

# Unicredit Sixth Annual EME Conference

## London, September 2009

Marek Jelinek, Executive Director & Chief Financial Officer

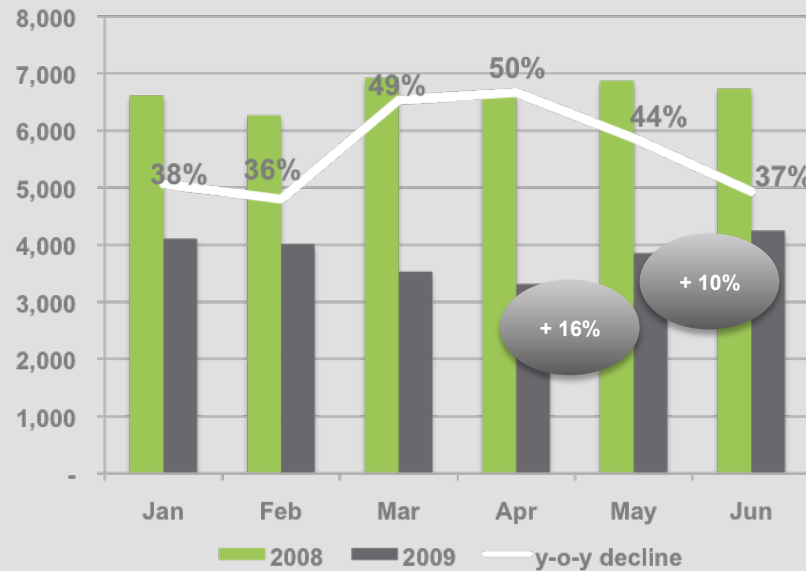


## Highlights for the half year ended 30 June 2009

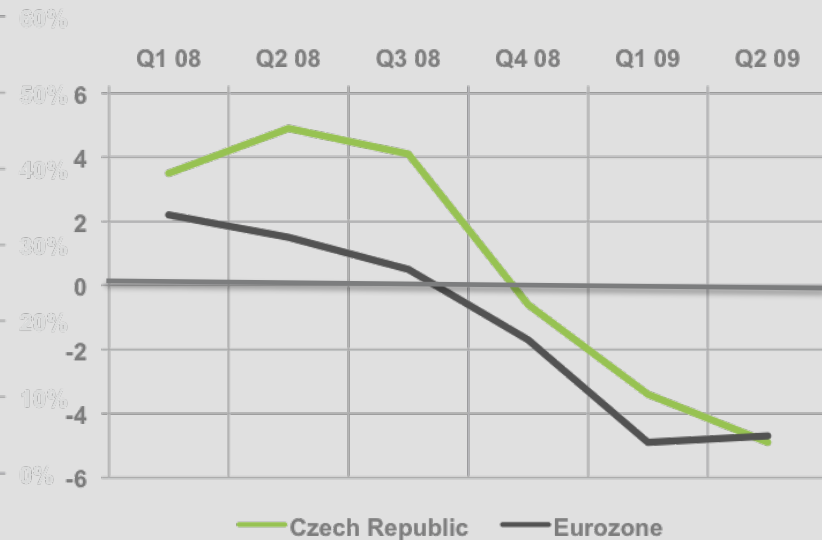
- Consolidated revenues of EUR 539 mln (EUR 484 mln from continuing operations).
- Coal production down by 17% and coke production down 40% year-on-year.
- Sales recovered somewhat in June; increased orders in recent weeks.
- 22% reduction in operating costs year-on-year.
- EBITDA of EUR 82 mln (EUR 76 mln for continuing operations), reflecting significantly lower coal and coke prices and volumes.
- Strong liquidity with unrestricted cash of EUR 392 mln.
- EUR 141 mln ECA<sup>1</sup> loan agreement signed for Phase II of POP 2010.
- POP 2010 Phase I equipment delivered 117% average productivity increase and improved safety performance; Phase II proceeding to plan.
- Continued improvement in safety with LTIFR in mining operations down 11%.
- No interim dividend payment due to uncertain market.

# Macro environment

Steel production in NWR's main customer markets<sup>1</sup> (kt)



Euro area and Czech Republic GDP growths (%)



- Steel production in NWR's main customer markets down 42% in H1 09 y/y (44% in Q2 09 and 41% in Q1 09).
- May and June being two consecutive months of growth in steel production in our home markets.
- Czech and Eurozone GDP down 4.9% y/y, and 4.7% y/y, respectively. Up 0.3% q/q in CR, down 0.1% in EZ.
- GDP is expected to fall 4.3% in Eurozone and 3.5% in the Czech Republic in 2009.

# Regional coal & coke markets

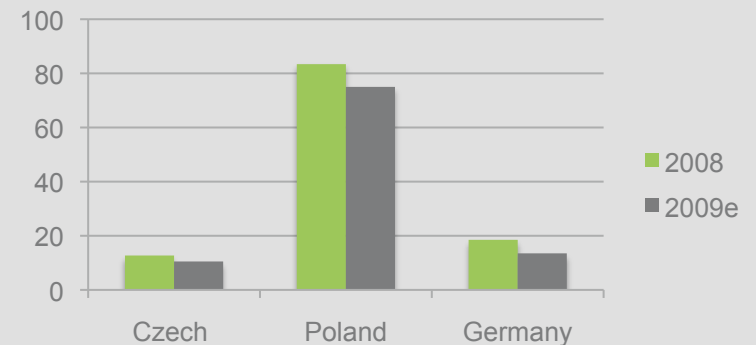
## Coal

- Cuts in production in response to falling demand in the CEE region.
- Polish hard coal production down 8% to 36Mt in H1 09; stockpiles at 6-7Mt of thermal coal, coking coal production down 43% to 3.6Mt.
- Czech hard coal production down 17% in 2009 to 10.5Mt.

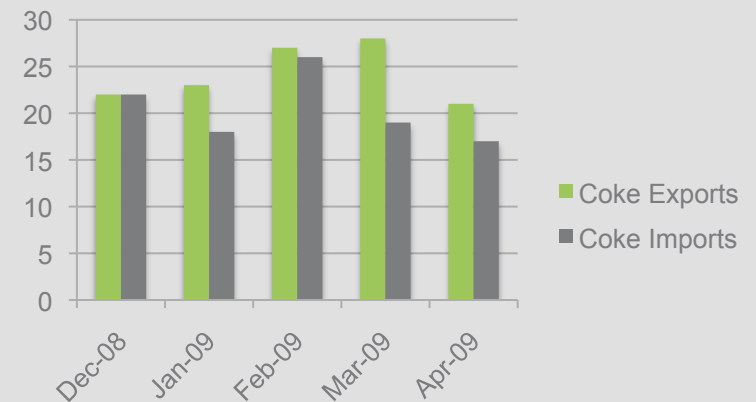
## Coke

- Estimated production decline of 50% to ca 6.4Mt in 2009 in the CEE region.
- Large stockpiles built up, with some producers having to shut down some or all of their capacities in the region.
- Total capacity lost in the region due to coke battery closures is ca 2.5 – 3Mt per year, with more closures expected.
- Restocking has led to inventory reduction since June.

