New World Resources N.V. Annual Report and Accounts 2009

NWR Annual Report and Accounts 2009

The power of efficiency

New World Resources N.V. ('NWR' or the 'Company')[1] is Central Europe's leading hard coal and coke producer. The Company produces quality coking and thermal coal for the steel and energy sectors in Central Europe through its subsidiary OKD, a.s., the largest hard coal mining company in the Czech Republic. NWR's coke subsidiary OKK Koksovny, a.s. is Europe's biggest producer of foundry coke.

Our focus

Efficiency

NWR's operations are efficiently run. Our coal and coke are quality products and our services are noted for their reliability. We have strong and long-lasting customer relationships. All these factors help provide a firm foundation for the future.

Investment

Our principal capital investment programme, Productivity Optimisation Programme 2010 ('POP 2010') has already made significant productivity gains, improved efficiency and, importantly, raised the safety levels at our mining operations. Additionally our Coking Plant Optimisation Programme 2010 ('COP 2010') remains on track, rationalising our coking capacity through closing our Jan Šverma site and modernising the Svoboda site, where we are refurbishing one coking battery and building a new one.

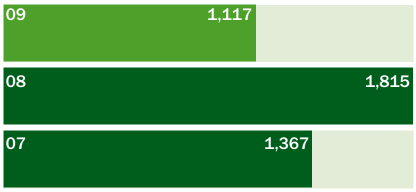
Sustainability

Our current reserves will enable us to remain in business for the long-run. Our commitment to POP 2010 has helped improve our productivity capabilities, access deeper coal seams and reduce costs – improving our competitive position. Coupled with opportunities offered by our two development projects in southern Poland, our sustainable growth remains sound.

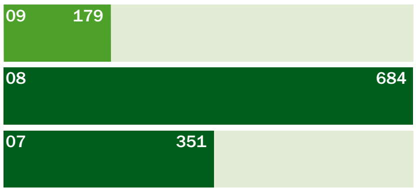
1 NWR and its subsidiaries are collectively referred to as the 'Group' or the 'NWR Group'.

Highlights

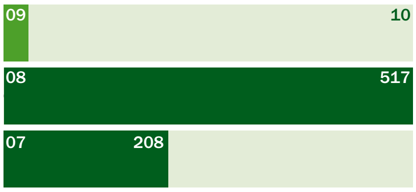
Revenues[1] (EUR million)



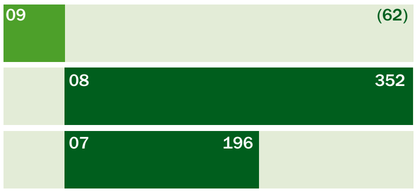
EBITDA[1] (EUR million)



Operating profit[1] (EUR million)

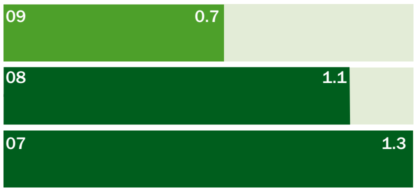


Profit for the period (EUR million)



Coal sales (Mt)

Coke sales (Mt)



1 2007 figures include Discontinued Operations (Electricity Trading).

→ **Strong cash position**
Unrestricted cash of EUR 548 million as at 31 December 2009

→ **EPS**
Adjusted loss per A share of EUR (0.25)

→ **POP 2010**
Programme successfully completed

→ **Mining Lost Time Injury Frequency Rate[2]**
Down 31 per cent in the last three years and 8 per cent in 2009

2 LTIFR = number of reportable injuries after three days of absence divided by total hours worked expressed in millions of hours.

NWR at a glance
Our operations

- Central Europe's leading hard coal and coke producer supplying 5.2 million tonnes of coking coal, 4.9 million tonnes of thermal coal and 0.7 million tonnes of coke in 2009.[1]
- Strategically located mines and quality coal have made NWR a leading and trusted supplier.
- 418 million tonnes[2] of JORC[3] reserves.
- One of the Czech Republic's largest industrial groups by assets and revenues and is one of the largest private sector employers.
- Four active coal mines run by OKD, a.s. ('OKD') and two coking plants producing blast-furnace and foundry coke run by OKK Koksovny, a.s. ('OKK') in the Czech Republic.
- Two major mining development projects in Poland.

Reserve base[2]

418Mt

1 Figures quoted do not include internal sales made by NWR to its subsidiaries.
2 As at 1 January 2009.
3 Full name: Joint Ore Reserves Committee. The Group currently uses both the FSU system and the JORC system in parallel to report reserves and resources. The Group employs a certified geologist who prepares the reserve numbers in accordance with JORC certified expert.
4 As at 31 December 2009.

Czech coal business

Coke production

Polish development projects

Key operations

Assets

Currently operating | Development project

OKD

Four active coal mines owned via NWR's subsidiary OKD. 11.0 million tonnes of coal produced in 2009 of which 5.2 million tonnes of coking coal and 4.9 million tonnes of thermal coal were externally sold. Coking coal sales in 2009 were approximately 43 per cent hard coking coal and 57 per cent semi-soft. Thermal coal sales in 2009 were approximately 80 per cent coal and 20 per cent middlings.

- Darkov
- Karviná
- ČSM
- Paskov

Production in 2009

11.0Mt

OKK

OKK is the largest producer of foundry coke in Europe. It operates two plants in Ostrava, the Jan Šverma and Svoboda facilities, which combined operate four coking batteries totalling 226 chambers[4] producing 0.8 million tonnes of coke in 2009. Svoboda is the largest of the two facilities. Coke sales in 2009 were approximately 45 per cent blast furnace coke, 25 per cent foundry coke and 30 per cent other applications.

- Svoboda
- Jan Šverma

Production in 2009

0.8Mt

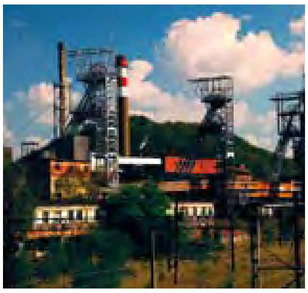
NWR KARBONIA

Our Polish subsidiary, NWR KARBONIA Sp. z o.o. ('NWR Karbonia') oversees our two development projects in southern Poland, Dębieńsko and Morcinek. In June 2008, NWR Karbonia was granted a 50-year licence to mine in Dębieńsko, with 190 million tonnes of proven and probable reserves. NWR Karbonia is now in the process of applying for an amendment to its current 'Dębieńsko 1' mining licence to add further coal reserves to those already included in the currently held licence.

- Morcinek
- Dębieńsko

Proven and probable reserves in Dębieńsko

190Mt



NWR at a glance
Our presence

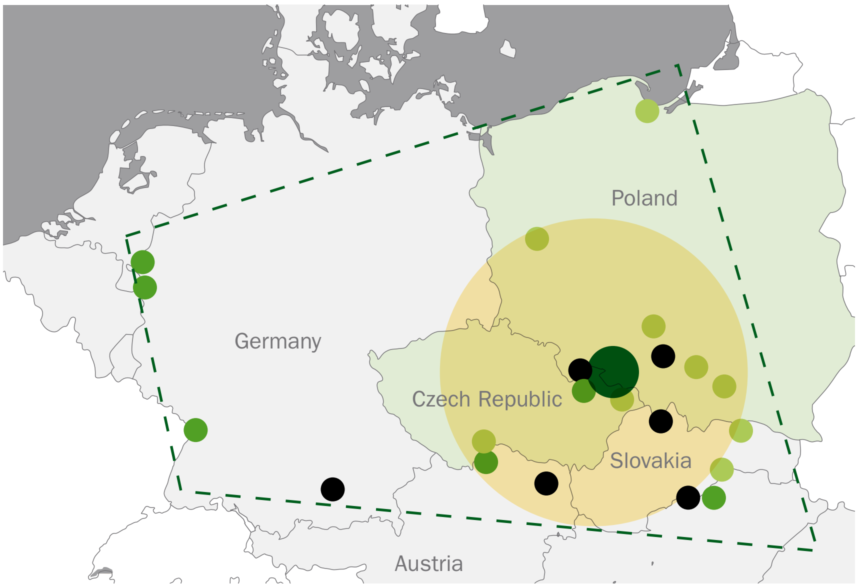
NWR mines in the Czech Republic and has two development projects in Poland, which form part of its regional growth strategy.

Czech Republic and Poland

The Company benefits significantly from the landlocked location of the production facilities of its customers in the Czech Republic and Central Europe, and the proximity of its reserves and facilities to those customers. The limited reach of navigable waterways near many industrialised areas of Central Europe provides a competitive cost advantage to local coal producers, such as NWR, with its coal mines being located near the sites of steel mills and electricity generating facilities in the region. The location of customers in Central Europe makes importing coal from outside the region generally more expensive than using locally sourced coal. Higher transportation costs associated with such overseas coal provides NWR with a competitive cost advantage in servicing its customers' needs.

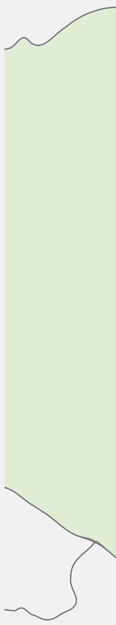
- NWR
- Coke customers
- Coking coal customers
- Thermal coal customers

NWR and its customers



NWR operations

- Operating regions
- Active mines
- Development projects
- Coking plants



1 Karviná mine

Reserves	101 million tonnes
Coal type	Semi-soft coking / thermal

2 Darkov mine

Reserves	47 million tonnes
Coal type	Semi-hard coking

3 ČSM mine

Reserves	53 million tonnes
Coal type	Hard coking

4 Paskov mine

Reserves	27 million tonnes
Coal type	Hard coking

5 Jan Šverma coking plant

Capacity	400kt
Coke type	Blast furnace coke

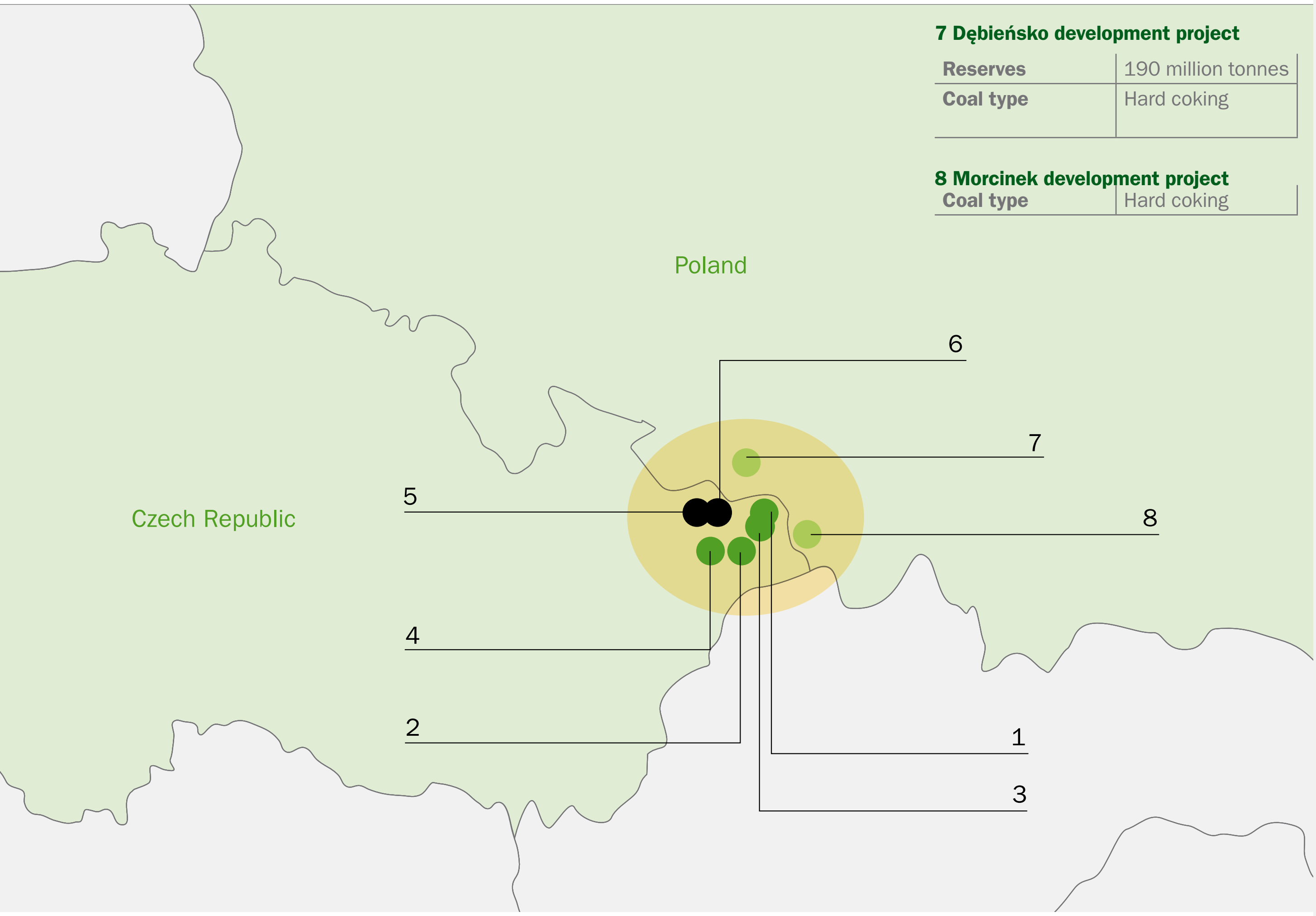
6 Svoboda coking plant

Capacity	600kt
Coke type	Blast furnace coke/foundry coke

Regional sales 2009

We produce both coking coal and thermal coal (also known as steam coal). Coking coal is used as a raw material in steel production, and thermal coal is sold to electric utilities, industrial users and other energy producers.

Traditionally, coking coal has commanded higher prices and generated higher revenues with higher margins for NWR relative to thermal coal. Of our 11.0Mt of hard coal produced in 2009, external sales were 5.2Mt of coking coal and 4.9Mt of thermal coal. We also sold 0.7Mt of coke.



7 Dębieńsko development project

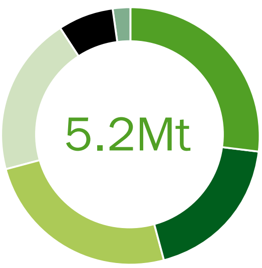
Reserves	190 million tonnes
Coal type	Hard coking

8 Morcinek development project

Coal type	Hard coking

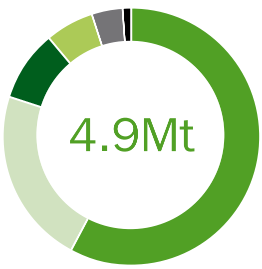
Coking coal sales volumes

- Czech Republic **27%**
- Poland **19%**
- Slovakia **25%**
- Austria **20%**
- Hungary **7%**
- Others **2%**



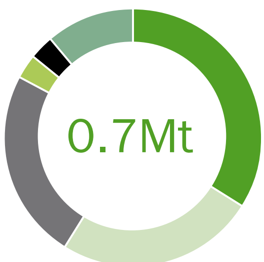
Thermal coal sales volumes

- Czech Republic **58%**
- Austria **22%**
- Poland **9%**
- Slovakia **6%**
- Germany **4%**
- Hungary **1%**



Coke sales volumes

- Czech Republic **34%**
- Austria **25%**
- Germany **24%**
- Slovakia **3%**
- France **3%**
- Others **11%**



Strategy
Our focus

Efficiency

NWR's operations are efficiently run. Our coal and coke are quality products and our services are noted for their reliability. We have strong and long-lasting customer relationships. All these factors help provide a firm foundation for the future.

Investment

Our principal capital investment programme, Productivity Optimisation Programme 2010 ('POP 2010') has already made significant productivity gains, improved efficiency and, importantly, raised the safety levels at our mining operations. Additionally our Coking Plant Optimisation Programme 2010 ('COP 2010') remains on track, rationalising our coking capacity through closing our Jan Šverma site and modernising the Svoboda site, where we are refurbishing one coking battery and building a new one.

Sustainability

Our current reserves will enable us to remain in business for the long-run. Our commitment to POP 2010 has helped improve our productivity capabilities, access deeper coal seams and reduce costs – improving our competitive position. Coupled with opportunities offered by our two development projects in southern Poland, our sustainable growth remains sound.

Strategic priority	Achievements 2009
→ Cost control and cash management → Maintain high level of responsiveness to customer specifications → Strengthen procurement and operational efficiencies → Timely deliveries	Holding our mining cash costs at EUR 75 per tonne – a similar level to 2008 – was a significant achievement in a year of sharp decreases in our volumes. This is largely thanks to cost cutting measures and POP 2010 implemented during 2009.
→ Enhance profitability by investing in equipment and technology → Enhance safety → Focus on core business of coal mining and coke production	Successful completion of POP 2010 – one of the largest projects of its kind in Europe. Over a period of two years we have installed 10 new longwall sets, which are now fully operational and delivering outstanding results in terms of productivity and efficiency. Importantly, the equipment is also contributing towards a safer working environment. Additionally, COP 2010, is on track to be completed by the end of 2010. Delivering the best safety results in the history of OKD, a.s. – Lost Time Injury Frequency Rate ('LTIFR')[1] came down 8 per cent in 2009. Additionally, LTIFR at OKK Koskovny, a.s. came down 13 per cent in 2009.
→ Build the reserve base from existing mines → Selectively pursue growth opportunities in the region	Looking ahead, we will focus on further improving productivity benefits at all four of our mines. The new equipment will enable NWR to mine deeper and more geologically challenging seams, thus extending the life of our current mining operations. We completed an alternative development plan to mine coal in Dębieńsko that envisages a reduction in lead time to production, through exploiting the shallower thermal coal seams in the deposit. We are now in the process of applying for an extension to the current mining licence to add further coal reserves to those already included in the currently held licence.

1 LTIFR = number of reportable injuries after three days of absence divided by total hours worked expressed in millions of hours.

Chairman's statement

Mike Salamon
Executive Chairman of the Board, NWR

2009 was a year of considerable turbulence in our markets. The Company implemented a prudent strategy to mitigate against the challenges of the year, and emerged as a stronger, leaner player.

2009 was a year of considerable turbulence in our markets. The Company implemented a prudent strategy to mitigate against the challenges of the year and emerged as a stronger, leaner player. Demand for steel declined rapidly in the first half of 2009 leading to significantly lower sales of both coking coal and coke. Consolidated revenues for the full year 2009 were EUR 1,117 million[1], down 38 per cent on 2008, reflecting both the depth of the downturn as well as the slow recovery in our core markets in the second half of 2009.

Tight cost control contributed to earnings before interest, tax, depreciation and amortisation of EUR 179 million[1], down 74 per cent from the prior year. This reflected the impact of significantly lower coking coal and coke prices and volumes over the course of 2009.

Key achievements

One of the key achievements of the year was to hold mining cash costs at EUR 75 per tonne, a similar level to 2008 – despite production volumes down 13 per cent year on year. This was a good performance in exceptionally volatile conditions due largely to two main factors: early action was taken to reduce personnel costs in response to the slump in demand for coal; and the implementation of new equipment had an immediate impact on productivity and maintenance. Consequently main operating costs were cut by 19 per cent year on year.

The successful completion of our major capital investment programme, Productivity Optimisation Programme 2010 ('POP 2010') is already delivering productivity improvements ahead of expectations and we are also well under way with the Coking Plant Optimisation Programme 2010 ('COP 2010'), for our coking business.

All bank covenants were met in 2009. In September 2009, we purchased approximately EUR 32 million of our 7.375% Senior Notes, reducing the outstanding principal to EUR 268 million. Additionally, we obtained a EUR 141 million nine-year loan facility guaranteed by Euler Hermes, the Export Credit Agency of Germany. This loan allowed us to finance the acquisition of five new longwall sets in Phase II of POP 2010. Our strong financial position means that we have the flexibility to approach the capital markets opportunistically and we will continue to monitor market conditions with a view to exploring opportunities to optimise our debt structure when we can ensure efficient pricing.

Strategic developments

At the beginning of 2010, we announced the sale of our subsidiary, NWR Energy, a.s., to Dalkia Česká republika, a.s., a leading energy group in the Czech Republic for approximately EUR 122 million in cash[2]. This deal is in line with our stated strategy to focus on coal mining and coke production. The transaction includes a long-term utilities and services agreement, which will secure our future energy supplies.

Our organic growth strategy continues to focus on opportunities in southern Poland, with good progress on developing an economically viable development plan to mine coal in Dębieńsko. We are in the process of applying for an amendment to the current 'Dębieńsko 1' mining licence to add further coal reserves to those already included in the currently held licence. This application will be filed with the Polish Ministry of the Environment.

People

We have further improved the safety outcomes in our business. Our mining Lost Time Injury Frequency Rate[3] continued to improve in 2009, down by 8 per cent on the 2008 incidents and we will continue our focus on eliminating accidents as we go forward into 2010. Tragically, despite positive momentum in our safety performance, five of our colleagues died at work during 2009.

It has been an exceptionally difficult year for our industry and we have had to take some hard decisions. I would like to thank our employees for their resilience and cooperation – their trade unions worked closely with us to achieve the necessary people reductions during the year – and both our customers and suppliers for their continued support.

On a personal note, the Board was deeply saddened by the sudden loss of Non-Executive Director, Milan Jelinek, in August 2009. He provided invaluable support and guidance during the Initial Public Offering process and his long history in the Czech mining industry brought a unique insight into the coal and coking market to the Board.

Non-Executive Directors, Alex T. Krueger and Christiaan Norval, resigned during the year. I thank them both for their significant contribution.

Kostyantin Zhevago was appointed as a Non-Executive Director in April 2009, and as chief executive officer of Ferrexpo plc, he brings to the Company extensive experience of the broader market for steel industry raw materials, and I would like to welcome him to the Board.

Outlook

NWR has emerged from the turbulence of the year in a strong position to face 2010. With labour costs contained for the year ahead and strong customer relationships in place, the Company is well positioned to respond to recovering demand in the region. The key risk remains the strength of this recovery as European government economic stimulation programmes are wound down.

In the first quarter of 2010, the average prices agreed for coking coal rose by 18 per cent compared with 2009, as production in the steel industry in Central and Eastern Europe increased. The average price agreed for coke also rose strongly in the same period, up 31 per cent as compared with 2009 prices, reflecting the continued improvement in the regional coke market and the general improvement in global coke markets since the end of 2009. The move to align pricing time frames with the Japanese fiscal year, which runs from April to March, should mean that in the future our coking coal prices better reflect the global supply and demand situation – which, driven by China, seems to be tightening yet again. The relatively high prices we enjoyed for thermal coal in 2009, experienced an adjustment, declining by 13 per cent for 2010 pricing, as stockpiles accumulated in the energy sector during 2009 impacted demand.[4]

Looking beyond 2010, the Company has more than ample reserves to sustain its growth objectives in the Czech Republic and the productivity improvements from the POP 2010 capital investment programmes will help us to manage costs and access deeper coal seams thereby, strengthening the Company's competitive position, and ensuring its longevity. Combined with the promising opportunities offered by the development projects in southern Poland, our prospects for long-term and sustainable growth remain sound.

Miklos (Mike) Salamon
Executive Chairman of the Board, NWR

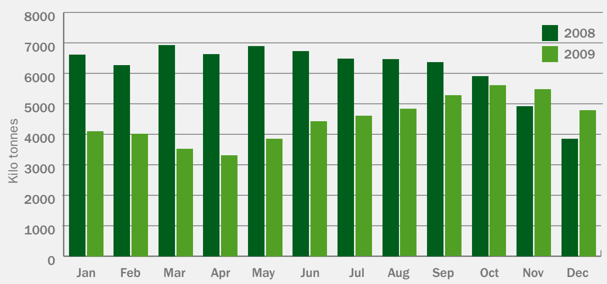
1 From Continuing Operations.

2 To be further adjusted on the basis of NWR Energy, a.s.'s 2009 consolidated EBITDA, performance of the electricity trading portfolio of CZECH-KARBON s.r.o. ("Czech Karbon") and net debt. The EBITDA price adjustment may result in an increase of the purchase price of no more than approximately EUR 6 million. The adjustment related to the performance of Czech Karbon's electricity trading portfolio may result in a reduction of the purchase price of no more than approximately EUR 2 million. The proceeds of this transaction will be received in CZK and are subject to certain adjustments. The EUR amount is based on the exchange rate of the day the deal was announced (CZK/EUR 26.311), thus the EUR amount is subject to exchange rate fluctuations.

3 LTIFR = number of reportable injuries after three days of absence divided by total hours worked expressed in millions of hours.

4 All prices are based on an average rate of CZK/EUR 24.50. NWR expects its revenues from sales to be approximately 60 per cent Czech Koruna denominated and 40 per cent Euro denominated. The average agreed prices are denoted as blended average prices for all qualities of coking coal, all qualities of thermal coal including middlings, and all types of coke.

Steel production in NWR's customer markets



Source: World Steel Association
Countries included: Czech Republic, Poland, Austria Slovakia and Germany

Board and Senior Management

01 Mike Salamon
Executive Chairman of the Board, NWR
Mike Salamon was appointed a Director and Executive Chairman of NWR on 1 September 2007. Mr. Salamon also serves as a non-executive member of the board of directors of OKD, a.s. ('OKD') co-president of AMCI Capital and non-executive director of Central Rand Gold, Gem Diamonds and Ferrexpo plc. He has extensive knowledge of the international mining and extractive industries. His career spans more than 30 years, the latter part of which was spent with BHP Billiton, the world's largest diversified resources company. Between 2003 and 2006, Mr. Salamon served as an executive director of BHP Billiton with responsibilities for the aluminium, copper and nickel businesses. From 2001 to 2006, he also chaired BHP Billiton's operating committee, which was accountable for inter alia the BHP Billiton group's health, safety and environment, projects, purchasing and operating excellence. In 2001, Mr. Salamon oversaw the merger and integration of Billiton plc and BHP Limited. He was a co-founding director of Billiton plc in 1997, and oversaw the company's listing on the London Stock Exchange in 1997. Between 1985 and 1997, Mr. Salamon worked for Gencor Ltd, initially as marketing manager for coal. In 1989, he was appointed managing director of Gencor Ltd's coal business, Trans-Natal Coal Corporation, and was then appointed director of Gencor Ltd from 1993 to 1997. During this time, he was also executive chairman of Samancor Ltd and chairman of Columbus Stainless Steel. Previously, Mr. Salamon was with the coal division of Shell Group in various capacities between 1981 and 1985. Prior to that, he worked for the Anglo-American group, both in the Gold Division and at De Beers in trainee and junior management capacities. He commenced working for De Beers directly after graduation. Mr. Salamon graduated in 1975 from The University of the Witwatersrand, Johannesburg with a degree in Mining Engineering (Cum Laude) and obtained an MBA from the London Business School, University of London in 1981. (British)

02 Klaus-Dieter Beck
Executive Director of NWR, Chief Executive Officer of OKD
Klaus-Dieter Beck is a Director of NWR and was appointed on 12 June 2007. He has served as Chief Executive Officer and chairman of the board of directors of OKD since 1 July 2007. Mr. Beck also serves as a member of the board of directors of OKK Koksovny, a.s. (formerly OKD, OKK, a.s.) since 9 February 2009. He acquired significant management experience from his previous jobs in prominent managerial posts in international coal companies in both Europe and the US. He gained a doctorate in mining engineering at the Rhine Westphalia University in Aachen, Germany. He started his professional career in 1976. From 1996 to 1998, he was general manager at Friedrich Heinrich Mine at Ruhrkohle Bergbau AG (nowadays called Mine West of RAG-Deutsche Steinkohle). He moved to the US in 1998 to take on the position of vice-president of Riverton Coal, Inc. Prior to joining OKD, he was senior vice-president for planning and engineering at Foundation Coal Holdings, Inc. His expertise helped the company achieve strong growth and opened the way to further expansion. (German)

03 Marek Jelínek
Executive Director and Chief Financial Officer of NWR
Marek Jelínek is a Director of NWR and was appointed on 6 March 2007. He has also been a member of the board of directors of OKD since his appointment on 1 November 2007. Since March 2007, he has been Chief Financial Officer of NWR and, in such capacity, is responsible for the restructuring activities within the NWR Group and, the management of NWR's

headquarters team, including the Group-wide finance and treasury functions. In 2007 and 2008, Mr. Jelínek led the Group's bond issue and the successful Initial Public Offering in London, Prague and Warsaw. In March 2009, Mr. Jelínek was appointed non-executive director of Ferrexpo plc. Mr. Jelínek was a director of Bakala Crossroads Partners a.s. (formerly RPG Advisors, a.s.) from 2005 to 2006. He joined the BXR Group in December 2004 as financial officer and was responsible for a variety of areas including group financing, restructuring and divestitures. Prior to that, Mr. Jelínek served as an analyst and associate of the corporate finance department at Patria Finance, a Prague based investment banking boutique, from 1995 to 2004, where he managed merger and acquisition transactions for domestic and international clients. Mr. Jelínek graduated from the Anglo American College in Prague in 1995 with a Bachelor of Science degree in Business Administration. (Czech)

04 Zdeněk Bakala
Vice-Chairman and Non-Independent Non-Executive Director
Zdeněk Bakala is a Director of NWR and was appointed on 15 August 2006. Mr. Bakala was appointed Vice-Chairman of NWR's Board on 22 October 2007. He served as a member of the supervisory board of OKD until February 2010, as a director of New World Resources Transportation B.V. since June 2007, as a director of BXR Real Estate Investments B.V. (formerly RPG Real Estate B.V.) since October 2006, as director of RPG Property since December 2008 and as chairman of the supervisory board of Bakala Crossroads Partners a.s. (formerly RPG Advisors, a.s.) since May 2006. In 2008, Mr. Bakala acquired a majority shareholding in Economia, Czech publishing house, and is acting as a vice-chairman of the board. Mr. Bakala has also been a member of the supervisory board of the Prague Stock Exchange since 2005. In 1994, he founded Patria Finance, an investment banking company in the Czech Republic, which was sold to KBC, a Belgian banking group, in 2001. Between 1990 and 1994, Mr. Bakala worked as head of the Czech desk for Credit Suisse First Boston and was responsible for establishing a branch office in Prague in 1991. Prior to that, he worked in the corporate finance department of Drexel Burnham Lambert (New York) from 1989 to 1990. Mr. Bakala graduated from the University of California, Berkeley USA in 1986 with an A.B. degree (with honours) in Economics, and obtained a Master of Business Administration degree from the Amos Tuck School of Business Administration, Dartmouth College USA, in 1989. (Czech)

05 Peter Kadas
Vice-Chairman and Non-Independent Non-Executive Director
Peter Kadas is a Director of NWR and was appointed on 15 August 2006. On 22 October 2007, he was appointed Vice-Chairman of NWR's Board. He served as vice-chairman of the board of directors of OKD from September 2006 to November 2007. Since October 2006, he has served as director of BXR Real Estate Investments B.V. (formerly RPG Real Estate B.V.). Mr. Kadas has been a director of Bakala Crossroads Partners Ltd (formerly Crossroads Capital (UK) Ltd), an affiliate of Crossroads Capital Investments Inc, since 2000. Between 1997 and 2000, he was managing director of Croesus Central Europe, a joint venture between Croesus of New York and Central European Partners. From 1996 to 1997, Mr. Kadas worked as a managing director for MC Securities in London. In 1995, Mr. Kadas co-founded Renaissance Capital, Russia's first private investment bank. In 1990, he worked as a director for Credit Suisse First Boston's branch office in Budapest. He also served on a number of corporate boards in the region, including CSFB Budapest, the management committee of Renaissance Capital and, between 2002 and 2005, vice-chairman of the board of directors of Ceske

Board and Senior Management continued

Radiokomunikace. Mr. Kadas graduated from Trinity College, University of Toronto, in 1986, with a Bachelor of Arts degree in Economics and Politics and obtained a Master of Business Administration degree from the Amos Tuck School of Business Administration, Dartmouth College, in 1990. (Canadian)

06 Hans Jürgen Mende
Non-Independent Non-Executive Director
Hans Jürgen Mende is a Director of NWR and was appointed on 15 August 2006. Mr. Mende is president of American Metals and Coal International, Inc. since he co-founded the company in 1986. Prior to founding American Metals and Coal International, Inc., Mr. Mende was with the Thyssen Group in various senior executive positions including president of Thyssen Carbometal Inc. from 1968 to 1986. Mr. Mende has served as a director of Alpha Natural Resources, Inc. and as chairman of the board of directors of ANR Holdings from 2003 to 2005. Mr. Mende is currently a member of the board of directors of Excel Maritime Inc. (Nasdaq – US), Whitehaven Coal Co. (ASX – Australia) and MMX in Brazil, all publicly traded entities. Mr. Mende was born in Lobositz, Czech Republic in 1944, was educated in Germany and the US and has been living in the US since 1968. (German)

07 Pavel Telička
Non-Independent Non-Executive Director
Pavel Telička is a Director of NWR and was appointed on 11 September 2007. In 2004, Mr. Telička co-founded BXL Consulting, a consultancy on European Union ('EU') affairs, where he currently serves as director and is in charge of its Brussels office. Before that, also in 2004, he was nominated and held the position of Member of the European Commission co-responsible for the portfolio of health and consumer protection. Between 1991 and 2004, Mr. Telička had worked at the Czech Republic Ministry of Foreign Affairs, and occupied various positions during this time including Ambassador and Head of the Permanent Mission of the Czech Republic to the EC in Brussels, Secretary of State for European Affairs and First Deputy Minister of Foreign Affairs (during which time he was Chief Negotiator for the accession of the Czech Republic to the EU). Mr. Telička has also been a senior advisor to the European Policy Centre since 2005 as member of the Administrative Council of the Notre Europe Foundation, established by Jacques Delors. In July 2005, he was appointed European coordinator for one of the priority projects within TEN-T for the railway network Rail Baltica. Mr. Telička is a member of the High Level Group on Administrative Burden Reduction in the EU, which is an advisory body to the European Commission. Mr. Telička graduated from the Faculty of Law at the Charles University in Prague in 1986. (Czech)

08 Kostyantin Zhevago
Non-Independent Non-Executive Director
Kostyantin Zhevago is a Director of NWR and was appointed on 28 April 2009. Mr. Zhevago is ultimately the controlling shareholder of Ferrexpo plc, and was appointed as its chief executive officer on 1 November 2008. He has been a member of the Ukrainian Parliament since 1998. He is currently a member of the Parliamentary Committee on Law Policy and Chairman of the Parliamentary Group for Inter-Parliamentary Relations with Japan. Since 2002, Kostyantin Zhevago has been a member of the permanent delegation of the Ukrainian Parliament in the Parliamentary Assembly of the European Council and a member of the Ukrainian faction of the Committee for Parliamentary Cooperation between Ukraine and the European Union. He has previously served as chairman of the management board and deputy chairman of the supervisory board of CJSC Commercial Bank Finance and Credit ('Finance and Credit Bank') and as a member of the supervisory board of JSC Ukrnafta. Between 1993 and 1996, he was financial director of Finance and Credit Bank. Mr. Zhevago graduated from the Kyiv State Economic University in 1996, specialising in international economics. (Ukrainian)

09 Bessel Kok
Senior Independent Director
Bessel Kok is a Director of NWR and was appointed on 11 September 2007. He has served as chairman of Astelit/LIFE (Kiev), Scarlet Communications (Netherlands) and CV Warehouse (Belgium) since 2005. From 1995 to 2004, he was vice-chairman and chief operating officer of Cesky Telecom (formerly SPT Telecom) and now Telefonica/02 (Czech Republic). In the same years, he was a board member of Eurotel in Prague, and from 2002 to 2004, he also served as chairman of the board of directors of Eurotel. Prior to that, Mr. Kok was the president of Belgacom from 1989 to the end of 1994 and oversaw its privatisation. In 1973, Mr. Kok joined SWIFT ('Society for Worldwide Interbank Financial Telecommunication') in Belgium and became its president and Chief Executive Officer in 1981, positions which he held until 1989. Mr. Kok also served as director of business intelligence services (London) from 1968 to 1972. Mr. Kok graduated in 1963 from the Municipal University of Amsterdam with a degree in Economic Sciences. (Belgian)

10 Steven Schuit
Independent Director
Steven Schuit is a Director of NWR and was appointed on 20 November 2007. He is also currently a part-time professor of International Commercial and Financial Law at Utrecht University and a part-time professor of Corporate Governance and Responsibility at the Strategy Center of Nyenrode Business University. He is currently a member of the supervisory board of ZBG Capital N.V., Amodo International N.V., Breevast B.V and of Sahara B.V., Chairman of Stichting Giving Back, member of the Curatorium of De Baak Management Center VNO-NCW and is a director of Stichting Grotius Academy. He is currently legal counsel to Allen & Overy LLP in its Amsterdam office, having served as partner to this firm and its predecessor firm between 1976 and 2005. Mr. Schuit has previously been member of the supervisory board of Numico from 2002 to 2006 and of Cyanamid from 1975 to 1982, member of the supervisory board of Burroughs from 1977 to 1979, member of the board of directors of the Netherlands-US Chamber of Commerce from 1983 to 1985, member of the board of governors (Algemene Raad) of the Dutch National Bar (Nederlandse Orde van Advocaten) from 1993 to 1999 and was a member of the special committee of the Dutch government to advise on commercial products of Dutch pension funds between 2003 and 2004. Mr. Schuit graduated in 1969 from Groningen University with a degree in Law and was admitted to the bar in the Netherlands in 1971. (Dutch)

11 Paul Everard
Independent Director
Paul Everard is a Director of NWR and was appointed on 20 November 2007. Between 2001 and 2005, when he retired, Mr. Everard served as deputy president of aluminium for BHP Billiton. From 1998 until 2001, up to Billiton's merger with BHP, he was executive director of Billiton Aluminium responsible for business development and strategy. Between 1974 and 1998, Mr. Everard served at Billiton in a number of roles. From 1995 until 1998, he was chief executive of aluminium with responsibility for managing and developing the company's businesses outside South Africa. Prior to that and over a period commencing in 1986, he had responsibility as the director inter alia for all business performance, strategic planning, research, HSE and public affairs for the company. Mr. Everard joined Billiton International Metals in 1974 and was responsible for the global aluminium business until 1986, as executive director from 1983. He began his career at the Shell Group in 1963, initially working in oil marketing in Kenya and Tanzania until 1970, thereafter he transferred to the London central office working within both the audit and personnel divisions. Mr. Everard graduated in 1962 from Cambridge University and has an MA in Mechanical Sciences. He gained a Diploma of Management Studies from Greenwich University in 1973 and completed the Advanced Management Program at Harvard Business School in 1979. (British)

12 Barry Rourke
Independent Director
Barry Rourke is a Director of NWR and was appointed on 20 November 2007. He served as a partner at PricewaterhouseCoopers from 1984 until 2001, when he took early retirement. During his time at PricewaterhouseCoopers, Mr. Rourke undertook various roles including chairman of the UK construction and property group, member of the oil and gas industry group, member of the PricewaterhouseCoopers PFI board and he was for a time liaison partner for the Netherlands. Mr. Rourke is currently chairman of the board of directors of 3Legs Resources plc, independent member of the audit committee for the Department for Energy and Climate Change and a member of the Coal Liabilities Strategy board for that department, and non-executive director and chairman of the audit committee of Surrey and Borders Partnership NHS Trust. He is also chairman of Croydon Economic Development Company. He was the independent non-executive chairman of the audit committee for the SUAL Group between 2004 and 2007. Mr. Rourke is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified as a chartered accountant in 1973. (British)

13 Hans-Jörg Rudloff
Independent Director
Hans-Jörg Rudloff is a Director of NWR and was appointed on 11 September 2007. Since 1998, he has served as chairman of Barclays Capital. Prior to that, he was chairman of MC-BBL Eastern Europe between 1995 and 1998. Mr. Rudloff was chairman and Chief Executive Officer of Credit Suisse First Boston Ltd from 1989 to 1995, having previously served as vice-president since 1983 and managing director from 1980 to 1983. He was also a member of the executive board for Credit Suisse, Zurich from 1986 and both Credit Suisse Holding & Credit Suisse First Boston Group Inc. from 1990 to 1995. Between 1968 and 1980, Mr. Rudloff served at Kidder Peabody International, where he became chairman in 1978, having previously served as managing director. In 1980, he was also nominated to the board of Kidder Peabody Inc. New York. Mr. Rudloff is currently chairman of the audit committee for Rosneft, a position he has held since 2006. Mr. Rudloff has also served as chairman of ICMA since 2005 and Bluebay Asset Management plc since 2001. He has been vice-chairman, member of the audit committee and head of the compensation committee of Novartis since 1996. Mr. Rudloff also serves as chairman to ICMA since 2005 and Bluebay Asset Management Ltd. since 2001. He has also been a board member of Thyssen Bornemisza Group since 1995, Ros Business Consulting since 2002, ABD Capital SA since 2003, Energie Baden-Württemberg since 2000 and Landeskreditbank Baden-Württemberg since 1993. Mr. Rudloff is a chairman of the Marcuard Group, a privately held asset management group of companies. Mr. Rudloff graduated from the University of Berne in 1965 with a degree in economics. (German)

14 Ján Fabián
Chief Operating Officer
Ján Fabián was appointed Chief Operating Officer of NWR in November 2008. As part of his position, he has overall responsibility for the operations of OKK, Koksovny, a.s. (formerly OKD, OKK, a.s.) and the Polish business operations of NWR KARBONIA Sp. z o.o. Mr. Fabián also serves as chairman of the board of directors of NWR Energy, a.s. and a vice-chairman of the board of directors of OKD where he oversees the strategic planning and organisational development of OKD. Prior to joining NWR, Mr. Fabián served as a project manager for Roland Berger Strategy Consultants in Prague from 1998 to 2007, where he managed transformation and restructuring projects focusing on production optimisation, process efficiency and growth strategies in Central Eastern Europe, Russia, Ukraine and Western Europe. He managed many of the largest strategic and privatisation projects on the Czech market and in Central Europe and cooperated with the European Commission on national strategies for the Czech as well as Romanian steel industries. Mr. Fabián served as a research analyst for Colenco Power Consulting in Switzerland between 1991 and 1992. He graduated from the Technical University in Košice, Slovakia in 1988 with a degree in mining and gained a PhD in production optimisation for the underground mining from the Technical University in Berlin in 1998. (Slovak)

Executive Director's statement

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

POP 2010 has been essential for the long-term sustainability of our mining operations and to strengthen our competitive position.

Our coal mining business delivered a resilient performance during 2009 and remained profitable in the face of drastically reduced volumes and prices. With steel production in our major customer markets down by 27 per cent[1], we rose to the challenge, limiting our volume decreases to 13 per cent and holding our mining cash costs per tonne stable year on year. The results of early investment in new equipment meant efficiency gains were already coming through in 2009 and stringent cost control rapidly brought the cost base down. By the end of 2009, overall longwall productivity was up 15 per cent, from 1,300 tonnes per day to 1,500. Inventories were down to December 2008 levels and our major investment programme – Productivity Optimisation Programme 2010 ('POP 2010') – had been completed.

Key highlights

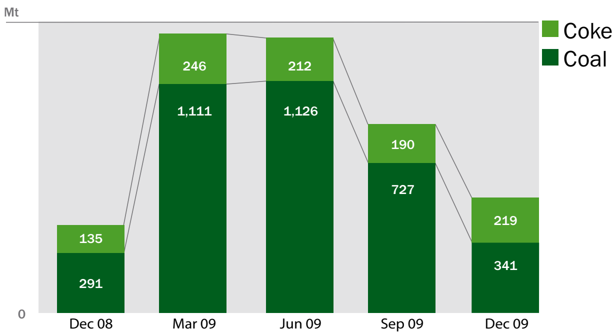
Whilst one of the key highlights of 2009 was clearly the completion of POP 2010, one of the biggest achievements was to deliver the new equipment underground without disruptions. Moving so many technical parts through a mine is inherently challenging and POP 2010 was one of the biggest projects of its kind in Europe, installing 10 state-of-the-art longwall sets in mines up to 1,000m below the surface.

We also delivered the best safety results in the history of OKD, a.s. ('OKD') – over the last five years mining Lost Time Injury Frequency Rate ('LTIFR')[2] has come down by 49 per cent. We will continue to focus on driving up our health and safety standards and the new longwall equipment is contributing towards that goal. Additionally, our coking plant operations noted a 63 per cent decline in LTIFR over the past four years.

Looking forward to 2010

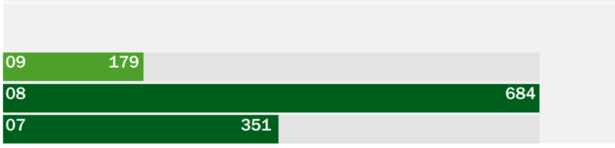
Now that all the new longwalls are operational, the key focus for 2010 is to sustain the productivity benefits at all four mines. To underpin this, we have also introduced a 'continuous improvement programme', which involves every employee, rewarding them for coming forward with ideas and suggestions to improve efficiency. Whilst these schemes are common in many other industries, this way of working requires a complete modernisation of the corporate culture, promoting a change from the traditional 'command and control' approach in the Central European mining industry to a more participative, team based culture.

Inventories

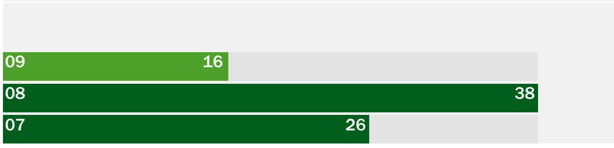


Financial key performance indicators

EBITDA[1] (EUR million)

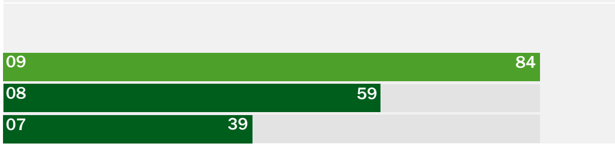


EBITDA margin[1] (%)



Mining cash cost per tonne[2] (EUR/t)

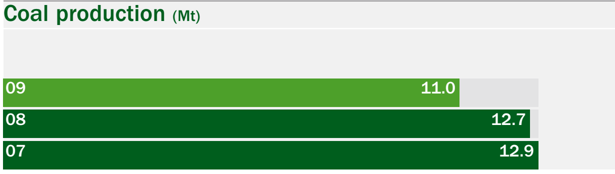
Coke conversion cash cost per tonne[3] (EUR/t)



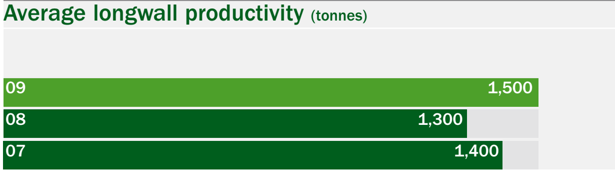
1 2007 figures include Discontinued Operations (Electricity Trading).
2 Cash cost per tonne reflects the operating costs incurred in mining both coking coal and thermal coal. OKD stand-alone.
3 Coke conversion cash cost per tonne reflects the operating costs incurred in producing coke, excluding the cost of coal input. OKK stand-alone.

Operational key performance indicators

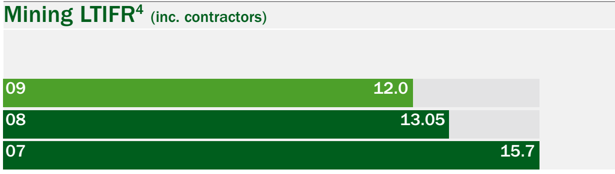
Coal production (Mt)



Average longwall productivity (tonnes)



Mining LTIFR[4] (inc. contractors)



4 LTIFR = number of reportable injuries after three days of absence divided by total hours worked expressed in millions of hours.

This is part of a major culture change programme, which started in 2008 across the Company. In the mining operations, the focus in 2009 was on encouraging miners to contribute ideas on how to reduce maintenance time and in 2010, this will move to seeking ideas on driving energy savings, increasing the availability of longwall operations and improving the transportation of supplies underground among others.

Reserves
The Upper Silesian coal basin has the largest hard coal deposits in Central Europe and on the Czech side of the border alone there are 8.8 billion tonnes of technical mineable reserves and resources[3]. Our current JORC[4] reserves from our four active mines are 228 million tonnes[5], less than 3 per cent of the total potential mineable coal where we operate, thus confirming the long-term sustainability of our mining operations in the region.

Looking across the border to southern Poland, the 50-year licence to mine coal in Dębieńsko, granted in 2008, adds a substantial 190 million tonnes of coking coal to our JORC[4] reserves. During a turbulent 2009, as part of our prudent cash management, an alternative measures, an alternative development plan for this project was undertaken based on extending the mining licence to include the shallower coal seams on the site. This would reduce both the capital expenditure and length of time required to bring this mine on stream, compared with the original plan that focused on opening up the deeper levels of the mine. Additionally, this plan will add further coal reserves to those already included in the currently held licence.

Looking forward, our regional growth strategy also includes opportunities in Morcinek in southern Poland where we have signed a letter of intent to work with a Polish mining company to explore the potential for this dormant mine.

In the short-term, the new longwall equipment opens up new potential in our existing mines, allowing us to access deeper and more geologically challenging seams.

Prospects
POP 2010 has been essential for the long-term sustainability of our mining operations and to strengthen our competitive position. Our focus in 2010 will be to fully realise these efficiency gains and continue to raise our health and safety standards. Looking forward, we have a well-developed plan for the Dębieńsko site and longer term opportunities at Morcinek in southern Poland.

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

1 Source: World Steel Association. NWR's customer markets are Czech Republic, Poland, Austria, Slovakia and Germany.
2 LTIFR = number of reportable injuries after three days of absence divided by total hours worked expressed in millions of hours.
3 Source: Czech Geological and Reserve Calculation Laws.
4 Full name: Joint Ore Reserves Committee. The Group currently uses both the FSU system and the JORC system in parallel to report reserves and resources. The Group employs a certified geologist who prepares the reserve numbers in accordance with JORC certified expert.
5 As at 1 January 2009.

Driving efficiency and investment
The Productivity Optimisation Programme 2010 ('POP 2010')

The primary objective of the POP 2010 programme was to achieve a step change in mining performance by implementing state-of-the-art longwall production and development sets.

Q.
What were the key objectives for the POP 2010 programme?

A.

The primary objective of the POP 2010 programme was to achieve a step change in mining performance by implementing state-of-the-art longwall production and development sets. Following years of dependence on the same technology, our mines were in need of significant investment to modernise operations. This was one of the biggest projects of its kind in the European coal industry, with an overall capital cost of EUR 350 million.

10 sets of new longwall equipment and 19 development sets have been installed across the Company's four mines over a period of two years and by the end of 2009, these were all operational. Our investment in POP 2010 is already starting to deliver increased productivity, reduced maintenance and improved health and safety.

Q.
How are the initial results matching up to expectations?

A.

Even in their first few months of operation, the new longwall sets were delivering in line with expectations. Overall, average daily production using the new longwalls was 145 per cent higher than the older equipment and at the Darkov Mine, productivity increased by a massive 277 per cent reaching an average daily production of 5,084 tonnes per day, compared with the 1,350 tonnes per day delivered by the old longwalls. Altogether the implementation of the POP 2010 programme has led to an increase in overall longwall productivity of approximately 15 per cent in 2009 compared to 2008.

Mining performance in Full Year 2009

	Average daily production per longwall (t)		Average output per manshift at longwalls (t)	
	Other longwalls	**POP 2010 longwalls**	**Other longwalls**	**POP 2010 longwalls**
Karviná Mine	1,774	2,548	33	66
Darkov Mine (high seam)	1,350	5,084	19	85
ČSM Mine	957	2,357	19	45

Simple average of high seam and mid seam performance at each mine.

Performance increase of new POP 2010 equipment vs old

Mine	**Output per day increase**	**Output per man per shift increase**
Karviná	1.5x	2.0x
Darkov	3.8x	4.5x
ČSM	2.5x	2.4x

These productivity improvements have already resulted in reduced labour requirements and lower maintenance as the new machines prove their reliability. The impact on health and safety is already evident. Stronger roof support combined with reductions in dust are driving down reportable injury rates.

Q.

What are the next steps for the programme?

A.

The project is now complete with the final set of longwall equipment installed in December 2009. The focus for 2010 is to fully exploit the potential of the new equipment, increasing efficiency gains and pushing forward the 'continuous improvement programme' launched in 2008.

This final phase of POP 2010 was financed by a EUR 141 million nine-year loan facility guaranteed by Euler Hermes, Germany's Export Credit Agency. Capital expenditure for POP 2010 in 2009 was EUR 129 million and another EUR 50 million deferred payment due in 2010.

From now on replacement of the old with new equipment will continue on a regular replacement schedule.

Q.

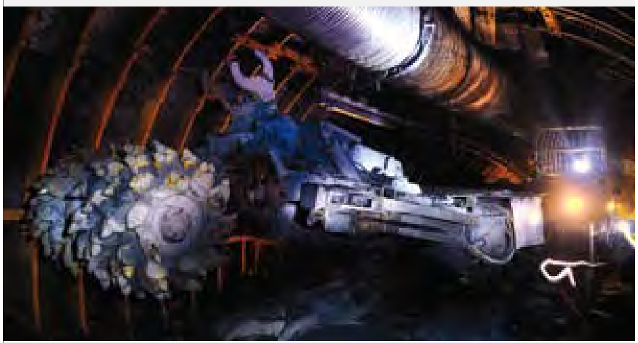
What are the key benefits of POP 2010 going forward?

