Corporate governance

Corporate governance

Corporate governance at NWR

NWR is committed to maintaining high standards of corporate governance throughout 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 Board of NWR has adopted a Corporate Governance Policy based primarily on the Dutch Corporate Governance Code. The Company's Corporate Governance Policy can be found at www.newworldresources.eu. The policy 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 the Board intends to uphold and ensures the maintenance of a coherent and effective system of governance.

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 directs and controls both the Mining Division and the Real Estate Division (as described in more detail in the 'Real Estate Committee' report on page 72). 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 the Corporate Governance Policy, Code of Ethics and Business Conduct, Divisional Policy Statements and the terms of reference of the Board's committees;
— determination of the annual remuneration of Executive Directors and Senior Executives of the Group within the scope of NWR's remuneration policy;
— review of the financial 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 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 according to the last adopted annual accounts of NWR, by NWR or a subsidiary.

Main activities of the Board in 2008

The Board met eight times in 2008. Main issues discussed and approved by the Board in 2008 included: the IPO, Group budget for 2008, concentration of the energy assets, construction of a new coking battery, mine construction in Dębieńsko, Poland, POP 2010 investment programme, dividends, sponsorship projects contributions, appointment of the Chief Operating Officer and contingency plans for 2009. In the area of corporate governance, the Board approved a schedule of Directors' retirement by rotation and Directors' remuneration (including share grants to the Independent Non-Executive Directors), chart of authorities and other internal policies.

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, Mr. Mike Salamon, who was appointed by the Board from amongst its members. In 2008, the Board had 15 members in total. Of these, three were Executive Directors and five were Independent Non-Executive Directors. Non-Executive Directors help develop NWR's strategy and monitor the performance of Executive Directors and management in meeting agreed goals and objectives. Non-Executive

Board members

Name	Position	Age	Member as of
Mike Salamon	Executive Director/Chairman	54	01/09/07
Marek Jelínek	Executive Director/CFO	36	06/03/07
Klaus-Dieter Beck	Executive Director/CEO of OKD	54	12/06/07
Zdeněk Bakala	Non-Executive Director/Vice-Chairman	48	15/08/06
Peter Kadas	Non-Executive Director/Vice-Chairman	47	15/08/06
Alex T. Krueger	Non-Executive Director	35	15/08/06
Christiaan Norval	Non-Executive Director	50	12/06/07
Milan Jelinek	Non-Executive Director	77	08/11/06
Hans Jürgen Mende	Non-Executive Director	65	15/08/06
Pavel Telička	Non-Executive Director	43	11/09/07
Bessel Kok	Independent Non-Executive Director/ Senior Independent Director	67	11/09/07
Hans-Jörg Rudloff	Independent Non-Executive Director	68	11/09/07
Steven Schuit	Independent Non-Executive Director	66	20/11/07
Paul Everard	Independent Non-Executive Director	69	20/11/07
Barry Rourke	Independent Non-Executive Director	58	20/11/07

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, Mr. Norval, Non-Independent Non-Executive Director resigned from the Board with immediate effect. Mr. Noval resigned due to conflicting commitments, in particular the management of GGI.

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 ten 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. Full biographical details for each Director are given on pages 36–39.

Director appointment

In compliance with the Articles of Association of NWR, the 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 General Meeting of shareholders may appoint a Director at its discretion.

The General Meeting 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 General Meeting, the General Meeting may appoint a Director at its discretion.

The Directors may be suspended or dismissed at any time by the General Meeting of shareholders. Directors are appointed for a term of four years and retiring Directors are eligible for re-election. 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. 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.

Board attendance

Name	Attendance
Mike Salamon	8
Marek Jelínek	8
Klaus-Dieter Beck	8
Zdeněk Bakala	6
Peter Kadas	6
Alex T. Krueger	7
Christiaan Norval	6
Milan Jelinek	8
Hans Jürgen Mende	7
Pavel Telička	8
Bessel Kok	8
Hans-Jörg Rudloff	4
Steven Schuit	8
Paul Everard	8
Barry Rourke	7

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 CFO, 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 he has been granted authority by the Board.

Information, professional development and support
Directors received a tailored induction upon joining the Board. This included presentations by senior management and on site visits to operations in the Czech Republic and Poland.

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 2008.

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 as are assigned to her by the Board.

Board effectiveness and evaluation
The Board will conduct regular evaluations of its performance and that of its committees and individual Directors. The Board will also regularly review the effectiveness of the governance framework of NWR. The Board plans to carry out the first formal evaluation of its effectiveness in September 2009. For this purpose, an external advisor has already been retained by the Board.

A Board strategy retreat and a Non-Executive session of the Board have been scheduled for 2009. During the Board retreat, Directors and key executives will review and discuss the strategy of the Group and the implementation of the business plan. The performance of the Chairman of the Board and other Executive Directors will be discussed during the Non-Executive session of the Board.

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 2008 is included in separate reports of the committees.

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

Committee composition and meeting frequency/attendance

	Audit and Risk Management Committee	Remuneration Committee	Finance and Investment Committee	Health, Safety and Environment Committee	Real Estate Committee
Mike Salamon	–	–	Member (5/4)	Member (2/1)	–
Marek Jelínek	–	–	Member (5/5)	–	–
Klaus-Dieter Beck	–	–	–	Member (2/2)	–
Zdeněk Bakala	–	Chairman (4/4)	Member (5/5)	–	–
Peter Kadas	–	–	Chairman (5/5)	–	–
Alex T. Krueger	–	–	Member (5/4)	–	–
Christiaan Norval	–	–	–	–	–
Milan Jelinek	–	–	–	–	–
Hans Jürgen Mende	–	–	–	–	–
Pavel Telička	–	–	–	–	–
Bessel Kok	Chairman (4/4)	Member (4/4)	–	–	–
Hans-Jörg Rudloff	Member (4/2)	Member (4/2)	–	–	–
Steven Schuit	Member (4/4)	–	–	Member (2/2)	Member (5/5)
Paul Everard	–	–	–	Chairman (2/2)	Member (5/5)
Barry Rourke	Member (4/4)	–	–	–	Chairman (5/5)

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 CFO 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 OKD, Klaus-Dieter Beck, is responsible for the operation of OKD. He reports to the NWR Board and its Executive Chairman.

In November 2008, the Board appointed Ján Fabián as Chief Operating Officer of NWR with overall responsibility for the operations of KARBONIA PL and OKK. Mr. Fabián reports to the NWR Board.

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, related party transactions and loans to Directors. Directors do not take part in the assessment by the Audit and Risk Management Committee of whether a conflict of interest exists.

Code of Ethics and Business Conduct

In addition to the Corporate Governance Policy, NWR has also 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 Chairman of the Board of NWR, 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 effectiveness of the procedure is monitored by the Audit and Risk Management Committee through reports received from the Company Secretary. Further details can be found in the report of the Audit and Risk Management Committee .

The Code of Ethics and Business Conduct contains 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. Based on the described internal control and risk management procedures however, and to the best knowledge of the Board, the internal risk management and control systems of the Company 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. In 2008, an assessment of the risk management and internal control practices of the NWR Group was performed. The Directors, through the Audit and Risk Management Committee, will continue to monitor the measures implemented to mitigate identified risks. The project is still ongoing and the details of its outcome are described in the report of the Audit and Risk Management Committee section on page 67.

