy	1,003	397
Other	103	3,655
Total	505,074	378,802

	<i>European Union - "new countries"</i>	<i>European Union - "new countries"</i>
	<i>1/1/2008 - 31/12/2008</i>	<i>1/1/2007 - 31/12/2007</i>
	<i>EUR'000</i>	<i>EUR'000</i>
Slovakia	277,755	190,299
Cyprus	165,621	83,079
Poland	83,063	83,383
Hungary	7,110	7,918
Slovenia	2,643	2,153
Other	1,014	523
Total	537,206	367,355

	<i>Middle and Eastern Europe</i>	<i>Middle and Eastern Europe</i>
	<i>1/1/2008 - 31/12/2008</i>	<i>1/1/2007 - 31/12/2007</i>
	<i>EUR'000</i>	<i>EUR'000</i>
Switzerland	21,508	18,444
Russia	5,533	5,309
Croatia	1,344	1,922
Other	773	0
Total	29,158	25,675

3. SEGMENT INFORMATION (CONTINUED)*Significant customers outside the Group*

External revenue from three significant customers amounted to EUR 728,800 thousand (2007: two significant customers, revenue in total EUR 360,780 thousand), arising from sales of products of the Coal and coke sub-segment.

The split of revenues between sales of own products and merchandise and services rendered is as follows:

	<i>01/01/2008 - 31/12/2008</i>	<i>01/01/2007 - 31/12/2007</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Sales of own products and merchandise	1,977,767	1,305,706
Services rendered	63,361	61,392
	<u>2,041,128</u>	<u>1,367,098</u>

4. PERSONNEL EXPENSES

	<i>01/01/2008 - 31/12/2008</i>	<i>01/07/2007 - 31/12/2007</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Wages and salaries	286,051	235,520
Social insurance costs	95,775	79,712
Pensions	2,668	2,429
Net benefit expense (see Note 28)	15,378	3,251
Share based payments (see Note 29)	16,295	0
Social security and other payroll costs	17,576	17,304
	<u>433,743</u>	<u>338,216</u>

Average number of employees in the period:

Managers	127	119
Staff	17,611	18,241
	<u>17,738</u>	<u>18,360</u>

Total remuneration and variable benefits received by the management were EUR 47,844 thousand (2007: EUR 12,199 thousand), out of which the social and health insurance were EUR 1,222 thousand (2007: EUR 3,465 thousand). The stated amount includes share-based payments to the management in the amount of EUR 16,295 thousand (2007: EUR 0 thousand).

4. PERSONNEL EXPENSES (CONTINUED)

Management comprises executive and non-executive members of boards of directors and supervisory boards of the Company and its subsidiaries, senior management, mine managers, mine operation managers and managers of non-mining internal business units.

Total remuneration received by the directors of the Company amounts to EUR 11,864 thousand in 2008 and EUR 374 thousand in the comparable period. The amount includes share-based payments of EUR 9,936 thousand (2007: EUR 0 thousand).

See note 29 presenting the share-based payment remuneration of the Group.

See section Remuneration report of the annual report of the Company for detailed remuneration disclosure.

5. OTHER OPERATING EXPENSES

Other operating expenses comprise:	<i>1/1/2008 – 31/12/2008 EUR '000</i>	<i>1/1/2007 – 31/12/2007 EUR '000</i>
Compensation for mining damages	16,421	9,863
Property taxes and government fees	8,321	6,238
Insurance	2,490	1,995
Loss on sale and write-off of receivables	152	515
Compensation of employees for injuries, loss on wages, employment related illness etc.	189	128
Change in provisions	(9,568)	(13,074)
Other*	9,684	2,624
Total other operating expenses	<u>27,689</u>	<u>8,289</u>

* includes gifts and donations and variety of sundry expenses

6. OWN WORK CAPITALIZED

Own work capitalized in the amount of EUR 33,137 thousand (2007: EUR 26,491 thousand) is not recognized in the revenues. It reduces expenses as follows:

	<i>1/1/2008 - 31/12/2008 EUR '000</i>	<i>1/1/2007 - 31/12/2007 EUR '000</i>
Consumption of material and energy	25,823	19,368
Service expenses	349	2,810
Personnel expenses	1,752	4,191
Net gain from material sold	5,213	0
Other operating expenses	0	122
Total	<u>33,137</u>	<u>26,491</u>

7. FINANCIAL INCOME AND EXPENSES

Financial income comprise:

	<i>1/1/2008 - 31/12/2008</i>	<i>1/1/2007 - 31/12/2007</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Realized and unrealised foreign exchange gains	88,762	69,481
Bank interest income	22,186	13,044
Other interest income	181	52
Investment income	1,107	656
Profit on revaluation of derivative instruments	0	42,639
Gain on disposal of investment	0	16,529
Other	518	220
Total financial income	<u><u>112,754</u></u>	<u><u>142,621</u></u>

Financial expenses comprise:

	<i>1/1/2008 - 31/12/2008</i>	<i>1/1/2007 - 31/12/2007</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Realised and unrealised foreign exchange losses	62,442	50,091
Bank interest expense	45,968	36,863
Bond interest expense	22,125	13,644
Other interest expense	4,569	2,131
Loss on derivative instruments	31,757	0
Bank fees	194	2,361
Other	4,935	5,387
Total financial expenses	<u><u>171,990</u></u>	<u><u>110,477</u></u>

8. INCOME TAX EXPENSE

The corporate income tax in 2008 and 2007 is calculated in accordance with tax regulations applied in the country of the entity's residence, (i.e. for the Czech entities at the rate of 24% in 2007, 21% in 2008, 20% in 2009 and 19% in and after 2010 is reflected in the deferred tax, Dutch entity 25.5% in 2008 and 2007, Polish entities 19% in 2008 and 2007).

Due to the fact that the Dutch entity suffered fiscal losses in this and previous periods, no corporate income tax is due in the Netherlands. No deferred tax was recognized, as it is not probable that future taxable profit will be available to utilize the benefits from the deferred tax assets.

Components of tax expense:

	<i>1/1/2008 - 31/12/2008</i>	<i>1/1/2007 - 31/12/2007</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Income statement:		
Current tax expense	126,563	79,150
Deferred tax expense	(6,047)	(30,174)
Income tax expense	<u><u>120,516</u></u>	<u><u>48,976</u></u>

8. INCOME TAX EXPENSE (CONTINUED)

Part of the deferred tax asset which is expected to be recovered is recognized on remaining impairment loss in OKD, HBZS, a.s. (both 2008 and 2007) and OKD, Bastro, a.s. (in 2007); (refer to Note 12).

Reconciliation of the statutory and effective tax rates:	<i>1/1/2008 - 31/12/2008 EUR '000</i>	<i>1/1/2007 - 31/12/2007 EUR '000</i>
Profit before tax from continuing operations	472,155	239,647
Profit before tax from discontinued operations	0	8,103
Profit before tax	<u>472,155</u>	<u>247,750</u>
Tax at the applicable rate of 21% (2007: 24%)	99,153	59,460
Tax effect of:		
- Non-deductible expense	11,691	9,816
- Investment tax allowance	0	0
- Other tax allowable credits	(256)	(303)
- Change in deferred tax rate	65	(24,507)
- Loss on the sale of interests in subsidiaries	6	0
- Tax exempt income	(3,063)	(109)
- Change in unrecognised deferred tax asset	15,910	7,498
- Non taxable income from associates	0	(1)
Effect of the applicable tax rates other than 21% (2007: 24%) in other jurisdictions	(2,990)	(597)
Prior period income tax adjustment		
Tax expense	<u>120,516</u>	<u>51,258</u>
Effective tax rate	<u>26%</u>	<u>21%</u>
Tax expense reported in the financial statements	120,516	48,976
Income tax attributable to discontinued operations	<u>0</u>	<u>2,282</u>
Tax expense	120,516	51,258

8. INCOME TAX EXPENSE (CONTINUED)

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

	<i>31/12/2008</i>	<i>31/12/2007</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Net tax receivable/(liability) at the beginning of the period	(32,724)	(14,545)
Current tax movements - discontinued operations	0	1,966
Current tax movements - subsidiaries sold	0	12
Current tax movements - subsidiaries distributed	38	0
Current and supplementary tax charges	(126,563)	(79,150)
Tax paid (2007: continuing operations), net	157,047	60,168
Currency translation	(2,633)	(1,175)
Net tax liability at the end of the period	<u><u>(4,835)</u></u>	<u><u>(32,724)</u></u>
Current income tax receivable	7 055	25,722
Current income tax payable	(11 890)	(58,446)

9. DISCONTINUED OPERATIONS

In 2008 there are no discontinued operations.

In 2007, the Group has distributed in kind its shares in its mine and landfill gas extraction business, Green Gas International B.V. and its transportation business, OKD, Doprava, akciová společnost to its parent company RPI. The transaction was concluded on 28 June 2007.

Green Gas International B.V. sells methane gas obtained in mine gas degasification operations and was considered to be a separate business segment.

Doprava provides transport and logistic services and was considered to be a separate business segment.

The results of Green Gas International B.V. and Doprava are presented below:

	Green Gas International B.V.	OKD Doprava, akciová společnost
	1/1/2007 - 28/6/2007	1/1/2007 - 28/6/2007
	EUR '000	EUR '000
Revenue	12,801	60,156
Expenses	(11,664)	(54,800)
Gross profit/(loss)	<u>1,137</u>	<u>5,356</u>
Finance income/(costs)	(20)	1,630
Profit before tax from a discontinued operations	<u>1,117</u>	<u>6,986</u>
Tax expense	(279)	(2,003)
Profit for the period from a discontinued operations	<u><u>838</u></u>	<u><u>4,983</u></u>

9. DISCONTINUED OPERATIONS (CONTINUED)

The net cash flows of Green Gas International B.V. and Doprava for the period to distribution are as follows

	Green Gas International B.V.	OKD Doprava, akciová společnost
	1/1/2007 - 28/6/2007	1/1/2007 - 28/6/2007
	EUR'000	EUR'000
Operating	571	4,401
Investing	(1,045)	(3,369)
Financing	234	(5,097)
Currency translation	40	269
Net cash inflow/(outflow)	<u>(200)</u>	<u>(3,796)</u>

For the calculation of basic and diluted earnings per share for discontinued operations we refer to Note 25.

10. DIVIDENDS*Dividends in 2008:*

On 27 March 2008, the Company paid a dividend of CZK 2,200,000 thousand (EUR 86,672 thousand) to RPG Industries SE. Dividend per share amounted to CZK 21.98 (EUR 0.87).

On 09 May 2008, the Company declared and paid a dividend of EUR 75,000 thousand to the C shareholder. Dividend per share amounted to EUR 75,000 thousand.

On 29 September 2008, the Company distributed in kind its shares in RPG RE Property, a.s., Dukla Industrial Zone, a.s., RPG Rekultivace, a.s., including OKD Rekultivace, a.s. and RPG Garáže, a.s. and certain promissory notes received for the sales of real estate assets to RPG Industries SE, the sole holder of the B shares.

On 23 October 2008, the Company paid out a dividend to the holders of the A shares in the equivalent of EUR 73,864 thousand split into EUR, CZK, GBP and PLN based on the currency elections of the holders of the A shares of the Company. Dividend per share amounted to EUR 0.28.

Dividends in 2007:

On 25 January 2007, the Company paid a dividend of EUR 800,425 thousand to the shareholder (paid as EUR 572,603 thousand and CZK 6,412,733 thousand). Dividend per share amounted EUR 8.00.

On 18 October 2007, the Company paid a dividend of EUR 276,335 thousand to the shareholder. Dividend per share amounted EUR 2.76.

On 28 June 2007 the Company has distributed in kind to the shareholder, RPG Industries SE, its shares in its mine and landfill gas extraction business, Green Gas International B.V. (Green Gas), and its transportation business, Doprava, in the total net book value of EUR 95,948 thousand. The Company has contributed EUR 12,018 thousand to Green Gas International B.V.

11. RELATED PARTY DISCLOSURES

During the period the Group had transactions in the normal course of operations with related parties. This includes transactions with the ultimate parent company, RPG Partners Limited, 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 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 ICS Trading AG relate mainly to coal and coke trading. The sales to RPG Byty s.r.o. relates mainly to heating. The sales to Green Gas DPB, a.s. relate mainly to extracted gas, whereas the purchases from this company relate mainly to mine and safety services. The sales to METALIMEX a.s. relate to sales of electricity and metal scrap, whereas the purchases from this company relate to transport. The purchases from OKD, Doprava, akciová společnost relate to coal transport services. The purchases from Bakala Crossroads Partners, a.s. relate to consultancy services.

Transactions with related parties included in the balance sheet and the income statement are as follows*:

<i>Balance sheet</i>	<i>31/12/2008</i>	<i>31/12/2007</i>
	<i>EUR'000</i>	<i>EUR'000</i>
<i>Receivables from related parties</i>		
Green Gas, DPB, a.s.	1,459	1,163
OKD, Doprava, akciová společnost	941	799
RPG Byty, s.r.o.	238	299
OKD, Rekultivace, a.s.**	56	N/A
RPG RE Commercial, s.r.o.	41	51
RPG Služby, s.r.o.	13	83
Other related parties	45	142
Receivables from related parties in total	2,793	2,537
<i>Payables to related parties</i>		
OKD, Doprava, akciová společnost	7,177	10,620
RPG Byty, s.r.o.	3,648	648
Green Gas, DPB, a.s.	2,700	1,861
OKD, Rekultivace, a.s.**	742	N/A
RPG RE Commercial, s.r.o.	231	197
Bakala Crossroads Partners, a.s. (RPG Advisors, a.s.)	13	278
RPG Trading, s.r.o.	0	832
Other related parties	28	152
Payables to related parties in total	14,539	14,588

On 19 November 2008 the related party RPG Advisors, a.s. was renamed to Bakala Crossroads Partners, a.s.

* The table does not include share-based payment transactions and compensation of key management personnel. Compensation of key management personnel is detailed in Note 4, share-based payments are detailed in Note 29.

** Includes receivables and payables from related parties from transactions originated only for the period after the entity was distributed from the Group. As of 31 December 2007 the company was still part of the consolidated Group.

11. RELATED PARTIES DISCLOSURES (CONTINUED)

Receivables from related parties form part of the balance of accounts receivable and prepayments shown in the balance sheet. Similarly, payables to related parties form part of the balance of accounts payable and accruals.

<i>Income statement</i>	<i>1/1/2008 - 31/12/2008 EUR'000</i>	<i>1/1/2007 - 31/12/2007 EUR'000</i>
<i>Sales to related parties</i>		
ICS Trading AG	20,036	13,615
RPG Byty, s.r.o.	17,365	16,947
Green Gas, DPB, a.s.	6,228	4,778
OKD, Doprava, akciová společnost	3,766	3,007
RPG RE Commercial, s.r.o.	2,878	1,342
RPG Služby, s.r.o.	381	345
METALIMEX a.s.**	N/A	11,577
OKD, Rekultivace, a.s.*	301	N/A
Depos Horní Suchá, a.s.	104	671
Other related parties	1,125	114
Sales to related parties in total	<u>52,184</u>	<u>52,396</u>
<i>Purchases from related parties</i>		
OKD, Doprava, akciová společnost	54,327	31,511
Green Gas, DPB, a.s.	16,070	4,299
RPG RE Commercial, s.r.o.	1,765	1,555
Bakala Crossroads Partners, a.s. (RPG Advisors, a.s.)	2,686	2,611
OKD, Rekultivace, a.s.*	1,013	N/A
RPG Byty, s.r.o.	437	219
Depos Horní Suchá, a.s.	189	185
METALIMEX a.s.**	N/A	41,494
Other related parties	1,558	2,542
Purchases from related parties in total	<u>78,045</u>	<u>84,416</u>

* Includes sales and purchases from related parties from transactions originated only for the period after the entity was distributed from the Group

**10% ownership of shares of METALIMEX a.s. owned by RPG Trading, s.r.o. was sold on 1 October 2007, as of this date METALIMEX a.s. is not a related party

There were no significant transactions with other related parties.

12. PROPERTY, PLANT AND EQUIPMENT

	<i>Land and Buildings</i>	<i>Plant and Equipment</i>	<i>Other assets</i>	<i>Construction in Progress</i>	<i>Total</i>
	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Cost:					
As of 1 January 2008	1,204,890	485,460	3,783	33,344	1,727,477
Additions	12,322	192,070	4,908	73,757	283,057
Disposal	(26,031)	(11,381)	(184)	(14)	(37,610)
Disposal of subsidiaries	(3,735)	(3,593)	(35)	(52)	(7,415)
Distribution of subsidiaries in kind	(83,540)	(5,308)	(11)	(249)	(89,108)
Transfers	12,489	9,641	0	(22,130)	0
Currency translation	<u>(4,278)</u>	<u>(15,872)</u>	<u>(528)</u>	<u>(3,712)</u>	<u>(24,390)</u>
As of 31 December 2008	<u>1,112,117</u>	<u>651,017</u>	<u>7,933</u>	<u>80,944</u>	<u>1,852,011</u>
Accumulated depreciation and impairment losses As of 1 January 2008	375,380	297,550	3,003	2,163	678,096
Depreciation charge for the year	94,974	61,540	323	0	156,837
Depreciation charge for the year - disposed and distributed subsidiaries	689	818	6	0	1,513
Disposals	(25,240)	(11,027)	0	0	(36,267)
Disposals of subsidiaries	(1,997)	(1,963)	(9)	0	(3,969)
Distribution of subsidiaries in kind	(15,710)	(2,906)	(7)	0	(18,623)
Reversal of impairment	0	0	0	0	0
Currency translation	<u>(7,246)</u>	<u>(6,283)</u>	<u>(60)</u>	<u>(40)</u>	<u>(13,629)</u>
As of 31 December 2008	<u>420,850</u>	<u>337,729</u>	<u>3,256</u>	<u>2,123</u>	<u>763,958</u>
Net book value as of 31 December 2008	<u>691,267</u>	<u>313,288</u>	<u>4,677</u>	<u>78,821</u>	<u>1,088,053</u>
Net book value as of 1 January 2008	<u>829,510</u>	<u>187,910</u>	<u>780</u>	<u>31,181</u>	<u>1,049,381</u>

The net book value of plant and equipment as of 31 December 2008 includes EUR 532 thousand (31 December 2007: EUR 1,118 thousand) in respect of assets held under finance leases.