A.

After the completion of the programme, NWR will continue to produce the same volume of coal, but with five fewer longwall sets in operation. We expect this to further drive down the unit costs per tonne as volumes recover and NWR reverts to production at full capacity. This cost advantage will strengthen the Company's competitive position versus its regional competitors.

The new equipment will also allow the Company to mine deeper and more geologically challenging seams, with the potential to expand reserves and extend the life of the mining operations. Equally important, the new, more robust equipment has enhanced safety features that will improve mining conditions for our workers.

POP 2010: the key facts



At an investment of approximately EUR 350 million, POP 2010 is one of the biggest projects of its kind in Europe.

Our investment is transforming our mining subsidiary OKD, a.s. into a world class mining operation, increasing productivity, reducing labour and maintenance costs and importantly, improving health and safety standards.

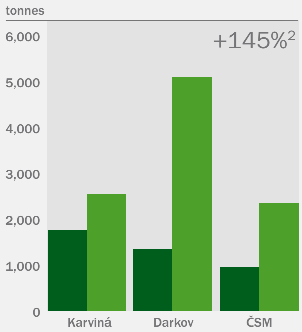
The investment includes the acquisition and installation of state-of-the-art machinery, coupled with an extensive training programme across all four active coal mines in the Czech Republic.

150,000 pieces of equipment have been transported across Europe, transferred underground and 10 longwalls and 19 development sets have been assembled.

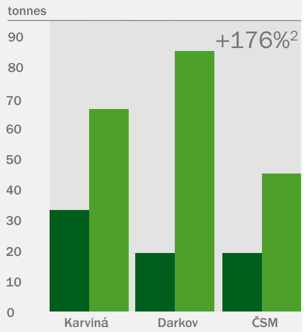
All the new equipment is now operational and is delivering average daily productivity gains of approximately 145 per cent compared with the older longwalls.

■ Other longwall
■ POP 2010 longwall

2009 average daily production at longwall[1]



2009 average output per manshift[1]



1 Average number of POP operational longwalls in 2009 vs. other longwalls was 4 vs. 12. Simple average of high seam and mid seam performance at each mine; at Darkov high seams only.

2 Unweighted average growth across Karviná, Darkov, and ČSM mines.

Management Q&A

The senior executive management team of NWR discusses how the Company has responded to the changing environment during the year.

Q.

How did the Company maintain mining cash costs per tonne in the face of significant declines in production?

A.

Once we realised the severity of the economic downturn in our region, we reacted swiftly to reduce production and cut costs. We decreased overall headcount by 11 per cent (including contractors) compared with 2008 and, combined with a reduction in average wages, this delivered overall personnel costs savings of 20 per cent. Other cost cutting initiatives helped decrease our materials and energy consumption by 21 per cent and expenditure on services (including contractors) 16 per cent.

Q.

Why did you decide to continue with your POP 2010 and COP 2010 even though market conditions deteriorated rapidly?

A.

In light of market conditions, we reduced our overall capital investment spending by 12 per cent compared to full year 2008 to EUR 250 million, through focusing on our core projects, and reducing expenditure elsewhere, including on our Polish development projects.

However, we protected investment in the two strategic development projects that we believe are key to the future of the business; Productivity Optimisation Programme 2010 ('POP 2010') and Coking Plant Optimisation Programme 2010 ('COP 2010'). The benefits of these projects are proving significant and the results to date have more than vindicated our decision to continue. In addition, with demand now starting to recover, we are in a stronger competitive position and ready to respond to customer requirements.

Our principal investment programme, POP 2010, primarily focused on installing the latest generation of longwall mining equipment, which promised dramatic improvements in productivity and reduced maintenance costs. The results from the first installations were far better than we had anticipated with average daily production up by 145 per cent where the new longwalls are operating compared to the older equipment, and this contributed to keeping our mining cash costs per tonne under control as we ramped up production towards the end of 2009.

COP 2010 aims to rationalise our coking capacity, ultimately closing our Jan Šverma site and modernising the Svoboda site where we are refurbishing one coking battery and building a new one. This will improve our cost structure, reduce our unit costs and improve our flexibility between foundry and blast furnace coke production. The new coking battery will have a capacity of up to 220kt.

Focus on health and safety: the SAFETY 2010 programme

Launched at the end of 2008, the SAFETY 2010 programme is a EUR 17 million investment aimed at improving safety at all levels of operations. The programme is on track to be completed in 2010 and includes improved working gear for our miners, ranging from boots and mining clothes to self rescue devices, as well as modernising dangerous gas detectors and other technical devices used underground.

This ambitious programme includes for example replacing 22,000 pairs of boots, over a three-year period. Better fitting boots that provide greater support and better grip have significantly reduced the number of ankle injuries underground.

NWR's uncompromising commitment to health and safety is delivering benefits with all key safety performance indicators improving: the number of reportable injuries is down, injury severity rates are lower and – although it is deeply disappointing to report that three of our miners lost their lives during 2009 as well as two colleagues at our coking plant – safety results are at their lowest level ever in the history of OKD, a.s.. Over the last five years mining Lost Time Injury Frequency Rate ('LTIFR')[1] has come down by 49 per cent.

1 LTIFR = number of reportable injuries after three days of absence divided by total hours worked expressed in millions of hours.

Q.

What were the key changes in the Central European coking market and how did these affect the Company?

A.

In the short-term, as demand for steel plummeted our customers stopped buying coke from external sources to maximise use of their own coking plants and, as a result, our market contracted sharply. We estimate that up to 15 per cent of capacity in the region has been permanently lost as a result of the collapse in demand. In addition, Chinese exports of coke, which used to balance the gap between supply and demand in our region, dropped to virtually zero in 2009 as high export tariffs were imposed, leading to tightening markets and rising prices. Looking forward, we are uniquely placed to benefit from a recovery in demand and prices as the results of the pricing negotiations in the first quarter of 2010 demonstrate. Furthermore, with the COP 2010 programme roll-out, we can respond more efficiently to any rise in regional demand.

Q.

What has the impact of the economic environment been on the Company's strategy?

A.

Our strategy remains the same, although the unfavourable market conditions in 2009 have certainly led us to prioritise cost management over growth. Our continued focus on efficiency and profitability began to deliver results earlier than expected.

Management Q&A continued

Our early and continued focus on efficiency and profitability began to deliver results earlier than expected.

We will continue to actively pursue regional growth opportunities, both through organic growth, strengthening our reserve base from our existing mines and looking at strategic acquisition opportunities as market conditions recover. Maintaining a strong health and safety record and implementing international best practice corporate governance underpins our strategy.

Q.

Has the Company's focus on corporate social responsibility been affected?

A.

Not at all. Looking after the safety of our employees, minimising our environmental impact and contributing to the communities where we operate are all pivotal to the sustainability and profitability of our business and remains a high priority.

Health and safety is at the top of the list and we have again delivered a reduction in mining LTIFR as new, more robust machinery is installed, miners equipment is upgraded and training is enhanced. Likewise coking LTIFR has also had a marked improvement. There is no room for complacency, however. We recognise that we work in an inherently dangerous environment and we will continue to strive for higher standards. We remain committed to our SAFETY 2010 programme.

We see the training and development of our staff as an investment in the future of the business and a significant programme was implemented throughout the year, including sponsoring students at the Vocational School of Technology and Services in Karviná and other technical mining schools in the region.

Darkovské moře (Darkov Sea)

The Darkov Sea initiative is the largest reclamation project in Moravia and on a nationwide scale is only surpassed by the vast reclamation of open-cast mines in North Bohemia. The locality covers an area of almost 145 hectares and technical reclamation, which has been carried out for over a decade. During landscape reclamation, more than five million cubic metres of tailings have been relocated. In the spring of 2010 biological reclamation will commence, including tree planting and grassing in the locality. It is expected that the total costs for restoring this locality will amount to CZK 630 million.

The Darkov Sea is also at the centre of attention for other reasons. It lies in the vicinity of residential quarters in the city of Karviná and the nearby Darkov spa. The local people have thus been able to witness the rapid transformation of the landscape and many of them have made their way here – the locality is attractive for photographers etc. The Darkov Sea has perfectly clean water and thus sustains a number of rare animals. Accordingly, reclamation of the Darkov Sea is already now fulfilling its purpose – nature and, above all, people are returning there. The area is also expected to serve as a sports and recreational zone in the future. The lake has ideal conditions for water sports; the plans under preparation also include the building of beaches and sport facilities.

The surroundings of the lake offer good cycling terrain. The future of the locality will be the subject of joint negotiations between OKD, a.s., the RPG group and the city of Karviná, which are majority owners of the local land.

At the beginning of November 2008, they jointly signed a memorandum on cooperation in the development of this region.

We have also continued our substantial reclamation programme, spending approximately EUR 13.9 million[1] in 2009, including contributing to the Darkov Sea reclamation project, the largest of its kind in Moravia, covering 145 hectares. Wildlife is already returning to the clean waters there and its future as a sports and recreation area is assured.

Although 2009 was a tough year, NWR donated EUR 378,000 to the OKD Foundation to ensure that its projects in the region continued.

Q.
What are the key challenges the Company faces in the year ahead?

A.

There are three main areas of focus for 2010. Firstly, with POP 2010 completed we will look to sustain the efficiency gains achieved from the new mining equipment. Secondly, we will look to successfully complete COP 2010 to schedule and budget. And importantly, we endeavour to further improve our safety records with the help of SAFETY 2010.

1 Average 2009 FX rate - 26.43.

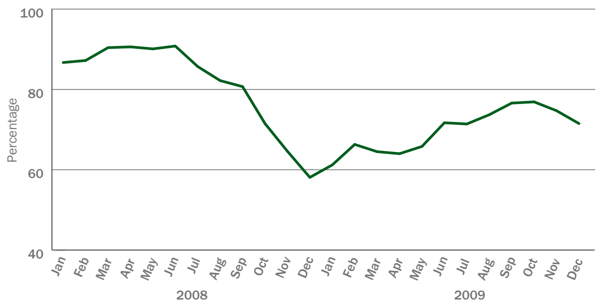
Industry overview

The global coal markets in 2009 were characterised by unbalanced geographical supply/demand conditions as different regions of the world reacted to the evolving events of the global economic crisis.

Global coal market

The global coal markets in 2009 were characterised by unbalanced geographical supply/demand conditions as different regions of the world reacted to the evolving events of the global economic crisis. More developed economies experienced a major slump in the key drivers of coal demand as GDP growth continued to contract in the first half of 2009. Electricity output fell sharply as industrial demand contracted, leading to stockpiling at power plants and record inventory levels. Similarly, steel production collapsed as weak demand from automakers and durable goods manufacturers continued to fuel the downward trend. Capacity utilisation rates fell to 50 per cent – 60 per cent[1] at steel mills in the worst affected countries, while for the full year 2009 world steel production fell by 8 per cent compared to 2008[1].

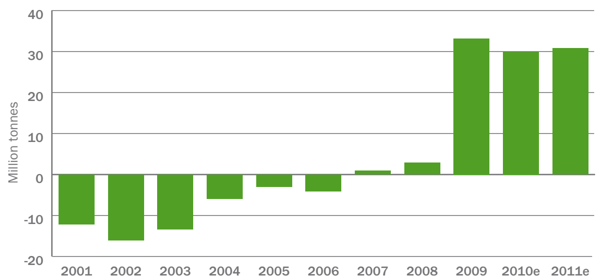
Global steel capacity utilisation ratio



Source: World Steel Association

In contrast, the developing regions of the world experienced a much less severe downturn in their economies with continued industrialisation helping to support most commodity markets. China's coal demand during 2009, in particular, has had a profound impact on international coal market dynamics. China is now producing roughly half of the world's[1] steel and its corresponding surge in demand for coking coal and coke rescued most of the major mining companies as demand collapsed in their traditional markets. China's total net import of coking coal in 2009 reached 33.2Mt, compared to 2.9Mt for the same period in 2008[3]. This surge in demand from China was primarily met by seaborne imports from Australia with some US miners entering this market towards the end of 2009.

Chinese net coking coal imports



Source: AME

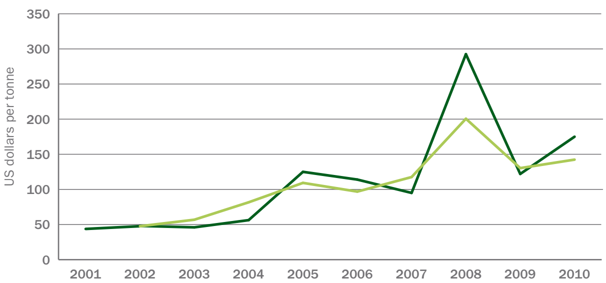
The international thermal coal markets in 2009 were split between poor demand in the Atlantic region and continued demand growth in the Pacific region, driven by Chinese industry and shortages at Indian power plants. This surge in demand from India was mostly fed by increased imports from South Africa and Indonesia whilst Chinese demand was met domestically with some tonnages coming from Australia. In Europe and the US, thermal coal demand contracted as GDP growth continued to fall but recovery was seen towards the end of 2009.

While the global economic crisis caused international coal prices to drop significantly from their peak in the summer of 2008, spot prices began to recover during the course of 2009 mainly due to the surging demand from China. Spot coking coal prices fell by 69 per cent from their peak of USD 370/t in 2008[3] to about USD 120/t coming into 2009 but have since recovered and are now at USD 200/t[3].

International coal prices

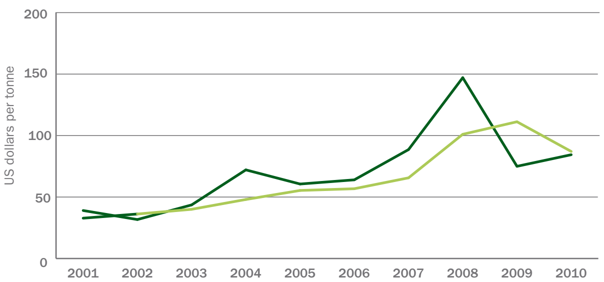
Thermal Source: Platts
Coking Source: AME

NWR's vs. international benchmark coking coal prices



Source: AME

NWR's vs. international benchmark thermal coal prices

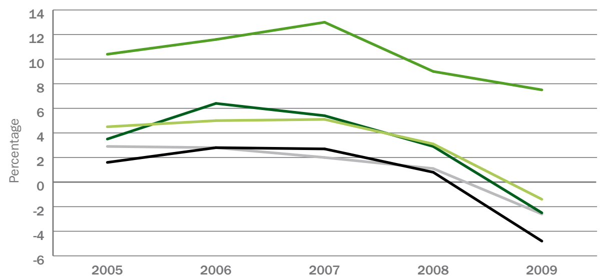


Source: McCloskey

Economic overview

During the second half of 2009 much of the world began to experience economic difficulties as global financial markets responded to the sub-prime mortgage crisis in the US. These initial financial shocks quickly spread to the rest of the economy leading most countries into recession in late 2008, with the world economy contracting by 1.4 per cent for the full year 2009[4]. The more developed regions of the world such as the US, Japan and Europe were particularly hard hit with developing countries such as India and China experiencing only small reductions in their growth rates. Some of the worst hit sectors of the economy included the construction and automotive industries with demand for all related commodities such as steel, iron ore and coal collapsing during the first quarter of 2009.

Global GDP growth



Source: World Bank/IMF via AME

Responding to the deepening economic crisis, governments worldwide initiated coordinated and substantial stimulus programmes to help revitalise demand. Such efforts saw modest demand growth returning in the second half of 2009 with a gradual recovery in commodity markets. Chinese growth however, having never fallen below 8 per cent[5], was the driving force for commodity demand during 2009. Where many traditional markets contracted sharply, continued Chinese industrialisation helped to maintain demand in international markets.

Looking forward, the World Bank believes that the global economy will grow by 2.7 per cent in 2010 but they have warned that the risk of a slide back into recession is still possible if governments unwind their stimulus programmes too soon.

1 World Steel Association.
2 Resource Net Coke Market Report.
3 AME Coking Coal Report.
4 World Bank/IMF via AME.
5 Bloomberg.

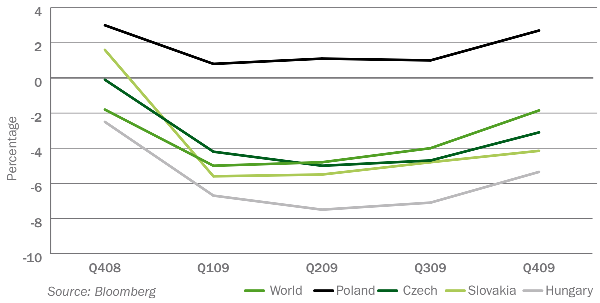
Industry overview continued

The health of the coking coal market will always be closely aligned to that of the steel industry, which moves very much in line with GDP growth.

The Central European market

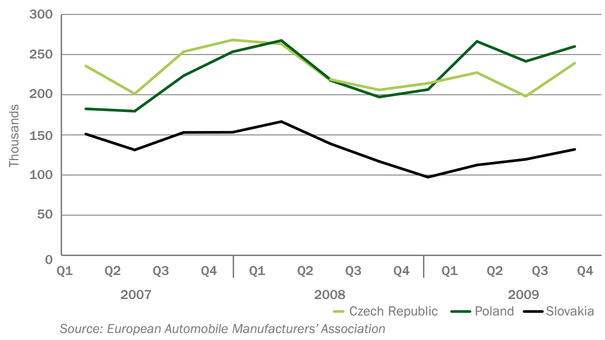
The economies of Central Europe did not escape the financial and economic turmoil afflicting the rest of Europe during 2009. With much of the recent growth in this region reliant on strong export markets, the collapse in consumer confidence and industrial production throughout Europe hit these economies particularly hard. The severity of the recession, however, varied across the region with some countries such as Hungary suffering much deeper recessions than other countries such as Poland, whose economy continued to grow throughout 2009.

Regional GDP growth



NWR's customers are primarily based in the industrial belt of eastern Czech Republic and Poland where a concentration of heavy industry is located. The industries in the region have a strong interdependence, with coal miners supplying the steel mills who in turn supply the automotive, construction and machinery industries. Demand in all of these sectors fell significantly in 2009 with vehicle production down about 6 per cent in the Czech Republic, Poland and Slovakia[6].

Vehicle production



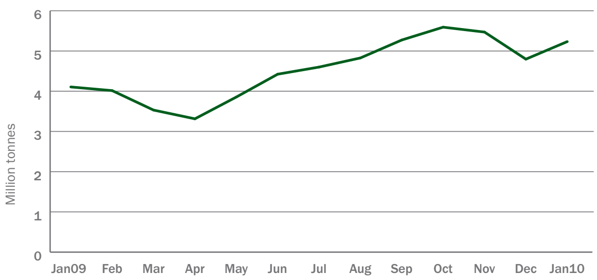
The coal markets of Central Europe are isolated to a large extent from the global market due to their landlocked nature and long distances to deep-water ports. For this reason, and due to high transportation costs, coal mined in the region can remain competitive against seaborne imports.

NWR is the leading hard coal miner in the Czech Republic with Polish miners as the closest and only real competitors. The majority of Polish coal mining companies are state owned while total production in Poland has been steadily declining since the 1980s[7].

Coking coal

The health of the coking coal market will always be closely aligned to that of the steel industry, which moves very much in line with GDP growth. In recent years the steel industry in NWR's markets have experienced increasing demand particularly with the industrialisation and rapid GDP growth of emerging economies. However, due to the cyclical nature of the industry, steel demand has seen a sharp contraction as a result of the global recession and negative GDP growth in much of the world in 2009. NWR's coking coal customers are predominantly the major steel producers in the region who saw their production levels falling substantially in early 2009. However, from mid-2009 demand started returning to the market.

Steel demand in NWR's customer markets in 2009



Source: World Steel Association

NWR's customer markets are Czech Republic, Poland, Austria, Slovakia and Germany.

Coking coal demand in the region during the year has subsequently followed these steel production levels, which meant much volatility and reduced demand at the beginning of the year with a modest recovery in demand noticeable in the second half of 2009.

Thermal coal

The demand for thermal coal largely depends on the demand for electricity and the sources of electricity generation. In the Czech Republic 59 per cent of electricity is generated from coal whilst Poland generates over 90 per cent of its electricity from coal[8]. During 2009 electricity production by non-renewable fuels fell by 5 per cent[9] in the Czech Republic with a similar fall in demand for thermal coal.

The thermal coal market in Central Europe is relatively static as it is not economically viable to transport the coal long distances. Therefore, a well-established thermal power infrastructure in NWR's region ensures a steady and reliable customer base for its thermal coal. Despite the increasing environmental pressures, it can be expected that coal will continue to play a vital role in electricity generation in Central Europe given its availability and the general EU policy to diversify energy sources.

Coke

As a product of coking coal, coke demand similarly follows the fortunes of the steel industry. However, coke markets tend to be somewhat more volatile since many steel mills will produce their own coke supply with independent producers complementing this supply. Further volatility exists in the Central Eastern European region as there are a number of producers operating some very out dated batteries.

Subsequent to the collapse in steel production, coke demand in Central Europe fell significantly in 2009. In response much coke capacity in the merchant coke market was permanently taken off line. It is estimated that approximately 10.7 million tonnes per year of coke capacity has been permanently shut in Europe in the past year due to the crisis, mainly in Eastern Europe and Russia[10]. This reduced supply capacity, along with export restrictions from China, helped coke prices in Europe to recover somewhat from the lows of 2009 with blast furnace coke prices rising in the first quarter of 2010 by approximately 36 per cent while foundry coke prices rose by approximately 4 per cent[10]. Looking forward, a reduced supply capacity could lead to a very interesting coke market when steel production returns to higher capacity utilisation levels.

6 European Automobile Manufacturers' Association.
7 Polish Ministry of Economy.
8 World Coal Institute.
9 International Energy Agency.
10 Resource Net Coke Market Report.

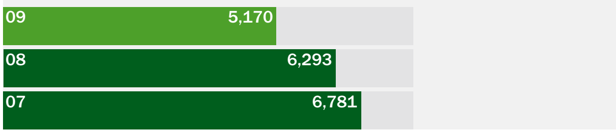
Business review

A cost effective and reliable supplier

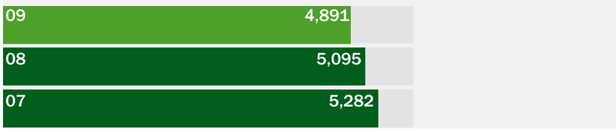
NWR's operations are efficiently run. Our coal and coke are quality products and our services are noted for their reliability. We have strong and long-lasting customer relationships. All these factors help provide a firm foundation for the future.

Business review

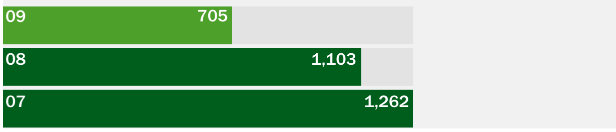
Coking coal sales (kt)



Thermal coal sales (kt)



Coke sales (kt)

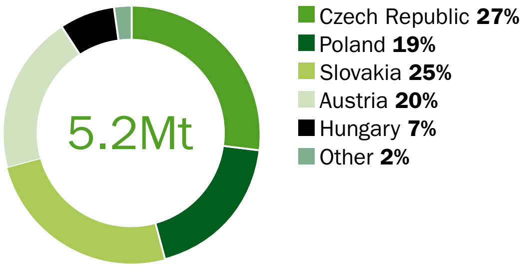


As Central Europe's leading hard coal mining company, we are a preferred supplier of coal and coking products to a blue chip customer base in the Czech Republic and neighbouring countries including Poland, Austria, Slovakia and Germany.

Our markets and customers

As Central Europe's leading hard coal mining company, we are a preferred supplier of coal and coking products to a blue chip customer base in the Czech Republic and neighbouring countries including Poland, Austria, Slovakia and Germany.

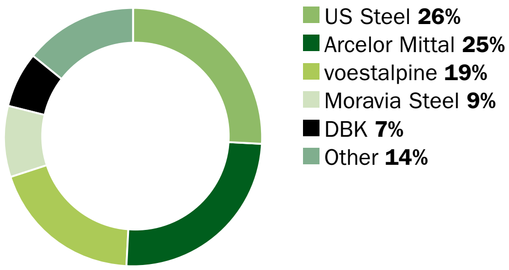
Coking coal sales volumes



We have strong, long-term relationships with our key customers governed by well established framework agreements. We are closely integrated into their operations with customer production facilities configured to exploit the particular characteristics of our coal. Given the quality of our coal and coke, our proximity to our customers, and our improving productivity, we remain a cost effective and more reliable supplier compared with our Polish counterparts.

Coal mined in our region remains competitive against seaborne imports due to the long distances to deep-water ports and high transportation costs. Our closest and only competitors are the state-owned Polish mines, where total production has been significantly declining since the 1980s.

Coking coal customers by sales volumes



The main purchasers of our coking coal are the major steel producers in the region and our largest customers include US Steel, Arcelor Mittal, voestalpine and Moravia Steel.

The heavy industries in the region have a strong interdependence, with mines supplying the steel industry that in turn supplies the automotive, construction and other machinery industries.

Demand in all of these industries fell significantly in 2009, with vehicle production down by 6 per cent[1] in Central Eastern Europe. This sector showed some evidence of recovery in the second half of 2009 as government sponsored scrappage schemes gave demand a boost.

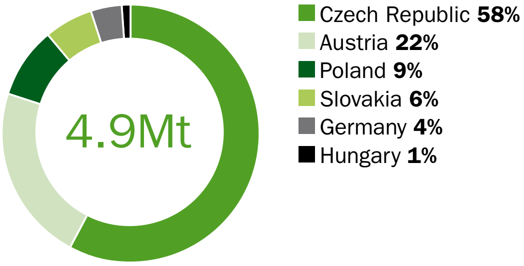
1 Source: European Automobile Association.

Regional expansion: developing the Dębieńsko site

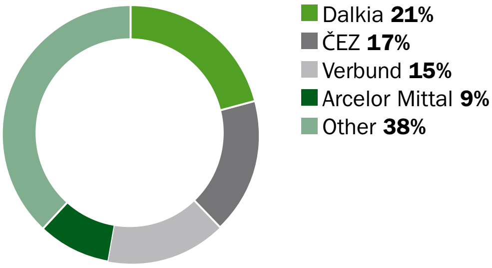
One of our most interesting expansion opportunities is the Dębieńsko site, situated in southern Poland 40km from the Czech border. Under our current licence, the Dębieńsko site holds approximately 190 million tonnes of coking coal reserves in similar geological conditions to our four active mines.

Our Polish subsidiary NWR Karbonia was granted in June 2008 a 50-year licence to mine coal in the region and began drilling to establish shaft conditions later that year. Due to the economic downturn in 2009, we looked for more cost effective alternatives to open up the mine and an option that focused on exploiting the upper layers of thermal coal at the site was explored. This would allow us to reduce the capital expenditure required for the project as well as reduce the lead time to open the mine and increase total reserves. We are in the process of applying for an extension of the current mining licence for 'Dębieńsko 1' to add further coal reserves to those already included in the currently held licence.

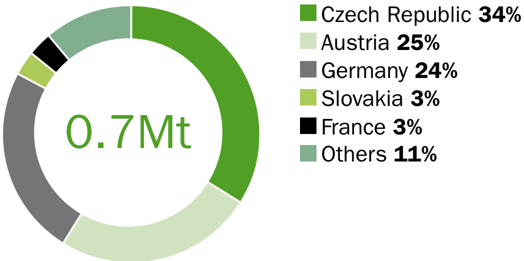
Thermal coal sales volumes



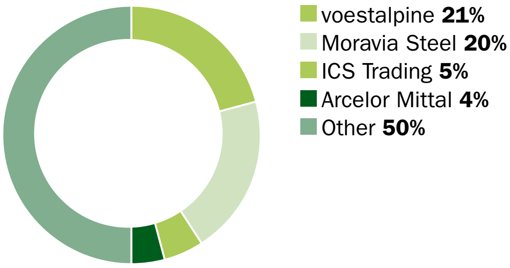
Thermal coal customers by sales volumes



Coke sales volumes



Coke customers by sales volumes



Business review

Investing in our future

Our principal capital investment programme, Productivity Optimisation Programme 2010 (‘POP 2010’) has already made significant productivity gains, improved efficiency and, importantly, raised the safety levels at our mining operations. Additionally our Coking Plant Optimisation Programme 2010 (‘COP 2010’) remains on track, rationalising our coking capacity through closing our Jan Šverma site and modernising the Svoboda site, where we are refurbishing one coking battery and building a new one.

Business review continued

Stringent cost control meant that mining cash costs were held at EUR 75 per tonne, despite the 13 per cent lower production volumes.

Coking coal demand has followed steel production levels with reduced demand at the beginning of the year and a modest recovery evident in the second half[2].

The main markets for our thermal coal are regional heating plants and power stations, including Dalkia, Verbund and ČEZ, the largest electricity producer in the Czech Republic, and our steel manufacturing customers who produce their own energy. The thermal coal market in Central Europe is relatively static as it is not economically viable to transport coal long distances, creating a steady and reliable customer base for NWR.

Demand for electricity fell by an estimated 6 per cent in the Czech Republic with a similar fall in demand for thermal coal. As a result, volumes and prices for thermal coal proved to be more resilient reflecting stronger spot thermal prices and robust international markets.

The market for our coke products proved more volatile in 2009 as customers with integrated steel mills retrenched and focused on satisfying their requirements from their own coking plants. It is estimated that approximately 10.7 million tonnes of coke capacity has been permanently shut in Europe in the past year due to the crisis, mainly in Eastern Europe and Russia. This reduced capacity will lead to tightening supply in the region and, as steel production returns to higher capacity utilisation levels, create an opportunity for merchant coke producers such as NWR.

Coal operations

Our principal activity of hard coal mining is conducted through our wholly-owned subsidiary, OKD, a.s. ('OKD'). We produce quality coking coal and thermal coal (also known as steam coal). Coking coal is used as a raw material in steel production, and thermal coal is sold to electricity producers, industrial users and other energy producers.

NWR has set production targets for the year 2010 at 11Mt of coal and 1Mt of coke, and expects that approximately 60 per cent of total coal sales will be coking coal and 40 per cent will be thermal coal. NWR expects to sell approximately 40 per cent of its coking coal as hard coking coal, while the remaining 60 per cent should be sold as semi-soft. For thermal coal, the Company expects that approximately 20 per cent will be sold as middlings.

We operate four mines covering an area of 120km^2, in the Upper Silesian coal basin of the northeast region of the Czech Republic. The four facilities are Darkov, Karviná, Paskov, and ČSM. The highest quality coking coal is produced from the Paskov mine. Our four mines have 23 shafts extracting coal from depths ranging from 600 to 1,000m below the surface. Mines are operating seven days a week with coal production on six days and a day for maintenance. Coal seams range in thickness from 0.8m to 8m. Each mine has its own processing plant, which receives, processes and blends coal.

Our mines extract coal using the traditional longwall mining method. This is a fully mechanised underground technique in which the coal face is supported by hydraulic props and shield supports, while a coal shearer excavates the coal. Roadheaders and loading machines are used to create

2 Source: World Steel Institute. NWR's customer markets are Czech Republic, Poland, Austria, Slovakia and Germany.

Coking Plant Optimisation Programme 2010 ('COP 2010'): the key facts

OKK is the largest producer of foundry coke in Europe. The goal of COP 2010 is to centralise and modernise the Company's coking operations at the Svoboda site and to close the Jan Šverma site.

EUR 63 million is the total CAPEX for COP 2010. In addition to the decommissioning of Jan Šverma in 2010, a new battery is being constructed at the Svoboda plant and one of the existing batteries is being refurbished. The new battery will come on stream at the end of 2010, adding up to 220kt of coke capacity to Svoboda and, combined with the refurbished battery, overall maximum capacity will be around 850kt from 2011. Consolidating production onto the Svoboda site will drive down unit costs and allow greater flexibility to respond to requirements for both foundry and blast furnace coke (also known as metallurgical coke).

long rectangular blocks of coal, which are then mined with the longwall equipment. The coal is then transported to the surface by electric conveyor belts. After the mining of a particular longwall panel has been completed, the entire longwall system is moved to a new mining area.

Through our principal capital investment programme, Productivity Optimisation Programme 2010 ('POP 2010') we have modernised our underground equipment, leading to improved efficiency records at all four of our mines. Average daily production using the new POP 2010 longwalls was approximately 145 per cent higher than production using the old equipment. Altogether, the implementation of the POP 2010 programme has led to an increase in overall longwall productivity of approximately 15 per cent in 2009 compared to 2008. Following the completion of this programme, NWR will continue to produce the same volume of coal, but with five fewer longwall sets in operation.

During the year we produced 11Mt of coal, 13 per cent down on the 12.7Mt produced in 2008. External sales were 5.2Mt of coking coal and 4.9Mt of thermal coal.

Sales of coking coal were down significantly compared with 2008, reflecting the reduced demand from the steel industry. Revenues declined by 48 per cent to EUR 449 million (2008: EUR 860 million) as prices reflected a worsened steel industry environment, declining by 36 per cent to EUR 87 per tonne. Coking coal sales in 2009 were approximately 43 per cent hard coking coal and 57 per cent semi-soft.

Thermal coal sales volumes remained relatively stable during the year, down 4 per cent. Revenues were maintained at EUR 351 million (2008: EUR 352 million) with prices rising marginally by 4 per cent to EUR 72 per tonne due to customers seeking to guarantee supplies at the end of 2008 when prices were negotiated for the year ahead. Thermal coal sales in 2009 were approximately 80 per cent coal and 20 per cent middlings.

Coal inventories rose substantially during the first half 2009 as customer demand declined, peaking at 1.35Mt in April 2009 before declining by 75 per cent to 341kt at the year end.

Stringent cost control meant that mining cash costs were held at EUR 75 per tonne, despite the 13 per cent lower production volumes – a significant achievement in a turbulent market. Swift management action including cost cutting initiatives, led to a 21 per cent decrease in the consumption of materials and energy, and a 16 per cent reduction in service expenses (including contractors) at the end of 2009. Additionally, NWR reduced overall headcount by 11 per cent (including contractors) compared to 2008, and combined with a reduction in average wage costs, this led to an overall reduction in personnel costs of 20 per cent at the end of 2009. Constructive discussions with our trade unions enabled us to reach a mutually beneficial agreement – this was key in helping us mitigate some of the consequences of the crisis. The Company continues to enforce prudent cost management into 2010.

Business review continued

The key elements of our strategy are to improve efficiency, profitability and sustainability of our mining and coking operations, and to actively pursue growth opportunities in our region.

Coke operations

We operate two coking plants through our wholly-owned subsidiary, OKK Koksovny, a.s. ('OKK'). The two plants, Svoboda and Jan Šverma are located close to our mines. The Svoboda plant produces both foundry and blast furnace coke primarily from coking coal from our mines, with the remainder imported from Poland.

Coke is produced by heating the coking coal in furnaces at temperatures of up to 1,200°C, to extract volatile components such as gases, and produce a highly efficient, high carbon fuel. Our steel customers use our blast furnace coke as a reducing agent in smelting iron ore in the process of making steel and our foundry coke is used by the iron founding industry to melt pig iron that is then used to make iron castings. Traditionally, foundry coke commands higher prices in the market.

Under COP 2010, all coking production is being consolidated at Svoboda and the Jan Šverma plant will be shut down by the end of 2010. Plans to modernise the Svoboda facilities include the refurbishment of battery no. 8 (including replacing the main collecting pipeline of the battery's chemical element). Additionally, a new 220kt battery is being built. The linings of the new battery chambers are complete and production is expected to start at the end of 2010.

After COP 2010 is fully implemented, Svoboda will be capable of producing both blast furnace and foundry coke, with a maximum capacity of 850kt per year, at lower coke conversion costs per tonne[3] and reduced environmental impact. The new facilities will also allow flexibility in the production of the entire variety of grades and qualities of coke, further improving efficiency and productivity.

In May 2009 we announced the decision to shut down the Jan Šverma coking facility ahead of the original schedule in response to the reduced coke demand seen during the first half of 2009. However, later in the year, we noted modest improvement in coke demand, which prompted the decision to keep the remaining battery operational. Nevertheless, we reiterate our intention to fully shut down the Jan Šverma facility as part of COP 2010, by the end of 2010.

Reflecting weak customer demand, coke production during the year was down 35 per cent to 843kt compared with 1.3Mt in 2008. External sales in 2009 were 0.7Mt and were approximately 45 per cent blast furnace coke, 25 per cent foundry coke and 30 per cent others. Coke sales in 2010 are expected to be approximately 58 per cent blast furnace coke, 29 per cent foundry coke and 13 per cent others.

Prices followed a similar pattern to demand, declining to EUR 149 per tonne for the full year 2009, 52 per cent lower than in 2008. Combined with the reduced volumes, this led to a significant drop in revenues of 68 per cent to EUR 105 million (2008: EUR 333 million). As a result of the reduction in volumes, unit costs rose to EUR 84 per tonne (including the one-off impact of the EUR 7 million severance payments

3 Coke conversion cash cost per tonne reflects the operating costs incurred in producing coke, excluding the cost of coal input. OKK stand-alone.

related to the closure of one of the batteries at the Jan Šverma coking plant).

At the start of 2009, coke inventories were at 135kt. As a result of deteriorating market conditions, inventories rose by 62 per cent during the year, ending the year at 219kt.

Strategic development

The key elements of our strategy are to improve efficiency, profitability and sustainability of our mining and coking operations, and to actively pursue growth opportunities in our region.

In line with our strategy to focus on our core business of coal mining and coke production, we have signed an agreement to sell our subsidiary, NWR Energy, a.s. ('NWRE') to Dalkia Česká republika, a.s., a leading energy group in the Czech Republic for approximately EUR 122 million in cash[4]. The transaction is expected to close during the first half of 2010 subject to certain conditions. NWRE activities include the distribution of electricity and the supply and distribution of heat, compressed air and water. It has two subsidiaries, CZECH-KARBON s.r.o., ('Czech Karbon') a Czech electricity trading company and NWR ENERGETYKA PL Sp. z o.o., a Polish company responsible for the purchase and distribution of electricity in Poland. As part of the transaction, we have secured a long-term agreement with NWRE and its subsidiaries to supply key utilities and services to OKD.

We have successfully completed POP 2010 and remain on track with COP 2010. We have also moved forward cautiously with our regional development opportunities, making progress with an alternative development plan for Dębieńsko and putting any work on Morcinek on hold until market conditions improve.

We hold a 50-year mining licence for Dębieńsko, which is located in southern Poland, 40km from the Czech border. Dębieńsko is our most advanced expansion project and holds 190 million tonnes of hard coking coal reserves, under the current licence, which covers the exploration of deeper seams, 1km underground. Our Polish subsidiary, NWR KARBONIA, sp. z.o.o completed an alternative development plan that explores the option of also developing the shallower thermal coal seams. This new approach reduces the investment cost and development time to bring the mine on stream, compared with the original plan. We are in the process of applying for an amendment to the current 'Dębieńsko 1' licence to include further coal reserves, related to the shallower seams, to those already included in the currently held licence.

Our second development project in Poland, Morcinek is also located in southern Poland, near the border of the Czech Republic. The cross-border treaty signed by the Czech and Polish authorities in August 2008, opens up the opportunity to reopen the Morcinek mine. We signed a letter of intent with Jastrzebska Spolka Weglova S.A., a Polish mining company who were the last company to explore the area.

We are assessing the scope and nature of the geological and pre-feasibility work required to proceed with the project, when appropriate.

Longer term, we believe the future privatisation of the Polish reserves will present major merger and acquisition opportunities for NWR. Our track record in revitalising our Czech assets and expertise in the geology of the upper Silesian coal basin, combined with the relationships we have already established with the Polish authorities on the Dębieńsko and Morcinek projects mean we are well positioned to exploit these opportunities when they arise.

4 To be further adjusted on the basis of NWRE 2009 consolidated EBITDA, performance of the electricity trading portfolio of Czech Karbon and net debt. The EBITDA price adjustment may result in an increase of the purchase price of no more than approximately EUR 6 million. The adjustment related to the performance of Czech Karbon's electricity trading portfolio may result in a reduction of the purchase price of no more than approximately EUR 2 million. The proceeds of this transaction will be received in CZK and are subject to certain adjustments. The EUR amount is based on the exchange rate of the day the deal was announced (CZK/EUR 26.311), thus the EUR amount is subject to exchange rate fluctuations.

Business review

Expanding our reserve base

Our current reserves will enable us to remain in business for the long-run. Our commitment to our capital investment programme, POP 2010 has helped improve our productivity capabilities, access deeper coal seams as well as reduce costs – improving our competitive position. Coupled with opportunities offered by development projects in southern Poland, our sustainable growth remains sound.

Sustainable development review

The concept of corporate social responsibility and sustainability forms an integral part of NWR's business strategy and it encompasses all areas of the Company's activities.

Our approach to sustainable development includes:

→ **Our people**
Improving the working environment of our staff and keeping them safe

→ **Our environment**
Minimising the impact of the Company's activities on its local environment

→ **Our community**
Contributing to and supporting the communities where we operate

We believe that high standards of corporate responsibility are critical to the sustainability and profitability of our business. Keeping our employees safe, minimising our environmental impact and contributing to the communities where we operate, are all integral to the way we operate.

Our people

Health and safety

Maintaining the highest standards of health and safety is critical for a business working in an inherently dangerous environment and we have continued our drive to raise standards and reduce risks throughout the year.

We have well developed safety guidelines, processes and monitoring systems throughout our mines and coking plants. Every employee is encouraged to be aware of risks and to take personal responsibility for their own safety and that of their fellow workers.

Our safety record is comparable to worldwide standards and we strive to constantly improve it. Lost Time Injury Frequency Rate ('LTIFR')[1] is an internationally used measure of safety, and our LTIFR demonstrates the significant progress we have made over the last five years, falling by 49 per cent and 63 per cent for our mining and coking operations respectively. Despite this improved performance, five fatalities incurred during the year, three in our mines and two at our coking plant operations. These incidents are taken extremely seriously and investigated by the Company, the labour unions and government representatives, with recommendations being made to the Company's Health, Safety and Environment Committee (HSEC) for action.

Our major capital investment programme, Productivity Optimisation Programme 2010 ('POP 2010') has contributed to the improvement in 2009.

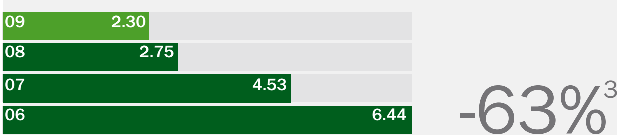
As well as significantly raising productivity at our mining operations, the cutting edge technology installed as part of POP 2010 has a direct impact on health and safety, by providing better support for roofs and producing less dust.

Non financial key performance indicators

Safety

Mining LTIFR[1] (inc. contractors)

Coking LTIFR[1] (inc. contractors)



1 LTIFR = number of reportable injuries after three days of absence divided by total hours worked expressed in millions of hours.
2 Comparison between 2005 and 2009.
3 Comparison between 2006 and 2009.

Safety as a priority

In September 2009, NWR hosted an international conference for leading mine rescue experts from around the world.

Around 160 leading mine safety specialists from over 20 countries attended the International Mine Rescue Conference in Ostrava to discuss safety and ways to improve mine rescue.

Hosted by the Central Mine Rescue Station, OKD, HBZS, a.s, a subsidiary of OKD, the experts shared international experiences and innovations. OKD received great recognition for the SAFETY 2010 programme and POP 2010 equipment, described by one high profile delegate as 'amongst the world's leading mining innovations'.

The principal theme of the conference was the effectiveness of underground rescue missions. Delegates also discussed setting up an international network for mine safety and health protection.

The more advanced equipment is also better suited to handle the irregularities that deep-level mining can present. POP 2010 also encompasses an extensive training programme, which has subsequently played an integral role in improving the overall corporate culture of the Company.

SAFETY 2010 is a EUR 17 million investment programme aimed at improving health and safety across our mining operations, including upgrading personal equipment. More powerful and lighter lamps, stronger boots, clothing with reflective strips and the latest self rescue devices are being issued to every miner.

Each mining business unit sets specific objectives to reduce its accident rate and the number of emergencies. Weekly safety audits have been introduced, along with a programme of regular safety meetings – for example, regular daily 10-minute staff training session before each shift.

Training and development

As one of the largest private sector employers in the region, we are committed to improving the skills of our workers and to helping them develop to their full potential. A number of new initiatives launched during 2009 will help us build the skills we need for the future and provide training opportunities for our workforce.

In support of SAFETY 2010, a new OKD Central Training Centre was opened at the Darkov mine. At a total investment of approximately EUR 500 thousand, the centre will serve all our miners in the Karviná region, as well as the staff of the contractor firms working for OKD, a.s. ('OKD').

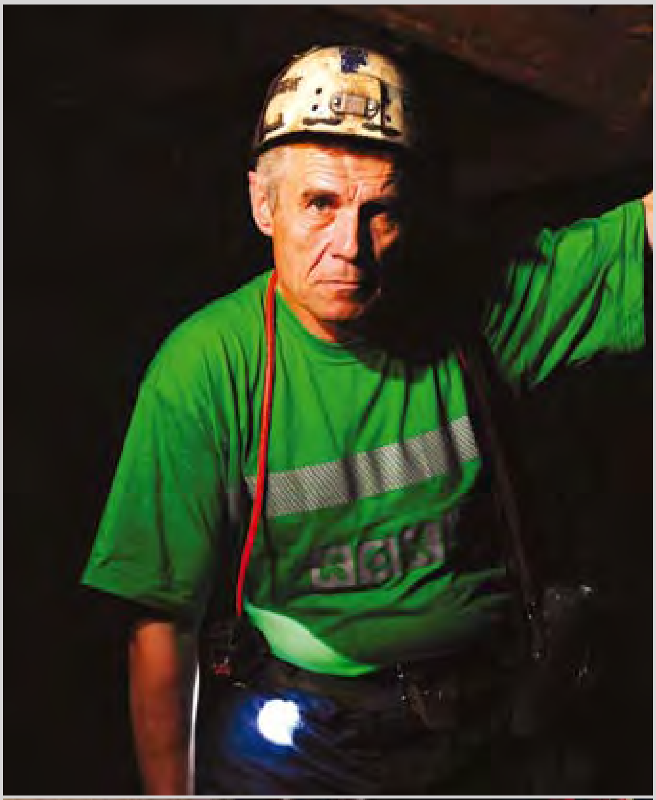
OKD has also been working hard to readdress the decline in mining skills in the region during the 1990s. OKD has renewed its collaboration with the Vocational School of Technology and Services in Karviná, supporting the introduction of a new three year curriculum to develop mining operation specialists, such as mining electricians and locksmiths.

The families of our workers are also included in the programme, for instance the OKD Academy project, designed to support children in their studies at high school and university to maintain the traditions of the mining profession and transfer experience from generation to generation.

Delivering value through quality people

Developing our workforce

A new OKD Central Training Centre at the Darkov mine will serve all our mines in the Karviná region. In addition to health and safety training, it will run induction training, specialist courses in IT and languages and retraining programmes. With a total capacity of 298 training seats, it ranks among the largest in North Moravia. The Centre has 12 training rooms, of which three are equipped with computers, which will be used for PC training and e-learning.



Sustainable development review continued

Our environment

As one of the major industrial players in the region, we work closely with a range of stakeholders, including the Czech Mining Authority, the Ministry of the Environment, local municipalities, mining communities and environmental bodies.

Our environmental monitoring and management covers water and air pollution, waste disposal, hazardous chemical management and reclamation work around our mines. In 2009, no substantial issues in these areas were identified by the regulating bodies. For further information see the report of the HSEC on page 65 of the Corporate Governance report.

Reclamation

With mining activity taking place in the region for the last 200 years and little reclamation work taking place in the past, we are working closely with the Czech government on a number of projects to restore the natural landscape surrounding our mining operations. Since 1989, we have spent more than CZK 4 billion on environment protection and reclamation. The pace of land recovery works has increased as a result of co-financing from government bodies.

The scope of reclamation work is very diverse and includes both technical reclamation, i.e. area shaping, restoration of water courses, relocation of utilities etc., and biological reclamation, i.e. re-vegetation of the landscape.

During 2009 we spent approximately EUR 13.9 million[1] on reclamation work, including contributing to the Darkov Sea reclamation project. This is the largest project of its kind in Moravia, covering 145 hectares. Wildlife is already returning to the clean waters there and its future as a sports and recreation area is assured.

Waste management

We are committed to minimising the impact of refuse from our operations. We maintain refuse disposal storage sites for waste rock – coarse and fine debris – and we sell a portion of waste rock for local use in road building and construction. We also recover fine coal waste from ponds wherever possible, which is then blended with other coal products for sale.

We have an agreement with Green Gas International B.V. (‘GGI’), a company specialising in methane extraction, to purchase superfluous gas from our mines. GGI operates automatic mine gas extraction stations in all the closed mine locations of the Ostrava-Karviná district.

Looking forward, we have a comprehensive environmental impact plan, which covers our strategy and activities up to 2015.

1 Average 2009 FX rate - 26.43.

New reservoirs for reclaimed land

Concerns about possible contamination meant that in the past, use of water plains were restricted. However, tests undertaken by the Institute of Geological Engineering of the Technical University in Ostrava in 2001 found that the water left in the subsidence basins and slurry ponds was of good quality.

The best results came from small subsidence basins in a forest environment, which showed properties very similar to those of water resources in a natural environment. These findings have led to the successful development of new reclamation areas including the planting of new forests in areas with the potential for lakes and reservoirs.

Our community
Our contribution to the local communities where we operate is channelled through the OKD Foundation, a charitable organisation established by OKD in 2008. The Foundation has rapidly become a well respected leader in the not for profit sector of the Czech Republic. It has distributed approximately EUR 3.8 million[1] and supported over 600 projects so far.

Despite the challenging economic environment in 2009, the NWR Group maintained its support, in line with its contribution the prior year, contributing over EUR 5.4 million[1] to the OKD Foundation and EUR 38,000 to the St. Barbara Civic Association.

In addition to supporting projects aimed at improving the quality of life in the region, during the year the OKD Foundation used some of its funds to help in large scale, unexpected crisis situations such as the floods in the North Moravian region in the summer of 2009 as well as supporting the families of miners who perished in the tragic disaster in the Handlova mines in Slovakia.

To evaluate our community activities, the Foundation use the internationally acknowledged London Benchmarking Group ('LBG') standard. The LBG model provides a comprehensive and consistent set of measures for companies to evaluate their contribution to the community, including cash, time and in-kind donations, as well as management costs. The model also captures the outputs and longer-term impacts of community contribution projects on society and the business itself.

The OKD Foundation through its six programmes sponsored over 200 projects in 2009, by contributing a total of EUR 1.5 million.

Restoring the Beskydy fountains

The Beskydy fountains is a unique source of water in the protected Kudlačena wetland meadow, which has been preserved by conservationists from Valasske Mezirici, with support from the OKD Foundation.

Kudlačena is a typical Wallachian peat or "sihla" meadow found at the foot of the hills, one of the few remaining today. Covering an area of less than five and a half hectares, it is home to many protected plant and animal species.

In October 2009 a new fountain was opened and provides water to local cottages. The water is sourced from a spring that flows under a nearby tourist footpath. As part of the restoration project, the spring was cleaned, a new base wall was built, a top cover fixed and a wooden trough attached.

Additionally the Czech Union for Nature Conservation in Valašské Meziříčí gathers valuable data on fountains, springs, deep pools and wetland meadows to support the need to protect and restore such areas. The current database contains 229 localities in the Valašsko region alone.

Financial review

Marek Jelínek
Executive Director and Chief Financial Officer of NWR

Given the severity of the economic downturn, we focused our attention on the aspects we could control: costs and cashflow. We ended 2009 with EUR 548 million of unrestricted cash, giving us the financial flexibility to continue investing in the business.

Overview

The regional and global economic downturn took its toll on our key market – the steel industry. The collapse of steel production in the first half of 2009 led to a slump in demand and significant reductions in prices for coking coal and coke. As a result our consolidated revenues declined 38 per cent to EUR 1,117 million[1] (2008: EUR 1,815 million[1]) compared with the previous year.

Given the severity of the economic downturn, we focused our attention on the aspects we could control: costs and cashflow. By the end of the year our biggest cost category – personnel – was down 20 per cent compared with 2008 (excluding employee benefits), helping keep mining unit cash costs stable year on year. As a result of stringent cash management, we ended the year with EUR 548 million[1] of unrestricted cash on our balance sheet.

Although swift action was taken to reduce costs, the sharp contraction in demand ultimately led to a decrease in EDITDA to EUR 179 million[1], down 74 per cent on the previous year (2008: EUR 684 million[1]).

Following a tough first half of 2009, demand for our coking coal and coke steadily improved during the second half of 2009, reflecting signs of improvement in the steel market. This trend accelerated in the fourth quarter with sales volumes continuing to rise, delivering a 17 per cent increase in revenues quarter on quarter. On a quarterly basis production levels also rose. Coal production was up 18 per cent on the third quarter with coke production increasing significantly by 32 per cent, quarter on quarter. This resulted in a fourth quarter EBITDA of EUR 68 million[1]; ending 2009 with a strong and positive net profit quarter.