Internal audit

NWR has established an internal audit function reporting to the Audit and Risk Management Committee and the Chief Financial Officer of NWR. The internal audit function oversees the work of internal audit functions in subsidiaries 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 is available on NWR's website at www.newworldresources.eu.

Share capital, controlling shareholder

The controlling shareholder of NWR, RPG Industries SE, owns approximately 63.8 per cent of the A shares and as a result, has effective control of NWR.

In December 2008, RPG Industries SE transferred 100 per cent of the B shares to its indirect subsidiary RPG Property B.V. The sole issued C share was cancelled in July 2008 after a distribution of the share premium reserve C had been made to the holder of the C share, RPG Industries SE.

The Board is satisfied that NWR is capable of carrying on its business independently of RPG Industries SE 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 NWR and RPG Industries SE are on arm's length terms, NWR, Crossroads Capital Investments, Inc. and Mr. Zdeněk Bakala entered into a Relationship Agreement with RPG Industries SE. 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 Shareholder Information section on page 200.

Directors' interest in shares

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

Directors' share interest

Name	At 9 May 2008 (IPO)	At 31 December 2008
Mike Salamon	–	268,800
Marek Jelínek	7,075 shares and 39,776 options	7,075 shares and 39,776 options
Klaus-Dieter Beck	9,400	12,490
Zdeněk Bakala [1]	–	–
Peter Kadas [1]	–	–
Alex T. Krueger [1]	–	–
Christiaan Norval	–	–
Milan Jelinek	38,000	174,000
Hans Jürgen Mende [1]	38,000	38,000
Pavel Telička	–	–
Bessel Kok	11,852	15,532
Hans-Jörg Rudloff [2]	111,852	61,852
Steven Schuit	11,852	11,852
Paul Everard [2]	11,852	31,852
Barry Rourke	11,852	11,852

[1] Please refer to the 'Shareholder structure' on page 203 in respect of the individual interest of entities affiliated with Messrs. Bakala, Kadas, Krueger and Mende 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 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 Chief Executive, Chief Financial 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 brokers of NWR also provide regular reports to the Board on changes to the shareholdings of the major investors. Information about the views of major investors is provided to the Board at each meeting.

Agnes Blanco Querido, Head of Investor Relations and her team manage the ongoing dialogue with equity analysts and NWR's key institutional investors. Regular presentations to shareholders and analysts take place at the time of quarterly and final results and the Board receives analysts' reports on a regular basis.

During the year, there have been presentations, meetings and conference calls with institutional investors in the UK, the Czech Republic, Poland, U.S. and other European countries to communication the financial performance of NWR and its strategy.

In November 2008, Petra Mašínová was appointed Head of Corporate Communication of NWR. She is responsible for external and internal communication and the corporate social responsibility policy of NWR.

The Board will use the Annual General Meeting 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 to answer questions.

The financial reports, press releases, 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.

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 9 December 2003) 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 explain the significant ways in which its actual governance practices 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

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/Dutch_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 does not contain a majority of Independent Non-Executive Directors within the meaning of best practice provisions III.2.2 and III.8.4 of the Dutch Code, because of the existence of a significant majority shareholder represented by a number of Non-Executive Directors. However, 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.

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.5.13 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.

Share options and awards

Performance criteria pursuant to which the options granted under the Stock Option Plan were set separately for each vesting period for reason of business flexibility as the Company began trading. This does not meet best practice provision II.2.1 of the Dutch Corporate Governance Code which requires predetermined performance criteria.

The Independent Non-Executive Directors were granted A shares at the completion of the IPO and will be granted A shares on the 12-month anniversary thereof. This grant is subject to the restriction that each award of A shares is held for a minimum of one year. These terms deviate from best practice provision II.2.3 of the Dutch Corporate Governance Code. NWR considers the practice in compliance with international business practice. The Company also considers the grant 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 will be granted under terms that deviate from best practice requirements under the Dutch Code. These are fully explained below in the remuneration report of the Remuneration Committee. Executive Director remuneration arrangements will be reviewed in 2009 by Mercer.

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 will not be subject to election by shareholders at the first Annual General Meeting after their appointment, whereas the UK Combined Code (provision A.7.1) requires the election by shareholders at the first Annual General Meeting 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 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 NWR's 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 Polish principles of corporate governance contained in the Code of Best Practices for Warsaw Stock Exchange Listed Companies. However, 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 single Board structure as opposed to the two-tier system that the Code of Best Practices assumes. Therefore, NWR complies partially or is unable to comply fully with Rules I.6, I.7, II.6 and III.1-9 in the Code of Best Practices concerning the Supervisory Board and its members. In cases where NWR is unable to comply with a certain principle directly, NWR endeavours to create procedures maintaining the spirit of such principle.

Audit and Risk Management Committee ("ARMC") report

The ARMC of NWR was established by the Board at the end of 2007 and started meeting in January 2008.

The ARMC 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 its 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 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
— observing the effectiveness of the Whistleblower Procedures within the NWR Group.

Composition

The ARMC is presently comprised of: Bessel Kok (Senior Independent Director and Chairman), 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 of the Board acts as the ARMC Chairman. The Board has determined that the ARMC members have the skills and experience necessary to contribute meaningfully to the ARMC's deliberations. In addition, all members have requisite experience in accounting and financial management.

Activities undertaken during the year

In 2008, the ARMC met four times. The NWR CFO and the external audit partner attended all meetings. On one occasion, the members held a discussion with the external audit partner without management being present. The ARMC Chairman also met with the head of the Audit Committee of the Supervisory Board of OKD and with the external audit partner of the Czech operations. The ARMC receives regular reports from the Real Estate Committee and the Health, Safety and Environment Committee on their activities. In fulfilling its responsibility of monitoring the integrity of financial reports to shareholders and banks, the ARMC reviewed the quarterly and half-yearly financial statements, preliminary announcements and related public reports. The ARMC received external audit reports on the results of audits on the consolidated level. The ARMC reported to the Board on its findings and issues discussed at its meetings, and submitted its recommendations to the Board for approval.

Accounting 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 unifying the audit standards in the medium term.

External audit

NWR is based in the Netherlands whilst its operations are located in the Czech Republic, and therefore both Dutch and Czech offices of the external auditor must be highly involved in the audit process. The ARMC discussed the level of their general responsibility and the inter-office communication during the review processes.

The ARMC assessed the effectiveness, objectivity and independence of the external auditor in 2008.

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. In 2008, there were limited non-audit services provided by the external auditor to NWR and/or its subsidiaries.

The ARMC has primary responsibility for making recommendations to the Board on the appointment, reappointment and removal of the external auditors. In addition, the external auditors are required to adhere to a rotation policy based on best practice and professional standards. The period for rotation of the audit engagement partner will follow the applicable regulation.

The ARMC reviewed and approved the terms of engagement of the external auditor, scope of work, the process for the 2008 interim review and the fee levels. Based on submitted reports, the ARMC reviewed, with the external auditor and the NWR CFO, the findings of their work and confirmed that all significant matters had been satisfactorily resolved. The ARMC also reviewed and approved the annual audit plan.

