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General Information

Executive Directors
Mike Salamon (Chairman)
Klaus-Dieter Beck
Marek Jelínek

Non-Executive Directors
Zdeněk Bakala
Peter Kadas
Hans-Jürgen Mende
Pavel Telička
Kostyantin Zhevago

Non-Executive Independent Directors
Bessel Kok
Hans-Jörg Rudloff
Steven Schuit
Paul Everard
Barry Rourke

As of 31 December 2010, the Board of Directors consisted of three Executive Directors and 10 Non-Executive Directors, five of whom qualified as independent. The Company may be represented by any Executive Director. The Board of Directors adopts its resolutions by an absolute majority of votes cast. Further distinction between an Executive Director and a Non-Executive Director follows from the Articles of Association and is described in more detail in the Annual Report and Accounts 2010.

Registered Office
Jachthavenweg 109h
1081 KM Amsterdam
The Netherlands

Company Registration Number
Trade Register Amsterdam 34239108

Auditors
KPMG Accountants N.V., Amsterdam, The Netherlands

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

Consolidated income statement prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010

	Note	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Continuing operations			
Revenues	3	**1,589,990**	1,116,838
Change in inventories of finished goods and work-in-progress		**(34,954)**	18,869
Consumption of material and energy		**(373,153)**	(292,313)
Service expenses		**(341,843)**	(293,571)
Personnel expenses	4,28,29	**(361,117)**	(351,072)
Depreciation	13	**(161,145)**	(164,497)
Amortisation	14	**(9,203)**	(8,352)
Reversal of impairment of receivables		**79**	1,184
Net gain from material sold		**5,177**	4,048
Gain from sale of property, plant and equipment		**715**	4,117
Other operating income		**5,062**	3,514
Other operating expenses	5	**(25,064)**	(28,812)
Operating income		**294,544**	9,953
Financial income	7	**35,518**	48,931
Financial expense	7	**(150,373)**	(116,804)
Profit on disposal of energy business	8	**72,391**	–
Profit/(loss) before tax		**252,080**	(57,920)
Income tax expense	9	**(30,811)**	(5,811)
Profit/(loss) from continuing operations		**221,269**	(63,731)
Discontinued operations			
Profit from discontinued operations net of tax	10	**12,045**	2,135
Profit/(loss) for the year		**233,314**	(61,596)
Attributable to:			
Non-controlling interests		**–**	–
Shareholders of the Company		**233,314**	(61,596)
Earnings per share (eur/share)	25		
Basic earnings per A share		**0.86**	(0.25)
Diluted earnings per A share		**0.85**	(0.25)
Basic earnings per A share from continuing operations		**0.81**	(0.26)
Diluted earnings per A share from continuing operations		**0.80**	(0.26)
Basic earnings per A share from discontinued operations		**0.05**	0.01
Diluted earnings per A share from discontinued operations		**0.05**	0.01
Basic earnings per B share		**699.30**	384.60
Diluted earnings per B share		**699.30**	384.60

The Notes on pages 86 to 139 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010

	Consolidated statement of comprehensive income For the year ended 31 December 2010				
	Foreign exchange translation reserve EUR'000	Restricted reserve EUR'000	Hedging reserve EUR'000	Profit for the year EUR'000	Total comprehensive income EUR'000
Profit for the year	–	–	–	233,314	233,314
Other comprehensive income					
Foreign currency translation differences	60,265	7,103	1,305	–	68,673
Derivatives – change in fair value for the year	–	–	(1,172)	–	(1,172)
Derivatives – reclassification through profit and loss	–	–	(6,758)	–	(6,758)
Other movements	–	–	–	937	937
Total other comprehensive income for the year including tax effects	60,265	7,103	(6,625)	937	61,680
Total comprehensive income for the year attributable to the shareholders of the Company	**60,265**	**7,103**	**(6,625)**	**234,251**	**294,994**

	Tax charge or credit on items of other comprehensive income As of 31 December 2010		
Tax effects on other comprehensive income	Before tax EUR'000	Tax credit EUR'000	**Total comprehensive income net off tax EUR'000**
Other comprehensive income			
Foreign currency translation differences	68,673	–	**68,673**
Derivatives – change in fair value for the year	(1,172)	–	**(1,172)**
Derivatives – reclassification through profit and loss	(8,361)	1,603	**(6,758)**
Other movements	937	–	**937**
Total	**60,077**	**1,603**	**61,680**

	Consolidated statement of comprehensive income For the year ended 31 December 2009				
	Foreign exchange translation reserve EUR'000	Restricted reserve EUR'000	Hedging reserve EUR'000	Loss for the year EUR'000	Total comprehensive income EUR'000
Loss for the year	–	–	–	(61,596)	(61,596)
Other comprehensive income					
Foreign currency translation differences	14,350	1,886	1,038	–	17,274
Derivatives – change in fair value for the year	–	–	(76)	–	(76)
Derivatives – reclassification through profit and loss	–	–	(5,343)	–	(5,343)
Other movements	–	–	–	(1)	(1)
Total other comprehensive income for the year including tax effects	14,350	1,886	(4,381)	(1)	11,854
Total comprehensive income for the year attributable to the shareholders of the Company	14,350	1,886	(4,381)	(61,597)	(49,742)

	Tax charge or credit on items of other comprehensive income As of 31 December 2009		
Tax effects on other comprehensive income	Before tax EUR'000	Tax credit EUR'000	Total comprehensive income net off tax EUR'000
Other comprehensive income			
Foreign currency translation differences	17,274	–	17,274
Derivatives – change in fair value for the year	(76)	–	(76)
Derivatives – reclassification through profit and loss	(6,679)	1,336	(5,343)
Other movements	(1)	–	(1)
Total	10,518	1,336	11,854

The Notes on pages 86 to 139 are an integral part of these consolidated financial statements.

Consolidated statement of financial position prepared in accordance with IFRS as adopted by the European Union As of 31 December 2010

	Note	31 December 2010 EUR'000	31 December 2009 EUR'000
Assets			
Property, plant and equipment	13	**1,280,892**	1,158,332
Mining licences	14	**161,586**	161,757
Long-term receivables	15	**12,872**	1,568
Deferred tax asset	30	**8,601**	7,710
Restricted cash	16	**11,025**	13,926
Derivatives	20	**58**	251
Total non-current assets		**1,475,034**	1,343,544
Inventories	17	**56,013**	85,819
Accounts receivable and prepayments	18	**197,746**	149,656
Derivatives	20	**34**	–
Income tax receivable	9,19	**143**	660
Cash and cash equivalents	21	**529,241**	547,827
Restricted cash	16	**–**	2,771
Total current assets		**783,177**	786,733
Assets held for sale	8	**–**	85,254
Total assets		**2,258,211**	2,215,531
Shareholders equity			
Share capital	25	**105,883**	105,736
Share premium	25	**66,326**	60,449
Foreign exchange translation reserve	25	**79,343**	19,078
Restricted reserve	25	**133,169**	126,066
Equity-settled share-based payments	25	**17,157**	13,424
Hedging reserve	25	**23,322**	29,947
Retained earnings	25	**384,195**	205,475
Equity attributable to the shareholders of the company	25	**809,395**	560,175
Liabilities			
Provisions	26	**106,491**	103,133
Long-term loans	23	**89,377**	679,854
Bonds issued	24	**745,497**	260,096
Employee benefits	28	**95,892**	96,588
Deferred revenue	27	**2,524**	2,675
Deferred tax liability	30	**118,938**	101,512
Other long-term liabilities		**576**	648
Derivatives	20	**19,280**	18,649
Total non-current liabilities		**1,178,575**	1,263,155
Provisions	26	**5,820**	10,175
Accounts payable and accruals	22	**204,793**	236,930
Accrued interest payable on bonds		**9,029**	2,467
Derivatives	20	**4,771**	2,144
Income tax payable	9	**29,138**	1,840
Current portion of long-term loans	23	**15,276**	74,842
Short-term loans	23	**7**	18,895
Cash-settled share-based payments payable		**1,407**	2,371
Total current liabilities		**270,241**	349,664
Liabilities classified as held for sale	8	**–**	42,537
Total liabilities		**1,448,816**	1,655,356
Total equity and liabilities		**2,258,211**	2,215,531

The Notes on pages 86 to 139 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 31 December 2010

	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
Balance as at 1 January 2010	**105,736**	**60,449**	**19,078**	**126,066**	**13,424**	**29,947**	**205,475**	**560,175**
Total comprehensive income for the year attributable to shareholder of the Company	–	–	60,265	7,103	–	(6,625)	234,251	294,994
Transaction with owners recorded directly in equity								
Contribution by and distribution to owners								
Shares granted to independent directors	41	959	–	–	–	–	–	1,000
Shares from share options vested	106	4,918	–	–	(4,996)	–	–	28
Dividends paid	–	–	–	–	–	–	(55,531)	(55,531)
Share options	–	–	–	–	8,729	–	–	8,729
Transactions with owners	147	5,877	–	–	3,733	–	(55,531)	(45,774)
Balance as at 31 December 2010	**105,883**	**66,326**	**79,343**	**133,169**	**17,157**	**23,322**	**384,195**	**809,395**

	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
Balance as at 1 January 2009	105,524	54,971	4,728	124,180	8,037	34,328	314,556	646,324
Total comprehensive income for the year attributable to shareholder of the Company	–	–	14,350	1,886	–	(4,381)	(61,597)	(49,742)
Transaction with owners recorded directly in equity								
Contribution by and distribution to owners								
Shares granted to independent directors	107	893	–	–	–	–	–	1,000
Shares from share options vested	105	4,585	–	–	(4,688)	–	–	2
Dividends paid	–	–	–	–	–	–	(47,484)	(47,484)
Share options	–	–	–	–	10,075	–	–	10,075
Transactions with owners	212	5,478	–	–	5,387	–	(47,484)	(36,407)
Balance as at 31 December 2009	105,736	60,449	19,078	126,066	13,424	29,947	205,475	560,175

The Notes on pages 86 to 139 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010

	Note	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Cash flows from operating activities			
Net profit/(loss) before taxation and non-controlling interest from continuing operations		**252,080**	(57,920)
Net profit before taxation and non-controlling interest from discontinued operations		**12,518**	3,690
Net profit/(loss) before taxation and minority interest		**264,598**	(54,230)
Adjustments for:			
Depreciation	13	**161,145**	164,497
Amortisation	14	**9,203**	8,352
Changes in provisions		**(12,603)**	6,633
Profit on disposal of property, plant and equipment		**(715)**	(4,117)
Profit on disposal of energy business	8	**(81,976)**	–
Interest expense, net		**65,143**	52,491
Change in fair value of derivatives		**(2,553)**	7,476
Cash-settled share-based payment transactions		**(964)**	2,016
Equity-settled share-based payment transactions		**9,757**	11,078
Unrealised foreign exchange gains on long-term borrowings		**–**	754
Profit before working capital changes		**411,035**	194,950
Decrease/(Increase) in inventories		**29,879**	(19,843)
(Increase)/Decrease in receivables		**(66,252)**	41,258
(Decrease)/Increase in payables		**(25,185)**	25,548
Changes in deferred revenue		**(1,195)**	(1,875)
(Increase)/Decrease in restricted cash		**6,260**	12,438
Currency translation and other non-cash movements		**8,407**	(5,035)
Cash generated from operating activities		**362,949**	247,441
Interest paid		**(56,811)**	(52,852)
Corporate income tax received/(paid)		**9,029**	(18,364)
Net cash flows from operating activities		**315,167**	176,225
Cash flows from investing activities			
Interest received		**5,887**	6,441
Purchase of land, property, plant and equipment	13	**(220,871)**	(250,201)
Proceeds from sale of energy business		**135,312**	–
Cash and cash equivalents of subsidiaries sold		**(10,681)**	–
Proceeds from sale of property, plant and equipment		**1,566**	4,349
Net cash flows from investing activities		**(88,787)**	(239,411)
Cash flows from financing activities:			
Repayments of Senior Secured Facilities (also called syndicated loan)	23	**(678,284)**	(63,486)
Proceeds of long-term borrowings	23	**24,238**	82,335
Bond redemption		**–**	(30,165)
Fees paid on bond redemption		**–**	(1,236)
Repayments of short-term borrowings		**(36,860)**	(15,930)
Proceeds of short-term borrowings		**8,072**	17,448
Proceeds from bonds issue	24	**500,000**	–
Transaction costs from issued bonds	24	**(16,767)**	–
Dividends paid		**(55,531)**	(47,484)
Net cash flows from financing activities		**(255,161)**	(58,518)
Net effect of currency translation		**(1,276)**	2,107
Net increase/(decrease) in cash and cash equivalents		**(30,057)**	(119,597)
Cash and Cash Equivalents at the beginning of year classified as Assets held for sale		**11,471**	678,895
Cash and Cash Equivalents at the beginning of year		**547,827**	
Cash and Cash Equivalents classified as Assets held for sale			11,471
Cash and Cash Equivalents at the end of year		**529,241**	547,827

The Notes on pages 86 to 139 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010

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.

BXR Mining B.V., a European public limited company, is the major shareholder of the Company, holding approximately 64 per cent of the Company's A shares. 100 per cent of the Company's B shares are owned by RPG Property B.V. The financial information of the Company is included in the consolidated financial statements of RPG Partner Limited. 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. Since 14 April 2010 the ultimate parent of the Company is BXR Group Limited, for the period 1 January 2009–13 April 2010 the ultimate parent was RPG Partners Limited.

These financial statements were approved by the Board of Directors and authorised for issue on 14 March 2010.

b) The Group

The consolidated financial statements include New World Resources N.V. and the following subsidiaries (together the 'Group') as of 31 December 2010:

Consolidated subsidiaries	Abbreviation	% Equity = voting	Nature of Activity
Entities directly owned by the Company:			
OKD, a.s.[1]	OKD	100 %	Coal mining
OKK Koksovny, a.s.[2]	OKK	100 %	Coke production
NWR KARBONIA Sp. z o.o.[3]	NWR KARBONIA	100 %	Coal mining
Entities directly owned by OKD:			
OKD, HBZS, a.s.	–	100 %	Emergency services, waste processing

1 In the Notes the abbreviation OKD is used to refer to OKD, a.s.
2 OKD, OKK, a.s. was renamed to OKK Koksovny, a.s. on 1 December 2009. In the Notes, the abbreviation OKK Koksovny is used and refers for the respective periods to OKK Koksovny, a.s. and OKD, OKK, a.s.
3 "KARBONIA PL" Sp. z o.o. was renamed to NWR KARBONIA Sp. z o.o. on 2 July 2009. In the Notes, the abbreviation NWR KARBONIA is used and refers for the respective periods to NWR KARBONIA Sp. z o.o. resp. "KARBONIA PL" Sp. z o.o.

All of the Company's consolidated subsidiaries are incorporated in the Czech Republic, with the exception of NWR KARBONIA, which is incorporated in Poland.

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

As of 31 December 2009 the consolidated financial statements included New World Resources N.V. and the following subsidiaries (together the 'Group'):

Consolidated subsidiaries	Abbreviation	% Equity = voting	Nature of Activity
Entities directly owned by the Company:			
OKD, a.s.	OKD	100 %	Coal mining
OKK Koksovny, a.s.	OKK	100 %	Coke production
NWR KARBONIA Sp. z o.o.	NWR KARBONIA	100 %	Coal mining and electricity sales
NWR Energy, a.s.[1]	NWR Energy	100 %	Electricity production
Entities directly owned by NWR Energy, a.s.[1]:			
CZECH-KARBON s.r.o.	CZECH-KARBON	100 %	Electricity trading
NWR ENERGETYKA PL Sp. z o.o.[2]	NWR ENERGETYKA PL	100 %	Electricity sales
Entities directly owned by OKD:			
OKD, HBZS, a.s.	–	100 %	Emergency services, waste processing

1 Since 24 June 2010 renamed to Dalkia Industry CZ, a.s.
2 Since 21 August 2010 renamed to Dalkia Powerline Sp. z o.o. NWR Energetyka PL is incorporated in Poland.

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').

1. General information continued

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 NWR KARBONIA and NWR ENERGETYKA PL is Polish Zloty (PLN). Functional currency of the remaining consolidated companies is Czech Crown (CZK). For details refer to the 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 judgments, 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 judgments 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 judgments 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 13 – 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.

The purpose of NWR ENERGETYKA PL was to manage and operate energy assets, which were spun-off from NWR KARBONIA on 1 April 2009. The control at the Company level did not change by the spin-off.

On 13 October 2009, 100 per cent ownership interest in NWR ENERGETYKA PL was transferred from the Company to NWR Energy.

(ii) Discontinued operations, classification as held for sale and sale of the energy business

On 24 June 2009 the Board of Directors of the Company (the 'Board') approved its intention to sell the energy business of the Group. The energy business of the Group entailed NWR Energy, NWR ENERGETYKA PL and CZECH-KARBON. Based on the Board's decision to sell the energy business, the assets and liabilities of these entities were classified as held for sale as per 31 December 2009.

On 21 June 2010 the Company closed the sale of NWR Energy (including its subsidiaries NWR ENERGETYKA PL and CZECH-KARBON) to Dalkia Česká Republika, a.s. Net assets of the disposed companies amounted to EUR 52,696 thousand as of 21 June 2010. NWR Energy was sold for CZK 3,370,000 thousand (equivalent EUR 130,823 thousand) plus additional CZK 213,379 thousand (equivalent EUR 8,333 thousand) received in fourth quarter 2010 resulting from net debt adjustment. Total selling price amounted to EUR 139,156 thousand. The realised gain from the sale of EUR 81,976 thousand also reflects secondary transaction costs of EUR 3,846 thousand of the Company and an additional discount in the selling price in the estimated amount of EUR 638 thousand, not paid yet. After a final agreement was reached related to the net debt adjustment, the Company split the gain between continuing and discontinued operations and presents EUR 9,585 thousand as the gain related to the electricity trading sub-segment that is included within the profit from discontinued operations and EUR 72,391 thousand as the gain on disposal of the energy business reported within continuing operations. The sale price is still subject to an adjustment related to the performance of CZECH-KARBON's electricity trading portfolio, which may result in a reduction of the sale price of no more than approximately EUR 2 million. This potential reduction relates to audited results for the years 2010 and 2011. The sale price is also subject to standard representations and warranties resulting from the share purchase agreement. In connection with the sale of NWR Energy, NWR will continue to purchase utilities from NWR Energy and CZECH-KARBON under a long-term agreement, expiring in 2029.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

1. General information continued

The Sale and Purchase Agreement provides for put and call options, as well as a pre-emption right of NWR, in respect of the energy assets and businesses transferred to Dalkia or replacing such energy assets or businesses upon the occurrence of certain events. Before closing of the sale, the Energy Subsidiaries supplied the utilities (in particular the supply and distribution of electricity and the production, supply and distribution of heat, compressed air and bathroom water) to OKD, primarily through a framework agreement on supplies and services between OKD, NWR Energy and CZECH-KARBON, dated 27 November 2008 (the 'Framework Agreement'), although certain other supplies were also made to OKD and other affiliates. The Framework Agreement was initially entered into in connection with the reorganisation of the energy business to provide a framework for the independent operation and arm's length pricing of energy services. In addition, OKK and Dalkia were already, prior to closing, party to an agreement pursuant to which OKK supplied Dalkia with coking gas and Dalkia supplies OKK with heat and OKD and NWR were parties to an agreement pursuant to which Dalkia, through NWR, supplied the ČSA Mine with heat.

In connection with the consummation of the sale of the energy business to Dalkia the Framework Agreement and certain agreements implementing it were amended to reflect agreed commercial terms. The Framework Agreement, as amended, will terminate on 31 December 2029, subject to an option in favour of OKD to extend the Framework Agreement for an additional five-year period. OKD is obliged, among other things, to supply NWR Energy with certain raw materials (coal, coke and water) used in the production of the utilities and to purchase energy utilities (mainly heat and compressed air) and electricity distribution services from NWR Energy and electric power from CZECH-KARBON; NWR Energy and CZECH-KARBON are obliged, among other things, to deliver the utilities to OKD in the requested volumes (subject to technical minimum and maximum amounts) at agreed prices. The pricing mechanism for supplies under the amended Framework Agreement (in respect of raw materials, utilities, services and relevant leases) will be applicable over the entire duration of the amended Framework Agreement on arm's length terms. Dalkia has acceded to the rights and obligations of NWR Energy and CZECH-KARBON arising under the amended Framework Agreement and under implementation agreements relating to the same.

Part of the energy business, presented as the Electricity trading segment is in the financial statements presented as discontinued operations (until the date of sale i.e. by 21 June 2010). The segment was classified as discontinued operations in 2009. Discontinued operations are described in the Note (iii)10 Discontinued operations.

(iii) Sale of the part of the business of OKD

On 1 June 2010 OKD sold part of OKD's enterprise consisting of the Mining Museum Internal Business Unit (movable and immovable assets, rights and obligations of operational character and employees) in the Landek area (Ostrava-Petřkovice) to the third party VÍTKOVICE, a.s. with obligations to procure the operation of the Mining Museum and the Landek Area for a period of 20 years for the purchase price amounting to CZK 1 (EUR 0.04) in compliance with an external expert valuation.

2. Summary of significant accounting policies

a) New IFRS

New standards and interpretations adopted during the financial year

In 2010, the Group adopted the following new or amended International Financial Reporting Standards and IFRIC Interpretations, which were relevant for the Group:

> IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions
> IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
> IFRIC 17 Distributions of Non-cash Assets to Owners (effective 1 July 2009)
> Improvements to IFRSs (May 2008)
> Improvements to IFRSs (April 2009)

The principal effects of the changes are as follows:

IFRS 2 Share-based Payment (Revised)

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2010. It did not have an impact on the financial position or performance of the Group.

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

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. 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 IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

2. Summary of significant accounting policies continued

IFRIC 17 Distribution of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either the financial position nor performance of the Group.

Improvements to IFRSs

In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments relevant for the Group resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

Issued in May 2008

> IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and has no impact on the financial position nor financial performance of the Group.

Issued in April 2009

> IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. As a result of this amendment, the Group amended its disclosures.
> IFRS 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in Note 3.
> IAS 36 Impairment of Assets: clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

Issued in April 2009

> IFRS 2 Share-based Payment
> IAS 1 Presentation of Financial Statements
> IAS 17 Leases
> IAS 34 Interim Financial Reporting
> IAS 38 Intangible Assets
> IAS 39 Financial Instruments: Recognition and Measurement
> IFRIC 9 Reassessment of Embedded Derivatives
> IFRIC 16 Hedge of a Net Investment in a Foreign Operation

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 have been issued but are not yet effective as at 31 December 2010. The Group currently does not expect that the new standards and interpretations will have a significant effect on the Group's results and financial position.