The adjusted loss per A share for the year ended 31 December 2009 was EUR (0.25).

Production and sales volumes

Coal

Although total coal production decreased by 13 per cent to 11Mt in 2009 compared with the previous year, the upward trend in the second half of 2009 resulted in a strong performance in the fourth quarter with production up 18 per cent, compared to the previous quarter.

Following a similar pattern, net sales volumes were down 12 per cent year on year to EUR 10.1 million but increased orders received during the fourth quarter of 2009 resulted in a 15 per cent quarter on quarter improvement.

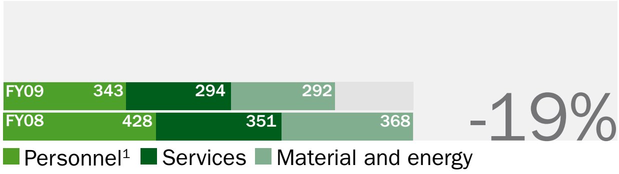
Consequently, we have been able to reduce our coal inventory significantly. Between the end of September and the end of 2009 stocks were down by 53 per cent.

Total revenues were down 38 per cent in 2009, mainly due to a 48 per cent decrease in revenues from external coking coal sales as a result of both lower prices and volumes. Revenues from external thermal coal sales were flat at EUR 351 million, as the increase in prices offset the lower volumes.

1 Figure noted is for Continuing Operations.

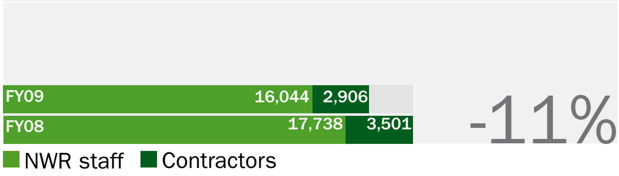
Operating costs

Costs EUR (million)



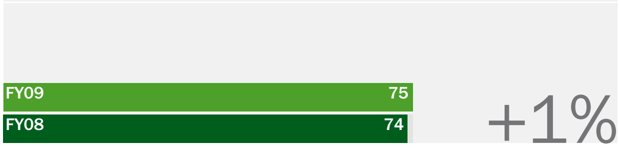
1 Excluding employee benefits.

Average headcount



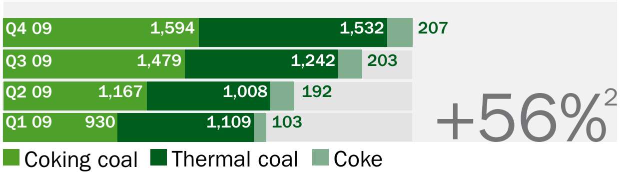
Unit cash costs

Coal mining (OKD) (EUR per tonne)



Quarterly development

Sales volumes (kt)



2 Comparison between Q1 2009 and Q4 2009.

Coke

Our coke business was hit even harder by the economic crisis. As a direct result of weaker customer demand, coke production declined by 35 per cent to 0.8Mt in 2009 but recovered strongly in the fourth quarter – up 32 per cent on the third quarter.

Overall, coke sales volumes decreased by a similar rate, down 36 per cent to 0.7Mt and delivering a smaller 2 per cent increase in the fourth quarter.

Revenues from external coke sales were down 68 per cent in 2009, as a result of significantly lower volumes and prices.

Costs

In the first half of 2009, stringent cost control cut our operating expenditure significantly to mitigate the sharp revenue decrease seen in the period. This included some tough decisions on personnel costs – our largest expense category. We reduced our overall headcount by 11 per cent, (including contractors), compared to 2008 and, due to constructive discussions with our trade unions, we achieved a reduction in average wages. At the end of 2009, overall personnel costs were 20 per cent lower than in 2008. Combined with a 21 per cent decrease in consumption of materials and energy and a 16 per cent reduction in service expenses (including contractors), these measures delivered a reduction in main operating costs of 19 per cent compared with 2008.

These efforts, together with the impact of the Productivity Optimisation Programme 2010 ('POP 2010') equipment, helped us maintain mining unit cash costs per tonne[2] for the year at EUR 75 per tonne (2008: EUR 74 per tonne) – a significant achievement in light of the 13 per cent decrease in production during the year.

However, at the year-end, our coke conversion unit cash cost[3] had increased. This is largely due to the dramatic decline in production levels, down 35 per cent in 2009 compared to 2008, as the conversion costs are largely fixed costs of coking production. It also includes a EUR 7 million severance payment related to the closure of one of the batteries in the Jan Šverma coking plant.

Capital expenditure (CAPEX)

Total CAPEX in 2009 was EUR 250 million, 12 per cent lower than the previous year (2008: 285 million).

Despite difficult conditions during the first half of 2009, we continued with the planned expenditure on our two major capital investment projects – POP 2010 in mining operations, and Coking Plant Optimisation Programme 2010 ('COP 2010') in coking operations. The decision reflected the strategic importance of these investments for the future of the business. The massive efficiency gains from POP 2010 are testament to the strategic value of the new equipment.

2 Cash cost per tonne reflects the operating costs incurred in mining both coking coal and thermal coal. OKD stand-alone.
3 Coke conversion cash cost per tonne reflects the operating costs incurred in producing coke, excluding the cost of coal input. OKK stand-alone.

Financial review continued

The massive efficiency gains from POP 2010 are testament to the strategic value of the new equipment and these made a strong contribution to holding our mining unit cash costs per tonne flat year on year.

As part of our cash management initiatives during 2009, we delivered a revised plan to mine coal in Dębieńsko, our most advanced development project. The new plan reduces both CAPEX and lead time to production. Total CAPEX required for the project is now estimated between EUR 350 and EUR 400 million over a five year period, with the first two years and the fifth year expected to be the most CAPEX intensive.

CAPEX (EUR million)	**FY 2009**	FY 2008
POP 2010	**129**	172
OKD a.s. ('OKD')	**92**	97
OKK Koksovny, a.s. ('OKK')	**24**	13
Projects in Poland	**1**	1
Other	**5**	2
TOTAL	**250**	285

Exchange rates

The Czech Koruna depreciated against the Euro by approximately 6 per cent year on year to an average exchange rate of CZK/EUR 26.4 for the year ended 31 December 2009.

NWR's policy is to hedge approximately 70 per cent of its exposure to currency fluctuations. Approximately 43 per cent of the forecast 2010 exposure is covered by forward currency contracts.[4] The expected proceeds from the sale of NWR Energy, a.s. ('NWRE') will effectively hedge the balance of the expected 2010 exposure.

Cash flow

Net operating cash flow during the year decreased to EUR 176 million from EUR 524 million in 2008, reflecting the lower prices and volumes of coking coal and coke sold compared to 2008.

Cash flow from our coal mining business was positive at EUR 318 million in contrast to our coke operations, where cash flow was negative at EUR 70 million.

Increased sales and improved working capital management delivered a significant improvement in operating cash flow in the fourth quarter of 2009, reaching EUR 157 million, up EUR 111 million quarter on quarter.

Sale of NWRE

In January 2010, we completed a further step in the long term process of streamlining the business to focus on our core coal mining and coke production. We have signed an agreement to sell our subsidiary, NWRE, to Dalkia Česká republika, a.s. ('Dalkia') for approximately EUR 122 million[5] in cash, due on closure of the deal. As a leading energy group in the Czech Republic, Dalkia is well placed to operate and develop this business going forward.

4 As per the Preliminary results for the 12 months ended 31 December 2009.

The transaction is expected to close in the first half of 2010 subject to the fulfilment of a number of conditions. The net proceeds of the sale will be used for corporate purposes, including possible debt repayments.

It is intended that NWRE and its subsidiaries will continue to supply OKD with key utilities and services under a long-term agreement, which will secure our future energy supplies.

Dividend

As a result of the challenging economic and market environment and the negative net income achieved in 2009, NWR suspended dividend payments during the year.

Our dividend policy remains unchanged. The Board of Directors is committed to distributing approximately 50 per cent of the Mining Division's consolidated annual net income over the course of the business cycle. As the business returns to profitability, we will look to resume dividend payments and this will be assessed in the course of 2010. For further information please refer to the NWR website.

Liquidity and capital resources

We ended the year with net debt of EUR 486 million (2008: EUR 369 million) with no material refinancing obligations until 2012. At the end of 2009, we were in compliance with all our financial covenants.

There are three main components to our debt: 2015 Senior Notes, a Senior Secured Facility, and an Export Credit Agency ('ECA') covered loan.

During 2009, we redeemed EUR 32 million of our 7.375% Senior Notes, reducing the outstanding principal amount to EUR 268 million. The total purchase price for the Notes was EUR 30 million, excluding fees and accrued interest.

We also entered into a EUR 141 million nine-year loan facility guaranteed by Euler Hermes, the ECA of Germany. The principal purpose of this facility was to finance the acquisition of Phase II of the POP 2010 equipment. Repayments will be made in 17 semi-annual linear instalments.

We continue to work towards optimising our capital structure. Our strong financial position means that we have the flexibility to approach the capital markets opportunistically and we will continue to monitor market conditions with a view to exploring opportunities to optimise our debt structure when we can ensure efficient pricing.

At 31 December 2009 our unrestricted cash on hand amounted to EUR 548 million, down EUR 131 million[6] compared to the previous year, giving us the flexibility to continue investing in the business.

Outlook

The early signs of recovery in the steel industry in 2009 have continued into the first quarter of the new financial year and we are approaching 2010 with cautious optimism.

As a result, 2010 production targets have been set at 11Mt for coal. We expect that 60 per cent of total coal sales will be coking coal and 40 per cent will be thermal coal. NWR expects to sell approximately 40 per cent of its coking coal as hard coking coal while the remaining 60 per cent should be sold as semi-soft. For thermal coal we expect that approximately 20 per cent will be sold as middlings. The production target for coke in 2010 has been set at 1Mt. Coke sales in 2010 are expected to be approximately 58 per cent blast furnace coke, 29 per cent foundry coke and 13 per cent others.

The improvement in markets for regional and global coal and coke has been reflected in the achieved higher price for the first quarter of 2010. The coking coal price is up 18 per cent to EUR 103 per tonne and prices for coke have reached EUR 195 per tonne, up an encouraging 31 per cent on 2009. Thermal coal prices have been agreed for the whole of the calendar year at EUR 63 per tonne, reflecting current European market rates and an expected market adjustment of the higher price levels of 2009[7].

We expect to re-negotiate prices for our coking coal in March and April for the next 12 months in line with the Japanese fiscal year, which runs from April to March. This will allow our coal prices to better reflect the global supply and demand situation. Our coke sales will continue to be repriced on a quarterly basis.

Following the successful conclusion of the collective agreement with our trade unions, overall personnel expenses should remain flat year on year (in Czech Koruna). We expect mining cash cost per tonne to remain stable in 2010 compared to 2009, on a constant currency basis.

In addition to our annual maintenance CAPEX of approximately EUR 80 to 100 million, in 2010 we have capital expenditure commitments for the completion of our strategic investment projects of approximately EUR 50 million related to POP 2010 (deferred payments from 2009) and EUR 35 million related to COP 2010.

With stringent cost control continuing into 2010 and a strong cash position, we are well positioned to manage the volatility of the business in the current market, and to respond to the demands of our markets as they recover.

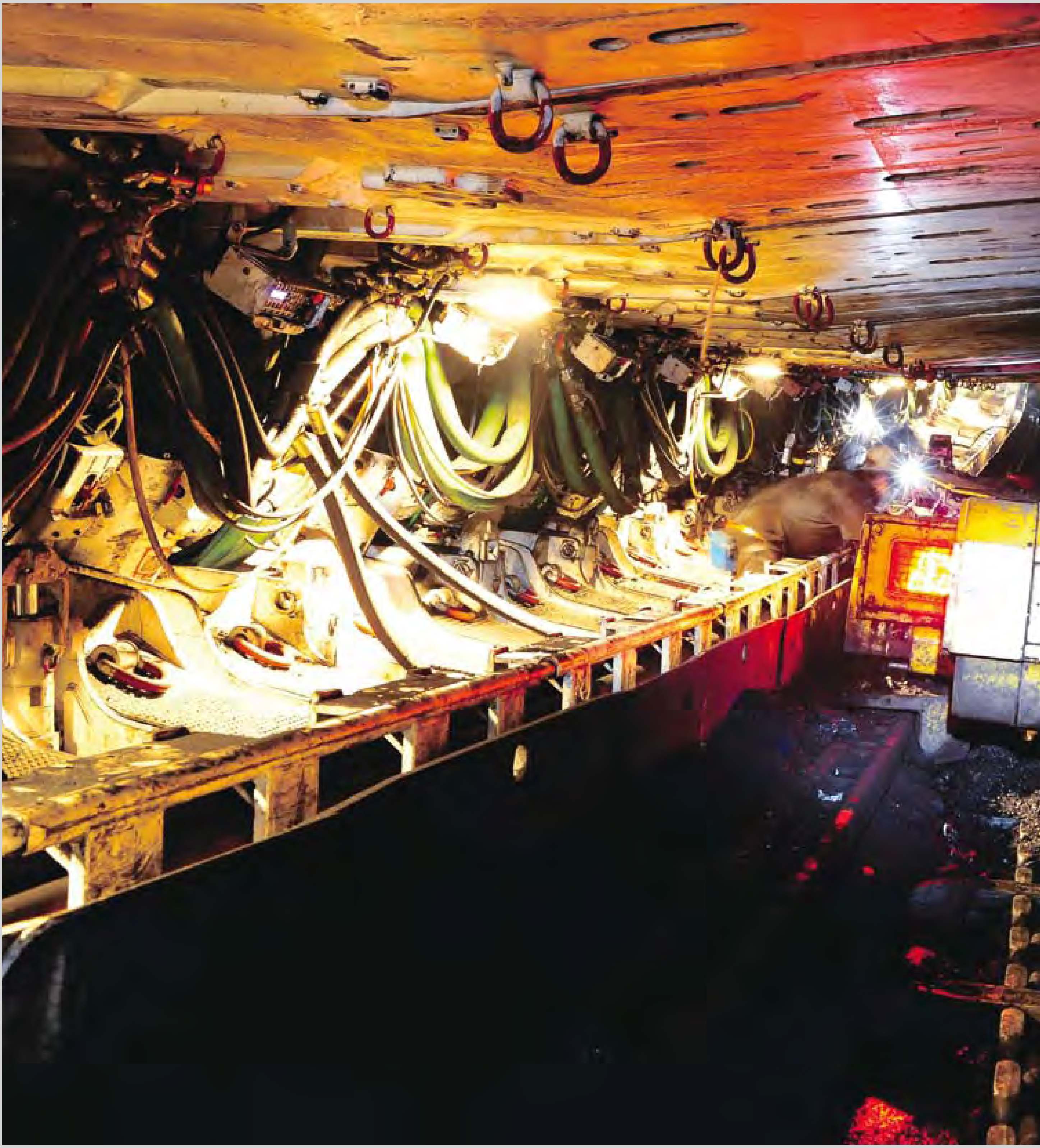
Marek Jelínek
Executive Director and Chief Financial Officer of NWR

5 To be further adjusted on the basis of NWR Energy's 2009 consolidated EBITDA, performance of the electricity trading portfolio of CZECH-KARBON s.r.o. ("Czech Karbon") and net debt. The EBITDA price adjustment may result in an increase of the purchase price of no more than approximately EUR 6 million. The adjustment related to the performance of Czech Karbon's electricity trading portfolio may result in a reduction of the purchase price of no more than approximately EUR 2 million. The proceeds of this transaction will be received in CZK and are subject to certain adjustments. The EUR amount is based on the exchange rate of the day the deal was announced (CZK/EUR 26.311), thus the EUR amount is subject to exchange rate fluctuations.

6 Figure includes EUR 11 million cash held for sale.

7 All prices are based on an exchange rate of CZK/EUR 24.50.

Delivering value through technology

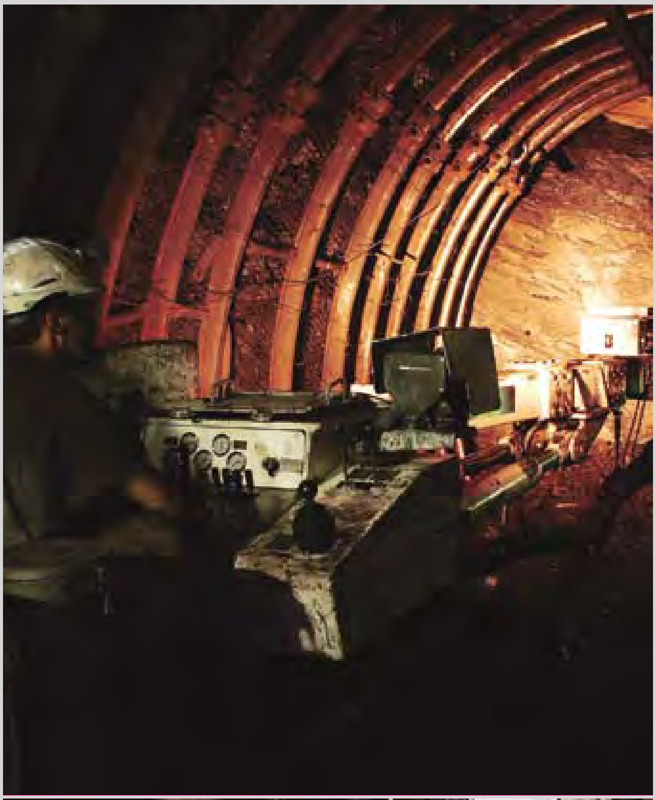


POP 2010: implementation at the Darkov Mine

Two longwalls and two development sets have been successfully installed in Darkov and are now fully operational, driving up productivity significantly from an average daily production of 1,300 tonnes per day to 5,084 tonnes.

One of the longwalls was installed 950m below the surface and marked record production of 7,000 tonnes of coal per day.

Covering an area of 26km^2, Darkov is NWR's second largest active mine. With around 3,950 workers, it operates seven days a week, with coal production on six days and a day for maintenence.



Risk Management

Risks Operational risks	Description of risks	Measures to reduce the risks
Economic conditions globally and in the Central and Eastern European ('CEE') region may continue to have an adverse effect on the Group's business.	Recent events in the global economy and specifically, the CEE economy have adversely affected the business, including demand for and pricing of coal and coke. The continuation, or worsening, of current global and CEE economic conditions could continue to result in a decrease in the use of coal by NWR's Central European customers, specifically the Central European steel and coking industries, or result in decreased prices for coal and/or coke. NWR's suppliers and customers may be affected by the economic instability, which would affect the the Group's production and supply process, and could adversely affect the business, financial condition or operations. NWR's long-term framework agreements note that prices are re-negotiated periodically, which may lead to lower revenues when prices decline. The agreements generally do not commit NWR's customers to purchase any quantity of coal at any price beyond a one-year period. As a result, the long-term framework agreements would provide only limited price protection if coal prices decline. If the existing long-term framework agreements with NWR's major customers were modified or terminated or if periodically re-negotiated prices or volumes did not reflect the expected or historical contracted values, the Group's revenues and operating profits could be materially adversely affected to the extent that it is unable to find alternative buyers for its coal on comparable terms as in its existing agreements.	NWR continues to closely monitor economic developments, both local and global, in order to ensure that NWR is ready for appropriate action when necessary. Throughout 2009, the Group has improved cost efficiency by carrying out various initiatives throughout the Group. Among these are the improvement and expansion of shared service centres on support activities for the mining division, as well as the continuation of the centralisation process for repair and maintenance. NWR is in close contact with its main suppliers and customers in order to minimise the potential impact of recent and current economic instability wherever possible. NWR is continuously monitoring price developments in the regional and global markets as well as any developments that may affect its main customers' industries in order to ensure streamlined price negotiations with all of its potential clients.
Impact of health, safety and environmental exposures and related regulations on operations and reputation.	NWR's coal mining operations are subject to significant operating risks that could result in decreased coal production, and so reduce revenues. NWR is strongly committed to minimising risk in the health, safety and environmental areas as far as possible. However, due to the nature of its operations, there may be unforeseen events out of the Company's control that could adversely affect the business, results of operations and financial condition.	NWR has continued to improve working conditions and the safety environment for its employees by implementing the SAFETY 2010 projects that it initiated in 2008. Throughout 2009, new world-class underground mining equipment was commissioned. In addition, protective equipment for the employees was refurbished and replaced and state-of-the-art measurement and safety instruments were installed in order to ensure a safe working environment and to minimise the possibility of safety issues

	Additionally, any significant changes in government or EU regulations could adversely affect NWR's ability to produce and sell its products in a highly competitive environment.	impacting the Company's activities. Health and safety are top priorities for the Company and NWR continues to closely monitor any developments in these areas and will take appropriate action to bring its operations in line with best practice in the industry as necessary. NWR is in close cooperation with the Ministry of Environment and other governmental regulatory bodies in order to ensure timely and adequate communication of the environmental impact of mining activities in the region where it is operating. Correct assessment of environmental impact analyses is vital for the continuation of NWR's operations.
The Group relies on the performance of highly skilled personnel, and if the Group were unable to hire and retain qualified personnel, or to retain key personnel, the business would be affected.	A shortage of skilled labour in the mining industry could result in the Group having insufficient employees to operate its businesses. In the event that there is a continuing shortage of skilled labour, there could be an adverse impact on labour productivity and costs and the Group's ability to maintain or expand production. This could adversely affect the business, results of operations and financial condition of NWR. NWR's senior executives together have an average of approximately 20 years of experience in the coal industry, with specific experience in, among other areas, maintaining strong customer relations and making strategic and opportunistic acquisitions. The ability to maintain NWR's competitive position and to implement the business strategy is dependent on the Company's senior management and the ability to attract and retain experienced and qualified members of management.	Throughout 2009, NWR has had intense negotiations with the various labour unions in the region. The purpose of these negotiations was both to ensure correct and appropriate terms and conditions in labour contracts in relation to the current economic situation and to maintain and improve the good relationships the Group has with its counter-parties in the mining industry. Good relationships with counter-parties, such as labour unions and relevant education organisations, are vital for attracting and retaining competent employees for the Group's activities. NWR's senior management have been appropriately incentivised. Please refer to the Remuneration Report page 78 for further details.
NWR is dependent on a small number of large customers.	A substantial portion of the Company's sales volumes of coal are sold under long-term framework agreements, and a substantial portion of the sales are made to a small number of customers. A decrease in demand for NWR's products or the inability to collect payment from any customer could adversely affect the results of operations and financial condition.	NWR has long-term framework agreements with its main customers, expiring at various times from 2009 until 2016. These agreements, as well as the annual and quarterly supply agreements, are reviewed and re-negotiated periodically, ensuring medium-term stability in sales levels and pricing of the Company's products. NWR closely monitors its customers' creditworthiness in order to ensure the ability to collect payment from its customers.

Risk Management continued

Risks Financial risks	Description of risks	Measures to reduce the risks
NWR's financial results may be adversely affected by fluctuations in currency exchange rates and interest rates.	NWR's sales are typically priced in Czech Korunas and Euros, and the Group's direct costs, including raw materials, labour and transportation costs, are largely incurred in Czech Korunas, while other costs, such as interest expense are incurred in Czech Korunas and Euros. The mix of the Group's revenues and costs is such that appreciation of the Czech Koruna against the Euro tends to result in a decrease in revenues relative to its costs and a decline in its results of operations. In addition, if the Czech Koruna depreciates significantly against the Euro, NWR could have difficulty repaying or refinancing its foreign currency denominated indebtedness. NWR's development projects in Poland are subject to fluctuations of the Polish Zloty against the Euro and Czech Koruna. It is possible that changes in the exchange rate of the Polish Zloty may adversely affect the results of operations.	In 2009 NWR improved the centralisation of its treasury operations in order to ensure a timely and consolidated approach to currency and interest rate exposure. As a result, the Company has applied various financial instruments to minimise its exposure to currency fluctuation and interest rate volatility to acceptable levels, depending on the foreseeable time horizons of these exposures. With regard to currency fluctuation, the maximum time horizon is 12 months ahead as this generally matches the time horizon of the NWR's expected revenues and costs. As a policy, NWR aims to mitigate 70 per cent of its consolidated exposure to currency fluctuation. The maximum time horizon for financial instruments used to mitigate the exposure to interest rate volatility matches the contracted periods of NWR's indebtedness, which ultimately determines the degree to which NWR is exposed to the volatility of floating interest rates. In 2009 NWR entered into additional interest rate hedging, taking advantage of the period of historically low interest rates. The Company is currently not exposed to floating interest rates.
Claims or liabilities to third parties resulting from the Group's activities may adversely affect NWR's profitability.	The nature of the operations may be a source for potential claims or liabilities related to damages to properties owned by third parties. Any such costs incurred for reclamation or compensation paid for property damages may require NWR to make significant payments in the future adversely impacting the business, results of operations and financial condition.	NWR continues to minimise the possibility for claims due to damages resulting from its operational activities as far as possible. Throughout 2009, there have not been any significant changes in claim or compensation occurrences compared to previous years and as a result, there was not any immediate need for specific actions or changes in the way NWR is monitoring and handling its claim management.

NWR's substantial debt or its inability to incur additional debt could adversely affect the Company's financial condition.	The requirement to service the Company's debt makes NWR more vulnerable to general adverse economic conditions, requires NWR to dedicate a substantial portion of its cashflow from operations to payments on debt, and limits the flexibility in planning for, or reacting to, changes in the business and the industry in which the Company operates. NWR must make significant capital expenditures in order to maintain or increase its production levels and improve overall efficiency. The inability to finance these and any other expenditure through debt financing could have an adverse effect on the business, financial condition or results of operations.	NWR's liquidity management view throughout 2009 has been of a low-risk, high flexibility nature, ensuring the availability of liquidity at appropriate moments. In order to finance its capital expenditures, NWR has entered into a separate debt facility ensuring the continuation and finalisation of its production improvement projects in 2010.

Risks Government regulation risks	Description of risks	Measures to reduce the risks
Environmental or other regulatory requirements that may result in increases in costs or decreases in production ability or demand for coal.	Any increased local or international environmental regulations could have a significant adverse effect on the effective cost or the use of coal and, as a result, decrease the demand for coal. In addition, the operations of the Company could be subject to increased environmental or other regulations, increasing the costs or decreasing the production capacity. This could have an adverse effect on the business, financial condition or results of operations.	NWR maintains close and positive relationships with the regulatory bodies that influence the regulations that NWR is subject to.
Czech Act on Mining and Geological Works	The possibility exists that the Czech Act on Mining and Geological Works (the 'Mining Act') may be amended pursuant to a bill proposed by a group of MPs without governmental support in a manner that may, if approved, adversely affect NWR's mining operations. The pending amendment to the Czech Mining Act proposes, inter alia, to change the regime of depreciating the reserves, cancels the priority right of mining companies to buy out or lease properties in the mining areas and also changes the regime of revoking mining licences. This amendment, if enacted in the future, could make the Group's ability to receive mining concessions and to negotiate with local governments and owners of properties affected by its mining activities more difficult.	The Company closely monitors the legal environment in the jurisdictions in which it operates in order to ensure the ability to receive the mining concessions it needs for its mining activities. The Group actively took part in the drafting phase, submitting its proposal and comments to the amendment.

Corporate Governance

Corporate governance at NWR

New World Resources N.V. ('NWR' or the 'Company') is committed to maintaining high standards of corporate governance throughout NWR and its subsidiaries (the 'Group' or the 'NWR Group'). As a company registered in the Netherlands, and listed in the UK, the Czech Republic and Poland, NWR has established an appropriate corporate governance framework, which takes into account international best practice requirements. The Company's Corporate Governance Policy is based primarily on the Dutch Corporate Governance Code and also complies with the spirit of the substantive requirements of codes in the UK, the Czech Republic and Poland. The policy formulates the standards of governance that NWR's Board of Directors (the 'Board') intends to uphold and ensures the maintenance of a coherent and effective system of governance. The policy can be found at www.newworldresources.eu.

Role of the Board

The role of the Board is to promote the achievement of the corporate objectives of the NWR Group, protect the interest of the NWR Group and represent NWR, holders of A and B shares and other stakeholders. The Board manages the Mining Division and the Real Estate Division. Day-to-day operational decisions relating to the Mining Division and Real Estate Division at the level of NWR are taken by NWR's employees and overseen by the Board (as described in more detail in the 'Real Estate Committee' report on page 67). The Board has identified a number of matters specifically reserved for its decision and these include:

> approval of the overall strategy and annual budgets of the business;
> appointment of the Board's Chairman;
> approval of internal policies (such as the Corporate Governance Policy, Code of Ethics and Business Conduct, Divisional Policy Statements, Share Dealing Code, the terms of reference of the Board's committees, etc.);
> determination of the annual remuneration of Executive and Non-Executive Directors within the scope of the Remuneration Policy and adoption of the Group's compensation plan;
> review of the financial and annual reports; and
> approval of major transactions, including acquisitions, by NWR and its subsidiaries.

Decisions of the Board regarding a major change in the identity or character of the Company or the enterprise shall be subject to the approval of the General Meeting of Shareholders. In particular, shareholders would need to approve:

> the transfer of the business or the majority business of NWR to a third party;
> the conclusion or cancellation of any long-lasting cooperation by NWR or a subsidiary with any other legal person if such cooperation is of essential importance to NWR; and
> the acquisition or disposal of a participating interest in the capital of NWR with a value of at least one-third of the sum of the assets according to the consolidated balance sheet of the last adopted annual accounts of NWR, by NWR or a subsidiary.

Main activities of the Board in 2009

The Board met six times in 2009. In response to the challenging financial and market environment in 2009, the Board adopted numerous strategic and business resolutions to minimise the impact of the global economic downturn on the Group's performance. Actions were initiated with regard to costs, output and capital with a view to both mitigating against the challenging market environment, as well as to better position NWR in the industry. The Board approved and regularly reviewed cost cutting and cash flow preservation initiatives and production targets, as well as strategic investment plans to optimise returns and cash flow. The difficult environment for the steel and coal sectors and low visibility of global economic conditions were the main triggers for the Board to cancel the proposed acquisition of approximately 25 per cent stake in Ferrexpo plc in order to retain operational flexibility.

Main issues discussed and approved by the Board in 2009 included: final dividend for 2008, Group budget for 2009, partial redemption of 7.375% Senior Notes due 2015, disposal of the Group energy assets, financing of 85 per cent of the net purchase price of five new longwall sets under the Phase II of the Productivity Optimisation Programme 2010 programme and optimisation of NWR's coke operations. The Board monitored hedging arrangements developed and applied by NWR in line with its long-term hedging strategy. Approved were the proposed transfers of the real estate assets in accordance with the Divisional Policy Statements and a provision of an intercompany loan to OKK Koksovny, a.s. ('OKK') (as described in more detail in the 'Material Contracts' section on page 74). The Board also reviewed the annual remuneration of the Executive and Non-Executive Directors and approved various adjustments, as described in the 'Remuneration Report' on page 78. Also approved were share issues in May and September 2009, which were part of the long-term incentive plans of certain Directors and a grant of options to several eligible employees under the Company's Stock Option Plan. Upon the proposal of the Remuneration Committee, the Board engaged Mercer to review the Group compensation scheme with the aim of aligning it more closely with the Group's strategy, interests and risks. More details on the review may be found in the 'Remuneration Report' on page 78.

The Board reviews, on a regular basis, Group financial results as well as market analysis, analyst and investor feedback and performance of NWR's shares. The Board is regularly notified on operational performance of NWR's core operations and receives regular health and safety reports. To ensure adequate global oversight by the Board of all relevant matters, the Board also receives oral reports on the activities of the Board committees and minutes from their meetings.

In the area of corporate governance, the Board adopted a Group Treasury Policy, amended the Whistleblower Procedure and updated the retirement scheme of Directors in line with the changed composition of the Board. To consolidate the donor and sponsorship activities of the NWR Group, the Board established a Sponsorship and Donation Committee.

Board attendance

Name	Attendance
Mike Salamon	6
Marek Jelínek	6
Klaus-Dieter Beck	6
Zdeněk Bakala	6
Peter Kadas	6
Alex T. Krueger[1]	4
Christiaan Norval[2]	1
Milan Jelinek[3]	4
Hans Mende	5
Pavel Telička	6
Kostyantin Zhevago[4]	2
Bessel Kok	6
Hans-Jörg Rudloff	5
Steven Schuit	6
Paul Everard	6
Barry Rourke	6

1 Mr. Krueger resigned from the Board on 30 June 2009.
2 Mr. Norval resigned from the Board on 25 March 2009.
3 Mr. Jelinek passed away unexpectedly on 16 August 2009.
4 Mr. Zhevago was appointed as Non-Independent Non-Executive Director of the Board on 28 April 2009.

Composition of the Board

NWR has a one-tier Board comprising of both Executive and Non-Executive Directors. The Board is presided over by its Executive Chairman, Mike Salamon. As at 31 December 2009, the Board had 13 members in total. Of these, three were Executive Directors and five were Independent Non-Executive Directors. Non-Executive Directors assist in developing NWR's strategy and monitor the performance of Executive Directors and Group management. Non-Executive Directors are also responsible for determining appropriate levels of remuneration of Executive Directors and are entrusted with such duties as are or will be determined by or pursuant to the Articles of Association or a resolution of the Board.

On 25 March 2009, Mr. Norval, Non-Independent Non-Executive Director, resigned from the Board with immediate effect. Mr. Norval resigned due to conflicting commitments, in particular the management of Green Gas International B.V., an affiliate of NWR.

On 28 April 2009, the Annual General Meeting of Shareholders approved the Board's proposal to appoint Mr. Kostyantin Zhevago as Non-Independent Non-Executive Director of the Board. Mr. Zhevago is the beneficiary of a trust, which is the ultimate and controlling shareholder of Ferrexpo plc, and was appointed as Chief Executive Officer of Ferrexpo plc on 1 November 2008.

Mr. Krueger resigned from the Board on 30 June 2009. He was Non-Independent Non-Executive Director. Mr. Krueger is a managing director of First Reserve Corporation, which, together with American Metals & Coal International, Inc., disposed of its share in RPG Industries SE ('RPGISE'), the former majority shareholder in NWR, on 9 July 2009.

Milan Jelinek passed away unexpectedly on 16 August 2009, at the age of 77. Mr. Jelinek served as Non-Independent Non-Executive Director of the Board since 2006. Mr. Jelinek also served as a member of the Board of Directors of OKD, a.s. ('OKD') since 2005.

Director independence

The Board determines that a Director is independent based on the independence criteria contained in the Corporate Governance Policy of NWR.

A Director shall not be deemed to be independent if the Director concerned (or his wife/her husband, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree) has been an employee of the NWR Group within the last five years; receives personal financial compensation from any NWR Group company other than the compensation received as Director; has had an important business relationship with NWR or a company associated with it in the year prior to the appointment; holds a cross-directorship or has any significant links with other Directors through involvement in other companies or bodies where these cross-directorships or links would materially interfere with the Director's objective, unfettered or independent judgement or ability to act in the best interests of NWR; holds directly or indirectly more than 10 per cent of the A shares or B shares; or is a member of the (management or supervisory) board or senior management of an entity, which holds directly or indirectly at least 10 per cent of the A shares or B shares.

Board expertise

The Board has determined that as a whole, it has the skills and experience necessary to discharge its functions. Executive and Non-Executive Directors have the experience required to contribute meaningfully to the Board's deliberations and resolutions, including international operational and financial experience, knowledge of the mining sector and capital markets, as well as command of health, safety and environmental issues. The Board believes that this complies with best practice provisions III.3.2 and III.3.4 of the Dutch Corporate Governance Code. Full biographical details for each Director are given on pages 10 to 13.

Corporate Governance continued

Name	Position	Age	Member as of
Mike Salamon	Executive Director/Chairman	55	1 September 2007
Marek Jelínek	Executive Director/CFO	37	6 March 2007
Klaus-Dieter Beck	Executive Director/ CEO of OKD	55	12 June 2007
Zdeněk Bakala	Non-Executive Director/Vice-Chairman	49	15 August 2006
Peter Kadas	Non-Executive Director/Vice-Chairman	48	15 August 2006
Hans Mende	Non-Executive Director	66	15 August 2006
Pavel Telička	Non-Executive Director	44	11 September 2007
Kostyantin Zhevago	Non-Executive Director	36	28 April 2009
Bessel Kok	Senior Independent Director	68	11 September 2007
Hans-Jörg Rudloff	Independent Non-Executive Director	69	11 September 2007
Steven Schuit	Independent Non-Executive Director	67	20 November 2007
Paul Everard	Independent Non-Executive Director	69	20 November 2007
Barry Rourke	Independent Non-Executive Director	59	20 November 2007

Director appointment

In compliance with the Articles of Association of NWR, the Annual General Meeting of Shareholders appoints Directors based on the binding proposal of the Board. While no Director has been appointed by holders of B shares, the B shareholders have the right to nominate one Director pursuant to the Articles of Association. Such proposals must include the names of at least two candidates as well as an indication of whether the Director proposed is to be an Executive or a Non-Executive Director. In the event the Board or the holders of B shares, as the case may be, have not made or have not made in time a binding nomination, the Annual General Meeting of Shareholders may appoint a Director at its discretion.

The Annual General Meeting of Shareholders may at all times overrule the binding nature of a proposal by resolution adopted with an absolute majority of the votes cast representing at least one-third of the issued share capital. If an absolute majority of the votes cast is in favour of the resolution to overrule the binding nature of a proposal, but such majority does not represent at least one-third of the issued share capital, a second meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the portion of the issued share capital that this majority represents. If a binding proposal has been overruled by the Annual General Meeting of Shareholders, the Annual General Meeting of Shareholders may appoint a Director at its discretion.

The Directors may be suspended or dismissed at any time by the Annual General Meeting of Shareholders. Directors are appointed for a term of four years and retiring Directors are eligible for reappointment. The Board will propose reappointment of Mr. Bakala, Mr. Kadas and Mr. Mende for a second term at the Annual General Meeting of Shareholders held in 2010 since they have served as Directors since 2006. A Director may be appointed for a maximum of three four-year terms. NWR has adopted a retirement scheme for Directors in order to prevent the simultaneous departure of more than one-third of its Directors; the retirement scheme may be found at NWR's website. Reappointment is not automatic. Retiring Directors who are seeking reappointment by shareholders are subject to a performance appraisal. The Board will not endorse a Director for reappointment if his performance is not considered satisfactory.

The Chairman of the Board

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

Information, professional development and support

Directors received a tailored induction upon joining the Board. This included presentations by senior management and regular on site visits to core operations.

Directors are also entitled to seek, at NWR's expense, independent professional advice where they judge it necessary to discharge their responsibilities. To this effect, the Board and its committees have retained legal, compensation, internal audit and general advisors in 2009.

Company Secretary

The Board has appointed Ivona Ročárková to act as Company Secretary. Directors have access to the advice and services of the Company Secretary who is responsible for advising the Board and its Directors on all governance matters. The Company Secretary ensures that Board procedures and functions comply with relevant laws and regulations, and discharges such other responsibilities the Board has assigned to her.

Board effectiveness and evaluation

In 2009, the Board conducted, with a support of an external advisor, the first evaluation of its effectiveness. The objective was to also assess the performance and functioning of the Board committees, individual Directors and Company Secretary. The overall feedback received through the questionnaires and individual interviews with the Directors was very positive, yet the process identified several areas requiring more attention going forward. The Directors in particular asked for a long-term induction plan, extension of strategic discussions and formalisation of certain internal procedures across the Group. More systemisation of executive remuneration and human resources management was also requested. Some Directors asked for a more detailed feedback from the committees.
The Company has commenced taking steps to respond to the requests and concerns raised during the 2009 evaluation process.

A Board strategy session and a Non-Executive Director session of the Board have been scheduled for June 2010. During the Board retreat, Directors and key executives will review and discuss the long-term strategy of the Group and the implementation of the business plan. The performance of the Board's Chairman and other Executive Directors will be discussed during the session of the Non-Executive Directors.

Board committees

The Board has established five committees to assist the Board in exercising its authority: the Audit and Risk Management Committee; the Remuneration Committee; the Finance and Investment Committee; the Health, Safety and Environment Committee; and the Real Estate Committee. The members of the committees are members of the Board. A description of their activities during 2009 is included in separate reports of the committees.

Committee composition and meeting frequency/attendance

	ARMC	RC	FIC	HSEC	REC
Mike Salamon	–	–	Member (7/7)	Member (3/3)	–
Marek Jelínek	–	–	Member (7/7)	–	–
Klaus-Dieter Beck	–	–	–	Member (3/3)	–
Zdeněk Bakala	–	Chairman (4/4)	Member (7/7)	–	–
Peter Kadas	–	–	Chairman (7/7)	–	–
Alex T. Krueger[1]	–	–	Member (7/3)	–	–
Christiaan Norval	–	–	–	–	–
Milan Jelinek	–	–	–	–	–
Hans Mende	–	–	–	–	–
Pavel Telička	–	–	–	–	–
Bessel Kok	Chairman (7/7)	Member (4/4)	–	–	–
Hans-Jörg Rudloff	Member (7/7)	Member (4/2)	–	–	–
Steven Schuit	Member (7/7)	–	–	Member (3/3)	Member (7/7)
Paul Everard	–	–	–	Chairman (3/3)	Member (7/7)
Barry Rourke	Member (7/6)	–	–		Chairman (7/7)

1 Mr. Krueger resigned from the Board on 30 June 2009.

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

The Board has also established the Sponsorship and Donation Committee to consolidate the donor and sponsorship activities of the NWR Group. The committee comprises of the Senior Independent Director and employees of the Group responsible for the respective area.

Management

The Executive Chairman of the Board is the executive leader of the NWR Group and ensures that Executive Directors and senior managers meet their objectives.

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

The Chairman of the Board of Directors of OKD, Klaus-Dieter Beck who is at the same time the Chief Executive Officer of OKD, is responsible for the operation of OKD. He reports to the NWR Board and its Executive Chairman.

Ján Fabián who was appointed as Chief Operating Officer of NWR has the overall responsibility for the operations of NWR KARBONIA Sp. z o.o. ('NWR Karbonia') and OKK. Mr. Fabián reports to the NWR Board.

Corporate Governance continued

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

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

The Board believes the best practice provisions III.6.1 to III.6.3 of the Dutch Corporate Governance Code have been complied with.

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

The core operations of NWR have implemented a corresponding procedure. The Audit and Risk Management Committee monitors, through reports received from the Company Secretary, the effectiveness of the procedure. Further details can be found in the report of the Audit and Risk Management Committee.

The Code of Ethics and Business Conduct and the Whistleblower Procedure are both available on NWR's website at www.newworldresources.eu.

Risk management
The Board recognises the need to continue improving the Group's internal control processes and structures. Internal control and risk management procedures are described in more detail in the 'Internal control and risk management' section on pages 50 to 53. The NWR Group uses the COSO-framework for the evaluation of the internal control system to mitigate risks. To the best knowledge of the Board, the internal risk management and control systems of the Group are adequate and effective with respect to its current operations.

The Board has delegated the oversight of risk management and internal control within the NWR Group to the Audit and Risk Management Committee, which continued to monitor the measures implemented to mitigate identified risks. Details of the activities in this area are described in the report of the Audit and Risk Management Committee on page 62.

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

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

Articles of Association
The Articles of Association may be amended by the General Meeting of Shareholders in which at least three-quarters of the issued share capital is represented and with a majority of at least two-thirds of the votes cast. A resolution to amend the Articles of Association on the proposal of the Board shall be passed by an absolute majority of the votes cast, irrespective of the capital present or represented at the meeting. Certain proposals would require a prior or simultaneous approval of the meeting of holders of B shares. NWR's Articles of Association are available on NWR's website at www.newworldresources.eu. The Board will propose to the Annual General Meeting of Shareholders held in 2010 to amend the current version of the Articles of Association, to reflect the changes in the organisation since the Initial Public Offering ('IPO') in May 2008.

Share capital, controlling shareholder
In July 2009, RPGISE, the former majority shareholder of NWR, transferred its holding in NWR representing approximately 63.72 per cent of the issued ordinary A shares to its affiliate, BXR Mining B.V., ('BXRM') which thus became a direct shareholder of NWR. The shares held by BXRM in NWR were reduced to 63.66 per cent after NWR issued new A shares in September 2009.

Notwithstanding these changes to the structure, RPG Partners Limited ('RPGP') continues to be the controlling shareholder of NWR, having effective control of NWR.

Full details on the changes in the shareholding structure of NWR occurring in 2009 may be found in the 'Shareholder Information' section on page 168.

100 per cent of the B shares are owned by RPG Property B.V., which is the indirect subsidiary of RPGP.

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

To ensure that all transactions and relationships between BXRM are on arm's length terms, BXRM as the current holder of all of the NWR's A shares, assumed rights and obligations of RPGISE under the Relationship Agreement. The Relationship Agreement was entered into by RPGISE, Crossroads Capital Investments, Inc. and Mr. Zdeněk Bakala in April 2008 to deal with NWR's independence from RPGISE. If a conflict arises between them, those Directors with a potential conflict of interest will take no part in the Board's decisions on that matter. For further information see the 'Related Party Transactions' section on page 70.

Directors' interest in shares

The table below sets out information pertaining to the shares held by the Directors in NWR.

Name	At 1 January 2009	At 31 December 2009
Mike Salamon	268,800 shares and 1,055,200 options	437,618 shares and 790,849 options
Marek Jelínek	7,075 shares and 39,776 options	7,075 shares and 261,665 options
Klaus-Dieter Beck	12,490	12,490
Zdeněk Bakala[1]	–	–
Peter Kadas[1]	–	–
Hans Mende	38,000	38,000
Pavel Telička	–	–
Kostyantin Zhevago	–	–
Bessel Kok	15,532	68,830
Hans-Jörg Rudloff	61,852	115,150
Steven Schuit	11,852	65,150
Paul Everard[2]	31,852	85,150
Barry Rourke	11,852	65,150

1 Please refer to the 'Shareholder Information' on page 168 in respect of the individual interests of entities affiliated with Messrs. Bakala and Kadas in the A shares and B shares of NWR.

2 Includes shares held in the name of spouse (or other member of family if applicable), fund, trust or other nominee.

Market disclosure and relations with shareholders

The Board places considerable importance on the effective communication with shareholders. Executive Directors and senior executives have frequent discussions with institutional shareholders on a range of issues affecting the Group's performance, which include meetings following the announcement of the annual and interim results. The Board's Chairman, Chief Financial Officer, Chief Operating Officer and Investor Relations personnel meet with major shareholders to discuss performance, strategy and governance, and the Non-Executive Directors are available for discussions with shareholders if required.

The Board receives regular reports on changes to the shareholdings of the major investors, analyst reactions, share trading statistics and other information about the views of the capital market.

Agnes Blanco Querido, Head of Investor Relations and her team manage the ongoing dialogue with equity analysts and NWR's shareholders and potential investors. Regular presentations to shareholders and analysts take place at the time of quarterly, interim and final results.

During the year, the Company organised numerous presentations, meetings and conference calls with institutional investors in the UK, US, the Czech Republic, Poland and other European countries to communicate the financial performance and strategy of NWR.

Petra Mašínová, the Head of Corporate Communication of NWR, is responsible for external and internal communication and the corporate social responsibility policy of NWR.

The Board will use the Annual General Meeting of Shareholders to communicate with shareholders and welcomes their participation. It is the intention that the Chairman will aim to ensure that the Chairmen of the Board committees are present at the Annual General Meetings of Shareholders to answer questions. The next Annual General Meeting of Shareholders will be held on 27 April 2010 in Amsterdam, the Netherlands.

The financial reports, press releases, regulatory announcements and other information on matters of interest to investors can be found on the Company's website at www.newworldresources.eu.

Going concern

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

Corporate Governance continued

Conformance with corporate governance standards

NWR is required to state in its Annual Report whether it complies or will comply with the principles and best practice provisions of the Dutch Corporate Governance Code (dated 1 January 2009) and, if it does not comply, to explain the reasons for non-compliance. NWR is also required by the Listing Rules of the UK Listing Authority to describe areas in which its actual governance practices significantly differ from the requirements of the UK Combined Code. The following section is a report on compliance with the corporate governance regulations and best practice codes applicable in the Netherlands and the UK.

Dutch Corporate Governance Code

The Corporate Governance Code of December 2003 has been replaced by a new Code effective from 1 January 2009.

NWR has drawn up internal corporate governance regulations that comply to the extent possible with the Dutch Corporate Governance Code. As reported in this section, NWR complies with the principles and best practice provisions of the Dutch Code, except for a limited number of best practice provisions described below. Information on the Dutch Corporate Governance Code Monitoring Committee can be found at: www.commissiecorporategovernance.nl. More specific information for the Dutch Corporate Governance Code can be found at: www.commissiecorporategovernance.nl/Corporate_Governance_Code.

Board and committee structure

NWR has a one-tier Board structure consisting of Executive and Non-Executive Directors. The Company complies with the Dutch Code by applying the provisions relating to members of the Management Board to Executive Directors, and the provisions relating to members of the Supervisory Board to Non-Executive Directors. The composition and functioning of the Board allows proper and independent supervision of Executive Directors by the Non-Executive Directors.

The Board consists of 13 Directors, which includes five Independent Non-Executive Directors within the meaning of best practice provision III.2.2. The number of Independent Non-Executive Directors is less than the prescribed majority pursuant to best practice provision III.8.4 of the Dutch Code. However, the Board believes that the current proportion of the Independent Non-Executive Directors is adequate given the ownership structure of the Group. Moreover, the quality and deployment of these Directors ensure Board effectiveness. The Independent Non-Executive Directors are entrusted with the key tasks that require independence: staffing of the Audit and Risk Management Committee, which ensures the integrity of financial reporting and monitors the audit functions as well as potential conflicts of interest, and staffing of the Real Estate Committee, which protects the interest of holders of A shares and B shares.

NWR has appointed an Executive Chairman and as such deviates from best practice provision III.8.1 of the Dutch Code. NWR believes that the presence of an Executive Chairman is needed to provide leadership at Group level in a holding structure in which the leadership of operations is exercised at operating company level. The presence of majority shareholder representatives on the Board alongside Independent Non-Executive Directors guarantees that there are appropriate checks and balances to the influence of the Executive Chairman.

NWR has not established a selection and appointment committee (i.e. nominating committee) and as such deviates from principle III.5 and best practice provision III.5.14 of the Dutch Code. The Board believes that NWR's current ownership structure makes the establishment of such a committee unnecessary. The Board as a whole fulfils the tasks and responsibilities set out by the Dutch Code for such a committee.

Remuneration, share options and awards

The Company does not carry out scenario analysis to determine the level and structure of the remuneration of the Executive Directors as required by best practise provision II.2.2. since their employment terms were set before the IPO and has not changed since then.

The possibility to exercise options by a Director, rather than the granting of options to a Director, as set out in best practice provision II.2.4, is dependent on the achievement of challenging targets specified before-hand (pursuant to the Company's Stock Option Plan).

The Independent Non-Executive Directors were granted A shares at the completion of the IPO and on the 12-month anniversary thereof, resulting in a deviation of best practice provision III.7.1, which states that no shares shall be granted to Independent Non-Executive Directors. NWR considers its practice in compliance with international business practice. The Company also considers the granting of A shares as an important incentive to attract individuals with the required skills and expertise to serve as Independent Non-Executive Directors in an international mining company of moderate size.

Under existing employment arrangements of Mike Salamon with NWR and of Klaus-Dieter Beck with OKD, stock options and share awards are granted under terms that deviate from best practice requirements set out in chapter II.2 of the Dutch Code. Details of these awards are fully described in the Remuneration Report.

Dealing in securities

The Company has a Share Dealing Code, which governs dealing in Company's shares by, *inter alia*, the Directors and plans to amend it within the meaning of best practice provision III.6.5 of the Dutch Code so that it also covers ownership of and transactions in other securities.

Contacts with shareholders

The Company has not formulated an outline policy on bilateral contacts with the shareholders, as provided for by best practice provision IV.3.13 of the Dutch Code, and plans to adopt it in due course.

UK Combined Code

In addition to the areas reported under the Dutch Code, the following deviate from best practice requirements of the UK Combined Code:

> Directors are appointed for a term of four years, and were not subject to election by shareholders at the first Annual General Meeting of Shareholders after their appointment, whereas the UK Combined Code (provision A.7.1) requires the election by shareholders at the first Annual General Meeting of Shareholders after their appointment and re-election at intervals of no more than three years;

> the Remuneration Committee is chaired by Zdeněk Bakala, whereas the UK Combined Code (provision B.2.1) recommends that the Remuneration Committee be comprised entirely of Independent Non-Executive Directors. Mr. Bakala represents a major shareholder with an obvious interest in ensuring that the remuneration of Executive Directors and senior management is fully aligned with that of shareholders; and
> the Remuneration Committee does not have delegated responsibility for setting the remuneration for the Executive Directors, as recommended by the UK Combined Code (provision B.2.2). Instead, the Remuneration Committee is to, *inter alia*, prepare specific proposals to the Board with respect to the salary, bonuses and other benefits for Executive Directors. This is common practice among companies in continental Europe.