The assessment of the external auditor's performance and independence underpins the ARMC's recommendation to the Board to propose to shareholders the re-appointment of KPMG Accountants N.V. Resolution to authorise the Board to re-appoint KPMG Accountants N.V. shall be proposed at the AGM on 28 April 2009.

Internal audit

In November 2008, the ARMC approved the appointment of an outsourced group internal audit function to develop and oversee the implementation of internal auditing policies across the Group, deliver the audit plan and report on risk and internal control. The ARMC also recommended an internal audit function at the NWR level. At operation level, the internal audit function is performed by the internal audit team of qualified employees of OKD that review and provide assurance on the adequacy of the internal control environment within OKD. Based on the recommendation of the ARMC, the internal audit function of OKD was strengthened by engaging a new head of internal audit in October 2008. The head internal auditor is responsible for reporting the findings of the internal audit work to the group internal audit function at NWR, local senior management, the Audit Committee established by the Supervisory Board of OKD, NWR's CFO and the ARMC's Chairman. He has all necessary access to management and the right to request information and explanations, and has unfettered access to the ARMC. Internal audit in the Polish operations will be carried out by the group internal audit function.

Risk management, internal control and compliance

The ARMC is responsible for the oversight of risk management and reviews the internal control and risk management system. The ARMC has the authority to engage independent advisors to resolve issues within its terms of reference. The ARMC engaged PricewaterhouseCoopers Advisory N.V. to assess the risk management and internal control practices within the NWR Group. The project has been run throughout the year and is still ongoing. Its outcome shall support the Board in discharging its responsibility for ensuring that the wide range of risks associated with the Group's operations is effectively managed in support of the creation and preservation of shareholder wealth.

The final list of risks identified by the external advisors and approved by the ARMC consists of the following 18 risk areas:

— health and safety risk
— personnel availability risk
— government licensing risk
— corporate social responsibility risk
— IT strategy risk
— objective setting risk
— dispute risk
— change management risk
— budgeting and controlling
— environment damage risk
— pricing risk
— investor reputational risk
— reporting requirement risk
— internal audit risk
— competency risk
— external communication risk
— machinery availability risk
— growth prospective

The risk assessment and reporting criteria are designed to provide the Board with a consistent, Group-wide perspective of the key risks. There is an ongoing process, which has been operational during the year and, up to the date of approval of this Annual Report, for managing the risks listed above.The ARMC also reviewed the related-party transactions. 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. The ARMC is not aware of any conflicts of interest.

Whistleblowing procedure

The Code of Ethics and Business Conduct adopted by the Board in 2007 came into effect in May 2008 when the shares of NWR were listed. Appended to the Code is the Whistleblower Procedure that enables the employees, on a confidential basis, to express concerns over the conduct of the Directors, officers, management and other employees. It may 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 was designated to act as confidential adviser for NWR and its subsidiaries. The programme is monitored by the ARMC through the reports received from the Company Secretary. NWR's core operations have implemented the whistleblowing programme and designated their own confidential advisers who report to the ARMC via NWR's Company Secretary. Since the implementation of the Whistleblower Procedure, NWR's Company Secretary received ten reports that were submitted 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.

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 report

The Remuneration Committee was established by the Board at the end of 2007 and had its first meeting in January 2008.

The Committee is responsible for advising the Board on the remuneration of Directors of the NWR Board and Senior Executives of the NWR Group, and proposes for the Board's approval:
— remuneration policy for Directors;
— salary levels, bonuses and other benefits for Executive Directors of the Board and 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 Senior Executives of the NWR Group;
— succession plans for Senior Executives across the NWR Group; and
— remuneration report of the Board.

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

Composition of the Committee

The Remuneration 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 regards 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 CFO of NWR attend meetings of the Remuneration Committee by invitation and assist the Remuneration Committee in its discussions, except where matters associated with their own remuneration are considered.

Activities undertaken during the year

The Remuneration Committee met four times during 2008. Prior to the IPO, the Remuneration Committee engaged Mercer, the remuneration consultant, to review Non-Executive Director compensation and propose a pay structure and fee levels for Non-Executive Directors based on a peer group comparison. NWR was benchmarked against the upper quartile of the FTSE250, which includes companies of similar size as measured by annual revenue. The Remuneration Committee reviewed Mercer's recommendations and Non-Executive Director remuneration was subsequently set at a level comparable to industry and market standards. The Remuneration Committee also proposed an award of A shares to the Independent Directors. The proposal was approved by the Board in March 2008.

The Remuneration Committee reviewed an expense policy establishing the rules for reimbursing Directors for expenses incurred while performing their role as Directors. The policy was approved by the Board in March 2008. The Remuneration Committee discussed employee and senior management compensation as well as the remuneration of members of OKD's Supervisory Board.

The remuneration report can be found in a separate section on page 86.

Finance and Investment Committee ("FIC") report

The FIC of NWR was established by the Board at the end of 2007 and started meeting in January 2008.

The main responsibilities of the FIC are to:
— review and recommend to the Board the annual budget of the NWR Group;
— review, recommend to the Board and approve all major strategic or financial investments and divestments and other major capital expenditure decisions;
— review the adequacy of the NWR Group's capital structure and make recommendations to the Board;
— advise on relationships with banks, rating agencies and financial institutions;
— oversee and provide guidance on funding and treasury management; and
— take decisions on all matters related to NWR subsidiaries.

Composition

The FIC presently comprises: Peter Kadas (Chairman), Zdeněk Bakala, Mike Salamon, Marek Jelínek and Alex T. Krueger. The members are appointed by the Board and include Executive and Non-Executive Directors and NWR's CFO.

Activities undertaken during the year

In 2008, the FIC met six times. Among the main items discussed by the FIC and recommended for the Board's approval were: IPO strategy, Group budget for 2008, treasury, cash pooling and hedging arrangements, dividend policy, capital expenditure financing, Group Corporate Governance and contingency plans for 2009. The FIC also reviewed market analysis and monitored the performance of NWR shares. The committee also took a number of decisions on financial and operating matters of NWR subsidiaries. It regularly reported 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 HSEC of NWR was established by the Board at the end of 2007 and met for the first time in May 2008.

The role of the HSEC

The HSEC was established 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 seven 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 in 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 objective;
— to liaise with the Audit and Risk Management Committee to ensure adequate 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.

Composition

The HSEC comprises of Independent and Executive Directors to ensure that the committee has the appropriate balance of independence and knowledge of operations to discharge its functions. The members of the HSEC are: Paul Everard (Chairman), Mike Salamon, Klaus-Dieter Beck and Steven Schuit. Two external experts regularly attend the meetings and these are Stan Suboleski and Karl-Friedrich Jakob. Going forward, the meetings will also be attended by Ján Fabián, Chief Operating Officer of NWR who was appointed in November 2008. Mr. Fabián is responsible for the operations of KARBONIA PL and OKK.

Activities undertaken during the year

In 2008, the HSEC met twice in compliance with its charter, and conducted two site visits to OKD mines in the Czech Republic. At the meetings, it reviewed the health, safety and environmental reports of the operations of NWR, and reported the results of its meetings to the Board and to the Audit and Risk Management Committee. Included in the reviews are detailed reports on extraordinary events that occur at the operations. These events include fatalities, incidences of spontaneous combustion, coal and gas outbursts, and rock bounces. Reports of health problems as well as regular environmental reports are also reviewed. The HSEC also endorsed the general safety objectives of the NWR operating companies.