Annual review of restoration provision as of 31 December 2008 did not result in any change of the value of the provision or property, plant and equipment.

As of 31 December 2007, annual review of restoration provision was performed and resulted in decrease of restoration provision as of 31 December 2007 by EUR 8,334 thousand. In accordance with IFRIC 1 carrying amount of corresponding land and buildings capitalized element was reduced by EUR 8,334 thousand as of 31 December 2007. For more details refer to Note 26.

Research and development expenditure recognized as an expense during the period amounts to EUR 66 thousand (31 December 2007: EUR 84 thousand).

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	<i>Land and Buildings</i>	<i>Plant and Equipment</i>	<i>Other assets</i>	<i>Construction in Progress</i>	<i>Total</i>
Cost:	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
As of 1 January 2007	1,266,824	478,381	3,771	38,671	1,787,647
Additions	11,086	53,151	190	25,268	89,695
Disposal	(44,280)	(7,024)	(13)	(40)	(51,357)
Change in estimate of carrying amount of land and buildings capitalized element - restoration costs	(8,334)	0	0	0	(8,334)
Disposals - discontinued operations	(74,276)	(61,836)	(275)	(3,252)	(139,639)
Transfers	18,691	9,538	0	(28,229)	0
Currency translation	35,179	13,250	110	926	49,465
As of 31 December 2007	<u>1,204,890</u>	<u>485,460</u>	<u>3,783</u>	<u>33,344</u>	<u>1,727,477</u>
Accumulated depreciation and impairment losses					
As of 1 January 2007	357,179	262,353	2,689	1,504	623,725
Depreciation charge for the year - continuing operations	96,799	59,173	374	585	156,931
Depreciation charge for the year - discontinued operations	1,179	3,819	30	0	5,028
Disposals	(43,396)	(6,902)	(3)	0	(50,301)
Disposals - discontinued operations	(32,200)	(23,007)	(180)	0	(55,387)
Reversal of impairment	(15,098)	(6,861)	0	0	(21,959)
Currency translation	10,917	8,975	93	74	20,059
As of 31 December 2007	<u>375,380</u>	<u>297,550</u>	<u>3,003</u>	<u>2,163</u>	<u>678,096</u>
Net book value as of 31 December 2007	<u>829,510</u>	<u>187,910</u>	<u>780</u>	<u>31,181</u>	<u>1,049,381</u>
Net book value as of 1 January 2007	<u>909,645</u>	<u>216,028</u>	<u>1,082</u>	<u>37,167</u>	<u>1,163,922</u>

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Accumulated impairment losses were as follows:

	<i>31/12/2008</i>	<i>31/12/2007</i>
	<i>EUR '000</i>	<i>EUR '000</i>
OKD, HBZS, a.s.	6,612	6,675
OKD, Bastro, a.s.	<u>0</u>	<u>1,648</u>
	<u><u>6,612</u></u>	<u><u>8,323</u></u>

Accumulated impairment losses as of 31 December 2008

Impairment losses recognized in OKD, HBZS, a.s. were reassessed as of 31 December 2008 and 31 December 2007 and no indication that they may be reversed has been determined.

The share in OKD, BASTRO, a.s. was sold by OKD, a.s. on 1 December 2008. Until the date of disposal, the impairment loss was not reassessed in 2008.

OKD, OKK, a.s.

OKD, OKK, a.s., one of the cash generating units (“CGU”) of the Group that were impaired as of 31 December 2006, made an update of its impairment test as of 31 December 2007. The update has been made as a result of external factors positively influencing the business plan of this CGU. The major external factor influencing the business plan was the increase in coke prices in 2007. Estimated development of coke prices for the period 2008-2015 was based on actual coke prices. The recoverable value of the CGU, measured based on discounted free cash flow projections prepared in line with RPG group strategy as of 31 December 2007 resulted in a full reversal of the impairment loss that existed as at 31 December 2006. After the impairment reversal, carrying amount of individual assets does not exceed values that would have resulted if no impairment loss had been recognised in prior years.

The recoverable amount was quantified for the CGU using the pre-tax discount rate of 9% p.a. which represents the weighted average cost of capital of the CGU.

Cash flow projections were made for the period from 2008 to 2020 in order to reflect lifecycle of coking batteries existing at 31 December 2007. Cash flow projections for the period from 2008 to 2015 are based on detailed business plans for each year. Cash flow projections for the period from 2016 to 2020 were made by extrapolating the 2015 cash flows and applying a declining growth factor of 0.99.

As of 31 December 2008, OKD, OKK, a.s. updated its discounted cash flow analysis based on business plan for 2009 and forecasted coking coal and coke prices for the period 2010-2015 based on historical price curves. Updated analysis did not indicate any changes to conclusions made as of 31 December 2007.

Construction of mine “Frenštát”

Assets relating to the construction of the mine “Frenštát” relate to geological survey work. These assets are maintained by OKD, a.s. but are not historically reflected in its books. The original cost of these assets amounts to EUR 34,266 thousand, of which EUR 30,331 thousand is the value of assets located in the mine and EUR 3,935 thousand is the value of assets located on the surface.

13. MINING LICENCES

	<i>Cost</i> <i>EUR '000</i>	<i>Accumulated amortization</i> <i>EUR '000</i>	<i>Net book value</i> <i>EUR '000</i>
At 1 January 2008	210,081	(31,398)	178,683
Amortisation for the period	0	(10,165)	(10,165)
Currency translation	(1,994)	1,029	(965)
At 31 December 2008	208,087	(40,534)	167,553

	<i>Cost</i> <i>EUR '000</i>	<i>Accumulated amortization</i> <i>EUR '000</i>	<i>Net book value</i> <i>EUR '000</i>
At 1 January 2007	203,395	(20,981)	182,414
Amortisation for the period	0	(9,326)	(9,326)
Currency translation	6,686	(1,091)	5,595
At 31 December 2007	210,081	(31,398)	178,683

Amortisation for the period was calculated as a proportion of the coal quantity actually mined in this period to the total economically exploitable coal reserves. Mining licences were acquired by the Group through business combinations in September 2006.

The Group was also granted a mining licence regarding Debiensko in Poland in June 2008. The licence was granted for 50 years for mine construction and operations. The mining licence Debiensko was granted after the business combination in September 2006 and therefore is not included in the above mining licence figure.

The table below summarises all granted concessions to mining areas.

Mining area	Expiry date of permits
Darkov	No expiry date
Karviná - Doly II.	No expiry date
Stonava I.	No expiry date
Doubrava	No expiry date
Karviná – Doly I	No expiry date
Lazy	No expiry date
Staříč	No expiry date
Trojanovice	No expiry date
Louky	No expiry date
Dolní Suchá	No expiry date
Petřvald I	No expiry date
Debiensko	Year 2058

„KARBONIA PL” Sp. z o.o. was granted exploration concessions related to mining area of closed mine Morcinek in Poland.

14. OTHER FINANCIAL INVESTMENTS

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

	31/12/2008 EUR '000	31/12/2007 EUR '000
Garáže Ostrava	0	3,028
Other investments available for sale	<u>0</u>	<u>76</u>
	<u>0</u>	<u>3,104</u>

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

The investment in Garáže Ostrava was distributed from the Group on 30 September 2008 (see Note 1b).

15. LONG-TERM RECEIVABLES

	<i>31/12/2008</i> <i>EUR '000</i>	<i>31/12/2007</i> <i>EUR '000</i>
Long-term advances granted	10,354	6,182
Trade receivables	135	594
Other	<u>684</u>	<u>566</u>
	<u>11,173</u>	<u>7,342</u>

The maturity dates of these receivables do not exceed 5 years. Total long-term receivables are stated net of a provision of EUR 0 thousand (31 December 2007: EUR 1 thousand).

Long-term advances granted have increased because of deposits that were paid to cover settlement of increased trading transactions on European commodities markets and Prague Energy Exchange market. Deposits cover contracts, that will terminate in the period 2010-2013.

16. RESTRICTED CASH

As of 31 December 2008 and 31 December 2007, the Company had long-term restricted cash of EUR 25,861 thousand and EUR 24,160 thousand, respectively, kept in relation to mining damages and restoration expenditures. The amount of restricted cash corresponds to mining and restoration provision created by OKD, a.s. since 1 January 2004 according to Czech legal requirements and can be used only to settle the mining damages and restoration expenditures.

As of 31 December 2008, the Company had short-term restricted cash of EUR 3,024 thousand (31 December 2007: EUR 0 thousand). Short-term restricted cash as of 31 December 2008 results from electricity trading contracts.

17. INVENTORIES

	<i>31/12/2008</i>	<i>31/12/2007</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Raw materials and spare parts	26,336	19,045
Merchandise	20,154	2,192
Finished goods	16,478	6,116
Work-in-progress and semi-finished goods	3,092	5,108
	<u>66,060</u>	<u>32,461</u>

The inventories are disclosed net of write-downs for slow-moving and obsolete inventories of EUR 5,567 thousand (31 December 2007: EUR 1,733 thousand). Write-downs are included in consumption of material and energy.

18. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31/12/2008 EUR'000	31/12/2007 EUR'000
<i>Trade and other receivables</i>		
Trade accounts and notes receivable	152,457	145,897
VAT and other tax receivables	3,881	2,239
Other receivables, estimated accounts receivables	9,457	7,540
Subtotal	<u>165,795</u>	<u>155,676</u>
<i>Advance payments</i>		
Advance payments for property, plant and equipment	26,413	22
Advance payments for financial investments	1,767	0
Other advance payments	5,616	682
Subtotal	<u>33,796</u>	<u>704</u>
<i>Prepayments and accrued revenue</i>		
Prepayments and accrued revenue	2,080	2,916
Subtotal	<u>2,080</u>	<u>2,916</u>
Total accounts receivable and prepayments	<u>201,671</u>	<u>159,296</u>

For terms and conditions relating to related party receivables, refer to Note 11.

Trade receivables are non-interest bearing and are generally on 30-90 days' terms.

Total receivables are stated net of a provision for impairment of trade and other receivables. Movements in the provision for impairment of trade receivables and other receivables were as follows:

	01/01/2008 - 31/12/2008 EUR'000	01/01/2007 - 31/12/2007 EUR'000
At the beginning of the period	2,281	2,703
Charge for the year	180	154
Written off amounts reversed	(84)	(546)
Unused amounts reversed	(94)	(37)
Distributed to shareholders	(119)	0
Sale of subsidiary	(180)	0
Discontinued operations	0	(10)
Other	(48)	(51)
Currency translation	4	68
At the end of the period	<u>1,940</u>	<u>2,281</u>

18. ACCOUNTS RECEIVABLE AND PREPAYMENTS (CONTINUED)

As of 31 December 2008 and 31 December 2007, the analysis of accounts receivable that were either not past due or past due but not impaired is as follows:

EUR '000	Neither past due nor impaired	Past due but not impaired					Total
		<30 days	31 - 90 days	91 - 180 days	181 – 360 days	>360 days	
31 December 2008	150,921	14,150	709	7	9	0	165,795
31 December 2007	154,117	1,492	30	15	10	12	155,676

Based on past experience, the Company believes that no impairment allowance is necessary in respect of accounts receivable and prepayments not past due.

As of 31 December 2008 receivables in nominal value of EUR 33,034 thousand (31 December 2007: EUR 2,109 thousand) were pledged as security for loans.

19. INCOME TAX RECEIVABLE

All income tax receivables are not past due. No impairment allowance needs to be created.

20. FINANCIAL INSTRUMENTS**Risk management**

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, high yield bonds, finance leases, trade payables and leasing contracts. The main purpose of these financial instruments 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 risks on sales in foreign currencies, interest rates tied to all variable interest rates, volatility risk and credit risk as an increase in secondary insolvency of key Czech and Slovak customers, which might occur especially in the steel industry.

CZECH-KARBON s.r.o., a subsidiary of the Company, enters into purchase and sale transactions for electricity on European Energy Exchange and Prague Energy Exchange for operational purposes. Purpose of such transactions is to fix price and volume for subsequent tenders for physical delivery of electricity to end customers mainly in the Czech Republic. As the management intention is not to generate short-term profits on market price fluctuations, such a transaction on exchange is closed following a tender, i.e. it lasts for days only.

CZECH-KARBON s.r.o. is, however, exposed to commodity price risk as the value of these contracts fluctuates daily with changes in commodity market prices. CZECH-KARBON s.r.o. manages its commodity price risk exposure by entering into such exchange contracts for very short periods.

The Board of Directors 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 2008 and 2007 the Group's policy that no speculative trading in derivatives shall be undertaken.

20. FINANCIAL INSTRUMENTS (CONTINUED)

Credit Risk

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

The Group trades only with recognized, 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. For OKD, representing the main part of the Company'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 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 recognized as of 31 December 2008 and 31 December 2007.

20. FINANCIAL INSTRUMENTS (CONTINUED)**Liquidity risk**

Liquidity risk refers to the possibility of the Company being unable to meet its financial obligations, when they fall due, mainly in relation to the settlement of amounts due to suppliers, bond holders and bank loans and facilities.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments, financial assets (eg 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 finance leases contracts with the aim to have sufficient liquidity to meet its due obligations under any conditions.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2008 and 31 December 2007 based on contractual undiscounted payments including accrued interest.

As of 31 December 2008	< 1 year	1 to 5 years	> 5 years	Total
	EUR '000	EUR '000	EUR '000	EUR '000
Loans	95,375	661,961	0	757,336
Bond issued	2,766	0	290,425	293,191
Other long-term liabilities	0	551	201	752
Accounts payable and accruals	221,980	0	0	221,980
Derivatives	9,012	0	0	9,012

As of 31 December 2007	< 1 year	1 to 5 years	> 5 years	Total
	EUR '000	EUR '000	EUR '000	EUR '000
Loans	72,518	464,683	259,173	796,374
Bond issued	2,766	0	289,316	292,082
Other long-term liabilities	0	142	58	200
Accounts payable and accruals	190,232	0	0	190,232
Derivatives	226	0	0	226

20. FINANCIAL INSTRUMENTS (CONTINUED)

The table below provides overview of unused credit lines as of 31 December 2008:

Credit Line	Currency	Credit Line Size		Remaining Availability		Interest rate	Maturity Date
		Currency	EUR	Currency	EUR		
		'000	'000	'000	'000		
OKD, a.s.*	CZK/EUR	500,000	18.605	0	0	1M PRIBOR + 0.65%	2010
OKD, OKK, a.s.	CZK	300,000	11,163	33,255	1,237	PRIBOR + 0.50%	2010
CZECH-KARBON s.r.o.	CZK	150,000	5,581	150,000	5,581	PRIBOR + 0.75%	2009
„KARBONIA PL” Sp. z o.o.	PLN	5,000	1,203	5,000	1,203	WIBOR + 1.5%	2009

* OKD, a.s. could select currency and type of loan drawn, which would have impact on interest rate p.a.

Comparative informations for the Group as of 31 December 2007

Credit Line	Currency	Credit Line Size		Remaining Availability		Interest rate	Maturity Date
		Currency	EUR	Currency	EUR		
		'000	'000	'000	'000		
OKD, a.s.*	CZK/EUR	1,138,000	42,750	1,130,065	42,451	1M PRIBOR + 0.65%	2009
OKD, OKK, a.s.	CZK	300,000	11,269	300,000	11,269	PRIBOR + 0.50%	2010
CZECH-KARBON s.r.o.	CZK	150,000	5,635	96,380	3,621	PRIBOR + 0.75%	2009
„KARBONIA PL” Sp. z o.o.	PLN	5,000	1,391	5,000	1,391	WIBOR + 1.5%	2009
OKD, Rekultivace, a.s.	CZK	70,000	2,630	20,256	761	PRIBOR + 0.75%	2009
OKD, Bastro, a.s.	CZK	170,000	6,386	72,938	2,740	PRIBOR + 0,65%	2009

* OKD, a.s. could select currency and type of loan drawn, which would have impact on interest rate p.a.

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 (electricity). The Company has implemented policies and methods of monitoring these risks.

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. Approximately 48% of the Group's sales (2007: 44% from continued operations) are denominated in currencies other (primarily EUR) than the functional currency of the operating unit making the sale (primarily CZK), whilst most of costs are denominated in the unit's functional currency.

The Company aims to mitigate foreign currency exposure risks resulting from operations in currencies other than the functional currency by entering into forward exchange rate contracts (par forwards) with financial institutions. For the year 2008, forward contracts have been in place expiring monthly, aimed at covering 70% of the expected opened position as of 31 December 2008 (2/3 for 2007).

20. FINANCIAL INSTRUMENTS (CONTINUED)

At the end of 2008, the Company reviewed its hedging strategy and unwound and cashed all the existing hedges maturing in 2009 until 2013 that were in place. The revaluation difference of EUR 44,373 thousand (CZK 1,192,531 thousand), prior to income tax effect, remained in equity. This amount is recognized in the income statement when the hedged item (portion of coal and coke sales) is recorded.

The new hedging strategy that is in place from 1 January 2009 concerns open exposure to currencies other than the functional currency of the Company (i.e. other than EUR) or exposure in other than functional currencies of other entities of the Group (i.e. other than CZK for Czech entities and PLN for Polish entities). Hedging will be done at the Group level to enable to hedge the net position for the Group. The aim is to minimize earnings volatility for the Group resulting from movements in foreign exchange rates.

