

## Business review

12	Chairman's statement
14	Management report
16	Strategy
28	Operational review
32	Health, safety and employees
34	Financial review and outlook
36	Board and senior management
40	Corporate social responsibility







Mike Salamon  
Executive Chairman of the Board, NWR

**2008 was a good year for NWR in terms of our key performance indicators. The regional and global economic downturn, which gathered pace in the second half of the year, has brought new challenges for 2009. Nevertheless the quality of our business and our strong customer relationships will play a key role in supporting us through the downturn.**

Our core business is hard coal mining. Through our principal operating subsidiary, OKD, we supplied 11.4 million tonnes of quality coking and thermal coal to our customers in Central Europe during 2008. The quality of our coal, our proximity to many of our key clients and our reliability as a supplier have given us strong competitive advantages.

For the last few years, we have predominantly focused on upgrading and streamlining the Company to improve operational efficiency. This strategy has proved vital in periods of strong economic growth and is arguably even more critical in difficult economic times.

In early 2008, we set out the building blocks of our business strategy: to improve the efficiency and profitability of our mining operations by investing in better equipment and technology, by consolidating our procurement efforts and by enhancing operational efficiency through maintaining efficient cost structures; to strengthen the reserve base from existing mines; to actively pursue growth opportunities; to maintain a strong health and safety record; and to implement international best practices in our corporate governance. We achieved a very positive set of financial results for the year ended 31 December

2008, delivered our production targets, improved our efficiencies with our Productivity Optimisation Programme (“POP 2010”) and enhanced our reserve base. We also successfully listed on the London, Prague and Warsaw stock exchanges. NWR was the largest Initial Public Offering on the London Stock Exchange and the only Initial Public Offering on the Prague Stock Exchange in 2008.\*

However, it is very sad to note that, despite an overall improving trend in our safety and health performance, seven of our colleagues died at work. This clearly continues to focus our attention on our safety objectives.

POP 2010 is now well under way. NWR is in the process of acquiring ten of the most efficient longwalls in the world, offering great performance thanks to our highly skilled technicians and engineers. By implementing our new, world-class longwall production equipment and gate road development machinery, we are boosting productivity and should also improve our safety performance. The new equipment will also enable us to extract coal from deeper and more geologically challenging seams.

We have 418 million tonnes of JORC reserves. We continue to pursue our regional growth strategy and major milestones were achieved in our Dębieńsko and Morcinek coking coal projects in Poland.

In June 2008 the Polish authorities granted NWR a 50-year mining licence for Dębieńsko, and drilling to determine conditions in the prospective new shafts commenced in December 2008. The project comprises approximately 190 million tonnes of NWR’s total reserves.

On 20 August 2008, the Czech and Polish governments signed a treaty on cross-border mineral exploration, enabling companies from both countries to operate in the border area. The signing of this treaty, which has been ratified by the Czech parliament and is awaiting ratification by the Polish authorities, created the legal framework needed to enable the Morcinek project to move forward.

The outlook for the industry in 2009 is very tough, given significantly reduced demand from steel consuming sectors and the marked reductions in steel and core production globally and in the region. In this context we have been very pleased for the support we have received from our customers for 2009 coal sales contracts. However, recognising the limited

visibility with respect to how 2009 will actually evolve, NWR’s Board has reviewed its decision to take up RPG’s offer of 24.99 per cent on the Ukrainian iron ore and pellet producer, Ferrexpo plc.

The Board continues to firmly believe in the strategic rationale for the transaction, however, it has concluded that current timing is not ideal. This conclusion has been in large measure echoed by feedback from minority shareholders.

I believe NWR is on the road to becoming a world-class organisation. 2008 was a year of significant progress for NWR. We have a robust balance sheet and strong cash flows and hence, if we look beyond this period to the longer term, I am confident that we are well placed to fully exploit our existing reserve base as well as new opportunities.

**Mike Salamon**

Executive Chairman of the Board,  
NWR

\* Source: Dealogic.



**Klaus-Dieter Beck**  
Executive Director of NWR, CEO of OKD, Chairman of the Board of Directors of OKD

**NWR announced all-time record results for the year 2008, a great achievement that reflects the strategic measures taken to enhance sustainability, profitability and safety.**

The theme for 2008 was to focus on our core business by reducing costs and improving efficiency. Many actions were taken throughout the year to achieve this goal and we intend to continue to focus on this goal in 2009 and beyond.

One way in which we have reduced costs and improved efficiency is by rationalising our administrative functions. In the past, each individual mine ran its own service functions, leading to duplication and a lack of corporate focus. In 2008, the majority of the Company's HR, IT, legal, reclamation, marketing and purchasing functions were centralised, producing a greater effectiveness. Maintenance and procurement are also in the process of being centralised.

We are currently finalising the engineering plans for Phase II of our capital investment programme, POP 2010, with start-ups planned from mid 2009 onwards. The entire programme comprising of two phases will complete the major step of replacing ten sets of outdated longwall production equipment sets.