Hard coal production in region (Mt)

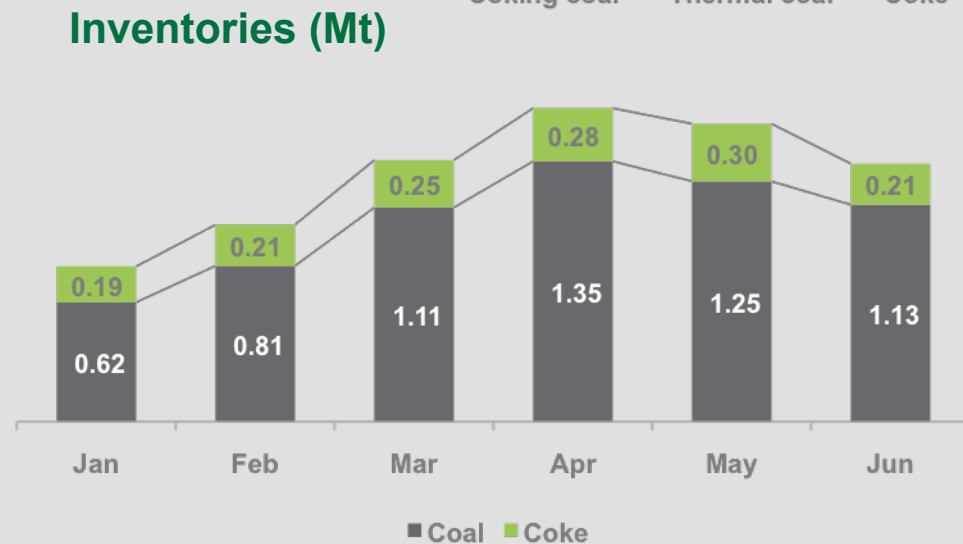
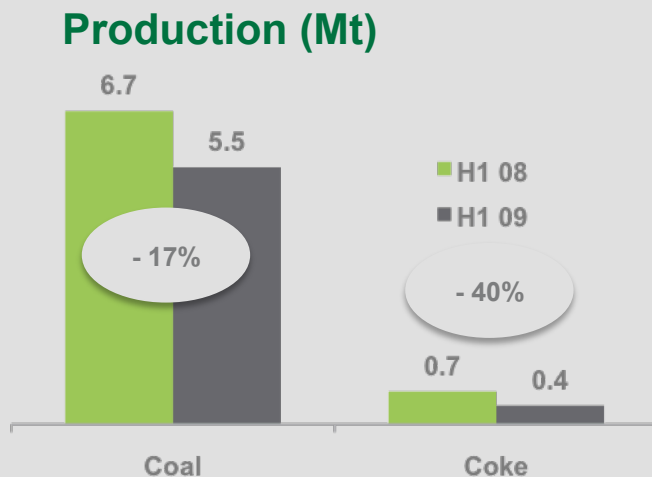
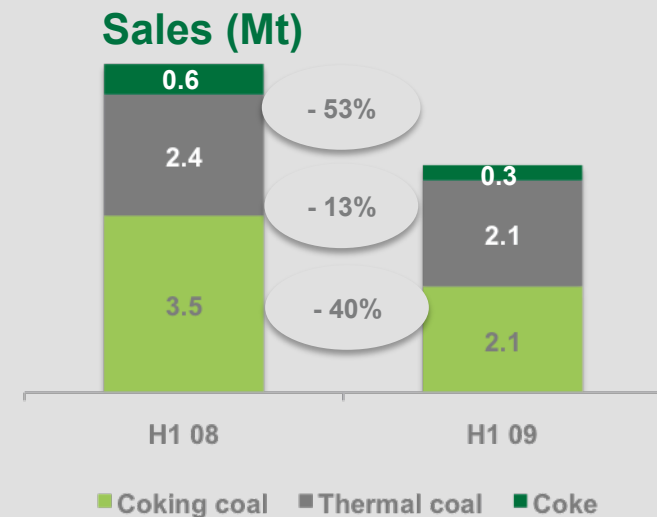


Czech coke foreign trade (kt)



## Production and sales volumes

- Difficult market conditions led to significantly lower sales.
- NWR reduced production targets to better match customer demand.
- Coal inventories peaked in April and have been steadily declining in recent months.

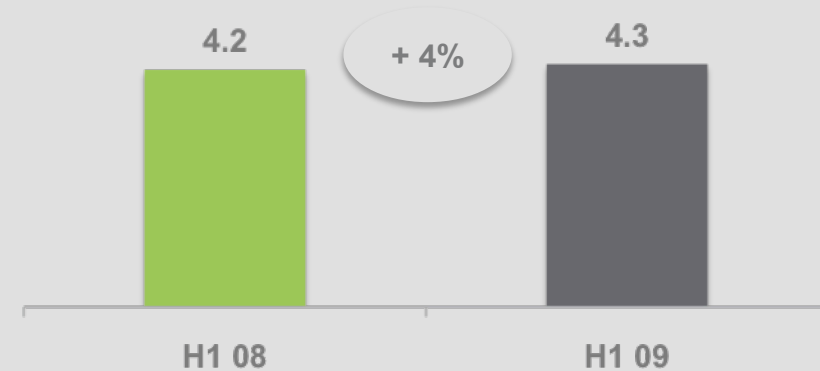


## Health & safety

**Mining lost time injury frequency rate<sup>1</sup> (OKD)**



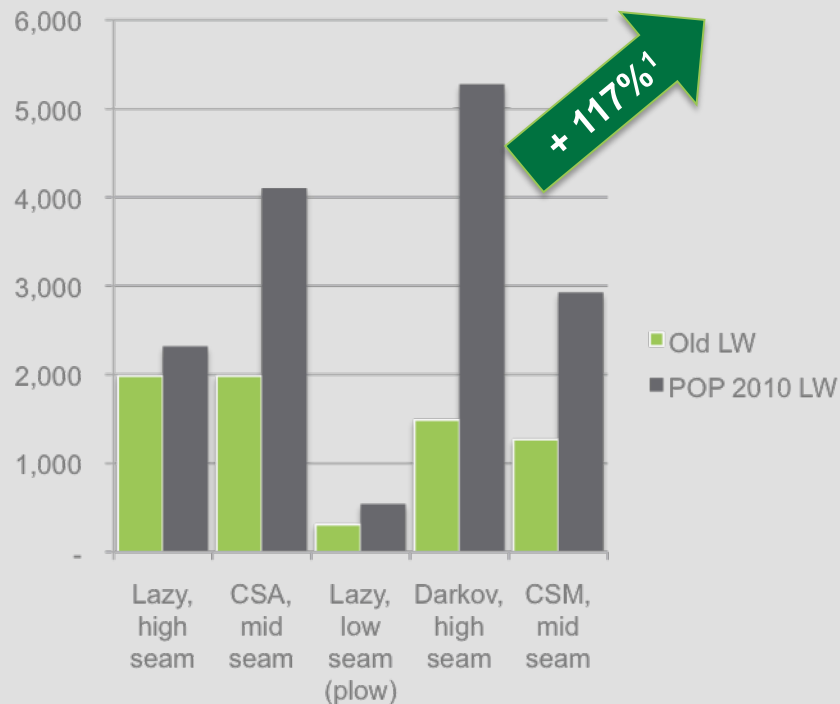
**Coking lost time injury frequency rate<sup>1</sup> (OKK)**



- POP 2010 visibly contributing to safer working environment.

# POP 2010 delivering efficiencies

H1 average daily production at LW (t)



H1 average daily output per man in shift (t)



<sup>1</sup> Unweighted average growth across all active mines.

## Growth projects

### Debiensko

- Feasibility study on the development of 190Mt of coking coal reserves completed.
- Technical and economic outcomes of the study now being analysed internally.
- Alternative development plan including extension of the mining license to shallower coal seams under consideration.

### POP 2010

- All five new longwall sets from Phase I fully operational since the beginning of 2009.
- Implementation of Phase II proceeding on schedule, first set already in operation and second set expected to start up by the end of August.
- EUR 141 mln ECA loan agreement signed for Phase II.

### COP 2010

- Refurbishment of Svoboda coke plant battery No. 8 continues as planned.
- Construction of coking battery No. 10 at Svoboda plant to be completed by the end of 2010 providing additional 200kt of coke capacity.

## Full year 2009 outlook

### Production

- Production target reduced to 10.5Mt of coal and 710kt of coke at Q1.
- NWR retains some flexibility to increase production if the market requires.

### Sales volumes

- H2 sales above H1 levels of 4.2Mt of coal and 295kt of coke.
- FY 09 average prices unchanged at:

### Prices

EUR 91.5 for coking coal and EUR 79 for thermal coal.

- Coke prices subject to market conditions.

### Costs

- Continuing stringent OPEX and CAPEX management.
- Risk of further CZK strengthening.