Major foreign exchange rate risk exposure of the Company is in CZK-denominated balances (i.e. not functional currency) while major foreign exchange rate risk exposure of subsidiaries is in EUR-denominated balances (i.e. not functional currency). The Company had the following CZK-denominated balances and the consolidated subsidiaries had the following EUR-denominated balances:

	31/12/2008			31/12/2007		
	EUR denominated EUR'000	CZK denominated EUR'000	Total EUR'000	EUR denominated EUR'000	CZK denominated EUR'000	Total EUR'000
Cash & bank balances (including restricted cash)	442,310	7,270	449,580	116,367	99,363	215,730
Accounts receivable	77,547	0	77,547	61,283	2,426	63,709
Accounts payable	(23,834)	(86)	(23,920)	(23,215)	(1,698)	(24,913)
Loans	(316,034)	(96,909)	(412,943)	(362,924)	(97,238)	(460,162)
Gross balance sheet exposure	<u>179,989</u>	<u>(89,725)</u>	<u>90,264</u>	<u>(208,489)</u>	<u>2,853</u>	<u>(205,636)</u>
Financial derivatives	0	0	0	(1,260,291)	0	(1,260,291)
Gross exposure	<u>179,989</u>	<u>(89,725)</u>	<u>90,264</u>	<u>(1,468,780)</u>	<u>2,853</u>	<u>(1,465,927)</u>

The following table demonstrates the sensitivity of weakening CZK to EUR exchange rate by 1%, 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). The effect of depreciation (weakening) or strengthening CZK to EUR is fully included in Group's profit, i.e. there is no amount to be taken directly to equity.

	Effect on profit after tax EUR denominated EUR'000	31/12/2008		Effect on profit after tax EUR denominated EUR'000	31/12/2007	
		Effect on profit after tax CZK denominated EUR'000	Total effect on profit after tax EUR'000		Effect on profit after tax CZK denominated EUR'000	Total effect on profit after tax EUR'000
Cash & bank balances (including restricted cash)	3,494	(72)	3,422	1,116	(994)	122
Accounts receivable	613	0	613	471	(24)	447
Accounts payable	(188)	1	(187)	(180)	17	(163)
Loans	(2,497)	969	(1,528)	(2,984)	972	(2,012)
Financial derivatives	0	0	0	(8,036)	0	(8,036)
Total	<u>1,422</u>	<u>898</u>	<u>2,320</u>	<u>(9,613)</u>	<u>(29)</u>	<u>(9,642)</u>

The strengthening CZK to EUR exchange rate by 1%, with all other variables held unchanged results in loss after tax EUR 2,320 thousand (2007: profit after tax EUR 9,642 thousand).

20. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

The Company aims to minimize the exposure to the risk of changes in market interest rates. This risk relates primarily to the Company's syndicated bank loan for which floating interest rates are applicable. In order to mitigate this long-term risk, the Company has entered into interest rate swaps and interest rate collars, covering approximately 76% of Syndicated Loan (in 2007 80% of Syndicated Loan).

The maturity of interest rate swaps and interest rate collars is matched to the repayments of Syndicated Loan.

There are short term credit lines in place for subsidiaries, which are not fully drawn. For this short term debt outstanding, which comprises approximately 2.7% of the total outstanding debt, no interest rate hedging is in place, mostly due to the immateriality and the nature of these credit lines compared to the long term debt.

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 2008 to 31 December 2008 with all other variables held unchanged. The interest rate sensitivity analysis is calculated from all loans and all interest rates swap contracts and interest rate collar contracts. The hypothetical effect on profit after tax amounts to EUR (827) thousand respectively EUR 827 thousand (2007: EUR (234) thousand respectively EUR 234 thousand).

The market interest rate is repriced semi-annually.

High-yield bond bears fixed rate interest rate and is stated at amortized cost therefore the change in the market interest rates and subsequent change in the fair value of the bond does not have any effect to the effective interest rate and carrying value of the bond.

The decrease in the fair value attributable to the change in the specific credit risk amounted to EUR 142,306 thousand of the total fair value adjustment of fixed interest rate high-yield bond (2007: decrease EUR 31,902 thousand). The change in fair value of the credit risk is calculated as the change triggered by factors other than changes in bench-mark interest rate, which is the average yield of 8-year German Sovereign Rate, as stated in the indenture governing the bond. Change in the fair value of own credit risk as of 31 December 2008 is mainly a result of current financial markets sentiment.

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. In the period beginning on 1 January 2008 the Group started to apply hedge accounting for forward exchange rate contracts used as hedges of its exposure to foreign currency risk in forecasted transactions and commitments. See Note 2. e) for the detailed application of the hedge accounting policies. For the remaining hedging instruments, hedge accounting is not applied.

20. FINANCIAL INSTRUMENTS (CONTINUED)

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

<i>Fair value of derivative instruments</i>	<i>31/12/2008</i>		<i>31/12/2007</i>	
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
Forward exchange contracts CZK-EUR	0	0	62,140	0
Forward exchange contracts CZK-PLN	0	888	0	0
Interest rates swap contracts	0	7,288	13,242	0
Interest rates collar contracts	39	836	626	226
	39	9,012	76,008	226

<i>Nominal value of derivative instruments</i>	<i>31/12/2008</i>		
	<i>Czech crown denominated contracts</i>	<i>Polish zloty denominated contracts</i>	<i>Euro denominated contracts</i>
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
Forward exchange contracts	0	24,372	0
Interest rates swap contracts	124,369	0	354,750
Interest rates collar contracts	14,771	0	41,250
	139,140	24,372	396,000

<i>Nominal value of derivative instruments</i>	<i>31/12/2007</i>		
	<i>Czech crown denominated contracts</i>	<i>Polish zloty denominated contracts</i>	<i>Euro denominated contracts</i>
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
Forward exchange contracts	0	20,047	1,260,291
Interest rates swap contracts	148,390	0	419,250
Interest rates collar contracts	17,624	0	48,750
	166,014	20,047	1,728,291

Gains or losses arising from changes in fair value on the derivatives during the year 2007 did not qualify for hedge accounting and were taken directly to the income statement.

Starting 1 January 2008, changes in the fair value of forward exchange contracts were accounted via the hedging reserve, that is part of equity. The reserve amounts to EUR 34,328 thousand as of 31 December 2008. They are recognized in the income statement when the hedged item (portion of coal and coke sales) is recorded. The amount recognized in equity is then transferred to the income statement. The impact in the income statement during the year 2008 was EUR 24,738 thousand.

20. FINANCIAL INSTRUMENTS (CONTINUED)

Cumulative income and expenses that have arisen from changes in fair value of derivatives as of 31 December 2007 were recognized as financial expenses and revenues reflecting the time when the relevant hedged cash flow item affected the profit or loss.

Changes in the fair value of interest rate swaps and collars were recorded directly in the income statement in 2008.

For policy on option programme see Note 29.

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.

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. From the acquisition of the Group the majority shareholders performed significant restructuring of the Group and considered the international standards of gearing in the mining industry. The management monitors the gearing.

The Group monitors capital using a gearing ratio defined as net debt divided by the 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 2008.

See section Remuneration report of the annual report of the Company for the description of the stock option programme of the Group.

20. FINANCIAL INSTRUMENTS (CONTINUED)

The Group includes interest bearing short-term and long-term loans and borrowings and issued bonds, less cash and cash equivalents, within net debt. The Company defines EBITDA as net profit after tax from continuing operations before minority interest, income tax, net financial costs, depreciation and amortization, impairment of property, plant and equipment (“PPE”) and gains/losses from sale of PPE.

	<i>31/12/2008</i>	<i>31/12/2007</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Interest bearing loans and borrowings		
Long-term loans	661,961	723,856
Bond issued	290,425	289,316
Current portion of long-term loans	66,835	66,823
Short-term loans	<u>28,540</u>	<u>5,695</u>
	1,047,761	1,085,690
Less Cash and cash equivalents	<u>678,895</u>	<u>474,160</u>
Net debt	<u>368,866</u>	<u>611,530</u>
	<i>1/1/2008 -</i>	<i>1/1/2007 -</i>
	<i>31/12/2008</i>	<i>31/12/2008</i>
	<i>EUR '000</i>	<i>EUR '000</i>
EBITDA:		
Profit before tax	472,155	239,647
Financial income (expenses) (including loss on disposal of interest in subsidiaries)	58,389	(32,131)
Reversal of impairment of property, plant and equipment	0	(21,959)
Gain from sale of property, plant and equipment	(2,052)	(1,305)
Depreciation	158,350	156,931
Amortisation	<u>10,165</u>	<u>9,326</u>
EBITDA	<u>697,007</u>	<u>350,509</u>
Gearing ratio	<u>0.53</u>	<u>1.75</u>

The Group's policy is to target a gearing ratio of 2.0 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 2008 and 31 December 2007 is calculated on annual basis. The Company is required under the Syndicated Loan agreement to hold a gearing ratio of senior indebtedness below 2.75 and a gearing ratio of total indebtedness below 3.25. The Group is in compliance with these covenants.

20. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value

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

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

Cash and cash equivalents, current investments

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

Investments

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

Receivables and Payables

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

Share-based payments

See Note 29 for valuation of specific share-based payment transactions. Share based payments are valued by determining whether they are liability or equity instrument. For equity instruments the fair value is assessed at the grant date based on specific valuation methods applicable for each specific instrument. Liability instruments are valued at fair value as at the end of the each reporting period.

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 of bonds is based upon the quoted price on the Irish Stock Exchange (stock exchange Euro MTF).

Long-term debt

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

Derivatives

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

Carrying amounts and the estimated fair values of financial assets and liabilities at 31 December 2008 and 31 December 2007 are as follows:

	31/12/2008		31/12/2007	
	<i>Carrying Value</i>	<i>Fair Value</i>	<i>Carrying Value</i>	<i>Fair Value</i>
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
<i>Financial assets</i>				
<i>Fair value through profit & loss</i>				
Derivatives	39	39	76,008	76,008
<i>Loans & receivables</i>				
Long-term receivables	11,173	10,330	7,342	7,305
Accounts receivable and prepayments	201,671	201,671	159,296	159,296
<i>Available for sale</i>				
Other financial investments	0	N/A	3,104	N/A
Restricted cash	28,885	28,885	24,160	24,160
Cash and cash equivalents	678,895	678,895	474,160	474,160
	31/12/2008		31/12/2007	
	<i>Carrying Value</i>	<i>Fair Value</i>	<i>Carrying Value</i>	<i>Fair Value</i>
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
<i>Financial liabilities</i>				
<i>Fair value through profit & loss</i>				
Derivatives	9,012	9,012	226	226
<i>Other</i>				
Long-term loans	661,961	661,961	723,856	723,856
Bond issued (including accrued interest)	293,191	139,571	292,082	260,733
Other long-term liabilities	752	752	200	200
Accounts payable and accruals	221,980	221,980	190,232	190,232
Current portion of long-term loans	66,835	66,835	66,823	66,823
Short-term bank loans	28,540	28,540	5,695	5,695
Cash-settled share-based payments payable	355	355	0	0

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following balance sheet amounts:

	<i>31/12/2008</i>	<i>31/12/2007</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Cash in bank	677,053	469,073
Short-term deposits	1,712	4,915
Cash on hand and cash in transit	130	172
Cash and cash equivalents	<u><u>678,895</u></u>	<u><u>474,160</u></u>

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 shorter, depending on the immediate cash requirements of the Group, and earn interest at short-term deposit rates.

22. ACCOUNTS PAYABLE AND ACCRUALS

	<i>31/12/2008</i>	<i>31/12/2007</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Trade accounts and notes payable	136,257	125,390
Wages and salaries payable	23,812	24,328
Social and health insurance payable	15,747	14,505
VAT and other tax payable	10,277	7,574
Advance payments received	3,783	323
Dividends payable	1,480	1,563
Other payables and estimated accounts payable	30,577	14,327
Accrued expenses	47	2,222
	<u><u>221,980</u></u>	<u><u>190,232</u></u>

23. INTEREST-BEARING LOANS AND BORROWINGS

Long-term loans and borrowings:

The long-term bank loan (“Syndicated Loan”) is represented by facilities provided by a banking syndicate.

Long-term bank loans	<i>Currency</i>	<i>Effective interest rate</i>	<i>Maturity</i>	<i>31/12/2008 EUR '000</i>	<i>31/12/2007 EUR '000</i>
Bank loan - facility 1	CZK	6M PRIBOR+0.85%*	2011	40,880	58,242
Bank loan - facility 2	CZK	6M PRIBOR+1.35%	2012	81,759	81,897
Bank loan - facility 3	CZK	6M PRIBOR+1.50%	2013	86,140	86,646
Bank loan - facility 1	EUR	6M EURIBOR+0.85%*	2011	114,840	161,729
Bank loan - facility 2	EUR	6M EURIBOR+1.35%	2012	232,726	230,768
Bank loan - facility 3	EUR	6M EURIBOR+1.50%	2013	172,451	171,379
Total long-term loans				728,796	790,661
of which current portion**				66,835	66,823
Total long-term loans				661,961	723,838
Long-term liabilities from finance leases				0	18
Total long-term interest-bearing loans				661,961	723,856

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

** Includes also interest accrual for green shoe

The Syndicated Loan was secured by shares of OKD a.s. and OKD, OKK a.s.

OKD, a.s. is guarantor of green shoe option drawn by the Company in 2007.

6M PRIBOR stands for 6-month Prague interbank offered rate and was 3.750% on 31 December 2008 (31 December 2007: 4.140%). 6M EURIBOR stands for Euro interbank offered rate and was 2.971% on 31 December 2008 (31 December 2007: 4.707%).

The total long-term bank loans exclude the current portion of long-term bank loans. These are included in short-term bank loans. All interest-bearing loans and borrowings are repriced at least once a year.

23. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

Repayment schedule for long-term bank loans and borrowings:

	<i>31/12/2008</i>	<i>31/12/2007</i>
	<i>EUR '000</i>	<i>EUR '000</i>
up to 31 December 2008	0	66,823
up to 31 December 2009	66,835	60,412
up to 31 December 2010	60,945	60,412
up to 31 December 2011	30,302	29,904
up to 31 December 2012	312,889	313,937
up to 31 December 2013	257,825	259,173
	<u>728,796</u>	<u>790,661</u>

Short-term loans and borrowings:

Short-term bank loans include credit lines that finally mature in 2009 - they are operating loans with withdrawal option in the form of an overdraft or revolving that may be repaid whenever before the maturity date.

As of 31 December 2008, there is an off-balance sheet guarantee bill of exchange for short term bank loan of EUR 18,604 thousand (2007: guarantee bill of exchange for short term bank loan of EUR 42,750 thousand).

23. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

Short-term bank loans	<i>Currency</i>	<i>Effective interest rate</i>	<i>Maturity</i>	<i>31/1/2008</i> <i>EUR '000</i>
Overdraft	CZK	1M PRIBOR+ 0.65%	31.12.2009	18,604
Overdraft	CZK	O/N PRIBOR + 0.5%	20.7.2010**	9,925
Credit cards liability	CZK	0%*	N/A	11
Total short-term interest-bearing loans				<u><u>28,540</u></u>

* Credit cards

** Overdraft agreement is valid until 2010.

As of 31 December 2007:

Short-term bank loans	<i>Currency</i>	<i>Effective interest rate</i>	<i>Maturity</i>	<i>31/12/2007</i> <i>EUR '000</i>
Overdraft	CZK	PRIBOR+ 0.65%	2009**	3,646
Overdraft	CZK	PRIBOR + 0.75%	2008	2,014
Credit cards liability	CZK	0%*	N/A	16
Total short-term interest-bearing loans				<u>5,676</u>
Short term liabilities from finance leases				19
Total short term interest bearing loans				<u><u>5,695</u></u>

* Credit cards

** 12-months loan agreement with possibility to extension of the loan up to 2009

24. BOND ISSUED

The Company issued a high-yield bond on the Irish Stock Exchange (stock exchange Euro MTF) on 18 May 2007. The aggregate principal amount of the 7.375% Senior notes due 2015 is EUR 300,000 thousand. Issue costs of the notes were EUR 11,320 thousand. Effective interest rate is 8.184%.

25. SHARE CAPITAL AND RESERVES

	<i>31.12.2008</i>	<i>31.12.2007</i>
	<i>EUR'000</i>	<i>EUR'000</i>
Share capital	105,524	100,100
Share premium	54,971	3,679
Restricted reserve	124,180	129,990
Equity-settled share based payments	8,037	0
Hedging reserve	34,328	0
Retained earnings	314,556	105,305
Foreign exchange translation reserve	4,728	38,389
	<hr/>	<hr/>
Total	646,324	377,463
Minority interests	0	0
	<hr/>	<hr/>
Equity total	<u>646,324</u>	<u>377,463</u>

Share Capital

Based on the Articles of Association of the Company the authorised share capital amounts to EUR 450,000,000. It is divided into 1,124,989,000 A shares with a nominal value of EUR 0.40 each and 11,000 B shares with a nominal value of EUR 0.40 each. As of 31 December 2008 the issued capital consists of 263,799,259 ordinary A shares with nominal value of EUR 0.40 each and 10,000 ordinary B shares with nominal value of EUR 0.40 each, of which :

- 18,000 A shares with nominal value of EUR 1 each were issued and paid-up as per 30 June 2006,
- as per 7 September 2006 the Company issued 100,000,000 new ordinary A shares with nominal value of EUR 1 each, which were paid-up,
- on 14 December 2007 the Company issued 82,000 new ordinary A shares of EUR 1 each which were paid up,
- on 21 December 2007 the Company converted 4,000 ordinary A shares into B shares (see description below),
- on 5 May 2008 the Company effected a share split converting all of its shares into new shares with nominal value of EUR 0.40 each and subsequently converted one A share into a C share, resulting in 250,239,999 A shares, 10,000 B shares and 1 C share issued and outstanding,
- on 9 May 2008 the Company issued 13,500,000 new ordinary A shares with nominal value of EUR 0.40 each. The Company offered these shares together with 69,513,344 existing A shares offered by existing shareholders in its initial public offering on the London, Prague and Warsaw stock exchange.
- On 16 May 2008 the Company issued 59,260 ordinary A shares with nominal value of EUR 0.40 each. These shares were granted to 5 independent directors, members of the Board of Directors of the Company.