The principal effects of these changes are as follows:

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

2. Summary of significant accounting policies continued

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address impairment, hedge accounting and derecognition. The completion of this project is expected in 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)
The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

Improvements to IFRSs (issued in May 2010)
The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments listed below, are considered to have a reasonable possible impact on the Group:

> IFRS 3 Business Combinations
> IFRS 7 Financial Instruments: Disclosures
> IAS 1 Presentation of Financial Statements
> IAS 27 Consolidated and Separate Financial Statements
> IFRIC 13 Customer Loyalty Programmes

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

b) Basis of consolidation
The financial statements include the accounts of New World Resources N.V. and its subsidiaries presented in the 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.

(iii) Business combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognised in profit or loss as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Changes in the fair value of contingent consideration classified as equity are not recognised.

2. Summary of significant accounting policies continued

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

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 and discontinued 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 reporting 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 other comprehensive income. 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 on 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.

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 to 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 reporting 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.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

2. Summary of significant accounting policies continued

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 hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value adjustment 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.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the income statement.

Amounts recognised as other comprehensive income 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 or expenditure occurs. Where the hedged item is a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income 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 the other comprehensive income 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 other comprehensive income remain in other comprehensive income until the forecasted transaction or firm commitment occurs.

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 reporting 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 derivates 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 m). Cost includes expenditures that are directly attributable to the acquisition of the asset including borrowing costs for long-term construction projects if the recognition criteria are met. 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.

2. Summary of significant accounting policies continued

(ii) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Group capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 January 2009. The Group continues to expense borrowing costs relating to construction projects that commenced prior to 1 January 2009.

(iii) 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.

(iv) 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.

(v) 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 follow:

> 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.

g) Intangible assets

(i) Licenses

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

When determining fair value of the coal reserve license in the year 2004, OKD used an income approach, specifically the Multi-period excess earning method (MEEM), taking into account the specific finite horizon of OKD 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.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

2. Summary of significant accounting policies continued

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 m). 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 between 2005 and 2010 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 authorized person.

As at April 30, of the following year, at the 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 necessary number of emission rights, then the company has to pay a penalty in the amount of EUR 100 per 1 ton of CO_2 (EUR 40 per 1 ton of CO_2 for the years before 2008).

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 granted 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.

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 other comprehensive income 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 recognised as other comprehensive income is recognised in the income statement. Interest earned on the investments is reported as interest income using the effective interest rate method. 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).

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

2. Summary of significant accounting policies continued

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.

m) Impairment

(i) Non-financial assets

The carrying amounts of the Group's non-financial assets, excluding inventories (see accounting policy j) and deferred tax assets (see accounting policy u), are reviewed at each reporting 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 have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised whenever the carrying amount of a non-financial asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit (CGU) is the smallest identifiable asset group that generates cash flows that are largely independent from other non-financial assets and groups of assets.

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (groups of CGU) and then to reduce the carrying amount of the other assets in the CGU (groups of CGU) on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of non-financial asset or CGU is the greater of their fair value less costs to sell 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 non-financial assets or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU and for such a non-financial asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Reversals of impairment

Any impairment loss recognised in respect of goodwill is not reversed under any situation.

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.

(ii) Non-derivative financial assets

A non-derivative financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A non-derivative financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that non-derivative financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due by a debtor on terms that would not be considered otherwise by the Group, indications that a debtor or issuer will enter bankruptcy, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

2. Summary of significant accounting policies continued

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment are used historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a non-derivative financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognised in income statement and reflected in an allowance accounts against loans and receivables.

Calculation of recoverable amount

The recoverable amount of loans and 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. Loans and receivables with a short duration are not discounted.

Reversals of impairment

When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income statement. An impairment loss in respect of loans and receivables carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

n) Non-controlling interest

The non-controlling interest in the statement of financial position and income statement represents the non-controlling 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 non-controlling 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 reporting date on Czech government bonds that have maturity dates approximating the terms of the Group's obligations.

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.

2. Summary of significant accounting policies continued

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 the Note 25).

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 reporting date up to and including the settlement date with changes in fair value recognised in the income statement.

r) Provisions

A provision is recognised in the statement of financial position 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 amortized cost.

t) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(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.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

2. Summary of significant accounting policies continued

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting 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 statement of financial position and upon settlement in the income statement.

The Group recognises provisions for obligations resulting from the settlement of electricity purchase contracts, for which the customer defaulted or is probable to default to buy the commodity. The expense is recognised in other operating expenses in the income statement.

Revenues from electricity contracts are classified as discontinued operations.

(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 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 or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

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 recognised in respect of 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.

2. Summary of significant accounting policies continued

v) Segment reporting

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.

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. When an operation is classified as discontinued operation, the comparative income statement and statement of cash flows are re-presented as if the operation had been discontinued from the start of the comparative period.

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

IFRS requires an entity to report information about operating segments which are separately available and which are regularly evaluated by the so called 'chief operating decision maker' ('CODM').

On 31 December 2007, the Company separated all real estate owned by the Group at that time ('Real Estate Assets') 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 Company issued B shares to track the financial performance of the RED. A shares track the financial performance of the MD. The CODM for the two reportable segments is the Board. In order to ensure fair treatment to all shareholders the Company prepared and adopted the Divisional Policy Statements, approved by the B shareholder. The fundamental and overriding principles state 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 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 segments are managed and operated separately for accounting and reporting purposes according to the nature of the products and services provided to reflect the results and the financial position of each division and to provide relevant information to the holders of the A and B shares. The MD relates to coal extraction, production of coke and related operations and businesses. As a part of MD was also identified Eletricity trading business. The RED mainly provides inter-divisional service i.e. provides real estate to MD (see below). In connection to the operated segments MD and RED, no legal entity was established.

Consequently, the MD segment was represented by two sub-segments, one representing the coal & coke business and the other representing the electricity trading business. On 24 June 2009 the Board approved its intention to sell the energy business of the Group. Electricity trading, as part of the energy business, is presented as discontinued operations in these financial statements. Disposal of Electricity trading business took place as of June 21 2010 (Note 8)

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

3. Segment information continued

Enhancement of segment reporting

The divisional segment reporting is driven by its listing and is essential for the evaluation of the equity attributable to the listed part of the Group. However to enable users of the Group's financial statements to evaluate the nature, performance and financial effects of its business activities, the Company furthermore presents separate sub-segments for its main operating activities, i.e. coal mining and coking. To provide understandable and useful information, the Company decided to combine the divisional and operational disclosure in one table, with coal, coke and other sub-segments within mining division.

The enhanced segment report reflects the main business activities of the Group, which include coal mining and coking operations, representing part of the formerly presented Coal mining and Coking sub-segment. The Company also held entities active in electricity distribution and trading, however these entities were sold and therefore are not reviewed by the CODM as a separate sub-segment and are allocated to the sub-segment 'Other' together with the operations of the holding entity, which provides mainly holding and financing activities to all entities of the Group.

Coal sub-segment

The Coal sub-segment comprises of entities with core activities related to actual or potential extraction, processing and sale of coal and direct supporting activities (safety). Therefore this sub-segment aggregates the following entities (with adjustments to their standalone financial performance as described below):

> OKD
> NWR KARBONIA
> OKD, HBZS, a.s.

Coke sub-segment

The Coke sub-segment comprises of OKK Koksovny, a.s. ('OKK Koksovny'), the only entity with coke production as its core business (with adjustments to its standalone financial performance as described below).

Other sub-segment

The Other sub-segment aggregates other entities with different types of business activities. New World Resources N.V. is the holding entity providing holding and financing activities to the Group. NWR Energy and its subsidiaries, NWR ENERGETYKA PL and CZECH-KARBON were sold on 21 June 2010. The entities were active in electricity trading and distribution, production of heat and compressed air. The results of their operations are included only till the date of sale. Electricity trading activities are classified as discontinued operations and thus they do not impact the sub-segment result represented by operating income from continuing operations.

Segment accounting policies, measurement and disclosure

The Segment and sub-segment financial information is based on standalone financial statements of entities as allocated above, prepared under IFRS, including application of Divisional Policy Statements.

Intercompany transactions between entities allocated to the same sub-segment are fully eliminated. Intercompany transactions between entities allocated to different sub-segments are eliminated in the MD segment total amounts. Intercompany transactions between MD and RED segments are eliminated in full in the reconciliation of the segment results to the Group's consolidated results.

Sales and transactions between Segments and sub-segments are priced on arm's length basis. However margin on inventory held, not yet consumed by the acquiring segment, is eliminated from the sales of the selling sub-segment in such period. The inventory value of the acquiring sub-segment is adjusted correspondingly. The adjustment is reversed when the inventory is consumed. Thus the margin becomes realised only in the period when the acquiring sub-segment (in a customer's position) consumes the purchased goods.

The Group is selling coal and coke through the sales department at OKD. Thus all coke is first sold from OKK Koksovny to OKD and then from OKD to third parties. Sales from OKK to OKD are eliminated as described above. OKD's coke sales, coke inventory and all related costs, including transportation and charge or reversal of coke inventory price adjustments are included in the financial information of the Coke sub-segment.

Coal purchased by OKD from third parties for the purpose of coking is included in the financial information of the Coke sub-segment. Any inventory on such coal is allocated to the Coke sub-segment as well.

The operating income represents the segments and sub-segment result as reviewed by the CODM. The allocation of other items of the income statement would decisively depend on assumptions made by the management. Therefore such items are not allocated to individual sub-segments and are not reviewed by the CODM. The CODM only reviews results from continuing operations for the sub-segments.

The result of foreign exchange rate hedging operations in the operating income of the Group results from the financing role of the holding entity and is therefore presented in the sub-segment Other.

3. Segment information continued

All assets, except for special items described in this section, are allocated to the sub-segments based on the allocation of the entities holding such assets except for advance payments for property, plant and equipment and leased assets. Those are allocated based on the sub-segment using the assets to be acquired. Investments in other entities of the Group and related intercompany balances (liabilities, receivables and other similar rights) are eliminated from the value of assets for the purpose of sub-segment presentation. All liabilities are allocated to the sub-segments based on the allocation of the entities holding such liabilities.

Other than previously mentioned consolidation adjustments and eliminations are not allocated to individual sub-segments.

The following tables present the financial data reviewed by the CODM for the presented periods. These data include the operational part of the income statement for sub-segments, complete income statements for MD and RED segments, the value of total assets and liabilities per sub-segment and segment and capital expenditure ('CAPEX') per segment defined as purchase of property, plant and equipment. CAPEX is allocated based on the segment using the assets acquired. Interest expense and interest income are presented as additional information for sub-segments based on allocation of the entities. Items of financial income, financial expenses, tax expense and profit after tax are presented for RED and MD segments, as they are not reviewed for sub-segments by CODM.

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,
- 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. As of 1 January 2008 MD depreciates the Buildings provided by the RED. 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 2010 is EUR 261,212 thousand (2009: EUR 290,416 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, adjusted for inflation in subsequent years and reduced by CAP share of the Group entities disposed-off in prior periods. The annual fee paid by MD to 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. For the year 2010 the CAP fee was determined in line with the Divisional Policy Statement in an amount of EUR 3,830 thousand (2009: EUR 3,807 thousand). However, the CAP for the year 2010 was reduced according to the Divisional Policy Statements to reflect the sale of energy business and amounts to EUR 3,692 thousand.

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 2010 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 2010 and 31 December 2009 was EUR 14,685 thousand and EUR 14,730 thousand respectively.

Deferred revenue corresponding to the amount of the right to use land 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.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

3. Segment information continued

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.

e) Presentation of business segments

	Mining division segment								
	Coal sub-segment	Coke sub-segment	Other sub-segment	Electricity trading sub-segment	Eliminations & adjustment	Mining division segment total	Real Estate division segment	Inter-segment Eliminations & adjustments	Continuing operations total
	Continuing operations 1 January 2010 – 31 December 2010 EUR'000	Continuing operations 1 January 2010 – 31 December 2010 EUR'000	Continuing operations 1 January 2010 – 31 December 2010 EUR'000	Discontinued operations 1 January 2010 – 21 June 2010 EUR'000	1 January 2010 – 31 December 2010 EUR'000	Continuing operations 1 January 2010 – 31 December 2010 EUR'000	Continuing operations 1 January 2010 – 31 December 2010 EUR'000	1 January 2010 – 31 December 2010 EUR'000	1 January 2010 – 31 December 2010 EUR'000
Segment revenues									
Continuing operations									
Sales to third party	1,229,033	341,529	17,145	–	–	1,587,707	285	–	1,587,992
Sales to continuing sub-segments	127,346	113	30,176	–	(157,635)				
Sales to discontinued sub-segment	43	–	1,955	–	–	1,998	–	–	1,998
Inter-segment sales	–	–	–	–	–	–	950	(950)	–
Discontinued operations									
Sales to third party	–	–	–	51,224	(51,224)	–	–	–	–
Sales to continuing sub-segment	–	–	–	22,828	(22,828)	–	–	–	–
Total revenues	1,356,422	341,642	49,276	74,052	(231,687)	1,589,705	1,235	(950)	1,589,990
Segment operating result									
Change in inventories of finished goods and work-in-progress	(4,505)	(29,042)	(31)	–	(1,376)	(34,954)	–	–	(34,954)
Consumption of material and energy	(284,807)	(216,666)	(29,133)	(72,502)	229,965	(373,143)	(10)	–	(373,153)
Service expenses	(288,663)	(43,139)	(11,616)	(148)	1,730	(341,386)	(7)	–	(341,843)
Personnel expenses	(326,845)	(20,080)	(14,089)	(297)	300	(361,011)	(106)	–	(361,117)
Depreciation	(150,133)	(10,779)	(153)	–	–	(161,065)	(80)	–	(161,145)
Amortisation	(9,203)	–	–	–	–	(9,203)	–	–	(9,203)
Amortisation of rights to use land – divisional adjustment	(546)	(322)	(82)	–	–	(950)	–	950	–
Reversal of impairment of receivables	80	(1)	–	–	–	79	–	–	79
Net gain from material sold	4,988	171	18	–	–	5,177	–	–	5,177
Gain from sale of property, plant and equipment	(193)	–	727	(3)	3	534	181	–	715
Other operating income	4,353	359	430	2,718	(2,772)	5,088	5	(31)	5,062
Other operating expenses	(21,508)	(2,571)	(1,004)	(77)	94	(25,066)	(29)	31	(25,064)
Segment operating income/(loss)	279,440	19,572	(5,657)	3,743	(3,743)	293,355	1,189	–	294,544

3. Segment information continued

	Mining division segment								
	Coal sub-segment	Coke sub-segment	Other sub-segment	Electricity trading sub-segment	Eliminations & adjustment	Mining division segment total	Real Estate division segment	Inter-segment Eliminations & adjustments	Continuing operations total
	Continuing operations 1 January 2010 – 31 December 2010 EUR'000	Continuing operations 1 January 2010 – 31 December 2010 EUR'000	Continuing operations 1 January 2010 – 31 December 2010 EUR'000	Discontinued operations 1 January 2010 – 21 June 2010 EUR'000	1 January 2010 – 31 December 2010 EUR'000	Continuing operations 1 January 2010 – 31 December 2010 EUR'000	Continuing operations 1 January 2010 – 31 December 2010 EUR'000	1 January 2010 – 31 December 2010 EUR'000	1 January 2010 – 31 December 2010 EUR'000
Segment operating income/ (loss)	279,440	19,572	(5,657)	3,743	(3,743)	293,355	1,189	–	294,544
Financial income						35,373	3,849	(3,704)	35,518
Financial expenses						(153,211)	(866)	3,704	(150,373)
Gain on disposal of energy business						68,779	3,612	–	72,391
Profit before tax						244,296	7,784	–	252,080
Tax expense						(30,020)	(791)	–	(30,811)
Profit from continuing operations						214,276	6,993	–	221,269
Segment assets and liabilities as of 31 December 2010									
Total segment assets	1,917,383	222,806	954,795	–	(884,801)	2,210,183	63,077	(15,049)	2,258,211
Total segment liabilities	1,055,261	145,028	1,131,016	–	(884,801)	1,446,504	17,361	(15,049)	1,448,816
Other segment information									
Capital expenditures	169,699	47,925	3,247	–	–	220,871	–	–	220,871
Interest income	1,456	15	22,137	9	(20,272)	3,345	107	–	3,452
Interest income – divisional CAP	–	–	–	–	–	–	3,692	(3,692)	–
Interest expense	20,521	4,812	60,390	13	(20,272)	65,464	–	–	65,464
Interest expense – divisional CAP	3,202	351	139	–	–	3,692	–	(3,692)	–

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

3. Segment information continued

	Mining division segment								
	Coal sub-segment	Coke sub-segment	Other sub-segment	Electricity trading sub-segment	Eliminations & adjustment	Mining division segment total	Real Estate division segment	Inter-segment Eliminations & adjustments	Continuing operations total
	Continuing operations 1 January 2009 – 31 December 2009 EUR'000	Continuing operations 1 January 2009 – 31 December 2009 EUR'000	Continuing operations 1 January 2009 – 31 December 2009 EUR'000	Discontinued operations 1 January 2009 – 31 December 2009 EUR'000	1 January 2009 – 31 December 2009 EUR'000	Continuing operations 1 January 2009 – 31 December 2009 EUR'000	Continuing operations 1 January 2009 – 31 December 2009 EUR'000	1 January 2009 – 31 December 2009 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Segment revenues									
Continuing operations									
Sales to third party	954,657	130,812	27,079	–	–	1,112,548	212	–	1,112,760
Sales to continuing sub-segments	89,437	196	62,120	–	(151,753)	–	–	–	–
Sales to discontinued sub-segment	75	–	4,003	–	–	4,078	–	–	4,078
Inter-segment sales	–	–	–	–	–	–	1,785	(1,785)	–
Discontinued operations									
Sales to third party	–	–	–	117,406	(117,406)	–	–	–	–
Sales to continuing sub-segment	–	–	–	70,172	(70,172)	–	–	–	–
Total revenues	1,044,169	131,008	93,202	187,578	(339,331)	1,116,626	1,997	(1,785)	1,116,838
Total revenues	1,044,169	131,008	93,202	187,578	(339,331)	1,116,626	1,997	(1,785)	1,116,838
Segment operating result									
Change in inventories of finished goods and work-in-progress	4,661	13,918	–	–	290	18,869	–	–	18,869
Consumption of material and energy	(255,923)	(124,701)	(60,561)	(173,513)	322,388	(292,310)	(3)	–	(292,313)
Service expenses	(246,579)	(31,304)	(17,921)	(300)	2,944	(293,160)	(411)	–	(293,571)
Personnel expenses	(305,128)	(27,947)	(17,806)	(689)	695	(350,875)	(197)	–	(351,072)
Depreciation	(140,789)	(19,867)	(2,632)	(5)	5	(163,288)	(1,209)	–	(164,497)
Amortisation	(8,352)	–	–	–	–	(8,352)	–	–	(8,352)
Amortisation of rights to use land – divisional adjustment	(1,474)	(307)	(4)	–	–	(1,785)	–	1,785	–
Reversal of impairment of receivables	1,187	(3)	–	(445)	445	1,184	–	–	1,184
Net gain from material sold	3,870	137	41	–	–	4,048	–	–	4,048
Gain from sale of property, plant and equipment	(157)	2,809	980	–	–	3,632	485	–	4,117
Other operating income	2,709	363	548	19	(125)	3,514	–	–	3,514
Other operating expenses	(24,570)	(3,151)	(1,135)	(5,654)	5,698	(28,812)	–	–	(28,812)
Segment operating income/(loss)	73,624	(59,045)	(5,288)	6,991	(6,991)	9,291	662	–	9,953

3. Segment information continued

	Mining division segment								
	Coal sub-segment	Coke sub-segment	Other sub-segment	Electricity trading sub-segment	Eliminations & adjustment	Mining division segment- total	Real Estate division segment	Inter-segment Eliminations & adjustments	Continuing operations total
	Continuing operations 1 January 2009 – 31 December 2009 EUR'000	Continuing operations 1 January 2009 – 31 December 2009 EUR'000	Continuing operations 1 January 2009 – 31 December 2009 EUR'000	Discontinued operations 1 January 2009 – 31 December 2009 EUR'000	1 January 2009 – 31 December 2009 EUR'000	Continuing operations 1 January 2009 – 31 December 2009 EUR'000	Continuing operations 1 January 2009 – 31 December 2009 EUR'000	1 January 2009 – 31 December 2009 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Segment operating income/ (loss)	73,624	(59,045)	(5,288)	6,991	(6,991)	9,291	662	–	9,953
Financial income						48,979	4,544	(4,592)	48,931
Financial expenses						(121,105)	(291)	4,592	(116,804)
Profit/(loss) before tax						(62,835)	4,915	–	(57,920)
Tax expense						(4,742)	(1,069)	–	(5,811)
Profit/(loss) from continuing operations						(67,577)	3,846	–	(63,731)
Segment assets and liabilities as of 31 December 2009									
Total segment assets	1,934,096	169,878	162,629	41,290	(108,698)	2,199,195	33,356	(17,020)	2,215,531
Total segment liabilities	921,866	118,372	697,973	24,437	(108,698)	1,653,950	18,426	(17,020)	1,655,356
Other segment information									
Capital expenditures	222,241	23,550	4,410	–	–	250,201	–	–	250,201
Interest income	2,773	290	4,032	90	(1,429)	5,756	48	–	5,804
Interest income – divisional CAP	–	–	–	–	–	–	3,819	(3,819)	–
Interest expense	17,959	1,475	36,640	41	(1,380)	54,735	–	–	54,735
Interest expense – divisional CAP	3,145	396	278	–	–	3,819	–	(3,819)	–

RED revenues include revenues from release of deferred revenues (refer to point c of Note 3) in an amount of EUR 950 thousand (2009: EUR 1,785 thousand) and revenues of EUR 285 thousand (2009: EUR 212 thousand) from rental of Real Estate Assets to third parties. Revenues from release of deferred revenues are eliminated in the Group's financial statements presented under Eliminations & Adjustments.

MD amortised rights to use land, which were provided by RED to MD (refer to point c of Note 3), in an amount of EUR 950 thousand (2009: EUR 1,785 thousand). Amortisation charge is as an adjustment presented under Eliminations & Adjustments in the table above.

