NWR Annual Report and Accounts 2008

NEW WORLD RESOURCES

Forward-Looking Statements

Certain statements in this document are not historical facts and are or are deemed to be "forward-looking". The Company's prospects, plans, financial position and business strategy, and statements pertaining to the capital resources, future expenditure for development projects and results of operations, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology including, but not limited to; "may", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "will", "could", "may", "might", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. These forward looking statements involve a number of risks, uncertainties and other facts that may cause actual results to be materially different from those expressed or implied in these forward looking statements because they relate to events and depend on circumstances that may or may not occur in the future and maybe beyond NWR's ability to control or predict. Forward-looking statements are not guarantees of future performances.

Factors, risk and uncertainties that could cause actual outcomes and results to be materially different from those projected include, but are not limited to, the following; risks relating to global economic conditions and the global economic environment; changes in political, economic and social conditions in the Czech Republic, Poland and the CEE region; future prices and demand for the Company's products and demand for the Company's customers' products; coal mine reserves; remaining life of the Company's mines; coal production; trends in the coal industry and domestic and international coal market conditions; risks in coal mining operations; future expansion plans and capital expenditures; the Company's relationship with, and conditions affecting, the Company's customers; competition; railroad and other transportation performance and costs; availability of specialist and qualified workers; and weather conditions or catastrophic damage; risks relating to Czech or Polish law, regulations and taxation, including laws, regulations, decrees and decisions governing the coal mining industry, the environment and currency and exchange controls relating to Czech and Polish entities and their official interpretation by governmental and other regulatory bodies and by the courts; and risks relating to global economic conditions and the global economic environment. Specific risk factors are described in the 'Internal control and risk management' section of this annual report on page 81.

Forward-looking statements speak only as of the date of this document. The Company expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained in this report to reflect any change in its expectations or any change in events, conditions, assumptions or circumstances on which any such statement is based unless so required by applicable law.

Contents

Company overview

New World Resources N.V. ("NWR" or the "Company")* is Central Europe's leading hard coal producer. The Company produces quality coking and thermal coal for the steel and energy sectors in Central Europe through its subsidiary OKD, the largest hard coal mining company in the Czech Republic. NWR's coke subsidiary OKK is Europe's biggest producer of foundry coke. NWR is headquartered in the Netherlands, employs over 20,000 people and is led by a world-class management team and Board. The Company listed on the London, Prague and Warsaw stock exchanges in May 2008.

* All references to the "Group" or the "NWR Group" refer to New World Resources N.V. and its subsidaries.

NWR delivered record revenues and profits for the year ended 31 December 2008. This achievement is a result of strategic measures designed to ensure the sustainable success of the business in terms of production, profitability and safety.

Revenues EUR 2.04 billion

+49%

EBITDA EUR 697 million

+99%

Profit EUR 352 million

+79%

Operating cash flow EUR 523 million

+103%

Adjusted earnings per A share of EUR 1.30

+76%

Strong balance sheet EUR 679 million of cash

Coal production stable at
12.7 million tonnes

POP 2010[1] Phase I successfully completed and delivering expected efficiencies

Mining LTIFR[2] reduced by
17%

Coking LTIFR[2] reduced by
39%

50-year mining licence acquired and feasibility study initiated at Dębieńsko, Poland

Revenues EUR millions

Year ended 31 December 2008

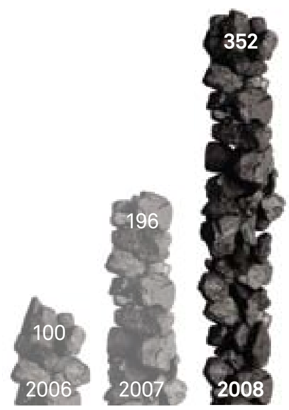
Operating Profit EUR millions

Year ended 31 December 2008

EBITDA EUR millions

Year ended 31 December 2008

Net Profit EUR millions

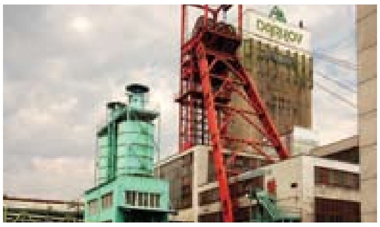


Year ended 31 December 2008

(1) Productivity Optimisation Programme.
(2) Lost Time Injury Frequency Rate.

- Central Europe's leading hard coal producer supplying 7.4 million tonnes of coking coal, 5.1 million tonnes of thermal coal and 1.1 million tonnes of coke in 2008.
- Strategically located mines and quality coal have made NWR a leading and trusted supplier.
- JORC reserves total of 418 million tonnes.
- One of the Czech Republic's largest industrial groups by assets and revenues and its second largest private employer.
- Four active coal mines run by OKD and two coking plants producing blast-furnace and foundry coke run by OKK in the Czech Republic.
- Two major mining development projects in Poland.

New World Resources N.V.



Darkov, north west Czech Republic

Dębieńsko, southern Poland

Coke Extrusion, Svoboda Coking Plant

Czech coal business	Polish growth projects	Coke production
OKD, a.s. ("OKD")	KARBONIA PL Sp. z o.o. ("KARBONIA PL")	OKD, OKK, a.s. ("OKK")
Darkov	Morcinek (development project)	Šverma
Karviná	Dębieńsko (development project)	Svoboda
Paskov		
ČSM		
Frenštát (development project)		

Czech coal business

Four active coal mines via NWR's subsidiary OKD. 12.7 million tonnes of coal produced in 2008 including 7.4 million tonnes of coking coal.

Polish growth projects

Dębieńsko, located in southern Poland – 190 million tonnes of proven and probable reserves; mining licence granted in June 2008.

Morcinek, located in southern Poland, next to the boarder with the Czech Republic. Mining activities in the area were previously performed by various companies and the project was initiated by the Company in 2002.

Coke production

OKK is the largest producer of foundry coke in Europe, through its Svoboda coking plant. It operates two plants in Ostrava, the Šverma and Svoboda facilities, which combined operate five coking batteries totalling 298 chambers producing 1.3 million tonnes of coke in 2008.

Coal is vital for today's global energy requirements. The World Coal Institute calculates that coal currently provides 26 per cent of the world's primary energy needs.

Reserves are available in almost every country worldwide, with recoverable reserves in around 70 countries. At current production levels* proven coal reserves are estimated to last 133 years. By contrast, proven oil and gas reserves are equivalent to around 42 and 60 years respectively at current production levels.

Many countries rely heavily on coal for their electricity generation. For example, the U.S. produces 50 per cent of its electricity from this fuel source, while in both Poland and South Africa the figure exceeds 90 per cent.

According to the BP Statistical Review of World Energy 2008, world coal consumption in 2007 increased by 4.5 per cent, well above the ten-year average; and it was the world's fastest growing fuel in terms of usage for the fifth consecutive year. Growth in China's consumption accounted for more than two-thirds of global growth. Other rapidly industrialising countries including India and Brazil further added to this increasing demand.

Towards the end of 2008, according to the review, the weakening world economy interrupted this trend. Chinese GDP growth slowed in the third quarter to around 9.5 per cent year-on-year, the slowest since 2004, down from 10.1 per cent in the second quarter. The International Monetary Fund's forecast, published in February 2009, is for Chinese GDP growth to be 6.7 per cent in 2009. In November 2008, Chinese industrial output slowed to 5.4 per cent, a fall of 11.9 per cent over the year. In the same month, China's coal imports declined to a near three-year low as demand from its domestic power plants weakened.

However, there remains an optimistic, positive sentiment for the long-term global prospects of the coal industry.

The Central European market

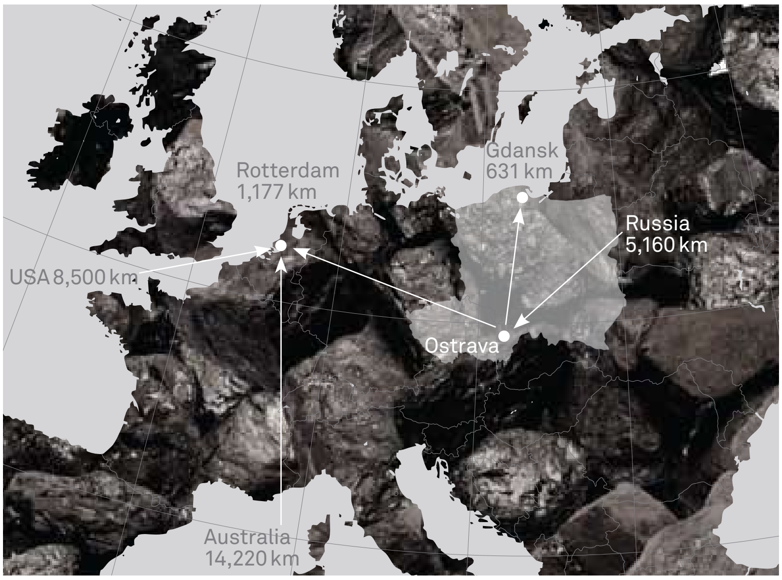
The market for coal in Central Europe is isolated to some extent from the global coal market due to its landlocked nature. The region also constitutes a largely localised commercial zone. For instance, even though seaborne coal might be mined at lower production cost, the cost of transporting this coal into the region makes it less competitive.

In the third quarter of 2008, Czech GDP growth was down to 3.8 per cent year-on-year from 6.6 per cent in 2007 while Polish GDP was 4.8 per cent year on year, down from 5.8 per cent in the previous quarter. In line with slower GDP growth, the region has also seen lower demand for cars and white goods which has subsequently reduced demand for steel and the need for coking coal.

Regional demand is also underpinned by the use of thermal coal needed to produce electricity and heat generation. For example, coal powers 66 per cent of electricity generation in the Czech Republic.

While the global and Central European downturn will undoubtedly make things more challenging, we have confidence in the resilience of our business. Tight operational focus, strong leadership, modern investment programmes, large reserve bases and our strong regional market position all serve to ensure that NWR is well positioned to weather the current environment and take full advantage of future opportunities.

* In 2008 the total global hard coal production was over 5.5 billion tonnes.



Landlocked position of customers and close proximity of mines to customers and transportation
NWR benefits significantly from the landlocked location of the production facilities of its customers in the Czech Republic and Central Europe and the proximity of its reserves and its facilities to its customers.

The limited reach of navigable waterways near many industrialised areas of Central Europe provides a competitive cost advantage to coal producers, such as NWR, with its coal mines being located near the sites of steel mills and electricity generating facilities in the region.

The landlocked location of customers in Central Europe makes importing coal from outside the region generally more expensive than using locally sourced coal. Higher transportation costs associated with such overseas coal provides NWR with a competitive cost advantage in servicing its customers' needs.

Industrial growth data by region in per cent

	2005	2006	2007	2008 Est	2009 Forecast	2010 Forecast	2005 – 2010 Av Growth
EU	0.4	1.6	1.9	(0.5)	(4.5)	2.5	0.5
Other Europe	3.9	4.0	6.0	3.2	(3.8)	2.5	4.0
C.I.S.	4.7	5.6	7.2	2.9	(4.0)	3.0	4.4
North America	3.4	2.1	(1.4)	(0.4)	(4.7)	1.9	0.8
South America	4.2	3.6	6.3	2.5	1.8	4.5	5.3
Africa	3.1	4.5	4.4	(1.6)	(1.6)	3.0	2.6
Middle East	4.0	4.0	4.8	2.0	1.0	3.0	3.8
Asia	6.0	7.1	5.8	3.5	(0.6)	4.8	5.9
Oceania	2.5	0.6	3.8	(0.1)	1.0	1.4	1.6
Weighted average	**3.2**	**3.3**	**2.2**	**0.9**	**(3.0)**	**3.0**	**1.6**

The above constitutes 42 countries which account for about 99 per cent of world blast-furnace pig iron production.
Source: McCloskey Report February 2009, The Economist, U.S. Department of Energy, Organisation for Economic Cooperation and Development.

Business review

Mike Salamon
Executive Chairman of the Board, NWR

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

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

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

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

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

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

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

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

In June 2008 the Polish authorities granted NWR a 50-year mining licence for Dębieńsko, and drilling to determine conditions in the prospective new shafts commenced in December 2008. The project comprises approximately190 million tonnes of NWR’s total reserves.

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

The outlook for the industry in 2009 is very tough, given significantly reduced demand from steel consuming sectors and the marked reductions in steel and core production globally and in the region. In this context we have been very pleased for the support we have recieved from our customers for 2009 coal sales contracts. However, recognising the limited visibility with respect to how 2009 will actually evolve, NWR’s Board has reviewed its decision to take up RPG’s offer of 24.99 per cent on the Ukranian iron ore and pellet producer, Ferrexpo plc.

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

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

Mike Salamon
Executive Chairman of the Board, NWR

* Source: Dealogic.

