Annual Report and Accounts 2012
New World Resources N.V.

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Directors' report

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

The average exchange rate for 2012 used throughout the report is 25.149 EUR/CZK, unless stated otherwise.
'NWR' or the 'Company' refers to New World Resources N.V.
'NWR Plc' refers to New World Resources Plc.
The 'Group' or 'NWR Group' refers to New World Resources N.V. and its subsidiaries.

Overview

Investment proposition

- Strong market position
- Proximity to blue-chip customers
- Located within the industrial heartland of Central Europe
- Responsible corporate citizen
- European Union structurally short of coking coal
- Operational excellence
- Aim to become Europe's leading miner and marketer of coking coal by 2017

NWR at a glance

OKD - The Czech Republic's only hard coal mining company and the second largest private employer. OKD has four operating mines which are located in the Upper Silesian Coal Basin.

OKK - Our coking subsidiary operates one coking plant, Svoboda in Ostrava. Svoboda produces both foundry and blast furnace coke from four coking batteries on site.

NWR KARBONIA - oversees NWR's two development projects in Southern Poland of Dębieńsko and Morcinek.

- Incorporated in the Netherlands
- Operations in the Czech Republic and Poland
- Senior Notes due in 2018 and Senior Notes due in 2021 listed on Global Exchange Market of the Irish Stock Exchange. Refinancing of Senior Notes due in 2015
- Completed squeeze-out proceedings and delisting of shares from Warsaw Stock Exchange
- NWR Plc - Listed on three stock exchanges: London, Prague and Warsaw included in the FTSE 250 and FTSE 350 Mining indices
- 18 thousand employees and contractors
- 2012 coal production of 11.2 million tonnes
- 2012 external coal sales of 9.7 million tonnes
- Total JORC[1] reserves of 374 Mt (81 Mt proven reserves and 293 Mt probable reserves) as at 1 January 2013
- 2012 LTIFR[2] of 7.45 lost-time injuries per million hours worked

Our customer base

NWR is strategically located in Central Europe and supplies to a blue chip customer base of steel makers and power generators in the region. We produce both coking coal (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 customers including ArcelorMittal, 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; pricing terms for thermal coal are predominately agreed on a calendar-year basis.

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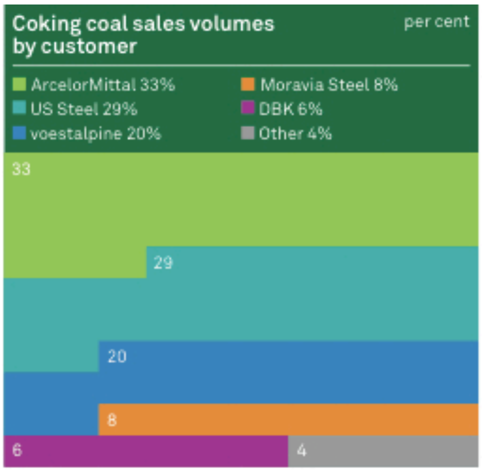
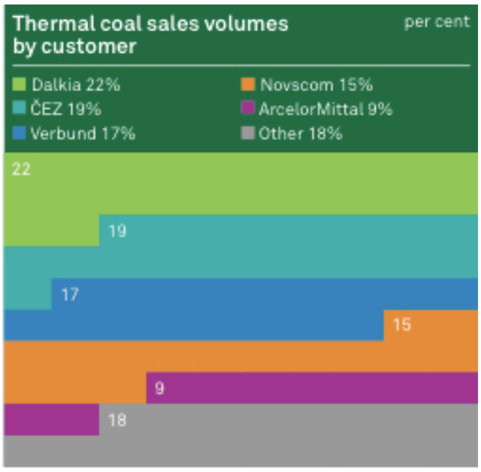
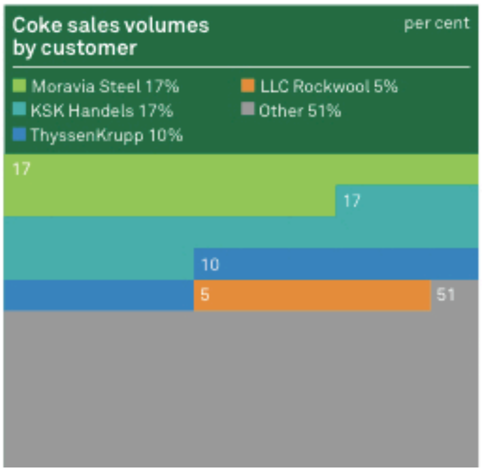
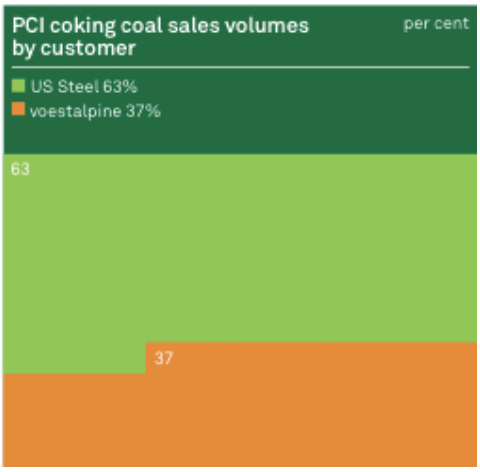
[1] Joint Ore Reserves Committee. NWR currently uses the JORC system to report reserves and resources. The Group employs a certified geologist who prepares the reserve numbers and is the designated 'Competent Person' as defined by the JORC code.

