Annual Report and Accounts 2011
New World Resources N.V.

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Directors' report comprises of Strategy and Business Review sections within this document.

Average exchange rate for 2011 used throughout this report is 24.590 CZK/EUR, unless stated otherwise.

Overview

NWR[1] at a glance

In 2011 New World Resources N.V. ('NWR') completed reincorporation in the United Kingdom

We announced the intention to move domicile from the Netherlands to the United Kingdom in October 2010 and we completed this process in May 2011. Following the process, New World Resources Plc ('NWR Plc') was established and became the holding company of New World Resources N.V. In June NWR Plc was included in the FTSE index series, namely FTSE 250 and FTSE 350 Mining. The process of reincorporating NWR in the UK included a share-for-share recommended exchange – holders of shares in NWR were given the opportunity to exchange one share in NWR for one share in the new NWR Plc. Shares were exchanged in voluntary exchanges with 0.22 per cent of NWR's share capital currently subject to squeeze out proceedings. As a result, NWR became an intermediate holding company whose shares were delisted from London and Prague Stock Exchange, and are to be delisted from the Warsaw Stock Exchange.

This annual report covers NWR's activities for the financial year ended 31 December 2011.

Highlights

We have three principal subsidiaries:

OKD, a.s. ('OKD')

Our principal wholly owned subsidiary OKD is the Czech Republic's only hard coal mining company and second largest private employer. Its four operating mines are located in Northern Moravia, south of the Polish border and are part of the Upper Silesian coal basin. Refer the Coal section of this report from page 29 onwards for further information.

OKK Koksovny, a.s. ('OKK')

Our wholly owned coking subsidiary, situated at the Svoboda coking plant site in Ostrava, produces both foundry and blast furnace coke from four batteries. Refer the Coke section of this report from page 33 onwards for further information.

NWR KARBONIA S.A. ('NWR KARBONIA')

NWR KARBONIA oversees two development projects in southern Poland – Dębieńsko and Morcinek. Refer the Development projects section of this report from page 36 onwards for further information.

Who we are

NWR is one of Central Europe's leading hard coal and coke producers. We access coal from deep underground. NWR N.V. is headquartered in Amsterdam and listed on the Warsaw Stock Exchange.
NWR Plc is a holding company of NWR, headquartered in Amsterdam, listed on stock exchanges in London, Prague and Warsaw and included in the FTSE 250 and FTSE 350 Mining indices.
NWR Group has four working mines and several development projects in the Czech Republic and Poland. The NWR Group employs over 18,000 people and as at 1 January 2012 had 385 million tonnes of JORC[2] reserves.

What we do

NWR is a trusted supplier of coal and coke. We principally produce coking and thermal coal for the steel and energy markets in Central Europe through our mining operations located in Czech Republic. Our coke subsidiary is the largest producer of foundry coke in Europe. In 2011 total production of NWR reached 11.2 million tonnes of coal and externally sold 4.4 million tonnes of coking coal, 6.2 million tonnes of thermal coal and 555 thousand tonnes of coke. NWR supplies to a blue chip

[1] NWR or the 'Company' refers to New World Resources N.V. The 'Group' or the 'NWR Group' refers to NWR N.V. and its subsidiaries up to the date of reincorporation in the UK. From the date of the reincorporation in the UK, it refers to New World Resources Plc and its subsidiaries (including NWR N.V.).

[2] Full name: Joint Ore Reserves Committee. The Group currently uses both the FSU system and the JORC system in parallel to report reserves and resources. The Group employs a certified geologist who prepares the reserve numbers in accordance with JORC certified expert.

customer base of steel makers and power generators in the Central European region, one with which we have developed longstanding relationships.

How we create value

The region suffers from supply constraints arising from limited port capacity and freight infrastructure and NWR is thus well positioned to serve its customer base more efficiently than overseas producers. We have invested in technologies, streamlined the business and extended our reserve base. We set the region's standards in terms of health and safety, technology, corporate governance and customer service. We have a track record of attracting and retaining the best people in the region.

What is our aim

Our aim is to leverage our credentials as the first privatised, restructured and modernised coal business in Central Europe to create long-term value for our shareholders. We will achieve this by serving customers in the region's power and steel sectors, and by capitalising on opportunities to develop new reserves, organically as well as through regional consolidation.

Our operations and customer base

Our operations

Our mines are located near to our major customers' operations in Central Europe, giving us a significant advantage over our seaborne competitors due to our lower transportation costs and our market' landlocked location. We predominantly transport our coal and coke via a railway network directly to our customers.

We operate state of the art mining technology for longwall production and gateroad development. We mine deep underground compared to most of the world's mines, at around 1,000 metres below the surface. Our deepest active floor is located at the Paskov Mine at a depth of 1,120 metres below the surface.

Karviná Mine

2011 coal production: 4.1 million tonnes
Reserves: 89 million tonnes
Coal type: Semi-soft coking/hard coking/thermal

ČSM Mine

2011 coal production: 2. 9 million tonnes
Reserves: 45 million tonnes
Coal type: Hard coking/thermal

Darkov Mine

2011 coal production: 3.2 million tonnes
Reserves: 37 million tonnes
Coal type: Semi-soft coking/thermal

Paskov Mine

2011 coal production: 1.0 million tonnes
Reserves: 24 million tonnes
Coal Type: Hard coking

Svoboda coking plant

Capacity: 800 kilo tonnes
2011 production: 770 kilo tonnes
Coke type: Blast furnace/foundry/other

Dębieńsko development project

Final approval for the project was received in June 2011 and work began in December 2011.
Reserves: 190 million tonnes
Coal type: Semi-soft coking/hard coking/thermal

Morcinek development project

Morcinek development project adjacent to our operation (ČSM Mine)
On going drilling and geological work.
Coal type: Semi-soft coking

Frenštát development project

Four year exploration process to assertain the feasibility of the mine.
Hard coal resources: approximately 1.6 billion tonnes[3]
Mining area: 63 km^2

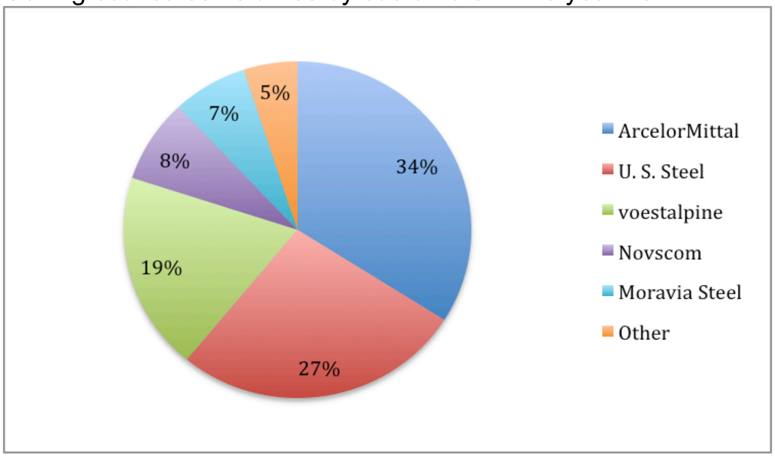
Our customer base

NWR is strategically located within the CEE region and supplies to a blue chip customer base of steel makers and power generators in the area.

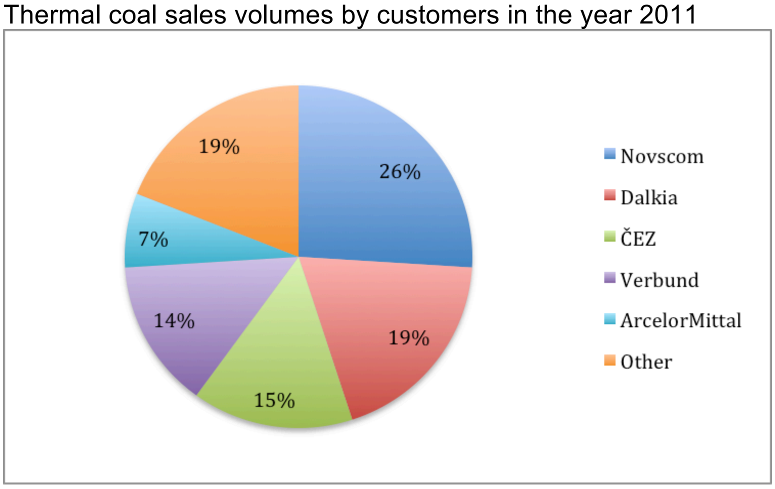
We principally produce both coking (also known as 'metallurgical coal') and thermal coal (also known as 'steam coal'). Coking coal is used as a raw material in steel production and we supply to customers including ArcelorMittal, Dunaferr, Moravia Steel, U.S. Steel, and voestalpine. We sell thermal coal to regional utilities with coal fired power stations including ČEZ, Dalkia and Verbund. Additionally, NWR supplies both foundry and blast furnace coke to steel customers throughout the region.

We have long-term framework agreements with our customers with quarterly pricing negotiations for coking coal and coke, and pricing terms for thermal coal are agreed on a calendar basis.

Coking coal sales volumes by customers in the year 2011

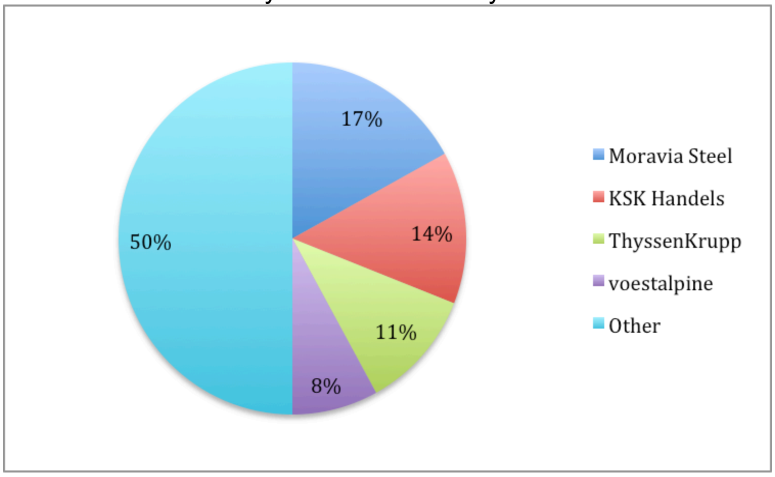


Thermal coal sales volumes by customers in the year 2011



[3] Estimate based on NWR's own calculations.

Coke sales volumes by customers in the year 2011



Chairman's Statement

The most significant single event for NWR during the year was the final approval for the development of the Dębieńsko mine, a 190 million tonnes hard coal deposit in southern Poland. We have assembled an international team to deliver the project and I am pleased to report that we have broken ground and commenced excavating works on site.

- Final approval of Dębieńsko project in June with ground breaking in December 2011
- Quarterly pricing for coking coal aligned our pricing with international trends
- Early investment in underground mining equipment helped to mitigate geological challenges
- Continued containment of input cost inflation
- Further improvements in safety record
- Reincorporation in the United Kingdom and inclusion in FTSE 250 and the FTSE 350 Mining indices
- Strong long-term fundamentals of the region and attractiveness of our business model

Review of 2011

With an EBITDA of Euro 459 million, NWR delivered one of its best financial performances ever in a period that has been characterised by severe challenges in the global economy. NWR reported consolidated profit for the period of EUR 135 million, 42% lower than for 2010. Excluding the one-off EUR 82 million gain on the sale of the energy business and one-off EUR 23 million tax refund in the previous year, the consolidated underlying profit for the period increased 6% from EUR 128 million in 2010.

Our containment of input cost inflation was a significant achievement in difficult circumstances with the rise in NWR's mining unit costs limited to just 12 per cent excluding the impact of foreign exchange. This was particularly creditable in the context of double digit price increases for energy and more than 20 per cent increases in European steel long product prices. As a result of year-on-year improved pricing in 2011 and our efforts to mitigate input cost inflation we improved our profitability yet further in 2011 with our EBITDA margin reaching 28 per cent.

Despite the difficult macroeconomic environment and the progressive deterioration in business confidence driven by increasing uncertainty in the Eurozone during the second half of 2011, the fundamentals of the regional coal industry remained strong. Car production in the region, one of the key drivers of local steel production, grew at a rapid pace in 2011 (up 12% in the Czech Republic and 13% in Slovakia), which reinforces our belief in a buoyant steel sector in CEE. In parallel thermal coal continued to play an increasing role in the regional energy mix.

We remain well positioned to serve an increasing demand for our products in a region where competitor coal production continues to decline.

Development

During the year NWR continued to benefit from the considerable investment we have made in underground mining equipment over previous years, enabling us to mitigate the geological complexities of our operations and deliver another solid set of results. The fact that we are mining at around 1,000 metres below the surface is unusual in the global coal mining industry today and clearly this poses particular challenges in terms of both safety and production targets. Hitting our production targets and improving our safety record, in the context of such complex geological conditions, underlines the commitment of our disciplined workforce and supports our intensive capital investment in equipment.

The most significant single event for NWR Group during the year was the final approval for the development of the Dębieńsko mine. This is a 190 million tonnes hard coal deposit (7/8 coking coal and 1/8 thermal coal) in southern Poland over which a Polish subsidiary of NWR has a 50-year mining license. We have assembled an international team to deliver the project and I am pleased to report that we have broken ground and commenced excavation works on site. In 2012, we will invest around EUR 40-50 million as we work towards bringing the mine to production in 2017.

Looking further into new production opportunities, we announced our intention to explore the 1.5 billion tonnes hard coal resource at the Frenštát Mine in the Czech Republic.

Reincorporation in the United Kingdom

The reincorporation of NWR Plc in the United Kingdom and subsequent inclusion of NWR Plc in the FTSE 250 and FTSE 350 Mining indices has increased our visibility amongst the international investment community, to whom NWR Group represents an opportunity to gain exposure to both the global as well as regional hard coal growth phenomena.

Coal

Concerns about global economic growth in the second half of the year affected the year end environment for our customers. The slackening in actual demand for steel was significantly compounded by fears of a weak macroeconomic environment in 2012. This came after strong coking coal prices for much of the year, with car production in the region performing well. The long term case for a strong steel sector in Central and Eastern Europe remains intact.

For thermal coal we saw very strong regional demand in 2011. The outlook for thermal coal continues to be positive. With renewed investments in coal-fired power plants in countries such as Germany, thermal coal seems well positioned to play an ever-increasing role in the regional energy mix. In the longer term there are increasingly strong indications of growing demand for coal fired power generation capabilities compared to other forms of electricity generation in our markets, due in part to Germany's decision to close all its nuclear power plants following the Japanese earthquake, which led to damage at the Fukushima nuclear power plant.

As a result we are optimistic about the role the Group will play in the robust future of both our coking and thermal coal markets.

Coke

Our coke production was in line with our expectations for the year at 770 kilo tonnes.

Our coke sales suffered due to lower capacity utilisation by our steel customers. Our much improved flexibility to increase the proportion of more demand-stable foundry coke in our sales mix, combined with the reduced cost profile of the new single site operation, helped us mitigate the impact of the weak merchant coke markets in the second half of the year. Despite this, our coke business made an overall loss for the year.

Safety

Safety is a key priority in NWR. The main measure of overall safety performance, Lost Time Injury Frequency Rate[4], has improved by 8 per cent to 7.9 lost-time injuries per million hours worked. As expected, the rate of improvement is now slower compared to the dramatic reduction of the past few

[4] Lost Time Injury Frequency Rate represents the number of reportable injuries with at least three days of absence divided by total number of hours worked expressed in million of hours including contractors.

years but we continue to set a long-term positive trend. Whilst we are now aligned with incident rates comparable to global best performance in deep level coal mines, the particular challenges of mining the region's deep level reserves will always be a significant threat, which makes our commitment to training, discipline and best in class equipment critical.
Despite this, the tragic loss of five employees at our mining operations during 2011 reminds us of the severity of the hazards stemming from our geological and mining environment, and hence we continue to place even more focus on ways to limit the human impact of these.

Sustainability

Strict adherence to best practice sustainable development forms an integral part of our business strategy and helps us to secure the license to operate our coal mining and coke production businesses.

We realise that our long-term success depends on broad community support of our activities. Our focus is two fold: to ensure the sustainable and responsible management of natural resources, mining and processing; and secondly, to minimise the impact of our activities on the environment when planning, running and decommissioning our operations.

Strategy

Our strategy is focused on maintaining operational excellence while pursuing opportunities for growth in order to serve a growing demand for our products in a region where our competitor's coal production continues to decline. The development and extension of our existing operations together with the identification and exploitation of new reserves will continue, as demonstrated by our investment at Dębieńsko and our intention to further explore the hard coal deposit at the Frenštát mine site in the Czech Republic. This aim is further strengthened by our focus on advanced mining techniques and a commitment to good corporate citizenship in its broadest sense.

Given our operations are at the hub of the CEE region's manufacturing base, we continue to see significant value potential in the business model of NWR. Our strategy is based upon ensuring sustainable coal production to serve a growing demand for our products in a region where competitor coal production continues is declining. Poland produced around 76 million tonnes of hard coal last year, 10 million tonnes less than three years ago and only half of what it produced back in 1990.

We continue to believe in the rationale for consolidation in the region over the longer-term and hence we closely monitor the market for potential opportunities.

The listing of our Polish peers is a positive development for both NWR and the sector as a whole. Greater visibility for the coal sector in general has further highlighted the potential for those producers such as NWR, who can sustain production and manage costs within those parts of Europe where coal is in strong demand. We have already invested heavily in our operations to help manage costs and operating risk.

Outlook

In the short-term we expect the market environment to continue to be challenging. Our customers remain cautious due to the uncertain economic environment and ongoing issues in the Eurozone. However, despite the current uncertainty, car production in the region, one of the key drivers of local steel production, is increasing, and hence we expect to continue to see strong demand for our coking coal.

At the same time, our move to quarterly pricing has allowed us to align ourselves with global pricing trends and while prices have dropped during the second half of 2011, as well as in early 2012, we believe that ongoing steel demand in the developing world will ultimately help to support prices.

We have reviewed our longer-term plans and we now expect to increase the proportion of our coking coal in our external sales mix above 50% over the medium term (2 - 3 years). Any further increase towards our historical levels is dependent on the outcome of our ongoing underground development works as well as favourable mining conditions. Longer term, the additional production from Debiensko is expected to further increase the proportion of coking coal in the overall coal mix.

Coke markets remain volatile, as nervousness amongst our customers is leading them to rely more on their own supplies of coke, and we expect this trend to continue in the short term. A number of our competitors have exited the market which, combined with our investment in the new coking battery, and the associated fall in our conversion costs, leaves us in a strong postion to cope with the current market conditions.

Demand for thermal coal, which is to a certain extent unaffected by the macro environment, has been growing and we expect this trend to continue. We are seeing renewed investment in electricity plants in our region and we expect Germany to need more coal from neighbouring countries in the future to meet its demand. Therefore the share of coal in the energy mix in our region looks set to continue to increase and we are positive about thermal coal volumes and prices going forward.

Dividend

NWR has performed well against a backdrop of the recent macroeconomic uncertainty and both our business model and our long-term growth strategy remain intact. Therefore, in line with NWR's stated dividend policy of distributing 50 per cent of the Mining Division's consolidated annual net income over the course of the business cycle, I am pleased to propose a final dividend of EUR 0.07 per share, which, if approved by the Annual General Meeting in April, will bring the total dividend for FY 2011 to EUR 0.23 per share.

Mike Salamon
Executive Chairman of the Board

Strategy

Understanding of and support for our commercial aspirations are fundamental to our license to operate. Therefore, we build and cultivate relationships with our customers, employees, local municipal authorities and other key stakeholders.

Early investment in the latest technology has meant that we are now producing coal from areas and at depths that were previously considered very difficult to mine, all whilst maintaining strong safety performance and keeping costs under control.

Highlights

- Total coal production per employee mantained over the past four years, and at the same time mining LTIFR has improved by 37 per cent.
- Gained Board approval for Dębieńsko and subsequently broke ground in December 2011.
- Announced a four-year exploration process for Frenštát.
- Renewed investment in electricity plants in developed countries including Germany and Poland, will ensure that coal will remain an important fuel source. Over 90 per cent of electricity production in Poland is produced from coal.

Sustainable development

Preserving the sustainability of NWR through development of the current reserve base; maintaining excellent relationships with customers; attracting and retaining the best people in the region; maintaining a strong financial performance; and importantly, upholding a high safety record.

Priorities

- Extending reserves to sustain the coal quality mix and adding to mine life.
- Improving health and safety performance.
- Maintaining a strong financial position with a balanced capital structure.
- Strengthening stakeholder partnerships and relationships.

Progress 2008

- EUR 350 million POP 2010 launched: early investment in the latest technology to mine further coal seams.
- Disposal of non core services of maintenance and reclamation works.
- SAFETY 2010 launched: focus on personal protection equipment.
- Installation of state of the art mining technology (POP 2010).
- IPO on the LSE, PSE and WSE.
- Mining apprenticeship programmes launched.
- OKD Foundation launched: develop projects in the Czech Republic.

Progress 2009

- Delivery and installation of POP 2010 units - 10 longwall units and 19 sets of development equipement.
- Continuous Improvement Programme ('CIP') launched: encouraging employees to offer ideas on improving operational efficiency and safety.
- Partial redemption of 2015 Senior Notes.
- Signed new long term collective agreement with three relevant trade unions for period 2010-2012.

Progress 2010

- Approved EIA for Karviná (period 2011–2015), Darkov (period 2011–2020), ČSM (period 2009–2020).
- Focus on unexploited hard coal resources in Dębieńsko.
- Streamlining of core business – sale of NWR Energy.
- Completion of SAFETY 2010.
- Refinanced debt with issuance of EUR 500 million Senior Secured Notes – prolonged average debt maturity.

Progress 2011
- Final Board decision to proceed with Dębieńsko granted.
- Four-year exploration process of Frenštát announced.
- EIA for exploration of hard coal deposit at Frenštát completed.
- EIA for exploration of hard coal deposit at Karvina 2 being completed.
- Exploration continues at Morcinek.
- Implementation of greater safety driven initiatives around tectonic stress releases.
- Prudent capital structure maintained; EUR 100 million RCF raised.
- Established integrated training centre; cooperation with local technical university.
- Reincorportion of NWR to a UK plc; FTSE inclusion improves Company's exposure to global capital markets.

Operational excellence

Continuously improving operational excellence and efficiency through operational cost controls and productivity improvements.

Priorities
- Containment of mining unit costs.
- Improvement of operational efficiency.

Progress 2008
- POP 2010 launched to improve mining efficiency.
- COP 2010 launched to modernise coking capacity.
- Consolidation of internal services/procurement efforts.

Progress 2009
- POP 2010 concluded: installation of 10 longwall sets and 19 sets of development equipment.
- Construction of coking battery No. 10; modernisation of coking battery 8 and concentration of coking operations onto one site (COP 2010).
- CIP launched: encouraging employees to offer ideas on improving operational efficiency and performance.

Progress 2010
- First year of operation of new longwall sets and development equipment (POP 2010).
- Start of trial production at new coking battery; consolidation of coke production onto one site at Svoboda (COP 2010).
- PERSPective 2015 ('PERSP 2015') launched to improve operational performance over the next 5 years.

Progress 2011
- Ongoing replacement and renewal of remaining longwall sets and development equipment.
- Coking battery No.10 moves into full production (COP 2010).

Growth

Actively pursuing growth projects in the CEE region; applying a disciplined approach to M&A in Poland and the Ukraine.

Priorities
- Bringing Dębieńsko into production on time and on budget.
- Exploring organic growth opportunities.
- Becoming a regional consolidator by disciplined pursuit of M&A.

Progress 2008
- Granted 50-year mining license to extract coal from Dębieńsko.
- Began work on engineering studies needed for Dębieńsko.
- Cross boarder mining treaty signed between the Czech and Polish governments for Morcinek.

Progress 2009

- Completion of detailed development plan to mine coal at Dębieńsko.
- Assessment of scope and nature of geological and pre-feasibility work required for Morcinek.

Progress 2010

- Applied for amendment to Dębieńsko mining license.
- Commenced detailed feasibility study for Dębieńsko.
- Offer made for Lubelski Węgiel 'BOGDANKA' Spółka Akcyjna.

Progress 2011

- Final approval gained for Dębieńsko.
- Breaking ground at Dębieńsko and development of box cut for Slope 1.
- Four-year exploration process announced for Frenštát.

Business model: how NWR creates value

Regional leadership to capitalise on the location of our mines and product demand

- We operate in a landlocked region with a strong manufacturing base.
- Strong regional dynamics and above average industrial growth in the region is coupled with a shortage of locally produced coking and thermal coal.
- The proximity to our customers means that we offer low landed costs compared to both our Polish and overseas producers.

Competitive advantage

- Early investment in the latest technology has meant that NWR is now producing coal from areas and at depths that were previously considered very difficult to mine, all whilst maintaining a strong safety record and keeping costs under control. Our decision to pursue the POP 2010 differentiates us from other regional producers.
- NWR is a trusted supplier to the local steel plants and energy producers, with long term stable relationships.
- Understanding of and support for our commercial aspirations are fundamental to our license to operate. Therefore, we systematically build and cultivate relationships with municipal authorities, relevant trade unions, regulatory agencies, and other governing bodies in the region.
- Our focus on maintaining a strong health and safety record is underpinned by a long term positive trend in our LTIFR[5] – setting the standard amongst our regional peers.
- NWR currently has 385 million tonnes of JORC[6] reserves. We aim to develop our reserve base from our existing footprint by accessing deeper coal seams at our current mines, and through organic expansion options.
- We are committed to improving efficiency at our operations on an ongoing basis through our Continuous Improvement Programme, which provides employees with the opportunity to volunteer their ideas for increasing safety at work and delivering operational savings in return for financial rewards.
- We see strong corporate governance and transparent communication of financial and operational metrics as essential to our long term success. As the first privately owned coal miner in the Upper Silesian Coal Basin NWR aims to set a regional standard.

A competitively run business

- We see the ability to consolidate, modernise and simplify our operations as fundamental to long term value creation. We have successfully streamlined the business by investing in our core assets, enhancing our capital structure, as well as working practices, and overall corporate culture.

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[5] Lost Time Injury Frequency Rate = number of reportable injuries after at least three days of absence divided by total number of hours expressed in millions of hours.

[6] Full name: Joint Ore Reserves Committee. The Group currently uses the JORC system to report reserves. The Group employs a certified geologist who prepares the reserve numbers in accordance with JORC certified expert.

- We closely monitor the competitive regional environment in order to ensure our business remains attractive in terms of product specification and pricing throughout the cycle.
- We apply a disciplined approach to all growth opportunities both organic and by acquisition. Thorough feasibility studies are conducted for all organic projects.
- We identify the principal risks and uncertainties, which could have a financial, operational or reputational impact on NWR, and take necessary steps to mitigate these risks.
- NWR has a strong financial position which enables it to invest through the economic cycle and align returns with the long term reward profile of developing new mines.

Key performance indicators

NWR uses a range of financial and operational key performance indicators ('KPIs') to help measure and manage its performance. These KPIs reflect the Company's continuous focus on efficiency, cost control and safety across all its operations. However, this list is not exhaustive and we also use a range of additional detailed performance measures internally to monitor our performance.

Financial

EBITDA (from continuing operations)

Year	2008	2009	2010	2011
Million EUR	684	179	464	459

Definition: Earnings before interest, tax, depreciation and amortisation from continuing operations and before exceptional items.
Relevance: EBITDA predominately reflects the sales volumes and realised prices during the year, and is a key metric of performance.
Performance: EBITDA was 1 per cent lower than in 2010 excluding FX fluctuations. Despite the increase in revenues in 2011, this was more than offset by an increase in the operating expenses net of changes in inventories.

EBITDA margin

Year	2008	2009	2010	2011
Per cent	38	16	29	28

Definition: The EBITDA margin shows earnings before interest, tax, depreciation and amortisation from continuing operations and before exceptional items as a percentage of revenue.
Relevance: EBITDA margin measures how efficiently revenue is converted into EBITDA from continuing operations.
Performance: EBITDA margin remained at 28 per cent in 2011 thanks to improved pricing and good containment of input cost inflation.

Free cash flow

Year	2008	2009	2010	2011
Million EUR	239	(74)	94	63

Definition: Free Cash Flow is calculated as net operating cash flow minus capital expenditure.
Relevance: Free cash flow represents the cash that a company is able to generate after investing to maintain or expand its asset base. It allows a company to enhance shareholder value through paying dividends, reducing debt or making acquisitions.
Performance: Lower 2011 free cash reflects decreese in net operating cash flow due to higher corporate tax and bond interest payments, partly offset by lower CAPEX.

Mining costs per tonne

Year	2008	2009	2010	2011
EUR/t	66	66	71	82

Definition: Mining costs per tonne reflect the operating costs incurred in mining both coking coal and thermal coal. It includes consumption of material and energy, services (ex transportation), personnel and other operating expenses. It does not include depreciation and amortisation.
Relevance: Unit costs are a basic measure of a company's effectiveness.
Performance: Mining costs per tonne rose by 12 per cent compared to 2010 excluding FX fluctuations, mainly due to the cash cost inflation, as well as 2 per cent decrease in production.

Coke conversion costs per tonne

Year	2008	2009	2010	2011
EUR/t	59	84	70	60

Definition: Coke conversion costs per tonne reflect the operating costs incurred in converting coking coal into coke. It does not include the cost of coking coal charge. It includes consumption of material and energy, services (ex transportation), personnel and other operating expenses. It does not include depreciation and amortisation.
Relevance: Unit costs are a basic measure of a company's effectiveness.
Performance: Despite the 23 per cent decrease in production, coke conversion costs per tonne decreased by 17 per cent excluding the impact of currency movements, driven by the modernisation of our coke production facilities at a single plant.

Operational

Total coal production

Year	2008	2009	2010	2011
Million t	12.7	11.0	11.4	11.2

Definition: The total production volumes of thermal and coking coal.
Relevance: Total coal production is the key indicator of the operating performance.
Performance: With total coal production at 11.2 million tonnes, NWR has slightly exceeded its full year 2011 coal production target of 11 million tonnes.

Total coal production per employee

Year	2008	2009	2010	2011
t	678	641	675	666

Definition: Total coal production per mining employee including mining contractors.
Relevance: It is a measure of the efficiency of the mining operations.
Performance: NWR keeps total coal production per mining employee, largely as a result of POP 2010 investment that allowed us to decrease total number of operating long walls.

Mining LTIFR

Year	2008	2009	2010	2011
LTIs per million hours	12.57	11.30	8.53	7.87

Definition: Lost Time Injury Frequency Rate (‘LTIFR’) represents the number of reportable injuries after at least three days of absence divided by the total number of hours worked, expressed in million of hours and including contractors.
Relevance: LTIFR is an industry wide measure of overall safety performance.
Performance: Mining LTIFR improved by 8 per cent in 2011 compared to 2010. Over the last four years mining LTIFR has fallen substantially by 37 per cent.

Employee turnover

Year	2008	2009	2010	2011
Per cent	1.46	1.37	1.23	1.17

Definition: Employee turnover rate is calculated using the end of year total figure of employees who have left the organisation voluntarily (adjusted for employees having left due to dismissal, retirement or for health reasons).
Relevance: High employee turnover results in changes to the human and intellectual capital of the organisation and can impact productivity. Our aim is to maintain low voluntary employee turnover rates.
Performance: Employee turnover rate improved by 5 per cent in 2011 compared to 2010. Over the last four years employee turnover has fallen by 20 per cent.

Strategic context in which NWR operates

Our strategy and success is influenced by the economic factors which are faced by our customers as well as by the actions of our competitors. These impacts cover three main areas:

- Economic environment (global and regional)

NWR's thermal, coking coal and coke products serve industrial consumers in the countries of the CEE region. The demand for, and pricing of, those products is influenced by the economic environment in each of these regions, notably the demand for steel, as well as by the international coal markets which influence coal prices.

- Competitive environment

Although NWR is the only hard coal producer in the Czech Republic, and the first to be privatised in the CEE, we compete with other companies (predominately in Poland) to supply coking and thermal coal to the regional market. As a coke merchant, we produce and sell coke to a range of steel producers - some of which also have the capacity to produce their own coke.

- Cross border trade

The financial returns generated by our business are also influenced by currency fluctuations driven by exchange rate dynamics.

Global economy

The return to positive growth following the financial crisis of 2009 was stimulated by unprecedented fiscal and monetary intervention by governments around the world, particularly in Europe and the USA where the recession was most severe. The resulting rebound in confidence saw a fragile recovery in global trade and manufacturing, which continued throughout 2010 and into the first half of 2011. This recovery however was marked by the continued divergence of economic performance between developed and emerging countries with most OECD countries recording small growth rates in contrast to the near double digit growth of some developing economies, particularly China.

A largely negative or uncertain outlook in the OECD countries was reflected in weak financial markets, and the performance of the real economy during the autumn of 2011 further dampened earlier signs of recovery. Consumer and business confidence around the world again deteriorated as doubts about the future direction of world markets took hold.

The Central and Eastern Europe regional economy

As one of the region's primary coal suppliers to steel industries and power generators, NWR's business is dependent upon the strength of the CEE economy, which is itself linked to global economic activity.

Imbalances in the world economy were mirrored by the diverging nature of economic performance and management between Europe's regions. The recovery from recession in the EU was driven primarily by the core economies and particularly the strength of Germany's exports growth. However, the Eurozone's periphery countries struggled to manage their escalating public debt issues with their difficulties compounded by growing pressure from the bond markets as their cost of borrowing rose to historical highs. Under these mounting strains Europe's political leaders were compelled to mount a coordinated response to prevent the continent from falling back into recession.

Whilst being undoubtedly affected, the countries in the CEE, have so far maintained a relatively strong fiscal position. The Czech economy recorded positive growth throughout 2011 and Poland, which was the only country in Europe to avoid recession in 2009, continued to outperform its neighbours. Their domestic economies, especially Poland's, also maintained relatively healthy demand during the year since sustained infrastructure spending is required to bring the region up to Western European standards. The banking sector in Poland and the Czech Republic is considered stronger than most in Europe and the governments' fiscal positions are relatively stable.

International coal markets

Coking coal

Europe has a substantial shortage of coal and relies on imports for the vast majority of its consumption. The CEE region is an importer of coal in circumstances where domestic demand cannot be met by domestic supply alone. NWR serves mostly global customers, which link our regional markets to the dynamics of the international coal markets to some, albeit limited, degree.

2011 saw the continuing dominance of China, and to a lesser extent India, in the internationally traded coal markets as the rapid industrialisation and development of these countries continued to require vast amounts of raw materials. China, for instance, now produces almost half of the world's steel output and since becoming a net importer of coking coal in 2004, has been putting ever more pressure on the supply and price of coking coal.

Severe flooding at the end of 2010 in the Australian state of Queensland where approximately 46 per cent of the world's internationally traded coking coal originates further disrupted supply in 2011. Along with the revival of steel production in the rest of the world, which benefited from strong demand from the recovering automotive sector, coking coal spot prices peaked back towards record highs during the year, trading at USD 340/tonne in the first quarter.

The deteriorating macro conditions in the second half of 2011 led prices back down from peak levels but there is a general consensus that international coking coal prices will remain resilient in the long term given the underlying demand from developing Asian countries, and limited availability of coking coal supplies given infrastructure constraints in the short term.

These changing dynamics within the international markets over recent years renewed the large mining companies justification for moving to quarterly contracts for their coking coal supply to the steel producers. A more liquid market now means the vast majority of contracts are settled on a quarter by quarter basis with increasing quantities also being sold on a monthly basis and on the spot market.

Thermal coal

Unlike coking coal, thermal coal contracts usually cover a 12-month period and as a result the market is more stable. The emergence of strong Indian demand growth in 2011 positively impacted international trade patterns overall. The trade flows from Australia to Japan and Korea also recovered during the year following the Japanese earthquake and subsequent move away from nuclear generation. High growth markets such as India, along with renewed investment in electricity plants in developed countries including Germany and Poland, will ensure that coal will remain an important fuel source for the worlds electricity supply.

Regional coal markets

Coking coal

The market for coking coal in the CEE region will always be driven by steel production in the area. A relatively strong rebound by the regional steel producers at the beginning of the year was followed by growing uncertainty about the future direction of steel demand given the macroeconomic outlook. The steel output in our region including the Czech Republic, Germany, Poland, Slovakia and Austria, increased by 2.3 per cent in 2011 compared to 2010.

Germany's strong industrial performance during the year demonstrated the importance of quality export driven manufacturing. The Czech Republic has been one of the best performing markets this year. Car production in the Czech Republic, for instance, grew by an estimated 21.2 per cent compared to 2010 whilst steel consumption per capita increased towards the levels of more developed economies. Construction activity in the region grew and in particular Poland's ambitious infrastructure expenditure continued for much of 2011.

The demand and price for coking coal in the region reflected these steel dynamics during the year. Prices in the region are progressively being influenced by the international seaborne price but will continue to be somewhat insulated due to the long distance to major sea ports as well as local infrastructure constraints.

Thermal coal
For thermal coal, prices and demand remained stable in the CEE during the year since there has been little shift in the source of electricity and heat production. Germany's decision to gradually close all its nuclear power plants in response to the Japanese crisis has further enhanced the share of coal in the energy mix in the region as the country looks to import more electricity from neighbouring countries. As shown in the following charts, Poland's electricity demand is similarly expected to rely heavily on coal with over 90 per cent of its electricity coming from this source.

Coke markets
Like coking coal, coke reflects the performance of the steel industry. The market in Europe is further characterised by the supply and demand balance between the merchant and integrated producers with the merchant coke makers subject to volatile swings in demand and prices as the market quickly moves in response to the business cycle. There is also a distinction between the two types of coke produced. Blast furnace coke is used in blast furnaces where pig iron from iron ore is produced. Foundry coke on the other hand is used mainly in larger furnaces where cast iron from iron, scrap and other metallic components is produced as well as basalt-based insulation material. There is generally a tighter market in Europe for foundry coke which means it therefore commands a higher price than blast furnace coke.

Competitive environment
NWR is the only hard coal producer in the Czech Republic and competes with hard coal producers in Poland to serve customers across the region. The Group is the second biggest producer of coking coal in the region overall and the fourth biggest thermal coal producer. It was also the first coal mining company in the CEE to be privatised with further privatisations of Polish mining companies in subsequent years now promoting a more transparent and competitive environment.

These coal producers supply a well-established steel industry in the region, which in turn supplies the manufacturing and construction industries. The long term viability of manufacturing in the CEE is very much dependent on this reliable supply of good quality coal to the steel industry. The high quality of steel manufacturing is reflected in the fact that steel operations in the CEE region remain amongst the most competitive in Europe and have received significant investments in recent years. They are usually considered last when the multinational steel companies are looking to cut back production.

Production of coal in the region has consistently fallen over the last decade as reserve depletion has led to deeper mines and ever more complex mining conditions. In addition, continued demand for coal-fired power generation and a strong automotive industry, utilising locally sourced steel, supports the dynamics of thermal coal, coking coal as well as coke. On the supply side our competitive position is insulated by structural underinvestment in the regional coal industry together with supply constraints upon imported coal products.

Since the Group's stock exchange listings, NWR has invested heavily in modern mining techniques to access reserves safely and maintained a strong competitive position within the region.

Outlook
Continuing uncertainty amongst global financial markets prevails and overall economic indicators reflect sustained risk aversion in many areas of the real economy. Confidence in financial systems remain fragile due to the sovereign debt crisis.

The risks associated with a continuation of the sovereign debt crisis, recession pressures and a demand slowdown will drive mainstream investor confidence, particularly in the context of continued speculation about a challenge to the Euro.

The EU's instability however masks a strong outlook for the countries in emerging Europe of which many are core to NWR. Long term investment by the automotive sector and steel companies in the region, together with steel production forecast to grow by 2.5[7] per cent next year, provides a resilience to NWR's markets and price outlook.

The 2012 growth forecasts for Poland and the Czech Republic partially mitigate the economic contagion associated with some countries in the Eurozone. Volatility in markets is likely to be a feature of 2012 but the opportunities which this may present for investors in more stable industries should be positive.

Growth

Our growth strategy is focused on two main areas: first by way of accessing new areas from our existing mines to sustain our production volumes and quality mix over time; and secondly, through the development of organic growth projects, with Dębieńsko being the most high profile of our development initiatives.

Additionally, we continue to believe in the long term rationale for consolidation in the Central and Eastern European coal sector, and monitor developments in the region for potential acquisitions. Our strong financial position gives us the flexibility needed to react quickly to a prospect. We retain a disciplined approach to acquisitions, carefully considering the opportunities in line with Company objectives.

Coal basins in Poland and the Ukraine

1. Lower-Silesian Coal Basin
2. Upper-Silesian Coal Basin
3. Lublin Coal Basin
4. Lvov-Volynsk Coal Basin
5. Donetsk Coal Basin

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[7] Source: Czech Statistical Office

Upper-Silesian Coal Basin

Development projects overview

A - Dębieńsko

- Strategic growth project
- 190 million tonnes of reserves
- Expected coal mix of 7/8 coking coal and 1/8 thermal coal
- Expected coking coal mix of 2/3 hard coking coal and 1/3 semi soft coking coal
- First coal expected in 2017
- Average yearly production of 2 million tonnes
- Total costs of EUR 544 million: EUR 411 million of development CAPEX and EUR 133 million pre production operating costs
- 3 longwall sets operational with one spare
- Expected mining unit costs of EUR 70/t[8]
- Project manager: NWR KARBONIA

B - Karviná project 1 - Karviná

- Extension of current operations
- Development of current reserves
- Expansion project at the Karviná Mine
- Aim to extract more than 20 million tonnes of coking coal via existing Karvina Mine
- Project manager: OKD

C - Karviná project 2 - Orlová-Výhoda

- Extension of current operations
- Development of current reserves
- Expansion project into the Orlová-Výhoda district in the Karviná area
- Aim to extract approximately 10 million tonnes of coking coal from the site
- Project manager: OKD

D - Shaft deepening projects

- Extension of current operations
- Development of current reserves
- Expansion project at the ČSA mining site of the Karviná Mine
- A further 312 metres underground; total depth to reach approximately 1,270 metres by 2015
- Shaft sinking at the Lazy mining site of the Karviná Mine
- Project manager: OKD

[8] In 2011 prices.

E - Frenštát

- Long term project
- 1.6 billion tonnes hard coal resource
- 4-year exploration process underway
- Project manager: OKD

F - Morcinek

- Long term project
- Granted a 12-year exploration license in 2003 for Morcinek 1
- Granted additional 6-year exploration license for Morcinek 2 in 2008
- Project manager: NWR KARBONIA

Risk management at NWR

Risk management approach

NWR's system of risk management ensures an effective approach to identifying risks and mitigating their impact on the achievement of company objectives. Risks are controlled and managed within the relevant operational areas in which they occur. It is the responsibility of every NWR entity to actively manage its own risks. Local management is responsible for identifying, assessing and mitigating risks with the support of risk managers.

Risk management approach

Risk identification

A consistent approach to risk identification is key to effective management. All risks are documented by the Group Risk Manager in the Group Risk Register. Updated regularly, this information includes the factors influencing the risks, the respective risk owners, potential impact and likelihood and the status of mitigation measures. At a subsidiary level, all relevant detailed information related to the specific risks is collated and maintained to ensure appropriate monitoring and mitigating action, where required.

Risk evaluation

We evaluate annually identified risks based on possible economic and non-economic impact and likelihood. The adequacy and effectiveness of internal controls are taken into account at each evaluation.

Risk response

Based on the risk evaluation, the Group's risk managers, in cooperation with relevant regional management teams formulate required responses and ensure that the right risk owners within the Group are involved in the development and implementation of necessary response measures. Examples of these responses can be found further in this section.

Risk reporting

All progress on risk identification, evaluation and response is documented and monitored by the NWR Risk Manager.

Risk management update

On an ongoing basis, current activities and processes in the area of risk management are evaluated to identify any necessary implementation of new risk analysis and management measures. All implemented responses are regularly monitored and action is taken as necessary.