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

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

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

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

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

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

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

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

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

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

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

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

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

A cost-effective and reliable supplier

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

A cost-effective and reliable supplier

POP 2010, Karviná Mine

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

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

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

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

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

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

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

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

POP 2010, Karviná Mine

Revenue breakdown for 2008

Coking coal customers

- U.S. Steel 27%
- Arcelor Mittal 24%
- Voest Alpine 13%
- Moravia Steel 12%
- Other 24%

Year ended 31 December 2008

Thermal coal customers

- Dalkia 20%
- Verbund 19%
- ČEZ 13%
- Arcelor Mittal 12%
- Voest Alpine 8%
- U.S. Steel 6%
- Other 22%

Year ended 31 December 2008

Coke customers

- Moravia Steel 15%
- Voest Alpine 14%
- Arcelor Mittal 11%
- Other 60%

Year ended 31 December 2008

A company investing in the future

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

A company investing in the future

POP 2010, Karviná Mine

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

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

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

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

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

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

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

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

Performance increase of new POP 2010 equipment vs old

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

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

POP 2010, Karviná Mine

POP 2010, Karviná Mine

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

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

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

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

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

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

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

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

POP 2010 Equipment delivery schedule

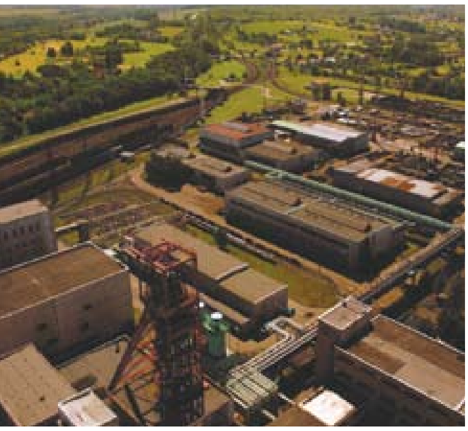
	Longwall mining equipment			Gateroad development equipment	
	Low seam	Mid seam	High seam	Roadheaders	Jumbos and loaders
Phase I					
Karviná	✓ 1 set	✓ 1 set	✓ 1 set	✓ 2 sets	
Darkov			✓ 1 set	✓ 1 set	
Paskov					✓ 2 sets
ČSM		✓ 1 set		✓ 1 set	
Phase II					
Karviná		1 set		✓ 2 sets	
Darkov		1 set		✓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

✓ indicates delivered and operational

A company expanding its reserve base

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

A company expanding its reserve base



View from the hoisting tower, Darkov Mine

Land reclamation, Karviná Mine

OKD

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

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

Karviná mine

Annual Production
4.9 million tonnes

Reserves
101 million tonnes

Coal types
Semi-hard coking
Hard coking
Thermal

Darkov mine

Annual Production
4.1 million tonnes

Reserves
47 million tonnes

Coal types
Semi-hard coking
Thermal

Paskov mine

Annual Production
1.1 million tonnes

Reserves
27 million tonnes

Coal type
Hard coking

ČSM mine

Annual Production
2.7 million tonnes

Reserves
53 million tonnes

Coal type
Hard coking

Coal reserves according to JORC* (million tonnes)

Mine	Total
Karviná	101
Darkov	47
Paskov	27
ČSM	53
Dębieńsko	190
Total	**418**

Source: The Company

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

Dębieńsko, southern Poland

Dębieńsko

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

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

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

Morcinek

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

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

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

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

Frenštát

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

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

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

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

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

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

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

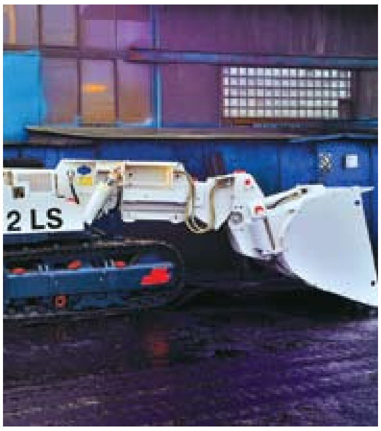
Coal operations

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

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

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

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



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

Longwall face, Karviná Mine

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

Coking operations

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

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

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

Coke extrusion, Svoboda Coking Plant

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

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

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

Rationalisation and centralisation of non-mining functions

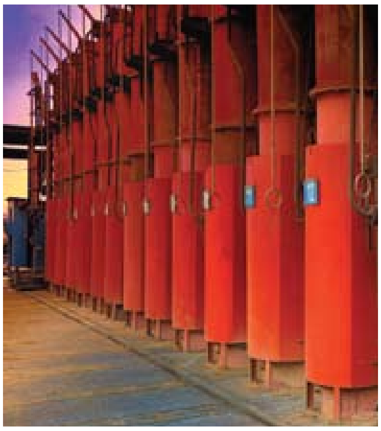
2008 saw the culmination of recent efforts to centralise and unify certain administrative functions across the organisation, many of which had previously been handled separately in different locations.

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

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

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

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



Coking Batteries, Svoboda Coking Plant

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

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

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

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

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

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

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

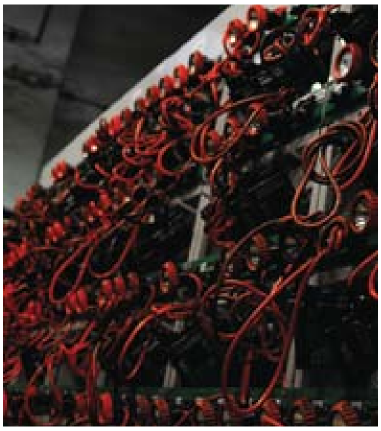
Employees

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

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

OKD Lost Time Injury Frequency Rate

31 December 2008



Cap lamps in charging stands, Karviná Mine

POP 2010, complete working gear, Karviná Mine

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

Apprenticeship scheme

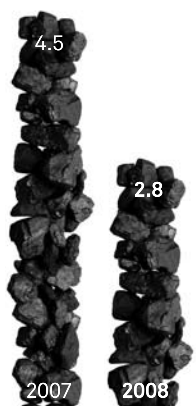
We continually try to identify new ways to invest in the future of the Company and its people. In September 2008, we announced our latest initiative, the launch of a mining apprenticeship programme.

We have an agreement with Karviná Technical and Service High School, a leading Czech technical college, which has established new apprenticeship courses for underground mechanics and underground electricians. NWR will support three-year apprenticeship courses for 30 underground mechanics and 30 underground electricians each year. The town of Karviná is close to our mines in the north-eastern part of the Czech Republic.

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

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

OKK Lost Time Injury Frequency Rate



31 December 2008

Marek Jelínek
Executive Director and Chief Financial Officer of NWR

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

Key financial highlights

Year ended 31 December

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

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

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

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

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

Costs

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

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

EBITDA

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

Dividend

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

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

Cash flows

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

Exchange rates

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

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

Sale of Bastro

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

CAPEX 2009

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

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

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

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

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

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

Outlook

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

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

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

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

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

Marek Jelínek
Executive Director and
Chief Financial Officer of NWR

Board and senior management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01 **Miklos (Mike) Salamon**
Executive Chairman of the Board, NWR

Mike Salamon was appointed a Director and Executive Chairman of NWR on 1 September 2007. Mr. Salamon also serves as a non-executive member of the Board of Directors of OKD, Co-President of AMCI Capital and Non-Executive Director of Central Rand Gold and Gem Diamonds. In March 2009, Mr. Salamon was appointed Non-Executive Director of Ferrexpo plc. He has extensive knowledge of the international mining and extractive industries. His career spans more than 30 years, the latter part of which was spent with BHP Billiton, the world's largest diversified resources company.

Between 2003 and 2006, Mr. Salamon served as an Executive Director of BHP Billiton with responsibilities for the aluminium, copper and nickel businesses. From 2001 to 2006, he also chaired BHP Billiton's Operating Committee which was accountable for inter alia the BHP Billiton group's health, safety and environment, projects, purchasing and operating excellence. In 2001, Mr. Salamon oversaw the merger integration of Billiton plc and BHP Limited. He was a co-founding Director of Billiton plc in 1997, and oversaw the Company's listing on the London Stock Exchange in 1997. Between 1985 and 1997, Mr. Salamon worked for Gencor Ltd, initially as marketing manager for coal. In 1989, he was appointed Managing Director of Gencor Ltd's coal business, Trans-Natal Coal Corporation, and was then appointed Director of Gencor Ltd from 1993 to 1997. During this time, he was also Executive Chairman of Samancor Ltd and Chairman of Columbus Stainless Steel. Previously, Mr. Salamon was with the coal division of Shell Group in various capacities between 1981 and 1985. Prior to that, he worked for the Anglo-American group, both in the Gold Division and at De Beers in trainee and junior management capacities. He commenced working for De Beers directly after graduation. Mr. Salamon graduated in 1975 from The University of the Witwatersrand, Johannesburg with a degree in Mining Engineering (Cum Laude) and obtained an MBA from the London Business School, University of London in 1981. (British)

02 **Klaus-Dieter Beck**
Executive Director of NWR, CEO of OKD, Chairman of the Board of Directors of OKD
Klaus-Dieter Beck is a Director of NWR and was appointed on 12 June 2007. He has served as CEO and Chairman of the Board of Directors of OKD since 1 July 2007. He acquired significant management experience from his previous jobs in prominent managerial posts in international coal companies in both Europe and the U.S. He gained a doctorate in mining engineering at the Rhine Westphalia University in Aachen, Germany. He started his professional career in 1976. From 1996 to 1998, he was general manager at a mine at Ruhrkohle Bergbau AG (nowadays called Mine West of RAG-Deutsche Steinkohle). He moved to the U.S. in 1998 to take on the position of Vice-President of Riverton Coal, Inc. Prior to joining OKD, he was Senior Vice-President for Planning and Engineering at Foundation Coal Holdings, Inc. His expertise helped the Company achieve strong growth and opened the way to further expansion. (German)

03 **Marek Jelínek**
Executive Director and Chief Financial Officer of NWR
Marek Jelínek is a Director of NWR and was appointed on 6 March 2007. A member of the Board of Directors of OKD since his appointment on 1 November 2007. Since March 2007, he has been Chief Financial Officer of NWR and, in such capacity, is responsible for the restructuring activities within the NWR Group, the build up of NWR's headquarters team, including the Group-wide finance and treasury functions. In 2007 and 2008, Mr. Jelínek led the Group's bond issue and the successful Initial Public Offering in London, Prague and Warsaw. In March 2009, Mr. Jelínek was appointed Non-Executive Director of Ferrexpo plc. Mr. Jelínek was a Director of Bakala Crossroads Partners a.s. (formerly RPG Advisors) from 2005 to 2006. He joined the RPG Group in December 2004 as Financial Officer and was responsible for a variety of areas including group financing, restructuring and divestitures. Prior to that, Mr. Jelínek served as an Analyst and Associate of the Corporate Finance department at Patria Finance, a Prague based investment banking boutique, from 1995 to 2004, where he managed merger and acquisition transactions for domestic and international clients. Mr. Jelínek graduated from the Anglo American College in Prague in 1995 with a Bachelor of Science degree in Business Administration. (Czech)

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

05 **Peter Kadas**
Vice-Chairman and Non-Independent Non-Executive Director
Peter Kadas is a Director of NWR and was appointed on 15 August 2006. On 22 October 2007, he was appointed Vice-Chairman of NWR's Board. He served as Vice-Chairman of the Board of Directors of OKD from September 2006 to November 2007. Since October 2006, he has served as Director of RPG Real Estate. Mr. Kadas has been a Director of Bakala Crossroads Partners Ltd (formerly Crossroads Capital (UK) Ltd), an affiliate of Crossroads Capital Investments Inc, since 2000. Between 1997 and 2000, he was Managing Director of Croesus Central Europe, a joint venture between Croesus of New York and Central European Partners. From 1996 to 1997, Mr. Kadas worked as a Managing Director for MC Securities in London. In 1995, Mr. Kadas co-founded Renaissance Capital, Russia's first private investment bank. In 1990, he worked as a Director for Credit Suisse First Boston's branch office in Budapest. He also served on a number of corporate Boards in the region, including CSFB Budapest, the Management Committee of Renaissance Capital and, between 2002 and 2005, Vice-Chairman of the Board of Directors of Ceske Radiokomunikace. Mr. Kadas graduated from Trinity College, University of Toronto, in 1986, with a Bachelorof Arts degree in Economics and Politics and obtained a Master of Business Administration degree from the Amos Tuck School of Business Administration, Dartmouth College, in 1990. (Canadian)

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

07 **Hans Jürgen Mende**
Non-Independent Non-Executive Director
Hans Jürgen Mende is a Director of NWR and was appointed on 15 August 2006. Mr. Mende is President of AMCI since he co-founded the company in 1986. Prior to founding AMCI, Mr. Mende was with the Thyssen Group in various Senior Executive positions including President of Thyssen Carbometal Inc. from 1968 to 1986. Mr. Mende has served as a Director of Alpha Natural Resources, Inc. and as Chairman of the Board of Directors of ANR Holdings from 2003 to 2005. Mr. Mende is currently a member of the Board of Directors of Excel Maritime Inc. (Nasdaq-U.S.), Felix Resources (ASX- Australia), Whitehaven Coal Co. (ASX-Australia), New World Resources (LSE - UK) and MMX in Brazil, all publicly traded entities. Mr. Mende was born in Lobositz, Czech Republic in 1944, was educated in Germany and the U.S. and has been living in the U.S. since 1968. (German)

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

09 **Christiaan Norval**
Non-Independent Non-Executive Director
Chris Norval is a Director of NWR and was appointed on 12 June 2007. Mr. Norval is the co-founder, Chairman and CEO of Green Gas International, an affiliated company focused on climate mitigation through elimination of methane as a greenhouse gas and the production of green energy. He has served as a member of the Board of Directors of Green Gas DPB, a subsidiary to Green Gas International since January 2008. Prior to his involvement with Green Gas International, he was CEO and President of the SUAL International Group from 2002 to 2004, which was involved in Russian aluminium production, Kazakh coal and African Tantalum production. Mr. Norval spent a significant part of his career with what is today known as BHP Billiton. As Head of Corporate Finance from 1997 to 2002, he oversaw most of the transactions to create BHP Billiton, including the execution of the IPO of Billiton plc in 1997 and the merger with BHP in 2002. In addition, he was responsible for corporate venturing, innovation and the incubation of new businesses. Chris holds a certificate as a Chartered Accountant (SA) and is a member of the South African Institute of Chartered Accountants. He graduated from the Rand Afrikaans University in 1980 with a Bachelor of Commerce degree. (British)

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

10 **Pavel Telička**
Non-Independent Non-Executive Director
Pavel Telička is a Director of NWR and was appointed on 11 September 2007. In 2004, Mr. Telička co-founded BXL Consulting, a consultancy on European Union affairs, where he currently serves as Director and is in charge of its Brussels office. Before that, also in 2004, he was nominated and held the position of Member of the European Commission co-responsible for the portfolio of health and consumer protection. Between 1991 and 2004, Mr. Telička had worked at the Czech Republic Ministry of Foreign Affairs, and occupied various positions during this time including Ambassador and Head of the Permanent Mission of the Czech Republic to the EC in Brussels, Secretary of State for European Affairs and First Deputy Minister of Foreign Affairs (during which time he was Chief Negotiator for the accession of the Czech Republic to the EU). Mr. Telička has also been a Senior Advisor to the European Policy Centre since 2005 as Member of the Administrative Council of the Notre Europe Foundation, established by Jacques Delors. In July 2005, he was appointed European Coordinator for one of the priority projects within TEN-T for the railway network Rail Baltica. Mr. Telička graduated from the Faculty of Law at the Charles University in Prague in 1986. (Czech)

11 **Steven Schuit**
Independent Director
Steven Schuit is a Director of NWR and was appointed on 20 November 2007. He is currently legal counsel to Allen & Overy LLP in its Amsterdam office, having served as partner to this firm and its predecessor firm between 1976 and 2005. He is also currently a part-time professor of International Commercial and Financial Law at Utrecht University and a part-time professor of Corporate Governance and Responsibility at the Strategy Center of Nyenrode Business University. He is currently a member of the Supervisory Board of ZBG Finance, Amodo, Breevast and Numico; he is a member of the advisory Board of Petercam S.A., Chairman of the Board of Directors of De Baak Management Center VNO-NCW and Stichting Giving Back and is a Director of Stichting Grotius Academy. Mr. Schuit has previously been member of the Supervisory Board of Cyanamid from 1975 to 1982, member of the Supervisory Board of Burroughs from 1977 to 1979, member of the Board of Directors of the Netherlands-U.S. Chamber of Commerce from 1983 to 1985, member of the Board of Governors (Algemene Raad) of the Dutch National Bar (Nederlandse Orde van Advocaten) from 1993 to 1999 and was a member of the Special Committee of the Dutch government to advise on commercial products of Dutch pension funds between 2003 and 2004. Mr. Schuit graduated in 1969 from Groningen University with a degree in Law and was admitted to the bar in the Netherlands in 1971. (Dutch)