Health and safety report

The safety record continued to show an improving trend in 2008, with an Injury Frequency Rate (IFR) at 36.6 per 1 million hours worked (down from 2007 of 40.5), comparable to large, best practice mining companies. However, this improved performance was marred by the deaths of seven underground employees during the year, which represents an increase of three fatalities from the previous year.

In January at the ČSA mine, one fatal incident occurred as a result of crossing a belt line; in February at the Lazy mine, one fatality occurred at a longwall face; two deaths occurred in early July at a longwall face at the Darkov mine; one death occurred in mid July at the Paskov mine at a longwall face; and two deaths were caused by a major bounce impact at the ČSA mine in November.

The Company takes fatalities extremely seriously. OKD, the labour union, and government representatives investigate such accidents and the findings are forwarded to the HSEC for further analysis and recommendations.

In 2008, the LTIFR was 13.05 for OKD and 2.75 for OKK, a reduction from 2007's figures of almost 17 per cent and 39 per cent respectively. The majority of accidents at OKD happen on the longwall and on the development sections that the mining authorities attribute to personal miscalculation or underestimation of risk. Continued improvement has been targeted as part of the safety programme for 2009.

OKD implemented a broad programme of safety improvements during the year, including the introduction of new personal protective equipment, improved footwear, brighter lights and less cumbersome batteries, reflective clothing, and less bulky self-rescue units. It also began to install new ventilation systems with integrated de-dusting of the air stream, introduced weekly safety audits at selected operations, and instituted a programme of regular safety briefings and meetings with both management and labour. This is an ongoing process and more improvements are planned.

By far the largest improvements in health and safety will result from the Productivity Optimisation Programme 2010 (POP 2010) initiative. The project aims to introduce state-of-the-art mining machinery at both the production faces and the development roadways. Five new longwall systems, equipped with the latest shield designs and state-of-the-art dust control systems have been introduced since mid-year 2008. Four new, modern road headers, equipped with improved spray systems and atmospheric monitoring, and two sets of loaders in combination with drilling machines were also placed in service during the year. The equipment modernisation programme will continue throughout 2009 leading to a total of 10 new longwalls and 12 modern development sections.

During the year, 13 incidents of spontaneous combustion (high CO_2 rates) occurred and 29 incidents of seismic events exceeding 0.1 megajoules (MJ) were also reported. Both numbers represent an increase from the previous year. One major step to reduce the impact of these events was to further reduce the daily advance rates of the affected or higher potential risk longwall faces.

Primary health risks stem from worker exposure to dust, noise and vibration. Incidences of these decreased during 2008 when compared to 2007. These areas continue to be the focus of the NWR operating companies and the HSEC.

A new central air-conditioning unit, rated at a final cooling capacity of 15 MW, was placed in service at the ČSM mine in December 2008. This unit will improve the working climate at the working faces.

In 2008 at OKK, the measures of accidents were at a level of 50 per cent compared to the average of the preceding five-year period.

The positive change can be attributed to a number of improvements. In particular, there has been an improvement in the quality of employee education and training, and increased responsibility for safety performance has been placed on all Company employees. Safety principles and rules have been pertinently included in the Collective Labour Agreement.

Within the past year, a safety control system has been implemented within OKK. Every job-related accident was and is being investigated with the highest priority of an extraordinary event. Technical measures are often adopted to prevent similar accidents from reoccurring. This has been particularly true in the area of equipment maintenance.

Environmental report

The HSEC reviewed environmental reports on water and air pollution control, waste disposal, hazardous chemical management and control, and the reclamation of old mine sites. There were no substantial issues in these areas in 2008 and no significant deficiencies were cited by any of the regulating authorities. OKD has developed an environmental impact plan to the year 2010 and work is ongoing on the extension of this plan to 2015. In 2008, OKD spent CZK 365 million on mine subsidence abatement and CZK 71 million to reclaim old mining areas. The figures represent an increase of 62 per cent and a reduction of 23 per cent compared to 2007.

At OKK, the key environmental programme in 2008 involved the implementation of the "Chemical Processes Hermetical Sealing" CAPEX project in the total amount of CZK 89 million. Completed in December 2008, the hermetical sealing of chemical processes prevents any contacts of noxious substances with the ambient atmosphere. The original hermetising medium – coking gas – was replaced with a new medium – nitrogen. The new technology eliminates the disadvantages of coking gas as a medium (pipelines clogged with naphtalene, rust). This project results in an increased operational certainty of the coking plant chemical processes and moderates the risk of any noxious substance leaking into the air.

Assessment of HSEC activity

The HSEC believes that it carried out the functions set out in the HSEC's charter.

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

Real Estate Committee ("REC") report

The REC of NWR was established by the Board of NWR at the end of 2007 and held its first meeting in January 2008.

The primary 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 Audit and Risk Management Committee);
— advising the Board on transactions between the Mining Division and the Real Estate Division 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;
— overseeing the compliance of NWR's subsidiaries with the Divisional Policy Statements; and
— monitoring the transactions between the Mining Division and the Real Estate Division.

Composition

The REC is wholly composed of Independent Non-Executive Directors appointed by the Board. The REC presently comprises: Barry Rourke (Chairman), Steven Schuit and Paul Everard.

Activities undertaken during the year

During 2008, the REC met five times and the NWR CFO attended all meetings. Occasionally, the meetings were attended by an external legal advisor appointed by the REC to provide an independent view and advice on real estate transactions, interactions between the Real Estate Division and the Mining Division, potential conflicts of roles/interest and other related matters. The members of the REC conducted two site visits in the Czech operations.

In fulfilling its responsibility of monitoring the transactions between the Mining Division and the Real Estate Division, the REC set up a reporting line throughout the NWR Group consisting of monthly reports on all real estate transactions exceeding EUR 1 million, including transactions with third parties. In 2008, no significant transactions were reported.

The REC received regular information about a spin-off of certain non-mining real estate assets (those being 100 per cent share of OKD in Rekultivace, minority interest of OKD in Garáže and the IMGE internal business unit of OKD into four newly created subsidiaries of NWR). In September 2008, the shares in these entities and certain promissory notes belonging to the Real Estate Division having an aggregate accounting value of approx. EUR 90 million was, subsequently distributed (by way of a dividend in specie) to the holders of the B shares.

The REC reviewed and approved the standard terms to be used in lease, sale or other transactions affecting the assets of the Real Estate Division and discussed the accounting methods used for the Real Estate Division. The REC has also asked to review the P&L account of the Real Estate Division.

The REC regularly reports to the Board and the Audit and Risk Management Committee on its activities and findings.

Divisional Policy Statements

The Divisional Policy Statements were adopted by the Board pursuant to the provisions of NWR's Articles of Association and following approval by its former sole shareholder in December 2007. The statements came into effect on 31 December 2007. 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 reports received from the Company Secretary who was designated to act as an intermediary between the REC, NWR and its subsidiaries.