### FY

- Positive operating CF
- Significant cost savings
- Inventories back to their optimal level

# Financial overview for the half year ended 30 June 2009



## Key financials

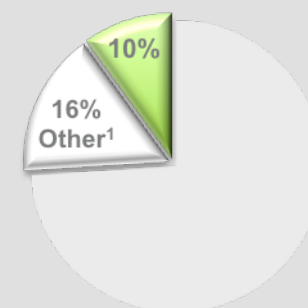
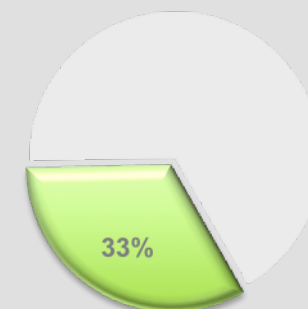
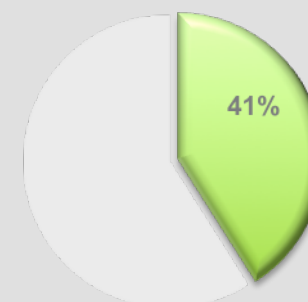
EUR mln	H1 09 Reported <sup>1</sup>	H1 09 Adjusted <sup>2</sup>	H1 08 Reported <sup>1</sup>	H1 08 Adjusted <sup>2</sup>
Revenues	484	539	927	1,037
EBITDA	76	82	350	356
<i>Margin</i>	<i>16%</i>	<i>15%</i>	<i>38%</i>	<i>34%</i>
Operating profit	0	7	265	271
<i>Margin</i>	<i>0%</i>	<i>1%</i>	<i>29%</i>	<i>26%</i>
Net profit	(41)	(41)	189	189
<i>Margin</i>		<i>(8%)</i>		<i>18%</i>

## Coal & coke revenues

Coking coal	H1 09	H1 08	% chg
External sales volumes (kt)	2,097	3,491	(40%)
Realised prices (EUR/t)	95	129	(26%)
<b>Revenues (EUR mln)</b>	<b>199</b>	<b>450</b>	<b>(56%)</b>

Thermal coal	H1 09	H1 08	% chg
External sales volumes (kt)	2,117	2,437	(13%)
Realised prices (EUR/t)	75	65	15%
<b>Revenues (EUR mln)</b>	<b>159</b>	<b>158</b>	<b>1%</b>

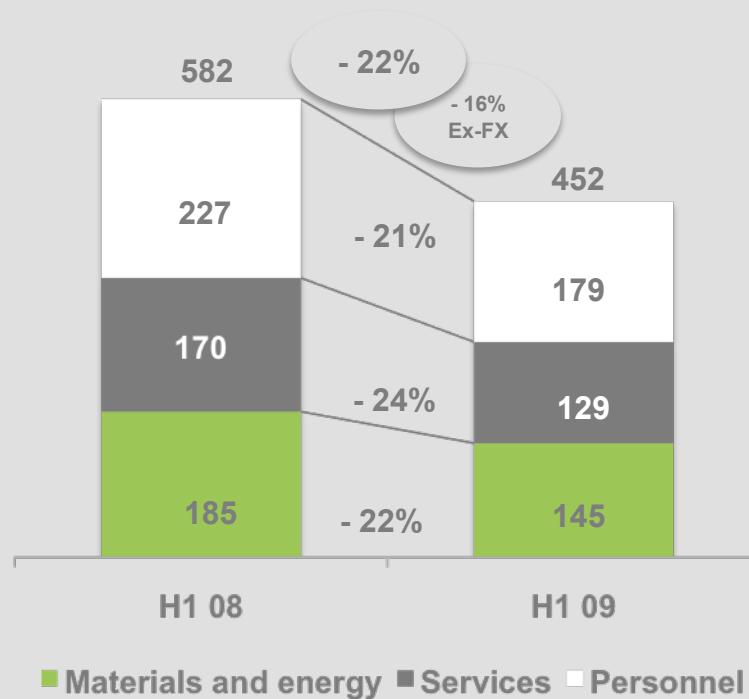
Coke	H1 09	H1 08	% chg
External sales volumes (kt)	295	621	(53%)
Realised prices (EUR/t)	158	295	(46%)
<b>Revenues (EUR mln)</b>	<b>47</b>	<b>183</b>	<b>(75%)</b>



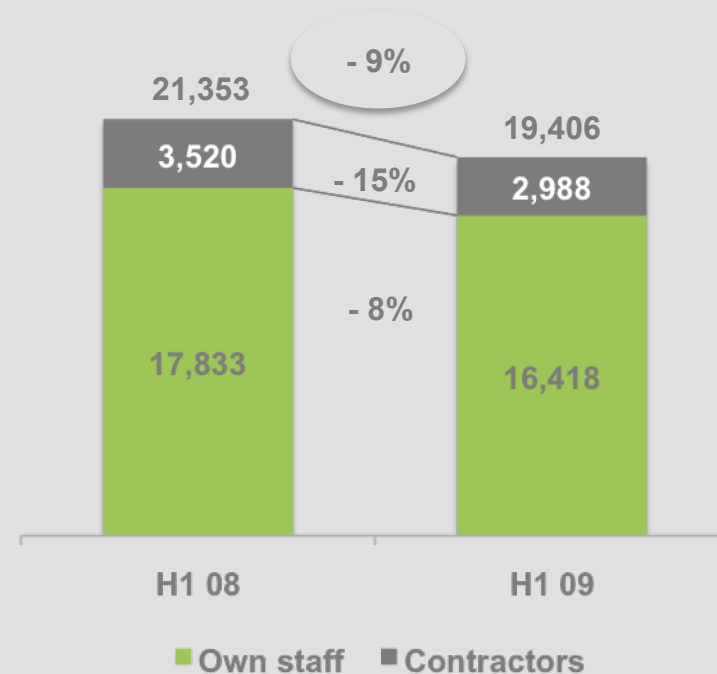
<sup>1</sup> Other revenues include Coal and coke transport, Sale of coke by-products, and Other sales and in total accounted for EUR 80mln and EUR 136mln in H1 09 and H1 08, respectively.

# Operating costs

Costs (EUR mln)



Average headcount

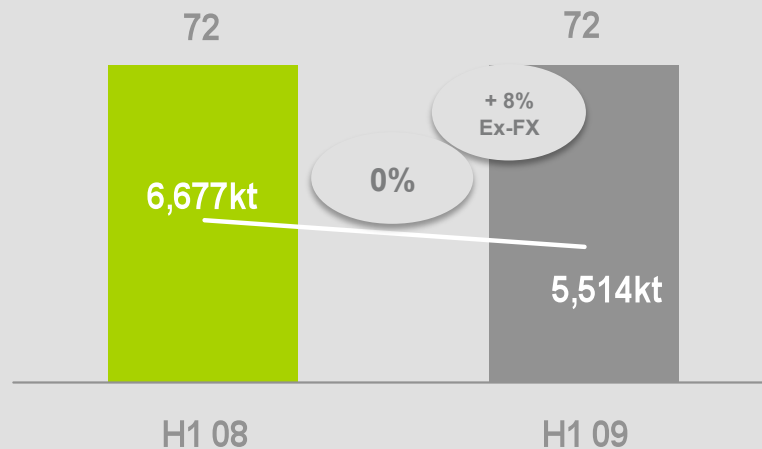


## Cost saving measures

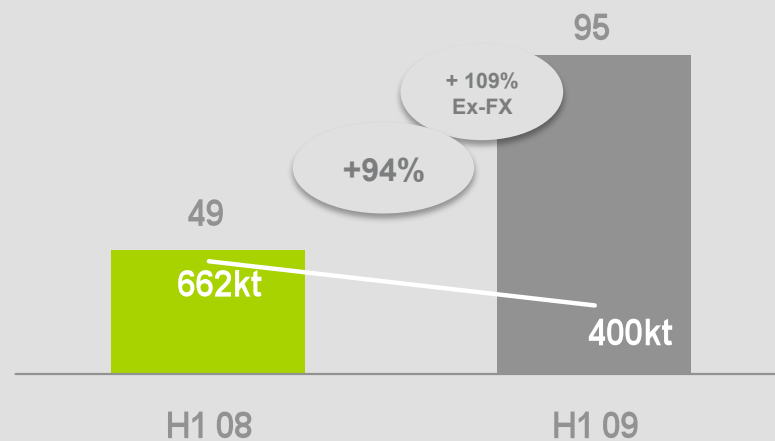
- Total headcount reduction 9% y/y, accompanied by overall wage freeze and bonus suspensions leading to 21% reduction in personnel costs.
- 25% decrease in contractor costs through combination of a 13% decrease in unit costs per shift and a 14% decrease in number of shifts.
- 28% decrease in maintenance costs helped by new POP 2010 equipment.
- Polish coal for coke production largely replaced by own coal leading to 82% saving.
- CAPEX budget for 2009 kept unchanged at EUR 234mln following 19% reduction announced earlier this year.