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

13 **Bessel Kok**
Senior Independent Director
Bessel Kok is a Director of NWR and was appointed on 11 September 2007. He has served as Chairman of Astelit/LIFE (Kiev), Scarlet Communications (Netherlands) and CV Warehouse (Belgium) since 2005. From 1995 to 2004, he was Vice-Chairman and Chief Operating Officer of Cesky Telecom (formerly SPT Telecom) and now Telefonica/02 (Czech Republic). In the same years, he was a Board member of Eurotel in Prague, and from 2002 to 2004, he also served as Chairman of the Board of Directors of Eurotel. Prior to that, Mr. Kok was the President of Belgacom from 1989 to the end of 1994 and oversaw its privatisation. In 1973, Mr. Kok joined SWIFT (Society for Worldwide Interbank Financial Telecommunication) in Belgium and became its President and CEO in 1981, positions which he held until 1989. Mr. Kok also served as Director of Business Intelligence Services (London) from 1968 to 1972. Mr. Kok graduated in 1963 from the Municipal University of Amsterdam with a degree in Economic Sciences. (Belgian)

14 **Barry Rourke**
Independent Director
Barry Rourke is a Director of NWR and was appointed on 20 November 2007. He served as partner at PricewaterhouseCoopers from 1984 until 2001, when he took early retirement. During his time at PricewaterhouseCoopers, Mr. Rourke undertook various roles including Chairman of the UK Construction and Property Group, member of the Oil and Gas Industry Group, member of the PricewaterhouseCoopers, PFI Board and he was for a time liaison partner for the Netherlands. Mr. Rourke is currently Chairman of the Board of Directors of 3Legs Resources plc, Independent member of the Board of Directors and Chairman of the Audit Committee for Columbus Acquisition Corp., Independent member of the Audit Committee for the Department for Business Enterprise and Regulatory Reform and Non-Executive Director and Chairman of the Audit Committee of Surrey and Borders Partnership NHS Trust. He is also an Independent Non-Executive member of the Audit Committee for DTEK (a Ukrainian power company) and

Metinvest (a Ukrainian steel company). Between 2001 and 2007, he was also Chairman of the Board of Directors of Threshold Housing and of the Remuneration Committee, having previously served as Chairman of the Audit Committee and was the Independent Non-Executive Chairman of the Audit Committee for the SUAL Group between 2004 and 2007. Mr. Rourke is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified as a Chartered Accountant in 1973. (British)

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

16 **Ján Fabián**
Chief Operating Officer
Ján Fabián was appointed Chief Operating Officer of NWR in November 2008. As part of his position, he has overall responsibility for the operations of OKK and the Polish business operations of KARBONIA PL. Mr. Fabián also serves as a Vice-Chairman of the Board of Directors of OKD where he oversees the strategic planning and organisational development of OKD. Prior to joining NWR, Mr. Fabián served as a Project Manager for Roland Berger Strategy Consultants in Prague from 1998 to 2007, where he managed transformation and restructuring projects focussing on production optimisation, process efficiency and growth strategies in CEE, Russia, Ukraine and Western Europe. He managed many of the largest strategic and privatisation projects on the Czech market and cooperated with the European Commission on national strategies for the Czech as well as Romanian steel industries. Mr. Fabián served as a research analyst for Colenco Power Consulting in Switzerland between 1991 and 1992. He graduated from the Technical University in Košice, Slovakia in 1988 with a degree in mining and gained a PhD in production optimisation for the underground mining from the Technical University in Berlin in 1998. (Slovakian)


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

Environment

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

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

Reclamation

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

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

Waste and pollution

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

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

Land reclamation, Karviná Mine

Communities

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

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

Charitable giving

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

The Foundation has four main programmes:

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

— *For Education and Entertainment* assists secondary school and University graduates to find employment. It also supports a wide range of leisure and cultural activities with the emphasis on disadvantaged children;

— *For Future* supports an environment-friendly way of life and other forms of public promotion of the sustainability principles. It also participates in the preservation and restoration of significant cultural and natural monuments;

— *For Europe* supports non-profit organisations access funds made available from the European Union by making it possible to prepare high quality applications, which will successfully pass the approval process.

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

OKD Foundation donated in 2008

	EUR
'For Health'	917,000
'For Education and Entertainment'	515,000
'For Future'	716,000
'For Europe'	58,000
	2,206,000

Operating and financial review

In accordance with the Indenture dated 18 May 2007 in relation to 7.375% Senior Notes due 2015 (the "Indenture").
Please refer to www.newworldresources.eu for more information.

Corporate information

The Company is a public limited liability company with its registered office at Jachthavenweg 109h, 1081 KM, Amsterdam, Netherlands. The Company is the sole producer of hard coal in the Czech Republic and a leading producer of hard coal in Central Europe on the basis of revenues and volume, and serves customers in the Czech Republic, Poland, Austria, Slovakia, Hungary and Germany. The Company is primarily focused on hard coal mining and coke production.

The Company operates four mines and two coking facilities in the Czech Republic and serves several large Central and Eastern European steel and energy producers. Its key customers are Arcelor Mittal Steel, US Steel, DALKIA, Moravia Steel, Voestalpine and ČEZ. The majority of coal and coke sales are based on long-term framework agreements, which are re-priced mainly on an annual basis.

The Company's hard coal mining business is conducted through OKD, a wholly-owned subsidiary of the Company. OKD produces coking coal, which accounted for 55 per cent of the tonnage of coal sold to third parties for the year ended 31 December 2008, and which is used in steel production, and high quality thermal coal, which is used in power generation. Thermal coal, which accounted for approximately 45 per cent of the tonnage of the Company's external coal sales for the year ended 31 December 2008, is used by utilities, heating plants and industrial companies to produce steam and electricity.

The Company's largest business in terms of revenue is the production of coking coal, which accounted for EUR 859,718 thousand in external sales during the period. Additionally, net coke sales totalled EUR 332,506 thousand during the period and thermal coal sales totalled EUR 352,295 thousand in external sales during the period.

Financial results overview

Revenues

The Company's revenues increased by 49 per cent, from EUR 1,367,098 thousand in the year ended 31 December 2007 to EUR 2,041,128 thousand in the year ended 31 December 2008. This increase is mainly attributable to the increase in revenues from coal and coke sales, which was driven by higher commodity prices, and an increase in electricity trading with third parties conducted mainly by Czech-Karbon.

Operating expenses

Total operating expenses increased by EUR 400,721 thousand or 35 per cent in the year ended 31 December 2008 as compared to the year 2007. The increase is mainly due to a EUR 140,063 thousand increase in costs of electric energy purchased for electricity trading, a EUR 30,911 thousand increase in consumption of energy for coal and coke production and due to an EUR 95,527 thousand increase in personnel costs excluding employee benefits expenses.

EBITDA

EBITDA increased by EUR 346,498 thousand from EUR 350,509 thousand in the year ended 31 December 2007 to EUR 697,007 thousand in the year ended 31 December 2008. This is mainly due to an increase in operating result of EUR 323,028 thousand, as the higher revenues more than compensated for the increase in operating expenses.

Non-IFRS measures

This report contains references to certain non-IFRS measures, including EBITDA, Restricted Group EBITDA and Unrestricted Group EBITDA (as defined in the Indenture).

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/loss from sale of PPE. While the amounts included in EBITDA are derived from the Company's consolidated financial statements, it is not a financial measure determined in accordance with IFRS. Accordingly, EBITDA should not be considered as an alternative to net income or operating income as an indication of the Company's performance or as an alternative to cash flows as a measure of the Company's liquidity. The Company currently uses EBITDA in its business operations to, among other things, evaluate the performance of its operations, develop budgets, and measure its performance against those budgets. The Company finds it a useful tool to assist in evaluating performance because it excludes interest, taxes and other non-cash charges.

The Company presents EBITDA for the Restricted Group and the Unrestricted Group to provide investors a basis for evaluating the performance of the Restricted Group, which is comprised of subsidiaries subject to the restrictive covenants of the Indenture. The Restricted Group EBITDA excludes the results of operations of all Unrestricted Subsidiaries. The Company has computed the Unrestricted Group EBITDA using the same formula as for EBITDA, based on the financial statements for Unrestricted Subsidiaries.

OKD Rekultivace a.s. ("Rekultivace") was the only consolidated subsidiary defined as Unrestricted Subsidiary under the Indenture and generally is not bound by the restrictive covenants in the Indenture applicable to the Company. Rekultivace was distributed to the holder of the B shares on 30 September 2008.

The Company defines net debt as total debt less cash and cash equivalents. Total debt includes issued bonds, long-term interest bearing loans and borrowings, including current portion, plus short-term interest bearing loans and borrowings. Total debt is based on gross amount of debt less related expenses. Interest bearing loans, bond issues, and borrowings are measured at amortised cost.

Exchange rates

The following table presents the FX rates used:

	Year ended 31 December	
(CZK/EUR)	2008	2007
Average exchange rate	24.946	27.762
Balance sheet exchange rate	26.875	26.620

The Czech Koruna appreciated (based on the average exchange rate) by 11.29 per cent between the year ended 31 December 2007 and the year ended 31 December 2008. This discussion does not eliminate the effects resulting from the conversion of amounts from CZK into EUR on the comparability of financial information of the Group in different periods. This can lead to an over- or understatement of change in revenue and expenses from period to period when compared to the change in revenues in CZK. The financial information and described trends could differ considerably if the financial information was presented in CZK.

Throughout the discussion of the operating results, the financial results and performance compared to the prior period, both in Euros and percentage terms, are given in Euros. The Company may also, where deemed significant, present variances in terms of constant foreign exchange rates, marked ex-FX, which exclude the effect of currency translation differences and is a non-IFRS financial measure.

Financial performance

Revenues of the Group increased by 49 per cent to EUR 2,041,128 thousand in the year ended 31 December 2008. The increase is mainly attributable to an increase in prices, as shown in the table below:

	Year ended 31 December			Change
Average sales prices per tonne (EUR)	2008 EUR	2007 EUR	y-y EUR	y/y %
Coking coal	137	86	51	59%
Thermal coal	69	48	21	44%
Coke	302	178	124	70%

Total production of coal in 2008 decreased by 2 per cent compared to total production in 2007. Sales from production decreased by 2 per cent, whilst net sales, or external sales were down by 6 per cent, due to significantly decreased sell-off from inventories.

Coal performance indicators (kt)	Year 2008 kt	Year 2007 kt	Change kt	Change %
Coal production	12,663	12,897	(234)	(2%)
Sales to OKK	(1,094)	(1,047)	(47)	4%
Internal consumption	(41)	(71)	30	(42%)
Sales from production	**11,528**	**11,779**	**(251)**	**(2%)**
Additional sales from inventory sell-out/(Inventory increase)	(140)	284	(424)	(149%)
Total net sales	**11,388**	**12,063**	**(675)**	**(6%)**
of which				
Coking coal	6,293	6,781	(488)	(7%)
Thermal coal	5,095	5,282	(187)	(4%)

Coke production remained fairly stable in 2008, when compared to the year 2007, while coke sales decreased by 13 per cent, mainly due to a drop of sales in the last quarter of the year 2008.

Coke performance indicators (kt)	Year 2008 kt	Year 2007 kt	Change kt	Change %
Coke production	1,296	1,340	(44)	(3%)
Coke sale	1,103	1,262	(159)	(13%)

	Year ended 31 December				Change
Revenues	2008 EUR '000	2007 EUR '000	y-y EUR '000	y/y %	ex-FX %
External coking coal sales (EXW)	859,718	579,800	279,918	48%	33%
External thermal coal sales (EXW)	352,295	253,495	98,800	39%	25%
External coke sales (EXW)	332,506	224,629	107,877	48%	33%
Coal and coke transport by OKD	107,034	111,425	(4,391)	(4%)	(14%)
Sale of coke by-products	22,384	24,939	(2,555)	(10%)	(19%)
Electricity trading	226,994	78,637	148,357	189%	159%
OKD other sales	83,150	56,284	26,866	48%	(5%)
Reclamation works	20,952	17,876	3,076	17%	5%
Other	36,095	20,013	16,082	80%	62%
Total	**2,041,128**	**1,367,098**	**674,030**	**49%**	**33%**

Czech Karbon, the electricity trading unit, has seen a significant increase in revenues to third parties. Correspondingly, the costs of electricity sold, presented in the income statement item Consumption of material and energy, also increased significantly.

	Year ended 31 December				Change
Consumption of material and energy	2008 EUR '000	2007 EUR '000	y-y EUR '000	y/y %	ex-FX %
Mining material	117,209	90,811	26,398	29%	16%
Spare parts	40,134	34,020	6,114	18%	6%
Polish coal consumption for coking	54,323	52,674	1,649	3%	(7%)
Energy for coal mining (OKD)	95,375	67,299	28,076	42%	27%
Energy for coking (OKK)	14,696	11,860	2,836	24%	11%
Electricity trading	212,341	72,278	140,063	194%	164%
Other consumption of material and energy	45,706	35,035	10,671	30%	17%
Total	**579,784**	**363,977**	**215,807**	**59%**	**43%**

Due to the strong increases in electricity prices in the Czech Republic, the total cost of energy increased by 39 per cent. The increase in mining material and spare parts consumption reflects the price increase of steel used in mining equipment and higher costs relating to changing geological conditions. The increase in the line item "Polish coal consumption for coking" is due to higher coking coal prices, which is consequently reflected in the selling price of coke.

Czech Karbon, the entity that buys electricity for the Group and also sells electricity to third parties in the Czech market, increased significantly the volume of electricity trading with third parties, which is reflected in the revenues line as well as in the consumption of material and energy of the Group correspondingly.

	Year ended 31 December				Change
Service expenses	2008 EUR '000	2007 EUR '000	y-y EUR '000	y/y %	ex-FX %
Coal and coke transport costs	107,931	114,108	(6,177)	(5%)	(15%)
Contractors	85,904	70,558	15,346	22%	9%
Maintenance for OKD and OKK	42,536	31,141	11,395	37%	23%
Advisory expenses on holding level	17,244	19,278	(2,034)	(11%)	(20%)
Reclamation works	12,148	4,616	7,532	163%	136%
Other service expenses	85,995	66,732	19,263	29%	16%
Total	**351,758**	**306,433**	**45,325**	**15%**	**3%**

	Year ended 31 December			Change
Contractors headcount	2008	2007	y-y	y/y %
Total	**3,501**	**3,576**	**(75)**	**(2%)**
– of which OKD mining	3,002	3,068	(66)	(2%)

The increase in service expenses is mainly attributable to the increase in maintenance works at OKD and OKK and to a 22 per cent increase in expenses for contractors. This increase is due to the increase of costs per shift by 26 per cent, partly offset by a decrease in the headcount. The increase in maintenance costs in the year ended 31 December 2008 is due to more extensive maintenance works at the mines compared to the year 2007.