Financial income of RED comprises mainly of CAP interest income (refer to point b of Note 3) of EUR 3,692 thousand (2009: EUR 3,819 thousand). The final value of CAP is reduced in comparion to the annual CAP value (refer to point b of Note 3) due to disposal of subsidiaries. MD was charged with interest expense of EUR 3,692 (2009: EUR 3,819 thousand). Such amount is included in inter-segment transactions in the total amount of EUR 3,704 thousand (2009: EUR 4,592 thousand) that are eliminated on Group level, as presented under Elimination & Adjustments above.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

3. Segment information continued

f) Assets, equity and liabilities of the Mining and the Real Estate Divisions – detailed presentation

As of 31 December 2010 and 2009 assets and liabilities of the divisions and the reconciliation to the consolidated statement of financial position are as follows:

	Mining division 31 December 2010 EUR'000	Real Estate division 31 December 2010 EUR'000	Eliminations & Adjustments 31 December 2010 EUR'000	**Total 31 December 2010 EUR'000**
Land	6,327	19,158	–	**25,485**
Buildings and constructions	606,028	309	–	**606,337**
Plant and equipment	607,555	–	–	**607,555**
Other assets	7,601	–	–	**7,601**
Construction in progress	33,914	–	–	**33,914**
Rights to use land of Real Estate Division	14,685	–	(14,685)	**–**
Mining licences	161,586	–	–	**161,586**
Long-term receivables	12,872	–	–	**12,872**
Deferred tax asset	8,601	–	–	**8,601**
Restricted cash	11,025	–	–	**11,025**
Derivatives	58	–	–	**58**
Total non-current assets	1,470,252	19,467	(14,685)	**1,475,034**
Inventories	56,013	–	–	**56,013**
Accounts receivable and prepayments	197,781	17	(52)	**197,746**
Derivatives	34			**34**
Income tax receivable	455	–	(312)	**143**
Cash and cash equivalents	485,648	43,593	–	**529,241**
Total current assets	739,931	43,610	(364)	**783,177**
Total assets	2,210,183	63,077	(15,049)	**2,258,211**
Total equity	763,679	45,716	–	**809,395**
Provisions	106,491	–	–	**106,491**
Long-term loans	89,377	–	–	**89,377**
Bond issued	745,497	–	–	**745,497**
Employee benefits	95,892	–	–	**95,892**
Deferred revenue	2,524	13,912	(13,912)	**2,524**
Deferred tax liability	118,938	–	–	**118,938**
Other long-term liabilities	576	–	–	**576**
Derivatives	19,280	–	–	**19,280**
Total non-current liabilities	1,178,575	13,912	(13,912)	**1,178,575**
Short-term provisions	5,820	–	–	**5,820**
Accounts payable and accruals	204,793	825	(825)	**204,793**
Accrued interest payable on bond	9,029	–	–	**9,029**
Derivatives	4,771	–	–	**4,771**
Income tax payable	26,826	2,624	(312)	**29,138**
Current portion of long-term loans	15,276	–	–	**15,276**
Short-term loans	7	–	–	**7**
Cash-settled share-based payments payable	1,407	–	–	**1,407**
Total current liabilities	267,929	3,449	(1,137)	**270,241**
Total liabilities	1,446,504	17,361	(15,049)	**1,448,816**
Total equity and liabilities	2,210,183	63,077	(15,049)	**2,258,211**

3. Segment information continued

	Mining division 31 December 2009 EUR'000	Real Estate division 31 December 2009 EUR'000	Eliminations & Adjustments 31 December 2009 EUR'000	**Total 31 December 2009 EUR'000**
Land	4,750	18,258	–	**23,008**
Buildings and constructions	610,150	368	–	**610,518**
Plant and equipment	434,290	–	–	**434,290**
Other assets	6,450	–	–	**6,450**
Construction in progress	84,066	–	–	**84,066**
Rights to use land of Real Estate Division	14,730	–	(14,730)	**–**
Mining licences	161,757	–	–	**161,757**
Long-term receivables	1,568	–	–	**1,568**
Deferred tax asset	7,710	–	–	**7,710**
Restricted cash	13,926	–	–	**13,926**
Derivatives	251	–	–	**251**
Total non-current assets	1,339,648	18,626	(14,730)	**1,343,544**
Inventories	85,819	–	–	**85,819**
Accounts receivable and prepayments	151,423	189	(1,956)	**149,656**
Income tax receivable	821	–	(161)	**660**
Cash and cash equivalents	533,698	14,129	–	**547,827**
Restricted cash	2,771	–	–	**2,771**
Total current assets	774,532	14,318	(2,117)	**786,733**
Assets held for sale	85,015	412	(173)	**85,254**
Total assets	2,199,195	33,356	(17,020)	**2,215,531**
Total equity	545,245	14,930	–	**560,175**
Provisions	103,133	–	–	**103,133**
Long-term loans	679,854	–	–	**679,854**
Bond issued	260,096	–	–	**260,096**
Employee benefits	96,588	–	–	**96,588**
Deferred revenue	2,675	13,994	(13,994)	**2,675**
Deferred tax liability	101,512	–	–	**101,512**
Other long-term liabilities	648	–	–	**648**
Derivatives	18,649	–	–	**18,649**
Total non-current liabilities	1,263,155	13,994	(13,994)	**1,263,155**
Short-term provisions	10,175	–	–	**10,175**
Accounts payable and accruals	237,115	2,508	(2,693)	**236,930**
Accrued interest payable on bond	2,467	–	–	**2,467**
Derivatives	2,144	–	–	**2,144**
Income tax payable	231	1,770	(161)	**1,840**
Current portion of long-term loans	74,842	–	–	**74,842**
Short-term loans	18,895	–	–	**18,895**
Cash-settled share-based payments payable	2,371	–	–	**2,371**
Total current liabilities	348,240	4,278	(2,854)	**349,664**
Liabilities classified as assets held for sale	42,555	154	(172)	**42,537**
Total liabilities	1,653,950	18,426	(17,020)	**1,655,356**
Total equity and liabilities	2,199,195	33,356	(17,020)	**2,215,531**

MD equity amounts to 763,679 (2009: EUR 545,245) thousand, out of which share capital amounts to EUR 105,879 thousand (2009: EUR 105,732 thousand) as of 31 December 2010.

Restricted reserve in an amount of EUR 133,169 thousand (2009: EUR 126,066 thousand) is included in the equity of the MD as of 31 December 2010.

RED equity amounts to EUR 45,716 thousand (2009: EUR 14,930 thousand), out of which share capital amounts to EUR 4 thousand (2009: EUR 4 thousand) as of 31 December 2010.

The increase in RED equity is mainly attributable to the sale of energy business. Some of the disposed energy assets were originally allocated to RED. Due to the sale, buildings previously allocated to the RED and used by MD were returned by the MD back to the RED. The equity increased by the net book value of the returned buildings by EUR 22,829 thousand.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

3. Segment information continued

Thus the disposal of energy net assets resulted in an increase of EUR 26,441 thousand in RED equity. The rest of the increase on RED equity is attributable to profit for the year EUR 3,380 thousand, excluding gain on disposal of energy assets, and movement on foreign exchange translation reserve and other movements in an amount of EUR 965 thousand.

The selling price part attributable to the RED amounted to EUR 27,665 thousand. It included fair value of energy real estates assets and other assets value less existing liabilities related to energy assets owned by RED. The fair value of real estate assets was determined by an independent expert. The total net book value of energy net assets disposed off was EUR 23,275 thousand, including the returned real estate assets mentioned above. There were also allocated to the RED the secondary costs relating to the sale in the amount of EUR 778 thousand. As a result of the sale of the energy assets the profit of RED increased by EUR 3,612 thousand.

h) Geographical information

The Group provides its products to final customer situated in different geographical areas, therefore it considers as and important information to present break-up of revenue information per country.

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Continuing operations		
Czech Republic	**542,136**	412,946
Austria	**289,070**	251,950
Slovakia	**269,515**	180,402
Poland	**248,415**	103,511
Germany	**113,396**	71,500
Hungary	**66,134**	39,858
Bosnia and Herzegovina	**14,889**	17,593
Serbia	**7,414**	–
France	**6,929**	3,236
Italy	**2,002**	760
Finland	**–**	6,490
Unallocated	**30,090**	28,592
Total	**1,589,990**	1,116,838

Non-current assets including property, plant, and equipment and mining license allocation per country based on the physical location of non-current assets:

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Continuing operations		
Czech Republic	**1,439,005**	1,316,392
Poland	**3,265**	3,317
The Netherlands	**208**	339
Total Continuing operations	**1,442,478**	1,320,048
Discontinued operations		
Czech Republic	**–**	41
Total	**1,442,478**	1,320,089

Capital expenditures of the Group allocation per country based on the physical location of acquired non-current assets:

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Continuing operations		
Czech Republic	**220,435**	248,631
Poland	**414**	1,462
The Netherlands	**22**	105
Total Continuing operations	**220,871**	250,198
Discontinued operations		
Czech Republic	**–**	3
Total	**220,871**	250,201

3. Segment information continued

Significant customers of the Group

External revenue from four significant customers amounted to EUR 785,898 thousand (2009: three significant customers, revenue in total EUR 404,458 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:

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Sales of own products and merchandise	**1,549,593**	1,066,667
Services rendered	**40,397**	50,171
	1,589,990	1,116,838

Please refer to Note 10 for the split of revenues from discontinued operations.

4. Personnel expenses

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Wages and salaries	**243,470**	230,483
Social insurance costs	**81,619**	73,264
Social security and other payroll costs	**17,525**	15,501
Share-based payments (see Note 29)	**12,486**	12,440
Net benefit expense (see Note 28)	**3,701**	17,199
Pensions	**2,316**	2,185
	361,117	351,072

Average number of employees in the period:

	1 January 2010 – 31 December 2010	1 January 2009 – 31 December 2009
Managers	**108**	126
Staff	**15,038**	15,882
	15,146	16,008

Total remuneration and variable benefits received by the management were EUR 40,738 thousand (2009: EUR 28,293 thousand), out of which the social and health insurance were EUR 1,670 thousand (2009: EUR 1,144 thousand). The stated amount includes share-based payments to the management in the amount of EUR 12,486 thousand (2009: EUR 12,440 thousand).

Management comprises Executive and Non-Executive Members of Boards of Directors, Supervisory Boards and Senior Management of the Company and its subsidiaries. OKD includes also mine managers, mine operation managers and managers of non-mining internal business units.

The members of the Board of the Company received EUR 7,789 thousand for their services in the year 2010 (2009: EUR 10,692 thousand), of which EUR 6,075 thousand (2009: EUR 8,847 thousand) was received in shares and share options. The amounts correspond to values recorded in the books of the Company for the year 2010, including accruals. The amounts include accrued expenses for share-based payments vesting after 31 December 2010. Please refer to the 'Remuneration Report' in the 2010 Annual Report for further information.

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

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

5. Other operating expenses

Other operating expenses comprise:

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Compensation for mining damages	**15,266**	14,525
Property taxes and government fees	**7,678**	5,906
Insurance	**4,053**	4,261
Loss on sale and write-off of receivables	**198**	1,524
Compensation of employees for injuries, loss on wages, employment related illness etc.	**147**	154
Changes in provisions	**(5,686)**	(6,875)
Other[1]	**3,408**	9,317
Total other operating expenses	**25,064**	28,812

1 Includes gifts and donations and variety of sundry expenses.

6. Own work capitalised

Own work capitalised in the amount of EUR 22,300 thousand (2009: EUR 20,231 thousand) is not recognised in the revenues. It reduces expenses as follows:

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Consumption of material and energy	**18,872**	14,312
Service expenses	**25**	19
Personnel expenses	**889**	2,668
Net gain from material sold	**2,514**	3,232
Total	**22,300**	20,231

7. Financial income and expenses

Financial income comprise:

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Realised and unrealised foreign exchange gains	**27,909**	41,304
Profit on derivative instruments	**3,682**	165
Bank interest received	**3,405**	5,646
Investment income	**128**	160
Other interest received	**47**	158
Proceeds on disposal of investment[1]	**–**	35
Other[2]	**347**	1,463
Total financial income	**35,518**	48,931

1 Profit on disposal of interest in energy business is disclosed in separate Income Statement line. See Note 8.
2 2009: out of which EUR 1,333 thousand represents income from bond redemption (difference between principal amount and purchase price of EUR 2,270 thousand minus amortised fees to the redeemed part of EUR 937 thousand).

Financial expenses comprise:

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Bonds interest expense	**48,621**	21,563
Realised and unrealised foreign exchange losses	**39,303**	42,820
Loss on derivative instruments[1]	**24,570**	12,772
Bank fees[2]	**14,010**	229
Bank interest expense	**13,546**	29,482
Other interest expense[3]	**3,297**	3,690
Other[4]	**7,026**	6,248
Total financial expenses	**150,373**	116,804

1 2010: out of which EUR 6537 thousand represent a loss on closure of interest rate derivatives.
2 2010: out of which EUR 12,510 thousand represent bank charges for loan arrangements related to attempted acquisition of Bogdanka and EUR 620 thousand represent bank charges related to the Senior Secured Facility repayment (2009: out of which EUR 16 thousand represents bank fees of redeemed part of bond).
3 2010: out of which EUR 1,636 thousand represent letter of credit fees related to Bogdanka acquisition project.
4 2010: out of which EUR 5,699 thousand represent one-off amortisation of expenses related to the Senior Secured Facility (2009: out of which EUR 1,220 thousand represents advisory fees of redeemed part of bond For detailed information on bond redemption in 2009 see Note 24.

Please refer to the note Other comprehensive income for the financial income and expenses recognised directly in equity.

8. Energy business disposal continued

On 21 June 2010 Company realised the sale of the energy business of the Group. The energy business of the Group was represented by NWR Energy, a.s., CZECH-KARBON and NWR ENERGETYKA PL. See also Note 1e) (ii) and Note 10.

Profit on disposal of energy business is presented below:

	EUR'000
Selling price	139,156
Additional discount in selling price	(638)
Associated selling costs	(3,846)
Net assets of energy business sold	(52,696)
Profit on disposal of energy business	81,976
Out of this profit attributed to continuing operations[1]	72,391
Out of this profit attributed to discontinued operations[1]	9,585

1 There was one selling price for all entities sold. The Company allocated the selling price and hence profits based on current EBITDA multiples that market pays for the respective energy businesses disposal.

Effect of disposal on the financial position of the Group:

	21 June 2010 EUR'000
Property, plant and equipment	(38,915)
Trade and other receivables	(35,737)
Cash and cash equivalents	(10,681)
Other assets	(1,180)
Employee benefits	826
Deferred tax liability	3,749
Trade and other payables	29,242
Net assets	(52,696)

The assets and liabilities of energy business of the Group that were classified as held for sale include:

	31 December 2010 EUR'000	31 December 2009 EUR'000
Property, plant and equipment	–	37,287
Trade and other receivables	–	36,143
Cash and cash equivalents	–	11,471
Other assets	–	353
Employee benefits	–	(804)
Deferred tax liability	–	(3,302)
Trade and other payables	–	(38,431)
Net assets	–	42,717

9. Income tax expense

The corporate income tax in 2010 and 2009 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 19 per cent in 2010 and after and 20 per cent in 2009 is reflected in the deferred tax, Dutch entity 25.5 per cent in 2010 and 2009, Polish entities 19 per cent in 2010 and 2009).

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 utilize the benefits from the deferred tax assets.

The net expense in the current period is composed of a EUR 54,006 thousand income tax expense offset by a one-off tax reclaim in the amount of EUR 23,195 thousand, that arised from the reversal of the Czech tax authority's position on certain interest expenses which were previously deemed non-tax deductible.

Components of tax expense:

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Income statement:		
Current tax expense	**17,593**	13,857
Deferred tax expense	**13,218**	(8,046)
Income tax expense	**30,811**	5,811

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

9. Income tax expense continued

Reconciliation of the statutory and effective tax rates:

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Profit before tax from continuing operations	**252,080**	(57,920)
Profit before tax from discontinued operations	**12,518**	3,690
Profit before tax	**264,598**	(54,230)
Tax at the applicable rate of 19 per cent (2009: 20 per cent)	**50,274**	(10,846)
Tax effect of:		
– Non-deductible expense	**5,589**	8,613
– Other tax allowable credits	**(385)**	(849)
– Tax exempt income on sale of energy business	**(16,731)**	–
– Other tax exempt income	**–**	(26)
– Change in unrecognised deferred tax asset	**20,274**	13,800
Effect of the applicable tax rates other than 19 per cent (2009: 20 per cent) in other jurisdictions	**(4,542)**	(3,326)
One-off tax reclaim	**(23,195)**	
Tax expense	**31,284**	7,366
Effective tax rate	**12%**	(14%)
Tax expense reported in the financial statements	**30,811**	5,811
Income tax attributable to discontinued operations	**473**	1,555
Tax expense	**31,284**	7,366

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

	31 December 2010 EUR'000	31 December 2009 EUR'000
Net tax receivable/(payable) at the beginning of the period	**(1,180)**	(4,835)
Current tax movements – reclassified to held for sale	**2,085**	1,983
Current and supplementary tax charges	**(17,593)**	(13,857)
Tax (received)/paid, net	**(11,320)**	15,362
Currency translation	**(987)**	167
Net tax payable at the end of the period	**(28,995)**	(1,180)
Current income tax receivable	**143**	660
Current income tax payable	**(29,138)**	(1,840)

10. Discontinued operations

Part of the energy business, presented as the Electricity trading segment, is presented as discontinued operations in these financial statements. See also Note 1e) (ii) and Note 8.

In 2010, discontinued operations relate to the period 1 January 2010–21 June 2010 and consist of: CZECH-KARBON and part of NWR ENERGETYKA PL operations directly related to electricity trading.

In 2009 discontinued operations consisted of: CZECH-KARBON (1 January 2009–31 December 2009), part of NWR ENERGETYKA PL operations directly related to electricity trading i.e. after spin-off for the period 1 April 2009–31 December 2009 and part of NWR KARBONIA energy business operations directly related to electricity trading by spin-off i.e. for the period 1 January 2009–31 March 2009 (since spin-off NWR KARBONIA does not operate any energy business).

The results of discontinued operations in 2009 and 2010 are presented below:

	1 January 2010 – 21 June 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Operating revenue	**74,052**	187,578
Operating expense	**(70,309)**	(180,587)
Operating profit	**3,743**	6,991
Financial expense	**(810)**	(3,301)
Profit on disposal of energy business attributed to discontinued operations[1]	**9,585**	–
Profit before tax from discontinued operations	**12,518**	(3,690)
Income tax expense	**(473)**	(1,555)
Profit for the period from discontinued operations	**12,045**	(2,135)

1 For the details see Note 8.

10. Discontinued operations continued

Operating revenue of discontinued operations consists of sales of goods EUR 74,051 thousand (2009: EUR 187,574 thousand) and sales of services in an amount of EUR 1 thousand (2009: EUR 4 thousand).

The net cash flows of discontinued operations in 2010 and 2009 were as follows:

	1 January 2010 – 21 June 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Operating	**86**	344
Investing[1]	**28,127**	–
Financing	**89**	1
Currency translation	**126**	440
Net cash inflow	**28,428**	785

1 2010 includes cash inflow from sale of energy business attributed to discontinued operations of EUR 28,129 thousand.

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

11. Dividends

Dividends in 2010:

On 22 October 2010, the Company paid A share interim dividend for the half-year ended 30 June 2010 in the total amount of EUR 55,531 thousand, EUR 0.21 per share.

Dividends in 2009:

On 22 May 2009, the Company paid A share dividends in the total amount of EUR 47,484 thousand, EUR 0.18 per share.

12. Related party disclosures

During the year the Group had transactions in the normal course of operations with related parties. This includes transactions with the ultimate parent company (see Note 1e), 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 their close members of the family), 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 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 purchases from Advanced World Transport a.s.[2] and AWT SPEDI-TRANS s.r.o. relate to coal transport services. The purchases from BXR Partners, a.s. relate to consultancy services.

Transactions with related parties included in the statement of financial position are as follows[1]:

Statement of financial position	**31 December 2010 EUR'000**	31 December 2009 EUR'000
Receivables from related parties under common control		
Green Gas DPB, a.s.	**1,156**	1,641
Advanced World Transport a.s.[2]	**270**	763
AWT Rekultivace a.s.[3]	**166**	32
RPG Byty, s.r.o.	**104**	44
RPG Služby, s.r.o.	**14**	23
RPG RE Commercial, s.r.o.	**8**	7
Other related parties	**43**	12
Receivables from related parties in total	**1,761**	2,522
Payables to related parties under common control		
Advanced World Transport a.s.[2]	**12,655**	19,936
AWT Rekultivace a.s.[3]	**4,749**	1,666
AWT SPEDI-TRANS s.r.o.	**2,156**	–
Green Gas DPB, a.s.	**2,141**	1,838
RPG Byty, s.r.o.	**906**	786
RPG RE Commercial, s.r.o.	**110**	266
Other related parties	**395**	1,189
Payables to related parties in total	**23,112**	25,681

1 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.
2 In 2010 OKD, Doprava, akciová spolecnost was renamed to Advanced World Transport a.s.
3 In 2010 OKD, Rekultivace, a.s. was renamed to AWT Rekultivace a.s.

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

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

12. Related party disclosures continued

Transactions with related parties included in the income statement in continuing operations are as follows:

Income statement	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Sales to related parties under common control		
RPG Byty, s.r.o.	**13,131**	22,001
Green Gas DPB, a.s.	**7,990**	9,529
Advanced World Transport a.s.	**2,186**	2,117
RPG RE Commercial, s.r.o.	**832**	1,414
AWT Rekultivace a.s.	**234**	164
RPG Služby, s.r.o.	**95**	143
RPG RE Property, a.s.	**20**	17
Other related parties	**520**	872
Sales to related parties in total	**25,008**	36,257
Purchases from related parties under common control		
Advanced World Transport a.s.	**81,016**	73,401
AWT SPEDI-TRANS s.r.o.	**39,156**	–
Green Gas DPB, a.s.	**13,278**	13,733
AWT Rekultivace a.s.	**11,114**	4,759
BXR Partners, a.s.[1]	**4,102**	1,528
Advanced Transport B.V.[2]	**2,136**	56
RPG RE Commercial, s.r.o.	**1,218**	1,065
Depos Horní Suchá, a.s.	**216**	215
RPG Byty, s.r.o.	**167**	298
RPG RE Property, a.s.	**7**	8,519
Milan Jelinek	**–**	542
Other related parties	**649**	485
Purchases from related parties in total	**153,059**	104,601

1 In 2010 Bakala Crossroad Partners a.s. was renamed to BXR Partners, a.s.
2 In 2010 New World Recources Transportation B.V was renamed to Advanced Transport B.V.

Transactions with related parties included in the income statement as discontinued operations are made from: sales amounted to EUR 254 thousand (2009: EUR 1,015 thousand) and purchases amounted to EUR 3,125 thousand (2009: EUR 11,897 thousand). Purchases are made mainly from purchase of 'green' electricity (renewable resources) from Green Gas, DPB, a.s.

There were no significant transactions with other related parties.