## Cash costs per tonne

### Coal mining (EUR) (OKD)



### Coke conversion (EUR) (OKK)



- Despite 17% fall in production, mining cash cost per tonne stable year-on-year largely due to the cost cutting measures implemented.
- Unit cash cost increase in coke conversion due to 40% drop in production and EUR 5mIn severance payments related to Sverma coking plant closure.

## CAPEX

- Major CAPEX programmes continued in line with strategy to invest in long-term sustainability of the business.
- Continuous review of investment plans to focus on key projects, and to ensure optimal scheduling and cash flow enhancement.
- EUR 141mIn ECA loan to finance Phase II of POP 2010, covering part of related CAPEX including the portion financed by cash in H1 09.

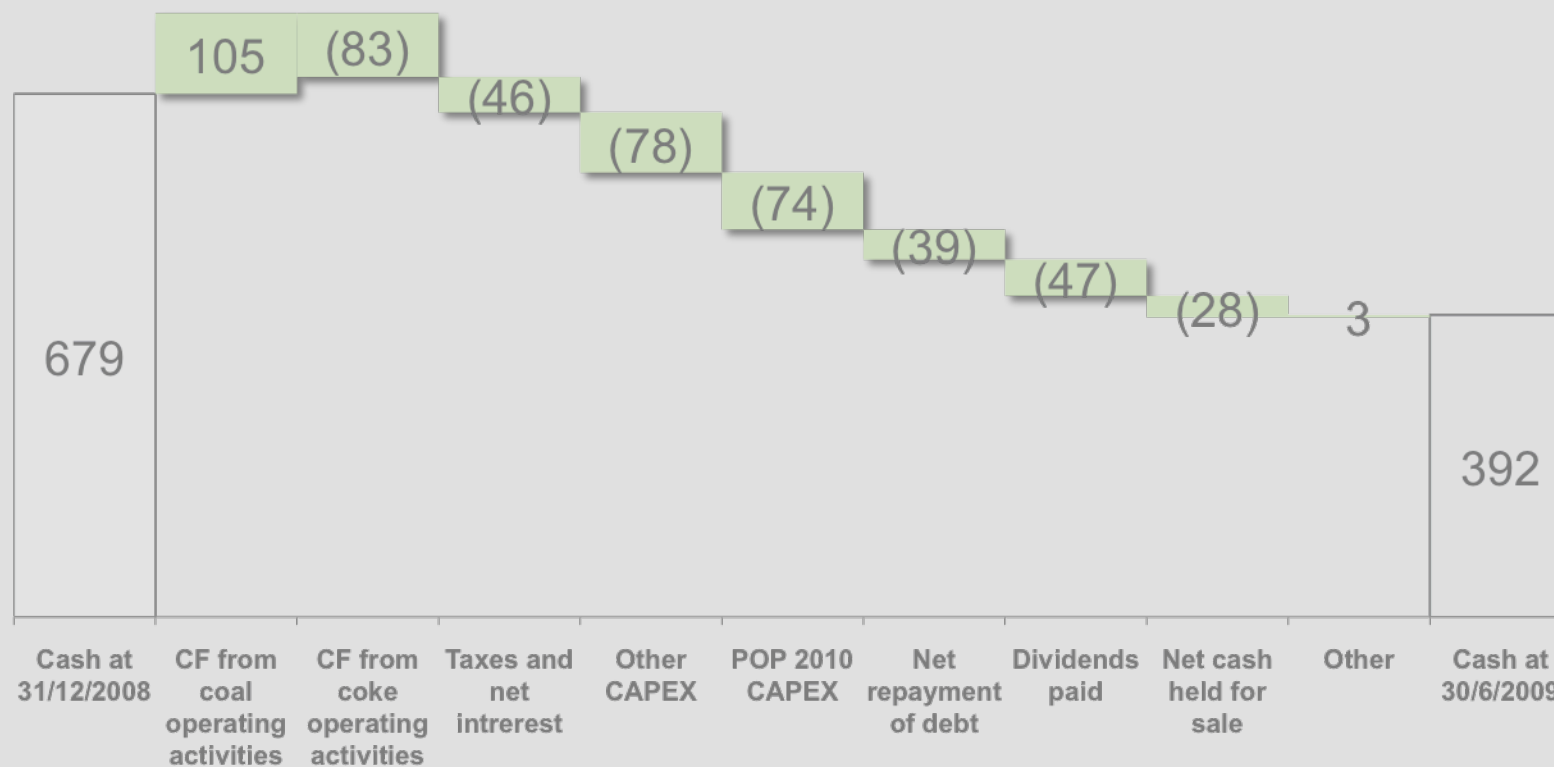
EUR mln	H1 2008	H1 2009	Plan 2009
POP 2010	55	74	116
OKD	39	59	87
OKK	8	15	21
Projects in Poland	-	0.5	5
Other	-	3	4
<b>TOTAL</b>	<b>102</b>	<b>152</b>	<b>234</b>

## Balance sheet

EUR mln	30 Jun 2009	31 Dec 2008
<b>Total Assets</b>	<b>2,144</b>	<b>2,250</b>
Non current assets	1,328	1,293
Property, plant & equipment	1,140	1,088
Current assets	718	957
Cash and cash equivalents	392	679
<i>Assets held for sale</i>	97	0
<b>Total Equity and Liabilities</b>	<b>2,144</b>	<b>2,250</b>
Total equity	603	646
Total liabilities	1,541	1,603
Long-term loans	638	662
Bonds issued	291	290
Current portion of long-term loans	63	67
Short-term loans	21	29
<i>Liabilities held for sale</i>	33	0
<b>Net Debt</b>	<b>621</b>	<b>369</b>

# Cash development

EUR mln



## Concluding remarks

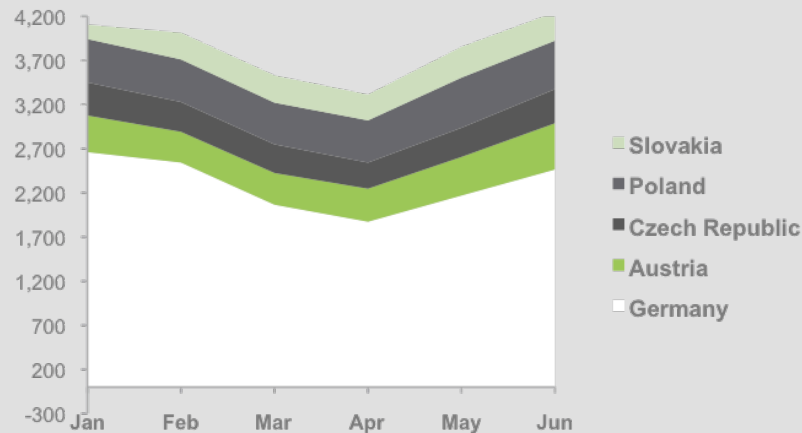
- First half of the year governed by difficult market conditions.
- Deep decline in steel production in our region heavily impacted our coke and coking coal sales.
- Thermal coal sales have held up better due to greater resilience of energy demand.
- Despite significant decrease in production volumes, stringent cost management kept our unit costs well under control.
- Production optimisation programmes proceeding to plan.
- POP 2010 continues to deliver higher efficiency and improved safety in our mining operations.
- Prudent management to preserve balance sheet flexibility.
- NWR's core customer markets beginning to show signs of recovery, however we remain cautious about future development.
- Continued focus on long-term efficiency to ensure sustainability of our business.