	Year ended 31 December				Change
	2008 EUR '000	2007 EUR '000	y-y EUR '000	y/y %	ex-FX %
Personnel expenses	(433,743)	(338,216)	(95,527)	28%	15%

	Year ended 31 December			Change
Employees headcount	2008	2007	y-y	y/y %
Own employees*	17,738	18,360	(622)	(3%)
– of which OKD mining	10,374	10,663	(289)	(3%)

*including members of Boards of Directors.

Personnel expenses including employee benefits increased by 28 per cent. The increase reflects an increase in average wages agreed with the Group's trade unions, which is based on the overall trends in the Czech Republic, and bonuses and extra payments to the employees of the Group. The personnel expenses for the year ended 31 December 2008 also include the costs for share-based payments to Directors and employees in the amount of EUR 16,295 thousand.

	Year ended 31 December				Change
	2008 EUR '000	2007 EUR '000	y-y EUR '000	y/y %	ex-FX %
Other operating income	4,065	3,758	307	8%	(3%)
Other operating expenses	(27,689)	(8,289)	(19,400)	234%	200%
Net other operating income	**(23,624)**	**(4,531)**	**(19,093)**	**421%**	**369%**

Other operating income and expenses reflect, from time to time, insurance costs and payments, mining damage and indemnity, and related provisions and their release. These items should be analysed together. Other expenses are often balanced by corresponding revenues. Since the amounts are relatively low, they are sensitive to one-time effects and seasonal fluctuations. The increase in net other operating expenses in the year 2008 is mainly due to a use of provisions for the closure of Dukla mine in the amount of EUR 9,488 thousand in the year ended 31 December 2007 compared to EUR 3,669 thousand used in 2008, increase in compensations for mining damages cost by EUR 6,558 thousand to EUR 16,421 thousand, and donations to OKD Foundation.

The following table compares EBITDA for the year 2007 and 2008.

	Year ended 31 December				Change
	2008 EUR '000	2007 EUR '000	y-y EUR '000	y/y %	ex-FX %
EBITDA	697,007	350,509	346,498	99%	79%

The Company's EBITDA for the full year 2008 was EUR 697,007 thousand, which is EUR 350,509 thousand higher than in 2007 and represents a 99 per cent increase.

The following table provides EBITDA for the year 2008 for Restricted and Unrestricted Subsidiaries. Unrestricted Subsidiaries represented less than 1 per cent of the Company's EBITDA. The amount shown for unrestricted subsidiaries relates to Rekultivace, which was the only consolidated subsidiary defined as an Unrestricted Subsidiary under the Indenture. Rekultivace was distributed to RPG Industries SE ("RPGI") on 30 September 2008.

	Consolidated Group EUR '000	Restricted Subsidiaries EUR '000	Unrestricted Subsidiaries EUR '000
EBITDA	697,007	694,538	2,469
%	100.0%	99.6%	0.4%

As EBITDA is a non-IFRS measure, the following table provides a reconciliation of EBITDA to IFRS line items of the income statement.

	Year ended 31 December 2008 EUR '000	Year ended 31 December 2007 EUR '000
Net profit after tax from continuing operations	351,639	190,671
Income tax	120,516	48,976
Net financial expenses	58,389	(32,131)
Depreciation and amortisation	168,515	166,257
Reversal of impairment of property, plant and equipment	–	(21,959)
Gains/Losses from sale of PPE	(2,052)	(1,305)
EBITDA	697,007	350,509

	Year ended 31 December				Change
	2008 EUR '000	2007 EUR '000	y-y EUR '000	y/y %	ex-FX %
Depreciation	(158,350)	(156,931)	(1,419)	1%	(9%)

The increase in depreciation of 1 per cent is primarily due to an increase in the value of property, plant and equipment, which represents the base for depreciation, as calculated in EUR. After elimination of the exchange rate impact on the historical costs, depreciation would decrease by 9 per cent. This decrease is due to lower values of new equipment, as compared to the original gross values of the replaced equipment used under IFRS.

	Year ended 31 December			Change
Financial result	2008 EUR '000	2007 EUR '000	y-y EUR '000	y/y %
Financial revenue	112,754	142,621	(29,867)	(21%)
Financial expense	(171,990)	(110,477)	(61,513)	56%
Financial result	(59,236)	32,144	(91,380)	(284%)

Financial income decreased by 21 per cent to EUR 112,754 thousand in the year ended 31 December 2008. The decrease is mainly due to a lower gain from foreign currency translation. Financial expense increased by EUR 61,513 thousand to EUR 171,990 thousand. The main reason for the increase in financial expense was the impact of the revaluation of the Company's financial derivative instruments.

Income tax

The effective income tax rate of the Group increased from 20 per cent to 26 per cent. The effective income tax rate calculated on the current part of the tax expense decreased from 33 per cent to 27 per cent mainly due to a decrease in corporate income tax rate from 24 per cent to 21 per cent in the Czech Republic and to a decrease in non-deductible expenses in the Group. The total effective income tax rate in 2007 was reduced by a decrease in deferred tax liability due to the decline in future nominal income tax rate in the Czech Republic.

Earnings per share (“EPS”)

Adjusted earnings per share for the Company increased by 76 per cent. The adjusted earnings per A share amounted to EUR 1.30 per A share for the year ended 31 December 2008.

					Year ended 31 December
Earnings per share (EUR)	2008 A shares	2008 B shares	2008 C shares	2008 Company	2007 Company
Basic EPS	1.33	746.70		1.36	0.79
Number of shares*	258,981,995	10,000	0.24	258,991,996	250,054,275
Adjusted EPS	1.30	746.70		1.33	0.74
Adjusted number of shares**	263,799,259	10,000	0	263,809,259	263,809,259
Diluted EPS	1.33	746.70		1.36	0.79
Diluted number of shares	258,981,995	10,000	0.24	258,991,996	250,054,275
Basic EPS from continuing operations	1.33	746.70	0.00	1.36	0.76
Diluted EPS from continuing operations	1.33	746.70	0.00	1.36	0.76
Basic EPS from discontinued operations	0.00	0.00	0.00	0.00	0.03
Diluted EPS from discontinued operations	0.00	0.00	0.00	0.00	0.03

* Restated for the stock split of 2.5 that occurred on 5 May 2008.
** Adjusted for the A shares issued by the Company in the Initial Public Offering, for the A shares granted to the five Independent Non-Executive Directors and for the conversion of one A share into a C share in May 2008.

Cash flow

The following table compares the main cash flow categories for the year ended 31 December 2008 to the same period of 2007.

	Year ended 31 December			Change	
	2008 EUR '000	2007 EUR '000	y-y EUR '000	y/y %	ex-FX %
Net operating cash flow	523,127	257,570	265,557	103%	74%
Net investing cash flow	(260,341)	(75,631)	(184,710)	244%	209%
Net financing cash flow	(57,152)	(729,067)	671,915	(92%)	(93%)
Effect of currency translation	(899)	7,910	(8,809)	(111%)	(111%)
Total cash flow	204,735	(539,218)	743,953	(138%)	(130%)

Net operating cash flow for the year 2008 was EUR 523,127 thousand, compared with EUR 257,570 thousand in the year 2007. This increase in net operating cash flow was mainly attributable to higher revenues due to higher achieved prices of coal and coke.

Net investing cash flow is negative, since capital expenditure (CAPEX) is higher than the proceeds from the sale of long-term assets. CAPEX increased by EUR 202,382 thousand to EUR 285,094 thousand in the year ended 31 December 2008, mainly related to the POP 2010 equipment.

The cash flow used in financing activities was mainly influenced by dividends paid, bonds issued and IPO proceeds. The Company paid dividends in the total amount of EUR 1,076,760 thousand during 2007, dividends in the total amount of EUR 86,672 thousand in March 2008, a dividend in the amount of EUR 75,000 thousand in May 2008 (the C share dividend), an interim dividend in the amount of EUR 73,864 thousand in October 2008. The Group also paid regular instalments on Facility 1 of the Syndicated Loan in February and August 2007 and February and August 2008. The amount of the regular instalment in February 2008 was EUR 32,315 thousand (split between EUR 23,445 thousand and CZK 224,754 thousand). The amount in August 2008 was EUR 32,831 thousand (split between EUR 23,445 thousand and CZK 224,754 thousand). In May 2008 the Company received proceeds from its IPO in the net amount of EUR 217,188 thousand.

The following table provides a cash flow overview for the year ended 31 December 2008 for Restricted and Unrestricted Subsidiaries.

	Consolidated Group EUR '000	Restricted Subsidiaries EUR '000	Unrestricted Subsidiaries EUR '000
Cash flow			
Net operating cash flow	523,127	521,519	1,610
Net investing cash flow*	(260,341)	(254,082)	(6,261)
Net financing cash flow	(57,152)	(57,151)	(1)
Effect of currency translation	(899)	(928)	29
Total cash flow	**204,735**	**209,358**	**(4,623)**

*This line includes mainly the cash held by Rekultivace, the only Unrestricted Subsidiary, which was distributed from the Group on 30 September 2008.

Liquidity and capital resources

The liquidity requirements of the Company arise primarily from working capital requirements, interest and principal payments on Senior Secured Facilities and the Company's 7.375 per cent Senior Notes, dividend payments, the need to fund capital expenditures and, on a selective basis, acquisitions.

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 while existing shareholders offered 81,965,345 existing shares (including the Over-Allotment Option) in 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).

NWR is a holding company and will rely on dividends or other distributions from subsidiaries, inter-company loans or other capital contributions to fund its liquidity requirements. The dividends, distributions or other payments from subsidiaries are expected to be funded by cash from their operations. The Group continuously reviews its cash flow and operations, and believes that the cash generated from its operations and borrowing capacity will be sufficient to meet its working capital requirements, anticipated capital expenditures (other than major capital improvements, acquisitions or mining development projects), scheduled debt payments and distributions. To augment the existing cash and liquidity resources, the Company continues to evaluate a range of transactions, including debt financings.

The Group unwound its EUR/CZK hedges that were in place for OKD for the period 2009-2013. For 2008, there were no changes to the existing hedging structures. All of these hedges were initiated in 2006 and time had come to adjust these to the changes in the group organisation. At the same time, the changed environment resulting from recent turmoil in financial markets has shown the need for NWR to reassess its position with regard to the developments in the financial and foreign exchange markets. New hedging structures will be initiated in the first half of 2009 following the guidelines of hedging 70 per cent of foreign currency exposure for the Group.

The Company paid out an A-share dividend in the amount of EUR 73,864 thousand, EUR 0.28 per share. The dividend was paid in EUR, CZK, GBP and PLN based on the currency elections of the shareholders on 23 October 2008.

As at 31 December 2008 the Company's net debt was EUR 368,866 thousand.

Unrestricted cash in hand amounted to EUR 679 million.

The Indenture also imposes restrictions on the Company's ability to pay dividends. Generally the Company may not pay dividends or make other restricted payments, which exceed, in the aggregate, 50 per cent of consolidated net income since 1 April 2007 (as such amounts are accrued on a quarterly basis) plus the net proceeds from the primary part of the IPO and certain other adjustments (the "restricted payment build-up capacity"). The purchase price for investments in entities other than majority owned subsidiaries would constitute restricted payments.

The restricted payment basket as defined by the Indenture amounts as of 25 March 2009 to approximately EUR 233 million.

Unrestricted Subsidiaries and non-core real estate

Rekultivace was the only consolidated subsidiary defined as Unrestricted Subsidiary under the Indenture and generally was not bound by the restrictive covenants in the Indenture applicable to the Company. While the Company has disposed of a significant amount of non-core real estate as part of its previous restructuring, it has identified additional non-core real estate and transferred these properties outside the Company on 30 September 2008.

The Unrestricted Subsidiary did not affect the financial performance of the Company significantly. The contribution to the operating profit of the Group during the year ended 31 December 2008 was less than 1 per cent. It represented less 1 per cent of the Company's total revenues and less than 1 per cent of total EBITDA for the year ended 31 December 2008.

Divisions and segments

Introduction

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

Real Estate Division and Mining Division

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 ("MD") and the Real Estate Division ("RED"), established internally by the Divisional Policy Statements as of 31 December 2007, 23:59. 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. 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 shares to track the financial performance of the RED.

Electricity trading

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

Discontinued segments

In the past, the Group also operated the transport segment (represented by OKD, Doprava, akciová společnost ("Doprava")) 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 financial information.

Relationship between the RED and the MD

As of 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 shares, the CODM for the two reportable segments is the Board.

The RED comprised of the shares and corresponding investments in the subsidiaries Rekultivace 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, 23:59, 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 RPGI, the sole holder of the B shares, was effected. The assets included the shares and corresponding investments in the subsidiaries RPG Rekultivace, a.s. (the sole holder of the share in Rekultivace), 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.

In order to ensure fair treatment to all types of shareholders the Company has prepared and adopted the Divisional Policy Statements, approved by RPGI. 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 to be in the future, conducted using certain 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.

Disclosures on Buildings

The RED provides Buildings to the MD based on the fundamental and overriding principles. 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, 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, the MD depreciates 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.

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. The annual fee paid by the MD to the RED represents the financing costs on the Buildings provided. The CAP is accounted for as financial expense in the MD and as financial revenue in the RED.

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 at 31 December 2008 is presented in the equity of the MD.

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 relationships. The Company decided to present this relationship in the segment analysis as a right to use land by the MD granted by the RED. The right is depleted over the expected lifetime of mining, coking and related businesses using a linear amortisation method. The management determined the 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 of the right 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.

The revenues and expenses of the Real Estate Division consist mainly of the financial performance of the IMGE internal business unit of OKD and Rekultivace, which were allocated to the Real Estate Division at the date, when the divisions were set up. The financial income of the Real Estate Division also includes the fee that the Real Estate Division charges to the Mining Division for the use of the real estate provided according to the Divisional Policy Statements. The expenses include depreciation, change in deferred tax, a part of the costs relating to the spin-off and distribution of the assets of the Real Estate Division and other expenses related to the assets allocated to the Real Estate Division.