Rights, preferences and restrictions attaching to B shares in the share capital of the Company, restrictions on the distribution of dividends and the repayment of capital

The Company separated the mining business and the real estate business into separate divisions. Each division is legally indivisible within the Group.

The amendment to the Articles of Association was approved on 21 December 2007, whereby the Company converted 4,000 ordinary (registered) shares into 4,000 B shares of EUR 1.00 each. The amendment states that the divisions are established and separately tracked with effect from 31 December 2007. An amount of EUR 90

25. SHARE CAPITAL AND RESERVES (CONTINUED)

million of the general share premium reserve and retained earnings in the amount of EUR 4,411,614 recorded in the standalone financial statements of the Company have been allocated to the Dividend Reserve B (see below) on 31 December 2007.

The Real Estate Division's financial performance and any dividends or other distributions in respect of, or attributable to, the performance or Assets of the Real Estate Division will be attributed solely to the holders of the B shares. Upon adoption of the annual accounts and on an after tax basis the amount of equity available for the pay out of dividends to the holders of the B shares ("Dividend Reserve B") shall be credited for an amount equal to the positive result relating to the Real Estate Division and shall be debited for an amount equal to the negative result. The allocation of the result of the divisions and the rules governing the pay out of dividend from the Real Estate Division relate to the period after 31 December 2007, when the Real Estate Division was established.

The Articles of Association include provisions which state, subject to the limitations of applicable law, that the holders of B shares will be entitled to receive distributions from the Dividend Reserve B (whether in cash or in specie) when declared by the Board of Directors of the Company upon the proposal of the meeting of the holders of the B shares. A payment to the holder(s) of B shares at the expense of a Dividend Reserve B can only be made to the extent that the aggregate balance of the entitlement of all shares of that specific class held by such holder to the share premium reserves and dividend reserves is positive.

The existing distributable reserves (Dividend Reserve B) along with future retained earnings will be used in the future to allow the transfer of the Assets of the Real Estate Division via dividends or distributions (whether in cash or in specie) to the holders of the B shares. It is intended that all of the assets of the Real Estate Division will be paid out in dividends and distributions to the holders of the B shares until no assets remain in the Real Estate Division.

In addition to the foregoing, the Articles of Association of the Company provide the following rights to the (meeting of) holders of the B shares:

- Each resolution to issue B shares shall require the prior or simultaneous approval of the meeting of holders of class B shares.
- Upon issue of A shares and B shares, each holder of A shares and B shares shall have a pre-emption right in respect of the A shares and B shares to be issued, in proportion to the aggregate amount of his shares.
- Each resolution to restrict or exclude pre-emptive rights with respect to an issuance of B shares shall require the prior or simultaneous approval of the meeting of holders of class B shares.
- The meeting of holders of the B shares has the right to nominate one director at the Company's general meeting as part of the binding nomination system set out in the Articles of Association.

25. SHARE CAPITAL AND RESERVES (CONTINUED)

- Each holder of B shares has the right to request an investigation into the affairs of the Company with the Enterprise Chamber of the Court of Appeal in Amsterdam.
- The prior or simultaneous approval of the meeting of holders of class B shares shall be required for resolutions of the Board of Directors:
 - a. to acquire any real estate or other assets for the Real Estate Division or to mortgage, charge, grant a license or otherwise encumber the assets of the Real Estate Division (or any of them); and
 - b. to finance the Real Estate Division from third party funding sources.
- The prior or simultaneous approval of the General Meeting and the meeting of holders of class B shares shall be required for resolutions of the Board of Directors to amend, rescind or suspend the part of the Divisional Policy Statements relating to the fundamental and overriding rights of the Mining Division, the payments for use of and access to Real Estate Assets by the Mining Division, the allocation of costs for overhead and support services and the principles contained in the Divisional Policy Statements, or any additions or exceptions thereto. The Board of Directors shall not seek to make any determinations to amend, rescind or suspend any other aspects of the Divisional Policy Statements, or make exceptions to them or adopt additional policies or exceptions unless there shall have been prior consultation between the Board of Directors and the meeting of holders of the B shares and the Board of Directors shall have given due consideration to any representations made.
- A proposal to amend the Articles of Association changing the authorized share capital B shall be changed requires the prior or simultaneous approval of the meeting of holders of class B shares.
- A proposal to amend the Articles of Association whereby any change would be made in the rights which vest in the holders of B shares shall require the prior approval of the meeting of holders of B shares.
- Following a liquidation of the Company, the remaining balance of assets of the Company shall be distributed in accordance with the entitlements of each class of shares under the rules agreed upon for the distribution of reserves.

Any restrictions under Dutch corporate law with respect to the reduction of share capital, distribution of dividend and/or reserves and other corporate matters also apply to the (holders of) B shares.

As of 31 December 2008 100% of the B shares are owned by RPG Industries SE.

Rights, preferences and restrictions attaching to A shares in the share capital of the Company, restrictions on the distribution of dividends and the repayment of capital

An amount of EUR 90 million of the general share premium reserve and retained earnings in the amount of EUR 4,411,614 recorded in the standalone financial statements of the Company has been allocated the Dividend Reserve B on 31 December 2007. The remaining part of the share premium reserve has been allocated the share premium reserve A. In case statutory reserves recorded in the standalone balance sheet of the Company as at 31 December 2007, if any, are (partially) released, the amounts thereof shall be credited to the dividend reserve A.

The Mining Division's financial performance and any dividends or other distributions in respect of, or attributable to, the performance or Assets of the Mining Division will be attributed solely to the holders of the A shares. Upon adoption of the annual accounts and on an after tax basis the amount of equity available for the pay out of dividends to the holders of the A shares ("Dividend Reserve A") shall be credited for an amount equal to the positive result relating to the Mining Division and shall be debited for an amount equal to the negative result. The allocation of the result of the divisions and the rules governing the pay out of dividend from the Mining Division relate to the period after 31 December 2007, when the Mining Division was established.

The Articles of Association include provisions which state, subject to the limitations of applicable law, that the holders of A shares will be entitled to receive distributions from the Dividend Reserve A when declared by the

25. SHARE CAPITAL AND RESERVES (CONTINUED)

Board of Directors of the Company. A payment to the holder(s) of A shares at the expense of a Dividend Reserve A can only be made to the extent that the aggregate balance of the entitlement of all shares of that specific class held by such holder to the share premium reserves and dividend reserves is positive.

In addition to the foregoing, the Articles of Association of the Company provide the following rights to the (meeting of) holders of the A shares:

- Upon issue of A shares and B shares, each holder of A shares and B shares shall have a pre-emption right in respect of the A shares and B shares to be issued, in proportion to the aggregate amount of his shares.
- A proposal to amend the Articles of Association whereby any change would be made in the rights which vest in the holders of A shares shall require the prior approval of the meeting of holders of A shares.
- Following a liquidation of the Company, the remaining balance of assets of the Company shall be distributed in accordance with the entitlements of each class of shares under the rules agreed upon for the distribution of reserves.

Any restrictions under Dutch corporate law with respect to the reduction of share capital, distribution of dividend and/or reserves and other corporate matters also apply to the (holders of) A shares.

The total issued A shares and other issued class shares constitute the General Meeting of Shareholders. Under the Articles of Association, the Divisional Policy Statements and Dutch (corporate) law, the General Meeting of Shareholders has certain rights with respect to changes to the corporate structure, changes to the Divisional Policy Statements as well as rights relating to changes to the capital structure, repurchase of shares and significant changes in the identity or nature of the Company or its enterprise. As the issued A shares currently form a majority in the entire issued share capital of the Company, any voting in the General Meeting of Shareholders can be influenced by the holders of the A shares.

Share Premium

On 14 December 2007, share premium was increased by EUR 3,679 thousand by converting payables to RPG Industries SE.

On 27 March 2008, the Company paid a dividend of EUR 86,672 thousand out of A Share premium.

On 5 May 2008, the Company allocated EUR 75,000 thousand to the C Share premium from the A Share premium.

On 9 May 2008, A Share premium of the Company was increased by EUR 213,678 thousand as a result of the sale of new A shares in the initial public offering of the Company. The expense relating to the proceeds from the primary initial public offering amounted to EUR 1,890 thousand. The total impact of the initial public offering on the A Share premium of the Company was EUR 211,788 thousand.

On 9 May 2008, the Company paid a dividend of EUR 75,000 thousand out of C Share premium to RPGI, the sole holder of the C Share.

On 16 May 2008, the Company issued 59,260 ordinary A Shares granted to 5 independent directors of the Board of the Company. The A Share premium attributable to these shares amounted to EUR 1,176 thousand.

25. SHARE CAPITAL AND RESERVES (CONTINUED)

Special liquidation reserve

During the privatization of OKD, a.s. the special liquidation reserve was designated and classified as an equity item in its statutory accounts. In 2007 this reserve became unrestricted and therefore was transferred to retained earnings based on an amendment of the Articles of association of OKD, a.s.

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.

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

Starting 1 January 2008, changes in the fair value of forward exchange rate contracts were accounted via the hedging reserve, that is part of equity. For more details see Note 20.

25. SHARE CAPITAL AND RESERVES (CONTINUED)*Earnings per share*

In the calculation of the average number of outstanding shares, both A and B, the 2.5 for 1 conversion of shares per 5 May 2008 is taken into account. Also the newly issued A shares at the initial public offering, 13.5 million and 59,260, are included in the calculation. Finally, the creation and the subsequent cancellation of the C share is regarded as well, to arrive at the average number of 258,991,995.60 outstanding shares during 2008. Based on this number of average outstanding shares the basic earnings per share figure is calculated.

In the calculation of the diluted earnings per A share the dilutive potential of the “NWR IPO Share Option Plan”, “NWR Stock Option Plan for Executive Directors”, “Long-term Incentive Plan” and “Share issue agreement with independent directors” is taken into account. Additional explanation on the dilutive potential is detailed in note 29 Share-based payments.

	01/01/2008 - 31/12/2008	01/01/2007 - 31/12/2007
Total net profit after tax from continuing operations	351,639	190,671
Total net profit after tax from discontinued operations	<u>N/A</u>	<u>5,821</u>
Total net profit after tax	351,639	196,492
of that:		
Total net profit after tax attributable to A shares holders	344,171	196,492
Total net profit after tax attributable to B shares holders	7,468	0
Total net profit after tax attributable to C shares holders	<u>0</u>	<u>N/A</u>
Weighted average number of shares outstanding during the period	258,991,995.60	250,054,275
of that:*		
Weighted average number of A shares outstanding during the period	258,981,995.36	250,053,974
Weighted average number of B shares outstanding during the period	10,000.00	301
Weighted average number of C shares outstanding during the period	<u>0.24</u>	<u>N/A</u>
Weighted average number of shares outstanding during the period		
adjusted for effect of dilution	259,519,967.63	250,054,275
of that:		
Diluted weighted average number of A shares outstanding during the period	259,509,967.39	250,053,974
Diluted weighted average number of B shares outstanding during the period	10,000.00	301
Diluted weighted average number of C shares outstanding during the period	<u>0.24</u>	<u>N/A</u>
Basic earnings per A share (EUR/share)	<u>1.33</u>	<u>0.79</u>
Diluted earnings per A share (EUR/share)	<u>1.33</u>	<u>0.79</u>
Basic earnings per A share from continuing operations (EUR/share)	<u>1.33</u>	<u>0.76</u>
Diluted earnings per A share from continuing operations (EUR/share)	<u>1.33</u>	<u>0.76</u>
Basic earnings per A share from discontinued operations (EUR/share)	<u>0.00</u>	<u>0.03</u>
Diluted earnings per A share from discontinued operations (EUR/share)	<u>0.00</u>	<u>0.03</u>
Basic earnings per B share (EUR/share)	746.80	0.00
Diluted earnings per B share (EUR/share)	746.80	0.00

* restated for the stock split of 2.5 that occurred on 5 May 2008

26. PROVISIONS

The provision balances are as follows:

	<i>At 1 January 2008</i>	<i>Charged</i>	<i>Utilised</i>	<i>Distributio n of subsidiaries</i>	<i>Subsidiary sold</i>	<i>Unwinding of discount</i>	<i>Currency translation</i>	<i>At 31 December 2008</i>
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
Restoration provision	90,209	56	(2,653)	(519)	0	4,171	(926)	90,338
Mining damage	15,841	8,787	(12,370)	0	0	0	107	12,365
Dukla Mine closure	150	0	(160)	0	0	0	10	0
Other restoration costs	1,903	1	(163)	(520)	0	0	38	1,259
Total long-term provisions	108,103	8,844	(15,346)	(1,039)	0	4,171	(771)	103,962
Unpaid vacation	3,222	7,314	(7,332)	(111)	(21)	0	(19)	3,053
Buy-out (family houses)	1,983	1,409	(1,392)	0	0	0	(21)	1,979
Dukla Mine closure	3,288	0	(3,509)	0	0	0	221	0
Employee redundancy	3	46	(4)	0	(46)	0	1	0
Other	680	560	(297)	(243)	(169)	0	6	537
Total short-term provisions	9,176	9,329	(12,534)	(354)	(236)	0	188	5,569

	<i>At 1 January 2007</i>	<i>Charged</i>	<i>Utilised</i>	<i>Distribution of subsidiaries</i>	<i>Unwinding of discount</i>	<i>Change in the estimate</i>	<i>Currency translation</i>	<i>At 31 December 2007</i>
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
Restoration provision	96,921	71	(3,150)	(435)	2,015	(8,334)	3,121	90,209
Mining damage	16,067	6,156	(6,879)	0	0	0	497	15,841
Dukla Mine closure	2,607	0	(2,438)	0	0	0	(19)	150
Other restoration costs	1,891	6	(54)	0	0	0	60	1,903
Total long-term provisions	117,486	6,233	(12,521)	(435)	2,015	(8,334)	3,659	108,103
Unpaid vacation	3,499	6,642	(6,253)	(764)	0	0	98	3,222
Buy-out (family houses)	1,275	1,344	(705)	0	0	0	69	1,983
Dukla Mine closure	10,302	0	(7,050)	0	0	0	36	3,288
Employee redundancy	19	0	(16)	0	0	0	0	3
Other	1,825	729	(890)	(994)	0	0	10	680
Total short-term provisions	16,920	8,715	(14,914)	(1,758)	0	0	213	9,176

Annual review of restoration provision as of 31 December 2008 did not result in any change of estimates.

The annual review of restoration provision performed as of 31 December 2007 resulted in a decrease of provision by EUR 8,334 thousand. The decrease of restoration provision was accounted for in accordance with

26. PROVISIONS (CONTINUED)

IFRIC 1 with the effective date 31 December 2007 i.e. the carrying amount of property, plant and equipment was reduced by EUR 8,334 thousand. The main reason for the estimate change was the change of discount rate (using state bonds) and inflation estimate. The effect of the changed estimate on depreciation of assets and financial costs will start in 2008.

Due to the long-term nature of the restoration provision, the biggest uncertainty in estimating the provision is the costs that will be incurred. The Group has assumed that the site will be restored using technology and materials that are available currently. As of 31 December 2008 the provision has been calculated using discount rates in range between 3.8-4.1% p.a. (31 December 2007: range between 4.1 – 4.4% p.a.).

On 27 February 2006 the Board of Directors of OKD, a.s. decided to cease coal mining operations at the Dukla site, part of the Paskov Mine, as of 31 December 2006 and to begin physical liquidation of property, plant and equipment and to begin the site restoration of this site on 1 January 2007. The preparatory work to commence restoration of the Dukla site began in 2006. The site restoration and liquidation was finished in 2008. As of 31 December 2008 the Dukla Mine closure provision amounts to EUR 0 thousand (31 December 2007: EUR 3,438 thousand, related to preparation of the site for site liquidation, site restoration and social and health-related costs).

27. DEFERRED REVENUE

	<i>Government grants</i> <i>EUR '000</i>	<i>Other</i> <i>EUR '000</i>	<i>Total</i> <i>EUR '000</i>
At 1 January 2008	2,509	7,790	10,299
Distribution of subsidiaries	0	(3)	(3)
Sale of subsidiaries	0	(4)	(4)
Change in the period	(224)	(4,823)	(5,047)
Currency translation	(8)	357	349
At 31 December 2008	<u>2,277</u>	<u>3,317</u>	<u>5,594</u>

	<i>Government grants</i> <i>EUR '000</i>	<i>Other</i> <i>EUR '000</i>	<i>Total</i> <i>EUR '000</i>
At 1 January 2007	2,633	967	3,600
Distribution of subsidiaries	0	(379)	(379)
Change in the period	(202)	6,904	6,702
Currency translation	78	298	376
At 31 December 2007	<u>2,509</u>	<u>7,790</u>	<u>10,299</u>

The Group has received government grants to cover environmental improvements. Government grants are being amortised over the expected useful life of the assets acquired with funds from government subsidies.

The change in government grants fully represents the amortization of existing grants. No new grants were received in the period.

28. EMPLOYEE BENEFITS

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

The 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. Most of them are paid annually and the amount depends on the length of working relationship with the employer or is compensating the health problems of the miners. The significant benefits are listed below.

	<i>31.12.2008</i>	<i>31.12.2007</i>
	<i>EUR'000</i>	<i>EUR'000</i>
Special miners benefits	57,607	56,534
Severance payment	17,749	14,708
Loyalty benefits	11,523	12,908
Employees' jubilee	292	136
Other long-term benefits	1,017	1,348
Total employee benefits	88,188	85,634

Increase in employee benefits as of 31 December 2008 compared to 31 December 2007 is a cumulative result of updated assumptions that are disclosed at the end of this Note (in addition to the effect of subsidiaries sold and distributed in 2008 and currency translation).