[2] Lost Time Injury Frequency Rate (‚LTIFR') represents the number of reportable injuries in NWR's operations causing at least three days of absence per million hours worked including contractors.







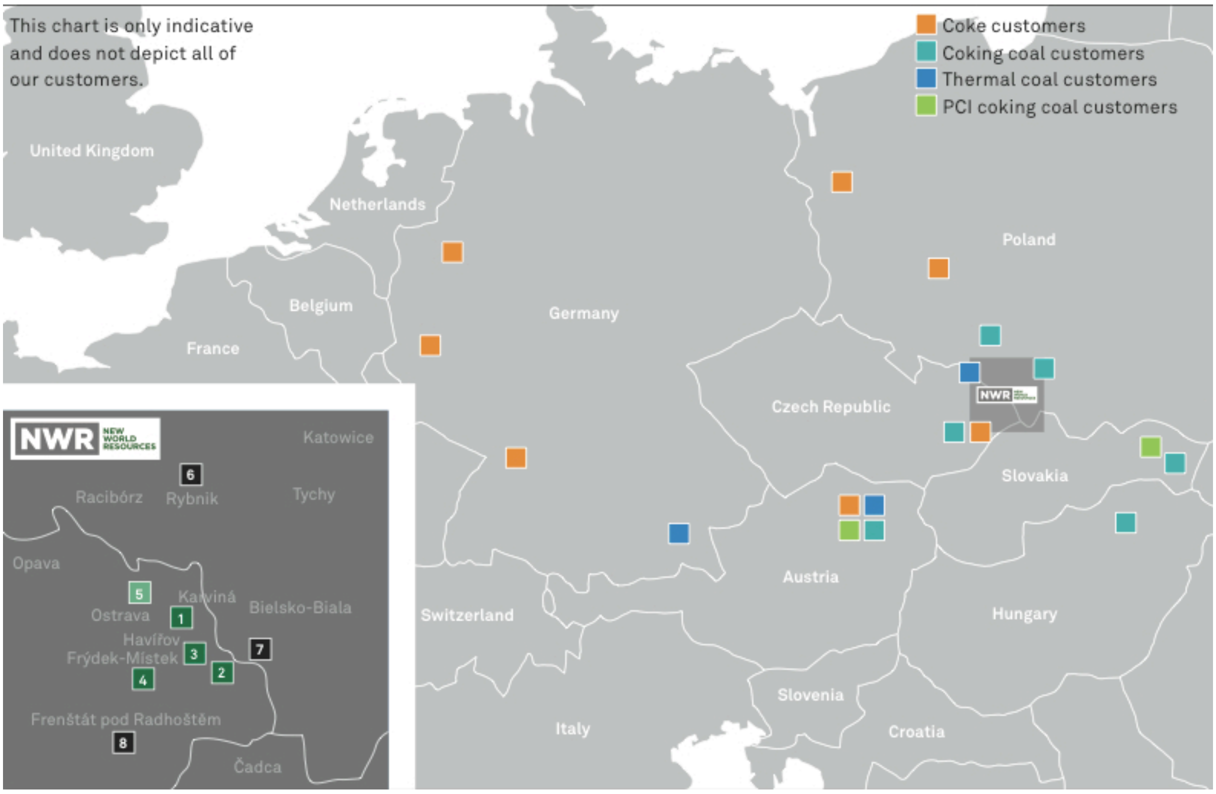


Our operations

Our mines are located near to our major customers' operations in Central Europe. We predominantly transport our coal and coke via the railway network directly to our customers.

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

NWR operates one coking plant in Ostrava through its wholly owned subsidiary, OKK. OKK is the largest producer of foundry coke in Europe. The Svoboda facility uses the 'stamp charging process' to produce foundry and blast furnace coke from its four batteries.