Czech Corporate Governance Code

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

Although NWR does not apply the Czech Corporate Governance Code as such, the Code is generally similar to the UK Combined Code and the material deviations are similar to those described above.

Polish Corporate Governance Code

NWR observes the majority of the principles of corporate governance contained in the Code of Best Practices for Warsaw Stock Exchange Listed Companies (the 'WSE Code')[1]. As the Company is incorporated and organised under Dutch law, certain principles apply to NWR only to the extent allowed by Dutch corporate law and subject to certain reservations stemming from NWR's corporate structure, especially the one-tier Board structure as opposed to the two-tier system that the WSE Code assumes. Therefore, NWR complies partially or is unable to comply fully with Rules I.6, I.7, II.6 and III.1-9 of the WSE Code concerning the Supervisory Board and its members. In cases where NWR is unable to comply with certain principles directly, NWR endeavours to create procedures maintaining the spirit of such principle.

1 The WSE Code imposes upon the companies listed on the Warsaw Stock Exchange an obligation to publish a detailed statement on any non-compliance or partial compliance with the WSE Code; such statement shall be submitted with the Company's Annual Report. The companies are required to indicate ways of eliminating possible consequences of such non-compliance or describe steps, which the Company intends to take to mitigate the risk of non-compliance. In 2009, NWR did not comply with the following rules contained in the WSE Code:

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

Rule I.7. Each member of the Supervisory Board should act in the interests of the Company and form independent decisions and judgements, and in particular:
- refuse to accept unreasonable benefits, which could have a negative impact on the independence of his or her opinions and judgements;
- raise explicit objections and separate opinions in any case when he or she deems that the decision of the Supervisory Board is contrary to the interest the Company.

Rules I.6 and I.7 do not relate to NWR since it has a one-tier Board structure consisting of Executive and Non-Executive Directors and, therefore, the provisions relating to the Supervisory Board do not apply.

Rule II.6 – General Meetings should be attended by members of the Management Board who can answer questions submitted at the General Meeting.

Directors shall attend General Meetings to answer questions. Dutch law however does not provide for a mandatory presence of Directors. Although NWR aims to ensure the presence of its Directors at the General Meetings of Shareholders, it cannot guarantee that all Directors are present.

Rules III.1 to III.9 cannot be directly observed by NWR since NWR has a one-tier Board structure and as such has no Supervisory Board; additional explanation to each rule is given below.

Rule III.1
In addition to its responsibilities laid down in legal provisions, the Supervisory Board should:
- once a year prepare and present to the Annual General Meeting of Shareholders a brief assessment of the Company's standing including an evaluation of the internal control system and the significant risk management system;
- once a year prepare and present to the Annual General Meeting of Shareholders an evaluation of its work;
- review and present opinions on issues subject to resolutions of the General Meeting.

The above responsibilities are performed by the committees established by the Board with the intention to assist the Board in performing its duties regarding internal control and management mechanisms, as described below.

Rule III.2 – A member of the Supervisory Board should submit to the Company's Management Board information on any relationship with shareholders who hold shares representing not less than 5 per cent of all votes at the General Meeting. This obligation concerns financial, family, and other relationships, which may affect the position of the member of the Supervisory Board on matters decided by the Supervisory Board.

NWR has a one-tier Board structure. Since it does not have a Supervisory Board, it can not directly observe the above rule.

Rule III.3 – General Meetings should be attended by members of the Supervisory Board who can answer questions submitted at the General Meeting.

In accordance with the NWR's Articles of Association, members of the Board of Directors are entitled to attend the General Meetings of Shareholders and answer questions posed at the General Meeting.

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

In order to avoid conflicts of interest in a one-tier Board structure, NWR has adopted a Corporate Governance Policy enabling the Board to perform its management as well as supervisory functions in an effective and transparent manner. Under the Policy, Directors are required to report any (potential) conflict of interest to the Senior Independent Director (or to the Board, as the case may be). If an Executive Director has a conflict of interest with NWR, NWR may be represented by the other Executive Directors, unless the General Meeting appoints another person for that purpose.

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

This rule is observed by the Board.

Rule III.6 – At least two members of the Supervisory Board should meet the criteria of being independent from the Company and entities with significant connections with the Company. The independence criteria should be applied under Annex II to the

Corporate Governance continued

Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the Supervisory Board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5 per cent of all votes at the General Meeting.

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

Rule III.7 – The Supervisory Board should establish at least an audit committee. The committee should comprise at least one member independent of the company and entities with significant connections with the Company, who has qualifications in accounting and finance. In companies where the Supervisory Board consists of the minimum number of members required by law, the tasks of the committee may be performed by the Supervisory Board.

The Board has established five committees to assist the Board in exercising its authority: the Audit and Risk Management Committee; the Remuneration Committee; the Finance and Investment Committee; the Health, Safety and Environment Committee; and the Real Estate Committee. The members of the committees are members of the Board. The Audit and Risk Management Committee is comprised purely of Independent Non-Executive Directors, all of whom have requisite experience in accounting and financial management. Though NWR does not have a Supervisory Board, the requirements of the rule III.7 are fulfilled in an extensive way.

Rule III.8 – Annex I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board should apply to the tasks and the operation of the committees of the Supervisory Board.

Each of the five Independent Directors of NWR must meet independence criteria set out by the NWR's Corporate Governance Policy. Those criteria are based on the best practise requirements and are typically stricter than the requirements of the Commission Recommendation of 15 February 2005 regarding the role of non-executive directors.

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

The related party transactions are monitored, through reports received from the external auditor, by the Audit and Risk Management Committee established by the Board. The committee examines and advises the Board on such transactions and agreements to ensure they are on arm's length terms, which is in line with the said rule.

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

Operations and main powers of the General Meeting, shareholders' rights and the exercise thereof are described in 'Shareholder Information' section on page 168.

Composition and operations of the managing and supervising bodies of the Company and their committees are described in the Corporate Governance Report on page 168.

Detailed description of the Internal control and risk management may be found on pages 50 to 53.

Audit and Risk Management Committee ('ARMC') report

The ARMC of NWR supports and advises the Board in its work by:

> ensuring the integrity of consolidated financial statements and consolidated accounts;
> advising the Board on audit, accounting and financial disclosure matters regarding the Real Estate Division of NWR;
> reviewing with the Board and auditors the integrity of the financial statements and other formal announcements relating to NWR's financial performance;
> overseeing the process for selecting the external auditor and making recommendations to the Board on the appointment, dismissal, terms of engagement and fees of the external auditor;
> assessing the external auditor's effectiveness, independence and objectivity, and the provision of non-audit services;
> reviewing the annual audit plan and reports by the external auditor on internal control systems and procedures;
> making recommendations to the Board on the appointment and dismissal of the internal auditor of NWR, reviewing the remit of the Group internal audit and the annual audit plan, and ensuring that the internal audit function is adequately resourced;
> reviewing the effectiveness of the systems for internal control, compliance, budgeting, forecasting and financial reporting of the NWR Group and procedures for identifying strategic and business risks;
> reviewing compliance issues and advising the Board on conflicts of interests, related party transactions and loans to Directors; and
> monitoring the effectiveness of the Whistleblower Procedures within the NWR Group.

Composition

During 2009 the members of the ARMC were: Bessel Kok (Senior Independent Director and Chairman of the ARMC), Hans-Jörg Rudloff, Barry Rourke and Steven Schuit, all of whom are Independent Non-Executive Directors. The Board makes appointments to the ARMC and the Senior Independent Director acts as the ARMC Chairman. The Board has determined that ARMC members have the skills and experience necessary to contribute meaningfully to the ARMC's deliberations. In addition, all members have requisite experience in accounting and financial management.

Activities undertaken during the year

In 2009, the ARMC met six times. The NWR Chief Financial Officer and the external audit partners observed all meetings of the ARMC. The Group's internal auditor also attended the meetings of the ARMC. On one occasion, the Chairman of the Audit Committee of OKD was invited to attend a meeting of the ARMC. In accordance with its rules, the ARMC had a discussion with the external audit partner without management being present.

The ARMC receives regular reports from the Real Estate Committee and the Health, Safety and Environment Committee on their activities to ensure adequate global oversight by the ARMC of key Group risks.

To assist the Board in ensuring the integrity of financial reports to shareholders and banks, the ARMC reviewed the quarterly and half-yearly statutory and consolidated financial statements and preliminary announcements.

The ARMC also received treasury reports and information on the Company's legal affairs, M&A transactions as well as tax position. The ARMC reviewed insurance policies and clarified NWR's corporate governance compliance requirements resulting from the multiple listings of the Group.

The ARMC reported to the Board on its discussions and submitted its recommendations to the Board for approval.

Financial policies
At NWR (consolidated) level, the financial statements are produced under IFRS whilst the subsidiaries of NWR produce their stand-alone accounts in accordance with the Czech accounting standards. The ARMC recommended consolidating Group financial policies and procedures in line with best practice to enable adequate oversight of internal control over financial reporting.

External audit
NWR is based in the Netherlands whilst its largest operations are located in the Czech Republic, therefore both Dutch and Czech offices of the external auditor must be highly involved in the audit process and perfect inter-office communication must be ensured. The representatives of both Dutch and Czech offices attend the meetings of the ARMC. The ARMC assessed the effectiveness, objectivity and independence of the external auditor in 2009 with no material findings.

The ARMC monitored the provision of non-audit services by the external auditor to NWR and its subsidiaries and the related fees, in order to preserve the independence of the external auditor. The external auditor performed agreed upon procedures on a Group business model, reviewed a cost allocation system and provided tax compliance work.

The ARMC has primary responsibility for making recommendations to the Board on the appointment, reappointment and removal of the external auditor. In addition, the external auditor is required to adhere to a rotation policy based on best practice and professional standards. The ARMC is responsible for ensuring that the rotation of the audit engagement partner is carried out in compliance with best practice and applicable regulation.

The ARMC reviewed and approved the terms of engagement of the external auditor, the scope of the external auditor's work, the process for the 2009 interim review and the fee levels. The ARMC reviewed and discussed the reports issued by the external auditor. Management responses to issues that were raised were discussed with the Chief Financial Officer. The reviews of the ARMC confirmed that all significant matters had been satisfactorily resolved. The ARMC also reviewed and approved the annual audit plan including the evaluation of financial reporting risks.

The ARMC assessed the performance and independence of the external auditor and recommended that the Board propose to shareholders the reappointment of KPMG Accountants N.V. at the AGM on 27 April 2010 in Amsterdam in the Netherlands.

Internal audit
The Group internal audit function has been outsourced since November 2008. The Group's internal auditor is responsible for developing and overseeing the implementation of consistent internal auditing policies within the Group, delivering the audit plans and audit assignments, preparing internal audit charters and reporting on Group risk management and internal control. The Group's internal auditor functionally reports to the ARMC and its Chairman in particular and administratively to NWR's Chief Financial Officer. The ARMC shall annually assess the performance of the Group's internal auditor.

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

Due to an amendment to the Czech Act on Auditors, NWR re-established the Audit Committee of OKD (which was originally established by the Supervisory Board of OKD) so that its scope of work, responsibilities and composition comply with the new requirements imposed by the amended Act. The Act provides that at least one member of the Audit Committee has a specified professional background and experience in audit and accounting. NWR therefore appointed Bessel Kok as a new member of the OKD's Audit Committee, which also enables the ARMC to adequately monitor the performance of the Audit Committee of OKD.

Risk management, internal control and compliance
The ARMC is responsible for overseeing Group risk management and reviewing the internal control and risk management system. In 2009, the ARMC continued reviewing the key risks identified by PricewaterhouseCoopers Advisory N.V. in 2008 and requested that identified risks be regularly and adequately monitored by management. This supports the Board in discharging its responsibility for ensuring that the wide range of risks associated with the Group's operations is effectively managed to safeguard shareholders' investment and the Group's assets.

Corporate Governance continued

In 2009, the ARMC reviewed the following risks:
> health and safety risk;
> environment damage risk;
> personnel availability risk;
> pricing risk;
> government licensing risk;
> investor reputational risk;
> reporting requirement risk;
> corporate social responsibility risk; and
> IT strategy risk.

The following risks will be reviewed in 2010:
> internal audit risk;
> objective setting risk;
> competency risk;
> dispute risk;
> external communication risk;
> change management risk;
> machinery availability risk;
> budgeting and controlling risk; and
> growth prospective risk.

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

The ARMC is also responsible for reviewing related party transactions based on internal policies and procedures. Related party transactions are also audited by the external auditor.

The ARMC has a crucial role in opining and making proposals to the Board in all matters where a potential conflict of interest exists between NWR, its Directors, its controlling shareholder and other shareholders. In 2009, the ARMC examined a limited number of potential cases of conflict of interest.

Whistleblower Procedure
The Whistleblower Procedure is appended to NWR's Code of Ethics and Business Conduct and enables employees to express, on a confidential basis, concerns over the conduct of Directors, officers, management and other employees. These include suspicions of criminal offences, violation of law, (intentionally) wrongful behaviour, manipulation of information, misconduct, etc. The whistleblowing rules can be found on the NWR website at www.newworldresources.eu. The Company Secretary acts as confidential adviser for NWR and its subsidiaries and is responsible for investigating reports of suspected irregularity. The ARMC is responsible for establishing and reviewing the Whistleblower Procedure and is informed of reported cases through regular reports from the Company Secretary. OKD implemented the whistleblowing programme in 2008 and designated its own confidential advisers who report to the ARMC via NWR's Company Secretary. In 2009, 33 reports were received and reported to the ARMC. Reports received were kept strictly confidential and were referred to appropriate line managers for resolution. Where appropriate, action was taken to address the issues raised. The Company plans to implement a similar programme at OKK.

Self-assessment
The ARMC believes that it carried out all the responsibilities set out in the ARMC's charter and finds the charter adequate.

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

Remuneration Committee ('RC') report
The committee is responsible for advising the Board on the remuneration of Directors and selected senior executives, and proposes for the Board's approval:
> remuneration policy for Directors;
> salary levels, bonuses and other benefits for Executive Directors of the Board and selected senior executives of the NWR Group;
> contractual terms for Executive and Non-Executive Directors;
> share-based incentive plans for Executive Directors of the Board and selected senior executives of the NWR Group;
> succession plans for selected senior executives across the NWR Group; and
> Remuneration Report of the Board.

The RC operates pursuant to a charter approved by the Board. The full terms of reference of the RC can be found on NWR's website at www.newworldresources.eu.

Composition
The committee consists of three members appointed by the Board: Zdeněk Bakala (Chairman), Bessel Kok and Hans-Jörg Rudloff. All three are Non-Executive Directors. Mr. Kok and Mr. Rudloff are Independent Directors. The Board considers the membership of Mr. Bakala, a major shareholder representative, as critical to the alignment of executive compensation with shareholder interests.

The Chairman of the Board and the Chief Financial Officer of NWR attend meetings of the RC by invitation and assist the committee in its discussions, except where matters associated with their own remuneration are considered.

Activities undertaken during the year
The RC met four times during 2009. In January 2009, the committee proposed to the Board to engage Mercer as the Company's compensation adviser. At the first stage of its engagement, Mercer reviewed the committee processes and existing arrangements with Directors and senior executives to ensure compliance with Dutch and UK Corporate Governance Codes and to maximise clarity about the role of the RC. Subsequently, Mercer reviewed the Group compensation principles and proposed a modified remuneration policy for Executive Directors and senior executives which included, inter alia, a deferred bonus plan using predetermined performance conditions. The new policy undertakes to establish universal and transparent Group-wide remuneration principles in line with industry best practice. The committee resolved to accept the proposal of the deferred bonus plan as recommended by Mercer and identified a group of Executive Directors and senior executives eligible to participate in the new plan. The committee has also amended the Remuneration Policy of NWR, which, subject to the Board approval, will be submitted to the 2010 Annual General Meeting of Shareholders for approval.

The committee further reviewed the remuneration of the Executive Directors and the fee levels for the Non-Executive Directors for 2009. Further details may be found in the Remuneration Report on page 78.

The RC proposed to the Board to continue in 2010 the share plan, under which each of the Independent Non-Executive Directors were granted A shares valued at EUR 200,000 first upon completion of the IPO in May 2008 and again in May 2009. The proposal will be submitted to the 2010 Annual General Meeting of Shareholders for approval.

Finally, the committee determined whether the performance conditions set up for options granted on 9 May 2008 were met, proposed a grant of new options to several eligible employees under the Company's Stock Option Plan and proposed the performance conditions for this new grant.

The RC believes that it carried out all the responsibilities set out in the committee's charter and finds the charter adequate.

The charter of the RC is available on NWR's website.

Finance and Investment Committee ('FIC') report

The main functions of the FIC are:

> review and presentation of the NWR Group annual budget to the Board;
> review, approval and recommendation to the Board of all major strategic or financial investments and divestments and other major capital decisions;
> review of the adequacy of the NWR Group's capital structure;
> advice on relationships with banks, rating agencies and financial institutions;
> oversight and guidance on funding and treasury management; and
> decision making on all matters related to NWR subsidiaries.

Composition

In 2009, the FIC was composed of Peter Kadas (Chairman), Zdeněk Bakala, Mike Salamon, Marek Jelínek and Alex T. Krueger (until his resignation on 30 June 2009). The members are appointed by the Board and include Executive and Non-Executive Directors and NWR's Chief Financial Officer.

Activities undertaken during the year

In 2009, the FIC met seven times. Among the main items discussed by the FIC and recommended for the Board's approval were: Group budget for 2009, partial redemption of 7.375% Senior Notes due 2015, proposal to dispose of the Group energy assets, financing of 85 per cent of the net purchase price of five new longwall sets under Phase II of POP 2010 programme, optimisation of NWR's coke operations, Group treasury policy and cash pooling, hedging arrangements and share issuance. The committee continued to monitor Group's debt position and compliance with bank covenants and also took a number of decisions regarding financial and operating matters of NWR subsidiaries. The FIC reviews, on a regular basis, market analysis, analyst and investor feedback and performance of NWR's shares. The committee reports to the Board.

Self-assessment

The FIC is of the view that its composition is appropriate and that its members carried out all duties and responsibilities set out in the charter and that it acted fully in line with the charter.

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

Health, Safety and Environment Committee ('HSEC') report

The role of the HSEC

The HSEC was established in 2007 to assist the Board in its oversight of health, safety and environmental risks within NWR and its subsidiaries including the Group's compliance with applicable legal and regulatory requirements associated with HSE matters. Thus the HSEC provides the Board with additional focus, insight and guidance on key Group HSE issues and global trends.

How the HSEC functions

The HSEC has a number of specific duties allocated to it by the Board. These are:

> to oversee the Group's performance in relation to health, safety and environmental matters;
> to review the policies and systems within the Group to ensure compliance with applicable health, safety and environmental legal and regulatory requirements;
> to review reports and meet with senior management of the subsidiaries to discuss the effectiveness of the Group's policies and systems for identifying and managing the HSE risks that are material to the achievement of corporate objectives;
> to liaise with the ARMC in order to ensure appropriate oversight of the Group's systems for managing risks;
> to monitor the impact of operations on Group reputation;
> to prepare the HSE section of the Annual Report of NWR; and
> to report to the Board on key global HSE issues and trends.

The HSEC reports the results of its meetings to the Board and to the ARMC.

Composition

The HSEC is composed of Independent and Executive Directors to ensure that the committee has the appropriate balance of independence and knowledge of operations to discharge its functions. In 2009 the members of the HSEC were: Paul Everard (Chairman), Mike Salamon, Klaus-Dieter Beck and Steven Schuit. The meetings were also regularly attended by Ján Fabián, Chief Operating Officer of NWR who is responsible for the operations of NWR Karbonia and OKK, and by two external experts, Stan Suboleski and Karl-Friedrich Jakob.

Activities undertaken during the year

In 2009, the HSEC met three times and conducted one site visit to the OKD mines in the Czech Republic. At its meetings, the committee regularly reviews the health, safety and environmental reports of NWR's core operations. The committee also receives detailed reports on extraordinary events that occur at the operations. These events include fatalities, incidences of spontaneous combustion, coal and gas outbursts, and seismic events (rock bounces). Importantly, the HSEC has endorsed the metrics for both health and environment issues in order to systemise the reporting; the metrics also serve as an engine for

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continuous improvement in the HSE area. During the year, one of the external experts, Stan Suboleski, reviewed the activities of OKD's safety group and provided the committee with a detailed report on implementation of the safety programmes at OKD. The HSEC further reviewed a presentation on health and safety risks at OKD and acquainted itself with the licensing process in the Czech Republic.

Health and safety report

The Company continues to strive to improve working conditions at all its facilities. In 2009, the safety record continued to show an improving trend. Regrettably, despite the overall improvement in the safety performance, five workers in total died during the year: In early January at the Darkov Mine, a lift operator was fatally injured in an accident. Two deaths occurred in April when an ammonium hydroxide tank exploded on the premises at the Svoboda coking plant of OKK. Finally, two fatalities occurred at a longwall face at the Karviná Mine, in mid July and in early September.

Although this is a decrease of two fatalities from the previous year, and indeed the best outcome ever achieved historically in the mines, the Company takes fatalities extremely seriously and will continue to strive to achieve the benchmark of zero. Management, trade unions, and government representatives investigate such accidents and the findings are forwarded to the HSEC for further analysis and recommendations; the reports are also distributed internally to assist in preventing a similar accident from reoccurring. OKD recently completed a centralised, online accident reporting system so that now all accidents are reported in a uniform manner and the accident information is available immediately at all mine sites and the central office. In addition, each serious accident is classified into standard categories (cause, area affected, location, etc.) for further analysis.

In 2009, the Lost Time Injury Frequency Rate ('LTIFR') was 12.0 for OKD and 2.39 for OKK, reductions from 2008 of approximately 8 per cent and 13 per cent respectively. A majority of the accidents at OKD were attributed to personal error or underestimation of risk. Nonetheless, when feasible the Company strives to institute engineering changes to prevent reoccurrences of accidents. Continuous improvement has been targeted as a major part of the SAFETY 2010 programme described below.

In parallel with the Productivity Optimisation Programme 2010 ('POP 2010') on the production side, OKD has instituted the SAFETY 2010 programme, including importantly the deployment of enhanced personal safety protection equipment for the underground workers, such as boots, reflective clothing, cap lamps, gas monitors, and hard hats that are both safer and more comfortable. By the end of 2010 nearly all previously used personal protection equipment will have been replaced. OKD continued to install new ventilation systems with integrated de-dusting of the air stream and, in many instances, cooling of the air. A major improvement at the ČSM Mine was the installation of a centralised air conditioning system that cools both ČSM and Darkov Mines. Weekly safety audits were introduced at selected operations. OKD also conducted specific campaigns to deliver safety messages to the workers and instituted a programme of regular safety briefings, training programmes, and meetings with both management and labour. Included in this was the construction of a new training centre, which opened in the fall of 2009.

Czech mining laws are in compliance with those of the EU. At OKD, compliance with legal regulations is accomplished through a combination of simplified, mine-specific law books, frequent safety meetings with foremen, and regular inspections of the work place. While some inspections are conducted by Company personnel only, others are undertaken jointly with representatives of the Czech Mining Authority and trade unions.

Material improvements in health and safety have also resulted from the POP 2010 initiative. Its implementation has been completed, with ongoing significant improvements in performance from the new mining-equipment sets. The longwall systems are equipped with the latest shield designs, state-of-the-art dust control systems, and other beneficial health and safety features. The road headers are equipped with improved spray systems and atmospheric monitoring. The equipment modernisation programme will continue throughout 2010, resulting in a total of 10 new longwall sets and 19 development sets since POP 2010 was initiated.

During the year, three incidents of spontaneous combustion occurred, which represents a significant decrease compared to 13 incidents in 2008. OKD continuously monitors the level of carbon monoxide, which is the indicator of spontaneous combustion, in the mined areas. Forty incidents of seismic events exceeding 0.1 MJ were reported during the year, which was an increase from the 29 events in the previous year and remains a serious concern. To better manage this issue, OKD is testing various technologies that promise to provide early detection of stress increases in the coal seam.

Primary health risks stem from worker exposure to dust, noise and vibration. The number of cases in which workers reached their maximum lifetime dust exposure limits ('MEL') increased by 10 over the 2008 figure, to a total of 36. This limit is determined by work rules set by the Regional Health Authority for the Moravian-Silesian Region in 2004, when the MEL limit was set so that, statistically, less than 5 per cent of the workers reaching MEL would develop lung disease. OKD has tracked the actual incidence of lung disease since 2005 and has determined the actual rate thus far to be about 1 per cent. Incidence of vibration-related disease increased from 16 in 2008 to 19. This increase is believed to have largely resulted from the recent increase in the working life of OKD miners.

At OKK, the incidence of lost time accidents in 2009 was reduced by 80 per cent compared to the average of the preceding five-year period.

OKK has implemented various safety improvements within the past year including the installation of personal safety monitoring equipment at coking plants to detect toxic and explosive gas concentrations. OKK also continued to implement processes mandated by the Czech Act on Major Chemical Accidents. The Company plans to reach full implementation of these regulations in 2010. OKK's policy on explosion prevention was deemed to be highly satisfactory by the Czech Chemical Safety Office during its annual safety inspection.

In 2009, OKK completely updated the safety report that is required by the Czech government. This report is being used by the authorities in deciding about further operation of the coking plants after 2010.

Environmental report
The HSEC reviews environmental reports on water and air pollution control, waste disposal, hazardous chemical management, and the reclamation of old mine sites. There were no substantial issues in these areas in 2009 and no significant deficiencies were cited by any of the regulating authorities. OKD previously developed an environmental impact plan to the year 2010 and work is ongoing to extend this plan to 2015. In 2009, OKD spent EUR 13.9 million from its own funds on reclamation, out of which EUR 10.9 million were spent on mining damages, EUR 2.6 million were spent to reclaim mining areas and EUR 11.7 million were spent from the revitalisation funds received from the Czech state to rectify or correct old mine subsidence damage. In total, the figures are a reduction of 19 per cent compared to 2008. OKD also performed an environmental impact assessment for mining after 2010; the process will continue in 2010.

In September 2009, OKD completed the regrading and landscaping (technical reclamation) of 145 hectares of land affected by historical coal mining in the vicinity of the town of Karviná in the north eastern corner of the Czech Republic. Known as the ‘Darkov Sea’ project, it is the largest reclamation effort in the region. A five-year biological reclamation will now follow, during which trees, other flora, and fauna will be reintroduced to the locality. A major feature of the area is a newly-created lake that has been designed to become a recreation centre, complete with water sports facilities, for the people of Ostrava and surrounding areas. Among the many reclamation projects that OKD is currently undertaking, the Darkov Sea project has a particularly high profile due to its size and proximity to the town of Karviná. A wide variety of fish and birds have already returned, attracted by the lake. In addition, the newly landscaped countryside has begun attracting tourists, cyclists and anglers.

During the past year, OKK began the reconstruction of the quenching towers at the Svoboda coke works, a project that is expected to be completed in the first half of 2010. This will improve the quality of the air by reducing noxious gas emissions and will also help the company meet the required legal limit of solids emissions (PM10). To reduce the emissions of benzene, OKK also completed a project to cool industrial water at the Svoboda plant.

Under its Coking Plant Optimisation Programme 2010 (‘COP 2010’), OKK began its project to refurbish selected coking batteries and to construct a new coke battery at the Svoboda plant; both projects are expected to materially contribute to the improvement of air quality. The new facility is scheduled to be fully operational by the end of 2010. Completion of this modern facility will allow OKK to shut down the older Jan Šverma coking facility, thus further reducing emissions.

Historical environmental liabilities, those originating in the pre-privatisation era, are covered by a state indemnity. In 2009, OKK performed a comprehensive study of data related to these liabilities and submitted its findings to the Czech Supreme Inspection Office for review and approval. The Inspection Office findings are expected in 2010.

Assessment of HSEC activity
The HSEC believes that it fulfilled its function as set out in the HSEC’s charter.

The charter of the HSEC is available on the NWR website at www.newworldresources.eu.

Real Estate Committee (‘REC’) report
The role of the REC is to oversee the assets and liabilities of the Real Estate Division and the interaction between the Mining Division and the Real Estate Division of NWR.

The REC supports and advises the Board in its work by:
> advising the Board on matters regarding the Real Estate Division of NWR (except in relation to audit, accounting and financial disclosure matters, which fall within the remit of the ARMC);
> monitoring transactions between the Mining Division and the Real Estate Division and advising the Board on any such transactions, which require the prior approval of the Board;
> developing the Divisional Policy Statements, proposing their amendments, interpreting them, providing guidance on their provisions and overseeing their implementation; and
> overseeing the compliance of NWR’s subsidiaries with the Divisional Policy Statements.

Composition
The REC is wholly composed of Independent Non-Executive Directors appointed by the Board. In 2009, the REC comprised of Barry Rourke (Chairman), Steven Schuit and Paul Everard.

Activities undertaken during the year
During 2009, the REC met six times. The NWR Chief Financial Officer attended all meetings, three meetings were attended also by the Group’s internal auditor who reported on his findings resulting from the audit of the implementation of the Divisional Policy Statements, as further described below. The members of the REC conducted one site visit to certain Czech operations.

In fulfilling its responsibility of monitoring the transactions between the Mining Division and the Real Estate Division, the REC continued to monitor real estate transactions of NWR’s core operations, including transactions with third parties. The monthly reports have been amended in order to provide more details on such transactions. As suggested by the Group’s internal auditor, the committee is now notified of all transactions (internal or with third parties) in which qualified valuers are involved in order to facilitate oversight by the REC of such transactions. In 2009, the REC reviewed in more detail a transfer of the real estate assets of NWR Karbonia that was part of a spin-off of the Company’s energy assets and also several swaps of real estate assets with local municipalities. The committee advises the Board, which is the ultimate body to approve such transfers whether they will occur on an arm’s length basis, as required by the Divisional Policy Statements. In 2009, all proposed transfers were approved by the Board and the holder of the B shares as recommended by the REC. The REC further reviewed, on a regular basis, P&L accounts of the Real Estate Division and suggested certain areas for further review by the ARMC.

Corporate Governance continued

The REC has also defined and monitored potential areas of conflict of interest with companies affiliated to the NWR Group. In order to avoid potential conflicts, the REC reviewed an internal list of valuation experts involved in acquisitions and disposals of real estate assets, and removed overlaps.

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

Divisional Policy Statements
The Divisional Policy Statements refer to the Mining Division and the Real Estate Division that were created within the NWR Group on 31 December 2007. The Divisional Policy Statements have been prepared and adopted on the basis that the Mining Division has the right to maintain: (i) the undisturbed continuation of its mining, coking and related operations that are conducted on certain of the assets of the Real Estate Division; and (ii) the unrestricted access to such assets of the Real Estate Division in connection with such mining, coking and related operations.

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

For a detailed description regarding the Divisional Policy Statements see the 2008 Real Estate Committee Report on page 72 in the 2008 Annual Report of NWR on NWR's website at www.newworldresources.eu.

During 2008, the document was implemented by NWR's core operations. The compliance with the Divisional Policy Statements is monitored by the REC through the monthly reports received from the Company Secretary who was designated to act as an intermediary between the REC, NWR and its subsidiaries. In 2009, the Group's internal auditor conducted an internal audit on the implementation of the Divisional Policy Statements and the accuracy of information provided to the committee. The audit suggested formalisation of certain procedures to prevent the Divisional Policy Statements from misinterpretation. Thus a full set of divisional accounting procedures has been prepared. The audit also suggested monitoring more closely real estate assets not used for mining to allow their transfer from the Mining Division to the Real Estate Division. All recommendations were endorsed by the REC and have been implemented.

Self-assessment
The REC believes that it carried out all the responsibilities set out in the REC's charter and finds the charter adequate.

The charter of the REC and the Divisional Policy Statements are available on NWR's website at www.newworldresources.eu.

Certain Relationships and Related Party Transactions

The following are the related party transactions, being contracts entered into by New World Resources N.V. ('NWR'), NWR's subsidiaries (the 'NWR Group') and entities affiliated with them (the 'BXR Group') in the last two years and are in place at the date of this annual report. The Company has observed best practice provision III.6.4 of the Dutch Corporate Governance Code.

Agreements related to the restructuring

Cross Guarantee

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

Similar statutory cross guarantees have arisen as a result of the spin-off of OKK Koksovny, a.s. (formerly OKD, OKK, a.s.; 'OKK') into NWR Coking, a.s. ('NWR Coking'), a wholly-owned subsidiary of NWR. NWR Coking merged with OKK in April 2008, with OKK remaining as the surviving entity. OKK so became the direct subsidiary of NWR being subject to the statutory cross guarantee, too.

Agreements with indirect shareholders and certain of their affiliates

Master Advisory and Service Agreement

On 28 March 2007, NWR entered into the Master Advisory and Services Agreement, as amended on 27 July 2007 with Bakala Crossroads Partners a.s. (formerly RPG Advisers, a.s.; 'BXRP'), a member of the BXR Group, in respect of the provision of certain non-exclusive advisory services by BXRP to NWR effective as of 1 September 2006, including services in connection with the acquisition and divestiture of assets, the entry into joint venture arrangements, corporate finance matters and market research initiatives within Central Europe, including the Czech Republic. The advisory fees to be paid by NWR to BXRP, as well as the types of services to be provided by BXRP or its subcontractors, shall be set out in supplemental agreements entered into by NWR and BXRP for each project or transaction. NWR has to reimburse BXRP for all expenses incurred by BXRP in connection with the provision of advisory services. On the basis of the Master Advisory and Service Agreement, and subject to the successful closing, NWR and BXRP expect to agree on an ad-hoc success fee with respect to the disposal of the energy business described in section 'Material Contracts' on page 74 in an amount equal to 1.75 per cent of the total purchase price received by NWR, in addition to external costs and expenses. NWR indemnifies BXRP (and its members, employees or shareholders) for any loss suffered in connection with the provision of services under the Master Advisory and Services Agreement. The Master Advisory and Services Agreement may be terminated, with or without cause, by either party giving prior written notice to the other party; provided, that if the Master Advisory and Services Agreement is terminated for any reason other than a material breach, the notice period is one month. The Master Advisory and Services Agreement includes a one-year post-termination confidentiality clause.

Technical Consulting Agreement

On 15 August 2006, NWR entered into the Technical Consulting Agreement with American Metals & Coal International, Inc. ('AMCI') in respect of the provision of certain advisory services by AMCI to NWR effective as of 1 January 2006. Under the Technical Consulting Agreement, NWR agreed to pay AMCI an annual advisory fee of USD 200,000 in semi-annual payments (commencing for the period July–December 2006) in exchange for certain non-exclusive consulting, advisory and management services relating to NWR's coal mining and coke production activities. In addition, upon execution of the Technical Consulting Agreement, NWR paid AMCI a signing fee of USD 100,000. The Technical Consulting Agreement provides that AMCI will advise NWR in connection with: (i) the identification and evaluation of coal and energy acquisition projects outside of the Czech Republic; (ii) the marketing and sale of coke and coal outside of the Czech Republic; (iii) budgeting and business planning, including coal price forecasting, cost assessment and benchmarking; and (iv) technical and production matters. In addition, NWR shall reimburse AMCI for all of its reasonable out-of-pocket expenses payable annually. On 9 July 2009, AMCI disposed its shares in RPG Industries SE ('RPGISE'), the former majority indirect shareholder of NWR and, therefore, the Technical Consulting Agreement was terminated with effect on 30 June 2009.

NWRT Services Agreement

On 9 November 2007, NWR entered into the Services Agreement with New World Resources Transportation B.V. ('NWRT') for the provision of certain services by NWR to NWRT with effect from July 2007. Under the Services Agreement, NWR provided NWRT with certain non-exclusive corporate maintenance services, including coordination of tax and audit compliance, preparation of financial statements, corporate governance and HR management. The service fees paid by NWRT to NWR covered expenses incurred by NWR together with a monthly flat fee of EUR 7,500. The costs and expenses of NWR included remuneration for the subcontractors. The Services Agreement was terminated with effect on 30 September 2009. The Services Agreement includes a four-year post-termination confidentiality clause.

GGI Services Agreement

On 10 December 2007, NWR entered into the Services Agreement with Green Gas International B.V. ('GGI') for the provision of certain services by NWR to GGI with effect from May 1, 2007. Under the Services Agreement, NWR provided GGI with certain non-exclusive services, including the arrangement of audit and tax compliance, assistance in preparation of financial statements, advice on financing, financing structure and reporting, arranging

Certain Relationships and Related Party Transactions continued

insurance cover for directors and officers, and services related to corporate governance. Based on an amendment entered into on 26 March 2008, GGI agreed to pay NWR a flat monthly service fee in the amount of EUR 2,000. The costs and expenses of NWR included remuneration for the subcontractors. The Services Agreement was terminated as of 31 December 2008. The Services Agreement includes a four-year post-termination confidentiality clause.

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

OKD Advisory Service Agreement
On 9 November 2007, NWR entered into the Advisory Services Agreement with OKD for the provision of certain advisory services by NWR to OKD with effect as of January 1, 2007. NWR shall provide advisory services in connection with corporate, legal, finance, tax, accounting and controlling matters, banking and treasury, corporate governance, project development and procurement related to the business of OKD. The monthly fee shall amount to EUR 50,000, while the total fee for the calendar year amounts to EUR 600,000. In addition third party costs (including subcontractors engaged) shall be reimbursed to NWR. Prior approval of OKD for expenses exceeding EUR 2,000 in a month is required. The Agreement may be terminated by either party upon delivery of a written notice with a one-month notice period. The Agreement includes a four-year post-termination confidentiality clause.

NWR Lease Agreements
NWR has rented an office space to NWRT, GGI and BXR RE with effect from 1 January 2009. The total size of the leased offices is 435m^2. NWRT, GGI and BXR RE received a total credit for rent of EUR 309,500, which will be offset with the rent until the credit is fully utilised. The rent (including utilities) is approximately EUR 164,400 per year. The lease agreements have an indefinite term and may be terminated, with or without cause, by either party upon two months' prior written notice to the other party.

OKK Intercompany Revolving Credit Agreement
On 29 April 2009, NWR and OKK entered into the Intercompany Revolving Credit Agreement, as amended on 15 July 2009, 24 September 2009 and 11 January 2010 for the total committed amount of CZK 3,600,000,000 and EUR 8,000,000. Under the Agreement, NWR makes available funds in the total amount of CZK 3,600,000,000 (CZK tranche) and EUR 8,000,000 (EUR tranche) to OKK for general payment purposes in connection with OKK's operations and activities. The CZK tranche is available for drawing in one or more advances until 30 April 2011, which is also the final maturity date for the CZK tranche. The CZK advances shall be repaid within one to 12 months as selected by OKK or as otherwise agreed between the parties. The CZK advances may be rolled over at the option of OKK. The EUR tranche was made available for drawing until 31 October 2009 and shall be repaid on 31 December 2010. OKK is charged a fixed interest rate of 5 per cent per annum on the outstanding principal of each advance. OKK shall pay NWR interest with respect to the outstanding principal of each advance at the end of each month.

Donation Agreements
In 2008, NWR donated EUR 1 million, OKD donated CZK 73 million, RPG RE Management, s.r.o. ('RPG REM') donated CZK 2 million and Doprava donated CZK 300,000 to the OKD Foundation established by OKD. In 2009, NWR donated EUR 378,000, OKD donated CZK 129.1 million, RPG REM donated CZK 2 million, OKK donated CZK 200,000 and DPB donated CZK 220,000 to the OKD Foundation. The Foundation engages in the field of social responsibility, such as the support of health and social care, public sector, environment protection and regional development. The donation may also be used to cover the organisation and administration costs of the foundation. NWR further donated EUR 38,000 to St. Barbora Civic Association, which helps children who have lost a parent underground.

Dominance Agreement
There is a Dominance Agreement between OKD (as controlling party) and OKK (as controlled party). To maintain consistent strategic management of businesses of OKD and OKK, the Dominance Agreement was established so that OKD could control OKK. Under Czech law, when a dominance agreement is in place, the board of directors of the controlled party is bound by the instructions issued by the controlling party. The controlling party is required to compensate the controlled party for any loss arising in the annual financial results of the controlled party.

BXRP-OKD Advisory and Service Agreement
On 29 September 2006, OKD entered into the Advisory and Service Agreement with BXRP for the provision of certain advisory services by BXRP to OKD with effect from 1 October 2006. Under the Advisory and Service Agreement, BXRP (or any subcontractors engaged by BXRP with the consent of OKD) is to provide OKD with certain non-exclusive advisory services, including in connection with the realisation of strategic projects, any initial public offering, financing and refinancing, services in connection with the NWR Group restructuring, acquisition and divestiture of OKD assets and corporate finance and business matters. The advisory fees being paid by OKD to BXRP covers costs and expenses incurred by BXRP together with an amount equal to a 9 per cent margin. The costs and expenses of BXRP include remuneration for the third party costs (such as subcontractors) and all relevant expenses incurred by BXRP in connection with the advisory services calculated on a pro rata basis according to the time spent. The Advisory and Service Agreement may be terminated, with or without cause, by either party upon one month's prior written notice to the other party. The Advisory and Service Agreement includes a one-year post-termination confidentiality clause.

RPG REM-OKD Advisory and Service Agreement
On 20 December 2006, OKD entered into the Advisory and Service Agreement with RPG REM for the provision of certain advisory services by RPG REM to OKD with effect from 1 December 2006. Under the Advisory and Service Agreement, RPG REM (or any subcontractors engaged by RPG REM with the consent of OKD) was to provide OKD with certain non-exclusive

advisory services, including services in connection with the acquisition and divestiture of fixtures, the initiation of development projects at OKD's current mining sites and the identification and preparation of possible development projects. The advisory fees paid by OKD to RPG REM should cover costs and expenditures incurred by RPG REM together with an amount equal to a 9 per cent margin. The Advisory and Service Agreement included a one-year post-termination confidentiality clause. Currently, no services are being provided under the Agreement. The notice period for termination is set for six months.

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

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

Agreements on Use of Factory Railway and Assurance of Railway Transport on Factory Railway
OKD entered into the Factory Railway Agreements with Doprava, to provide factory railway transport at OKD mines for an indefinite period of time. The fees to be paid by OKD to Doprava are set out in accordance with each respective Factory Railway Agreement or in a separate pricing agreement for each calendar year amending the Factory Railway Agreements. The Factory Railway Agreements may be terminated, with or without cause, by either party giving prior written notice to the other party, whereby the notice period is 18 months.

NWRT Agreement on Transport
On 8 December 2009, OKD entered into the Framework Agreement with NWRT for coal transportation services to Hungary. The Agreement expires on 31 December 2010, however, either party may terminate the agreement on one month's notice to the other party. For the calendar year 2010, the price was agreed as EUR 19 per tonne of coal.

Doprava Agreements on Transport
OKD entered into the Transport Agreements with Doprava, relating to the transport of coal and other materials from NWR to its largest customers. The Transport Agreements are 'umbrella' agreements covering periods of several years or an unlimited period of time. Under the Transport Agreements, Doprava shall provide OKD with non-exclusive transport services. The transport fees to be paid by OKD to Doprava shall be set out in accordance with each respective Transport Agreement or in a price agreement for each calendar year amending the Transport Agreements based on weight of transported goods. The Transport Agreements may be terminated in the event of a material breach or, with or without cause, by either party giving prior written notice to the other party, whereby the notice period is typically one month.

Agreements on Manipulation of Substrates
OKD entered into the Manipulation Agreements with Doprava, in respect of the extraction and manipulation of certain materials and substrates at its mines. The fees to be paid by OKD to Doprava are as set out in accordance with each respective Manipulation Agreement or in a special price agreement for each calendar year amending the Manipulation Agreements based on the weight of manipulated substrates. The Manipulation Agreements may be terminated, with or without cause, by either party giving three months' or one-month prior written notice to the other party according to specific business units.

Agreements on Sale of Methane
On 20 December 2006, OKD entered into the Master Agreement on the Sale of Methane with DPB, as amended on 26 September 2007, which envisages conclusion of individual purchase agreements with respect to each OKD mine. Under the Master Agreement on the Sale of Methane the minimal total annual volume of methane to be delivered amounts to 19,000m^3 while the specific annual volume delivered by the mines shall be stipulated by the individual agreements. The Master Agreement on the Sale of Methane was concluded for the life of the OKD mines and in case of a change in the mine owner or operator, OKD shall ensure assignment of all OKD's obligations arising under the agreement. The price was set at a fixed amount for 2007 and then calculated for each calendar year thereafter using the formula in the agreement. DPB is entitled to purchase all available methane production not used by OKD for its own use. Either party may rescind the agreement if the production of methane stops due to a decrease in coal mining activities or if such circumstances of technical nature disabling performance of this agreement arise whereby either party was not aware of such circumstances when entering into the agreement.

On 27 November 2008, DPB and OKD entered into the Framework Agreement for Supplies of Methane for Heat Operations in connection with: (i) the provisions of the Master Agreement on the Sale of Methane under which DPB is entitled to purchase all available methane not used by OKD for its own use, and (ii) the transfer of OKD's energy equipment to NWR Energy, a.s. ('NWR Energy') as part of the spin-off of the Group energy assets in 2008. Pursuant to the preamble, DPB shall deliver the processed methane to NWR Energy. The price was set at a fixed amount for 2008 and 2009 and for the following years under the formula under this agreement. The volume of delivered methane was stipulated for 2008. The agreement has been entered into until 31 December 2028, subject to prior termination of mining activities, and may be repeatedly extended for consecutive terms of five years under an option of OKD. OKD may rescind the agreement in case DPB interrupts its supplies to NWR Energy.

On 27 November 2008, DPB and NWR Energy (as a buyer) concluded the Agreement for Supplies of Processed Coal-bed Methane for Heat Operations contemplated by the Framework Agreement for Supplies of Methane for Heat Operations. The agreement has been entered into until 31 December 2028, subject to prior termination of mining activities, and may be

Certain Relationships and Related Party Transactions continued

repeatedly extended for consecutive terms of five years under an option of NWR Energy. NWR Energy is entitled to terminate the agreement should the supplies of heat energy, hot water or compressed air to OKD reduce under levels set out in the agreement. Under the agreement, DPB shall supply NWR Energy with an annual volume of coal-bed methane up to 250,000MWh. The price was set for the years 2008 and 2009; an underlying formula shall be used to set the price for the subsequent years.

Agreement on Heat Take-Off
On 27 November 2008, DPB and NWR Energy (as a buyer) entered into the Agreement on Sale and Purchase of Heat Energy in connection with the spin-off of the Group energy assets in 2008. Subject matter of this agreement is sale of heat produced in combination with power in cogeneration units located in the OKD mines. While NWR Energy's heat take-off shall reach the full heat production of DPB the specific conditions for the take-off shall be agreed annually in amendments to this agreement including volumes and prices. The heat energy prices were set for the years 2008 and 2009; an underlying formula shall be used to set the price for the subsequent years. The agreement has been entered into until 31 December 2028, subject to prior termination of mining activities, and may be repeatedly extended for consecutive terms of five years under an option of NWR Energy. NWR Energy is entitled to terminate the agreement should the supplies of heat energy, hot water or compressed air to OKD reduce under levels set out in the agreement.

OKD Trading Agreements
OKD entered into several agreements with OKK and Doprava in relation to the delivery of coal, coking coal, coke, sludge and other products. OKD and OKK periodically enter into agreements, upon which OKD sells coking coal to and buys coke from OKK. These agreements are concluded for a period of one calendar year. In 2000, OKD entered into purchase agreements with Doprava upon which Doprava sells granulated sediments to OKD. The agreements were originally made for a definite period of time and later extended for an indefinite period of time. The prices are adjusted annually. The agreements further mention that the granulated sediments are resold to power and heating plants operated by DALKIA and ČEZ.

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

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

Master Services Agreement for Drilling
On 12 March 2009, OKD and DPB entered into two Master Agreements for Work whereby DPB shall provide OKD with drills for degasation and geological survey. Amendments to this agreement shall stipulate the drilling works and price list for the respective calendar year. Individual agreements envisaged by this Master Agreement for Work shall stipulate the amount of work in detail. Total amount of footage for degasation drills were agreed on 35,600m in 2009 and 31,050m for degasation drills and 13,000m in 2009 and 14,000m for geological survey. Both master agreements expire on 31 December 2015.

Energy Trading Agreements
In connection with the reorganisation of the energy assets of the NWR Group, energy assets of OKD, including its stake in CZECH-KARBON s.r.o. ('Czech Karbon'), were transferred to NWR Energy, which is a direct subsidiary to NWR. The spin-off became legally effective as of 1 July 2008. Consequently, a Framework Agreement on Supplies and Services and some other related agreements were entered into by OKD, NWR Energy and Czech Karbon. The main purpose of these agreements is to ensure supply of electricity, heat and compressed air and related services to OKD. The Framework Agreement shall be amended in a complex manner in connection with the divestiture of the energy assets of NWR. See section on 'Material Contracts' for more details on page 74.

OKD Lease Agreements
OKD is a party to several real estate leases, including OKD's headquarters building in Ostrava, which is leased from RPG RE Commercial, s.r.o., a Czech-based indirect subsidiary of RPGISE. The total rented place is 4,656m^2 and the annual rent (including utilities) is approximately CZK 19.3 million. The lease may be terminated, with or without cause, by either party upon three months' prior written notice to the other party, or by agreement of the parties. The total annual rent for the remaining lease agreements concluded with RPG RE Commercial, s.r.o. and BXRP amounts approximately to CZK 12 million.

Share Transfer Agreement
The shares in NWR ENERGETYKA PL Sp. z o.o. were contributed to NWR Energy in preparation for the divestiture of the energy assets of NWR. The contribution became effective on 27 October 2009.

Agreement on Conduct of Work and Services of Automatic Data Processing
On 21 January 2002, OKD entered into an Agreement on Conduct of Work and Services of Automatic Data Processing (the 'Data Processing Agreement') with Doprava in respect of providing certain services of automatic data processing for an undefined period of time with effect as of 1 January 2002. The fees to be paid by OKD to Doprava are set out monthly in accordance with the Data Processing Agreement based on hours of services provided. The Data Processing Agreement may be terminated, with or without cause, by either party giving six months' prior

written notice to the other party. The Data Processing Agreement includes a confidentiality clause.

Agreements with Directors

Agreement for Coke Sales

Milan Jelinek was a Non-Executive Director of NWR until his unexpected death on 16 August 2009. Mr. Jelinek founded and was President of ICS Trading AG ('ICS'). Since 1994, ICS has been party to a contract with OKD pursuant to which OKD provides coke to ICS, which ICS then resells to a third party that is also a customer of OKD.

Service Agreement

Milan Jelinek provided certain advisory services to NWR under the Service Agreement, including providing advice in respect of new projects of NWR and cost and quality improvement for NWR. As of 1 November 2006, Mr. Jelinek was paid a fixed monthly advisory fee of CHF 100,000. He was also reimbursed by NWR for reasonable expenses in connection with his advisory work. Mr. Jelinek died unexpectedly on 16 August 2009 and the services under the Service Agreement are no longer provided.

Consultancy Agreement

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

Other Payments and Bonuses

On 20 October 2009, RPGISE, the former majority shareholder of NWR, awarded Marek Jelínek, NWR's Executive Director, a one-off discretionary bonus of EUR 4 million in recognition of services provided prior to NWR's Initial Public Offering. RPGISE has indicated that such payment will not be repeated in future years.

Relationship Agreement

NWR, Crossroads Capital Investments Inc. ('CCII') and Zdeněk Bakala entered the Relationship Agreement with RPGISE, which regulates (in part) the degree of control that RPGISE and its affiliates may exercise over the management of NWR. Following the transfer to BXR Mining B.V. ('BXRM') of NWR's shares held by RPGISE, BXRM has assumed RPGISE's rights and obligations under the Relationship Agreement. The principal purposes of the Relationship Agreement are to ensure that NWR is capable at all times of carrying on its business independently of RPG Group; and all of NWR's transactions and relationships with RPG Group are on arm's length terms.

The Relationship Agreement will continue until the earlier of: (i) the shares ceasing to be admitted to the Official List and to trading on the London Stock Exchange; or (ii) BXRM (together with any of its subsidiaries) or CCII, Zdeněk Bakala or any entities that they individually or jointly control (directly or indirectly) ceasing to control 30 per cent or more of the voting rights.

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

Real estate distribution to the B shareholder

Following the establishment of the Real Estate Division and the Mining Division, on 30 September 2008, NWR distributed by way of dividend in specie certain assets of the Real Estate Division to RPGISE (the B shareholder at that time). The assets distributed to RPGISE included the shares and corresponding investments in RPG Rekultivace, a.s., RPG Garáže, a.s., Dukla Industrial Zone, a.s. and RPG RE Property, a.s., all of the assets and liabilities in the IMGE internal business unit of OKD and certain promissory notes received for the sale of real estate assets in the nominal value of CZK 42.6 million (EUR 1.7 million). Under the Divisional Policy Statements, the Mining Division has the right to maintain the undisturbed continuation of its mining, coking and related operations conducted on certain of the assets of the Real Estate Division and is entitled to unrestricted access to such assets of the Real Estate Division for use in those mining operations.

Ivona Ročárková
Corporate Secretary

Material Contracts

Below are the material contracts (being contracts entered into by New World Resources N.V. ('NWR'), NWR's subsidiaries (the 'NWR Group') in the last two years and which are in place at the date of this Annual Report, into which the NWR Group has entered containing information, which the shareholders could reasonably require.