Not only does this support productivity as the newer equipment is more reliable and requires less maintenance and downtime, but it also allows us to mine in more geologically challenging seams. Last but not least, it makes a major contribution to safety – for instance, allowing better control of the roof strata thanks to the higher load bearing capacity as well as improving microclimatic conditions through more efficient dust control.

We believe that POP 2010 is not only essential for the long-term sustainability of our mining operations but also strengthens our competitive advantage. Therefore, we remain committed to finalising the implementation of the programme in 2009 despite current market conditions.

Deep mining is inherently challenging and some of our mining operations take place over 1,000 metres underground. Tragically, during 2008, we had seven fatal accidents among our workforce. We are not complacent about risk and so, the health and safety of our employees is of the highest priority to the Board and management. We continue to invest significantly in order to enhance safety and our record in this regard compares well with the international mining industry.

This focus has contributed to a reduction in our LTIFR. In 2008, LTIFR at OKD improved by 17 per cent and by 39 per cent at OKK compared to 2007. The LTIFR represents the number of reportable injuries after three days of absence divided by total number of hours worked expressed in millions of hours.

I am excited about our new development projects, especially Dębieńsko in southern Poland. The substantial reserves at Dębieńsko make this project an outstanding resource for long-term profitability.

There are extraordinary challenges facing the industry at present that are set to continue in the coming months. Our investments and corporate restructuring programme should ensure that NWR withstands the present economic challenges.

NWR is in business for the long-term. Current reserves allow us to operate for more than 20 years in our Czech business, and we will continue to plan ahead in order to secure our continued operation as a world-class and successful company. We have sound relationships with our customers, many of which have been built up over decades, and our investment and corporate restructuring programme should allow us to stand firm during the current economic storm and emerge in the upturn better placed than many of our peers.

**Klaus-Dieter Beck**

Executive Director of NWR,  
CEO of OKD, Chairman of the  
Board of Directors of OKD

## **A cost-effective and reliable supplier**

NWR's operations are efficiently run. Our coal and coke are good 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.







## A cost-effective and reliable supplier



POP 2010, Karviná Mine

Three aspects of our operations help make the Company cost-effective: the quality of our coal, our proximity to our customer base and our improving of productivity.

Our wholly owned subsidiary OKD is the only producer of hard coal in the Czech Republic. OKD operates in the Ostrava-Karviná district and is located in the southern part of the Upper Silesian coal basin. The area is noted for the quality of its coal, which has a high calorific value and a low sulphur content. Some 60 per cent of OKD's output can be sold as coking coal, which normally commands higher margins than thermal coal.

Many of our customers have relied on our coal and its characteristics for decades. A number of them have their production processes configured to match the quality of our coal.

Some of our major customers include Arcelor Mittal Steel, U.S. Steel, Voest Alpine, Moravia Steel, ČEZ and Dalkia.

Throughout our long history, we have enjoyed an enviable productivity rate thanks to the hard work of our miners and our sensible strategic decisions. During the last few years, we have focused on rebuilding on the tradition of these mines, some of which go back over 200 years. Our capital investment programmes, which is set out in more detail on pages 22-23, are a good example of our commitment to continually improve the efficiency of our operations and our reliability as a supplier.

We produce coke through our subsidiary OKK, which is located near our mining operations. OKK operates two coking plants with five coking batteries and a combined capacity of approximately 1.3 million tonnes of coke per year.

NWR is a reliable supplier. We have proven to our customers that we are highly reliable in terms of quality, mixture and timeliness of our deliveries.

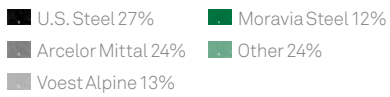
We have developed long-term partnerships with many of our customers. Reliability is crucial in our business and our reliability should help our customers through these difficult times, which in turn will help us to strengthen our relationships with our customer base. The efficiency of our operations helps to reduce downtime, overruns of budget and production delays. Our capital investment programmes are already delivering significant improvements to our efficiency and productivity, and we expect to continue this trend.



POP 2010, Karviná Mine

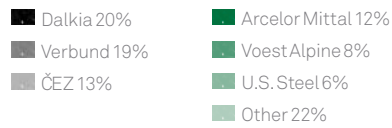
**Revenue breakdown for 2008**

**Coking coal customers**



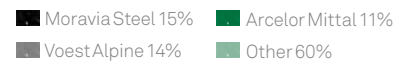
Year ended 31 December 2008

**Thermal coal customers**



Year ended 31 December 2008

**Coke customers**



Year ended 31 December 2008

## **A company investing in the future**

Our capital investment programmes have already made productivity gains, improved efficiency and raised the safety levels of our mining operations.





## A company investing in the future



POP 2010, Karviná Mine

In 2007, we took a major strategic decision to improve the efficiency and profitability of our business.

POP 2010 is a two phase project. Phase I has been completed on time and to budget and all longwall and gateroad equipment is in operation. Phase II is on schedule. Delivery commenced in February 2009 with all gateroad equipment in operation and the last longwall equipment scheduled to operate in December 2009.

The first months of operation of the new longwall and development sets justified the capital expenditure – with labour productivity and employee safety significantly increased.