The Divisional Policy Statements refer to the Mining Division and the Real Estate Division that were created within the NWR Group. They 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 five per cent or more of the total book value of the assets of the Real Estate Division.

In relation to Real Estate Division transactions, which require prior approval of the Board, the REC acts as an advisory body to the Board. In an advisory capacity, the REC submits reports to the Board setting out its advice in relation to the adoption of the referred transaction. When preparing its report, the REC is required to take into account the policies set out in the Divisional Policy Statements and the advice of an independent valuer or other expert (being nominated and appointed under a procedure set out in the Divisional Policy Statements). Directors of NWR who have a conflict of interest are required, under the Divisional Policy Statements and the Corporate Governance Policy, not to take part in any discussion or decision making on such a transaction, and to abstain from voting upon the adoption of a resolution of the transaction. In making its final decision on a transaction, the Board may, in its sole discretion, decide whether to act upon, or to set aside, the advice of the REC.

The Divisional Policy Statements are a standard for the duties and responsibilities of the Board and the various other layers of management within the NWR Group in relation to the management of the assets of the Real Estate Division and the interaction between the Divisions. 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.

These rights of the Mining Division and any relevant legal or regulatory obligations, rights or requirements, the requirements of any accounting standard applicable to NWR and the rules and requirements of any stock exchange on which NWR's shares are traded shall take priority when interpreting and following the policies set out in the Divisional Policy Statements.

All matters in which the Mining Division, or holders of the A shares, and the Real Estate Division, or holders of the B shares, have divergent interests are required to be resolved in a manner that is in the best interests of NWR and all of its stakeholders. The amount allocated or payable by the Mining Division to the Real Estate Division for its use and access to the assets of the Real Estate Division has been fixed at EUR 3.6 million per annum (subject to adjustment for Czech inflation) and shall be, when and if applicable, reduced for the amount of rental or other similar payments by the Mining Division for the use of property transferred to the holders of the B shares, until all assets have been transferred from the Real Estate Division. Practices and procedures to ensure that matters are dealt with on arm's length terms, as approved by an independent valuer or other expert, shall be applied.

The Real Estate Division shall be treated as bearing its fair proportionate allocation of all internal corporate administrative overhead expenses and costs in relation to the assets of the Real Estate Division (for example, internal administrative and accounting expenses) limited to EUR 100,000 per annum (subject to adjustment for Czech inflation) as well as depreciation (related to the book value of land allocated to the Real Estate Division) and taxes. The Mining Division shall, whilst the assets of the Real Estate Division are owned or held within the NWR Group, bear all other liabilities in relation to the assets of the Real Estate Division (e.g. environmental or maintenance liabilities) and thereafter shall bear only those liabilities arising under leases or agreements granting rights to such assets in favour of the NWR Group and liabilities arising as a matter of law relating to the assets of the Real Estate Division (e.g. re-cultivation liabilities or liabilities incurred through mining activities).

All real estate acquired by NWR after 31 December 2007 will be paid for by, and be held by, the Mining Division rather than the Real Estate Division, with the exception of incidental or minor rights or real estate, where such acquisition shall be paid for by, and shall subsequently be held by, the Real Estate Division.

The Mining Division may not acquire assets of the Real Estate Division from the Real Estate Division, nor swap any such assets of the Real Estate Division with local municipalities in accordance with its prior practices (unless such assets of the Real Estate Division were earmarked for such a swap at or prior to 31 December 2007), except if the transaction is on arm's length terms as approved by the Board and the meeting of the holders of the B shares. In both such cases, the Mining Division shall pay in cash for the assets of the Real Estate Division acquired or swapped (and any assets or rights received from any municipality are the property of the Mining Division).

Pursuant to NWR's Articles of Association, the Divisional Policy Statements provide that, in the event of a dissolution, liquidation or winding-up of NWR, the holders of the A shares and the B shares shall then share in the funds of NWR remaining for distribution to NWR's shareholders in proportion to the respective value of the Mining Division (which will be attributable to the A shares) and the value of the Real Estate Division (which will be attributable to the B shares). Also, pursuant to NWR's Articles of Association, as minority protection rights, the holders of the B shares have the right to request an investigation into the affairs of NWR and to make a binding nomination for the appointment of one Director of NWR (the right has not been exercised).

The Divisional Policy Statements prohibit loans, mortgages or encumbrances over or with the assets of the Real Estate Division without the consent of the holders of the B shares (except for intra-divisional or treasury management balances which may arise from time to time and incidental loans, mortgages or encumbrances which are for the purpose of benefiting, maintaining or protecting the assets of the Real Estate Division) which have been considered by the REC and approved by the Board and the meeting of the holders of the B shares.

The Divisional Policy Statements also deal with tax matters on the basis that the Mining Division and the Real Estate Division shall allocate the tax liability and the tax benefits of NWR based on there being two hypothetically affiliated groups consisting of the Divisions. The general principle is that the consolidated tax liability of NWR will be allocated between the Divisions based on the contribution of each Division to the consolidated taxable income of NWR, taking into account losses, deductions and other tax attributes (such as capital losses or charitable donations) that are utilised by NWR even if these attributes could not be utilised on a stand-alone basis. To the extent that the tax liability and tax benefits cannot be directly allocated to one Division or the other, such tax liability and tax benefits shall be allocated between the Divisions on a fair and reasonable basis as the Board determines.

The Divisional Policy Statements and NWR's Articles of Association provide that the Board, subject to the approval of the General Meeting of shareholders of NWR and the holders of the B shares, may amend, rescind or suspend that part of the Divisional Policy Statements in relation to the fundamental and overriding rights of the Mining Division, the payments for use and access to assets of the Real Estate Division and the allocation of costs for overhead and support services or the principles contained in the remainder of the Divisional Policy Statements or make 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 the holders of the B shares and the Board shall have given due consideration to any representations made. In this regard, the Board shall act in a manner consistent with its duties to NWR and all of NWR's stakeholders and after giving, among other matters, fair consideration to the potentially divergent interests and all other relevant interests of the holders of the separate classes of shares in NWR.

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.

Related party transactions

The following are the related party transactions (being contracts entered into by the NWR Group entities and entities affiliated with them in the last two years and which are in place at the date of this Annual Report).

Cross guarantee

Former OKD was a government controlled enterprise and as a result owned and operated a large number 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 allow the Group to focus upon its coal mining and coke production businesses. In addition, steps were taken to streamline the corporate structure of the Group (removing certain intermediary holding companies from the Group structure). In connection with the restructuring, and pursuant to Czech law, OKD, Green Gas DPB, a.s., OKD, Doprava, RPG Trading, s.r.o., RPG RE Land, s.r.o., RPG RE Commercial, s.r.o. and RPG Byty, s.r.o., 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 into NWR Coking, a.s., a wholly owned subsidiary of NWR. NWR Coking, a.s. 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.

Master advisory and service agreement

See section on “Material contracts” for more information on page 78.

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. The Technical Consulting Agreement may be terminated, with or without cause, by either party giving prior written notice to the other party; provided, that in the event the Technical Consulting Agreement is terminated for any reason other than a material breach, the notice period is three months. The Technical Consulting Agreement includes a one-year post-termination confidentiality clause.