# Appendix



# Environment overview

Steel output in NWR's customer markets (kt)



CZK/EUR



Electricity production in CR (GWh)

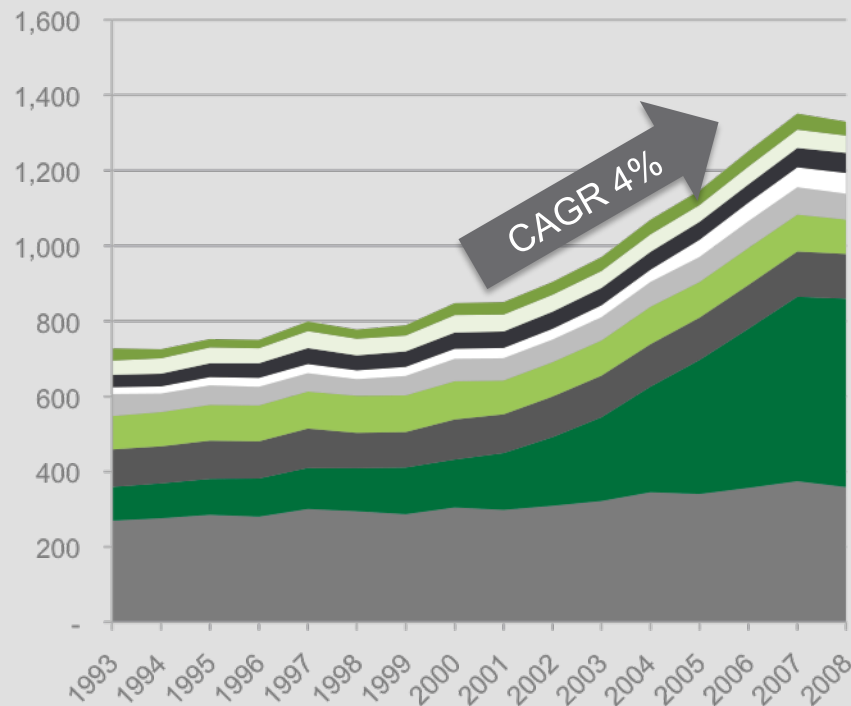


Brent crude oil price (USD per bbl)

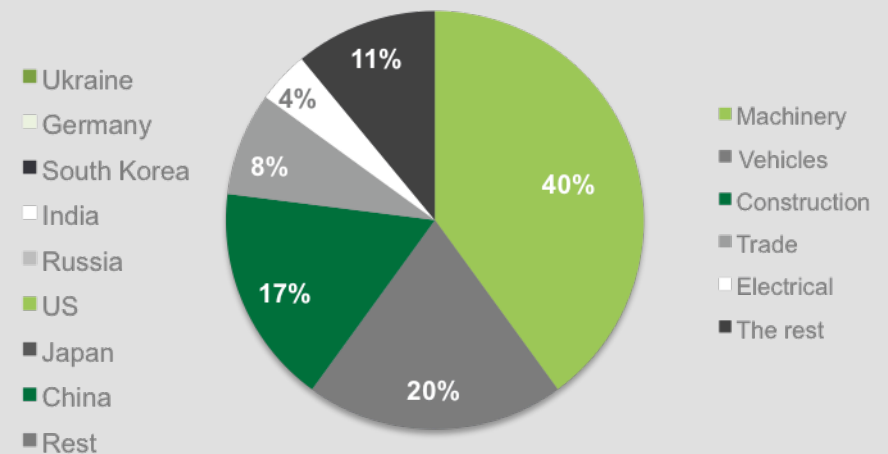


# Steel market

World steel production (1993 - 2008) (Mt)



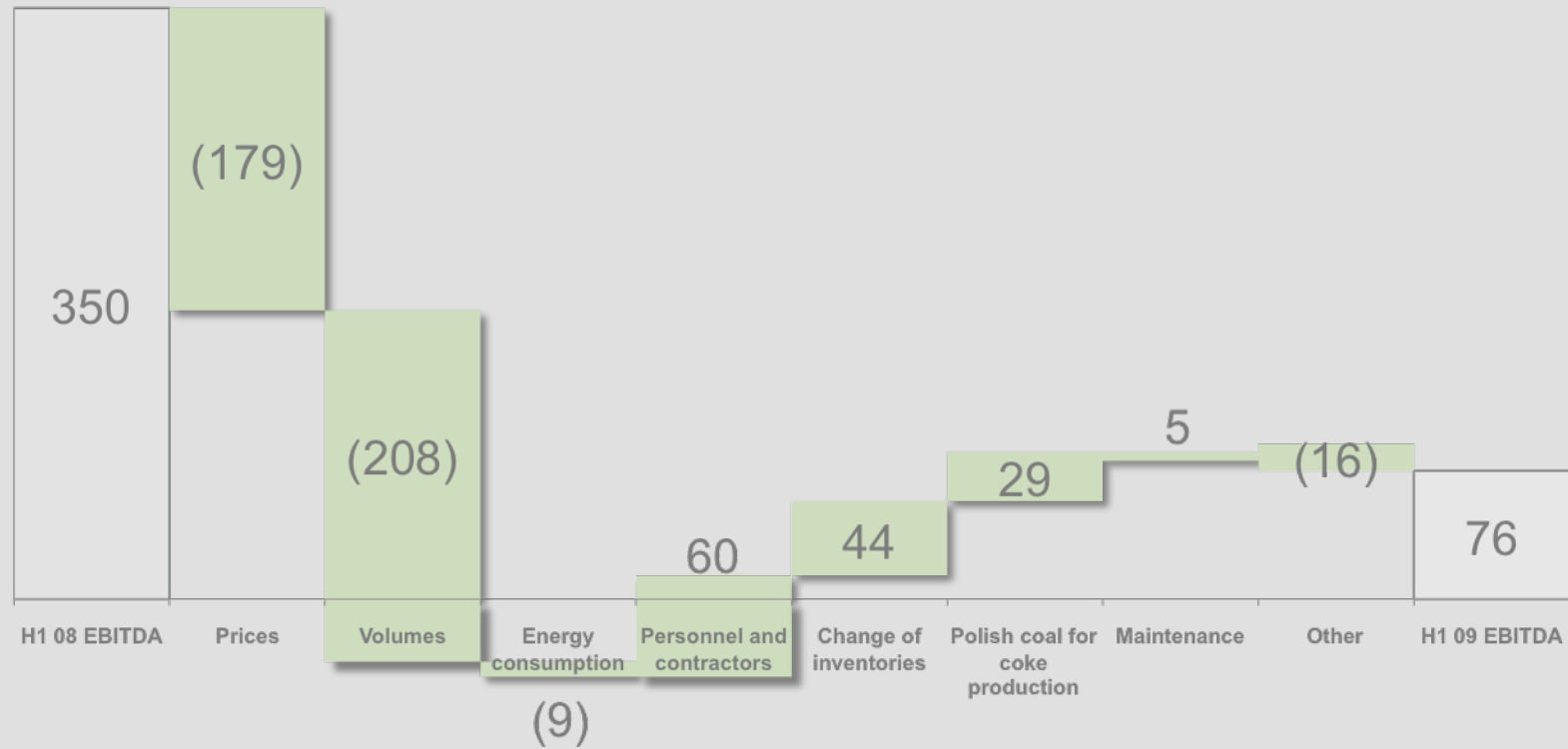
CEE steel consumption by sector<sup>1</sup>



