# Financial statements


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

## General information

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

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

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

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

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

## Business strategy

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

— improving efficiency and profitability of mining operations;
— strengthening reserve base from existing mines;
— actively pursuing growth opportunities in Poland, the rest of Central Europe and elsewhere;
— maintaining strong health and safety record; and
— seeking to implement and maintain international best practice in corporate governance.

## Employees

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

## Investments

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

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

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

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

## Restructuring

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

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

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

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

In the second quarter of 2008, the Company established two special purpose vehicles, NWR Energy, a.s. and NWR Energetyka PL Sp. z o.o., to manage and operate its energy assets. NWR Energy, a.s. manages and operates energy assets, which were spun-off from OKD with effective date 1 July 2008. The energy assets currently operated by KARBONIA PL are anticipated to be spun off into NWR Energetyka PL Sp. z o.o. in April 2009. The entities do not perform any other activities.

## Financial information

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

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

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

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

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

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

## Environmental and personnel related information

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

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

## Information regarding financial instruments

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, high yield bonds, finance leases, trade payables and leasing contracts. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, cash, restricted cash and short-term deposits, which arise directly from its operations.

The most significant risks that the Group is exposed to are foreign exchange risks on sales in foreign currencies and interest rate risks tied to all variable interest rates.

Credit risk arises from the potential inability of debtors to meet their obligations as they fall due. Credit risks are addressed by top management through efficient operation of the sales and related departments to prevent excessive bad debts. At the balance sheet date there are concentrations of credit risk to steel producers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Currently the Group does not record any material overdue receivables.

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

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

Liquidity risk refers to the possibility of the Company being unable to meet its cash obligations mainly in relation to the settlement of amounts due to suppliers and bank loans and facilities. The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, issued bonds and finance leases contracts.

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

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

## Information technology

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

## Internal audit

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

## Remuneration of the Board of Directors

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

## Future outlook

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

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

25 March 2009

Members of the Board of Directors,

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

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

for the year ended 31 December 2008

| | Note | 1 January 2008 – 31 December 2008 EUR '000 | 1 January 2007 – 31 December 2007 EUR '000 |
|---|---|---|---|
| Revenues | 3 | 2,041,128 | 1,367,098 |
| | | | |
| Change in inventories of finished goods and work-in-progress | | 34,242 | (10,308) |
| | | | |
| Consumption of material and energy | | (579,784) | (363,977) |
| Service expenses | | (351,758) | (306,433) |
| Personnel expenses | 4,28,29 | (433,743) | (338,216) |
| Depreciation | 12 | (158,350) | (156,931) |
| Amortisation | 13 | (10,165) | (9,326) |
| Reversal of impairment of property, plant and equipment | 12 | – | 21,959 |
| Reversal of impairment of receivables | | 46 | 491 |
| Net gain from material sold | | 10,500 | 6,385 |
| Gain from sale of property, plant and equipment | | 2,052 | 1,305 |
| Other operating income | | 4,065 | 3,758 |
| Other operating expenses | 5 | (27,689) | (8,289) |
| **Sub-total** | | 530,544 | 207,516 |
| Financial income | 7 | 112,754 | 142,621 |
| Financial expense | 7 | (171,990) | (110,477) |
| Profit/loss on disposal of interest in subsidiaries | | 847 | (13) |
| **Profit from continuing operations – before tax** | | 472,155 | 239,647 |
| Income tax expense | 8 | (120,516) | (48,976) |
| **Profit from continuing operations** | | 351,639 | 190,671 |
| **Discontinued operations** | | | |
| **Profit from discontinued operations** | | – | 5,821 |
| **Profit for the period** | | **351,639** | **196,492** |
| | | | |
| Attributable to: | | | |
| Minority interest | | – | 6 |
| **Shareholders of the company** | | 351,639 | 196,486 |
| | | | |
| **Earnings per share** | 25 | | |
| Basic earnings per A share (EUR/share) | | 1.33 | 0.79 |
| Diluted earnings per A share (EUR/share) | | 1.33 | 0.79 |
| Basic earnings per A share from continuing operations (EUR/share) | | 1.33 | 0.76 |
| Diluted earnings per A share from continuing operations (EUR/share) | | 1.33 | 0.76 |
| Basic earnings per A share from discontinued operations (EUR/share) | | N/A | 0.03 |
| Diluted earnings per A share from discontinued operations (EUR/share) | | N/A | 0.03 |
| | | | |
| Basic earnings per B share (EUR/share) | | 746.8 | – |
| Diluted earnings per B share (EUR/share) | | 746.8 | – |

The notes on pages 106 to 168 are an integral part of these consolidated financial statements.

# Consolidated balance sheet prepared in accordance with IFRS as adopted by the European Union
as of 31 December 2008

| | Note | 31 December 2008 EUR '000 | 31 December 2007 EUR '000 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 12 | 1,088,053 | 1,049,381 |
| Mining licences | 13 | 167,553 | 178,683 |
| Other financial investments | 14 | 0 | 3,104 |
| Long-term receivables | 15 | 11,173 | 7,342 |
| Deferred tax asset | 30 | 154 | 2,438 |
| Restricted cash | 16 | 25,861 | 24,160 |
| Total non-current assets | | 1,292,794 | 1,265,108 |
| | | | |
| Inventories | 17 | 66,060 | 32,461 |
| Accounts receivable and prepayments | 18 | 201,671 | 159,296 |
| Derivatives | 20 | 39 | 76,008 |
| Income tax receivable | 19 | 7,055 | 25,722 |
| Cash and cash equivalents | 21 | 678,895 | 474,160 |
| Restricted cash | 16 | 3,024 | – |
| Total current assets | | 956,744 | 767,647 |
| **Total assets** | | **2,249,538** | **2,032,755** |
| | | | |
| **Equity and liabilities** | | | |
| Shareholders' equity | | | |
| Share capital | 25 | 105,524 | 100,100 |
| Share premium | 25 | 54,971 | 3,679 |
| Foreign exchange translation reserve | 25 | 4,728 | 38,389 |
| Restricted reserve | 25 | 124,180 | 129,990 |
| Equity-settled share based payments | 25 | 8,037 | – |
| Hedging reserve | 25 | 34,328 | – |
| Retained earnings | | 314,556 | 105,305 |
| Equity attributable to the shareholders of the company | | 646,324 | 377,463 |
| | | | |
| Liabilities | | | |
| Provisions | 26 | 103,962 | 108,103 |
| Long-term loans | 23 | 661,961 | 723,856 |
| Bond issued | 24 | 290,425 | 289,316 |
| Employee benefits | 28 | 88,188 | 85,634 |
| Deferred revenue | 27 | 5,594 | 10,299 |
| Deferred tax liability | 30 | 105,385 | 104,520 |
| Other long-term liabilities | | 752 | 200 |
| Total non-current liabilities | | 1,256,267 | 1,321,928 |
| Provisions | 26 | 5,569 | 9,176 |
| Accounts payable and accruals | 22 | 221,980 | 190,232 |
| Accrued interest payable on bond | | 2,766 | 2,766 |
| Derivatives | 20 | 9,012 | 226 |
| Income tax payable | 8 | 11,890 | 58,446 |
| Current portion of long-term loans | 23 | 66,835 | 66,823 |
| Short-term loans | 23 | 28,540 | 5,695 |
| Cash-settled share-based payments payable | | 355 | – |
| Total current liabilities | | 346,947 | 333,364 |
| Total liabilities | | 1,603,214 | 1,655,292 |
| **Total equity and liabilities** | | **2,249,538** | **2,032,755** |

The notes on pages 106 to 168 are an integral part of these consolidated financial statements.

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

for the year ended by 31 December 2008

| | Notes | Share capital EUR '000 | Share premium EUR '000 | Foreign exchange translation reserve EUR '000 | Restricted reserve EUR '000 | Equity-settled share based payment EUR '000 | Hedging reserve EUR '000 | Retained earnings EUR '000 | Total EUR '000 |
|---|---|---|---|---|---|---|---|---|---|
| 1 January 2008 | | 100,100 | 3,679 | 38,389 | 129,990 | – | – | 105,305 | 377,463 |
| Currency translation | | – | – | (23,677) | (1,189) | – | – | – | (24,866) |
| Total income and expense for the period recognised directly in equity | | – | – | (23,677) | (1,189) | – | – | – | (24,866) |
| Other movements | | – | – | – | – | – | – | (534) | (534) |
| Net profit for the period | | – | – | – | – | – | – | 351,639 | 351,639 |
| Total income and expense for the period | | – | – | (23,677) | (1,189) | – | – | 351,105 | 326,239 |
| | | | | | | | | | |
| Derivatives | | – | – | – | – | – | 34,328 | – | 34,328 |
| Reclassification Restricted reserve | 25 | – | – | – | (4,621) | – | – | 4,621 | – |
| Issue 13,5M share A re IPO | 25 | 5,400 | 211,788 | – | – | – | – | – | 217,188 |
| Issue 59,620 shares A re indep directors | 25 | 24 | 1,176 | – | – | – | – | – | 1,200 |
| Dividends paid and declared | 10 | – | (161,672) | – | – | – | – | (73,864) | (235,536) |
| Share options | 29 | – | – | – | – | 8,037 | – | – | 8,037 |
| Distribution in kind to shareholder | 10 | – | – | (9,984) | – | – | – | (72,611) | (82,595) |
| **31 December 2008** | | **105,524** | **54,971** | **4,728** | **124,180** | **8,037** | **34,328** | **314,556** | **646,324** |

The notes on pages 106 to 168 are an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity prepared in accordance with IFRS as adopted by the European Union
for the year ended by 31 December 2007

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

The notes on pages 106 to 168 are an integral part of these consolidated financial statements.

## Consolidated cash flow statement prepared in accordance with IFRS as adopted by the European Union
for the year ended by 31 December 2008

| | Note | 1 January 2008 - 31 December 2008 EUR '000 | 1 January 2007 - 31 December 2007 EUR '000 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Net profit before taxation and minority interest from continuing operations | 3 | 472,155 | 239,647 |
| Net profit before taxation and minority interest from discontinued operations | 3 | – | 8,103 |
| Net profit before taxation and minority interest | | 472,155 | 247,750 |
| Adjustments for: | | | |
| Depreciation | 12 | 158,350 | 140,000 |
| Amortisation | 13 | 10,165 | 9,326 |
| Changes in provisions | | (4,722) | (15,972) |
| Profit on disposal of property, plant and equipment | | (2,052) | (1,377) |
| Profit on disposal of other financial investments | | (846) | (21,523) |
| Interest expense, net | | 50,292 | 40,230 |
| Change in fair value of derivatives | | 27,679 | (43,461) |
| Cash-settled share-based payment transactions | | 355 | – |
| Equity-settled share-based payment transactions | | 9,237 | – |
| Unrealised foreign exchange gains on long-term borrowings | | 39 | 4,657 |
| Profit before working capital changes | | 720,652 | 359,630 |
| (Increase)/Decrease in inventories | | (39,540) | 8,096 |
| (Increase)/Decrease in receivables | | (17,130) | (15,067) |
| (Decrease)/Increase in payables | | 24,026 | 30,264 |
| Changes in deferred revenue | | (4,701) | 7,086 |
| (Increase)/Decrease in restricted cash | | (4,448) | (6,370) |
| Net proceeds from closed currency derivatives | | 99,913 | – |
| Currency translation and other non-cash movements | | (32,511) | (19,872) |
| Cash generated from operating activities | | 746,261 | 363,767 |
| Interest paid | | (66,087) | (42,873) |
| Corporate income tax paid | | (157,047) | (63,324) |
| **Net cash flows from operating activities** | | **523,127** | **257,570** |
| Cash flows from investing activities | | | |
| Interest received | | 22,216 | 12,906 |
| Purchase of land, property, plant and equipment | 12 | (285,094) | (82,712) |
| Proceeds from sale of other financial investments | | 5,929 | 16,382 |
| Cash and cash equivalents of distributed subsidiaries (in kind) | | (6,117) | (24,445) |
| Proceeds from sale of property, plant and equipment | | 2,725 | 2,238 |
| **Net cash flows from investing activities** | | **(260,341)** | **(75,631)** |

| | Note | 1 January 2008 - 31 December 2008 EUR '000 | 1 January 2007 - 31 December 2007 EUR '000 |
|---|---|---|---|
| Cash flows from financing activities | | | |
| Repayments of syndicated loan | 23 | (65,146) | (234,547) |
| Proceeds of long-term borrowings | 23 | – | 301,016 |
| Fee paid from proceeds of long-term borrowings | | – | (1,791) |
| Cash inflows from issued bond | 24 | – | 300,000 |
| Bond emission fee paid | | – | (11,320) |
| Repayments of short-term borrowings | | (5,350) | (9,355) |
| Proceeds of short-term borrowings | | 31,692 | 3,690 |
| Proceeds from issued shares (IPO) | | 219,078 | – |
| Transaction costs from issued shares (IPO) | | (1,890) | – |
| Dividends paid | 10 | (235,536) | (1,076,760) |
| **Net cash flows from financing activities** | | **(57,152)** | **(729,067)** |
| Net effect of currency translation | | (899) | 7,910 |
| Net increase in cash and cash equivalents | | 204,735 | (539,218) |
| Cash and Cash Equivalents at the beginning of period | 21 | 474,160 | 1,013,378 |
| **Cash and Cash Equivalents at the end of period** | | **678,895** | **474,160** |

The notes on pages 106 to 168 are an integral part of these consolidated financial statements.

## 1 General information

### a) Corporate information

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

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

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

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

### b) The Group

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

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

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

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

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

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

### 1 General information (continued)

#### c) Statement of compliance

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

#### d) Basis of preparation

The consolidated financial statements are prepared on the historical cost basis except for derivative and other financial instruments, which are stated at their fair value. They are presented in Euro (EUR) and rounded to the nearest thousand. Financial statements of operations with functional currency other than EUR were translated to the Group presentation currency (EUR). Functional currency of the Company is EUR. Functional currency of "KARBONIA PL" Sp. z o.o. and NWR Energetyka PL Sp. z o.o. is Polish Zloty (PLN). Functional currency of the remaining consolidated companies is Czech Crown (CZK). For details refer to Note 2d(ii). The accounting policies have been applied consistently by the Group entities.

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

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

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

Note 12 – Property, plant and equipment;
Note 20 – Financial instruments;
Note 26 – Provisions;
Note 28 – Employee benefits;
Note 29 – Share-based payments; and
Note 32 – Contingent assets and liabilities.

#### e) Changes in the consolidated group

(i) Business combination involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the Group entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

In the absence of more specific guidance, the Group entities consistently applied the book value measurement method to all common control transactions. Differences between consideration paid and carrying value of acquired net assets is recognised as a change in consolidated equity.