Business segments	Mining Division segment				Real Estate Division segment	Inter-segment eliminations & adjustments	
	Coal & Coke sub-segment	Electricity trading sub-segment	Sub-segment eliminations & adjustments	Total			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	514,427	13,434	–	527,861	2,683	–	530,544
Assets & 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)	1,607,424	19,099	(24,556)	1,603,214

Disclosures on main financial assets allocated to the RED and not provided for mining, coking and related operations

	Mining Division 31/12/2008 EUR '000	Real Estate Division 31/12/2008 EUR '000	eliminations & adjustments 31/12/2008 EUR '000	Total 31/12/2008 EUR '000
Land	1,588	19,298		20,886
Buildings and constructions	669,415	966		670,381
Plant and equipment	313,284	–		313,284
Other assets	4,682	–		4,682
Construction in progress	78,820	–		78,820
Rights to use land of Real Estate Division	16,344	–	(16,344)	–
Mining licences	167,553	–		167,553
Other financial investments	–	–		–
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**
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
	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
	352,405	**3,533**	**(8,991)**	**346,947**
Total liabilities	**1,608,671**	**19,099**	**(24,556)**	**1,603,214**

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.

Off-balance sheet arrangements

In the ordinary course of business, the Company is party to certain off-balance sheet arrangements. These arrangements include assets related to the construction and related geological survey work at Frenštát. These assets are maintained by OKD but are not reflected in its books. The assets were booked as costs and have not been utilised. The original cost of these assets, spent in the years 1980 to 1989, was CZK 921 million (equivalent of EUR 34 million translated with the exchange rate at 31 December 2008), of which CZK 815 million (EUR 30 million) was the value of assets located in the mine and CZK 106 million (EUR 4 million) is the value of assets located on the surface. Liabilities related to these arrangements are not reflected in the Company's balance sheets and management does not expect that these off-balance sheet arrangements will have material adverse effects on the Company's financial condition, results of operations or cash flows.

Other commitments

Contingent liabilities

Contingent liabilities include clean up liabilities related to a decommissioned coking plant owned by OKK, and the Group's involvement in several litigation proceedings. It is not possible to estimate the exact potential exposure related to such proceedings, as the monetary value of some of the claims have not been specified and the likelihood of success in such proceedings cannot be assessed at this time. However, based on advice of counsel, management believes that the current litigation and claims will not have a significant impact on the Group's financial position. A summary of the main litigation proceedings will be included in the annual financial statements.

The Group is liable for all environmental damage caused by mining activities since the original privatisation. These future costs can be broadly split into two categories – restoration and mining damages. Restoration liabilities are liabilities to restore the land to the condition it was in prior to the mining activities or as stated in the exploration project. Mining damages are liabilities to reimburse all immediate danger caused by mining activities to third party assets.

Provisions for restoration costs are recognised as the net present value of the estimated costs. Restoration costs represent a part of the acquisition cost of fixed assets and such assets are amortised over the useful life of the mines using the sum of the digits method. The provision is compounded every year to reflect the current price level. In addition, the Group analyses the accuracy of the estimated provision annually. Any change in the estimate of restoration costs is recognised within fixed assets and is depreciated over the remaining useful life of the mines.

Contractual obligations

The Group is subject to commitments resulting from its indebtedness. These result mainly from the loans drawn by the Group and notes issued. The following table includes contractual obligations resulting from the Senior Facilities Agreement and the Senior Notes due 2015.

	Oct – Dec 2008 EUR '000	2009 EUR '000	2010-2011 EUR '000	After 2011 EUR '000
Senior Notes due 2015	–	–	–	300,000
Senior Facilities	–	65,449	98,174	562,475
Total	**–**	**65,449**	**98,174**	**862,475**

Interest has to be paid semi-annually on the Senior Notes.

The Company may choose the interest period under the Senior Facilities agreement. The interest rate can be fixed for six months maximum with a maximum payment period of three months. The interest rate is based on EURIBOR for the EUR part and PRIBOR for the CZK part of the loan with a margin between 0.65 per cent and 1.35 per cent p.a. based on the financial situation of the Group.

The Group has contractual obligations to acquire property, plant and equipment in the total amount of EUR 266 million, of which EUR 158 million result from the POP 2010 programme. OKK, a subsidiary of the Company, has contractual obligations in the amount of EUR 65 million relating to the overhaul of one of its coking batteries.

The Group is also subject to contractual obligations under lease contracts in the total amount of EUR 15 million, of which EUR 3 million are short-term obligations.

The restricted payment basket as defined by the Indenture amounts currently to EUR 233,377 thousand.

25 March 2009

Corporate governance

Corporate governance at NWR

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

Role of the Board

The role of the Board is to promote the achievement of the corporate objectives of the NWR Group, protect the interest of the NWR Group and represent NWR, holders of A and B shares and other stakeholders. The Board directs and controls both the Mining Division and the Real Estate Division (as described in more detail in the 'Real Estate Committee' report on page 72). The Board has identified a number of matters specifically reserved for its decision and these include:

— approval of the overall strategy and annual budgets of the business;
— appointment of the Board's Chairman;
— approval of the Corporate Governance Policy, Code of Ethics and Business Conduct, Divisional Policy Statements and the terms of reference of the Board's committees;
— determination of the annual remuneration of Executive Directors and Senior Executives of the Group within the scope of NWR's remuneration policy;
— review of the financial reports; and
— approval of major transactions, including acquisitions, by NWR and its subsidiaries.

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

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

Main activities of the Board in 2008

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

Composition of the Board

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

Board members

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

Directors are also responsible for determining appropriate levels of remuneration of Executive Directors and are entrusted with such duties as are or will be determined by or pursuant to the Articles of Association or a resolution of the Board.

On 25 March, Mr. Norval, Non-Independent Non-Executive Director resigned from the Board with immediate effect. Mr. Noval resigned due to conflicting commitments, in particular the management of GGI.

Director independence

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

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

Board expertise

The Board has determined that as a whole, it has the skills and experience necessary to discharge its functions. Executive and Non-Executive Directors have the experience required to contribute meaningfully to the Board’s deliberations and resolutions, including international operational and financial experience, knowledge of the mining sector and capital markets, as well as command of health, safety and environmental issues. Full biographical details for each Director are given on pages 36–39.

Director appointment

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

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

The Directors may be suspended or dismissed at any time by the General Meeting of shareholders. Directors are appointed for a term of four years and retiring Directors are eligible for re-election. A Director may be appointed for a maximum of three four-year terms. NWR has adopted a retirement scheme for Directors in order to prevent the simultaneous departure of more than one third of its Directors. Reappointment is not automatic. Retiring Directors who are seeking reappointment by shareholders are subject to a performance appraisal. The Board will not endorse a Director for reappointment if his performance is not considered satisfactory.

Board attendance

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

The Chairman of the Board

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

Information, professional development and support

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

Directors are also entitled to seek, at NWR's expense, independent professional advice where they judge it necessary to discharge their responsibilities. To this effect, the Board and its committees have retained legal, compensation, internal audit and general advisors in 2008.

Company Secretary

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

Board effectiveness and evaluation

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

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

Board committees

The Board has established five committees to assist the Board in exercising its authority: the Audit and Risk Management Committee; the Remuneration Committee; the Finance and Investment Committee; the Health, Safety and Environment Committee; and the Real Estate Committee. The members of the committees are members of the Board. A description of their activities during 2008 is included in separate reports of the committees.

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

Committee composition and meeting frequency/attendance

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

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

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

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

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

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

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

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

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

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

Risk management
The Board recognises the need to continue improving the Group's internal control processes and structures. Based on the described internal control and risk management procedures however, and to the best knowledge of the Board, the internal risk management and control systems of the Company are adequate and effective with respect to its current operations.

The Board has delegated the oversight of risk management and internal control within the NWR Group to the Audit and Risk Management Committee. In 2008, an assessment of the risk management and internal control practices of the NWR Group was performed. The Directors, through the Audit and Risk Management Committee, will continue to monitor the measures implemented to mitigate identified risks. The project is still ongoing and the details of its outcome are described in the report of the Audit and Risk Management Committee section on page 67.

Internal audit
NWR has established an internal audit function reporting to the Audit and Risk Management Committee and the Chief Financial Officer of NWR. The internal audit function oversees the work of internal audit functions in subsidiaries of NWR.

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

Articles of Association
The Articles of Association may be amended by the General Meeting of shareholders in which at least three-quarters of the issued share capital is represented and with a majority of at least two-thirds of the votes cast. A resolution to amend the Articles of Association on the proposal of the Board shall be passed by an absolute majority of the votes cast, irrespective of the capital present or represented at the meeting. Certain proposals would require a prior or simultaneous approval of the meeting of holders of B shares. NWR's Articles of Association is available on NWR's website at www.newworldresources.eu.

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

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

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

To ensure that all transactions and relationships between NWR and RPG Industries SE are on arm's length terms, NWR, Crossroads Capital Investments, Inc. and Mr. Zdeněk Bakala entered into a Relationship Agreement with RPG Industries SE. If a conflict arises between them, those Directors with a potential conflict of interest will take no part in the Board's decisions on that matter. For further information see the Shareholder Information section on page 200.

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

Directors' share interest

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

[(1)] Please refer to the 'Shareholder structure' on page 203 in respect of the individual interest of entities affiliated with Messrs. Bakala, Kadas, Krueger and Mende in the A shares and B shares of NWR.
[(2)] Includes shares held in the name of spouse (or other member of family if applicable), fund, trust or other nominee.

Market disclosure and relations with shareholders

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

The brokers of NWR also provide regular reports to the Board on changes to the shareholdings of the major investors. Information about the views of major investors is provided to the Board at each meeting.

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

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

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

The Board will use the Annual General Meeting to communicate with shareholders and welcomes their participation. It is the intention that the Chairman will aim to ensure that the Chairmen of the Board committees are present at the Annual General Meetings to answer questions.

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

Going concern

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

Conformance with corporate governance standards

NWR is required to state in its Annual Report whether it complies or will comply with the principles and best practice provisions of the Dutch Corporate Governance Code (dated 9 December 2003) and, if it does not comply, to explain the reasons for non-compliance. NWR is also required by the Listing Rules of the UK Listing Authority to explain the significant ways in which its actual governance practices differ from the requirements of the UK Combined Code. The following section is a report on compliance with the corporate governance regulations and best practice codes applicable in the Netherlands and the UK.

Dutch Corporate Governance Code

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

Board and committee structure

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

The Board does not contain a majority of Independent Non-Executive Directors within the meaning of best practice provisions III.2.2 and III.8.4 of the Dutch Code, because of the existence of a significant majority shareholder represented by a number of Non-Executive Directors. However, the Independent Non-Executive Directors are entrusted with the key tasks that require independence: staffing of the Audit and Risk Management Committee which ensures the integrity of financial reporting and monitors the audit functions as well as potential conflicts of interest, and staffing of the Real Estate Committee which protects the interest of holders of A shares.

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

NWR has not established a selection and appointment committee (i.e. nominating committee) and as such deviates from principle III.5 and best practice provision III.5.13 of the Dutch Code. The Board believes that NWR's current ownership structure makes the establishment of such a committee unnecessary. The Board as a whole fulfils the tasks and responsibilities set out by the Dutch Code for such a committee.

Share options and awards

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

The Independent Non-Executive Directors were granted A shares at the completion of the IPO and will be granted A shares on the 12-month anniversary thereof. This grant is subject to the restriction that each award of A shares is held for a minimum of one year. These terms deviate from best practice provision II.2.3 of the Dutch Corporate Governance Code. NWR considers the practice in compliance with international business practice. The Company also considers the grant of A shares as an important incentive to attract individuals with the required skills and expertise to serve as Independent Non-Executive Directors in an international mining company of moderate size.

Under existing employment arrangements of Mike Salamon with NWR and of Klaus-Dieter Beck with OKD, stock options and share awards will be granted under terms that deviate from best practice requirements under the Dutch Code. These are fully explained below in the remuneration report of the Remuneration Committee. Executive Director remuneration arrangements will be reviewed in 2009 by Mercer.

UK Combined Code

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

- Directors are appointed for a term of four years, and will not be subject to election by shareholders at the first Annual General Meeting after their appointment, whereas the UK Combined Code (provision A.7.1) requires the election by shareholders at the first Annual General Meeting after their appointment and re-election at intervals of no more than three years;
- the Remuneration Committee is chaired by Zdeněk Bakala, whereas the UK Combined Code (provision B.2.1) recommends that the remuneration committee be comprised entirely of Independent Non-Executive Directors. Mr. Bakala represents a major shareholder with an obvious interest in ensuring that the remuneration of Executive Directors and senior management is fully aligned with that of shareholders; and
- the Remuneration Committee does not have delegated responsibility for setting the remuneration for the Executive Directors, as recommended by the Combined Code (provision B.2.2). Instead, the Remuneration Committee is to, inter alia, prepare specific proposals to the Board with respect to the salary, bonuses and other benefits for NWR's Executive Directors. This is common practice among companies in continental Europe.

Czech Corporate Governance Code

NWR is not obliged by the Czech National Bank or the Prague Stock Exchange to comply with the Czech Code of Corporate Governance. Although NWR does not apply the Czech Corporate Governance Code as such, the Code is generally similar to the UK Combined Code and the material deviations are similar to those described above.

Polish Corporate Governance Code

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

Audit and Risk Management Committee ("ARMC") report

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

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

Composition

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

Activities undertaken during the year

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

Accounting policies

At NWR (consolidated) level, the financial statements are produced under IFRS whilst the subsidiaries of NWR produce their stand-alone accounts in accordance with the Czech accounting standards. The ARMC recommended unifying the audit standards in the medium term.

External audit

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

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

The ARMC monitored the provision of non-audit services by the external auditor to NWR and its subsidiaries and the related fees, in order to preserve the independence of the external auditor. In 2008, there were limited non-audit services provided by the external auditor to NWR and/or its subsidiaries.

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

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

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

Internal audit

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

Risk management, internal control and compliance

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

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

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

The risk assessment and reporting criteria are designed to provide the Board with a consistent, Group-wide perspective of the key risks. There is an ongoing process, which has been operational during the year and, up to the date of approval of this Annual Report, for managing the risks listed above.The ARMC also reviewed the related-party transactions. The ARMC has a crucial role in opining and making proposals to the Board in all matters where a potential conflict of interest exists between NWR, its Directors, its controlling shareholder and other shareholders. The ARMC is not aware of any conflicts of interest.

Whistleblowing procedure

The Code of Ethics and Business Conduct adopted by the Board in 2007 came into effect in May 2008 when the shares of NWR were listed. Appended to the Code is the Whistleblower Procedure that enables the employees, on a confidential basis, to express concerns over the conduct of the Directors, officers, management and other employees. It may include suspicions of criminal offences, violation of law, (intentionally) wrongful behaviour, manipulation of information, misconduct, etc. The whistleblowing rules can be found on the NWR website at www. newworldresources.eu.

The Company Secretary was designated to act as confidential adviser for NWR and its subsidiaries. The programme is monitored by the ARMC through the reports received from the Company Secretary. NWR's core operations have implemented the whistleblowing programme and designated their own confidential advisers who report to the ARMC via NWR's Company Secretary. Since the implementation of the Whistleblower Procedure, NWR's Company Secretary received ten reports that were submitted to the ARMC. Reports received were kept strictly confidential and were referred to appropriate line managers for resolution. Where appropriate, action was taken to address the issues raised.