<sup>1</sup> NWR estimate

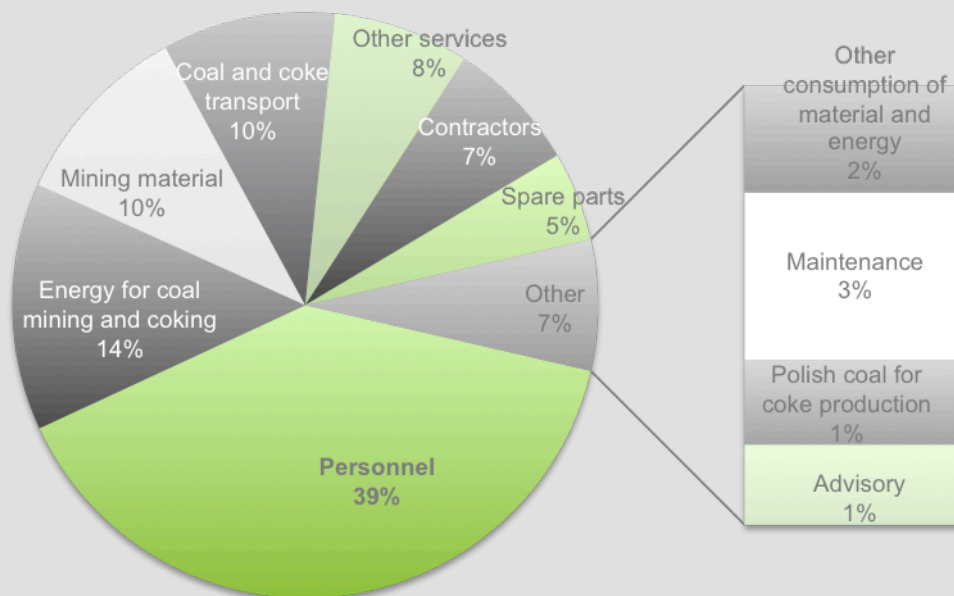
# EBITDA bridge

EUR mln

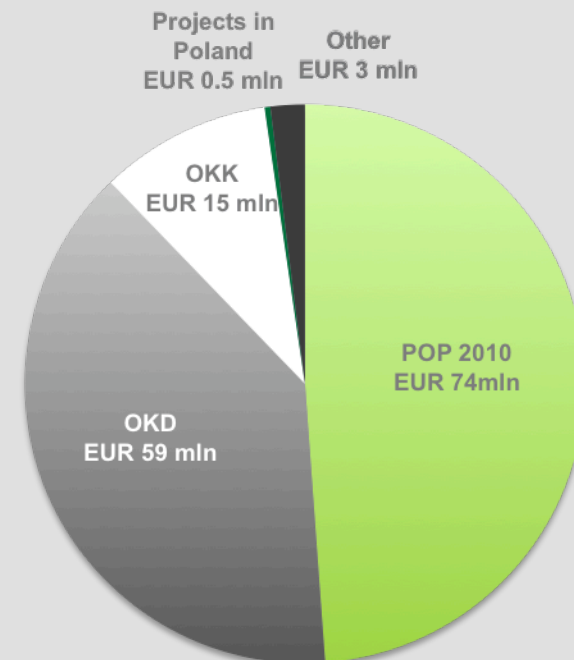


# Operating and capital expenditure splits

**H1 09 OPEX (EUR 452mIn)**

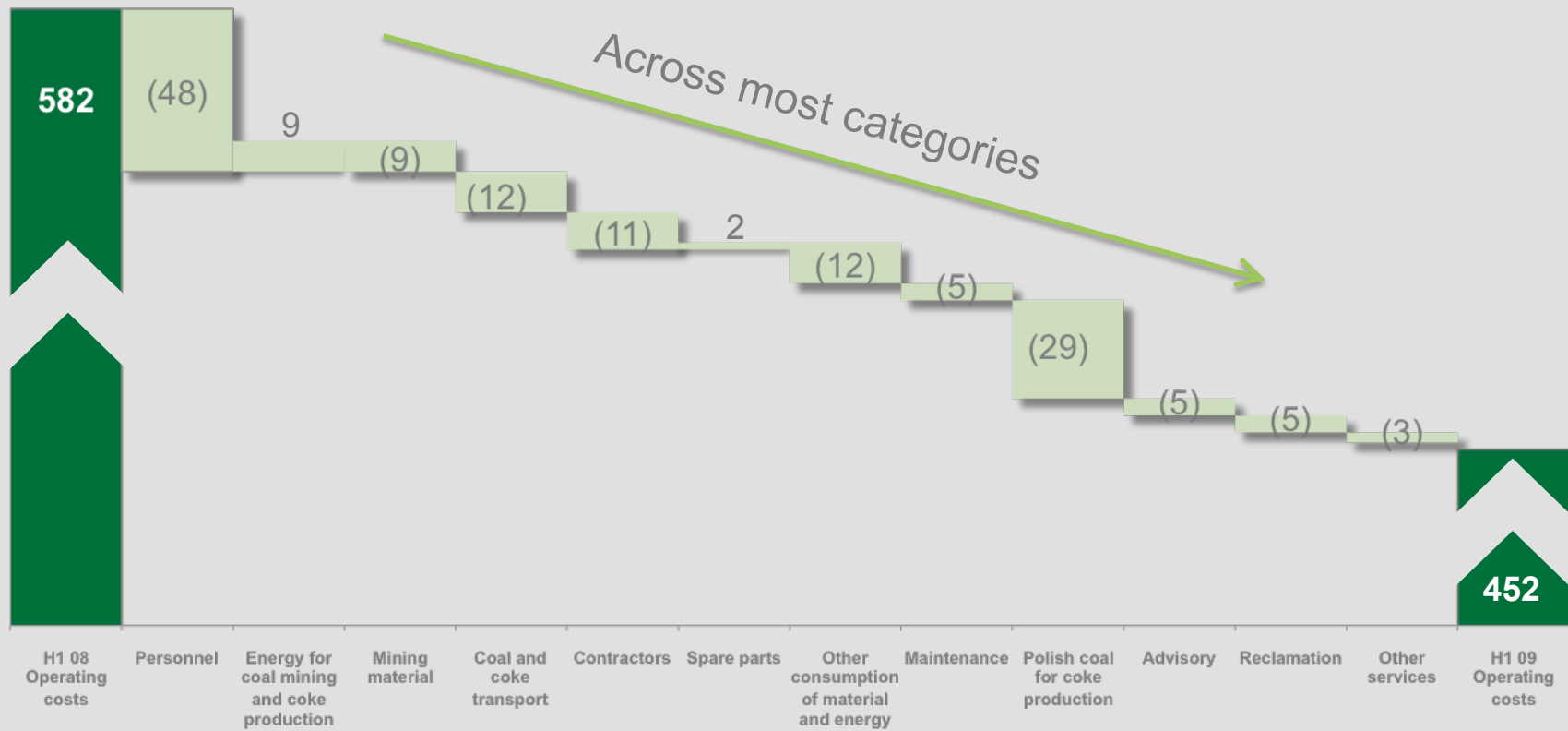


**H1 09 CAPEX (EUR 152mIn)**



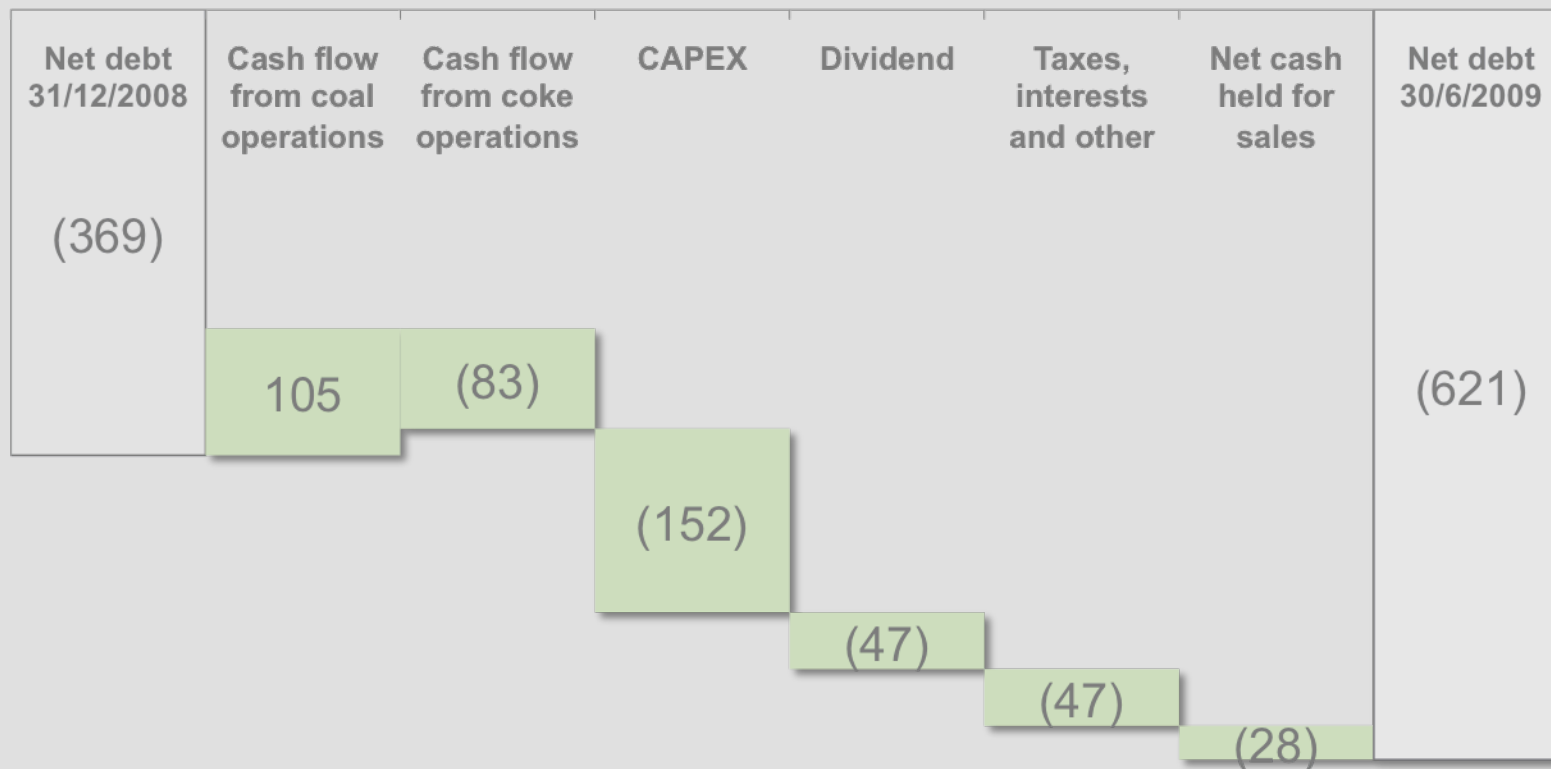
# Cost reduction

EUR mln



# Net debt development

EUR mln



## Quarterly financial highlights

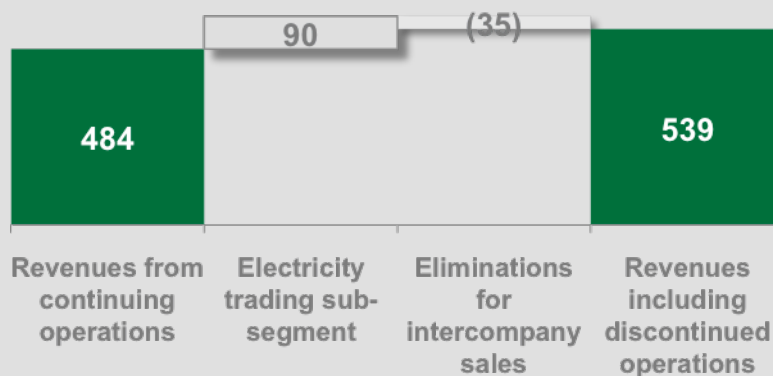
EUR mln	Q2 09 Reported <sup>1</sup>	Q2 09 Adjusted <sup>2</sup>	Q1 09 Reported <sup>1</sup>	Q1 09 Adjusted <sup>2</sup>	Q2 08 Reported <sup>1</sup>	Q2 08 Adjusted <sup>2</sup>
Revenues	244	269	240	270	463	513