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

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

## 1 General information (continued)

### e) Changes in the consolidated group (continued)

#### (i) Business combination involving entities under common control (continued)

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

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

#### (ii) Entities incorporated in 2008

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

#### (iii) Distribution in kind

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

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

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

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

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

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

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

## 2 Summary of significant accounting policies

### a) New IFRS

### New standards and interpretations adopted during the financial year

In 2008, the Group adopted the following new or amended International Financial Reporting Standards and IFRIC Interpretations, which were relevant for the Group:
— IAS 39 Financial instruments: Recognition and Measurement and IFRS 7 Financial instruments: Disclosures (Amendments)
— IFRS 2 Share-based Payment (Revised)

The principal effects of the changes are as follows:

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

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

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

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

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

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

*IAS 36 Impairment of Assets:* When discounted cash flows are used to estimate "fair value less cost to sell" additional disclosures are required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use". This amendment has no immediate impact on the consolidated financial statements of the Group, because the recoverable amount of its cash generating units is currently estimated using "value in use".

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

**IFRIC 11 IFRS 2 – Group and Treasury Share Transactions**
As of 1 January 2008, the Group has adopted IFRIC Interpretation 11, which requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The Group amended its accounting policy accordingly.

## 2 Summary of significant accounting policies (continued)

### a) New IFRS (continued)

### New IFRS Standards and Interpretations issued but not yet effective

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

The principal effects of these changes are as follows:

**Amendment to IAS 1 Presentation of Financial Statements**

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

**Amendment to IAS 23 Borrowing Costs**

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

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

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

**IAS 39 Financial Instruments: Recognition and Measurement**

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

**IFRIC 13 Customer Loyalty Programmes**

The Group did not apply the interpretation, which is effective for the periods as of 1 July 2008. The Interpretation requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. If the cost of fulfilling the awards is expected to exceed the consideration received, the entity will have an onerous contract and a liability for the excess must be recognised.

**IFRIC 16 Hedges of a Net Investment in a Foreign Operation**

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

## 2 Summary of significant accounting policies (continued)

### b) Basis of consolidation

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

#### (i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated statements from the date that control commences until the date that control ceases.

#### (ii) Transactions eliminated on consolidation

Intragroup balances and transactions and unrealised gains arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### c) Principles for preparation of the cash flow statement

Cash flow is presented using the indirect method. Net cash flows from operating activities are reconciled from profit before tax from continuing operations. Interest received is classified as an investing activity as it mainly relates to investments. Interest paid is classified as an operating activity as it significantly affects the net profit.

### d) Foreign currency

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to functional currency at the foreign exchange rates which approximate rates ruling at the dates the values were determined. Foreign exchange differences arising on translation are recognised in the income statement.

#### (ii) Foreign operations

Assets and liabilities of operations with functional currency other than EUR, including goodwill and fair value adjustments arising on acquisition, are translated to EUR at the exchange rate at the reporting date; income statement items of operations with functional currency other than EUR are translated at exchange rates approximating the rates at the dates of the transactions. Equity items are translated at historical exchange rates. The exchange differences arising on the translation are recognised directly in equity. On disposal of an operation with functional currency other than EUR (in full or in part), the relevant amount of accumulated exchange differences is transferred to the income statement.

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

## 2 Summary of significant accounting policies (continued)

### e) Derivative financial instruments

The Group uses derivative financial instruments (such as forward currency contracts, interest rate swap and interest rate collar contracts) to hedge its exposure to foreign exchange risk and interest risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap and interest rate collar contracts is the estimated amount that the Group would receive or pay to terminate the contract at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

For the purpose of hedge accounting, hedges are classified as:
- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedges item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designed.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

### Fair value hedges

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

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

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

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

## 2 Summary of significant accounting policies (continued)
### e) Derivative financial instruments (continued)
### Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement.

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

If the forecasted transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecasted transaction or firm commitment occurs.

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

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

#### Current versus non-current classification
Derivative instruments that are not a designated and effective hedging instrument are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting), for a period beyond 12 months after the balance sheet date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

### f) Property, plant and equipment
#### (i) Owned assets
Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy l). Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The cost also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that it is recognised as a provision under IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

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

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

Borrowing costs are recognised as an expense when incurred.

## 2 Summary of significant accounting policies (continued)

### f) Property, plant and equipment (continued)

#### (ii) Leased assets

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

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

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

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

Finance leases, which transfer to the Group substantially all the risks and benefits related to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

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

#### (iii) Subsequent expenditure

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

#### (iv) Depreciation

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

The estimated useful lives are as follows:

| | |
|---|---|
| — Buildings | 30-45 years |
| — Plant and equipment | 4-15 years |
| — Other | 4 years |

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

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

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

## 2 Summary of significant accounting policies (continued)

### g) Intangible assets

#### (i) Licences

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

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

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

#### (ii) Research and development

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

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

#### (iii) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy 1). Expenditure on internally generated goodwill and brands are recognised in the income statement as an expense as incurred.

#### (iv) Amortisation

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

#### (v) Emission rights

Emission rights represent the right of the owner of a facility, which in the course of its operation emits greenhouse gases, to emit during the calendar year an equivalent of one ton of carbon dioxide ($CO_2$). Based on the National Allocation Plan in 2008, 2007, 2006 and 2005 certain companies of the Group were granted emission rights free of charge. These companies are responsible for determining and reporting the amount of greenhouse gases produced by its facilities in the calendar year and this amount has to be audited by an authorised person.

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

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

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

#### (vi) Exploration for and Evaluation of Mineral Resources

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

## 2 Summary of significant accounting policies (continued)

### h) Investments

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

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

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

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

### i) Trade and other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, receivables are subsequently carried at their amortised cost using the effective interest method less any allowance for impairment (see accounting policy m).

### j) Inventories

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

### k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and investments in marketable securities that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (with original maturity of three months and less).

### l) Restricted cash

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

## 2 Summary of significant accounting policies (continued)

### m) Impairment

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

#### (i) Calculation of recoverable amount

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

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

#### (ii) Reversals of impairment

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

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

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

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

### n) Minority interest

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

### o) Interest-bearing borrowings

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

### p) Employee benefits

The Group provides a number of different benefits to its employees – jubilee, loyalty, retirement and special miners' benefits.

The Group's obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the balance sheet date on Czech government bonds that have maturity dates approximating the terms of the Group's obligations.

## 2 Summary of significant accounting policies (continued)

### q) Share-based payment transactions

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

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

### Equity-settled transactions

The cost of equity-settled transactions with employees for awards granted, is measured by reference to the fair value at the date on which they are granted. The fair value is determined based on the market price as per stock exchange and whenever appropriate using option pricing models.

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

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 29).

### Transactions with cash-alternative

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

## 2 Summary of significant accounting policies (continued)

### r) Provisions

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

### Restoration and mining damages provisions

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

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

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

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

### s) Trade and other payables

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

### t) Revenue

#### (i) Goods sold and services rendered

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

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

#### (ii) Revenues from electricity contracts

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

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

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

## 2 Summary of significant accounting policies (continued)

### t) Revenue (continued)

#### (iii) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

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

### u) Expenses

#### (i) Operating lease payments

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

#### (ii) Net financing costs

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

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

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

#### (iii) Income tax

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

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

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

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

### v) Segment reporting

In 2007, the Group adopted IFRS 8 – Operating Segments. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. A start-up operation can be treated as an operating segment while it has yet to earn revenues.

## 2 Summary of significant accounting policies (continued)

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

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

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

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations.

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

### x) Earnings per share

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

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

## 3 Segment information

### a) Introduction to segment information

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

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

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

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

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

### 3 Segment information (continued)

#### a) Introduction to segment information (continued)

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

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

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

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

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

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

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

#### b) Disclosures on Buildings

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

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

The Buildings are recorded at the carrying amount in the balance sheet of the MD. Commencing 1 January 2008 MD will depreciate the Buildings. The deferred tax assets, liabilities and their impacts on the financial result of the Group related to the Real Estate Assets are divided between the divisions correspondingly to the allocation of the assets.

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

When the demand for unrestricted access to certain Real Estate Assets by the MD terminates, the overriding rules do not apply anymore and the Real Estate Assets are transferred back from the MD to the RED. This transfer becomes effective when the assets are not used for mining, coking and related operations anymore. Since the respective Buildings meet the criteria mentioned above, they will generally be fully depreciated at the moment, when mining, coking and related operations stop in the future. Therefore the transfer should include only fully depreciated assets with a zero book value. IAS 16 assumes some residual value of assets which should be equal to its estimated market value at the end of its useful life. However the Company is unable to make a reliable estimate of such residual value due to the character of the assets.

### 3 Segment information (continued)

#### b) Disclosures on Buildings (continued)

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

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

#### c) Disclosures on land

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

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

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

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

## 3 Segment information (continued)
### e) Presentation of business segments

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

## 3 Segment information (continued)
## e) Presentation of business segments (continued)

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

### 3 Segment information (continued)

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

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

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

**3 Segment information (continued)**
**f) Detailed presentation of the Mining and the Real Estate Divisions (continued)**

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

### 3 Segment information (continued)

#### f) Detailed presentation of the Mining and the Real Estate Divisions (continued)

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

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

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

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

## 3 Segment information (continued)

### f) Detailed presentation of the Mining and the Real Estate Divisions (continued)

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

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

### Divisional equity

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

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

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

### g) Geographical information

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

* Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Greece, Ireland, Italy, Luxemburg, Netherlands, Portugal, Spain, Sweden.
** Bulgaria, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia. Czech Republic is presented separately.
*** Includes Property plant and equipment and Mining licence.

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

* Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Greece, Ireland, Italy, Luxemburg, Netherlands, Portugal, Spain, Sweden.
** Bulgaria, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia. Czech Republic is presented separately.
*** Includes allocation of Property plant and equipment and Mining licence.

### 3 Segment information (continued)
### g) Geographical information (continued)

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

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

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

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

## 3 Segment information (continued)

### Significant customers outside the Group

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

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

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

## 4 Personnel expenses

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

Average number of employees in the period:

| | | |
|---|---|---|
| Managers | 127 | 119 |
| Staff | 17,611 | 18,241 |
| | 17,738 | 18,360 |

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

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

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

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

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

### 5 Other operating expenses

Other operating expenses comprise:

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

* includes gifts and donations and variety of sundry expenses.

### 6 Own work capitalised

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

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

### 7 Financial income and expenses

Financial income comprise:

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

Financial expenses comprise:

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

## 8 Income tax expense

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

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

Components of tax expense:

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

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

Reconciliation of the statutory and effective tax rates:

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

### 8 Income tax expense (continued)

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

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

### 9 Discontinued operations

In 2008, there are no discontinued operations.

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

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

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

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

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

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

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

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

## 10 Dividends

### Dividends in 2008:

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

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

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

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

### Dividends in 2007:

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

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

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

### 11 Related party disclosures

During the period the Group had transactions in the normal course of operations with related parties. This includes transactions with the ultimate parent company, RPG Partners Limited, entities under common control, shareholders and key management personnel of the Group (i.e. those charged with governance, including executives and persons whose responsibility is derived from the Act on Mining of the Czech Republic), and companies of which they are principal owners. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

The sales to ICS Trading AG relate mainly to coal and coke trading. The sales to RPG Byty s.r.o. relate mainly to heating, The sales to Green Gas DPB, a.s. relate mainly to extracted gas, whereas the purchases from this company relate mainly to mine and safety services. The sales to METALIMEX a.s. relate to sales of electricity and metal scrap, whereas the purchases from this company relate to transport. The purchases from OKD, Doprava, akciová společnost relate to coal transport services. The purchases from Bakala Crossroads Partners, a.s. relate to consultancy services.

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

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

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

* The table does not include share-based payment transactions and compensation of key management personnel. Compensation of key management personnel is detailed in Note 4, share-based payments are detailed in Note 29.
** Includes receivables and payables from related parties from transactions originated only for the period after the entity was distributed from the Group. As of 31 December 2007 the company was still part of the consolidated Group.

### 11 Related parties disclosures (continued)

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

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

* Includes sales and purchases from related parties from transactions originated only for the period after the entity was distributed from the Group.
**10% ownership of shares of METALIMEX a.s. owned by RPG Trading, s.r.o. was sold on 1 October 2007, as of this date METALIMEX a.s. is not a related party.

There were no significant transactions with other related parties.

## 12 Property, plant and equipment

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

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

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

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

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

## 12 Property, plant and equipment (continued)

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

## 12 Property, plant and equipment (continued)

Accumulated impairment losses were as follows:

| | 31/12/2008 EUR '000 | 31/12/2007 EUR '000 |
|---|---|---|
| OKD, HBZS, a.s. | 6,612 | 6,675 |
| OKD, Bastro, a.s. | – | 1,648 |
| | 6,612 | 8,323 |

### Accumulated impairment losses as of 31 December 2008

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

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

### OKD, OKK, a.s.

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

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

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

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

### Construction of mine "Frenštát"

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

## 13 Mining licences

| | Cost EUR '000 | Accumulated Amortisation EUR '000 | Net book value EUR '000 |
|---|---|---|---|
| At 1 January 2008 | 210,081 | (31,398) | 178,683 |
| Amortisation for the period | – | (10,165) | (10,165) |
| Currency translation | (1,994) | 1,029 | (965) |
| **At 31 December 2008** | **208,087** | **(40,534)** | **167,553** |

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

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

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

The table below summarises all granted concessions to mining areas.

| Mining area | Expiry date of permits |
|---|---|
| Darkov | No expiry date |
| Karviná – Doly II | No expiry date |
| Stonava 1 | No expiry date |
| Doubrava | No expiry date |
| Karviná – Doly I | No expiry date |
| Lazy | No expiry date |
| Staříč | No expiry date |
| Trojanovice | No expiry date |
| Louky | No expiry date |
| Dolní Suchá | No expiry date |
| Petřvald I | No expiry date |
| Dębieńsko | Year 2058 |

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

### 14 Other financial investments

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

| | 31/12/2008 EUR '000 | 31/12/2007 EUR '000 |
|---|---|---|
| Garáže Ostrava | – | 3,028 |
| Other investments available for sale | – | 76 |
| | **–** | **3,104** |

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

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

### 15 Long-term receivables

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

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

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

### 16 Restricted cash

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

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

### 17 Inventories

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

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

## 18 Accounts receivable and prepayments

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

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

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

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

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

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

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

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

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

### 19 Income tax receivable

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

### 20 Financial instruments

#### Risk management

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, high yield bonds, finance leases, trade payables and leasing contracts. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, cash, restricted cash and short-term deposits, which arise directly from its operations.

The most significant risks that the Group is exposed to are foreign exchange risks on sales in foreign currencies, interest rates tied to all variable interest rates, volatility risk and credit risk as an increase in secondary insolvency of key Czech and Slovak customers, which might occur especially in the steel industry.

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

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

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

The Group enters into derivative transactions, primarily interest rate swaps, interest rate collars and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout 2008 and 2007, the Group's policy that no speculative trading in derivatives shall be undertaken.

#### Credit Risk

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

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For OKD, representing the main part of the Company's receivables, the Chief Commercial Officer is responsible for the customer management database, systematic monitoring of customers, their ratings and corresponding risks.

With respect to credit risk arising from other financial assets of the Group, which comprise cash, cash equivalents and restricted cash and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments, which is stated in the table at the end of this Note. There was no impairment of financial assets other than trade receivables recognised as of 31 December 2008 and 31 December 2007.