Self-assessment

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

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

Remuneration Committee report

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

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

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

Composition of the Committee

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

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

Activities undertaken during the year

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

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

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

Finance and Investment Committee ("FIC") report

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

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

Composition

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

Activities undertaken during the year

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

Self-assessment

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

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

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

The HSEC of NWR was established by the Board at the end of 2007 and met for the first time in May 2008.

The role of the HSEC

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

How the HSEC functions

The HSEC has seven specific duties allocated to it by the Board. These are:
— to oversee the Group's performance in relation to health, safety and environmental matters;
— to review the policies and systems within the Group to ensure compliance with applicable health, safety, and environmental legal and regulatory requirements;
— to review reports and meet with senior management in subsidiaries to discuss the effectiveness of the Group's policies and systems for identifying and managing the HSE risks that are material to the achievement of corporate objective;
— to liaise with the Audit and Risk Management Committee to ensure adequate oversight of the Group's systems for managing risks;
— to monitor the impact of operations on Group reputation;
— to prepare the HSE section of the Annual Report of NWR; and
— to report to the Board on key global HSE issues and trends.

Composition

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

Activities undertaken during the year

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

Health and safety report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Real Estate Committee ("REC") report
The REC of NWR was established by the Board of NWR at the end of 2007 and held its first meeting in January 2008.

The primary role of the REC is to oversee the assets and liabilities of the Real Estate Division and the interaction between the Mining Division and the Real Estate Division of NWR.

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

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

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

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

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

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

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

Divisional Policy Statements

The Divisional Policy Statements were adopted by the Board pursuant to the provisions of NWR's Articles of Association and following approval by its former sole shareholder in December 2007. The statements came into effect on 31 December 2007. During 2008, the document was implemented by NWR's core operations. The compliance with the Divisional Policy Statements is monitored by the REC through the reports received from the Company Secretary who was designated to act as an intermediary between the REC, NWR and its subsidiaries.

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

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

The Divisional Policy Statements are a standard for the duties and responsibilities of the Board and the various other layers of management within the NWR Group in relation to the management of the assets of the Real Estate Division and the interaction between the Divisions. The Divisional Policy Statements have been prepared and adopted on the basis that the Mining Division has the right to maintain:

(i) the undisturbed continuation of its mining, coking and related operations that are conducted on certain of the assets of the Real Estate Division; and
(ii) the unrestricted access to such assets of the Real Estate Division in connection with such mining, coking and related operations.

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

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

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

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

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

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

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

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

The Divisional Policy Statements and NWR's Articles of Association provide that the Board, subject to the approval of the General Meeting of shareholders of NWR and the holders of the B shares, may amend, rescind or suspend that part of the Divisional Policy Statements in relation to the fundamental and overriding rights of the Mining Division, the payments for use and access to assets of the Real Estate Division and the allocation of costs for overhead and support services or the principles contained in the remainder of the Divisional Policy Statements or make additions or exceptions thereto. The Board shall not seek to make any determinations to amend, rescind or suspend any other aspects of the Divisional Policy Statements, or make exceptions to them or adopt additional policies or exceptions unless there shall have been prior consultation between the Board and the meeting of the holders of the B shares and the Board shall have given due consideration to any representations made. In this regard, the Board shall act in a manner consistent with its duties to NWR and all of NWR's stakeholders and after giving, among other matters, fair consideration to the potentially divergent interests and all other relevant interests of the holders of the separate classes of shares in NWR.

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

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

Related party transactions

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

Cross guarantee

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

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

Master advisory and service agreement

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

Technical consulting agreement

On 15 August 2006, NWR entered into the Technical Consulting Agreement with American Metals & Coal International, Inc (“AMCI”) in respect of the provision of certain advisory services by AMCI to NWR effective as of 1 January 2006. Under the Technical Consulting Agreement, NWR agreed to pay AMCI an annual advisory fee of USD 200,000 in semi-annual payments (commencing for the period July-December 2006) in exchange for certain non-exclusive consulting, advisory and management services relating to NWR’s coal mining and coke production activities. In addition, upon execution of the Technical Consulting Agreement, NWR paid AMCI a signing fee of USD 100,000. The Technical Consulting Agreement provides that AMCI will advise NWR in connection with (i) the identification and evaluation of coal and energy acquisition projects outside of the Czech Republic; (ii) the marketing and sale of coke and coal outside of the Czech Republic; (iii) budgeting and business planning, including coal price forecasting, cost assessment and benchmarking; and (iv) technical and production matters. In addition, NWR shall reimburse AMCI for all of its reasonable out-of-pocket expenses payable annually. The Technical Consulting Agreement may be terminated, with or without cause, by either party giving prior written notice to the other party; provided, that in the event the Technical Consulting Agreement is terminated for any reason other than a material breach, the notice period is three months. The Technical Consulting Agreement includes a one-year post-termination confidentiality clause.

NWRT service agreement

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

GGI service agreement

On 10 December 2007, NWR entered into the Service Agreement with Green Gas International B.V. (“GGI”) for the provision of certain services by NWR to GGI with effect from 1 May 2007. Under the Service Agreement, NWR provided GGI with certain non-exclusive services, including the arrangement of audit and tax compliance, assistance in preparation of financial statements, advice on financing, financing structure and reporting, arranging insurance cover for directors and officers, and services related to corporate governance. Based on an amendment entered into on 26 March 2008, GGI agreed to pay NWR a flat monthly service fee in the amount of EUR 2,000. The costs and expenses of NWR included remuneration for the subcontractors. The Service Agreement was terminated as of 31 December 2008. The Service Agreement includes a four-year post-termination confidentiality clause.

NWR lease agreements

NWR has rented an office space to RPG Real Estate B.V. (“RPGRE”), Green Gas International B.V. (“GGI”) and New World Resources Transportation B.V. (“NWRT”) with effect from 1 January 2009. The total size of the leased offices is 435 sq m. RPGRE, GGI and NWRT received a total credit of EUR 326,172 which will be offset with the rent until the credit is fully utilised. The rent (including utilities) is approximately EUR 172,000 per year. The lease agreements have an indefinite term and may be terminated, with or without cause, by either party upon two months’ prior written notice to the other party.

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

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

Donation agreements
In June 2008, NWR donated EUR 1 million, OKD, Doprava donated CZK 300,000 and RPG RE Management, s.r.o. donated CZK 1.4 million to the OKD Foundation established by OKD. The foundation engages in the field of social responsibility, such as the support of health and social care, public sector, environment protection and regional development. The one-off donation of NWR was made to achieve the foundation's objectives. The donation may also be used to cover the organisation and administration costs of the foundation.

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

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

RPG RE management advisory and service agreement
On 20 December 2006, OKD entered into the Advisory Agreement with RPG RE Management, s.r.o. ("RPGREM"), a Czech-based indirect subsidiary of RPG Partners Limited, for the provision of certain advisory services by RPGREM to OKD with effect from 1 December 2006. Under the Advisory Agreement, RPGREM (or any subcontractors engaged by RPGREM with the consent of OKD) was to provide OKD with certain non-exclusive advisory services, including services in connection with the acquisition and divestiture of fixtures, the initiation of development projects at OKD's current mining sites and the identification and preparation of possible development projects. The advisory fees paid by OKD to RPGREM should cover costs and expenditures incurred by RPGREM together with an amount equal to a 9 per cent margin. The Advisory Agreement was terminated in November 2007. The Advisory Agreement included a one-year post-termination confidentiality clause.

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

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

Agreements on manipulation of substrates

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

Agreements on sale of methane

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

The Master Agreement on the Sale of Methane was concluded for a period of nine years ending 31 December 2015. The price was set at a fixed amount for 2007 and then calculated for each calendar year thereafter using the formula in the agreement. DPB shall purchase all available methane production not used by OKD.

Either party may rescind the agreement if the production of methane stops due to a decrease in coal mining activities or if such circumstances of technical nature appear that disallow performance of this agreement whereby either party was not aware of such circumstances when entering into this agreement.

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

Agreements on gaseous and liquid nitrogen delivery and tubing operation

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

Master services agreement related to mines' safety

On 13 March 2007, OKD and Green Gas DPB, a.s. entered into the Master Services Agreement Related to Mines' Safety. The Master Services Agreement Related to Mines' Safety was concluded for a definite period of time ending on 31 December 2015. The fee to be paid by OKD for 2007 was set at CZK 1,670,000 per month. Individual agreements shall be concluded with respect to each particular OKD mine.

Energy trading agreements

In connection with the reorganisation of the Group energy assets, energy assets of OKD, including its stake in Czech Karbon, were transferred to NWR Energy, a.s. which is a direct subsidiary to NWR. The spin-off became legally effective as of 1 July 2008. Consequently, a Framework Agreement on Supplies and Services and some other related agreements were entered into by OKD, NWR Energy, a.s., and Czech Karbon. The main purpose of these agreements is to ensure supply of electricity, heat and compressed air and related services to OKD.

OKD lease agreements

OKD is a party to several real estate leases, including OKD's headquarters building in Ostrava, which is leased from RPG RE Commercial, s.r.o., a Czech-based indirect subsidiary of RPGI. The total size of the leased offices is 4,633 sq m and the rent (including utilities) is approximately CZK 11.9 million per year. The lease agreement has an indefinite term and may be terminated, with or without cause, by either party upon three months' prior written notice to the other party.

Ivona Ročárková
Company Secretary
25 March 2009

Material contracts

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

Underwriting agreement

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

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

Senior facilities agreement

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

The Senior Facilities Agreement provides financing of up to EUR 1,070 million and consists of:
— a senior secured amortising term loan facility in a maximum aggregate principal of EUR 450 million with advances to be repaid in equal semi-annual instalments and a final maturity five years after the date of the Senior Facilities Agreement (Facility 1);
— a senior secured bullet term loan facility in a maximum aggregate principal amount of equivalent EUR 350 million, including the Additional Loan Option (as defined below), with a final maturity six years after the date of the Senior Facilities Agreement (Facility 2);
— a senior secured bullet term loan facility in a maximum aggregate principal amount of EUR 270 million, including the Additional Loan Option, with a final maturity seven years after the date of the Senior Facilities Agreement (Facility 3); and
— a EUR 350 million "Additional Loan Amount" which was made available as part of Facility 2 and Facility 3 in the amounts of EUR 188.5 million from available amount of Facility 2 and EUR 161.5 million from the available amount of Facility 3, and a EUR 25 million "Additional Loan Amount" which was made available by Česká spořitelna from the available amount of Facility 3 (the "Additional Loan Option").

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

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

The Senior Facilities Agreement contains financial covenants (in each case as defined therein) requiring the Obligors (as defined therein) to ensure that at the end of any calculation period: the ratio of consolidated total senior net debt to consolidated EBITDA (senior leverage) will not exceed 2.75:1 for the period ending 5 years after the signing date and 2.50:1 thereafter; the ratio of consolidated total net debt to consolidated EBITDA (leverage) will not exceed 3.25:1; and the ratio of consolidated EBITDA to consolidated total net interest payable (fixed cover) will not be less than 3.50:1.

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

The Senior Notes may be redeemed, in whole or in part, at any time prior to 15 May 2011, at the option of NWR at a redemption price equal to 100 per cent of the principal amount of the Senior Notes redeemed plus the applicable premium (as defined in the Indenture). After 15 May 2011, NWR may, at its option, redeem all or any portion of the Senior Notes. In addition, prior to 15 May 2010 NWR may redeem up to 35 per cent of the original aggregate principal amount of the Senior Notes with the proceeds of one or more equity offers (as defined in the Indenture), at a redemption price equal to 107.375 per cent of the principal amount thereof plus accrued interest and unpaid interest to the repurchase date.

If there is a change of control (as defined in the Indenture), holders of Senior Notes shall have the right to require NWR to repurchase all or any part of the Senior Notes at a purchase price equal to 101 per cent of the their principal amount.

The Indenture contains covenants that limit the ability of NWR and its restricted subsidiaries (which, generally, are subsidiaries of NWR other than those primarily engaged in the business of real estate) to, among other things: incur additional indebtedness; make restricted payments (including dividends); create liens; transfer, convey, sell, lease or otherwise dispose of voting stock of any restricted subsidiary; sell assets; engage in transactions with affiliates; guarantee any debt of NWR or any of its restricted subsidiaries; or consolidate, merge or sell all or substantially all of its assets.

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

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

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

Master advisory and service agreement
On 28 March 2007, NWR entered into the Master Advisory and Services Agreement, as amended on 27 July 2007 with Bakala Crossroads Partners a.s. ("BCRP") (previously RPG Advisors, a.s.), a Czech-based direct subsidiary of RPG Partners Limited, in respect of the provision of certain non-exclusive advisory services by BCRP to NWR effective as of 1 September 2006, including services in connection with the acquisition and divestiture of assets, the entry into joint venture arrangements, corporate finance matters and market research initiatives within Central Europe, including the Czech Republic. The advisory fees to be paid by NWR to BCRP, as well as the types of services to be provided by BCRP or its subcontractors, shall be set out in supplemental agreements entered into by NWR and BCRP for each project or transaction. NWR has to reimburse BCRP for all expenses incurred by BCRP in connection with the provision of advisory services. NWR indemnifies BCRP (and its members, employees or shareholders) for any loss suffered in connection with the provision of services under the Master Advisory and Services Agreement. The Master Advisory and Services Agreement may be terminated, with or without cause, by either party giving prior written notice to the other party; provided, that if the Master Advisory and Services Agreement is terminated for any reason other than a material breach, the notice period is one month. The Master Advisory and Services Agreement includes a one-year post-termination confidentiality clause.

Sale of Bastro
On 2 December 2008, NWR announced that the sale of OKD, BASTRO, a.s. ("Bastro"), the mining equipment and engineering services company and direct subsidiary to OKD, was concluded by OKD. Bastro was sold to Bucyrus DBT Europe GmbH, the German subsidiary of Bucyrus International, Inc., a mining equipment manufacturer.

The sale of Bastro was consistent with OKD's ongoing efforts to focus on its core business of coal mining. Bastro will continue to supply mining equipment and engineering services to OKD.

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

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

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

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

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

Risk factors

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

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

Operational risk factors

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

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

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

The Group's coal mining operations are subject to significant operating risks that could result in decreased coal production, which could reduce its revenues. The Group is strongly committed to minimise risk in the health, safety and environmental areas as far as possible, however, due to the nature of its operations, there may be unforeseen events out of the control of the Group that can adversely affect the Group's business, results of operations and financial condition.