13. 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 2010	1,134,304	823,448	10,473	86,912	2,055,137
Additions	14,116	175,705	2,468	26,444	218,733
Disposal	(12,546)	(26,528)	(118)	(718)	(39,910)
Transfers	35,023	45,703	–	(80,726)	–
Currency translation	64,202	48,105	559	4,332	117,798
As of 31 December 2010	1,235,099	1,066,433	13,382	36,244	2,351,158
Accumulated depreciation and impairment losses					
As of 1 January 2010	500,778	389,158	4,023	2,846	896,805
Depreciation charge for the year	85,949	73,658	1,538	–	161,145
Disposals	(12,296)	(25,882)	(12)	(628)	(38,818)
Currency translation	28,846	21,944	232	112	51,134
As of 31 December 2010	603,277	458,878	5,781	2,330	1,070,266
Net book value as of 1 January 2010	633,526	434,290	6,450	84,066	1,158,332
Net book value as of 31 December 2010	**631,822**	**607,555**	**7,601**	**33,914**	**1,280,892**

The net book value of plant and equipment as of 31 December 2010 includes EUR 0 thousand (31 December 2009: EUR 171 thousand) in respect of assets held under finance leases.

Annual review of restoration provision as of 31 December 2010 resp. 31 December 2009 did not result in any change of the value of the provision or property, plant and equipment.

Research and development expenditure recognised as an expense during the period amounts to EUR 63 thousand (31 December 2009: EUR 59 thousand).

13. Property, plant and equipment continued

As of 24 June 2009 were land and buildings, plant and equipment, other assets and items included in construction in progress of entities NWR Energy, CZECH-KARBON, NWR ENERGETYKA PL classified as assets held for sale (refer to the Note 8). Fixed assets classified as held for sale were not depreciated starting 1 July 2009.

The Group identified assets financed through the ECA loan as qualifying assets for capitalisation of borrowing costs. Borrowing costs in the amount of EUR 280 thousand were capitalised in 2010 (2009: EUR 816 thousand). The borrowing costs were determined using the capitalisation rate of 6,368 per cent (2009: 6,797 per cent).

OKD received first part of a grant in an amount of EUR 355 thousand (2009: EUR 0 thousand) from the resources of structural funds of the European Union through Regional Operational Programme Moravia Silesia. This subsidy is designated as a support for construction of infrastructure under the project Golf Park Darkov. Acquisition cost of buildings was reduced in line with accounting policy t) (iii). There is no legal right to receive the grant and the total amount of the grant will be only known after the cash receipt.

	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 2009	1,112,117	651,017	7,933	80,944	1,852,011
Additions	14,359	139,114	3,546	96,416	253,435
Disposal	(2,768)	(9,008)	(1,518)	(175)	(13,469)
Transfers	34,553	55,554	–	(90,107)	–
Classified as assets held for sale	(41,667)	(23,094)	(6)	(1,247)	(66,014)
Currency translation	17,710	9,865	518	1,081	29,174
As of 31 December 2009	1,134,304	823,448	10,473	86,912	2,055,137
Accumulated depreciation and impairment losses					
As of 1 January 2009	420,850	337,729	3,256	2,123	763,958
Depreciation charge for the year	90,141	72,958	711	687	164,497
Depreciation charge for the year-discontinued operations	–	5	–	–	5
Disposals	(1,999)	(8,979)	–	–	(10,978)
Accumulated depreciation related to assets classified as held for sale	(14,868)	(16,884)	(6)	–	(31,758)
Currency translation	6,654	4,329	62	36	11,081
As of 31 December 2009	500,778	389,158	4,023	2,846	896,805
Net book value as of 1 January 2009	691,267	313,288	4,677	78,821	1,088,053
Net book value as of 31 December 2009	633,526	434,290	6,450	84,066	1,158,332

The Group assessed as of 31 December 2010 and 31 December 2009 whether there is any indication of impairment. Based on the assessment there was no impairment identified except for OKD, HBZS, a.s. impairment already recognised in prior periods.

Accumulated impairment loss amounts to EUR 6,985 thousand (2009: EUR 6,712 thousand) and relates to OKD, HBZS, a.s.

Impairment loss recognised in OKD, HBZS, a.s. was reassessed as of 31 December 2010 and 31 December 2009 and no indication that they may be reversed has been determined. Change of balance is due to currency translation.

OKK Koksovny

OKK Koksovny completed the implementation of the Coking Plant Optimisation Programme (COP 2010) (described in the Note 33a). In line with COP 2010 there were put into use buildings and constructions with acquisition costs of EUR 62,259 thousand in year 2010 (2009: EUR 869 thousand). As of 31 December 2010 there is no uncompleted part classified as construction in progress. As of 31 December 2009, significant part of the property, plant and equipment acquired under COP 2010 was still uncompleted and therefore classified as a construction in progress at EUR 29,506 thousand.

During 2010, the Šverma coking plant was closed as a result of the coking optimisation programme COP 2010. Shortened expected useful life of relevant long-term assets resulted in an increase of depreciation of EUR 6,947 thousand in 2009.

Construction of mine 'Frenštát'

Assets relating to the construction of the mine 'Frenštát' relate to geological survey work. These assets are maintained by OKD but are not historically reflected in its books. The original cost of these assets amounts to EUR 36,744 thousand, of which EUR 32,526 thousand is the value of assets located in the mine and EUR 4,218 thousand is the value of assets located on the surface.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

14. Mining licences

	Cost EUR'000	Accumulated amortisation EUR'000	Net book value EUR'000
At 1 January 2010	211,247	(49,490)	161,757
Amortisation for the period	–	(9,203)	(9,203)
Currency translation	11,902	(2,870)	9,032
At 31 December 2010	**223,149**	**(61,653)**	**161,586**

	Cost EUR'000	Accumulated amortisation EUR'000	Net book value EUR'000
At 1 January 2009	208,087	(40,534)	167,553
Amortisation for the period	–	(8,352)	(8,352)
Currency translation	3,160	(604)	2,556
At 31 December 2009	211,247	(49,490)	161,757

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 via contribution of OKD – the cost is based on the revalued amount as of 31 October 2004 when OKD was bought by RPG Group.

The Group was also granted a mining licence regarding Dębieńesko 1 in Poland in June 2008. The licence was granted for 50 years for mine construction and operations. The mining licence Dębieńesko 1 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 I.	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 1	Year 2058

NWR KARBONIA was granted exploration concession related to mining area of closed mine Morcinek in Poland and exploration concession related to part of mining area Zebrzydowice in Poland.

15. Long-term receivables

	31 December 2010 EUR'000	31 December 2009 EUR'000
Trade receivables	**105**	118
Long-term advances granted	**24**	23
Other	**12,743**	1,427
	12,872	1,568

The maturity dates of trade receivables and long-term advances do not exceed five years.

Other long-term receivables include amount of EUR 11,700 thousand which represents the security payments made under the bank collateral agreements and secures OKD's interest rate swap derivatives opened at 31 December 2010. Its amount is dependant on derivatives valuation and collateral agreements conditions. The collateral agreements were concluded in connection with the repayment of Senior Secured Facilities with Citibank and Barclays bank and they expire on derivatives maturity, at latest in 2016.

16. Restricted cash

As of 31 December 2010 and 31 December 2009, the Company had long-term restricted cash of EUR 11,025 thousand and EUR 13,926 thousand, respectively, kept in relation to mining damages and restoration expenditures. The amount of restricted cash corresponds to the mining and restoration provision created by OKD 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 2010, the Company had short-term restricted cash of EUR 0 thousand (31 December 2009: EUR 2,771 thousand). The short-term restricted cash recognised as of 31 December 2009 results from guarantee terms related to supplies of POP 2010 mining equipment.

17. Inventories

	31 December 2010 EUR'000	31 December 2009 EUR'000
Raw materials and spare parts	**27,202**	27,125
Finished goods	**22,473**	48,385
Merchandise	**4,150**	7,038
Work-in-progress and semi-finished goods	**2,188**	3,271
	56,013	85,819

The inventories are disclosed net of write-downs for slow-moving and obsolete inventories of EUR 4,540 thousand (31 December 2009: EUR 10,107 thousand). Write-downs are included in consumption of material and energy and change in inventories of finished goods and work-in-progress.

18. Accounts receivable and prepayments

	31 December 2010 EUR'000	31 December 2009 EUR'000
Trade and other receivables		
Trade accounts and notes receivable	**174,074**	97,691
Other receivables, estimated accounts receivables	**6,115**	11,068
VAT and other tax receivables	**1,893**	4,474
	182,082	113,233
Advance payments		
Advance payments for property, plant and equipment	**4,653**	26,296
Advance payments for financial investments	**2,873**	1,964
Other advance payments	**4,894**	5,566
	12,420	33,826
Prepayments and accrued revenue	**3,244**	2,597
	3,244	2,597
Total accounts receivable and prepayments	**197,746**	149,656

For terms and conditions relating to related party receivables, refer to the Note 12.

Trade receivables are non-interest bearing and are generally on 20–45 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:

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
At the beginning of the period	**754**	1,940
Charge for the year	**127**	114
Amounts written off	**(188)**	(1,293)
Unused amounts reversed	**(18)**	–
Currency translation	**42**	41
Other	**(19)**	(48)
At the end of the period	**698**	754

As of 31 December 2010 and 31 December 2009, the analysis of accounts receivable that were either not past due or past due but not impaired is as follows:

		Past due but not impaired					
EUR'000	Neither past due nor impaired	<30 days	31–90 days	91–180 days	181–360 days	>360 days	Total
31 December 2010	**172,325**	**9,084**	**669**	**1**	**0**	**3**	**182,082**
31 December 2009	109,139	2,744	1,329	18	1	2	113,233

Based on past experience, the Company believes that no impairment allowance is necessary in respect of accounts receivable due.

As of 31 December 2010 receivables in nominal value of EUR 0 thousand (31 December 2009: EUR 0 thousand) were pledged as security for loans.

In 2010 OKD sold its receivables to HSBC for a price equal to its nominal value of EUR 47,714 thousand.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

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

20. Financial instruments and risk management
Risk management
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 is 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 Board 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 2010 and 2009 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 and related departments through efficient operation of the sales 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.

To mitigate the potential credit risk the Group entered into a factoring agreement in December 2009. The Group sold trade receivables in the total value of approximately EUR 38,318 thousand and EUR 47,714 thousand respectively, in a non-recourse factoring and received cash in the amount of up to 90 per cent of the nominal value of the receivables. The remaining up to 10 per cent of the nominal value of the receivables was paid to the Group by the factoring company when and if the customer settled the original receivable. The fees paid for the factoring transaction are below 1 per cent of the transaction volume.

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 2010 and 31 December 2009.

Liquidity risk
Liquidity risk refers to the possibility of the Group being unable to meet its financial obligations, when they fall due, mainly in relation to the settlement of amounts due to suppliers, bondholders and financial institutions.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of 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 leases contracts with the aim to have sufficient liquidity to meet its due obligations under any conditions.

20. Financial instruments and risk management continued

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2010 and 31 December 2009 based on undiscounted payments including accrued interest.

As of 31 December 2010	< 1 year EUR'000	1 to 5 years EUR'000	> 5 years EUR'000	Total EUR'000
Loans	**15,283**	**55,000**	**34,377**	**104,660**
Bonds issued	**9,029**	**261,254**	**484,243**	**754,526**
Other long-term liabilities	**–**	**513**	**63**	**576**
Accounts payable and accruals	**204,793**	**–**	**–**	**204,793**
Interest rate swaps used for hedging	**3,565**	**19,257**	**(291)**	**22,531**
Interest rate collars used for hedging	**–**	**314**	**–**	**314**
Forward foreign exchange contracts	**1,206**	**–**	**–**	**1,206**

As of 31 December 2009	< 1 year EUR'000	1 to 5 years EUR'000	> 5 years EUR'000	Total EUR'000
Loans	93,737	643,328	36,526	773,591
Bonds issued	2,467	–	260,096	262,563
Other long-term liabilities	–	126	522	648
Accounts payable and accruals	236,930	–	–	236,930
Interest rate swaps used for hedging	1,798	17,182	–	18,980
Interest rate collars used for hedging	–	1,467	–	1,467
Forward foreign exchange contracts	346	–	–	346

The Group had a long-term debt facility not drawn in amount EUR 48,965 thousand as of 31 December 2009. The commitment fee relating to this not drawn facility as of 31 December 2009 amounted to 0.825 per cent. There was no long-term debt facility not drawn as of 31 December 2010.

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 (energy business that was sold in 2010 – see Note 8 and Note 10). The Group has implemented policies and methods of monitoring these risks as detailed for each risk as follows.

a) 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. In 2010 approximately 41 per cent of the entities' sales from continued operations (2009: 39 per cent 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 the costs are denominated in the unit's functional currency.

The Group aims to mitigate foreign currency exposure risks resulting from operations in currencies other than EUR by entering into forward exchange rate contracts (par forwards) with financial institutions. In 2009 the Company entered into foreign exchange forward contracts to hedge the CZK denominated outflows of its subsidiaries. Hedging is therefore managed 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 Group's policy is to cover up to 70 per cent of its currency exposure.

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 2009 and 2010 the Group applied hedge accounting for forward foreign 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.

The Company had the following CZK-denominated balances and the consolidated subsidiaries had the following EUR-denominated balances:

	31 December 2010			31 December 2009		
	EUR denominated EUR'000	**CZK denominated EUR'000**	**Total EUR'000**	EUR denominated EUR'000	CZK denominated EUR'000	Total EUR'000
Cash and bank balances including restricted cash and cash pool	**76,235**	**(106,220)**	**(29,985)**	399,316	(2,295)	397,021
Accounts receivable	**297,228**	**6,738**	**303,966**	71,890	–	71,890
Accounts payable	**(18,824)**	**(4,339)**	**(23,163)**	(42,426)	(239)	(42,665)
Loans	**–**	**–**	**–**	(269,144)	(98,014)	(367,158)
Gross balance sheet exposure	**354,639**	**(103,821)**	**250,818**	159,636	(100,548)	59,088

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

20. Financial instruments and risk management continued

The following table demonstrates the sensitivity of strengthening (i.e. appreciation) CZK to EUR exchange rate by 4 per cent, 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 appreciation or depreciation (i.e. weakening) CZK to EUR is fully included in Group's profit, i.e. there is no amount to be taken directly to equity. Change by 4 per cent is more appropriate with respect to estimated development of CZK to EUR exchange rate, therefore the comparative figures for 2009 were adjusted (originally they were calculated with the depreciation of 1 per cent).

	31 December 2010			31 December 2009		
Appreciation of CZK against EUR by 4%	**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'000**	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'000
Cash and bank balances including restricted cash and cash pool	**(2,470)**	**(4,249)**	**(6,719)**	(12,938)	(92)	(13,030)
Accounts receivable	**(9,630)**	**270**	**(9,360)**	(2,329)	–	(2,329)
Accounts payable	**610**	**(174)**	**436**	1,375	(10)	1,365
Loans	**–**	**–**	**–**	8,720	(3,920)	4,800
Total	**(11,490)**	**(4,153)**	**(15,643)**	(5,172)	(4,022)	(9,194)

The appreciation of the CZK towards EUR by 4 per cent, with all other variables held unchanged would result in loss after tax EUR 15,643 thousand (2009: loss after tax EUR 9,194 thousand).

The following table demonstrates unadjusted comparatives as presented in the 2009 Group's consolidated notes – the impact sensitivity of depreciation CZK to EUR exchange rate by 1 per cent, 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 or appreciation CZK to EUR is fully included in Group's profit, i.e. there is no amount to be taken directly to equity.

	31 December 2009		
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'000
Cash and bank balances (including restricted cash)	3,234	23	3,257
Accounts receivable	582	–	582
Accounts payable	(344)	2	(342)
Loans	(2,180)	980	(1,200)
Total	1,292	1,005	2,297

The depreciation of the CZK towards EUR by 1 per cent, with all other variables held unchanged would result in profit after tax EUR 2,297 thousand in 2009.

b) Interest rate risk

The Group aims to minimise the exposure to the risk of changes in market interest rates. The Group has entered into forward interest rate swaps and collars to convert floating rate loans to fixed rate loans. Specific amounts that the Group hedges are determined based on the prevailing market conditions and the current shape of the yield curve. The specific terms and notional amounts of the swaps are determined based on management's assessment of future interest rates, as well as other factors, including short-term strategic initiatives. As of 31 December 2010, the swaps and collars covered all of the Group's scheduled interest rate exposure pursuant to which the Group receives floating EURIBOR and PRIBOR in exchange for paying a fixed rate of interest. In order to match the Group's exposure to floating interest rates resulting from the Group's significant cash balance, the Group has entered into a forward interest rate swap as a result of which the Group receives a fixed interest rate in exchange for paying a floating EURIBOR plus spread. The fixed rate that the Group receives matches the fixed rate that the Group pays on its Senior Secured Notes.

For short-term loans outstanding, which comprise less than 1 per cent 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 loans.

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 per cent higher respectively lower over the whole period from 1 January 2010 to 31 December 2010 with all other variables held unchanged. The interest rate sensitivity analysis is calculated from all loans, all cash in banks and all interest rates swap contracts and interest rate collar contracts. The hypothetical effect on profit after tax amounts to EUR 1,376 thousand respectively EUR (1,376) thousand. The effect on profit in 2010 is different compared to 2009 because of the repayment of the Senior Secured Facility and closure of related interest rate swap contracts. Adjusted comparatives for 2009 that exclude effect of Senior Secured Facility and related interest rate swap contracts would amount to EUR 1,579 thousand, respectively EUR (1,579) thousand. Original 2009 comparatives including changes in market interest rates of all cash in banks balances amounted to EUR 58 thousand respectively EUR (58) thousand.

20. Financial instruments and risk management continued

7.375 per cent Senior Notes due 2015 and 7.875 per cent Senior Notes due 2018 (bonds) bear a fixed interest rate and are stated at amortized cost. Therefore the change in the market interest rates and subsequent change in the fair value of the bond does not have any impact on the effective interest rate and carrying value of the bond, as recorded in the financial statements.

The Company has calculated hypothetical effect on change in fair value of its 7.375 per cent Senior Notes due 2015 and 7.875 per cent Senior Notes due 2018 if market interest rates change by 0.25 per cent p.a. (by adding resp. deducting 0.25 per cent p.a. to the bond's IRR) in the table below:

		Interest rate	
Change in fair value of:		IRR plus 0.25%	IRR less 0.25%
7.375% Senior Notes due 2015			
as of 31 December 2010	EUR'000	(2,435)	2,463
as of 31 December 2009	EUR'000	(2,857)	2,896
7.875% Senior Notes due 2018			
as of 31 December 2010	EUR'000	(6,931)	7,060
as of 31 December 2009	EUR'000	n/a	n/a

The increase in the market fair value of the high-yield bonds attributable to the change in the specific credit risk amounted to EUR 43,242 thousand for the 7.375% Senior Notes due 2015 and EUR 15,743 thousands for the 7.875% Senior Notes due 2018 of the total fair value adjustment of the bond (2009: increase EUR 114,356 thousand for 7.375% Senior Notes due 2015; no comparative information for the 7.875% Senior Notes due 2018 – it was issued in 2010). The change in the fair value attributable to 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 the five-year German Sovereign Rate (2009: six-year German Sovereign Rate) for 7.375% Senior Notes due 2015 and eight-year German Sovereign Rate for 7.875% Senior Notes due 2018 as stated in the indentures governing the bonds. Change in the fair value of own credit risk as of 31 December 2010 is mainly a result of current financial markets mood.

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

	31 December 2010		31 December 2009	
Fair value of derivative instruments	**Assets EUR'000**	**Liabilities EUR'000**	Assets EUR'000	Liabilities EUR'000
Forward foreign exchange contracts	**34**	**1,206**	–	346
Interest rates swap contracts	**–**	**22,531**	165	18,980
Interest rates collar contracts	**58**	**314**	86	1,467
	92	**24,051**	251	20,793
of which short-term part	**34**	**4,771**	–	2,144
of which long-term part	**58**	**19,280**	251	18,649

	31 December 2010	
Nominal value of derivative instruments	**Czech crown denominated contracts EUR'000**	**Euro denominated contracts EUR'000**
Forward foreing exchange contracts	**129,697**	**–**
Interest rates swap contracts	**369,439**	**3,279,369**
Interest rates collar contracts	**51,202**	**–**
	550,338	**3,279,369**

	31 December 2009	
Nominal value of derivative instruments	Czech crown denominated contracts EUR'000	Euro denominated contracts EUR'000
Forward foreign exchange contracts	47,821	–
Interest rates swap contracts	1,167,426	3,130,547
Interest rates collar contracts	68,919	191,250
	1,284,166	3,321,797

Nominal value of interest rates swap contracts and interest rates collar contracts presented in the above tables is derived from the sum of concluded individual contracts outstanding per 31 December 2010. As of 31 December 2010, the nominal value of contracts outstanding is EUR 3,829,707 thousand (2009: EUR 4,605,963 thousand).

The Company concluded forward exchange contracts in the total nominal value of CZK 1,900,680 thousand (EUR 75,842 thousand translated with the CZK/EUR exchange rate as of 31 December 2010) throughout 2010.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

20. Financial instruments and risk management continued

In 2009 and 2010, changes in the fair value of forward exchange contracts were accounted in the hedging reserve that is part of equity. The reserve amounts to EUR 23,322 thousand as of 31 December 2010 (2009: EUR 29,947) thousand. The hedging reserve is 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 2010 was EUR 6,625 thousand (2009: EUR 4,381 thousand).

Changes in the fair value of interest rate swaps and collars were recorded directly in the income statement statement as the hedge accounting evidence is not maintained.

For policy on option programme see Note 29.

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 EBITDA (calculated on a 12 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 2010.

The Group includes interest bearing short-term and long-term loans and borrowings and issued bonds, less cash and cash equivalents, within net debt. Assets classified as assets held for sale and/or liabilities related to assets held for sale are not included. The Company defines EBITDA as net profit after tax from continuing operations before non-controlling interest, income tax, net financial costs, depreciation and amortisation, impairment of property, plant and equipment ('PPE') and gains/losses from sale of PPE.

	31 December 2010 EUR'000	31 December 2009 EUR'000
Interest bearing loans and borrowings		
Bonds issued	**745,497**	260,096
Long-term loans	**89,377**	679,854
Current portion of long-term loans	**15,276**	74,842
Short-term loans	**7**	18,895
	850,157	1,033,687
Less Cash and cash equivalents	**529,241**	547,827
Net debt	**320,916**	485,860

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
EBITDA:		
Profit/(loss) before tax from continuing operations	**252,080**	(57,920)
Financial costs/revenues (including profit on disposal of interest in subsidiaries)	**42,464**	67,873
Gain from sale of property, plant and equipment	**(715)**	(4,117)
Depreciation	**161,145**	164,497
Amortisation	**9,203**	8,352
EBITDA	**464,177**	178,685
Gearing ratio	**0.69**	2.72

The Group's policy is to target a gearing ratio of 2.0 (net debt/EBITDA) 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 2010 and 31 December 2009 is calculated on annual basis. The Company is required under the ECA Facility agreement to hold a gearing ratio of total indebtedness below 3.25. The gearing ratio of total indebtedness calculated using the results of both continuing operations and discontinuing operations amounts to 0.69 as of 31 December 2010 (2009: 2.55). The company was in compliance with all its covenants for the reported period.