Further information on NWR's approach to risk management can be found in the Corporate Governance section on page 49 onwards of this report and in the Group Risk Management Policy on our corporate website www.neworldresources.eu.

Specific risk areas in 2011

In 2011, specific areas of risk that we focussed on included:

- Health and safety risks

NWR operates in some of the most demanding geological conditions for mining coal in the world, and thus safety remains a key priority. The tragic loss of five of our employees in 2011 again highlighted the importance of further understanding and mitigating against challenging conditions in line with NWR's long term goal of minimising the risk of safety incidents. Following the two fatal accidents caused by rock bounces in July, NWR assessed the increased risk of rock bursts and implemented additional and stricter safety procedures to identify such risks at an early stage. Amongst these measures are the extension of protected zones, installation of new equipment to better identify increasing stress areas, and providing special and more specific personal protective gear for the workers mining in the more bounce prone areas. In addition, we are working together with other international experts to analyse appropriate bounce prevention initiatives.

- Economic environment uncertainty

We closely monitored the various European sovereign debt crises and the macro economic climate throughout 2011. As part of the business plan for 2012, NWR conducted a scenario analysis, working on identifying and actively reducing its exposure to a possible severe crisis in the Eurozone and its potential knock-on effect on our business. Through identifying potential cost cutting and cash preserving measures as well as ensuring a strong balance sheet and debt optimisation, NWR is well prepared to take additional necessary steps forward to mitigate against region-specific volatility.

- Pricing risks

Coal and coke prices have been affected by various factors recently, among which are the changes in pricing dynamics, volatility in the world markets and the global economic downturn. Importantly, in 2011, NWR Group moved to quarterly coking coal pricing to align the business with international coal trends and move the risk exposure away from regional coking coal price development towards global price development.

- Licensing risks

It is crucial for NWR to have a clear view of all factors related to obtaining and keeping the required licenses and permits for its operations. Our development project in Dębieńsko, where we broke ground in 2011, has increased adherence to international regulatory dynamics representing numerous licensing and regulatory challenges.

Principal risks and uncertainties

Set out below are the principal risks and uncertainties relating to the Group together with the primary source, the potential impact on the business and the mitigation measures.

Market risks

Economic environment uncertainty

Source

The global economic situation remains subject to significantly abnormal levels of volatility based on historic performance and the economies of the CEE region are exposed to this unstable situation. The main factor directly influencing NWR is the Group's exposure to the steel industry.

Impact
Worsening economic conditions globally and in the CEE region in which we operate have a significant negative impact on the steel industry, and thus may affect the demand for coal and coke products. This may in turn have a negative impact on NWR's revenues.

Mitigation
We closely follow all economic developments, both worldwide and in the region, to ensure that we are prepared to take any necessary steps. NWR cooperates closely with its suppliers and customers to ensure flexibility and to minimise impact.

Throughout and after the economic downturn of 2008/09, NWR developed increased structural efficiencies which resulted in greater operational flexibility to manage its investment schedule, costs and cash flow in order to improve resilience to challenging economic pressures. We have a prudent gearing policy, strong liquidity and a sound funding profile whereby there is no short term need for refinancing given the first maturing part of current financing being in 2015.

Pricing risks
Source
Volatility in the regional steel and energy markets affects both prices of our inputs as well as selling prices of out products.

Impact
A decrease in coal and coke prices may have a significant negative impact on NWR’s revenues. An increase in input prices can cause a significant increase in input costs. Both factors could adversely affect NWR’s financial performance.

Mitigation
We have long term framework agreements in place with respect to sales volumes with customers and suppliers. These agreements, as well as the annual and quarterly price/supply agreements, are reviewed periodically, ensuring medium term stability in sales levels of our products.

On the input side, the benefits of the investments in efficiency and safety have increased, to a certain extent, our flexibility in operating costs and production.

Customer concentration risk
Source
A substantial proportion of NWR’s coal and coke is sold to a small number of customers.

Impact
Volatility in the steel and energy markets could cause a significant decrease in demand for coal and coke or even a loss of specific customers for NWR. The loss of one or more significant customers, or the inability to collect payments from such customers, could have a disproportionate effect on our financial results and performance.

Mitigation
Our long term framework contracts ensure a reasonable level of predictability and security on our future ability to sell the produced coal and coke. Renegotiation of quarterly and annual contracts ensures that we continue to have mutually convenient sales agreements in place in terms of pricing and quality. This is crucial for the good long term relationships with our customers, to whom we provide a complete and reliable service including product blending and transportation. In addition, we regularly monitor our markets for new customers and sales opportunities.

Currency fluctuation risks
Source
Our activities take place in different countries, resulting in sales and costs in various currencies, mainly the Euro, Czech Koruna and Polish Zloty. Fluctuations in the respective exchange rates of these currencies can affect the Group in a variety of ways.

Impact

As our costs are largely in Czech Korunas, while revenues are a mixture of Czech Korunas and Euros, our financial results can be significantly affected by the appreciation of the Czech Koruna versus the Euro. Changes in the exchange rate of the Polish Zloty may also have a significant effect on our development projects in Poland.

Mitigation

NWR actively manages exposure to currency fluctuations and interest rate volatility by applying various financial instruments such as FX forwards and rate swaps. The time horizon of these instruments matches the forecasted and contracted exposure as close as possible.

Interest rate volatility

Source

Our activities are financed by a mixture of floating rate debt and fixed rate bonds with different maturities. Volatility in interest rates can affect the Company in a variety of ways.

Impact

Increases in mainly Euribor interest rates may have a significant effect on the cost of our existing floating rate debt finance.

Mitigation

NWR has entered into various financial instruments such as interest rate swaps to decrease the exposure to interest rate volatility. The time horizon of these instruments matches the maturities of the Group's debt and thus offers an appropriate mix of exposure to fixed/floating interest rates in the short-term. In the longer term, the Group is fully hedged against interest rate risk.

Strategic risks

Managing our future growth profile

Source

While NWR has a significant reserves base, it requires new reserves and development opportunities in order to maintain and develop its future growth profile. Next to these long term development projects, NWR also needs to develop hard coal reserves in its existing mining areas.

Impact

If NWR is not able to acquire and develop growth opportunities, it is limited in creating long term value for its shareholders.

Mitigation

We currently have three organic growth projects, Dębieńsko, Morcinek and Frenštát, with Dębieńsko being the most prominent.

NWR applies stringent policies in the preparation and management of all our development projects, conducting detailed feasibility studies and hiring world-class experts and contractors for mine development projects.

NWR has built a solid and stable foundation for its business, from which it is well positioned to take advantage of regional acquisition opportunities to strengthen its position. NWR continues to see the long term rationale of consolidation in the region with Poland as its primary target, and continues to monitor the market for potential investment opportunities.

Operational risks

Geological conditions

Source

NWR’s mining operations are among the deepest coal mines in the world with an average depth of around 980 meters. The geological conditions are subject to unpredictable events that can significantly impact these operations.

Impact

Geological conditions at these depths may lead to increased operational risks and potential disruptions to production due to unforeseen occurrences, resulting in a need to change mine plans in order to access other less hazardous strata.

Mitigation

We have invested significantly in state of the art mining technology, and continuously monitor its performance and analysing the geological conditions in and around our mining areas.

Health and safety risks

Source

The industry within which NWR operates is both hazardous and exceptionally challenging in terms of the underground conditions, leading to a physically demanding working environment for our employees.

Impact

Failure to ensure effective health and safety procedures as well as the inability to properly respond to health and safety issues can result in fatal accidents, injuries, production disruption, reputational damage and fines.

Mitigation

NWR regards health and safety as a priority and is committed to long term continuous improvement of its safety performance, ensuring that appropriate and proactive measures are taken on safety issues. We have significant experience of preventing and dealing with mining accidents and have mining rescue units on standby at all mining locations at all times. To ensure the best possible safety environment for employees, we continue to invest in safety improvements each year by way of mining equipment/protective gear renewal/investment and regular training. Additionally, NWR utilises modern mining techniques and rigorous processes to prevent and manage those safety risks which cannot be avoided.

Lack of qualified workforce

Source

We need to attract and retain sufficient skilled employees to meet our operational needs.

Impact

If we are unable to attract and retain new skilled employees as well as maintain appropriately trained current employees, operational inefficiencies and a potential inability to fully capture the Company's growth potential could arise.

Mitigation

NWR aims to attract and retain a younger workforce through a number of initiatives including liaison with local education institutes and programmes, apprentice schemes and the hiring of college graduates. The importance of training and developing its current employees plays an integral part in NWR's operations, with continous training forming an embedded part of our corporate culture. Comprehensive training is also provided in conjunction with equipment manufacturers.

In addition, employees are entitled to receive a number of above-standard benefits pursuant to the Collective Agreement, signed by OKD’s senior management, and the relevant trade unions for the period 2010 – 2012. The main benefits provided to mining employees include contributions to supplementary pensions, insurance schemes, contribution to life insurance and rehabilitation care, as well as a range of performance and loyalty related bonus arrangements.

Monthly targets such as the amount extracted and the progress of development works determine performance-related remuneration. Mining employees are compensated periodically according to their performance, miners receive their performance bonuses monthly whilst management receive yearly bonus payments.

Social and Environmental risks

Environment-related risks

Source

NWR's operations affect the environment in many ways. Inadequate preventative and remedial actions could lead to environmental damage being caused by our activities and fossil fuels contribute to greenhouse gas emissions during both extraction and end use.

Impact

NWR's activities can cause material damage to communities near its operations, the surrounding environment and the broader ecology, as well as adversely impacting our corporate reputation.

Mitigation

Management of the environmental impact of the operations and activities is critical to minimising damage to the environment. We apply best practice operating and mining processes that reduce the effect on the environment. In cases where the Company cannot avoid some environmental impact, we continue to focus on the reclamation of land affected by our work, co-ordinating activities with local organisations and governments to ensure appropriate rehabilitation.

Impact on communities

Source

NWR is the third largest private employer in the Czech Republic and interacts directly with local stakeholders on a number of levels. Consequently, there is a heightened sensitivity locally to any potential social or economic impact that results from our actions.

Impact

Inadequate response to local and regional stakeholders' needs and initiatives may adversely impact the Company's corporate reputation. Such an impact may influence our ability to further develop our operations.

Mitigation

NWR maintains meaningful and open relationships with local governments, organisations and its trade unions. We contribute to the development of the communities near our operations at all levels and aim to minimise any possible negative impact our operations may cause for these communities.

Legal and regulation risks

Licensing risks

Source

The ability to obtain, prolong and renew licenses and permits is a vital issue for us and qualification for appropriate permits may become more onerous in the future depending on any regulatory changes. Cross-border (Czech Republic-Poland) developments may increase the regulatory burden upon the Company.

Impact

Domestic and international laws and regulations and possible changes may therefore limit NWR in its activities or constrain profitability.

Mitigation

We are in close contact with local, regional and national government bodies in the Czech Republic and Poland, and actively cooperate in developing a sustainable business model that takes into account the needs and requirements of the regions in which we operate. NWR monitors political, regulatory and social developments closely and maintains a regular dialogue with local, regional and national governments to ensure compliance with all relevant current and future laws and regulations in the industry.

Business Review

Highlights

As a result of our cautious approach to cash management, we retained a strong balance sheet in 2011 despite the deteriorating macro econcomic climate, and going into 2012, our solid financial position and high level of liquidity will allow us to focus our energies on managing our core business, expanding our existing footprint and developing our principal growth project at Dębieńsko.

We paid an interim dividend of EUR 0.16 per A share and proposed a final dividend of 0.07 bringing the total dividend for 2011 to EUR 0.23 per A share. This is in line with our current dividend policy of distributing 50 per cent of consolidated annual net income over the course of the business cycle.

Financial Review

Overview

In the difficult macroeconomic environment of 2011 NWR delivered one of its strongest financial performances underpinned by a disciplined approach to cost control and continuing focus on the fundamentals of the business. Our total revenues for 2011 increased by 3 per cent year on year to EUR 1,633 million mainly as a result of increased revenues from both thermal and, to a lesser extent, coking coal. Total EBITDA for the year was EUR 459 million compared to EUR 464 million in 2010.

Due to our very stringent cost control, unit costs of EUR 82 per tonne for the coal segment and EUR 60 per tonne for the coke segment were broadly on target, a significant achievement given rising input cost inflation during the year. CAPEX was also well controlled and fell by 12 per cent during the year to a total of EUR 194 million.

Basic earnings per A Share for 2011 were EUR 0.50 (EUR 0.86[9] for 2010).

Coal

Revenues in the coal segment rose by 11 per cent to EUR 1,509 million. The main driver of revenue for the coal segment was the positive pricing environment, particularly for coking coal during the first half of 2011, although this was limited by a lower than expected proportion of coking coal in the product mix. We increased revenues from coking coal by 8 per cent to EUR 800 million and thermal coal revenues by 27 per cent to EUR 437 million during the year.

The average coking coal price for 2011 was EUR 181 per tonne, an increase of 29 per cent, while the average price for thermal coal was EUR 70 per tonne, a 12 per cent increase over 2010.

Coal production for 2011 of 11.2 million tonnes and total external coal sales at 10.6 million tonnes slightly exceeded our full year coal production target of 11.0 million tonnes as well as the coal sales target of 10.3 million tonnes, as we took advantage of a strong thermal coal market in the last quarter to increase the thermal coal volumes. Indeed, we saw significant growth in demand for thermal coal during the year overall and into 2012.

Coke

Demand for merchant coke was strong early in the year but deteriorated in the second half of the year as the macro-economic situation became shakier. The fall in coke sales volumes to 555 kilo tonnes for 2011 (1,100 kilo tonnes in 2010) was a result of our earlier decision to modernise and concentrate all coke production at a single site and the weak coke market in the second half of the year. The average achieved coke price of EUR 365 per tonne represents an increase of 33 per cent year-on-year. However, this increase in prices was more than offset by the decrease in sales volumes, and coke revenues for the year fell by 33 per cent to EUR 202 million.

[9] Includes EUR 82 million one-off gain from the sale of NWR Energy and EUR 23 million positive tax refund.

Operating expenses

Our total operating expenses, net of other operating income and gain/loss from sale of material and property, plant and equipment ('PPE'), for the year including depreciation and amortisation increased by 10 per cent from EUR 1,260 million in 2010 to EUR 1,389 million.

Mining unit costs during 2011 increased broadly in line with our targets by 12 per cent on a constant foreign exchange basis to EUR 82 per tonne (EUR 71 per tonne in 2010). This increase in costs reflected significant input cost inflation resulting from higher European steel prices, electricity prices, and increased contractor costs as well as continuing mine development and the scheduled maintenance of mining equipment. Personnel expenses increased by 2 per cent on a constant currency basis, reflecting a 4 per cent increase in basic wages in 2011.

Despite the 23 per cent decrease in production, the coke conversion costs per tonne have fallen significantly, by 17 per cent year on year, to EUR 60 per tonne, in line with our targets. This decrease in unit costs is due to the concentration of our coke production in one facility at the end of 2010 which has had the desired effect in terms of cost optimisation.

Operating cash flow and CAPEX

Operating cash flow after working capital movements and before taxes and interest increased to EUR 382 million, up 5 per cent compared to FY 2010. Net operating cash flow for FY 2011 was EUR 258 million, 18 per cent lower than in FY 2010 due to increased interest payments as well as higher income tax payments.

Total CAPEX for 2011 was down 12 per cent to EUR 194 million. Maintenance and safety-related CAPEX for both the mining and the coking segments accounted for approximately EUR 100 million, while EUR 90 million was invested in operational improvements and the development of existing operations.

CAPEX spend on our Dębieńsko project in 2011 was approximately EUR 5 million, which predominantly consisted of engineering, project planning, land purchases and other pre-development costs for the project. We expect CAPEX to rise significantly during 2012 to EUR 40-50 million as we ramp up development of the project, having broken ground in December 2011.

While the POP 2010 capital investment programme was completed in 2010, we continue to see benefits from the investments made in new machinery which requires less ongoing maintenance and replacement of technology.

Exchange rates

The relevant exchange rate for us is the Euro/Czech Koruna. The Czech Koruna appreciated by 3 per cent during the year to an average exchange rate of CZK/EUR 24.59. Our policy is to hedge 70 per cent of our foreign exchange cash flow exposure in order to provide sufficient clarity and predictability to our ongoing business. The move to quarterly rather than annual pricing for coking coal means that we now make more frequent adjustments to our hedging positions throughout the year.

Over time, with the development of the Debiensko project, we will start to see exposure to the Polish Zloty where we expect to adopt the same hedging policy. We do not to expect this exposure to be very significant during 2012.

Financial expenses and taxes

Net financial expenses decreased by 22 per cent to EUR 89 million in 2011. Both financial income and financial expenses decreased, mainly as a result of lower currency effects. In 2010, the financial expenses were also impacted by fees and interest expenses related to the proposed Lubelski Węgiel „BOGDANKA" Spółka Akcyjna acquisition, as well as fees related to the repayment in full of the Senior Secured Facility.

NWR recorded net income tax expense of EUR 57 million in 2011, compared to a EUR 31 million net expense in the same period of 2010, which included a one-off tax refund associated with the reversal of the Czech tax authority's position on certain interest expenses that were previously deemed non tax-deductible.

Liquidity and capital resources

As a result of our cautious approach to cash management, we retained a strong balance sheet with EUR 391 million net debt and EUR 537 million of unrestricted cash at the end of 2011. This, together with our safe debt maturity profile, enables us to provide necessary financing for our Debiensko growth project and to take advantage of any potential M&A opportunities in the Central European region should they arise.

Due to the ongoing uncertainty in the Eurozone, we have been extremely conservative with regard to managing our cash during 2011. To this end, we have modified the cash flow instruments we use and reduced our exposure to the European banking sector which was perceived as risky. Furthermore, to strengthen our financial position we put in place a revolving credit facility of EUR 100 million in February 2011. At the end of the year we chose to fully draw down the funds, although we had no immediate funding needs, in order to prevent the facility becoming unavailable to us in future. We intend to repay this loan once we become more comfortable with the situation in the Eurozone.

Our net debt at the end of 2011 was EUR 391 million, up 22 per cent from 31 December 2010, mainly due to the payment of the final dividend for the 2010 financial year (EUR 58 million and EUR 40 million B shares dividend) and the interim dividend for the 2011 financial year (EUR 43 million).

We currently have two outstanding bonds, with the nearest significant maturity not due until 2015, when the outstanding EUR 258 million Senior Notes mature. During 2011, we bought back EUR 10 million of these bonds and we might continue to do this on a small scale as and when they become available.

During 2012 we will continue to watch the markets closely so we are able to take advantage of opportunities either to raise new financing or to refinance our debt as they arise.

Dividends

We paid an interim dividend of EUR 0.16 per A Share and proposed a final dividend of 0.07 bringing the total dividend for 2011 to EUR 0.23 per A share. This is in line with our current dividend policy of distributing 50 per cent of consolidated annual net income over the course of the business cycle.

Redomiciliation

We successfully completed our reincorporation in the United Kingdom during 2011 at a cost of approx. EUR 6.5 million. As a result of the redomiciliation process, NWR Plc became eligible for inclusion in the FTSE 250 index as well as the FTSE 350 Mining index and thereby increased the Group's visibility and exposure to international investor community. As the timing of the redomiliciation coincided with a period of extreme uncertainty and risk aversion in the equity markets which particularly affected commodity companies, we remain confident about the benefits of the process for shareholders of the company in the longer-term.

Outlook

Going into 2012 our solid financial position with a robust balance sheet and high level of liquidity will allow us to focus our energies on managing our core business, expanding our footprint and developing our growth project at Dębieńsko.

Our financial position also stands us in good stead to face any potential recessionary scenarios in the Eurozone and remain focused on the longer-term goals of our business. Additionally we have built flexibility into our mining production plan for 2012 so we are able to accelerate or reduce production depending on demand for our products. Given the significant shortage of both coking and thermal coal in Central Europe, we do not expect coal volumes to be impacted by a severe economic slowdown although this may have an impact on prices. We expect to produce between 10.8 and 11.0 million tonnes of coal in 2012.

As we have again seen in 2011, demand for coke is more sensitive to the economic environment. Our production target for coke for 2012 is 700 kilo tonnes, compared to 770 kilo tonnes produced in 2011. We will continue to sell a higher proportion of foundry coke which provides more value added and has a more diversified customer base.

We continue to target very stringent cost control for 2012 and our guidance is for flat mining unit costs year on year on a constant exchange rate basis.

We expect CAPEX in 2012 to be around EUR 250 million, including EUR 40-50 million of CAPEX for the Debiensko project as we ramp up development of the mine during 2012. The ongoing CAPEX in our current operations will be used mainly to finance incremental underground development work aimed at maintaining production volumes and improving the coal mix. Further it includes expenditure for replacement and renewal of longwall sets, development sets, maintenance of mining equipment, as well as safety-related CAPEX.

Furthermore, we continue to believe that there is significant potential for consolidation in our region. While we are not currently actively pursuing any options, our strong financial position means that we have sufficient financing strength should an opportunity present itself in the course of the year.

Marek Jelínek

Executive Director and Chief Financial Officer

Coal

Highlights

- Total coal production of 11.2 million t.
- Thermal coal revenues up 27 per cent to EUR 437 million.
- Coking coal revenues up 8 per cent to EUR 800 million.
- Less then 8 lost-time injuries per million hours worked – our best safety record to date
- Fundamentals for both coking coal and thermal remain attractive in our region in the long-term.

Coking coal revenues

	2008	2009	2010	2011
Million EUR	860	449	739	800

Thermal coal revenues

	2008	2009	2010	2011
Million EUR	352	351	343	437

Coking coal prices[10]

	2008	2009	2010	2011
EUR	137	87	141	181

Thermal coal prices[11]

	2008	2009	2010	2011
EUR	69	72	63	70

Mining cost per tonne

	2008	2009	2010	2011
EUR/t	74	66	71	82

NWR Group's significant investment in new equipment in recent years has enabled us to better face the challenging environment of deep level mining in our region. The long term outlook for both coking and thermal coal remains positive. In markets such as Germany and Poland, the outlook for thermal coal usage has been positive by comparison to alternatives such as nuclear and is forecasted to continue to be so in the coming years.

Our safety and production performance, independently from economic headwinds, clearly demonstrate our on going operating efficiencies.

Highlights 2011

2011 has been a year in which the Coal business performed in line with our expectations and which, compared to previous years, reflects a more regular operating pattern. The scale of early investment made in new equipment over recent years has led to significant improvements in the performance of the business enabling us to better face the challenging environment of deep level mining in our region.

[10] Average sales price per tonne.

[11] 2008 figure includes transportation costs.

Work around difficult geological conditions in the deposit remained a focus in 2011 in order to meet robust demand from our customers in the Central and Eastern European market. Despite the difficulties associated with mining at over 1,000 metres underground NWR continues to successfully access further areas that would have previously been impossible to reach safely.

Safety

Safety plays a pivotal role in our decision-making and is a key company performance metric. Mining LTIFR[12], the industry-wide safety indicator, improved in relation to our mining operations by 16 per cent to 7.87 - the best result in NWR's history. Major enhancements in safety performance have already been realised, although we remain committed to continuous improvement of the existing positive trend. Our health and safety standards are comparable with the levels reported by other major international mining companies. Given the relative complexities of the geology in which we mine, we remain committed to working further on our safety protocols for continuous steady improvement in the coming years.

Fatalities have regrettably occurred this year and we were saddened by the tragic loss of five workers. Two of these incidents were caused by ‘tectonic stress releases’, which could not have been predicted, or prevented and our commitment to move towards zero fatalities remains absolute. Further internal and external expertise in the area of tectonic stress release is included in all of our mining activities to help mitigate against these bounce issues and NWR, as one of the world’s deepest-level coal mining companies, remains committed to developing practices to address these particular issues.

Markets

The main market development for coking coal during 2011 was the move to quarterly pricing, reflecting the impetus to move to shorter term pricing by the industry as a whole. Such a move has provided NWR with a greater level of parity with global coking coal prices. The long-term benefits of this move are as yet uncertain.

For thermal coal the demand dynamic over the year has improved and the signals from core electricity generators, in markets such as Germany, have been positive for coal usage by comparison to alternatives such as nuclear energy.

Coking coal prices peaked in the second quarter, although the deteriorating macroeconomic environment in the second half of the year has affected our coking coal customers and led to a reduction in coking coal prices. However, we have not experienced a dramatic change in the Central European region compared to previous years, and much of the underlying activity remains stable.

Looking ahead, the near-term outlook remains uncertain in terms of coking coal prices and we remain cautious on the near-term prospects of the regional steel industry, which has been affected by the wider European economy and the sovereign debt crisis. Nevertheless, we remain confident in the long-term fundamentals of the region given the significant manufacturing base and structural shortage of coking coal in the area.

Operational performance

Our safety and production performance in spite of the economic headwinds clearly demonstrate our ongoing operating efficiencies. The emergence of listed regional coal mining peers provides additional quarterly assessment of our comparative performance, which we see as a useful development.

Sales

Coking coal

External coking coal sales in 2011 reached 4,4 million tonnes and comprised approximately 53 per cent hard coking coal and 47 per cent semi-soft coking coal.

[12] Lost Time Injury Frequency Rate represents the number of reportable injuries after three days of absence divided by total number of hours worked expressed in million of hours and includes contractors.

Since April 2011, 100 per cent of our coking coal sales have been priced on a quarterly basis in line with international markets. Average coking coal price in 2011 was EUR 181 per tonne, an increase of 28 per cent, taking out the impact of reclassification of PCI coking coal.

Given the ultimate consumer of PCI coking coal is the steel making industry, we started to classify its sales as coking coal as of 1 January 2012, in line with industry practice.

The average agreed price of coking coal, including PCI coking coal, for delivery in the first calendar quarter of 2012 is EUR 142 per tonne, a decrease of 13 per cent compared to the fourth quarter realised price and in line with developments in the global coking coal markets. This average price is based on expected Q1 2012 coking coal sales of approximately 54 per cent hard coking coal, 38 per cent semi-soft coking coal, and 8 per cent PCI coking coal.

Thermal coal

NWR sold 6.2 million tonnes of thermal coal in in 2011. Thermal coal sales in the period were approximately 77 per cent coal, 6 per cent PCI coking coal and 17 per cent middlings.

We sell 100 per cent of our thermal coal volumes on a calendar year basis and the average price agreed for thermal coal sales for the 2011 calendar year was EUR 70 per tonne, an 11 per cent increase excluding the impact of reclassification of PCI coking coal.

The average price agreed for thermal coal sales for the 2012 calendar year is EUR 74 per tonne, an 11 per cent increase compared to the 2011 average realised price and reflects strong regional demand for thermal coal as a source of power generation. This average price is based on expected calender year 2012 mix of 82 per cent thermal coal and 18 per cent middlings.

Costs & revenues

Revenues for the coal segment increased by 11 per cent to EUR 1,509 million mainly due to higher realised prices for both coking and thermal coal, and increased thermal coal sales volumes.

Main operating expenses for the coal segment increased by 13 per cent excluding the impact of currency movements to EUR 1,017 million. This increase was mainly driven by continuing mine development, as well as higher input prices of energy and steel, scheduled maintenance of mining equipment and increased costs for contractors and personnel.

Mining costs per tonne, which do not include the cost of transportation, rose by 12 per cent compared to FY 2010 excluding FX fluctuations, mainly due to the cash cost inflation detailed above, as well as 2 per cent decrease in production.

The coal segment generated EBITDA of EUR 483 million, a 10 per cent increase on the comparable period of 2010. The EBITDA margin remained flat at 32 per cent and EBITDA per tonne of production was EUR 43, up 12 per cent from the comparable period in 2010. The total coal production per coal segment employee (including contractors) reached 666 tonnes of coal in 2011.

Reserves

One of the largest, richest sources of hard coal in Central Europe, the Upper Silesian Coal Basin underpins the long-term sustainability of our mining operations in the region. Our JORC reserves from our four Mines were 195 million tonnes and 190 million tonnes from our Dębieńsko site in Poland as at 1 January 2012. Our total JORC reserves were 385 million tonnes as at 1 January 2012.

Efficiency enhancement

A number of further steps have been taken to continue to improve efficiency during the year. The Continuous Improvement Programme and the PERSPective 2015 ('PERSP2015') initiative have been central to improving production performance and cost control. PERSP2015 refers to a range of measures to maximise the utilisation of the POP 2010 mining technology acquired in 2008-2009, in turn improving productivity whilst still replacing older production equipment as part of a regular replacement cycle. Throughout 2011 we allocated financial and management resources to the Continuous Improvement Programme, the aim of which is to encourage the submission by employees of innovative ideas and suggestions which help promote efficiency and safety measures, as well as achieving additional cost savings which in 2011 amounted to approximately EUR 12 million. The programme also exemplifies the co-operation between the Company and its employees.

Further enhancement to our infrastructure is the focus of the next stage of improvements. This activity relates to the mining operations as well as to areas including the supply and handling of material at both the surface and underground.

Gate road development between the Darkov and Karviná Mines

A connecting gate road development was initiated between the Darkov Mine and the Karviná Mine during spring 2011. Completion of the project, including the installation of belt haulage systems to facilitate the transportation of coal and other materials underground is scheduled for the second half of 2013 and will lead to the optimisation of OKD's preparation plant capability.

Outlook

The principal challenges for our mining operations in the coming year and beyond are the market environment in which we operate, and the nature of our deposits. As a result, our priority remains safety first, coupled with productivity improvements.

In relation to productivity improvements, further exploration of our existing mining areas is central to sustaining our production volumes and quality mix over time as the reserves are depleted. The principal projects we are currently working on include the expansion of the Karviná Mine to access adjacent coal reserves. Another ongoing project is the gateroad development between the Karviná and Darkov Mines, which is designed to facilitate the transportation of coal and other materials underground. In addition to the installation of new central air conditioning equipment at the Karviná Mine, we also continue to replace out-dated gateroad equipment with modern technology as part of the standard replacement cycle.

During the second half of the year, we announced our intention to explore the Frenštát deposit. This process will take four years to complete, after which we will be in a stronger position to outline the nature and quality of this reserve base, and thereafter, we will decide on the feasibility of developing the resource safely.

At the end of 2011 NWR announced the official ground breaking at the Dębieńsko Mine in southern Poland; we expect the first coal out of the deposit by 2017. For more details on our growth projects please refer to pages 36.

Klaus-Dieter Beck
Executive Director of NWR[13], Executive Director of NWR Plc, Chief Executive Officer of OKD and Chairman of the Board of Directors of OKD

[13] Mr. Beck had served as a director of NWR NV, but following the UK redomiciliation he resigned with effect from 6 May 2011.

Coke

Highlights

- Maintained position as the largest producer of foundry coke in Europe.
- Newly constructed battery No.10 fully operational.
- Coke conversion cost per tonne reduced by 17 per cent driven by modernisation of our coke production facilities in a single plant.

Coke revenues

Year	2008	2009	2010	2011
Million EUR	333	105	303	202

Coke prices[14]

Year	2008	2009	2010	2011
EUR/tonne	302	149	275	365

Coke conversion cost per tonne

Year	2008	2009	2010	2011
EUR/tonne	59	84	70	60

OKK maintained its position as the largest producer of foundry coke in Europe. With the newly constructed coking battery No. 10 fully operational serving a diverse range of customers, production is now significantly enhanced: less energy intensive and requiring lower maintenance. As a result our coke unit conversion costs were 17 per cent lower, excluding the impact of currency movements, than a year ago.

Our operations have been successfully restructured and our strategy for the future is focussed on maintaining premium coke quality whilst managing costs.

Coke highlights of 2011

2011 has been a milestone year for the coke business with progress on all fronts, which leaves the business well positioned for the future as the industry continues to face uncertain times. At the beginning of 2011 we completed the transfer of all production to one facility, at Svoboda, and this concluded our large-scale investment programme, COP 2010.

As a result, we have significantly reduced costs, transformed safety and further reduced the impact of our operations on the environment. Unlike our previous configuration, the new plant is able to produce the full range of coke products with foundry coke being the higher-margin product.

Our operations have been successfully restructured and future capital expenditure in OKK will not match the magnitude of recent years. Our strategy for the future is focused on maintaining premium coke quality and managing costs rather than developing new capacity.

Safety

Safety continues to be an important focus for OKK and, given the nature of our 24-hour, 365-days-a-year operations, we are pleased to have achieved major improvements this year.

This achievement is underpinned by our comprehensive system of training and communication, which involves regular training for technicians, supervisors and foremen, and discussions with our internal staff and contractors. We have invested in the latest technology to include breathing apparatus and safety fuses for benzole absorption coolers.

Operational performance

Coke production in 2011 was 770 kilo tonnes - lower than in 2010 principally due to the planned closure of the outdated Jan Sverma coking plant, which reduced the Company's coke production capacity.

[14] Average sales price per tonne.

The consolidation of our production has significantly enhanced our cost position and coke unit conversion costs were 17 per cent lower than in 2010, excluding the impact of currency movements, on a constant currency basis, as our new production is considerably less energy intensive and requires lower maintenance costs than running the older plant.

One other significant advantage of our new facility is the ability of all four batteries to produce both foundry and blast furnace coke, giving us the ability to change production schedules to meet demand. This has proved to be a great asset during 2011 as we have been able to react flexibly to the changing market environment and increase the proportion of foundry coke in our production and sales mix.

Coke sales

Coke sales for 2011 were approximately 67 per cent foundry coke, 23 per cent blast furnace coke, and 10 per cent other types.

Coke prices are set quarterly and the the average realised sales price during 2011 was EUR 365 per tonne, an increase of 33 per cent compared to the previous year.

Costs & revenues

Revenues for the coke segment decreased by 31 per cent to EUR 237 million, as the increase in prices was more than offset by the decrease in sales volumes, due to our reduced coke capacity, as well as due to weak demand for merchant coke in the second half of 2011.

Main operating expenses for the coke segment decreased by 10 per cent in 2011. Excluding the impact of currency appreciation, main expenses for the coke segment decreased by 12 per cent in the period, as lower production was partly offset by the increased unit price of coking coal.

Despite the 23 per cent decrease in production, coke conversion costs per tonne, which exclude the cost of coal inputs and transportation, decreased by 17 per cent, excluding the impact of currency movements, driven by the modernisation and consolidation of our coke production facilities in a single plant.

Challenges

In the second half of 2011 the European coke market tightened, which affected our performance and prompted us to lower our coke sales guidance for the full year 2011. Some coke customers from the steel industry have their own captive coking facilities and use third-party coke merchants to supplement supply when necessary. When steel producers’ utilisation capacity decreases, a major challenge for any stand-alone coke merchant like OKK is that steel makers with captive supply do not buy its products. Even when coke unit production costs are relatively low, customers prefer to maintain their own production rather than mothball their coke plants and buy third-party coke.

Whilst independence from any single customer enables OKK to serve a relatively diverse variety of customers, it still means that we are dependent upon the dynamics of the European coke market. In times of weak customer demand OKK stockpiles coke as many customers reduce stock levels in order to lower their working capital requirements.

Continuous Improvement Programme (‘CIP’)

OKK has been successful in linking the performance of the business as a whole to the actions of individuals. Under the CIP initiative, OKK employees are eligible for financial rewards in return for improvements in quality, simplification and/or reduction in the costs of working processes. Monthly remuneration includes the individuals' wage, which is directly proportionate to the performance of each particular employee in the given period. During 2011, the CIP delivered savings of around EUR 2 million.

Environmental

During the year we succeeded in our application to the Czech Ministry of the Environment for the reconstruction of the quenching tower no. 2 for coking batteries nos. 9 and 10 with the objective of further reducing emissions of solid pollutants. During 2012 we intend to reconstruct the dust exhaust of flue gases at the coke separation facility no. 6 to further reduce solid pollutant emissions.

In addition to dust suppression and waste removal measures successfully taken during 2011, we commissioned an independent study on the identification and/or elimination of possible sources of secondary dust nuisance, the re-suspension of dust particles and the further prevention of leaks. This research will be completed in 2012 when we will look further into the economic and technical viability of the outcomes as we endeavour to improve the impact of our operations on the environment. During the years 2012 and 2013 a benzole washing unit will be reconstructed.

As a major industrial operation in the region, OKK regularly cooperates with the Czech Ministry of Environment and related authorities on ways to ease the environmental impact of our operations. In reviewing the Moravian-Silesian Regional Authority, Integrated Pollution Prevention and Control ('IPPC') conditions, on the recommended tightening emission limits applicable to coke production processes, the paper will be reformulated into new operational criteria following a mutual agreement with OKK.

2012 Outlook

The demand for merchant coke continues to be weak in the European market. We expect to produce 700kt and sell 600kt of coke in 2012. Coke unit conversion costs are expected to increase, in line with an expected 9% decrease in production in 2012.

Michal Kuča
Director of OKK and Chairman of the Board of Directors of OKK

Development Projects

Highlights

- Dębieńsko project progressing to plan with ground breaking in December 2011.
- Karvina Mine expansion projects progress to access adjacent coal reserves.
- Shaft deepening projects underway to access reserves further underground.
- Continued exploration works at Morcinek.
- Announced intention to explore Frenštát.

Our growth strategy aims to capitalise on the strong supply and demand dynamic of the region by developing our current mining operations whilst also capturing new opportunities. In 2011, we broke ground with our Dębieńsko project in Poland, the first new mine to have been built in the Upper Silesian Coal Basin for twenty years. For the longer term we are also exploring new resources in the region at Morcinek and Frenštát.

Our decision to proceed with various projects reflects our confidence in the quality of our reserves and the long-term strength of demand across both coking and thermal coal markets in the area.

Our approach to development projects

Development projects are a key part of our strategy as they serve to underpin the long-term future of our operations. Our decision to proceed with various projects reflects our confidence in the quality of our reserves and the long-term strength of demand across coking coal markets in the area. Our development projects are located in the Upper Silesian Coal Basin, both in the Czech Republic and Poland, giving us the added advantage of using our regional mining expertise.

Our approach is to address regional issues that affect our license to operate. We adhere to strict EU legislation governing mining and environmental practices and look to action the concerns of local communities. We therefore approach development projects with the view that they must be viable from both the business and the social responsibility perspective. Our adherence to best practice social responsibility is described in detail in our Sustainability Report 2011.

We divide our development projects into three major groups – strategic, near- term and long- term - reflecting the respective stages of the projects, their timelines and the level of investment.

Strategic projects: Dębieńsko – our largest growth project

NWR’s Board of Directors gave its final approval for the Dębieńsko project in June 2011 following the completion of a Detailed Feasibility Study. Dębieńsko, located in southern Poland, will be the first new mine to have been built in the Upper Silesian Coal Basin for twenty years.

Project overview

NWR holds a 50-year mining license, granted in 2008, to extract coal from Dębieńsko. We started preparing the site and putting together a team of both international and regional experts during 2011 and reached a key milestone in the process with the ground-breaking in early December 2011.

In 2010 we applied for an amendment to this license licence to enable us to mine additional coal reserves in Dębieńsko and we expect to secure an the amended license licence during 2012, following completion of the environmental review.

Total coal reserves at Dębieńsko amount to 190 million tonnes, of which seven eighths is expected to be coking coal and the remainder thermal coal. Two thirds of the coking coal is expected to be hard coking coal and one third semi-soft coking coal. Initial coal production is scheduled for 2017 and full production of roughly 2 million tonnes per annum will be achieved shortly after.

We are investing a total of EUR 544 million in the project of which EUR 411 million is development CAPEX and EUR 133 million will cover pre-production operating costs. These operating costs include maintenance of the existing shafts and mine workings, and the operation and maintenance of the electrical and water-pumping infrastructure, as well as the ventilation system. Once operational the mine will employ around 2,000 people, including contractors. We plan to finance the project using a combination of our own cash and debt.

Progress during 2011

We made good progress at Dębieńsko during 2011. We began work on the portal opening (technically referred to as a 'box cut') for one of the two planned slopes. We also signed the contracts necessary to start work on the excavation of Slope 1 scheduled to start in June 2012.

A number of the senior operational management positions were filled during 2011 and we have employed a strong team of international consultants to work alongside us on this landmark project. Furthermore, we commenced detailed technological planning for the consecutive elements of the entire underground access project, and are undertaking on going engineering studies using both global and local experts.

Outlook for 2012

We will complete the technological planning for the underground elements of the construction by June 2012 and begin work on the mine construction, which will include the excavation of Slope 1 and the surface infrastructure of the mine. We expect work on Slope 2 to begin by the end of 2012.

Additionally, we will start work on the existing shaft modernisation, which we plan to complete by the end of 2013. This shaft will supply fresh air into the mine, as well as being used to transport employees and materials.

Importantly, we expect to receive further environmental permits and an amended licence, which will allow us to mine additional seams.

Near-term projects: development of current mines

We use the phase 'near -term projects' projects' to describe growth options opportunities which related to our existing mines. These deposits are included in our current JORC reserve base and help to sustain production volumes and quality, as well as improving overall returns by extending the life of our mines.

We are currently working on the expansion of the Karviná Mine to access adjacent coal reserves, a project that we aim to complete by 2016. This venture will allow us to access hard coking coal deposits through horizontal development of the Karviná Mine, and consists of two principal projects: Project Karviná and Project Orlová-Výhoda.

During the year, OKD representatives met with all relevant parties who would be affected by this activity to explain the rationale behind the plans, and to come to a common agreement. We are currently in the process of submitting the necessary paperwork for the projects to the Czech Ministry of Environment in line with the Environmental Impacts Assessment ('EIA') law.

Project Karviná

In autumn 2011, we entered into negotiations with the City of Karviná regarding an extension to our mining activities in the area. We aim to extract more than 20 million tonnes of coking coal from the area via the existing Karviná Mine.

Project Orlová-Výhoda

In 2011, we announced our intention to extract hard coal from the Orlová-Výhoda district, a town in the Karviná region. We are currently waiting on the conclusion of the submitted EIA as well as other regulatory approvals which will allow us to extract approximately 10 million tonnes of coking coal from the site.

Shaft deepening projects

In December 2011 we began work on the deepening of one of the shafts at the ČSA section of the Karviná Mine. Estimated to be completed by 2015, a further 312 metres will be excavated to bring the total depth of the shaft to approximately 1,270 metres below the surface.

Additionally, preparations and tenders for the deepening of two shafts at the Lazy section of the Karviná Mine are underway. We expect to reach a further 475 metres underground, bringing the total depth to approximately 1,346 metres. The shaft deepening project is expected to take five years to complete from the start of the excavations.

Long-term projects: exploring new resources – Morcinek and Frenštát

Our long-term projects are at the preparation stage or are undergoing geological surveys. This means that resources in those locations are not included in our JORC classification, and by surveying the resources we will be able to prepare more detailed information on future activity.

Morcinek

Morcinek, another development project in southern Poland, is a mothballed mine, which was last mined in the late 1990s and is a longer-term project for NWR. We were granted a 12-year exploration licence in 2003 for Morcinek 1, the mine, which has since been closed and an additional six-year licence for a second area, Morcinek 2, in 2008 in order to document the reserves. We drilled one borehole in 2011 and are now drilling the second of four exploration boreholes designed to delineate the area.

Following completion of the drilling and geological work we will apply to have the reserves included in Poland's official list of reserve bases. If this application is successful we will look to undertake an environmental impact assessment with a view to applying for a mining licence in the area.

Frenštát

In September 2011 we announced our intention to further explore the hard coal deposit at the Frenštát Mine site. This resource is not part of our current JORC reserve base and is estimated to be approximately 1.6 billion tonnes of coal. The exploration process is expected to take four years to complete, after which we will have a clear understanding of the mine and will decide on the feasibility of developing the resource.

The Frenštát Mine site is located in the northeast of the Czech Republic. The two shafts at Frenštát were built in the 1980s but were never brought into operation. Under the Czech Mining Act, NWR is obliged to maintain and look after the mine in order to prevent degradation, in particular of the technical conditions, dewatering and safety.