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

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

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

The Group's long-term framework agreements provide that prices are renegotiated periodically, which may lead to lower revenues when coal prices decline. The agreements generally do not commit the Group's customers to purchase any quantity of coal at any price beyond a one-year period. As a result, the Group's long-term framework agreements would provide only limited price protection if coal prices decline. If the existing long-term framework agreements with the Group's major customers were modified or terminated or if periodical renegotiated prices or volumes would not reflect the expected or historical contracted values, the Group's revenues and operating profits could be materially adversely affected to the extent that it is unable to find alternative buyers for its coal on comparable terms as in its existing agreements.

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

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

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

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

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

The Group operates in a competitive environment.

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

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

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

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

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

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

We are dependent on a small number of large customers.

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

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

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

Organisational risk factors

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

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

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

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

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

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

Financial risk factors

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

The Group's sales are typically priced in Czech Korunas and Euros, and the Group's direct costs, including raw materials, labour and transportation costs, are largely incurred in Czech Korunas, while other costs, such as interest expense are incurred in Czech Korunas and Euros. The mix of the Group's revenues and costs is such that appreciation of the Czech Koruna against the Euro tends to result in a decrease in the Group's revenues relative to its costs and a decline in its results of operations. In addition, if the Czech Koruna depreciates significantly against the Euro, the Group could have difficulty repaying or refinancing its foreign currency denominated indebtedness.

The Group's development projects in Poland are subject to fluctuations of the Polish Zloty against the Euro and Czech Koruna. It is possible that changes in the exchange rate of the Polish Zloty may adversely affect the Group's results of operations.

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

The nature of the Group's operations may be a source for potential claims or liabilities related to damages to properties owned by third parties. Any such costs incurred for reclamation or compensation paid for property damages may require the Group to make significant payments in the future adversely impacting the Group's business, results of operations and financial condition.

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

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

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

Governmental regulation risk factors

Environmental or other regulatory requirements that may result in increases in costs or decreases in production ability or demand for coal.

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

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

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

We may face increased costs due to governmental actions.

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

Risk Management and internal audit

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

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

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

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

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

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

Directors' statement of responsibility

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

(a) The consolidated financial statements, set out on pages 100 to 105 have been prepared in accordance with IFRS, as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of NWR and the undertakings included in the consolidation taken as a whole;
(b) The management report includes a fair review of the development and performance of the business and the position of NWR and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Board of Directors
25 March 2009

Remuneration report

This remuneration report was prepared by the Remuneration Committee and sets out the Company's remuneration policy and practice for the Directors. The report also provides details of Director remuneration for the year ended 31 December 2008.

Remuneration policy

A remuneration policy for the Board Directors was adopted by the General Meeting of shareholders in April 2008 and applied during the financial year 2008.

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

Remuneration of Executive Directors

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

Base salary

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

Bonus

Executive Directors may be awarded cash bonuses by the Board upon proposal by the Remuneration Committee. Bonuses are granted upon the achievement of financial and non-financial benchmarks at the discretion of the Remuneration Committee. Executive Directors were awarded cash bonuses following the successful completion of the IPO and Board-approved strategic initiatives. Mr. Beck may earn a discretionary cash bonus up to CZK 8,000,000 per annum. The actual amount of the cash bonus is determined by the Remuneration Committee upon the achievement of financial and non-financial benchmarks.

Share awards plan for the CEO of OKD

Mr. Beck is entitled to receive from OKD and its affiliates, at the cost of OKD, 250,045 A shares of NWR for each full year of his three-year term. In the event that Mr. Beck and OKD agree to extend his employment term beyond the initial three years, he is entitled to receive 250,045 A shares in NWR for each full year of the term beyond the initial three years up to a cumulative total maximum of 1,250,225 A shares of NWR. Should OKD fail to procure timely transfer of such shares to Mr. Beck, it shall pay the cash amount equal to the then market value of such shares.

Stock option plan for the Chairman of the Board

Mr. Salamon was entitled to be awarded with 0.1 per cent of the issued A share capital of NWR on the first anniversary of his employment agreement and on each of the next four anniversaries of his employment. Both Mr. Salamon and NWR expressed their wish to award Mr. Salamon with share options rather than shares. Based on the Board resolution adopted in August 2008, Mr. Salamon was awarded share options in the amount equal to 0.5 per cent of NWR's share capital as per the date of grant. Each share option will give Mr. Salamon the right to acquire one A share on the vesting date. The exercise price per option is EUR 0.01. The option award will enable Mr. Salamon to ultimately acquire 0.5 per cent of NWR's share capital by 1 September 2012, provided that (i) he remains an executive member of the Board and (ii) any other conditions for vesting have been met. On 1 September 2008, 263,800 options vested. On each subsequent anniversary an additional 20 per cent of the awarded options shall vest. The shares acquired through the exercise of vested options cannot be disposed of before the so-called lock-up period (which is a period of 365 days from launching the IPO in May 2008) for A shares held by Executive and Non-Executive Directors.

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

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

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

Grant of options
The Board may, at its discretion, grant options to acquire A shares under the SOP to any eligible employee. Generally options can only be granted in the days following the publication of the annual results of the NWR Group. The maximum number of A shares over which options may be granted under the SOP may not exceed 3 per cent of the issued A share capital of NWR at the IPO.

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

Exercise price
The exercise price of options granted at the IPO date was GBP 13.25. The exercise price in respect of any other options granted under the SOP will not be less than the average opening value of an A share on the London Stock Exchange on the 5 business days immediately prior to the date of grant. The total number of options granted in 2008 was 619,878 and their total monetary value was GBP 2,631 million (approx. EUR 3,314 million) which was calculated based on the generally accepted Black-Scholes model.

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

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

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

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

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

Issue of A shares and variation in share capital

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

Amendments

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

Termination

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

Other benefits

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

Service contracts of Executive Directors

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

Name	Date of appointment	Termination date for appointment	Notice period [1]
Mike Salamon	1 September 2007	–	12 months notice by NWR; 6 months notice by Director
Klaus-Dieter Beck [2]	1 July 2007	–	6 months notice by either party
Marek Jelínek	6 March 2007	–	2 months notice by NWR; 1 months notice by Director

[1] The service contracts of Executive Directors provide for payment of salary alone in lieu of notice.

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

Review of compensation of Executive Directors and senior management

At its meeting held in January 2009, the Remuneration Committee decided to engage Mercer to review the compensation of Executive Directors, senior management and key employees. The objectives of the review are to streamline and harmonise compensation across the NWR Group, review the KPIs used in determining performance related compensation, and ensure that there is adequate balance between short-term financial performance and those linked to longer-term shareholder value creation.

The Board has also reviewed the salary of the CFO of NWR for 2009.

Remuneration of Executive Directors in financial year 2008

The tables below provide a description of the pre-tax remuneration of Executive Directors for the fiscal year ended 31 December 2008.

Executive Directors' emoluments and cash remuneration

Name	Gross Salary EUR	Cash bonus EUR	Other benefits[2] EUR	Total EUR
Mike Salamon	323,383	–	–	323,383
Klaus-Dieter Beck[1]	495,580	1,077,247	636,322	2,209,149
Marek Jelínek	215,000	–	107,602	322,602

[1] Mr. Beck recieves his remuneration in CZK. The amounts stated in this table were converted into EUR from CZK at an exchange rate of 24.9463 CZK/EUR which was the average exchange rate in 2008.
[2] Includes in-kind compensation, e.g. personal travel costs, additional health insurance, housing etc.

Stock option grants

Name	Date of grant	At 1 January 2008	Granted	Vested	Lapsed
Mike Salamon	01/09/2008	–	1,319,000	263,800	–
Klaus-Dieter Beck	–	–	–	–	–
Marek Jelínek	09/05/2008	–	39,776	–	–

Name	Exercised	At 31 December 2008	Vesting date	Expiry date	Exercise price
Mike Salamon	263,800	1,055,200	01/09/2008[1]	–	EUR 0.01
Klaus-Dieter Beck	–	–	–	–	–
Marek Jelínek	–	39,776	09/05/2011	–	GBP 13.25

[1] 263,800 options vested on 1 September 2008. An additional 20 per cent of granted options vest on each subsequent anniversary of 1 September 2008.

Share awards

Name	Date of grant	At 1 January 2008	Granted	At 31 December 2008
Mike Salamon	–	–	–	–
Klaus-Dieter Beck[1]	01/07/2008	–	250,045	–
Marek Jelínek	–	–	–	–

[1] In July 2008, Mr. Beck received a cash amount of CZK 138,390,406 (which is approx. EUR 5,548,000) equal to the then market value of 250,045 A shares he was entitled to receive.

Total remuneration of Executive Directors

Name	Salary EUR	Cash bonus EUR	Other benefits EUR	Value of stock options granted in FY 2008 EUR	Value of share awards in FY 2008 EUR	Total in FY 2008 EUR
Mike Salamon	323,383	–	–	8,089,490	–	8,412,873
	4%	–	–	96%	–	100%
Klaus-Dieter Beck	495,580	1,077,247	636,322	–	5,548,000	7,757,149
	6%	14%	8%	–	72%	100%
Marek Jelínek	215,000	–	107,602	38,200	–	360,802
	60%	–	30%	10%	–	100%

Remuneration of Non-Executive Directors

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

The remuneration of Non-Executive Directors is part of the remuneration policy approved by the General Meeting of shareholders. In 2008, the Remuneration Committee reviewed the remuneration of the Non-Executive Directors to ensure that remuneration rates were set at a level that will attract Directors of high calibre. Following the review, the annual fee for Non-Executive Directors was set at GBP 60,000, later changed to its EUR equivalent of 76,065 by a resolution of the Board in 2009, and will be reviewed annually by the Remuneration Committee. Non-Executive Director remuneration was also designed to reflect additional responsibilities of Board committee chairmen and members. Non-Executive Directors are also reimbursed for all reasonable and documented expenses incurred in performing their role.

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

Remuneration of Non-Executive Directors in Financial Year 2008

Name	Annual fee GBP	Committee Chairmanship annual fee GBP	Committee membership annual fee GBP	Total compensation EUR[(4)(5)]
Zdeněk Bakala [(1)]	60,000	25,000	10,000	144,907
Peter Kadas	60,000	20,000	–	91,341
Alex T. Krueger	60,000	–	10,000	80,480
Hans Jürgen Mende	60,000	–	–	69,617
Milan Jelinek [(2)]	60,000	–	–	69,617
Christiaan Norval	60,000	–	–	69,617
Pavel Telička [(3)]	60,000	–	–	69,617
Bessel Kok	60,000	50,000	20,000	140,576
Hans-Jörg Rudloff	60,000	–	45,000	112,401
Steven Schuit	60,000	–	60,000	127,715
Barry Rourke	60,000	50,000	25,000	143,151
Paul Everard	60,000	40,000	25,000	133,560

(1) Total compensation of Mr. Bakala includes remuneration received from OKD for his Board membership in 2008.

(2) In addition to his fee, Milan Jelinek entered into an advisory agreement with NWR and ICS Trading, a company founded by Mr. Jelinek has been a party to a coke sales contract with OKD.

(3) NWR entered into a consultancy agreement with BXL Consulting Ltd; Mr. Telička is the co-founder and Director in charge of the Brussels office of BXL.
For further details regarding these contracts, see the related party transactions section of this 2008 Annual Report.

(4) Excludes the value A shares awarded to Independent Non-Executive Directors.

(5) The Health, Safety and Environment Committee hosts Messrs. Stan Suboleski and Karl-Friedrich Jakob as permenant guests. Their annual fee corresponds with the annual fee of other members of this committee and amounts to GBP 10,000. In 2008, both gentlemen recieved a fee in the amount of EUR 8,970 each.

Loans to Directors
As of 31 December 2008, there were no outstanding loans to Directors or members of senior management.

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

However, the NWR Group does accrue certain pension liabilities under applicable Czech law for medical leave, employment length of service (which is a special benefit paid to all employees in the mining profession once per year based on the length of the employment relationship) and termination payments for its employees. For additional information, see note 28 to NWR's consolidated financial statements for the year ended 31 December 2008.

This Directors' remuneration report has been approved by the Board.

Zdeněk Bakala
Chairman of the Remuneration Committee
25 March 2009

Financial statements

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: Coal & Coke sub-segment	Mining division segment: Electricity trading sub-segment	Mining division segment: Eliminations & adjustments sub-segment	Mining division segment: Total	Real Estate division segment	Intersegment Eliminations & Adjustments	Total	Transport	Gas and Electricity	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**

	Note	31 December 2008 EUR '000	31 December 2007 EUR '000
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:

	Currency	Effective interest rate	Maturity	31/12/2008 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 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**

Shareholder information

Markets

As at 31 December 2008, A shares of NWR were listed on: London Stock Exchange ("LSE"), Prague Stock Exchange ("PSE") and Warsaw Stock Exchange ("WSE").

The trustees, share registrars and transfer offices are shown on page 206 of this Annual Report.

Share ownership

Share capital

Details about NWR's share capital are presented in note 25 of the Consolidated Financial Statements on page 154.

Majority shareholder

The controlling shareholder of NWR, RPG Industries SE ("RPGI"), owns approximately 63.8 per cent of the A shares and as a result, has effective control of NWR. In addition, RPGI owns indirectly 100 per cent of the B shares. AMCI and First Reserve (as defined further) have no interest in the B shares; the B shares are attributable to RPG Partners Limited.

RPGI is a holding company with no material business operations or assets. The table far right sets forth the relevant ownership interests in NWR held by each of RPGI's indirect shareholders through their respective affiliated entities.

Crossroads Capital Investments Inc ("CCII")

CCII is an international investment group focused on investments in Central and Eastern Europe ("CEE"). CCII typically takes large or controlling stakes in investment companies and is active in the management of its investments.

In addition to its investment in NWR, CCII currently has investments in real estate, transport and logistics, energy, financial services, retail and media, primarily in the CEE.

Zdeněk Bakala

Zdeněk Bakala has been involved in finance and business in the Czech Republic and the CEE since the early 1990s and as a result is an established figure in the Czech business community. Mr. Bakala is originally from, and has retained close ties with, the Czech Republic, establishing and building businesses and serving on boards of companies in the CEE region. In 1991, Mr. Bakala established the Prague office of Credit Suisse First Boston and in 1994, he founded Patria Finance, one of the largest investment banking boutiques in the Czech Republic. Mr. Bakala is a Non-Executive Director of NWR.

First Reserve Corporation ("First Reserve")

First Reserve is a leading private equity firm specialising in the energy industry with over USD 18 billion under management in three active funds. Throughout its 25-year history, First Reserve has developed a strong franchise by investing exclusively in the energy industry. First Reserve is an independently owned firm whose current management team, in place since 1983, has more than 300 years of aggregate energy investment experience. Since raising its initial buyout fund in 1992, First Reserve has invested over USD 12.5 billion in equity in over 100 platform investments entities and approximately 300 add-on transactions. First Reserve generally targets investments in global energy companies with enterprise values of up to USD 10 billion. Current First Reserve portfolio companies include Abbot Group Limited, Acteon Group Ltd., BORCO, Brand Energy and Infrastructure Services, Inc., CHC Helicopter Corporation, China Coal, Dresser Inc., Gamesa Solar and Cobalt. Former portfolio companies include Alpha Natural Resources, Foundation Coal Corp., Natural Resource Partners, Dresser-Rand Group Inc. and Weatherford International.