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, a.s. 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, a.s. and its labour union and are paid to employees who terminate their employment contract upon becoming entitled to draw an old age pension. The payment is a multiple of average monthly wage.

Loyalty benefits

Stabilization premiums are defined in the collective 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.

28. EMPLOYEE BENEFITS (CONTINUED)

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.

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.

Changes in the present value of the defined benefit obligation:

	<i>01/01/2008 - 31/12/2008</i>	<i>01/01/2007 - 31/12/2007</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Defined benefit obligation at the beginning of the period	85,634	89,201
Movements in the period - subsidiaries distributed	(404)	0
Movements in the period - subsidiaries disposed	(836)	0
Discontinued operations	0	(2,542)
Benefits paid	(10,507)	(7,045)
Net benefit expense	15,378	3,251
Currency translation	(1,077)	2,769
Defined benefit obligation at the end of the period	<u>88,188</u>	<u>85,634</u>

28. EMPLOYEE BENEFITS (CONTINUED)

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

	<i>01/01/2008 - 31/12/2008</i>	<i>01/01/2007 - 31/12/2007</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Current service cost	5,110	4,541
Interest cost on benefit obligation	3,541	3,633
Actuarial loss/(gain)	<u>6,727</u>	<u>(4,923)</u>
Net benefit expense	<u>15,378</u>	<u>3,251</u>

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 2008 range between 4.1% - 4.4% p.a. (as of 31 December 2007: 4.7% - 4.9% p.a.).

Wage increase - This assumption is relevant where the benefit depends on the future wage. In all these cases the Group estimates the steadily average wage increase of 5% per annum as of 31 December 2008 (7% per annum as of 31 December 2007).

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

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

Number of employees – estimated future number of employees per each year is derived from estimated future output (production) in particular year.

29. SHARE-BASED PAYMENTS

a) Introduction to share-based payments of the Company

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 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 vesting the cumulative expense is calculated, representing the extent to which the vesting period has expired and of the number of equity instruments that will ultimately vest. The movement in cumulative expense compared to the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity or liability, based on the

29. SHARE BASED PAYMENTS (CONTINUED)

type of share-based scheme.

For cash-settled share-based payment transactions, the Company measures the liability incurred at the fair value of the liability. The Company re-measures the fair value of the liability at the date of settlement and at the end of each reporting period until the liability is settled, with any changes in fair value recognised in profit or loss for the period.

The impact of the Group's share-based remuneration schemes on the diluted earnings per share is calculated according to the requirements of IFRS 2 and IAS 33.

The Company offers independent members of the Board of Directors of the Company and certain employees of the Group share-based remuneration packages (see below).

b) Shares granted to independent directors

The Company granted each of its 5 independent directors a number of A shares equal to an amount of EUR 200 thousand vesting on 9 May 2008 and the same amount on 9 May 2009. The Company settled the first tranche by issuing 59,260 ordinary A Shares with nominal value of EUR 0.40 each on 16 May 2008. The value of the transaction was determined by means of the market price as per 16 May 2008. Since the return is fixed in the same way as if settlement were to be made in cash for the shares vesting on 9 May 2009, the settlement is accrued for as a financial liability. The corresponding expenses are shown in the category of share-based payments personnel expense. The impact on the income statement for 2008 of granting shares to the independent directors equals EUR 1,846 thousand. This total amount is the sum of two parts: first, the vesting of the first tranche per 9 May 2008 impacted the income statement in 2008 for EUR 1,200 thousand. The expenses accrued for the second tranche granted amount to EUR 646 thousand.

There is no dilutive impact resulting from shares granted to independent directors since the fair value of the weighted average number of A shares that would have been issued at average market price would equal the fair value of the services the Company received from the independent directors. Resulting from this, the additional cost and income for the Company would be the same resulting in a zero impact on the earning per share figure

c) Shares and share options granted to executive directors

In 2007, based on his employment contract with the Company, executive director Miklos Salamon was granted to receive every year during a five-year period a number of A Shares equal to 0.1 percent of the issued share capital of the Company. On 1 September 2008, the employment contract was amended. Based on the amended contract Miklos Salamon will be granted every year on 1 September with options for A Shares with exercise price of EUR 0.01 in the amount of 0.1 percent of the issued share capital of the Company, instead of receiving A Shares. This remuneration package classifies as equity settled share-based payment transaction and is presented correspondingly in a separate equity category in the balance sheet of the Company. The first tranche of options vested on 1 September 2008, resulting in an increase of personnel expense of EUR 5,077 thousand. The increase in accrued expense for the second year of granted share options has an additional impact of EUR 3,013 thousand for the year 2008. Total recognised cost in 2008 relating to the share-based remuneration for Miklos Salamon amounts to EUR 8,090 thousand (2007 EUR 0).

The calculation of the fair value of the options per grant date was performed by using the Black-Scholes model. The value of the input variables in the model were: share price per grant date 1 September 2008 of GBP 15.63; exercise price of GBP 0.01; time to expiry of 8 years; risk-free rate of 4 percent and a volatility of 15 percent. The 8-year expiry period consists of a 3-year vesting period and a consecutive 5-year exercise period. The discount rate is equal to the Czech government bond rates that have maturity dates similar to the terms of the Group's obligations. The used volatility percentage is based on the Group's management professional judgement taking into account stock prices of peer companies.

29. SHARE BASED PAYMENTS (CONTINUED)

Miklos Salamon's option plan has no dilutive impact since the fair value of the weighted average number of options that would have been issued at average market price would equal the fair value of the services the Company received from Miklos Salamon.

Executive director of the Company and Chief Executive Officer of OKD, Klaus-Dieter Beck is granted a certain amount of A shares according to his employment contract with OKD. This remuneration package classifies as an equity settled share-based payment transaction with cash alternative and is presented correspondingly as a short-term liability. The agreement specifies that Klaus-Dieter 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.

Klaus-Dieter Beck's incentive plan has no dilutive impact since the fair value of the weighted average number of shares that would have been issued at average market price would equal the fair value of the services the Company received from Klaus-Dieter Beck.

d) Share options granted to employees of the Group

Certain employees and directors of the Group were granted options for A shares of the Company under the "NWR IPO Share Option Plan". This remuneration package classifies as equity settled. The options, which were granted on 9 May 2008, have an exercise price of GBP 13.25. The corresponding vesting period for these share options, numbering 619,878 in total, is 9 May 2008 to 9 May 2011.

Similarly to the option granted to Miklos Salamon, the fair value of the options per grant date was calculated by using the Black-Scholes model. Except for the share price and the exercise price, all the variables have the same value as used in the calculation of Miklos Salamon's options fair value. The share price used for the "NWR IPO Share Option Plan" was the offering price of the initial public offering which was GBP 13.25. The exercise price is GBP 13.25.

Due to the Company's share market price, which is currently lower than the exercise price of the options granted to certain employees under the NWR IPO Share Option Plan as of 31 December 2008, these are out-of-the-money and therefore do not have any dilutive potential regarding the calculation of the diluted earnings per share.

The following table presents the impact of the various share-based remuneration schemes on the profit of the Company.

Share-based remuneration schemes	<i>01/01/2008 - 31/12/2008 EUR '000</i>	<i>01/01/2007 - 31/12/2007 EUR '000</i>
Independent directors	1,846	0
Miklos Salamon	8,090	0
Klaus-Dieter Beck	5,764	0
Other	595	0
	<u>16,295</u>	<u>0</u>

30. DEFERRED TAX

	2008 EUR '000	2007 EUR '000
<i>Deferred tax asset:</i>		
At 1 January	21,490	25,434
Deferred tax charge for the period	3,685	(295)
Impact of changed deferred tax rate	(96)	(4,289)
Deferred tax movement - distribution in kind	(384)	0
Deferred tax movement - disposed subsidiary	(960)	0
Currency translation	(280)	640
At 31 December	23,455	21,490
<i>Deferred liability:</i>		
At 1 January	123,572	161,654
Deferred income tax related to items charged or credited directly to equity:		
Net loss on revaluation of cash flow hedges	9,167	0
Deferred tax charge for the period	(2,362)	(5,962)
Impact of changed deferred tax rate	(31)	(28,796)
Deferred tax movement - discontinued operations	0	(7,147)
Deferred tax movement - distribution in kind	(832)	0
Currency translation	(828)	3,823
At 31 December	128,686	123,572
Deferred tax liability net	105,231	102,082
out of which presented in the balance sheet		
Deferred tax asset	154	2,438
Deferred tax liability	105,385	104,520

Deferred tax presented in the balance sheet is stated net of liability and asset per individual consolidated entities. Deferred tax presented in the above table is stated per individual temporary differences.

30. DEFERRED TAX (CONTINUED)

	31/12/2008	31/12/2007
	EUR '000	EUR '000
<i>Deferred tax asset relates to the following:</i>		
Fixed assets	154	1,399
Allowances, adjustments and provisions	6,800	3,880
Employee benefits	16,501	16,050
Tax losses carried forward	0	160
Other	0	1
	<u>23,455</u>	<u>21,490</u>

	31/12/2008	31/12/2007
	EUR '000	EUR '000
<i>Deferred taxes liability relates to the following:</i>		
Fixed assets	119,597	120,624
Allowances, adjustments and provisions	522	2,934
Derivatives	8,510	0
Other	57	14
	<u>128,686</u>	<u>123,572</u>

Tax losses to be carried forward and offset against future taxable income are available in New World Resources N.V. and in 2007 also in OKD, Bastro, a.s. Due to insufficient taxable revenues of the Company, deferred tax asset is not recognised from incurred tax losses.

	31/12/2008
	EUR '000
	8
Tax losses arising in 2006	342
Tax losses arising in 2007	40,036
Tax losses arising in 2008	55,549
	<u>95,927</u>
Deferred tax at the applicable rate of 25.5% (The Netherlands)	24,461
Provision for unrecognized deferred tax asset	<u>(24,461)</u>
Deferred tax asset recognized in respect of tax losses carried forward	<u>0</u>

Amendment of Czech Income tax legislation enacted in 2007 lead to the change of the income tax rates as follows:

- 2008: 21%
- 2009: 20%
- from 2010 onwards: 19%

Deferred tax was calculated by using above the stated rates based on the expected period of settlement of the deferred tax. This resulted in reduction of deferred tax asset by EUR 96 thousand (in 2007 by EUR 4,289 thousand) and reduction of deferred tax liability by EUR 31 thousand (in 2007 by EUR 28,796 thousand).

31. FUTURE COMMITMENTS

The Group has the following commitments in respect of:

	2008 EUR '000	2007 EUR '000
<i>Non-cancellable operating leases</i>		
Instalments due within one year	3,047	1,744
Instalments due between two and five years	12,519	5,550
	<u>15,566</u>	<u>7,294</u>
<i>Acquisition of property, plant and equipment</i>		
From third parties	288,140*	25,731

* see POP 2010 and COP 2010 description in Director's Report

The majority of operating lease contracts are concluded as indefinite term and short notice period. Leased items include equipment, land and buildings. There are none with term exceeding 5 years. Operating lease expense in 2008 was EUR 3,330 thousand (2007: EUR 1,487 thousand).

32. CONTINGENT ASSETS AND LIABILITIES

The Group has following significant contingent assets and contingent liabilities as of 31 December 2008:

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 closed mines administration. Effective 2004, OKD sold mine Barbora to DIAMO s.p. At this time DIAMO, s.p. also assumed all of OKD's obligations vis-à-vis all its former employees. Simultaneously, ČMD sold its closed mines in the Kladno area to state owned Palivový kombinát Ústí, s.p. ("PKU") in a similar transaction. By operation of law, OKD is the statutory guarantor of the obligations assumed by DIAMO and PKU existing at the time of the transfer.

b) **Environmental issues**

(i) **OKD, a.s.:**

In accordance with privatizations projects, the National Property Fund of the Czech Republic ("NPF")

32. CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

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

entity's ownership. Based on addendum to Environmental Contract No. 131/96 between the NPF (respectively Czech Ministry of Finance), OKD, a.s. and OKD, OKK, a.s. all rights and obligations concerning environmental issues were transferred to OKD OKK, a.s., as the fixed assets to which environmental issues relate, were concentrated in OKD, OKK, a.s.

(ii) OKD, OKK, a.s. :

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

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

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

(iii) In 2007, by performing de-merger of part of assets of OKD, a.s., as of 1 July 2007, fixed assets to which environmental issues relate, were concentrated in OKD, OKK, a.s. and NWR Coking, a.s.

(iv) In 2008, by performing merger of OKD, OKK, a.s. and NWR Coking, a.s., as of 1 January 2008, fixed assets to which environmental issues relate, were concentrated in OKD, OKK, a.s.

c) Claims and litigations

- Claims in connection with purchases of certain minority shares in ČMD, a. s., METALIMEX a. s. (former subsidiaries of OKD, a.s.) and OKD, a.s.:
 - Petition to review the appropriateness of consideration for shares of ČMD, a. s. (court in Ostrava) – on 8 November 2008 claimant gave an appeal
 - Petition to review the appropriateness of consideration for shares of OKD, a.s. was rejected by the court in January 2009. The petitioner is expected to give an appeal
 - Petition to review the appropriateness of consideration for shares of METALIMEX a.s. – first hearing assigned on 21 January 2009 was postponed while petitioner is expected to submit appropriate evidence for his claim
 - Petition to review the appropriateness of consideration for shares of ČMD, a. s. (court in Prague) – in 2008 entitled entities were defined by court. OKD is currently preparing its opinion. Court in its decision on 6 June 2008 decided that legal successors of OKD, a.s. that ceased to exist (ID: IČ 26863154) are: OKD, a.s. (ID: IČ 26863154), Green Gas DPB, a.s., OKD, Doprava, akciová společnost, RPG Byty, s.r.o. RPG RE Commercial, s.r.o. RPG RE Land, s.r.o. a RPG Trading, s.r.o.

32. CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

- Litigation between claimant OKD, a.s. and defendant Financial Directorate in Ostrava – action against decision issued by administrative body according to the Act No. 150/2002 Coll. Under action OKD, a.s. enforces cancelation of decision issued by Financial Directorate in the affairs of income tax for tax period 1 July 2006 – 31 December 2006. Litigation is still in progress.
- Mr and Mrs Macura filed an action for damages caused by mining activity of OKD, a.s. The value of the claim is EUR 4 thousand and might be increased by additional EUR 376 thousand. Several proceedings already took place. Expert's opinion has been elaborated. During 2008 OKD tried to settle out this litigation out of court, but on the basis of claimant's position this effort has failed.
- Litigation between claimant, Ing. Vilém Sikora and defendant, OKD, a.s. from February 2006 concerning action for damages of claimant's properties caused by mining activity in Karviná – Doly. Mr Sikora claims EUR 447 thousand as compensation for the damage. In 2008 was prepared expert's report, while OKD will propose to prepare another expert's report.
- Litigation between claimants, Ing. Larisa Gerychová and Ing. Aleš Gerych and defendant, OKD, a.s. After lose of the son, who died in result of work injury OKD, a.s. is claimed EUR 400 thousands as a compensation of non-property rights in money. OKD, a.s. refuses its responsibility and argues that all legal claims were covered arises from union contract and law. On 2 July 2008 the court has rejected the petition of claimants. The claimants gave an appeal.
- Litigation between claimants, Prague Investment Holdings (Cyprus), Prague Capital Partners Limited, Blanet-Shop, s.r.o. and defendants, OKD, a.s. and Prosper Trading, a.s. concerning action for damages at the amount of EUR 256 thousand and EUR 536 thousand. The damage was caused by acting in concert in 1997 when defendants purchased shares of company Moravskoslezské teplárny at lower price (CZK 800 per shares) than at price for which the shares would be sold when offered publicly to shareholders. In 2008 the court has rejected the petition of claimants. The claimants gave an appeal. New proceeding was not set yet.

No provision has been set up as of 31 December 2008 for the litigations. At the financial statements' preparation date, 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 of 31 December 2008.

d) Guarantee bills of exchange

As of 31 December 2008 there were following off-balance sheet liabilities:

- guarantee bills of exchange for coal delivery System S.A. – Kombinát Koksochemiczny, Zabrze of EUR 2,505 thousand
- guarantee bill of exchange for short term bank loan of EUR 18,604 thousand

As of 31 December 2007 there were following off-balance sheet liabilities:

- guarantee bills of exchange for coal delivery of EUR 1,600 thousand
- guarantee bill of exchange for short term bank loan of EUR 42,750 thousand

33. OTHER MATERIAL MATTERS

a) Dominance agreement

Dominance agreements were concluded for indefinite period between OKD as the “Controlling person” and OKD, OKK, a.s. as the “Controlled person” and is force for the whole year 2008. No other dominance agreements are in force in 2008.

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

No direct benefits arise to the Controlling person from the dominance agreement.

b) Program COP 2010

The Coking Plant Optimisation Programme (COP 2010) at OKK continues on schedule.

The refurbishment of the first section of Svoboda coke plant battery No. 8 has been completed and the start-up of the chamber took place in December 2008. The superior quality of the coke being produced in the refurbished coke battery validates the decision to upgrade teh No. 8 production facility

Preparatory works for the construction of the new No.10 coking battery at the Svoboda plant started in summer 2008 and are proceeding according to plan. The Company will continue with the project and expects it now to be finalised within the next two years.