Senior Facilities Agreement

OKD, a.s. ('OKD') is a borrower under the Senior Facilities Agreement entered into as of 14 February 2006, as amended, between, among others, OKD, the guarantors named therein, the lenders named therein, Citibank N.A. and Citibank Europe plc, organizační složka as arrangers and underwriters. NWR is a borrower with respect to certain facilities, and a guarantor with respect to the remainder of the facilities.

The Senior Facilities Agreement provides financing of up to EUR 1,070 million and consists of:

- a senior secured amortising term loan facility in a maximum aggregate principal of EUR 450 million with advances to be repaid in equal semi-annual instalments and a final maturity five years after the date of the Senior Facilities Agreement (Facility 1);
- a senior secured bullet term loan facility in a maximum aggregate principal amount of equivalent EUR 350 million, including the Additional Loan Option (as defined below), with a final maturity six years after the date of the Senior Facilities Agreement (Facility 2);
- a senior secured bullet term loan facility in a maximum aggregate principal amount of EUR 270 million, including the Additional Loan Option, with a final maturity seven years after the date of the Senior Facilities Agreement (Facility 3); and
- a EUR 350 million 'Additional Loan Amount', which was made available as part of Facility 2 and Facility 3 in the amounts of EUR 188.5 million from available amount of Facility 2 and EUR 161.5 million from the available amount of Facility 3, and a EUR 25 million 'Additional Loan Amount', which was made available by Česká spořitelna from the available amount of Facility 3 (the 'Additional Loan Option').

The Senior Facilities Agreement contains certain customary negative undertakings that limit the ability of NWR and certain of its material subsidiaries to take certain actions, including, among other things, the ability to: create any encumbrance or security interest over any of its assets; dispose of certain assets; make any substantial change to the general nature of its business; enter into material transactions other than on an arm's length basis; merge or liquidate; incur additional debt or make any guarantees or loans of debt; issue new shares; make acquisitions of or invest in certain companies, shares or securities, businesses, assets or undertakings; and amend certain agreements.

The Senior Facilities Agreement also contains certain affirmative undertakings, subject to certain qualifications and including, but not limited to, undertakings related to: (i) supplying financial statements, related documents and other information; (ii) notification of default; (iii) compliance with 'know your customer' or similar regulations; (iv) receipt, compliance with and maintenance of necessary authorisations; (v) compliance with laws (including environmental laws); (vi) taxation; (vii) pari passu ranking of certain unsecured and unsubordinated claims; (viii) maintenance of insurance; (ix) access in the case of a default; (x) preservation of intellectual property rights necessary for the business of OKD and its subsidiaries; (xi) compliance with financial assistance requirements; (xii) ensuring that certain bank accounts required to be maintained pursuant to the cash management system are subject to security in favour of the security agent under the Senior Facilities Agreement; (xiii) provision of guarantees and security by certain subsidiaries; and (xiv) implementation of the agreed hedging strategy.

The Senior Facilities Agreement contains financial covenants (in each case as defined therein) requiring the Obligors (as defined therein) to ensure that at the end of any calculation period: the ratio of consolidated total senior net debt to consolidated EBITDA (senior leverage) will not exceed 2.75:1 for the period ending five years after the signing date and 2.50:1 thereafter; the ratio of consolidated total net debt to consolidated EBITDA (leverage) will not exceed 3.25:1; and the ratio of consolidated EBITDA to consolidated total net interest payable (fixed cover) will not be less than 3.50:1.

Intercreditor Agreement

NWR and OKD are each party to the Intercreditor Agreement entered into on or around 30 November 2006, between, amongst others, OKD, NWR, the other obligors (being certain of the material subsidiaries of NWR), the lenders and the agents under the Senior Facilities Agreement, certain hedging counterparties and the security agent for such facilities. The Intercreditor Agreement establishes, among other things, when payments can be made in respect of debt of NWR, OKD and certain other affiliates.

The Intercreditor Agreement sets out: (i) the relative ranking of certain debt of NWR, OKD and certain of their affiliates; (ii) the relevant ranking of security granted by NWR, OKD and certain of their affiliates; (iii) when payments can be made in respect of that debt; (iv) when enforcement action can be taken in respect of that debt; (v) the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events; (vi) turnover provisions; and (vii) when security and guarantees will be released to permit an enforcement sale.

Indenture

On 18 May 2007, NWR issued EUR 300 million in aggregate principal amount of its Senior Notes due 2015. Interest on the Senior Notes accrues at a rate of 7.375% per annum and is payable semi-annually in arrears on 15 May and 15 November. The Senior Notes are senior obligations of NWR, and will rank equal in right of payment to all of its future senior debt. The Senior Notes are unsecured obligations of NWR and are not guaranteed by any of NWR's subsidiaries. Therefore, the Senior Notes are effectively subordinated to any existing and future liabilities of NWR's subsidiaries.

On 30 September 2009, NWR closed an invitation for tenders of its Senior Notes (the 'Invitation'). Pursuant to the Invitation, NWR accepted for purchase EUR 32,435,000 in aggregate principal amount of its Senior Notes, which reduced the outstanding principal amount of the Senior Notes to EUR 267,565,000. The Senior Notes may be redeemed, in whole or in part, at any time prior to 15 May 2011, at the option of NWR at a redemption price equal to 100 per cent of the principal amount of the Senior Notes redeemed plus the applicable premium (as defined in the Indenture). After 15 May 2011, NWR may, at its option redeem all or any portion of the Senior Notes at the prices set forth in the

Indenture. In addition, prior to 15 May 2010, NWR may redeem up to 35 per cent of the original aggregate principal amount of the Senior Notes with the proceeds of one or more equity offers (as defined in the Indenture), at a redemption price equal to 107.375 per cent of the principal amount thereof.

If there is a change of control (as defined in the Indenture), holders of the Senior Notes shall have the right to require NWR to repurchase all or any part of the Senior Notes at a purchase price equal to 101 per cent of the their principal amount. The Indenture contains covenants that limit the ability of NWR and its restricted subsidiaries (which, generally, are subsidiaries of NWR other than those primarily engaged in the business of real estate) to, among other things: incur additional indebtedness; make restricted payments (including dividends); create liens; transfer, dispose of voting stock of any restricted subsidiary; sell assets; engage in transactions with affiliates; guarantee any debt of NWR or any of its restricted subsidiaries; consolidate, merge or sell all or substantially all of its assets.

Underwriting Agreement

In connection with the initial public offering in May 2008, NWR, the former majority shareholder of NWR – RPG Industries SE (‘RPGISE’), the Directors and the managers: Morgan Stanley & Co. International plc., Goldman Sachs International, JPMorgan Cazenove Limited, JP Morgan Securities Ltd, Citigroup Global Markets Limited, Bank Austria Creditanstalt AG, Barclays Bank PLC, Česká spořitelna, a.s., Erste Bank, Patria Finance, a.s., UniCredit Markets & Investment Banking and Wood & Company Financial Services, a.s. (collectively the ‘Managers’) entered into the Underwriting Agreement.

NWR and RPGISE agreed to pay certain commissions, costs, charges, fees and expenses arising in connection with the IPO. Under the Underwriting Agreement, NWR, RPGISE and the Directors gave certain warranties, undertakings and indemnities to the Managers subject to customary limitations. NWR, RPGISE and the Directors were prohibited from disposing of their A shares in NWR for a certain period of time, as provided for in the Underwriting Agreement.

ECA Facility

On 29 June 2009, NWR and OKD, as a co-obligor, entered into the ECA Facility with, among others, Natixis, as facility agent and documentation agent, KBC Bank Deutschland AG, as ECA Agent, and Česká spořitelna, a.s., Československá obchodní banka a.s., KBC Bank Deutschland AG, and Natixis, as mandated lead arrangers, as amended on 3 August 2009. The ECA Facility provides for a term loan of approximately EUR 141.5 million, which will be available to drawn until 29 June 2010 and which will be repayable in 17 semi-annual linear installments, with a final maturity of the date falling 102 months after the Starting Point of Credit (as defined in the ECA Facility). The proceeds of the ECA Facility are used to finance up to 85 per cent of the net purchase price of five longwall sets acquired pursuant to POP 2010. The interest rate on each advance under the ECA Facility for each interest period is the rate per annum, which is the aggregate of (a) a margin of 1.65 per cent, (b) EURIBOR, and (c) any applicable mandatory cost of compliance with (i) the requirements of the Bank of England and/or the Financial Services Authority or (ii) the requirements of the European Central Bank.

The ECA Facility also provides for NWR to pay certain fees including a commitment fee, arrangement fees and agency fees. The ECA Facility is an unsecured obligation of NWR and OKD as a co-obligor and is not guaranteed by any of NWR’s subsidiaries. The ECA Facility is covered by a guarantee issued by the Federal Republic of Germany, represented by a consortium led by Euler Hermes Kreditversicherungs-AG, for which NWR has paid a premium. The ECA Facility contains certain negative undertakings that, subject to certain customary and other agreed exceptions (and other than as specifically provided for under the ECA Facility), limit the ability of NWR, OKD and certain subsidiaries of NWR to, among other things: create or permit to subsist any encumbrance or security interest over any of its assets; make any asset disposals; make any substantial change to the general nature of its business; enter into transactions other than on an arm’s length basis; amalgamate or merge; incur other additional debt; and dispose of the five longwall sets acquired or create any security over the five longwall sets acquired.

The ECA Facility also contains certain affirmative undertakings, subject to certain qualifications, and including, but not limited to, undertakings related to: (i) supplying financial statements; (ii) notification of default; (iii) compliance with ‘know your customer’ or similar regulations; (iv) supplying information on the performance of the supply contract for the five longwall sets acquired; (v) compliance with material obligations under the supply contract for the five longwall sets acquired; (vi) receipt, compliance and maintenance of necessary authorisations; (vii) compliance with laws (including environmental laws); (viii) taxation; (ix) *pari passu* ranking of certain unsecured and unsubordinated claims; (x) maintenance of insurance; and (xi) access to the premises and records of NWR and OKD.

The ECA Facility contains financial covenants. Amounts outstanding under the ECA Facility may be prepaid at any time after 29 June 2010 (or, if earlier, the day on which the amounts available under the ECA Facility to NWR and OKD is zero) in whole or in part on 30 business days’ notice subject to payment of a minimum amount of EUR 5 million. Subject to certain exceptions, there are mandatory prepayments required to be made upon the occurrence of certain customary events such as a change of control and the ECA Facility will also be automatically cancelled where the ECA guarantee is terminated or cancelled.

In connection with the ECA Facility, NWR entered into an equipment supply contract on 16 June 2008, as amended, whereby NWR agreed to purchase certain face equipment for longwall coal extraction, for approximately EUR 160 million. Four of the five longwall equipment were delivered, assembled and operational in 2009. NWR expects the final longwall equipment to be delivered and operational by June 2010. Pursuant to the supply contract, 85 per cent of the equipment will be financed under the ECA Facility.

Master Advisory and Service Agreement

See section on ‘Related Party Transactions’ for more information on page 69.

OKK Intercompany Revolving Credit Agreement

See section on ‘Related Party Transactions’ for more information on page 69.

Material Contracts continued

NWRT Agreement on Transport
See section on 'Related Party Transactions' for more information on page 69.

Doprava Agreements on Transport
See section on 'Related Party Transactions' for more information on page 69.

Sale of Bastro
On 2 December 2008, NWR announced that the sale of OKD, BASTRO, a.s. ('Bastro'), the mining equipment and engineering services company and direct subsidiary to OKD, was concluded by OKD. Bastro was sold to Bucyrus DBT Europe GmbH, the German subsidiary of Bucyrus International, Inc., a mining equipment manufacturer. The sale of Bastro was consistent with OKD's ongoing efforts to focus on its core business of coal mining. Bastro continues to supply mining equipment and engineering services to OKD.

Sale of Energy Business
NWR entered into a share sale and purchase agreement with Dalkia Česká republika, a.s. ('Dalkia') on 8 January 2010, which provides for the sale by NWR to Dalkia of 100 per cent of the ownership in NWR Energy, a.s. ('NWRE'), CZECH-KARBON s.r.o. ('Czech Karbon') and NWR ENERGETYKA PL Sp. z o.o. (together the 'Energy Subsidiaries') for CZK 3.209 billion (approximately EUR 122 million) in cash (the 'SPA'). The purchase price is subject to adjustments based on the EBITDA of the Energy Subsidiaries for 2009, the trading results of Czech Karbon for 2010 and 2011, and the consolidated net debt position of the Energy Subsidiaries at closing. Dalkia is a leading energy group in the Czech Republic as a heat producer and distributor and is a member of the Veolia Environment group.

The sale of the Energy Subsidiaries to Dalkia is subject to a number of closing conditions, including, among others, approvals by regulators and the lenders under the Senior Secured Facilities, amendments and extensions to certain agreements, including the Framework Agreement, the OKK Agreement and the ČSA Mine Agreement (each, as defined below), and certain other customary closing conditions. The SPA provides for put and call options, as well as a pre-emption right of NWR, in respect of the energy assets and businesses transferred to Dalkia or replacing such energy assets or businesses upon the occurrence of certain events.

The Energy Subsidiaries currently supply the utilities (in particular the supply and distribution of electricity and the production, supply and distribution of heat, compressed air and bathroom water) to OKD, primarily through a Framework Agreement on Supplies and Services between OKD, NWRE and Czech Karbon, dated 27 November 2008 (the 'Framework Agreement'), although certain other supplies are also made to OKD and other affiliates. The Framework Agreement was initially entered into in connection with the reorganisation of the energy business to provide a framework for the independent operation and arm's length pricing of energy services. In addition, OKK Koksovny, a.s. ('OKK') and Dalkia are currently party to an agreement pursuant to which OKK supplies Dalkia with coking gas and Dalkia supplies OKK with heat (the 'OKK Agreement') and OKD and NWRE are currently party to an agreement pursuant to which Dalkia, through NWRE, supplies the ČSA Mine with heat (the 'ČSA Mine Agreement').

In connection with the consummation of the sale of the energy business to Dalkia the Group is obligated to amend the Framework Agreement and certain agreements implementing it to reflect agreed commercial terms. The Framework Agreement, as amended, will terminate on 31 December 2029, subject to an option in favour of OKD to extend the Framework Agreement for an additional five-year period. OKD will be obligated, among other things, to supply NWRE with certain raw materials (coal, coke and water) used in the production of the utilities and to purchase energy utilities (mainly heat and compressed air) and electricity distribution services from NWRE and electric power from Czech Karbon and NWRE and Czech Karbon will be obligated, among other things, to deliver the utilities to OKD in requested volumes (subject to technical minimum and maximum amounts) at agreed prices. The pricing mechanism for supplies under the amended Framework Agreement (in respect of raw materials, utilities, services and relevant leases) will be applicable over the entire duration of the amended Framework Agreement on arm's length terms. Dalkia will accede to the rights and obligations of NWRE and Czech Karbon arising under the amended Framework Agreement and under implementation agreements relating to it.

Factoring Agreement
OKD and HSBC Bank plc acting through its branch HSBC Bank plc – pobočka Praha, operating in the Czech Republic ('HSBC') entered into a non-recourse receivables sale agreement dated as of 29 December 2009 and effective as of 28 December 2009 (the 'Factoring Agreement'). Pursuant to the Factoring Agreement, OKD agreed to sell and assign certain receivables arising from a delivery of certain goods by OKD to suppliers as specified in schedule to Factoring Agreement to HSBC for the price corresponding to 90 per cent of principal amount of the assigned receivables. HSBC agreed to maintain and service such transferred receivables. OKD agreed to retain a maximum of 10 per cent of the risk associated with such transferred receivables. OKD is obligated to pay HSBC interest and service fee under the agreement. The maximum available balance under the agreement is CZK 1,725,000,000, which is approximately EUR 64 million. The Factoring Agreement is governed under laws of the Czech Republic. However, certain mutual relationships between OKD and HSBC in connection with the transfer of the receivables are governed under English law. As of 31 December 2009 CZK 1,650,132,170,29, which is approximately EUR 61 million of eligible receivables were sold by OKD under the Factoring Agreement. The payments of assigned receivables by the sub-debtors are directed to a special account and are available for drawing by OKD (even to the debit) up to 90 per cent of the nominal value of the assigned receivables.

Executive Directors service agreements and Non-Executive Directors letters of appointment
See the Remuneration Report on page 78 for more information.

Stock Option Plan
See the Remuneration Report on page 78 for more information.

Directors' Statement of Responsibility

The financial report is the responsibility of, and has been approved by, the Board of Directors of the Company. The Directors declare that, to the best of his or her knowledge:

(a) The consolidated financial statements, set out on pages 88 to 147 have been prepared in accordance with IFRS, as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of NWR and the undertakings included in the consolidation taken as a whole;
(b) The management report includes a fair review of the development and performance of the business and the position of NWR and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Board of Directors
17 March 2010

Remuneration Report

This Remuneration Report was prepared by the Remuneration Committee and sets out the Company's Remuneration Policy and practice for the Directors. The report also provides details of Director remuneration for the year ended 31 December 2009.

Remuneration Policy

The Remuneration Policy for the Board Directors was adopted by the Annual General Meeting of Shareholders in April 2008 and applied during the financial year 2009.

The objective of the remuneration policy is to attract, retain and motivate highly qualified executives by providing well-balanced remuneration. The remuneration policy aims to ensure that a competitive remuneration package for the Executive Directors is maintained and benchmarked against other multinational companies based in Europe and operating in global markets. In order to align executive performance with shareholder value, the remuneration of Executive Directors is linked to individual and NWR Group performance. The remuneration package includes a significant variable part in the form of cash bonus incentive and a long-term incentive in the form of stock options and grants. The remuneration policy also sets out remuneration of Non-Executive Directors, as described further. While the remuneration policy applies to the Board Directors, the Remuneration Committee is also responsible for proposing to the Board individual salary levels, bonuses and other benefits for a number of senior managers and key employees defined by the Remuneration Committee.

In early 2009, the Board engaged Mercer as Company's compensation advisor to review the existing arrangements with Directors and senior managers to ensure compliance with Dutch and UK Corporate Governance Codes and to maximise clarity about the role of the Remuneration Committee. Based on the review, Mercer proposed to modify the remuneration policy for Executive Directors and senior managers and particularly to include, *inter alia*, a deferred bonus plan using predetermined performance conditions. The new policy undertakes to establish universal and transparent Group-wide remuneration principles in line with industry best practice. The Remuneration Committee has resolved to accept the proposal of the deferred bonus plan as recommended by Mercer. Subject to the Board approval, the amended remuneration policy of NWR will be submitted to the 2010 Annual General Meeting of Shareholders for approval.

Remuneration of Executive Directors

In 2009, Executive Director's total remuneration consisted of a salary, long-term incentives in the form of options or share awards and other benefits. An appropriate balance was maintained between the fixed and performance-related elements of executive remuneration.

Base salary

The Remuneration Committee reviews annually base salary levels for Executive Directors taking into account external benchmarks, and makes proposals to the Board. When setting salary levels, the Remuneration Committee takes into consideration individual performance, NWR Group performance and changes in responsibilities.

Bonus

According to the current remuneration policy, Executive Directors may be awarded cash bonuses by the Board upon proposal by the Remuneration Committee. Executive Directors may be awarded cash bonuses following Board-approved strategic initiatives. The actual amount of the cash bonus is determined by the Remuneration Committee upon the achievement of financial and non-financial benchmarks.

Share awards plan for the Chief Executive Officer of OKD, a.s. ('OKD')

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

Stock option plan for the Chairman of the Board

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

Stock option plan for Executive Directors, senior management and key employees

NWR operates a stock option plan (the 'SOP'), which was adopted by the Annual General Meeting of Shareholders in April 2008. The SOP was designed with the assistance of Mercer. The plan is operated and administered by the Board and the Remuneration Committee.

Eligibility

Executive Directors, members of senior management and key employees of the NWR Group are eligible to participate in the SOP. Individual eligibility is determined by the Board upon the recommendation of the Remuneration Committee on a discretionary basis.

Should the AGM adopt the new remuneration policy including the deferred bonus plan described at the beginning of this report, the Executive Directors and selected members of senior management will not participate in the SOP.

Grant of options

The Board may, at its discretion, grant options to acquire A shares under the SOP to any eligible employee. The maximum number of A shares over which options may be granted under the SOP may not exceed 3 per cent of the issued A share capital of NWR at the IPO.

Grants can also be made by the Board in one-off situations, for example in the event of initial grants to new employees and additional grants in the event of promotion.

As per January 2009, the total number of options granted was 619,878 and their total monetary value was GBP 2,631 million (approximately EUR 3,314 million), which was calculated based on the generally accepted Black-Scholes model.

The total number of options granted in 2009 was 3,325,762 and their total monetary value was GBP 3,691,595 (approx. EUR 4,344,269), also calculated based on the Black-Scholes Model.

Exercise price
The exercise price of options granted at the IPO date was GBP 13.25. The exercise price in respect of any other options granted under the SOP will not be less than the average opening value of an A share on the London Stock Exchange on the five business days immediately prior to the date of grant. The exercise price of options granted in 2009 was GBP 2.8285.

Exercise of options
Options vest after a three-year period, provided the option holder remains a Director or an employee of the Group. The exercise of options is dependent on pre-established internal financial and operational criteria determined by the Remuneration Committee and approved by the Board. For Executive Directors and certain members of senior management and key employees, EBITDA threshold and target performance were determined for vesting purposes. For other senior management and key employees of the NWR Group, production and cost control thresholds and targets were set. For each year during the vesting period, one-third of the granted options become eligible for vesting. 50 per cent of the stock options vest if the threshold performance is achieved, and 100 per cent of the stock options vest if the target performance is achieved. Vesting between threshold and target is on a straight-line basis. Individual threshold and target performance are proposed each year by the Remuneration Committee and approved by the Board as part of the normal budgeting cycle.

Options which have not been exercised will normally lapse on the eighth anniversary of their grant. Options may, however, be exercised early under certain circumstances, including a termination of employment, a takeover, a scheme of arrangement or the winding up of the Company. Options are not transferable and may only be exercised by the persons to whom they are granted.

No options were exercised under the Stock Option Plan during 2009.

Individual limits
Unless the Remuneration Committee determines that exceptional circumstances apply: (i) options may not be granted to a member of senior management if this would cause the total amount due on the exercise of any options in a single year to exceed his fixed annual salary in the 12 months prior to grant, or to exceed five times his fixed annual salary in the 60 months prior to grant; and (ii) options may not be granted to a key employee of the NWR Group if this would cause the total amount due on the exercise of any options granted in a single year to exceed 60 per cent of his fixed annual salary in the 12 months prior to grant, or to exceed three times his fixed annual salary in the 60 months prior to grant.

Termination of employment
Executive Directors are not entitled to any benefit upon termination of their employment agreement other than the contractual benefits that apply during the notice period. If an option holder ceases to be a Director or employee of the NWR Group for reasons involving misconduct, all his options will lapse. If an option holder is deceased, retires at normal retirement age, is made redundant or retires through illness or injury, his options may be exercised on a proportionate basis dependent upon the time, which has elapsed since the date of grant and the relative satisfaction of any applicable performance condition.

Change in control
In the event of a change in control of NWR, all options will vest.

Issue of A shares and variation in share capital
A shares issued in a single year of options will rank equally with A shares in issue at that time, except in respect of rights arising by reference to a prior registration date. Options may be adjusted following certain variations in the share capital of NWR, including a capitalisation or rights issue, subdivision or consolidation of share capital.

Amendments
The Remuneration Committee manages, administers, and interprets the SOP at its discretion. The Remuneration Committee also proposes changes to the SOP to the Board subject to the provisions of any applicable law, including but not limited to Dutch corporate law and market abuse laws in both the Netherlands and the UK.

Termination
The Board may terminate the plan at any time. If this happens, no further options may be granted but the provisions of the plan will continue in relation to options already granted. No options may be granted after the eighth anniversary of the date of adoption of the plan.

Other benefits
In addition to the salary, bonus and share-based incentives, additional benefits may be granted to Executive Directors, such as relocation allowances, accommodation allowance, school fees, medical insurance and company car arrangements. These do not include pension benefits.

Remuneration Report continued

Service contracts of Executive Directors
The terms upon which Executive Directors have been engaged are summarised below:

Name	Date of appointment	Termination date for appointment	Notice period[1]
Mike Salamon	1 September 2007		12 months' notice by NWR; six months' notice by Director
Klaus-Dieter Beck[2]	1 July 2007	30 June 2013	Six months' notice by either party
Marek Jelínek	6 March 2007		Two months' notice by NWR; one month's notice by Director

1 The service contracts of Executive Directors provide for payment of salary alone in lieu of notice.
2 The applicable law governing Mr. Beck's employment agreement provides for a statutory severance payment of three average monthly salaries. However, he would only be entitled such severance payment, if the position of Chief Executive Officer has been cancelled (and not in the event of his replacement by a new manager).

Review of compensation of Executive Directors and senior management
In addition to the review of the Group compensation arrangements performed by Mercer, the Board also reviewed and approved, upon the proposal of the Remuneration Committee, the salary adjustments of certain Executive Directors for 2009 and set the performance criteria for the annual cash bonus for the Chief Financial Officer of NWR.

Remuneration of Executive Directors in financial year 2009
The tables below provide a description of the pre-tax remuneration of Executive Directors for the fiscal year ended 31 December 2009.

Executive Directors' emoluments and cash remuneration

Name	Gross salary (EUR)	Cash bonus (EUR)	Other benefits (EUR)[3]	Total (EUR)
Miklos Salamon	279,833	–	–	279,833
Klaus-Dieter Beck (1)	454,031	302,630	211,422	968,083
Marek Jelínek (2)	288,668	–	106,105	394,772

1 Mr. Beck receives his remuneration in CZK. The amounts stated in this table were converted into EUR from CZK at an exchange rate of 26.4349 CZK/EUR, which was the average exchange rate in 2009. Mr. Beck applied a reduction on his salary during 2009 in response to the economic situation of OKD. Gross salary of Mr. Beck includes remuneration received from OKD and OKK Koksovny, a.s. for his Board membership in 2009.
2 Upon a proposal of the Remuneration Committee, Mr. Jelínek's fixed salary was increased since 1 February 2009. Gross salary of Mr. Jelínek includes remuneration received from OKD for his Board membership in 2009.
3 Includes in-kind compensation, e.g. personal travel costs, additional health insurance, housing, etc.

2009 Stock option grants

Name	Date of grant	At 1 January 2009	Granted	Vested	Lapsed
Mike Salamon	01/09/2008	1,055,200	1,319,000	264,351	–
Klaus-Dieter Beck	–	–	–	–	–
Marek Jelínek[1]	24/06/2009	39,776	221,889	–	–

Name	Exercised	At 31 December 2009	Vesting date	Expiry date	Exercise price
Mike Salamon	264,351	790,849	01/09/2009[2]	–	EUR 0.01
Klaus-Dieter Beck	–	–	–	–	–
Marek Jelínek	–	261,665	24/06/2012	–	GBP 2.8285

1 Mr. Jelinek recieved options under the SOP.
2 263,800 options vested on 1 September 2008 and 264,351 options vested on 1 September 2009. An additional 20 per cent of granted options will vest on 1 September 2010, 2011 and 2012.

Share awards

Name	Date of grant	At 1 January 2009	Granted	At 31 December 2009
Mike Salamon	–	–	–	–
Klaus-Dieter Beck[1]	01/07/2009	–	250,045	–
Marek Jelínek	–	–	–	–

1 In response to the economic situation of OKD, Mr. Beck and OKD agreed on postponing until 2010 the share grant that Mr. Beck was entitled to receive in July 2009.

Total remuneration of Executive Directors

Name	Salary (EUR)	Cash bonus (EUR)	Other benefits (EUR)	Value of stock options exercised in FY 2009 (EUR)	Value of share awards in FY 2009 (EUR)	Total in FY 2009 (EUR)
Mike Salamon	279,833	–	–	1,764,357	–	2,044,190
	14%	0%	0%	86%	0%	100%
Klaus-Dieter Beck	454,031	302,630	211,422	–	–	968,083
	47%	31%	22%	0%	0%	100%
Marek Jelínek[1]	288,668	–	106,105	–	–	394,773
	73%	0%	27%	0%	0%	100%

1 In 2009, RPG Industries SE, the former majority shareholder in NWR, awarded Mr. Jelínek a one-off discretionary bonus. For more details, see the 'Related Party Transactions' section.

Remuneration of Non-Executive Directors

Non-Executive Directors are appointed for four years by the Annual General Meeting of Shareholders. They do not have service contracts with NWR but receive a letter of appointment including terms of reference. The Annual General Meeting of Shareholders may terminate their appointment at any time without any notice.

The remuneration of Non-Executive Directors is part of the remuneration policy approved by the Annual General Meeting of Shareholders. The remuneration rates were set at a level that would attract Directors of high calibre. Non-Executive Director remuneration was also designed to reflect additional responsibilities of Board committee chairmen and members. The annual fee for Non-Executive Directors was set at GBP 60,000 and changed to its EUR equivalent of 76,065 by a resolution of the Board in January 2009. For 2010 and onwards, the Remuneration Committee recommended to increase the fee for the members of the Health and Safety Committee to the levels paid to the members of the Real Estate Committee. The other remuneration rates were found appropriate also for 2010. Non-Executive Directors are also reimbursed for all reasonable and documented expenses incurred in performing their role.

Upon completion of the IPO, each of the Independent Non-Executive Directors were granted A shares valued at EUR 200,000. The terms and conditions of the award are described in a share plan and require each Director to hold the A shares for a minimum of one year after their award. The number of A shares granted was equivalent to EUR 200,000 divided by the offer price of GBP 13.25 (EUR 16.69), and each Director received 11,852 A shares upon completion of the IPO valued at EUR 1,200 million. Each of the Independent Non-Executive Directors were awarded additional A shares valued at EUR 200,000 on the first anniversary of the first grant in May 2009. The number of A shares awarded was equivalent to EUR 200,000 divided by the average of the highest market prices per share on each of the five trading days as reported by the London Stock Exchange, and each Director received 53,298 A shares valued at EUR 1 million. The Remuneration Committee has proposed to the Board to continue the share plan in 2010. The proposal will be submitted to the 2010 Annual General Meeting of Shareholders for approval.

Remuneration Report continued

Remuneration of Non-Executive Directors in financial year 2009

Name	Annual fee (EUR)	Committee chairmanship annual fee (EUR)	Committee membership annual fee (EUR)	Total compensation (EUR)[7]
Zdeněk Bakala[1]	76,065	31,694	12,677	29,697
Peter Kadas[1]	76,065	25,355	–	25,008
Alex T. Krueger[2]	76,065	–	12,677	44,006
Hans Mende	76,065	–	–	76,065
Milan Jelinek[3]	76,065	–	–	47,515
Chris Norval[4]	76,065	–	–	18,756
Pavel Telička[5]	76,065	–	–	76,065
Kostyantin Zhevago[6]	76,065	–	–	51,474
Bessel Kok	76,065	63,387	25,355	164,807
Hans-Jörg Rudloff	76,065	–	57,049	133,114
Steven Schuit	76,065	–	76,065	152,130
Barry Rourke	76,065	63,387	31,694	171,146
Paul Everard	76,065	50,710	31,694	158,469

1 Mr. Bakala and Mr. Kadas waived their fees for the second, third and fourth quarter of 2009.
2 Since Mr. Krueger resigned from the Board on 30 June 2009, he received his fee only for the relevant period.
3 Mr. Jelinek received his fee until 16 August 2009 when he passed away. In addition to his fee, Milan Jelinek was receiving fees under an advisory agreement with NWR and a coke sales contract between OKD and ICS Trading, a company founded by Mr. Jelinek. For further details regarding these contracts, see the 'Related Party Transactions' section of this 2009 Annual Report.
4 Mr. Norval received a fee for the period from 1 January 2009 to 23 March 2009 when he resigned from the Board.
5 NWR entered into a consultancy agreement with BXL Consulting Ltd; Mr. Telička is the co-founder and director in charge of the Brussels office of BXL. For further details regarding these contracts, see the 'Related Party Transactions' section of this 2009 Annual Report.
6 Mr. Zhevago was appointed a Director on 28 April 2009. He agreed to waive his fee for the benefit of a charity.
7 Excludes the value A shares awarded to Independent Non-Executive Directors.
8 The Health, Safety and Environment Committee hosts Messrs. Stan Suboleski and Karl-Friedrich Jakob as permanent guests. Their annual fee corresponds with the annual fee of other members of this committee and amounts to EUR 12,677.

Loans to Directors
As of 31 December 2009, there were no outstanding loans to Directors or members of senior management.

Pension scheme
The NWR Group does not operate any pension schemes on behalf of, or for the benefit of, its Directors or employees. The NWR Group does not set aside or accrue amounts to provide pension, retirement or similar benefits.

However, the NWR Group does accrue certain pension liabilities under applicable Czech law for medical leave, employment length of service (which is a special benefit paid to all employees in the mining profession once per year based on the length of the employment relationship) and termination payments for its employees. For additional information, see Note 28 to NWR's consolidated financial statements for the year ended 31 December 2009.

This Remuneration Report has been approved by the Board.

Zdeněk Bakala
Chairman of the Remuneration Committee
27 January 2010

General information

Executive Directors
Mike Salamon (Chairman)
Klaus-Dieter Beck
Marek Jelínek

Non-Executive Directors
Zdeněk Bakala
Peter Kadas
Hans-Jürgen Mende
Pavel Telička
Kostyantin Zhevago

Non-Executive Independent Directors
Bessel Kok
Hans-Jörg Rudloff
Steven Schuit
Paul M. Everard
Barry J. Rourke

As of 31 December 2009, the Board of Directors consisted of three Executive Directors and ten Non-Executive Directors, five of whom qualified as independent. The Company may be 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 described in more detail 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 2009.

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.

The Company has a one-tier Board of Directors (the 'Board') comprising of both executive and non-executive directors. Currently the Board consists of 13 Directors, which includes five Independent Directors. Such Board composition ensures the effective achievement of the corporate objectives, the protection of the interests of Company's shareholders and stakeholders and the governance of the Group. Non-Executive Directors monitor the performance of Executive Directors and management of goals and objectives of the Company. Non-Executive Independent Directors are judged to be independent of the Group and free of material relationships with the Group and its affiliated entities.

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. While the committees advise the Board in its work, 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 (tracking the performance of the Mining Division) and B shares (tracking the performance of the Real Estate Division). On 5 May 2008 the Company has converted one A share into a C share held by RPG Industries SE, the Company's former majority shareholder ('RPGISE'). The C share was used for a distribution of the share premium allocated to the C share to RPGISE at the time of the IPO (as defined below). The C share was cancelled on 22 July 2008. On 22 December 2008, RPGISE, the sole holder of the B shares at that time, transferred all 10,000 B shares to its indirect subsidiary, RPG Property B.V. In July 2009, RPGISE transferred its A shares held in the Company to its wholly owned subsidiary BXR Mining B.V. In December 2009, RPGISE disposed of its shares in BXR Mining. As a result of the disposal, RPGISE no longer has any interest in the Company. RPG Partners Limited continues to have an indirect interest in the same number of A shares in the Company.

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 RPGISE, the sole holder of the A shares prior to the offering, offered 81,965,345 existing shares in the IPO reducing its share in the Company to approximately 64 per cent. 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 and coke 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 2009 the Company and its subsidiaries employed an average of 16,044 employees (including discontinued operations) and utilized an average of 2,906 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. In 2009, the average wage decreased due to 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.

Investments

In 2009, the Group continued to implement its Productivity Optimisation Programme 2010 POP 2010. All 10 longwall sets have been successfully installed and are now fully operational. The new equipment is delivering expected results, thus improving productivity, efficiency as well as labour safety. In the long-term the equipment should enhance the Group's reserve base, since the new equipment is better suited to the existing coal seams and provides improved strength to allow deeper mining.

The Company has also implemented an investment programme aimed at the refurbishment and a reconstruction of its coking plants (COP 2010). The programme is well on track to be completed by the end of 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 purchased as part of POP 2010 involves further automation of extraction and enhances the safety environment for the Group's workforce. A number of safety initiatives were introduced in recent years, including new personal protective equipment, safety audits and safety briefings, resulting in a steady positive trend in the safety environment of the Group.

Capital expenditures of the Group reached EUR 250,201 thousand for the year 2009.

Changes in the Group

In April 2009, the energy assets operated by the Company's Polish subsidiary, NWR Karbonia Sp. z o.o. ('NWR Karbonia'), were spun off into NWR Energetyka PL Sp. z o.o. Subsequently, in October 2009, the Company contributed the shares held in NWREPL to its Czech subsidiary, NWR Energy, a.s., thus consolidating the energy assets in NWRE.

On 24 June 2009 the Board approved the intention to sell the Group's energy assets represented by NWRE and its two subsidiaries, NWREPL and CZECH-KARBON s.r.o. ('Czech Karbon') (the 'Energy Subsidiaries'). Based on the Board's determination to sell the energy business, the assets and liabilities of these entities have been classified as held for sale in the financial statements. Part of the energy business, which historically has been presented as the Electricity trading segment, is presented as discontinued operations in the financial statements.

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

Financial information

On the back of the regional and global economic downturn, demand for steel declined rapidly during the first half of 2009 leading to significantly lower sales of both coking coal and coke and resulting in a difficult period particularly for our coking operations. Thermal coal, however, proved to be a stabilising factor, generating consistent revenues throughout the year. The severity of the economic downturn in our region pushed the management to react swiftly and reduce production and cut costs, including headcount reduction. As a result of the efforts in operations and cost saving measures the Group achieved savings across all expense categories, leading to stable mining unit cash costs for the year despite significantly lower production. During the second half of the year, the market started to show signs of improvement. Monthly steel production in the customer markets began to recover. This led to steadily improving demand for the Group's coking coal and coke. Increased sales combined with prudent cost management resulted in improved performance ultimately leading to a strong and profitable last quarter of 2009. This positive trend is expected to continue into 2010. Recovering production in the steel sector resulted in higher demand for the Group's products and improved pricing.

Weaker market conditions and reduced demand for steel led to significantly lower sales during the year ended 31 December 2009 compared to the previous year. The Company's revenues declined 38 per cent, mainly due to the decrease in prices and sales volumes for both coking coal and coke.

In May 2009, the Company paid out a dividend to the holders of the A shares in the equivalent of EUR 47,484 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 2009 accounted for approximately EUR 1,117 million. The Group's largest business in terms of revenue is the production of coking coal, which accounted for approximately EUR 449 million of sales to third parties in 2009 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 thermal coal, which accounted for approximately EUR 351 million of sales in 2009 on an EXW basis. The Group also produces coke, primarily from its own coking coal, for sale to steel producers and foundries. Coke sales to third parties for 2009 were approximately EUR 105 million. The Group also generates revenue from the sale of coke by-products 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. The sources of additional revenues represented approximately EUR 212 million in 2009.

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 localised 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 stabilising 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 also experienced decreased operating costs for consumption of mining material, spare parts and personnel expenses as a result of internal cost saving measures, higher efficiency of new mining equipment, as well as decreased production levels. The Group has experienced increased operating costs for energy attributable to increased energy prices in the Czech Republic.

Despite the challenging global economic environment, the liquidity and solvency position of the Group was stable as of 31 December 2009. The management will take appropriate measures to keep the stable position going forward.

Directors' report continued

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. 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 recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. In addition, part of the receivables is insured. Currently the Group does not record any material overdue receivables.

To mitigate the potential credit risk 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 per cent of the nominal value of the receivables (EUR 34,426 thousand). The remaining 10 per cent of the nominal value of the receivables will be paid to the Group by the factoring company when and if the customer settles the original receivable.

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 Group 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 Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans with floating interest rates. To manage this, the Group entered into interest rate swaps and interest rate collars.

Liquidity risk refers to the possibility of the Group 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 Group aims to mitigate foreign currency exposure risks resulting from operations in currencies other than the functional currency of the Company (EUR) by entering into forward exchange rate contracts (par forwards) with financial institutions. Hedging is done at the Group level to enable to hedge the net position for the Group. The aim is to minimise 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 maximise 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 Senior Secured Facilities 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 centralised 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 to ensure coverage of main risks and internal control issues at Group level, to oversee and align operational risk and control reviews performed by local teams at subsidiary level where applicable, to create and maintain a group-wide risk and internal control approach and mechanism and to inform the Board of issues and developments in these areas. The Group internal auditor has a direct reporting line to the chairman of the Audit and Risk Management Committee and works in close co-operation with the risk manager of the Company and the management. OKD has its own internal audit team and the audit committee. The OKD's internal auditor assesses whether the internal control, risk management, and governance processes, as designed and represented by the management, are adequate and effective. Internal audit in the other Czech and Polish operations is carried out by the Group internal audit function.

Remuneration of the Board
The members of the Board received EUR 10,692 thousand for their services in the year 2009, of which EUR 8,847 thousand was received in shares and share options. The amounts correspond to values recorded in the books of the Company for the year 2009, including accruals. Please see also the Remuneration Report of the 2009 Annual Report of the Company.

Other
Please see also the Corporate Governance and Shareholder Information sections of the 2009 Annual Report, which includes information required by the Takeover Directive.

Amsterdam, 17 March 2010

Members of the Board of Directors,

Mike Salamon	**Klaus-Dieter Beck**	**Marek Jelínek**
Zdeněk Bakala	**Peter Kadas**	**Kostyantin Zhevago**
Bessel Kok	**Hans-Jörg Rudloff**	**Hans-Jürgen Mende**
Steven Schuit	**Paul M. Everard**	**Barry J. Rourke**
Pavel Telička		

Consolidated income statement prepared in accordance with IFRS as adopted by the European Union

For the year ended 31 December 2009

	Note	**1 January 2009 – 31 December 2009 EUR'000**	1 January 2008 – 31 December 2008 EUR'000
Revenues	3	**1,116,838**	1,814,785
Change in inventories of finished goods and work-in-progress		**18,869**	34,242
Consumption of material and energy		**(292,313)**	(368,032)
Service expenses		**(293,571)**	(351,466)
Personnel expenses	4,28,29	**(351,072)**	(432,962)
Depreciation	13	**(164,497)**	(158,346)
Amortisation	14	**(8,352)**	(10,165)
Reversal of impairment of receivables		**1,184**	46
Net gain from material sold		**4,048**	10,500
Gain from sale of property, plant and equipment		**4,117**	2,052
Other operating income		**3,514**	4,080
Other operating expenses	5	**(28,812)**	(27,625)
OPERATING INCOME		**9,953**	517,109
Financial income	7	**48,931**	106,011
Financial expense	7	**(116,804)**	(165,198)
Profit/loss on disposal of interest in subsidiaries		**–**	847
PROFIT/(LOSS) BEFORE TAX		**(57,920)**	458,769
Income tax expense	8	**(5,811)**	(117,673)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**(63,731)**	341,096
DISCONTINUED OPERATIONS			
PROFIT FROM DISCONTINUED OPERATIONS	9	**2,135**	10,543
PROFIT/(LOSS) FOR THE PERIOD		**(61,596)**	351,639
Attributable to:			
Non-controlling interests		**–**	–
SHAREHOLDERS OF THE COMPANY		**(61,596)**	351,639
EARNINGS PER SHARE	25		
Basic earnings per A share (EUR/share)		**(0.25)**	1.33
Diluted earnings per A share (EUR/share)		**(0.25)**	1.33
Basic earnings per A share from continuing operations (EUR/share)		**(0.26)**	1.29
Diluted earnings per A share from continuing operations (EUR/share)		**(0.26)**	1.29
Basic earnings per A share from discontinued operations (EUR/share)		**0.01**	0.04
Diluted earnings per A share from discontinued operations (EUR/share)		**0.01**	0.04
Basic earnings per B share (EUR/share)		**384.60**	746.80
Diluted earnings per B share (EUR/share)		**384.60**	746.80
Basic earnings per C share (EUR/share)		**n/a**	0.00
Diluted earnings per C share (EUR/share)		**n/a**	0.00

The Notes on pages 94 to 147 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income prepared in accordance with IFRS as adopted by the European Union

For the year ended 31 December 2009

	Consolidated statement of comprehensive income For the year ended 31 December 2009				
	Foreign exchange translation reserve EUR'000	Restricted reserve EUR'000	Hedging reserve EUR'000	Loss for the period EUR'000	Total comprehensive income EUR'000
Loss for the period	–	–	–	(61,596)	(61,596)
Other comprehensive income					
Foreign currency translation differences	14,350	1,886	1,038	–	17,274
Derivatives – change in fair value for the period	–	–	(76)	–	(76)
Derivatives – reclassification through profit and loss	–	–	(5,343)	–	(5,343)
Other movements	–	–	–	(1)	(1)
Total other comprehensive income for the period including tax effects	14,350	1,886	(4,381)	(1)	11,854
Total comprehensive income for the period attributable to the shareholders of the Company	**14,350**	**1,886**	**(4,381)**	**(61,597)**	**(49,742)**

	Tax charge or credit items of other comprehensive income As of 31 December 2009		
Tax effects on other comprehensive income	Before tax EUR'000	Tax (charge) credit EUR'000	Total comprehensive income net off tax EUR'000
Other comprehensive income			
Foreign currency translation differences	17,274	–	17,274
Derivatives – change in fair value for the period	(76)	–	(76)
Derivatives – reclassification through profit and loss	(6,679)	1,336	(5,343)
Other movements	(1)	–	(1)
Total	**10,518**	**1,336**	**11,854**

The Notes on pages 94 to 147 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income prepared in accordance with IFRS as adopted by the European Union continued

For the year ended 31 December 2009

	Consolidated statement of comprehensive income For the year ended 31 December 2008				
	Foreign exchange translation reserve EUR'000	Restricted reserve EUR'000	Hedging reserve EUR'000	Profit for the period EUR'000	Total comprehensive income EUR'000
Profit for the period	–	–	–	351,639	351,639
Other comprehensive income					
Foreign currency translation differences	(23,677)	(1,189)	–	–	(24,866)
Derivatives – change in fair value for the period	–	–	34,328	–	34,328
Derivatives – reclassification through profit and loss	–	–	–	–	–
Other movements	–	–	–	(534)	(534)
Total other comprehensive income for the period including tax effects	(23,677)	(1,189)	34,328	(534)	8,928
Total comprehensive income for the period attributable to the shareholders of the Company	**(23,677)**	**(1,189)**	**34,328**	**351,105**	**360,567**

Tax effects on other comprehensive income	Tax charge or credit on items of other comprehensive income As of 31 December 2008		
	Before tax EUR'000	Tax (charge) credit EUR'000	Total comprehensive income net off tax EUR'000
Other comprehensive income			
Foreign currency translation differences	(24,866)	–	(24,866)
Derivatives – change in fair value for the period	42,616	(8,288)	34,328
Derivatives – reclassification through profit and loss	–	–	–
Other movements	(534)	-	(534)
Total	**17,216**	**(8,288)**	**8,928**

The Notes on pages 94 to 147 are an integral part of these consolidated financial statements.

Consolidated statement of financial position prepared in accordance with IFRS as adopted by the European Union

As of 31 December 2009

	Note	**31 December 2009 EUR'000**	31 December 2008 EUR'000
ASSETS			
Property, plant and equipment	13	**1,158,332**	1,088,053
Mining licences	14	**161,757**	167,553
Long-term receivables	15	**1,568**	11,173
Deferred tax asset	30	**7,710**	154
Restricted cash	16	**13,926**	25,861
Derivatives		**251**	39
TOTAL NON-CURRENT ASSETS		**1,343,544**	1,292,833
Inventories	17	**85,819**	66,060
Accounts receivable and prepayments	18	**149,656**	201,671
Income tax receivable	8, 19	**660**	7,055
Cash and cash equivalents	21	**547,827**	678,895
Restricted cash	16	**2,771**	3,024
TOTAL CURRENT ASSETS		**786,733**	956,705
ASSETS HELD FOR SALE	10	**85,254**	–
TOTAL ASSETS		**2,215,531**	2,249,538
SHAREHOLDERS EQUITY			
Share capital	25	**105,736**	105,524
Share premium	25	**60,449**	54,971
Foreign exchange translation reserve	25	**19,078**	4,728
Restricted reserve	25	**126,066**	124,180
Equity-settled share based payments	25	**13,424**	8,037
Hedging reserve	25	**29,947**	34,328
Retained earnings	25	**205,475**	314,556
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY	25		
		560,175	646,324
LIABILITIES			
Provisions	26	**103,133**	103,962
Long-term loans	23	**679,854**	661,961
Bond issued	24	**260,096**	290,425
Employee benefits	28	**96,588**	88,188
Deferred revenue	27	**2,675**	5,594
Deferred tax liability	30	**101,512**	105,385
Other long-term liabilities		**648**	752
Derivatives		**18,649**	8,124
TOTAL NON-CURRENT LIABILITIES		**1,263,155**	1,264,391
Provisions	26	**10,175**	5,569
Accounts payable and accruals	22	**236,930**	221,980
Accrued interest payable on bond		**2,467**	2,766
Derivatives	20	**2,144**	888
Income tax payable	8	**1,840**	11,890
Current portion of long-term loans	23	**74,842**	66,835
Short-term loans	23	**18,895**	28,540
Cash-settled share-based payments payable		**2,371**	355
TOTAL CURRENT LIABILITIES		**349,664**	338,823
LIABILITIES CLASSIFIED AS HELD FOR SALE	10	**42,537**	–
TOTAL LIABILITIES		**1,655,356**	1,603,214
TOTAL EQUITY AND LIABILITIES		**2,215,531**	2,249,538

The Notes on pages 94 to 147 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity prepared in accordance with IFRS as adopted by the European Union

As of 31 December 2009

	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
Balance as at 1 January 2009	**105,524**	**54,971**	**4,728**	**124,180**	**8,037**	**34,328**	**314,556**	**646,324**
Total comprehensive income for the period attributable to shareholder of the Company	–	–	14,350	1,886	–	(4,381)	(61,597)	(49,742)
Transaction with owners recorded directly in equity								
Contribution by and distribution to owners								
Shares granted to independent directors	107	893	–	–	–	–	–	1,000
Shares from share options vested	105	4,585	–	–	(4,688)	–	–	2
Dividends paid	–	–	–	–	–	–	(47,484)	(47,484)
Share options	–	–	–	–	10,075	–	–	10,075
Transactions with owners	212	5,478	–	–	5,387	–	(47,484)	(36,407)
Balance as at 31 December 2009	**105,736**	**60,449**	**19,078**	**126,066**	**13,424**	**29,947**	**205,475**	**560,175**

	Note	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	–	–	105,305	377,463
Total comprehensive income for the period attributable to shareholder of the Company		–	–	(23,677)	(1,189)	–	34,328	351,105	360,567
Transaction with owners recorded directly in equity									
Contribution by and distribution to owners									
A shares issued in IPO		5,400	211,788	–	–	–	–	–	217,188
A shares issued to independent directors		24	1,176	–	–	–	–	–	1,200
Dividends paid to A shareholders		–	(86,672)	–	–	–	–	(73,864)	(160,536)
Dividends paid to C shareholders		–	(75,000)	–	–	–	–	–	(75,000)
Stock options for A shares		–	–	–	–	8,037	–	–	8,037
Distribution in kind to B shareholder		–	–	(9,984)	–	–	–	(72,611)	(82,595)
Reclassification Restricted reserve		–	–	–	(4,621)	–	–	4,621	–
Transactions with owners		5,424	51,292	(9,984)	(4,621)	8,037	–	(141,854)	(91,706)
31 December 2008		105,524	54,971	4,728	124,180	8,037	34,328	314,556	646,324

The Notes on pages 94 to 147 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows prepared in accordance with IFRS as adopted by the European Union

As of 31 December 2009

	Note	1 January 2009 – 31 December 2009 EUR'000	1 January 2008 – 31 December 2008 EUR'000
Cash flows from operating activities			
Net profit/(loss) before non-controlling minority interest from continuing operations	3	**(57,920)**	458,769
Net profit before taxation and non-controlling interest from discontinued operations	3	**3,690**	13,386
Net profit/(loss) before taxation and non-controlling interest		**(54,230)**	472,155
Adjustments for:			
Depreciation	13	**164,497**	158,346
Amortisation	14	**8,352**	10,165
Changes in provisions		**6,633**	(4,722)
Profit on disposal of property, plant and equipment		**(4,117)**	(2,052)
Profit on disposal of other financial investments		**–**	(846)
Interest expense, net		**52,491**	50,723
Change in fair value of derivatives		**7,476**	27,679
Cash-settled share-based payment transactions		**2,016**	355
Equity-settled share-based payment transactions		**11,078**	9,237
Unrealised foreign exchange gains on long-term borrowings		**754**	39
Profit before working capital changes		**194,950**	721,079
(Increase)/decrease in inventories		**(19,843)**	(39,540)
(Increase)/decrease in receivables		**41,258**	(17,130)
(Decrease)/increase in payables		**25,548**	24,026
Changes in deferred revenue		**(1,875)**	(4,701)
(Increase)/decrease in restricted cash		**12,438**	(4,448)
Net proceeds from closed currency derivatives		**–**	99,913
Currency translation and other non-cash movements		**(5,035)**	(32,507)
Cash generated from operating activities		**247,441**	746,692
Interest paid		**(52,852)**	(65,989)
Corporate income tax paid		**(18,364)**	(157,047)
Net cash flows from operating activities		**176,225**	523,656
Cash flows from investing activities			
Interest received		**6,441**	21,686
Purchase of land, property, plant and equipment	13	**(250,201)**	(285,094)
Proceeds from sale of other financial investments		**–**	5,929
Cash and cash equivalents of distributed subsidiaries (in kind)		**–**	(6,117)
Proceeds from sale of property, plant and equipment		**4,349**	2,724
Net cash flows from investing activities		**(239,411)**	(260,872)
Cash flows from financing activities:			
Repayments of syndicated loan	23	**(63,486)**	(65,146)
Proceeds of long-term borrowings	23	**82,335**	–
Bond redemption		**(30,165)**	–
Fees paid on bond redemption		**(1,236)**	–
Repayments of short-term borrowings		**(15,930)**	(5,350)
Proceeds of short-term borrowings		**17,448**	31,692
Proceeds from issued shares (IPO)		**–**	219,078
Transaction costs from issued shares (IPO)		**–**	(1,890)
Dividends paid		**(47,484)**	(235,536)
Net cash flows from financing activities		**(58,518)**	(57,152)
Net effect of currency translation		**2,107**	(897)
Net increase/(decrease) in cash and cash equivalents		**(119,597)**	204,735
Cash and Cash Equivalents at the beginning of period		**678,895**	474,160
Cash and Cash Equivalents classified as Assets held for sale		**11,471**	–
Cash and Cash Equivalents at the end of period		**547,827**	678,895

The Notes on pages 94 to 147 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union

For the year ended 31 December 2009

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.