The programme involves a significant recapitalisation to upgrade our underground longwall and development equipment at all four of our mining facilities. This will replace existing assets with state-of-the-art equipment.

In March 2008, following exhaustive testing, approximately 150,000 pieces of equipment were dispatched from an array of European manufacturing plants, most notably the Bucyrus<sup>\*</sup> headquarters in Lünen. More than 1,100 trucks were used for the transport. All this required extensive logistical planning.

Once delivered, the equipment was unloaded and transported to the mining work areas, where it was assembled and installed in the individual coalfaces under the supervision of Bucyrus experts.

At the same time, the equipment operators were taken through a wide-ranging training programme. This was carried out partly in Germany, and partly in our individual mines.

The POP 2010 equipment is more technologically advanced relative to our older equipment and hence, less prone to breakdown and this should require less maintenance. Also, health and safety features are materially enhanced, for example reductions in dust and noise.

### Performance increase of new POP 2010 equipment vs old

Mine	Output per day increase	Output per man per shift increase
Karviná	2.3x	4.0x
Darkov	3.0x	2.3x
ČSM	3.0x	3.4x

\* Bucyrus DBT Europe GmbH, the German subsidiary of Bucyrus International, Inc., a mining equipment manufacturer



POP 2010, Karviná Mine



POP 2010, Karviná Mine

With the new equipment, we will be able to boost productivity, reduce costs and mine in areas which were previously not safe to access.

The outstanding committed CAPEX related to Phase II of POP 2010 is approximately EUR 163 million. EUR 116 million will be paid as CAPEX in 2009, while EUR 47 million has been deferred into 2010, although all the equipment will be delivered during 2009. NWR expects to finance these equipment purchases out of existing cash or funds borrowed under a secured loan arrangement. The Company is evaluating several secured financing options.

In addition to POP 2010, we are implementing our Coking Plant Optimisation Programme ("COP 2010") which is progressing to schedule.

The refurbishment of the first section of Svoboda coke plant battery No. 8 has been completed and heating has started. The start-up of the chamber took place in December 2008.

Preparatory work for the construction of the new No. 10 coking battery at the Svoboda plant has also started.

The COP 2010 investments will also help improve the efficiency of our coking operations.

These programmes are transforming NWR into a world-class business, which will be ready to take advantage of any global economic recovery.

NWR continues to review the implementation of its investment plans to ensure optimum scheduling and cash flow enhancement.

**POP 2010 Equipment delivery schedule**

	Longwall mining equipment			Gateroad development equipment	
	Low seam	Mid seam	High seam	Roadheaders	Jumbos and loaders
<b>Phase I</b>					
Karviná	✓ 1 set	✓ 1 set	✓ 1 set	✓ 2 sets	
Darkov			✓ 1 set	✓ 1 set	
Paskov					✓ 2 sets
ČSM		✓ 1 set		✓ 1 set	
<b>Phase II</b>					
Karviná		1 set		✓ 2 sets	
Darkov		1 set		✓ 1 set	
Paskov	1 set				2 sets
ČSM		1 set	1 set	✓ 1 set	

✓ indicates delivered and operational



## **A company expanding its reserve base**

One of the key themes of 2008 was the expansion of the Company's reserve base to 418 million tonnes of JORC reserves. This is a significant achievement and provides a firm foundation for continued growth into the next decade and beyond.



## A company expanding its reserve base



View from the hoisting tower, Darkov Mine



Land reclamation, Karviná Mine

### OKD

OKD's hard coal reserves are situated in the Karviná and Ostrava regions of the Upper Silesian coal basin, covering a total area of approximately 120 sq km.

There are four active OKD hard coal mines: Karviná, Darkov, Paskov and ČSM. Reserves in these active mines total 228 million tonnes. Production, reserves and coal types are as follows:

#### *Karviná mine*

**Annual Production**  
4.9 million tonnes

**Reserves**  
101 million tonnes

**Coal types**  
Semi-hard coking  
Hard coking  
Thermal

#### *Darkov mine*

**Annual Production**  
4.1 million tonnes

**Reserves**  
47 million tonnes

**Coal types**  
Semi-hard coking  
Thermal

#### *Paskov mine*

**Annual Production**  
1.1 million tonnes

**Reserves**  
27 million tonnes

**Coal type**  
Hard coking

#### *ČSM mine*

**Annual Production**  
2.7 million tonnes

**Reserves**  
53 million tonnes

**Coal type**  
Hard coking

### Coal reserves according to JORC\* (million tonnes)

Mine	Total
Karviná	101
Darkov	47
Paskov	27
ČSM	53
Debieňsko	190
<b>Total</b>	<b>418</b>

Source: The Company

\* The reserve estimates provided in this annual report are an indicative equivalent to the JORC Code.



Dębnieńsko, southern Poland

### Dębnieńsko

In June 2008 we were granted a 50-year licence to mine coal in Dębnieńsko, southern Poland. The project holds approximately 190 million tonnes of reserves, the majority of which are coking coal. Our Polish subsidiary KARBONIA PL, began drilling holes to establish shaft conditions of the area in November 2008.