Future commitments (see note 32) relating to acquisition of property, plant and equipment relating to COP 2010 amount to EUR 55,096 thousand.

c) Agreement in principle to issue tracking stock over certain real estate assets in the Company

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

In order to provide higher transparency to the mining and real estate assets, the Company decided to separate the real estate of the Group into a new division and to issue a new security – B Class shares – to track the financial performance of the Real Estate Division as of 31 December 2007. Procedures and safeguards will be built-in to the provisions of the A and B shares in the Company to ensure that each shareholder class is fairly treated. From 1 January 2008 the divisions are operated separately for accounting and reporting purposes to reflect the results of operations and the financial position of each division and provide relevant information to the holders of the A and B Class share. The chief operating decision maker for the two reportable segments is the board of directors of the Company, advised by a separate committee of the board composed of independent directors. All of the B shares were issued to RPG Industries SE. See also Note 3 and Note 25.

34. SUBSEQUENT EVENTS

The Company declared the pay out of a dividend in the amount of EUR 0.18 per A share on 24 February 2009. The dividend will be paid to the holders of the A shares in May 2009.

In March 2009, the regional court in Ostrava declared Moravia Energo, a.s. bankrupt. Moravia Energo, a.s. is a customer purchasing electricity from the Group. The Group estimates a negative impact on profit before tax resulting from the bankruptcy below EUR 2 million.

NON-CONSOLIDATED INCOME STATEMENT

		1 January 2008- 31 December 2008 <i>thousands EUR</i>	1 January 2007- 31 December 2007 <i>thousands EUR</i>
	<i>Note</i>		
Operating revenue	37	1,214	704
Operating expenses	38	(33,401)	(23,711)
Operating result		(32,187)	(23,007)
Financial result	39	(34,235)	(11,615)
INCOME BEFORE TAXATION		(66,422)	(34,622)
Write-off investments / receivables		0	(197)
Dividend income subsidiaries	40	244,279	68,033
Result on subsidiary		0	35,101
		244,279	102,937
NET PROFIT/(LOSS) BEFORE TAXATION		177,857	68,315
Income tax expense	41	(22)	0
TOTAL NET PROFIT/(LOSS) AFTER TAX FOR THE PERIOD		177,835	68,315
Attributable to:			
Shareholders of the Company		177,835	68,315
EARNINGS/(LOSS) PER SHARE			
Basic earnings/(loss) per A share (EUR)	47	0.69	0.68
Diluted earnings/(loss) per A share (EUR)	47	0.69	0.68
Basic earnings/(loss) per B share (EUR)	47	0	0
Diluted earnings/(loss) per B share (EUR)	47	0	0

NON-CONSOLIDATED BALANCE SHEET

		31 December 2008 <i>thousands EUR</i>	31 December 2007 <i>thousands EUR</i>
	<i>Note</i>		
ASSETS			
Investments in subsidiaries	43	1,200,819	1,077,978
Property, plant and equipment	42	12,825	227
TOTAL NON-CURRENT ASSETS		1,213,644	1,078,205
Interest receivable	44	315	223
Accounts receivable and prepayments	45	26,079	5,742
Cash and cash equivalents	46	175,020	216,523
TOTAL CURRENT ASSETS		201,414	222,488
TOTAL ASSETS		1,415,058	1,300,693
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	47	105,524	100,100
Share premium	48	493,398	531,984
Share-based payments	49	8,037	0
Retained earnings	50	166,872	62,901
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		773,831	694,985
LIABILITIES			
Bond issued	52	290,425	289,316
Long-term loans	53	301,213	301,785
TOTAL NON-CURRENT LIABILITIES		591,638	591,101
Interest payable	54	5,342	5,057
Tax payable	55	405	37
Accounts payable and accruals	56	43,842	9,513
TOTAL CURRENT LIABILITIES		49,589	14,607
TOTAL LIABILITIES		641,227	605,708
TOTAL EQUITY AND LIABILITIES		1,415,058	1,300,693

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2007

	Note	Share capital thousands EUR	Share premium thousands EUR	Restricted reserve thousands EUR	Share- based payments thousands EUR	Retained earnings thousands EUR	Total thousands EUR
1 January 2007		<u>100,018</u>	<u>1,578,296</u>	<u>206,111</u>	<u>0</u>	<u>(5,414)</u>	<u>1,879,011</u>
Release part of restricted reserve to share premium		0	206,111	(206,111)	0	0	0
Increase of share capital		82	0	0	0	0	82
Increase of share premium		0	3,679	0	0	0	3,679
Distribution in kind to shareholder		0	(179,342)	0	0	0	(179,342)
Dividends paid		0	(1,076,760)	0	0	0	(1,076,760)
Net profit for the period		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>68,315</u>	<u>68,315</u>
31 December 2007		<u><u>100,100</u></u>	<u><u>531,984</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>62,901</u></u>	<u><u>694,985</u></u>

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2008

	Note	Share capital thousands EUR	Share premium thousands EUR	Restricted reserve thousands EUR	Share- based payments thousands EUR	Retained earnings thousands EUR	Total thousands EUR
1 January 2008		<u>100,100</u>	<u>531,984</u>	<u>0</u>	<u>0</u>	<u>62,901</u>	<u>694,985</u>
Distribution of share premium	48	0	(251,550)	0	0	0	(251,550)
Issuance 13.5M share A re IPO	47,48	5,400	211,788	0	0	0	217,188
Issuance 59,620 shares A re indep directors	47,48	24	1,176	0	0	0	1,200
Shares/options granted to employees	49	0	0	0	8,037	0	8,037
Interim dividends	48	0	0	0	0	(73,864)	(73,864)
Net profit for the period		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>177,835</u>	<u>177,835</u>
31 December 2008		<u><u>105,524</u></u>	<u><u>493,398</u></u>	<u><u>-</u></u>	<u><u>8,037</u></u>	<u><u>166,872</u></u>	<u><u>773,831</u></u>

NON-CONSOLIDATED CASH FLOW STATEMENT

	1 January 2008 - 31 December 2008 <i>thousands EUR</i>	1 January 2007 - 31 December 2007 <i>thousands EUR</i>
Cash flows from operating activities		
Net profit before taxation	177,857	68,315
Adjustments for:		
Depreciation	38 661	37
Amortisation costs bond issue	39 1,109	0
Amortisation costs green shoe	39 326	0
Change in book value of subsidiaries	- 0	(35,101)
Dividend income	40 (244,279)	0
Interest expense / (revenue), net	44,54 31,931	13,179
Share-based payments	49 10,531	0
Unrealized foreign exchange gains on long-term borrowings	53 (888)	0
Write-off interest on long-term loans provided to subsidiaries	- 0	197
Profit before working capital changes	<u>(22,752)</u>	<u>46,627</u>
(Decrease) / Increase accounts payable and accruals	56 28,329	12,319
(Increase) / Decrease accounts receivable and prepayments	45 (23,303)	(3,935)
(Increase) / Decrease tax payable	55 368	(574)
Other non-cash movements	- 938	(2,227)
Cash generated from operating activities	<u>6,333</u>	<u>5,583</u>
Net cash flows from operating activities	<u>(16,419)</u>	<u>52,210</u>
Cash flows from investing activities		
Increase / (Decrease) loan provided to shareholder	- 0	1,237
Purchase of tangible fixed assets	42 (13,258)	(264)
Share capital increase in subsidiaries	43 (177,939)	(163,177)
Prepayment to increase investment in Karbonia	43 (24,081)	0
Interest received	44 8,836	6,419
Dividends received	40 236,584	825,298
Net cash flows used in investing activities	<u>30,142</u>	<u>669,513</u>
Cash flows from financing activities:		
Proceeds from issued shares	47 219,078	0
Activation IPO transaction costs	47 (1,890)	0
Dividends paid in cash	48 (235,536)	(1,076,760)
Interest paid	- (40,575)	(15,041)
Cash inflows from bond issued (net of fee)	- 0	288,680
Proceeds of long-term borrowings (net of fee)	- 0	301,667
Increase / (Decrease) loans from related parties	- 0	(1,480)
Increase / (Decrease) short-term loan bank	- 0	(6,913)
Net cash flows used in financing activities	<u>(58,923)</u>	<u>(509,847)</u>
Net increase in cash and cash equivalents	(45,201)	211,876
Effect of exchange rate fluctuations on cash held	3,697	3,097
Cash and Cash Equivalents at the beginning of period	<u>216,523</u>	<u>1,550</u>
Cash and Cash Equivalents at the end of period	<u>175,020</u>	<u>216,523</u>

35. GENERAL INFORMATION

Corporate Information

New World Resources N.V. (“the Company”, “NWR”) is a public limited liability company with its registered seat at Jachthavenweg 109h, 1081 KM Amsterdam.

Statement of compliance

The non-consolidated financial statements have been prepared in accordance with IAS 27 Consolidated and Separate Financial Statements under International Financial Reporting Standards (IFRS) as adopted by the European Union. The non-consolidated financial statements also comply with the requirements of Book 2 Title 9 of the Netherlands’ Civil Code.

Basis of preparation

The non-consolidated financial statements are presented in Euros (EUR), rounded to the nearest thousand, which is the functional currency of the Company. They are prepared on the historical cost basis.

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

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

These non-consolidated financial statements were approved by the board of directors and authorized for issue effective on 25 March 2009.

36. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements include the accounts of New World Resources N.V.

The investments in subsidiaries are stated at historic cost.

The Company currently does not expect that the new standards and interpretations would have a significant effect on the Company’s results and financial position.

b) Principles for preparation of the cash flow statement

Cash flow is presented using the indirect method. Net cash flows from operating activities are reconciled from profit before tax from continuing operations. Interest received is classified as an investing activity, it mainly relates to deposits. Interest paid is classified as a financial activity on the holding level as it is used to finance the activities of the whole group.

c) Foreign currency

(i) Foreign currency transactions

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

d) Property, plant and equipment

(i) Owned assets

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

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

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

(ii) Leased assets

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

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

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

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

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

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

(iii) Subsequent expenditure

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

(iv) Depreciation

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

The estimated useful lives are as follow:

- Buildings 30-45 years
- Plant and equipment 4-15 years
- Other 3-4 years

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

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

e) Intangible assets

(i) Intangible assets

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

(ii) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Other intangible assets are amortised from the date they are available for use. Amortization methods, useful lives and residual values are reviewed at each reporting date.

f) 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 m).

g) Inventories

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

h) 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).

i) Impairment

The carrying amounts of the Company's assets, excluding inventories (see accounting policy g)) and deferred tax assets (see accounting policy n) 0), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognized in the income statement. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(i) Calculation of recoverable amount

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

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

(ii) Reversals of impairment

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

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

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

j) Interest-bearing borrowings

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

k) Provisions

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

l) Trade and other payables

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

m) Revenue

(i) Goods sold and services rendered

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

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

n) Expenses

(i) Operating lease payments

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

(ii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income and foreign exchange gains and losses.

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

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

(iii) Income tax

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

Current tax liability is calculated in accordance with the tax regulation of the Netherlands and is based on the income or loss reported under local accounting regulations, adjusted for appropriate permanent and temporary differences from taxable income.

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

o) Segment reporting

The Company is a holding company. There are no distinguishable segments on the level of the holding company.

Segments are reported only in consolidated financial statements of the Company and its subsidiaries.

p) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

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

q) Share-based payment transactions

(i) Stock options granted to employees

Certain employees and directors of the Group were granted options for A shares of the Company under the “NWR IPO Share Option Plan” and the “NWR Stock Option Plan for Executive Directors”. The remuneration package classifies as equity settled. The options under the NWR IPO Share Option Plan were granted on 9 May 2008. The corresponding vesting period for these share options, numbering 619,878 in total, is 9 May 2008 to 9 May 2011. The options under the NWR Stock Option Plan for Executive Directors were granted on 1 September 2008. The number of these options equals to 0.5% of the issued A shares of the Company. The number of options equal to 0.1% of the issued A shares shall vest at each anniversary of his employment, the first vesting date being 1 September 2008. The options that vested on 1 September 2008 were exercised on 25 November 2008. The grant date fair value of all options granted is gradually recognised as personnel expense, with a corresponding increase in equity, over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to vest in the future.

(ii) Shares granted to directors

Certain directors of the Company are granted with a variable number of shares determined by a fixed amount representing the fair value of the shares granted. These are recognised as directors’ remuneration, with a corresponding increase in liability, over the period that the directors become entitled to the shares. The amount recognised as an expense reflects the expired portion of the vesting period. At settlement date the fair value is re-measured and recognized as an expense.

37. OPERATING REVENUE

	<i>1/1/2008 - 31/12/2008</i>	<i>1/1/2007 - 31/12/2007</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Service fee OKD	600	600
Service fee NWRT	102	45
Service fee RPGRE	32	12
Service fee GGI	56	0
Operational lease equipment OKD	360	0
Office rent (sub-lease)	64	47
	<u>1,214</u>	<u>704</u>

The Company has entered into agreements with related parties OKD, a.s. (“OKD”), New World Resources Transportation B.V. (“NWRT”), Green Gas International B.V. (“GGI”) and RPG Real Estate B.V. (“RPGRE”) for the providing of advisory and holding services.

Operational lease of equipment refers to the lease revenues from Company owned mining equipment which is leased to OKD. The lessee OKD uses the equipment in regular mining operations.

Office rent relates to revenues from sub-leasing part of the Company’s office space to third parties.

38. OPERATING EXPENSES

	<i>1/1/2008 - 31/12/2008</i>	<i>1/1/2007 - 31/12/2007</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Salary expenses	2,772	3,833
Personnel expenses	561	181
Share-based payments	10,531	0
Legal fees	7,017	446
Audit fees	2,170	389
Advisory fees	7,089	17,407
Service expenses other	968	0
Consumption of material and energy	35	86
Depreciation	661	37
Donation	1,013	75
Write-off receivable	0	0
Other operating expenses	585	1,258
	<u>33,401</u>	<u>23,711</u>

Share based payments refer to shares granted to independent directors and options granted to certain employees. The granting procedure includes a vesting period in which certain operational and/or financial targets need to be achieved for shares or options actually to be granted. In 2008 one tranche of granted and vested options has been exercised resulting in costs of EUR 5,077 thousands. Accrued expenses till 31 December 2008 for share based payments amount to EUR 5,454 million. See note 49 for additional information on share based payments.

During the year 2007 the Company employed an average of 7 employees. In 2008 the Company employed an

average of 11 employees.

39. FINANCIAL RESULT

	<i>1/1/2008 - 31/12/2008 EUR '000</i>	<i>1/1/2007 - 31/12/2007 EUR '000</i>
Interest income	8,929	6,839
Interest expense	(40,860)	(20,016)
Guarantee fee income	961	846
Guarantee fee expense	(2,065)	(752)
Amortisation costs bond issue	(1,109)	(636)
Amortisation costs green shoe	(326)	(118)
Bank charges	(30)	(2,170)
Currency exchange result	265	4,392
	<u>(34,235)</u>	<u>(11,615)</u>

40. DIVIDEND INCOME SUBSIDIARIES

	<i>1/1/2008 - 31/12/2008 EUR '000</i>	<i>1/1/2007 - 31/12/2007 EUR '000</i>
OKD	244,279	65,708
Green Gas DPB, a.s.	0	2,325
	<u>244,279</u>	<u>68,033</u>

41. NON-CONSOLIDATED INCOME TAX EXPENSE

Due to the fact that the Company suffered a taxable loss during the period 1 January 2008 until 31 January 2008, no corporate income tax is due. Losses carried forward amount to EUR 95,927 thousand as at 31 December 2008, consisting of a loss of EUR 342 thousand for the period 29 December 2005 until 31 December 2006, a loss of EUR 40,036 thousand for the period 1 January 2007 until 31 December 2007 and a loss of EUR 55,549 for the period a January 2008 until 31 December 2008.

The reconciliation between net profit before taxation as at 31 December 2008 and tax loss as at 31 December 2008 can be detailed as follows.

	<i>EUR '000</i>
Net profit before taxation 2008	177,857
Non-taxable dividend income subsidiaries	(244,279)
Non-deductible costs related to stock options and charges granted to employees	10,531
Non-deductible mixed costs	36
Linear amortization bond issue costs	306
Taxable loss 2008	<u><u>(55,549)</u></u>

The EUR 22 thousand shown on the non-consolidated income statement refers to the applied withholding tax to the operational lease of mining equipment to OKD.

42. PROPERTY, PLANT AND EQUIPMENT

	<i>31/12/2008</i>	<i>31/12/2007</i>
	<i>EUR '000</i>	<i>EUR '000</i>
As of 1 January 2008	227	0
Purchase	9,994	264
Assets under construction	3,265	0
Depreciation charge	<u>(661)</u>	<u>(37)</u>
As of 31 December 2008	<u><u>12,825</u></u>	<u><u>227</u></u>

The presented amounts relate primarily to mining equipment which the Company owns and has leased through an operational lease to OKD. According to the Company's accounting policies, mining equipment is recognised as a tangible fixed asset only after it has been delivered and commissioned. The mentioned equipment is delivered by the manufacturers Sandvik and Deilmann-Haniel Mining systems.

The amount recognized as assets under construction refers to the delivered part under the equipment contract with Sandvik. This is presented as assets under construction because it was not commissioned as of 31 December 2008.

Next to the mentioned mining equipment the tangible fixed assets amount also includes various electronic office equipment and office furniture.

43. INVESTMENTS IN SUBSIDIARIES

The investments in subsidiaries can be detailed as follows:

	<i>31/12/2008</i>	<i>31/12/2007</i>
	<i>EUR '000</i>	<i>EUR '000</i>
OKD, a.s. (100%)	984,551	1,005,910
OKD, OKK, a.s. (100%)	71,916	0
Karbonia, PL Sp. z o.o. (100%)	31,629	0
NWR Energy, a.s. (100%)	112,708	0
Energetyka PL Sp. z o.o. (100%)	15	0
NWR Coking, a.s. (100%)	0	71,916
Dukla Industrial Zone, a.s. (100%)	0	76
RPG RE Property, a.s. (100%)	0	76
	<u>1,200,819</u>	<u>1,077,978</u>

As of 31 December 2008, the shares of OKD are pledged in favour of Citibank Europe plc, organizační složka, Czech Republic.