20. Financial instruments and risk management 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.

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 instrument. 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 Global Exchange Market of the Irish Stock Exchange.

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 forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate derivatives is estimated by discounting the difference between the contractual interest rate and current interest rate for the residual maturity of the contract using a risk-free interest rate.

Carrying amounts and the estimated fair values of financial assets and liabilities at 31 December 2010 and 31 December 2009 are as follows:

	31 December 2010		31 December 2009	
	Carrying Value EUR'000	Fair Value EUR'000	Carrying Value EUR'000	Fair Value EUR'000
Financial assets				
Fair value through profit & loss				
Interest rate swaps	–	–	165	165
Interest rate collars	58	58	86	86
Fair value recognised in other comprehensive income				
Forward exchange contracts	34	34	–	–
Loans and receivables				
Long-term receivables	12,872	12,786	1,568	1,452
Accounts receivable and prepayments	197,746	197,746	149,656	149,656
Available for sale				
Restricted cash	11,025	11,025	16,697	16,697
Cash and cash equivalents	529,241	529,241	547,827	547,827
Total	750,976	750,890	715,999	715,883

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

20. Financial instruments and risk management continued

	31 December 2010		31 December 2009	
	Carrying Value EUR'000	**Fair Value EUR'000**	Carrying Value EUR'000	Fair Value EUR'000
Financial liabilities				
Fair value through profit & loss				
Interest rate swaps	**22,531**	**22,531**	18,980	18,980
Interest rate collars	**314**	**314**	1,467	1,467
Fair value recognised in other comprehensive income				
Forward exchange contracts	**1,206**	**1,206**	346	346
Other				
Long-term loans	**89,377**	**89,377**	679,854	679,854
Bonds issued (including accrued interest)	**754,526**	**798,855**	262,563	238,428
Other long-term liabilities	**576**	**576**	648	648
Accounts payable and accruals	**204,793**	**204,793**	236,930	236,930
Current portion of long-term loans	**15,276**	**15,276**	74,842	74,842
Short-term bank loans	**7**	**7**	18,895	18,895
Cash-settled share-based payments payable	**1,407**	**1,407**	2,371	2,371
Total	**1,090,013**	**1,134,342**	1,296,896	1,272,761

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

In order to determine the fair value of the financial instruments, the Company used valuation techniques used by Barclays bank and Citibank, in which all significant inputs were based on observable market data.

	Assets EUR'000			**Liabilities EUR'000**		
Fair value of derivative instruments 31 December 2010	**level 1**	**level 2**	**level 3**	**level 1**	**level 2**	**level 3**
Interest rates swap contracts	**–**	**–**	**–**	**–**	**22,531**	**–**
Interest rates collar contracts	**–**	**58**	**–**	**–**	**314**	
Forward foreign exchange contracts	**–**	**34**	**–**	**–**	**1,206**	**–**
	–	**92**	**–**	**–**	**24,051**	**–**

	Assets EUR'000			Liabilities EUR'000		
Fair value of derivative instruments 31 December 2009	level 1	level 2	level 3	level 1	level 2	level 3
Interest rates swap contracts	–	165	–	–	18,980	–
Interest rates collar contracts	–	86	–	–	1,467	–
Forward foreign exchange contracts	–	–	–	–	346	–
	–	251	–	–	20,793	–

21. Cash and cash equivalents

Cash and cash equivalents comprise the following statement of financial positition amounts:

	31 December 2010 EUR'000	31 December 2009 EUR'000
Cash in bank	**529,099**	547,716
Cash on hand and cash in transit	**142**	111
Cash and cash equivalents	**529,241**	547,827

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 one month, depending on the immediate cash requirements of the Group, and earn interest at short-term deposit rates.

22. Accounts payable and accruals

	31 December 2010 EUR'000	31 December 2009 EUR'000
Trade accounts and notes payable	**130,979**	153,819
Wages and salaries payable	**23,798**	23,657
Social and health insurance payable	**9,143**	11,846
VAT and other tax payable	**7,892**	5,500
Advance payments received	**1,570**	6,678
Dividends payable	**–**	1,444
Other payables and estimated accounts payable	**31,411**	33,986
	204,793	236,930

23. Long-term loans

The long-term bank loan include ECA (Export Credit Agency) loan and Senior Secured Facilities.

Long-term bank loans	Currency	Effective interest rate	Maturity	**31 December 2010 EUR'000**	31 December 2009 EUR'000
ECA loan	EUR	EURIBOR + 1.65%	2010–2018	**104,653**	87,898
Bank loan – facility 1	CZK	6M PRIBOR + 0,85 %[1]	2010–2011	**–**	25,199
Bank loan – facility 2	CZK	6M PRIBOR + 1,35 %	2012	**–**	82,591
Bank loan – facility 3	CZK	6M PRIBOR + 1,50 %	2013	**–**	87,318
Bank loan – facility 1	EUR	6M EURIBOR + 0,85 %[1]	2010–2011	**–**	69,478
Bank loan – facility 2	EUR	6M EURIBOR + 1,35 %	2012	**–**	230,840
Bank loan – facility 3	EUR	6M EURIBOR + 1,50 %	2013	**–**	171,372
Total long-term loans				**104,653**	754,696
of which current portion[2]				**15,276**	74,842
of which long-term portion				**89,377**	679,854

1 2009: The margin rate could vary between 0.65 per cent and 1.35 per cent p.a. with respect to the actual gearing ratio.
2 Includes also interest accrual for the Senior Secured Facilities and ECA loan.

The Group repaid the outstanding amount of Senior Secured Facilities in April 2010. The total principal repaid under Senior Secured Facilities amounts to EUR 678,284 thousand. The repayment was realised partly in regular installment in February 2010 and partly using the net proceeds of the offering of issued 7,875 per cent Senior Secured Notes in total value of EUR 500,000 thousand (see Note 24) and existing cash in April 2010.

In 2009 the Senior Secured Facilities were secured by shares of OKD and OKK and during 2009 following entities became additional guarantors of that loan: NWR Energy, CZECH-KARBON and NWR Energetyka PL. OKD was a guarantor of the part of the Senior Secured Facilities drawn by the Company in 2007.

The Company concluded the ECA loan agreement in August 2009. The facilities available under the ECA loan were used for financing of the POP 2010 capital investment programme. The Company will repay the full facility in semi-annual instalments. The Group is subject to certain covenants under ECA loan agreement. The Group was in compliance with those covenants in the reported period.

6M PRIBOR stands for six-month Prague interbank offered rate and was 1.560 per cent on 31 December 2010 (31 December 2009: 1.820 per cent). 6M EURIBOR stands for Euro interbank offered rate and was 1,227 per cent on 31 December 2010 (31 December 2009: 0.994 per cent).

The total long-term interest-bearing 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 December 2010 EUR'000	31 December 2009 EUR'000
up to 31 December 2010	**–**	74,842
up to 31 December 2011	**15,276**	40,852
up to 31 December 2012	**13,750**	323,581
up to 31 December 2013	**13,750**	268,925
up to 31 December 2014	**13,750**	9,970
up to 31 December 2015	**13,750**	10,167
up to 31 December 2016	**13,750**	10,376
up to 31 December 2017	**13,750**	10,602
up to 31 December 2018	**6,877**	5,381
	104,653	754,696

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

23. Long-term loans continued

Short-term loans and borrowings

Short-term bank loans	Currency	Effective interest rate	Maturity	31 December 2010 EUR'000
Credit cards liability	**CZK**	**0%**	**n/a**	**7**
Total short-term interest-bearing loans and borrowings				**7**

As of 31 December 2009:

Short-term bank loans	Currency	Effective interest rate	Maturity	31 December 2009 EUR'000
Overdraft	CZK	1M PRIBOR + 0,95	31.1.2010	18,887
Credit cards liability	CZK	0%	n/a	8
Total short-term interest-bearing loans and borrowings				18,895

In 2009 short-term bank loans included credit lines (maximal amount of CZK 500 million) that would finally mature in 2010 – they were operating loans with withdrawal option in the form of an overdraft or revolving that may be repaid whenever before the maturity date.

OKD has repaid this short-term loan in the amount of CZK 500 million (EUR 18,887 thousand) on 27 January 2010.

As of 31 December 2010, there is no off-balance sheet guarantee bill of exchange for short-term bank loan (2009: guarantee bill of exchange for short-term bank loan of EUR 18,887 thousand).

24. Bonds issued

The Company issued EUR 475 million Senior Secured Notes due 2018 on Global Exchange Market of the Irish Stock Exchange on 27 April 2010. The notes were issued with a coupon of 7.875 per cent Effective interest rate is 8.656 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 in 2018, including a coupon of 7.875 per cent Effective interest rate is 8.656 per cent.

The Senior Secured Notes due 2018 do not include maintenance covenants and are secured by a pledge of the shares of OKD, OKK Koksovny and NWR KARBONIA.

The Company issued a high-yield bond on Global Exchange Market of the Irish Stock Exchange on 18 May 2007. The aggregate principal amount of the 7.375 per cent Senior Notes due 2015 was EUR 300,000 thousand, as of 31 December 2010 EUR 267,565 thousand is outstanding (after redemption). Issue costs of the notes were EUR 11,320 thousand. Effective interest rate is 8.184 per cent.

The Company purchased (redempted) EUR 32,435 thousand in aggregate principal amount of its 7.375 per cent Senior Notes due 2015 in October 2009. All purchased Notes were irrevocably and unconditionally cancelled, which reduced the outstanding principal amount of the Notes to EUR 267,565 thousand. The Notes that were purchased were acquired at a purchase price of EUR 930 for each EUR 1,000 in principal amount of Notes. The total purchase price for the Notes was EUR 30,165 thousand, excluding the accrued interest. The net gain on the redemption of the Notes was EUR 97 thousand.

25. Share capital and reserves

	31 December 2010 EUR'000	31 December 2009 EUR'000
Share capital	**105,883**	105,736
Share premium	**66,326**	60,449
Restricted reserve	**133,169**	126,066
Equity-settled share-based payments	**17,157**	13,424
Hedging reserve	**23,322**	29,947
Retained earnings	**384,195**	205,475
Foreign exchange translation reserve	**79,343**	19,078
Total	**809,395**	560,175
Non-controlling interests	**–**	–
Equity total	**809,395**	560,175

25. Share capital and reserves continued

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 2010 the issued capital consists of 264,698,715 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 (2009: 264,330,100 ordinary A shares with nominal value EUR 0.40 each and 10,000 ordinary B shares with nominal value of EUR 0.40 each), of which :

- On 20 May 2009 the Company issued 266,490 new ordinary A shares with nominal value of EUR 0.40 each. These shares were granted to five Independent Directors, members of the Board.
- On 10 September 2009 the Company issued 264,351 new ordinary A shares with nominal value of EUR 0.40 each. These shares were used to settle the executed share options of Mike Salamon, the Executive Chairman of the Board, which he received as part of his remuneration, as described in the IPO Prospectus and the Annual Report of the Company. These shares have been admitted for trading on the main market of the London Stock Exchange, the Prague Stock Exchange and the Warsaw Stock Exchange.
- On 21 May 2010 the Company issued 103,465 new ordinary A shares with nominal value of EUR 0.40 each. These shares were granted to five Independent Directors, members of the Board.
- On 3 December 2010 the Company issued 265,150 new ordinary A shares with nominal value of EUR 0.40 each. There shares were used to settle the executed share options of Mike Salamon, the Executive Chairman of the Board, which he received as part of his remuneration, as described in the IPO Prospectus and the Annual Report of the Company. These shares have been admitted for trading on the main market of the London Stock Exchange, the Prague Stock Exchange and the Warsaw Stock Exchange.

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.

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 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.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

25. Share capital and reserves continued

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:

> A valid resolution of the General Meeting to issue shares of any class or to designate the Board of Directors for that purpose shall require the prior or simultaneous approval of each group of holders of Shares of the same class whose rights are affected by the issue of 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:
  a. to acquire any real estate or other assets for the Real Estate Division or to mortgage, charge, grant a license 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 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 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 holders of the B shares and the Board shall have given due consideration to any representations made.
> A proposal to amend the Articles of Association changing the authorised share capital B 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 2010 and 2009 100 per cent of the B shares were owned by RPG Property B.V.

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 to the Dividend Reserve B on 31 December 2007. The remaining part of the share premium reserve has been allocated to 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. 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.

25. Share capital and reserves continued

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.

Share Premium

On 20 May 2009 the Company issued 266,490 new ordinary A shares granted to five Independent Directors, members of the Board. The A share premium attributable to these shares amounted to EUR 893 thousand.

On 10 September 2009 the Company issued 264,351 new ordinary A shares to Mike Salamon, the Executive Chairman of the Board, as part of his remuneration, as described in the IPO Prospectus and the Annual Report 2008. The A share premium attributable to these shares amounted to EUR 4,585 thousand.

On 21 May 2010 the Company issued 103,465 new ordinary A shares granted to five independent Directors, members of the Board. The A share premium attributable to these shares amounted to EUR 959 thousand.

On 3 December 2010 the Company issued 265,150 new ordinary A shares to Mike Salamon, the Executive Chairman of the Board, as part of his remuneration, as described in the IPO Prospectus and the Annual Report 2008. The A share premium attributable to these shares amounted to EUR 4,918 thousand.

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 per cent of after-tax profit in the first year in which profits are made and 5 per cent of after-tax profit each year thereafter, until the fund reaches at least 20 per cent of share capital. The fund can only be used to offset losses.

Foreign exchange 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.

Earnings per share

The calculation of the average number of outstanding shares, both A and B, reflects the 2.5 for 1 conversion of shares per 5 May 2008. Also the A shares issued at the initial public offering, 13.5 million and 59,260, A shares issued to Independent Directors and A shares issued to settle stock options executed by Mike Salamon are included in the calculation. Finally, the creation and the subsequent cancellation of the C share is reflected as well, to arrive at the average numbers of 264,054,650 and 264,423,937 outstanding shares during 2009 and 2010 respectively. Based on the numbers of average outstanding shares the basic earnings per share are 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.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

25. Share capital and reserves continued

	01 January 2010 – 31 December 2010 EUR'000	01 January 2009 – 31 December 2009 EUR'000
Total net profit/(loss) after tax from continuing operations	**221,269**	(63,731)
Total net profit after tax from discontinued operations	**12,045**	2,135
Total net profit/(loss) after tax of that:	**233,314**	(61,596)
Total net profit/(loss) after tax attributable to A shareholders	**226,321**	(65,442)
Total net profit/(loss) after tax from continuing operations attributable to A shareholders	**214,276**	(67,577)
Total net profit after tax from discontinuing operations attributable to A shareholders	**12,045**	2,135
Total net profit after tax attributable to B shareholders	**6,993**	3,846
Total net profit after tax from continuing operations attributable to B shareholders	**6,993**	3,846
Weighted average number of shares outstanding during the year of that:		
Weighted average number of A shares outstanding during the year	**264,423,937.10**	264,054,650.00
Weighted average number of B shares outstanding during the year	**264,413,937.10**	264,044,650.00
Weighted average number of shares outstanding during the year adjusted for effect of dilution of that:		
Diluted weighted average number of A shares outstanding during the year	**266,470,833.90**	264,529,225.92
Diluted weighted average number of B shares outstanding during the year	**266,460,833.90**	264,519,225.92
Basic earnings per A share (EUR/share)	**0.86**	(0.25)
Diluted earnings per A share (EUR/share)	**0.85**	(0.25)
Basic earnings per A share from continuing operations (EUR/share)	**0.81**	(0.26)
Diluted earnings per A share from continuing operations (EUR/share)	**0.80**	(0.26)
Basic earnings per A share from discontinued operations (EUR/share)	**0.05**	0.01
Diluted earnings per A share from discontinued operations (EUR/share)	**0.05**	0.01
Basic earnings per B share (EUR/share)	**699.30**	384.60
Diluted earnings per B share (EUR/share)	**699.30**	384.60
Basic earnings per B share from continuing operations (EUR/share)	**699.30**	384.60
Diluted earnings per B share from continuing operations (EUR/share)	**699.30**	384.60

26. Provisions

The provision balances are as follows:

	At 1 January 2010 EUR'000	Charged EUR'000	Utilised EUR'000	Unwinding of discount EUR'000	Currency translation EUR'000	**At 31 December 2010 EUR'000**
Restoration provision	92,452	–	(5,848)	3,128	5,185	**94,917**
Mining damage	9,405	7,381	(7,093)	–	532	**10,225**
Other restoration costs	1,276	–	–	–	73	**1,349**
Total long-term provisions	**103,133**	**7,381**	**(12,941)**	**3,128**	**5,790**	**106,491**
Employee redundancy	5,200	–	(4,741)	–	250	**709**
Unpaid vacation	2,706	5,732	(5,725)	–	154	**2,867**
Buy-out (family houses)	1,473	–	(305)	–	80	**1,248**
Other	796	636	(483)	–	47	**996**
Total short-term provisions	**10,175**	**6,368**	**(11,254)**	**–**	**531**	**5,820**

The provision balances as of 31 December 2009:

	At 1 January 2009 EUR'000	Charged EUR'000	Utilised EUR'000	Held for sale EUR'000	Unwinding of discount EUR'000	Currency translation EUR'000	At 31 December 2009 EUR'000
Restoration provision	90,338	–	(2,617)	–	3,360	1,371	92,452
Mining damage	12,365	7,549	(10,703)	–	–	194	9,405
Other restoration costs	1,259	–	–	–	–	17	1,276
Total long-term provisions	103,962	7,549	(13,320)	–	3,360	1,582	103,133
Employee redundancy	–	7,263	(2,056)	–	–	(7)	5,200
Unpaid vacation	3,053	6,845	(7,228)	(11)	–	47	2,706
Buy-out (family houses)	1,979	–	(537)	–	–	31	1,473
Other	537	613	(362)	–	–	8	796
Total short-term provisions	5,569	14,721	(10,183)	(11)	–	79	10,175

Annual review of restoration provision as of 31 December 2010 and 31 December 2009 did not result in any change of estimates.

26. Provisions continued

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 2010 the provision has been calculated using discount rates in range between 0.14 per cent–3.99 per cent p.a. (31 December 2009: range between 2.8 per cent–3.3 per cent p.a.)

The employment redundancy provision relates to the fully shut down the OKK's Šverma facility as part of the COP 2010 programme.

27. Deferred revenue (long-term)

	Government grants EUR'000	Other EUR'000	Total EUR'000
At 1 January 2010	2,102	573	2,675
Change in the period	(221)	(45)	(266)
Currency translation	116	(1)	115
At 31 December 2010	**1,997**	**527**	**2,524**

	Government grants EUR'000	Other EUR'000	Total EUR'000
At 1 January 2009	2,277	3,317	5,594
Liabilities held for sale	–	(2,297)	(2,297)
Change in the period	(211)	(479)	(690)
Currency translation	36	32	68
At 31 December 2009	2,102	573	2,675

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 – special miners' benefits, severance payments, vouchers, loyalty benefits and other. 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. The significant benefits are listed below.

	31 December 2010 EUR'000	31 December 2009 EUR'000
Special miners benefits	**58,914**	63,657
Severance payment	**24,218**	18,521
Vouchers	**10,449**	11,614
Loyalty benefits	**1,326**	1,796
Employees' jubilee	**26**	34
Other long-term benefits	**959**	966
Total employee benefits	**95,892**	96,588

Decrease in employee benefits as of 31 December 2010 compared to 31 December 2009 is a cumulative result of updated assumptions that are disclosed at the end of this Note.

Changes in benefits in 2009

As of 1 January 2009 OKD amended its collective agreement with its labour union. Major loyalty benefits (anniversary benefits and retirement anniversary benefit) existing as of 31 December 2008 were replaced by new benefit vouchers since 1 January 2009.

Special miner's benefits

Length-of-service benefit for miners is paid to all employees in 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 per cent 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.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

28. Employee benefits continued

Health-related severance payment is based on the collective agreement of OKD 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 and its labour union and are paid to employees who terminate their employment contract upon becoming entitled to draw an old age pension. The one-time payment is a multiple of average monthly wage.

Severance payments

Severance payments are based on Czech law. Entitled persons are employees whose employment relationship was dissolved owing to having achieved 100 per cent 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 one-time disbursement.

Vouchers

This new benefit was recognised at OKD as of 1 January 2009 based on amendment to the collective agreement of OKD and its labour union. All employees are granted vouchers semi-anually and the amount is based on the length of employment relationship. Employees may use these vouchers for health, cultural, sporting, educational and holiday purposes.

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.

As a consequence of amendment to the collective agreement of OKD and its labour union anniversary benefits and retirement anniversary benefit that were included in loyalty benefits as of 31 December 2008 were derecognised at OKD as of 1 January 2009.

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 one-time payment.

Changes in the present value of the defined benefit obligation:

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Defined benefit obligation at the beginning of the period	**96,588**	88,188
Classified as held for sale	**–**	(1,130)
Benefits paid	**(9,800)**	(9,037)
Net benefit expense	**3,701**	17,199
Currency translation	**5,403**	1,368
Defined benefit obligation at the end of the period	**95,892**	96,588

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

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Current service cost	**5,011**	5,068
Interest cost on benefit obligation	**3,179**	3,274
Past service costs	**–**	10,295
Curtailments	**–**	(10,319)
Actuarial loss/(gain)	**(4,489)**	8,881
Net benefit expense	**3,701**	17,199

Anniversary benefits and retirement anniversary benefit that were derecognised as of 1 January 2009 form balance of curtailments in 2009. Past service costs in 2009 are made from benefit vouchers that was recognised in 2009.

28. Employee benefits continued

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 2010 range between 3.76 per cent–3.91 per cent p.a. (as of 31 December 2009: 3.9 per cent–4.05 per cent 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 6.25 per cent per annum as of 31 December 2010 (8.1 per cent per annum as of 31 December 2009). Higher steadily average wage increase in 2009 was a consequence of fall in average wages in 2009 as a result of the crisis (in the calculation as of 31 December 2009 the fall of average wages was compensated by higher growth of wages as the employee benefits are of long-term character). In 2010, a significant growth of actual average wage (to the level before crisis) led to the revision and consequently reduction of the average wage increase in 2010.

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

Retirement age – that variable has changed in 2010 compared to 2009 due to change of applicable Czech legislation.

Retirement age in 2010:

The retirement age for men is set as follows:

> 55 years if the person permanently worked underground for 15 years as of 31 December 1992
> 55 years and six months if the person permanently worked underground for minimum 11 years and maximum 14 years as of 31 December 1992 and in total worked 25 years
> Retirement age for men by Czech legislation less five years if an employee started working as a miner before 1 January 1993 and worked 3,300 shifts in underground by 31 December 2008
> 65 years for all other men not fulfilling above criteria

The retirement age for women is set to 64 years (assuming women to have on average two children).

Retirement age in 2009:

The retirement age was, according to the former 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 particular year.