The granting of the Dębnieńsko licence was a milestone in our strategy to increase long-term production and add to our reserves through regional expansion and organic growth. The project is located near our existing operations in southern Poland, 40 km from the Czech border, and the geological conditions are very similar to that of our current operations.

A full feasibility study is currently under way and should be completed during the first half of 2009.

### Morcinek

Morcinek is located in the Upper Silesian coal basin in southern Poland, near the border with the Czech Republic. Mining activities in the area were previously performed by various companies, the last being Jastrzebska Spolka Weglova S.A. ("JSW"). JSW terminated production in the late 1990s.

We initiated the project in 2002. The initial intention was to access the coal in the southern part of this mining district using the infrastructure from our nearby ČSM mine. We have since acquired the relevant documentation and exploration concessions allowing us to prepare a conceptual study as well as a licence to extract coal bed methane from the area.

In October 2007, we signed a letter of intent with JSW, which outlined the objectives of both parties and key milestones of the project.

The cross-border mining activities are to be regulated by an agreement, which was signed on 20 August 2008 by both the Czech and Polish governments. We believe the partnership will be mutually beneficial.

### Frenštát

Frenštát is located 30 km south of Ostrava. The resource was identified and preliminary drilling began in the 1980s. However, development was put on hold in the late 1980s.

We have the sole right to develop the mine. We are currently evaluating the economic feasibility of developing the resources, taking into account factors such as the quantity and quality of resources at Frenštát, the length of time required to develop these resources, and our ability to obtain any relevant permits and to work constructively with local and governmental authorities.

Frenštát is not an operational mine and the development of Frenštát into an operational mine will require mining and environmental permits, approvals from and agreements with municipal authorities and significant capital expenditures.

**2008 was a successful year for NWR. We achieved a marked improvement in all of our key financial indicators. We also increased our coal reserves, proceeded with the capital investment programme for our Czech mining operations and made significant steps in our development. This included obtaining a 50-year licence to mine at Dębieńsko, Poland.**

Over the year, revenues were up 49 per cent to EUR 2.04 billion. EBITDA increased by 99 per cent to EUR 697 million, significantly improving EBITDA margin to 34 per cent. Profit for the year was EUR 352 million, an increase of 79 per cent over 2007. Our operating cash flow rose by 103 per cent to EUR 523 million, and coal production was stable at 12.7 million tonnes.

These record figures were achieved through sound operational execution and strong financial results from our coal and coke businesses. Total underlying costs increased by approximately 8 per cent excluding the impact of CZECH-KARBON s.r.o. ("Czech Karbon"), (the entity that buys electricity for the Group and also sells electricity to third parties in the Czech market), a sound performance in light of an industry-wide increase in input costs in 2008.

Adjusted earnings per A share increased by 76 per cent to EUR 1.30, benefiting from strong revenue growth due to coal prices achieved in 2008, which was partially offset by an increase in the underlying tax rate.

### Coal operations

Our principal activity of hard coal mining is largely conducted through our wholly-owned subsidiary, OKD. 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 producers of electricity.

Traditionally, coking coal commands higher prices and generates higher revenues with higher margins for OKD relative to thermal coal. Of our 12.7 million tonnes of hard coal produced in 2008, 7.4 million tonnes were coking coal, which we sell to European steel markets or use at our own coking plants. Another 5.1 million tonnes were thermal coal, which we export mainly to Austria, Poland, Slovakia and Germany.

Hard coal mining operations take place in our four active mining complexes in the Upper Silesian basin of the north east region of the Czech Republic. The four facilities are Karviná, Darkov, ČSM and Paskov and between them cover an area of approximately 120 sq km. All coal produced by OKD tends to be of good quality, with the highest quality coal produced from the Paskov mine.

Our four mines have 23 shafts extracting coal from depths ranging from 600 to 1,000 metres below the surface. All the mines extract coal from multiple seams using the longwall mining method with shearers or ploughs in connection with mechanised shields or single hydraulic props to cut coal and to secure the excavated area.





K 312 LS loader, POP 2010, Staříč Site, Paskov Mine



Longwall face, Karviná Mine

Maintaining productivity levels became increasingly challenging due to the ageing machinery, some of which is more than 15 years old. Our POP 2010 programme is a major recapitalisation scheme involving over EUR 330 million of machinery. The investment is currently replacing a large portion of existing assets with the latest technology enabling us to increase productivity levels and overcome the ongoing decline in the number of skilled mineworkers.

### Coking operations

We operate two coking plants through our subsidiary, OKK. These plants, Šverma and Svoboda, are located close to our coal mines and comprise five coking batteries, with a combined capacity of approximately 1.3 million tonnes per year.

In 2008, OKK produced 1.3 million tonnes of coke, largely from our own coking coal. Of that total, 0.4 million tonnes was foundry coke, 0.6 million tonnes was metallurgical coke (also known as blast-furnace coke) and the remainder was heating coke for the chemicals industry.

The Šverma facility produces metallurgical coke through two conventional top-charging coke ovens with approximately 70 cells per oven. Each cell has a capacity of 15 tonnes of coke per load with coking time of 18 to 22 hours.