## 20 Financial instruments (continued)

### Liquidity risk

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

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments, financial assets (e.g. accounts receivables, other financial assets), financial liabilities and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, issued bonds and finance lease contracts with the aim to have sufficient liquidity to meet its due obligations under any conditions.

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

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

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

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

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

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

Comparative information for the Group as of 31 December 2007

| | | Credit Line Size | | Remaining Availability | | | |
|---|---|---|---|---|---|---|---|
| Credit Line | Currency | Currency '000 | EUR '000 | Currency '000 | EUR '000 | Interest rate | Maturity date |
| OKD, a.s.* | CZK/EUR | 1,138,000 | 42,750 | 1,130,065 | 42,451 | 1M PRIBOR + 0.6-0.65% | 2009 |
| OKD, OKK, a.s. | CZK | 300,000 | 11,269 | 300,000 | 11,269 | PRIBOR + 0.50% | 2010 |
| CZECH-KARBON s.r.o. | CZK | 150,000 | 5,635 | 96,380 | 3,621 | PRIBOR + 0.75% | 2009 |
| "KARBONIA PL" Sp. z o.o. | PLN | 5,000 | 1.391 | 5,000 | 1.391 | WIBOR + 1.5% | 2009 |
| OKD, Rekultivace, a.s. | CZK | 70,000 | 2,630 | 20,256 | 761 | PRIBOR + 0.75% | 2009 |
| OKD, Bastro, a.s. | CZK | 170,000 | 6,386 | 72,938 | 2,740 | PRIBOR + 0.65% | 2009 |

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

## 20 Financial instruments (continued)

### Market risk

Market risk arises from the possible variations in the value of assets and liabilities due to fluctuations in foreign exchange rates, interest rates and commodities (electricity). The Company has implemented policies and methods of monitoring these risks.

### Foreign exchange rate risk

The Group has significant transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Approximately 48% of the Group's sales (2007: 44% from continued operations) are denominated in currencies other (primarily EUR) than the functional currency of the operating unit making the sale (primarily CZK), whilst most of costs are denominated in the unit's functional currency.

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

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

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

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

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

## 20 Financial instruments (continued)

The following table demonstrates the sensitivity of weakening CZK to EUR exchange rate by 1%, with all other variables held unchanged, of the Group's profit after tax (due to changes in the fair value of monetary assets and liabilities and derivatives). The effect of depreciation (weakening) or strengthening CZK to EUR is fully included in Group's profit, i.e. there is no amount to be taken directly to equity.

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

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

### Interest rate risk

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

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

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

Exposure to the interest rate risk of floating rate bank loans is presented by way of sensitivity analysis. This sensitivity analysis shows effects of changes in market interest rates on Group's profit after tax as if market interest rates had been 0.25% higher respectively lower over the whole period from 1 January 2008 to 31 December 2008 with all other variables held unchanged. The interest rate sensitivity analysis is calculated from all loans and all interest rates swap contracts and interest rate collar contracts. The hypothetical effect on profit after tax amounts to EUR (827) thousand respectively EUR 827 thousand (2007: EUR (234) thousand respectively EUR 234 thousand).

The market interest rate is repriced semi-annually.

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

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

It is the Group's policy to negotiate the terms of the derivatives to match the terms of the item at risk to maximise effectiveness of the derivative. In the period beginning on 1 January 2008 the Group started to apply hedge accounting for forward exchange rate contracts used as hedges of its exposure to foreign currency risk in forecasted transactions and commitments. See Note 2. e) for the detailed application of the hedge accounting policies. For the remaining hedging instruments, hedge accounting is not applied.

### 20 Financial instruments (continued)

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

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

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

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

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

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

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

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

For policy on option programme see Note 29.

## 20 Financial instruments (continued)

### Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder´s value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. From the acquisition of the Group the majority shareholders performed significant restructuring of the Group and considered the international standards of gearing in the mining industry. The management monitors the gearing.

The Group monitors capital using a gearing ratio defined as net debt divided by the EBITDA (calculated on a twelve-month rolling basis for the corresponding group).

The Company and its subsidiaries are not subject to externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the year 2008.

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

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

| | 31/12/2008 EUR '000 | 31/12/2007 EUR '000 |
|---|---|---|
| Interest bearing loans and borrowings | | |
| Long-term loans | 661,961 | 723,856 |
| Bond issued | 290,425 | 289,316 |
| Current portion of long-term loans | 66,835 | 66,823 |
| Short-term loans | 28,540 | 5,695 |
| | 1,047,761 | 1,085,690 |
| Less Cash and cash equivalents | 678,895 | 474,160 |
| **Net debt** | **368,866** | **611,530** |

| | 1/1/2008 - 31/12/2008 EUR '000 | 1/1/2007 - 31/12/2008 EUR '000 |
|---|---|---|
| EBITDA: | | |
| Profit before tax | 472,155 | 239,647 |
| Financial income (expenses) (including loss on disposal of interest in subsidiaries) | 58,389 | (32,131) |
| Reversal of impairment of property, plant and equipment | – | (21,959) |
| Gain from sale of property, plant and equipment | (2,052) | (1,305) |
| Depreciation | 158,350 | 156,931 |
| Amortisation | 10,165 | 9,326 |
| **EBITDA** | **697,007** | **350,509** |
| **Gearing ratio** | **0.53** | **1.75** |

The Group's policy is to target a gearing ratio of 2.0 over the cycle (international standards of such gearing in the mining industry state the maximum at 3.5). The gearing ratio for the year ended 31 December 2008 and 31 December 2007 is calculated on an annual basis. The Company is required under the Syndicated Loan agreement to hold a gearing ratio of senior indebtedness below 2.75 and a gearing ratio of total indebtedness below 3.25. The Group is in compliance with these covenants.

## 20 Financial instruments (continued)

### Fair value

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

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

### Cash and cash equivalents, current investments

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

### Investments

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

### Receivables and Payables

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

### Share-based payments

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

### Short-term loans

The carrying amount approximates fair value because of the floating interest rate and the short period to maturity of those instruments.

### Bonds

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

### Long-term debt

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

### Derivatives

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

## 20 Financial instruments (continued)

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

| | 31/12/2008 | | 31/12/2007 | |
|---|---|---|---|---|
| | Carrying Value EUR '000 | Fair Value EUR '000 | Carrying Value EUR '000 | Fair Value EUR '000 |
| **Financial assets** | | | | |
| Fair value through profit & loss | | | | |
| Derivatives | 39 | 39 | 76,008 | 76,008 |
| Loans & receivables | | | | |
| Long-term receivables | 11,173 | 10,330 | 7,342 | 7,305 |
| Accounts receivable and prepayments | 201,671 | 201,671 | 159,296 | 159,296 |
| Available for sale | | | | |
| Other financial investments | – | N/A | 3,104 | N/A |
| Restricted cash | 28,885 | 28,885 | 24,160 | 24,160 |
| Cash and cash equivalents | 678,895 | 678,895 | 474,160 | 474,160 |

| | 31/12/2008 | | 31/12/2007 | |
|---|---|---|---|---|
| | Carrying Value EUR '000 | Fair Value EUR '000 | Carrying Value EUR '000 | Fair Value EUR '000 |
| **Financial liabilities** | | | | |
| Fair value through profit & loss | | | | |
| Derivatives | 9,012 | 9,012 | 226 | 226 |
| Other | | | | |
| Long-term loans | 661,961 | 661,961 | 723,856 | 723,856 |
| Bond issued (including accrued interest) | 293,191 | 139,571 | 292,082 | 260,733 |
| Other long-term liabilities | 752 | 752 | 200 | 200 |
| Accounts payable and accruals | 221,980 | 221,980 | 190,232 | 190,232 |
| Current portion of long-term loans | 66,835 | 66,835 | 66,823 | 66,823 |
| Short-term bank loans | 28,540 | 28,540 | 5,695 | 5,695 |
| Cash-settled share-based payments payable | 355 | 355 | – | – |

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

### 21 Cash and cash equivalents

Cash and cash equivalents comprise the following balance sheet amounts:

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

Cash at the bank earns interest at floating rates based on daily bank deposit rates. Certain bank accounts are used for cash pooling. Short-term deposits are made for varying periods, typically one or two weeks or shorter, depending on the immediate cash requirements of the Group, and earn interest at short-term deposit rates.

### 22 Accounts payable and accruals

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

### 23 Interest-bearing loans and borrowings

Long-term loans and borrowings:

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

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

* The margin rate can vary between 0.65% and 1.35% p.a. with respect to the actual leverage ratio.
** Includes also interest accrual for green shoe.

## 23 Interest-bearing loans and borrowings (continued)

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

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

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

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

Repayment schedule for long-term bank loans and borrowings:

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

Short-term loans and borrowings:

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

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

| Short-term bank loans | Currency | Effective interest rate | Maturity | 31/12/2008 EUR '000 |
|---|---|---|---|---|
| Overdraft | CZK | 1M PRIBOR+ 0.65% | 31.12.2009 | 18,604 |
| Overdraft | CZK | O/N PRIBOR + 0.5% | 20.7.2010** | 9,925 |
| Credit cards liability | CZK | 0%* | N/A | 11 |
| **Total short-term interest-bearing loans** | | | | **28,540** |

* Credit cards.
** Overdraft agreement is valid until 2010.

As of 31 December 2007:

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

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

## 24 Bond issued

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

## 25 Share capital and reserves

| | 31/12/2008 EUR '000 | 31/12/2007 EUR '000 |
|---|---|---|
| Share capital | 105,524 | 100,100 |
| Share premium | 54,971 | 3,679 |
| Restricted reserve | 124,180 | 129,990 |
| Equity-settled share-based payments | 8,037 | – |
| Hedging reserve | 34,328 | – |
| Retained earnings | 314,556 | 105,305 |
| Foreign exchange translation reserve | 4,728 | 38,389 |
| Total | 646,324 | 377,463 |
| Minority interests | – | – |
| **Equity total** | **646,324** | **377,463** |

### Share Capital

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

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

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

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

The amendment to the Articles of Association was approved on 21 December 2007, whereby the Company converted 4,000 ordinary (registered) shares into 4,000 B shares of EUR 1.00 each. The amendment states that the divisions are established and separately tracked with effect from 31 December 2007. An amount of EUR 90 million of the general share premium reserve and retained earnings in the amount of EUR 4,411,614 recorded in the standalone financial statements of the Company have been allocated to the Dividend Reserve B (see below) on 31 December 2007.

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

## 25 Share capital and reserves (continued)

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

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

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

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

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

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

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

### 25 Share capital and reserves (continued)

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

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

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

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

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

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

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

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

## 25 Share capital and reserves (continued)

### Share Premium

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

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

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

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

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

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

### Special liquidation reserve

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

### Restricted reserve

In accordance with Czech regulations, joint stock companies (“a.s.”) are required to establish an undistributable statutory reserve for contingencies against possible future losses and other events. Contributions must be at a minimum of 20% of after-tax profit in the first year in which profits are made and 5% of after-tax profit each year thereafter, until the fund reaches at least 20% of share capital. The fund can only be used to offset losses.

### Translation reserve

Translation reserve includes foreign exchange rate effects of translation of the balance sheet and the income statement from the functional currency to the presentation currency.

### Hedging reserve

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

## 25 Share capital and reserves (continued)

### Earnings per share

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

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

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

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

## 26 Provisions

The provision balances are as follows:

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

| | At 1 January 2007 EUR '000 | Charged EUR '000 | Utilised EUR '000 | Distribution of subsidiaries EUR '000 | Unwinding of discount EUR '000 | Change in the estimate EUR '000 | Currency translation EUR '000 | At 31 December 2007 EUR '000 |
|---|---|---|---|---|---|---|---|---|
| Restoration provision | 96,921 | 71 | (3,150) | (435) | 2,015 | (8,334) | 3,121 | 90,209 |
| Mining damage | 16,067 | 6,156 | (6,879) | – | – | – | 497 | 15,841 |
| Dukla Mine closure | 2,607 | – | (2,438) | – | – | – | (19) | 150 |
| Other restoration costs | 1,891 | 6 | (54) | – | – | – | 60 | 1,903 |
| **Total long-term provisions** | **117,486** | **6,233** | **(12,521)** | **(435)** | **2,015** | **(8,334)** | **3,659** | **108,103** |
| | | | | | | | | |
| Unpaid vacation | 3,499 | 6,642 | (6,253) | (764) | – | – | 98 | 3,222 |
| Buy-out (family houses) | 1,275 | 1,344 | (705) | – | – | – | 69 | 1983 |
| Dukla Mine closure | 10,302 | – | (7,050) | – | – | – | 36 | 3,288 |
| Employee redundancy | 19 | – | (16) | – | – | – | – | 3 |
| Other | 1,825 | 729 | (890) | (994) | – | – | 10 | 680 |
| **Total short-term provisions** | **16,920** | **8,715** | **(14,914)** | **(1,758)** | **–** | **–** | **213** | **9,176** |

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

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

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

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

## 27 Deferred revenue

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

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

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

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

## 28 Employee benefits

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

The Group's employee benefit scheme covers the legal requirements valid for the mining industry and other benefits concluded with the labour union in the general labour agreement. All benefits are unfunded. Most of them are paid annually and the amount depends on the length of working relationship with the employer or is compensating the health problems of the miners. The significant benefits are listed below.

| | 31/12/2008 EUR '000 | 31/12/2007 EUR '000 |
|---|---|---|
| Special miners benefits | 57,607 | 56,534 |
| Severance payment | 17,749 | 14,708 |
| Loyalty benefits | 11,523 | 12,908 |
| Employees' jubilee | 292 | 136 |
| Other long-term benefits | 1,017 | 1,348 |
| **Total employee benefits** | **88,188** | **85,634** |

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

## 28 Employee benefits (continued)

### Special miner's benefits

Length-of-service benefit for miners is paid to all employees in the mining profession once a year and is based on the length of employment relationship. The benefit is required by current legislation of the Czech Republic.

Special miner benefits are assigned to employees working underground once they achieve 100% of the highest allowable exposure to mine dust, in case of both position transfer or employment termination. Those bonuses are paid monthly, until the pension entitlement arises or the age of 60 is reached. The benefit is required by current legislation of the Czech Republic.

Health-related severance payment is based on the collective agreement of OKD, a.s. and its labour union. Entitled persons are employees whose employment relationship was dissolved owing to their inability for health reasons to continue performing their work and who are not entitled to receive other severance payment. This benefit is a one-time payment calculated as a multiple of average monthly wage in connection with years of service.

Retirement benefits are based also on a collective agreement of OKD, a.s. and its labour union and are paid to employees who terminate their employment contract upon becoming entitled to draw an old-age pension. The payment is a multiple of average monthly wage.

### Loyalty benefits

Stabilisation premiums are defined in the collective agreements of individual Group entities and belong to all current employees who are not entitled to length-of-service benefits for miners. This bonus is paid once a year and the amount is calculated based on the length of the uninterrupted service.

Length-of-service bonuses are defined in the collective labour agreements of individual Group entities and paid based on the specific provisions of collective agreements, tied to years of uninterrupted service. This benefit is designed as a one-time payment.