EBITDA	19	22	57	60	140	144
<i>Margin</i>	8%	8%	24%	22%	30%	28%
Operating profit	(17)	(13)	17	20	98	102
<i>Margin</i>	(7%)	(5%)	7%	7%	21%	20%
Net profit	(39)	(39)	(2)	(2)	71	71
<i>Margin</i>		(15%)		(1%)		14%

<sup>1</sup> As reported at 19 August, 2009.

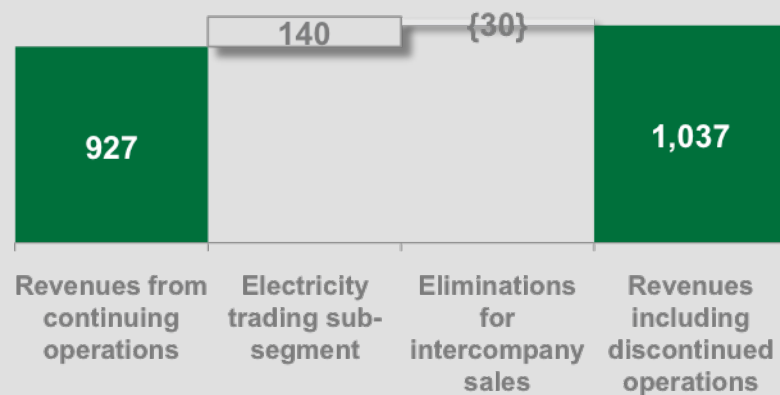
<sup>2</sup> Adjusted to include the operations of the electricity trading sub-segment, currently held for sale and reported as discontinued operations.

## Energy assets: discontinued operations

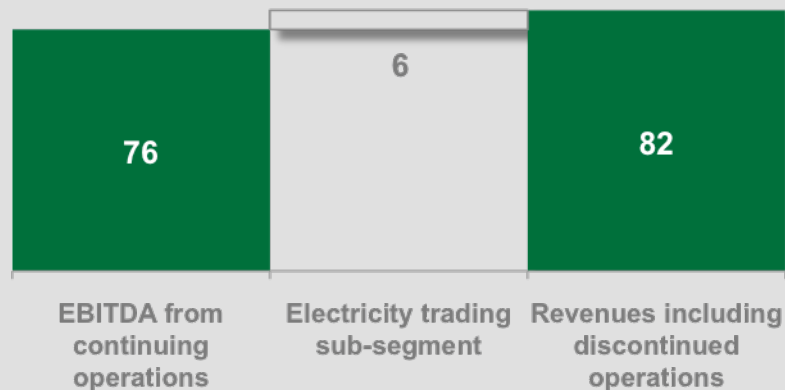
Revenues H1 09 (EUR mln)



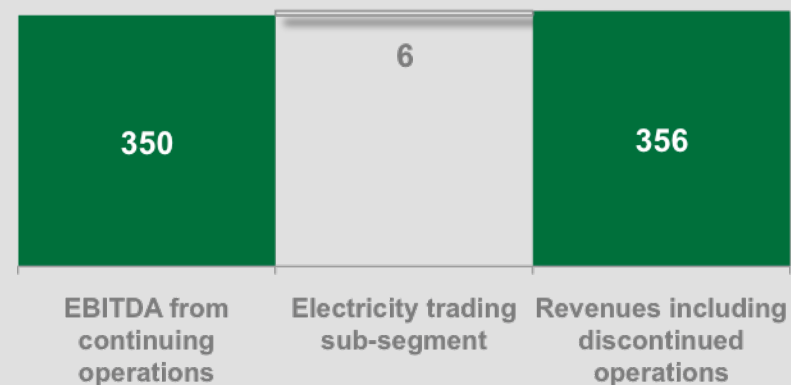
Revenues H1 08 (EUR mln)



EBITDA H1 09 (EUR mln)



EBITDA H1 08 (EUR mln)