BXR Mining B.V., a European public limited company, is the major shareholder of the Company, holding approximately 64 per cent of the Company's A shares. RPG Property B.V. is holding all of its B shares. The financial information of the Company is included in the consolidated financial statements of RPGISE. 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 17 March 2009.

b) The Group

The consolidated financial statements include New World Resources N.V. and the following subsidiaries (together the 'Group') as of 31 December 2009:

Consolidated subsidiaries	Abbreviation	% Equity = voting	Nature of Activity
Entities directly owned by the Company:			
OKD, a.s.[1]	OKD	100%	Coal mining
OKK Koksovny, a.s.[2]	OKK	100%	Coke production
NWR Karbonia Sp. z o.o.[3]	–	100%	Coal mining and 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
NWR Energetyka PL Sp. z o.o.	–	100%	Electricity sales
Entities directly owned by OKD:			
OKD, HBZS, a.s.	–	100%	Emergency services, waste processing

1 In the Notes the abbreviation OKD is used to refer to OKD, a.s.
2 OKD, OKK, a.s. was renamed to OKK Koksovny, a.s. on 1 December 2009. In the Notes, the abbreviation OKK is used and refers for the respective periods to OKK Koksovny, a.s. and OKD, OKK, a.s.
3 „Karbonia PL" Sp. z o.o. was renamed to NWR Karbonia Sp. z o.o. on 2 July 2009. In the Notes, the new name of NWR Karbonia Sp. z o.o. is used and refers for the respective periods to NWR Karbonia Sp. z o.o. resp. „Karbonia PL' Sp. z o.o.

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

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

As of 31 December 2008 the consolidated financial statements included New World Resources N.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
OKK Koksovny, a.s.	100%	Coke production
NWR Karbonia 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

1. General information continued

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 NWR Karbonia and NWREPL is Polish Zloty (PLN). Functional currency of the remaining consolidated companies is Czech Crown (CZK). For details refer to the Note 2d(ii). The accounting policies have been applied consistently by 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 judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following Notes:

Note 13 – 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.

OKD sold its 100 per cent share in NWR Karbonia to the Company on 25 January 2008. NWR Karbonia remains under the control of the Company.

The Company established two new entities, 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 per cent 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. on 1 April 2009. The control at the Company level did not change.

On 13 October 2009, 100 per cent ownership interest in NWR Energetyka PL Sp. z o.o. was transferred from the Company to NWR Energy, a.s. NWR Energetyka PL Sp. z o.o. remains under the control of the Company.

With effective date of 1 January 2008 the 100 per cent share in OKD, Rekultivace, a.s., the 49 per cent 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 per cent 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 by the spin-off.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union continued
For the year ended 31 December 2009

1. General information continued

(ii) Distribution in kind
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.

(iii) 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.

(iv) Discontinued operations and classification as held for sale
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 NWRE, Czech-Karbon s.r.o. ('Czech Karbon') and NWREPL. Based on the Board's resolution, the assets and liabilities of these entities were classified as held for sale. Neither comparative financial statements nor related comparative disclosures were re-presented.

Part of the energy business, presented as the Electricity trading segment in the past, is presented as discontinued operations in these financial statements. The segment was not classified as discontinued operations in 2008 and the comparative information in the income statement, statement of comprehensive income and statement of cash flows and related notes has been re-presented to show the discontinued operations separately from continuing operations. Discontinued operations are described in the Note 9 Discontinued operations.

2. Summary of significant accounting policies

a) New IFRS

New standards and interpretations adopted during the financial year
In 2009, the Group adopted the following new or amended International Financial Reporting Standards and IFRIC Interpretations, which were relevant for the Group:

- IFRS 7 Financial Instruments: Disclosures (Amendments)
- IAS 1 Presentation of Financial Statements (Amendments)
- IAS 23 Borrowing Costs (Amendments)
- IAS 39 Financial Instruments: Recognition and Measurement (Amendments)

The principal effects of the changes are as follows:

IFRS 7 Financial Instruments: Disclosures (Amendments)
The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, reconciliation between the beginning and ending balance for level three fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in the Note 20. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in the Note 20.

IAS 1 Presentation of Financial Statements (Amendments)
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, the non-owner changes in equity are presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements i.e. statement of comprehensive income and statement of changes in equity. Comparative information has been re-presented to be in conformity with revised standard.

IAS 23 Borrowing Costs (Amendments)
The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended IAS 23, the Group has adopted the standard on a prospective basis (comparative figures were not restated). Therefore, borrowing costs are capitalised on qualifying assets with a commencement date on or after 1 January 2009. Disclosure on capitalised borrowing costs is presented in the Note 13.

2. Summary of significant accounting policies continued

IAS 39 Financial Instruments: Recognition and Measurement (Amendments)
The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

Improvements to IFRSs
In April 2009, the IASB (International Accounting Standards Board) issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The Group has early adopted amendments to the following standards:

IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will not impact the presentation in the statement of cash flows of the contingent consideration on the business combinations completed upon cash settlement.

IAS 18 Revenue: The IASB has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The Group has assessed its revenue arrangements against the criteria defined by the IASB and concluded that it is acting as principal in all arrangements. The revenue recognition accounting policy has been updated 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 beginning after 1 January 2009 of later. 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:

IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements (Revised)
The revised standards were issued in January 2008 and are effective for annual reporting periods beginning on or after 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 non-controlling interests.

b) Basis of consolidation
The financial statements include the accounts of New World Resources N.V. and its subsidiaries presented in the 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 reporting 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 recognised in the income statement.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union continued

For the year ended 31 December 2009

2. Summary of significant accounting policies continued

(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 recognised directly in other comprehensive income. On disposal of an operation with functional currency other than EUR (in full or in part), the relevant amount of accumulated exchange differences is transferred to the income statement.

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 recognised 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 reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

For the purpose of hedge accounting, hedges are classified as:

> 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.

2. Summary of significant accounting policies continued

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the income statement.

Amounts recognised as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecasted sale or expenditure occurs. Where the hedged item is a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income 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 the other comprehensive income are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecasted transaction or firm commitment occurs.

In the periods beginning on 1 January 2008 and 1 January 2009 the Group applied hedge accounting for forward exchange rate contracts used as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments. We 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 Senior Secured Facilities (in the past called 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 reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item).
- Embedded derivates 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 including borrowing costs for long-term construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The cost also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that it is 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) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Group capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 January 2009. The Group continues to expense borrowing costs relating to construction projects that commenced prior to 1 January 2009.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union continued
For the year ended 31 December 2009

2. Summary of significant accounting policies continued

(iii) 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.

(iv) Subsequent expenditure

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

(v) Depreciation

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

The estimated useful lives are as follows:

> Buildings	30–45 years
> Plant and equipment	4–15 years
> Other	4 years

Mining works are depreciated on a straight-line basis based on their estimated useful life.

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

g) Intangible assets

(i) Licenses

Licenses represent the coal reserve license owned by OKD. The coal reserve is the exclusive deposit and creates the mineral wealth of the Czech Republic and the licenses allow OKD to extract coal from this deposit. Licences are stated at cost less amortisation and impairment losses.

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

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

(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.

2. Summary of significant accounting policies continued

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 l). 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 (CO_2). Based on the National Allocation Plan in 2009, 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 authorised person.

As at April, 30, of the following year, at the latest, these companies are required to remit a number of certificates representing the number of tonnes of CO_2 actually emitted. If a company does not fulfil this requirement and does not remit the necessary number of emission rights, then the company has to pay a penalty in the amount of EUR 40 per 1 tonne of CO_2.

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-recognised 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 unrealised gains or losses being recognised directly in other comprehensive income 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 recognised as other comprehensive income is recognised in the income statement. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognised in the income statement as ‘Dividends received’ when the right of payment has been established.

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).

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union continued
For the year ended 31 December 2009

2. Summary of significant accounting policies continued

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

(i) Calculation of recoverable amount

The recoverable amount of 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 fair value less costs to sell 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 amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

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

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

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

n) Non-controlling interest

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

2. Summary of significant accounting policies continued

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 reporting 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 capitalised 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 recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the 'vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured as the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in the Note 25).

Transactions with cash-alternative

The cost of transactions with a cash-alternative is measured initially at fair value at the grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date with changes in fair value recognised in the income statement.

r) Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects 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.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union continued

For the year ended 31 December 2009

2. Summary of significant accounting policies continued

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 recognised 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 amortised cost.

t) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(i) Goods sold and services rendered

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

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

(ii) 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 statement of financial position and upon settlement in the income statement.

The Group recognises provisions for obligations resulting from the settlement of electricity purchase contracts, for which the customer defaulted or is probable to default to buy the commodity. The expense is recognised in line other operating expenses 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 in 1993. The subsidies are recognised in the income statement on the accrual basis with related expenses.

2. Summary of significant accounting policies continued

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

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

(iii) Income tax

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

A current tax liability is calculated in accordance with the tax regulations of the states of residence of the Group companies and is based on the income or loss reported under local accounting regulations, adjusted for appropriate permanent and temporary differences from taxable income. Income taxes are calculated on an individual company basis as the tax laws do not permit consolidated tax returns.

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

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

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 remeasurement.

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. When an operation is classified as discontinued operation, the comparative income statement and statement of cash flows are re-presented as if the operation had been discontinued from the start of the comparative period.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union continued
For the year ended 31 December 2009

2. Summary of significant accounting policies continued

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

IFRS requires an entity to report information about operating segments which are separately available and which are regularly evaluated by the so called 'chief operating decision maker' ('CODM').

On 31 December 2007, the Company separated all real estate owned by the Group at that time ('Real Estate Assets') 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 Company issued B shares to track the financial performance of the RED. A shares track the financial performance of the MD. The CODM for the two reportable segments is the Board. In order to ensure fair treatment to all shareholders the Company prepared and adopted the Divisional Policy Statements, approved by the B shareholder. The fundamental and overriding principles state 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 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 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 specialised in land reclamation works, attributed with all real estate of OKD that was not being used for its mining and related operations.

The segments are managed and operated separately for accounting and reporting purposes according to the nature of the products and services provided to reflect the results and the financial position of each division and to provide relevant information to the holders of the A and B shares. 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., which were distributed to the shareholder of B shares on 30 September 2008, the RED mainly 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.

On 30 September 2008, the Group distributed 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 by the RED for the sale of certain Real Estate Assets in the nominal value of CZK 42,597 thousand (EUR 1,731 thousand) to the sole holder of the B shares. The impact of the dividend in kind on the consolidated equity of the Group was EUR 82,595 thousand.

In 2008, electricity trading activities incurred robust growth in sales volume. As a result the management of the Group decided to present and follow the financial performance of the electricity trading business separately.

Consequently, the MD segment is currently represented by two sub-segments, one representing the coal and coke business and the other representing the electricity trading business. On 24 June 2009 the Board approved the intention to sell the energy business of the Group under defined conditions. Electricity trading, as part of the energy business, is presented as discontinued operations in these financial statements.

3. Segment information continued

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

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. As of 1 January 2008 MD depreciates the Buildings provided by the RED. 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 revaluate 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 2009 is EUR 290,416 thousand (2008: 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.

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. The CAP is accounted for as financial expense in the MD and as financial revenue in the RED. For the year 2009 the fee was determined in line with the Divisional Policy Statement in an amount of EUR 3,807 thousand.

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 2009 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 amortisation 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 2009 and 31 December 2008 was EUR 14,730 thousand and EUR 16,344 thousand respectively.

Deferred revenue corresponding to the amount of the right to use land 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.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union continued

For the year ended 31 December 2009

3. Segment information continued

e) Presentation of business segments

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 1/1/2009–31/12/2009 EUR'000	Discontinued operations 1/1/2009–31/12/2009 EUR'000	1/1/2009–31/12/2009 EUR'000	**1/1/2009–31/12/2009 EUR'000**	1/1/2009–31/12/2009 EUR'000	**1/1/2009–31/12/2009 EUR'000**	**Continuing operations 1/1/2009–31/12/2009 EUR'000**	1/1/2009–31/12/2009 EUR'000	**1/1/2009–31/12/2009 EUR'000**
Segment revenues									
Continuing operations									
Sales to third party	1,112,548	–	–	**1,112,548**	–	**1,112,548**	**212**	–	**1,112,760**
Sales to discontinued sub-segment	4,078	–	(4,078)	**–**	4,078	**4,078**	**–**	–	**4,078**
Inter-segment sales	–	–	–	**–**	–	**–**	**1,785**	(1,785)	**–**
Discontinued operations									
Sales to third party	–	117,406	–	**117,406**	(117,406)	**–**	**–**	–	**–**
Sales to continuing sub-segment	–	70,172	(70,172)	**–**	–	**–**	**–**	–	**–**
Total revenues	1,116,626	187,578	(74,250)	**1,229,954**	(113,328)	**1,116,626**	**1,997**	(1,785)	**1,116,838**

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 1/1/2009–31/12/2009 EUR'000	Discontinued operations 1/1/2009–31/12/2009 EUR'000	1/1/2009–31/12/2009 EUR'000	**1/1/2009–31/12/2009 EUR'000**	1/1/2009–31/12/2009 EUR'000	**1/1/2009–31/12/2009 EUR'000**	**Continuing operations 1/1/2009–31/12/2009 EUR'000**	1/1/2009–31/12/2009 EUR'000	**1/1/2009–31/12/2009 EUR'000**
Segment Result									
Segment result	9,291	6,991	–	**16,282**	(6,991)	**9,291**	**662**	–	**9,953**
Financial income				**57,101**	(8,122)	**48,979**	**4,544**	(4,592)	**48,931**
Financial expenses				**(132,528)**	11,423	**(121,105)**	**(291)**	4,592	**(116,804)**
Profit/(loss) 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 31/12/2009									
Total segment assets	2,160,816	41,290	(2,911)	**2,199,195**			**33,356**	(17,020)	**2,215,531**
Total segment liabilities	1,632,424	24,437	(2,911)	**1,653,950**			**18,426**	(17,020)	**1,655,356**
Other segment information:									
Capital expenditures	250,201	–	–	**250,201**	–	**250,201**	**–**	–	**250,201**
Depreciation	163,288	5	–	**163,293**	(5)	**163,288**	**1,209**	–	**164,497**
Amortisation	10,137	–	–	**10,137**	–	**10,137**	**–**	(1,785)	**8,352**
Creation or (Reversal) of provisions	(6,875)	–	–	**(6,875)**	–	**(6,875)**	**–**	–	**(6,875)**
Interest income	5,756	90	–	**5,846**	(90)	**5,756**	**3,867**	(3,819)	**5,804**
Interest expense	58,554	41	–	**58,595**	(41)	**58,554**	**–**	(3,819)	**54,735**

3. Segment information continued

Business Segments	Mining division segment: Coal & Coke sub-segment	Mining division segment: Electricity trading sub-segment	Mining division segment: Eliminations & adjustments	Mining division segment: **Mining division consolidated–total**	Mining division segment: Eliminations & adjustments to discontinued operations	Mining division segment: **Mining division continuing operations–total**	**Real Estate division segment**	Inter-segment Eliminations & adjustments	**Continuing operations total**
	Continuing operations 1/1/2008–31/12/2008 EUR'000	Discontinued operations 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**	**Continuing operations 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									
Continuing operations									
Sales to third party	1,792,522	–	–	**1,792,522**	–	**1,792,522**	**21,613**	–	**1,814,135**
Sales to discontinued sub-segment	650	–	(650)	**–**	650	**650**	**–**	–	650
Inter-segment sales	1,924	49	–	**1,973**	–	**1,973**	**4,544**	(6,517)	**–**
Discontinued operations									
Sales to third party	–	226,994	–	**226,994**	(226,994)	**–**	**–**	–	**–**
Sales to continuing sub-segment	–	60,129	(60,129)	**–**	–	**–**	**–**	–	**–**
Total revenues	1,795,096	287,172	(60,779)	**2,021,489**	(226,344)	**1,795,145**	**26,157**	(6,517)	**1,814,785**

Business Segments	Mining division segment: Coal & Coke sub-segment	Mining division segment: Electricity trading sub-segment	Mining division segment: Eliminations & adjustments	Mining division segment: **Mining division consolidated–total**	Mining division segment: Eliminations & adjustments to discontinued operations	Mining division segment: **Mining division continuing operations–total**	**Real Estate division segment**	Inter-segment Eliminations & adjustments	**Continuing operations total**
	Continuing operations 1/1/2008–31/12/2008 EUR'000	Discontinued operations 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	**Continuing operations 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 Result									
Segment result	514,426	13,434	–	**527,860**	(13,434)	**514,426**	**2,683**	–	**517,109**
Financial income				**112,583**	(6,743)	**105,840**	**3,784**	(3,613)	**106,011**
Financial expenses				**(175,550)**	6,792	**(168,758)**	**(53)**	3,613	**(165,198)**
Profit/(Loss) on disposal of interest in subsidiaries				**(2,140)**	–	**(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 FOR THE PERIOD				**344,171**	(10,543)	**333,628**	**7,468**	–	**341,096**
Assets and liabilities as of 31/12/2008									
Total segment assets	2,205,749	41,947	(3,572)	**2,244,124**			**29,970**	(24,556)	**2,249,538**
Total 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	–	–	**284,497**	–	**284,497**	**597**	–	**284,094**
Depreciation	157,119	4	–	**157,123**	(4)	**157,119**	**1,227**	–	**158,346**
Amortisation	11,267	–	–	**11,267**	–	**11,267**	**–**	(1,102)	**10,165**
Creation or (Reversal) of provisions	(4,668)	–	–	**(4,668)**	–	**(4,668)**	**(54)**	–	**(4,722)**
Interest income	21,712	529	–	**22,241**	(529)	**21,712**	**3,739**	(3,613)	**21,838**
Interest expense	76,170	98	–	**76,268**	(98)	**76,170**	**7**	(3,613)	**72,564**

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union continued

For the year ended 31 December 2009

3. Segment information continued

f) Detailed presentation of the Mining and the Real Estate Divisions

As of 31 December 2009 and 2008 assets and liabilities of the divisions and the reconciliation to the consolidated statement of financial position are as follows:

	Mining division 31/12/2009 EUR'000	Real Estate division 31/12/2009 EUR'000	Eliminations & Adjustments 31/12/2009 EUR'000	Total 31/12/2009 EUR'000
Land	4,750	18,258	–	23,008
Buildings and constructions	610,150	368	–	610,518
Plant and equipment	434,290	–	–	434,290
Other assets	6,450	–	–	6,450
Construction in progress	84,066	–	–	84,066
Rights to use land of Real Estate Division	14,730	–	(14,730)	–
Mining licences	161,757	–	–	161,757
Long–term receivables	1,568	–	–	1,568
Deferred tax asset	7,710	–	–	7,710
Restricted cash	13,926	–	–	13,926
Derivatives	251	–	–	251
TOTAL NON-CURRENT ASSETS	**1,339,648**	**18,626**	**(14,730)**	**1,343,544**
Inventories	85,819	–	–	85,819
Accounts receivable and prepayments	151,423	189	(1,956)	149,656
Derivatives	–	–	–	–
Income tax receivable	821	–	(161)	660
Cash and cash equivalents	533,698	14,129	–	547,827
Restricted cash	2,771	–	–	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**	**–**	**560,175**
Provisions	103,133	–	–	103,133
Long–term loans	679,854	–	–	679,854
Bond issued	260,096	–	–	260,096
Employee benefits	96,588	–	–	96,588
Deferred revenue	2,675	13,994	(13,994)	2,675
Deferred tax liability	101,512	–	–	101,512
Other long–term liabilities	648	–	–	648
Derivatives	18,649	–	–	18,649
TOTAL NON-CURRENT LIABILITIES	1,263,155	13,994	(13,994)	1,263,155
Short-term provisions	10,175	–	–	10,175
Accounts payable and accruals	237,115	2,508	(2,693)	236,930
Accrued interest payable on bond	2,467	–	–	2,467
Derivatives	2,144	–	–	2,144
Income tax payable	231	1,770	(161)	1,840
Current portion of long-term loans	74,842	–	–	74,842
Short–term loans	18,895	–	–	18,895
Cash-settled share-based payments payable	2,371	–	–	2,371
TOTAL CURRENT LIABILITIES	348,240	4,278	(2,854)	349,664
LIABILITIES CLASSIFIED AS 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**

3. Segment information continued

	Mining division 31/12/2008 EUR'000	Real Estate division 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	–	–	313,288
Other assets	4,677	–	–	4,677
Construction in progress	78,821	–	–	78,821
Rights to use land of Real Estate Division	16,344	–	(16,344)	–
Mining licences	167,553	–	–	167,553
Long–term receivables	11,173	–	–	11,173
Deferred tax asset	154	–	–	154
Restricted cash	25,861	–	–	25,861
Derivatives	39	–	–	39
TOTAL NON-CURRENT ASSETS	1,288,913	20,264	(16,344)	1,292,833
Inventories	66,060	–	–	66,060
Accounts receivable and prepayments	203,402	5,732	(7,463)	201,671
Income tax receivable	7,804	–	(749)	7,055
Cash and cash equivalents	674,921	3,974	–	678,895
Restricted cash	3,024	–	–	3,024
TOTAL CURRENT ASSETS	955,211	9,706	(8,212)	956,705
ASSETS HELD FOR SALE	–	–	–	–
TOTAL ASSETS	**2,244,124**	**29,970**	**(24,556)**	**2,249,538**
TOTAL EQUITY	635,453	10,871		646,324
Provisions	103,962	–	–	103,962
Long–term loans	661,961	–	–	661,961
Bond issued	290,425	–	–	290,425
Employee benefits	88,188	–	–	88,188
Deferred revenue	5,593	15,566	(15,565)	5,594
Deferred tax liability	105,385	–	–	105,385
Other long–term liabilities	752	–	–	752
Derivatives	8,124	–	–	8,124
TOTAL NON-CURRENT LIABILITIES	1,264,390	15,566	(15,565)	1,264,391
Short-term provisions	5,569	–	–	5,569
Accounts payable and accruals	227,615	2,607	(8,242)	221,980
Accrued interest payable on bond	2,766	–	–	2,766
Derivatives	888	–	–	888
Income tax payable	11,713	926	(749)	11,890
Current portion of long–term loans	66,835	–	–	66,835
Short-term loans	28,540	–	–	28,540
Cash-settled share-based payments payable	355	–	–	355
TOTAL CURRENT LIABILITIES	344,281	3,533	(8,991)	338,823
LIABILITIES CLASSIFIED AS ASSETS HELD FOR SALE	–	–	–	–
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**

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union continued
For the year ended 31 December 2009

3. Segment information continued
Revenues and expenses of the divisions for the year 2009 and reconciliation to the consolidated income statement are presented in the following table:

	Mining division 1/1/2009–31/12/2009 EUR'000	Real Estate division 1/1/2009–31/12/2009 EUR'000	Eliminations & Adjustments 1/1/2009–31/12/2009 EUR'000	**Total 1/1/2009–31/12/2009 EUR'000**
Revenues	1,116,626	1,997	(1,785)	**1,116,838**
Change in inventories of finished goods and work-in-progress	18,869	–	–	**18,869**
Consumption of material and energy	(292,310)	(3)	–	**(292,313)**
Service expenses	(293,160)	(411)	–	**(293,571)**
Personnel expenses	(350,875)	(197)	–	**(351,072)**
Depreciation	(163,288)	(1,209)	–	**(164,497)**
Amortisation	(10,137)	–	1,785	**(8,352)**
Reversal of impairment of property, plant and equipment	–	–	–	**–**
Reversal of impairment of receivables	1,184	–	–	**1,184**
Net gain from material sold	4,048	–	–	**4,048**
Gain from sale of property, plant and equipment	3,632	485	–	**4,117**
Other operating income	3,514	–	–	**3,514**
Other operating expenses	(28,812)	–	–	**(28,812)**
OPERATING INCOME	9,291	662	–	**9,953**
Financial income	48,979	4,544	(4,592)	**48,931**
Financial expense	(121,105)	(291)	4,592	**(116,804)**
Profit/loss on disposal of interest in subsidiaries	–	–	–	**–**
PROFIT/(LOSS) FROM CONTINUING OPERATIONS – BEFORE TAX	(62,835)	4,915	–	**(57,920)**
Income tax expense	(4,742)	(1,069)	–	**(5,811)**
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	(67,577)	3,846	–	**(63,731)**
DISCONTINUED OPERATIONS				
PROFIT FROM DISCONTINUED OPERATIONS	2,135	–	–	**2,135**
PROFIT/(LOSS) FOR THE PERIOD	(65,442)	3,846	–	**(61,596)**

In 2009 RED revenues include revenues from release of deferred revenues (refer to point 3c) in an amount of EUR 1,785 thousand (2008: EUR 1,102 thousand) and revenues from rental of Real Estate Assets to third parties. Revenues from release of deferred revenues are eliminated in the Group's financial statements by an adjustment of EUR (1,785) presented under Eliminations & Adjustments.

MD amortised rights to use land, which were provided by RED to MD (refer to point 3c)), in an amount of EUR 1,785 thousand (2008: EUR 1,102 thousand). Amortisation charge is as an adjustment presented under Eliminations & Adjustments in the table above.

Financial income of RED comprises mainly of CAP interest income (refer to point b)) of EUR 3,819 thousand (2008: EUR 3,613 thousand). The amount of CAP interest revenue includes impact of translation differences of EUR 12 thousand (2008: EUR 13 thousand). MD was charged with interest expense of EUR 3,819 (2008: EUR 3,613 thousand). The amount of CAP interest expense includes impact of translation differences of EUR 12 thousand (2008: EUR 13 thousand). Such inter-segment transactions in the amount of EUR 4,592 thousand are eliminated on Group level, as presented under Elimination & Adjustments above.

3. Segment information continued

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

	Mining division 1/1/2008– 31/12/2008 EUR'000	Real Estate division 1/1/2008– 31/12/2008 EUR'000	Eliminations & Adjustments 1/1/2008– 31/12/2008 EUR'000	**Total 1/1/2008– 31/12/2008 EUR'000**
Revenues	1,795,145	26,157	(6,517)	**1,814,785**
Change in inventories of finished goods and work-in-progress	34,303	(61)	–	**34,242**
Consumption of material and energy	(365,379)	(2,835)	182	**(368,032)**
Service expenses	(341,665)	(14,671)	4,870	**(351,466)**
Personnel expenses	(427,433)	(5,529)	–	**(432,962)**
Depreciation	(157,119)	(1,227)	–	**(158,346)**
Amortisation	(11,267)	–	1,102	**(10,165)**
Reversal of impairment of property, plant and equipment	–	–	–	**–**
Reversal of impairment of receivables	93	(47)	–	**46**
Net gain from material sold	10,459	41	–	**10,500**
Gain from sale of property, plant and equipment	765	1,287	–	**2,052**
Other operating income	4,023	149	(92)	**4,080**
Other operating expenses	(27,499)	(581)	455	**(27,625)**
OPERATING INCOME	514,426	2,683	–	**517,109**
Financial income	105,840	3,784	(3,613)	**106,011**
Financial expense	(168,758)	(53)	3,613	**(165,198)**
Profit/loss on disposal of interest in subsidiaries	(2,140)	2,987	–	**847**
PROFIT FROM CONTINUING OPERATIONS – BEFORE TAX	449,368	9,401	–	**458,769**
Income tax expense	(115,740)	(1,933)	–	**(117,673)**
PROFIT FROM CONTINUING OPERATIONS	333,628	7,468	–	**341,096**
DISCONTINUED OPERATIONS				
PROFIT FROM DISCONTINUED OPERATIONS	10,543	–	–	**10,543**
PROFIT FOR THE PERIOD	344,171	7,468	–	**351,639**

Revenues and expenses of the RED included revenues and expenses resulting from operations of the distributed entities until the moment of distribution on 30 September 2008.

Revenues of MD and RED included revenues from inter-segment transactions related to the distributed entities. Such transactions in a value of EUR 5,415 thousand were eliminated on Group level. Other eliminations and adjustments included mainly elimination of RED revenue from release of deferred revenue (refer to point 3c)) in an amount of EUR (1,102).

MD equity amounts to EUR 545,245 thousand (2008: EUR 635,453 thousand), out of which share capital amounts to EUR 105,732 thousand (2008: EUR 105,520 thousand) as of 31 December 2009.

Restricted reserve in an amount of EUR 126,066 thousand (2008: EUR 124,180 thousand) is included in the equity of the MD as of 31 December 2009.

RED equity amounts to EUR 14,930 thousand (2008: EUR 10,871 thousand), out of which share capital amounts to EUR 4 thousand (2008: EUR 4 thousand) as of 31 December 2009.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union continued

For the year ended 31 December 2009

3. Segment information continued

g) Geographical information

Geographical Segments	Czech Republic 1/1/2009–31/12/2009 EUR'000	European Union members–Central Europe[1] 1/1/2009–31/12/2009 EUR'000	European Union - Other members[2] 1/1/2009–31/12/2009 EUR'000	Other 1/1/2009–31/12/2009 EUR'000	Total 1/1/2009–31/12/2009 EUR'000
Sales – Continuing operations[3]	**437,538**	**486,496**	**169,891**	**22,913**	**1,116,838**
– Continuing operations – sales to third party	433,460	486,496	169,891	22,913	1,112,760
– Continuing operations – sales to discontinued sub-segment	4,078	–	–	–	4,078
Sales – Discontinued operations[3]	**176,754**	**210**	**10,614**	**–**	**187,578**
– Discontinued operations – sales to third party	106,582	210	10,614	–	117,406
– Discontinued operations – sales to continuing operations	70,172	–	–	–	70,172
Non-current assets[4]	**1,316,433**	**3,317**	**339**	**–**	**1,320,089**
– Continuing operation	1,316,392	3,317	339	–	1,320,048
– Discontinued operations	41	–	–	–	41
Capital expenditure[5]	**248,634**	**1,462**	**105**	**–**	**250,201**
– Continuing operation	248,631	1,462	105	–	250,198
– Discontinued operations	3	–	–	–	3

1 Austria, Hungary, Poland, Slovakia. Czech Republic is presented separately.
2 Belgium, Bulgaria, Cyprus, Denmark, Estonia, Finland, France, Great Britain, Greece, Germany, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, The Netherlands, Portugal, Romania, Spain, Sweden, Slovenia.
3 Sales allocation is based on registered domicile of customer.
4 Includes property, plant and equipment and Mining licence. Split of non-current assets is based on the physical location of non-current assets.
5 CAPEX is located per country based on the physical allocation of acquired non-current assets.

Geographical Segments	Czech Republic 1/1/2008–31/12/2008 EUR'000	Central Europe - European Union members[1] 1/1/2008–31/12/2008 EUR'000	European Union - Other members[2] 1/1/2008–31/12/2008 EUR'000	Other 1/1/2008–31/12/2008 EUR'000	Total 1/1/2008–31/12/2008 EUR'000
Sales – Continuing operations[3]	**772,154**	**684,891**	**328,582**	**29,158**	**1,814,785**
– Continuing operations – sales to third party	771,504	684,891	328,582	29,158	1,814,135
– Continuing operations – sales to discontinued sub-segment	650	–	–	–	650
Sales – Discontinued operations[3]	**258,316**	**88**	**28,719**	**–**	**287,123**
– Discontinued operations – sales to third party	198,187	88	28,719	–	226,994
– Discontinued operations – sales to continuing operations	60,129	–	–	–	60,129
Non-current assets[4]	**1,252,281**	**3,090**	**235**	**–**	**1,255,606**
– Continuing operation	1,252,253	3,090	235	–	1,255,578
– Discontinued operations	28	–	–	–	28
Capital expenditure[5]	**277,091**	**1,698**	**6,305**	**–**	**285,094**
– Continuing operation	277,091	1,698	6,305	–	285,094
– Discontinued operations	–	–	–	–	–

1 Austria, Hungary, Poland, Slovakia. Czech Republic is presented separately.
2 Belgium, Bulgaria, Cyprus, Denmark, Estonia, Finland, France, Great Britain, Greece, Germany, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Portugal, Romania, Spain, Sweden, Slovenia.
3 Sales allocation is based on registered domicile of customer.
4 Includes Property plant and equipment and Mining licence. Split of non-current assets is based on the physical location of non-current assets.
5 CAPEX is located per country based on the physical allocation of acquired non-current assets.

3. Segment information continued

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

	Central Europe - European Union members 1/1/2009– 31/12/2009 EUR'000	Central Europe - European Union members 1/1/2008– 31/12/2008 EUR'000
Austria	**281,941**	317,014
Slovakia	**180,302**	277,755
Poland	**18,886**	83,012
Hungary	**5,367**	7,110
Total	**486,496**	684,891

	European Union – Other members 1/1/2009– 31/12/2009 EUR'000	European Union - other members 1/1/2008– 31/12/2008 EUR'000
Germany	**73,268**	147,451
Cyprus	**46,836**	165,621
Luxembourg	**40,321**	–
Great Britain	**5,072**	3,453
France	**3,236**	5,514
Italy	**760**	1,003
Belgium	**–**	1,816
Slovenia	**–**	2,643
Other	**398**	1,081
Total	**169,891**	328,582

	Other 1/1/2009– 31/12/2009 EUR'000	Other 1/1/2008– 31/12/2008 EUR'000
Bosnia and Herzegovina	**14,928**	–
Switzerland	**7,940**	21,508
Russia	**–**	5,533
Other	**45**	2,117
Total	**22,913**	29,158

Significant customers outside the Group

External revenue from three significant customers amounted to EUR 404,458 thousand (2008: three significant customers, revenue in total EUR 728,800 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:

	01/01/2009– 31/12/2009 EUR'000	01/01/2008– 31/12/2008 EUR'000
Sales of own products and merchandise	**1,066,667**	1,750,684
Services rendered	**50,171**	64,101
	1,116,838	1,814,785

Please refer to Note 9 for the split of revenues from discontinued operations.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union continued
For the year ended 31 December 2009

4. Personnel expenses

	01/01/2009–31/12/2009 EUR'000	01/01/2008–31/12/2008 EUR'000
Wages and salaries	**230,483**	285,374
Social insurance costs	**73,264**	95,673
Pensions	**2,185**	2,668
Net benefit expense (see Note 28)	**17,199**	15,378
Share-based payments (see Note 29)	**12,440**	16,295
Social security and other payroll costs	**15,501**	17,574
	351,072	432,962

Average number of employees in the period:

Managers	**126**	122
Staff	**15,882**	17,601
	16,008	17,723

Total remuneration and variable benefits received by the management were EUR 28,293 thousand (2008: EUR 47,434 thousand), out of which the social and health insurance were EUR 1,144 thousand (2008: EUR 1,181 thousand). The stated amount includes share-based payments to the management in the amount of EUR 12,440 thousand (2008: EUR 16,295 thousand).

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

Total remuneration received by the Directors of the Company amounts to EUR 10,692 thousand in 2009 and EUR 11,864 thousand in the comparable period, of which share-based payments amount to EUR 8,847 thousand (2008: EUR 9,936 thousand). The amounts include accrued expenses for share-based payments vesting after 31 December 2009.

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 disclosure.

5. Other operating expenses

Other operating expenses comprise:

	1/1/2009–31/12/2009 EUR'000	1/1/2008–31/12/2008 EUR'000
Compensation for mining damages	**14,525**	16,421
Property taxes and government fees	**5,906**	8,321
Insurance	**4,261**	2,490
Loss on sale and write-off of receivables	**1,524**	152
Compensation of employees for injuries, loss on wages, employment related illness etc.	**154**	189
Changes in provisions	**(6,875)**	(9,568)
Other[1]	**9,317**	9,620
Total other operating expenses	**28,812**	27,625

1 Includes gifts and donations and variety of sundry expenses.

6. Own work capitalised

Own work capitalised in the amount of EUR 20,231 thousand (2008: EUR 33,137 thousand) is not recognised in the revenues. It reduces expenses as follows:

	1/1/2009– 31/12/2009 EUR'000	1/1/2008– 31/12/2008 EUR'000
Consumption of material and energy	**14,312**	25,823
Service expenses	**19**	349
Personnel expenses	**2,668**	1,752
Net gain from material sold	**3,232**	5,213
Total	**20,231**	33,137

7. Financial income and expenses

Financial income comprise:

	1/1/2009– 31/12/2009 EUR'000	1/1/2008– 31/12/2008 EUR'000
Realised and unrealised foreign exchange gains	**41,469**	82,987
Bank interest received	**5,646**	21,657
Investment income	**160**	1,107
Other interest received	**158**	181
Proceeds on disposal of investment	**35**	–
Other[1]	**1,463**	79
Total financial income	**48,931**	106,011

1 Out of which EUR 1,333 thousand represents income from bond redemption (difference between principal amount and purchase price of EUR 2,270 thousand minus amortised fees to the redeemed part of EUR 937 thousand).

Financial expenses comprise:

	1/1/2009– 31/12/2009 EUR'000	1/1/2008– 31/12/2008 EUR'000
Realised and unrealised foreign exchange losses	**42,820**	55,771
Bank interest expense	**29,482**	45,873
Bond interest expense	**21,563**	22,125
Other interest expense	**3,690**	4,566
Loss on derivative instruments	**12,772**	31,757
Bank fees[1]	**229**	171
Other[2]	**6,248**	4,935
Total financial expenses	**116,804**	165,198

1 Out of which EUR 16 thousand represents bank fees of redeemed part of bond.
2 Out of which EUR 1,220 thousand represents advisory fees of redeemed part of bond.

For detailed information on bond redemption see Note 24.

Please refer to the note Other comprehensive income for the financial income and expenses recognised directly in equity.

8. Income tax expense

The corporate income tax in 2009 and 2008 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 21 per cent in 2008, 20 per cent in 2009 and 19 per cent in and after 2010 is reflected in the deferred tax, Dutch entity 25.5 per cent in 2009 and 2008, Polish entities 19 per cent in 2009 and 2008).

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 recognised, as it is not probable that future taxable profit will be available to utilise the benefits from the deferred tax assets.

Components of tax expense:

	1/1/2009– 31/12/2009 EUR'000	1/1/2008– 31/12/2008 EUR'000
Income statement:		
Current tax expense	**13,857**	123,720
Deferred tax expense	**(8,046)**	(6,047)
Income tax expense	**5,811**	117,673

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union continued

For the year ended 31 December 2009

8. Income tax expense continued

Part of the deferred tax asset which is expected to be recovered is recognised on remaining impairment loss in OKD, HBZS, a.s. (both 2009 and 2008); (refer to the Note 13).

Reconciliation of the statutory and effective tax rates:

	1/1/2009–31/12/2009 EUR'000	1/1/2008–31/12/2008 EUR'000
Profit before tax from continuing operations	**(57,920)**	458,769
Profit before tax from discontinued operations	**3,690**	13,386
Profit before tax	**(54,230)**	472,155
Tax at the applicable rate of 20 per cent (2008: 21 per cent)	**(10,846)**	99,153
Tax effect of:		
– Non-deductible expense	**8,613**	11,691
– Other tax allowable credits	**(849)**	(256)
– Change in deferred tax rate	**–**	65
– Loss on the sale of interests in subsidiaries	**–**	6
– Tax exempt income	**(26)**	(3,063)
– Change in unrecognised deferred tax asset	**13,800**	15,910
Effect of the applicable tax rates other than 20 per cent (2008: 21 per cent) in other jurisdictions	**(3,326)**	(2,990)
Prior period income tax adjustment		
Tax expense	**7,366**	120,516
Effective tax rate	**(14%)**	26%
Tax expense reported in the financial statements	**5,811**	117,673
Income tax attributable to discontinued operations	**1,555**	2,843
Tax expense	**7,366**	120,516

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

	31/12/2009 EUR'000	31/12/2008 EUR'000
Net tax receivable/(payable) at the beginning of the period	**(4,835)**	(32,724)
Current tax movements – reclassified to held for sale and discontinued operations	**1,983**	(2,843)
Current tax movements – subsidiaries distributed	**–**	38
Current and supplementary tax charges	**(13,857)**	(123,720)
Tax paid (2009: continuing operations), net	**15,362**	157,047
Currency translation	**167**	(2,633)
Net tax payable at the end of the period	**(1,180)**	(4,835)
Current income tax receivable	**660**	7,055
Current income tax payable	**(1,840)**	(11,890)

9. Discontinued operations

Part of the energy business, presented as the Electricity trading segment in the past, is presented as discontinued operations in these financial statements. 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 and related notes has been re-presented to show the discontinued operations separately from continuing operations.

In 2009 discontinued operations consist of: Czech-Karbon (1 January 2009–31 December 2009), part of NWREPL operations directly related to electricity trading i.e. after spin-off for the period 1 April 2009–31 December 2009 and part of NWR Karbonia energy business operations directly related to electricity trading by spin-off i.e. for the period 1 January 2009 – 31 March 2009. Above stated discontinued operations of NWREPL and NWR Karbonia are defined as 'Polish discontinued operations in 2009'.

Discontinued operations in 2008 consist of: Czech-Karbon (1 January 2008–31 December 2008) and part of NWR Karbonia energy business operations directly related to electricity trading for the period 1 January–31 December 2008 defined as 'Polish discontinued operations in 2008'.

9. Discontinued operations continued

The results of Czech-Karbon and Polish discontinued operations in 2009 are presented below:

	Czech-Karbon 1/1/2009– 31/12/2009 EUR'000	Polish discontinued operations in 2009 1/1/2009– 31/12/2009 EUR'000
Operating revenue	187,522	18,584
Operating expense	(181,097)	(18,018)
Operating profit	**6,425**	**566**
Financial expense	(3,298)	(3)
Profit before tax from discontinued operations	**3,127**	**563**
Income tax expense	(1,448)	(107)
Profit for the period from discontinued operations	**1,679**	**456**

Operating revenue of discontinued operations consists of sales of goods EUR 206,102 thousand (2008: EUR 302,484 thousand) and sales of services in an amount of EUR 4 thousand (2008: EUR 3 thousand). The net cash flows of Czech Karbon and Polish discontinued operations in 2009 for the period to distribution were as follows:

	Czech-Karbon 1/1/2009– 31/12/2009 EUR'000	Polish discontinued operations in 2009 1/1/2009– 31/12/2009 EUR'000
Operating	(563)	907
Investing	–	–
Financing	1	–
Currency translation	115	325
Net cash inflow/(outflow)	**(447)**	**1,232**

The results of Czech Karbon and Polish discontinued operations in 2008 for the period 1 January 2008 to 31 December 2008 are presented below:

	Czech-Karbon 1/1/2008– 31/12/2008 EUR'000	Polish discontinued operations in 2008 1/1/2008– 31/12/2008 EUR'000
Operating revenue	287,136	15,351
Operating expense	(274,151)	(14,902)
Operating profit	12,985	449
Financial expense	(42)	(7)
Profit before tax from discontinued operations	**12,943**	**442**
Income tax expense	(2,759)	(83)
Profit for the period from discontinued operations	**10,184**	**359**

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union continued

For the year ended 31 December 2009

9. Discontinued operations continued

The net cash flows of Czech Karbon and Polish discontinued operations in 2008 for the period 1 January 2008 to 31 December 2008 are as follows:

	Czech-Karbon 1/1/2008– 31/12/2008 EUR'000	Polish discontinued operations in 2008 1/1/2008– 31/12/2008 EUR'000
Operating	2,878	82
Investing	–	–
Financing	(5,919)	–
Currency translation	119	88
Net cash inflow/(outflow)	**(2,922)**	**170**

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

10. Assets and liabilities held for sale

The energy business of the Group is represented by NWR Energy, a.s., Czech-Karbon and NWREPL. The assets and liabilities of these entities are classified as held for sale. Neither comparative financial statements nor related comparative disclosures were re-presented.

	31/12/2009 EUR'000
Property, plant and equipment	**37,287**
Trade and other receivables	**36,143**
Cash and cash equivalents	**11,471**
Other assets	**353**
Employee benefits	**(804)**
Deferred tax liability	**(3,302)**
Trade and other payables	**(38,431)**
	42,717

11. Dividends

Dividends in 2009:

On 22 May 2009, the Company paid A share dividends in the total amount of EUR 47,484 thousand, EUR 0.18 per share.

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 9 May 2008, the Company declared and paid a dividend of EUR 75,000 thousand to the C shareholder (RPG Industries SE). 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 ('RPGISE'), 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.

12. 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 ('RPGP'), 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 RPG Byty s.r.o. relate 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 purchases from OKD, Doprava, akciová společnost relate to coal transport services. The purchases from Bakala Crossroads Partners a.s. relate to consultancy services.

12. Related party disclosures continued

Transactions with related parties included in the statement of financial position are as follows[1]:

Statement of financial position	31/12/2009 EUR'000	31/12/2008 EUR'000
Receivables from related parties under common control		
Green Gas, DPB, a.s.	**1,641**	1,459
OKD, Doprava, akciová společnost	**763**	941
RPG Byty, s.r.o.	**44**	238
OKD, Rekultivace, a.s.[2]	**32**	56
RPG RE Commercial, s.r.o.	**7**	41
RPG Služby, s.r.o.	**23**	13
Other related parties	**12**	45
Receivables from related parties in total	**2,522**	2,793
Payables to related parties under common control		
OKD, Doprava, akciová společnost	**19,936**	7,177
Green Gas, DPB, a.s.	**1,838**	2,700
OKD, Rekultivace, a.s.[2]	**1,666**	742
RPG Byty, s.r.o.	**786**	3,648
RPG RE Commercial, s.r.o.	**266**	231
Bakala Crossroads Partners a.s. (RPG Advisors, a.s.)	**187**	13
BXL Consulting SE	**25**	–
Other related parties	**977**	28
Payables to related parties in total	**25,681**	14,539

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

1 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.
2 Includes receivables and payables from related parties from transactions originated only for the period after the entity was distributed from the Group.

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

Receivables classified as assets held for sale as of 31 December 2009 include EUR 171 thousand receivables from related parties under common control. Payables classified as liabilities held for sale as of 31 December 2009 include EUR 2,499 thousand payables from related parties under common control.

Transactions with related parties included in the income statement in continuing operations are as follows:

Income statement under common control	1/1/2009– 31/12/2009 EUR'000	1/1/2008– 31/12/2008 EUR'000
Sales to related parties		
RPG Byty, s.r.o.	**22,001**	17,361
Green Gas, DPB, a.s.	**9,529**	6,024
OKD, Doprava, akciová společnost	**2,117**	3,492
RPG RE Commercial, s.r.o.	**1,414**	2,491
ICS Trading AG	**649**	20,036
OKD, Rekultivace, a.s.[1]	**164**	199
RPG Služby, s.r.o.	**143**	381
RPG RE Property, a.s.	**17**	40
Other related parties	**223**	1,137
Sales to related parties in total	**36,257**	51,161
Purchases from related parties under common control		
OKD, Doprava, akciová společnost	**73,401**	54,327
Green Gas, DPB, a.s.	**13,733**	10,049
RPG RE Property, a.s.	**8,519**	–
OKD, Rekultivace, a.s.[1]	**4,759**	1,013
RPG RE Commercial, s.r.o.	**1,065**	1,681
Bakala Crossroads Partners a.s. (RPG Advisors, a.s.)	**1,528**	2,686
Milan Jelinek	**542**	813
BXL Consulting SE	**300**	300
RPG Byty, s.r.o.	**298**	437
Depos Horní Suchá, a.s.	**215**	189
Other related parties	**240**	445
Purchases from related parties in total	**104,601**	71,940

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

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union continued

For the year ended 31 December 2009

12. Related party disclosures continued

Transactions with related parties included in the income statement as discontinued operations are made from: sales amounted to EUR 1,015 thousand (2008: EUR 1,023 thousand) and purchases amounted to EUR 11,897 thousand (2008: EUR 6,105 thousand). Purchases are made mainly from purchase of 'green' electricity (renewable resources) from Green Gas, DPB, a.s.

There were no significant transactions with other related parties.

13. Property, plant and equipment

	Land and Buildings EUR'000	Plant and Equipment EUR'000	Other assets EUR'000	Construction in Progress EUR'000	Total EUR'000
Cost:					
As of 1 January 2009	1,112,117	651,017	7,933	80,944	1,852,011
Additions	14,359	139,114	3,546	96,416	253,435
Disposal	(2,768)	(9,008)	(1,518)	(175)	(13,469)
Disposal of subsidiaries	–	–	–	–	–
Distribution of subsidiaries in kind	–	–	–	–	–
Transfers	34,553	55,554	–	(90,107)	–
Classified as assets held for sale	(41,667)	(23,094)	(6)	(1,247)	(66,014)
Currency translation	17,710	9,865	518	1,081	29,174
As of 31 December 2009	1,134,304	823,448	10,473	86,912	2,055,137
Accumulated depreciation and impairment losses					
As of 1 January 2009	420,850	337,729	3,256	2,123	763,958
Depreciation charge for the year	90,141	72,958	711	687	164,497
Depreciation charge for the year – disposed and distributed subsidiaries	–	–	–	–	–
Depreciation charge for the year – discontinued operations	–	5	–	–	5
Disposals	(1,999)	(8,979)	–	–	(10,978)
Disposals of subsidiaries	–	–	–	–	–
Distribution of subsidiaries in kind	–	–	–	–	–
Accumulated depreciation related to assets classified as held for sale	(14,868)	(16,884)	(6)	–	(31,758)
Currency translation	6,654	4,329	62	36	11,081
As of 31 December 2009	500,778	389,158	4,023	2,846	896,805
Net book value as of 31 December 2009	**633,526**	**434,290**	**6,450**	**84,066**	**1,158,332**
Net book value as of 1 January 2009	**691,267**	**313,288**	**4,677**	**78,821**	**1,088,053**

The net book value of plant and equipment as of 31 December 2009 includes EUR 171 thousand (31 December 2008: EUR 532 thousand) in respect of assets held under finance leases.

Annual review of restoration provision as of 31 December 2009 resp 31 December 2008 did not result in any change of the value of the provision or property, plant and equipment.

Research and development expenditure recognised as an expense during the period amounts to EUR 59 thousand (31 December 2008: EUR 66 thousand).

As of 24 June 2009 were land and buildings, plant and equipment, other assets and items included in construction in progress of entities NWRE, Czech Karbon, NWREPL classified as assets held for sale (refer to Note 10). Fixed assets classified as held for sale are not depreciated starting 1 July 2009.

The Group identified assets financed through the ECA loan as qualifying assets for capitalisation of borrowing costs. Borrowing costs in the amount of EUR 816 thousand were capitalised in 2009 (2008: EUR 0). The borrowing costs were determined using the capitalisation rate of 6,797 per cent.

13. Property, plant and equipment continued

	Land and Buildings EUR'000	Plant and Equipment EUR'000	Other assets EUR'000	Construction in Progress EUR'000	Total EUR'000
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	–	(22,130)	–
Currency translation	(4,278)	(15,872)	(528)	(3,712)	(24,390)
As of 31 December 2008	1,112,117	651,017	7,933	80,944	1,852,011
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	61,536	323	–	156,833
Depreciation charge for the year – disposed and distributed subsidiaries	689	818	6	–	1,513
Depreciation charge for the year – discontinued operations	–	4	–	–	4
Disposals	(25,240)	(11,027)	–	–	(36,267)
Disposals of subsidiaries	(1,997)	(1,963)	(9)	–	(3,969)
Distribution of subsidiaries in kind	(15,710)	(2,906)	(7)	–	(18,623)
Accumulated depreciation related to assets classified as held for sale	–	–	–	–	–
Currency translation	(7,246)	(6,283)	(60)	(40)	(13,629)
As of 31 December 2008	420,850	337,729	3,256	2,123	763,958
Net book value as of 31 December 2008	**691,267**	**313,288**	**4,677**	**78,821**	**1,088,053**
Net book value as of 1 January 2008	**829,510**	**187,910**	**780**	**31,181**	**1,049,381**

Accumulated impairment losses were as follows:

	31/12/2009 EUR'000	31/12/2008 EUR'000
OKD, HBZS, a.s.	**6,712**	6,612
	6,712	6,612

Accumulated impairment losses as of 31 December 2009
Impairment losses recognised in OKD, HBZS, a.s. were reassessed as of 31 December 2009 and 31 December 2008 and no indication that they may be reversed has been determined.