NWRT service agreement

On 9 November 2007, NWR entered into the Service 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 Service Agreement, NWR is to provide NWRT with certain non-exclusive corporate maintenance services, including co-ordination of tax and audit compliance, preparation of financial statements, corporate governance and HR management. The service fees paid by NWRT to NWR cover expenses incurred by NWR together with a monthly flat fee of EUR 7,500. The costs and expenses of NWR include remuneration for the subcontractors. The Service Agreement may be terminated, with or without cause, by either party upon one month’s prior written notice to the other party. The Service Agreement includes a four-year post-termination confidentiality clause.

GGI service agreement

On 10 December 2007, NWR entered into the Service Agreement with Green Gas International B.V. (“GGI”) for the provision of certain services by NWR to GGI with effect from 1 May 2007. Under the Service 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 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 Service Agreement was terminated as of 31 December 2008. The Service Agreement includes a four-year post-termination confidentiality clause.

NWR lease agreements

NWR has rented an office space to RPG Real Estate B.V. (“RPGRE”), Green Gas International B.V. (“GGI”) and New World Resources Transportation B.V. (“NWRT”) with effect from 1 January 2009. The total size of the leased offices is 435 sq m. RPGRE, GGI and NWRT received a total credit of EUR 326,172 which will be offset with the rent until the credit is fully utilised. The rent (including utilities) is approximately EUR 172,000 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.

Agreement for services
Milan Jelinek, a Non-Executive Director, provides certain advisory services to NWR under the Services Agreement, including providing advice in respect of new projects of NWR and cost and quality improvement for NWR. As of 1 November 2006 the Services Agreement may be terminated by either party with thirty days' notice to the other party. Mr. Jelinek is paid a fixed monthly advisory fee of CHF 100,000. He is also reimbursed by NWR for reasonable expenses in connection with his advisory work.

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, 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.

Donation agreements
In June 2008, NWR donated EUR 1 million, OKD, Doprava donated CZK 300,000 and RPG RE Management, s.r.o. donated CZK 1.4 million to the OKD Foundation established by OKD. 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 one-off donation of NWR was made to achieve the foundation's objectives. The donation may also be used to cover the organisation and administration costs of the foundation.

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.

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

RPG RE management advisory and service agreement
On 20 December 2006, OKD entered into the Advisory Agreement with RPG RE Management, s.r.o. ("RPGREM"), a Czech-based indirect subsidiary of RPG Partners Limited, for the provision of certain advisory services by RPGREM to OKD with effect from 1 December 2006. Under the Advisory Agreement, RPGREM (or any subcontractors engaged by RPGREM 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 RPGREM should cover costs and expenditures incurred by RPGREM together with an amount equal to a 9 per cent margin. The Advisory Agreement was terminated in November 2007. The Advisory Agreement included a one-year post-termination confidentiality clause.

Agreements on transport
See section "Material contracts – agreements on transport" on page 79 for more information.

Agreements on use of factory railway and assurance of railway transport on factory railway
OKD entered into the Factory Railway Agreements with OKD, 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.

Agreements on manipulation of substrates

OKD entered into the Manipulation Agreements with OKD, 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' prior written notice to the other party.

Agreements on sale of methane

On 20 December 2006, OKD entered into the Master Agreement on the Sale of Methane with Green Gas DPB, a.s. ("DPB") and in connection therewith into individual purchase agreements with respect to particular OKD mines (the "Agreements on the Sale of Methane") relating to purchase of methane by DPB from OKD. There are five Agreements on the Sale of Methane for 2007 concluded between OKD and DPB and relating to OKD mines, in particular to ČSA, ČSM, Paskov, Lazy and Darkov.

The Master Agreement on the Sale of Methane was concluded for a period of nine years ending 31 December 2015. 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 shall purchase all available methane production not used by OKD.

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 appear that disallow performance of this agreement whereby either party was not aware of such circumstances when entering into this agreement.

The Master Agreement on the Sale of Methane has been amended to (i) extend the effectiveness of the agreement for the life of the relevant mines and (ii) grant DPB an exclusive right to purchase methane from OKD (excluding methane for OKD's own use) while the price formula will remain substantially the same.

Agreements on gaseous and liquid nitrogen delivery and tubing operation

OKD entered into four Agreements on Central Nitrogen Economy with Green Gas DPB, a.s. ("DPB") in relation to the delivery of gaseous and liquid nitrogen to OKD mines, namely Darkov, ČSA, ČSM and Lazy, and the CNE. The price to be paid by OKD to DPB shall be set out in accordance with each respective Agreement on Central Nitrogen Economy 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 of the CNE. The agreements were concluded for a definite period of time ending on 30 June 2008 (Lazy) or 31 December 2008 (Darkov, ČSA and ČSM) with the possibility of extension.

Master services agreement related to mines' safety

On 13 March 2007, OKD and Green Gas DPB, a.s. entered into the Master Services Agreement Related to Mines' Safety. 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. Individual agreements shall be concluded with respect to each particular OKD mine.

Energy trading agreements

In connection with the reorganisation of the Group energy assets, energy assets of OKD, including its stake in Czech Karbon, were transferred to NWR Energy, a.s. 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, a.s., and Czech Karbon. The main purpose of these agreements is to ensure supply of electricity, heat and compressed air and related services to OKD.

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 RPGI. The total size of the leased offices is 4,633 sq m and the rent (including utilities) is approximately CZK 11.9 million per year. The lease agreement has an indefinite term and may be terminated, with or without cause, by either party upon three months' prior written notice to the other party.

Ivona Ročárková
Company Secretary
25 March 2009

Material contracts

Below are the material contracts (being contracts entered into by the NWR Group in the last two years and which are, or may be, material to the NWR Group as at the date of this Annual Report) into which the NWR Group has entered containing information which the shareholders could reasonably require.

Underwriting agreement

In connection with the IPO in May 2008, NWR, RPG Industries SE ("RPGI"), 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 RPGI agreed to pay certain commissions, costs, charges, fees and expenses arising in connection with the IPO. Under the Underwriting Agreement, NWR, RPGI and the Directors gave certain warranties, undertakings and indemnities to the Managers subject to customary limitations. NWR, RPGI and the Directors are prohibited from disposing of their A shares in NWR for a certain period of time, as provided for in the Underwriting Agreement.

Senior facilities agreement

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, organizacni slozka 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 5 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.

Indenture
On 18 May 2007, NWR issued EUR 300 million in aggregate principal amount of its Senior Notes. Interest on the Senior Notes accrues at a rate of 7.375 per cent per annum and is payable semi-annually in arrears on 15 May and 15 November of each year until maturity. The Senior Notes are unsecured obligations of NWR.

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. 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 plus accrued interest and unpaid interest to the repurchase date.

If there is a change of control (as defined in the Indenture), holders of 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, convey, sell, lease or otherwise 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; or consolidate, merge or sell all or substantially all of its assets.

Intercreditor agreement
NWR and OKD are each party to an 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.

Agreements on transport
OKD entered into the Transport Agreements with OKD, 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 one to five years. 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, with or without cause, by either party giving prior written notice to the other party, whereby the notice period varies from one to six months.