29. Share-based payments

The Company offers independent members of the Board and certain employees of the Group following share-based remuneration packages:

a) Shares granted to Independent Directors

The Company granted each of its five Independent Directors A shares in the value of EUR 200 thousand vesting on 9 May 2009 and the same amount on 27 April 2010. The Company settled the first tranche by issuing 266,490 ordinary A shares with nominal value of EUR 0.40 each on 20 May 2009. The second tranche was settled by issuing 103,465 ordinary A shares with nominal value of EUR 0.40 each on 21 May 2010. The corresonding expenses are shown as share-based payments personnel expense. The number of shares granted was determined as the average of opening prices of an A Share on the London Stock Exchange over a period of five business days preceding the date of share issue. The impact on the income statement for 2010 of granting shares to the independent directors equals to EUR 1,000 thousand (2009: EUR 353 thousand). This amount relates fully to accrued expenses for the second tranche of granted shares.

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.

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

29. Share-based payments continued

b) Shares and share options granted to Executive Directors

Mr. Mike Salamon was granted options for A share with exercise price of EUR 0.01 in the amount equal to 0.5 per cent of the issued share capital of the Company. This remuneration package classifies as an equity-settled share-based payment transaction and is presented correspondingly, in a separate equity category in the balance sheet of the Company. 263,800, 264,351 and 265,150 options vested on 1 September 2008, 1 Septemaber 2009 and 1 September 2010, respectively. On each of the following two subsequent anniversaries an additional 20 per cent of the granted options will vest. The accrued expense for the granted share options has an impact of EUR 4,833 thousand for the year ended 31 December 2010, compared to EUR 8,381 thousand for the same period in 2009.

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 eight years; risk-free rate of 4 per cent and a volatility of 15 per cent. The eight-year expiry period consists of a three-year vesting period and a consecutive five-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 percentage is based on the Group's management professional judgment taking into account stock prices of peer companies.

Mike 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 Mike Salamon.

Executive Director of the Company and Chief Executive Officer of OKD Mr. 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 Mr. 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.

c) Share options granted to employees of the Group

Several eligible 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 599,590 in total, is 9 May 2008 to 9 May 2011. The second granting of options to certain employees and Directors took place on 24 June 2009. The exercise price of these options is GBP 2.8285. The corresponding vesting period for these share options, numbering 3,110,075 in total, runs from 24 June 2009 to 24 June 2012. The third granting of options to certain employees and Directors took place on 17 March 2010. The exercise price of these options is GBP 7.1280. The corresponding vesting period for these share options, numbering 1,742,631 in total, runs from 17 March 2010 to 17 March 2013.

Similarly to the options granted to Mr. Salamon, the fair value of the options per grant date was calculated by using the Black-Scholes model.

Due to the Company's average share market price for the year 2010, which is currently lower than the exercise price of the options granted on 9 May 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 second tranche of granted options is in-the-money. The average share price for the period was GBP 7.4825. The dilutive impact of the second tranche is 1,934,424 shares.

The third tranche of granted options is in the money. The average share price for the period from granting to 31 December 2010 was GBP 7.7582. The dilutive impact of the third tranche is 112,473 shares.

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

Share-based remuneration schemes	**1 January 2010 – 31 December 2010 EUR '000**	1 January 2009 – 31 December 2009 EUR '000
Independent Directors	**1,000**	353
Mike Salamon	**4,833**	8,381
Klaus-Dieter Beck	**2,732**	2,012
Other	**3,921**	1,694
	12,486	12,440

30. Deferred tax

	31 December 2010 EUR'000	31 December 2009 EUR'000
Deferred tax asset:		
At 1 January	**30,723**	23,455
Deferred tax charge for the period	**1,427**	7,368
Impact of changed deferred tax rate	**–**	(281)
Deferred tax movement – assets held for sale	**–**	(164)
Currency translation	**1,744**	345
At 31 December	**33,894**	30,723

	31 December 2010 EUR'000	31 December 2009 EUR'000
Deferred liability:		
At 1 January	**124,525**	128,686
Deferred income tax related to items charged or credited directly to equity:		
– Net gain/(loss) on revaluation of cash flow hedges	**(1,604)**	(1,599)
Deferred tax charge for the period	**14,255**	(678)
Impact of changed deferred tax rate	**–**	(371)
Deferred tax liability movement – liabilities related to assets for sale	**–**	(3,466)
Currency translation	**7,055**	1,953
At 31 December	**144,231**	124,525
Deferred tax liability net out of which presented in balance sheet	**110,337**	93,802
Deferred tax asset	**8,601**	7,710
Deferred tax liability	**118,938**	101,512

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.

	31 December 2010 EUR'000	31 December 2009 EUR'000
Deferred tax asset relates to the following:		
Allowances, adjustments and provisions	**5,204**	5,630
Employee benefits	**17,999**	18,152
Tax losses carried forward	**10,691**	6,898
Other	**–**	43
	33,894	30,723

	31 December 2010 EUR'000	31 December 2009 EUR'000
Deferred tax liability relates to the following:		
Property, plant and equipment	**138,485**	117,488
Derivatives	**5,746**	7,037
	144,231	124,525

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

	31 December 2010 EUR'000	31 December 2009 EUR'000
Tax losses arising in 2006	**342**	342
Tax losses arising in 2007	**40,036**	40,036
Tax losses arising in 2008	**55,132**	55,132
Tax losses arising in 2009	**48,306**	49,820
Tax losses arising in 2010	**78,480**	–
	222,296	145,330
Deferred tax at the applicable rate of 25.5% (The Netherlands)	**56,686**	37,059
Provision for unrecognised deferred tax asset	**(56,686)**	(37,059)
Deferred tax asset recognised in respect of tax losses carried forward	**–**	–

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

30. Deferred tax continued

Amendment of Czech Income tax legislation enacted in 2007 lead to the change of the income tax rates as follows:

> 2009: 20 per cent
> from 2010 onwards: 19 per cent

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 in 2009 by EUR 281 thousand) and reduction of deferred tax liability in 2009 by EUR 371 thousand. No reduction effect arised in 2010.

31. Future commitments

The Group has the following commitments in respect of:

	31 December 2010 EUR'000	31 December 2009 EUR'000
Non-cancellable operating leases		
Instalments due within one year	**3,239**	3,251
Instalments due between two and five years	**12,199**	13,927
	15,438	17,178
Acquisition of property, plant and equipment		
From third parties[1]	**82,596**	93,274

1 2010: the amounts include contractual obligations in the amount of EUR 47,907 thousand for mining equipment under the PERSP 2015 programme and EUR 1,884 thousand for refurbishing of coking facilities under the COP 2010 programme as of 31 December 2010 (2009: the amounts include contractual obligations in the amount of EUR 39,290 thousand for mining equipment under the POP 2010 programme and EUR 30,240 thousand for refurbishing of coking facilities under the COP 2010 programme as of 31 December 2009).

The majority of operating lease contracts is concluded as indefinite term and short notice period. Leased items include equipment, land and buildings. There are none with term exceeding five years. Operating lease expense in 2010 was EUR 3,267 thousand (2009: EUR 3,521 thousand).

32 Contingent assets and liabilities

The Group has the following significant contingent assets and contingent liabilities as of 31 December 2010:

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-`a-vis all its former employees. Simultaneously, CMD 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:**

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-privatization period. In 1993, OKD 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 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 and OKK Koksovny all rights and obligations concerning environmental issues were transferred to OKK Koksovny, as the fixed assets to which environmental issues relate, were concentrated in OKK Koksovny.

(ii) **OKK Koksovny:**

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 on the updating of this risk analysis and the holding of a tender for an improvement work contractor has been executed.

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.

32 Contingent assets and liabilities continued
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.

In 2008, all fixed assets with above mentioned environmental issues were concentrated in OKK Koksovny by a merger of OKK Koksovny and NWR Coking, a.s.

c) Claims and litigations

> NWR KARBONIA and Dalkia Powerline Sp. z o.o. (formerly NWR ENERGETYKA PL Sp. z o.o) have been jointly and severally claimed against for damages by Vattenfall Sales Poland Sp. z o.o. ('VSP') in relation to the negotiations for the purchase of electricity for the calendar year 2009 which were held between NWR KARBONIA and VSP. Due to the failure to satisfy one of the conditions, namely the receipt of a guarantee, NWR KARBONIA refused to conclude the final power purchase agreement. VSP claims it incurred damages and lost profit in a total amount of approximately EUR 3 million. However, VSP is only seeking part of such damages, namely the amount of PLN 1 million (equivalent of EUR 0.25 million). By law, Dalkia Powerline Sp. z o.o. may be claimed against because it overtook energy assets which were spun-off from NWR KARBONIA on 1 April 2009. The managements of both companies disagree with legal title of the claim. On 13 December 2010 the regional court in Bielsko-Biala dismissed VSP's claim in its entirety. VSP filed an appeal against the ruling of 13 December 2010.
> Claims in connection with purchases of certain minority shares in CMD, a. s., METALIMEX a. s. (former subsidiaries of OKD) and OKD:
  – Petition to review the appropriateness of consideration for shares of CMD, a. s. (court in Ostrava) was rejected by the court in March 2009.
  – Petition to review the appropriateness of consideration for shares of OKD was rejected by the court in February 2009. The petitioner gave an appeal to which in May 2009 OKD gave an explanation.
  – Petition to review the appropriateness of consideration for shares of METALIMEX a.s. was rejected by the court in March 2009. The petitioner gave an appeal in July 2009, to which in September 2009 OKD gave an explanation. The appeal was rejected by the court in October 2010.
  – Petition to review the appropriateness of consideration for shares of CMD, a. s. (court in Prague) – in 2008 entitled entities were defined by court. Court in its decision on 6 June 2008 decided that legal successors of OKD that ceased to exist (ID: IC 26863154) are: OKD (ID: IC 26863154), Green Gas DPB, a.s., OKD Doprava, akciová spolecnost (in 2010 renamed to Advanced World Transport a.s.), RPG Byty, s.r.o. RPG RE Commercial, s.r.o. RPG RE Land, s.r.o. and RPG Trading, s.r.o. The court appointed a valuation expert in 2009. In 2010, the case is still in progress.
> Litigation between claimant OKD and defendant Financial Directorate in Ostrava – action against decision issued by administrative body according to the Act No. 150/2002 Coll. Under action OKD enforces cancelation of decision issued by Financial Directorate in the affairs of income tax for tax period 1 July 2006–31 December 2006. OKD won the case in 2010.
> Mr. and Mrs Macura filed an action for damages caused by mining activity of OKD The value of the claim was EUR 4 thousand. In 2010, the court confirmed the right of Mr and Mrs Macura. OKD is considering an appeal.
> Mr. and Mrs Macura in June 2009 filed an action for damages caused by mining activity of OKD The value of the claim is EUR 606 thousand.
> Mr. and Mrs Kolakowski in July 2009 filed an action for damages caused by mining activity of OKD The value of the claim is EUR 32 thousand. OKD sent an explanation to the court in November and December 2009. The proceeding was not yet set.
> Litigation between claimant, Ing. Vilém Sikora and defendant, OKD from February 2006 concerning action for damages of claimant's properties caused by mining activity in Karviná – Doly. Mr. Sikora claimed EUR 447 thousand as compensation for the damage. In 2010, the case was settled out of the court and closed.
> Litigation between claimants Mr. and Mrs Gerych and defendant, OKD. After the loss of their son, who died as result of a work injury, EUR 400 thousand is claimed from OKD as a compensation of non-property rights in money. OKD denies its responsibility and believes that all legal claims that arise from union contract and law were covered. On 2 July 2008 the court rejected the petition of the claimants. The claimants appealed in December 2009. The case is still in progress.
> Litigation between claimants, Prague Investment Holdings (Cyprus), Prague Capital Partners Limited, Blanet-Shop, s.r.o. and defendants, OKD and Prosper Trading, a.s. concerning action for damages in the amount of EUR 256 thousand and EUR 536 thousand. The alleged damage was caused by acting in concert in 1997 when the defendants purchased shares in Moravskoslezské teplárny at a lower price (CZK 800 per share) than the price for which the shares would have been sold when offered publicly to shareholders. In 2008 the court rejected the petition of the claimants. The claimants appealed. The case was closed in 2010 because the claimants did not pay the fees to the court.
> No provision has been set up as of 31 December 2010 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 2010.

d) Guarantee bills of exchange
As of 31 December 2010 there were following off–balance sheet liabilities:

> guarantee bills of exchange for coal delivery System S.A. – Kombinat Koksochemiczny, Zabrze of EUR 2,500 (2009: EUR 2,499 thousand).

Notes to the consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

32 Contingent assets and liabilities continued

e) Contingent liability relating to energy business disposal

On 21 June 2010 the Company realized the sale of the energy business of the Group. (See Note 1e) (ii), Note 8 and Note 10.) The sale price of energy business of total amount of EUR 139,156 thousand is still subject to an adjustment related to the performance of CZECH-KARBON's electricity trading portfolio, which may result in a reduction of the sale price of no more than approximately EUR 2 million. This potential reduction relates to audited results for the years 2010 and 2011. The Sale and Purchase Agreement provides for put and call options, as well as a pre-emption right of NWR, in respect of the energy assets and busineses transferred to Dalkia or replacing such energy assets or businesses upon the occurrence of certain events.

33. Other material matters

a) Programme POP 2010

In 2010, the Group completed the implementation of its Productivity Optimisation Programme 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.

b) Programme COP 2010

On 1 June 2010 the Company announced the completion of the new coke battery at its subsidiary OKK Koksovny, a.s. This was the last phase of the Programme COP 2010, a EUR 63 million capital investment programme designed to improve the efficiency and productivity of the coke operations. As part of this programme, all coking production is being consolidated at Svoboda Coking Plant, with production at the Jan Sverma facility fully shut down by the end of 2010.

c) Programme PERSP 2015

OKD announced the 2015 Perspective Programme, designed to further build on the gains and efficiencies achieved by the POP 2010 investments made over the past couple of years. This new programme further improves employee care, labour productivity and ensures consistent exploitation of coal reserves, occupational safety and customer relations.

d) Dębieńsko

Work on the Dębieńsko project in Poland continues to make progress. The Company is investing approximately EUR 25 million on the completion of the Detailed Feasibility Study which includes geological exploration, land purchase, engineering work and some infrastructure projects. During 2010, the first boreholes at the planned future shafts and decline locations were drilled and documented in anticipation of a double vertical opening. The development of mine plans continued, based on the study 3D models showing the geology of the area. In parallel, some plots of land were acquired for necessary surface infrastructure, in addition to an electricity supply line and related substation. It is expected to break ground in Dębieńsko toward the middle of 2011, with first production still five years away.

e) 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 were built-in to the provisions of the A and B shares in the Company to ensure that each shareholder class is fairly treated. See also Note 3 and Note 25.

f) Restrictions on the Company's ability to pay dividends

The indenture governing the 7.375 per cent Senior Notes due 2015 and 7.875 per cent Senior Notes due 2018 also impose 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 (such amounts are accrued on a quarterly basis) plus the net proceeds from the primary tranche of the 2008 IPO and certain other adjustments (the 'restricted payment build–up capacity'). The purchase price for investments in entities other than majority owned subsidiaries would also constitute restricted payments.

The restricted payment basket as defined by the 7.375 per cent and the 7.875 per cent Indentures governing the notes amounted to approximately EUR 195,373 thousand as of 31 December 2010.

34. Subsequent events

On 7 February 2011, the Company entered into revolving credit facility with Česká spořitelna, a.s., Československá obchodní banka a.s., Citigroup Global Markets Limited, Komerční banka, a.s. and ING BANK N.V., Prague branch, as arrangers and original lenders. It provides for a bank loan facility of EUR 100 million, which will be available for three years after date of signing. The proceeds of the revolving credit facility will be used for general corporate purposes.

NWR KARBONIA changed its legal form from 'limited liability' to the 'joint-stock' company. The change was registered in Commercial register on 28 February 2011.

Consistent with the Company's dividend policy, the Directors have declared a final dividend of EUR 0.22 per A share, which will be paid to A shareholders in the form of an interim dividend on 15 April 2011. Together with the dividend of EUR 0.21 per A share paid in October 2010, this takes the full year dividend payable to A shareholders to EUR 0.43 per share in respect of the year ended 31 December 2010. Next to it, on 22 February 2011, NWR's Board of Directors approved an interim distribution from the dividend reserve B to the sole holder of the B shares, RPG Property B.V., in the amount of EUR 40 million. The dividend is mostly comprised of the proceeds from the sale of NWR Energy attributable to the Real Estate Division.

Non-consolidated income statement prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010

	Note	**1 January 2010 – 31 December 2010 EUR'000**	1 January 2009 – 31 December 2009 EUR'000
Operating revenue	37	**1,098**	1,286
Operating expenses	38	**(24,408)**	(23,708)
Operating result		**(23,310)**	(22,422)
Financial result	39	**(64,677)**	(38,441)
Loss before taxation		**(87,986)**	(60,863)
Dividend income from subsidiaries	41	**516,004**	85,561
Gain on disposal of subsidiary	40	**17,774**	–
		533,778	85,561
Net profit before taxation		**445,792**	24,698
Income tax expense	42	**–**	–
Total net profit after tax for the year		**445,792**	24,698
Attributable to:			
Shareholders of the Company		**445,792**	24,698
Earnings per share (EUR/share)			
Basic earnings per A share	51	**1.69**	0.09
Diluted earnings per A share	51	**1.67**	0.09
Basic earnings per B share	51	**–**	–
Diluted earnings per B share	51	**–**	–

Non-consolidated statement of comprehensive income prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010

EUR'000	For the year ended 31 December 2010 Profit for the year	Total comprehensive income
Profit for the year	**445,792**	**445,792**
Other comprehensive income	**–**	**–**
Total comprehensive income for the period attributable to the shareholders of the Company	**445,792**	**445,792**

EUR'000	For the year ended 31 December 2009 Profit for the year	Total comprehensive income
Profit for the year	24,698	24,698
Other comprehensive income	–	–
Total comprehensive income for the year attributable to the shareholders of the Company	24,698	24,698

Non-consolidated statement of financial position prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010

	Note	**31 December 2010 EUR'000**	31 December 2009 EUR'000
Assets			
Investments in subsidiaries	44	**1,279,995**	1,339,662
Property, plant and equipment	43	**209**	340
Long-term derivatives	45	**–**	165
Total non-current assets		**1,280,204**	1,340,167
Interest receivable	46	**12,364**	234
Loan provided to the Group	47	**569,195**	66,937
Accounts receivable and prepayments	48	**9,805**	12,160
Short-term derivatives	45	**34**	–
Cash and cash equivalents	49	**393,082**	30,203
Restricted cash	50	**–**	2,771
Total current assets		**984,480**	112,305
Total assets		**2,264,684**	1,452,472
Equity and liabilities			
Shareholders' equity			
Share capital	51	**105,883**	105,736
Share premium	52	**457,269**	451,392
Share-based payments	53	**17,157**	13,424
Retained earnings	54	**136,038**	166,872
Result for the period	54	**445,792**	24,698
Equity attributable to the shareholders of the company		**1,162,139**	762,122
Liabilities			
Bond issued	55	**745,497**	260,096
Long-term loans	56	**89,377**	379,402
Long-term derivatives	45	**8,376**	1,145
Deferred revenue		**–**	616
Total non-current liabilities		**843,250**	641,259
Short-term liabilities from cash pool	57	**217,493**	–
Short-term part of long-term bank loans	56	**13,750**	10,185
Interest payable	58	**10,799**	5,160
Short-term derivatives	45	**4,771**	2,144
Accounts payable and accruals	59	**12,482**	31,602
Total current liabilities		**259,295**	49,091
Total liabilities		**1,102,545**	690,350
Total equity and liabilities		**2,264,684**	1,452,472

Non-consolidated statement of changes in equity prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010

	Note	Share capital EUR'000	Share premium EUR'000	Share-based payments EUR'000	Retained earnings EUR'000	Total EUR'000
1 January 2010		**105,736**	**451,392**	**13,424**	**191,570**	**762,122**
Dividends paid	54	**–**	**–**	**–**	**(55,531)**	**(55,531)**
Issuance 103,465 shares A re indep directors	51,52	**41**	**959**	**–**	**–**	**1,000**
Shares/options granted to employees	53	**–**	**–**	**8,728**	**–**	**8,728**
Issuance 265,150 shares A re employees	51,52	**106**	**4,918**	**(4,996)**	**–**	**28**
Comprehensive income for the year	54	**–**	**–**	**–**	**445,792**	**445,792**
31 December 2010		**105,883**	**457,269**	**17,156**	**581,831**	**1,162,139**

	Share capital EUR'000	Share premium EUR'000	Share-based payments EUR'000	Retained earnings EUR'000	Total EUR'000
1 January 2009	105,736	451,392	13,424	191,570	762,122
Dividends paid	–	(47,484)	–	–	(47,484)
Issuance 266,490 shares A re indep directors	107	893	–	–	1,000
Shares/options granted to employees	–	–	10,075	–	10,075
Issuance 264,351 shares A re employees	105	4,585	(4,688)	–	2
Comprehensive income for the year	–	–	–	24,698	24,698
31 December 2009	105,736	451,392	13,424	191,570	762,122

Notes to the non-consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010

Non-consolidated cash flow statement

	Note	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Cash flows from operating activities			
Net profit before taxation		**445,792**	24,698
Adjustments for:			
Depreciation	38	**475**	429
Amortisation costs on long-term loans and bonds	39	**5,441**	1,495
Gain on partly redemption bond		**–**	(1,333)
Gain on disposal of subsidiary	40	**(17,774)**	–
Dividend income	41	**(516,004)**	(85,561)
Interest expense/(revenue), net	39	**34,184**	33,631
Change in fair value of derivatives	45	**9,990**	3,124
Share-based payments	53	**9,754**	10,429
Unrealised foreign exchange gains on long-term borrowings		**–**	1,472
Unrealised foreign exchange loss on loans received from subsidiaries	57	**40**	–
Unrealised foreign exchange loss on loans provided to subsidiaries	47	**(5,523)**	425
Cash flow before working capital changes		**(33,625)**	(11,192)
(Decrease)/Increase accounts payable and accruals	59	**34,669**	(17,329)
(Increase)/Decrease accounts receivable and prepayments	48	**303**	(25,658)
(Increase)/Decrease in restricted cash	50	**2,771**	(2,771)
Other non-cash movements		**375**	(45)
Cash generated from operating activities		**38,118**	(45,802)
Net cash flows from operating activities		**4,492**	(56,995)
Cash flows from investing activities			
Loan provided to the Group	47	**6,153**	(67,362)
Purchase of tangible fixed assets	43	**(4,997)**	(448)
Share capital increase in subsidiaries	44	**(104,635)**	(86,679)
Proceeds from sale of subsidiary	40	**135,312**	–
Prepayment for long-term investments	48	**(792)**	–
Interest received	46	**10,018**	3,897
Dividends received	41	**17,678**	85,561
Net cash flow from investing activities		**58,737**	(65,031)
Cash flows from financing activities:			
Proceeds from issued shares	51	**3**	3
Dividends paid	52	**(55,531)**	(47,484)
Interest paid	58	**(50,722)**	(37,629)
Poceeds from bonds issue	55	**500,000**	–
Transaction costs related to issued bonds	55	**(16,797)**	–
Bond redemption		**–**	(30,165)
Proceeds from long-term borrowings	56	**27,966**	92,521
Repayments of ECA loan	56	**(13,639)**	–
Repayments of syndicated loan	55	**(304,031)**	–
Increase of cash pool liabilities	57	**217,453**	–
Net cash flow from financing activities		**304,702**	(22,753)
Net increase in cash and cash equivalents		**367,932**	(144,779)
Effect of exchange rate fluctuations on cash held		**(5,053)**	(38)
Cash and Cash Equivalents at the beginning of year		**30,203**	175,020
Cash and Cash Equivalents at the end of year	49	**393,082**	30,203

35. General information

a) 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.

b) Statement of compliance

The non-consolidated financial statements have been prepared in accordance with IAS 27 Consolidated and Separate Financial Statements under International Financial Reporting Standards (IFRS) as adopted by the European Union. The non-consolidated financial statements also comply with the requirements of Book 2 Title 9 of the Netherlands' Civil Code.

c) Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires management to make judgments, 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 judgments 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 14 March 2011.