The movements in the investment in OKD, a.s. can be detailed as follows:

	<i>EUR '000</i>
As of 1 January 2008	<u>1,005,910</u>
Capitalisation promissory notes	2,966
Contribution Bucyrus DBT equipment contract	157,556
Real Estate Spin-off	(87,994)
Contribution Sandvik equipment contract	18,736
ENDO Spin-off	<u>(112,623)</u>
As of 31 December 2008	<u>984,551</u>

During the first half of 2008 the investment in OKD increased in two steps. The first step was completed through capitalisation of promissory notes held by the Company, issued originally by OKD. The second step was completed through the contribution of the purchase contract between the Company and Bucyrus DBT (POP2010 project). The Company contributed all rights and obligations under the contract other than the obligation to pay all the components of the purchase price and the obligations directly related to such obligation to pay the purchase price. The value of the contribution was determined by an independent expert's valuation.

With effective date 1 January 2008 OKD's 100% share in OKD, Rekultivace, a.s., OKD's 49% share in Garáže Ostrava, a.s. and OKD's internal business unit IMGE were spun-off from OKD into four legal entities ("Real Estate Spin-off"). The four entities are RPG RE Property, a.s., Dukla Industrial Zone, a.s., RPG Rekultivace, a.s. and RPG Garáže, a.s. The Company as the sole shareholder has approved the project of the spin-off from OKD, a.s., acting as the sole shareholder of the new entities. The control at the Company level did not change. The values of the spun-off property were determined in an expert's valuation report. These values were used for the split of the investment in OKD. The Company distributed these four entities together with certain promissory notes received from sale of real estate assets not used for mining activities of the Group to the holders of B shares

in August 2008.

During the second half of 2008 changes in the investment in OKD occurred twice. The investment was increased due to the contribution of the purchase contract between the Company and Sandvik (POP2010 project). The Company contributed all rights and obligations under the contract other than the obligation to pay all the components of the purchase price and the obligations directly related to such obligation to pay the purchase price. The value of the contribution was determined by an independent expert's valuation.

The second change in the OKD investment reflects the spin-off of NWR Energy, a.s. with effective date 1 July 2008 ("ENDO Spin-off"). NWR Energy a.s. was established in the second quarter of 2008 as a special purpose vehicle. The entity's purpose is to manage and operate energy assets spun-off from OKD.

The movements in the investment in Dukla Industrial Zone, a.s. can be detailed as follows:

	<i>EUR '000</i>
As of 1 January 2008	76
Spin-off OKD real estate	19,187
Real estate dividend B shares	(19,263)
As of 31 December 2008	<u>0</u>

The increase in the investment in Dukla Industrial Zone, a.s. is due to above mentioned spin-off of real estate from OKD. On 30 September 2008 the Company distributed the entity Dukla Industrial Zone, a.s. to the holders of B shares.

The movements in the investment in RPG RE Property, a.s. can be detailed as follows:

	<i>EUR '000</i>
As of 1 January 2008	76
Spin-off OKD real estate	42,557
Real estate dividend B shares	(42,633)
As of 31 December 2008	<u>0</u>

The increase in the investment in RPG RE Property, a.s. is due to above mentioned spin-off of real estate from OKD. On 30 September 2008 the Company distributed the entity RPG Property, a.s. to the holders of B shares.

The movements in the investment in RPG Rekultivace, a.s. can be detailed as follows:

	<i>EUR '000</i>
As of 1 January 2008	0
Spin-off OKD real estate	22,967
Real estate dividend B shares	(22,967)
As of 31 December 2008	<u>0</u>

The increase in the investment in RPG Rekulivace, a.s. is due to above mentioned spin-off of real estate from OKD. On 30 September 2008 the Company distributed the entity RPG Rekulivace, a.s. to the holders of B shares.

The movements in the investment in RPG Garaze, a.s. can be detailed as follows:

	<i>EUR '000</i>
As of 1 January 2008	<u>0</u>
Spin-off OKD real estate	3,283
Real estate dividend B shares	<u>(3,283)</u>
As of 31 December 2008	<u><u>0</u></u>

The increase in the investment in RPG Garaze, a.s. is due to above mentioned spin-off of real estate from OKD. On 30 September 2008 the Company distributed the entity RPG Garaze, a.s. to the holders of B shares.

The movements in the investment in Karbonia PL, Sp. z o.o. can be detailed as follows:

	<i>EUR '000</i>
As of 1 January 2008	<u>0</u>
Acquisition	7,548
Prepayment to increase investment	<u>24,081</u>
As of 31 December 2008	<u><u>31,629</u></u>

On 16 January 2008, the Company acquired Karbonia PL, Sp. z o.o. from OKD. The fair value for the transaction was determined by an independent expert at CZK 196,645 thousand (EUR 7,548 thousand). The control at the Company level did not change. In November 2008 a prepayment was made of PLN 100,019 thousand (EUR 24,081 thousand) to increase the investment in Karbonia, which will be formalized in 2009.

The movements in the investment in NWR Energetyka PL Sp. z o.o. can be detailed as follows:

	<i>EUR '000</i>
As of 1 January 2008	<u>0</u>
Acquisition	<u>15</u>
As of 31 December 2008	<u><u>15</u></u>

NWR Energetyka PL Sp. z o.o. is a special purpose vehicles established in the second quarter of 2008. The purpose of the entity is to manage and operate energy assets, which will be spun-off from Karbonia PL, Sp. Z o.o. in the first half of 2009. The entity does not perform any other activities than those related to this purpose

The movements in the investment in NWR Energy, a.s. can be detailed as follows:

	<i>EUR '000</i>
As of 1 January 2008	<u>0</u>

Acquisition	85
Spin-off Endo	112,623
As of 31 December 2008	<u>112,708</u>

NWR Energy, a.s. is a special purpose vehicles established in the second quarter of 2008. The purpose of the entity is to manage and operate energy assets spun-off from OKD in the second half of the year 2008.

44. INTEREST RECEIVABLE

The interest receivable relates to interest receivable on short-term deposits held with Citibank, Van Lanschot Bankiers, ING Bank and Barclays as at 31 December 2008.

45. ACCOUNTS RECEIVABLE AND PREPAYMENTS

The accounts receivable and prepayments can be detailed as follows:

	<i>31/12/2008</i>	<i>31/12/2007</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Prepayments for tangible fixed assets	22,349	0
Prepayments for long-term investments	1,767	0
Guarantee fee prepaid	888	763
VAT receivable	82	606
Service fee receivable	21	7
Advisory fee receivable	50	393
Insurance fee receivable	1	49
Other prepaid expenses	921	460
Promissory notes held towards OKD	0	2,921
Receivable from creditors for overcharged amounts	0	543
	<u>26,079</u>	<u>5,742</u>

Prepayments for tangible fixed assets refer to amounts paid to Bucyrus DBT and Sandvik for mining equipment which has not been delivered yet. Prepayments for long-term investments refer to payments to Karbonia PL, Sp. Z o.o. and Provide, s.r.o. in anticipation of future increase in the ownerships in these entities.

The amount stated as guarantee fee prepaid relates to payments made to OKD for being a loan guarantor, and guarantee payments made to office and apartment rental agencies.

The tax receivable relates to the VAT reclaimed from the Dutch tax authorities. Other prepaid expenses relate to payments for legal liability insurances for Company's directors and officers and to payments for office rent.

46. CASH AND CASH EQUIVALENTS

Cash and cash equivalents relate to several bank accounts with Rabobank in the Netherlands (EUR, CZK and GBP account), Bank Mendes Gans in the Netherlands (EUR, CZK, PLN and GBP account), Citigroup (EUR

account) in the Netherlands, Barclays in Switzerland (EUR, GBP, CZK and USD account) and cash in hand. The fair value is equal to the carrying value.

47. SHARE CAPITAL

Based on the amended Articles of Association of the Company, dated 21 December 2007, the number of authorised shares increased to 450,000,000. As of 31 December 2007 the issued capital consisted of 100,096,000 ordinary A shares of EUR 1 each and 4,000 B shares of EUR 1 each. The following movements in issued share capital occurred during 2008:

- on 5 May 2008 the issued and outstanding 100,096,000 A shares of the Company with a nominal value of EUR 1.00 were converted into 250,240,000 A shares with a nominal value of EUR 0.40;
- on 5 May 2008 the issued and outstanding 4,000 B shares of the Company with a nominal value of EUR 1.00 were converted into 10,000 B shares with a nominal value of EUR 0.40;
- subsequently on 5 May one C share was created through the conversion of one A share with a nominal value of EUR 0.40;
- on 9 May 2008, at the Initial Public Offering of New World Resources N.V. 13.5 million A shares, with a nominal value of EUR 0.40 each, were issued. Correspondingly, the share capital was increased with EUR 5.4 million;
- on 16 May 2008, the Company issued 59,260 A shares to be granted to its independent directors. This resulted in a share capital increase of EUR 24 thousand.
- On 31 July 2008 the one C share outstanding was cancelled.

As of 31 December 2008 the issued capital consists of 263,799,259 ordinary A shares of EUR 0.40 each, and 10,000 B shares of EUR 0.40 each.

In the following table the calculation of the earnings per share is shown:

	<i>01/01/2008 - 31/12/2008 EUR '000</i>	<i>01/01/2007 - 31/12/2007 EUR '000</i>
Total net profit/(loss) after tax from continuing operations	177,835	68,315
Total net profit/(loss) after tax from discontinued operations	<u>0</u>	<u>0</u>
Total net profit/loss after tax	177,835	68,315
Weighted average number of shares outstanding during the period	<u>258,981,995</u>	<u>100,021,710</u>
Basic earnings/(loss) per A share (EUR/share)	<u>0.69</u>	<u>0.68</u>
Diluted earnings/(loss) per A share (EUR/share)	<u>0.69</u>	<u>0.68</u>
Basic earnings/(loss) per A share from continuing operations (EUR/share)	<u>0.69</u>	<u>0.68</u>
Diluted earnings/(loss) per A share from continuing operations (EUR/share)	<u>0.69</u>	<u>0.68</u>
Basic earnings/(loss) per A share from discontinued operations (EUR/share)	<u>0</u>	<u>0</u>
Diluted earnings/(loss) per A share from discontinued operations (EUR/share)	<u>0</u>	<u>0</u>
Basic earnings/(loss) per B share (EUR/share)	<u>0</u>	<u>0</u>
Diluted earnings/(loss) per B share (EUR/share)	<u>0</u>	<u>0</u>

48. SHARE PREMIUM

The movements in the share premium can be detailed as follows:

	<i>01/01/2008 - 31/12/2008 EUR '000</i>	<i>01/01/2007 - 31/12/2007 EUR '000</i>
Balance at the beginning of the period	<u>531,984</u>	<u>1,578,296</u>
Dividend paid in cash	(161,672)	(1,076,760)
Dividend in kind	(89,877)	(179,342)
Release of restricted reserve to share premium	0	206,111
Share premium on newly issued shares	<u>212,964</u>	<u>3,679</u>
Balance at the end of the period	<u><u>493,398</u></u>	<u><u>531,984</u></u>

On 27 March 2008, a dividend in the amount of CZK 2,200,000 thousand (EUR 86,672 thousand) was paid out. On 9 May 2008 a dividend of EUR 75,000 thousand was distributed to RPG INDUSTRIES SE, the sole holder of the C share. On 31 August 2008 an interim dividend of EUR 73,864 thousand was declared and paid out from retained earnings on 23 October 2008 to the holders of the A shares.

On 30 September 2008 a dividend in kind of certain real estate assets and promissory notes was distributed to RPG INDUSTRIES SE, the sole holder of the B shares, in the value of EUR 89,877 thousand.

49. SHARE-BASED PAYMENTS

The share-based payments are presented in the balance sheet of the Company as follows:

	<i>01/01/2008 - 31/12/2008 EUR '000</i>	<i>01/01/2007 - 31/12/2007 EUR '000</i>
Opening Balance	<u>0</u>	<u>0</u>
Stock options - general	595	0
Stock options – executive directors	<u>7,442</u>	<u>0</u>
Equity-settled	<u>8,037</u>	<u>0</u>
Shares granted independent directors	<u>647</u>	<u>0</u>
Cash-settled	<u>647</u>	<u>0</u>
Closing Balance	<u><u>8,684</u></u>	<u><u>0</u></u>

5 independent directors of the Company were granted shares in the value of EUR 200 thousand for each director on 9 May 2008. The shares were issued on 16 May 2008 in the total value of EUR 1,200 thousand. This amount is reflected in personnel expenses and in the equity split between share capital (the par value of the shares) and share premium.

The independent directors are also granted with shares in the value of EUR 200 thousand for each director with execution date 9 May 2009. The expense for this remuneration, EUR 647 thousand, is reflected in personnel expenses and in current liabilities.

One employee of the Company was granted with the number of options equal to 0.5% of the issued shares of the Company. According to the employee's employment agreement, he shall be vested with 0.1% of the issued A shares at each anniversary of his employment for the period of five years. On 1 September 2008, the first tranche amounting to 263,800 options vested. These options were exercised on 25 November 2008. The cost incurred by the Company for the first tranche of options was EUR 5,077 thousand. During the remainder of 2008 an additional amount of EUR 3,013 thousand was accrued for following tranches of granted options.

In May 2008, the Company has granted certain stock options to its employees and to the employees of other entities controlled by the Company. The options have a vesting period of three years from the grant day. The vesting conditions include a service condition of 3 years and performance conditions, including production volume, costs and EBITDA. No market conditions are applicable. In accordance with IFRS2 the Company determined the fair value of a stock option at the grant date (9 May 2008). At each subsequent date IFRS requires to determine the costs for a stock option plan as the product of the grant date fair value of an option, the current best estimate of the number of awards that will vest and the expired portion of the vesting period. The personnel expense impact and the appropriate impact on equity are calculated accordingly. As of 31 December 2008 the related amount is EUR 595 thousand.

50. RETAINED EARNINGS

	<i>EUR '000</i>
As of 1 January 2007	(5,415)
Result previous period (1 January 2007 to 31 December 2007)	68,315
Distributions from retained earnings during 2008	(73,863)
Result period (January 1 to December 31, 2008)	177,835
As of 31 December 2008	<u>166,872</u>

The retained earnings as of 31 December 2008 include the accumulated deficit for the period 29 December 2005 to 31 December 2006, the retained earnings for the period 1 January 2007 to 31 December 2007 and the earnings for the period 1 January 2008 to 31 December 2008. We refer also to the non-consolidated statement of changes in equity.

**51. RECONCILIATION OF NON-CONSOLIDATED SHAREHOLDERS' EQUITY AND PROFIT
TO CONSOLIDATED SHAREHOLDERS' EQUITY AND PROFIT AS OF 31 DECEMBER
2008**

	<i>EUR '000</i>
Shareholder's equity on the non-consolidated balance sheet as of 31 December 2008	773,831
Shareholder's equity on the consolidated balance sheet as of 31 December 2008	646,324
Difference due to valuation of investments in subsidiaries using the equity method	<u>127,507</u>
	<i>EUR '000</i>
Shareholder's profit on the non-consolidated income statement for the year ended 31 December 2008	177,835
Dividends received by the Company from subsidiaries	(244,296)
Net profit of subsidiaries after adjustments for transactions between subsidiaries	418,100
Shareholder's profit on the consolidated income statement for the year ended 31 December 2007	<u>351,639</u>

52. BOND ISSUED

The movements in the issued high-yield bond can be detailed as follows:

	<i>01/01/2008 - 31/12/2008 EUR '000</i>	<i>01/01/2007 - 31/12/2007 EUR '000</i>
Opening Balance	<u>289,316</u>	<u>0</u>
Bond issued (nominal value)	0	300,000
Issue costs (book value)	0	(11,320)
Amortisation issue costs	1,109	636
Closing Balance	<u><u>290,425</u></u>	<u><u>289,316</u></u>

The Company issued a high-yield bond on the Irish Stock Exchange on 18 May 2007. The aggregate principal amount of the 7.375% Senior notes due 2015 is EUR 300,000 thousand. Issue costs of the notes were EUR 11,320 thousand. The issue costs are amortized using the IRR-method. The effective interest rate is 8.184%.

53. LONG-TERM LOANS

The long-term loans include only the Senior Secured Facilities:

				<i>31/12/2008</i>
	<i>Currency</i>	<i>Effective interest rate</i>	<i>Maturity</i>	<i>EUR '000</i>
Bank loan - facility 2	EUR	3M EURIBOR+1.35%	2012	111,092
Bank loan - facility 3	EUR	3M EURIBOR+1.50%	2013	94,558
Bank loan - facility 2	CZK	3M PRIBOR+1.35%	2012	38,537
Bank loan - facility 3	CZK	3M PRIBOR+1.50%	2013	32,809
Bank loan - facility 3 additional	CZK	3M PRIBOR+1.50%	2013	25,563
Issue costs CZK-facilities (book value)				(465)
Issue costs EUR-facilities (book value)				(881)
				<u>301,213</u>
Of which current portion				0
Total long-term interest-bearing loans				<u><u>301,213</u></u>

Each facility is to be repaid at maturity date for its full nominal amount.

In 2007 the Company entered into the existing Senior Secured Facilities between Citibank, N.A., Citibank, a.s. and OKD. As of 29 February 2008 the part of the Senior Secured Facilities drawn by the Company was secured by shares of the Company and OKD.

The unrealized foreign currency revaluation result from the long-term loans due to the movement in the exchange rate of the Czech crown in 2008 was a gain of EUR 928 thousand.

54. INTEREST PAYABLE

The interest payable can be detailed as follows:

	<i>31/12/2008</i>	<i>31/12/2007</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Interest payable on bond issued	2,766	2,766
Interest payable on Senior Secured Facilities	<u>2,576</u>	<u>2,291</u>
	<u><u>5,342</u></u>	<u><u>5,057</u></u>

55. TAX PAYABLE

The amount in tax payable relates to wage taxes payable to tax authorities.