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. (“BCRP”) (previously RPG Advisors, a.s.), a Czech-based direct subsidiary of RPG Partners Limited, in respect of the provision of certain non-exclusive advisory services by BCRP 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 BCRP, as well as the types of services to be provided by BCRP or its subcontractors, shall be set out in supplemental agreements entered into by NWR and BCRP for each project or transaction. NWR has to reimburse BCRP for all expenses incurred by BCRP in connection with the provision of advisory services. NWR indemnifies BCRP (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.

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 will continue to supply mining equipment and engineering services to OKD.

Equipment supply contract
NWR is party to an equipment supply contract entered into on 16 June 2008, as amended on 27 June 2008 and 11 September 2008. Pursuant to the contract, NWR agreed to purchase certain face equipment for longwall coal extraction, for approximately EUR 160 million. The equipment is expected to be delivered, assembled and operational by the end of 2009. NWR expects to finance the acquisition of the equipment out of existing cash or funds which will be borrowed under a loan arrangement.

Executive Directors service agreements and Non-Executive Directors letters of appointment
See the remuneration report on page 90 for more information.

Stock option plan
See the remuneration report on page 88 for more information.

The Board recognises its responsibility for the internal control system and procedures of the Company. The Board is responsible for reviewing and approving the adequacy and effectiveness of the internal controls operated by the Company. These controls include financial, operational and compliance controls as well as risk management. The Board has delegated responsibility for such review to the Audit and Risk Management Committee, which is in close contact with the individuals responsible for NWR's internal control. The Audit and Risk Management Committee receives regular reports on the performance and developments in the Group's internal control environment. These reports are first reviewed by the Audit and Risk Management Committee and thereafter discussed in the Board.

Senior management is responsible, for the implementation of Board policies on risk and control and for identifying, approving and enforcing key policies that consider all aspects of the Company's business. To the best knowledge of the Board the internal control and risk management systems provide a reasonable assurance that the financial reporting does not contain any errors of material importance and internal control and risk management systems worked properly in 2008.

Risk factors

Due to the nature of the business and the scope of our operations, the results of the Company may be impacted by a number of factors. Material risk factors that can possibly affect the performance of the Company can be divided into four main categories:
— operational risk;
— organisational risk;
— financial risk; and
— governmental regulation risk.

Certain details of the risk factors included in these categories are described below.

Operational risk factors

Economic conditions globally and in the CEE may continue to have an adverse effect on the Group's business.

Recent events in the global economy and specifically, the Central and Eastern European economy have adversely affected the Group's business, including the demand for and price of coal. The continuation, or worsening, of current global and CEE economic conditions could continue to result in a decrease in the use of coal by the Group's Central European customers, specifically the Central European steel and coking industries, or result in decreased prices for coal and/or coke. The Group's suppliers and customers may be affected by the economic instability, which would affect the Group's production and supply process and could adversely affect the Group's business, financial condition or results of operations.

Impact of health, safety and environmental exposures and related regulations on operations and reputation.

The Group's coal mining operations are subject to significant operating risks that could result in decreased coal production, which could reduce its revenues. The Group is strongly committed to minimise 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 control of the Group that can adversely affect the Group's business, results of operations and financial condition.

In addition, any significant changes in government or EU regulations could adversely affect the Group's ability to produce and sell its products in the highly competitive environment.

Fluctuations in production costs and price of commodities, specifically coal may continue to have an adverse effect on the Group's business.

The Group's main production expenses are contractor costs, materials, personnel costs and energy. Changes in the costs of the Group's mining and processing operations could occur as a result of unforeseen events, including international and local economic and political events, and could result in changes in profitability or reserve estimates. Many of these factors may be beyond the Group's control.

The Group's long-term framework agreements provide that prices are renegotiated periodically, which may lead to lower revenues when coal prices decline. The agreements generally do not commit the Group's customers to purchase any quantity of coal at any price beyond a one-year period. As a result, the Group's long-term framework agreements would provide only limited price protection if coal prices decline. If the existing long-term framework agreements with the Group's major customers were modified or terminated or if periodical renegotiated prices or volumes would 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.

We rely on the performance of highly skilled personnel, and if we are unable to hire and retain qualified personnel, or to retain key personnel, our business would be affected.

A shortage of skilled labour in the mining industry could result in the Group having insufficient employees to operate its business. In the event there is a continuing shortage of skilled labour, there could be an adverse impact on the Group's labour productivity and costs and its ability to maintain or expand production. This could adversely affect the Group's business, results of operations and financial condition.

The Group's senior executives together have an average of approximately 18 years of experience in the coal industry, with specific experience in, among others, maintaining strong customer relations and making strategic and opportunistic acquisitions. The ability to maintain the Group's competitive positions and to implement the Group's business strategy is dependent on the Group's senior management and the ability to attract and retain experienced and qualified members of management. In particular, the contributions of Mike Salamon, the Executive Chairman of NWR's Board, Klaus-Dieter Beck, CEO and Chairman of the Board of Directors of OKD, and Marek Jelínek, the CFO of NWR, are critical to the management of the Group. If the Group is not able to continue to retain such key personnel, it may be unable to manage its growth or otherwise compete effectively in the Central European coal industry, which could adversely affect its business.

The Group may be unable to recover investments in mining projects due to adverse developments in production, transportation, energy supplies or resources.

The Group's success of operations is largely dependent on a stable production and supply process, both towards the Group as towards its customers. Any adverse developments in any of the related processes, such as increased costs or the unavailability of production, transportation or energy supplies may negatively affect the Group's operations.

The Group operates in a competitive environment.

The energy industry is characterised by competition, particularly with respect to price. The continued development of alternative fuel sources or new coal mines, particularly in the CEE area, could negatively impact our operating results.

The failure to acquire and develop additional reserves may adversely affect our business.

The Group's ability to sustain or increase its current level of production depends, in part, upon its ability to acquire and develop additional coal reserves that are economically recoverable and to develop new and expand existing mining operations. The Group could be limited in acquiring its growth targets as a result of many factors, including, but not limited to:
- the Group's ability to raise sufficient financing;
- restrictions under the Group's existing or future debt agreements;
- competition from other coal companies for suitable properties;
- the lack of suitable acquisition candidates;
- the inability to acquire coal properties on commercially reasonable terms; and
- economic conditions in Central Europe or globally.

In addition, the involvement of many different parties in the Group's operations as well as its acquisition projects, such as external engineers, governments, environmental groups, unions, contractors, suppliers and consultants may influence the Group's ability to act in a timely and appropriate manner in its acquisition and expansion efforts.

We may be unable to increase efficiency or decrease costs where necessary.

The Group must continue to implement cost reduction and profit improvement initiatives to achieve its business plan and preserve its long-term prospects. These profit improvement plans depend on realising cost savings, efficiencies and synergies from the introduction of new technologies and operating processes and on the ability to appropriately balance the size of the Group's workforce. The Group may be unable to implement one or more of its profit improvement initiatives successfully or it may experience unexpected cost increases, which could have a material adverse effect on its business, results of operations or financial position.

We are dependent on a small number of large customers.

A substantial portion of the Group's sales volume of coal, including to its major customers, is sold under long-term framework agreements, and a substantial portion of the Group's sales are made to a small number of customers. A decrease in demand for the Group's products or the inability to collect payment from any customer could adversely affect the Group's results of operations and financial condition.