# Annual financial and operating data overview

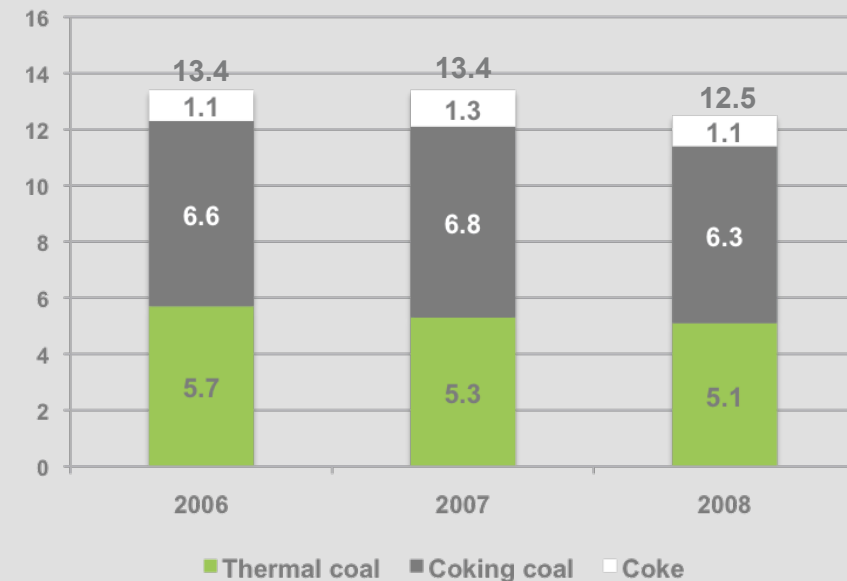
## Financial Highlights<sup>1</sup>

EUR mln

	2006	2007	2008
Revenues	1,235	1,367	2,041
EBITDA	283	351	697
<i>Margin</i>	23%	26%	34%
Net income	100	196	352
<i>Margin</i>	8%	14%	17%

## Sales Highlights

Mt



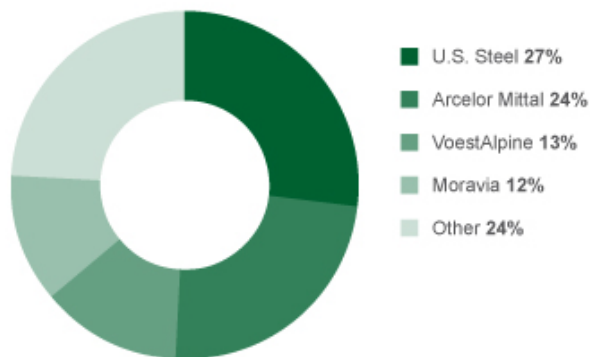
<sup>1</sup> Including the operations of the electricity trading sub-segment, currently held for sale and reported as discontinued operations.

## Servicing a blue chip customer base

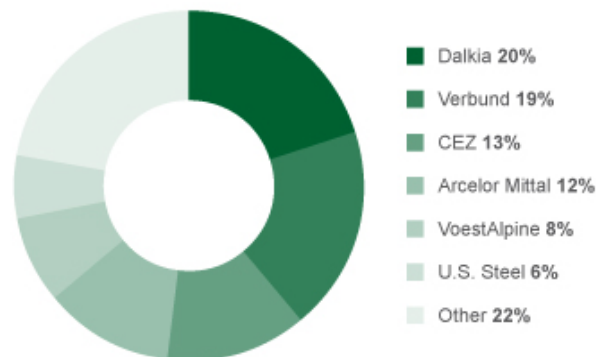
- Long-term relationships with blue chip customers governed by long-term framework agreements.
- Ability to serve customer base efficiently supported by good logistic links to all customers.
- Customer production facilities configured for the Company's coal specifications.

### Revenue breakdown for 2008

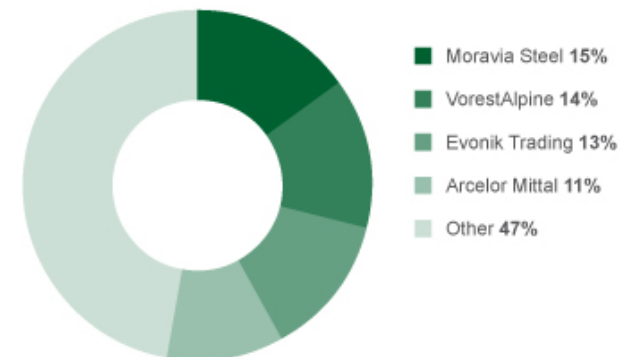
Coking coal customers



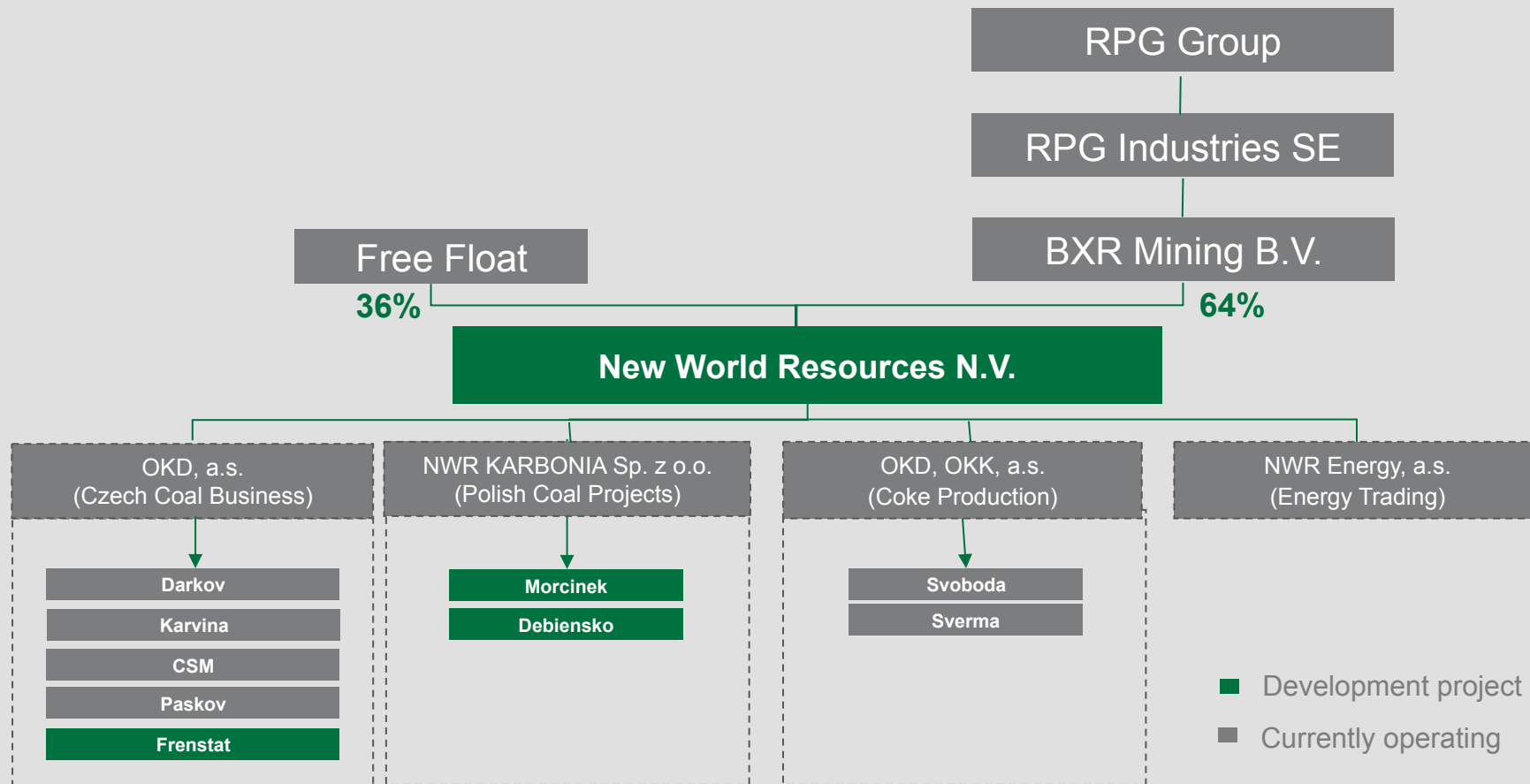
Thermal coal customers



Coke customers



# Shareholder & Company structure



# Disclaimer

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