Ján Fabián

Chief Operating Officer of NWR, Vice Chairman of the Board of Directors of OKD and Chief Executive Officer and Chairman of the Board of Directors of NWR KARBONIA

Sustainability

Highlights

- NWR operations LTIFR improved by 8 per cent in 2011. Over the last four years mining LTIFR has fallen substantially by 40 per cent.
- Time dedicated to staff training increased 376 per cent from 2008 to 2011.
- Total energy consumption down approximately by 10 per cent in 2011.
- Voluntary employee turnover rate[15] further decreased to 1.17 per cent in 2011.
- NWR Group's Corporate social investment reached EUR 7.88 million in 2011.
- Recycling of water in 2011 reached 49.6 per cent, increased by 11 per cent in 4 years.

NWR continues to focus its efforts on the four pillars of sustainable development; corporate governance, employee welfare, environment and community. Reflecting the importance we attach to sustainability as an integral part of our business strategy, we have this year commenced reporting our sustainability performance in accordance with the internationally recognised GRI (Global Reporting Initiative) standards. Our aim is to set the benchmark for sustainability in the regional mining industry.

In 2011 NWR concluded its first year reporting sustainability performance in accordance with the Global Reporting Initiative ('GRI') and published its first annual Sustainability Report for the year.

Strategy

By its very nature, coal mining will always have an impact on the environment, and on the people who live nearby. That is why we are ever mindful of our responsibilities as we seek to expand our available coal reserves at our existing mines, develop new mines and pursue merger & acquisition opportunities. Indeed, it is incumbent upon us to go far beyond 'box ticking' compliance; in the course of our business we must maintain a working dialogue with the Czech, Polish and European Union regulators of our industry, with the local politicians who represent the towns and regions where we operate, and with the national politicians who legislate.

Sustainable development is integral to the business strategy of NWR. Ensuring that our business is economically and environmentally sustainable enables the NWR Group to maintain its social licence to mine coal and produce coke. We continuously monitor and evaluate the impact of our activities in order to effectively manage the sustainability of our business.

The long term success of the NWR Group depends strongly on maintaining a broad social licence to operate. We target:

- the sustainable and responsible use of natural resources that we mine and process;
- minimising the environmental impact of our activities by thorough planning of our coal and coke production, efficient execution and responsibly managing the landscape; and
- sustaining jobs within and bringing wider benefits to the local communities where we operate.

By openly communicating our activities and aspirations, the NWR Group seeks to be an engaging and reliable partner for all stakeholders.

Stakeholder dialogue

When preparing reports on sustainable development, we followed the procedure recommended by the GRI. Those priority areas which stands at the forefront of the interest of our stakeholders are grouped in four pillars of sustainable development - corporate governance, our people, environment protection and relations with community - with an emphasis on safety.

Sustainability reporting

NWR Group publishes its first GRI compliant Sustainability Report, which measures NWR Group's performance through non-financial indicators. In line with the Company's aim to focus on corresponding activities, we intend to issue a Sustainability Report annually, shortly after the release of its Annual Report and Accounts.

Related information online at www.newworldresources.eu/sustainability

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[15] Voluntary employee turnover rate includes OKD and OKK.

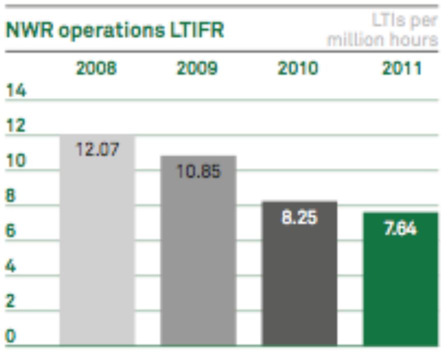
The four pillars of our approach to sustainability are corporate governance, the safety and welfare of our people, care for the environment and good community relations. Detailed goals and performance indicators are set within each of these pillars.

Our people

Caring for our employees across safety, healthcare, working environment, appropriate remuneration and training, is a top priority. Every year NWR invests considerable amounts of time and money in improving employee safety and training.

NWR operations LTIFR

NWR operations Lost Time Injury Frequency Rate (LTIFR) represents the number of reportable injuries after at least three days of absence divided by total number of hours worked expressed in millions of hours and includes contractors.

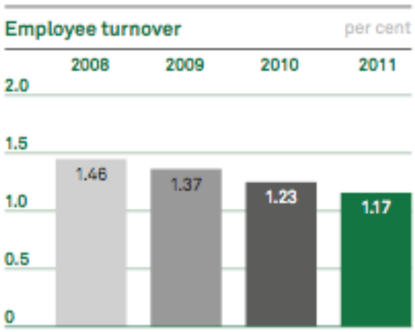


Performance

As a result of our focus on safety, the introduction of new mining technology and safety training and education we have succeeded in reducing the LTIFR by more than 7 per cent since 2010 and by over 37 per cent in the last 4 years. Our goal is to further reduce our LTIFR to 5 by 2015.

NWR operations employee turnover

Employee turnover rate is calculated using the end of year total figure of employees who have left the organisation voluntarily (adjusted for employees having left due to dismissal, retirement or for health reasons).



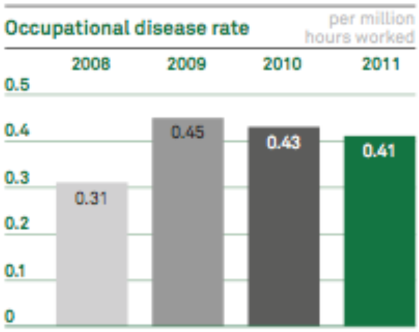
Performance

Our aim is to maintain low voluntary employee turnover rates in order to reduce any negative impact this may have on productivity or recruitment costs.

Our HR policy, benefits and motivation programmes have succeeded in reducing employee turnover by approximately 25 per cent in 4 years.

NWR operations occupational disease rate (ODR)

The frequency of occupational diseases relative to the total time worked by the total workforce in the reporting period.



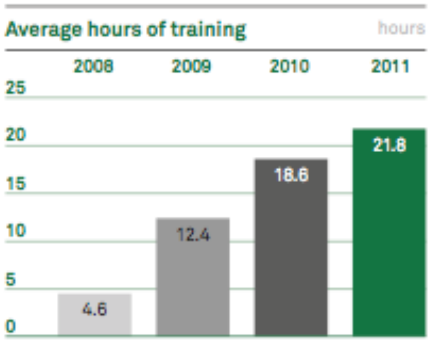
Performance

We focus our efforts on providing vitamins, recuperation breaks and rehabilitation care, all of which have proved to be key elements in maintaining low levels of ODR.

We have recorded continuous improvements in ODR, which has been reduced by 7% since 2009.

NWR operations average hours of training per year per employee

Average hours of training per employee is calculated as the total number of hours dedicated to training divided by the average number of employees in the reporting period.



Performance

The time we dedicate to training and education has increased by 376 per cent in last four years. Training has a key role in improving human capital and preventing safety and health risks. It is also closely linked with new automated and computer controlled mining and development technology installed in POP 2010.

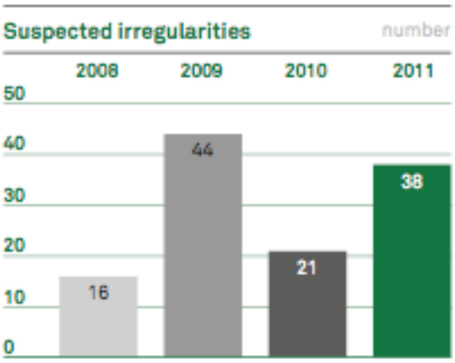
Sustainability Report 2011
www.newworldresources.eu/sustainability
Sections Our people, Scorecard, Strategy, Case study – Safety, GRI Content Index (LA indicators)

Corporate governance

We are committed to maintaining high standards of corporate governance, taking into account international best practice requirements. Reflecting the importance we attach to sustainability, the Health and Safety Environment Committee was transformed into the Safety, Health and Sustainability Committee during 2011 with broader sustainability issues in its focus.

NWR Group suspected irregularities

Number of suspected irregularities (phenomena) reported within our established whistleblower procedure which is part of NWR's Code of Ethics and Business Conduct.



Performance

The significant increase in suspected irregularities reported between 2010 and 2011 is due to the introduction of new reporting criteria.

In 2011 we report the number of incidents while in 2010 we reported the number for suspected irregularities. One suspected irregularity may consist of two or more incidents.

Sustainability Report 2011
www.newworldresources.eu/sustainability
Sections Corporate Governance, Strategy, Ethics and society, GRI Content Index 4.1 – 4.10, HR indicators)

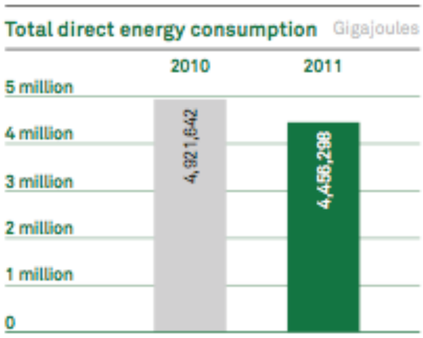
We keep in regular contact with all of our stakeholders who include our employees, investors, analysts and shareholders, community, governmental and municipal authorities, suppliers, customers and educational institutions.

Environment

Mining, by its nature, affects the environment in a number of ways. We are aware of the impacts our activities have on the environment wherever we operate. To mitigate these we pay particular attention to water consumption, waste management, emissions and to biodiversity, in the form of our land reclamation projects.

NWR operations total direct energy consumption

Total direct energy consumption (in gigajoules, GJ) includes direct primary energy purchased and produced minus direct primary energy sold.



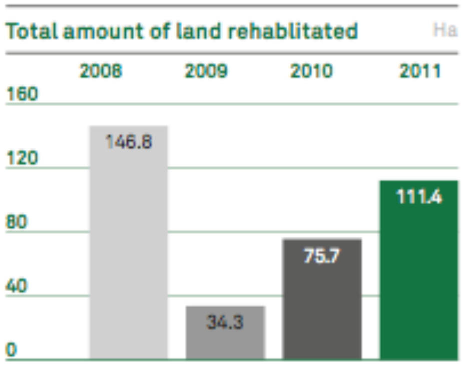
Note: The total direct energy consumption is not available for 2008 and 2009 due to unavailability of reportable audited date to significant change in reporting base.

Performance

Total energy consumption decreased approximately 10 per cent in 2011 (reported in GJ) mainly due to the lower consumption of compressed air (OKD) and thermal energy (OKD, OKK). This decrease was driven by the substitution of compressed air with more efficient electricity.

NWR operations total amount of land rehabilitated

Subject to land rehabilitation (reclamation) is the area influenced by mining activities.

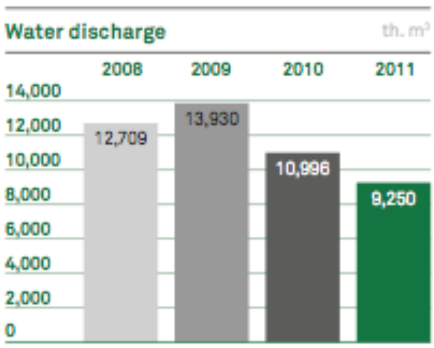


Performance

The total amount of and rehabilitated in reclamation projects is performed in accordance with 'Comprehensive rehabilitation and reclamation plan' for a five year period which is to be updated each year. The plan is regularly submitted to the Ministry of the Environment for approval. The total amount of rehabilitated land planned for year 2012 amounts to 28.6 hectares.

NWR operations water discharge

The sum of water effluents discharged over the course of the reporting period to subsurface waters, surface waters, sewers, treatment facilities, and ground water.



Note: estimate for 2011

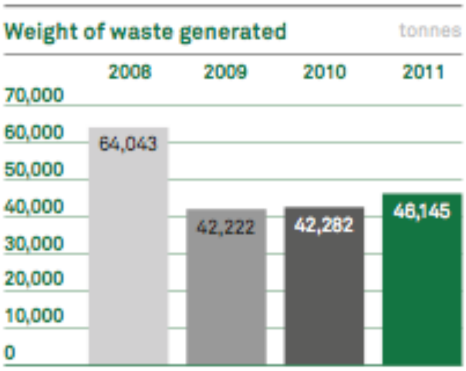
Performance

We continuously strive to reduce total water discharged by increasing the volume of recycled water in our mining operations.

Recycled water accounted for 49.6 per cent of the total volume discharged in 2011 and this proportion has been increasing continuously since 2008.

NWR operations weight of waste generated

The total weight of generated waste includes the total volume of hazardous waste and non-hazardous waste defined by the Czech legislation.
Non-hazardous waste contains all other forms of solid or liquid waste excluding waste water.



Performance

The total weight of generated waste increased in 2011 due to the higher production of scrap steel resulting from the decommissioning and replacement of old equipment with new technology under the POP 2010 and PERSP2015 programmes.

Scrap steel is considered as a recyclable material.

Sustainability Report 2011
www.newworldresources.eu/sustainability

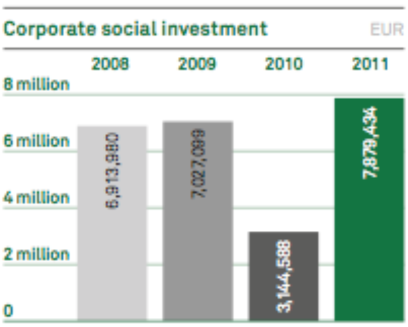
Sections Chairman's statement, Environment, Scorecard, Strategy, Case studies Responsible Mining Practices throughout the Life Cycle , GRI Content Index (EN indicators, MM indicators)

Community

NWR maintains close relationships with the communities in which we operate and aims to develop mutually beneficial partnerships. We also invest significantly in social, cultural, sporting and educational activities wherever we operate.

Corporate social investment (CSI)

Investments spent primarily on social issues in the form of donations or sponsorship, excluding benefits for employees. NWR CSI includes resources provided for projects from the following areas: Community development (OKD Foundation), Enterprise and job creation (scholarships, support of schools), Health (OKD Foundation), Culture (OKD Foundation), Education (donations), Environment (funds provided beyond the law requirements), Sport (sponsorship). NWR do not support political parties.



Performance

We are committed to social investment at both a corporate and operational level. The volume of investment is influenced by the prevailing economic situation of the industry.

The significant increase in CSI in 2011 is driven by donations to the OKD Foundation which increased 232 %.

We rank amongst the largest private donators in the Czech Republic.

Sustainability Report 2011

www.newworldresources.eu/sustainability

Sections Chairman’s statement, Community, Scorecard, Strategy, Case studies Responsible Mining Practices throughout the Life Cycle , GRI Content Index (SO indicators, MM indicators)

Corporate Governance

In 2011, NWR successfully completed its redomicilation to the United Kingdom through a share exchange offer, replacing NWR NV with NWR Plc as the Group's holding company, enabling FTSE Index Series eligibility and reaffirming the Group's commitment to the highest standards of corporate governance and control.

Following the UK Redomiciliation, through which the burden of the day-to-day governance of the Group has shifted to NWR Plc, the Board of the Company has been restructured, with seven Directors resigning. In order to safeguard in the interest of the shareholders (in particular the minority A Shareholders) as well as other stakeholders, the Board retains a majority of Independent Non-Executive Directors. As part of this reincorporation process, the Company made a number of amendments to its governance documents, including the abolishment of all the Board Committees except for the Real Estate Committee. To complete the reincorporation, NWR Plc initiated a squeeze out process relating to the remaining minority stakes in the Company.

Board of Directors and Senior Management

There were ten Board meetings. The below table outlines the attendance record for NWR before and after the UK Redomiciliation in 2011. The Board meetings after the UK Redomiciliation were held as joint meetings with the board meetings of NWR Plc.

	NWR prior to UK Redomiciliation	NWR after UK Redomicilation[1]
Mike Salamon	6	4
Marek Jelínek	6	4
Klaus-Dieter Beck	6	N/A
Zdeněk Bakala	4	N/A
Peter Kadas	5	N/A
Hans Mende	4	N/A
Pavel Telička	6	N/A
Kostyantin Zhevago	2	N/A
Bessel Kok	6	N/A
Hans-Jörg Rudloff	4	3
Steven Schuit	5	4
Paul Everard	6	4
Barry Rourke	5	4

[1] Following the reincorporation of NWR the Board of Directors was restructured, with seven Directors resigning. In order to safeguard in the interest of the shareholders (in particular the minority A Shareholders) as well as other stakeholders, the Board of Directors retains a majority of Independent Non-Executive Directors.

1. Mike Salamon, Executive Chairman of the Board of NWR

Mike Salamon was appointed as a Director and Executive Chairman of NWR on September 1, 2007. Following the UK Redomiciliation, Mr. Salamon also serves since 8 April 2011 as a director and executive chairman of the board of directors of NWR Plc. Mr. Salamon also serves as a non-executive member of the board of directors of OKD, co-president of AMCI Capital and non-executive director of Central Rand Gold, Gem Diamonds and Ferrexpo plc. He has extensive knowledge of the international mining and extractive industries. His career spans more than 30 years, the latter part of which was spent with BHP Billiton, the world's largest diversified resources company.

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

2. Marek Jelínek, Executive Director and Chief Financial Officer of NWR Group

Marek Jelínek was appointed as a Director of NWR on March 6, 2007. He has also been a member of the board of directors of OKD since his appointment on November 1, 2007. Following the UK Redomiciliation, which he successfully lead, Mr. Jelínek is now employed as Chief Financial Officer by NWR Plc and since 8 April 2011 also serves as an executive director on the board of directors of the same company. Before that (since March 2007), he was employed as Chief Financial Officer of NWR. In his capacity as Chief Financial Officer, Mr. Jelínek is responsible for the restructuring activities within the NWR Group, the build up of NWR's headquarters team, including the Group-wide finance and treasury functions. In 2007 and 2008, Mr. Jelínek led the Group's bond issue and the successful initial public offering in London, Prague and Warsaw. Between March 2009 and March 2010, Mr. Jelínek was a non-executive director of Ferrexpo plc. Mr. Jelínek was a director of BXRP a.s. (formerly RPG Advisors, a.s.) from 2005 to 2006. He joined BXR Group in December 2004 as financial officer and was responsible for a variety of areas including group financing, restructuring and divestitures. Prior to that, Mr. Jelínek served as an analyst and associate of the Corporate Finance department at Patria Finance, a Prague based investment banking boutique, from 1995 to 2004, where he managed merger and acquisition transactions for domestic and international clients. Mr. Jelínek graduated from the Anglo American College in Prague in 1995 with a Bachelor of Science degree in Business Administration.

3. Hans-Jörg Rudloff, Independent Director

Hans-Jörg Rudloff was appointed as a Director of NWR on September 11, 2007. Following the UK Redomiciliation, Mr. Rudloff also serves since 8 April 2011 as a director on the board of directors of NWR Plc. Since 1998, he has served as chairman of Barclays Capital. Prior to that, he was chairman of MC-BBL Eastern Europe between 1995 and 1998. Mr. Rudloff was chairman and CEO of Credit Suisse First Boston Ltd from 1989 to 1993, and Member of the Executive Board of Credit Suisse Zurich. Between 1968 and 1980, Mr. Rudloff served at Kidder Peabody International, where he became chairman in 1978. In 1980, he was also nominated to the board of Kidder Peabody Inc. New York. Mr. Rudloff is currently Vice Chairman of Rosneft. Mr. Rudloff also served as Chairman of the International Capital Market Association from 2005 until May 2011. He was Vice Chairman, member of the audit committee and head of the compensation committee of Novartis from 1996 until 2011 and Chairman of BlueBay Asset Management Ltd from 2001 to 2010. He has also been am advisory board member of Thyssen Bornemisza Group since 1995, ABD Capital SA since 2003, Energie Baden-Wurttemberg since 2000 and Landeskreditbank Baden-Wurttemberg since 1993. Mr. Rudloff is a Chairman of the Marcuard Group, a privately held asset management group of companies. Mr. Rudloff graduated from the University of Berne in 1965 with a degree in Economics. (German, 11 October 1940)

4. Steven Schuit, Independent Director

Steven Schuit was appointed as a Director of NWR on November 20, 2007. Following the UK Redomiciliation, Mr. Schuit also serves since 8 April 2011 as a director on the board of directors of NWR Plc. He is also currently a part-time professor of International Commercial and Financial Law at Utrecht University and a part-time professor of Corporate Governance and Responsibility at the Strategy Center of Nyenrode Business University. He is also currently a member of the supervisory board of ZBG Capital N.V. and Breevast B.V. and Chairman of Stichting Giving Back. He is currently legal counsel to Allen & Overy LLP in its Amsterdam office, having served as partner to this firm and its predecessor firm between 1976 and 2005. Mr. Schuit has previously been a member of the supervisory board of Numico from 2002–2006. Mr. Schuit graduated in 1969 from Groningen University with a degree in Law and was admitted to the bar in the Netherlands in 1971. (Dutch, 9 October 1942)

5. Paul Everard, Independent Director

Paul Everard was appointed as a Director of NWR on November 20, 2007. Following the UK Redomiciliation, Mr. Everard also serves since 8 April 2011 as a director on the board of directors of

NWR Plc. Between 2001 and 2005, when he retired, Mr. Everard served as deputy president of aluminium for BHP Billiton. From 1994 until 2001, up to Billiton's merger with BHP, he was executive director of Billiton Aluminium responsible variously for strategy, business development, and operations outside South Africa. He joined Billiton in 1974 becoming executive director in 1983, responsible for aluminium. Subsequently, in 1986 he assumed responsibility, as director, for all business performance, strategic planning, research, HSE, and public affairs for the Billiton group.

He began his career with Shell Group in 1963 mainly working in oil marketing in East Africa until his transfer to Billiton. Mr. Everard graduated in 1962 from Cambridge University, and has an MA in Mechanical Sciences. He completed the Advanced Management Program at Harvard Business School in 1979. (British, 6 May 1940)

6. Barry Rourke, Independent Director

Barry Rourke was appointed as a Director of NWR on November 20, 2007. Following the UK Redomiciliation, Mr. Rourke also serves since 8 April 2011 as a director on the board of directors of NWR Plc. He served as an audit partner at PricewaterhouseCoopers from 1984 until 2001. Mr. Rourke is currently an independent non-executive director of 3Legs Resources Plc, Avocet Mining Plc, OJSC RusRailLeasing and Ruukki Group Plc and is also the chairman of the audit committee for each of these companies. He is a member of the Remuneration committee for Avocet Mining Plc, OJSC RusRailLeasing and Ruukki Group Plc and is senior independent director for 3Legs Resources Plc and Ruukki Group Plc. He is an independent member of the audit committee for the Department for Energy and Climate Change and a member of the Coal Liabilities Strategy board for that department. Mr. Rourke is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified as a Chartered Accountant in 1973. (British, 19 August 1950)

7. Klaus-Dieter Beck, Executive Director of NWR, Chief Executive Officer of OKD

Klaus-Dieter Beck was appointed as a Director of NWR since 12 June 2007, but following the UK Redomiciliation he resigned with the effect from 6 May 2011.

8. Zdeněk Bakala, Vice-Chairman and Non-Independent Non-Executive Director

Zdeněk Bakala was appointed as a Director of NWR since 15 August 2006 and was appointed as Vice-Chairman of NWR's Board on 22 October 2007. Following the UK Redomiciliation he resigned with the effect from 6 May 2011.

9. Peter Kadas, Vice-Chairman and Non-Independent Non-Executive Director

Peter Kadas was appointed as a Director of NWR since 15 August 2006 and was appointed as Vice-Chairman of NWR's Board on 22 October 2007. Following the UK Redomiciliation he resigned with the effect from 6 May 2011.

10. Hans Jürgen Mende, Non-Independent Non-Executive Director

Hans Jürgen Mende was appointed as a Director of NWR since 15 August 2006, but following the UK Redomiciliation he resigned with the effect from 6 May 2011.

11. Pavel Telička, Non-Independent Non-Executive Director

Pavel Telička was appointed as a Director of NWR since 11 September 2007, but following the UK Redomiciliation he resigned with the effect from 6 May 2011.

12. Bessel Kok, Independent Non-Executive Director

Bessel Kok was appointed as a Director of NWR since 11 September 2007, but following the UK Redomiciliation he resigned with the effect from 6 May 2011.

13. Kostyantin Zhevago, Non-Independent Non-Executive Director

Kostyantin Zhevago was appointed as a Director of NWR since 28 April 2009, but following the UK Redomiciliation he resigned with the effect from 6 May 2011.

14. Ján Fabián, Chief Operating Officer

Ján Fabián was appointed Chief Operating Officer of the NWR Group in November 2008. As part of his position, he has overall responsibility for the operations of OKK Koksovny and the Polish business operations of NWR KARBONIA S.A. ('NWR KARBONIA'). Mr. Fabián also serves as vice-chairman of the board of directors of OKD where he oversees the strategic planning and organisational development of OKD.

Prior to joining NWR, Mr. Fabián was advising companies from the energy sector, resources, steel, machinery and automotive industries. Major areas of focus included turn-around, privatisation, restructuring and process optimisation strategies. He graduated from the Technical University in Košice, Slovakia in 1988 with a degree in mining and gained a PhD in production optimisation for the underground mining from the Technical University in Berlin in 1998. (Slovak, 2 May 1966)

For the biographies of Messrs. Beck, Bakala, Mende, Telička and Zhevago, please refer to page 62 of the 2011 Annual Report of NWR Plc.

Corporate Governance

Directors

Composition of the Board

NWR has a one-tier Board comprising both Executive and Non-Executive Directors. The Board is presided over by its Executive Chairman, Mike Salamon. As at 31 December 2011, the Board had six members in total. Of these, two were Executive Directors and four were Independent Non-Executive Directors. The reduction of the number of Directors, with seven Directors resigning, followed he UK Redomiciliation through which the burden of the day-to-day governance of the Group has shifted to NWR Plc.

Non-Executive Directors assist in developing NWR's strategy and also monitor the performance of Executive Directors and Group management. Non-Executive Directors are entrusted with such duties as are or will be determined by or pursuant to the Articles of Association or a resolution of the Board.

The Chairman facilitates the work of the Board and ensures its effectiveness in all aspects of its role. Assisted by the Company Secretary, the Chairman is responsible for setting the Board agendas, ensuring that Directors receive all the information and support necessary to carry out their role, including adequate induction and training. The Chairman has authority to act and speak for the Board between its meetings, and, together with the Chief Financial Officer, acts as the main point of contact between Non-Executive Directors and senior management of the Group. The Chairman also decides on certain executive matters once the Board has granted him authority.

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

Role of the Board

The Board sets the Group's strategy and reviews management and financial performance. Its role is to create and deliver strong, sustainable financial performance and long-term shareholder value whilst protecting the interests of NWR Group and representing NWR, holders of A and B Shares (for definition of A and B Shares, please refer to the Articles of Association of the Company) and other stakeholders. It needs to be pointed out that following the UK redomiciliation, the strategic oversight as well as the business making decisions have been transferred to NWR Plc which became the main holding company. Matters specifically reserved for the Board's decision include:

- Approval of the overall strategy and annual budgets of the business;
- Appointment of the Board's Chairman;
- Approval of internal policies (such as the Corporate Governance Policy, Code of Ethics and Business Conduct, Business Integrity Policy, Divisional Policy Statements, Share Dealing Code, the terms of reference of the Board's committees);
- Determination of the nature and extent of significant risks to be taken in achieving the strategic objectives;
- Review of the financial and annual reports; and
- Approval of major transactions, including acquisitions, by NWR and its subsidiaries.

Decisions of the Board regarding a major change in the identity or character of the Company shall be subject to the approval at the Annual General Meeting of Shareholders.

The Board manages the Mining Division and the Real Estate Division. Day-to-day operational decisions relating to these divisions are taken by NWR's employees and overseen by the Board (as described in more detail in the report of the Real Estate Committee on page 61).

Main activities of the Board in 2011

The Board held scheduled meetings regularly during the year and also met on an ad hoc basis as required. In 2011, the Board of NWR met ten times. The six meetings of the Board after the UK redomiciliation were held jointly with the meetings of the Board of NWR.

The main activities of the Board during the year are described below and cover both the activities of NWR and NWR Plc.

The activity dominating most of 2011 was the redomiciliation of NWR in the UK by the means of a share-for-share exchange of shares issued by NWR NV for shares issued by NWR Plc. In a public share-for-share exchange, the shareholders had the possibility to obtain one A share of NWR Plc for each A Share of NWR NV they held. At the same time, the B shareholder exchanged 100 per cent of the B shares in NWR NV for the newly issued B shares of NWR Plc, so that the original shareholding structure with A and B Shares is maintained by NWR Plc. The redomiciliation was undertaken to allow FTSE Index Series eligibility, to raise the profile of the Group with international investors and to demonstrate the Group's commitment to the high governance and control standards. The UK redomiciliation was carefully considered by both the Board of NWR and board of NWR Plc and approved by both. In connection with the UK redomiciliation, NWR Plc has replicated (to the extent possible) the corporate governance principles as well as the committees' charters of NWR. Except for the Real Estate Committee, all other committees of the Company have been abolished with the effect as of 6 May 2011, except for the Sponsorship and Donations Committee with was abolished with effect from 15 September 2011. Changes corresponding to the UK Corporate Governance Code and best practice in the UK have been made, affecting in particular the Compensation Manual (including the Remuneration Policy), charter of the NWR Plc's remuneration committee and prompting the establishment of the new nomination committee at the level of NWR Plc. In line with UK practice, this nomination committee advises on the composition of the Board of NWR Plc, new appointments and also to consider the succession planning for key executives of the Group.

The UK redomiciliation also triggered changes to the existing share-based incentive plans of for the Executive Directors and senior and key employees of the Group – the legacy Stock Option Plan and the Deferred Bonus Plan. The board of NWR Plc has decided to grant equivalent (rollover) options over NWR Plc A shares to the participants of the Stock Option Plan which continue on the same terms and conditions as applied to the options granted originally under the Stock Option Plan. Also, NWR Plc has put in place a Deferred Bonus Plan with terms substantially similar to the terms of a deferred bonus plan operated by the Company before the UK redomiciliation. The original deferred bonus plan of the Company was modified in order that it now grants awards of NWR Plc A shares. A full description of the changes in remuneration and other relevant information can be found in the 'Remuneration Report' on page 80.

In addition to setting the corporate governance standards at the level of the Company in connection with the UK reincorporation, the Board adopted a new Business Integrity Policy to fully reflect its commitment to combat corruption, bribery and fraud. The Business Integrity Policy has been implemented across the Group and is being followed by a set of measures, such as changes to contract documentation, due diligence, trainings and practical guidelines.

Following the UK reincorporation, the board of NWR Plc decided to initiate a squeeze out process with respect to the minority shareholdings in the Company. At the date of this Annual Report, the squeeze out remains on-going.

Given the change in the Group structure, the strategy meeting was held by the board of NWR Plc at the Dębieńsko development site. At this meeting the strategy, business development and critical issues of the Group were discussed. Topics for discussion included the global and regional coal markets and OKD's future, strategic opportunities open to the Group to pursue future growth, in particular in Poland and Ukraine. The strategy for and timing of the Dębieńsko project was discussed in detail as it is fundamental to the growth of the Group.

In November 2011, the board of NWR Plc approved an amendment to the charter of its Health, Safety and Environment Committee, broadening the committee's role in terms of the area of corporate and social responsibilities that it covers and renamed the committee to the Safety, Health and Sustainability Committee.

Attendance at Board and committee meetings

As at 31 December 2011, there was only one committee of the Board – the Real Estate Committee. During the year 2011, there were five other committees of the Board: the Audit and Risk Management Committee; the Remuneration Committee; the Finance and Investment Committee and the Health, Safety and Environmental Committee (now called Safety, Health and Sustainability Committee). Due to the UK redomiciliation, the committees operated as committees of the Company for the first four months of 2011 and committees of NWR Plc for the remaining eight.

All committee members are members of the Board and after the UK redomiciliation of the board of NWR Plc, as applicable. Attendance at Board meetings including the strategy meeting and committee meetings during the year is outlined below. A description of the activities of the committees during 2011 is included in separate reports of the committees. The description of the committees' members, responsibilities and activities, as well as changes thereto, in 2011 covers both the time prior and after the UK redomiciliation. It is to be understood that after the UK redomiciliation, except for the Real Estate Committee, all responsibilities and activities were discharged at the level of NWR Plc to the board of NWR Plc and where reference is made to 'Company', 'Board' or 'NWR', as of 6 May 2011, i.e. as of the effective date of the UK redomiciliation, it is to interpreted as NWR Plc and its board.

Name	NWR Board meetings prior UK Redomiciliation	NWR NV Board meetings after UK Redomiciliation	NWR Plc Board meetings1	Audit and Risk Management Committee	Remuneration Committee	Finance and Investment Committee	Safety Health and Sustainability Committee	Real Estate Committee
	(6)	(4)	(8)	(8)	(4)	(5)	(4)	(5)
Mike Salamon	6	4	6	–	–	Member (5/5)	Member (4/4)	–
Marek Jelínek	6	4	8	–	–	Member (5/5)	–	–
Klaus-Dieter Beck	6	N/A	7	–	–	–	Member (4/4)	–
Zdeněk Bakala	4	N/A	5	–	Chairman (4/4)	Member (5/5)	–	–
Peter Kadas	5	N/A	7	–	–	Chairman (5/5)	–	–
Hans Mende	4	N/A	3	–	–	–	–	–
Pavel Telička	6	N/A	7	–	–	–	–	–
Kostyantin Zhevago	2	N/A	4	–	–	–	–	–
Bessel Kok	6	N/A	7	Chairman (8/8)	Member (4/4)	–	–	–
Hans-Jörg Rudloff	4	3	6	Member (8/6)	Member (4/2)	–	–	–
Steven Schuit	5	4	8	Member (8/8)	–	–	Member (4/4)	Member (5/5)
Paul Everard	6	4	7				Chairman (4/4)	Member (5/5
Barry Rourke	5	4	6	Member (8/8)				Chairman (5/5

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

Until 15 September 2011, the Company also had Sponsorship and Donation Committee to consolidate the donor and sponsorship activities of the NWR Group. The Committee comprised of the Mr. Kok and employees of the Group responsible for this area. In 2011, the committee met twice with all members attending.

Effective as of 6 May 2011, the board of NWR Plc has established the nomination committee. Please see the annual report of NWR Plc for descritption of the work of this committee.

Non-Executive Directors

As from its incorporation the Company has a one-tier board structure with a board of directors (*raad van bestuur*) consisting of executive and non-executive directors.

The Dutch law provides for a two-tier governance structure, i.e. a management board and a separate supervisory board. The Company followed an established practice in The Netherlands to have a structure in the board of directors (*raad van bestuur*), which is similar to a one-tier structure. Although in such cases all members of the board of directors are formally directors (*bestuurders*), the articles of association of the relevant company may provide that certain directors have tasks and obligations, which are similar to those of executive directors and that other directors have tasks and obligations, which are similar to those of non-executive directors. All responsibilities are subject to the overall responsibility of the board of directors.

Board Effectiveness

Director independence

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

Director appointment and re-appointment

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

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

The Directors may be suspended or dismissed at any time by the AGM. Directors are appointed for a term of four years and retiring Directors are eligible for reappointment. The AGM held in April 2011 approved the Board's proposal to reappoint Mr. Beck, Mr. Telička, Mr. Rudloff and Mr. Kok for a second term since they had served as Directors since 2007. The Board will propose reappointment of Mr. Salamon, Mr. Jelínek, Mr. Schuit, Mr. Rourke and Mr. Everard for a second term at the AGM in

2012 since they have served as Directors since 2007. A Director may be appointed for a maximum of three four-year terms. NWR has adopted a retirement scheme for Directors in order to prevent the simultaneous departure of more than one-third of its Directors. Reappointment is not automatic and the Board will not endorse a Director for reappointment if his performance is not considered satisfactory. Retiring Directors who are seeking reappointment by shareholders are subject to a performance appraisal.

Board expertise

The Board has the appropriate skills and experience necessary to discharge its functions. Executive and Non-Executive Directors have the experience required to contribute meaningfully to the Board's deliberations and resolutions, including international operational and financial experience, knowledge of the mining sector and capital markets, as well as command of health, safety and sustainability issues.

Full biographical details of each Director are given on pages 46 to 49.

Information and professional development

Directors receive a tailored induction upon joining the Board. They have full access to a regular supply of financial, operational, strategic and regulatory information to help them discharge their responsibilities. Much of this information is provided in presentations by senior management and the normal management reporting process. They also have access to training and seminars in respect of their duties as Board members.

Directors are also entitled to seek, at NWR's expense, independent professional advice where they judge it necessary. To this effect, the Board and its committees have retained legal, compensation, mining, internal audit and general advisors in 2011.

Company Secretary

The Board has appointed Ivona Ročárková and Lucie Vávrová as Company Secretaries. The Company Secretary is responsible for advising the Board on all governance matters and ensuring that Board procedures and functions comply with relevant laws and regulations, and as such, the Company Secretary administers, attends and drafts minutes of Board meetings, its committees and the general meetings of Shareholders, and discharges such other responsibilities assigned by the Board.

Board effectiveness and evaluation

In 2011, the Board, through NWR Plc, conducted an internal evaluation of its own performance and the performance of individual Directors and Chairmain through an evalution questionnaire completed by all Directors. The results were collected by the Company Secretary who collated the results into a report which was discussed at the nomination committee of NWR Plc and the Board. The evaluation concluded that the Board and Committees performed well and are effective in meeting their objectives and fulfilling their responsibilities. In addition, it was concluded that the vast majority of the Directors' concerns raised in 2009 (during the external evaluation conducted at NWR NV) had been addressed. An external evaluation will be performed again in 2012.

Audit and Risk Management Committee ('ARMC') Report

In connection with the successful UK redomiciliation of the Company, the Audit and Risk Management Committee was abolished and following the resolution of the board of NWR Plc of 8 April 2011, it was established as a committee of NWR Plc with the effect as of 6 May 2011.

Audit and Risk Management Committee members

The ARMC is staffed solely by the following Independent Non-Executive Directors to reflect the independent nature of the work that the Committee undertakes:

- Bessel Kok (Chairman and Senior Independent Director)
- Hans-Jörg Rudloff
- Barry Rourke
- Steven Schuit

In March 2012, the board of NWR Plc has determined that ARMC members have the skills and experience necessary to contribute meaningfully to the ARMC's deliberations. In addition, all members have experience in accounting and financial management.

Main responsibilities

The role of the ARMC is to ensure the integrity of the Company's financial reporting and the audit process and to ensure the effectiveness of the internal audit and risk management systems of the Company. To this end, the ARMC of NWR supports and advises the Board in its work by:

- overseeing the integrity of consolidated financial statements and consolidated accounts;
- reviewing with the Board and auditors the integrity of the financial statements and other formal announcements relating to NWR's financial performance;
- advising the Board on audit, accounting and financial disclosure matters regarding the Real Estate Division of NWR;
- making recommendations to the Board, for it to put to the shareholders for their approval at the Annual General Meeting, in relation to the (re-)appointment and removal of the external auditor;
- approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity, and the effectiveness of the audit process, taking into consideration UK professional regulatory requirements;
- monitoring the provision of non-audit services by the external auditor;
- reviewing the annual audit plan and reports by the external auditor on internal control systems and procedures;
- reporting to the Board on the developments concerning the relationship with the external auditor;
- making recommendations to the Board on the appointment and dismissal of the Group internal auditor, reviewing the remit of the Group internal audit and the annual audit plan, and ensuring that the internal audit function is adequately resourced;
- reviewing the effectiveness of the systems for internal control, compliance, budgeting, forecasting and financial reporting of the Group, ensuring both qualitative and quantitative metrics are used, and procedures for identifying strategic and business risks;
- reviewing reports on any material breaches of risk limits and the adequacy of proposed actions as well as compliance issues;
- advising the Board on conflicts of interests, related party transactions and loans to Directors;
- reviewing the adequacy and security of NWR's arrangements for raising concerns about possible wrongdoing in financial reporting or other matters;
- reviewing NWR's procedures for detecting fraud and bribery (and their prevention) and any breaches arising under the Code of Ethics and Business Conduct and the Business Integrity Policy;
- approving the remit of the risk management function of NWR and ensuring it has adequate independence, resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards;
- monitoring the effectiveness of the Whistleblower Procedure within the Group; and
- advising the Board on proposed strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focusing in particular on risk, before a decision to proceed is taken by the Board.

Activities undertaken during the year

In 2011, the ARMC met eight times. Five times of which (in January, February and three-times in March) as a committee of the Company and three times as a committee of NWR Plc (in May, August and November). NWR's Chief Financial Officer, the Group's internal auditor and the external audit partners observed all meetings of the ARMC, except for two meetings held in March where the UK redomiciliation was discussed. During these two meetings NWR's legal advisers were present. None of the March meetings was attended by the Group's internal auditor. The Group Risk Manager regularly attended the ARMC meetings to walk the ARMC through the areas of the risk which require attention, as necessary accompanied also by the COO and representatives of the operational subsidiaries. In accordance with its rules, the ARMC also met with the external audit partner as well as with the Group's internal auditor without management being present.

Integrity of financial reporting

The ARMC assists the Board in ensuring the integrity of financial reports to shareholders and banks by reviewing the budget, and together with the external auditor, the quarterly and half-yearly statutory and consolidated financial statements, preliminary announcements and related press releases. The ARMC receives regular reports from the Real Estate Committee and the Safety, Health and Sustainability Committee (formerly the Health, Safety and Environment Committee) on their activities to ensure adequate oversight by the ARMC of all key Group risks. The ARMC also regularly receives performance updates, treasury reports and information on the Company's legal affairs, M&A transactions, Group tax position and insurance policies as well as the Annual Report.

The ARMC reports to the Board (now board of NWR Plc) on its discussions and submits its recommendations to the Board for approval

Financial policies

At NWR level, on a consolidated basis, the financial statements are produced under IFRS as adopted by EU whilst the subsidiaries of NWR produce their stand-alone accounts in accordance with the relevant applicable accounting standards. Further to a recommendation of the ARMC, Group financial policies and procedures have been consolidated to enable adequate oversight of internal control over financial reporting and the budgeting process.

External audit

The audit of NWR N.V. is part of the group audit of NWR Group. The group audit of the NWR Group is performed under the authority of KPMG Audit Plc. The audit of the statutory financial statements of NWR N.V. is performed by KPMG Accountants N.V. (hereafther both refered to as KPMG).
NWR is a company incorporated in the Netherlands and its largest operations are located in the Czech Republic and increasingly also Poland, with NWR Plc being a company incorporated in England and Wales. Except for two meetings held in March, the representatives of the external auditor attended all meetings of the ARMC.

The external auditor provides the ARMC with regular status reports on its audit work based on the audit plan which for the year 2011 focused on the evaluation of financial reporting risks and their impact, accounting issues and other areas specific to the Group, including the UK redomiciliation, Group financing structure, impairments for property, plant and equipment, inventories, tax, restoration, mining damages and closure provisions, hedge accounting, employee benefits and share-based payments. In addition, every year the external auditor conducts a preliminary assessment of risks impacting the financial statements, including fraud risks, for the purposes of planning and scoping audit procedures on the financial reporting.

The ARMC is also responsible for reviewing related party transactions against internal policies and procedures. Related party transactions are audited by the external auditor as part of the overall audit. These typically include transactions between the Real Estate Division and the Mining Division, transactions between Group entities and related party transactions of the Board members of the individual Group entities. The external auditor did not identify any significant issues.

The ARMC assesses the effectiveness, objectivity and independence of the external auditor, taking into consideration UK professional regulatory requirements, and has primary responsibility for making recommendations to the Board (now board of NWR Plc), for it to put to the shareholders for their approval at the AGM, relating to the appointment, reappointment and removal of the external auditor. The ARMC is responsible for ensuring that the rotation of the external audit engagement partner is carried out in compliance with best practice and applicable regulation. Following the UK redomiciliation, in May 2011 a rotation of the partners within the external auditor occurred.