36. Summary of significant accounting policies

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

The investments in subsidiaries are stated at historic cost.

The carrying amounts of the Company's assets, excluding inventories (see Note 2 of the consolidated report, accounting policy j) and deferred tax assets (see Note 2 of the consolidated report, accounting policy u), 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.

Please see Note 2 Summary of significant accounting policies of the consolidated report for the summary of other significant accounting policies and for the effect of new standards and interpretations on the financial statements of the Company.

37. Operating revenue

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Service fee OKD	**600**	600
Service fee AWT	**–**	68
Service fee BXR REI	**29**	22
Operational lease of equipment to OKD	**335**	75
Office rent (sub-lease)	**106**	23
Other operating revenue	**28**	498
	1,098	1,286

The Company has entered into agreements with related parties OKD, a.s. ('OKD') and BXR Real Estate Investments B.V. ('BXR REI') for the providing of advisory and holding services. A similar agreement with Advanced World Transport B.V. ('AWT') had been discontinued per the end of 2009.

Operational lease of equipment refers to revenues from the lease of mining equipment by the Company 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.

Other operating revenue in 2009 concerns the re-invoicing of technical services provided by a third party to OKD.

Notes to the non-consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

38. Operating expenses

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Personnel expenses	**3,969**	4,115
Share-based payments	**9,754**	10,429
Legal fees	**4,056**	2,210
Audit fees	**853**	1,121
Advisory fees	**4,036**	3,829
Service expenses other	**798**	939
Consumption of material and energy	**67**	95
Depreciation	**475**	429
Donation	**283**	428
Other operating expenses	**117**	113
	24,408	23,708

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 provided to independent directors and employees. In 2009 one tranche of granted and vested options has been exercised. Total costs for this tranche were EUR 4,688 thousand, of which EUR 3,102 thousand was recognised in 2009. Additionally accrued expenses during 2009 for share-based payments were EUR 6,974 thousand. Share-based payments include also EUR 353 thousand relating to shares granted to the Independent Directors.

In 2010 one additional tranche of granted and vested options was exercised. Total costs for this tranche were EUR 5,022 thousand, of which EUR 1,663 thousand was recognised in 2010. Additionally accrued expenses during 2010 for share-based payments were EUR 7,091 thousand. Share-based payments include also EUR 1,000 thousand relating to shares granted to the Independent Directors. See Note 29 for additional information on share based payments.

In 2009 the Company employed an average of 21 employees. During the year 2010 the Company also employed an average of 21 employees.

39. Financial result

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Interest income	**22,055**	3,815
Interest expense	**(56,239)**	(37,447)
Unrealised derivatives income	**1,108**	165
Unrealised derivatives expense	**(11,097)**	(3,289)
Realised derivatives income	**5,622**	4,096
Realised derivatives expense	**(4,124)**	(2)
Guarantee fee income	**281**	858
Guarantee fee expense	**(2,645)**	(2,899)
Amortisation costs bond issue	**(2,198)**	(1,168)
Bond redemption gain	**–**	1,333
Amortisation costs ECA loan	**(2,223)**	–
Amortisation costs syndicated loan	**(1,020)**	(327)
Bank charges	**(13,170)**	(1,311)
Currency exchange result	**(1,027)**	(2,265)
	(64,677)	(38,441)

40. Disposal of subsidiary

On 21 June 2010 the Company sold its subsidiary NWR Energy a.s., together with its two subsidiaries, CZECH-KARBON s.r.o. and NWR ENERGETYKA PL Sp. z o.o. Please refer to the Note 1e) on notes to consolidated financial statements. On standalone basis the Company realised a gain of EUR 17,774 thousands.

	EUR'000
Selling price	138,518
Associated selling costs	(3,845)
Cost of investment	(116,899)
Gain on disposal	**17,774**

41. Dividend income from subsidiaries

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
OKD, a.s.	**502,887**	38,226
OKK Koksovny, a.s.	**–**	28,180
NWR Energy, a.s.	**13,117**	19,155
	516,004	85,561

On 12 July 2010 the Company as the sole shareholder of OKD decided to convert the dividend receivable from OKD into an intercompany loan.

42. Non-consolidated income tax expense

Due to the fact that the Company suffered a taxable loss during the period 1 January 2010 until 31 December 2010, no corporate income tax is due.

	EUR'000
Tax lossed from years	
2005	145
2006	196
2007	40,036
2008	55,133
2009	48,306
2010	78,480
Taxable loss 2010	**222,296**

The reconciliation between net profit before taxation as at 31 December 2010 and tax loss as at 31 December 2010 can be detailed as follows:

	EUR'000
Net profit before taxation 2010	445,792
Non-taxable dividend income subsidiaries	(533,778)
Non-deductible costs related to stock options and charges granted to employees	9,754
Non-deductible donations	283
Linear amortisation bond issue costs	(586)
Non-deductible mixed costs	55
Taxable loss 2010	**(78,480)**

43. Property, plant and equipment

	31 December 2010 EUR'000	31 December 2009 EUR'000
As of 1 January	**340**	12,825
Additions	**6,138**	238
Additions of assets under construction	**–**	(3,265)
Contributed POP 2010 equipment	**(5,794)**	(9,912)
Depreciation charge for the year	**(475)**	454
As of 31 December	**209**	340

The amounts presented for 2010 relate primarily to mining equipment which the Company owned and had leased through an operational lease to OKD. The mentioned equipment is delivered by the manufacturers Sandvik. Per 11 November 2010 the mining equipment referred to was contributed to OKD.

Per 31 December 2010 tangible fixed assets consist of various electronic office equipment and office furniture.

Notes to the non-consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

44. Investments in subsidiaries

The investments in subsidiaries can be detailed as follows:

	31 December 2010 EUR'000	31 December 2009 EUR'000
OKD, a.s. (100 per cent)	**1,182,419**	1,125,187
OKK Koksovny, a.s. (100 per cent)	**71,916**	71,916
KARBONIA, PL Sp. z o.o. (100 per cent)	**25,660**	25,660
NWR Energy, a.s. (100 per cent)	**–**	116,899
	1,279,995	1,339,662

As of 31 December 2010, the shares of OKD, OKK Koksovny and NWR KARBONIA are pledged in favour of Citibank Europe plc, organizační složka, Czech Republic.

The movements in the investment in OKD can be detailed as follows:

	EUR'000
As of 1 January 2010	1,125,187
Contribution of equipment contracts as of 29 March 2010	15,642
Contribution of equipment contracts as of 24 May 2010	35,797
Contribution of equipment contracts as of 1 November 2010	5,793
As of 31 December 2010	**1,182,419**

During the first half of 2010 the investment in OKD increased in two steps. The first step was completed on 29 March 2010 through the contribution of the POP 2010 Phase IV purchase contracts between the Company and Sandvik and the POP 2010 Phase III purchase contract between the Company and Deilmann-Haniel Mining Systems. Additionally, a testing contract between the Company and Eickhoff was contributed.

The second step was carried out on 24 May 2010 by the contribution of the amended and added part of the POP 2010 Phase II purchase contract between the Company and Bucyrus. The Company contributed all rights and obligations under the contracts 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 contributions was determined by an independent expert's valuation. The Company contributed also a testing contract signed with RAG.

In the second half of 2010 a third contribution was executed. On 1 November 2010 the Company increased its investment in OKD furthermore by contributing the POP 2010 Phase III purchase contract with Sandvik to its subsidiary OKD.

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

	EUR'000
As of 1 January 2010	116,899
Disposal of NWR Energy a.s.	(116,899)
As of 31 December 2010	**–**

Please see Note 40 for more detail.

45. Financial instruments

The following derivative financial instruments were entered into to mitigate the risk associated with foreign currency exchange rate exposure and interest rate risk:

Fair value of derivative instruments	31 December 2010 Assets EUR'000	31 December 2010 Liabilities EUR'000	31 December 2009 Assets EUR'000	31 December 2009 Liabilities EUR'000
Forward foreign exchange contracts CZK–EUR	**34**	**1,206**	–	346
Interest rates swap contracts	**–**	**11,940**	165	2,943
	34	**13,146**	165	3,289

Short-term and long-term part fair value of derivative instruments per 31 December 2010	Short-term Assets EUR'000	Short-term Liabilities EUR'000	Long-term Assets EUR'000	Long-term Liabilities EUR'000
Forward foreign exchange contracts CZK–EUR	**34**	**1,206**	–	–
Interest rates swap contracts	**–**	**3,564**	–	8,376
	34	**4,770**	–	8,376

Short-term and long-term part fair value of derivative instruments per 31 December 2009	Short-term Assets EUR'000	Short-term Liabilities EUR'000	Long-term Assets EUR'000	Long-term Liabilities EUR'000
Forward foreign exchange contracts CZK-EUR	**–**	**346**	165	–
Interest rates swap contracts	**–**	**1,798**	–	1,145
	–	**2,144**	165	1,145

46. Interest receivable

The shown amount for interest receivable of EUR 12,364 thousand relates primarily to the intercompany loan provided to OKD. Per 31 December 2010 the Company recognised EUR 11,794 of interest receivable from OKD.

Additionally, the interest receivable relates to cash pool accounts and short-term deposits held with Citibank, Van Lanschot Bankiers, Fortis BNP Paribas, HSBC and Commerzbank as at 31 December 2010.

47. Loan provided to the Group

Per 7 January 2010 the Company amended the Intercompany Revolving Credit Agreement and agreed to lend and advance to its subsidiary OKK Koksovny a principal amount of approximately EUR 143,649 thousand[1] (CZK 3,600,000 thousand) and EUR 8,000 thousand. Per 31 December 2010 the drawn amount by OKK Koksovny was approximately EUR 98,160 thousand[1] (CZK 2,460,000 thousand).

OKK Koksovny	31 December 2010 EUR'000	31 December 2009 EUR'000
Balance at the end of the year	**98,160**	66,938

The Company and its subsidiary OKK Koksovny agreed that approximately EUR 29,847 thousand[1] (CZK 748,000 thousand) of funds provided to OKK through the Intercompany Revolving Credit Agreement will be contributed to OKK Koksovny in exchange for shares. This agreement will take effect per 1 January 2011.

On 12 July 2010 the Company entered into a loan agreement with OKD whereby the Company provided a loan of approximately EUR 505,528 thousand (CZK 12,802,500 thousand). With the signing of the loan agreement the Company agreed to offset the dividend receivable from OKD with a loan receivable from OKD. See also Note 41.

OKD	31 December 2010 EUR'000	31 December 2009 EUR'000
Balance at the end of the year	**469,291**	–

1 Calculated with exchange rate as per 31 December 2010.

Next to the intercompany loans provided by the Company to OKD and OKK Koksovny, per 31 December there is also EUR 1,743 thousand of cash pool receivables outstanding from funds provided to OKD HBZS. See also Note 57 for more information about the cash pool.

OKD, HBZS	31 December 2010 EUR'000
Cash pool receivables	
OKD, HBZS	**1,743**
	1,743

Notes to the non-consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

48. Accounts receivable and prepayments

The accounts receivable and prepayments can be detailed as follows:

	31 December 2010 EUR'000	31 December 2009 EUR'000
Prepayments for tangible fixed assets	**4,653**	7,520
Prepayments for long-term investments	**2,873**	1,964
Guarantee fee and rent prepaid	**1,338**	671
Advisory fee receivable	**180**	310
Other receivables	**305**	853
Other prepaid expenses	**456**	842
	9,805	12,160

Prepayments for tangible fixed assets refer to amounts paid to Bucyrus for mining equipment which was not delivered per 31 December 2010. Prepayments for long-term investments refer to payments to Provide, s.r.o. in anticipation of a future increase on the ownership in this entity.

The amount stated as guarantee fee prepaid relates to payments made by the Company to OKD, OKK Koksovny and KARBONIA, PL Sp. z o.o. for being loan guarantors, and guarantee payments made to office and apartment rental agencies.

Other prepaid expenses relate to prepayments for Company Directors' and officers' legal liability insurances.

49. Cash and cash equivalents

Cash and cash equivalents relate to several bank accounts with Bank Mendes Gans in the Netherlands (EUR, CZK, PLN and GBP account), Deutsche Bank in the Netherlands (EUR, CZK and GBP account) and cash in hand. Besides the current accounts at the mentioned banks the Company had three outstanding deposits per 31 December 2010. These were held at Citibank in the Czech Republic, Fortis BNP Paribas in the Czech Republic, HSBC in the Czech Republic, Commerzbank in the Czech Republic and Van Lanschot Bankiers in the Netherlands. The fair value of cash and cash equivalents is equal to the carrying value.

50. Restricted cash

Short-term restricted cash recognised by the Company as of 31 December 2009 results from guarantee terms related to POP 2010 supplies. In February 2010 the Company had transferred restricted funds to the Deilmann-Haniel Mining Systems resulting in the expiration of the guarantee.

51. Share capital

The following movements in issued share capital occurred during 2010:

> On 21 May 2010, the Company issued 103,465 A shares to be granted to its Independent Directors. This issue of shares resulted in a share capital increase of EUR 41 thousand.
> On 3 December 2010, the Company issued 265,150 A shares to be granted to one of its Executive Directors. This resulted in a share capital increase of EUR 106 thousand.

As of 31 December 2010 the issued capital consists of 264,698,715 ordinary A shares of EUR 0.40 each, and 10,000 B shares of EUR 0.40 each.

For futher disclosure on the dividend reserves A and B, reference is made to Note 25 to the consolidated financial statements.

In the following table the calculation of the earnings per share is shown:

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Total net profit after tax from continuing operations	**445,792**	24,698
Total net profit after tax from discontinued operations	**–**	–
Total net profit after tax	**445,792**	24,698
Weighted average number of shares outstanding during the year	**264,413,937**	264,044,650
Basic earnings per A share (EUR/share)	**1.69**	0.09
Diluted earnings per A share (EUR/share)	**1.67**	0.09
Basic earnings per A share from continuing operations (EUR/share)	**1.69**	0.09
Diluted earnings per A share from continuing operations (EUR/share)	**1.67**	0.09
Basic earnings per A share from discontinued operations (EUR/share)	**–**	–
Diluted earnings per A share from discontinued operations (EUR/share)	**–**	–
Basic earnings per B share (EUR/share)	**–**	–
Diluted earnings per B share (EUR/share)	**–**	–

52. Share premium

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

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Balance at the beginning of the year	**451,392**	493,398
Dividend paid	**–**	(47,484)
Share premium of newly issued shares	**5,877**	5,478
Balance at the end of the year	**457,269**	451,392

On 21 May 2010 and on 3 December 2010 new shares were issued for certain Directors' remuneration plans resulting in an increase of the share premium.

53. Share-based payments

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

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Equity-settled		
Opening balance	**13,424**	8,037
Stock options – general	**3,921**	1,694
Stock options – Executive Directors	**(188)**	3,693
Closing balance	**17,157**	13,424
Cash-settled		
Opening balance	**–**	647
Accrued expenses shares independent directors	**1,000**	353
Shares granted Independent Directors	**(1,000)**	(1,000)
Closing balance	**–**	–

On 9 May 2008, five Independent Directors of the Company were granted with shares in the value of EUR 200 thousand for each Director with execution date 10 May 2010. The expense for this remuneration, EUR 1,000 thousand in 2010 is reflected in personnel expenses from share-based payments and in the equity split between share capital and share premium per the issue date of the shares of 21 May 2010.

Under the NWR Stock Option Plan for Executive Directors a number of options equal to 0.5 per cent of the issued shares of the Company was granted to Mr. Mike Salamon. According to the employment agreement, Mr. Mike Salamon shall be vested with 0.1 per cent of the issued A shares at each anniversary of his employment for the period of five years. On 1 September 2010, the third tranche amounting to 265,150 options vested.

These options were exercised on 3 December 2010. The total cost (based on the Black & Scholes calculation) incurred by the Company for the third tranche of options was EUR 4,996 thousand, of which EUR 1,663 thousand was recognised in 2010. During 2010 an additional amount of EUR 2,907 thousand was accrued for the future tranches of granted options. The vesting and exercise of the third tranche resulted in a decrease of the share-based payments equity account balance of EUR 3,095 thousand. Since this amount exceeded the increase due to accrued expenses of future tranches of EUR 2,907 thousand, the share-based payments equity balance decreased with EUR 188 thousand in 2010.

In March 2010, the Company granted under the NWR IPO Share Option Plan certain stock options to its employees and to the employees of other entities controlled by the Company. These granted stock options have characteristics similar to the stock options granted in May 2008 and June 2009. The options have a vesting period of three years from the grant day. The vesting conditions include a service condition of three 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 the stock option at the grant date (17 March 2010). 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 2010 the related amount is EUR 3,921 thousand, consisting out of EUR 1,014 thousand for the options granted in 2008, EUR 1,336 thousand for the options granted in 2009 and EUR 1,571 thousand for the options granted in 2010.

Notes to the non-consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

54. Retained earnings

	EUR'000
As of 1 January 2010	191,570
Dividends paid	(55,531)
Profit for the year	445,792
As of 31 December 2010	**581,381**

Reconciliation of non-consolidated shareholders' equity to Consolidated shareholders' equity as of 31 December 2010

	EUR'000
Shareholder's equity on the non-consolidated balance sheet as of 31 December 2010	1,162,139
Shareholder's equity on the consolidated balance sheet as of 31 December 2010	809,395
Difference due to valuation of investments in subsidiaries using the equity method	352,744

Reconciliation of non-consolidated shareholders' profit to Consolidated shareholders' profit for the year ended 31 December 2010

	EUR'000
Shareholder's profit on the non-consolidated income statement for the year ended 31 December 2010	445,792
Net profit of subsidiaries after adjustments for transactions between subsidiaries	248,639
Dividends received by the Company from subsidiaries	(516,004)
Capitalization of interest for consolidation	216
Reclassification of revaluation of foreign exchange rate derivatives to hedging reserve on consolidated level	827
Elimination of foreign exchange gains and losses between the Company and its subsidiaries	(12,818)
Gain on disposal of subsidiary	54,617
Profit from discontinued operations	12,045
Shareholder's profit on the consolidated income statement for the year ended 31 December 2010	233,314

55. Bonds issued

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

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Opening Balance	**260,096**	290,425
Bond issued (nominal value)	**500,000**	–
Issue costs (book value)	**(16,797)**	–
Value redeemed part of bond	**–**	(32,435)
Amortisation issue costs	**2,198**	2,106
Closing Balance	**745,497**	260,096

On 27 April 2010 the Company issued a new EUR 475 million Senior Secured Notes due 2018 on Global Exchange Market of the Irish Stock Exchange. During the bond issue the Company incurred issue related expenses for the amount of EUR 16,797 thousand.

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 in 2018.

During 2010 an amount of EUR 2,198 thousand of bond issue costs was amortised.

56. Long-term loans

At the beginning of 2010 the long-term bank loans included the syndicated loan and the ECA loan.

The syndicated loan was repaid in full on 27April 2010, together with the proceeds of the bond issued on the same date and own cash.

	Currency	Effective interest rate	Maturity	**31 December 2010 EUR'000**
ECA loan	EUR	EURIBOR+1.65%	2010–2018	**103,127**
Of which current portion				**13,750**
Total long-term portion of interest-bearing loans				**89,377**

56. Long-term loans continued

The ECA loan is an EUR 141 million nine year loan facility guaranteed by Euler Hermes, the export credit agency ('ECA') of the Federal Republic of Germany. The facility serves to finance the acquisition of five new longwall sets under the second stage of POP 2010. The EUR 141 million loan is being provided by mandated lead arrangers: Ceska sporitelna (Erste Bank Group), Ceskoslovenska obchodni banka (KBC Group), KBC Bank Deutschland AG and Natixis. KBC Bank Deutschland AG acts as the Hermes Agent, Natixis is the Facility Agent and Documentation Agent. The loan finances 85 per cent of the net purchase price of the longwall sets and the related ECA premium. The facility's availability period ended in June 2010 until which date NWR drew a total amount of EUR 120,488 thousand. NWR will repay the full facility in 17 semi-annual linear instalments. Per 31 December 2010 the Company repaid EUR 13,639 thousands of the drawn funds. Including the amortisation of related costs (based on the effective interest rate method) the balance per 31 December 2010 equals EUR 103,127 thousands.

The Company is required under the ECA loan agreement to hold a gearing ratio of total net debt to EBITDA below or equal to 3.25. The Company is also required under the ECA loan agreement to hold a fixed cover ratio (EBITDA to net interest expense) equal to or above 3.5. The Group is in compliance with these covenants.

57. Short-term liabilities from cash pool

The Company operates with its subsidiaries a zero-balance group cash pool arrangement at Bank Mendes Gans. The funds are denominated in the following currencies: EUR, CZK and PLN. Per 31 December 2010 the Company had a cash pool liability balance of EUR 217,493 thousand.

	31 December 2010 EUR'000
Cash pool liabilities	
OKD	**195,887**
OKK	**38**
KARBONIA PL Sp. z o.o.	**21,568**
	217,493

58. Interest payable

The interest payable can be detailed as follows:

	31 December 2010 EUR'000	31 December 2009 EUR'000
Interest payable on bonds issued	**9,029**	2,467
Interest payable on syndicated loan	**–**	1,095
Interest payable on ECA loan	**1,526**	1,321
Interest payable on bank overdraft	**139**	277
Interest payable on letters of credit	**105**	–
	10,799	5,160

59. Accounts payable and accruals

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

	31 December 2010 EUR'000	31 December 2009 EUR'000
Creditors	**6,032**	15,120
Liabilities from subscribed unpaid stock	**30**	14,560
Accrual for advisory fees	**2,982**	643
Accrual for discount in selling price (disposal of subsidiary)	**638**	–
Personnel expenses payable	**368**	282
Guarantee fee received prepayment	**–**	98
Guarantee fee expenses not yet invoiced	**187**	164
Wage tax payable	**907**	552
Dutch VAT payable	**–**	156
Czech VAT payable	**1,159**	–
Deffered revenue	**67**	–
Other accounts payable	**112**	25
	12,482	31,600

Per 31 December 2010 the Company had a tax payable to the Czech Tax Authorities resulting from a contributed mining equipment contract to its subsidiary OKD.