### Severance payments

Severance payments are based on Czech law. Entitled persons are employees whose employment relationship was dissolved owing to having achieved 100% of the highest allowable exposure to mine dust or occupational injury or incidence of occupational illness and inability to find another suitable position for them within the entity. The payment is made as a one-time disbursement.

Changes in the present value of the defined benefit obligation:

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

## 28 Employee benefits (continued)

### Severance payments (continued)

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

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

The principal financial and demographic assumptions used in determining post-employment benefits and other long-term employee benefits are shown below:

*Discount rate* – Discount rates are derived from the linear approximation of the yield curve of the Czech government bonds as of balance sheet date. Average period of payment is considered. Discount rates used for the calculation of employee benefits as of 31 December 2008 range between 4.1% – 4.4% p.a. (as of 31 December 2007: 4.7% – 4.9% p.a.).

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

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

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

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

## 29 Share-based payments

### a) Introduction to share-based payments of the Company

The cost of equity-settled transactions with employees is measured by reference to the fair value at the grant date and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. The fair value is determined by reference to the share price on the grant date. In valuing equity-settled transactions of the Company, no account is taken of any vesting conditions because no market conditions apply for vesting. At each balance sheet date before vesting the cumulative expense is calculated, representing the extent to which the vesting period has expired and of the number of equity instruments that will ultimately vest. The movement in cumulative expense compared to the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity or liability, based on the type of share-based scheme.

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

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

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

**29 Share-based payments (continued)**

**b) Shares granted to independent directors**

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

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

**c) Shares and share options granted to executive directors**

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

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

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

Executive director of the Company and Chief Executive Officer of OKD, Klaus-Dieter Beck is granted a certain amount of A shares according to his employment contract with OKD. This remuneration package classifies as an equity settled share-based payment transaction with cash alternative and is presented correspondingly as a short-term liability. The agreement specifies that Klaus-Dieter Beck will be granted 250,045 A shares every year, starting as of 1 July 2007, up to a maximum total amount of 1,250,225 A shares granted.

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

### 29 Share-based payments (continued)

#### d) Share options granted to employees of the Group

Certain employees and directors of the Group were granted options for A shares of the Company under the "NWR IPO Share Option Plan". This remuneration package classifies as equity settled. The options, which were granted on 9 May 2008, have an exercise price of GBP 13.25. The corresponding vesting period for these share options, numbering 619,878 in total, is 9 May 2008 to 9 May 2011.

Similarly to the option granted to Miklos Salamon, the fair value of the options per grant date was calculated by using the Black-Scholes model. Except for the share price and the exercise price, all the variables have the same value as used in the calculation of Miklos Salamon's options fair value. The share price used for the "NWR IPO Share Option Plan" was the offering price of the initial public offering which was GBP 13.25. The exercise price is GBP 13.25.

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

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

| Share-based remuneration schemes | 01/01/2008 - 31/12/2008 EUR '000 | 01/01/2007 - 31/12/2007 EUR '000 |
|---|---|---|
| Independent directors | 1,846 | – |
| Miklos Salamon | 8,090 | – |
| Klaus-Dieter Beck | 5,764 | – |
| Other | 595 | – |
| | **16,295** | **–** |

### 30 Deferred tax

| | 2008 EUR '000 | 2007 EUR '000 |
|---|---|---|
| Deferred tax asset: | | |
| At 1 January | 21,490 | 25,434 |
| Deferred tax charge for the period | 3,685 | (295) |
| Impact of changed deferred tax rate | (96) | (4,289) |
| Deferred tax movement – distribution in kind | (384) | – |
| Deferred tax movement – disposed subsidiary | (960) | – |
| Currency translation | (280) | 640 |
| **At 31 December** | **23,455** | **21,490** |
| Deferred liability: | | |
| At 1 January | 123,572 | 161,654 |
| Deferred income tax related to items charged or credited directly to equity: | | |
| Net loss on revaluation of cash flow hedges | 9,167 | – |
| Deferred tax charge for the period | (2,362) | (5,962) |
| Impact of changed deferred tax rate | (31) | (28,796) |
| Deferred tax movement – discontinued operations | – | (7,147) |
| Deferred tax movement – distribution in kind | (832) | – |
| Currency translation | (828) | 3,823 |
| **At 31 December** | **128,686** | **123,572** |
| **Deferred tax liability net** | **105,231** | **102,082** |
| out of which presented in the balance sheet | | |
| **Deferred tax asset** | **154** | **2,438** |
| **Deferred tax liability** | **105,385** | **104,520** |

Deferred tax presented in the balance sheet is stated net of liability and asset per individual consolidated entities. Deferred tax presented in the above table is stated per individual temporary differences.

## 30 Deferred tax (continued)

| | 31/12/2008 EUR '000 | 31/12/2007 EUR '000 |
|---|---|---|
| **Deferred tax asset relates to the following:** | | |
| Fixed assets | 154 | 1,399 |
| Allowances, adjustments and provisions | 6,800 | 3,880 |
| Employee benefits | 16,501 | 16,050 |
| Tax losses carried forward | – | 160 |
| Other | – | 1 |
| | **23,455** | **21,490** |

| | 31/12/2008 EUR '000 | 31/12/2007 EUR '000 |
|---|---|---|
| **Deferred taxes liability relates to the following:** | | |
| Fixed assets | 119,597 | 120,624 |
| Allowances, adjustments and provisions | 522 | 2,934 |
| Derivatives | 8,510 | – |
| Other | 57 | 14 |
| | **128,686** | **123,572** |

Tax losses to be carried forward and offset against future taxable income are available in New World Resources N.V. and in 2007 also in OKD, Bastro, a.s. Due to insufficient taxable revenues of the Company, deferred tax asset is not recognised from incurred tax losses.

| | 31/12/2008 EUR '000 |
|---|---|
| Tax losses arising in 2006 | 342 |
| Tax losses arising in 2007 | 40,036 |
| Tax losses arising in 2008 | 55,549 |
| | **95,927** |
| Deferred tax at the applicable rate of 25.5% (The Netherlands) | 24,461 |
| | |
| Provision for unrecognised deferred tax asset | (24,461) |
| **Deferred tax asset recognised in respect of tax losses carried forward** | **–** |

Amendment of Czech Income tax legislation enacted in 2007 lead to the change of the income tax rates as follows:
— 2008: 21%
— 2009: 20%
— from 2010 onwards: 19%

Deferred tax was calculated by using above the stated rates based on the expected period of settlement of the deferred tax. This resulted in reduction of deferred tax asset by EUR 96 thousand (in 2007 by EUR 4,289 thousand) and reduction of deferred tax liability by EUR 31 thousand (in 2007 by EUR 28,796 thousand).

### 31 Future commitments

The Group has the following commitments in respect of:

| | 2008 EUR '000 | 2007 EUR '000 |
|---|---|---|
| **Non-cancellable operating leases** | | |
| Instalments due within one year | 3,047 | 1,744 |
| Instalments due between two and five years | 12,519 | 5,550 |
| | **15,566** | **7,294** |
| **Acquisition of property, plant and equipment** | | |
| From third parties | 288,140* | 25,731 |

* see POP 2010 and COP 2010 description in Director´s Report.

The majority of operating lease contracts are concluded as indefinite term and short notice period. Leased items include equipment, land and buildings. There are none with term exceeding 5 years. Operating lease expense in 2008 was EUR 3,330 thousand (2007: EUR 1,487 thousand).

### 32 Contingent assets and liabilities

The Group has the following significant contingent assets and contingent liabilities as of 31 December 2008:

#### a) Transfer of certain old mines

Until 2000, OKD had concentrated all discontinued mines into a division called Odra Mine. The main purpose of this division was to supervise reclamation works at the closed mines and to administer claims and obligations towards current and former employees of the discontinued mining units. Effective 2002 OKD sold closed mines administration. Effective 2004, OKD sold mine Barbora to DIAMO s.p. At this time DIAMO, s.p. also assumed all of OKD's obligations vis-à-vis all its former employees. Simultaneously, ČMD sold its closed mines in the Kladno area to state owned Palivový kombinát Ústí, s.p. (''PKU'') in a similar transaction. By operation of law, OKD is the statutory guarantor of the obligations assumed by DIAMO and PKU existing at the time of the transfer.

#### b) Environmental issues

(i) OKD, a.s.:

In accordance with privatisations projects, the National Property Fund of the Czech Republic ("NPF") reimburses acquirers of privatised assets in respect of expenses incurred for the clean-up of environmental damage relating to the pre-privatisation period. In 1993, OKD, a.s. asked NPF to reimburse its expenses for cleaning-up damages in accordance with government decision No. 123 dated 17 March 1993. On 18 April 1996 contract no. 131/96 was concluded between NPF and OKD, a.s. relating to environmental issues in the area in the entity's ownership. Based on addendum to Environmental Contract No. 131/96 between the NPF (respectively Czech Ministry of Finance), OKD, a.s. and OKD, OKK, a.s. all rights and obligations concerning environmental issues were transferred to OKD OKK, a.s., as the fixed assets to which environmental issues relate, were concentrated in OKD, OKK, a.s.

(ii) OKD, OKK, a.s. :

The entity's assets include the grounds of the former ČSA coking plant located in Karviná-Doly. Coking operations were discontinued at 30 June 1997 and the grounds were classified by the Czech Ministry of the Environment as an old source of environmental burden. For this reason, an *Old environmental burden risk analysis* addressing the scope of contamination and restoration work was drawn up for this site in 1997-1998. Restoration works should be financed by the Czech Ministry of Finance (MF), which overtook liabilities of NPF (NPF ceased its activities). To date, no addendum to Environmental Contract No. 131/96 between the NPF (respectively Ministry of Finance) and OKD, a.s. on the updating of this risk analysis and the holding of a tender for an improvement work contractor has been executed.

The entity's assets include the grounds of the former Trojice coking plant in Slezská Ostrava. These grounds were classified as an old source of environmental burden and an *Old environmental burden risk analysis* is being drafted for it. Decontamination of the grounds is contingent on the conclusion of an addendum to Contract No. 131/96 between the NPF and OKD, a.s.

The entity operates the grounds of the Svoboda and Šverma coking plants for which risk analyses are being drafted to address post-operations improvement work. The exact time-frame, percentage share of the state in eradicating past damage and the value and duration of the contingent liabilities accrual are not yet known.

## 32 Contingent assets and liabilities (continued)

**(iii)** In 2007, by performing de-merger of part of assets of OKD, a.s., as of 1 July 2007, fixed assets to which environmental issues relate were concentrated in OKD, OKK, a.s. and NWR Coking, a.s.

**(iv)** In 2008, by performing merger of OKD, OKK, a.s. and NWR Coking, a.s., as of 1 January 2008, fixed assets to which environmental issues relate were concentrated in OKD, OKK, a.s.

### c) Claims and litigations

Claims in connection with purchases of certain minority shares in ČMD, a. s., METALIMEX a. s. (former subsidiaries of OKD, a.s.) and OKD, a.s.:

— Petition to review the appropriateness of consideration for shares of ČMD, a. s. (court in Ostrava) – on 8 November 2008 claimant gave an appeal.
— Petition to review the appropriateness of consideration for shares of OKD, a.s. was rejected by the court in January 2009. The petitioner is expected to give an appeal.
— Petition to review the appropriateness of consideration for shares of METALIMEX a.s. – first hearing assigned on 21 January 2009 was postponed while petitioner is expected to submit appropriate evidence for his claim.
— Petition to review the appropriateness of consideration for shares of ČMD, a. s. (court in Prague) – in 2008 entitled entities were defined by court. OKD is currently preparing its opinion. Court in its decision on 6 June 2008 decided that legal successors of OKD, a.s. that ceased to exist (ID: IČ 26863154) are: OKD, a.s. (ID: IČ 26863154), Green Gas DPB, a.s., OKD, Doprava, akciová společnost, RPG Byty, s.r.o. RPG RE Commercial, s.r.o. RPG RE Land, s.r.o. and RPG Trading, s.r.o.
— Litigation between claimant OKD, a.s. and defendant Financial Directorate in Ostrava – action against decision issued by administrative body according to the Act No. 150/2002 Coll. Under action OKD, a.s. enforces cancellation of decision issued by Financial Directorate in the affairs of income tax for tax period 1 July 2006 – 31 December 2006. Litigation is still in progress.
— Mr. and Mrs Macura filed an action for damages caused by mining activity of OKD, a.s. The value of the claim is EUR 4 thousand and might be increased by additional EUR 376 thousand. Several proceedings already took place. Expert's opinion has been elaborated. During 2008 OKD tried to settle this litigation out of court, but on the basis of claimant's position this effort has failed.
— Litigation between claimant, Ing. Vilém Sikora and defendant, OKD, a.s. from February 2006 concerning action for damages of claimant's properties caused by mining activity in Karviná – Doly. Mr. Sikora claims EUR 447 thousand as compensation for the damage. In 2008 was prepared expert's report, while OKD will propose to prepare another expert's report.
— Litigation between claimants, Ing. Larisa Gerychová and Ing. Aleš Gerych and defendant, OKD, a.s. After lose of the son, who died as a result of work injury OKD, a.s. is claimed EUR 400 thousands as a compensation of non-property rights in money. OKD, a.s. refuses its responsibility and argues that all legal claims were covered arises from union contract and law. On 2 July 2008 the court has rejected the petition of claimants. The claimants gave an appeal.
— Litigation between claimants, Prague Investment Holdings (Cyprus), Prague Capital Partners Limited, Blanet-Shop, s.r.o. and defendants, OKD, a.s. and Prosper Trading, a.s. concerning action for damages at the amount of EUR 256 thousand and EUR 536 thousand. The damage was caused by acting in concert in 1997 when defendants purchased shares of company Moravskoslezské teplárny at lower price (CZK 800 per shares) than at price for which the shares would be sold when offered publicly to shareholders. In 2008 the court has rejected the petition of claimants. The claimants gave an appeal. New proceeding was not set yet.

No provision has been set up as of 31 December 2008 for the litigations. At the financial statements' preparation date, based on advice of counsel, the management of the Group believes that the litigations have no significant impact on the Group's financial position as of 31 December 2008.

### d) Guarantee bills of exchange

As of 31 December 2008 there were following off balance sheet liabilities:
— guarantee bills of exchange for coal delivery System S.A. – Kombinát Koksochemiczny, Zabrze of EUR 2,505 thousand; and
— guarantee bill of exchange for short-term bank loan of EUR 18,604 thousand.

As of 31 December 2007 there were following off-balance sheet liabilities:
— guarantee bills of exchange for coal delivery of EUR 1,600 thousand; and
— guarantee bill of exchange for short-term bank loan of EUR 42,750 thousand.

## 33 Other material matters

### a) Dominance agreement

Dominance agreements were concluded for indefinite period between OKD as the "Controlling person" and OKD, OKK, a.s. as the "Controlled person" and is in force for the whole year 2008. No other dominance agreements are in force in 2008.