1 - Karviná mine
2012 coal production: 4.16 million tonnes Reserves: 84.8 Mt (34.0 Mt proven reserves and 50.8 Mt probable reserves)
Coal type: Semi-soft coking/PCI/Thermal

2 - ČSM mine
2012 coal production: 2.87 million tonnes Reserves: 42.0 Mt (24.1 Mt proven reserves and 17.9 Mt probable reserves)
Coal type: Hard coking/Semi-soft coking/Thermal

3 - Darkov mine
2012 coal production: 3.23 million tonnes Reserves: 34.5 Mt (14.0 Mt proven reserves and 20.5 Mt probable reserves)
Coal type: Semi-soft coking/Thermal

4 - Paskov mine
2012 coal production: 0.95 million tonnes
Reserves: 23.1 Mt (9.2 Mt proven reserves and 13.9 Mt probable reserves)
Coal Type: Hard coking

5 - Svoboda coking plant
Capacity: 850 kilo tonnes
2012 production: 680 kilo tonnes
Coke type: Blast furnace/Foundry/Other

6 - Dębieńsko development project
Highest-quality hard coking coal asset in Europe
2012 update: Water management issues and potential excessive liabilities mitigated; pursue purchase of surface properties and project value engineering in 2013
Reserves: 190 Mt (190 Mt probable reserves)
Coal type: Premium hard coking coal/Semi-soft coking/Thermal

7 - Morcinek development project
2012 update: Officially included in Poland's official list of reserves – crucial step forward to gaining a mining license; exploratory drilling continues; and dewatering underway
Reserves: JORC reserves unavailable
Coal type: Coking coal/Semi-soft coking

8 - Frenštát development project
Largest coal resource in Europe
2012 update: Continuation of four-year exploration process started in 2011
Hard coal resources: JORC reserves unavailable; estimated hard coal resources of approximately 1.6 billion tonnes. *Estimate based on NWR's own calculations.*

How we produce coal

The construction of a mine starts with sinking two shafts and connecting them underground. One shaft is used to transport personnel and material and the other for the mined raw material. The shafts are also vital for ventilation purposes, controlling the mine gas flow and microclimatic conditions underground, and thus ensuring safety. One shaft brings fresh air into the underground system, and the other, equipped with a mine fan, recovers the air back to the surface. Underground, the deposit is divided into horizontal layers or 'mine floors', and the coal seam is accessed by a system of tunnels or 'gateroads'. Coal is mined top-down and from the outer edges to the centre of the shaft using longwall panels. Once mined, the coal is hauled up to the surface using skip buckets. At the coal preparation plant the coal is washed, sorted and processed to meet customer requirements.

How we produce coke

At the coking plant, selected grades of coking coal are grounded into a fine powder, mixed and compressed into large coal blocks.

The coal blocks are horizontally inserted into the coking chamber by a charging plate, and heated to temperatures of up to 1,150°C without the access of oxygen to separate all impurities and to produce to produce coke. After 32–34 hours the hot coke is pushed out of the coking chamber into a watering car to be cooled. At the sorting houses, different grades of coke are sorted before being loaded onto rail cars and transported to customers.

How NWR creates value

Strong market position

NWR, with four deep working mines and several development projects in the Czech Republic and Poland, is one of Central Europe's leading producers of hard coal and foundry coke, in terms of both quality and quantities sold.

Located within the industrial heartland of Central Europe

NWR's assets are strategically located in the industrial heartland of Central Europe, a region underpinned by strong secular drivers whose industries, in particular the automotive sector, has remained resilient compared with counterparts in Western Europe during the recent downturns. Manufacturers along with the heavy industries are attracted by the region's strong fundamentals including a business friendly environment, competitive and skilled labour force as well as access to an existing infrastructure for the entire carbon-steel supply chain.

European Union structurally short of coking coal

Central Europe, and the wider European Union, is structurally short of coking coal, and is required to import a proportion of its requirements. This is a trend that is widening despite economic pressures. As a regional player with proven strengths and strong customer relationships, NWR is uniquely positioned to take advantage of this industry dynamic by engaging in the import markets. With this in mind, NWR Group announced in 2013 a strategy to reposition the business as Europe's leading miner and marketer of coking coal by 2017.