Notes to the non-consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

60. Related party transactions

Related parties of the Company are, next to consolidated subsidiaries and key management personnel, for example the following companies:

> BXR Real Estate Investments B.V.
> BXR Mining B.V.
> Advanced World Transport B.V.
> BXR Partners, a.s.
> BXL Consulting

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):

Balance sheet	**31 December 2010 EUR'000**	31 December 2009 EUR'000
Investments in related parties		
OKD, a.s.	**1,182,419**	1,125,187
OKK Koksovny, a.s.	**71,916**	71,916
KARBONIA PL Sp. z o.o.	**25,660**	25,660
NWR Energy, a.s.[1]	**–**	116,899
	1,279,995	1,339,662

1 After disposal of NWR Energy this company is no longer a related party.

Receivables from related parties		
OKD, a.s.	**150**	100
BXR Real Estate Investments B.V.	**7**	2
Advanced World Transport B.V.	**14**	–
	171	102
Payables to related parties		
OKD, a.s.[1]	**195,888**	1
OKK Kokosovny, a.s.[1]	**1,206**	–
KARBONIA PL Sp. z o.o.[1]	**21,568**	–
Economia, a.s.	**7**	–
Respekt Publishing a.s.	**4**	–
BXL Consulting	**50**	25
	218,723	26

1 Including cash pooling.

Loans to related parties		
OKD, a.s.	**469,291**	–
OKK Koksovny, a.s.	**98,160**	66,938
OKD, HBZS, a.s.[1]	**1,743**	–
	569,194	66,938

1 Including cash pooling.

For an explanatory note of the investments in related parties please see Note 44.

60. Related party transactions continued

Income statement	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Operating income from related parties		
OKD, a.s.	**935**	1,174
BXR Real Estate Investments B.V.	**37**	22
Advanced World Transport B.V.	**10**	68
Green Gas International B.V.	**13**	–
	995	1,264
Operating expenses to related parties		
OKD, a.s.	**(10)**	(2,104)
BXR Partners, a.s.	**(3,824)**	(453)
Economia, a.s.	**(37)**	–
Respekt Publishing, a.s.	**(19)**	–
Milan Jelinek	**–**	(457)
BXL Consulting	**(300)**	(300)
American Metals & Coal International, Inc.	**–**	(249)
	(4,190)	(3,563)
Financial revenues from related parties		
Guarantee fee from OKD, a.s.	**281**	915
Interest from loan to OKD, a.s.	**14,662**	–
Interest from loan to OKK Koksovny, a.s.	**4,804**	1,339
Interest from cash pool loan to OKD, HBZS, a.s.	**21**	–
	19,768	2,254
Financial expenses to related parties		
Guarantee fee to OKD, a.s.	**(2,214)**	(2,054)
Guarantee fee to OKK Koksovny, a.s.	**(64)**	–
Guarantee fee to KARBONIA PL Sp. z o.o.	**(32)**	–
Guarantee fee to NWR Energy, a.s.	**(283)**	(767)
Guarantee fee to CZECH-KARBON s.r.o.	**(35)**	–
Guarantee fee to NWR ENERGETYKA PL Sp. z o.o.	**(12)**	(24)
	(2,640)	(2,845)
Dividend income subsidiaries		
OKD, a.s.	**502,887**	38,226
OKK Koksovny, a.s.	**–**	28,180
NWR Energy, a.s.	**13,117**	19,155
	516,004	85,561

There were no other significant transactions with related parties.

61. 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 7,789 thousand (full year 2009: EUR 10,692 thousand) for Directors and former Directors of the Company.

The Company granted to Mr. Mike Salamon 265,150 options on shares of the Company at the third anniversary (in 2010) of his employment with the Company. The total cost for these options regarding the third anniversary equals EUR 5,022 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 two subsequent years This agreement will enable the Executive Director to acquire up to a maximum of 0.5 per cent of the Company's outstanding share capital. Per the end of 2010 the cost related to the options granted for the subsequent two years of employment with the Company were EUR 6,517 thousand.

The Company granted also options to other Directors and management personnel. Per the end of 2010 these granted options, consisting out of three tranches, had a total cost of EUR 3,921 thousand.

On 21 May 2010, five Independent Directors of the Company were granted shares. The 103,465 shares vested in 2009 have a value of EUR 1,000 thousand.

Please see Note 53 'Share-based payments' and the Remuneration Report of the 2010 Annual Report for additional information about the Directors' remuneration.

Notes to the non-consolidated financial statements prepared in accordance with IFRS as adopted by the European Union For the year ended 31 December 2010 continued

62. Risk analysis

Foreign exchange rate risk

The Company is exposed to currency exchange rate risks. As at 31 December 2010 the Company had cash balances, long-term and short-term receivables and liabilities in non-EUR currencies, as shown in table below. Outstanding non-EUR invoices, short-term receivables and payables per 31 December 2010, combined, resulted in a net receivable of EUR 1,565 thousand.

		Non-EUR balance 31 December 2010 Non-EUR'000	**EUR balance 31 December 2010 EUR'000**	**Impact on balances as of 31 December 2010 EUR'000**	Non-EUR balance 31 December 2009 Non-EUR'000	EUR balance 31 December 2009 EUR'000	Impact on balances as of 31 December 2009 EUR'000
Cash	CZK	**(2,661,979)**	**(106,220)**	**(5,665)**	(60,754)	(2,295)	(34)
	PLN	**85,445**	**21,495**	**678**	(178)	(43)	(1)
	GBP	**303**	**352**	**11**	(41)	(46)	(3)
			(84,373)	**(4,976)**		(2,385)	(38)
Long-term receivables	CZK	**1,299,150**	**51,840**	**2,765**		–	–
	PLN	**–**	**–**	**–**		–	–
	GBP	**–**	**–**	**–**		–	–
			51,840	**–**		–	–
Long-term liabilities	CZK	**–**	**–**	**–**	(2,604,431)	(98,381)	(1,472)
	PLN	**–**	**–**	**–**	–	–	–
	GBP	**–**	**–**	**–**	–	–	–
		–	**–**			(98,381)	(1,472)
Invoices, short-term receivables and payables	CZK	**580,735**	**23,173**	**1,236**	(500,932)	(18,922)	(283)
	PLN	**(85,560)**	**(21,525)**	**(679)**	28	7	–
	GBP	**(72)**	**(83)**	**(3)**	(1)	(1)	–
			1,565	**554**		(18,916)	(283)
Total			**(30,968)**	**(1,657)**		(119,682)	(1,793)

The foreign exchange rate fluctuation during 2010 based on the total net currency exposure per 31 December 2010 of CZK 782,093 thousand (EUR 31,208 thousand), PLN 116 thousand (EUR 29 thousand) and GBP 231 thousand (EUR 267 thousand) would have had a negative total impact of EUR 1,657 thousand (using FX rates per the end of 2009).

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 per cent higher, respectively lower, over the whole period from 1 January 2010 to 31 December 2010. The interest rate sensitivity analysis is calculated from all bank loan facilities relating to the syndicated loan and ECA loan, drawn by the Company. The hypothetical effect on unconsolidated profit before tax amounts to EUR –2,106 thousand respectively EUR 2,106 thousand per year. During 2010 the Company did not make use of financial instruments to hedge against unfavorable interest rate movements.

63. Future commitments

The Company has the following commitments in respect of:

	1 January 2010 – 31 December 2010 EUR'000	1 January 2009 – 31 December 2009 EUR'000
Non-cancellable operating leases		
Instalments due within one year	**419**	257
Instalments due within two and five years	**1,678**	2,989
	2,097	3,246

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 five years.

Refer to the Note 56 for maturity of the Company's loans.

64. Contingent assets and liabilities

The three Company's subsidiaries provided a guarantee for the bond issued by the Company on 27 April 2010. The guarantee fee expense for 2010 for the bond equals EUR 1,362 thousand. Total guarantee fee expense amount is split as follows: EUR 1,266 thousand for OKD, EUR 64 thousand for OKK and EUR 32 thousand for Karbonia.

OKD provided also a guarantee for the amount drawn down under the ECA Loan Agreement by the Company. The guarantee fee expense for the total period of the ECA loan is denominated in Euros and equals EUR 1,500 thousand. Since the first amount was drawn in September 2009, the guarantee fee expense in 2009 for the Company was EUR 107 thousand. The ECA guarantee fee expense for full year 2010 was EUR 317 thousand. The ECA loan is to be repaid in 17 equal installments of which the last one is expected to be paid in June 2018.

The Company has contractual obligations to acquire property, plant and equipment in the total amount of EUR 29 million resulting from the Perspective 2015 programme (purchase of mining equipment for OKD).

65. Fees of the auditor

The costs for the Group and statutory audit, other assurance, tax advisory and other non-audit services are shown in below table for 2010 and 2009.

	KPMG Accountants N.V. 2010 EUR'000	Other KPMG member firms and affiliates 2010 EUR'000	Total KPMG 2010 EUR'000
Statutory audit of financial statements	**140**	**520**	**660**
Other assurance services	**156**	**186**	**342**
Tax advisory services	**0**	**0**	**0**
Other non-audit services	**631**	**372**	**1,003**
Total	**927**	**1,078**	**2,005**

	2009 EUR'000	2009 EUR'000	2009 EUR'000
Statutory audit of financial statements	135	562	697
Other assurance services	122	209	331
Tax advisory services	0	0	0
Other non-audit services	0	35	35
Total	257	806	1,063

Approved by the Board of Directors of New World Resources N.V.

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

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. Please see Note 25 of the notes to consolidated financial statements.

b) See notes to consolidated financial statements for subsequent events.

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

Independent Auditor's Report

a) Report on the financial statements

We have audited the accompanying financial statements for the year ended 31 December 2010 of New World Resources N.V., Amsterdam, The Netherlands, set out on pages 81 to 158, which comprise the consolidated and company statement of financial position as at 31 December 2010, the consolidated and company statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of the significant accounting policies and other explanatory information.

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 Directors' report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 2010 and of its result and its cash flows 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.

b) Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the Directors' report, to the extent we can assess, has been prepared in accordance with part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b–h has been annexed. Further, we report that the Directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

J. Humme RA
KPMG ACCOUNTANTS N.V.
Amstelveen, 14 March 2011

Shareholder Information

Markets

As at 31 December 2010, A shares of NWR were listed on the London Stock Exchange (the 'LSE'), the Prague Stock Exchange (the 'PSE') and the Warsaw Stock Exchange (the 'WSE').

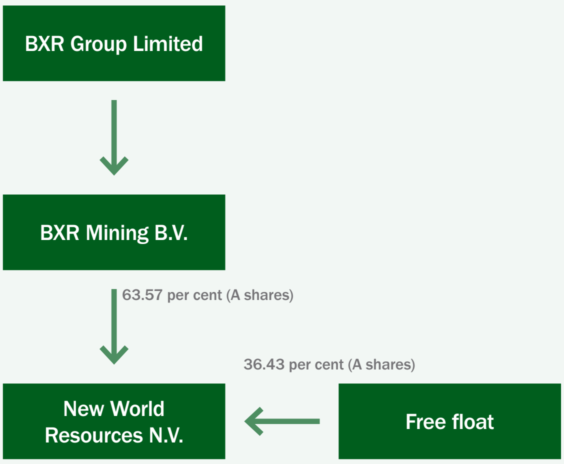
The trustees, share registrars and transfer offices are shown on page 163 of this Annual Report.

Share ownership

Share capital

Details about NWR's share capital are presented in Note 25 of the Consolidated Financial Statements on page 126.

Shareholder structure



Note: BXR Group Limited owns the shares in BXR Mining B.V. indirectly.

Majority shareholder

As of the date of this Annual Report, the controlling shareholder of NWR, BXR Mining B.V. ('BXRM'), owns approximately 63.57 per cent of the A shares and as a result, has effective control of NWR.

BXRM is indirectly owned by BXR Group Limited ('BXRG'). BXRG also owns indirectly, through RPG Property B.V. ('RPG Property'), 100 per cent of the B shares. 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.

BXRG is an international private investment group. To date its principal investments have been in the Central and Eastern European region. It also has investments outside of this region. BXRG 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, BXRG currently has investments in real estate, logistics, green energy, financial services and other industries.

At the date of this Annual Report, Zdeněk Bakala, a Non-Executive Director of NWR, 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 affiliated companies and trusts relating to him and his family (collectively the 'Bakala entities') holding an indirect ownership interest in BXRM. Mr. Bakala, through the Bakala entities, owns 50 per cent of the outstanding voting capital in BXRG.

Peter Kadas, a Non-Executive Director of NWR, holds no direct interest in A shares or B shares but he is considered as being interested in A shares and B shares because of BXRG's indirect ownership interest in such shares. Certain trusts associated with the family of Mr. Kadas own a minority interest in BXRG.

For biography of Mr. Bakala and Mr. Kadas please refer to the 'Board and Management' section on page 48.

Changes in the majority shareholder structure during 2010

In April 2010, BXRM informed NWR that BXRG had replaced RPG Partners Limited as the ultimate parent company of BXRM.

As a result of the share issuances in May and December 2010, the shareholding of BXRM in NWR decreased from 63.66 per cent to 63.63 per cent and 63.57 per cent, respectively. More details can be found in the 'Purchase and issue of shares' paragraph of this section.

Free float

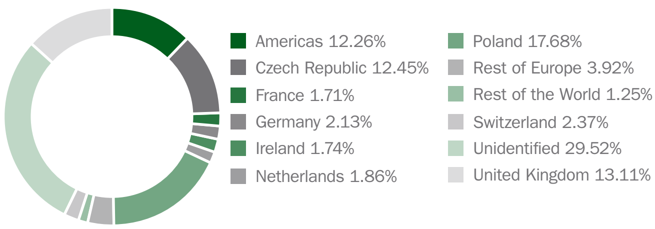
At the date of this Annual Report, public shareholders hold approx. 36.43 per cent of the A shares. The A shares are in registered form. NWR maintains the principal shareholders' register in the Netherlands with a sub-register in Jersey, which forms part of NWR's principal register.

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.

The Company has received no filings under the Dutch Disclosure of Major Holdings in Listed Companies Act, and no public information is available with respect to the ownership of shares. A study conducted in January 2011 into the ownership of shares in NWR identified 70.5 per cent of the free float (i.e. excluding shares held by BXRM). Of these identified shares, institutional investors held 61.3 per cent and retail investors held 7.6 per cent.

The geographical concentration of the free float is depicted in the chart below.



Source: Capital Precision Global Shareholder Indentification Analysis January 2011

Purchase and issue of shares

In 2010, NWR did not purchase its own shares. The Annual General Meeting of Shareholders held in April 2010 authorised the NWR's Board of Directors (the 'Board'), for the period until the date of the next Annual General Meeting of Shareholders of NWR following the date of the resolution, to acquire up to 13,216,505 A shares of NWR (which represented 5 per cent of the issued A share capital as at the day of the meeting), subject to certain terms and limitations.

The Annual General Meeting of Shareholders held in April 2010 also authorised the Board, for the period until the date of the next Annual General Meeting of Shareholders of NWR following the date of the resolution, to: (i) issue A shares and grant rights to subscribe for

A shares; and (ii) exclude or limit any pre-emptive rights with respect to the issue of A shares of granting of rights to subscribe for A shares. Such authorities were limited to the aggregate nominal amount of EUR 5,286,602, being 13,216,505 A shares (which represented five per cent of the issued A share capital as at the day of the meeting).

A further renewal of the authorisations above will be submitted for approval to the Annual General Meeting of Shareholders on 28 April 2011.

The Extraordinary General Meeting of Shareholders held in November 2010 also authorised the Board to: (i) issue A shares and/or grant rights to subscribe for A shares; and (ii) to limit or exclude any pre-emptive rights with respect to the issue of A shares and/or granting of rights to subscribe for A shares. Such authorities are limited to the aggregate nominal amount of EUR 15,866,013.60, being 39,665,034 A shares (which represented approximately 15 per cent of the issued A share capital as at 13 October 2010); and such authorities may only be used for the purpose of one or more equity offerings.

During 2010, the Company issued a total of 368,615 of A shares as follows: in May 2010, NWR issued 103,465 new A shares to the respective Independent Non-Executive Directors under their share plan. In December 2010, NWR issued 265,150 new A shares to the Board's Chairman under his stock option plan.

Operation of the Annual General Meeting of Shareholders

The powers and operation of the Annual General Meeting of Shareholders are set out by Book 2 of the Dutch Civil Code (*Burgerlijk Wetboek*) and the Company's Articles of Association (the 'Articles of Association'). The description below should be read in conjunction with the Articles of Association and the document is available on the Company's website at: www.newworldresources.eu.

The Annual General Meeting of Shareholders of the Company (the 'General Meeting') shall be held within six months after the end of the Company's financial year. The General Meeting may be called by the Board or by the Board's Chairman. Any person or persons who are together entitled to cast at least one-tenth of the total number of votes that may be cast may request the Board or its Chairman to convene the General Meeting, and state items to be discussed. If neither the Board nor the Chairman convenes the General Meeting such that the meeting is held within four weeks of this request, any of the persons requesting the General Meeting shall be authorised to convene the meeting.

General Meetings shall be held in Amsterdam or Haarlemmermeer (Schiphol Airport). Notice shall be given not later than on the 42nd day prior to the date of the General Meeting. The notice shall be published in national daily distributed newspapers in the Netherlands, the United Kingdom, the Czech Republic and Poland.

The agenda of the General Meeting shall in any case include the discussion of the Annual Report, the adoption of the annual accounts and the discharge of the Directors from liability in relation to the exercise of their duties in the previous financial year, to the extent that such exercise is apparent from the financial statements relating to the previous financial year or other public disclosures prior to the adoption of these financial statements. Shareholders who represent at least 1 per cent of the issued share capital or shares of at least EUR 50 million are entitled to request the Board in writing to place items on the agenda. Such requests must be delivered to the Board at least 60 days before convening the General Meeting. No valid resolutions can be adopted at the General Meeting in respect of items not specified on the notice.

The General Meeting shall inter alia decide on matters regarding appointment and dismissal of Directors, adoption of the annual accounts, amendments to the Articles of Association, liquidation of the Company and approval of resolutions of the Board regarding a significant change in the identity or nature of the Company or the enterprise, including in any event 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 another entity if such cooperation is of essential importance to NWR; and the acquisition or disposal of a participating interest in the capital of a company 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.

In addition to the various shareholder rights mentioned in the paragraphs above, holders of B shares and other shareholders representing at least one-tenth of the issued share capital or an aggregate nominal share value of EUR 225,000 may request an investigation into the affairs of the Company (*enqueterecht*) with the Enterprise Chamber of the Court of Appeal in Amsterdam.

Each share confers the right to cast one vote. Resolutions proposed for voting at the General Meeting require an absolute majority of votes. In a tie vote, the proposal shall be rejected. Resolutions to restrict or exclude pre-emptive rights and to reduce the Company's share capital require a majority of at least two-thirds of the votes cast if less than half of the issued share capital is represented. Resolutions to appoint a Director not proposed by the meeting of holders of B shares or the Board shall be adopted by at least a two-thirds majority of the votes cast in a General Meeting in which at least half of the issued share capital is represented. Furthermore, resolutions to amend the Articles of Association or to dissolve the Company other than on the proposal of the Board shall only be valid if adopted in a General Meeting in which at least three-quarters of the issued share capital are represented and with a majority of at least two-thirds of the votes cast. All matters regarding the exercise of voting rights shall be decided by the Chairman of the General Meeting.

Shareholders who hold shares on a predetermined registration date are entitled to attend the General Meeting, vote at the General Meeting and address it. By the shareholders are meant the registered shareholders, holders of B shares, holders of A shares listed on the LSE represented by DIs and beneficial holders of A shares listed on the WSE or the PSE ('Listed Shares'). Holders of DIs and beneficial holders of Listed Shares shall contact the bank or broker through which they hold their DIs or Listed Shares for information on how to: (i) exercise their voting rights in writing; (ii) attend the General Meeting and exercise their voting rights in person; or (iii) authorise another person to attend the General Meeting and to exercise voting rights on their behalf. The registration date for the Annual General Meeting of Shareholders of 28 April 2011 is 28 days before the meeting, i.e. on 31 March 2011. The Board may decide that shareholders entitled to vote may, within a period prior to the General Meeting to be set by the Board, which period cannot begin prior to the registration date, cast their votes electronically in a manner to be decided by the Board.

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.

Shareholder Information continued

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.

		Closing price		
Stock Exchange	Currency	**31 December 2010**	31 December 2009	31 December 2008
LSE	GBp	**961.0**	560.0	268.0
PSE	CZK	**271.0**	161.6	73.3
WSE	PLN	**44.4**	25.3	11.3

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 share grants to the Independent Non-Executive Directors (as described in the Remuneration Report on page 72) and delivery of shares to the Chairman of the Board (also as described in the Remuneration Report on page 72).

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

NWR paid interim dividend for the half-year ended 30 June 2010 of EUR 0.21 per A share.

The Directors of NWR have declared a final dividend for the year ended 31 December 2010 of EUR 0.22 per A share paid to A shareholders in the form of an interim dividend. Together with the interim dividend of EUR 0.21per A share paid in October 2010, this takes the full year dividend payable to A shareholders to EUR 0.43 per share in respect of the year ended 31 December 2010. This represents approximately 50 per cent payout ratio for 2010.

Provision of the Annual Report and Accounts

The Annual General Meeting of Shareholders held in April 2009 approved to provide certain information electronically in the future, to the extent permitted by law. The 2010 Annual Report and Accounts of NWR have been made available at NWR's website. Shareholders may also inspect the 2010 Annual Report and Accounts at the office of the Company and request to receive a hard copy by registered mail.

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

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 267.6 million aggregate principal amount of 7.375% Senior Secured Notes due 2015

Interest payment dates
15 May and 15 November of each financial 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

EUR 500 million aggregate principal amount of 7.875% Senior Notes due 2018
Interest payment dates
1 May and 1 November of each financial year

Subsidiary Guarantors
OKD, a.s., OKK Koksovny, a.s. and NWR KARBONIA S.A.

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

Transfer Agent and Principal Paying Agent
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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

Security Agent
Citibank N.A. London Branch
Canada Square, Canary Wharf
London E14 5LB
United Kingdom

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