Under this agreement, the Controlled person, to the extent permitted by law, is subject to the sole control of the Controlling person. The Controlling person is authorised to impose written instructions on the Controlled person in all matters within the remit of the statutory body, even instructions that may be disadvantageous to the Controlled person, if they are in the interest of the Controlling person or another person with which the Controlling person forms a concern. Instructions from the Controlling person may not contravene the legal regulations or the Articles of Association of the Controlled person. The dominance agreement includes the obligation of indemnification and the obligation to settle losses if, for duration of the agreement's validity, the Controlled person finishes a year with a loss according to its financial statements that have been independently audited and then approved by the sole shareholder (acting in the capacity of the General Meeting).

No direct benefits arise to the Controlling person from the dominance agreement.

### b) Programme COP 2010

The Coking Plant Optimisation Programme (COP 2010) at OKK continues on schedule.

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

Preparatory works for the construction of the new No.10 coking battery at the Svoboda plant started in summer 2008 and are proceeding according to plan. The Company will continue with the project and expects it now to be finalised within the next two years.

Future commitments (see note 32) relating to acquisition of property, plant and equipment relating to COP 2010 amount to EUR 55,096 thousand.

### c) Agreement in principle to issue tracking stock over certain real estate assets in the Company

In addition to mining assets, the Company, through OKD and other subsidiaries, is the owner of a significant portfolio of real estate on which its mines have been developed. Under Czech mining laws any real estate necessary for the mining activities of OKD must remain under OKD's ownership for the duration of all mining activities.

In order to provide higher transparency to the mining and real estate assets, the Company decided to separate the real estate of the Group into a new division and to issue a new security – B Class shares – to track the financial performance of the Real Estate Division as of 31 December 2007. Procedures and safeguards will be built-in to the provisions of the A and B shares in the Company to ensure that each shareholder class is fairly treated. From 1 January 2008 the divisions are operated separately for accounting and reporting purposes to reflect the results of operations and the financial position of each division and provide relevant information to the holders of the A and B Class share. The chief operating decision maker for the two reportable segments is the board of directors of the Company, advised by a separate committee of the board composed of independent directors. All of the B shares were issued to RPG Industries SE. See also Note 3 and Note 25.

## 34 Subsequent events

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

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

## Non-consolidated income statement prepared in accordance with IFRS as adopted by the European Union
for the year ended 31 December 2008



### Non-consolidated income statement

| | Note | 1 January 2008 – 31 December 2008 EUR '000 | 1 January 2007 – 31 December 2007 EUR '000 |
|---|---|---|---|
| Operating revenue | 37 | 1,214 | 704 |
| Operating expenses | 38 | (33,401) | (23,711) |
| Operating result | | (32,187) | (23,007) |
| Financial result | 39 | (34,235) | (11,615) |
| **Income before taxation** | | (66,422) | (34,622) |
| | | | |
| Write-off investments/receivables | | – | (197) |
| Dividend income subsidiaries | 40 | 244,279 | 68,033 |
| Result on subsidiary | | – | 35,101 |
| | | 244,279 | 102,937 |
| **Net profit/(loss) before taxation** | | 177,857 | 68,315 |
| | | | |
| Income tax expense | 41 | (22) | – |
| **Total net profit/(loss) after tax for the period** | | **177,835** | **68,315** |
| | | | |
| Attributable to: | | | |
| **Shareholders of the company** | | 177,835 | 68,315 |

## Non-consolidated balance sheet prepared in accordance with IFRS as adopted by the European Union
as of 31 December 2008

### Non-consolidated balance sheet

| | Note | 31 December 2008 EUR '000 | 31 December 2007 EUR '000 |
|---|---|---|---|
| **Assets** | | | |
| Investments in subsidiaries | 43 | 1,200,819 | 1,077,978 |
| Property, plant and equipment | 42 | 12,825 | 227 |
| Total non-current assets | | 1,213,644 | 1,078,205 |
| Interest receivable | 44 | 315 | 223 |
| Accounts receivable and prepayments | 45 | 26,079 | 5,742 |
| Cash and cash equivalents | 46 | 175,020 | 216,523 |
| Total current assets | | 201,414 | 222,488 |
| **Total assets** | | **1,415,058** | **1,300,693** |
| | | | |
| **Equity and liabilities** | | | |
| Shareholders' equity | | | |
| Share capital | 47 | 105,524 | 100,100 |
| Share premium | 48 | 493,398 | 531,984 |
| Share-based payments | 49 | 8,037 | – |
| Retained earnings | 50 | 166,872 | 62,901 |
| Equity attributable to the shareholders of the company | | 773,831 | 694,985 |
| | | | |
| **Liabilities** | | | |
| Bond issued | 52 | 290,425 | 289,316 |
| Long-term loans | 53 | 301,213 | 301,785 |
| Total non-current liabilities | | 591,638 | 591,101 |
| | | | |
| Interest payable | 54 | 5,342 | 5,057 |
| Tax payable | 55 | 405 | 37 |
| Accounts payable and accruals | 56 | 43,842 | 9,513 |
| Total current liabilities | | 49,589 | 14,607 |
| Total liabilities | | 641,227 | 605,708 |
| **Total equity and liabilities** | | **1,415,058** | **1,300,693** |

# Non-consolidated statement of changes in equity prepared in accordance with IFRS as adopted by the European Union
for the year ended 31 December 2008

## Non-consolidated statement of changes in equity
For the twelve months ended 31 December 2007

| | Share capital EUR '000 | Share premium EUR '000 | Restricted reserve EUR '000 | Share-based payments EUR '000 | Retained earnings EUR '000 | Total EUR '000 |
|---|---|---|---|---|---|---|
| 1 January 2007 | 100,018 | 1,578,296 | 206,111 | – | (5,414) | 1,879,011 |
| Release part of restricted reserve to share premium | – | 206,111 | (206,111) | – | – | – |
| Increase of share capital | 82 | – | – | – | – | 82 |
| Increase of share premium | – | 3,679 | – | – | – | 3,679 |
| Distribution in kind to shareholder | – | (179,342) | – | – | – | (179,342) |
| Dividends paid | – | (1,076,760) | – | – | – | (1,076,760) |
| Net profit for the period | – | – | – | – | 68,315 | 68,315 |
| **31 December 2007** | **100,100** | **531,984** | **–** | **–** | **62,901** | **694,985** |

For the twelve months ended 31 December 2008

| | Note | Share capital EUR '000 | Share premium EUR '000 | Restricted reserve EUR '000 | Share-based payments EUR '000 | Retained earnings EUR '000 | Total EUR '000 |
|---|---|---|---|---|---|---|---|
| 1 January 2008 | | 100,100 | 531,984 | – | – | 62,901 | 694,985 |
| Distribution of share premium | 48 | – | (251,550) | – | – | – | (251,550) |
| Issuance 13.5M share A re IPO | 47,48 | 5,400 | 211,788 | – | – | – | 217,188 |
| Issuance 59,620 shares A re indep directors | 47,48 | 24 | 1,176 | – | – | – | 1,200 |
| Shares/options granted to employees | 49 | – | – | – | 8,037 | – | 8,037 |
| Interim dividends | 48 | – | – | – | – | (73,864) | (73,864) |
| Net profit for the period | | – | – | – | – | 177,835 | 177,835 |
| **31 December 2008** | | **105,524** | **493,398** | **–** | **8,037** | **166,872** | **773,831** |

## Non-consolidated cash flow statement prepared in accordance with IFRS as adopted by the European Union
for the year ended 31 December 2008

### Non-consolidated cash flow statement

| | Note | 1 January 2008 - 31 December 2008 EUR '000 | 1 January 2007 - 31 December 2007 EUR '000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit before taxation | | 177,857 | 68,315 |
| Adjustments for: | | | |
| Depreciation | 38 | 661 | 37 |
| Amortisation costs bond issue | 39 | 1,109 | – |
| Amortisation costs green shoe | 39 | 326 | – |
| Change in book value of subsidiaries | | – | (35,101) |
| Dividend income | 40 | (244,279) | – |
| Interest expense/(revenue), net | 44,54 | 31,931 | 13,179 |
| Share-based payments | 49 | 10,531 | – |
| Unrealised foreign exchange gains on long-term borrowings | 53 | (888) | – |
| Write-off interest on long-term loans provided to subsidiaries | | – | 197 |
| **Profit before working capital changes** | | **(22,752)** | **46,627** |
| (Decrease)/Increase accounts payable and accruals | 56 | 28,329 | 12,319 |
| (Increase)/Decrease accounts receivable and prepayments | 45 | (23,303) | (3,935) |
| (Increase)/Decrease tax payable | 55 | 368 | (574) |
| Other non-cash movements | | 938 | (2,227) |
| Cash generated from operating activities | | 6,333 | 5,583 |
| **Net cash flows from operating activities** | | **(16,419)** | **52,210** |
| | | | |
| **Cash flows from investing activities** | | | |
| Increase/(Decrease) loan provided to shareholder | | – | 1,237 |
| Purchase of tangible fixed assets | 42 | (13,258) | (264) |
| Share capital increase in subsidiaries | 43 | (177,939) | (163,177) |
| Prepayment to increase investment in KARBONIA PL | 43 | (24,081) | – |
| Interest received | 44 | 8,836 | 6,419 |
| Dividends received | 40 | 236,584 | 825,298 |
| **Net cash flows used in investing activities** | | **30,142** | **669,513** |
| | | | |
| **Cash flows from financing activities:** | | | |
| Proceeds from issued shares | 47 | 219,078 | – |
| Activation IPO transaction costs | 47 | (1,890) | – |
| Dividends paid in cash | 48 | (235,536) | (1,076,760) |
| Interest paid | | (40,575) | (15,041) |
| Cash inflows from bond issued (net of fee) | | – | 288,680 |
| Proceeds of long-term borrowings (net of fee) | | – | 301,667 |
| Increase/(Decrease) loans from related parties | | – | (1,480) |
| Increase/(Decrease) short-term loan bank | | – | (6,913) |
| **Net cash flows used in financing activities** | | **(58,923)** | **(509,847)** |
| | | | |
| Net increase in cash and cash equivalents | | (45,201) | 211,876 |
| Effect of exchange rate fluctuations on cash held | | 3,697 | 3,097 |
| Cash and Cash Equivalents at the beginning of period | | 216,523 | 1,550 |
| **Cash and Cash Equivalents at the end of period** | 46 | **175,020** | **216,523** |

## 35 General information

### Corporate Information

New World Resources N.V. ("the Company", "NWR") is a public limited liability company with its registered seat at Jachthavenweg 109h, 1081 KM Amsterdam.

### Statement of compliance

The non-consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with the requirements of Book 2 Title 9 of the Netherlands' Civil Code.

### Basis of preparation

The non-consolidated financial statements are presented in Euros (EUR), rounded to the nearest thousand, which is the functional currency of the Company. They are prepared on the historical cost basis.

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

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

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

## 36 Summary of significant accounting policies

### a) Basis of preparation

The financial statements include the accounts of New World Resources N.V.

The investments in subsidiaries are stated at historic cost.

The Company currently does not expect that the new standards and interpretations would have a significant effect on the Company's results and financial position.

### b) Principles for preparation of the cash flow statement

Cash flow is presented using the indirect method. Net cash flows from operating activities are reconciled from profit before tax from continuing operations. Interest received is classified as an investing activity, it mainly relates to deposits. Interest paid is classified as a financial activity on the holding level as it is used to finance the activities of the whole group.

### c) Foreign currency

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to functional currency at the foreign exchange rates which approximate rates ruling at the dates the values were determined. Foreign exchange differences arising on translation are recognised in the income statement.

## 36 Summary of significant accounting policies (continued)

### d) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy m). Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The cost also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that it is recognised as a provision under IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

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

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

(ii) Leased assets

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

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

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

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

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

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

(iii) Subsequent expenditure

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

(iv) Depreciation

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

The estimated useful lives are as follows:

| | |
|---|---|
| — Buildings | 30-45 years |
| — Plant and equipment | 4-15 years |
| — Other | 3-4 years |

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

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

## 36 Summary of significant accounting policies (continued)

### e) Intangible assets

(i) Intangible assets

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

(ii) Amortisation

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

### f) Trade and other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement receivables are subsequently carried at their amortised cost using the effective interest method less any allowance for impairment (see accounting policy m).

### g) Inventories

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

### h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and investments in marketable securities that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (with original maturity of three months and less).

### i) Impairment

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

(i) Calculation of recoverable amount

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

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

## 36 Summary of significant accounting policies (continued)

### i) Impairment (continued)

#### (ii) Reversals of impairment

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

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

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and Amortisation, if no impairment loss had been recognised.

### j) Interest-bearing borrowings

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

### k) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### l) Trade and other payables

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

### m) Revenue

#### (i) Goods sold and services rendered

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

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

### n) Expenses

#### (i) Operating lease payments

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

## 36 Summary of significant accounting policies (continued)
### n) Expenses (continued)
(ii) Net financing costs
Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income and foreign exchange gains and losses.

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

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

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

Current tax liability is calculated in accordance with the tax regulation of the Netherlands and is based on the income or loss reported under local accounting regulations, adjusted for appropriate permanent and temporary differences from taxable income.

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

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

### o) Segment reporting
The Company is a holding company. There are no distinguishable segments on the level of the holding company. Segments are reported only in consolidated financial statements of the Company and its subsidiaries.

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

### q) Share-based payment transactions
(i) Stock options granted to employees
Certain employees and directors of the Group were granted options for A shares of the Company under the "NWR IPO Share Option Plan" and the "NWR Stock Option Plan for Executive Directors". The remuneration package classifies as equity settled. The options under the NWR IPO Share Option Plan were granted on 9 May 2008. The corresponding vesting period for these share options, numbering 619,878 in total, is 9 May 2008 to 9 May 2011. The options under the NWR Stock Option Plan for Executive Directors were granted on 1 September 2008. The number of these options equals to 0.5% of the issued A shares of the Company. The number of options equal to 0.1% of the issued A shares shall vest at each anniversary of his employment, the first vesting date being 1 September 2008. The options that vested on 1 September 2008 were exercised on 25 November 2008. The grant date fair value of all options granted is gradually recognised as personnel expense, with a corresponding increase in equity, over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to vest in the future.

(ii) Shares granted to directors
Certain directors of the Company are granted with a variable number of shares determined by a fixed amount representing the fair value of the shares granted. These are recognised as directors' remuneration, with a corresponding increase in liability, over the period that the directors become entitled to the shares. The amount recognised as an expense reflects the expired portion of the vesting period. At settlement date the fair value is re-measured and recognised as an expense.

## 37 Operating revenue

| | 1/1/2008 – 31/12/2008 EUR '000 | 1/1/2007 – 31/12/2007 EUR '000 |
|---|---|---|
| Service fee OKD | 600 | 600 |
| Service fee NWRT | 102 | 45 |
| Service fee RPGRE | 32 | 12 |
| Service fee GGI | 56 | – |
| Operational lease equipment OKD | 360 | – |
| Office rent (sub-lease) | 64 | 47 |
| | **1,214** | **704** |

The Company has entered into agreements with related parties OKD, a.s. ("OKD"), New World Resources Transportation B.V. ("NWRT"), Green Gas International B.V. ("GGI") and RPG Real Estate B.V. ("RPGRE") for the providing of advisory and holding services.