OKK
OKK, the coke production unit and one of the cash generating units ('CGU') of the Group recorded a loss in 2009. Therefore OKK was tested for a possible impairment of its assets by calculating the recoverable value of the CGU based on discounted future cash flows. The calculation requires the management to make some assumption and estimates. The main assumptions and estimates include future prices of coking coal and coke and the weighted average cost of capital ('WACC'). In estimating future coal and coke prices the management relies on external expert forecasts and historical trends, the WACC is calculated for the whole Group using the capital asset pricing model (CAPM). The recoverable value of the CGU did not result in any impairment charge.

OKK continued in implementation of the Coking plant optimisation programme 2010 (COP 2010) (described in the Note 33a)). In line with COP 2010 were put to use buildings and constructions with acquisition costs of EUR 869 thousand in year 2009 (2008: EUR 254 thousand). However, significant part of the property, plant and equipment acquired under COP 2010 is still uncompleted and therefore classified as a construction in progress in an amount of EUR 29,506 thousand as of 31 December 2009 (2008: EUR 3,889 thousand).

During 2009, certain parts of the Jan Šverma coking plant (refer to Note 33a)) were closed, as a result of the coking optimisation programme, COP 2010. One coking battery stays in operation. Shortened expected useful life of relevant long-term assets resulted in an increase of depreciation of EUR 6,947 thousand in 2009.

Construction of mine 'Frenštát'
Assets relating to the construction of the mine 'Frenštát' relate to geological survey work. These assets are maintained by OKD but are not historically reflected in its books. The original cost of these assets amounts to EUR 34,786 thousand, of which EUR 30,791 thousand is the value of assets located in the mine and EUR 3,995 thousand is the value of assets located on the surface.

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14. Mining licences

	Cost EUR'000	Accumulated amortisation EUR'000	Net book value EUR'000
At 1 January 2009	208,087	(40,534)	167,553
Amortisation for the period	–	(8,352)	(8,352)
Currency translation	3,160	(604)	2,556
At 31 December 2009	**211,247**	**(49,490)**	**161,757**

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

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 via contribution of OKD – the cost is based on the revalued amount as of 31 Octrober 2004, when the Company acquired the control over the Group.

The Group was also granted a mining licence regarding 'Dębieńsko 1' in Poland in June 2008. The licence was granted for 50 years for mine construction and operations. The mining licence 'Dębieńsko 1' 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
'Dębieńsko 1'	Year 2058

NWR Karbonia was granted exploration concessions related to mining area of closed mine Morcinek in Poland.

15. Long-term receivables

	31/12/2009 EUR'000	31/12/2008 EUR'000
Trade receivables	**118**	135
Long-term advances granted	**23**	10,354
Other	**1,427**	684
	1,568	**11,173**

The maturity dates of these receivables do not exceed five years.

Long-term advances as of 31 December 2008 relate to deposits that were paid to cover settlement of trading transactions on European commodities markets and Prague Energy Exchange market. Deposits covered contracts that will terminate in the period 2010–2013. In 2009 the long-term receivables were reclassified to assets held for sale.

16. Restricted cash

As of 31 December 2009 and 31 December 2008, the Company had long-term restricted cash of EUR 13,926 thousand and EUR 25,861 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 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 2009, the Company had short-term restricted cash of EUR 2,771 thousand (31 December 2008: EUR 3,024 thousand). The short-term restricted cash recognised as of 31 December 2009 results from guarantee terms related to supplies of POP 2010 mining equipment. Short-term restricted cash as of 31 December 2008 related to electricity trading contracts.

17. Inventories

	31/12/2009 EUR'000	31/12/2008 EUR'000
Finished goods	**48,385**	16,478
Raw materials and spare parts	**27,125**	26,336
Merchandise	**7,038**	20,154
Work-in-progress and semi-finished goods	**3,271**	3,092
	85,819	**66,060**

The inventories are disclosed net of write-downs for slow-moving and obsolete inventories of EUR 10,107 thousand (31 December 2008: EUR 5,567 thousand). Write-downs are included in consumption of material and energy and change in inventories of finished goods and work-in-progress.

18. Accounts receivable and prepayments

	31/12/2009 EUR'000	31/12/2008 EUR'000
Trade and other receivables		
Trade accounts and notes receivable	**97,691**	152,457
Other receivables, estimated accounts receivables	**11,068**	9,457
VAT and other tax receivables	**4,474**	3,881
Subtotal	**113,233**	165,795
Advance payments		
Advance payments for property, plant and equipment	**26,296**	26,413
Advance payments for financial investments	**1,964**	1,767
Other advance payments	**5,566**	5,616
Subtotal	**33,826**	33,796
Prepayments and accrued revenue		
Prepayments and accrued revenue	**2,597**	2,080
Subtotal	**2,597**	2,080
Total accounts receivable and prepayments	**149,656**	201,671

For terms and conditions relating to related party receivables, refer to Note 12.

Trade receivables are non-interest bearing and are generally on 20–45 days' terms.

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

	01/01/2009– 31/12/2009 EUR'000	01/01/2008– 31/12/2008 EUR'000
At the beginning of the period	**1,940**	2,281
Charge for the year	**114**	180
Amounts written off	**(1,293)**	(84)
Unused amounts reversed	**–**	(94)
Distribution to shareholders	**–**	(119)
Sale of subsidiary	**–**	(180)
Currency translation	**41**	4
Other	**(48)**	(48)
At the end of the period	**754**	**1,940**

As of 31 December 2009 and 31 December 2008, the analysis of accounts receivable that were either not past due or past due but not impaired is as follows:

	Neither past due nor impaired EUR'000	Past due but not impaired <30–days EUR'000	31–90 days EUR'000	91–180 days EUR'000	181–360days EUR'000	>360 days EUR'000	Total EUR'000
31 December 2009	109,139	2,744	1,329	18	1	2	113,233
31 December 2008	150,920	14,150	709	7	9	0	165,795

Based on past experience, the Company believes that no impairment allowance is necessary in respect of accounts receivable due.

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18. Accounts receivable and prepayments continued

As of 31 December 2009 receivables in nominal value of EUR 0 thousand (31 December 2008: EUR 33,034 thousand) were pledged as security for loans.

OKD has sold its receivables for a price equal to its nominal value of EUR 38,318 thousand to HSBC bank in December 2009. OKD has received an advance payment equal to 90 per cent of the nominal value of sold receivables. Such advance is non-regress, i.e. the amount of 90 per cent of the nominal value will stay with OKD, even if the customer does not settle the receivable. The remaining 10 per cent will be paid to OKD only when and if the customer pays the receivables to HSBC bank. Accordingly OKD derecognised the receivable towards the original customers in the amount of 90 per cent of its nominal value.

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, cash-settled share-based payments payable 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 rate risks on sales and purchases in foreign currencies, interest rates tied to variable market 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 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 transactions on exchange are closed following a tender, i.e. it lasts for days only.

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

The Board reviews and agrees policies for managing each of these risks which are summarised 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 2009 and 2008 the Group's policy that no speculative trading in derivatives shall be undertaken.

Credit risk

Credit risk arises from the potential inability of debtors to meet their obligations as they fall due. Credit 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 recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. 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.

To mitigate the potential credit risk 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 per cent of the nominal value of the receivables (EUR 34,426 thousand). The remaining 10 per cent of the nominal value of the receivables will be paid to the Group by the factoring company when and if the customer settles the original receivable. The fees paid for the factoring transaction are below 1 per cent of the transaction volume. (See also Note 18).

20. Financial instruments continued

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 recognised as of 31 December 2009 and 31 December 2008.

Liquidity risk

Liquidity risk refers to the possibility of the Group being unable to meet its financial obligations, when they fall due, mainly in relation to the settlement of amounts due to suppliers, 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 2009 and 31 December 2008 based on contractual undiscounted payments including accrued interest.

As of 31/12/2009	< 1 year EUR'000	1 to 5 years EUR'000	> 5 years EUR'000	Total EUR'000
Loans	93,737	643,328	36,526	773,591
Bond issued	2,467	–	260,096	262,563
Other long-term liabilities	–	126	522	648
Accounts payable and accruals	236,930	–	–	236,930
Derivatives	2,144	18,649	–	20,793

As of 31/12/2008	< 1 year EUR'000	1 to 5 years EUR'000	> 5 years EUR'000	Total EUR'000
Loans	95,375	661,961	–	757,336
Bond issued	2,766	–	290,425	293,191
Other long-term liabilities	–	551	201	752
Accounts payable and accruals	221,980	–	–	221,980
Derivatives	888	8,124	–	9,012

The Company has a long-term debt facility not drawn in amount EUR 48,965 thousand as of 31 December 2009. The commitment fee relating to the not drawn facility amounts to 0.825 per cent.

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

		Credit Line Size		Remaining Availability			
Credit Line	Currency	Currency '000	EUR'000	Currency '000	EUR'000	Interest rate	Maturity Date
OKD[1]	CZK/EUR	500,000	18,605	–	–	1M PRIBOR+0.65%	2010
OKK	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
NWR Karbonia Sp. z o.o.	PLN	5,000	1,203	5,000	1,203	WIBOR+1.5%	2009

1 OKD could select currency and type of loan drawn, which would have impact on interest rate p.a. The table presents the CZK credit volume.

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 Group 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 39 per cent of the entities' sales in 2009 from continued operations (2008: 33 per cent 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 the costs are denominated in the unit's functional currency.

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20. Financial instruments continued

At the end of 2008, the Group 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 recognised in the income statement when the hedged item (portion of coal and coke sales) is recorded.

As of January 2009, the Group aims to mitigate foreign currency exposure risks resulting from operations in currencies other than EUR by entering into forward exchange rate contracts (par forwards) with financial institutions. The Company entered in 2009 into foreign exchange forward contracts to hedge the CZK denominated outflows of its subsidiaries. Hedging is therefore managed at the Group level to enable to hedge the net position for the Group. The aim is to minimise earnings volatility for the Group resulting from movements in foreign exchange rates. The Group's policy is to cover 70 per cent of its currency exposure.

The Company had the following CZK-denominated balances and the consolidated subsidiaries had the following EUR-denominated balances:

	31/12/2009			31/12/2008		
	EUR denominated EUR'000	**CZK denominated EUR'000**	**Total EUR'000**	EUR denominated EUR'000	CZK denominated EUR'000	Total EUR'000
Cash and bank balances (including restricted cash)	**399,316**	**(2,295)**	**397,021**	442,310	7,270	449,580
Accounts receivable	**71,890**	**–**	**71,890**	77,547	–	77,547
Accounts payable	**(42,426)**	**(239)**	**(42,665)**	(23,834)	(86)	(23,920)
Loans	**(269,144)**	**(98,014)**	**(367,158)**	(316,034)	(96,909)	(412,943)
Gross balance sheet exposure	**159,636**	**(100,548)**	**59,088**	179,989	(89,725)	90,264

The following table demonstrates the sensitivity of weakening CZK to EUR exchange rate by 1 per cent, 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 (i.e. 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.

	31/12/2009			31/12/2008		
Depreciation of CZK against EUR by 1 per cent	Effect on profit after tax EUR denominated EUR'000	Effect on profit after tax CZK denominated EUR'000	Total effect on profit after tax EUR'000	Effect on profit after tax EUR denominated EUR'000	Effect on profit after tax CZK denominated EUR'000	Total effect on profit after tax EUR'000
Cash and bank balances (including restricted cash)	3,234	23	3,257	3,494	(72)	3,422
Accounts receivable	582	–	582	613	–	613
Accounts payable	(344)	2	(342)	(188)	1	(187)
Loans	(2,180)	980	(1,200)	(2,497)	969	(1,528)
Total	**1,292**	**1,005**	**2,297**	**1,422**	**898**	**2,320**

The depreciation of the CZK towards EUR by 1 per cent, with all other variables held unchanged would result in profit after tax EUR 2,297 thousand (2008: profit after tax EUR 2,320 thousand).

Interest rate risk

The Group aims to minimise the exposure to the risk of changes in market interest rates. This risk relates primarily to the Group's Senior Secured Facilities for which floating interest rates are applicable. In order to mitigate this long-term risk, the Group has entered into interest rate swaps and interest rate collars, covering approximately 69 per cent of the interest payments under the Senior Secured Facilities in 2009 (in 2008 76 per cent of Senior Secured Facilities). From 2010 interest rate swaps and collars will cover approximately 100 per cent of the Group's expected interest rate exposure resulting from the Senior Secured Facilities and the ECA loan.

The maturity of interest rate swaps and interest rate collars is matched to the repayments of Senior Secured Facilities.

For short-term loans outstanding, which comprise approximately 1.8 per cent 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 loans.

20. Financial instruments continued

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 per cent higher respectively lower over the whole period from 1 January 2009 to 31 December 2009 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 (999) thousand respectively EUR 999 thousand (2008: EUR (827) thousand respectively EUR 827 thousand).

High-yield bond bears a fixed interest rate and is stated at amortised cost. Therefore the change in the market interest rates and subsequent change in the fair value of the bond does not have any impact on the effective interest rate and carrying value of the bond, as recorded in the financial statements.

The increase in the market fair value of the high-yield bond attributable to the change in the specific credit risk amounted to EUR 114,356 thousand of the total fair value adjustment of the bond (2008: decrease EUR 142,306 thousand). The change in the fair value attributable to 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 the six-year German Sovereign Rate (2008: eight-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 2009 is mainly a result of current financial markets mood.

It is the Group's policy to negotiate the terms of the derivatives to match the terms of the item at risk to maximise 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.

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

Fair value of derivative instruments	**31/12/2009** Assets EUR'000	**31/12/2009** Liabilities EUR'000	31/12/2008 Assets EUR'000	31/12/2008 Liabilities EUR'000
Forward exchange contracts CZK-EUR	**–**	**346**	–	–
Forward exchange contracts CZK-PLN	**–**	**–**	–	888
Interest rates swap contracts	**165**	**18,980**	–	7,288
Interest rates collar contracts	**86**	**1,467**	39	836
	251	**20,793**	**39**	**9,012**

Nominal value of derivative instruments (31/12/2009)	Czech crown denominated contracts EUR'000	Polish zloty denominated contracts EUR'000	Euro denominated contracts EUR'000
Forward exchange contracts	47,821	–	–
Interest rates swap contracts	1,167,426	–	3,130,547
Interest rates collar contracts	68,919	–	191,250
	1,284,166	**–**	**3,321,797**

Nominal value of derivative instruments (31/12/2008)	Czech crown denominated contracts EUR'000	Polish zloty denominated contracts EUR'000	Euro denominated contracts EUR'000
Forward exchange contracts	–	24,372	–
Interest rates swap contracts	938,495	–	2,084,027
Interest rates collar contracts	93,401	–	262,500
	1,031,896	24,372	2,346,527

Nominal value of interest rates swap contracts and interest rates collar contracts presented in the above tables is made from the sum of concluded individual contracts that cover future installments of Senior Secured Facilities and ECA loan after the reporting date. Each interest rate swap or collar contract aims to cover individual interest payments under the covered loan and each of the contracts is settled on the date of the expected interest payment. As of 31 December 2009, the nominal value of contracts that cover the nearest installment of the Senior Secured Facilities in 2010 is EUR 439,571 thousand (2008: EUR 535,140 thousand for the nearest installment of the Senior Secured Facilities in 2009). Nominal values of the interest rates swap contracts and interest rates collar contracts will decrease over time in line with the outstanding future balances of Senior Secured Facilities and the ECA loan, except for year 2010, when some new contracts concluded in 2009 will start and hence increase nominal values (one-off impact).

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20. Financial instruments continued
At the beginning of January 2010, the Company concluded additional forward exchange contracts. For details refer to the Note 34.

Starting 1 January 2008, changes in the fair value of forward exchange contracts were accounted in the hedging reserve, that is part of equity. The reserve amounts to EUR 29,947 thousand as of 31 December 2009 (2008: EUR 34,328) thousand. The hedging reserve is recognised in the income statement when the hedged item (portion of coal and coke sales) is recorded. The amount recognised in equity is then transferred to the income statement. The impact in the income statement during the year 2009 was EUR 4,381 thousand (2008: EUR 24,738 thousand).

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

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 maximise 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 EBITDA (calculated on a 12 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 2009.

The Group includes interest bearing short-term and long-term loans and borrowings and issued bonds, less cash and cash equivalents, within net debt. Assets classified as assets held for sale and/or liabilities related to assets held for sale are not included. The Company defines EBITDA as net profit after tax from continuing operations before non-controlling interest, income tax, net financial costs, depreciation and amortisation, impairment of property, plant and equipment ('PPE') and gains/losses from sale of PPE.

	31/12/2009 EUR'000	31/12/2008 EUR'000
Interest bearing loans and borrowings		
Long-term loans	**679,854**	661,961
Bond issued	**260,096**	290,425
Current portion of long-term loans	**74,842**	66,835
Short-term loans	**18,895**	28,540
	1,033,687	1,047,761
Less Cash and cash equivalents	**547,827**	678,895
Net debt	**485,860**	368,866

	1/1/2009– 31/12/2009 EUR'000	1/1/2008– 31/12/2008 EUR'000
EBITDA:		
Profit before tax	**(57,920)**	458,769
Financial costs/revenues (including loss on disposal of interest in subsidiaries)	**67,873**	58,340
Reversal of impairment of property, plant and equipment	**–**	–
Gain from sale of property, plant and equipment	**(4,117)**	(2,052)
Depreciation	**164,497**	158,346
Amortisation	**8,352**	10,165
EBITDA	**178,685**	683,568
Gearing ratio	**2.72**	0.54

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 2009 and 31 December 2008 is calculated on annual basis. The Company is required under the Senior Secured Facilities agreement to hold a gearing ratio of senior indebtedness below 2.75 and a gearing ratio of total indebtedness below 3.25. The Senior Secured Facilities agreement requires the gearing ratio to be calculated using the results of both continuing operations and discontinuing operations, including items classified as held for sale. Such gearing ratio of total indebtedness amounts to 2.55 as of 31 December 2009.

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.

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 12 months.

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

Carrying amounts and the estimated fair values of financial assets and liabilities at 31 December 2009 and 31 December 2008 are as follows:

	31/12/2009		31/12/2008	
	Carrying Value EUR'000	**Fair Value EUR'000**	Carrying Value EUR'000	Fair Value EUR'000
Financial assets				
Fair value through profit & loss				
Derivatives	**251**	**251**	39	39
Loans & receivables				
Long-term receivables	**1,568**	**1,452**	11,173	10,330
Accounts receivable and prepayments	**149,656**	**149,656**	201,671	201,671
Available for sale				
Restricted cash	**16,697**	**16,697**	28,885	28,885
Cash and cash equivalents	**547,827**	**547,827**	678,895	678,895

	31/12/2009		31/12/2008	
	Carrying Value EUR'000	**Fair Value EUR'000**	Carrying Value EUR'000	Fair Value EUR'000
Financial liabilities				
Fair value through profit and loss				
Derivatives	**20,793**	**20,793**	9,012	9,012
Other				
Long-term loans	**679,854**	**679,854**	661,961	661,961
Bond issued (including accrued interest)	**262,563**	**238,428**	293,191	139,571
Other long-term liabilities	**648**	**648**	752	752
Accounts payable and accruals	**236,930**	**236,930**	221,980	221,980
Current portion of long-term loans	**74,842**	**74,842**	66,835	66,835
Short-term bank loans	**18,895**	**18,895**	28,540	28,540
Cash-settled share-based payments payable	**2,371**	**2,371**	355	355

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union continued
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21. Cash and cash equivalents

Cash and cash equivalents comprise the following statement of financial positition amounts:

	31/12/2009 EUR'000	31/12/2008 EUR'000
Cash in bank	**547,716**	677,053
Short-term depository notes	**–**	1,712
Cash on hand and cash in transit	**111**	130
Cash and cash equivalents	**547,827**	678,895

Cash at the bank includes short-term deposits and earns interest at floating rates based on bank deposit rates. Certain bank accounts are used for cash pooling. Short-term deposits are made for varying periods, typically one or two weeks or one month, depending on the immediate cash requirements of the Group, and earn interest at short-term deposit rates.

22. Accounts payable and accruals

	31/12/2009 EUR'000	31/12/2008 EUR'000
Trade accounts and notes payable	**153,819**	136,257
Wages and salaries payable	**23,657**	23,812
Social and health insurance payable	**11,846**	15,747
Advance payments received	**6,678**	3,783
VAT and other tax payable	**5,500**	10,277
Dividends payable	**1,444**	1,480
Other payables and estimated accounts payable	**33,986**	30,577
Accrued expenses	**–**	47
	236,930	221,980

23. Interest-bearing loans and borrowings

Long-term loans and borrowings:

The long-term bank loans include Senior Secured Facilities (also called Syndicated Loan in previous financial statements) and the ECA loan. Senior Secured Facilities are represented by facilities provided by a banking syndicate.

Long-term bank loans	Currency	Effective interest rate	Maturity	31/12/2009 EUR'000	31/12/2008 EUR'000
Bank loan – facility 1	CZK	6M PRIBOR+0.85%[1]	2010–2011	25,199	40,880
Bank loan – facility 2	CZK	6M PRIBOR+1.35%	2012	82,591	81,759
Bank loan – facility 3	CZK	6M PRIBOR+1.50%	2013	87,318	86,140
Bank loan – facility 1	EUR	6M EURIBOR+0,.85%[1]	2010–2011	69,478	114,840
Bank loan – facility 2	EUR	6M EURIBOR+1.35%	2012	230,840	232,726
Bank loan – facility 3	EUR	6M EURIBOR+1.50%	2013	171,372	172,451
ECA loan	EUR	EURIBOR+1.65%	2010–2018	87,898	–
Total long-term loans				754,696	728,796
of which current portion[2]				74,842	66,835
Total long-term loans				**679,854**	**661,961**
Long-term liabilities from finance leases				–	–
Total long-term interest-bearing loans				**679,854**	**661,961**

1 The margin rate can vary between 0.65 per cent and 1.35 per cent p.a. with respect to the actual gearing ratio.
2 Includes also interest accrual for the Senior Secured Facilities and ECA loan.

In 2008 and 2009 the Senior Secured Facilities were secured by shares of OKD and OKK. In 2009 NWRE, Czech Karbon and NWREPL became additional guarantors of that loan.

OKD is a guarantor of the part of the Senior Secured Facilities drawn by the Company in 2007.

The Company closed the ECA loan agreement in August 2009. The facilities available under the ECA loan agreement amount to approximately EUR 141 million and shall be used for financing of the POP 2010 capital investment programme. The loan will cover 85 per cent of the net purchase price of five longwall sets. The facility's availability period ends in June 2010 and the Company will repay the full facility in 17 semi-annual linear instalments.

23. Interest-bearing loans and borrowings continued

6M PRIBOR stands for 6-month Prague interbank offered rate and was 1.820 per cent on 31 December 2009 (31 December 2008: 3.750 per cent). 6M EURIBOR stands for Euro interbank offered rate and was 0.994 per cent on 31 December 2009 (31 December 2008: 2.971 per cent).

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.

Repayment schedule for long-term bank loans and borrowings:

	31/12/2009 EUR'000	31/12/2008 EUR'000
up to 31 December 2009	**–**	66,835
up to 31 December 2010	**74,842**	60,945
up to 31 December 2011	**40,852**	30,302
up to 31 December 2012	**323,581**	312,889
up to 31 December 2013	**268,925**	257,825
up to 31 December 2014	**9,970**	–
up to 31 December 2015	**10,167**	–
up to 31 December 2016	**10,376**	–
up to 31 December 2017	**10,602**	–
up to 31 December 2018	**5,381**	–
	754,696	728,796

Short-term loans and borrowings:

Short-term bank loans include credit lines that finally mature in 2010 – 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 2009, there is an off-balance sheet guarantee bill of exchange for short-term bank loan of EUR 18,887 thousand (2008: guarantee bill of exchange for a short-term bank loan of EUR 18,604 thousand).

Short-term bank loans	Currency	Effective interest rate	Maturity	31/12/2009 EUR'000
Overdraft	CZK	1M PRIBOR+0,95	31.1.2010	18,887
Credit cards liability	CZK	0%[1]	N/A	8
Total short-term interest-bearing loans				**18,895**

1 Credit cards.

As of 31 December 2008:

Short-term bank loans	Currency	Effective interest rate	Maturity	31/12/2008 EUR'000
Overdraft	CZK	1M PRIBOR+0.65%	31.12.2009	18,604
Overdraft	CZK	O/N PRIBOR+0.5%	20.7.2010[2]	9,925
Credit cards liability	CZK	0%[1]	N/A	11
Total short-term interest-bearing loans				**28,540**

1 Credit cards.
2 Overdraft agreement is valid until 2010.

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 ('7.375% Senior Notes') was EUR 300,000 thousand. Issue costs of the notes were EUR 11,320 thousand. Effective interest rate is 8.184 per cent.

The Company purchased EUR 32,435 thousand in aggregate principal amount of its 7.375% Senior Notes in October 2010. 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. The net gain on the redemption of the Notes was EUR 97 thousand.

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25. Share capital and reserves

	31/12/2009 EUR'000	31/12/2008 EUR'000
Share capital	**105,736**	105,524
Share premium	**60,449**	54,971
Restricted reserve	**126,066**	124,180
Equity-settled share based payments	**13,424**	8,037
Hedging reserve	**29,947**	34,328
Retained earnings	**205,475**	314,556
Foreign exchange translation reserve	**19,078**	4,728
Total	**560,175**	646,324
Non-controlling interests	**–**	–
Equity total	**560,175**	**646,324**

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 2009 the issued capital consists of 264,330,100 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 (2008: 263,799,255 ordinary A shares with nominal value 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 five Independent Directors, members of the Board.
> On 20 May 2009 the Company issued 266,490 new ordinary A shares with nominal value of EUR 0.40 each. These shares were granted to five Independent Directors, members of the Board.
> On 10 September 2009 the Company issued 264,351 new ordinary A shares with nominal value of EUR 0.40 each. These shares were used to settle the executed share options of Mike Salamon, the Executive Chairman of the Board, which he received as part of his remuneration, as described in the IPO Prospectus and the Annual Report of the Company. These shares have been admitted for trading on the main market of the London Stock Exchange, the Prague Stock Exchange and the Warsaw Stock Exchange.

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 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.

25. Share capital and reserves continued

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 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.
- 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:
  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 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 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 and the meeting of holders of the B shares and the Board shall have given due consideration to any representations made.
- A proposal to amend the Articles of Association changing the authorised 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 2009 100 per cent of the B shares are owned by RPG Property B.V. (31 December 2008: 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.

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25. Share capital and reserves continued
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 Board. 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 five Independent Directors of the Board of the Company. The A share premium attributable to these shares amounted to EUR 1,176 thousand.

On 20 May 2009 the Company issued 266,490 new ordinary A shares granted to five Independent Directors, members of the Board. The A share premium attributable to these shares amounted to EUR 893 thousand.

On 10 September 2009 the Company issued 264,351 new ordinary A shares to Mike Salamon, the Executive Chairman of the Board, as part of his remuneration, as described in the IPO Prospectus and the Annual Report 2008. The A share premium attributable to these shares amounted to EUR 4,585 thousand.

Restricted reserve
In accordance with Czech regulations, joint stock companies ('a.s.') are required to establish an undistributable statutory reserve for contingencies against possible future losses and other events. Contributions must be at a minimum of 20 per cent of after-tax profit in the first year in which profits are made and 5 per cent of after-tax profit each year thereafter, until the fund reaches at least 20 per cent of share capital. The fund can only be used to offset losses.

25. Share capital and reserves continued

Foreign exchange translation reserve

Translation reserve includes foreign exchange rate effects of translation of the balance sheet and the income statement from the functional currency to the presentation currency.

Hedging reserve

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.

Earnings per share

The calculation of the average number of outstanding shares, both A and B, reflects the 2.5 for 1 conversion of shares per 5 May 2008. Also the A shares issued at the initial public offering, 13.5 million and 59,260, A shares issued to Independent Directors and A shares issued to settle stock options executed by Mike Salamon are included in the calculation. Finally, the creation and the subsequent cancellation of the C share is reflected as well, to arrive at the average numbers of 258,991,996 and 264,054,650 outstanding shares during 2008 and 2009 respectively. Based on the numbers of average outstanding shares the basic earnings per share are 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.

	01/01/2009–31/12/2009 EUR'000	01/01/2008–31/12/2008 EUR'000
Total net profit/(loss) after tax from continuing operations	**(63,731)**	341,096
Total net profit after tax from discontinued operations	**2,135**	10,543
Total net profit/(loss) after tax of that:	**(61,596)**	351,639
Total net profit/(loss) after tax attributable to A shareholders	**(65,442)**	344,171
Total net profit/(loss) after tax from continuing operations attributable to A shareholders	**(67,577)**	333,628
Total net profit after tax from discontinuing operations attributable to A shareholders	**2,135**	10,543
Total net profit after tax attributable to B shareholders	**3,846**	7,468
Total net profit after tax from continuing operations attributable to B shareholders	**3,846**	7,468
Total net profit after tax from discontinuing operations attributable to B shareholders	**–**	–
Total net profit after tax attributable to C shareholders		
Weighted average number of shares outstanding during the period of that:[1]	**264,054,650.00**	258,991,995.60
Weighted average number of A shares outstanding during the period	**264,044,650.00**	258,981,995.36
Weighted average number of B shares outstanding during the period	**10,000.00**	10,000.00
Weighted average number of C shares outstanding during the period		0.24
Weighted average number of shares outstanding during the period adjusted for effect of dilution of that:	**264,529,225.92**	259,519,967.63
Diluted weighted average number of A shares outstanding during the period	**264,519,225.92**	259,509,967.39
Diluted weighted average number of B shares outstanding during the period	**10,000.00**	10,000.00
Diluted weighted average number of C shares outstanding during the period		0.24
Basic earnings per A share (EUR/share)	**(0.25)**	1.33
Diluted earnings per A share (EUR/share)	**(0.25)**	1.33
Basic earnings per A share from continuing operations (EUR/share)	**(0.26)**	1.29
Diluted earnings per A share from continuing operations (EUR/share)	**(0.26)**	1.29
Basic earnings per A share from discontinued operations (EUR/share)	**0.01**	0.04
Diluted earnings per A share from discontinued operations (EUR/share)	**0.01**	0.04
Basic earnings per B share (EUR/share)	**384.60**	746.80
Diluted earnings per B share (EUR/share)	**384.60**	746.80
Basic earnings per B share from continuing operations (EUR/share)	**384.60**	746.80
Diluted earnings per B share from continuing operations (EUR/share)	**384.60**	746.80
Basic earnings per B share from discontinued operations (EUR/share)	**0.00**	0.00
Diluted earnings per B share from discontinued operations (EUR/share)	**0.00**	0.00
Basic earnings per C share (EUR/share)	**0.00**	0.00
Diluted earnings per C share (EUR/share)	**0.00**	0.00

1 Year 2008 reflects the stock split of 2.5 that occurred on 5 May 2008.

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26. Provisions
The provision balances are as follows:

	At 1 January 2009 EUR'000	Charged EUR'000	Utilised EUR'000	Held for sale EUR'000	Subsidiary sold EUR'000	Unwinding of discount EUR'000	Currency translation EUR'000	At 31 December 2009 EUR'000
Restoration provision	90,338	–	(2,617)	–	–	3,360	1,371	92,452
Mining damage	12,365	7,549	(10,703)	–	–	–	194	9,405
Dukla Mine closure	–	–	–	–	–	–	–	–
Other restoration costs	1,259	–	–	–	–	–	17	1,276
Total long-term provisions	103,962	7,549	(13,320)	–	–	3,360	1,582	103,133
Employee redundancy	–	7,263	(2,056)	–	–	–	(7)	5,200
Unpaid vacation	3,053	6,845	(7,228)	(11)	–	–	47	2,706
Buy-out (family houses)	1,979	–	(537)	–	–	–	31	1,473
Other	537	613	(362)	–	–	–	8	796
Total short-term provisions	5,569	14,721	(10,183)	(11)	–	–	79	10,175

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

Annual review of restoration provision as of 31 December 2009 and 31 December 2008 did not result in any change of estimates.

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 2009 the provision has been calculated using discount rates in range between 2.8 per cent–3.3 per cent p.a. (31 December 2008: range between 3.8 per cent–4.1 per cent p.a.)

The employment redundancy provision relates to the intention to fully shut down the OKK's Jan Šverma facility as part of the COP 2010 programme.

On 27 February 2006 the Board of Directors of OKD 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.

27. Deferred revenue

	Government grants EUR'000	Other EUR'000	Total EUR'000
At 1 January 2009	2,277	3,317	5,594
Liabilities held for sale	–	(2,297)	(2,297)
Sale of subsidiaries	–	–	–
Change in the period	(211)	(479)	(690)
Currency translation	36	32	68
At 31 December 2009	**2,102**	**573**	**2,675**

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

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 amortisation 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 – special miners' benefits, severance payments, vouchers, loyalty benefits and other. The Group's net obligation in respect of long-term service benefits is the amount of benefits that are payable 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. The significant benefits are listed below.

	31/12/2009 EUR'000	31/12/2008 EUR'000
Special miners benefits	**63,657**	57,607
Severance payment	**18,521**	17,749
Vouchers	**11,614**	–
Loyalty benefits	**1,796**	11,523
Employees' jubilee	**34**	292
Other long-term benefits	**966**	1,017
Total employee benefits	**96,588**	88,188

Increase in employee benefits as of 31 December 2009 compared to 31 December 2008 is a cumulative result of updated assumptions that are disclosed at the end of this Note (in addition to the effect of reclassification of employee benefits into liabilities classified as held for sale in 2009 and changes in benefits in 2009).

Changes in benefits in 2009

As of 1 January 2009 OKD amended its collective agreement with its labour union. Major loyalty benefits (anniversary benefits and retirement anniversary benefit) existing as of 31 December 2008 were replaced by new benefit vouchers since 1 January 2009.

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 per cent of the highest allowable exposure to mine dust, in case of both position transfer or employment termination. Those bonuses are paid monthly, until the pension entitlement arises or the age of 60 is reached. The benefit is required by current legislation of the Czech Republic.

Health-related severance payment is based on the collective agreement of OKD and its labour union. Entitled persons are employees whose employment relationship was dissolved owing to their inability for health reasons to continue performing their work and who are not entitled to receive other severance payment. This benefit is a one-time payment calculated as a multiple of average monthly wage in connection with years of service.

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28. Employee benefits continued
Retirement benefits are based also on a collective agreement of OKD and its labour union and are paid to employees who terminate their employment contract upon becoming entitled to draw an old age pension. The one-time payment is a multiple of average monthly wage.

Severance payments
Severance payments are based on Czech law. Entitled persons are employees whose employment relationship was dissolved owing to having achieved 100 per cent 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.

Vouchers
This new benefit was recognised at OKD as of 1 January 2009 based on amendment to the collective agreement of OKD and its labour union. All employees are granted vouchers semi-anually and the amount is based on the length of employment relationship. Employees may use these vouchers for health, cultural, sporting, educational and holiday purposes.

Loyalty benefits
Stabilisation 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.

As a consequence of amendment to the collective agreement of OKD and its labour union anniversary benefits and retirement anniversary benefit that were included in loyalty benefits as of 31 December 2008 were derecognised at OKD as of 1 January 2009.

Length-of-service bonuses are defined in the collective labour agreements of individual Group entities and paid based on the specific provisions of collective agreements, tied to years of uninterrupted service. This benefit is designed as one-time payment.

Changes in the present value of the defined benefit obligation:

	01/01/2009–31/12/2009 EUR'000	01/01/2008–31/12/2008 EUR'000
Defined benefit obligation at the beginning of the period	**88,188**	85,634
Movements in the period – subsidiaries distributed	**–**	(404)
Movements in the period – subsidiaries disposed	**–**	(836)
Classified as held for sale	**(1,130)**	–
Benefits paid	**(9,037)**	(10,507)
Net benefit expense	**17,199**	15,378
Currency translation	**1,368**	(1,077)
Defined benefit obligation at the end of the period	**96,588**	88,188

The following table summarises the components of net benefit expense recognised in the income statement and the funded status and amounts recognised in the statement of financial position for the respective plan:

	01/01/2009–31/12/2009 EUR'000	01/01/2008–31/12/2008 EUR'000
Current service cost	**5,068**	5,110
Interest cost on benefit obligation	**3,274**	3,541
Past service costs	**10,295**	–
Curtailments	**(10,319)**	–
Actuarial loss/(gain)	**8,881**	6,727
Net benefit expense	**17,199**	15,378

Anniversary benefits and retirement anniversary benefit that were derecognised as of 1 January 2009 form balance of curtailments. Past service costs are made from benefit vouchers that was recognised in 2009.

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 2009 range between 3.9 per cent–4.05 per cent p.a. (as of 31 December 2008: 4.1 per cent–4.4 per cent p.a.).

28. Employee benefits continued

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 8,1 per cent per annum as of 31 December 2009 (5 per cent per annum as of 31 December 2008). Higher steadily average wage increase is mainly consequence of fall in actual average wages in 2009 while in long-term period it is assumed that average salaries would not be affected by crisis.

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 the end of the vesting period, the cumulative expense is calculated, reflecting the extent to which the vesting period has expired and the number of equity instruments that will ultimately vest. The movement in cumulative expense compared to the previous balance sheet date is recognised as personnel expense 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 remeasures 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).

b) 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 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. The second tranche was settled by issuing 266,490 ordinary A shares with nominal value of EUR 0.40 each on 20 May 2009. The corresponding expenses are shown in the category of share-based payments personnel expense. The number of shares granted was determined as the average of opening prices of an A share on the London Stock Exchange over a period of five business days preceding the date of share issue. The impact on the income statement for 2009 of granting shares to the Independent Directors equals to EUR 353 thousand (2008: EUR 1,846 thousand). This amount relates fully to accrued expenses for the second tranche of granted shares.

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

Mr. Mike Salamon was granted options for A share with exercise price of EUR 0.01 in the amount equal to 0.5 per cent 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. The options vested on 1 September 2009 were exercised on 10 September 2009. On each subsequent anniversary an additional 20 per cent of the granted options will vest. The accrued expense for the granted share options has an impact of EUR 8,381 thousand, of which EUR 1,676 thousand was accrued for the options that vested on 1 September 2009 and EUR 6,705 thousand was accrued for the tranches that vest in years 2010 to 2012.

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29. Share-based payments continued
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 eight years; risk-free rate of 4 per cent and a volatility of 15 per cent. The eight-year expiry period consists of a three-year vesting period and a consecutive five-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.

Mike 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 Mike Salamon.

Executive Director of the Company and Chief Executive Officer of OKD Mr. 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 Mr. Beck will be granted 250,045 A shares every year, starting as of 1 July 2007, up to a maximum total amount of 1,250,225 A shares granted.

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
Several eligible 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. 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 option 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 currently lower than the exercise price of the options granted 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	**01/01/2009– 31/12/2009 EUR'000**	01/01/2008– 31/12/2008 EUR'000
Independent Directors	**353**	1,846
Mike Salamon	**8,381**	8,090
Klaus-Dieter Beck	**2,012**	5,764
Other	**1,694**	595
	12,440	**16,295**

30. Deferred tax

	2009 EUR'000	2008 EUR'000
Deferred tax asset:		
At 1 January	**23,455**	21,490
Deferred tax charge for the period	**7,368**	3,685
Impact of changed deferred tax rate	**(281)**	(96)
Deferred tax movement – distribution in kind	**–**	(384)
Deferred tax movement – sold subsidiary	**–**	(960)
Deferred tax movement – assets held for sale	**(164)**	
Currency translation	**345**	(280)
At 31 December	**30,723**	23,455

	EUR'000	EUR'000
Deferred liability:		
At 1 January	**128,686**	123,572
Deferred income tax related to items charged or credited directly to equity:		
Net gain/(loss) on revaluation of cash flow hedges	**(1,599)**	9,167
Deferred tax charge for the period	**(678)**	(2,362)
Impact of changed deferred tax rate	**(371)**	(31)
Deferred tax movement – distribution in kind	**–**	(832)
Deferred tax liability movement – liabilities related to assets for sale	**(3,466)**	
Currency translation	**1,953**	(828)
At 31 December	**124,525**	128,686
Deferred tax liability net out of which presented in balance sheet	**93,802**	105,231
Deferred tax asset	**7,710**	154
Deferred tax liability	**101,512**	105,385

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.

	31/12/2009 EUR'000	31/12/2008 EUR'000
Deferred tax asset relates to the following:		
Fixed assets	**–**	154
Allowances, adjustments and provisions	**5,630**	6,800
Employee benefits	**18,152**	16,501
Tax losses carried forward	**6,898**	–
Other	**43**	–
	30,723	23,455

	31/12/2009 EUR'000	31/12/2008 EUR'000
Deferred taxes liability relates to the following:		
Fixed assets	**117,488**	119,597
Allowances, adjustments and provisions	**–**	522
Derivatives	**7,037**	8,510
Other	**–**	57
	124,525	128,686

Tax losses to be carried forward and offset against future taxable income are available in New World Resources N.V. (the 'Company'). Due to insufficient taxable revenues of the Company deferred tax asset is not recognised from incurred tax losses.

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30. Deferred tax continued

	31/12/2009 EUR'000	31/12/2008 EUR'000
Tax losses arising in 2006	**342**	342
Tax losses arising in 2007	**40,036**	40,036
Tax losses arising in 2008	**55,132**	55,549
Tax losses arising in 2009	**49,820**	
	145,330	95,927
Deferred tax at the applicable rate of 25.5 per cent (The Netherlands)	**37,059**	24,461
Provision for unrecognised deferred tax asset	**(37,059)**	(24,461)
Deferred tax asset recognised in respect of tax losses carried forward	**–**	–

Amendment of Czech Income tax legislation enacted in 2007 lead to the change of the income tax rates as follows:
> 2008: 21 per cent
> 2009: 20 per cent
> from 2010 onwards: 19 per cent

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 281 thousand (in 2008 by EUR 96 thousand) and reduction of deferred tax liability by EUR 371 thousand (in 2008 by EUR 31 thousand).

31. Future commitments

The Group has the following commitments in respect of:

	31/12/2009 EUR'000	31/12/2008 EUR'000
Non-cancellable operating and non-capitalised finance leases		
Instalments due within one year	**3,251**	3,047
Instalments due between two and five years	**13,927**	12,519
	17,178	15,566
Acquisition of property, plant and equipment		
From third parties[1]	**93,274**	288,140

1 The amounts include contractual obligations in the amount of EUR 39,290 thousand for mining equipment under the POP 2010 programme and EUR 30,240 thousand for refurbishing of coking facilities under the COP 2010 programme as of 31 December 2009.

The majority of operating lease contracts is concluded as indefinite term and short notice period. Leased items include equipment, land and buildings. There are none with term exceeding five years. Operating lease expense in 2009 was EUR 3,521 thousand (2008: EUR 3,300 thousand).

32. Contingent assets and liabilities

The Group has following significant contingent assets and contingent liabilities as of 31 December 2009:

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-`a-vis all its former employees. Simultaneously, ČMD sold its closed mines in the Kladno area to state owned Palivový kombinát Ústí, s.p. ('PKU') in a similar transaction. By operation of law, OKD is the statutory guarantor of the obligations assumed by DIAMO and PKU existing at the time of the transfer.

b) Environmental issues

(i) OKD:

In accordance with privatisations projects, the National Property Fund of the Czech Republic ('NPF') reimburses acquirers of privatised assets in respect of expenses incurred for the clean-up of environmental damage relating to the pre-privatisation period. In 1993, OKD asked NPF to reimburse its expenses for cleaning-up damages in accordance with government decision No. 123 dated 17 March 1993. On 18 April 1996 contract no. 131/96 was concluded between NPF and OKD relating to environmental issues in the area in the entity's ownership. Based on addendum to Environmental Contract No. 131/96 between the NPF (respectively Czech Ministry of Finance), OKD and OKK all rights and obligations concerning environmental issues were transferred to OKK, as the fixed assets to which environmental issues relate, were concentrated in OKK.

32. Contingent assets and liabilities continued

(ii) OKK:

The entity's assets include the grounds of the former ČSA coking plant located in Karviná – Doly. Coking operations were discontinued at 30 June 1997 and the grounds were classified by the Czech Ministry of the Environment as an old source of environmental burden. For this reason, an *Old environmental burden risk analysis* addressing the scope of contamination and restoration work was drawn up for this site in 1997–1998. Restoration works should be financed by the Czech Ministry of Finance (MF), which 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 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

The entity operates the grounds of the Svoboda and Jan Šverma coking plants for which risk analyses are being drafted to address post-operations improvement work. The exact time-frame, percentage share of the state in eradicating past damage and the value and duration of the contingent liabilities accrual are not yet known.

In 2008, all fixed assets with above mentioned environmental issues were concentrated in OKK by a merger of OKK and NWR Coking, a.s.

c) Claims and litigations

> NWR Karbonia and NWREPL have been jointly and severally claimed against for damages by Vattenfall Sales Poland Sp. z o.o. (VSP) in relation to the negotiations for the purchase of electricity for the calendar year 2009 which were held between NWR Karbonia and VSP. Due to the failure to satisfy one of the conditions, namely the receipt of a guarantee, NWR Karbonia refused to conclude the final power purchase agreement. VSP claims it incurred damages and lost profit in a total amount of approximately EUR 3 million. However, VSP is only seeking part of such damages, namely the amount of PLN 1 million. The management of NWR Karbonia and NWREPL disagree with legal title of the claim and with the claimed amount and took appropriate legal actions to defend the claim. By law, NWREPL may be claimed against because it overtook energy assets which were spun-off from NWR Karbonia on 1 April 2009.

> Claims in connection with purchases of certain minority shares in ČMD, a. s., METALIMEX a. s. (former subsidiaries of OKD) and OKD:
  > Petition to review the appropriateness of consideration for shares of ČMD, a. s. (court in Ostrava) was rejected by the court in March 2009.
  > Petition to review the appropriateness of consideration for shares of OKD was rejected by the court in February 2009. The petitioner gave an appeal to which in May 2009 OKD gave an explanation.
  > Petition to review the appropriateness of consideration for shares of METALIMEX a.s. was rejected by the court in March 2009. The petitioner gave an appeal in July 2009, to which in September 2009 OKD gave an explanation.
  > 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 that ceased to exist (ID: IČ 26863154) are: OKD (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. and RPG Trading, s.r.o.

> Litigation between claimant OKD and defendant Financial Directorate in Ostrava – action against decision issued by administrative body according to the Act No. 150/2002 Coll. Under action OKD enforces cancellation 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 The value of the claim was EUR 4 thousand. In March 2009 the litigation was settled out.

> Mr. and Mrs. Macura in June 2009 filed an action for damages caused by mining activity of OKD The value of the claim is EUR 574 thousand.

> Mr. and Mrs. Kolakowski in July 2009 filed an action for damages caused by mining activity of OKD. The value of the claim is EUR 32 thousand. OKD sent an explanation to the court in November and December 2009. The proceeding was not yet set.

> Litigation between claimant, Ing. Vilém Sikora and defendant, OKD 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, OKD proposed to prepare another expert's report. The court decided to prepare a revision expert's report, OKD sent a list of questions for the expert.

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32. Contingent assets and liabilities continued

> Litigation between claimants, Ing. Larisa Gerychová and Ing. Aleš Gerych and defendant, OKD After lose of the son, who died in result of work injury OKD is claimed EUR 400 thousand as a compensation of non-property rights in money. OKD 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 in December 2009. New proceeding was not set yet.

> Litigation between claimants, Prague Investment Holdings (Cyprus), Prague Capital Partners Limited, Blanet-Shop, s.r.o. and defendants, OKD 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 2009 for the litigations. At the financial statements' preparation date, based on advice 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 2009.

d) Guarantee bills of exchange
As of 31 December 2009 there were following off-balance sheet liabilities:

> guarantee bills of exchange for coal delivery System S.A. – Kombinat Koksochemiczny, of Zabrze EUR 2,499 thousand
> guarantee bill of exchange for short-term bank loan of EUR 18,887 thousand

As of 31 December 2008 there were following off-balance sheet liabilities:

> guarantee bills of exchange for coal delivery System S.A. – Kombinat Koksochemiczny, Zabrze of
> EUR 2,505 thousand
> guarantee bill of exchange for short-term bank loan of EUR 18,604 thousand

33. Other material matters
a) Programme POP 2010
In 2009, the Group continued to implement its Productivity Optimisation Programme 2010 POP 2010. All 10 longwall sets have been successfully installed and are now fully operational. The new equipment is delivering expected results, thus improving productivity, efficiency as well as labour safety. In the long-term the equipment should enhance the Group's reserve base, since the new equipment is better suited to the existing coal seams and provides improved strength to allow deeper mining.

Future commitments (see Note 31) relating to acquisition of property, plant and equipment relating to POP 2010 amount to EUR 39,290 thousand.

b) Programme COP 2010
The Coking plant optimisation programme 2010 (COP 2010) at OKK continues on schedule. Planned works on coking battery No. 8 at the Svoboda plant were completed according to schedule on 29 September 2009. The remainder of the work planned within the COP 2010 programme is expected to be concluded by 2010. Project work on the coking battery No. 10 continues according to schedule.

On 10 September 2009, the Company announced its decision to keep the last remaining battery of the Jan Šverma coke production facility operational, nevertheless the Company reiterates its intention to fully shut down the Jan Šverma facility as part of its COP 2010 programme and will continue to closely monitor local developments to ensure precise phasing out is in line with market conditions.

Future commitments (see Note 31) relating to acquisition of property, plant and equipment relating to COP 2010 amount to EUR 30,240 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 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 per cent of the ownership of its subsidiary NWRE 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. NWR Energy and its subsidiaries will continue to supply OKD with key utilities and services under a long-term agreement.

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.

RPG Property B.V., as the B shareholder of the Company approved on 27 January 2010 that OKD will sell part of OKD's enterprise consisting of the Mining Museum Internal Accounting Unit (movable and immovable assets, rights and obligations of operational character and employees) in the Landek area (Ostrava-Petřkovice) to the third party (Vítkovice, a.s.) with obligations to procure the operation of the Mining Museum and the Landek area for a period of 20 years for the purchase price amounting CZK 1 in compliance with expert valuation.

The Company concluded additional forward exchange contracts in the total nominal value of CZK 1,900,680 thousand (EUR 71,797 thousand translated with the CZK/EUR exchange rate as of 31 December 2009) at the beginning of January 2010.

