Directors' Report

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 2010.

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 Central Europe, serving customers, primarily 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.

The Company has a one-tier Board of Directors (the 'Board') comprising of both Executive and Non-Executive Directors. Currently the Board consists of 13 Directors, which includes five Independent Directors. Such Board composition ensures the effective achievement of the corporate objectives, the protection of the interests of Company's shareholders and stakeholders and the governance of the Group. Non-Executive Directors monitor the performance of Executive Directors and management of goals and objectives of the Company. Non-Executive Independent Directors are judged to be independent of the Group and free of material relationships with the Group and its affiliated entities.

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. While the committees advise the Board in its work, the Board remains responsible for its decisions.

In April 2010, BXR Mining B.V. ('BXRM') informed the Company that BXR Group Limited ('BXRG') had replaced RPG Partners Limited as the ultimate parent company of BXRM. Accordingly, BXRG has a 63.57 per cent indirect interest in the A shares and a 100 per cent indirect interest in the B shares.

On 5 October 2010, the Company announced an all-cash offer to acquire all of the issued and outstanding shares of Lubelski Węgiel 'BOGDANKA' S.A. ('Bogdanka') for PLN 100.75 in cash per Bogdanka share (the 'Offer'), amounting to PLN 3,427 million in total (approximately EUR 857 million). Completion was conditional upon a minimum of 25,510,193 Bogdanka shares (representing 75 per cent of Bogdanka's issued share capital) being tendered in acceptance of the Offer and the approval of Polish competition authorities. The Offer subscription period closed on 29 November 2010 and as the acceptance threshold of 75 per cent of Bogdanka's issued share capital was not met, the Offer has lapsed.

On the same day the Company announced its intention to re-incorporate in the United Kingdom. The Company believes that this should allow FTSE UK Index Series eligibility, raising the profile of the Group with international investors and further demonstrating the Group's commitment to the high governance and control standards according to which it operates its business. The re-incorporation in the United Kingdom is expected to take place in 2011.

Business strategy

The Group seeks to distinguish itself from its competitors in terms of responsiveness to customer specifications, production of high quality coal and coke 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:

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

Employees

During the year 2010 the Company and its subsidiaries employed an average of 15,146 employees (including discontinued operations) and utilized an average of 3,407 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. In 2010, the basic wages of employees remained at the same level as those for 2009. On the basis of the Company's strong performance during the year 2010 the Group paid summer and winter bonuses to its mining employees resulting in an increase of personnel expenses by approximately 3% on a constant currency basis. For 2011, under an agreement with the Trade Unions, OKD employees will receive a 4% increase in their basic wage, along with summer and winter bonuses.

Investments

Over the course of 2008 and 2009, the Group implemented its Productivity Optimisation Programme 2010 ('POP 2010'). All 10 longwall sets have been successfully installed and are now fully operational. The new equipment is delivering expected results, thus improving productivity, efficiency as well as labour safety. In the long term the equipment should enhance the Group's reserve base, since the new equipment is better suited to the existing coal seams and provides improved strength to allow deeper mining.

Having completed the implementation of POP 2010, the Company launched a new, PERSPective 2015 Programme, a set of cultural values intended, amongst other things, to build on the gains and efficiencies achieved by the POP 2010 investment by further improving employee care and labour productivity and ensuring consistent exploitation of coal reserves, occupational safety and good customer relations.

In addition, the implementation of the Group's coking refurbishment programme, COP 2010, to consolidate all coke production at a single, more efficient coking plant at Svoboda was completed in 2010 and the newly constructed coke battery No. 10 is now running at full capacity. The new battery is expected to enable the Group to increase its foundry coke share in its total coke production volume. In addition, it is expected to improve the efficiency and extend the life of the Group's coking operations. With the construction of the No. 10 coking battery at the Svoboda plant, the No. 4 coking battery at the Šverma plant was fully shut down by the end of 2010 and production at the Šverma plant was ceased. As part of COP 2010, the refurbishment of coking battery No. 8 was also completed in December 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 purchased as part of POP 2010 involves further automation of extraction and enhances the safety environment for the Group's workforce. A number of safety initiatives were introduced in recent years, including new personal protective equipment, safety audits and safety briefings, resulting in a steady positive trend in the safety environment of the Group.

Capital expenditures of the Group reached EUR 220,871 thousand for the year 2010.

Changes in the Group

On 24 June 2009, the Board approved the intention to sell the Group's energy business consisting of NWR Energy, a.s. (now known as Dalkia Industry CZ, a.s.; 'NWR Energy') and its two subsidiaries, NWR ENERGETYKA PL Sp. z o.o. and CZECH-KARBON s.r.o. ('CZECH-KARBON') (the 'Energy Subsidiaries'). Following the Board's decision to sell the energy business, the assets and liabilities of these entities have been classified as held for sale in the financial statements. Part of the energy business, which historically has been presented as the electricity trading segment, is presented as discontinued operations in these financial statements.

The Group is focused on its core business of coal mining and coke production. The Company entered into the Share Sale and Purchase Agreement with Dalkia Česká republika, a.s. ('Dalkia') on 8 January 2010, which provides for the sale by the Company to Dalkia of 100 per cent of the ownership in the Energy Subsidiaries, which was successfully closed on 21 June 2010. The purchase price received to date is CZK 3,584 billion in cash (approximately EUR 139,156 thousand), and is subject to further adjustments based on the trading results of CZECH-KARBON s.r.o. for 2010 and 2011. The Company realised a gain of EUR 81,976 thousand on the sale. The sale price is further subject to standard representations and warranties resulting from the share purchase agreement. In connection with the sale of the Energy Subsidiaries, the Company will continue to purchase utilities from NWR Energy and CZECH-KARBON s.r.o. under a framework agreement, expiring in 2029.