Operational lease of equipment refers to the lease revenues from Company-owned mining equipment which is leased to OKD. The lessee OKD uses the equipment in regular mining operations.

Office rent relates to revenues from sub-leasing part of the Company's office space to third parties.

## 38 Operating expenses

| | 1/1/2008 – 31/12/2008 EUR '000 | 1/1/2007 – 31/12/2007 EUR '000 |
|---|---|---|
| Salary expenses | 2,772 | 3,833 |
| Personnel expenses | 561 | 181 |
| Share-based payments | 10,531 | – |
| Legal fees | 7,017 | 446 |
| Audit fees | 2,170 | 389 |
| Advisory fees | 7,089 | 17,407 |
| Service expenses other | 968 | – |
| Consumption of material and energy | 35 | 86 |
| Depreciation | 661 | 37 |
| Donation | 1,013 | 75 |
| Write-off receivable | – | – |
| Other operating expenses | 585 | 1,258 |
| | **33,401** | **23,711** |

Share based payments refer to shares granted to independent directors and options granted to certain employees. The granting procedure includes a vesting period in which certain operational and/or financial targets need to be achieved for shares or options actually to be granted. In 2008 one tranche of granted and vested options has been exercised resulting in costs of EUR 5,077 thousands. Accrued expenses till 31 December 2008 for share-based payments amount to EUR 5,454 million. See note 49 for additional information on share-based payments.

During the year 2007 the Company employed an average of 7 employees. In 2008 the Company employed an average of 11 employees.

## 39 Financial result

| | 1/1/2008 – 31/12/2008 EUR '000 | 1/1/2007 – 31/12/2007 EUR '000 |
|---|---|---|
| Interest income | 8,929 | 6,839 |
| Interest expense | (40,860) | (20,016) |
| Guarantee fee income | 961 | 846 |
| Guarantee fee expense | (2,065) | (752) |
| Amortisation costs bond issue | (1,109) | (636) |
| Amortisation costs green shoe | (326) | (118) |
| Bank charges | (30) | (2,170) |
| Currency exchange result | 265 | 4,392 |
| | **(34,235)** | **(11,615)** |

## 40 Dividend income subsidiaries

| | 1/1/2008 – 31/12/2008 EUR '000 | 1/1/2007 – 31/12/2007 EUR '000 |
|---|---|---|
| OKD | 244,279 | 65,708 |
| Green Gas DPB, a.s. | – | 2,325 |
| | **244,279** | **68,033** |

## 41 Income tax expense

Due to the fact that the Company suffered a taxable loss during the period 1 January 2008 until 31 January 2008, no corporate income tax is due. Losses carried forward amount to EUR 95,927 thousand as at 31 December 2008, consisting of a loss of EUR 342 thousand for the period 29 December 2005 until 31 December 2006, a loss of EUR 40,036 thousand for the period 1 January 2007 until 31 December 2007 and a loss of EUR 55,549 for the period 1 January 2008 until 31 December 2008.

The reconciliation between net profit before taxation as at 31 December 2008 and tax loss as at 31 December 2008 can be detailed as follows.

| | EUR '000 |
|---|---|
| Net profit before taxation 2008 | 177,857 |
| Non-taxable dividend income subsidiaries | (244,279) |
| Non-deductible costs related to stock options and charges granted to employees | 10,531 |
| Non-deductible mixed costs | 36 |
| Linear amortisation bond issue costs | 306 |
| Taxable loss 2008 | (55,549) |

## 42 Property, plant and equipment

| | 31/12/2008 EUR '000 | 31/12/2007 EUR '000 |
|---|---|---|
| As of 1 January 2008 | 227 | – |
| Purchase | 9,994 | 264 |
| Assets under construction | 3,265 | – |
| Depreciation charge | (661) | (37) |
| **As of 31 December 2008** | **12,825** | **227** |

The presented amounts relate primarily to mining equipment which the Company owns and has leased through an operational lease to OKD. According to the Company's accounting policies, mining equipment is recognised as a tangible fixed asset only after it has been delivered and commissioned. The mentioned equipment is delivered by the manufacturers Sandvik and Deilmann-Haniel Mining systems.

The amount recognised as assets under construction refers to the delivered part under the equipment contract with Sandvik. This is presented as assets under construction because it was not commissioned as of 31 December 2008.

Next to the mentioned mining equipment the tangible fixed assets amount also includes various electronic office equipment and office furniture.

## 43 Investments in subsidiaries

The investments in subsidiaries can be detailed as follows:

| | 31/12/2008 EUR '000 | 31/12/2007 EUR '000 |
|---|---|---|
| OKD, a.s. (100%) | 984,551 | 1,005,910 |
| OKD, OKK, a.s. (100%) | 71,916 | – |
| KARBONIA, PL Sp. z o.o. (100%) | 31,629 | – |
| NWR Energy, a.s. (100%) | 112,708 | – |
| Energetyka PL Sp. z o.o. (100%) | 15 | – |
| NWR Coking, a.s. (100%) | – | 71,916 |
| Dukla Industrial Zone, a.s. (100%) | – | 76 |
| RPG RE Property, a.s. (100%) | – | 76 |
| | **1,200,819** | **1,077,978** |

As of 31 December 2008, the shares of OKD are pledged in favour of Citibank Europe plc, organizační složka, Czech Republic.

The movements in the investment in OKD, a.s. can be detailed as follows:

| | EUR '000 |
|---|---|
| As of 1 January 2008 | 1,005,910 |
| Capitalisation promissory notes | 2,966 |
| Contribution Bucyrus DBT equipment contract | 157,556 |
| Real Estate Spin-off | (87,994) |
| Contribution Sandvik equipment contract | 18,736 |
| ENDO Spin-off | (112,623) |
| **As of 31 December 2008** | **984,551** |

During the first half of 2008 the investment in OKD increased in two steps. The first step was completed through capitalisation of promissory notes held by the Company, issued originally by OKD. The second step was completed through the contribution of the purchase contract between the Company and Bucyrus DBT (POP2010 project). The Company contributed all rights and obligations under the contract other than the obligation to pay all the components of the purchase price and the obligations directly related to such obligation to pay the purchase price. The value of the contribution was determined by an independent expert's valuation.

## 43 Investments in subsidiaries (continued)

With effective date 1 January 2008 OKD's 100% share in OKD, Rekultivace, a.s., OKD's 49% share in Garáže Ostrava, a.s. and OKD's internal business unit IMGE were spun-off from OKD into four legal entities ("Real Estate Spin-off"). The four entities are RPG RE Property, a.s., Dukla Industrial Zone, a.s, RPG Rekultivace, a.s. and RPG Garáže, a.s. The Company as the sole shareholder has approved the project of the spin-off from OKD, a.s., acting as the sole shareholder of the new entities. The control at the Company level did not change. The values of the spun-off property were determined in an expert's valuation report. These values were used for the split of the investment in OKD. The Company distributed these four entities together with certain promissory notes received from sale of real estate assets not used for mining activities of the Group to the holders of B shares in August 2008.

During the second half of 2008 changes in the investment in OKD occurred twice. The investment was increased due to the contribution of the purchase contract between the Company and Sandvik (POP 2010 project). The Company contributed all rights and obligations under the contract other than the obligation to pay all the components of the purchase price and the obligations directly related to such obligation to pay the purchase price. The value of the contribution was determined by an independent expert's valuation.

The second change in the OKD investment reflects the spin-off of NWR Energy, a.s. with effective date 1 July 2008 ("ENDO Spin-off"). NWR Energy, a.s. was established in the second quarter of 2008 as a special purpose vehicle. The entity's purpose is to manage and operate energy assets spun-off from OKD.

The movements in the investment in Dukla Industrial Zone, a.s. can be detailed as follows:

| | EUR '000 |
|---|---|
| As of 1 January 2008 | 76 |
| Spin-off OKD real estate | 19,187 |
| Real estate dividend B shares | (19,263) |
| **As of 31 December 2008** | **–** |

The increase in the investment in Dukla Industrial Zone, a.s. is due to above mentioned spin-off of real estate from OKD. On 30 September 2008 the Company distributed the entity Dukla Industrial Zone, a.s. to the holders of B shares.

The movements in the investment in RPG RE Property, a.s. can be detailed as follows:

| | EUR '000 |
|---|---|
| As of 1 January 2008 | 76 |
| Spin-off OKD real estate | 42,557 |
| Real estate dividend B shares | (42,633) |
| **As of 31 December 2008** | **–** |

The increase in the investment in RPG RE Property, a.s. is due to above mentioned spin-off of real estate from OKD. On 30 September 2008 the Company distributed the entity RPG Property, a.s. to the holders of B shares.

The movements in the investment in RPG Rekultivace, a.s. can be detailed as follows:

| | EUR '000 |
|---|---|
| As of 1 January 2008 | – |
| Spin-off OKD real estate | 22,967 |
| Real estate dividend B shares | (22,967) |
| **As of 31 December 2008** | **–** |

The increase in the investment in RPG Rekultivace, a.s. is due to above mentioned spin-off of real estate from OKD. On 30 September 2008 the Company distributed the entity RPG Rekultivace, a.s. to the holders of B shares.

## 43 Investments in subsidiaries (continued)

The movements in the investment in RPG Garáže, a.s. can be detailed as follows:

| | EUR '000 |
|---|---|
| As of 1 January 2008 | – |
| Spin-off OKD real estate | 3,283 |
| Real estate dividend B shares | (3,283) |
| **As of 31 December 2008** | **–** |

The increase in the investment in RPG Garáže, a.s. is due to above mentioned spin-off of real estate from OKD. On 30 September 2008 the Company distributed the entity RPG Garáže, a.s. to the holders of B shares.

The movements in the investment in KARBONIA PL, Sp. z o.o. can be detailed as follows:

| | EUR '000 |
|---|---|
| As of 1 January 2008 | – |
| Acquisition | 7,548 |
| Prepayment to increase investment | 24,081 |
| **As of 31 December 2008** | **31,629** |

On 16 January 2008, the Company acquired KARBONIA PL, Sp. z o.o. from OKD. The fair value for the transaction was determined by an independent expert at CZK 196,645 thousand (EUR 7,548 thousand). The control at the Company level did not change. In November 2008 a prepayment was made of PLN 100,019 thousand (EUR 24,081 thousand) to increase the investment in KARBONIA PL, which will be formalized in 2009.

The movements in the investment in NWR Energetyka PL Sp. z o.o. can be detailed as follows:

| | EUR '000 |
|---|---|
| As of 1 January 2008 | – |
| Acquisition | 15 |
| **As of 31 December 2008** | **15** |

NWR Energetyka PL Sp. z o.o. is a special purpose vehicle established in the second quarter of 2008. The purpose of the entity is to manage and operate energy assets, which will be spun-off from KARBONIA PL, Sp. Z o.o. in the first half of 2009. The entity does not perform any other activities than those related to this purpose.

The movements in the investment in NWR Energy, a.s. can be detailed as follows:

| | EUR '000 |
|---|---|
| As of 1 January 2008 | – |
| Acquisition | 85 |
| Spin-off Endo | 112,623 |
| **As of 31 December 2008** | **112,708** |

NWR Energy, a.s. is a special purpose vehicle established in the second quarter of 2008. The purpose of the entity is to manage and operate energy assets spun-off from OKD in the second half of the year 2008.

## 44 Interest receivable

The interest receivable relates to interest receivable on short-term deposits held with Citibank, Van Lanschot Bankiers, ING Bank and Barclays as at 31 December 2008.

### 45 Accounts receivable and prepayments

The accounts receivable and prepayments can be detailed as follows:

| | 31/12/2008 EUR '000 | 31/12/2007 EUR '000 |
|---|---|---|
| Prepayments for tangible fixed assets | 22,349 | – |
| Prepayments for long-term investments | 1,767 | – |
| Guarantee fee prepaid | 888 | 763 |
| VAT receivable | 82 | 606 |
| Service fee receivable | 21 | 7 |
| Advisory fee receivable | 50 | 393 |
| Insurance fee receivable | 1 | 49 |
| Other prepaid expenses | 921 | 460 |
| Promissory notes held towards OKD | – | 2,921 |
| Receivable from creditors for overcharged amounts | – | 543 |
| | 26,079 | 5,742 |

Prepayments for tangible fixed assets refer to amounts paid to Bucyrus DBT and Sandvik for mining equipment which has not been delivered yet. Prepayments for long-term investments refer to payments to KARBONIA PL, Sp. Z o.o. and Provide, s.r.o. in anticipation of future increase in the ownerships in these entities.

The amount stated as guarantee fee prepaid relates to payments made to OKD for being a loan guarantor, and guarantee payments made to office and apartment rental agencies.

The tax receivable relates to the VAT reclaimed from the Dutch tax authorities. Other prepaid expenses relate to payments for legal liability insurances for Company's directors and officers and to payments for office rent.

### 46 Cash and cash equivalents

Cash and cash equivalents relate to several bank accounts with Rabobank in the Netherlands (EUR, CZK and GBP account), Bank Mendes Gans in the Netherlands (EUR, CZK, PLN and GBP account),Citigroup (EUR account) in the Netherlands, Barclays in Switzerland (EUR, GBP, CZK and USD account) and cash in hand. The fair value is equal to the carrying value.

### 47 Share capital

Based on the amended Articles of Association of the Company, dated 21 December 2007, the number of authorised shares increased to 450,000,000. As of 31 December 2007 the issued capital consisted of 100,096,000 ordinary A shares of EUR 1 each and 4,000 B shares of EUR 1 each. The following movements in issued share capital occurred during 2008:
- on 5 May 2008 the issued and outstanding 100,096,000 A shares of the Company with a nominal value of EUR 1.00 were converted into 250,240,000 A shares with a nominal value of EUR 0.40;
- on 5 May 2008 the issued and outstanding 4,000 B shares of the Company with a nominal value of EUR 1.00 were converted into 10,000 B shares with a nominal value of EUR 0.40;
- subsequently on 5 May one C share was created through the conversion of one A share with a nominal value of EUR 0.40;
- on 9 May 2008, at the Initial Public Offering of New World Resources N.V. 13.5 million A shares, with a nominal value of EUR 0.40 each, were issued. Correspondingly, the share capital was increased with EUR 5.4 million;
- on 16 May 2008, the Company issued 59,260 A shares to be granted to its independent directors. This resulted in a share capital increase of EUR 24 thousand.
- On 31 July 2008 the one C share outstanding was cancelled.

As of 31 December 2008 the issued capital consists of 263,799,259 ordinary A shares of EUR 0.40 each, and 10,000 B shares of EUR 0.40 each.

### 48 Share premium

The movements in the share premium can be detailed as follows:

| | 01/01/2008 – 31/12/2008 EUR '000 | 01/01/2007 – 31/12/2007 EUR '000 |
|---|---|---|
| Balance at the beginning of the period | 531,984 | 1,578,296 |
| Dividend paid in cash | (161,672) | (1,076,760) |
| Dividend in kind | (89,877) | (179,342) |
| Release of restricted reserve to share premium | – | 206,111 |
| Share premium on newly issued shares | 212,964 | 3,679 |
| **Balance at the end of the period** | **493,398** | **531,984** |

On 27 March 2008, a dividend in the amount of CZK 2,200,000 thousand (EUR 86,672 thousand) was paid out. On 9 May 2008 a dividend of EUR 75,000 thousand was distributed to RPG INDUSTRIES SE, the sole holder of the C share. On 31 August 2008 an interim dividend of EUR 73,864 thousand was declared and paid out from retained earnings on 23 October 2008 to the holders of the A shares.