Non-consolidated income statement prepared in accordance with IFRS as adopted by the European Union

For the year ended 31 December 2009

	Note	**1 January 2009– 31 December 2009 EUR'000**	1 January 2008– 31 December 2008 EUR'000
Operating revenue	37	**1,286**	1,214
Operating expenses	38	**(23,708)**	(33,401)
Operating result		**(22,422)**	(32,187)
Financial result	39	**(38,441)**	(34,235)
INCOME BEFORE TAXATION		**(60,863)**	(66,422)
Dividend income subsidiaries	40	**85,561**	244,279
		85,561	244,279
NET PROFIT/(LOSS) BEFORE TAXATION		**24,698**	177,857
Income tax expense	41	**–**	(22)
TOTAL NET PROFIT/(LOSS) AFTER TAX FOR THE PERIOD		**24,698**	177,835
Attributable to:			
Shareholders of the Company		**24,698**	177,835
EARNINGS/(LOSS) PER SHARE			
Basic earnings/(loss) per A share (EUR)	50	**0.09**	0.69
Diluted earnings/(loss) per A share (EUR)	50	**0.09**	0.69
Basic earnings/(loss) per B share (EUR)	50	**0**	0
Diluted earnings/(loss) per B share (EUR)	50	**0**	0

Non-consolidated statement of comprehensive income prepared in accordance with IFRS as adopted by the European Union

For the year ended 31 December 2009

	For the year ended 31 December 2009	
	Profit for the period EUR'000	Total comprehensive income EUR'000
Loss for the period	24,698	24,698
Other comprehensive income	0	0
Total comprehensive income for the period attributable to the shareholders of the Company	**24,698**	**24,698**

	For the year ended 31 December 2008	
	Profit for the period EUR'000	Total comprehensive income EUR'000
Loss for the period	177,835	177,835
Other comprehensive income	0	0
Total comprehensive income for the period attributable to the shareholders of the Company	**177,835**	**177,835**

Non-consolidated statement of financial position prepared in accordance with IFRS as adopted by the European Union

For the year ended 31 December 2009

	Note	**31 December 2009 EUR'000**	31 December 2008 EUR'000
ASSETS			
Investments in subsidiaries	43	**1,339,662**	1,200,819
Property, plant and equipment	42	**340**	12,825
Long-term derivatives	44	**165**	–
TOTAL NON-CURRENT ASSETS		**1,340,167**	1,213,644
Interest receivable	45	**234**	315
Loan provided to Group entities	46	**66,937**	–
Accounts receivable and prepayments	47	**12,160**	26,079
Cash and cash equivalents	48	**30,203**	175,020
Restricted cash	49	**2,771**	–
TOTAL CURRENT ASSETS		**112,305**	201,414
TOTAL ASSETS		**1,452,472**	1,415,058
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	50	**105,736**	105,524
Share premium	51	**451,392**	493,398
Share-based payments	52	**13,424**	8,037
Retained earnings	53	**166,872**	(10,963)
Result for the period	53	**24,698**	177,835
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		**762,122**	773,831
LIABILITIES			
Bond issued	54	**260,096**	290,425
Long-term loans	55	**379,402**	301,213
Long-term derivatives	44	**1,145**	–
Deferred revenue		**616**	–
TOTAL NON-CURRENT LIABILITIES		**641,259**	591,638
Short-term part of long-term bank loans	55	**10,185**	–
Interest payable	57	**5,160**	5,342
Short-term derivatives	44	**2,144**	–
Tax payable	58	**708**	405
Accounts payable and accruals	59	**30,893**	43,842
TOTAL CURRENT LIABILITIES		**49,091**	49,589
TOTAL LIABILITIES		**690,350**	641,227
TOTAL EQUITY AND LIABILITIES		**1,452,472**	1,415,058

Non-consolidated statement of changes in equity prepared in accordance with IFRS as adopted by the European Union

For the year ended 31 December 2009

	Note	Share capital EUR'000	Share premium EUR'000	Restricted reserve EUR'000	Total EUR'000	Share-based payments EUR'000	Retained earnings EUR'000
		For the year ended 31 December 2009					
1 January 2009		105,524	493,398	–	8,037	166,872	773,831
Distribution of share premium	51	–	(47,484)	–	–	–	(47,484)
Issuance 266,490 shares A re indep Directors	50,51	107	893	–	–	–	1,000
Shares/options granted to employees	50,51	–	–	–	10,075	–	10,075
Issuance 264,351 shares A re employees	52	105	4,585	–	(4,688)	–	2
Comprehensive income for the period		–	–	–	–	24,698	24,698
31 December 2009		105,736	451,392	–	13,424	191,570	762,122
		For the year ended 31 December 2008					
		Share capital EUR'000	Share premium EUR'000	Restricted reserve EUR'000	Total EUR'000	Share-based payments EUR'000	Retained earnings EUR'000
1 January 2008		100,100	531,984	–	–	62,901	694,985
Distribution of share premium		–	(251,550)	–	–	–	(251,550)
Issuance 13.5 million shares A re IPO		5,400	211,788	–	–	–	217,188
Issuance 59,620 shares A re indep Directors		24	1,176	–	–	–	1,200
Shares/options granted to employees		–	–	–	8,037	–	8,037
Interim dividends		–	–	–	–	(73,864)	(73,864)
Comprehensive income for the period		–	–	–	–	177,835	177,835
31 December 2008		105,524	493,398	–	8,037	166,872	773,831

Non-consolidated cash flow statement prepared in accordance with IFRS as adopted by the European Union

For the year ended 31 December 2009

		1 January 2009 – 31 December 2009 EUR'000	1 January 2008 – 31 December 2008 EUR'000
Cash flows from operating activities			
Net profit before taxation		**24,698**	177,857
Adjustments for:			
Depreciation	42	**429**	661
Amortisation costs bond issue	55	**1,168**	1,109
Gain on partly redemption bond	55	**(1,333)**	–
Amortisation costs green shoe	56	**327**	326
Dividend income	40	**(85,561)**	(244,279)
Interest expense/(revenue), net	39	**33,631**	31,931
Change in fair value of derivatives	44	**3,124**	–
Share-based payments	51	**10,429**	10,531
Unrealised foreign exchange gains on long-term borrowings	56	**1,472**	(888)
Unrealised foreign exchange loss on loans provided to subsidiaries	46	**425**	–
Profit before working capital changes		**(11,192)**	(22,752)
(Decrease)/increase accounts payable and accruals	60	**(17,329)**	28,329
(Increase)/decrease accounts receivable and prepayments	47	**(25,658)**	(23,303)
(Decrease)/increase tax payable	59	**–**	368
(Increase)/decrease in restricted cash	49	**(2,771)**	–
Other non-cash movements	–	**(45)**	938
Cash generated from operating activities		**(45,802)**	6,333
Net cash flows from operating activities		**(56,995)**	(16,419)
Cash flows from investing activities			
Increase/(decrease) loan provided to subsidiaries	46	**(67,362)**	–
Purchase of tangible fixed assets	42	**(448)**	(13,258)
Share capital increase in subsidiaries	43	**(86,679)**	(177,939)
Prepayment to increase investment in Karbonia PL	43	**–**	(24,081)
Interest received	45	**3,897**	8,836
Dividends received	40	**85,561**	236,584
Net cash flows used in investing activities		**(65,031)**	30,142
Cash flows from financing activities			
Proceeds from issued shares	50	**3**	219,078
Activation IPO transaction costs	50	**–**	(1,890)
Dividends paid in cash	40	**(47,484)**	(235,536)
Interest paid	58	**(37,629)**	(40,575)
Bond redemption	55	**(30,165)**	–
Proceeds from long-term borrowings	56	**82,336**	–
Proceeds from short-term borrowings	56	**10,185**	–
Net cash flows used in financing activities		**(22,753)**	(58,923)
Net increase in cash and cash equivalents		**(144,779)**	(45,201)
Effect of exchange rate fluctuations on cash held		**(38)**	3,697
Cash and cash equivalents at the beginning of period		**175,020**	216,523
Cash and cash equivalents at the end of period	48	**30,203**	175,020

Notes to non-consolidated financial statements prepared in accordance with IFRS as adopted by the European Union

For the year ended 31 December 2009

35. General information

a) 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.

b) 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.

c) 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 authorised for issue effective on 17 March 2009.

36. Summary of significant accounting policies

The financial statements include the accounts of NWR.

The investment in subsidiaries is stated at historical cost.

The carrying amounts of the Company's assets, excluding inventories (see Note 2 of the consolidated report, accounting policy j) and deferred tax assets (see Note 2 of the consolidated report, accounting policy u), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Please see Note 2 Summary of significant accounting policies of the consolidated report for the summary of other significant accounting policies and for the effect of new standards and interpretations on the financial statements of the Company.

37. Operating revenue

	1/1/2009 – 31/12/2009 EUR'000	1/1/2008 – 31/12/2008 EUR'000
Service fee OKD	**600**	600
Service fee NWRT	**68**	102
Service fee GGI	**–**	56
Service fee GGI	**22**	32
Service fee BXR REI	**75**	360
Office rent (sub-lease)	**23**	64
Other operating revenue	**498**	–
	1,286	1,214

The Company has entered into agreements with related parties OKD, a.s. ('OKD'), New World Resources Transportation B.V. ('NWRT') and BXR Real Estate Investments B.V. ('BXR REI') for the providing of advisory and holding services.

Operational lease of equipment refers to revenues from the lease of mining equipment by the Company 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.

Other operating revenue concerns the re-invoicing of technical services provided by a third party to OKD.

Notes to non-consolidated financial statements prepared in accordance with IFRS as adopted by the European Union continued

For the year ended 31 December 2009

38. Operating expenses

	1/1/2009–31/12/2009 EUR'000	1/1/2008–31/12/2008 EUR'000
Salary expenses	**3,616**	2,772
Personnel expenses	**499**	561
Share-based payments	**10,429**	10,531
Legal fees	**2,210**	7,017
Audit fees	**1,121**	2,170
Advisory fees	**3,829**	7,089
Service expenses other	**939**	968
Consumption of material and energy	**95**	35
Depreciation	**429**	661
Donation	**428**	1,013
Other operating expenses	**113**	585
	23,708	33,401

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 in costs of EUR 5,077 thousand.

In 2009 one additional tranche of vested options has been exercised resulting in costs of EUR 4,688 thousand. Accrued expenses till 31 December 2009 for share-based payments amount to EUR 8,400 thousand. See Note 29 for additional information on share-based payments.

During the year 2008 the Company employed an average of 11 employees. In 2009 the Company employed an average of 21 employees.

39. Financial result

	1/1/2009–31/12/2009 EUR'000	1/1/2008–31/12/2008 EUR'000
Interest income	**3,815**	8,929
Interest expense	**(37,447)**	(40,860)
Unrealised derivatives income	**165**	–
Unrealised derivatives expense	**(3,289)**	–
Realised derivatives income	**4,096**	–
Realised derivatives expense	**(2)**	–
Guarantee fee income	**858**	961
Guarantee fee expense	**(2,899)**	(2,065)
Amortisation costs bond issue	**(1,168)**	(1,109)
Amortisation costs green shoe	**(327)**	(326)
Bank charges	**(1,311)**	(30)
Currency exchange result	**(2,571)**	265
	(38,441)	(34,235)

40. Dividend income from subsidiaries

	1/1/2009–31/12/2009 EUR'000	1/1/2008–31/12/2008 EUR'000
OKD, a.s.	**38,226**	244,279
OKK Koksovny, a.s.	**28,180**	–
NWR Energy, a.s.	**19,155**	–
	85,561	244,279

41. Non-consolidated income tax expense

Due to the fact that the Company suffered a taxable loss during the period 1 January 2009 until 31 December 2009, no corporate income tax is due. Losses carried forward amount to EUR 95,510 thousand as at 31 December 2009, 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 55,133 for the period 1 January 2008 until 31 December 2008.

41. Non-consolidated income tax expense continued

The reconciliation between net profit before taxation as at 31 December 2009 and tax loss as at 31 December 2009 can be detailed as follows:

	EUR'000
Net profit before taxation 2009	24,698
Non-taxable dividend income subsidiaries	(85,561)
Non-deductible costs related to stock options and charges granted to employees	10,429
Non-deductible donations	416
Linear amortisation bond issue costs	247
Non-deductible mixed costs	56
Taxable loss 2009	(49,715)

42. Property, plant and equipment

	31/12/2009 EUR'000	31/12/2008 EUR'000
As of 1 January 2009	**12,825**	227
Additions	**238**	9,994
Additions of assets under construction	**(3,265)**	3,265
Contributed POP 2010 equipment	**(9,912)**	–
Depreciation charge for the year	**454**	(661)
As of 31 December 2009	**340**	12,825

The amounts presented for 2008 relate primarily to mining equipment which the Company owned and had leased through an operational lease to OKD. The mentioned equipment is delivered by the manufacturers Sandvik and Deilmann-Haniel Mining systems. The amount recognised 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. Per 1 March 2009 the mining equipment referred to, including the assets under construction, was contributed to OKD.

Per 31 December 2009 tangible fixed assets consist of various electronic office equipment and office furniture.

43. Investments in subsidiaries

The investments in subsidiaries can be detailed as follows:

	31/12/2009 EUR'000	31/12/2008 EUR'000
OKD, a.s. (100%)	**1,125,187**	984,551
OKK Koksovny, a.s. (100%)	**71,916**	71,916
Karbonia, PL Sp. z o.o. (100%)	**25,660**	31,629
NWR Energy, a.s. (100%)	**116,899**	112,708
NWR Energetyka PL Sp. z o.o. (100%)	**–**	15
	1,339,662	1,200,819

As of 31 December 2009, the shares of OKD are pledged in favour of Citibank Europe plc, organizační složka, Czech Republic.

The movements in the investment in OKD can be detailed as follows:

	EUR'000
As of 1 January 2009	984,551
Contribution Sandvik and DHMS Phase I equipment contracts	13,318
Contribution Bucyrus and DHMS Phase II equipment contracts	127,318
As of 31 December 2009	1,125,187

During the first half of 2009 the investment in OKD increased in two steps. The first step was completed through the contribution of the POP 2010 Phase I purchase contracts between the Company and Sandvik and Deilmann-Haniel Mining systems. The second step was carried out by the contribution of the POP 2010 Phase II purchase contracts between the Company and Bucyrus and Deilmann-Haniel Mining systems. The Company contributed all rights and obligations under the contracts 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 contributions was determined by an independent expert's valuation.

Notes to non-consolidated financial statements prepared in accordance with IFRS as adopted by the European Union continued
For the year ended 31 December 2009

43. Investments in subsidiaries continued
The movements in the investment in Karbonia PL can be detailed as follows:

	EUR'000
As of 1 January 2009	31,629
Spin-off energy assets to NWR Energetyka PL	(4,176)
FX loss on prepayment to increase investment	(1,793)
As of 31 December 2009	25,660

On 31 May 2009 the Company spun off energy assets from Karbonia PL to NWREPL for the amount of EUR 4,176 thousand. In November 2008 the Company made a prepayment of PLN 100,019 (EUR 24,081 thousand) to increase the investment in Karbonia PL. On 2 June 2009 the increase in share capital of Karbonia PL was registered by the court and the receivable was translated into an investment. The loss resulting from foreign currency exchange rate fluctuations in the period from 1 January 2009 till 2 June 2009 amounts to EUR 1,793 thousand.

The movements in the investment in NWREPL can be detailed as follows:

	EUR'000
As of 1 January 2009	15
Spin-off energy assets from Karbonia PL to NWREPL	4,176
Capital transfer NWREPL shares to NWR Energy	(4,191)
As of 31 December 2009	–

NWRWPL was established in the second quarter of 2008. The purpose of the entity is to manage and operate energy assets, which were spun-off from Karbonia PL on 31 May 2009. The entity does not perform any other activities than those related to this purpose. On 13 October 2009 the share in NWREPL was transferred to NWR Energy, a.s ('NWRE').

The movements in the investment in NWRE, a.s. can be detailed as follows:

	EUR'000
As of 1 January 2009	112,708
Capital transfer NWREPL shares to NWR Energy	4,191
As of 31 December 2009	116,899

NWRE is a special purpose vehicle 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. On 13 October 2009 the share capital in NWREPL was transferred to NWR Energy.

44. Financial instruments
The following derivative financial instruments were entered into to mitigate the risk associated with foreign currency exchange rate exposure and interest rate risk:

	31/12/2009		31/12/2008	
Fair value of derivative instruments	**Assets EUR'000**	**Liabilities EUR'000**	Assets EUR'000	Liabilities EUR'000
Forward exchange contracts CZK-EUR	**–**	**346**	–	–
Interest rates swap contracts	**165**	**2,943**	–	–
	165	**3,289**	–	–

	short-term		long-term	
Short-term and long-term part Fair value of derivative instruments per 31/12/09	Assets EUR'000	Liabilities EUR'000	Assets EUR'000	Liabilities EUR'000
Forward exchange contracts CZK-EUR	–	346	–	–
Interest rates swap contracts	–	1,798	165	1,145
	–	2,144	165	1,145

45. Interest receivable
The interest receivable relates to interest receivable on the Bank Mendes Gans cash pool and on short-term deposits held with Citibank, Van Lanschot Bankiers and Fortis BNP Paribas as at 31 December 2009.

46. Loan provided to the Group
The Company has agreed to lend and advance to its subsidiary OKK a principal amount of CZK 1,600,000 thousand and EUR 8,000 thousand. Per 31 December 2009 the drawn amount by OKK was EUR 66,937 thousand.

47. Accounts receivable and prepayments

The accounts receivable and prepayments can be detailed as follows:

	31/12/2009 EUR'000	31/12/2008 EUR'000
Prepayments for tangible fixed assets	**7,520**	22,349
Prepayments for long-term investments	**1,964**	1,767
Guarantee fee and rent prepaid	**671**	888
VAT receivable	**–**	82
Advisory fee receivable	**310**	71
Insurance fee receivable	**–**	1
Other receivables	**853**	–
Other prepaid expenses	**842**	921
	12,160	26,079

Prepayments for tangible fixed assets refer to amounts paid to Bucyrus for mining equipment which was not delivered per 31 December 2009. Prepayments for long-term investments refer to payments to Provide, s.r.o. in anticipation of a future increase on the ownership in this entity.

The amount stated as guarantee fee prepaid relates to payments made by the Company to OKD, Czech-Karbon and NWREPL for being a loan guarantor, and guarantee payments made to office and apartment rental agencies.

Other prepaid expenses relate to prepayments for Company directors' and officers' legal liability insurances and to payments for office rent.

48. 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), Deutsche Bank in the Netherlands (EUR, CZK and GBP account), Barclays in Switzerland (EUR, GBP, CZK and USD account) and cash in hand. Besides the current accounts at the mentioned banks the Company had three outstanding deposits per 31 December 2009. These were held at Citibank in the Czech Republic, Fortis BNP Paribas in the Czech Republic and Van Lanschot Bankiers in the Netherlands. The fair value of cash and cash equivalents is equal to the carrying value.

49. Restricted cash

As of 31 December 2009, the Company had short-term restricted cash of EUR 2,771 thousand. Short-term restricted cash recognised by the Company as of 31 December 2009 results from guarantee terms related to POP 2010 supplies.

50. Share capital

The following movements in issued share capital occurred during 2009:

> on 20 May 2009, the Company issued 266,490 A shares to be granted to its independent Directors. This issue of shares resulted in a share capital increase of EUR 107 thousand.
> on 10 September 2009, the Company issued 264,351 A shares to be granted to one of its Executive Directors. This resulted in a share capital increase of EUR 106 thousand.

As of 31 December 2009 the issued capital consists of 264,330,100 ordinary A shares of EUR 0.40 each, and 10,000 B shares of EUR 0.40 each.

Notes to non-consolidated financial statements prepared in accordance with IFRS as adopted by the European Union continued
For the year ended 31 December 2009

50. Share capital continued
In the following table the calculation of the earnings per share is shown:

	1/1/2009 – 31/12/2009 EUR'000	1/1/2008 – 31/12/2008 EUR'000
Total net profit/(loss) after tax from continuing operations	**24,698**	177,835
Total net profit/(loss) after tax from discontinued operations	**0**	0
Total net profit/loss after tax	**24,698**	177,835
Weighted average number of shares outstanding during the period	**264,044,650**	258,981,995
Basic earnings/(loss) per A share (EUR/share)	**0.09**	0.69
Diluted earnings/(loss) per A share (EUR/share)	**0.09**	0.69
Basic earnings/(loss) per A share from continuing operations (EUR/share)	**0.09**	0.69
Diluted earnings/(loss) per A share from continuing operations (EUR/share)	**0.09**	0.69
Basic earnings/(loss) per A share from discontinued operations (EUR/share)	**0**	0
Diluted earnings/(loss) per A share from discontinued operations (EUR/share)	**0**	0
Basic earnings/(loss) per B share (EUR/share)	**0**	0
Diluted earnings/(loss) per B share (EUR/share)	**0**	0

51. Share premium
The movements in the share premium can be detailed as follows:

	1/1/2009 – 31/12/2009 EUR'000	1/1/2008 – 31/12/2008 EUR'000
Balance at the beginning of the period	**493,398**	531,984
Dividend paid in cash	**(47,484)**	(161,672)
Dividend paid in kind	**–**	(89,877)
Share premium of newly issued shares	**5,478**	212,964
Balance at the end of the period	**451,392**	493,398

On 24 May 2009, a dividend in the amount of EUR 47,484 thousand was paid out. For financial year 2009 no interim dividend was declared.

On 11 May 2009 and on 10 September 2009 new shares were issued for certain Directors' remuneration plans resulting in an increase of the share premium.

52. Share-based payments
The share-based payments are presented in the balance sheet of the Company as follows:

	1/1/2009 – 31/12/2009 EUR'000	1/1/2008 – 31/12/2008 EUR'000
Equity-settled		
Opening balance	**8,037**	0
Stock options – general	**1,694**	595
Equity-settled	**3,693**	7,442
Closing balance	**13,424**	8,037
Cash-settled		
Opening balance	**647**	0
Shares granted independent directors	**353**	647
Closing balance	**1,000**	647

On 9 May 2008, five independent Directors of the Company were 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 in 2008 and EUR 353 thousand in 2009, is reflected in personnel expenses from share-based payments and in the equity split between share capital and share premium per the issue date of the shares of 11 May 2009.

52. Share-based payments continued

Under the NWR Stock Option Plan for Executive Directors one employee of the Company was granted with the number of options equal to 0.5 per cent of the issued shares of the Company. According to the employee's employment agreement, he shall be vested with 0.1 per cent of the issued A shares at each anniversary of his employment for the period of five years. On 1 September 2009, the second tranche amounting to 264,351 options vested.

These options were exercised on 10 September 2009. The total cost incurred by the Company for the second tranche of options was EUR 4,688 thousand, of which EUR 1,676 thousand was recognised in 2009. During 2009 an additional amount of EUR 6,705 thousand was accrued for the following tranches of granted options.

In June 2009, the Company granted under the NWR IPO Share Option Plan certain stock options to its employees and to the employees of other entities controlled by the Company. These granted stock options have characteristics similar to the stock options granted in May 2008. 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 the stock option at the grant date (24 June 2009). 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 2009 the related amount is EUR 1,694 thousand, consisting out of EUR 999 thousand for the options granted in 2008 and EUR 695 thousand for the options granted in 2009.

53. Retained earnings

	EUR'000
As of 1 January 2009	166,872
Result period (1 January 2009 to 31 December 2009)	24,698
As of 31 December 2009	191,570

The retained earnings as of 31 December 2009 include the retained earnings per 31 December 2008 and the earnings for the period 1 January 2009 to 31 December 2009.

Reconciliation of non-consolidated shareholders' equity to consolidated shareholders' equity as of 31 December 2009

	EUR'000
Shareholder's equity on the non-consolidated balance sheet as of 31 December 2009	762,122
Shareholder's equity on the consolidated balance sheet as of 31 December 2009	560,178
Difference due to valuation of investments in subsidiaries using the equity method	201,944

	EUR'000
Shareholder's profit on the non-consolidated income statement for the year ended 31 December 2009	24,698
Dividends received by the Company from subsidiaries	(85,561)
Capitalisation of interest for consolidation	817
Reclassification of revaluation of foreign exchange rate derivatives to hedging reserve on consolidated level	346
Elimination of foreign exchange gains and losses between the Company and its subsidiaries	425
Net profit of subsidiaries after adjustments for transactions between subsidiaries	(2,321)
Shareholder's loss on the consolidated income statement for the year ended 31 December 2009	(61,596)

54. Bond issued

The movements in the issued high-yield bond can be detailed as follows:

	1/1/2009 – 31/12/2009 EUR'000	01/01/2008 – 31/12/2008 EUR'000
Opening balance	**290,425**	289,316
Value redeemed part of bond	**(32,435)**	–
Amortisation issue costs	**2,106**	1,109
Closing balance	**260,096**	290,425

On 5 October 2009 the Company redeemed EUR 32,435 thousand of the outstanding bond. The amortisation of bond issue costs in 2009 is EUR 2,106 thousand, of which EUR 937 thousand relates to the redeemed part of the bond.

Notes to non-consolidated financial statements prepared in accordance with IFRS as adopted by the European Union continued

For the year ended 31 December 2009

55. Long-term loans

The long-term bank loans include the Senior Secured Facilities and the ECA loan:

	Currency	Effective interest rate	Maturity	31/12/2009 EUR'000
Bank loan – facility 2	EUR	6M EURIBOR+1.35%	2012	111,092
Bank loan – facility 3	EUR	6M EURIBOR+1.50%	2013	94,558
Bank loan – facility 2	CZK	6M PRIBOR+1.35%	2012	39,122
Bank loan – facility 3	CZK	6M PRIBOR+1.50%	2013	33,307
Bank loan – facility 3 additional	CZK	6M PRIBOR+1.50%	2013	25,951
Issue costs CZK-facilities (book value)				(353)
Issue costs EUR-facilities (book value)				(667)
ECA loan	EUR	EURIBOR+1.65%	2010-2018	86,577
Total loans				**389,587**
Of which current portion				10,185
Total long-term portion of interest-bearing loans				**379,402**

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 unrealised foreign currency revaluation result from the long-term loans due to the movement in the exchange rate of the Czech crown in 2009 was a loss of EUR 1,472 thousand.

The ECA loan is a EUR 141 million nine year loan facility guaranteed by Euler Hermes, the export credit agency ('ECA') of the Federal Republic of Germany. The facility serves to finance the acquisition of five new longwall sets under the second stage of POP 2010. The EUR 141 million loan is being provided by mandated lead arrangers: Ceska sporitelna (Erste Bank Group), Ceskoslovenska obchodni banka (KBC Group), KBC Bank Deutschland AG and Natixis. KBC Bank Deutschland AG acts as the Hermes Agent, Natixis is the Facility Agent and Documentation Agent. The loan finances 85 per cent of the net purchase price of the longwall sets and the related ECA premium. The facility's availability period ends in June 2010 and NWR will repay the full facility in 17 semi-annual linear instalments. Per 31 December 2009 the Company had withdrawn EUR 93,509 thousand of the available funds. Including the amortisation of related costs (based on the effective interest rate method) the shown balance per 31 December 2009 equals EUR 86,577 thousand.

The Company is required under the Senior Secured Facilities agreement to hold a gearing ratio of senior indebtedness below 2.75 and a gearing ratio of total indebtedness below 3.25. The Company is also required under the Senior Secured Facilities agreement to hold a fixed cover ratio (EBITDA to net interest expense) above 3.5. The Company is required under the ECA loan agreement to hold a gearing ratio of total indebtedness below 3.25. The Group is in compliance with these covenants.

56. Deferred revenue

The deferred revenue relates primarily to the compensation the Company received for taking over the rental contract from the previous tenant of the Company's current office premises. The compensation will be offset against future rental expenses.

57. Interest payable

The interest payable can be detailed as follows:

	31/12/2009 EUR'000	31/12/2008 EUR'000
Interest payable on bond issued	**2,467**	2,766
Interest payable on Senior Secured Facilities	**1,095**	2,576
Interest payable on ECA loan	**1,321**	–
Interest payable on bank overdraft	**277**	–
	5,160	5,342

58. Tax payable

The amount in tax payable relates to wage taxes payable and to VAT payable to the tax authorities.

	31/12/2009 EUR'000	31/12/2008 EUR'000
Wage tax payable	**552**	405
VAT payable	**156**	–
	708	405

59. Accounts payable and accruals

The accrued expenses and accounts payable can be detailed as follows:

	31/12/2009 EUR'000	31/12/2008 EUR'000
Creditors	**15,120**	17,098
Liabilities from subscribed unpaid stock	**14,560**	17,557
Deferred revenue from POP 2010 discount	**–**	6,000
Accrual for advisory fees	**643**	1,033
Personnel expenses payable	**282**	840
Guarantee fee received prepayment	**98**	1,188
Guarantee fee expenses not yet invoiced	**164**	–
Other accounts payable	**25**	126
	30,893	43,842

60. Related party transactions

Related parties of the Company are, next to consolidated subsidiaries and key management personnel, the following companies:

> BXR Real Estate Investments B.V.
> RPG Industries SE ('RPGISE')
> New World Resources Transportation B.V.
> Bakala Crossroads 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.

BXR Real Estate Investments B.V.
This is an entity held by the indirect majority shareholder of the Company, RPG Partners Limited. The Company charges a fee to BXR Real Estate Investments B.V. for arranging board meetings.

RPG Industries SE
RPG Industries SE ('RPGISE') was the majority shareholder of the Company till July 2009.

New World Resources Transportation B.V.
This is an entity held by RPGISE. 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. This advisory agreement was terminated per 30 September 2009.

Bakala Crossroads 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 Crossroads Partners a.s. starting 2006, for the provision of certain non-exclusive advisory services by Bakala Crossroads Partners a.s. to the Company.

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. The services agreement ended with Milan Jelinek's passing away on 16 August 2009.

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. The consulting agreement was terminated per 1 July 2009.

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.

Notes to non-consolidated financial statements prepared in accordance with IFRS as adopted by the European Union continued

For the year ended 31 December 2009

60. Related party transactions continued

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

Balance sheet	31/12/2009 EUR'000	31/12/2008 EUR'000
Investments in related parties		
OKD, a.s.	**1,125,187**	984,551
OKD, OKK, a.s.	**71,916**	71,916
Karbonia PL Sp. z o.o.	**25,660**	7,548
NWR Energy, a.s.	**116,899**	112,708
NWR Energetyka PL Sp. z o.o.	**–**	15
	1,339,662	1,176,738
Receivables from related parties		
OKD, a.s.	**100**	50
BXR Real Estate Investments B.V.	**2**	7
New World Resources Transportation B.V.	**–**	18
Green Gas International B.V.	**–**	3
	102	78
Payables to related parties		
OKD, a.s.	**1**	2
Bakala Crossroads Partners a.s.	**–**	309
BXL Consulting	**25**	–
	26	311

For an explanatory note of the investments in related parties please see Note 9.

60. Related party transactions continued

Income statement	1/1/2009– 1/12/2009 EUR'000	1/1/2008– 1/12/2008 EUR'000
Operating income from related parties		
OKD, a.s.	**1,174**	960
BXR Real Estate Investments B.V.	**22**	32
New World Resources Transportation B.V.	**68**	102
Green Gas International B.V.	**–**	56
	1,264	1,150
Operating expenses to related parties		
OKD, a.s.	**(2,104)**	(28)
Bakala Crossroad Partners, a.s.	**(453)**	(1,264)
Milan Jelinek	**(457)**	(801)
BXL Consulting	**(300)**	(300)
American Metals & Coal International, Inc.	**(249)**	(131)
	(3,563)	(2,525)
Financial revenues from related parties		
Guarantee fee from OKD, a.s.	**915**	961
Interest loan to OKK Koksovny, a.s.	**1,339**	–
	2,254	961
Financial expenses to related parties		
Guarantee fee to OKD, a.s.	**(2,054)**	(2,065)
Guarantee fee to NWR Energy, a.s.	**(767)**	–
Guarantee fee to NWR Energetyka PL Sp. z o.o.	**(24)**	–
	(2,845)	(2,065)
Write-off investments/receivables regarding related parties		
Receivables from RPG Industries, a.s.	**–**	–
	–	–
Dividend income subsidiaries		
OKD, a.s.	**38,226**	244,279
OKK Koksovny, a.s.	**28,180**	–
NWR Energy, a.s.	**19,155**	–
	85,561	244,279
Revaluation subsidiaries		
Revaluation DPB to current fair value	**–**	–
	–	–

There were no other significant transactions with related parties.

61. 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 14,329 thousand (full year 2008: EUR 13,479 thousand) for Directors and former Directors of the Company.

The Company granted to one Executive Director 264,351 options on shares of the Company at the second anniversary (in 2009) of his employment with the Company. The total cost for these options regarding the second anniversary equals EUR 4,688 thousand, of which EUR 1,676 thousand was recognised in 2009. 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 three subsequent years. This agreement will enable the Executive Director to acquire up to a maximum of 0.5 per cent of the Company's outstanding share capital. Per the end of 2009 the cost related to the options granted for the subsequent three years of employment with the Company were EUR 6,706 thousand.

The Company also granted options to other Directors and management personnel. Per the end of 2009 these granted options, consisting out of two tranches, had a total cost of EUR 1,694 thousand.

On 11 May 2009, five independent Directors of the Company were granted shares. The 266,490 shares vested in 2009 have a value of EUR 1,000 thousand.

Please see Note 52 'Share-based payments' and the Remuneration Report of the 2009 Annual Report for additional information about the Directors' remuneration.

Notes to non-consolidated financial statements prepared in accordance with IFRS as adopted by the European Union continued

For the year ended 31 December 2009

62. Risk analysis

Foreign exchange rate risk

The Company is exposed to currency exchange rate risks. As at 31 December 2009 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 2009, combined, resulted in a net payable of EUR 18,916 thousand.

Exchange rate	CZK/EUR	PLN/EUR	GBP/EUR
31/12/2008	26.8750	4.1535	0.9525
31/12/2009	26.4730	4.1045	0.8881

		Non-EUR balance 31/12/2009 Non-EUR'000	EUR balance 31/12/2009 EUR'000	Impact on balances as of 31 December 2009 EUR'000
Cash	CZK	(60,754)	(2,295)	(34)
	PLN	(178)	(43)	(1)
	GBP	(41)	(46)	(3)
			(2,385)	**(38)**
Long-term liabilities	CZK	(2,604,431)	(98,381)	(1,472)
	PLN	–	–	–
	GBP	–	–	–
			(98,381)	**(1,472)**
Invoices, short-term receivables and payables				
	CZK	(500,932)	(18,922)	(283)
	PLN	28	7	–
	GBP	(1)	(1)	–
			(18,916)	**(283)**
Total			**(119,682)**	**(1,793)**

The foreign exchange rate fluctuation during 2009 based on the total net currency exposure per 31 December 2009 of CZK 3,166 thousand (EUR 119,598 thousand), PLN 149 thousand (EUR 36 thousand) and GBP 42 thousand (EUR 47 thousand) would have had a negative total impact of EUR 1,793 thousand. Except for loans denominated in Czech crowns, as presented in Note 23 'Interest bearing loans and borrowings', 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 per cent higher, respectively lower, over the whole period from 1 January 2009 to 31 December 2009. The interest rate sensitivity analysis is calculated from all bank loan facilities relating to the green shoe option and ECA loan, drawn by the Company. The hypothetical effect on unconsolidated profit before tax amounts to EUR 3,241 thousand respectively EUR 3,241 thousand per year. During 2009 the Company did not make use of financial instruments to hedge against unfavourable interest rate movements.

Other risks

The remaining risks of the holding Company depend entirely on operations of its subsidiaries.

63. Future commitments

The Company has the following commitments in respect of:

	1/1/2009– 31/12/2009 EUR'000	1/1/2008– 31/12/2008 EUR'000
Non-cancellable operating leases		
Instalments due within one year	**257**	222
Instalments due within two and five years	**2,989**	1,501
	3,246	1,723

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 five years.

Refer to the Note 55 for maturity of the Company's loans.

64. 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 2008 was EUR 961 thousand. The guarantee fee income for 2009 is EUR 915 thousand. The last instalment 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. The guarantee fee expense for the 2009 was EUR 1,948 thousand. The last instalment of the Additional Loan is to be paid on 14 February 2013.

OKD provided also a guarantee for the amount drawn down under the ECA Loan Agreement by the Company. The guarantee fee expense for the total period of the ECA loan is denominated in Euros and equals EUR 1,500 thousand. Since the first amount was drawn in September 2009, the guarantee fee expense in 2009 for the Company was EUR 107 thousand. The ECA loan is to be repaid in 17 equal instalments of which the last one is expected to be paid in April 2018.

The Company has contractual obligations to acquire property, plant and equipment in the total amount of EUR 39 million resulting from the POP 2010 programme (see Subsequent events).

65. Other material matters

a) Contribution Sandvik and Deilmann-Haniel Mining systems contracts to OKD

In March 2009 the Company contributed the contracts with Sandvik and Deilmann-Haniel Mining systems for the purchase of equipment under the Phase I of the POP 2010 project, to its wholly-owned subsidiary OKD. The contribution was valued at EUR 13,318 thousand.

b) Contribution Bucyrus and Deilmann-Haniel Mining systems contracts to OKD

In April 2009 the Company contributed the contracts with Bucyrus and Deilmann-Haniel Mining systems for the purchase of equipment under the Phase II of the POP 2010 project, to its wholly-owned subsidiary OKD. The contribution was valued at EUR 127,319 thousand.

66. Fees of the auditor

The costs for the Group and statutory audit amounted to EUR 697 thousand and EUR 691 thousand in 2009 and 2008 respectively. The costs for audit related services amounted to EUR 331 thousand and EUR 556 thousand in 2009 and 2008 respectively. The costs for tax services provided by the Company's auditor amounted to EUR 0 thousand and EUR 20 in 2009 and 2008 respectively. The costs for other services provided by the Company's auditor amounted to EUR 35 thousand and EUR 1,726 thousand in 2009 and 2008 respectively.

	KPMG Accountants N.V. 2009 EUR'000	Other KPMG member firms and affiliates 2009 EUR'000	Total KPMG 2009 EUR'000
Statutory audit of financial statements	135	562	697
Other assurance services	122	209	331
Tax advisory services	0	0	0
Other non-audit services	0	35	35
Total	**257**	**806**	**1,063**

	2008 EUR'000	2008 EUR'000	2008 EUR'000
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	**669**	**2,324**	**2,993**

Notes to non-consolidated financial statements prepared in accordance with IFRS as adopted by the European Union continued

For the year ended 31 December 2009

Approved by the Board of Directors of NWR.

Members of the Board of Directors:

Mike Salamon	**Klaus-Dieter Beck**	**Marek Jelínek**
Zdeněk Bakala	**Peter Kadas**	**Kostyantin Zhevago**
Bessel Kok	**Hans-Jörg Rudloff**	**Hans-Jürgen Mende**
Steven Schuit	**Paul M. Everard**	**Barry J. Rourke**
Pavel Telička		

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) See notes to consolidated financial statements for subsequent events.

c) The auditor's report is set out on the next page.

To the Annual General Meeting of Shareholders of New World Resources N.V. Auditor's report

Report on the financial statements
We have audited the accompanying financial statements for the year ended 31 December 2009 of New World Resources N.V., Amsterdam, The Netherlands, set out on pages 88 to page 166, which comprise the consolidated and company statement of financial position as at 31 December 2009, the consolidated and company statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

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 2009, 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 of the Netherlands Civil Code, we report, to the extent of our competence, that the Director's report, set out on pages 84 to 87, is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 17 March 2010

KPMG Accountants N.V.
J.Humme RA

Shareholder Information

Markets

As at 31 December 2009, A shares of NWR were listed on: London Stock Exchange ('LSE'), Prague Stock Exchange ('PSE') and Warsaw Stock Exchange ('WSE').

The trustees, share registrars and transfer offices are shown on page 171 of this Annual Report.

Share ownership

Share capital

Details about NWR's share capital are presented in Note 25 of the Consolidated Financial Statements on page 134.

Majority shareholder

As of the date of this Annual Report, the controlling shareholder of NWR, BXR Mining B.V. ('BXRM'), owns approximately 63.66 per cent of the A shares and as a result, has effective control of NWR.

BXRM is indirectly owned by RPG Partners Limited ('RPGP'), which owns indirectly, through RPG Property B.V. ('RPG Property'), also 100 per cent of the B shares. RPGP is a holding company with no material business operations or assets.

Zdeněk Bakala and Crossroads Capital Investments Inc. own their interests in NWR through RPGP.

Zdeněk Bakala

Zdeněk Bakala has been involved in finance and business in the Czech Republic and Central and Eastern Europe since the early 1990s and as a result is an established figure in the Czech business community. Mr. Bakala is originally from, and has retained close ties with, the Czech Republic, establishing and building businesses and serving on boards of companies in Central and Eastern Europe. In 1991, Mr. Bakala established the Prague office of Credit Suisse First Boston and, in 1994, he founded Patria Finance, one of the largest investment banking boutiques in the Czech Republic. In 2008, Mr. Bakala acquired a majority shareholding in Economia, a Czech publishing house. Mr. Bakala is a Non-Executive Director of NWR.

Crossroads Capital Investments Inc. ('CCII')

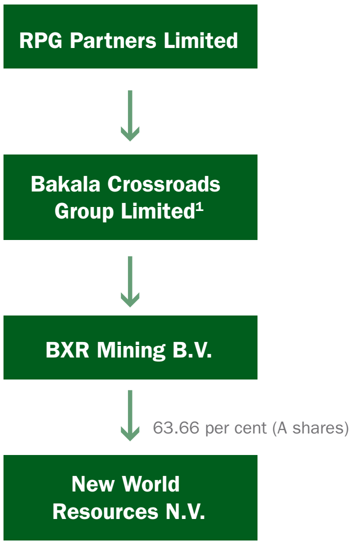
CCII is an international investment group focused on investments in Central and Eastern Europe. It also has investments in Western Europe and North America. CCII typically takes large or controlling stakes in investment companies and is active in the management of its investments.

Changes in the majority shareholder structure during 2009

In July 2009, American Metals & Coal International, Inc. ('AMCI') and First Reserve Corporation disposed of their shares in RPG Industries SE ('RPGISE'), the former majority shareholder of NWR, which was wholly-owned by RPGP. Following the disposal, RPGISE transferred its 168,274,654 A shares in NWR (representing approximately 63.72 per cent of the issued ordinary A shares and approximately 63.72 per cent of the voting rights of the issued ordinary A shares) to its wholly-owned subsidiary, BXRM. As a result of the disposal, AMCI and First Reserve Corporation no longer had any interest in RPGISE and RPGP continued to have an interest in the same number of A shares in NWR as before, but did so indirectly through Bakala Crossroads Group Limited (a wholly-owned direct subsidiary of RPGP), RPGISE and BXRM.

In September 2009, NWR issued 264,351 new A shares as part of the Company's remuneration programme, thus decreasing the share of BXRM to 63.66 per cent.

Shareholder structure



1 Bakala Crossroad Group Limited owns the shares in BXRM indirectly.

The table below sets forth current percentage of indirectly attributed ownership in A shares of NWR.

CCII[1]	31.83%
Zdeněk Bakala[2]	31.83%
Total percentage held:	
by RPGP	63.66%
by public shareholders	36.34%

1 Peter Kadas, a Non-Executive Director of NWR, is also a director of Bakala Crossroads Partners Ltd., an affiliate of CCII. Mr. Kadas owns no direct interest in A shares or B shares but he is considered as being interested in A shares and B shares because of CCII's indirect ownership interest in RPGP and RPGP's indirect ownership interest in NWR. RPGP is the indirect parent company of BXRM and RPG Property and, accordingly, RPGP owns a 100 per cent indirect interest in the A shares held by BXRM, being 63.66 per cent of the A shares, and in the B shares held by RPG Property, being 100 per cent of the B shares. Companies controlled by CCII own 50 per cent of the outstanding voting capital in RPGP. Certain trusts associated with the family of Mr. Kadas own a minority interest in CCII.

2 Mr. Bakala, a Non-Executive Director of NWR, holds no direct interest in A shares or B shares but he is considered as being interested in the A shares and B shares as a result of certain trusts and affiliated companies relating to him and his family (collectively the 'Bakala entities') holding an indirect ownership interest in RPGP and RPGP's indirect ownership interest in NWR. Mr. Bakala and his family, through the Bakala entities, own 50 per cent of the outstanding voting capital in RPGP. As set out in Note (1) above, RPGP owns a 100 per cent indirect interest in the A shares held by BXRM, being 63.66 per cent of the A shares, and in the B shares held by RPG Property, being 100 per cent of the B shares.

Free float

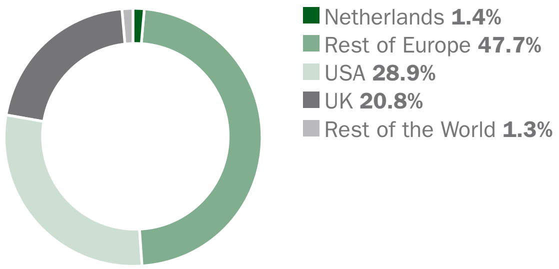
The A shares are in registered form. NWR maintains the principal shareholders' register in the Netherlands with a sub-register in Jersey, which forms part of NWR's principal register.

A shares trading on the PSE or the WSE are registered in the name of The Bank of New York (Depository) Nominees Limited ('BoNY'), as common depository for Clearstream and Euroclear.

A shares trading on the LSE are represented by Depository Interests ('DIs') and the underlying A shares are registered in the name of the custodian, Computershare Company Nominees Limited.

Beside filings made under the Dutch Disclosure of Major Holdings in Listed Companies Act, no public information is available with respect to ownership of shares. A study conducted in January 2010 into the ownership of shares in NWR identified 75.28 per cent of the free float (i.e. excluding shares held by BXRM). Of these indentified shares, institutional investors held 91.6 per cent and retail investors held 7.3 per cent.

The geographical concentration of the shares held by institutional investors is depicted in the chart below.



Purchase and issue of shares

In 2009, NWR did not purchase its own shares. The Annual General Meeting of Shareholders held in April 2009 authorised the NWR's Board of Directors (the 'Board'), for the period until the date of the next Annual General Meeting of Shareholders of NWR following the date of the resolution, to acquire up to 13,189,963 A shares of NWR (which represented 5 per cent of the issued A share capital as at the day of the meeting), subject to certain terms and limitations.

The Annual General Meeting of Shareholders held in April 2009 also authorised the Board, for the period until the date of the next Annual General Meeting of Shareholders of NWR following the date of the resolution, to: (i) issue A shares and grant rights to subscribe for A shares; and (ii) exclude or limit any pre-emptive rights with respect to the issue of A shares of granting of rights to subscribe for A shares. Such authorities were limited to the aggregate nominal amount of EUR 5,275,985.20, being 13,189,963 A shares (which represented five per cent of the issued A share capital as at the day of the meeting).

A further renewal of the authorisations above will be submitted for approval to the Annual General Meeting of Shareholders on 27 April 2010.

During 2009, the Company issued a total of 530, 841 of shares to the Chairman of the Board of NWR under the Stock Option Plan and to the respective Independent Non-Executives under share plan.

Operation of the Annual General Meeting of Shareholders

The powers and operation of the Annual General Meeting of Shareholders are set out by Book 2 of the Dutch Civil Code (Burgerlijk Wetboek) and the Company's Articles of Association (the 'Articles of Association'). The description below should be read in conjunction with the Articles of Association and the document is available on the Company's website at: www.newworldresources.eu.

The Annual General Meeting of Shareholders of the Company (the 'General Meeting') shall be held within six months after the end of the Company's financial year. The General Meeting may be called by the Board or by the Board's Chairman. Any person or persons who are together entitled to cast at least one-tenth of the total number of votes that may be cast may request the Board or its Chairman to convene the General Meeting, and state items to be discussed. If neither the Board nor the Chairman convenes the General Meeting such that the meeting is held within four weeks of this request, any of the persons requesting the General Meeting shall be authorised to convene the meeting.

General Meetings shall be held in Amsterdam or Haarlemmermeer (Schiphol Airport). Notice shall be given not later than on the 15th day prior to the date of the General Meeting. The notice shall be published in national daily distributed newspapers in the Netherlands, the United Kingdom, the Czech Republic and Poland.

The agenda of the General Meeting shall in any case include the discussion of the Annual Report, the adoption of the annual accounts and the discharge of the Directors from liability in relation to the exercise of their duties in the previous financial year, to the extent that such exercise is apparent from the financial statements relating to the previous financial year or other public disclosures prior to the adoption of these financial statements. Shareholders who represent at least 1 per cent of the issued share capital or shares of at least EUR 50 million are entitled to request the Board in writing to place items on the agenda. Such requests must be delivered to the Board at least 60 days before convening the General Meeting. No valid resolutions can be adopted at the General Meeting in respect of items not specified on the notice.

The General Meeting shall *inter alia* decide on matters regarding appointment and dismissal of Directors, adoption of the annual accounts, amendments to the Articles of Association, liquidation of the Company and approval of resolutions of the Board regarding a significant change in the identity or nature of the Company or the enterprise, including in any event the transfer of the business or the majority business of NWR to a third party; the conclusion or cancellation of any long-lasting cooperation by NWR or a subsidiary with another entity if such cooperation is of essential importance to NWR; and the acquisition or disposal of a participating interest in the capital of a company with a value of at least one-third of the sum of the assets according to the consolidated balance sheet according to the last adopted annual accounts of NWR, by NWR or a subsidiary.

Shareholder Information continued

In addition to the various shareholder rights mentioned in the paragraphs above, holders of B shares and other shareholders representing at least one-tenth of the issued share capital or an aggregate nominal share value of EUR 225,000 may request an investigation into the affairs of the Company (enqueterecht) with the Enterprise Chamber of the Court of Appeal in Amsterdam.

Each share confers the right to cast one vote. Resolutions proposed for voting at the General Meeting require an absolute majority of votes. In a tie vote, the proposal shall be rejected. Resolutions to restrict or exclude pre-emptive rights and to reduce the Company's share capital require a majority of at least two-thirds of the votes cast if less than half of the issued share capital is represented. Resolutions to appoint a Director not proposed by the meeting of holders of B shares or the Board shall be adopted by at least a two-thirds majority of the votes cast in a General Meeting in which at least half of the issued share capital is represented. Furthermore, resolutions to amend the Articles of Association or to dissolve the Company other than on the proposal of the Board shall only be valid if adopted in a General Meeting in which at least three-quarters of the issued share capital are represented and with a majority of at least two-thirds of the votes cast. All matters regarding the exercise of voting rights shall be decided by the Chairman of the General Meeting.

Shareholders who hold shares on a predetermined registration date are entitled to attend the General Meeting, vote at the General Meeting and address it. By the shareholders are meant the registered shareholders, holders of B shares, holders of A shares listed on the LSE represented by DIs and beneficial holders of A shares listed on the WSE or the PSE ('Listed Shares'). Holders of DIs and beneficial holders of Listed Shares shall contact the bank or broker through which they hold their DIs or Listed Shares for information on how to: (i) exercise their voting rights in writing; (ii) attend the General Meeting and exercise their voting rights in person; or (iii) authorise another person to attend the General Meeting and to exercise voting rights on their behalf. The registration date for the Annual General Meeting of Shareholders of 27 April 2010 is 20 days before the meeting, i.e. on 7 April 2010. The Board may decide that shareholders entitled to vote may, within a period prior to the General Meeting to be set by the Board, which period cannot begin prior to the registration date, cast their votes electronically in a manner to be decided by the Board.

To the best of the Company's knowledge, there is no agreement involving a shareholder of NWR that could lead to a restriction of the transferability of shares or of voting rights on shares, apart from a lock-up arrangement under the Share Plan for Independent Non-Executive Directors. Under this arrangement, the Directors are prohibited from disposing of the granted shares for a period of 365 days after the grant in May 2009.

The A shares sold to qualified institutional buyers ('QIBs') in the United States in connection with the initial public offering in reliance on Rule 144A under the US Securities Act of 1933, as amended, are subject to certain transfer restrictions under applicable US securities laws.

Share price information

The table below shows the closing share prices for the period indicated for the A shares at each of the stock exchanges respectively.

Share price information

		Closing price	
Stock Exchange	Currency	**31/12/2009**	31/12/2008
LSE	GBp	**560.0**	268.0
PSE	CZK	**161.6**	73.3
WSE	PLN	**25.3**	11.3

Allotments of equity securities

During the period under review, no allotments of equity securities in NWR were made in exchange for cash other than the share grants to the Independent Non-Executive Directors (as described in the Remuneration Report on page 78) and delivery of shares to the Chairman of the Board (also as described in the Remuneration Report on page 78).

Dividend policy

NWR's dividend policy is to target distribution of approximately 50 per cent of the Mining Division's consolidated annual net income over the course of the business cycle, to be paid as interim and final dividends.

The dividend for NWR is declared in Euros. Shareholders of A shares may elect to receive their dividend in Pounds Sterling, Euros, Czech Koruna or Polish Zlotys. The default election will be deemed to be Pounds Sterling if a shareholder expresses no preference.

Subject to various exceptions and exemptions, shareholders are generally subject to Dutch dividend withholding tax at the rate of 15 per cent on dividends distributed by NWR, which sum NWR is required to withhold and account for to the Dutch tax authorities.

Shareholders should consult their own tax advisers as to the particular tax consequences for them as a result of receiving dividends from NWR.

Dividends on A shares (post-IPO)

NWR paid no dividend in cash per A share in respect of the year ended 31 December 2009.

Provision of the Annual Report and Accounts

The Annual General Meeting of Shareholders held in April 2009 approved to provide certain information electronically in the future, to the extent permitted by law. The 2009 Annual Report and Accounts of NWR have been made available at NWR's website. Shareholders may also inspect the 2009 Annual Report and Accounts at the office of the Company and request to receive a hard copy by registered mail.

For further information, please refer to the Company's website www.nwrgroup.eu or email the Investor Relations team on ir@nwrgroup.eu.

Ancillary Information for Shareholders

Shareholder information

Stock Exchange Listings
Prague Stock Exchange
Warsaw Stock Exchange
London Stock Exchange
Trading symbol: NWR
ISIN: NL0006282204

Additional information

Jersey Registrar
Computershare Investor Services
(Channel Islands) Limited
P.O. Box 83, Ordance House
31 Pier Road
St. Helier JE4 8PW
Jersey

Registrar to the Depository Interest Arrangements and Depository
Computershare Investor
Services PLC
P.O. Box 82, The Pavilions
Bridgewater Road
Bristol BS99 7NH
United Kingdom

Principal Paying Agent
The Bank of New York
One Canada Square
London E14 5AL
United Kingdom
Czech listing agent
Patria Finance, a.s.
Jungmannova 24
110 00 Praha 1
Czech Republic

Polish Listing Agent
UniCredit CAIB Poland S.A.
ul. Emilii Plater 53
00 113 Warsaw
Poland

Bondholder information

Notes outstanding
EUR 267.6 million aggregate principal
amount of 7.375%
Senior Notes due 2015

Interest payment dates
15 May and 15 November of each financial year

Trustee
Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Transfer Agent and Principal Paying Agent
Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Listing Agent and Registrar
Deutsche Bank Luxembourg S.A.
2 Boulevard Konrad Adenauer
L-1115 Luxembourg

Irish Paying Agent and Transfer Agent
Deutsche International
Corporate Services (Ireland) Limited
3rd Floor, 5 Harbourmaster Place
International Financial Services
Centre
Dublin 1

Notes

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 are 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.

Amsterdam, 31 March 2010

Board of Directors

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