Breaches in our information technology security could adversely affect our business.

IT security processes may not prevent malicious actions by individuals or groups, which may result in the theft or misappropriation of commercially sensitive information or the theft or misappropriation of funds, among other things.

Organisational risk factors

The privatisation of the Group comprising the Former OKD Group and government sales could be challenged and could result in the Company's ownership of its business being deemed invalid or could result in additional liability being attributed to the Company, which could materially affect the Company's business, financial condition and results of operations.

The Company's business was privatised by the Czech government in a series of transactions throughout 1992 and 2004. These transactions involved privatisation through a voucher program and sales of shares to Karbon Invest by the National Property Fund. In addition, between 2002 and 2004, Former OKD transferred mines that have become inactive (together with certain liabilities) to Czech state public enterprises. Such transactions generally are complex and may have been implemented by the government in a way that lacked transparency or is otherwise open to criticism and adverse publicity, which may lead to attempts to unwind or otherwise challenge such transactions through legal action. In the event that the ownership of any of the Company's subsidiaries or Company's assets is challenged through such legal action and the Company is unable to defeat any such action, the Company risks losing or altering ownership in such companies or such assets which could materially adversely affect its business, financial condition and results of operations.

Restrictive covenants under our senior secured facilities and our Indenture may limit the manner in which we operate.

Our senior secured facilities and the Indenture governing our 7.375 per cent senior notes due 2015 contain, and any future indebtedness we incur may contain, various covenants and conditions that limit our ability to, among other things, incur additional indebtedness; make restricted payments (including dividends); create liens; transfer, convey, sell, lease or otherwise dispose of voting stock; sell assets; engage in transactions with affiliates; guarantee any debt of NWR or its subsidiaries; and consolidate, merger or sell all or substantially all of our assets. As a result of these covenants, we are limited in the manner in which we conduct our business and we may be unable to engage in favourable business activities or finance future operations or capital needs.

We are substantially owned and controlled by RPGI which is able to make important decisions about our business and capital structure; its interests may differ from the interests of our other shareholders or the holders of our Senior Notes and our lenders under our senior secured facilities.

RPGI owns a majority of the A shares of NWR. As a result, RPGI effectively controls NWR and generally has the power to elect all of the members of our board of directors, appoint new management and approve any action requiring the approval of the holders of NWR's shares, including changes to our capital structure and approving acquisitions or sales of all or substantially all of our assets. Our Directors have the ability to control decisions affecting our capital structure, including the issuance of additional share capital, the implementation of share repurchase programmes and the declaration of dividends. The interests of RPGI may not in all cases be aligned with the interests of our other shareholders, or the holders of our Senior Notes or any other holder of our debt. If we encounter financial difficulties, or we are unable to pay our debts as they mature, the interests of RPGI might conflict with those of our other shareholders, or the holders of the Senior Notes or any other holder of our debt. RPGI may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in its judgement, could enhance its equity investment, even though such transactions might involve risks to our shareholders or holders of the Senior Notes or our other indebtedness.

Financial risk factors

Our financial results may be adversely affected by fluctuations in currency exchange rates and interest rates.

The Group'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 the Group's revenues relative to its costs and a decline in its results of operations. In addition, if the Czech Koruna depreciates significantly against the Euro, the Group could have difficulty repaying or refinancing its foreign currency denominated indebtedness.

The Group'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 Group's results of operations.

Claims by or liabilities to third parties resulting from the Company's activities may adversely affect our profitability.

The nature of the Group's 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 the Group to make significant payments in the future adversely impacting the Group's business, results of operations and financial condition.

Our substantial debt or our inability to incur additional debt could adversely affect our financial condition.

As of 31 December 2008, we had substantial indebtedness, including EUR 729 million of senior secured debt incurred pursuant to our Senior Secured Facilities, and EUR 290 million of high-yield debt incurred pursuant to our 7.375 per cent Senior Notes due 2015. The requirement to service our debt makes us more vulnerable to general adverse economic conditions, requires us to dedicate a substantial portion of our cash flow from operations to payments on our debt, and limits our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate.

The Group must make significant capital expenditures in order to maintain or increase its productions levels and improve overall efficiency. The inability to finance these and any other expenditures through debt financing could have an adverse effect on the Group's business, financial condition or results of operations.

Governmental regulation risk factors

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 in the effective cost or the use of coal and as a result, decrease the demand for coal. In addition, the operations of the Group could be subject to increased environmental or other regulations, increasing the costs or decreasing the production capacity of the Group. This could have an adverse effect on the Group's business, financial condition or results of operations.

We may be unable to obtain or renew the required permits for mining activities.

The Group may be unable to obtain and renew permits and licences necessary for our operations or mining of specific coal deposits, which would reduce our production and could adversely impact the Group's business, financial condition and results of operation. Regulations in the environmental and safety matters in connection with coal mining are strict and complex and may change over time, making the Group's ability to comply with the applicable requirements more difficult or even impossible, thereby precluding continuing or future mining operations.

We may face increased costs due to governmental actions.

Pursuant to the Mining Act, the Group is subject to mining concession fee payments to the Czech government, and increases in such fees in the future could adversely affect the Group's business, results of operations and financial condition. In addition, changes and developments in economic, regulatory, administrative or other policies of Polish or Czech governments or those of the European Community, over which the Group has no control, could affect the Group's business, prospects, financial conditions and results of operations.

Risk Management and internal audit

The Group's risk management function and the applied system of internal control focus on the management of business risks in order to maintain and achieve business objectives. The Group's risk management system is designed to focus its risk management activities in the areas where the specific risks exist. This is ensured by the development of local and Group-wide risk management structures and policies that are reviewed and governed by the Audit and Risk Management Committee.

The Audit and Risk Management Committee regularly reviews the risk assessment strategies and procedures as well as the risk profile throughout the Group and reports its findings to the Board.

Management has put in place significant control systems to ensure the integrity of the Group's reporting as well as the effectiveness of the Group's internal control and risk management structures. These controls include the establishment and functioning of various board committees throughout the Group, the Audit and Risk Management Committee and the establishment of the Group's internal audit function.

The tasks of the Group internal audit function includes:
- ensuring coverage of main risks and internal control issues at Group level;
- overseeing and aligning operational risk and control reviews performed by local teams at subsidiary level where applicable;
- supporting the development and maintenance of a group-wide risk and internal control approach and mechanism; and
- keeping the Board apprised of issues and developments in these areas.

Additionally, the purpose of the Group internal audit function is to establish and maintain an effective and adequate organisation of active internal audit teams throughout the Group, ensuring sufficient resources in place in key positions in internal audit. In situations where there is no operating internal audit team at subsidiary level, the Group level function organises and supports the activities at such level. Depending on the nature and size of the specific subsidiary, the Group may take steps needed to establish and support a local internal audit team. In situations where the nature or size of the subsidiary does not warrant a stand-alone internal audit function, the Group level function will continue managing the internal audit activities.

The Board considers the ability to respond to changes within the relevant business environment a key element in the effectiveness of the Company's business and its performance. This ability and the consecutive actions are continuously monitored and reviewed throughout the year.

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 100 to 105 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
25 March 2009