On 30 September 2008 a dividend in kind of certain real estate assets and promissory notes was distributed to RPG INDUSTRIES SE, the sole holder of the B shares, in the value of EUR 89,877 thousand.

## 49 Share-based payments

The share-based payments are presented in the balance sheet of the Company as follows:

| | 01/01/2008 – 31/12/2008 EUR '000 | 01/01/2007 – 31/12/2007 EUR '000 |
|---|---|---|
| Opening Balance | – | – |
| Stock options – general | 595 | – |
| Stock options – executive directors | 7,442 | – |
| Equity-settled | 8,037 | – |
| Shares granted independent directors | 647 | – |
| Cash-settled | 647 | – |
| Closing Balance | 8,684 | – |

5 independent directors of the Company were granted shares in the value of EUR 200 thousand for each director on 9 May 2008. The shares were issued on 16 May 2008 in the total value of EUR 1,200 thousand. This amount is reflected in personnel expenses and in the equity split between share capital (the par value of the shares) and share premium.

The independent directors are also granted shares in the value of EUR 200 thousand for each director with execution date 9 May 2009. The expense for this remuneration, EUR 647 thousand, is reflected in personnel expenses and in current liabilities.

One employee of the Company was granted with the number of options equal to 0.5% of the issued shares of the Company. According to the employee's employment agreement, he shall be vested with 0.1% of the issued A shares at each anniversary of his employment for the period of five years. On 1 September 2008, the first tranche amounting to 263,800 options vested. These options were exercised on 25 November 2008. The cost incurred by the Company for the first tranche of options was EUR 5,077 thousand. During the remainder of 2008 an additional amount of EUR 3,013 thousand was accrued for following tranches of granted options.

In May 2008, the Company has granted certain stock options to its employees and to the employees of other entities controlled by the Company. The options have a vesting period of three years from the grant day. The vesting conditions include a service condition of 3 years and performance conditions, including production volume, costs and EBITDA. No market conditions are applicable. In accordance with IFRS2 the Company determined the fair value of a stock option at the grant date (9 May 2008). At each subsequent date IFRS requires to determine the costs for a stock option plan as the product of the grant date fair value of an option, the current best estimate of the number of awards that will vest and the expired portion of the vesting period. The personnel expense impact and the appropriate impact on equity are calculated accordingly. As of 31 December 2008 the related amount is EUR 595 thousand.

## 50 Retained earnings

| | EUR '000 |
|---|---|
| As of 1 January 2007 | (5,415) |
| Result previous period (1 January 2007 to 31 December 2007) | 68,315 |
| Distributions from retained earnings during 2008 | (73,863) |
| Result period (January 1 to December 31, 2008) | 177,835 |
| As of 31 December 2008 | 166,872 |

### 51 Reconciliation of non-consolidated shareholders' equity and profit to consolidated shareholders' equity and profit as of 31 December 2008

| | EUR '000 |
|---|---|
| Shareholders' equity on the non-consolidated balance sheet as of 31 December 2008 | 773,831 |
| Shareholders' equity on the consolidated balance sheet as of 31 December 2008 | 646,324 |
| **Difference due to valuation of investments in subsidiaries using the equity method** | **127,507** |

| | EUR '000 |
|---|---|
| Shareholders' profit on the non-consolidated income statement for the year ended 31 December 2008 | 177,835 |
| Dividends received by the Company from subsidiaries | (244,296) |
| Net profit of subsidiaries after adjustments for transactions between subsidiaries | 418,100 |
| **Shareholders' profit on the consolidated income statement for the year ended 31 December 2007** | **351,639** |

### 52 Bond issued

The movements in the issued high-yield bond can be detailed as follows:

| | 01/01/2008 – 31/12/2008 EUR '000 | 01/01/2007 – 31/12/2007 EUR '000 |
|---|---|---|
| Opening Balance | 289,316 | – |
| Bond issued (nominal value) | – | 300,000 |
| Issue costs (book value) | – | (11,320) |
| Amortisation issue costs | 1,109 | 636 |
| **Closing Balance** | **290,425** | **289,316** |

The Company issued a high-yield bond on the Irish Stock Exchange on 18 May 2007. The aggregate principal amount of the 7.375% Senior notes due 2015 is EUR 300,000 thousand. Issue costs of the notes were EUR 11,320 thousand. The issue costs are amortised using the IRR-method. The effective interest rate is 8.184%.

### 53 Long-term loans

The long-term loans include only the Senior Secured Facilities:

| | | | | 31/12/2008 |
|---|---|---|---|---|
| | Currency | Effective interest rate | Maturity | EUR '000 |
| Bank loan – facility 2 | EUR | 3M EURIBOR+1.35% | 2012 | 111,092 |
| Bank loan – facility 3 | EUR | 3M EURIBOR+1.50% | 2013 | 94,558 |
| | | | | |
| Bank loan – facility 2 | CZK | 3M PRIBOR+1.35% | 2012 | 38,537 |
| Bank loan – facility 3 | CZK | 3M PRIBOR+1.50% | 2013 | 32,809 |
| | | | | |
| Bank loan – facility 3 additional | CZK | 3M PRIBOR+1.50% | 2013 | 25,563 |
| | | | | |
| Issue costs CZK-facilities (book value) | | | | (465) |
| Issue costs EUR-facilities (book value) | | | | (881) |
| | | | | 301,213 |
| Of which current portion | | | | – |
| **Total long-term interest-bearing loans** | | | | **301,213** |

Each facility is to be repaid at maturity date for its full nominal amount.

In 2007 the Company entered into the existing Senior Secured Facilities between Citibank, N.A., Citibank, a.s. and OKD. As of 29 February 2008 the part of the Senior Secured Facilities drawn by the Company was secured by shares of the Company and OKD.

The unRealised foreign currency revaluation result from the long-term loans due to the movement in the exchange rate of the Czech crowns in 2008 was a gain of EUR 928 thousand.

## 54 Interest payable

The interest payable can be detailed as follows:

| | 31/12/2008 EUR '000 | 31/12/2007 EUR '000 |
|---|---|---|
| Interest payable on bond issued | 2,766 | 2,766 |
| Interest payable on Senior Secured Facilities | 2,576 | 2,291 |
| | 5,342 | 5,057 |

## 55 Tax payable

The amount in tax payable relates to wage taxes payable to tax authorities.

| | 31/12/2008 EUR '000 | 31/12/2007 EUR '000 |
|---|---|---|
| Wage tax payable | 405 | 37 |
| VAT payable | – | – |
| | 405 | 37 |

## 56 Accounts payable and accruals

The accrued expenses and accounts payable can be detailed as follows:

| | 31/12/2008 EUR '000 | 31/12/2007 EUR '000 |
|---|---|---|
| Creditors | 17,098 | 4,027 |
| Liabilities from subscribed unpaid stock | 17,557 | – |
| Deferred revenue from POP 2010 discount | 6,000 | – |
| Accrual for advisory fees | 1,033 | 2,366 |
| Personnel expenses payable | 840 | 2,966 |
| Guarantee fee received prepayment | 1,188 | 109 |
| Other accounts payable | 126 | 45 |
| | 43,842 | 9,513 |

## 57 Related party transactions

Related parties of the Company are, next to consolidated subsidiaries and key management personnel, the following:
— RPG Real Estate B.V.
— RPG INDUSTRIES SE
— New World Resources Transportation B.V.
— Bakala Crossroad Partners, a.s.
— Milan Jelinek
— BXL Consulting
— American Metals & Coal International, Inc.

An explanation on the related parties and the type of relation is given below.

### RPG Real Estate B.V.

This is an entity held by the indirect majority shareholder of the Company, RPG Partners Limited. The Company charges a fee to RPG Real Estate B.V. for arranging board meetings.

### RPG Industries SE

This is the majority shareholder of the Company.

### New World Resources Transportation B.V.

This is an entity held by RPGI. The Company has entered into an advisory agreement with NWRT, effectively starting July 2007, for the provision of certain non-exclusive advisory services by the Company to NWRT.

### Bakala Crossroad Partners, a.s.

This is an entity held by the majority shareholder of the Company, RPG Partners Limited. The Company has entered into an advisory agreement with Bakala Crossroad Partners, a.s. starting 2006, for the provision of certain non-exclusive advisory services by Bakala Crossroad Partners, a.s. to the Company. The original name of this entity was RPG Advisors, a.s. and was changed to the above-mentioned name in 2008.

### Milan Jelinek

In 2006 the Company entered into a services agreement with Milan Jelinek, a member of the Company's board of directors, including advice in respect of new projects of the Company and cost and quality improvement for the Company.

### BXL Consulting Ltd

In October 2006, the Company entered into a consultancy agreement with BXL Consulting Ltd. in respect of certain consultancy services. Pavel Telička, a member of the Company's board of directors, is the co-founder and Director in charge of the Brussels office of BXL Consulting Ltd.

### American Metals & Coal International, Inc.

In August 2006, the Company entered into a consulting agreement with the indirect shareholder American Metals & Coal International, Inc. (AMCI) in respect of the provision of certain advisory services by AMCI to the Company effective as of January 2006. Under the consulting agreement, the Company agreed to pay AMCI an annual advisory fee of USD 200 thousand in semi-annual payments.

During the period the Company had transactions in the normal course of operations with related parties. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

Transactions with related parties in the balance sheet and income statement are as follows (in thousand EUR):

## 57 Related party transactions (continued)

### Balance sheet

| | 31/12/2008 EUR '000 | 31/12/2007 EUR '000 |
|---|---|---|
| **Investments in related parties** | | |
| OKD, a.s. | 984,551 | 1,005,910 |
| OKD, Doprava, a.s. | – | – |
| OKD, DPB, a.s. | – | – |
| RPG Industries, a.s. | – | – |
| NWR Coking, a.s. | – | 71,916 |
| OKD, OKK, a.s. | 71,916 | – |
| Dukla Industrial Zone, a.s. | – | 76 |
| RPG RE Property, a.s. | – | 76 |
| KARBONIA PL Sp. z o.o. | 7,548 | – |
| NWR Energy, a.s. | 112,708 | – |
| Energetyka PL Sp. z o.o. | 15 | – |
| | 1,176,738 | 1,077,978 |
| **Receivables from related parties** | | |
| RPG INDUSTRIES SE | – | – |
| OKD, a.s. | 50 | 4,114 |
| OKD, OKK, a.s. | – | 5 |
| OKD, Rekultivace, a.s. | – | 1 |
| CZECH-KARBON s.r.o. | – | 1 |
| OKD, BASTRO, a.s. | – | 1 |
| RPG Real Estate B.V. | 7 | 8 |
| New World Resources Transportation B.V. | 18 | – |
| Green Gas International B.V. | 3 | – |
| | 78 | 4,130 |
| **Payables to related parties** | | |
| RPG INDUSTRIES SE | – | 30 |
| OKD, a.s. | 2 | 117 |
| Milan Jelinek | – | 63 |
| Bakala Crossroad Partners, a.s. | 309 | 262 |
| RPG Industries, a.s. | – | 35 |
| BXL Consulting | – | 25 |
| | 311 | 532 |

For an explanatory note of the investments in related parties please see Note 43.

### 57 Related party transactions (continued)

Income statement

| | 1/1/2008 – 31/12/2008 EUR '000 | 1/1/2007 – 31/12/2007 EUR '000 |
|---|---|---|
| Operating income from related parties | | |
| OKD, a.s. | 960 | 600 |
| RPG Real Estate B.V. | 32 | 12 |
| New World Resources Transportation B.V. | 102 | 45 |
| Green Gas International B.V. | 56 | – |
| | **1,150** | **657** |
| Operating expenses to related parties | | |
| OKD, a.s. | (28) | 19 |
| Bakala Crossroad Partners, a.s. | (1,264) | (685) |
| Milan Jelinek | (801) | (1,505) |
| BXL Consulting | (300) | (300) |
| American Metals & Coal International, Inc. | (131) | (300) |
| | **(2,525)** | **(2,771)** |
| Financial revenues from related parties | | |
| Guarantee fee from OKD, a.s. | 961 | 846 |
| Interest loan to RPG Industries, a.s. | – | 197 |
| Interest loan provided to RPG INDUSTRIES SE | – | 3 |
| | **961** | **1,046** |
| Financial expenses to related parties | | |
| Guarantee fee to OKD, a.s. | (2,065) | (752) |
| Interest loan from RPG INDUSTRIES SE | – | (2) |
| Interest loan from RPG PARTNERS LIMITED | – | (1) |
| | **(2,065)** | **(755)** |
| Write-off investments/receivables regarding related parties | | |
| Investment in RPG Industries, a.s. | – | – |
| Receivables from RPG Industries, a.s. | – | (197) |
| | **–** | **(197)** |
| Dividend income subsidiaries | | |
| OKD, DPB, a.s. | – | 2,325 |
| OKD, a.s. | 244,279 | 65,708 |
| | **244,279** | **68,033** |
| Revaluation subsidiaries | | |
| Revaluation DPB to current fair value | – | 35,101 |
| | **–** | **35,101** |

There were no other significant transactions with related parties.

## 58 Directors' remuneration

The emoluments as intended in Section 2:383(1) of the Netherlands Civil Code, which were charged in the financial year to the Company, amounted to EUR 11,895 thousand (full year 2007: EUR 374 thousand) for directors and former directors of the Company. These amounts include shares and share options granted to the directors.

The Company granted to one executive director 263,800 options on shares of the Company at the first anniversary (in 2008) of his employment with the Company. The total cost for these options regarding the first anniversary equals EUR 5,077 thousand. The Company also committed to grant this executive director a similar amount of options for each full year of employment in subsequent years, with a maximum of 4 subsequent years This agreement will enable the executive director to acquire up to a maximum of 0.5% of the Company's outstanding share capital. Per the end of 2008 the cost related to the options granted for the subsequent four years of employment with the Company were EUR 3,013 thousand.

The company granted also options to other directors and management personnel. Per the end of 2008 these granted options had a cost of EUR 595 thousand.

On 9 May 2008, 5 independent directors of the Company were granted shares and are promised a similar amount of additional shares on 9 May 2009. The 59,260 shares vested in 2008 have a value of EUR 1,200 thousand.

The 59,260 shares to vest in 2008 have an estimated value of EUR 647 thousand per 31 December 2008.

Please see note 49 "Share-based payments" for additional information about the Directors' remuneration.