The ARMC's assessment of the external auditor includes:

- reviewing and approving the terms of engagement and remuneration of the external auditor;
- reviewing the scope of the external auditor's work;
- assessing the process for the interim review; and
- reviewing and approving the annual audit plan.

The ARMC also monitors the provision of non-audit services by the external auditor to NWR and its subsidiaries and the related fees, in order to preserve the independence of the external auditor. In 2011, the external auditor provided transaction advice in connection with the UK redomiciliation, general accounting advice (incl. initial accounts of NWR) and certain valuation services required by statute in the UK. In the Czech Republic, the external auditor assisted with sustainability reporting and training relating to employee benefits. Being informed of these services, the ARMC concluded that the independence of the external auditor was safe-guarded and the external auditor is taking measures to preserve it.

Management responses to issues raised are discussed with the Chief Financial Officer. The reviews of the ARMC confirmed that all significant matters had been satisfactorily resolved in 2011.

Following this process, the ARMC recommended that the Board puts to the shareholders for their approval the appointment of KPMG Accountants N.V. as the external auditor of NRW N.V. at the AGM on 26 April 2012 in Amsterdam in the Netherlands.

Internal audit

The Group internal audit function was established in November 2008. The Group's internal auditor is responsible for developing and overseeing the implementation of consistent internal auditing policies across the Group, delivering the audit plans and audit assignments, preparing internal audit charters and reporting on Group risk management and internal control. The Group's internal auditor functionally reports to the ARMC and its Chairman in particular and administratively to NWR's Chief Financial Officer. The Group's internal auditor reports the main findings of the completed audits and the status of their implementation to the ARMC.

The ARMC assesses the performance of the Group's internal auditor on an annual basis.

At OKD, the internal audit function is performed by an internal audit team, which assesses whether the internal control, risk management, and governance processes are adequate and effective. The head internal auditor reports internal audit findings and recommendations to the senior management team and the Audit Committee of OKD. The head internal auditor also submits annual reports on the activities of the internal audit team to the Audit Committee, the Board of Directors and the Supervisory Board of OKD. The head internal auditor has all necessary access to organisation units and their management and the right to request information and explanations, and has unfettered access to the Audit Committee and Supervisory Board of OKD. The internal audit team works closely with the Group's internal auditor. Internal audit in the Polish operations is carried out by the Group internal audit function.

The internal audit functions at NWR and OKD have aligned audit processes on both levels and supervised implementation of their audit recommendations. As the ARMC's Chairman is a member of the OKD's Audit Committee, the connection between the ARMC and the Audit Committee of OKD provides for adequate monitoring and communication.

Risk management, internal control and compliance

The ARMC is responsible for overseeing Group risk management and reviewing the internal control and risk management system. This supports the Board in discharging its responsibility for ensuring that the wide range of risks associated with the Group's operations are effectively managed to safeguard shareholders' investments and the Group's assets. NWR's risk management policy, which applies to all Group entities, sets out the high level objectives of the Group's risk management, risk evaluation, documentation and reporting processes. The risk management policy can be found on the NWR website at http://www.newworldresources.eu/nwr/pages/governance/policies.

The ARMC was kept updated with information relating to, and reviewed with a particular focus, the following risks relating to the Group for 2011:

- health and safety;
- pricing;
- licensing;
- reputational;
- corporate social responsibility;

- machinery availability; and
- budgeting and controlling.

The risk assessment and reporting criteria are designed to provide a consistent, Group-wide perspective of the key risks.
The ARMC has a crucial role in opining on and making proposals to the Board on all matters where a potential conflict of interest exists between NWR, its Directors, its controlling shareholder and other shareholders. In 2011, the ARMC examined a number of potential cases of conflict of interest, especially in connection with the UK redomiciliation.

Whistleblower Procedure

The Company's Whistleblower Procedure is appended to NWR's Code of Ethics and Business Conduct and enables employees to express, on a confidential basis, concerns over the conduct of Directors, officers, management and other employees. These include suspicions of criminal offences, violation of law, intentionally wrongful behaviour, manipulation of information and misconduct. The Whistleblower Procedure will be used to report suspected breaches of the Business Integrity Policy. The Company Secretary acts as confidential adviser for NWR and its subsidiaries and is responsible for investigating reports of suspected irregularity. The ARMC is responsible for establishing and reviewing the Whistleblower Procedure and is informed of reported cases through regular reports from the Company Secretary. In 2011, no reports were received or reported to the ARMC. The ARMC, however, reviewed the reports received from certain Group subsidiaries, in particular OKD.

The Whistleblower Procedure can be found on the NWR website at http://www.newworldresources.eu/nwr/pages/governance/policies.

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

Remuneration Committee Report ('RC')

In connection with the successful reincorporation of the Company in the UK, the Remuneration Committee was abolished and following a resolution of the board of NWR Plc of 8 April 2011, it was established as a committee of NWR Plc with the effect as of 6 May 2011.

Remuneration Committee members

The RC consists of Non-Executive Directors appointed by the Board. Two of them are Independent Directors:

- Zdeněk Bakala (Chairman)
- Bessel Kok
- Hans-Jörg Rudloff

The Remuneration Committee is chaired by Zdeněk Bakala, who is not considered to be independent. However the Board regards Mr. Bakala's membership of the Committee as critical to the further alignment of directors' remuneration with shareholders interests.

The Executive Directors of the Board attend meetings of the RC by invitation only and assist the RC in its discussions, except in matters associated with their own respective remuneration.

Main responsibilities

Following the reincorporation of the Company in the UK the main responsibilities of the RC have been brought in line with the principles of the UK Corporate Governance Code. In particular, the RC now sets the remuneration of the Executive Directors of the Board, the Chairman of the Board and the Group's senior managers and advises the Board in relation to its responsibilities with respect to the remuneration of the Non-Executives Directors.

For the responsibilities of the Remuneration Committee of NWR NV prior to the UK redomiciliation, please refer to page 56 of the 2010 Annual Report of NWR NV.

Following the UK redomicilation, the RC is responsible for:

- setting the remuneration of the Executive Directors and the Chairman of the Board and their contractual terms, including share-based incentive plan payments, pensions rights and compensation payments;
- producing an annual summary for the Board of the Company's remuneration policy and remuneration practices, which will form the basis of the Remuneration Report of the Board, which itself forms part the Company's Annual Report and is put to shareholders at the AGM; and
- preparation of proposals to the Board on:
  - the remuneration policy (no member of the RC may participate in any discussions or make proposals in respect of his own remuneration);
  - the individual salary levels, bonuses and other benefits for the Group's senior managers, as the case may be;
  - contractual terms for the Non-Executive Directors of the Board; and
  - the preparation and implementation of (share-based) incentive plans.

Activities undertaken during the year

The RC met four times during 2011, twice (in January and March) as a committee of the Company and twice as a committee of NWR Plc(in May and November).

The Committee applies the principles of the Company's Compensation Manual and also fulfills the role given to it by the Deferred Bonus Plan. For more details on the Compensation Manual and the Deferred Bonus Plan, please refer to the Remuneration Report on page 80.

The Committee performed the annual review of the remuneration of the Executive Directors and the fee levels of the Non-Executive Directors in 2010 and found them appropriate also for 2011. Further details may be found in the Remuneration Report on page 80.

The RC also determined that the performance conditions set for options granted on 17 March 2010 were met. Furthermore, in light of the termination of NWR NV's Stock Option Plan as per 31 December 2010 and there being no transitional arrangements in respect of equity incentives for executive performance in 2010, the RC proposed that the Board adopt the approach of providing ad hoc grants of A Shares to a group of eligible Company employees. The RC also approved the participation of certain Group employees in the Deferred Bonus Plan in the bonus year 2011. It further recommended to the Board the Group-wide performance criteria for 2011 and those for an Executive Director participating in the Deferred Bonus Plan.

In line with the Stock Option Plan rules, the RC also considered and approved vesting of certain stock options to 'good leavers', being those employees who leave NWR due to death, retirement at normal retirement age, redundancy or retirement through illness or injury, maternity leave, leave of absence, illness or personal reasons. Following the UK redomiciliation, all stock options and grants of A Shares have been rolled over into stock options and grants of A shares of NWR Plc. Further details may be found in the Remuneration Report on page 80.

The RC is of the opinion that it has carried out all the responsibilities set out in the committee's charter.

Finance and Investment Committee Report ('FIC')

In connection with the successful reincorporation of the Company in the UK, the Finance and Investment Committee was abolished and following the resolution of the board of NWR Plc of 8 April 2011, it was established as a committee of NWR Plc with the effect as of 6 May 2011.

Finance and Investment Committee members

The members are appointed by the Board and include Executive and Non-Executive Directors and NWR Group's Chief Financial Officer:

- Peter Kadas (Chairman)
- Zdeněk Bakala
- Mike Salamon
- Marek Jelínek

Main responsibilities

The main functions of the FIC are:

- reviewing and presenting the Group's annual budget to the Board;
- reviewing, approving and recommending to the Board all major strategic or financial investments and divestments and other major capital decisions;
- reviewing the adequacy of the Group's capital structure;
- advising on relationships with banks, rating agencies and financial institutions;
- providing oversight and guidance on funding and treasury management; and
- making decisions on all matters related to NWR subsidiaries.

Activities undertaken during the year

In 2011, the FIC met five times. Two times of which (in January and March) as the Company's committee and three times as the committee of NWR Plc (in May, September and November). Among the main items discussed by the FIC was the Group budget for 2011, which was recommended for approval. Throughout 2011, the FIC followed up on the progress of the UK redomiciliation and the subsequent squeeze out. Following the UK redomiciliation, the FIC attended to issuing new shares of NWR Plc for the purpose of the employees' stock option plan. In the light of the volatile market situation, the FIC analyzed the risks and opportunities of the Group to identify suitable measures in response. As regards financing arrangements, the FIC discussed the new Revolving Credit Facility and accession of NWR Plc to the Group Cash Pooling Agreement (details of which can be found on the page 75. The FIC also regularly reviewed financial and operational results and the financing and cash position of the Group including cash investments, cash pooling and hedging arrangements. The FIC continued to monitor the Group's debt position and compliance with bank covenants and also took a number of decisions regarding financial and operating matters of NWR's subsidiaries. The FIC reviewed, on a regular basis, market analysis, analyst and investor feedback and the performance of NWR's shares as well as the shareholder register.

The FIC is of the view that its composition is appropriate and that its members have carried out all duties and responsibilities set out in the charter.

Safety, Health and Sustainability Committee Report

On 15 November 2011, the board of NWR Plc substantially changed the Committee's charter and specifically included in the Committee's scope corporate and social responsibilities with an emphasis on health, safety and environmental risks. The Committee was also renamed the Safety, Health and Sustainability Committee ('SHSC') with the SHSC members and chairman remaining unchanged.

In connection with the successful UK redomiciliation of NWR NV, the SHSC (at that moment still as the Health, Safety and Environment Committee) was abolished and following the resolution of the board of NWR Plc of 8 April 2011, it was established as a committee of NWR Plc with the effect as of 6 May 2011.

The SHSC consists of two Executive Directors (including the Executive Chairman) and two Independent Directors appointed by the Board:

- Paul Everard (Chairman)
- Mike Salamon
- Klaus-Dieter Beck
- Steven Schuit

Meetings during 2011 were also regularly attended by Ján Fabián, Chief Operating Officer of NWR Group who is responsible for the operations of NWR Karbonia and OKK, and by two external experts, Stan Suboleski and Karl Friedrich Jakob, who are also members of the OKD Board of Directors. Stan Suboleski is currently Senior Vice President of Evan Energy Investments and also serves on the Board of Inter-American Coal Company. He was previously a Commissioner with the US Federal Mine Safety and Health Review Commission. Karl Friedrich Jakob held numerous prominent managerial positions in Germany as well as with international mining companies and also worked for the German State Mining Authority. In connection with the new corporate and social responsibilities, the SHSC meetings in the second half of the year were also attended by Petra Mašínová, Head of Corporate Communications at NWR who manages the CSR matters for the whole NWR Group.

Main responsibilities

According to its new charter, the SHSC assists the Board in its oversight of corporate and social responsibilities with a special emphasis on health, safety and environment risk within NWR and its subsidiaries as well as the Group's compliance with applicable legal and regulatory requirements associated with CSR and HSE matters.

The SHSC's main duties in the CSR area are to:

- monitor and review the internal policies and systems within the Group for implementing the sustainability programs, frameworks and objectives;
- monitor and review the Group's performance in relation to sustainability matters and follow up on the achievement of the respective key performance indicators and targets;
- advise the Board on the CSR aspects of the proposed strategic transactions;
- prepare sustainability reports (including the stand-alone CSR section) and submit them to the Board for review; and
- support stakeholder dialogue and engagement on sustainability performance.

The SHSC's main duties in the HSE area continue to be to:

- oversee the Group's performance on health, safety and environmental matters;
- review reports and meet with senior management of Group subsidiaries to discuss the effectiveness of the Group's policies and systems for identifying and managing material HSE risks;
- monitor the impact of operations on the Group's reputation; and
- prepare the HSE section of NWR's Annual Report.

For both CSR and HSE matters, the SHSC is responsible for:

- reviewing the policies and systems within the Group for ensuring compliance with applicable social, health, safety, environment legal and regulatory requirements as well as for effective and positive employee and community relations;
- liaising with the ARMC to ensure adequate oversight of the Group's systems for managing the CSR and HSE risks;
- reviewing and, if appropriate, making recommendations to the Board relating to issues of CSR and HSE; and
- monitoring of CSR and HSE issues and trends, and regularly reporting to the Board on connected major concerns or risks.

For the responsibilities of the Health, Safety and Environment Committee prior to the UK redomiciliation and the transformation into the SHSC, please refer to page 57 of the 2010 Annual Report.

Activities undertaken during the year

In 2011, the SHSC met four times, once in January, while still a Committee of the Company and thereafter three times as the committee of NWR Plc (in May, September and November). The SHSC also conducted one site visit to the OKD mines in the Czech Republic.

At its meetings, the SHSC reviewed the health, safety and environmental reports of NWR's core operations and also received detailed reports on extraordinary events that occurred at the operations. These included fatalities caused by seismic events (rock bounces) as well as a fatal locomotive accident. The SHSC closely followed investigations of these fatalities, the post accident response, and the safety and other measures that were adopted thereafter. In this context, the Committee was informed in detail about the recommendations of the international (Czech, German and Polish) panel of experts convened by OKD to propose new measures for bounce risk prevention and mitigation and how these recommendations were implemented in practice. The SHSC also received regular reports on site visits by the local mining authorities, the citations issued and other HSE-related regulatory matters. The SHSC was informed about the 2011 Safety Campaign at OKD, promoting a safer workplace which is a part of the Continuous Improvement Programme, and similar initiatives at OKK.
The SHSC also exercised its role in the area of CSR for the Group, as described in greater detail in the SHSC's charter after its amendment in November 2011. The SHSC reviewed the progress made in the rehabilitation and restorations project concerning the landscape affected by the Group's mining activities (e.g. redevelopment to support golf and water-based leisure activities).

A CSR section which describes NWR's approach in the area of corporate and social responsibility as well as health, safety and environment at NWR's operations may be found on page 39 of this Annual Report. In addition, NWR will also issue a separate Sustainability Report for 2011 detailing the strategy, trends and achievements in the area of corporate and social responsibility.
The SHSC believes that it has successfully fulfilled its duties and responsibilities set out in its charter. The charter of the SHSC is available on NWR's website at www.newworldresources.eu.

Real Estate Committee Report ('REC')

Following the successful reincorporation of the Company in the UK, the REC continues to exist in parallel to the real estate committee of NWR Plc. The real estate committee of NWR Plc was established in accordance with a resolution of the board of NWR Plc adopted on 8 April 2011, with the effect as of 6 May 2011. On 8 April 2011.

The REC is wholly composed of Independent Non-Executive Directors appointed by the Board:

- Barry Rourke (Chairman)
- Steven Schuit
- Paul Everard

Main responsibilities

The role of the REC is to oversee the assets and liabilities of the Real Estate Division and the interaction between the Mining Division and the Real Estate Division of NWR. In its advice the REC endeavors to ensure that the interests of NWR and its shareholders as a whole have been identified and adequately taken into consideration.

The REC supports and advises the Board in its work by:

- advising the Board on matters regarding the Real Estate Division of NWR (except in relation to audit, accounting and financial disclosure matters, which fall within the remit of the ARMC);
- monitoring interactions between the Mining Division and the Real Estate Division and all transactions affecting the assets of the Real Estate Division with third parties and advising the Board in respect thereof;
- developing and interpreting the Divisional Policy Statements, proposing amendments, providing guidance on provisions and overseeing its implementation; and
- overseeing the compliance of NWR's subsidiaries with the Divisional Policy Statements.

For fruther responsibilities of the Real Estate Committee, please refer to page 58 of the 2010 Annual Report of NWR NV.

Activities undertaken during the year

During 2011, the REC met a total of five times. NWR's Chief Financial Officer attended all meetings. The REC met twice (in January and February) as a committee of the Company and three times (in May, August and November) in a joint meeting with the real estate committee of NWR Plc.

In line with its responsibility for supervising transactions between the Mining Division and the Real Estate Division, the REC continued to monitor real estate transactions of NWR's core operations, including transactions with third parties (e.g. swap of the real estate assets with local municipality or sale of real estate to third parties). In 2011, all proposed transfers were approved by the Board as well as by the holder of the B Shares. To assist the REC, the core operations submit monthly reports, which provide details on any such transactions.

The REC is notified of all transactions (internal or with third parties) in which qualified valuers are involved, in order to facilitate oversight by the REC of such transactions.

In a response to transfers reviewed by the REC in the first half of 2011, the REC decided to clarify the approval process so that the impact on both the Mining and Real Estate Divisions is more thoroughly explained and transactions are approved in advance by the CEO of the relevant core operation.
The REC further reviewed, on a regular basis, profit and loss accounts of the Real Estate Division.
The REC regularly reported to the Board and the ARMC on its activities and findings.

Divisional Policy Statements

The Divisional Policy Statements refer to the Mining Division and the Real Estate Division that were created within the Group on 31 December 2007. The Divisional Policy Statements have been prepared and adopted on the basis that the Mining Division has the right to maintain: (i) the undisturbed continuation of its mining, coking and related operations that are conducted on certain of the assets of the Real Estate Division; and (ii) unrestricted access to such assets of the Real Estate Division in connection with such mining, coking and related operations.

The Divisions operate separately for accounting and reporting purposes. Under the Divisional Policy Statements, OKD and the other subsidiaries of NWR carry out the day-to-day operations of the Real Estate Division. In carrying out such day-to-day operations, they are required to seek the prior approval of the Board, after the REC has provided its advice to the Board, when proposing to enter into transactions which: (i) are not considered by the Board to be in the ordinary course of business of the Real Estate Division; or (ii) relate to assets of the Real Estate Division, which have a book value of 5 per cent or more of the total book value of the assets of the Real Estate Division.

The Divisional Policy Statements as well as the Book of Procedures dealing with the accounting aspects of the Divisional Policy Statements, have been implemented by NWR's core operations. Compliance is monitored by the REC through monthly reports received from the Company Secretary who has been designated to act as an intermediary between the REC, NWR and its subsidiaries.
The REC is of the opinion that it has carried out all the responsibilities set out in the REC's charter.
The Divisional Policy Statements are available on NWR's website at www.newworldresources.eu.

Accountability

Conflicts of interest

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

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

Code of Ethics and Business Conduct

In addition to its Corporate Governance Policy, NWR has adopted a Code of Ethics and Business Conduct, which governs the behaviour of all officers and employees of NWR and its subsidiaries. Appended to it is the Whistleblower Procedure, which is a reporting mechanism enabling employees to express concerns to the Board's Chairman, Senior Independent Director of NWR Plc and the designated officer in relation to the conduct of NWR, its officers and employees. To confirm its commitment to the high standards of conducting business and combating fraud and bribery, the Board has also adopted the Business Integrity Policy.
The core operations of NWR have implemented a corresponding procedure. To increase the effectiveness of this system, OKD has modified its whistleblower procedure so that complaints are now dealt with by an independent internal committee. The Audit and Risk Management Committee monitors, through reports received from the Company Secretary, the effectiveness of the procedure. Further details can be found in the report of the Audit and Risk Management Committee on page 53.

The Code of Ethics and Business Conduct and the Whistleblower Procedure, as well as the Business Integrity Policy are available on NWR's website at www.newworldresources.eu.

Risk management

The Board recognises the need to continue improving the Group's internal control processes and structures. Internal control and risk management procedures are described in more detail in the 'Internal control and risk management' section on page 56. The Group uses the COSO-framework for the evaluation of its internal control system to mitigate risks. To the best knowledge of the Board, the internal risk management and control systems of the Group are adequate and effective with respect to its current operations.

Oversight of risk management and internal control within the Group is the responsibility of the Audit and Risk Management Committee, which closely monitors the measures implemented to mitigate identified risks and also regularly meets with NWR's Risk Manager and the Group's Internal Auditor. Details of activities in this area are described in the report of the Audit and Risk Management Committee on page 53.

Internal audit

The Group's Internal Auditor oversees the work of internal audit functions in NWR's subsidiaries. He is responsible for developing and overseeing the implementation of consistent internal auditing policies within the Group, delivering the audit plans and audit assignments, preparing internal audit charters and reporting on Group risk management and internal control. The Group's internal auditor reports to the Audit and Risk Management Committee and the Chief Financial Officer of NWR.

Going concern

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

Insider trading

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

Articles of Association

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

NWR's Articles of Association are available on NWR's website at www.newworldresources.eu.

Relations with shareholders

Market disclosure and relations with shareholders

The Board regards effective communication with shareholders as a priority.

Radek Němeček, Head of Investor Relations, is responsible for the external financial communications of NWR. Together with his team, he manages the ongoing dialogue with equity and credit analysts and NWR's shareholders, bondholders and potential new investors. As part of this process, the Board's Chairman, Chief Financial Officer, Chief Operating Officer and Investor Relations team meet with shareholders and other market participants in the UK, US, the Czech Republic, Poland and other European countries on a regular basis to discuss the Group's performance, strategy and governance. Additionally, presentations to investors and analysts take place at the time of quarterly, interim and final results as well as at sector and broker conferences that the Group participates in throughout the year.

The Board receives regular reports from the Investor Relations department on changes to the shareholding structure, analyst coverage of the stock, feedback from investors including market perception studies, share trading statistics and other information about the views of the capital markets.

Petra Mašínová, Head of Corporate Communications, is responsible for both external and internal corporate communications as well as the corporate social responsibility policy of NWR.
Financial reports, press releases, regulatory announcements, investor presentations and other information on matters of interest to investors can be found on the Company's website at www.newworldresources.eu.

Senior Independent Director

The Senior Independent Director (now with NWR Plc), Bessel Kok, is available to shareholders if they have concerns, which the Board's Chairman, or the Chief Financial Officer have not resolved, or if they have concerns related to Board independence. No such meetings or discussions were held or requested during 2011.

Share capital, controlling shareholder

Following the UK redomiciliation, NWR Plc held as at 31 December 2011 99.78 per cent of the A Shares of the Company. BXR Mining B.V. ('BXRM') remains the majority shareholder of NWR Plc, with its ultimate parent company being BXR Group Limited ('BXRG'). As at 31 December 2011, BXRM held 63.65 per cent of NWR Plc A shares.

Full details on the changes in the shareholding structure of NWR occurring in 2011 may be found in the 'Shareholder Information' section on page 166.

100 per cent of the Company's B Shares is owned by NWR Plc and in turn 100 per cent of NWR Plc's B shares are owned by RPG Property B.V., which is the indirect subsidiary of BXRG.

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

To ensure that all transactions and relationships between NWR Plc and BXRM (and the wider BXRG group) are on arm's length terms, NWR Plc is party to a Relationship Agreement with BXRM. If a conflict arises between BXRM and NWR Plc, the Directors with a conflict of interest will take no part in the Board's decisions on that matter. For further information see the 'Related Party Transactions' section on page 69.

Annual General Meeting of Shareholders

The AGM provides an opportunity for shareholders to communicate with the Board. The Chairman aims to ensure that the respective chairmen of the Board committees are present at the AGM to answer shareholders' questions. The next AGM will be held on 26 April 2012.

Compliance with corporate governance standards

NWR is required to state in its Annual Report whether it complies or will comply with the principles and best practice provisions of the Dutch Corporate Governance Code (dated 1 January 2009) and, if it does not comply, to explain the reasons for non-compliance. NWR, for the period of being listed on LSE, was also required by the Listing Rules of the UK Listing Authority to disclose the significant ways in which its actual governance practices differ from those set in the UK Corporate Governance Code The following section is a report on compliance with the corporate governance regulations and best practice codes applicable in the Netherlands and the UK.

Dutch Corporate Governance Code

NWR has drawn up internal corporate governance regulations that comply to the extent possible with the Dutch Corporate Governance Code effective from 1 January 2009. As reported in this section, NWR complies with the principles and best practice provisions of the Dutch Code, except for a limited number of best practice provisions described below. Information on the Dutch Corporate Governance

Code Monitoring Committee can be found at: www.commissiecorporategovernance.nl. More specific information for the Dutch Corporate Governance Code can be found at: www.commissiecorporategovernance.nl/Corporate_Governance_Code.

Board and committee structure

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

The Board consists of six Directors, which includes four Independent Non-Executive Directors within the meaning of best practice provision III.2.2.

NWR has appointed an Executive Chairman, which does not comply with best practice provision III.8.1 of the Dutch Code. NWR believes that the presence of an Executive Chairman is needed to provide leadership at Group level in a holding structure in which the leadership of operations is exercised at operating company level. The presence of majority of Independent Non-Executive Directors guarantees that there are appropriate checks and balances in place.

NWR has not established a selection and appointment committee (i.e. nominating committee), which does not comply with principle III.5 and best practice provision III.5.14 of the Dutch Code. The Board believes that NWR’s current ownership structure makes the establishment of such a committee unnecessary. The Board as a whole fulfils the tasks and responsibilities set out by the Dutch Code for such a committee.

Remuneration, share options and awards

The Company does not carry out scenario analysis to determine the level and structure of the remuneration of the Executive Directors as required by best practice provision II.2.2, since their employment terms were determined before the IPO and following the UK redomiciliation the Executive Directors became executive directors of NWR Plc and thus subject to the relevant UK rules.

In order for a Director to exercise options, rather than the granting of options to a Director, as set out in best practice provision II.2.4, challenging targets which have been specified before-hand (pursuant to the Company’s Stock Option Plan) must be achieved. Please note that the Stock Option Plan has been discontinued.

Under existing employment arrangements of Mike Salamon with NWR Plc and of Klaus-Dieter Beck with OKD, stock options and share awards are granted under terms, which do not comply with best practice requirements set out in chapter II.2 of the Dutch Code. Details of these awards are fully described in the Remuneration Report.

Dealing in securities

The Company applies the NWR Share Dealing Code, which governs dealing in Company’s shares by, inter alia, the Directors, their ownership of and transactions in other securities. The Company reviewed the Share Dealing Code in connection with the re-incorporation in the UK, and on 8 April 2011 adopted a Share Dealing Code for NWR NV and NWR Plc.

Contacts with shareholders

The Company has not formulated an outline policy on bilateral contacts with shareholders, as provided for by best practice provision IV.3.13 of the Dutch Code due to its to reincorporation in the UK in 2011.

UK Corporate Governance Code

In accordance with the UK Corporate Governance Code and the Listing Rules of the UK Listing Authority, NWR follows the 'comply or explain' approach and states in its Annual Report whether it complies or will comply with the principles of good corporate governance set out in the UK Corporate

Governance Code[16] and, if it does not comply, NWR will explain the reasons for such non-compliance in the relevant sections of this Annual Report.

Contrary to provisions of A.2.1 and A.3.1 of the UK Corporate Governance Code, Mike Salamon has been appointed by the Company to act as Executive Chairman who upon his appointment did not meet the independence criteria set out in the UK Corporate Governance Code. NWR believes that the presence of Mr. Salamon as (non-independent) Executive Chairman is required to provide leadership at Group level in a holding structure in which the leadership of operations is exercised at operating company level. The presence of majority of Independent Non-Executive Directors, guarantees that there are appropriate checks and balances in place.

Provision D.2.1 of the UK Corporate Governance Code recommends that the remuneration committee should be comprised entirely of independent non-executive directors. The Company does not comply with this provision as the Remuneration Committee is chaired by Zdeněk Bakala, who is not considered to be independent. However the Board regards Mr. Bakala's membership of the Committee as critical to the further alignment of directors' remuneration with shareholders interests

Czech Corporate Governance Code

NWR is not obliged by the Czech National Bank or the Prague Stock Exchange to comply with the Czech Code of Corporate Governance.

Although NWR does not apply the Czech Corporate Governance Code directly, the Code is broadly similar to the UK Corporate Governance Code.

Polish Corporate Governance Code

The NWR observes the majority of the principles of corporate governance contained in the Code of Best Practices for Warsaw Stock Exchange Listed Companies (the 'WSE Code'). As the Company is incorporated and organised under Dutch law, certain principles apply to NWR only to the extent allowed by Dutch corporate law and subject to certain reservations stemming from NWR's corporate structure, especially the one-tier Board structure as opposed to the two-tier system that the WSE Code assumes. Therefore, NWR complies partially or is unable to comply fully with Rules I.6, I.7, II 6, III.1-9 of the WSE Code concerning the Supervisory Board and its members. In cases in which NWR is unable to comply with certain principles directly, NWR endeavours to comply with the spirit of such principles.

The WSE Code require companies listed on the Warsaw Stock Exchange to publish a detailed statement on any non-compliance or partial compliance with the WSE Code; such a statement shall also be contained within the Company's Annual Report. The companies are required to indicate ways of eliminating possible consequences of such non-compliance, or describe steps, which the Company intends to take to mitigate the risk of non-compliance. In 2011, NWR did not comply with the following rules contained in the WSE Code:

Rule I.6. A member of the Supervisory Board should have appropriate expertise and experience and be able to devote the time necessary to perform his or her duties. A member of the Supervisory Board should take relevant action to ensure that the Supervisory Board is informed about issues significant to the Company.

Rule I.7. Each member of the Supervisory Board should act in the interests of the Company and form independent decisions and judgments, and in particular:

- refuse to accept unreasonable benefits, which could have a negative impact on the independence of his or her opinions and judgments; and
- raise explicit objections and separate opinions in any case when he or she deems that the decision of the Supervisory Board is contrary to the interest of the Company.

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[16] Since NWR was delisted from London Stock Exchange on 6 June 2011, the Company is no longer required to follow the UK Corporate Governance Code and the Listing Rules of the UK Listing Authority.

Rules I.6 and I.7 do not relate to NWR since it has a one-tier Board structure consisting of Executive and Non-Executive Directors and, therefore, the provisions relating to the Supervisory Board do not apply.

Rule II.6 – General Meetings should be attended by members of the Management Board who can answer questions submitted at the General Meeting.

Directors shall attend General Meetings to answer questions. Dutch law however does not provide for a mandatory presence of Directors. Although NWR aims to ensure the presence of its Directors at the General Meetings of Shareholders, it cannot guarantee that all Directors will be present.

Rules III.1 to III.9 cannot be directly observed by NWR since NWR has a one-tier Board structure and as such has no Supervisory Board; additional explanation to each rule is given below.

Rule III.1

In addition to its responsibilities laid down in legal provisions, the Supervisory Board should:

- prepare and present to the Annual General Meeting of Shareholders a brief annual assessment of the Company's standing including an evaluation of the internal control system and the significant management system;
- prepare and present to the Annual General Meeting of Shareholders an annual evaluation of its work; and
- review and present opinions on issues subject to resolutions of the General Meeting.

The above responsibilities are performed by the committees established by the Board with the intention to assist the Board in performing its duties regarding internal control and management mechanisms, as described below.

Rule III.2 – A member of the Supervisory Board should submit to the Company's Management Board information on any relationship with shareholders who hold shares representing not less than 5 per cent of all votes at the General Meeting. This obligation concerns financial, family, and other relationships, which may affect the position of the member of the Supervisory Board on matters decided by the Supervisory Board.

NWR has a one-tier Board structure. Since it does not have a Supervisory Board, it cannot directly observe the above rule.

Rule III.3 – General Meetings should be attended by members of the Supervisory Board who can answer questions submitted at the General Meeting.

In accordance with NWR's Articles of Association, members of the Board of Directors are entitled to attend the General Meetings of Shareholders and answer questions posed at the General Meeting.

Rule III.4 – A member of the Supervisory Board should notify the Supervisory Board of all conflicts of interest, which have arisen or may arise, and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue, which gives rise to such conflict of interest.

In order to avoid conflicts of interest in a one-tier Board structure, NWR has adopted a Corporate Governance Policy enabling the Board to perform its management as well as supervisory functions in an effective and transparent manner. Under the Policy, Directors are required to report any (potential) conflict of interest to the Senior Independent Director (or to the Board as the case may be). If an Executive Director has a conflict of interest with NWR, NWR may be represented by other Executive Directors, unless the General Meeting appoints another person for that purpose.

Rule III.5 – A member of the Supervisory Board should not resign from this function if this action could have a negative impact on the Supervisory Board's capacity to act, including adoption of resolutions by the Supervisory Board.

This rule is observed by the Board.

Rule III.6 – At least two members of the Supervisory Board should meet the criteria of being independent from the Company and entities with significant connections with the Company. The independence criteria should be applied under Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the Company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the Supervisory Board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5 per cent of all votes at the General Meeting.

As at the date of this statement, four[17] Non-Executive Directors meet the independence criteria.

Rule III.8 – Annex I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board should apply to the tasks and the operation of the committees of the Supervisory Board.

Each of the four Independent Directors of NWR must meet independence criteria set out by NWR's Corporate Governance Policy. Those criteria are based on best practice requirements and are typically more stringent than the requirements of the Commission Recommendation of 15 February 2005 regarding the role of Non-Executive Directors.

Rule III.9 – Execution by the Company of an agreement/transaction with a related entity, which meets the conditions of section II.3 requires the approval of the Supervisory Board.

The related party transactions are monitored, through reports received from the external auditor, by the Audit and Risk Management Committee established by the Board. The committee examines and advises the Board on such transactions and agreements to ensure they are on arm's length terms in line with the aforementioned rule.

As required by the Resolution No. 1013/2007 of the WSE dated 11 December 2007, a description of other relevant information may be found on the following pages of this Annual Report:

Operations and main powers of the General Meeting, shareholders' rights and the exercise thereof are described in 'Shareholder Information' section on page 169.

Composition and operations of the managing and supervising bodies of the Company and their committees are described in the Corporate Governance Report on page 49.

Detailed description of the 'Principal Risks and Uncertainties' may be found on pages 19.

Directors' report

The Directors' report comprises of the following sections:

- Strategy
- Business Review

and has been signed on behalf of the Board.

Lucie Vávrová
Company Secretary
12 March 2012

[17] Starting from the beginning of 2011, five out of ten Non-Executive Directors met the independance criteria. Following the resignation of six Non-Executive Directors, as of 6 May 2011 NWR has four Non-Executive Independant Directors.

Related Party Transactions

The following are significant related party transactions (being contracts entered into by, on the one hand, Group entities and, on the other, entities affiliated with them, in effect on 31 December 2011).

Agreement related to the restructuring
Cross guarantee

Former OKD was a government-controlled enterprise, and as a result it owned and operated a large range of businesses (including mining businesses, businesses ancillary to mining and unrelated businesses). The restructuring was concerned primarily with disposing of certain of such ancillary and unrelated businesses in order to focus upon coal mining and coke production businesses. In addition, steps were taken to streamline the corporate structure of the BXR Group (removing certain intermediary holding companies from the structure). In connection with the restructuring, and pursuant to Czech law, OKD, DPB, Advanced World Transport a.s. ('AWT'), RPG Trading, s.r.o. (defunct since January 2010), RPG RE Land s.r.o., RPG RE Commercial s.r.o., and RPG Byty, s.r.o., the successor entities of Former OKD, are subject to a statutory cross guarantee. The statutory cross guarantee was given by each successor entity in relation to the liabilities of the demerged entity (formerly OKD) that were assumed by each successor entity on the date of the demerger. The cross guarantee of each successor entity is limited to the value of the net assets of the guarantor as at the effective date of the demerger.

Similar statutory cross guarantees have arisen as a result of the spin-off of OKK Koksovny a.s., (formerly known as OKD, OKK) ('OKK') into NWR Coking a.s., ('NWR Coking'), a wholly-owned subsidiary of NWR NV. NWR Coking merged with OKK in April 2008, with OKK remaining as the surviving entity. OKK thus became a direct subsidiary of NWR NV and also became subject to the statutory cross guarantee.

Agreements with the BXR Group
Master Advisory and Services Agreement

On 28 March 2007, NWR NV entered into a master advisory and services agreement, as amended on 27 July 2007 and on 19 August 2010, with BXR Partners, a.s. ('BXRP'), a member of the BXR Group, in respect of the provision of certain non-exclusive advisory services by BXRP to NWR NV. effective as of 1 September 2006, including services in connection with the acquisition and divestiture of assets, entry into joint venture arrangements, corporate finance matters and market research initiatives within Central Europe, including the Czech Republic (the 'Master Advisory and Services Agreement'). The fees paid to BXRP are based generally on a cost plus formula, but specific arrangements may be made in respect of individual projects. NWR NV must reimburse BXRP for all expenses incurred by BXRP in connection with the provision of advisory services. The Master Advisory and Services Agreement may be terminated, with or without cause, by either party giving prior written notice to the other party, provided that, if the Master Advisory and Services Agreement is terminated for any reason other than a material breach, the notice period is one month. The Master Advisory and Services Agreement includes a one-year post-termination confidentiality clause.

In addition, from time to time, BXRP may provide services to NWR and be remunerated for such services on terms that are separately agreed.

BXR RE Services Agreement

On 26 May 2008, NWR NV entered into a services agreement with BXR Real Estate Investments B.V. (previously RPG Real Estate B.V., 'BXR RE') for the provision of certain services by NWR NV to BXR RE with effect from October 2006 (the 'BXR RE Services Agreement'). Under the BXR RE Services Agreement, NWR NV provides BXR RE with accounting and controlling services, advice on treasury and financing, secretarial, administration and IT services and organization of board meetings. Based on an amendment entered into on 17 February 2010, BXR RE agreed to pay NWR NV a flat monthly service fee in the amount of EUR 2,400.

Lease agreements

NWR NV has rented an office space to AWT, Green Gas International B.V. ('GGI') and BXR RE with effect from 1 January 2009. The total size of the leased offices is 405.3m2. AWT, GGI and BXR RE received a total credit for rent of EUR 309,000, which will be offset against the rent until the credit is fully utilised. The rent (including utilities) is approximately EUR 164,400 per year. The lease agreements have an indefinite term and may be terminated, with or without cause, by either party upon two months' prior written notice to the other party.

Donation agreements

In 2011, NWR NV donated EUR 250,000, and OKD donated CZK 71.04 million CZK to the OKD Foundation. The OKD Foundation supports projects in the field of social responsibility, such as the support of health and social care, the public sector, environmental protection and regional development. The donations may also be used to cover the organizational and administrative costs of the OKD Foundation. In 2011 NWR NV further donated EUR 20,000 to the St. Barbara Civic Association.

Relationship Agreement

NWR NV, RPG Industries Plc. ('RPGI'), CCII and Zdeněk Bakala entered into a relationship agreement on 22 April 2008, which regulates, in part, the degree of control that RPGI and its affiliates exercise over the management of NWR NV (the 'Relationship Agreement'). Following RPGI's transfer to BXR Mining B.V. ('BXR Mining') of the A shares of NWR NV held by it, BXR Mining assumed RPGI's rights and obligations under the Relationship Agreement by way of a Deed of Novation dated 1 February 2010. NWR Plc is also party to this agreement after NWR Plc signed the amended and restated Relationship Agreement on 11 April 2011 and after the listing of NWR PLC on the LSE; at the same time, NWR NV ceased to be subject to the agreement.

The principal purpose of the Relationship Agreement is to ensure that NWR NV is capable at all times of carrying on its business independently of the RPG Group, and that all of NWR NV's transactions and relationships with the RPG Group are on arm's length terms.

Pursuant to the Relationship Agreement, BXR Mining, on the one hand, and NWR NV on the other, undertake that they shall and shall procure that their relevant subsidiaries shall conduct any transactions and relationships (whether contractual or otherwise, including any subsequent amendment thereof or variation thereto, including the implementation or enforcement thereof) between BXR Mining or any of its subsidiaries, on the one hand, and NWR NV or any of its subsidiaries, on the other, on arm's length terms. NWR NV undertakes that it shall treat all holders of the same class of shares that are in the same position equally in respect of the rights attaching to such shares.

CCII and Zdeněk Bakala undertake that they shall give notice to NWR NV of any opportunities involving the potential acquisition of a controlling stake in a business primarily focused on coal mining or coking facilities in Central and Eastern Europe. NWR NV shall have first right, for a period of 30 days from notification, to pursue the opportunity and neither CCII or Zdeněk Bakala may pursue the opportunity within those 30 days unless NWR NV decides not to pursue it.

The Relationship Agreement shall continue until the earlier of, in each case in relation to the Group: (i) NWR Plc's shares ceasing to be admitted to the Official List and to trading on the London Stock Exchange; or (ii) in case of change of control concerning NWR.

OKD agreements

BXRP-OKD Advisory and Service Agreement

On 29 September 2006, OKD entered into an advisory and service agreement with BXRP for the provision of certain advisory services by BXRP to OKD with effect from 1 October 2006 (the 'BXRP.-OKD Advisory and Service Agreement'). Under the BXRP-OKD Advisory and Service Agreement, BXRP (or any subcontractors engaged by BXRP with the consent of OKD) is to provide OKD with certain non-exclusive advisory services, including in connection with the realization of strategic projects, any initial public offering, financing and refinancing, services in connection with the Group's restructuring, acquisition and divestiture of OKD assets and corporate finance and business matters. The advisory fees being paid by OKD to BXRP cover costs and expenses incurred by BXRP together with a specified margin. The costs and expenses of BXRP include remuneration for third-party costs (such as subcontractors) and all relevant expenses incurred by BXRP in connection with the advisory services calculated on a pro rata basis according to the time spent. The BXRP-OKD Advisory and Service Agreement may be terminated, with or without cause, by either party upon one month's prior written notice to the other party. The BXRP-OKD Advisory and Service Agreement include a one-year post-termination confidentiality clause.

RPGREM-OKD advisory and service agreement

On 20 December 2006, OKD entered into an advisory and service agreement with RPG RE Management, s.r.o. ('RPGREM') for the provision of certain advisory services by RPGREM to OKD with effect from 1 December 2006 (the 'RPGREM-OKD Advisory and Service Agreement'). Under the RPGREM-OKD Advisory and Service Agreement, RPGREM (or any subcontractors engaged by RPGREM with the consent of OKD) is to provide OKD with certain non-exclusive advisory services, including services in connection with the acquisition and divestiture of fixtures, the initiation of development projects at OKD's current mining sites and the identification and preparation of possible development projects. The advisory fees paid by OKD to RPGREM should cover costs and expenditure incurred by RPGREM together with a specified margin. The RPGREM-OKD Advisory and Service Agreement includes a one-year post-termination confidentiality clause. Currently, no services are being provided under the RPGREM-OKD Advisory and Service Agreement. The notice period for termination is set at six months.

Cooperation Agreement on apartment lease

On 29 May 2009, OKD entered into a cooperation agreement with RPG Byty, s.r.o. ('RPG Byty') which owns and operates a large apartment portfolio in the OKD region (the 'Cooperation Agreement'). Under the Cooperation Agreement, RPG Byty has an obligation to initially offer its apartments for lease to the employees of OKD. The lease agreements may be concluded only with employees qualifying under certain non-discriminatory criteria, e.g. not already being a tenant of another RPG Byty apartment with state-regulated rent or not being subject to any criminal or other proceeding that could affect common tenant's obligations.