Coke extrusion, Svoboda Coking Plant

The Svoboda facility uses the stamp-charging process to produce foundry and metallurgical coke. The facility comprises three ovens, with approximately 50 cells per oven. The capacity of the cells is 21 tonnes of coal, yielding 16 tonnes of coke per load on average with coking time of approximately 32 hours. The Svoboda facility produced 0.4 million tonnes of coke in 2008.

The refurbishment of the first section of Svoboda coke plant battery No. 8 has been completed and the start-up of the chamber took place in December 2008. The superior quality of the coke being produced in the refurbished coke battery validates the decision to upgrade the No. 8 production facility.

Preparatory works for the construction of the new No. 10 coking battery at the Svoboda plant started in summer 2008 and is proceeding according to plan.

**Rationalisation and centralisation of non-mining functions**

2008 saw the culmination of recent efforts to centralise and unify certain administrative functions across the organisation, many of which had previously been handled separately in different locations.

All the Company's energy assets, including water and heat, have now been brought together under the umbrella of NWR Energy.

Maintenance activities have been centralised into a single business unit, employing approximately 1,000 people. This unit will offer maintenance services to other companies as well as to our own operations. Previously, this work was divided across five different locations, with inevitable duplication and consequent decrease in cost efficiency.

In the past, each mine tended to operate as a stand-alone company; this was particularly true with respect to functions such as HR. A cultural development programme is now under way, which will train 1,000 people from all the mines and help to develop a corporate HR strategy.

Support functions such as finance, legal services and reclamation have been centralised, with the new units providing services to the entire Company.



Coking Batteries, Svoboda Coking Plant



Drilling works at a development section, Staříč Site, Paskov Mine

These changes will help the Company operate more effectively as a single entity. The Company was privatised and restructured in the decade to 2004, following nearly 50 years as a state-run organisation. The Company was acquired by the RPG Group and NWR was formed in 2005. In May 2008, NWR became a public company listed on three European stock exchanges.

It is vital that NWR's operations function in a unified and tightly organised manner. We aim to retain the best practices of the Company and to improve them. The new corporate identity of NWR is built on strengthening and consolidating decades of tradition. The rationalisation of these non-mining functions will draw the various parts more closely together and help to unify and streamline the Company.

**Safeguarding the health and promoting the safety of our workers is an integral part of our business, and we are committed to doing all we can to improve health and safety in all our operations.**

We have implemented stringent and sophisticated safety programmes and monitoring systems and practices throughout our mines and coking plants. Hard coal mining involves a degree of risk, particularly given the depth of our mines at OKD. Tragically seven of our employees died in 2008. The risks emanating from geological hazards, including rock falls as well as gas explosions, are always present and have to be adequately managed.

We strive to learn from all accidents and to implement further measures in order to prevent similar events from occurring in the future. Investigations into the cause of every fatal accident are conducted by a committee normally comprising of members of the mining community, management and the trade union.

Time lost to injuries is a clear measure of the general safety procedures in force. In this respect, our safety record is comparable to worldwide standards. Furthermore, it is continuing to improve; the LTIFR for 2008 showed a substantial decrease, down by over 17 per cent at OKD and 39 per cent at OKK, compared to 2007.

**Employees**

NWR operates in regions of the Czech Republic where mining has been a traditional career. Our success and growth as a company, coupled with our belief in the future, show our commitment to building on that tradition into the twenty-first century by upgrading our whole business to make it more advanced and efficient.

We are providing significant levels of training both for our new equipment as well as to strengthen existing skill-sets. Our employees can take advantage of an internal training scheme to provide them with skills additional to the day-to-day requirements of their employment. Not only does this develop their potential, it can also help employees pursue alternative career paths.

**OKD Lost Time Injury Frequency Rate**





Cap lamps in charging stands, Karviná Mine



POP 2010, complete working gear, Karviná Mine

Mining salaries and wages are substantially higher than average remuneration of Central European industries. NWR is no exception in this regard and we also pay specific bonuses, including summertime, holiday, Christmas and long service bonuses. Bonuses are performance-related, dependant on productivity and overall Company performance.

**Apprenticeship scheme**

We continually try to identify new ways to invest in the future of the Company and its people. In September 2008, we announced our latest initiative, the launch of a mining apprenticeship programme.

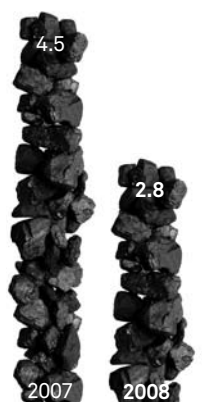
We have an agreement with Karviná Technical and Service High School, a leading Czech technical college, which has established new apprenticeship courses for underground mechanics and underground electricians. NWR will support three-year

apprenticeship courses for 30 underground mechanics and 30 underground electricians each year. The town of Karviná is close to our mines in the north-eastern part of the Czech Republic.

The initiative reiterates our commitment to improve the skill-sets of our employees and is an example of our commitment to strengthening partnerships within the communities in which we are present.