## 59 Risk analysis

### Foreign exchange rate risk

The Company is exposed to currency exchange rate risks. As at 31 December 2008 the Company had cash balances and long-term liabilities in non-EUR currencies, as shown in the table below. Outstanding non-EUR invoices, short-term receivables and payables per 31 December 2008, combined, resulted in a net payable of EUR 118,405 thousand.

| Cash | Non-EUR balance 31/12/2008 Non-EUR '000 | EUR balance 31/12/2008 EUR '000 | Impact on balances as of 31/12/2008 EUR '000 |
|---|---|---|---|
| CZK | 195,633 | 7,279 | (68) |
| PLN | (100,720) | (24,249) | 3,779 |
| GBP | 49 | 52 | (15) |
| | | **(16,918)** | **3,696** |
| Long-term liabilities | | | |
| CZK | (2,604,431) | (96,909) | 899 |
| PLN | – | – | – |
| GBP | – | – | – |
| | | **(96,909)** | **899** |
| Invoices, short-term receivables and payables | | | |
| CZK | (3,181,736) | (118,390) | 1,098 |
| PLN | – | – | – |
| GBP | (14) | (15) | 4 |
| | | **(118,405)** | **1,103** |
| **Total** | | **(232,232)** | **5,697** |

| Exchange rate | CZK/EUR | PLN/EUR | GBP/EUR |
|---|---|---|---|
| 31/12/07 | 26.6280 | 3.5935 | 0.7334 |
| 31/12/08 | 26.8750 | 4.1535 | 0.9525 |

The foreign exchange rate fluctuation during 2008 based on the total net currency exposure per 31 December 2008 of CZK 5,591 thousand (EUR 208,020 thousand), PLN 100,720 thousand (EUR 24,249 thousand) and GBP 35 thousand (EUR 37 thousand) would have had a positive total impact of EUR 5,697 thousand. Except for loans denominated in Czech crowns, as presented in note 53 "Long-term loans", there are no other material long-term receivables or payables.

### 59 Risk analysis (continued)

Interest rate risk

Exposure to the interest rate risk is presented by way of sensitivity analysis. This sensitivity analysis shows the effect of changes in market interest rates on the Company's profit before tax as if market interest rates had been 1% higher, respectively lower, over the whole period from 1 January 2008 to 31 December 2008. The interest rate sensitivity analysis is calculated from all bank loan facilities relating to the green shoe option, drawn by the Company. The hypothetical effect on unconsolidated profit before tax amounts to EUR -2,807 thousand respectively EUR 2,807 thousand per year. The Company does not make use of financial instruments to hedge against unfavourable interest rate movements.

Other risks

The remaining risks of the holding Company depend entirely on operations of its subsidiaries.

### 60 Future commitments

The Company has the following commitments in respect of:

| | 1/1/2008 – 31/12/2008 EUR '000 | 1/1/2007 – 31/12/2007 EUR '000 |
|---|---|---|
| Non-cancellable operating leases | | |
| Instalments due within one year | 222 | 275 |
| Instalments due within two and five years | 1,501 | 1,100 |
| | **1,723** | **1,375** |

The majority of the operating lease contracts are concluded as indefinite term and short notice period. Leased items include office space, office equipment, apartments for the use by certain employees and one company car. There are no items with terms exceeding 5 years.

### 61 Contingent assets and liabilities

The Company is a guarantor under the Syndicated Loan Agreement for OKD for the amount drawn by OKD. The full year guarantee fee income for the Company in 2007 was EUR 846 thousand. The guarantee fee income for 2008 is EUR 961 thousand. The last instalment on the Syndicated Loan is to be paid on 14 February 2013.

OKD provided a guarantee for the amount drawn down under the Additional Loan Option under the Syndicated Loan Agreement by the Company. The full year guarantee fee expense for the Company is denominated in Czech Crowns and equals CZK 40,625 thousand. Since the amount was drawn in August 2007, the guarantee fee expense in 2007 was EUR 752 thousand only. The guarantee fee expense for 2008 was EUR 2,065 thousand. The last instalment of the Additional Loan is to be paid on 14 February 2013.

The Company has contractual obligations to acquire property, plant and equipment in the total amount of EUR 158 million resulting from the POP 2010 program (see Subsequent events).

## 62 Other material matters

### a) Sale of "KARBONIA PL" Sp. z o.o.

On 16 January 2008, the Company purchased 100% share in "KARBONIA PL" Sp. z o.o. from OKD, a.s. After the transfer "KARBONIA PL" Sp. z o.o. remains under the control of the Company.

### b) OKD Foundation

OKD established its foundation in January 2008. The foundation will support educational, health, cultural projects and other beneficial activities for the region, where the Company has its operating activities. OKD plans to support the Foundation from 2008 by donating 1% of its profit before tax. In June 2008 the Company donated EUR 1,000 thousand to the OKD Foundation.

### c) Initial Public Offering

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

### d) Contribution DBT Bucyrus contract to OKD

In June 2008 the Company contributed the contract with DBT Bucyrus for the purchase of equipment under Phase 1 of the POP 2010 project, to its wholly owned subsidiary OKD. The contribution was valued at EUR 157,597 thousand.

### e) Spin-off Real Estate assets

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

### f) Contribution Sandvik contract to OKD

In October 2008 the Company contributed the contract with Sandvik for the purchase of equipment under Phase II of the POP 2010 project, to its wholly owned subsidiary OKD. The contribution was valued at EUR 18,742 thousand.

### g) Spin-off Energy assets

The Company established two special purpose vehicles, NWR Energy, a.s. and NWR Energetyka PL Sp. z o.o. in the second quarter of 2008. OKD's internal business unit Energetika, operating the energy assets of OKD, and the 100% share in CZECH-KARBON, s.r.o. were spun-off from OKD into NWR Energy, a.s. with effective date 1 July 2008. The purpose of NWR Energy, a.s. is to manage and operate these energy assets. The purpose of NWR Energetyka PL Sp. z o.o. is to manage and operate energy assets, which are anticipated to be spun-off from "KARBONIA PL" Sp. z o.o. in April 2009. The Company as the sole shareholder has approved the project of the spin-off from OKD, a.s., acting as the sole shareholder. The control at the Company level did not change.

### 63 Fees of the auditor

The costs for the Group and statutory audit amounted to EUR 691 thousand and EUR 556 thousand in 2008 and 2007 respectively. The costs for audit related services amounted to EUR 556 thousand and EUR 483 thousand in 2008 and 2007 respectively. The costs for tax services provided by the company's auditor amounted to EUR 20 thousand and EUR 0 in 2008 and 2007 respectively. The costs for other services provided by the company's auditor amounted to EUR 1,726 thousand and EUR 956 thousand in 2008 and 2007 respectively.

| | KPMG Accountants N.V. 2008 EUR '000 | Other KPMG member firms and affiliates 2008 EUR '000 | Total KPMG 2008 EUR '000 |
|---|---|---|---|
| Statutory audit of financial statements | 120 | 571 | 691 |
| Other assurance services | 117 | 439 | 556 |
| Tax advisory services | – | 20 | 20 |
| Other non-audit services | 432 | 1,294 | 1,726 |
| **Total** | **669** | **1,753** | **2,993** |

| | 2007 EUR '000 | 2007 EUR '000 | 2007 EUR '000 |
|---|---|---|---|
| Statutory audit of financial statements | 75 | 481 | 556 |
| Other assurance services | 70 | 413 | 483 |
| Tax advisory services | – | – | – |
| Other non-audit services | 405 | 551 | 956 |
| **Total** | **550** | **964** | **1,995** |

### Approved by Boards of Directors of new world resources N.V.

Amsterdam, 25 March 2009

Members of the Board of Directors:

| | | |
|---|---|---|
| Miklos Salamon | Klaus-Dieter Beck | Marek Jelínek |
| Zdeněk Bakala | Peter Kadas | Alex T. Krueger |
| Hans-Jürgen Mende | Christiaan Norval | Milan Jelinek |
| Bessel Kok | Hans-Jörg Rudloff | Pavel Telička |
| Steven Schuit | Paul Everard | Barry Rourke |

### Other information

#### a) Appropriation of result

i) Statutory provisions

In accordance with Articles 29 and 30 of the Articles of Association, the result for the year shall be allocated to the dividend reserve A and dividend reserve B respectively.

ii) Proposed appropriation

The entire profit is added to the retained earnings. This is incorporated in the financial statements.

#### b) Subsequent events

Dividend payout financial year 2008

On 24 February 2009, the Company declared a dividend to the holders of the A Shares in the equivalent of EUR 0.18 per share, taking the full year post-IPO dividend to EUR 0.46.

The management is not aware of other events that took place after balance sheet date that could have a material effect on the financial position of the Company.

#### c) Auditor's report

The auditor's report is set out on the next page.

# To: the Annual General Meeting of Shareholders of New World Resources N.V.
# Auditor's report

## Report on the financial statements

We have audited the accompanying financial statements for the year ended 31 December 2008 of New World Resources N.V., Amsterdam, The Netherlands, set out on pages 99 to page 193, which comprise the consolidated and company balance sheet as at 31 December 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Director's report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of New World Resources N.V., Amsterdam, The Netherlands, as at 31 December 2008, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

## Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the Directors' report, set out on pages 94 to 98, is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 25 March 2009
KPMG Accountants N.V.
J. Humme RA

KPMG Accountants N.V., registered with the Chamber of Commerce in the Netherlands under number 33263683, is a member firm of the KPMG network of independent member firms affliated with KPMG International, a Swiss cooperative.

# Unaudited financial information for Restricted Subsidiaries

Please see page 52 for a description of the Unrestricted Subsidiaries.

## Consolidated income statement for Restricted Subsidiaries
(excluding the impact of Unrestricted Subsidiaries)



| | 1 January 2008 – 31 December 2008 EUR '000 |
|---|---|
| Revenues | 2,022,013 |
| | |
| Change in inventories of finished goods and work-in-progress | 34,306 |
| | |
| Consumption of material and energy | (577,186) |
| Service expenses | (342,772) |
| Personnel expenses | (428,514) |
| Depreciation | (157,575) |
| Amortisation | (10,165) |
| Reversal of impairment of receivables | 89 |
| Net gain from material sold | 10,459 |
| Gain from sale of property, plant and equipment | 1,967 |
| Other operating income | 4,042 |
| Other operating expenses | (27,902) |
| | |
| Results from operating activities | 528,762 |
| Financial income | 113,866 |
| Financial expense | (171,961) |
| Profit/loss on disposal of interest in subsidiaries | 847 |
| Profit from continuing operations – before tax | 471,514 |
| Income tax expense | (120,094) |
| **Profit from continuing operations** | **351,420** |
| Discontinued operations | |
| Profit from discontinued operations | – |
| **Profit for the period** | **351,420** |
| | |
| Attributable to: | |
| Minority interest | – |
| **Shareholders of the company** | **351,420** |

## Consolidated balance sheet for Restricted Subsidiaries
(excluding the impact of Unrestricted Subsidiaries)

| | 31 December 2008<br>EUR '000 |
|---|---|
| **Assets** | |
| Property, plant and equipment | 1,088,053 |
| Mining licences | 167,553 |
| Long-term receivables | 11,173 |
| Deferred tax asset | 154 |
| Restricted cash | 25,861 |
| **Total non-current assets** | **1,292,794** |
| | |
| Inventories | 66,060 |
| Accounts receivable and prepayments | 201,671 |
| Derivatives | 39 |
| Income tax receivable | 7,055 |
| Cash and cash equivalents | 678,895 |
| Restricted cash | 3,024 |
| **Total current assets** | **956,744** |
| **Total assets** | **2,249,538** |
| | |
| **Equity and liabilities** | |
| Shareholders' equity | |
| Share capital | 105,524 |
| Share premium | 54,971 |
| Foreign exchange translation reserve | 4,740 |
| Restricted reserve | 124,180 |
| Equity-settled share-based payments | 8,037 |
| Hedging reserve | 34,328 |
| Retained earnings | 314,544 |
| **Total equity** | **646,324** |
| | |
| **Liabilities** | |
| Provisions | 103,962 |
| Long-term loans | 661,961 |
| Bond issued | 290,425 |
| Employee benefits | 88,188 |
| Deferred revenue | 5,594 |
| Deferred tax liability | 105,385 |
| Other long-term liabilities | 752 |
| **Total non-current liabilities** | **1,256,267** |
| Provisions | 5,569 |
| Accounts payable and accruals | 221,980 |
| Accrued interest payable on bond | 2,766 |
| Derivatives | 9,012 |
| Income tax payable | 11,890 |
| Current portion of long-term loans | 66,835 |
| Short-term loans | 28,540 |
| Cash-settled share-based payments payable | 355 |
| Total current liabilities | 346,947 |
| Total liabilities | 1,603,214 |
| **Total equity and liabilities** | **2,249,538** |

## Consolidated cash flow statement for Restricted Subsidiaries
(excluding the impact of Unrestricted Subsidiaries)



| | 1 January 2008 – 31 December 2008 EUR '000 |
|---|---|
| **Cash flows from operating activities** | |
| Profit before taxation and min. interest from cont. operations | 471,515 |
| Profit before taxation and min. interest from disc. operations | – |
| Net profit before taxation and minority interest | 471,515 |
| Adjustments for: | |
| Depreciation | 157,575 |
| Amortisation | 10,165 |
| Changes in provisions | (4,807) |
| Profit on disposal of property, plant and equipment | (1,967) |
| Profit on disposal of other financial investments | (846) |
| Interest expense, net | 50,421 |
| Change in fair value of derivatives | 27,679 |
| Cash-settled share-based payment transactions | 355 |
| Equity-settled share-based payment transactions | 9,237 |
| Unrealised foreign exchange gains on long-term borrowings | 39 |
| Profit before working capital changes | 719,366 |
| | |
| (Increase)/Decrease in inventories | (39,525) |
| (Increase)/Decrease in receivables | (10,565) |
| (Decrease)/Increase in payables | 16,692 |
| Changes in deferred revenue | (4,510) |
| (Increase)/Decrease in restricted cash | (4,448) |
| Net proceeds from closed currency derivatives | 99,913 |
| Currency translation and other non-cash movements | (32,518) |
| Cash generated from operating activities | 744,405 |
| Interest paid | (66,090) |
| Corporate income tax paid | (156,796) |
| **Net cash flows from operating activities** | **521,519** |
| **Cash flows from investing activities** | |
| Interest received | 22,088 |
| Purchase of land, property, plant and equipment | (284,497) |
| Proceeds from sale of other financial investments | 5,929 |
| Cash and cash equivalents of distributed subsidiaries (in kind) | (168) |
| Proceeds from sale of property, plant and equipment | 2,565 |
| **Net cash flows from investing activities** | **(254,082)** |
| **Cash flows from financing activities** | |
| Repayments of syndicated loan | (65,146) |
| Proceeds of long-term borrowings | – |
| Cash inflows from issued bond | – |
| Bond emission fee paid | – |
| Repayments of short-term borrowings | (5,350) |
| Proceeds of short-term borrowings | 31,692 |
| Proceeds from issued shares (IPO) | 219,078 |
| Transaction costs from issued shares (IPO) | (1,890) |
| Dividends paid | (235,536) |
| **Net cash flows from financing activities** | **(57,151)** |
| | |
| Net effect of currency translation | (928) |
| Net increase in cash and cash equivalents | 209,359 |
| Cash and Cash Equivalents at the beginning of period | 469,536 |
| **Cash and Cash Equivalents at the end of period** | **678,895** |