Each lease is provided for a period of one year and the rent is set at the relevant market price with a reduction of 15 per cent. Employees shall bear no administrative costs in relation to such leases. The Cooperation Agreement will expire on 31 May 2012 and may be rescinded by either party in the case of a material breach. The Cooperation Agreement replaces a similar cooperation agreement concluded on 18 April 2006.

Factory Railway Agreements

OKD entered into several factory railway agreements with AWT to provide factory railway transport at OKD mines for an indefinite period of time (the 'Factory Railway Agreements' and each a 'Factory Railway Agreement'). The fees to be paid by OKD to AWT were either set out in accordance with each respective Factory Railway Agreement or in a separate pricing agreement for each calendar year which amended the particular Factory Railway Agreement(s). Either party giving 18 months' prior written notice to the other party may terminate the Factory Railway Agreements, with or without cause. The Factory Railway Agreements have been replaced by a single master agreement between OKD and AWT with effect from 1 January 2011 for the period from 2011 to 2020 (which will automatically be extended for another five years, i.e. until 31 December 2025, provided that neither contracting party terminates the agreement by giving six months' notice of termination to the other) (the 'OKD Master Agreement'). The OKD Master Agreement covers all activities to be provided by AWT to OKD at particular business units, including:

(a) railway services and assurance of railway transport on factory railways;
(b) road transport and non-railway technological transport and transportation of raw and washed coal, sludge, etc., including related manipulations;
(c) railway technological transport including related activities; and
(d) manipulation activities with coal and other materials.

All of the above activities are dealt with in subcontracts, which concern specific conditions for particular time periods. Please note that the OKD Master Agreement does not deal with transportation of coal to customers.

AWT Transport Agreements

OKD has entered into transport agreements with AWT relating to the transport of coal and other materials from NWR NV to its largest customers (the 'AWT Transport Agreements' and each an 'AWT Transport Agreement'). The AWT Transport Agreements are 'umbrella' agreements covering periods of 4 years. Under the AWT Transport Agreements, AWT shall provide OKD with non-exclusive transport services. The transport fees to be paid by OKD to AWT are set out in the respective AWT Transport Agreement or in a price agreement for each calendar year amending the relevant AWT

Transport Agreement(s) based on the weight of transported goods. The AWT Transport Agreements may be terminated in the event of a material breach or, with or without cause, by either party giving one month prior written notice to the other party. In 2010, agreements were concluded pursuant to public procurement tenders to transport coal and coke with a group of AWT group companies. These contracts' duration ranges from 1 January 2011 to 31 December 2014.

The agreements deal with railway transportation of coal and coke in:

(a) The Czech Republic, where the coal and coke is destined for export. In these agreements, the carrier is an association of AWT Čechofracht a.s. and AWT;
(b) The Federal Republic of Germany and the French Republic. In these agreements, the carrier is an association of AWT Čechofracht a.s. and AWT;
(c) The Republic of Poland. In these agreements the carrier is AWT. OKD has an agreement with Metalimex a.s., who has an agreement with Express Slovakia a.s., who has an agreement with the carrier, AWT; and
(d) The Czech Republic. In these agreements, the carrier is AWT a.s.

Settlement agreement between AWT and OKD

On 8 February 2011 AWT and OKD concluded a settlement agreement on the return of part of a guarantee fee paid by OKD to OKD, Doprava, akciová společnost ('Doprava') for the provision of a guarantee by Doprava under the facility agreement concluded among others between OKD, Citibank, N.A. and Citibank, a.s. on 14 February 2006. AWT, as a legal successor of Doprava, undertook to return to OKD part of the guarantee fee in the amount of CZK 27,905,432 out of total fee of CZK 42,976,720 due to the premature termination of the guarantee.

Master Agreements on the Sale of Methane

On 20 December 2006, OKD entered into a master agreement on the sale of methane with Green Gas DPB, a.s. ('DPB'), as amended on 26 September 2007, which envisages the conclusion of individual purchase agreements with respect to each OKD mine (the 'Master Agreement on the Sale of Methane'). Under the Master Agreement on the Sale of Methane, the minimum total annual volume of methane to be delivered amounts to 19,000m3 while the specific annual volume delivered by the mines shall be stipulated by the individual agreements. The Master Agreement on the Sale of Methane was concluded for the life of the OKD mines and, in the case of a change in the mine owner or operator, OKD shall ensure assignment of all OKD's obligations arising under the agreement. The price was set at a fixed amount for 2007 and then calculated for each calendar year thereafter using the formula in the agreement. DPB is entitled to purchase all available methane production not used by OKD for its own use. Either party may rescind the agreement if the production of methane stops due to a decrease in coal mining activities or if circumstances of a technical nature preventing performance of this agreement arise of which neither party was aware when entering into the agreement.

On 27 November 2008, DPB and OKD entered into a framework agreement for supplies of methane for heat operations in connection with: (i) the provisions of the Master Agreement on the Sale of Methane under which DPB is entitled to purchase all available methane not used by OKD for its own use; and (ii) the transfer of OKD's energy equipment to NWR Energy, a.s. ('NWR Energy') as part of the spin-off of the Group's energy assets in 2008 (the 'Framework Agreement for Supplies of Methane for Heat Operations'). Pursuant to the preamble, DPB shall deliver the processed methane to NWR Energy. The price was set at a fixed amount for 2008 and 2009 and for the following years according to the formula in this agreement. The volume of delivered methane was stipulated for 2008. The agreement has been entered into until 31 December 2028, subject to the prior termination of mining activities.

OKD trading agreements

OKD has entered into several agreements with AWT in relation to the delivery of coal, coking coal, coke, sludge and other products. In 2000, OKD entered into purchase agreements with AWT under which AWT sells granulated sediments to OKD. The agreements were originally made for a fixed period of time and later extended for an indefinite period of time. The prices are adjusted annually. The agreements further mention that the granulated sediments are resold to power and heating plants operated by Dalkia and ČEZ, a.s.

Agreements on Gaseous and Liquid Nitrogen Delivery

OKD has entered into four agreements on gaseous and liquid nitrogen delivery with DPB in relation to the delivery of gaseous and liquid nitrogen to OKD mines, namely Darkov, ČSA, ČSM and Lazy (the ČSA and Lazy Mines are now consolidated in the business unit Karviná Mine) (the 'Agreements on Gaseous and Liquid Nitrogen Delivery'). The price to be paid by OKD to DPB shall be set out in accordance with each respective Agreement on Gaseous and Liquid Nitrogen Delivery or amendments to it. In addition, OKD shall pay a fixed monthly fee for the lease, maintenance and control of the gas tubing and surface equipment. The majority of the Agreements on Gaseous and Liquid Nitrogen Delivery terminate on 31 December 2015.

Master Services Agreement Related to Mine Safety

On 13 March 2007, OKD and DPB entered into a master services agreement related to mine safety, covering a number of different services related to mine security (the 'Master Services Agreement Related to Mine Safety'). The Master Services Agreement Related to Mine Safety was concluded for a fixed period of time ending on 31 December 2015. The fee to be paid by OKD for 2007 was set at CZK 1,670,000 per month, later increased to CZK 1,734,693 per month for the years 2009 and 2010 (in each case excluding VAT). The fees to be paid by OKD for 2011 were set at CZK 1.717.693 per month (in each case excluding VAT), in conclusion of individual agreements with respect to each particular OKD mine are contemplated by this agreement.

Master Services Agreements for Drilling

On 13 March 2009, OKD and DPB entered into two master services agreements for work whereby DPB shall provide OKD with drills for degasation and geological surveying (the 'Master Services Agreements for Drilling'). Amendments to these Master Services Agreements for Drilling shall stipulate the drilling works and price list for the respective calendar year. Individual agreements envisaged by these Master Services Agreements for Drilling shall stipulate the amount of work in detail. In 2010, the total amount of footage for degasation drills was agreed at 31,050m and for geological survey the total amount of footage was agreed at 13,930m. In 2011, the total amount of footage for degasation drills was agreed at 40.800 m and for geological survey the total amount of footage was agreed at 14.570 m. Both these Master Services Agreements for Drilling expire on 31 December 2015.

Framework Agreement on Supplies and Services

In connection with the reorganization of the energy assets of the Group, energy assets of OKD, including its stake in CZECH-KARBON s.r.o. ('CZECH-KARBON'), were transferred to NWR Energy a.s. ('NWR Energy') which was a direct subsidiary of NWR NV. The spin-off became legally effective as of 1 July 2008. Consequently, a framework agreement on supplies and services and some other related agreements were entered into by OKD, NWR Energy and CZECH-KARBON (the 'Framework Agreement on Supplies and Services'). The main purpose of these agreements was to ensure the supply of electricity, heat and compressed air and related services to OKD. The Framework Agreement on Supplies and Services has been amended in a complex manner in connection with the divestiture of NWR NV's energy assets. See Material Contracts - Sale of Energy Business on page X for further information. The current name of NWR Energy is Dalkia Industry CZ, a.s. and the current name of CZECH-KARBON is Dalkia Commodities CZ, s.r.o.

OKD lease agreements

OKD is a party to several real estate leases, including in relation to OKD's headquarters building in Ostrava, which is leased from RPG RE Commercial, s.r.o., a Czech-based indirect subsidiary of RPGI. The total rented space is 4,656m2 and the annual rent (including utilities) is approximately CZK 19.1 million (excluding VAT) in the year 2011. The lease may be terminated, with or without cause, by either party upon three months' prior written notice to the other party, or by agreement between the parties. The total annual rent for the remaining lease agreements concluded between RPG RE Commercial, s.r.o. and OKD amounts to approximately CZK 3.84 million (excluding VAT).

Data Processing Agreement

On 21 January 2002, OKD entered into an agreement on conduct of work and services relation to automatic data processing with AWT in respect of providing certain services relating to automatic data processing for an indefinite period of time with effect as of 1 January 2002 (the 'Data Processing Agreement'). The fees to be paid by AWT to OKD are set out monthly in accordance with the Data Processing Agreement based on hours of services provided. Either party giving six months' prior written notice to the other party may terminate the Data Processing Agreement, with or without cause. The Data Processing Agreement includes a confidentiality clause.

Agreements with Directors

Consultancy Agreement

On 31 October 2006, NWR NV entered into a consultancy agreement with BXL Consulting Ltd ('BXL') in respect of certain consultancy services provided by BXL to NWR NV commencing on 1 October 2006 (the 'Consultancy Agreement'). Pavel Telička, a Non-Executive Director, is the co-founder and director in charge of the Brussels office of BXL. Under the Consultancy Agreement, NWR NV agreed to pay BXL a monthly consultancy fee of EUR 25,000 in exchange for consultancy services in the field of policies and legislation of the European Union and European Communities. In addition, NWR NV shall reimburse BXL for all of its reasonable out-of-pocket expenses. The Consultancy Agreement also provides for the payment, from time to time as agreed between NWR NV and BXL, of a 'success fee' for the successful completion of certain tasks. Either party upon one month's prior written notice to the other party may terminate the Consultancy Agreement, with or without cause. The Consultancy Agreement includes a confidentiality clause that survives the termination of the Consultancy Agreement.

Material Contracts

Below is the description of material contracts, entered into by NWR and NWR's subsidiaries (the 'NWR Group'), in place at the date of this Annual Report and Accounts, and containing information, which the shareholders could reasonably require.

2018 Senior Secured Notes

On 27 April 2010, NWR NV issued EUR 475 million in aggregate principal amount of Senior Secured Notes due 2018 ('2018 Notes'). Interest on the 2018 Notes accrues at a rate of 7.875per cent per annum and is payable semi-annually in arrears on 1 May and 1 November.

On 18 May, 2010, NWR NV issued an additional EUR 25 million in aggregate principal amount of 2018 Notes, with the same rights and privileges, including interest rate, interest payment dates and maturity date as the 2018 Notes issued on 27 April, 2010, which increased the outstanding principal amount of 2018 Notes to EUR 500 million.

The 2018 Notes are senior obligations of NWR NV and are guaranteed on a senior basis by OKD, OKK and NWR Karbonia. The 2018 Notes are secured by a pledge of the shares of OKD, OKK and NWR Karbonia but are not secured by any of the other assets of NWR NV. Therefore, the 2018 Notes are effectively subordinated to secured indebtedness of OKD, OKK and NWR Karbonia, but the 2015 Notes (see below) will be effectively subordinated to the 2018 Notes to the extent of the value of the shares of OKD, OKK and NWR Karbonia.

The 2018 Notes may be redeemed, in whole or in part, at any time prior to 1 May 2014, at the option of NWR NV at a redemption price equal to 100 per cent of the principal amount of the 2018 Notes redeemed plus the applicable premium (as defined in the 2018 Notes Indenture). After 1 May 2014, NWR NV may, at its option redeem all or any portion of the 2018 Notes at the prices set forth in the 2018 Notes Indenture. In addition, prior to 1 May 2014, NWR NV may redeem up to 35 per cent of the original aggregate principal amount of the 2018 Notes (after giving effect to the issuance of additional 2018 Notes) with the proceeds of one or more equity offers (as defined in the 2018 Notes Indenture), at a redemption price equal to 107.875 per cent of the principal amount thereof.

If there is a change of control (as defined in the 2018 Notes Indenture), holders of 2018 Notes shall have the right to require NWR NV to repurchase all or any part of the 2018 Notes at a purchase price equal to 101 per cent of the principal amount.

The 2018 Notes Indenture contains covenants that limit NWR NV's ability and the Restricted Subsidiaries' (as defined in the 2018 Notes Indenture) ability to, among other things: incur additional indebtedness; make restricted payments (including dividends); create liens; transfer, dispose of voting stock of any Restricted Subsidiary; sell assets; engage in transactions with affiliates; guarantee any debt of NWR NV or any of its Restricted Subsidiaries; consolidate, merge or sell all or substantially all of its assets.

2015 Senior Notes

On 18 May 2007, NWR NV issued EUR 300 million in aggregate principal amount of Senior Notes due 2015 ('2015 Notes'). Interest on the 2015 Notes accrues at a rate of 7.375 per cent per annum and is payable semi-annually in arrears on 15 May and 15 November.

On September 30, 2009, NWR NV closed an invitation for tenders of its 2015 Notes (the 'Invitation'). Pursuant to the Invitation, NWR NV accepted for purchase EUR 32,435,000 in aggregate principal amount of 2015 Notes, which reduced the outstanding principal amount of 2015 Notes to EUR 267,565,000.

In the period 4 October 2011 to 11 October 2011, NWR NV bought back EUR10,000 thousand face value of its 7.375 per cent Senior Notes, which reduced the outstanding principal amount of 2015 Notes to EUR 257,565,000.

The 2015 Notes are senior obligations of NWR NV, and rank equal in right of payment to all of its existing and any future senior debt, including the 2018 Notes. The 2015 Notes are secured by a pledge on the shares of OKD, OKK and NWR Karbonia, which, pursuant to the terms of the Intercreditor Agreement and such share pledges, are subordinated to the share pledges securing the 2018 Notes, and are not guaranteed by any of NWR NV's subsidiaries. Therefore, the 2015 Notes are effectively subordinated to any existing and future liabilities of NWR NV's subsidiaries. The rights and obligations of the 2015 Noteholders in respect of such security are subject to the Intercreditor Agreement.

The 2015 Notes may be redeemed, in whole or in part, at any time prior to 15 May 2011, at the option of NWR NV at a redemption price equal to 100 per cent of the principal amount of the 2015 Notes redeemed plus the applicable premium (as defined in the 2015 Notes Indenture). After 15 May 2011, NWR NV may, at its option redeem all or any portion of the 2015 Notes at the prices set forth in the 2015 Notes Indenture. In addition, prior to 15 May 2010, NWR NV may redeem up to 35 per cent of the original aggregate principal amount of the 2015 Notes with the proceeds of one or more equity offers (as defined in the 2015 Notes Indenture), at a redemption price equal to 107.375 per cent of the principal amount thereof.

If there is a change of control (as defined in the 2015 Notes Indenture), holders of 2015 Notes shall have the right to require NWR NV to repurchase all or any part of the 2015 Notes at a purchase price equal to 101 per cent of the principal amount.

The 2015 Notes Indenture contains covenants that limit NWR NV's ability and the Restricted Subsidiaries' (as defined in the 2015 Notes Indenture) ability to, among other things: incur additional indebtedness; make restricted payments (including dividends); create liens; transfer, dispose of voting stock of any Restricted Subsidiary; sell assets; engage in transactions with affiliates; guarantee any debt of NWR NV or any of its Restricted Subsidiaries; consolidate, merge or sell all or substantially all of its assets.

In connection with the issuance of the Notes, NWR NV is redeeming all of the 2015 Notes. See the Offering Memorandum for the 2015 Notes, section Use of Proceeds.

Revolving Credit Facility

On February 7, 2011, NWR NV entered into a Revolving Credit Facility ('RCF') with, among others, Česká spořitelna, a.s. facility agent, Citigroup Global Markets Limited as documentation agent, 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. The lenders under the RCF acceded to the Intercreditor Agreement by signing the RCF.

The RCF provides for a bank loan facility of EUR100 million, which will be available for three years after the date of signing. The proceeds of the RCF will be used for general corporate purposes. At any point in time, a maximum of 12 loans can be outstanding in any of the eligible funding currencies, being Euro, Polish Zloty and Czech Koruna. The RCF also provides for NWR NV to pay certain fees including a commitment fee, arrangement fees and agency fees.

The RCF is a secured obligation of NWR NV and benefits from the share pledges over the shares in NWR NV's subsidiaries and is guaranteed by them. The RCF contains certain negative undertakings that, subject to certain customary and other agreed exceptions (and other than as specifically provided for under the RCF), limit the ability of NWR NV and its subsidiaries to, among other things: create or permit to subsist any encumbrance or security interest over any of its assets; make any asset disposals; make any substantial change to the general nature of its business; enter into transactions other than on an arm's length basis; amalgamate or merge; incur other additional debt or become a creditor itself. NWR NV is also required to comply with certain financial ratios including the ratio of total net debt to EBITDA, and the ratio of EBITDA to net interest. If the Group breaches any of its covenants or is unable to comply with the ratios, it may be in default under its debt facilities. Amounts due under the RCF may then become immediately due and payable.

The RCF also contains certain affirmative undertakings, subject to certain qualifications, and including, but not limited to, undertakings related to: (i) supplying financial statements; (ii) notification of default; (iii) compliance with 'know your customer' or similar regulations; (iv) receipt, compliance and maintenance of necessary authorisations; (v) compliance with laws (including environmental laws); (vi) taxation; (vii) pari passu ranking of certain claims; (viii) maintenance of insurance and (ix) maintenance of books of NWR NV and its subsidiaries. The RCF contains financial covenants. Subject to certain exceptions, there are mandatory prepayments required to be made upon the occurrence of certain customary events such as a change of control.

The RCF was fully drawn down in December 2011.

Intercreditor agreement

To establish the relative rights of certain of the Group's creditors under its financing arrangements, NWR NV and OKD, OKK and NWR Karbonia, as subsidiaries guarantors under certain of NWR NV's financing arrangements, entered into an intercreditor agreement (the 'Intercreditor Agreement') with, among others, the Trustee for the 2015 Notes, the Trustee for the 2018 Notes, certain hedging counter parties and the security agent under the Intercreditor Agreement.

The Intercreditor Agreement sets out amongst other things, the following provisions:

- the relative ranking of certain debt of NWR NV, OKD and certain of their affiliates;
- the relevant ranking of security granted by NWR NV, OKD and certain of their affiliates;
- when payments can be made in respect of that debt;
- when enforcement action can be taken in respect of that debt;
- the effects of certain insolvency events;
- turnover provisions; and
- when security and guarantees will be released to permit an enforcement sale.

The 2015 Notes are secured on a second ranking basis by pledges over the shares of OKD, OKK and NWR Karbonia.

OKK Share Pledge Agreement

On 27 April 2010, NWR NV entered into a share pledge agreement (the 'OKK Share Pledge Agreement') in order to create a Czech law pledge over the shares it owns in OKK in favor of Citibank N.A., London Branch, as security agent (the 'Security Agent').

The pledge was granted as security for the payment of all obligations (the 'Secured Obligations') of each of NWR NV, OKK, OKD and/or NWR Karbonia towards the Security Agent, including, in particular, liabilities under the 2018 Notes and related guarantees, the 2015 Notes and the RCF.

The OKK Share Pledge Agreement provides that the pledged shares are being kept in the deposit of Citibank Europe plc during the tenure of the pledge in accordance with Czech law and pursuant to a separate deposit agreement.

NWR NV provides certain customary covenants that it shall not grant any other security over, or in any other way dispose of, the pledged shares.

The OKK Share Pledge Agreement also sets out: (i) restrictions on NWR NV's ability to exercise its rights in respect of the pledged shares; (ii) the application of proceeds from the pledged shares before and after the occurrence of a default under certain finance documents; and (iii) the rights of the Security Agent to enforce the pledge. The proceeds of any such enforcement must be applied in accordance with the Intercreditor Agreement.

OKD Share Pledge Agreement

On 27 April 2010, NWR NV entered into a share pledge agreement (the 'OKD Share Pledge Agreement') in order to create a Czech law pledge over the shares it owns in OKD in favor of the Security Agent as security for the Secured Obligations.

The OKD Share Pledge Agreement contains similar terms to the OKK Share Pledge Agreement, but in relation to a pledge over the shares held by NWR NV in OKD.

NWR Karbonia Share Pledge Agreement

On 27 April 2010, NWR NV entered into a share pledge agreement (the 'NWR Karbonia Share Pledge Agreement') in order to create a Polish law pledge over the shares it owns in NWR Karbonia in favor of the Security Agent as security for the Secured Obligations.
The NWR Karbonia Share Pledge Agreement contains identical terms to the OKK Share Pledge Agreement and OKD Share Pledge Agreement, but in relation to a pledge over the shares held by NWR NV in NWR Karbonia.

Export Credit Agency Facility

On 29 June 2009, NWR NV and OKD, as a co-obligor, entered into the Export Credit Agency Facility ('ECA Facility') with, among others, Natixis, as facility agent and documentation agent, KBC Bank Deutschland AG, as ECA Agent, and Česká spořitelna, a.s., Československá obchodní banka, a.s., KBC Bank Deutschland AG, and Natixis, as mandated lead arrangers, as amended on August 3, 2009. The ECA Facility provides for a term loan of approximately EUR 141.5 million, which, following an amendment dated 21 June 2010, was available to be drawn until 30 November 2010 and which is repayable in seventeen semi-annual equal installments, with a final maturity of the date falling 102 months after the Starting Point of Credit (as defined in the ECA Facility). The proceeds of the ECA Facility are used to finance up to 85 per cent of the net purchase price of five longwall sets acquired pursuant to POP 2010.

The interest rate on each advance under the ECA Facility for each interest period is EURIBOR and an applicable margin.

The ECA Facility is an unsecured obligation of NWR NV and OKD as a co-obligor and is not guaranteed by any of NWR NV's subsidiaries. The ECA Facility is covered by a guarantee issued by the Federal Republic of Germany, represented by a consortium led by Euler Hermes Kreditversicherungs-AG, for which NWR NV has paid a premium.

The ECA Facility contains certain negative undertakings that, subject to certain customary and other agreed exceptions (and other than as specifically provided for under the ECA Facility), limit the ability of NWR NV, OKD and certain subsidiaries of NWR NV to, among other things:

- create or permit to subsist any encumbrance or security interest over any of its assets;
- make any asset disposals;
- make any substantial change to the general nature of its business;
- enter into transactions other than on an arm's length basis;
- amalgamate or merge;
- incur other additional debt; and
- dispose of the five longwall sets acquired or create any security over the five longwall sets acquired.

The ECA Facility also contains certain affirmative undertakings, subject to certain qualifications, and including, but not limited to, undertakings related to (i) supplying financial statements; (ii) notification of default; (iii) compliance with 'know your customer' or similar regulations; (iv) supplying information on the performance of the supply contract for the five longwall sets acquired; (v) compliance with material obligations under the supply contract for the five longwall sets acquired; (vi) receipt, compliance and maintenance of necessary authorizations; (vii) compliance with laws (including environmental laws);

(viii) taxation; (ix) pari passu ranking of certain unsecured and unsubordinated claims; (x) maintenance of insurance; and (xi) access to the premises and records of NWR NV and OKD.

The ECA Facility contains financial covenants requiring NWR NV and OKD ensure that at the end of any calculation period:

- the ratio of total net debt of NWR Group to EBITDA of the Group will not exceed an agreed multiple; and
- the ratio of EBITDA of the Group to the net interest payable by the Group will not exceed an agreed multiple.

Amounts outstanding under the ECA Facility may be prepaid at any time after 29 June 2010 (or, if earlier, the day on which the amounts available under the ECA Facility to NWR NV and OKD is zero) in whole or in part on 30 business days' notice subject to payment of a minimum amount of EUR 5 million.

Subject to certain exceptions, there are mandatory prepayments required to be made upon the occurrence of certain customary events such as a change of control and the ECA Facility will also be automatically cancelled where the ECA guarantee is terminated or cancelled.

The ECA Facility sets out certain events of default, including non-payment, breach of financial covenants, cross-default above certain agreed amounts, insolvency events, certain insolvency proceedings and the occurrence of events which, in the reasonable opinion of the Majority Lenders (as defined in the ECA Facility) is reasonably likely to have a Material Adverse Effect (as defined in the ECA Facility).

Hedging arrangements

The Group is party to certain interest rate hedging arrangements to mitigate interest rate risks. The Group is also party to certain foreign currency hedging arrangements to mitigate foreign currency risks resulting from operational costs outflow in Czech Koruna and Polish Zloty.

Sale of energy business

NWR NV entered into a share sale and purchase agreement with Dalkia Česká republika, a.s. ('Dalkia') on 8 January 2010, which provided for the sale by NWR NV to Dalkia of 100 per cent of the ownership in NWR Energy, a.s. ('NWR Energy'), CZECH-KARBON, s.r.o. ('CZECH-KARBON') and NWR ENERGETYKA PL Sp.z o.o. (together referred to as the 'Energy Subsidiaries'), which successfully closed on 21 June 2010. Dalkia is a leading energy group in the Czech Republic as a heat producer and distributor and is a member of the 'Veolia Environment Group'.

The Share Purchase Agreement (the 'SPA') provides for put and call options, as well as a pre-emption right of NWR NV, 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 the 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. NWR Karbonia supplied CZECH-KARBON. with electricity and distribution services up to 1 April 2009. 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 supplied OKK with heat and OKD and NWR NV were parties to an agreement pursuant to which Dalkia, through NWR NV, 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. The company NWR Energy was renamed to the new name Dalkia Industry CZ, a.s. on the date 24 June 2010 and the company CZECH-KARBON was renamed to the new name Dalkia Commodities CZ, a.s. on the date 1 August 2011.

Co-operation agreement between RPGI and Ferrexpo plc

In October 2008, RPGI, a member of the BXR Group, purchased a shareholding of 25 per cent minus one share in Ferrexpo plc ('Ferrexpo'), a Ukrainian iron ore company (the 'Ferrexpo Transaction'). In connection with the Ferrexpo Transaction, Ferrexpo's controlling shareholder Fevamotinico Sarl, a company incorporated with limited liability in Luxembourg ('Fevamotinico') and RPGI entered into an agreement in which the parties agreed to pursue a strategic alliance whereby RPGI and Fevamotinico would seek to find areas in which they could work together to develop their respective businesses in the Central adn Eastern Europe. As part of such strategic alliance, RPGI and Fevamotinico agreed to ask NWR NV and Ferrexpo, respectively, to consider working together to explore strategic opportunities to develop business together in Ukraine, the Czech Republic, Poland and other territories. A further aspect of the strategic alliance was for each of RPGI and Fevamotinico to nominate persons to be appointed to the board of directors of the other's affiliate, being NWR NV and Ferrexpo, respectively. Miklos (Mike) Salamon, the Executive Chairman of NWR NV, and Marek Jelínek, the Executive Director and Chief Financial Officer of NWR NV, were appointed as non-executive directors of Ferrexpo, and Kostyantin Zhevago, the Chief Executive Officer of Ferrexpo, was appointed as a Non-Executive Director of NWR NV. Mr. Jelínek retired from the board of Ferrexpo in May 2010. . In connection with the UK reincorporation. Mr. Zhevago resigned from the board of NWR NV and was appointed as a Non-Executive Director of NWR with the effect from 6 May 2011.

Agreement on ICT services

On 29 April 2010, OKD, as client, HEWLETT-PACKARD s.r.o. and Siemens IT Solutions and Services, s.r.o. (now Atos IT Solutions and Services, s.r.o.), as suppliers, concluded an Agreement on ICT Services. Under this agreement, the suppliers will provide OKD with IT services for a total consideration of CZK 482,009,138. The agreement was entered into for a period of 60 months and may be extended for an additional 24 months. The agreement may be terminated by either party in the case of a gross breach of the agreement or without cause after a six month notice period at any time after the second year of the term of agreement. The Agreement was modified by four amendments without a significant impact on the overall price of services.

Contract for works between OKD and GASCONTROL, Q-ELEKTRIK and VOKD

On 20 October 2010, OKD, as client, GASCONTROL, společnost s.r.o., Q-ELEKTRIK a.s. and VOKD, a.s., as suppliers, concluded a contract for works. Under this contract, the suppliers are obliged to supply OKD's mine sites with 60 circuit-breakers in 2010. OKD has an option for supply of another 690 circuit-breakers in between 2011 and 2013. The total consideration for the 750 circuit-breakers is CZK 927,504,000.

Commissionaire agreement for purchase of coking coal

Since 1 July 2011 NWR NV serves as a purchase commissionaire for OKD with respect to the purchase of coking coal. NWR NV receives a commission fee from OKD for the provided commissionaire services. As a result of this commissionaire agreement, NWR NV signed purchase agreements with Eurosource Trading & Consulting AG and Polské uhlí, a.s.. In 2011 various shipments of coal were purchased, with a total consideration of CZK 1,027,407,037.

Chemical production sales agreement

On 1 January 2011 OKK entered into an agreement on the sale of chemical products with DEZA, a.s., a large Czech based producer of aromatic hydrocarbons and other chemical materials. OKK mainly purchased tar, crude benzole and washing oil. In 2011 the sales attributable to this agreement were EUR 8.1 million. The contract will expire in 2015.

Directors' Statement of Responsibility

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

(a) The consolidated and company financial statements, set out on pages 89 to 163 have been prepared in accordance with IFRS, as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of NWR and the undertakings included in the consolidation taken as a whole;

(b) The Director's report includes a fair review of the development and performance of the business and the position of NWR and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Board of Directors
12 March 2012

Remuneration Report

The Remuneration Report, prepared by the Remuneration Committee, explains the main principles and rules regarding the remuneration of the Directors of the Company and also provides details of Directors' remuneration for the year ended 31 December 2011.

Remuneration Committee

The Remuneration Committee is chaired by Zdeněk Bakala and the other members are Hans-Jörg Rudloff, and Bessel Kok, all of whom are Non-Executive Directors. The Committee's chairman Zdeněk Bakala is not considered by the Board to be independent who does. However, the Board regards Mr. Bakala's membership of the Remuneration Committee as critical to the further alignment of directors' remuneration with shareholder interests.

Following the UK redomiciliation, the Remuneration Committee, became a committee of NWR Plc as of 6 May 2011, and now sets the remuneration for the Executive Directors, the Chairman of the Board and the Group's senior managers and advises the board of NWR Plc in relation to its responsibilities with respect to the remuneration of the Non-Executives Directors. For more information please see the Remuneration Committee Report on page 57.

During the year, the Remuneration Committee was not advised by any independent counsel.

Remuneration Policy

The board of directors of NWR Plc adopted the compensation manual on 8 April 2011 with effect from 6 May 2011. The compensation manual records the remuneration policy of NWR Plc and the entities directly or indirectly controlled by NWR Plc, including the Company, outlines principles regarding remuneration at senior and key positions within the NWR Group and provides the framework in this area. Due to the UK redomiciliation, the compensation manual has been amended, so that it reflects the provisions of the UK Corporate Governance Code, in particular the new responsibilities of the Remuneration Committee.

The objective of the remuneration policy is to attract, retain and motivate talented executives by providing a well-balanced and appropriate remuneration package. The remuneration policy aims to ensure that a competitive remuneration package for the Executive Directors is maintained and benchmarked against other multinational companies based in Europe and operating in global markets. The Remuneration Committee believes that the remuneration policy remains appropriate for 2012.

In order to align executive performance with shareholder value, the remuneration of Executive Directors is linked not only to individual performance but also to the Group's performance. The Remuneration Committee sets their contractual terms, salary, bonuses and other benefits of the Executive Directors. The remuneration policy also sets out the remuneration of Non-Executive Directors, as described further below. The Board has delegated its powers and responsibilities to certain authorized officers with respect to the remuneration of senior managers and key employees of the Group, who shall decide on salary, bonuses and other benefits of such managers and key employees.

Remuneration of Executive Directors

In 2011 as in previous years, the remuneration package for Executive Directors included a significant variable element in the form of a cash bonus incentive and a long-term incentive in the form of share grants and stock option grants. The Remuneration Committee ensured that an appropriate balance between the fixed and performance-related elements of executive remuneration was maintained.

As a part of its remuneration policy for Executive Directors, the Company is using the Deferred Bonus Plan (implemented throughout the Group and fully effective since January 2011), as described in more detail below.

Base salary

To ensure remuneration remains effective in supporting the Group's business objectives, the Remuneration Committee annually reviews base salary levels for Executive Directors, taking into account external benchmarks. When setting salary levels, the Remuneration Committee takes into consideration individual performance, Group performance and changes in individual responsibilities.

Bonus

Executive Directors may be awarded cash bonuses by the Remuneration Committee. The value of the cash bonus is determined by the Remuneration Committee following evaluation of financial and non-financial benchmarks.

Stock option plan for the Chairman of the Board

On 1 September 2008, Mr. Salamon was awarded share options equal to 0.5 per cent of NWR NV's A Share capital as per the date of grant. Each share option gave Mr. Salamon the right to acquire one NWR NV A share on the vesting date. Following the UK redomiciliation, NWR Plc and Mr. Salamon have amended the options granted to Mr. Salamon so that they now relate to NWR Plc A. The exercise price per option is EUR 0.01. The option award will enable Mr. Salamon to ultimately acquire up to 0.5 per cent of NWR Plc's share capital by 1 September 2012, provided that: (i) he remains an executive member of the board; and (ii) any other conditions for vesting have been met. The options vest over a period of five years so that 20 per cent of the total awarded options vest annually on each anniversary of 1 September 2008, when the initial 263,800 options (over A Shares) vested. The number of options vesting depends on NWR's share capital on 1 September of that year. Mr. Salamon shall be compensated for any shortfall on each anniversary.

Share awards plan for the Chief Executive Officer of OKD

Mr. Beck received from OKD and its affiliates, at the cost of OKD, 250,045 A shares of NWR NV, or cash in lieu of shares, for each full year of his three-year term ending on 30 June 2010. Since Mr. Beck and OKD have agreed to extend Mr. Beck's employment term beyond the initial three years, his new employment agreement provides that he is entitled to receive 250,045 A Shares of NWR for each full year of the term beyond the initial three years up to a maximum of 1,250,225 A Shares of NWR.

Deferred Bonus Plan

The Group operates a deferred bonus plan (the 'Deferred Bonus Plan') as a long-term incentive and motivation instrument for Executive Directors as well as to senior managers and key employees of the Group. The Deferred Bonus Plan was adopted by the board of NWR Plc on 8 April 2011 with effect from 6 May 2011 and its terms are substantially similar to the terms of a deferred bonus plan operated by the Company before the UK redomiciliation. The Company's deferred bonus plan was modified so that all outstanding awards over the A Shares became awards of NWR Plc A shares and the Board also resolved that no new awards will be granted under that plan.

Eligibility

Executive Directors, senior managers and key employees of the Group are eligible to participate in the Deferred Bonus Plan subject to approval of their participation by the Remuneration Committee.

Annual Bonus and Deferred Bonus Award

An annual bonus opportunity will be set as a percentage of base salary. In line with standard practice, Executive Directors would need to oversee the NWR Plc's achievement of at least 80 per cent of the annual EBITDA target for a bonus to be payable. This condition aims to provide a strong connection between business imperative and performance. If this condition is met the annual bonus for Executive Directors may be up to 250 per cent of their annual salary on the basis of performance evaluation based on the certain performance criteria. The EBITDA target does not apply to participants who are not Executive Directors or Board members of any Group company. For other participants the maximum bonus amount is set at either 200 or 300 per cent of the individual's annual salary depending on the position held.

Performance will be measured against a balanced scorecard, providing a shared framework within which specific performance criteria shall be set relevant to the participant and his or her area of responsibility, which may include one or more of EBITDA, CAPEX, cost control, production and/or safety record. Performance criteria for the Executive Directors are set by the Remuneration Committee and for other participants these criteria are set by the respective authorised officers. The Remuneration Committee also sets the Group-wide performance criteria for all participants.

Bonus eligibility will be determined using annual results and the Remuneration Committee shall decide on the actual amount of bonus payable to the Executive Directors. 50 per cent of the annual bonus award will be payable in cash and 50 per cent will be deferred into A Shares for a period of three years. The maximum number of NWR Plc A shares offered under the Deferred Bonus Plan to an Executive Director in one bonus year may not exceed 250,000 NWR Plc A shares. In relation to other participants the percentage split is 70 per cent cash and 30 per cent is deferred into NWR Plc A shares for a period of three years, with the actual amount of the bonus being decided by the authorised officers (with the Remuneration Committee approving only the total volume of the deferred NWR Plc A shares). The number of NWR Plc A shares granted will be derived using the average of opening prices of an NWR Plc A share as reported by the London Stock Exchange on each of the five business days preceding and including the date of grant.

Ad hoc grants

The Deferred Bonus Plan allows ad hoc grants of NWR Plc A shares, although the use of such grants should be minimized. The value of any ad hoc grant shall not exceed 250 per cent of annual salary in each case in each financial year.

Vesting

After a period of three years from the date of deferral, the deferred bonus award will vest. The NWR Plc A shares will be released to the participant provided that the participant is still employed by the Group or on the condition that the participant is a 'good leaver', where such person left NWR due to death, retirement at contractual retirement age, early retirement, maternity leave, authorised interim leave, leave of absence due to illness or personal reasons, transfers to an associated company or such other reasons as the Remuneration Committee may approve. No dividend will be paid out on the deferred shares during the deferral period.

Put option

Each participant will have a put option, which will give the participant a put at market price at the time the NWR Plc A shares are released to enable such individual to benefit from future price increase, but protect such individual from any potential reduction in value that has already been earned. The period to exercise the put option will be limited to three years and the put option will cease to exist if the participant leaves the Group.

Adjustment and clawback provisions

If the Remuneration Committee believes that extraordinary circumstances have occurred during the period in which the predetermined performance criteria have been or should have been achieved, which lead to an unfair result with respect to the deferred bonus amounts awarded, the Remuneration Committee retains the discretionary power to adjust the value of the deferred bonus amounts as appropriate.

If any variable remuneration, be it in the form of cash or NWR Plc A shares, has been awarded on the basis of incorrect financial or other data, the Board is entitled to recover such remuneration from the participant. This right of recovery exists irrespective of whether the participant has been responsible for the incorrect financial or other data or was aware or should have been aware of the inaccuracy. The right of recovery expires upon vesting.

Termination

If a participant ceases to be employed within the NWR Group before vesting, in particular due to death, retirement at normal retirement age, redundancy or retirement through illness or injury, maternity leave, leave of absence, illness or personal reasons (a 'good leaver'), such person will be entitled to receive the deferred NWR Plc A shares, unless the Remuneration Committee decides otherwise. Participants leaving employment by the Group for other reasons (such persons being 'bad leavers') will lose their entitlement to the deferred NWR Plc A shares.

Changes in share capital

In the event of any capitalisation, consolidation, sub-division or reduction of the share capital and in respect of any discount element in any rights issue or any other variation in the share capital of NWR Plc, the deferred NWR Plc A shares may be varied in such manner as the Remuneration Committee shall determine.

Change in control

Upon a change in control of the Group, deferred shares will vest on a time pro-rated basis unless the Remuneration Committee decides that this is inappropriate given the individual's overall performance. Vested NWR Plc A shares shall be issued or delivered, as the case may be, as soon as is practicable.

Amendments

The Board may at any time at its sole discretion alter the Deferred Bonus Plan or propose to discontinue it. Otherwise, the Remuneration Committee may, at its sole discretion, determine the vesting or cancellation of the deferred bonus award in accordance with principles of reasonableness and fairness and in exceptional circumstances.

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

Due to the implementation of the Deferred Bonus Plan, the stock option plan of NWR NV (the 'Stock Option Plan') was discontinued as of 31 December 2010 and hence no options were granted in 2011. The Stock Option Plan continues only in relation to options already granted. In connection with the UK redomiciliation, NWR has granted equivalent (rollover) options over NWR Plc A shares to the Executive Directors, senior managers and key employees who participated in the Stock Option Plan. These rollover options continue on the same terms and conditions as applied to the options granted originally under the Stock Option Plan, with appropriate adjustments.

Eligibility

Executive Directors, senior managers and key employees of the Group were eligible to participate in the Stock Option Plan. Individual eligibility was determined by the Board upon the recommendation of its Remuneration Committee.

Grant of options

The maximum number of A Shares over which options might have been granted under the Stock Option Plan could not exceed three per cent of the issued A Share capital of the Company at the time of its initial public offer (the 'IPO'). Option holders were not required to pay for the grant of an option. Individual limits were dependent on the proportion of annual salary of the participants applied to the grant of options (for more details please see page 73 of 2010 NWR NV Report).

As at 31 December 2011, the total number of options granted over NWR Plc A shares (excluding options of holders who had left the Group and who have not obtained a 'good leaver exemption') was 5,512,468 and their total monetary value was GBP 11,152,796 (approx. EUR 13,043,610), calculated on the Black-Scholes model.

Exercise price

The exercise price of options granted upon completion of the IPO in May 2008 is GBP 13.25. The exercise price of options granted in 2009 is GBP 2.8285 and the exercise price of options granted in 2010 is GBP 7.128.

Exercise of options

Subject to certain conditions, the options vest over a three year period. For each year during the vesting period, one third of the granted options become eligible for vesting. 50 per cent of the stock options vest if the threshold performance is achieved, and 100 per cent of the stock options vest if the target performance is achieved. Vesting between threshold and target is on a straight-line basis. For Executive Directors and certain members of senior management and key employees, EBITDA threshold and target performance were used for vesting purposes. For other senior management and key employees of the Group, production and cost control thresholds and targets were set, as relevant to the participant and such participant's area of responsibility.

Options can be exercised after three years from the vesting date. Options, which have not been exercised, will normally lapse on the eighth anniversary of their grant. Options may, however, be exercised early under certain circumstances, including certain terminations of employment and in the event of a takeover (change of control), scheme of arrangement or winding up. Options are not transferable and may only be exercised by the persons to whom they are granted.
No options were exercised under the Stock Option Plan during 2011.

Issues of A Shares and variation in share capital

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

For more details about the Stock Option Plan and its terms and conditions, please see pages 72 and 73 of the 2010 Annual Report.

Other benefits

In addition to the salary, bonus and share-based incentives, additional non-cash benefits may be provided by the Group to Executive Directors, such as relocation allowances, accommodation allowances, school fees, medical insurance and company car arrangements. The total annual value of the non-cash benefits provided may not exceed EUR 300,000 for each individual Executive Director. These do not include pension benefits as the Group does not operate any pension schemes on behalf of, or for the benefit of, its Directors.

Executive Directors are not entitled to any benefit upon termination of their employment agreement other than the contractual benefits that apply during their notice period.

Service contracts of Executive Directors

Name	Date of appointment	Termination date of appointment	Notice period[2]
Mike Salamon	1 September 2007	–	12 months’ notice by NWR; six months’ notice by Director
Klaus-Dieter Beck	1 July 2007	6 May 2011[1]	Not applicable
Marek Jelínek	6 March 2007	–	Two months’ notice by NWR; one month’s notice by Director

[1] Mr. Beck resigned as Director of the Company in connection with the UK Redomiciliation.
[2] Service contracts which have been entered into between the Mr. Salamon and Mr. Jelínek and NWR Plc and provide for payment of salary alone in lieu of notice.