The first intake of apprentices commenced at the start of the 2009 school year. The courses include practical work experience at our mine surface facilities.

**OKK Lost Time Injury Frequency Rate**





Marek Jelínek  
Executive Director and Chief Financial Officer of NWR

**During 2008 NWR recorded strong financial results with revenues, EBITDA and operating profit all significantly up on our performance in 2007.**

### Key financial highlights

Year ended 31 December

EUR millions	2008 EUR	2007 EUR	% change
Revenues	2,041	1,367	49%
EBITDA	697	351	99%
Operating profit	531	208	156%
Net profit for the period	352	196	79%

For the year ended 31 December 2008, the Company's revenues amounted to EUR 2,041 million, an improvement of 49 per cent over 2007. NWR's largest revenue-generating business is coking coal production, which accounted for EUR 860 million of external net sales in 2008 on an EXW basis. Over the year, coking coal sales revenues increased by 48 per cent, reflecting both higher prices and an increase in volumes sold.

Revenue from sales of thermal coal rose by 39 per cent (EXW) and thermal coal prices held up well. Although thermal coal generally produces lower profit margins than coking coal, the demand for thermal coal tends to be less volatile as it is used to generate electricity.

The Company also produces coke primarily from its own coking coal production. Coke is sold to steel producers and foundries. Higher coke sale prices helped produce an improvement in revenue from coke sales of 48 per cent (EXW).

NWR also sells by-products of the coke production cycle to generate additional revenue, including sulphuric acid and benzene. Further sources of income derive from electricity trading and the sale of coal-bed methane.

### Costs

Cost inflation rose throughout the industry in 2008. The most significant expenses for NWR are related to personnel, including contractors. This category accounts for approximately 50 per cent of our total costs.

Total underlying costs increased by approximately 8 per cent excluding the impact of Czech Karbon, non-recurring IPO advisory costs, share-based payments and the strong appreciation of the Czech Koruna. A sound performance in light of industry-wide growth in input costs throughout most of 2008.



### EBITDA

EBITDA of EUR 697 million for 2008 represents an increase of 99 per cent compared to EUR 351 million achieved in the previous year, significantly improving the EBITDA margin from 26 per cent in 2007 to 34 per cent in 2008.

### Dividend

The Directors of NWR have declared a final dividend for the year ended 31 December 2008 of EUR 0.18 per A share. Together with the interim dividend of EUR 0.28 per A share paid in October 2008, this takes the full year dividend payable to A shareholders post-IPO to EUR 0.46 per share in respect of the year ended 31 December 2008.

This represents a 35 per cent payout ratio for 2008, reflecting the current challenging economic climate as well as the unpredictability of the markets over the next 12 months. This payout was aimed at preserving the balance sheet, and associated strategic flexibility, whilst still retaining an attractive overall yield. The Board remains committed to its policy of distributing approximately 50 per cent of its annual net income over the business cycle and expects to resume a higher payout ratio once markets show signs of improvement and greater predictability.

### Cash flows

Net operating cash flow for the year 2008 was EUR 523 million, an increase of 103 per cent compared to EUR 258 million in the year 2007, mainly driven by higher revenues due to higher prices of coal and coke achieved.

### Exchange rates

The Company's functional currency for financial reporting purposes is the Euro. The Czech Koruna appreciated against the Euro by approximately 11.3 per cent between the year ended 31 December 2007 and the year ended 31 December 2008. In October 2008, NWR unwound its EUR/CZK hedges that were in place for OKD for the period 2009-2013. This did not impact its existing hedging structures for the year 2008.

NWR expects, subject to market conditions, to put in place new hedging contracts in the first half of 2009 to achieve its stated policy of having 70 per cent of its foreign currency exposure hedged.

### Sale of Bastro

On 2 December 2008, NWR announced that OKD finalised the sale of Bastro to Bucyrus DBT Europe GmbH, the German subsidiary of Bucyrus International, Inc., a mining equipment manufacturer. The sale is consistent with the Company's ongoing efforts to focus on its core business of coal mining. Bastro will continue to supply mining equipment and engineering services to OKD.

### CAPEX 2009

NWR plans to continue its major capital expenditure programmes in 2009 in line with the Company's strategy to invest in the long-term sustainability of its business.

Currently, total capital expenditure budgeted for 2009 amounts to approximately EUR 289 million. EUR 116 million of this is related to POP 2010.

Investment in maintenance and safety at OKD is expected to amount to approximately EUR 87 million and EUR 36 million respectively.

CAPEX at OKK is expected to amount to approximately EUR 29 million, including investment in the COP 2010 programme, maintenance and safety.

NWR also plans to spend approximately EUR 17 million on its Polish development projects in 2009.

The Company continues to review the implementation of its investment plans to ensure optimum scheduling and cash flow enhancement.

### Outlook

The severity of the economic crisis is reflected in the steel market, which has seen major cuts in production with consequent knock-on effects on coking coal and coke demand and prices.

In light of these circumstances and the slower than typical off-take for coking coal seen in the beginning of the year, NWR will target production of 12.1 million tonnes of coal in 2009. The Company expects approximately 52 per cent of production to be coking coal and 48 per cent thermal coal.