American Metals and Coal International, Inc. ("AMCI")

AMCI is a privately owned mining and marketing company, founded in 1986 with interests in coal operations in the U.S., Australia, South Africa, South America and China. In 2003, AMCI contributed almost all of its U.S. production assets to Alpha Natural Resources. In Australia, AMCI has focused on developing and operating new mines and acquiring virgin coal reserves. AMCI continues to be an active investor in the global resources sector. In addition, AMCI has a global marketing network with offices in a number of countries.

Free float

The A shares are in registered form. NWR maintains the principal shareholders' register in the Netherlands with a sub-register in Jersey, which forms part of NWR's principal register.

A shares trading on the PSE or the WSE are registered in the name of The Bank of New York (Depository) Nominees Limited (BoNY), as common depository for Clearstream and Euroclear.

A shares trading on the LSE are represented by Depository Interests ("DIs") and the underlying A shares are registered in the name of the custodian, Computershare Company Nominees Limited.

Beside filings made under the Dutch Disclosure of Major Holdings in Listed Companies Act, no public information is available with respect to ownership of shares. A study conducted in January 2009 into the ownership of shares in NWR identified 77.3 per cent of the free float (i.e. excluding shares held by RPGI). Of these indentified shares, institutional investors held 80.1 per cent and retail investors held 19.9 per cent.

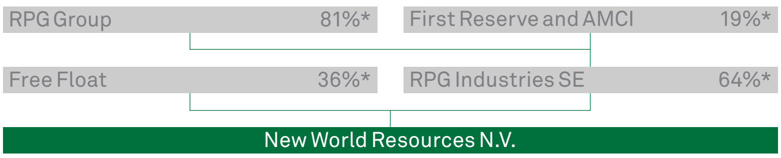
The geographical concentration of the shares held by institutional investors is depicted in the chart on page 204.

Purchase of shares

In 2008, NWR did not purchase its own shares. The General Meeting of shareholders held in April 2008 authorised the Board, for a period of 18 months, to acquire A shares of the Company within the limits set by law and the Company's Articles of Association.

Authorisation for this item will be sought again at the forthcoming Annual General Meeting.

Shareholder structure



Name	Percentage of ownership in NWR A shares
Crossroads Capital Investments Inc[1]	25.84%
Zdeněk Bakala[2]	25.84%
First Reserve[3]	9.09%
AMCI[4]	3.03%

* Approximate figures.

[1] Peter Kadas, a Non-Executive Director of NWR, is also a Director of Bakala Crossroads Partners Ltd, an affiliate of CCII. Mr. Kadas owns no direct interest in A shares or B shares but he is considered as being interested in A shares and B shares because of CCII's indirect ownership interest in RPG Partners Limited ("RPGP") and RPGP's indirect ownership interest in NWR. RPGP is the controlling shareholder of RPGI and owns an indirect interest of 81 per cent in the A shares held by RPGI, being approximately 63.8 per cent of the issued A shares, and in the B shares held by RPGI, being 100 per cent of the issued B shares. Companies controlled by CCII own 50 per cent of the outstanding voting capital in RPGP. Certain trusts associated with the family of Mr. Kadas own a minority interest in CCII.

[2] Mr. Bakala holds no direct interest in A shares or B shares but he is considered as being interested in the A shares and B shares as a result of certain trusts and affiliated companies relating to him and his family (collectively the 'Bakala entities') holding an indirect ownership interest in RPGP and RPGP's indirect ownership interest in NWR. Mr. Bakala, through the Bakala entities, owns 50 per cent of the outstanding voting capital in RPGP. As set out in note (1) above, RPGP owns an indirect interest of 81 per cent in the A shares held by RPGI, being approximately 63.8 per cent of the issued A shares, and in the B shares held by RPGI, being 100 per cent of the issued B shares.

[3] Mr. Krueger, a Non-Executive Director, is a Managing Director of First Reserve Corporation. First Reserve owns no direct interest in A shares or B shares. The indirect ownership interest of First Reserve arises as a result of its ownership of RPG Amfire Cayman Holdings Limited, which has a 14.25 per cent interest in RPGI. In the future, First Reserve may hold its interest in NWR directly, rather than indirectly through RPGI.

[4] Mr. Mende, a Non-Executive Director, is a 50 per cent equity shareholder in AMCI. AMCI owns no direct interest in A shares or B shares. The indirect ownership interest of AMCI arises as a result of ownership of a 4.75 per cent interest in RPGI. In the future, AMCI may hold its interest in NWR directly, rather than indirectly through RPGI.

First Reserve Corporation and AMCI have invested together in over ten investments in the coal industry, including: Alpha Natural Resources, a U.S. Appalachian coal producer; Foundation Coal Holdings, a steam coal supplier to U.S. utilities for use in general electricity; and China Coal Energy Issuer Limited.

Shareholder information
continued

LSE

In GBp	High	Low
2008 (since IPO)	1955.00	193.75
Third quarter	1739.00	672.00
Fourth quarter	679.50	193.75
January 2009	289.25	240.25

PSE

In CZK	High	Low
2008 (since IPO)	620.00	61.00
Third quarter	523.00	216.50
Fourth quarter	221.40	61.00
January 2009	84.62	71.75

WSE

In PLN	High	Low
2008 (since IPO)	87.00	9.74
Third quarter	76.50	30.30
Fourth quarter	30.80	9.74
January 2009	12.95	11.38

Financial calendar 2009

Date	Event
28 April 2009	Annual General Meeting of shareholders
19 May 2009	First quarter 2009 Results
22 May 2009	Final dividend payment date
19 August 2009	First half 2009 Results
18 November 2009	Nine months 2009 Results

Geographical share concentration (excluding shares held by RPGI)

- Americas 30.43%
- Rest of Europe 11.57%
- Czech Republic 5.70%
- Ireland 4.29%
- Switzerland 3.69%
- France 2.35%
- Asia Pacific/Middle East 2.29%
- United Kingdom 39.68%

January 2009

The General Meeting of shareholders held in April 2008 also authorised the Board, for a period expiring on the date of the next Annual General Meeting, to issue A shares and B shares and grant rights to subscribe for A shares and B shares after the admission of A shares to trading. In relation to the A shares, such authority has been limited to a number of A shares having a maximum aggregate nominal amount equal to the lesser of (i) one-third of the aggregate nominal value of the A shares in issue immediately following the admission; and (ii) the amount of the authorised but unissued A share capital immediately following the admission. The Board was further authorised, for a period expiring on the date of the next Annual General Meeting, to limit or exclude any pre-emptive rights with respect to the issue of A shares and B shares or granting of rights to subscribe for A shares and B shares. Such authorisation is limited to 5 per cent of A shares issued, as per the date of issue. The authorisation may be used in connection with the share-based long-term incentive plans for the Executive Directors, senior management and key employees.

A further renewal of the authorisations above will be submitted for approval to the Annual General Meeting of shareholders of 28 April 2009.

Shareholders who hold shares on a predetermined record date are entitled to attend and vote at General Meetings of shareholders. The record date for the Annual General Meeting of shareholders of 28 April 2009 is 20 days before the meeting, i.e. on 8 April 2009. As far as known to NWR, there is no agreement involving a shareholder of NWR that could lead to a restriction of the transferability of shares or of voting rights on shares.

To the best of the Company's knowledge, there is no agreement involving a shareholder of NWR that could lead to a restriction of the transferability of shares or of voting rights on shares, apart from the lock-up arrangements under the Underwriting Agreement entered into conjuction with the IPO. Under this arrangement, the Directors are prohibited from disposing of the shares they hold in NWR for a period of 365 days from the launch of the IPO in May 2008.

The A shares sold to qualified institutional buyers ("QIBs") in the United States in connection with the initial public offering in reliance on Rule 144A under the US Securities Act of 1933, as amended, are subject to certain transfer restrictions under applicable US securities laws.

Share price information

The table below shows the closing share prices for the period indicated for the A shares at each of the stock exchanges respectively.

Allotments of equity securities

During the period under review, no allotments of equity securities in NWR were made in exchange for cash other than the IPO, share grants to the Independent Non-Executive Directors (as described in the remuneration report) and delivery of shares to the Chairman of the Board (also as described in the remuneration report).

Dividend policy

NWR's dividend policy is to target distribution of approximately 50 per cent of the Mining Division's consolidated annual net income over the course of the business cycle, to be paid as interim and final dividends.

The dividend for NWR is declared in Euros. Shareholders of A shares may elect to receive their dividend in Pounds Sterling, Euros, Czech Koruna or Polish Zlotys. The default election will be deemed to be Pounds Sterling if a shareholder expresses no preference.

Subject to various exceptions and exemptions, shareholders are generally subject to Dutch dividend withholding tax at the rate of 15 per cent on dividends distributed by NWR, which sum NWR is required to withhold and account for to the Dutch tax authorities.

Shareholders should consult their own tax advisers as to the particular tax consequences for them as a result of receiving dividends from NWR.

Dividends on A shares (post-IPO)

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

For further information, please refer to the Company's website www.nwrgroup.eu or email the Investor Relations team on ir@nwrgroup.eu.

Agnes Blanco Querido
Head of Investor Relations
25 March 2009

Share price information

Stock Exchange	Currency	Closing price
LSE	GBp	268.00
PSE	CZK	73.34
WSE	PLN	11.30

31 December 2008

Ancillary information for shareholders

Shareholder information

Stock Exchange Listings
Prague Stock Exchange
Warsaw Stock Exchange
London Stock Exchange
Trading symbol: NWR
ISIN: NL0006282204

Additional information

Jersey Registrar
Computershare Investor Services
(Channel Islands) Limited
P.O. Box 83, Ordance House
31 Pier Road
St. Helier JE4 8PW
Jersey

Registrar to the Depository Interest Arrangements and Depository
Computershare Investor
Services PLC
P.O. Box 82, The Pavilions
Bridgewater Road
Bristol BS99 7NH
United Kingdom

Principal paying agent
The Bank of New York
One Canada Square
London E14 5AL
United Kingdom

Czech listing agent
Patria Finance, a.s.
Jungmannova 24
110 00 Praha 1
Czech Republic

Polish listing agent
UniCredit CAIB Poland S.A.
ul. Emilii Plater 53
00 113 Warsaw
Poland

Bondholder information

Notes outstanding
EUR 300 million aggregate principal
amount of 7.375 per cent senior
notes due 2015

Interest payment dates
May 15 and November 15
of each year

Trustee
Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Transfer Agent and Principal Paying Agent
Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Listing Agent and Registrar
Deutsche Bank Luxembourg S.A.
2 Boulevard Konrad Adenauer
L-1115 Luxembourg

Irish Paying Agent and Transfer Agent
Deutsche International
Corporate Services (Ireland) Limited
3rd Floor, 5 Harbourmaster Place
International Financial Services
Centre
Dublin 1
Ireland

The Black-Scholes model – a mathematical model of the market for an equity, in which the equity's price is a stochastic process.

Blast-furnace coke – coke used to power blast furnaces. This coke must have a high strength to support heavy loads in the blast furnace without disintegration. Also known as metallurgical coke.

BP Statistical Review of World Energy – an annual review which provides quantitative data on the major fundamentals of the energy market.

By-product – material other than the principal product generated by an industrial process.

Coal – a readily combustible rock, formed from plant remains that have been compacted, chemically altered and metamorphosed by heat and pressure over millions of years.

Coke – the solid carbonaceous material derived from the destructive distillation of coal.

Coking coal – high volatility coal used to create coke, which is consumed in the steel reduction process.

COP 2010 – NWR's Coking Plant Optimisation Programme, a capital investment programme designed to improve the productivity of its coking plants.

Emission – pollution discharged into the atmosphere by commercial or industrial facilities, or by motor vehicle, locomotive or aircraft exhausts.

EXW – ex works. A trade term requiring the seller to deliver goods at his or her own place of business. All other transportation costs and risks are assumed by the buyer.

Foundry coke – coke used in furnaces to produce cast and ductile iron products. It is a source of heat and also helps maintain the required carbon content of the metal product. Foundry coke production requires lower temperatures and longer times than blast furnace coke.

GDP – Gross Domestic Product, the total value of all goods and services produced in a particular economy.

Hard coal – another name for anthracite, the coal with the highest level of carbon and the lowest level of impurities. Both metallurgical coking coal and thermal coal are forms of hard coal.

IMF – the International Monetary Fund, an international organisation that oversees the global monetary system.

IMGE – was an internal business unit of OKD specialised in land reclamation works.

IPO – Initial Public Offering.

JORC – the Joint Ore Reserves Committee.

Letter of Intent – a document outlining an agreement between two or more parties before the agreement is finalised.

Longwall mining – a fully mechanised underground mining technique in which a coal face is excavated by a shearer and then transported to the surface by conveyor belt.

LTIFR – Lost Time Injury Frequency Rate represents the number of reportable injuries after three days of absence divided by total number of hours worked expressed in millions of hours.

Metallurgical coke – another name for blast-furnace coke.

Mine refuse – is certified as the material which is used for redevelopment and reclamation works, as well as for the construction of motorways and railway tracks. Mine refuse is not considered to be any waste. High-quality slurries are retreated and serve as a production source.

Net Debt – includes cash and cash equivalents (excl. restricted cash), short-term debt and long-term debt.

POP 2010 – NWR's Productivity Optimisation Programme, a major capital investment programme designed to improve the productivity of its mines.

Probable reserves – reserves of coal which are known to exist but where some doubt exists over whether they are technically or economically viable.

Proved reserves – estimated quantities of coal that analysis of geologic and engineering data demonstrates with reasonable certainty are recoverable under existing economic and operating conditions.

Revenues – sales of coal, coke and others (mainly transportation and electricity trading). Includes discontinued operations and does not reflect real estate extraction.

Seam – a geological structure containing a series of layers of coal, shale and other mineral materials of varying thicknesses.

Shaft – a mine working (usually vertical) used to transport miners, supplies, ore and waste.

Sludge – high ash reject material from the fine coal washing circuits that can be recovered and re-processed to sell as additional coal by blending it with other products.

Steam coal – another name for thermal coal.

Thermal coal – coal used in combustion processes by power producers and industrial users to produce steam for power and heat. Also called steam coal.

Tonne – a metric tonne, a measure of mass equal to 1,000 kilogrammes or approximately 2,205 pounds.

World Coal Institute – a non-profit, non-governmental organisation funded by coal companies and stakeholders which represents the coal industry in international energy and environmental policy and research discussions.

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