Remuneration of Executive Directors in financial year 2011

The tables below provide a description of the pre-tax remuneration of Executive Directors for the fiscal year ended 31 December 2011 and 2010.

Executive Directors' emoluments and cash remuneration 2011

Name	Gross salary (EUR)	Cash bonus (EUR)	Other benefits (EUR[3])	Total (EUR)
Mike Salamon	287,522	0	0	287,522
Klaus-Dieter Beck[1,2]	737,231	1,464,010	213,155	2,414,396
Marek Jelínek [3]	290,000	1,301,342	112,073	1,703,415

The remuneration for 2011 includes remuneration received as Directors of both NWR and NWR Plc.

1 Mr. Beck receives his remuneration in CZK. The amounts stated in this table were converted into EUR from CZK at an exchange rate of 24.590 CZK/EUR, which was the average exchange rate in 2011.

2 The gross salary of Mr. Beck includes remuneration received from OKD and OKK for his Board membership in 2010 and 2011.

3 Includes in-kind compensation, e.g. personal travel costs, additional health insurance, housing, etc.

Stock option grants/Share awards 2011

	Plan	Date of Grant	Number of options/ shares granted	Exercise Price	Exercise Period/ Vesting Date
Miklos Salamon[1]	Stock Option Plan	1 September 2008	1,319,000	EUR 0.01	1 September annually up to 1 September 2012
Marek Jelínek[2]	Stock Option Plan	9 May 2008	39,776	£13.25	8 years (3-year vesting period)
	Stock Option Plan	24 June 2009	221,889	£2.8285	
	Stock Option Plan	17 March 2010	88,310	£7.128	
	Deferred Bonus Plan	3 March 2011	30,000	N/A	3 March 2014
Klaus-Dieter Beck[3]	Employment agreement	1 July 2007	250,045	N/A	1 July 2011

1 Mr. Salamon received options under his stock option plan (details of this plan can be found in this section under "Stock option plan for the Chairman of the Board"). 263,800 options in NWR A Shares vested on 1 September 2008, 264,351 options vested on 1 September 2009 and 265,150 options vested on 1 September 2010. Following the UK redomiciliation, the options granted to Mr. Salamon have been changed and relate to the A shares of NWR Plc, such that 261,585 options vested on 1 September 2011 and an additional 20 per cent of granted options will vest on 1 September 2012.

2 Mr. Jelínek received options under the Stock Option Plan. Due to discontinuation of the Stock Option Plan at the end of 2010, he received no options in 2011.
In the absence of a transitional arrangement for equity incentives to Executive Directors who participate in the Deferred Bonus Plan, for their performance in financial year 2010, the Board resolved, on 3 March 2011, on an ad hoc grant of 30,000 deferred shares to Mr. Jelínek. The deferred shares will vest in three years, provided that Mr. Jelínek is employed by the Group on the vesting date.

3 Details of the share award plan for Mr. Beck can be found in this section under 'Share awards plan for the Chief Executive Officer of OKD, a.s.'
In January 2010, Mr. Beck received a cash amount of CZK 41,724,729 (which is approximately EUR 1,650,242) equal to the then market value of 250,045 A Shares that Mr. Beck was entitled to receive in July 2009 and which Mr. Beck and OKD agreed, following deferral until 2010 in response to the economic situation of OKD in 2009.
In July 2010, Mr. Beck received a cash amount of CZK 54,858,713 (which is approximately EUR 2,169,700) equal to the then market value of 250,045 A shares of NWR Plc that Mr. Beck was entitled to receive in accordance with his share awards plan.

Total remuneration of Executive Directors

			Other benefits (EUR)	Value of stock options exercised (EUR)	Value of share awards (EUR)	TOTAL (EUR)
Mike Salamon	287,522			1,610,457		1,897,979
	15%			*75%*		*100%*
Klaus-Dieter Beck	737,231	1,464,010	213,155		2,509,446	4,923,842
Marek Jelínek	290,000	1,301,342[2]	112,073			1,703,415

The remuneration for 2011 includes remuneration received as Directors of both NWR and NWR Plc.

Remuneration of Non-Executive Directors

Each Non-Executive Director has entered into a letter of appointment with NWR, the relevant terms of which are set out below:

In accordance with NWR's Articles of Association, the term of appointment of the Non-Executive Directors is four years, subject to satisfactory performance and re-election when appropriate at the Annual General Meeting of Shareholders. A one-month notice period applies to the termination of each Non-Executive Director's letter of appointment. Unless the appointment as a Non-Executive Director is renewed on or prior to the termination date, the term as a Non-Executive Director shall lapse immediately after the termination date. The appointment may also be terminated at any time by the Company at General Meeting. None of the Non-Executive Directors is entitled to any benefit on termination of his letter of appointment.

The basic annual fee payable to the Non-Executive Directors is EUR 76,065, which is reviewed annually by the Remuneration Committee. Any amendments to the remuneration of the Non-Executive Directors require a resolution of the Board. The Remuneration Committee believes remuneration rates remain appropriate for 2012.

In 2010 and 2009, NWR NV operated a share plan for the Independent Non-Executive Directors. Under this plan the Independent Non-Executive Directors were awarded A Shares valued at EUR 200,000 in May 2010. (Details regarding these shares awards are described in the 2010 Annual Report on page 75 and 2009 Annual Report on page 81.)

Non-Executive Directors are reimbursed for all reasonable and documented expenses incurred in performing their role.

Remuneration of Non-Executive Directors in financial year 2011

Name	Annual fee (EUR)	Committee chairmanship annual fee (EUR)	Committee membership annual fee (EUR)	Total compensation (EUR)[4]
Zdeněk Bakala[1]	76,065	31,694	12,677	0
Peter Kadas[1]	76,065	25,355	–	0
Hans Mende	76,065	–	–	76,065
Pavel Telička[2]	76,065	–	–	76,065
Kostyantin Zhevago[3]	76,065	–		76,065
Bessel Kok	76,065	88,742	25,355	190,162
Hans-Jörg Rudloff	76,065	–	57,049	133,114
Steven Schuit	76,065	–	88,742	171,147
Barry Rourke	76,065	63,387	44,371	183,823
Paul Everard	76,065	63,387	31,694	171,146

The remuneration for 2011 includes remuneration received as Non-Executive Directors of both NWR and NWR Plc.

1 Mr. Bakala and Mr. Kadas waived their fees for the whole of 2011.

2 NWR entered into a consultancy agreement with BXL Consulting Ltd ('BXL'); Mr. Telička is the co-founder and director in charge of the Brussels office of BXL. For further details regarding these contracts, see the 'Related Party Transactions' section of this 2011 Annual Report.

3 Mr. Zhevago agreed to waive his annual fee for the benefit of a charity for 2011.

4 Excludes the value of NWR A Shares awarded to Independent Non-Executive Directors.

The Safety, Health and Sustainability Committee includes Messrs. Stan Suboleski, Karl-Friedrich Jakob and Mrs. Petra Mašínová as associate members. The annual fee of Messrs. Stan Suboleski and Karl-Friedrich Jakob corresponds with the annual fee of other members of this committee and amounts to EUR 31,694. The annual fee of Mrs. Petra Mašínová forms a part of her remuneration under the contract with NWR Communications,s.r.o.

Directors' interest in shares

The table below sets out information pertaining to the shares held by the Directors in NWR (as at 1 January 2011 and NWR Plc as at 31 December 2011).

Name	At 1 January 2011	At 31 December 2011
Mike Salamon	570,193 shares and 525,699 options	700,986 shares and 264,114 options
Marek Jelínek	7,075 shares and 349,975 options	7,075 shares and 349,975 options and 30,000 deferred shares under Deferred Bonus Plan
Klaus-Dieter Beck	12,490	12,490
Zdeněk Bakala[1]	–	–
Peter Kadas[1]	–	–
Hans Mende	38,000	–
Pavel Telička	–	–
Kostyantin Zhevago	–	–
Bessel Kok	54,308	54,308
Hans-Jörg Rudloff	90,843	81,299
Steven Schuit	25,843	25,843
Paul Everard	67,843	67,843
Barry Rourke	55,843	55,843

1 Please refer to the 'Shareholder Information' on page 166 in respect of the individual interests of entities affiliated with Messrs. Bakala and Kadas in the A Shares and B Shares of NWR Plc.

Loans to Directors

No personal loans, guarantees or other similar instruments may be provided to the Directors by the Company.

Pension scheme

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

However, the Group does accrue certain pension liabilities under applicable Czech law for medical leave depanding on length of service (which is a special benefit paid to all employees in the mining profession once a year based on the individual length of employment) and termination payments for its employees. For additional information, see Note 26 to the Group's consolidated financial statements for the year ended 31 December 2011.

This Remuneration Report has been approved by the Board.

Zdeněk Bakala
Chairman of the Remuneration Committee
12 March 2012

NEW WORLD RESOURCES N.V.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

EUR'000	*Note*	1 January 2011 - 31 December 2011	1 January 2010 - 31 December 2010
Continuing operations			
Revenues	*3*	1,632,730	1,589,990
Change in inventories of finished goods and work-in-progress		37,708	(34,954)
Consumption of material and energy		(412,973)	(373,153)
Service expenses		(393,575)	(341,843)
Personnel expenses	*4*	(380,006)	(361,117)
Depreciation and amortization	*11, 12*	(176,389)	(170,348)
Net gain from material sold		7,602	5,177
Gain from sale of property, plant and equipment		(1,536)	715
Other operating income		4,065	5,062
Other operating expenses	*5*	(36,090)	(24,985)
OPERATING INCOME		281,536	294,544
Financial income	*6*	31,582	35,518
Financial expense	*6*	(120,677)	(150,373)
Profit on disposal of energy business	*8*	-	72,391
PROFIT BEFORE TAX		192,441	252,080
Income tax expense	*7*	(57,147)	(30,811)
PROFIT FROM CONTINUING OPERATIONS		**135,294**	**221,269**
Discontinued operations			
PROFIT FROM DISCONTINUED OPERATIONS NET OF TAX	*8*	-	12,045
PROFIT FOR THE YEAR		**135,294**	**233,314**
Attributable to:			
SHAREHOLDERS OF THE COMPANY		**135,294**	**233,314**
EARNINGS PER SHARE (EUR/share)	*23*		
A share			
Basic earnings		0.50	0.86
Diluted earnings		0.50	0.85
Basic earnings from continuing operations		0.50	0.81
Diluted earnings from continuing operations		0.50	0.80
Basic earnings from discontinued operations		-	0.05
Diluted earnings from discontinued operations		-	0.05
B share			
Basic earnings		345.80	699.30
Diluted earnings		345.80	699.30

The Notes on pages 96 to 149 are an integral part of these consolidated financial statements.

NEW WORLD RESOURCES N.V.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

EUR'000	1 January 2011 - 31 December 2011	1 January 2010 - 31 December 2010
PROFIT FOR THE YEAR	135,294	233,314
OTHER COMPREHENSIVE INCOME		
Foreign currency translation differences	(27,173)	68,673
Derivatives – net change in fair value of cash flow hedges	(18,619)	(1,172)
Derivatives – net change in fair value of cash flow hedges reclassified to profit and loss	(8,174)	(8,361)
Other income	-	937
Income tax relating to derivatives - reclassification to profit and loss	1,775	1, 603
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(52,191)	61, 680
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**83,103**	**294,994**
Attributable to:		
SHAREHOLDERS OF THE COMPANY	**83,103**	**294, 994**

The Notes on pages 96 to 149 are an integral part of these consolidated financial statements.

NEW WORLD RESOURCES N.V.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

EUR'000	*Note*	2011	2010
ASSETS			
Property, plant and equipment	*11*	1,354,356	1,280,892
Mining licences	*12*	148,196	161,586
Accounts receivable	*13*	10,217	12,872
Deferred tax	*7*	9,630	8,601
Restricted cash	*14*	12,506	11,025
Derivatives	*17*	15	58
TOTAL NON-CURRENT ASSETS		1,534,920	1,475,034
Inventories	*15*	93,089	56,013
Accounts receivable and prepayments	*16*	204,581	197,746
Derivatives	*17*	-	34
Income tax receivable		169	143
Cash and cash equivalents	*18*	536,911	529,241
Restricted cash	*14*	6,465	-
TOTAL CURRENT ASSETS		841,215	783,177
TOTAL ASSETS		**2,376,135**	**2,258,211**
SHAREHOLDERS EQUITY			
Share capital	*22*	105,883	105,883
Share premium	*22*	66,326	66,326
Foreign exchange translation reserve	*22*	56,396	79,343
Restricted reserve	*22*	129,420	133,169
Equity-settled share-based payments	*27*	-	17,157
Hedging reserve	*22*	(2,173)	23,322
Retained earnings		400,304	384,195
TOTAL EQUITY		756,156	809,395

NEW WORLD RESOURCES N.V.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

EUR'000	*Note*	2011	2010
LIABILITIES			
Provisions	*24*	166,756	106,491
Long term loans	*20*	76,184	89,377
Bonds issued	*21*	738,646	745,497
Employee benefits	*26*	87,912	95,892
Deferred revenue	*25*	2,128	2,524
Deferred tax	*7*	116,715	118,938
Other long-term liabilities		466	576
Cash-settled share-based payments	*27*	702	-
Derivatives	*17*	25,332	19,280
TOTAL NON-CURRENT LIABILITIES		1,214,841	1,178,575
Provisions	*24*	9,139	5,820
Accounts payable and accruals	*19*	217,896	204,793
Accrued interest payable on bonds		8,937	9,029
Derivatives	*17*	28,069	4,771
Income tax payable		26,881	29,138
Current portion of long-term loans	*20*	13,852	15,276
Short-term loans	*20*	99,695	7
Cash-settled share-based payments	*27*	669	1,407
TOTAL CURRENT LIABILITIES		405,138	270,241
TOTAL LIABILITIES		1,619,979	1,448,816
TOTAL EQUITY AND LIABILITIES		**2,376,135**	**2,258,211**

The Notes on pages 96 to 149 are an integral part of these consolidated financial statements.

The financial statements on pages 89 to 149 were approved by the Directors on 12 March 2012 and signed on their behalf by:

Mike Salamon
Executive Chairman of the Board

Marek Jelínek
Chief Financial Officer

NEW WORLD RESOURCES N.V.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

EUR'000	Share capital	Share premium	Foreign exchange translation reserve	Restricted reserve	Equity-settled share-based payments	Hedging reserve	Retained earnings	**Total equity**
Balance at 1 January 2011	**105,883**	**66,326**	**79,343**	**133,169**	**17,157**	**23,322**	**384,195**	**809,395**
Profit for the year	-	-	-	-	-	-	135,294	**135,294**
Total other comprehensive income	-	-	(22,947)	(3,749)	-	(25,495)	-	**(52,191)**
Total comprehensive income for the year	-	-	(22,947)	(3,749)	-	(25,495)	135,294	**83,103**
Transaction with owners recorded directly in equity								
Share options for A shares	-	-	-	-	1,865	-	-	**1,865**
Transfers within the equity	-	-	-	-	(19,022)	-	19,022	**-**
Share options granted by holding company	-	-	-	-	-	-	2,379	**2,379**
Dividends paid to A shareholders	-	-	-	-	-	-	(100,586)	**(100,586)**
Dividends paid to B shareholders	-	-	-	-	-	-	(40,000)	**(40,000)**
Total transactions with owners	-	-	-	-	(17,157)	-	(119,185)	**(136,342)**
Balance at 31 December 2011	**105,883**	**66,326**	**56,396**	**129,420**	**-**	**(2,173)**	**400,304**	**756,156**

The Notes on pages 96 to 149 are an integral part of these consolidated financial statements.

NEW WORLD RESOURCES N.V.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR'000	Share capital	Share premium	Foreign exchange translation reserve	Restricted reserve	Equity-settled share-based payments	Hedging reserve	Retained earnings	**Total equity**
Balance at 1 January 2010	**105,736**	**60,449**	**19,078**	**126,066**	**13,424**	**29,947**	**205,475**	**560,175**
Profit for the year							233,314	**233,314**
Total other comprehensive income			60,625	7,103	-	(6,625)	937	**61,680**
Total comprehensive income for the year	-	-	60,265	7,103	-	(6,625)	234,251	**294,994**
Transaction with owners recorded directly in equity								
Shares granted to independent Directors	41	959	-	-	-	-	-	**1,000**
Share options exercised	106	4,918	-	-	(4,996)	-	-	**28**
Dividends paid to A shareholders	-	-	-	-	-	-	(55,531)	**(55,531)**
Share options for A shares	-	-	-	-	8,729	-	-	**8,729**
Total transactions with owners	147	5,877	-	-	3,733	-	(55,531)	**(45,774)**
Balance at 31 December 2010	**105,883**	**66,326**	**79,343**	**133,169**	**17,157**	**23,322**	**384,195**	**809,395**

The Notes on pages 96 to 149 are an integral part of these consolidated financial statements.

NEW WORLD RESOURCES N.V.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

EUR'000	Note	1 January 2011- 31 December 2011	1 January 2010- 31 December 2010
Cash flows from operating activities			
Net profit before taxation from continuing operations		192,441	252,080
Net profit before taxation from discontinued operations		-	12,518
Net profit before taxation		192,441	264,598
Adjustments for:			
Depreciation and amortisation	*11, 12*	176,389	170,348
Changes in provisions		(1,186)	(12,603)
Loss/(Profit) on disposal of property, plant and equipment		1,536	(715)
Profit on disposal of energy business	*8*	-	(81,976)
Interest expense, net		56,565	67,340
Change in fair value of derivatives		2,635	(2,553)
Equity-settled share-based payment transactions		4,244	9,757
Profit before working capital changes		432,624	414,196
(Increase) / Decrease in inventories		(37,075)	29,879
(Increase) / Decrease in receivables		(7,325)	(68,449)
(Decrease) / Increase in payables and deferred revenues		(8,996)	(27,344)
(Increase) / Decrease in restricted cash		(8,496)	6,260
Currency translation and other non-cash movements		11,720	8,407
Cash generated from operating activities		382,452	362,949
Interest paid		(69,111)	(56,811)
Corporate income tax received/(paid)		(55,732)	9,029
Net cash flows from operating activities		**257,609**	**315,167**
Cash flows from investing activities			
Interest received		11,631	5,887
Purchase of land, property, plant and equipment	*11*	(194,313)	(220,871)
Proceeds from sale of energy business	*8*	-	124,631
Proceeds from sale of property, plant and equipment		979	1,566
Net cash flows from investing activities		**(181,703)**	**(88,787)**
Cash flows from financing activities:			
Repayments of Senior Secured Facilities		-	(678,284)
Repayments of other long term loans		(14,246)	(13,639)
Proceeds of long-term borrowings			24,238
Bond redemption		(8,844)	-
Repayments of short-term borrowings		-	(23,221)
Proceeds of short-term borrowings		99,695	8,072
Proceeds from bonds issue	*21*	-	500,000
Transaction costs from issued bonds	*21*	-	(16,796)
Dividends paid to A and B shareholders		(140,586)	(55,531)
Net cash flows from financing activities		**(63,981)**	**(255,161)**
Net effect of currency translation		(4,255)	(1,276)
Net increase/(decrease) in cash and cash equivalents		**7,670**	**(30,057)**
Cash and Cash Equivalents at the beginning of year classified as Assets held for sale		-	11,471
Cash and Cash Equivalents at the beginning of year		529,241	547,827
Cash and Cash Equivalents at the end of year		**536,911**	**529,241**

The Notes on pages 96 to 149 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

a) Corporate information

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

On 30 March 2011, New World Resources Plc ('NWR Plc') was incorporated as part of a corporate reorganisation under which it became the new UK incorporated holding company for the businesses previously held by NWR NV.

The reorganisation was undertaken by way of an offer by NWR Plc to the shareholders of NWR NV to exchange shares in NWR Plc for their shares in NWR NV on a one-for-one basis. The condition of the offer relating to acceptances was met on 5 May 2011 ('the first closing date') and NWR Plc became the new holding company when it issued shares to accepting shareholders of NWR NV on 6 May 2011. At that date NWR Plc held approximately 97.0% of the A shares of NWR NV and 100% of its B shares. The A shares of NWR NV that were not tendered into the offer at that date represented a non-controlling interest in NWR NV from NWR Plc point of view, that was decreased by additional closings and private share-for-share exchange to 0.2% as at 31 December 2011. NWR Plc is currently in the process of a compulsory squeeze-out under which it intends to acquire the remaining shares in NWR NV.

Following the reincorporation, the Company was delisted from London and Prague stock exchange and plan to be delisted from Warsaw stock exchange once squeeze-out procedure is finished.

The ultimate parent of the Company is BXR Group Limited.

These financial statements were approved by the Board of Directors and authorised for issue on 12 March 2012.

b) The Group

The consolidated financial statements include New World Resources N.V. and its subsidiaries (together 'the Group'). The Company´s significant subsidiaries as at 31 December 2011 are:

Consolidated subsidiaries	Abbreviation	% voting shares	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 S.A.	NWR Karbonia	100 %	Coal mining
NWR Communications, s.r.o.	NWRC	100 %	Public relations
Entity directly owned by OKD:			
OKD, HBZS, a.s.	HBZS	100 %	Emergency services and waste processing

For changes in the Group during the periods presented see "Changes in the consolidated group" below.

NWR Karbonia changed its legal form from limited liability company (Sp. z o.o.) to joint-stock company (S.A.). The change was registered in Commercial register on 28 February 2011.

All of the Company's consolidated subsidiaries are incorporated in the Czech Republic, with the exception of NWR Karbonia (Poland).

c) 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 carrying amounts of the Group's interests and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

ii) Changes in 2011

A new subsidiary NWR Communications, s.r.o. was established on 6 June 2011 to perform public relations and communication activities.

iii) Discontinued operations and sale of the energy business

On 24 June 2009 the Board of Directors of NWR NV approved its intention to sell the energy business of the Group. The energy business of the Group comprised NWR Energy, a.s., NWR Energetyka PL Sp. z o.o. and CZECH-KARBON s.r.o. Based on the Board's decision to sell the energy business, part of the energy business, which historically was presented as the electricity trading segment, is presented as discontinued operations in comparatives of these financial statements. The sale was closed on 21 June 2010. For further details see Note 8.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('adopted IFRS').

The consolidated financial statements are prepared on the historical cost basis except for derivative 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. The functional currency of the Company is EUR. The functional currency of NWR Karbonia is Polish Zloty (PLN). The 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 all Group entities.

New standards and interpretations adopted during the financial year

The accounting policies used in preparation of these financial statements are consistent with those of the previous financial year. The following new and amended standards and interpretations have been adopted:

- IAS 24 *Related Party Disclosures (amendment)* effective 1 January 2011
- IAS 32 *Financial Instruments: Presentation (amendment)* effective 1 February 2010
- IFRIC 14 *Prepayments of a Minimum Funding Requirement (amendment)* effective 1 January 2011
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* effective 1 July 2010
- Improvements to IFRS 2010 covering further minor amendments:
  - IAS 1 *Presentation of Financial Statements (amendment)* effective 1 January 2011
  - IAS 27 *Consolidated and Separate Financial Statements (amendment)* effective 1 July 2010
  - IFRS 3 *Business Combinations (amendment)* effective 1 July 2010
  - IFRS 7 *Financial Instruments Disclosures (amendment)* effective 1 January 2011
  - IFRIC 13 *Customer Loyalty Programmes (amendment)* effective 1 January 2011

These amendments and new interpretations do not have an impact on the financial statements of the Group.

New standards and interpretations endorsed by the European Union but not effective yet

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 2011. The principal effects of these changes are as follows:

- Amendment to IAS 1 *Financial Statement Presentation* – Presentation of Items of Other Comprehensive Income (effective 1 July 2012)
- Amendment to IFRS 7 *Financial Instruments: Disclosures* – Enhanced Derecognition Disclosure Requirements (effective 1 July 2011)

Both amendments affect disclosure and presentation only and as such have no impact on the Group's financial position or performance.

Judgments, estimates and assumptions made in applying accounting policies

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Set out below is information about:

- Critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements; and
- Assumption and estimation uncertainties that have a significant risk of resulting in a material adjustment within next financial year.

Critical judgments, estimates and assumptions

Coal reserves
Economically recoverable coal reserves represent the estimated quantity of product in an area of interests that can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions. The entity determines and reports coal reserves under JORC code. The determination of coal reserves includes estimates and assumptions about range of geological, technical and economic factors, including: quantities, grades, production techniques, recovery rates, productions costs, transportation costs, commodity demand, commodity prices and exchange rates. Changes in coal reserves impact the assessment of recoverability of property, plant and equipment, the carrying amount of mining licences depreciated on unit of production basis and mine closure and restoration provision. The amounts of these assets and provision are set out in the notes 11, 12, 24.

Restoration and mine closure provisions
Determining the cost of restoration, rehabilitation, and mine closure during mining activities in accordance with the Group's accounting policy (note p)), requires the use of significant estimates and assumptions, including: the appropriate discount rate, the timing of the cash flows, expected life of the relevant mine, the application of relevant environmental legislation, and the future expected costs of restoration, rehabilitation and mine closure.

Changes in the estimates and assumptions used to determine the cost of restoration, rehabilitation and mine closure could have a material impact on the carrying value of the restoration and mine closure provision and relevant asset. The provision recognised for each mine is reviewed at each reporting date and updated based on the facts and circumstances available at that time. The carrying value of the provision is set out in note 24.

Impairment of assets
The recoverable amount of each non financial asset or cash-generating unit ('CGU') is determined as the higher of the value-in-use and fair value less costs to sell, in accordance with the Group's accounting policy (note l)). Determination of the recoverable amount of an asset or CGU based on a discounted cash flow model requires the use of estimates and assumptions, including: the appropriate discount rate, the timing of the cash flow and expected life of the relevant area of interest, exchange rates, coal and coke prices, reserves, future capital requirements and future operating performance. Changes in these estimates and assumptions impact the recoverable amount of the asset or CGU, and accordingly could result in an adjustment to the carrying amount of that asset or CGU.

Employee benefits
The Group's accounting policy for employee benefits requires management to make estimates and assumptions about discount rate, future remuneration changes, changes in benefits, life expectancy, retirement age, number of employees and expected remaining periods of service of employees. Changes in these estimates and assumptions could have a material impact on the carrying value of the employee benefit provision. Refer to note 26 for details of the key assumptions.

b) Basis of consolidation

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

(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) Changes in ownership interest without a loss of control

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

(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 an entity that was previously a 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 statement of cash flows

Cash flow is presented using the indirect method. Net cash flows from operating activities are reconciled from profit before tax and non-controlling interests ('NCI'). 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. 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 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 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.

e) Derivative financial instruments

The Group uses derivative financial instruments (such as for example 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 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:

- 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.

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:

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 forecasted sale or expenditure occurs.

If the forecasted transaction or firm commitment is no longer expected to occur, amounts previously recognised in 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 as 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.
- Derivative instruments that are designated as and are effective hedging instruments are classified consistently 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 and impairment losses. 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 initially recognised as a provision under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Mining works are classified under the Land and Buildings class of property, plant and equipment. They are stated at cost less accumulated depreciation and impairment losses. Once approved, expenditure relating to a mining project that is designed to access a new mine level or to construction of new mining works (cross cuts, blind shafts, storage places, bins and mining depots, other auxiliary constructions etc.) are capitalised only if both following conditions are satisfied:

- mining work has useful life exceeding one year
- and such construction is necessary for accessing the new mining level.

These expenditures are capitalised and classified as construction in progress and the capitalisation ceases when the constructed mining work is finalised and ready for use. These costs are reclassified as land and buildings and depreciated from when the project is complete.

Expenditure for technical improvement of mining works are capitalised, even if they are not related to accessing a new mine level, but they represent a technical improvement of existing mining works.

Other mine development costs related to construction of undersurface located supporting structures (operational mining works) are expensed as incurred.

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

(ii) Borrowing costs

Borrowing costs from specifically draw down borrowings or generally used borrowings, which are 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. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(iii) Leased assets

The determination of whether an arrangement is, or contains a lease involves an assessment 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 an 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).

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.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

(iii) Amortisation

Amortisation of licences for the period is calculated as a proportion of the coal amount actually mined in this period to the total economically exploitable coal reserves as estimated by management.

Amortisation of other intangible assets 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.

(iv) 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 tonne of carbon dioxide (CO_2).

Based on the Czech Republic National Allocation Plan covering the period up to 31 December 2012, emission rights are granted to the Group, for its coking production, free of charge. Distribution of emission rights for free is planned also in the next National Allocation Plan covering period 2013 - 2020.

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.

(v) Exploration for and Evaluation of Mineral Resources

Expenditures on exploration for and evaluation of mineral resources are charged to expenses as incurred, until the Group determines that commercially viable coal reserves exist.

h) 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 l).

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.

i) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on a weighted average method 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 a 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.

j) 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).

k) Restricted cash

Restricted balances of cash, which are shown under non-current financial assets as restricted funds, relate to funds set aside to settle mining damages and restoration expenses and deposits with manufacturers of equipment the Group has on order. The current/non-current classification is based on the expected timing of the release of the funds of the Group.

l) Impairment

(i) Non-financial assets

The carrying amounts of the Group's non-financial assets, excluding inventories (see accounting policy i) and deferred tax assets (see accounting policy s(iii)), 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 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 the cash-generating unit to which it belongs 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 to reduce the carrying amount of the assets in the CGU (groups of CGU) on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of a non-financial asset or the CGU to which it belongs is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows generated by the asset or the CGU 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

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 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.

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 the following information is used historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement 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 amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

m) 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 cost 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.

n) 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.

o) Share-based payment transactions

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

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 listed on the stock exchange and whenever appropriate using option pricing models.

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

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

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.

p) 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 a current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Mine closure, restoration, and mining damages provisions

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mining property and the Group is liable for environmental damage caused by mining activities.

These future costs generally include restoration and remediation of land and disturbed areas, mine closure costs, including the dismantling and demolition of infrastructure and the removal of residual materials, and mining damages costs.

Decommissioning of mine sites and land and disturbed areas restoration costs are a normal consequence of mining. The majority of mine closure and rehabilitation expenditure is incurred at the end of the life of the mine. Although the ultimate cost to be incurred is uncertain, the Group's businesses estimate their respective costs based on feasibility and engineering studies using current restoration standards and techniques.

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 relevant licences. These costs are incurred during the mining activity and can continue for many years depending on the nature of the disturbance and the remediation techniques. The mine closure costs include estimated costs of mine levels and pits closure, and capping of pits after removal of the surface construction.

Provisions for land restoration and mine closure costs are recognised as the net present value of the estimated outflow of economic resources to settle the obligation. Provisions are structured as land restoration and mine closure costs provision. Land restoration and mine closure 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 linear depreciation 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 amortisation or “unwinding” of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period. The amortisation of the discount is shown as a financing cost, rather than as an operating cost.

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 project. This assessment is reviewed and approved by the Czech Mining Authority.

q) 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 initially stated at fair value and then subsequently at amortised cost.

r) Revenue

(i) Own products sold and services rendered

Sales revenues consist of sales of coal, coke and related by-products (coking gas, chemical products, methane etc.) and services rendered to third parties, measured at the fair value of the consideration received, excluding any applicable taxes, excise duties, charges, discounts and rebates. Most of the sales are priced as carriage paid to (CPT), delivered at place (DAP) or delivered duty paid (DDP).

The Group has concluded that it is acting as a principal in all of its sales arrangements, delivering complete supplies to specified place including responsibility for transportation, handling, solving duty tax issues and possibly insurance. All amounts billed to customers for transportation and handling are classified mostly as a sales revenue from own products, as a part of selling price, or occasionally as services rendered, with transportation and handling costs recognised as service expenses.

A significant proportion of Group production is sold under frame contracts, which are quarterly (mostly for coking coal and partly for coke) or semi-quarterly updated by amendments specifying pricing or volumes for the next period. However, the sales revenue is only recognised on an individual sale when all of the following criteria are met:

- the significant risks and rewards of ownership of the product have been transferred to the customer;
- the Group has retained neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the sale will flow to the Group; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

All these conditions are generally satisfied, when the product is delivered to the destination specified by the customer and as such, the title passes to the customer. Sales revenue is commonly subject to adjustments based on an inspection of the product by the customer. Where there are agreed differences in volume or quality of delivered products, this is reflected as reduction or increase (usually for better qualities of coal) in sales revenue recognised on the sale transaction. Sales revenue from services rendered is recognised when services are rendered and accepted by the customer.

(ii) Revenues from electricity contracts

Revenues from electricity contracts were classified as discontinued operations. For the period 1 January–21 June 2010 the Group concluded sale and purchase contracts for physical delivery of specified commodities (defined quantity of electricity) over the counter and through energy exchanges. These transactions were classified as an own use category (with physical receipt or delivery of the commodity) at inception and were not within the scope of IAS 39.

Revenues from realised electricity sales were recognised in the income statement, net of value added tax and excise duties, based on actual deliveries and when the significant risks and rewards of ownership were transferred to the buyer in line with the contract conditions.

(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.

s) 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 finance costs

Net finance costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on derivative instruments that are recognised in the income statement. Interest on borrowings is expensed only to the extent that they are not directly attributable to the acquisition, construction or production of a qualifying asset.

The finance income 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).

(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.

t) 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.

u) Non-current assets held for sale and discontinued operations

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 when the operation meets the criteria to be classified as held for sale or upon disposal, if earlier.

v) 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 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

The Group's business is organised into three segments (Coal, Coke and Real Estate Division ('RED') segment) for which financial and other performance measures are separately available and regularly evaluated by the chief operating decision maker ('CODM'). The CODM is the Board of Directors. These operational segments were identified based on the nature, performance and financial effects of key business activities of the Group.

The Group is furthermore organised into two divisions: the Mining Division ('MD') and the Real Estate Division. The Company had A Shares and B Shares outstanding for the presented periods. The A Shares and B Shares are tracking stocks, which are designed to reflect the financial performance and economic value of the MD and RED, respectively. Due to the public listing of the Company's A shares, the Group provides divisional reporting showing separately the performance of the MD and RED. The main rights, obligations and relations between the RED and MD are covered by Divisional Policy Statement ('DPS').

The divisional reporting, as such, is essential for the evaluation of the equity attributable to the listed part of the Group. As the operating segments form part of the divisions and in order to provide understandable and useful information, the Company decided to combine the segment and divisional disclosure in one table, with the Coal and Coke segments within the Mining Division and the RED segment within Real Estate Division. Headquarters cost are included within "other" within the Mining Division.

The comparative period includes a separate electricity trading segment within discontinued operations and the electricity distribution business within the continuing operations as part of "other". The energy business was sold on 21 June 2010.

3. SEGMENT INFORMATION (CONTINUED)

RED segment

The RED mainly provides inter-divisional service i.e. provides real estates to MD and concentrates ownership of certain assets, so called Real Estate Assets (buildings, surface construction and land), defined by the DPS. This group of Real Estate Assets was allocated to RED based on their book values as of 31 December 2007 when the divisional segments were established.

RED receives an annual fee (the 'CAP') for Real Estate Assets provided by the RED to the MD. The DPS determined the CAP value in an amount of EUR 3,600 thousand. The CAP is annually adjusted by inflation and disposals of the Group entities.

MD division

MD's core activities are mining and processing of coal (Coal segment) and coke production (Coke segment). MD has the right to access and usage of any Real Estate Assets as specified by the DPS for its operating activities.

There is no consideration required from the MD to repay the present value of the buildings provided in compliance with the DPS as would be usual under lease terms. Therefore the respective amount i.e. the book value of the buildings provided to the MD as of 31 December 2011 is presented in the equity of the MD.

EUR'000	2011	2010
Net book value of leased buildings and construction used by MD	229,406	261,212

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.

b) Division and segment accounting policies, measurement and disclosure

The segment and division financial information is based on standalone financial statements of entities, prepared under adopted IFRS, including application of the DPS on the basis of the following policies:

- Sales and all transactions between division and segments are priced on arm's length basis.
- RED is obliged to provide certain buildings and construction to MD, if MD needs such assets for its operating activities. The management considers this relationship between RED and MD as a finance lease relationship, because RED provides buildings and construction for remuneration to MD, the lease term is for the major part of the economic part of the life of the assets and the leased assets are of such specialised nature that only lessee can use them without major modifications. However, there is no lease payment as under standard financial lease condition, only the CAP.
- Land is provided to the MD without any consideration. However, the adopted IFRS criteria for finance lease cannot be met for land. Adopted IFRS does not provide a specific guideline for the presentation of such a relationship. The Group decided to present this relationship in the segment analysis as a Right to use land ('Right') granted by RED to the MD and RED has deferred revenue for granting the Right. The management determined the original value of the Right being the book value of land at 31 December 2007. Buildings and construction leased from RED are disclosed in book value, depreciated by the MD.
- Real Estate Assets used by MD are presented within assets of MD; assets not used by the MD are presented in the assets of RED.
- The land used by the MD is in the accounts of the RED. It is replaced by the Right to use land in the accounts of the MD, amortisation of which is reflected in the result of the MD. The Right is depleted over the expected lifetime of mining, coking and related businesses using a linear amortisation method.
- When any building or construction is not needed by MD for its operating activities any more, the asset is transferred back to RED. Since the respective buildings and construction are expected to be used for the major part of the economic life of the assets, they will generally be fully depreciated at the moment, when mining, coking and related operations stop in the future. Therefore the transfer should include only fully depreciated assets with a zero book value. IAS 16 assumes some residual value of assets which should be equal to its estimated market value at the end of its useful life. However the Company is unable to make a reliable estimate of such residual value due to the character of the assets.

3. SEGMENT INFORMATION (CONTINUED)

- Deferred revenue corresponding to the amount of the Right is presented in the statement of position of the RED. It will be released into revenues over the period correspondingly to the depletion of the Right. The deferred revenue is disclosed within revenues of RED.
- The CAP is accounted for as financial revenue in the RED and as financial expense in the MD. The CAP amount is annually adjusted by inflation rate and by impact of changes in the Group.
- The RED is allocated certain expenses related to revenues generated from sundry rentals.
- The RED is also charged a fee by the MD for utilization of supporting internal functions (audit, tax advisory, accounting, IT services etc.). The amount was capped to EUR 100 thousand in 2008. The limit is subject to adjustment by inflation.
- All Intercompany transactions are eliminated at appropriate level of segment or division.
- Margin on inventory held, not yet consumed by the acquiring segment, is eliminated from the sales of the selling segment in such period, and the inventory value of the acquiring segment is adjusted correspondingly.
- The result of foreign exchange rate hedging operations is presented within “other” within the MD as correction of sales to third party.
- All assets, except for special items described in this section, are allocated to the 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 segment using the assets to be acquired or leased.
- All liabilities are allocated to the segments based on the allocation of the entities holding such liabilities.
- CAPEX is allocated and disclosed based on the segment using the assets acquired.

3. SEGMENT INFORMATION (CONTINUED)

c) Presentation of business segments

Business Segments 1 January 2011 - 31 December 2011	*Mining division*					*Real Estate division*	*Eliminations & adjustments*[2]	*Group operations total*
EUR'000	*Coal segment*	*Coke segment*	*Other*	*Eliminations & adjustments*[1]	***Mining division total***	*RED segment*		
Segment revenues								
Continuing operations								
Sales to third parties	1,399,233	236,475	(3,271)[3]	-	**1,632,437**	**293**	-	**1,632,730**
Sales to continuing segments	110,123	84	838	(111,045)	**-**	**790**	(790)	**-**
Total revenues	**1,509,356**	**236,559**	**(2,433)**	(111,045)	**1,632,437**	**1,083**	(790)	**1,632,730**
Change in inventories of finished goods and work-in-progress	14,639	22,830	-	239	**37,708**	**-**	-	**37,708**
Consumption of material and energy	(322,477)	(199,567)	(75)	109,153	**(412,966)**	**(7)**	-	**(412,973)**
Service expenses	(340,132)	(35,653)	(19,419)	1,652	**(393,552)**	**(23)**	-	**(393,575)**
Personnel expenses	(354,526)	(16,798)	(8,578)	3	**(379,898)**	**(108)**	-	**(380,006)**
Depreciation and amortisation	(166,919)	(9,337)	(118)	-	**(176,374)**	**(15)**	-	**(176,389)**
Amortisation of rights to use land - divisional adjustment	(459)	(331)	-	-	**(790)**	**-**	790	**-**
Net gain from material sold	7,309	293	-	-	**7,602**	**-**	-	**7,602**
Gain/(loss) from sale of property, plant and equipment	(1,335)	47	-	-	**(1,288)**	**(248)**	-	**(1,536)**
Other operating income	3,586	436	30	(14)	**4,038**	**208**	(181)	**4,065**
Other operating expenses	(34,325)	(1,142)	(816)	12	**(36,271)**	**-**	181	**(36,090)**
SEGMENT OPERATING INCOME/(LOSS)	**314,717**	**(2,663)**	**(31,409)**	**-**	**280,646**	**890**	**-**	**281,536**

[1] elimination of intercompany transactions within the Mining division (e.g. coal sales, service fees)
[2] elimination of transactions between the divisions (e.g. lease charges, service fees, annual fees for providing real estates)
[3] foreign exchange hedging impact classified as revenue adjustment

3. SEGMENT INFORMATION (CONTINUED)

Business Segments 1 January 2011 - 31 December 2011			*Mining division*			***Real Estate division***	*Eliminations & adjustments*[2]	***Group operations total***
EUR'000	*Coal segment*	*Coke segment*	*Other*	*Eliminations & adjustments*[1]	***Mining division total***	*RED segment*		
Financial income					**31,316**	**3,876**	(3,610)	**31,582**
Financial expenses					**(123,796)**	**(491)**	3,610	**(120,677)**
Profit before tax					**188,166**	**4,275**	-	**192,441**
Income tax expense					**(56,330)**	**(817)**	-	**(57,147)**
PROFIT FOR THE YEAR					**131,836**	**3,458**	**-**	**135,294**
Attributable to:								
SHAREHOLDERS OF THE COMPANY					**131,836**	**3,458**	-	**135,294**
Assets and liabilities at 31 December 2011								
Total segment assets	1,993,379	206,577	1,035,532	(869,281)	**2,366,207**	**25,180**	(15,252)	**2,376,135**
Total segment liabilities	1,080,896	151,513	1,257,503	(869,281)	**1,620,631**	**14,600**	(15,252)	**1,619,979**
Other segment information:								
Capital expenditures spent	184,207	10,090	16	-	**194,313**	**-**	-	**194,313**
Interest income	2,971	6	43,054	(39,655)	**6,376**	**92**	(31)	**6,437**
Interest income - divisional CAP	-	-	-	-	**-**	**3,573**	(3,573)	**-**
Interest expense	30,544	7,098	65,850	(39,655)	**63,837**	**31**	(31)	**63,837**
Interest expense - divisional CAP	3,207	366	-	-	**3,573**	**-**	(3,573)	**-**

[1] elimination of intercompany balances within the Mining division
[2] elimination of balances between the divisions

3. SEGMENT INFORMATION (CONTINUED)

Business Segments
1 January 2010 - 31 December 2010

EUR'000	Mining division: Coal segment	Mining division: Coke segment	Mining division: Other	Mining division: Electricity trading segment[3]	Mining division: Eliminations & adjustments[1]	Mining division total	Real Estate division: RED segment	Eliminations & adjustments[2]	Group operations total
Segment revenues									
Continuing operations									
Sales to third parties	1,229,033	341,529	17,145	-	-	**1,587,707**	**285**	-	**1,587,992**
Sales to continuing segments	127,346	113	30,176	-	(157,635)	**-**	**950**	(950)	**-**
Sales to discontinued segments	43	-	1,955	-	-	**1,998**	**-**	-	**1,998**
Discontinued operations									
Sales to third party	-	-	-	51,224	(51,224)	**-**	**-**	-	**-**
Sales to continuing segments	-	-	-	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**
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	**(341,836)**	**(7)**	-	**(341,843)**
Personnel expenses	(326,845)	(20,080)	(14,089)	(297)	300	**(361,011)**	**(106)**	-	**(361,117)**
Depreciation and amortisation	(159,336)	(10,779)	(153)	-	-	**(170,268)**	**(80)**	-	**(170,348)**
Amortisation of rights to use land - divisional adjustment	(546)	(322)	(82)	-	-	**(950)**	**-**	950	**-**
Net gain from material sold	4,988	171	18	-	-	**5,177**	**-**	-	**5,177**
Gain/(loss) 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	(21,428)	(2,572)	(1,004)	(77)	94	**(24,987)**	**(29)**	31	**(24,985)**
SEGMENT OPERATING INCOME/(LOSS)	**279,440**	**19,572**	**(5,657)**	**3,743**	(3,743)	**293,355**	**1,189**	**-**	**294,544**

[1] elimination of intercompany transactions within the Mining division (e.g. coal sales, service fees) and elimination of discontinued operations
[2] elimination of transactions between the divisions (e.g. lease charges, service fees, annual fees for providing real estates)
[3] discontinued operations

3. SEGMENT INFORMATION (CONTINUED)

Business Segments 1 January 2010 - 31 December 2010	*Mining division*						***Real Estate division***	*Eliminations & adjustments*[2]	***Group operations total***
EUR'000	*Coal segment*	*Coke segment*	*Other*	*Electricity trading segment*[3]	*Eliminations & adjustments*[1]	***Mining division total***	*RED segment*		
Financial income						**35,373**	**3,849**	(3,704)	**35,518**
Financial expenses						**(153,211)**	**(866)**	3,704	**(150,373)**
Profit on disposal of energy business						**68,779**	**3,612**	-	**72,391**
Profit before tax						**244,296**	**7,784**	-	**252,080**
Income tax expense						**(30,020)**	**(791)**	-	**(30,811)**
PROFIT FROM CONTINUING OPERATIONS						**214,276**	**6,993**	**-**	**221,269**
Profit from discontinued operations						**12,045**	**-**	**-**	**12,045**
PROFIT FOR THE YEAR						**226,321**	**6,993**	**-**	**233,314**
Attributable to:									
SHAREHOLDERS OF THE COMPANY						**226,321**	**6,993**	-	**233,314**
Assets and liabilities at 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 spent	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	20,520	4,812	60,390	13	(20,272)	**65,463**	**-**	-	**65,463**
Interest expense - divisional CAP	3,202	351	139	-	-	**3,692**	**-**	(3,692)	**-**

[1] elimination of intercompany balances within the Mining division and elimination of discontinued operations
[2] elimination of balances between the divisions
[3] discontinued operations

3. SEGMENT INFORMATION (CONTINUED)

d) Additional information on divisions

This additional information is not required by IFRS 8 but is important for different users of financial statements.