NWR has reduced output for its coking facilities and is now targeting production of approximately 850 kt of coke in 2009, a 34 per cent reduction compared to 2008.

The Company has tightened cost management, aiming at a 2009 cash cost per tonne below the 2008 level. Furthermore, the Company continues to review its strategic investment plans to optimise returns and cash flow.

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

### Marek Jelínek

Executive Director and Chief Financial Officer of NWR



## Board and senior management



01



02



03



04



05



06

### **01 Miklos (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, Co-President of AMCI Capital and Non-Executive Director of Central Rand Gold and Gem Diamonds. In March 2009, Mr. Salamon was appointed Non-Executive Director of 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 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, CEO of OKD,**  
**Chairman of the Board of Directors of OKD**

Klaus-Dieter Beck is a Director of NWR and was appointed on 12 June 2007. He has served as CEO and Chairman of the Board of Directors of OKD since 1 July 2007. He acquired significant management experience from his previous jobs in prominent managerial posts in international coal companies in both Europe and the U.S. 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 a mine at Ruhrkohle Bergbau AG (nowadays called Mine West of RAG-Deutsche Steinkohle). He moved to the U.S. 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. 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, the build up 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) from 2005 to 2006. He joined the RPG 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 has served as a member of the Supervisory Board of OKD since May 2008, as a Director of New World Resources Transportation since June 2007, as a Director of RPG Real Estate 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) since May 2006. 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 RPG Real Estate. 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 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 Alex T. Krueger**  
**Non-Independent Non-Executive Director**

Alex T. Krueger is a Director of NWR and was appointed on 15 August 2006. He is a managing director of First Reserve Corporation which he joined in 1999. Prior to joining First Reserve Corporation, Mr. Krueger worked in the energy group of Donaldson, Lufkin & Jenrette in Houston, Texas, United States from 1997 to 1999. Mr. Krueger currently serves as a director on the boards of Whitehaven Coal Limited and Foundation Coal Holdings, Inc. Mr. Krueger formerly served as a director of Alpha Natural Resources, Inc. and Natural Resource Partners L.P. Mr. Krueger graduated from the University of Pennsylvania in 1996 with a bachelor of science degree in Chemical Engineering from the School of Engineering and Applied Science, and a Bachelor of Science degree in Finance and Statistics from the Wharton School. (American)

## Board and senior management continued

### 07 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 AMCI since he co-founded the company in 1986. Prior to founding AMCI, 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 - U.S.), Felix Resources (ASX - Australia), Whitehaven Coal Co. (ASX - Australia), New World Resources (LSE - UK) and MMX in Brazil, all publicly traded entities. Mr. Mende was born in Lobositz, Czech Republic in 1944, was educated in Germany and the U.S. and has been living in the U.S. since 1968. (German)

### 08 Milan Jelinek

#### Non-Independent Non-Executive Director

Milan Jelinek is not a relative of Marek Jelinek. Milan is a Director of NWR and was appointed on 8 November 2006. He has served as a Director of AMCI Capital since February 2007 and, prior to that, he was a member of the Executive Board of OKD from 2005 to 2006. In 1990, Mr. Jelinek established ICS International AG, a trading company, and has served as its President since 1990. He also became the Chairman of the Advisory Board of Metalimex in 1990, a position he held until 2004. Mr. Jelinek joined Metalimex in 1953 and has held various positions such as Traffic Manager, Head of Iron and Manganese Ore Department, Head of Coal and Coke Department and Vice-Director of Coal and Coke division. In 1985, Mr. Jelinek established Trans Coal and Mineral Trading AG and was the company's President until 1998 when he sold it. During this time, he was also a Non-Executive Director of Ingwe, a South African coal company and Billiton Marketing. Between 1969 and 1985, Mr. Jelinek was with Stinnes AG in various capacities within the group, including Director of Stinnes AG and Executive Chairman of Stinnes Intercoal. Mr. Jelinek was also Chairman of the Board of Directors of IKO, a German coal milling company; Chairman of Independence Coal Company in the United States; and Chairman of Agenzia Carbone in Italy. Mr. Jelinek graduated from the Charles University in Prague in 1952 with a Juris Doctorate degree in Law. (Swiss)

### 09 Christiaan Norval

#### Non-Independent Non-Executive Director

Chris Norval is a Director of NWR and was appointed on 12 June 2007. Mr. Norval is the co-founder, Chairman and CEO of Green Gas International, an affiliated company focused on climate mitigation through elimination of methane as a greenhouse gas and the production of green energy. He has served as a member of the Board of Directors of Green Gas DPB, a subsidiary to Green Gas International since January 2008. Prior to his involvement with Green Gas International, he was CEO and President of the SUAL International Group from 2002 to 2004, which was involved in Russian aluminium production, Kazakh coal and African Tantalum production. Mr. Norval spent a significant part of his career with what is today known as BHP Billiton. As Head of Corporate Finance from 1997 to 2002, he oversaw most of the transactions to create BHP Billiton, including the execution of the IPO of Billiton plc in 1997 and the merger with BHP in 2002. In addition, he was responsible for corporate venturing, innovation

and the incubation of new businesses. Chris holds a certificate as a Chartered Accountant (SA) and is a member of the South African Institute of Chartered Accountants. He graduated from the Rand Afrikaans University in 1980 with a Bachelor of Commerce degree. (British)

In March 2009, Mr. Noval, Non-Independent Non-Executive Director resigned from the Board with immediate effect.