Financial information

The Company's strong performance in the year 2010 reflects the improved environment in its markets after the global economic downturn, when demand for steel declined rapidly during the first half of 2009. Recovering production in the steel sector, that began in the last quarter of 2009 and continued in 2010, resulted in higher demand for coal and coke and improved the product's pricing as well. The Company's revenues increased by 42 per cent mainly due to the increase in sales volumes and prices for both coking coal and coke.

After merging two mines in 2008 and closing one coking site in 2010, the Group now operates four mines and four coking batteries 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 2010 accounted for approximately EUR 1,590 million. The Group's largest business in terms of revenue is the production of coking coal, which accounted for approximately EUR 739 million of sales to third parties in 2010 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. Beside coking coal the Group produces thermal coal, which accounted for approximately EUR 343 million of sales in 2010 on an EXW basis. The Group also produces coke, from its own coking coal, as well as from externally purchased coking coal, for sale to steel producers and foundries. Coke sales to third parties for 2010 were approximately EUR 303 million, representing a dramatic increase by 188 per cent. The Group also generates revenue from the sale of coke by-products 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. The sources of additional revenues represented approximately EUR 205 million in 2010.

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.

Increases in coal production and development at OKD resulted in higher mining material consumption, personnel expenses and contractor costs (amongst others), and an increase in coke production resulted mainly in higher consumption of external purchased coking coal. In comparison to 2009, this led to an increase of total operating expenses by 12 per cent.

The financial results of the Group for the year 2010 were positively affected by the sale of the energy business with a positive one-off impact on total net profit of EUR 81,976 thousand.

The Group continues to keep a stable liquidity and capital position. This is reflected by the decision of the Company to pay out dividends in line with its dividend policy. In October 2010, the Company paid out a dividend to the holders of the A shares in an amount equivalent to EUR 55,531 thousand, paid in EUR, CZK, GBP and PLN in accordance with the currency elections of the holders of the A shares of Company.

On 27 April 2010, the Company issued EUR 475 million Senior Secured Notes due 2018. The Notes were issued with a coupon of 7.875 per cent. The net proceeds of the offering together with approximately EUR 181 million cash were used to repay in full the outstanding amounts under the Senior Secured Facilities, accrued interest and fees. On 18 May 2010, the Company issued an additional EUR 25 million of Senior Secured Notes due 2018 in a private placement. The additional Notes are entitled to the same rights and privileges as the EUR 475 million of Senior Secured Notes due 2018, including a coupon of 7.875 per cent.

Environmental and personnel related information

The hard coal mining industry in the Czech Republic is principally regulated by the Czech Act on Mining and Geological Works (the 'Mining Act'). 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 (the 'EIA') sets forth a duty to conduct in certain cases an EIA

Directors' Report continued

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 as well as the Group's compliance with applicable legal and regulatory requirements associated with health, safety and environmental matters.

Information regarding financial instruments

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, high yield bonds, trade payables, cash-settled share-based payments payable 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 are exposed to are foreign exchange rate risks on sales and purchases in foreign currencies, interest rates tied to variable market interest rates, volatility risk and credit risk as an increase in secondary insolvency of key customers, which might occur especially in the steel industry.

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 2010 and 2009 the Group's policy that no speculative trading in derivatives shall be undertaken. The Board reviews and agrees policies for managing each of these risks, which are summarised in the section 'Financial Instruments and Risk Management' in the Notes to the consolidated financial statements.

Information technology

The Group provides information to investors primarily through the Company's website: www.newworldresources.eu, and through the website of OKD: www.okd.cz. 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 the Group level. Its tasks are to ensure coverage of main risks and internal control issues at the Group level, oversee and align operational risk and control reviews performed by local teams at subsidiary levels where applicable, create and maintain a Group-wide risk and internal control approach and mechanism, and inform the Board of issues and developments in these areas. The Group internal auditor has a direct reporting line to the chairman of the Audit and Risk Management Committee of the Board and works in a close co-operation with Company's risk manager of the and management. OKD has established its own internal audit team and audit committee. The OKD's internal auditor assesses whether the internal control, risk management and governance processes, as designed and represented by management, are adequate and effective. Internal audit in the other operations, OKK Koksovny, a.s. and NWR KARBONIA S.A. is carried out by the Group internal audit function.

Remuneration of the Board

The members of the Board received EUR 7,789 thousand for their services in 2010, of which EUR 6,075 thousand was received in shares and share options. The amounts correspond to values recorded in the books of the Company for 2010, including accruals. Please refer to the 'Remuneration Report' in the 2010 Annual Report for further information.

Other

Please see also the 'Corporate Governance' and 'Shareholder Information' sections of the 2010 Annual Report, which include information required by the Takeover Directive.

Amsterdam, 14 March 2011

Members of the Board of Directors

Mike Salamon
Klaus-Dieter Beck
Marek Jelínek
Zdeněk Bakala
Peter Kadas
Kostyantin Zhevago
Bessel Kok
Hans-Jörg Rudloff
Hans-Jürgen Mende
Steven Schuit
Paul M. Everard
Barry J. Rourke
Pavel Telička