	Mining division		Real Estate division	
EUR '000	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Non-current assets	1,516,018	1,455,567	18,902	19,467
Right to use land	13,518	14,685	-	-
Current assets	836,671	739,931	6,278	43,610
TOTAL ASSETS	**2,366,207**	**2,210,183**	**25,180**	**63,077**
Equity attributable to shareholders	745,576	763,679	10,580	45,716
TOTAL EQUITY	745,576	763,679	10,580	45,716
Non-current liabilities	1,214,840	1,178,575	12,767	13,912
Current liabilities	405,791	267,929	1,833	3,449
TOTAL LIABILITIES	1,620,631	1,446,504	14,600	17,361
TOTAL EQUITY AND LIABILITIES	**2,366,207**	**2,210,183**	**25,180**	**63,077**

Non-current assets of RED include land amounting to EUR 18,616 thousand (2010: EUR 19,158 thousand). Current assets of RED include cash and cash equivalents of EUR 5,069 thousand (2010: EUR 43,593 thousand).

During 2011, the RED equity was reduced due to a cash dividend paid to B shareholders in the amount of EUR 40,000 thousand.

e) Geographical information

Revenue by location of customer:

EUR '000	1 January 2011- 31 December 2011	1 January 2010- 31 December 2010
Czech Republic	600,913	542,136
Poland	265,819	248,415
Austria	265,353	289,070
Slovakia	264,766	269,515
Germany	121,171	113,396
Hungary	46,462	66,134
Serbia	23,320	7,414
Bosnia and Herzegovina	16,229	14,889
Other	28,697	39,021
Consolidated revenues total	**1,632,730**	**1,589,990**

3. SEGMENT INFORMATION (CONTINUED)

Non-current assets consisting of property, plant and equipment and mining licenses and capital expenditures spent per country based on the physical location of the non-current assets:

EUR '000	31 December 2011	31 December 2010	1 January 2011- 31 December 2011	1 January 2010- 31 December 2010
	Non-current assets		*Capital expenditures spent*	
Czech Republic	1,496,319	1,439,005	189,785	220,435
Poland	6,120	3,265	4,512	414
The Netherlands	113	208	16	22
	1,502,552	**1,442,478**	**194,313**	**220,871**

Significant customers of the Group

The Group has a stable key customer base and revenues of EUR 836,289 thousand were generated from trading with four significant customers (2010: EUR 779,363 thousand).

EUR '000	1 January 2011- 31 December 2011		1 January 2010- 31 December 2010	
	Coal segment	*Coke segment*	*Coal segment*	*Coke segment*
Customer A	251,321	-	246,093	-
Customer B	249,923	-	210,062	-
Customer C	157,039	8,891	104,671	4,804
Customer D	155,949	13,166	146,728	67,005
	814,232	**22,057**	**707,554**	**71,809**

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

EUR'000	1 January 2011- 31 December 2011	1 January 2010- 31 December 2010
Sales of own products and merchandise	1,604,409	1,549,593
Services rendered	28,321	40,397
	1,632,730	**1,589,990**

4. PERSONNEL EXPENSES

EUR '000	1 January 2011- 31 December 2011	1 January 2010- 31 December 2010
Wages and salaries	265,214	244,359
Social insurance costs	83,770	81,619
Social security and other payroll costs	18,876	17,525
Share based payments (see Note 27)	5,229	12,486
Net benefit expense (see Note 26)	6,746	3,701
Pensions	2,269	2,316
Total personnel expenses	**382,104**	**362,006**
Less own work capitalised	(2,098)	(889)
	380,006	**361,117**

Average number of employees in the period:		
Managers	94	108
Staff	14,226	15,038
	14,320	**15,146**

Total remuneration and variable benefits received by the management were EUR 29,921 thousand (2010: EUR 40,738 thousand), out of which the social and health insurance were EUR 1,536 thousand (2010: EUR 1,670 thousand). The stated amount includes share-based payments to the management in the amount of EUR 6,746 thousand (2010: EUR 12,486 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 3,233 thousand for their services in the year 2011 (2010: EUR 7,789 thousand), of which EUR 2,686 thousand (2010: EUR 6,075 thousand) was received in shares and share options. The amounts correspond to values recorded in the books of the Company for the year 2011, including accruals. The amounts include accrued expenses for share-based payments vesting after 31 December 2011. Please refer to the 'Remuneration Report' in the 2011 Annual Report for further information.

5. OTHER OPERATING EXPENSES

EUR'000	1 January 2011- 31 December 2011	1 January 2010- 31 December 2010
Compensation for mining damages	16,090	9,324
Property taxes and government fees	8,054	7,678
Gifts and donations	6,333	1,512
Insurance	3,931	4,053
Other	1,682	2,418
	36,090	**24,985**

6. FINANCIAL INCOME AND EXPENSES

EUR'000	1 January 2011- 31 December 2011	1 January 2010- 31 December 2010
Financial income comprise:		
Realised and unrealised foreign exchange gains	21,508	27,909
Bank interest received	6,382	3,405
Profit on derivative instruments	2,437	3,682
Profit on bond redemption	957	-
Other	298	522
	31,582	**35,518**

EUR'000	1 January 2011- 31 December 2011	1 January 2010- 31 December 2010
Financial expenses comprise:		
Bonds interest expense	61,900	48,621
Realised and unrealised foreign exchange losses	29,434	39,303
Loss on derivative instruments	26,457	24,570
Bank interest expense	1,749	13,546
Bank fees	597	14,010
Other	540	10,323
	120,677	**150,373**

Bank fees in 2010 included amounts of EUR 12,510 thousand, which represented bank charges for loan arrangements related to attempted acquisition of Bogdanka and EUR 620 thousand, which represented bank charges related to the Senior Secured Facility repayment.

Other financial expenses in 2010 included amounts of EUR 5,699 thousand which represented one-off amortization of expenses related to the Senior Secured Facility and EUR 1,636 thousand, which represented letter of credit fees related to Bogdanka acquisition project.

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

7. INCOME TAX EXPENSE AND DEFERRED TAX

The corporate income tax in 2011 and 2010 is calculated in accordance with tax regulations applied in the country of each Group entity's tax residence, (i.e. for the Czech entities at the rate of 19%, Dutch entity 25.5%, Polish entities 19%). The Group applies a tax rate of 19% for an effective tax rate reconciliation due to the fact the Group, so far, pays income tax only in Czech Republic, through OKD.

The Company (as a Dutch tax resident) suffered fiscal losses in this and previous periods, and as such, no corporate income tax is due in the Netherlands. No deferred tax was recognised, as it is not probable that future taxable profit will be available to utilise the benefits from the deferred tax assets.

The net expense in 2010 was 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 arose from the reversal of the Czech tax authority´s position on certain interest expenses which were previously deemed non-tax deductible.

Components of income tax expense

EUR'000	1 January 2011- 31 December 2011	1 January 2010- 31 December 2010
Income statement:		
Current tax expense	55,491	17,593
Deferred tax expense	1,656	13,218
Income tax expense	**57,147**	**30,811**

Reconciliation of the statutory and effective tax rate

EUR'000	1 January 2011- 31 December 2011	1 January 2010- 31 December 2010
Profit before tax from continuing operations	192,441	252,080
Profit before tax from discontinued operations	-	12,518
Profit before tax	**192,441**	**264,598**
Tax at the applicable rate of 19%	**36,564**	**50,274**
Tax effect of:		
- Non-deductible expense	1,690	5,589
- Other tax allowable credits	(1,198)	(385)
- Tax exempt income on sale of energy business	-	(16,731)
- Change in unrecognised deferred tax asset	25,468	20,274
Effect of the applicable tax rates other than 19% in other jurisdictions	(6,610)	(4,542)
Prior period income tax adjustment (2010:One-off tax reclaim)	1,233	(23,195)
Tax expense	**57,147**	**31,284**
Effective tax rate	30%	12%
Tax expense reported in the financial statements	57,147	30,811
Income tax attributable to discontinued operations	-	473
Tax expense	57,147	31,284

7. INCOME TAX EXPENSE AND DEFERRED TAX (CONTINUED)

The movement in deferred tax asset/liability is as follows:

EUR'000	31 December 2011	31 December 2010
Deferred tax asset:		
At 1 January	33,894	30,723
Deferred tax charge for the period	(989)	1,427
Currency translation	(909)	1,744
At 31 December	**31,996**	**33,894**
Deferred tax liability:		
At 1 January	144,231	124,525
Deferred income tax related to items charged or credited directly to equity:		
- Net loss on revaluation of cash flow hedges	(1,775)	(1,604)
Deferred tax charge for the period	667	14,255
Currency translation	(4,042)	7,055
At 31 December	**139,081**	**144,231**
Deferred tax liability net	**107,085**	**110,337**
out of which presented in balance sheet		
Deferred tax asset	**9,630**	**8,601**
Deferred tax liability	**116,715**	**118,938**

Deferred tax is presented in the balance sheet based on the net of the liability and asset, relating to each taxable entity.

Deferred tax analysed by the type of temporary difference:

EUR'000	31 December 2011	31 December 2010
Deferred tax asset relates to the following:		
Allowances, adjustments and provisions	6,185	5,204
Employee benefits	16,497	17,999
Tax losses carried forward	9,314	10,691
Deferred tax asset	**31,996**	**33,894**
Deferred tax liability relates to the following:		
Property, plant and equipment	135,223	138,485
Derivatives	3,858	5,746
Deferred tax liability	**139,081**	**144,231**

7. INCOME TAX EXPENSE AND DEFERRED TAX (CONTINUED)

Tax losses to be carried forward and offset against future taxable income are available at NWR NV and OKK. OKK has an unrecognized deferred tax asset in an amount of EUR 2,059 thousand in relation to losses it does not expect to be able to recover. No deferred tax asset is recognised by the Company, it is not considered probable that future taxable profits will be available to offset any of the accumulated tax losses. Details of the accumulated tax losses of NWR NV are disclosed below.

EUR'000	31 December 2011	31 December 2010
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	48,306
Tax losses arising in 2010	78,459	78,480
Tax losses arising in 2011	98,467	-
	320,742	**222,296**
Deferred tax at the applicable rate of 25.5% (Dutch income tax rate)	81,789	56,686
Provision for unrecognised deferred tax asset	(81,789)	(56,686)
Deferred tax asset recognised in respect of tax losses carried forward	-	-

8. ENERGY BUSINESS AND DISPOSAL OF DISCONTINUED OPERATIONS

On 21 June 2010 the Company closed the sale of NWR Energy, a.s. (including its subsidiaries NWR ENERGETYKA PL Sp. z o.o. and CZECH-KARBON s.r.o.) to Dalkia Česká Republika, a.s. 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, the Group will continue to purchase utilities from NWR Energy and CZECH-KARBON under a long term agreement, expiring in 2029.

The energy business comprised two parts: (1) an electricity trading business presented as the Electricity trading segment in the financial statements and classified as a discontinued operation and (2) a utility business presented in part in the "other" component of the Mining Division and in part in the RED. See also Note 1c)(iii).

Detailed information about disposal of energy business and net assets of sold entities is presented below:

EUR'000	21 June 2010
Selling price	138,518
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* (of which EUR 3,612 thousand to RED)	72,391
Out of this profit attributed to discontinued operations*	9,585

* 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.

8. ENERGY BUSINESS AND DISPOSAL OF DISCONTINUED OPERATIONS (CONTINUED)

Effect of disposal on the financial position of the Group:

EUR'000	21 June 2010
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 results of discontinued operations in 2010 are presented below:

EUR'000	1 January 2010- 21 June 2010
Operating revenue	74,052
Operating expense	(70,309)
Operating profit	**3,743**
Financial expense	(810)
Profit on disposal of energy business attributed to discontinued operations	9,585
Profit before tax from discontinued operations	**12,518**
Income tax expense	(473)
Profit for the period from discontinued operations	**12,045**

Operating revenue of discontinued operations in 2010 consists of sales of goods EUR 74,051 thousand and sales of services in an amount of EUR 1 thousand.

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

EUR'000	1 January 2010- 21 June 2010
Net cash flows from operating activities	86
Net cash flows from investing activities*	28,127
Net cash flows from financing activities	89
Net effect of currency translation	126
Net cash flow from discontinued operations	**28,428**

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

9. DIVIDENDS

Dividends in 2011:

The Group paid A share dividend in the total amount of EUR 100,586 thousand for the year, consisting of a final dividend of EUR 0.22 per share in respect of the year ended 31 December 2010 and an interim dividend of EUR 0.16 per share for the half-year ended 30 June 2011. Furthermore, the Group paid a dividend in an amount of EUR 40,000 thousand to B shareholder.

Dividends in 2010:

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

10. RELATED PARTY DISCLOSURE

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 1b), 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. in 2010 relate mainly to heating. The sales to Green Gas DPB, a.s. and Green Gas Germany GmbH relate mainly to extracted gas. The purchases from these companies relate mainly to mine and safety services. The purchases from Advanced World Transport a.s. and AWT Čechofracht a.s./AWT SPEDI-TRANS s.r.o. relate to coal transport services. The purchases from BXR Partners, a.s. relate to consultancy services. GASCONTROL společnost s r.o. delivers mine cooling and central air-conditioning system, special high-voltage switches.

Balances with related parties included in the statement of financial position are as follows:

EUR'000	31 December 2011	31 December 2010
Receivables from related parties under common control		
Green Gas Germany GmbH	4,722	-
New World Resources Plc	2,206	-
Advanced World Transport a.s.	1,513	270
Green Gas DPB, a.s.	1,412	1,156
BXR Group B.V.	312	-
AWT Rekultivace a.s.	130	166
Receivables from other related parties	50	169
	10,345	**1,761**
Payables to related parties under common control		
Advanced World Transport a.s.	10,029	12,655
AWT Čechofracht a.s.*	9,355	2,156
GASCONTROL společnost s r.o.	6,746	-
Green Gas DPB, a.s.	2,563	2,141
AWT Rekultivace a.s.	1,800	4,749
RPG Byty, s.r.o.	852	906
RPG RE Commercial, s.r.o.	103	110
Payables to other related parties	377	395
	31,825	**23,112**

* As of 30 June 2011 AWT SPEDI-TRANS s.r.o. became a part of AWT Čechofracht, a.s., the balance of 2010 expresses purchases from AWT SPEDI-TRANS s.r.o.

10. RELATED PARTIES DISCLOSURES (CONTINUED)

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.

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

EUR'000	1 January 2011-31 December 2011	1 January 2010-31 December 2010
Sales to related parties under common control		
Green Gas Germany GmbH	42,281	-
Green Gas DPB, a.s.	7,343	7,990
Advanced World Transport a.s.	3,362	2,186
AWT Rekultivace a.s.	587	234
New World Resources Plc	239	-
RPG Služby, s.r.o.	88	95
RPG RE Commercial, s.r.o.	41	832
RPG Byty, s.r.o.	37	13,131
Sales to other related parties	548	540
	54,526	**25,008**
Purchases from related parties under common control		
AWT Čechofracht a.s.*	79,207	39,156
Advanced World Transport a.s.	55,404	81,016
GASCONTROL společnost s r.o.	26,347	-
Green Gas DPB, a.s.	12,151	13,278
AWT Rekultivace a.s.	8,742	11,114
Green Gas Germany GmbH	2,222	-
RPG RE Land, s.r.o.	1,198	12
Doubravan Car, s.r.o.	1,031	-
RPG RE Commercial, s.r.o.	1,014	1,218
New World Resources Plc	322	-
Depos Horní Suchá, a.s.	253	216
BXR Partners, a.s.	104	4,102
Advanced World Transport B.V.	149	2,136
Purchases from other related parties	1,078	811
	189,222	**153,059**

* As of 30 June 2011 AWT SPEDI-TRANS s.r.o. became a part of AWT Čechofracht, a.s., the balance of 2010 expresses purchases from AWT SPEDI-TRANS s.r.o.

Transactions with related parties included in the income statement as discontinued operations consist of sales of EUR 254 thousand and purchases of EUR 3,125 thousand. Purchases consist mainly from purchases of "green" electricity (renewable resources) from Green Gas, DPB, a.s.

11. PROPERTY PLANT AND EQUIPMENT

EUR'000	Land and buildings	Plant and equipment	Other assets	Construction in progress	Total
Cost					
At 1 January 2011	1,235,099	1,066,433	13,382	36,244	2,351,158
Additions	18,755	118,760	5,931	74,846	218,292
Disposals	(7,059)	(51,496)	(3)	-	(58,558)
Transfers	17,207	2,050	-	(19,257)	-
Restoration and mine closure costs	67,110	-	-	-	67,110
Currency translation	(39,734)	(32,719)	(760)	(3,741)	(76,954)
At 31 December 2011	1,291,378	1,103,028	18,550	88,092	2,501,048
Accumulated depreciation and impairment losses					
At 1 January 2011	603,277	458,878	5,781	2,330	1,070,266
Depreciation charge for the year	77,483	86,103	2,850	682	167,118
Disposals	(4,952)	(49,958)	(3)	-	(54,913)
Currency translation	(20,804)	(14,661)	(200)	(114)	(35,779)
At 31 December 2011	655,004	480,362	8,428	2,898	1,146,692
Net book value at 1 January 2011	**631,822**	**607,555**	**7,601**	**33,914**	**1,280,892**
Net book value at 31 December 2011	**636,374**	**622,666**	**10,122**	**85,194**	**1,354,356**

The Group identified assets financed through generally borrowed funds as qualifying assets for capitalisation of borrowing costs. Borrowing costs in the amount of EUR 1,680 thousand were capitalised in 2011 (2010: EUR 280 thousand). The borrowing costs were determined using the average capitalisation rate of 8.082% (2010: 6.368%).

The Group capitalised mine closure costs within land and buildings in the amount of discounted estimated expenses of the technical liquidation of the mine pits including liquidation of the surface pits constructions and buildings. For more details see note 24.

OKD received a grant in an amount of EUR 729 thousand (2010: EUR 355 thousand) from the resources of structural funds of the European Union through Regional Operational Programme Moravia Silesia as a support for construction of infrastructure under the project Golf Park Darkov and EUR 137 thousand from Research fund for Coal & Steel under project OPTI-MINE. Acquisition costs of buildings, plant and equipment were reduced by this amount in line with accounting policy r)(iii).

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

EUR'000	Land and buildings	Plant and equipment	Other assets	Construction in progress	Total
Cost					
At 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
At 31 December 2010	1,235,099	1,066,433	13,382	36,244	2,351,158
Accumulated depreciation and impairment losses					
At 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
At 31 December 2010	603,277	458,878	5,781	2,330	1,070,266
Net book value at 1 January 2010	**633,526**	**434,290**	**6,450**	**84,066**	**1,158,332**
Net book value at 31 December 2010	**631,822**	**607,555**	**7,601**	**33,914**	**1,280,892**

Accumulated impairment loss amounts to EUR 6,891 thousand (2010: EUR 6,985 thousand) and it is related to certain Group buildings and construction in progress.

Construction of the "Frenštát" mine

Assets relating to the construction of the "Frenštát" mine relate to the construction and related 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 35,115 thousand, of which EUR 31,610 thousand is the value of assets located in the mine and EUR 3,505 thousand is the value of assets located on the surface. On 26 September 2011, the Company announced its intention to explore the hard coal deposit at the Frenštát mine site. The exploration process is expected to take four years to complete.

12. MINING LICENCES

EUR'000	Cost	Accumulated amortization	Net book value
At 1 January 2011	223,149	(61,563)	161,586
Amortisation for the period	-	(9,271)	(9,271)
Currency translation	(6,282)	2,163	(4,119)
At 31 December 2011	**216,867**	**(68,671)**	**148,196**

EUR'000	Cost	Accumulated amortization	Net book value
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**	**(61,563)**	**161,586**

The Group was granted a mining licence regarding Dębieńsko 1 in Poland in June 2008. The licence was granted for 50 years for mine construction and operations at nil cost. All other mining areas have concessions with no expiry date.

13. LONG-TERM RECEIVABLES

EUR'000	31 December 2011	31 December 2010
Trade receivables	84	105
Long-term advances granted	20	24
Other	10,113	12,743
	10,217	**12,872**

Other long-term receivables include an amount of EUR 8,460 thousand (2010: EUR 11,700 thousand) which represents the security deposits under bank collateral agreements which secure OKD´s open interest swap rate derivatives. The amount of deposit required is dependant on the value of the derivatives. The collateral agreements were concluded in connection with the repayment of a Senior Secured Facilities with Citibank and Barclays bank which expire as the derivative contracts mature through to 2016.

14. RESTRICTED CASH

As of 31 December 2011 and 31 December 2010, the Company had long-term restricted cash of EUR 12,506 thousand and EUR 11,025 thousand, respectively, in relation to mining damage and restoration expenditures. The amount of restricted cash corresponds to the mining and restoration provision created by OKD since 1 January 2004 in accordance with Czech legal requirements and the restricted cash can be used only to settle the mining damages and restoration obligations.

As of 31 December 2011, the Company had short-term restricted cash of EUR 6,465 thousand (31 December 2010: nil).

15. INVENTORIES

EUR'000	31 December 2011	31 December 2010
Raw materials and spare parts	30,056	27,202
Finished goods	58,187	26,623
Work-in-progress and semi-finished goods	4,846	2,188
	93,089	**56,013**

The inventories are disclosed net of provisions for slow-moving and obsolete inventories of EUR 2,756 thousand (2010: EUR 4,540 thousand). Provisions are included in consumption of material and energy and change in inventories of finished goods and work-in-progress in the income statement.

16. ACCOUNTS RECEIVABLE AND PREPAYMENTS

EUR'000	31 December 2011	31 December 2010
Trade receivables	164,395	174,074
Other receivables, accrued income	15,439	6,115
VAT and other tax receivables	19,265	1,893
	199,099	182,082
Advance payments for property, plant and equipment	902	4,653
Advance payments for financial investments	-	2,873
Other advance payments	1,314	4,894
Prepayments and accrued revenue	3,266	3,244
	204,581	**197,746**

16. ACCOUNTS RECEIVABLE AND PREPAYMENTS (CONTINUED)

For terms and conditions relating to related party receivables, refer to the Note 10. 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, that amounts to EUR 681 thousand as of 31 December 2011 (2010: EUR 698 thousand). As of 31 December 2011 and 31 December 2010, the analysis of accounts receivable that were either not past due or past due but not impaired is as follows:

EUR '000	Neither past due nor impaired	Past due but not impaired <30 days	31 - 90 days	>90 days	Total
31 December 2011	185,752	12,804	499	44	199,099
31 December 2010	172,325	9,084	669	4	182,082

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Risk management

The Group's principal financial liabilities, 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 liabilities 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 risk on sales and purchases in foreign currencies, interest rates tied to variable market interest rates and credit risk resulting from potential 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 summarized 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 2011 and 2010 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 risk is addressed by top management and related departments by efficient sales operations 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 (see Note 16). For OKD, representing the main part of the Group’s receivables, the Chief Commercial Officer is responsible for the customer management database, systematic monitoring of customers, their ratings and corresponding risks.

With respect to credit risk arising from other financial assets of the Group, which comprise of 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 2011 and 31 December 2010 (see note 16).

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

- **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.

The Group values its business relationships. It is the Group's policy to agree credit terms prior to commencement of trading. Subject to any items of genuine dispute, it is Group policy to pay creditors within the terms agreed.

The table below summarizes the contractual maturity profile of the Group's financial liabilities at 31 December 2011 and 31 December 2010 based on undiscounted payments including interest.

EUR'000	< 1 year	1 to 5 years	> 5 years	Total
At 31 December 2011				
Loans	117,753	62,194	21,516	201,463
Bonds issued	58,370	462,554	559,063	1,079,987
Other long-term liabilities	-	464	2	466
Accounts payable and accruals	217,896	-	-	217,896
Interest rate swaps	3,351	12,400	-	15,751
Interest rate collars	-	302	-	302
Forward foreign exchange contracts	24,718	12,630	-	37,348
Cash-settled share-based payments	669	880	-	1,549

EUR'000	< 1 year	1 to 5 years	> 5 years	Total
At 31 December 2010				
Loans	18,177	62,518	35,909	116,604
Bonds issued	59,108	494,130	598,438	1,151,676
Other long-term liabilities	-	513	63	576
Accounts payable and accruals	204,793	-	-	204,793
Interest rate swaps	3,565	19,257	(291)	22,531
Interest rate collars	-	314	-	314
Forward foreign exchange contracts	1,206	-	-	1,206
Cash-settled share-based payments	1,407	-	-	1,407

- **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. The Group has implemented policies and methods of monitoring these risks as detailed for each risk as follows.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 2011 approximately 41% of the OKD' sales (2010: 41%) were denominated in currencies other than its functional currency, whilst most of its costs were denominated in the functional currency. No significant exposure arises on OKK level.

The Group aims to mitigate foreign currency exposure risks by entering into forward exchange rate contracts with financial institutions. In 2010 and 2011 the Group entered into foreign exchange forward contracts to hedge the EUR denominated revenues of OKD (which has CZK as its functional currency). Hedging is managed at the Group level as part of the centralised treasury functions. The aim is to minimize earnings volatility for the Group resulting from movements in foreign exchange rates. The Group's policy is to cover up to 70% 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 maximize effectiveness of the derivative as a hedge of a foreign currency risk. In 2011 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 2e) for the detailed application of the hedge accounting policies. For the remaining derivatives instruments, hedge accounting is not applied.

The Company had the following CZK-denominated balances and the consolidated subsidiaries had the following EUR-denominated balances which when retranslated affect the income statement:

	31 December 2011			31 December 2010		
EUR'000	EUR denominated	CZK denominated	Total	EUR denominated	CZK denominated	Total
Cash & bank balances	33,488	12,332	45,820	76,235	(106,220)	(29,985)
Accounts receivable*	297,956	174,913	472,869	297,228	6,738	303,966
Accounts payable*	(168,298)	(787)	(169,085)	(18,824)	(4,339)	(23,163)
Loans	-	(9,689)	(9,689)	-	-	-
Gross balance sheet exposure	**163,146**	**176,769**	**339,915**	**354,639**	**(103,821)**	**250,818**

* including intercompany balances and intercompany loans

The following table demonstrates the sensitivity of strengthening (i.e. appreciation) CZK to EUR exchange rate by 3% (the Group´s estimate of a reasonably possible change over the following 12 months), 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).

	31 December 2011			31 December 2010		
EUR'000	EUR denominated	CZK denominated	Total	EUR denominated	CZK denominated	Total
Appreciation of CZK against EUR by 3%						
Effect on profit after tax	**(3,964)**	**5,303**	**1,339**	**(8,618)**	**(3,115)**	**(11,733)**

The appreciation of the CZK towards EUR by 3%, with all other variables held unchanged would result in profit after tax EUR 1,339 thousand (2010: loss after tax EUR 11,733 thousand). Unadjusted 2010 comparative figures calculated with appreciation of the CZK towards EUR by 4% resulted in loss after tax EUR 15,643 thousand).

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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

Fair value of derivative instruments	31 December 2011		31 December 2010	
EUR'000	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	-	37,348	34	1,206
of which short-term part	-	24,718	34	1,206
of which long-term part	-	12,630	-	-

Nominal value of derivative instruments	31 December 2011		31 December 2010	
EUR'000	Czech crown denominated contracts	Polish zloty denominated contracts	Czech crown denominated contracts	Polish zloty denominated contracts
Forward exchange contracts	526,500	120,000	129,697	-

The Company concluded forward exchange contracts in the total nominal value of CZK 7,921,330 thousand (EUR 323,000 thousand) throughout 2011.

In 2011 and 2010, changes in the fair value of forward exchange contracts applied for hedge accounting were accounted in the hedging reserve that is part of equity. The reserve amounts to EUR (2,168) thousand as of 31 December 2011 (2010: EUR 23,322) thousand. The hedging reserve is recognised in the income statement when the hedged item (portion of EUR inflows arising from coal and coke sales) is recorded. The amount recognised in equity is then transferred to the income statement. The impact in the income statement, net of tax during the year 2011 was EUR 3,980 thousand (2010: EUR 12,439 thousand).

b) Interest rate risk

The Group aims to minimize 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 2011, 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 mainly revolving credit facility, no interest rate hedging is in place, mostly due to 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% higher respectively lower over the whole period from 1 January 2011 to 31 December 2011 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 1,237 thousand respectively EUR (1,237) thousand.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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

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

Fair value of derivative instruments	31 December 2011		31 December 2010	
EUR'000	Assets	Liabilities	Assets	Liabilities
Interest rates swap contracts	-	15,751	-	22,531
Interest rates collar contracts	15	302	58	314
	15	**16,053**	**58**	**22,845**
of which short-term part	-	3,351	-	3,565
of which long-term part	15	12,702	58	19,280

Nominal value of derivative instruments	31 December 2011		31 December 2010	
EUR'000	Czech crown denominated contracts	Euro denominated contracts	Czech crown denominated contracts	Euro denominated contracts
Interest rates swap contracts	41,983	509,727	50,400	545,527
Interest rates collar contracts	8,397	-	10,080	-
	50,380	**509,727**	**60,480**	**545,527**

Nominal value of interest rates swap contracts and interest rates collar contracts presented in the above tables is derived from the sum of open individual contracts as at the year end.

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

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 maximize shareholder's value. All this is done in order to safeguard the business as a going concern.

The Group defines its total capital at total equity plus net debt and amounted to EUR 1,147,622 thousand at 31 December 2011 (2010: EUR 1,130,311 thousand).

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. The management regularly review the capital structure of the Group and monitors the gearing.

The net debt increased in the year ended 31 December 2011 as a result of revolving credit facility that was drawn in full in December 2011 and may be used for general corporate purposes of the Group.

The Group dividend policy is to target distribution of approximately 50% of the Mining Division's consolidated annual net income over the course of the business cycle.

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

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

There were no changes in the Group's approach to capital management during the year 2011.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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

EUR'000	31 December 2011	31 December 2010
Interest bearing loans and borrowings		
Bonds issued	738,646	745,497
Long-term loans	76,184	89,377
Current portion of long-term loans	13,852	15,276
Short-term loans	99,695	7
	928,377	850,157
Less Cash and cash equivalents	536,911	529,241
Net debt	391,466	320,916
Profit before tax from continuing operations	192,441	252,080
Financial costs, net (including profit on disposal of interest in subsidiaries)	89,095	42,464
(Gain)/loss from sale of property, plant and equipment	1,536	(715)
Depreciation	167,118	161,145
Amortisation	9,271	9,203
EBITDA	459,461	464,177
Gearing ratio	**0.85**	**0.69**

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 2011 and 31 December 2010 is calculated on annual basis. The Company is required under the ECA Facility agreement and the Revolving Credit 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 0.85 as of 31 December 2011 (2010: 0.69). The Company was in compliance with all its covenants for the reported period.

17. 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:

Financial instrument	Fair value estimation
Cash Cash equivalents Current investments	The carrying amount approximates fair value due to the relatively short-term maturity and reset periods of these financial instruments.
Short-term receivables Short-term payables	The carrying amount approximates fair value due to the short-term maturity of these financial instruments.
Long-term receivables	The carrying amount approximates fair value due to the relatively short-term maturity and reset periods of these financial statements.
Cash-settled share-based payments	These are carried at fair value measured in accordance with adopted IFRS.
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 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 reset at a minimum each twelve months. Fair value may be affected also by changes in the Group credit rating
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.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Carrying amounts and the estimated fair values of financial assets and liabilities at 31 December 2011 and 31 December 2010 are as follows:

EUR'000	31 December 2011	31 December 2010
	Carrying Value	Carrying Value
Financial assets:		
Fair value through profit or loss		
Interest rate collars	15	58
Forward exchange contracts, designated as hedges	-	34
Loans and receivables		
Long-term receivables [Fair value 2011: 10,088 (2010: 12,786)]	10,217	12,872
Accounts receivable and prepayments	204,581	197,746
Available for sale		
Restricted cash	18,971	11,025
Cash and cash equivalents	536,911	529,241
Total	**770,695**	**750,976**
Financial liabilities:		
Fair value through profit or loss		
Interest rate swaps	15,751	22,531
Interest rate collars	302	314
Forward exchange contracts	18,729	-
Forward exchange contracts, designated as hedges	18,619	1,206
Other		
Long-term loans	76,184	89,377
Bonds issued [Fair value 2011: 700,024 (2010: 798,855)]	747,583	754,526
Other long-term liabilities	466	576
Accounts payable and accruals	217,896	204,793
Current portion of long-term loans	13,852	15,276
Short-term bank loans	99,695	7
Cash-settled share-based payments	1,371	1,407
Total	**1,210,448**	**1,090,013**

Except where noted, carrying amounts equal fair value.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 banks in which all significant inputs were based on observable market data.

EUR'000	31 December 2011		31 December 2010	
Fair value of derivative instruments	Assets Level 2	Liabilities Level 2	Assets Level 2	Liabilities Level 2
Interest rates swap contracts	-	15,751	-	22,531
Interest rates collar contracts	15	302	58	314
Forward foreign exchange contracts	-	37,348	34	1,206
	15	**53,401**	**92**	**24,051**

18. CASH AND CASH EQUIVALENTS

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

EUR'000	31 December 2011	31 December 2010
Cash in bank	536,764	529,099
Cash on hand and cash in transit	147	142
	536,911	**529,241**

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.

19. ACCOUNTS PAYABLE AND ACCRUALS

EUR'000	31 December 2011	31 December 2010
Trade payables	137,820	130,979
Wages and salaries payable	15,691	23,798
Social and health insurance payable	9,410	9,143
VAT and other tax payable	4,118	7,892
Advance payments received	275	1,570
Other payables and accruals	50,582	31,411
	217,896	**204,793**

20. INTEREST-BEARING LOANS AND BORROWINGS

Long-term bank loan

The long-term bank loan comprises an Export Credit Agency ('ECA') loan.

EUR'000	*Currency*	*Effective interest rate*	*Maturity*	31 December 2011	31 December 2010
ECA loan	EUR	EURIBOR+1.65%	2010-2018	90,036	104,653
Total long-term loans				90,036	104,653
of which current portion				13,852	15,276
of which long-term portion				**76,184**	**89,377**

The Group concluded the ECA loan agreement in August 2009. The funds available under the ECA loan were used for financing the POP 2010 capital investment programme. The Group will repay the full facility in semi-annual instalments (of EUR 7,123 thousand). The Group is subject to certain covenants under ECA loan agreement and was in compliance with all those covenants in the reporting period.

Short-term bank loan

Short term bank loan consists of a Revolving Credit Facility ('RCF') loan of EUR 99,695 thousand (2010: credit cards loan EUR 7 thousand).

EUR'000	*Currency*	*Effective interest rate*	*Maturity*	31 December 2011
RCF loan	EUR/CZK	Euribor, Pribor + 1.0-1.3% p.a.	2014*	99,695
Total short-term interest-bearing loans				**99,695**

* RCF is available till January 2014, however repayment in 2012 is expected

On 7 February 2011, the Group entered into RCF, which provides for a bank loan facility of EUR 100,000 thousand available for three years after the date of signing. The RCF was fully drawn down in December 2011 (consists of EUR 90,000 thousand and CZK 250,000 thousand) and may be used for general corporate purposes.

21. BONDS ISSUED

a) The Senior Secured notes due 2015

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% Senior Notes due 2015 was EUR 300,000 thousand. The outstanding balance as of 31 December 2011 is EUR 257,565 thousand (2010: EUR 267,565 thousand). Effective interest rate is 8.064%.

In October 2011 the Company bought back EUR 10,000 thousand face value of its 7.375% Senior Notes for EUR 8,844 thousand. These notes had a book value of EUR 9,800 thousand and were cancelled following acquisition

b) The Senior Secured notes due 2018

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%. Effective interest rate is 8.656%. 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.

21. BONDS ISSUED (CONTINUED)

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%. Effective interest rate is 8.656%.

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

22. SHARE CAPITAL AND RESERVES

Share capital

The share capital of the Company is divided into A shares and B shares which represent the Mining Division and the Real Estate Division, respectively. The Mining Division's financial performance and any dividends or distributions in respect of, or attributable to, the performance or assets of the Mining Division are attributed solely to the A shareholders. 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 are attributed to the B shareholders. Each division is legally indivisible within the Group. The divisions were established and are separately tracked with effect from 31 December 2007.

The rights and obligations attaching to the A shares and B shares, and other provisions related to them, are set out in the Articles of Association of the Company, subject to the limitations of Divisional Policy Statements and applicable law.

Based on the Articles of Association of the Company the authorised share capital amounts to EUR 450,000 thousand. It is divided into 1,124,989 thousand A shares with a nominal value of EUR 0.40 each and 11 thousand B shares with a nominal value of EUR 0.40 each.

Issued and fully paid up share capital	Number of shares		Aggregate nominal value (EUR'000)	
	2011	2010	2011	2010
A ordinary shares				
At 1 January	264,698,715	264,330,100	105,879	105,732
Shares granted to Independent Directors	-	103,465	-	41
Share options exercised	-	265,150	-	106
At 31 December	**264,698,715**	**264,698,715**	**105,879**	**105,879**
B ordinary shares				
At 1 January / At 31 December	10,000	10,000	4	4
Total share capital	**264,708,715**	**264,708,715**	**105,883**	**105,883**

Share Premium

There were no transactions that would influence share premium during the year 2011.

On 21 May 2010 the Company issued 103,465 new ordinary A shares granted to five independent Directors. The A share premium attributable to these shares amounted to EUR 959 thousand. On 3 December the Company issued 265,150 new ordinary A shares to Mike Salamon as part of his remuneration. 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% of after-tax profit in the first year in which profits are made and 5% of after-tax profit each year thereafter, until the fund reaches at least 20% of share capital. The fund can only be used to offset losses.

22. SHARE CAPITAL AND RESERVES (CONTINUED)

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

Changes in the fair value of forward exchange rate contracts used for hedging purposes, and for which hedging accounting applies, are accounted via the hedging reserve that is part of equity. For more details see Note 17.

Other comprehensive income, net of tax

EUR´000	Foreign exchange translation reserve	Restricted reserve	Hedging reserve	Retained earnings	**Total other comprehensive income**
Year ended 31 December 2011					
Foreign currency translation differences	(22,947)	(3,749)	(477)	-	**(27,173)**
Derivatives – net change in fair value of cash flow hedges	-	-	(18,619)	-	**(18,619)**
Derivatives – fair value of cash flow hedges reclassified to profit and loss	-	-	(6,399)	-	**(6,399)**
Total other comprehensive income, net of tax	(22,947)	(3,749)	(25,495)	-	**(52,191)**
Year ended 31 December 2010					
Foreign currency translation differences	60,265	7,103	1,305	-	**68,673**
Derivatives – net change in fair value of cash flow hedges	-	-	(1,172)	-	**(1,172)**
Derivatives – fair value of cash flow hedges reclassified to profit and loss	-	-	(6,758)	-	**(6,758)**
Other income	-	-	-	937	**937**
Total other comprehensive income, net of tax	60,265	7,103	(6,625)	937	**61,680**

23. EARNINGS PER SHARE

The calculation of earnings per share at 31 December 2011 was based on profit attributable to the shareholders of the Company, and a weighted average number of shares outstanding during the year, calculated as follows:

Profit attributable to the shareholders of the Company

		2011			2010	
EUR'000	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit for the year	135,294	-	135,294	221,269	12,045	233,314
Profit attributable to A shareholders	131,836	-	131,836	214,276	12,045	226,321
Profit attributable to B shareholders	3,458	-	3,458	6,993	-	6,993

Weighted average number of shares (basic):

Number of A shares	2011	2010
Issued shares at 1 January	264,698,715	264,330,100
Effect of shares issued to independent Directors	-	63,497
Effect of share options exercised	-	20,340
Weighted average number of shares at 31 December	**264,698,715**	**264,413,937**

23. EARNINGS PER SHARE (CONTINUED)

The weighted average number of B shares equal to number of shares issued, 10,000, in both periods.

Weighted average number of shares (diluted):

In the calculation of diluted weighted average number of shares the dilutive potential impact of individual share-based payment arrangements was taken into account in 2010. From the date of reorganisation, NWR Plc took over all the liabilities related to share-based payment arrangements and as such, there is no dilutive impact on number of shares during 2011.

Number of A shares at 31 December	2011	2010
Weighted average number of shares (basic)	264,698,715	264,413,937
Effect of share options	-	2,046,897
Weighted average number of shares (diluted)	**264,698,715**	**266,460,834**

24. PROVISIONS

The provision balances are as follows:

EUR'000	1 January 2011	Charged	Capitalised	Utilised	Unwinding of discount	Currency translation	31 December 2011
Restoration and mine closure provision	94,917	-	67,110	(6,952)	121	(5,471)	149,725
Mining damage	10,225	14,041	-	(7,971)	-	(570)	15,725
Other restoration costs	1,349	-	-	(6)	-	(37)	1,306
Total long-term provisions	**106,491**	**14,041**	**67,110**	**(14,929)**	**121**	**(6,078)**	**166,756**
Taxation	-	4,591	-	-	-	-	4,591
Unpaid vacation	2,867	6,253	-	(5,836)	-	(98)	3,186
Other	2,953	394	-	(1,975)	-	(10)	1,362
Total short-term provisions	**5,820**	**11,238**	**-**	**(7,811)**	**-**	**(108)**	**9,139**

In 2011 the Company revised its 20 year operating plan, based on which the Group changed its best estimate of the cost of restoration and mine closure. Mine closure and restoration costs are a normal consequence of mining, and the majority of mine closure and restoration expenditure is incurred at the end of the relevant operation. The group's operating mines are expected to close down in the period 2030-2039.