	<i>31/12/2008</i>	<i>31/12/2007</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Wage tax payable	405	37
VAT payable	<u>0</u>	<u>0</u>
	<u><u>405</u></u>	<u><u>37</u></u>

56. ACCOUNTS PAYABLE AND ACCRUALS

The accrued expenses and accounts payable can be detailed as follows:

	<i>31/12/2008</i>	<i>31/12/2007</i>
	<i>EUR '000</i>	<i>EUR '000</i>
Creditors	17,098	4,027
Liabilities from subscribed unpaid stock	17,557	0
Deferred revenue from POP2010 discount	6,000	0
Accrual for advisory fees	1,033	2,366
Personnel expenses payable	840	2,966
Guarantee fee received prepayment	1,188	109
Other accounts payable	<u>126</u>	<u>45</u>
	<u><u>43,842</u></u>	<u><u>9,513</u></u>

57. RELATED PARTY TRANSACTIONS

Related parties of the Company are, next to consolidated subsidiaries and key management personnel, the following companies:

- RPG Real Estate B.V.
- RPG INDUSTRIES SE
- New World Resources Transportation B.V.
- Bakala Crossroad Partners, a.s.
- Milan Jelinek
- BXL Consulting
- American Metals & Coal International, Inc.

An explanation on the related parties and the type of relation is given below.

RPG Real Estate B.V.

This is an entity held by the indirect majority shareholder of the Company, RPG Partners Limited. The Company charges a fee to RPG Real Estate B.V. for arranging board meetings.

RPG Industries SE

This is the majority shareholder of the Company.

New World Resources Transportation B.V.

This is an entity held by RPGI. The Company has entered into an advisory agreement with NWRT, effectively starting July 2007, for the provision of certain non-exclusive advisory services by the Company to NWRT.

Bakala Crossroad Partners, a.s.

This is an entity held by the majority shareholder of the Company, RPG Partners Limited. The Company has entered into an advisory agreement with Bakala Crossroad Partners, a.s. starting 2006, for the provision of certain non-exclusive advisory services by Bakala Crossroad Partners, a.s. to the Company. The original name of this entity was RPG Advisors, a.s. and was changed to the above mentioned name in 2008.

Milan Jelinek

In 2006 the Company entered into a services agreement with Milan Jelinek, a member of the Company's board of directors, including advice in respect of new projects of the Company and cost and quality improvement for the Company.

BXL Consulting Ltd

In October 2006, the Company entered into a consultancy agreement with BXL Consulting Ltd. in respect of certain consultancy services. Pavel Telička, a member of the Company's board of directors, is the co-founder and Director in charge of the Brussels office of BXL Consulting Ltd.

American Metals & Coal International, Inc.

In August 2006, the Company entered into a consulting agreement with the indirect shareholder American Metals & Coal International, Inc. (AMCI) in respect of the provision of certain advisory services by AMCI to the Company effective as of January 2006. Under the consulting agreement, the Company agreed to pay AMCI an annual advisory fee of USD 200 thousand in semi-annual payments.

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

<i>Balance sheet</i>	<i>31/12/2008</i>	<i>31/12/2007</i>
	<i>EUR'000</i>	<i>EUR'000</i>
<i>Investments in related parties</i>		
OKD, a.s.	984,551	1,005,910
OKD, Doprava, a.s.	0	0
OKD, DPB, a.s.	0	0
RPG Industries, a.s.	0	0
NWR Coking, a.s.	0	71,916
OKD, OKK, a.s.	71,916	0
Dukla Industrial Zone, a.s.	0	76
RPG RE Property, a.s.	0	76
Karbonia PL Sp. z o.o.	7,548	0
NWR Energy, a.s.	112,708	0
Energetyka PL Sp. z o.o.	15	0
	<u>1,176,738</u>	<u>1,077,978</u>
<i>Receivables from related parties</i>		
RPG INDUSTRIES SE	0	0
OKD, a.s.	50	4,114
OKD, OKK, a.s.	0	5
OKD, Rekultivace, a.s.	0	1
CZECH-KARBON s.r.o.	0	1
OKD, BASTRO, a.s.	0	1
RPG Real Estate B.V.	7	8
New World Resources Transportation B.V.	18	0
Green Gas International B.V.	3	0
	<u>78</u>	<u>4,130</u>
<i>Payables to related parties</i>		
RPG INDUSTRIES SE	0	30
OKD, a.s.	2	117
Milan Jelinek	0	63
Bakala Crossroad Partners, a.s.	309	262
RPG Industries, a.s.	0	35
BXL Consulting	0	25
	<u>311</u>	<u>532</u>

For an explanatory note of the investments in related parties please see Note 43.

<i>Income statement</i>	<i>1/1/2008 - 31/12/2008 EUR'000</i>	<i>1/1/2007 - 31/12/2007 EUR'000</i>
<i>Operating income from related parties</i>		
OKD, a.s.	960	600
RPG Real Estate B.V.	32	12
New World Resources Transportation B.V.	102	45
Green Gas International B.V.	56	0
	<u>1,150</u>	<u>657</u>
<i>Operating expenses to related parties</i>		
OKD, a.s.	(28)	19
Bakala Crossroad Partners, a.s.	(1,264)	(685)
Milan Jelinek	(801)	(1,505)
BXL Consulting	(300)	(300)
American Metals & Coal International, Inc.	(131)	(300)
	<u>(2,525)</u>	<u>(2,771)</u>
<i>Financial revenues from related parties</i>		
Guarantee fee from OKD, a.s.	961	846
Interest loan to RPG Industries, a.s.	0	197
Interest loan provided to RPG INDUSTRIES SE	0	3
	<u>961</u>	<u>1,046</u>
<i>Financial expenses to related parties</i>		
Guarantee fee to OKD, a.s.	(2,065)	(752)
Interest loan from RPG INDUSTRIES SE	0	(2)
Interest loan from RPG PARTNERS LIMITED	0	(1)
	<u>(2,065)</u>	<u>(755)</u>
<i>Write-off investments/receivables regarding related parties</i>		
Investment in RPG Industries, a.s.	0	0
Receivables from RPG Industries, a.s.	0	(197)
	<u>0</u>	<u>(197)</u>
<i>Dividend income subsidiaries</i>		
OKD, DPB, a.s.	0	2,325
OKD, a.s.	244,279	65,708
	<u>244,279</u>	<u>68,033</u>
<i>Revaluation subsidiaries</i>		
Revaluation DPB to current fair value	0	35,101
	<u>0</u>	<u>35,101</u>

There were no other significant transactions with related parties.

58. DIRECTORS' REMUNERATION

The emoluments as intended in Section 2:383(1) of the Netherlands Civil Code, which were charged in the financial year to the Company, amounted to EUR 11,895 thousand (full year 2007: EUR 374 thousand) for directors and former directors of the Company. These amounts include share and share options granted to the directors.

The Company granted to one executive director 263,800 options on shares of the Company at the first anniversary (in 2008) of his employment with the Company. The total cost for these options regarding the first anniversary equals EUR 5,077 EUR. The Company also committed to grant this executive director a similar amount of options for each full year of employment in subsequent years, with a maximum of 4 subsequent years. This agreement will enable the executive director to acquire up to a maximum of 0.5% of the Company's outstanding share capital. Per the end of 2008 the cost related to the options granted for the subsequent four years of employment with the Company were EUR 3,013 thousand.

The company granted also options to other directors and management personnel. Per the end of 2008 these granted options had a cost of EUR 595 thousand.

On 9 May 2008, 5 independent directors of the Company were granted shares and are promised a similar amount of additional shares on 9 May 2009. The 59,260 shares vested in 2008 have a value of EUR 1,200. The 59,260 shares to vest in 2008 have an estimated value of EUR 647 thousand per 31 December 2008.

Please see note 49 "Share-based payments" for additional information about the directors' remuneration.

59. RISK ANALYSIS*Foreign exchange rate risk*

The Company is exposed to currency exchange rate risks. As at 31 December 2008 the Company had cash balances and long-term liabilities in non-EUR currencies, as shown in table below. Outstanding non-EUR invoices, short-term receivables and payables per 31 December 2008, combined, resulted in a net payable of EUR 118,405 thousand.

	Non-EUR balance 31/12/2008 Non-EUR'000	EUR balance 31/12/2008 EUR'000	Impact on balances as of 31/12/2008 EUR'000
Cash			
CZK	195,633	7,279	(68)
PLN	(100,720)	(24,249)	3,779
GBP	49	52	(15)
		(16,918)	3,696
Long-term liabilities			
CZK	(2,604,431)	(96,909)	899
PLN	0	0	0
GBP	0	0	0
		(96,909)	899
Invoices, short-term receivables and payables			
CZK	(3,181,736)	(118,390)	1,098
PLN	0	0	0
GBP	(14)	(15)	4
		(118,405)	1,103
Total		(232,232)	5,697

Exchange rate	CZK/EUR	PLN/EUR	GBP/EUR
31/12/07	26.6280	3.5935	0.7334
31/12/08	26.8750	4.1535	0.9525

The foreign exchange rate fluctuation during 2008 based on the total net currency exposure per 31 December 2008 of CZK 5,591 thousand (EUR 208,020 thousand), PLN 100,720 thousand (EUR 24,249 thousand) and GBP 35 thousand (EUR 37 thousand) would have had a positive total impact of EUR 5,697 thousand. Except for loans denominated in Czech crowns, as presented in note 53 "Long-term loans", there are no other material long-term receivables or payables.

Interest rate risk

Exposure to the interest rate risk is presented by way of sensitivity analysis. This sensitivity analysis shows the effect of changes in market interest rates on the Company's profit before tax as if market interest rates had been 1% higher, respectively lower, over the whole period from 1 January 2008 to 31 December 2008. The interest rate sensitivity analysis is calculated from all bank loan facilities relating to the green shoe option, drawn by the Company. The hypothetical effect on unconsolidated profit before tax amounts to EUR -2,807 thousand respectively EUR 2,807 thousand per year. The Company does not make use of financial instruments to hedge against unfavorable interest rate movements.

Other risks

The remaining risks of the holding Company depend entirely on operations of its subsidiaries.

60. FUTURE COMMITMENTS

The Company has the following commitments in respect of:

	<i>1/1/2008 - 31/12/2008</i>	<i>1/1/2007 - 31/12/2007</i>
	<i>EUR'000</i>	<i>EUR'000</i>
<i>Non-cancellable operating leases</i>		
Installments due within one year	222	275
Installments due within two and five years	1,501	1,100
	<u>1,723</u>	<u>1,375</u>

The majority of the operating lease contracts are concluded as indefinite term and short notice period. Leased items include office space, office equipment, apartments for the use by certain employees and one company car. There are no items with terms exceeding 5 years.

61. CONTINGENT ASSETS AND LIABILITIES

The Company is a guarantor under the Syndicated Loan Agreement for OKD for the amount drawn by OKD. The full year guarantee fee income for the Company in 2007 was EUR 846 thousand. The guarantee fee income for 2008 is EUR 961 thousand. The last installment on the Syndicated Loan is to be paid on 14 February 2013.

OKD provided a guarantee for the amount drawn down under the Additional Loan Option under the Syndicated Loan Agreement by the Company. The full year guarantee fee expense for the Company is denominated in Czech Crowns and equals CZK 40,625 thousand. Since the amount was drawn in August 2007, the guarantee fee expense in 2007 was EUR 752 thousand only. The guarantee fee expense for the 2008 was EUR 2,065 thousand. The last installment of the Additional Loan is to be paid on 14 February 2013.

The Company has contractual obligations to acquire property, plant and equipment in the total amount of EUR 158 million resulting from the POP 2010 program (see Subsequent events).

62. OTHER MATERIAL MATTERS

a) Sale of „KARBONIA PL” Sp. z o.o.

On 16 January 2008, the Company purchased 100% share in „KARBONIA PL” Sp. z o.o. from OKD, a.s. After the transfer „KARBONIA PL” Sp. z o.o. remains under the control of the Company.

b) OKD Foundation

OKD established its foundation in January 2008. The foundation will support educational, health, cultural projects and other beneficial activities for the region, where the Company has its operating activities. OKD plans to support the Foundation from 2008 by donating 1% of its profit before tax. In June 2008 the Company donated EUR 1,000 thousand to the OKD Foundation.

c) Initial Public Offering

The Company completed a successful Initial Public Offering in May 2008 to raise additional financing of its activities. The Company offered 13,500,000 new shares and its shareholder offered 81,965,345 existing shares (including the Over-Allotment Option). The net proceeds from the primary offer amounted to EUR 217,188 thousand (calculated as gross proceeds from the primary offer reduced by the underwriting fee and by the portion of advisory fees attributed to the primary offer).

d) Contribution DBT Bucyrus contract to OKD

In June 2008 the Company contributed the contract with DBT Bucyrus for the purchase of equipment under the Phase 1 of the POP2010 project, to its wholly owned subsidiary OKD. The contribution was valued at EUR 157,597 thousand.

e) Spin-off Real Estate assets

With effective date 1 January 2008 OKD's 100% share in OKD, Rekultivace, a.s., 49% share in Garáže Ostrava, a.s. and OKD's internal business unit IMGE were spun-off from OKD into four legal entities. The Company as the sole shareholder has approved the project of the spin-off from OKD, a.s., acting as the sole shareholder. The control at the Company level did not change. On 30 September 2008, the Company distributed its shares in the four legal entities RPG RE Property, a.s., Dukla Industrial Zone, a.s., RPG Rekultivace, a.s. (holding the shares of OKD, Rekultivace, a.s.) and RPG Garáže, a.s. (holding the shares of Garáže Ostrava, a.s.) together with certain promissory notes received from sale of real estate assets not used for its mining activities to the holder of B Shares.

f) Contribution Sandvik contract to OKD

In October 2008 the Company contributed the contract with Sandvik for the purchase of equipment under the Phase II of the POP2010 project, to its wholly owned subsidiary OKD. The contribution was valued at EUR 18,742 thousand.

g) Spin-off Energy assets

The Company established two special purpose vehicles, NWR Energy, a.s. and NWR Energetyka PL Sp. z o.o. in the second quarter of 2008. OKD's internal business unit Energetika, operating the energy assets of OKD, and the 100% share in CZECH-KARBON, s.r.o. were spun-off from OKD into NWR Energy, a.s. with effective date 1 July 2008. The purpose of NWR Energy, a.s. is to manage and operate these energy assets. The purpose of NWR Energetyka PL Sp. z o.o. is to manage and operate energy assets, which are anticipated to be spun-off from „KARBONIA PL” Sp. z o.o. in April 2009. The Company as the sole shareholder has approved the project of the spin-off from OKD, a.s., acting as the sole shareholder. The control at the Company level did not change.

63. FEES OF THE AUDITOR

The costs for the Group and statutory audit amounted to EUR 691 thousand and EUR 556 thousand in 2008 and 2007 respectively. The costs for audit related services amounted to EUR 556 thousand and EUR 483 thousand in 2008 and 2007 respectively. The costs for tax services provided by the company's auditor amounted to EUR 20 thousand and EUR 0 in 2008 and 2007 respectively. The costs for other services provided by the company's auditor amounted to EUR 1,726 thousand and EUR 956 thousand in 2008 and 2007 respectively.

	<i>KPMG Accountants N.V.</i>	<i>Other KPMG member firms and affiliates</i>	<i>Total KPMG</i>
	<i>2008 EUR '000</i>	<i>2008 EUR '000</i>	<i>2008 EUR '000</i>
Statutory audit of financial statements	120	571	691
Other assurance services	117	439	556
Tax advisory services	0	20	20
Other non-audit services	432	1,294	1,726
Total	<u>669</u>	<u>1,753</u>	<u>2,993</u>
	<i>2007 EUR '000</i>	<i>2007 EUR '000</i>	<i>2007 EUR '000</i>
Statutory audit of financial statements	75	481	556
Other assurance services	70	413	483
Tax advisory services	0	0	0
Other non-audit services	405	551	956
Total	<u>550</u>	<u>964</u>	<u>1,995</u>

NEW WORLD RESOURCES N.V.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH
IFRS AS ADOPTED BY THE EUROPEAN UNION

FOR THE YEAR ENDED 31 DECEMBER 2008

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

Amsterdam, 25 March 2009

Members of the Board of Directors:

Miklos Salamon

Klaus-Dieter Beck

Marek Jelínek

Zdenek Bakala

Peter Kadas

Alex T. Krueger

Hans Mende

Christiaan Norval

Milan Jelinek

Bessel Kok

Hans-Jörg Rudloff

Pavel Telička

Steven Schuit

Paul Everard

Barry Rourke

OTHER INFORMATION

a) Appropriation of result

i. Statutory provisions

In accordance with Articles 29 and 30 of the Articles of Association, the result for the year shall be allocated to the dividend reserve A and dividend reserve B respectively.

ii. Proposed appropriation

The entire profit is added to the retained earnings. This is incorporated in the financial statements.

b) Subsequent events

Dividend payout financial year 2008

On 24 February 2009, the Company declared a dividend to the holders of the A Shares in the equivalent of EUR 0.18 per share, taking the full year post-IPO dividend to EUR 0.46.

The management is not aware of other events that took place after balance sheet date that could have a material effect on the financial position of the Company.

c) Auditor's report

The auditor's report is set out on the next page.

Report on the financial statements

We have audited the accompanying financial statements for the year ended 31 December 2008 of New World Resources N.V., Amsterdam, The Netherlands, set out on pages 67 to page 183, which comprise the consolidated and company balance sheet as at 31 December 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Director's report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of New World Resources N.V., Amsterdam, The Netherlands, as at 31 December 2008, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the Directors' report, set out on pages 61 to 66, is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 25 March 2009
KPMG Accountants N.V.
J. Humme RA

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