### 10 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 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 graduated from the Faculty of Law at the Charles University in Prague in 1986. (Czech)

### 11 Steven Schuit

#### Independent Director

Steven Schuit is a Director of NWR and was appointed on 20 November 2007. 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. 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 Finance, Amodo, Breevast and Numico; he is a member of the advisory Board of Petercam S.A., Chairman of the Board of Directors of De Baak Management Center VNO-NCW and Stichting Giving Back and is a Director of Stichting Grotius Academy. Mr. Schuit has previously been member of the Supervisory Board 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-U.S. 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)

### 12 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 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)

### 13 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/O2 (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 CEO 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)

### 14 Barry Rourke

#### Independent Director

Barry Rourke is a Director of NWR and was appointed on 20 November 2007. He served as 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 Board of Directors and Chairman of the Audit Committee for Columbus Acquisition Corp., Independent member of the Audit Committee for the Department for Business Enterprise and Regulatory Reform and Non-Executive Director and Chairman of the Audit Committee of Surrey and Borders Partnership NHS Trust. He is also an Independent Non-Executive member of the Audit Committee for DTEK (a Ukrainian power company) and

Metinvest (a Ukrainian steel company). Between 2001 and 2007, he was also Chairman of the Board of Directors of Threshold Housing and of the Remuneration Committee, having previously served as Chairman of the Audit Committee and 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)

#### 15 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 CEO 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)

#### 16 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 and the Polish business operations of KARBONIA PL. Mr. Fabián also serves as 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 focussing on production optimisation, process efficiency and growth strategies in CEE, Russia, Ukraine and Western Europe. He managed many of the largest strategic and privatisation projects on the Czech market 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. (Slovakian)



07



08



09



10



11



12



13



14



15



16

**An important part of the long-term sustainability and performance of our business is our commitment to the community and environment surrounding our operations. Minimising the impact of our activities on the environment and working closely with the communities in which we operate are an integral part of our corporate strategy – to maintain our position as a highly socially responsible corporation.**

### Environment

We work closely with The Czech Mining Authority and Ministry of the Environment, while maintaining an open dialogue with local municipalities, mining communities and environmental bodies.

Due to the nature of our business, it is crucial that issues such as water or air pollution, waste disposal or hazardous chemical management are closely monitored and managed. In 2008, none of our activities were perceived as harmful to the environment in which we operate. For further information, please see the report of the Health, Safety and Environment Committee on page 70 of the corporate governance section.

### Reclamation

Some of the areas in which we operate have been mining sites for over 200 years and the local environment has inevitably been affected by long-term projects without any reclamation projects having taken place in the past.

NWR is committed to changing this attitude and currently conducts on average one reclamation project per week over the course of a year. One example of such work is the new man-made lake in Karviná. The rejuvenated area is now attracting new flora and fauna and being used for recreational pursuits by the local community.

### Waste and pollution

We recognised that there was a need to change our coking operations to reduce pollution and in order to mitigate against this we now use an inert gas, which significantly reduces air pollution. Additionally, we have reduced the corrosion of pipes and subsequent potential for water pollution.





The Groovy Five (Spravna petka). A project for orphanages in Northern Moravia.



Land reclamation, Karviná Mine

**Communities**

NWR plays a fundamental role in the communities in which it operates. We are, in most cases, the largest local employer and have a central role in supporting the community economically.

NWR representatives work closely with municipal officers to foster strong working relationships.

**Charitable giving**

We are proud to contribute to the OKD Foundation, which provides long-term support for projects in the Moravian-Silesian region. The Foundation relies on charitable donations and in 2008 NWR donated EUR 1 million to the foundation.

The Foundation has four main programmes:

- *For Health* provides funds for healthcare and social facilities and enhances their diagnostic and therapeutic capabilities. It also finances research to help integrate those with health problems or other handicaps;

- *For Education and Entertainment* assists secondary school and University graduates to find employment. It also supports a wide range of leisure and cultural activities with the emphasis on disadvantaged children;
- *For Future* supports an environment-friendly way of life and other forms of public promotion of the sustainability principles. It also participates in the preservation and restoration of significant cultural and natural monuments;
- *For Europe* supports non-profit organisations access funds made available from the European Union by making it possible to prepare high quality applications, which will successfully pass the approval process.

In 2008, the OKD Foundation supported over 400 projects with a value of EUR 2.2 million. More detailed information about the Foundation can be found at [www.nadaceokd.cz](http://www.nadaceokd.cz).

**OKD Foundation donated in 2008**

	EUR
■ 'For Health'	917,000
■ 'For Education and Entertainment'	515,000
■ 'For Future'	716,000
■ 'For Europe'	58,000
	<b>2,206,000</b>