Although the ultimate cost to be incurred is uncertain, the Group's businesses estimate their respective costs based on feasibility and engineering studies using current restoration standards and techniques. Provisions of EUR 149,725 thousand (2010: EUR 94,917 thousand) for mine closure and restoration costs and environmental clean up obligations include estimates of the effect of future inflation and have been adjusted to reflect risk. These estimates have been discounted to their present value using discount rates of 3.71% p.a. (2010: 3.99% p.a.).

The Group recognised a tax provision of EUR 4,591 thousand relating to an on-going tax audit initiated by the tax authorities in 2011.

25. DEFERRED REVENUE (LONG-TERM)

Deferred revenue is represented mostly by government grants that are being amortised over the expected useful life of environmental improvements acquired with funds from government subsidies. Total book value of deferred revenue amounts to EUR 2,128 thousand as of 31 December 2011 (2010: EUR 2,524 thousand), out of which government grants amounts to EUR 1,752 thousand (2010: EUR 1,997 thousand).

26. 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 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.

EUR'000	31 December 2011	31 December 2010
Special miners benefits	54,669	58,914
Severance payment	21,951	24,218
Vouchers	8,864	10,449
Loyalty benefits	1,240	1,326
Other long-term benefits	1,188	985
	87,912	**95,892**

Decrease in employee benefits as of 31 December 2011 compared to 31 December 2010 is a cumulative result of updated assumptions that are disclosed at the end of this Note.

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% of the highest allowable exposure to mine dust, in case of both position transfer or employment termination. Those bonuses are paid monthly, until the pension entitlement arises or the age of 60 is reached. The benefit is required by current legislation of the Czech Republic.

Health-related severance payment is based on the collective agreement of OKD 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% 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 annually (2010: semi-annually) 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
Stabilization 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.

26. EMPLOYEE BENEFITS (CONTINUED)

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:

EUR'000	1 January 2011- 31 December 2011	1 January 2010- 31 December 2010
Defined benefit obligation at 1 January	95,892	96,588
Benefits paid	(10,766)	(9,800)
Net benefit expense	5,229	3,701
Currency translation	(2,443)	5,403
Defined benefit obligation at 31 December	**87,912**	**95,892**

The following table summarizes 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:

EUR'000	1 January 2011- 31 December 2011	1 January 2010- 31 December 2010
Current service cost	5,083	5,011
Interest cost on benefit obligation	2,948	3,179
Actuarial loss/(gain)	(2,802)	(4,489)
Net benefit expense	**5,229**	**3,701**

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 2011: 3.58 % p.a. (as of 31 December 2010: 3.91% p.a.).

Wage increase - This assumption is relevant where the benefit depends on the future wage. In all these cases the Group estimates an average wage increase of 6% per annum as of 31 December 2011 (6.25% per annum as of 31 December 2010).

Mortality - Model mortality for the benefit calculation is undertaken from the statistical tables, relevant for region in which OKD mines, published by the Czech Statistical Office.

Retirement age – that variable has changed in 2011 compared to 2010 due to change of applicable Czech legislation.

Retirement age:

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 6 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 5 years if an employee started working as a miner before 1 January 1993 and worked 3300 shifts in underground by 31 December 2008
- 66 years (2010: 65 years) for all other men not fulfilling above criteria

The retirement age for women is set to 63 years (2010: 63 years) - assuming women to have on average two children.

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

27. SHARE-BASED PAYMENTS

The Group offers independent members of the Board and certain employees of the Group various share-based remuneration packages (see below). The reorganisation of the Group did not have any substantive impact on existing schemes as all provisions of already granted options or shares rights continue except that such options or shares rights over A shares of NWR NV has been exchanged for equivalent options and shares rights over A shares of NWR Plc. NWR Plc took over all liabilities of existing option schemes without any consideration paid.

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 27 April 2010. This remuneration package classifies as an equity-settled transaction with no vesting conditions. The Company settled this tranche by issuing 103,465 ordinary A shares with nominal value of EUR 0.40 each on 21 May 2010. The corresponding 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. There was no additional grant during the year 2011.

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% of the issued share capital of the Company. This remuneration package classifies as an equity-settled share-based payment transaction. The option award was designed to enable Mr. Salamon to ultimately acquire up to 0.5% of the Company's share capital by 1 September 2012, provided that: (i) he remains an executive member of the NWR Board; and (ii) any other conditions for vesting have been met. The options vest over a period of five years, as to 20% on each anniversary of 1 September 2008, with following number of options having already vested:

Period	1 September 2008	1 September 2009	1 September 2010	1 September 2011
Number of options vested	263,800	264,351	265,150	261,585

Contractual life of options is 8 years and all vested options were already exercised. NWR Plc took over all remaining liabilities as of date of reorganisation that relates to this scheme.

Executive Director of the Company and Chief Executive Officer of OKD Mr. Klaus-Dieter Beck is granted a certain number of A shares according to his employment contract with OKD. This remuneration package classifies as 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.

c) Share options granted to employees of the Group

Several eligible employees and Directors of the Group were granted options over A shares of the Company in accordance with its Stock Option Plan for Executive Directors, senior management and key employees. This remuneration package classifies as equity-settled. The terms and conditions related to the grants of the share option are as follows:

Grant date	Number of options at grant date	Vesting conditions	Contractual life of option
9 May 2008	619,878	Same for each grant: 3 years' service from the grant date and various performance conditions depending on participant	8 years
24 June 2009	3,325,762		8 years
17 March 2010	1,742,631		8 years
Total share options granted	**5,688,271**		

NWR Plc took over all remaining liabilities as of date of reorganisation that relates to this scheme.

27. SHARE BASED PAYMENTS (CONTINUED)

d) Deferred Bonus Plan

Starting 1 January 2011, the Group implemented a new remuneration program, the Deferred Bonus Plan. A group of eligible employees and Directors of the Group, after meeting specified conditions, will be entitled to the annual bonus, part of which will be payable in cash and part will be deferred into A shares of NWR Plc for a period of three years. In addition, each participant will have put option which enables the holder to sell the shares back to the Company at market price set at the time the A shares of NWR Plc are issued or delivered. The period to exercise the put option is limited to three years. This remuneration package classifies as cash-settled share-based payment transaction.

Grant date	Number of shares at grant date	Vesting conditions	Contractual life of put option
3 March 2011	101,136	3 years' service from the grant date	3 years from vesting date

Measurement of fair value

The fair value of all equity-settled share-based payments plans was measured based on the Black-Scholes model. The fair value of cash-settled share-based payments plan is measured based on fair value of A shares of NWR Plc at each balance sheet date for shares granted and combination of Monte Carlo simulation and binomial model as a valuation tool for put option granted.

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payments plans were as follows:

	Stock option plan 2010	Deferred bonus plan 2011
Fair value at grant date	€3.28	€3.04
Share price at grant date	€7.95	€11.44
Exercise price	€7.95	-
Expected volatility	40.3%	15.18%
Expected life	8 years	3 years
Expected dividends	1.6%	3.85%
Risk-free interest rate	3.3%	3.19%

Personnel expenses

EUR'000	1 January 2011-31 December 2011	1 January 2010-31 December 2010
Share-based remuneration schemes		
Independent Directors	-	1,000
Mike Salamon	2,207	4,833
Klaus-Dieter Beck	1,777	2,732
Stock Option Plan	2,036	3,921
Deferred Bonus Plan	726	
Total expense recognised as personnel expenses	**6,746**	**12,486**

28. FUTURE COMMITMENTS

The Group has the following commitments in respect of:

EUR'000	31 December 2011	31 December 2010
Non-cancellable operating leases		
Instalments due within one year	2,548	3,239
Instalments due between two and five years	9,274	12,199
	11,822	**15,438**
Acquisition of property, plant and equipment		
From third parties	102,973	82,596

Leased items include equipment, land and buildings. There are none with term exceeding 5 years. Operating lease expense in 2011 was EUR 2,994 thousand (2010: EUR 3,267 thousand).

29. AUDITOR´S REMUNERATION

EUR'000	1 January 2011- 31 December 2011	1 January 2010- 31 December 2010
Audit service pursuant to legislation		
-audit of these financial statements	219	410
-audit of financial statements of subsidiaries	328	267
	547	677
Audit related services		
-review/agreed upon procedures on interim financial statements	314	330
	314	330
Non audit services		
-services in relation to reincorporation	300	-
-services in relation to bond issue	-	337
-services in relation to attempted acquisition of Bogdanka	-	644
-other services	209	47
	509	1,028
	1,370	**2,035**

30. CONTINGENT ASSETS AND LIABILITIES

The Group has the following significant contingent assets and contingent liabilities as of 31 December 2011:

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 its closed mines administration business. 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, ČMD sold its closed mines in the Kladno area to state owned Palivový kombinát Ústí, s.p. (''PKU'') in a similar transaction. By operation of law, OKD is the statutory guarantor of the obligations assumed by DIAMO and PKU existing at the time of the transfer.

30. CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

b) Environmental issues

(i) OKD:
In accordance with legislation relating to privatisations projects in the Czech Republic, the National Property Fund of the Czech Republic (“NPF”) reimburses acquirers of privatized 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 all rights and obligations concerning environmental issues were transferred to OKK, as the fixed assets to which environmental issues relate, were concentrated in OKK.

(ii) OKK :
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 took over the liabilities of NPF when the latter 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.

OKK’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.

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 by a merger of OKK and NWR Coking, a.s

c) Claims and litigations

OKD have been claimed against for unfounded enrichment by Mr. Otakar Černý in relation to Improvement proposal no. 31/5-15/95 in total value of CZK 1.087 billion (approx. EUR 42 million). The first hearing was held on 18 January 2012, when the petition was partially rejected by the court and the proceeding was suspended until a similar dispute led by the Regional Court in Ostrava is settled. OKD believes that the claim is unjustified and will be dismissed by the courts.

Litigation is pending against OKD (as successor entity) regarding the review of the adequacy of the consideration for shares of ČMD, a.s. paid out to minority shareholders (constituting at the time 5.915% of the shareholders of the company) in a squeeze-out procedure relating to ČMD, a.s. If the courts decided in the claimants' favour, the judgment would ensure to the benefit of all minority shareholders subject to the squeeze-out procedure. The proceeding is still pending, and the potential impact of a decision in the claimants' favour is impossible to assess given that the consideration is subject to review. OKD believes that the claim is unjustified and will be dismissed by the courts.

The Group is involved in other, less material, litigation claims. As inherent in such proceedings, outcomes cannot be predicted with certainty and there is a risk of unfavourable outcomes to the Group. The Group disputes all pending and threatened litigation claims of which it is aware and which it considers unjustified. No provision has been set up as of 31 December 2011 for the litigations. At the date of this financial statements, based on advise of counsel, the management of the Group believes that the litigations have no significant impact on the Group’s financial position as at 31 December 2011.

31. OTHER MATERIAL MATTERS

Restrictions on the Company´s ability to pay dividends

The indenture governing the 7.375% Senior Notes due 2015 and 7.875% Senior Notes due 2018 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% 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% and the 7.875% Indentures governing the notes amounted to approximately EUR 116,962 thousand as at 31 December 2011.

32. SUBSEQUENT EVENTS

Following the payment of the 2011 interim dividend of EUR 0.16 per A share, paid on 30 September 2011, the Directors have declared a final dividend of EUR 0.07 per A share in respect of the six month period ended 31 December 2011, making a total dividend for the year 2011 of EUR 0.23 per A share.

NEW WORLD RESOURCES N.V.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

EUR'000	*Note*	1 January 2011- 31 December 2011	1 January 2010- 31 December 2010
Operating revenue	*C*	1,328	1,098
Operating expenses	*D*	(29,539)	(24,408)
Operating loss		(28,211)	(23,310)
Financial expenses, net	*E*	(73,507)	(64,677)
Dividend income from subsidiaries	*F*	250,600	516,004
Gain on disposal of subsidiary		-	17,774
Profit before tax		**148,882**	**445,792**
Income tax expense	*G*	-	-
Profit for the year		**148,882**	**445,792**
Other comprehensive income		**-**	-
Total comprehensive income for the period		**148,882**	**445,792**

The notes on pages 154 to 163 are an integral part of these financial statements.

NEW WORLD RESOURCES N.V.

COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

EUR '000	*Note*	2011	2010
ASSETS			
Investments in subsidiaries	*I*	1,384,740	1,279,995
Long-term loans provided to the Group	*K*	408,668	434,651
Property, plant and equipment	*H*	113	209
TOTAL NON-CURRENT ASSETS		1,793,521	1,714,855
Short-term part of long-term loans provided to the Group	*K*	145,364	134,544
Accounts receivable and prepayments	*L*	30,108	22,169
Derivatives	*J*	-	34
Cash and cash equivalents		455,150	393,082
Restricted cash	*M*	6,465	-
TOTAL CURRENT ASSETS		637,087	549,829
TOTAL ASSETS		**2,430,608**	**2,264,684**
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	*N*	105,883	105,883
Share premium	*N*	457,269	457,269
Share-based payments	*N*	-	17,157
Retained earnings		609,759	581,830
TOTAL EQUITY		1,172,911	1,162,139
LIABILITIES			
Bond issued	*V*	738,646	745,497
Long-term loans	*V*	76,184	89,377
Derivatives	*J*	16,967	8,376
Cash-settled share-based payments	*V*	211	-
TOTAL NON-CURRENT LIABILITIES		832,008	843,250
Provision	*O*	4,591	-
Short-term bank loan	*V*	99,695	-
Liabilities from cash pool	*P*	254,168	217,493
Short-term part of long-term bank loans	*V*	13,852	13,750
Derivatives	*J*	28,069	4,771
Accounts payable and accruals	*Q*	25,314	23,281
TOTAL CURRENT LIABILITIES		425,689	259,295
TOTAL LIABILITIES		1,257,697	1,102,545
TOTAL EQUITY AND LIABILITIES		**2,430,608**	**2,264,684**

The notes on pages 154 to 163 are an integral part of these financial statements.

NEW WORLD RESOURCES N.V.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

EUR '000	Share capital	Share premium	Equity-settled share-based payments	Retained earnings	Total equity
1 January 2011	**105,883**	**457,269**	**17,156**	**581,831**	**1,162,139**
Total comprehensive income for the year	-	-	-	148,882	**148,882**
Share options for A shares	-	-	1,864	-	**1,864**
Transfers within the equity	-	-	(19,020)	19,020	**-**
Share options granted by holding company	-	-	-	612	**612**
Dividends paid to A shareholders	-	-	-	(100,586)	**(100,586)**
Dividends paid to B shareholders	-	-	-	(40,000)	**(40,000)**
31 December 2011	**105,883**	**457,269**	**-**	**609,759**	**1,172,911**

EUR '000	Share capital	Share premium	Equity-settled share-based payments	Retained earnings	Total equity
1 January 2010	**105,736**	**451,392**	**13,424**	**191,570**	**762,122**
Total comprehensive income for the year	-	-	-	445,792	**445,792**
Shares granted to independent directors	41	959	-	-	**1,000**
Share options exercised	106	4,918	(4,996)	-	**28**
Share options for A Shares	-	-	8,728	-	**8,728**
Dividends paid A Shares	-	-	-	(55,531)	**(55,531)**
31 December 2010	**105,883**	**457,269**	**17,156**	**581,831**	**1,162,139**

The notes on pages 154 to 163 are an integral part of these financial statements.

NEW WORLD RESOURCES N.V.

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

EUR '000	1 January 2011 - 31 December 2011	1 January 2010 - 31 December 2010
Cash flows from operating activities		
Net profit before taxation	148,882	445,792
Adjustments for:		
Depreciation	521	475
Amortisation costs on long-term loans and bonds	4,103	5,441
Gain on partly redemption bond	(957)	-
Gain on disposal of subsidiary	-	(17,774)
Change in provision	4,591	-
Dividend income	(250,600)	(516,004)
Interest expense, net	20,418	34,184
Change in fair value of derivatives	31,923	9,990
Share-based payments	2,475	9,754
Unrealized foreign exchange (gain)/loss	4,287	(5,483)
Cash flow before working capital changes	(34,355)	(33,625)
(Decrease) / Increase in accounts payable and accruals	(1,789)	34,669
(Increase) / Decrease in accounts receivable and prepayments	(2,043)	303
(Increase) / Decrease in restricted cash	(6,465)	2,771
Other non-cash movements	(1,106)	375
Cash generated from operating activities	(11,403)	38,118
Net cash flows from operating activities	**(45,758)**	**4,492**
Cash flows from investing activities		
Loans provided to subsidiaries	(20,411)	6,153
Purchase of tangible fixed assets	(2,139)	(4,997)
Share capital increase in subsidiaries	(70,659)	(104,635)
Proceeds from sale of subsidiary	-	135,312
Prepayment for long-term investments	-	(792)
Interest received	42,910	10,018
Dividends received	249,466	17,678
Net cash flow from investing activities	**199,167**	**58,737**
Cash flows from financing activities:		
Proceeds from exercise of share options	-	3
Dividends paid to A and B shareholders	(140,586)	(55,531)
Interest paid	(64,894)	(50,722)
Proceeds from bonds issue	-	500,000
Transaction costs from issued bonds	-	(16,797)
Bond redemption	(8,844)	-
Proceeds from long-term borrowings	-	27,966
Proceeds from short-term borrowings	99,948	-
Repayments of other long-term loans	(13,555)	(13,639)
Repayments of Senior Secured Facilities	-	(304,031)
Increase of cash pool liabilities	38,225	217,453
Net cash flow from financing activities	**(89,706)**	**304,702**
Net increase in cash and cash equivalents	63,703	367,932
Effect of exchange rate fluctuations on cash held	(1,635)	(5,053)
Cash and Cash Equivalents at the beginning of year	393,082	30,203
Cash and Cash Equivalents at the end of year	**455,150**	**393,082**

The notes on pages 154 to 163 are an integral part of these financial statements.

A GENERAL INFORMATION

a) Corporate Information

New World Resources N.V. (the 'Company', 'NWR NV') is a public limited liability company with its registered seat at Jachthavenweg 109h, 1081 KM Amsterdam. Its majority shareholder is New World Resources Plc ('NWR Plc'), which was incorporated on 30 March 2011 as part of a corporate reorganisation under which it became the new UK incorporated holding company for the businesses previously held by the Company.

b) Statement of compliance

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

c) Basis of preparation

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

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

These financial statements were approved by the board of directors and authorized for issue effective on 12 March 2012.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company follows the accounting policies of the Group (NWR NV and its subsidiaries) as described in the note 2 Summary of significant accounting policies in the notes to the consolidated financial statements of this document.

a) Investments

Fixed assets investments are carried at cost less impairment provisions. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable.

b) Dividends

Dividend income from subsidiary is recognised in the income statement once the Company's right to receive the payments has been established. Dividends are recognised as a liability and reduction in equity once the criteria for a present obligation are met.

C OPERATING REVENUE

EUR '000	1 January 2011 - 31 December 2011	1 January 2010 - 31 December 2010
Service fees	1,096	629
Office rent (sub-lease)	200	106
Other operating revenue	32	363
	1,328	**1,098**

D OPERATING EXPENSES

EUR '000	1 January 2011 - 31 December 2011	1 January 2010 - 31 December 2010
Personnel expenses	(8,668)	(13,723)
Service expenses	(20,053)	(9,743)
Consumption of material and energy	(67)	(67)
Depreciation	(118)	(475)
Other operating expenses	(633)	(400)
	(29,539)	**(24,408)**

During the year 2011 the Company employed an average of 22 employees (2010: 21 employees).

E FINANCIAL EXPENSES, NET

EUR '000	1 January 2011 - 31 December 2011	1 January 2010 - 31 December 2010
Interest income	43,042	22,055
Interest expense	(63,460)	(56,239)
Loss on derivative instrument	(44,190)	(15,221)
Profit on derivative instruments	2,160	6,730
Guarantee fee expenses, net	(2,587)	(2,364)
Amortisation of costs from bonds and loans	(4,070)	(5,441)
Bond redemption gain	957	-
Bank charges	(484)	(13,170)
Foreign exchange losses, net	(4,875)	(1,027)
	(73,507)	**(64,677)**

F DIVIDEND INCOME FROM SUBSIDIARIES

EUR '000	1 January 2011 - 31 December 2011	1 January 2010 - 31 December 2010
OKD, a.s.	245,358	502,887
OKK Koksovny, a.s.	5,242	-
NWR Energy, a.s.	-	13,117
	250,600	**516,004**

G INCOME TAX EXPENSE

Due to the fact that the Company suffered a taxable loss during the period from 1 January 2011 until 31 December 2011, no corporate income tax is due.

The reconciliation between net profit before taxation as at 31 December 2011 and tax loss as at 31 December 2011 can be detailed as follows:

EUR '000	2011
Net profit before taxation 2011	**148,882**
Non-taxable dividend income from subsidiaries	(250,600)
Non-deductible costs related to stock options and charges granted to employees	2,686
Non-deductible donations	328
Linear amortization bond issue costs	191
Non-deductible mixed costs	21
Withholding tax on operational lease	25
Taxable loss 2011	**(98,467)**

Tax losses to be carried forward and offset against future taxable income are available at NWR NV. No deferred tax asset is recognised as it is not considered probable that future taxable profits will be available to offset any of the accumulated tax losses. Details of the accumulated tax losses of NWR NV are disclosed below.

EUR '000	31 December 2011
Tax losses from years	
2005	145
2006	196
2007	40,036
2008	55,133
2009	48,306
2010	78,459
2011 (estimate)	98,467
Taxable loss 2011	**320,742**

H PROPERTY, PLANT AND EQUIPMENT

EUR '000	2011	2010
1 January	**209**	**340**
Additions	23	6,138
Assets sold	(1)	-
Contribution of equipment into subsidiary	-	(5,794)
Depreciation charge for the year	(118)	(475)
31 December	**113**	**209**

Per 31 December 2011 tangible fixed assets consist of various electronic office equipment and office furniture.

I INVESTMENTS IN SUBSIDIARIES

The investments in subsidiaries can be detailed as follows:

EUR '000	31 December 2011	31 December 2010
OKD, a.s. (100%)	1,224,867	1,182,419
OKK Koksovny, a.s. (100%)	101,652	71,916
NWR KARBONIA S.A. (100%)	55,167	25,660
Provide, s.r.o. (100%)	2,931	-
NWR Communications, s.r.o. (100%)	123	-
	1,384,740	**1,279,995**

As at 31 December 2011, the shares of OKD, OKK 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	2011
1 January	**1,182,419**
Contribution of equipment contracts as of 25 January 2011, 6 March 2011 and 26 April 2011	42,448
31 December	**1,224,867**

The movements in the investment in NWR Karbonia can be detailed as follows:

EUR '000	2011
1 January	**25,660**
Capital increase as of 30 September 2011	29,507
31 December	**55,167**

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

EUR '000	2011
1 January	**71,916**
Capitalisation intercompany loan provided to OKK as of 1 January 2011	29,736
31 December	**101,652**

The Company acquired new subsidiary, Provide, s.r.o. ('Provide') on 7 January 2011 for EUR 2,931 thousand. On 6 June 2011, new subsidiary NWR Communications, s.r.o. ('NWRC') was established to perform public relations and corporate communication activities and the Company contributed capital of EUR 123 thousand.

J 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:

EUR'000	31 December 2011		31 December 2010	
Fair value of derivative instruments	Assets	Liabilities	Assets	Liabilities
Foreign exchange forward contracts	**-**	**37,348**	**34**	**1,206**
short-term	-	24,718	34	1,206
long-term	-	12,630	-	-
Interest rates swap contracts	**-**	**7,689**	**-**	**11,940**
short-term	-	3,351	-	3,564
long-term	-	4,337	-	8,376
	-	**45,038**	**34**	**13,146**

K LOANS PROVIDED TO THE GROUP

EUR '000	31 December 2011	31 December 2010
OKK	117,586	98,160
OKD	433,192	469,291
Provide	3	-
NWR Plc – cash pool	2,206	-
HBZS – cash pool	1,045	1,743
	554,032	**569,194**

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

L ACCOUNTS RECEIVABLE AND PREPAYMENTS

EUR '000	31 December 2011	31 December 2010
Interest receivable	12,496	12,364
Finance lease receivable	10,314	-
Prepayments for tangible fixed assets	-	4,653
Prepayments for long-term investments	-	2,873
Guarantee fee and rent prepaid	1,471	1,338
Advisory fee receivable	453	180
Coking coal accounts receivable against OKD	4,479	-
Other receivables and prepayments	895	761
	30,108	**22,169**

M RESTRICTED CASH

Short-term restricted cash recognised by the Company at 31 December 2011 results from guarantee terms related to two purchase contracts for mining equipment. The corresponding amount of EUR 6,465 thousand will be released for payment to the supplier after the mining equipment has been installed.

N SHARE CAPITAL AND RESERVES

Share capital

Based on the Articles of Association of the Company the authorised share capital amounts to EUR 450,000 thousand. It is divided into 1,124,989 thousand A shares with a nominal value of EUR 0.40 each and 11 thousand B shares with a nominal value of EUR 0.40 each.

As at 31 December 2011 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. There were no movements within share capital during the year 2011.

Share premium

There were no transactions that would influence share premium during the year 2011. Total amount of share premium is attributable to A shares.

Equity-settled share-based payments reserve

NWR Plc, as a new holding company, took over all liabilities from all stock options schemes, previously granted by the Company, for no consideration. Following this, the equity-settled share-based payments reserve was transferred into retained earnings as the Company no longer has any obligation in respect of these schemes. Nevertheless, as some of the employees of NWR NV were granted share options, the Company continue to treat the remuneration schemes, taken over by holding company NWR Plc, as equity-settled shared-based payment transactions with a corresponding impact on retained earnings within equity.

For further information please refer to the Note 27 Share-based payments within the Notes to consolidated financial statements.

Retained earnings

Split of the profit for the year and distributable reserve between A shares and B shares is as follows:

EUR'000	A share	B share
At 1 January 2011	556,681	25,150
Profit for the year	133,906	14,976
Dividends paid	(100,586)	(40,000)
Equity-settled share-based payments granted by holding company	19,632	-
At 31 December 2011	**609,633**	**126**

Reconciliation of Company shareholders' equity to Consolidated shareholders' equity at 31 December 2011:

EUR'000	31 December 2011
Company Shareholder's equity	1,172,911
Consolidated Shareholder's equity	756,156
Difference due to valuation of investments in subsidiaries using the equity method	416,755

Reconciliation of Company shareholders' profit to Consolidated shareholders' profit for the year ended 31 December 2010:

EUR'000	1 January 2011- 31 December 2011
Company profit for the year attributable to the Shareholders	148,882
Net profit of subsidiaries after adjustments for transactions between subsidiaries	218,713
Dividends received by the Company from subsidiaries	(250,600)
Capitalization of interest for consolidation	1,607
Change in fair value of derivatives reclassified into hedging reserve on consolidated level	17,447
Elimination of foreign exchange gains and losses between the Company and its subsidiaries	(755)
Consolidated profit for the year attributable to the Shareholders	135,294

O PROVISION

The Company recognised a tax provision of EUR 4,591 thousand relating to an on-going tax audit initiated by the tax authorities in 2011.

P SHORT-TERM LIABILITIES FROM CASH POOL

The Company operates with its subsidiaries a zero-balance group cash pool arrangement. The funds are denominated in the following currencies: EUR, CZK and PLN.

EUR'000	31 December 2011	31 December 2010
OKD	214,359	195,887
OKK	-	38
NWR Karbonia	39,809	21,568
	254,168	**217,493**

Q ACCOUNTS PAYABLE AND ACCRUALS

EUR'000	31 December 2011	31 December 2010
Interest payable	9,364	10,799
Creditors	3,531	6,032
Accrual for unbilled mining equipment	8,651	-
Accrual for advisory fees	1,243	2,982
Personnel expenses payable	1,339	368
Other payables	1,186	3,100
	25,314	**23,281**

R RELATED PARTY TRANSACTIONS

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

- NWR Plc
- BXR Group B.V.
- BXR Real Estate Investments 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):

EUR'000	31 December 2011	31 December 2010
Receivables from related parties		
BXR Group B.V.	312	-
OKD, a.s.	4,722	150
OKK Koksovny, a.s.	90	-
NWR KARBONIA S.A.	151	-
BXR Real Estate Investments B.V.	-	7
Advanced World Transport B.V.	-	14
	5,275	**171**
Payables to related parties		
BXR Group B.V.	4	-
OKD, a.s.*	214,359	195,888
OKK Koksovny, a.s.*	-	1,206
NWR KARBONIA S.A.	39,809	21,568
NWR Communications, s.r.o.	93	-
Economia, a.s.	-	7
Respekt Publishing a.s.	-	4
BXL Consulting	25	50
	254,290	**218,723**
Loans to related parties		
OKD, a.s.	433,192	469,291
OKK Koksovny, a.s.	117,586	98,160
OKD, HBZS, a.s.*	1,045	1,743
Provide, s.r.o.	3	-
NWR Plc*	2,206	-
	554,032	**569,194**

* Including cash pooling

EUR '000	1 January 2011 - 31 December 2011	1 January 2010 - 31 December 2010
Operating income from related parties		
OKD, a.s.	600	935
OKK Koksovny, a.s.	90	-
NWR KARBONIA S.A.	150	-
NWR Plc	239	-
BXR Real Estate Investments B.V.	53	37
Advanced World Transport B.V.	36	10
Green Gas International B.V.	73	13
	1,241	**995**
Operating expenses to related parties		
BXR Group B.V.	(9)	-
NWR Plc	(322)	-
OKD, a.s.	(31)	(10)
BXR Partners, a.s.	(1,134)	(3,824)
Economia, a.s.	(40)	(37)
Respekt Publishing, a.s.	-	(19)
BXL Consulting	(300)	(300)
Green Gas International	(93)	-
Advanced World Transport, a.s.	(4)	-
	(1,933)	**(4,190)**
Financial revenues from related parties		
Guarantee fee from OKD, a.s.	-	281
Interest from loan to OKD, a.s.	30,364	14,662
Interest from loan to OKK Koksovny, a.s.	7,077	4,804
Interest from cash pool loan to OKD, HBZS, a.s.	13	21
Interest from cash pool loan to NWR Plc	1	-
	37,455	**19,768**
Financial expenses to related parties		
Guarantee fee to OKD, a.s.	(2,347)	(2,214)
Guarantee fee to OKK Koksovny, a.s.	(120)	(64)
NWR KARBONIA S.A.	(66)	(32)
	(2,533)	**(2,310)**

NWR Plc took over all liabilities from a stock option schemes, previously granted by the Company, please see also note N for further comments.

There were no other significant transactions with related parties.

S 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 571 thousand (full year 2010: EUR 7,789 thousand) for directors and former directors of the Company.

Please see also the Remuneration report.

T FUTURE COMMITMENTS

The Company has the following commitments in respect of:

EUR'000	31 December 2011	31 December 2010
Non-cancellable operating leases		
Installments due within one year	479	419
Installments due within two and five years	1,917	1,678
	2,396	2,097
Acquisition of property, plant and equipment		
From third parties	22,107	29,000

The majority of the operating lease contracts are concluded as indefinite term and short notice period. Leased items include office space, office equipment and apartments for the use by certain employees.

U CONTINGENT ASSETS AND LIABILITIES

Three Company's subsidiaries provided a guarantee for the bond issued by the Company on 27 April 2010. The guarantee fee expense for 2011 for the bond equals EUR 2,001 thousand. Total guarantee fee expense amount is split as follows: EUR 1,860 thousand for OKD, EUR 94 thousand for OKK and EUR 47 thousand for Karbonia. The respective amounts for 2010 are: EUR 1,266 thousand, EUR 64 thousand and EUR 32 thousand.

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. The ECA guarantee fee expense for full year 2010 was EUR 317 thousand. In 2011 the expense was EUR 302 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.

On 7 February 2011 the company entered into the RCF loan with a group of banks, under which EUR 100 million will be available for drawdown during the following three years. As of the date of signing three subsidiaries are acting as guarantors for the Company and charge guarantee fees: OKD for EUR 1,861 thousand, OKK for EUR 94 thousand and Karbonia for EUR 47 thousand.

V REFFERENCE TO THE CONSOLIDATED FINANCIAL STATEMENTS

Please refer to the Notes to consolidated financial statements for the following items:

Share-based payments	Note 27 Share-based payments
Bond issued	Note 21 Bond issued
Long-term loans	Note 20 Interest-bearing loans and borrowings
Short-term loans	Note 20 Interest-bearing loans and borrowings
Dividends paid	Note 9 Dividends

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

Amsterdam, 12 March 2012

Mike Salamon
Marek Jelínek
Hans-Jörg Rudloff
Steven Schuit
Paul Everard
Barry Rourke

OTHER INFORMATION

a) Appropriation of result

i. Statutory provisions

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

ii. Proposed appropriation

The entire profit is added to the retained earnings. This is incorporated in the financial statements. Please see also Note 22 of the notes to the consolidated financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT

To: The Annual General Meeting of Shareholders of New World Resources N.V.

Report on the financial statements

We have audited the accompanying financial statements 2011 of New World Resources N.V., Amsterdam, The Netherlands, set out on pages 89 to 163, which comprise the consolidated and company statement of financial position as at 31 December 2011, the consolidated and company statements of comprehensive income, consolidated 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 Director's 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. as at 31 December 2011 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.

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 Director's report, set out on pages 9 to 45, 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 Director's 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.

Rotterdam, 12 March 2012

KPMG ACCOUNTANTS N.V.

F.J. van het Kaar RA

Additional information

Shareholder information

Markets

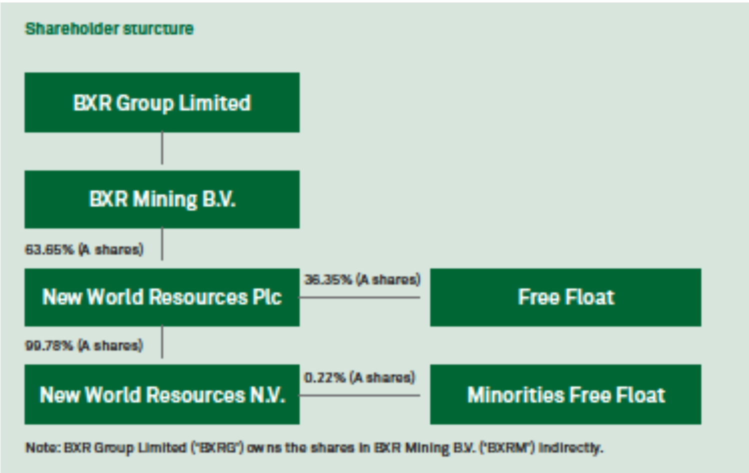
As at 31 December 2011, A ordinary shares ('A shares') of NWR were listed on the Warsaw Stock Exchange ('WSE').
Until 6 June 2011 NWR A Shares were listed on London Stock Exchange (‚LSE'), Prague Stock Exchange (PSE') and Warsaw Stock Exchange, but following the process of Reincorporation to the UK, A shares were delisted from LSE and PSE.

Share ownership

Share capital

Details about NWR's share capital are presented in Note 22 of the Consolidated Financial Statements on page 140.

Shareholder structure



Majority shareholder

NWR Plc holds 99.78 % of the NWR A Shares. NWR Plc is a majority-owned indirect subsidiary of BXRG Limited, which is a holding company. BXRG Limited is the indirect parent company of (i) BXR Mining, the direct holder of approximately 63.6% of NWR Plc A Shares, and (ii) RPG Property, the direct holder of all of NWR Plc B Shares. The following table sets forth the relevant ownership interests in NWR Plc:

	Current percentage of indirectly attributed ownership in NWR Plc A Shares of
Total Percentage held:	
by BXRG Limited[1][2]	63.65
by public shareholders	36.35
Total A Shares	**100**

Notes:

(1) Mr. Kadas, a Non-Executive Director of NWR Plc, owns no direct interest in NWR NV A Shares or NWR NV B Shares but he is considered as being interested in these shares because of his associated family trust having a minority ownership interest in BXRG Limited and BXRG Limited's indirect ownership interest in the Issuer. BXRG Limited is the indirect parent company of BXR Mining and RPG Property and, accordingly, BXRG Limited owns a 100% indirect interest in the NWR Plc A Shares held by BXR Mining, being approximately 63.65% of the NWR Plc A Shares, and in the NWR Plc B Shares held by RPG Property, being 100% of the B Shares. Peter Kadas, a Non-Executive Director of NWR Plc, is also a director of Bakala Crossroads Partners Ltd, an affiliate of BXRG Limited.

(2) Mr. Bakala, a Non-Executive Director of NWR Plc, holds no direct interest in NWR NV A Shares or NWR NV B Shares but he is considered as being interested in these shares as a result of a trust and affiliated companies relating to him and his family (collectively the 'Bakala entities') holding an indirect ownership interest in BXRG Limited, and BXRG Limited's indirect ownership interest in the Issuer. Mr. Bakala and his family, through the Bakala entities, own 50% of the outstanding voting capital in BXRG Limited. As set out in note (1) above, BXRG Limited owns a 100% indirect interest in the NWR Plc A Shares held by BXR Mining, being approximately 63.65% of the NWR Plc A Shares, and in the NWR Plc B Shares held by RPG Property, being 100% of the NWR Plc B Shares.

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

BXRG Limited

BXRG Limited is an international investment group focused on investments in Central and Eastern Europe. It also has investments in Western Europe. BXRG Limited typically takes large or controlling stakes in companies and is active in the management of its investments. In addition to its investment in the Issuer, BXRG Limited currently has investments in real estate, logistics, green energy, financial services and other industries.

New World Resources Plc

NWR completed a redomiciliation to the United Kingdom by interposing a new English holding company, NWR Plc, between the Issuer and its shareholders. This was effected through an exchange offer pursuant to which each holder of NWR NV A Shares of received one NWR Plc A Share in in exchange for each NWR NV A Share tendered.

NWR PLC now owns more than 99% of the NWR NV A Shares and each holder of NWR PLC A Shares (including, indirectly, BXRG Limited), effectively has the same proportionate direct or indirect interest in the profits, net assets and dividends of the Issuer as they had immediately prior to the Exchange Offer becoming effective. For more information on the redomiciliation process, see "Redomiciliation of the Issuer."

Changes in the majority shareholder structure during 2011

Reincorporation in the United Kingdom

On 5 October 2010, the Company announced its intention to re-incorporate from The Netherlands to the United Kingdom. The redomiciliation was undertaken to allow FTSE Index Series eligibility, to raise the profile of the Group with international investors and to demonstrate the Group's commitment to the high governance and control standards according to which it operates its business. The redomiciliation to the United Kingdom is effected through the establishment of a new holding company.

On 30 March 2011 NWR Plc was incorporated, providing for the redomicile of the Company to the UK. On 11 April 2011, the Board of NWR NV and the board of NWR Plc announced a recommended share offer for all of the A shares of EUR 0.40 each in the capital of NWR NV (the 'Offer'). The full terms and conditions of the Offer were set out in a combined prospectus and offer document jointly published by the two companies on 11 April 2011, as amended and supplemented by a supplementary prospectus and offer document on 18 May 2011.

A summary of the Offer is as follows:

- 5 May 2011: First closing - NWR Plc held 97.01 per cent of the NWR A shares (256,780,388 of 264,698,715 NWR A shares);
- 19 May 2011: Second closing - NWR Plc held 98.05 per cent of the NWR A shares (259,549,442 of 264,698,715 NWR A shares);
- 1 June 2011: Third closing - NWR Plc held 98.88 per cent of the NWR A shares (261,723,917 of 264,698,715 NWR A shares);
- 15 June 2011: Fourth closing - NWR Plc held 99.31 per cent of the NWR A shares (262,878,446 of 264,698,715 NWR A shares); and
- upon the fifth and final closing on 30 June 2011, NWR Plc held 99.63 per cent of the NWR A shares (263,721,429 of 264,698,715 NWR A shares).

On 19 July 2011, NWR Plc initiated a compulsory squeeze-out procedure in accordance with Dutch law under which NWR Plc intended to acquire all remaining outstanding shares in NWR, i.e. approximately 0.37 per cent of shares in NWR NV held by other shareholders.

On 30 September 2011, NWR Plc issued a total of 397,969 A shares to certain shareholders of NWR, pursuant to a private share for share exchange agreement entered into between the Company and specific shareholders; after which NWR Plc held 99.78 per cent of the NWR A shares (264,119,398 of 264,698,715 NWR A shares) leaving the outstanding amount of shares for squeeze-out at 0.22 per cent of NWR share capital.

BXR Mining B.V. ('BXR Mining'), which at the first closing date held 168,274,654 NWR A Shares, representing approximately 63.6 per cent of the NWR A Shares, irrevocably undertook to accept the Offer in respect of its NWR A Shares. BXR Mining currenty holds 63.65 per cent of A shares in NWR Plc.

Free float

At the date of this Annual Report, public shareholders hold approx. 0.22 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 WSE are registered in the name of The Bank of New York (Depository) Nominees Limited ('BoNY'), as common depository for Clearstream and Euroclear.

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.

Purchase and issue of shares

In 2011, NWR did not purchase its own shares. The Annual General Meeting of Shareholders held in April 2011 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 13,234,936A 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 2011 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 5,293,974.40, being 13,234,936 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 26 April 2012.

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. The registration date for the Annual General Meeting of Shareholders of 26 April 2012 is 28 days before the meeting, i.e. on 29 March 2012. 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.

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	3 June 2011*	31 December 2011	31 December 2010	31 December 2009
LSE	GBp	894.0	-	961.0	560.0
PSE	CZK	260.0	-	271.0	161.6
WSE	PLN	-	26	44.4	25.3

*The last day of trading on LSE and PSE, prior to delisting as of 6 June 2011.

Allotments of equity securities

During the period under review, no allotments of equity securities in NWR were made in exchange for cash.

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 Euros or Pounds Sterling. The default election will be deemed to be Euros, 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 2011 of EUR 0.16 per A share.

The Directors of NWR have declared a final dividend for the year ended 31 December 2011 of EUR 0.07 per A share paid to A shareholders. Together with the interim dividend of EUR 0.16 per A share paid in September 2011, this takes the full year dividend payable to A shareholders to EUR 0.07 per share in respect of the year ended 31 December 2011. This represents approximately 50 per cent payout ratio for 2011.

Provision of the Annual Report and Accounts

The 2011 Annual Report and Accounts of NWR is available on the Company's website at www.newworldresources.eu. A hard copy of the report can be requested from the Investor Relations team. Shareholders may also inspect the report at the Company's headquarters in the Netherlands.

Radek Němeček
Head of Investor Relations
ir@nwrgroup.eu

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
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

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

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Disclaimer and Cautionary Note on Forward Looking Statements and Notes on Certain Other Matters

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

Factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those projected can be a result of or include, but are not limited to, the following: changes in political, economic and social conditions in the Czech Republic, Poland, the United Kingdom, The Netherlands and the Central and Eastern Europe region; future prices and demand for the Company's products, and demand for the Company's customers' products; coal mine reserves; remaining life of the Company's mines; coal production; trends in the coal industry and domestic and international coal market conditions; risks in coal mining operations; future expansion plans and capital expenditures; the Company's relationship with, and conditions affecting, the Company's customers; competition; railroad and other transportation performance and costs; availability of specialist and qualified workers; and weather conditions or catastrophic damage; risks relating to Dutch, UK, Czech or Polish law, regulations and taxation, including laws, regulations, decrees and decisions governing the coal mining industry, the environment and currency and exchange controls relating to Czech and Polish entities and their official interpretation by governmental and other regulatory bodies and by the courts; developments in the financial markets; and risks relating to global economic conditions and the global economic environment. Additional risk factors are as described in this Annual Report.

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

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