Proximity to blue-chip customers

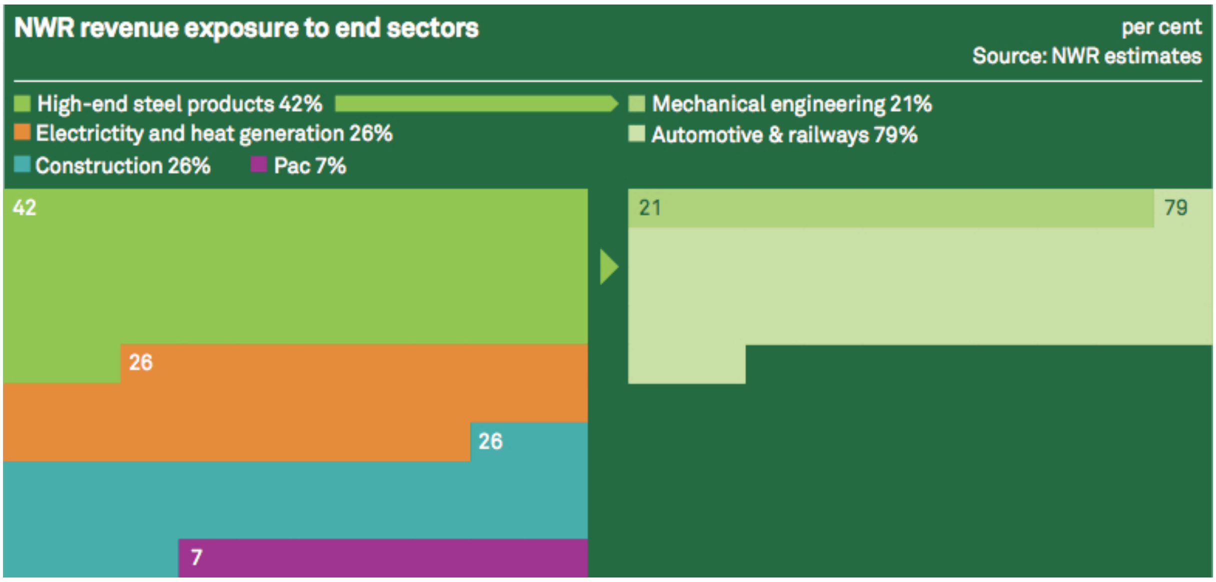
Through longstanding relationships with our customers, NWR has gained insights into their specific requirements, enabling the Company to anticipate future changes in demand for different qualities. This encompasses both the quantity and mix of grade of coal and coke required, including the increased take-up of pulverised coal injection coking coal. Coal and coke is predominantly transported via the railway network directly to our customers.

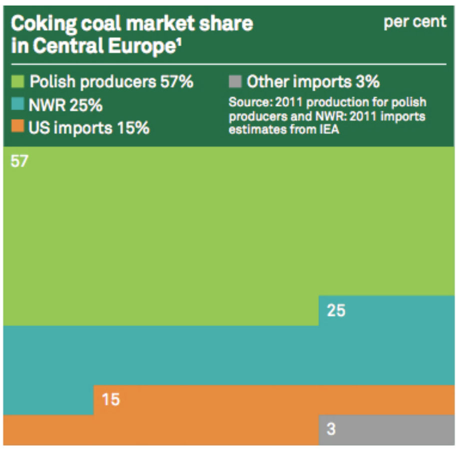
Responsible corporate citizen

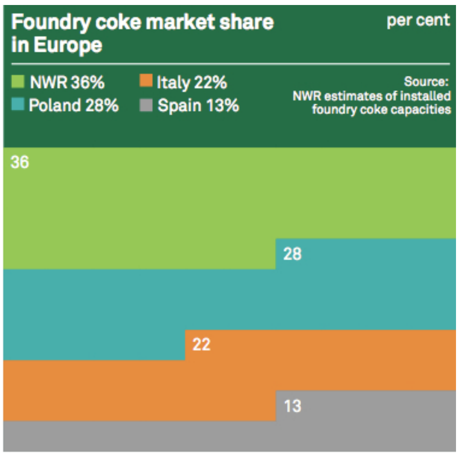
Ensuring that the business is both economically and environmentally sustainable enables the Company to maintain its social license to operate. As one of the largest employers in the Czech Republic, NWR is fully committed to open and regular dialogue with all relevant stakeholders on a whole range of social and environmental issues. Our core areas of focus alongside safety are: land rehabilitation, enhance employee training, reduction of emissions from our coking operation, and to continue to make a significant positive economic contribution to our region.

Operational excellence

NWR is one of the most efficient miners in the Silesian region with world-class mining equipment and unrivalled levels of technical expertise. Operating mining technology for longwall production and gateroad development, we mine at levels deeper than the majority of the world's miners, at around 1,000 metres below the surface. Longwall productivity continues to increase and in 2012, the average production per longwall per day was 1,800 t/LW, a record-high.







Strategy

Chairman's Statement

"In my first report to shareholders since joining as Executive Chairman on 1 October 2012, I would like to express how privileged I feel to have the opportunity to lead the NWR Group forward. I truly believe that the Group has a compelling investment story, possessing many unique qualities and strengths that most of our competitors cannot match. It is my intention that we explore and realise these to the full."

Gareth Penny
Executive Chairman of the Board

2012 Markets

There can be no denying that 2012 has been a very challenging year with any prospect of recovery in the wider European market becoming seemingly choked by the continuation of structural macroeconomic imbalances in developed markets. Coupled with a slowdown in growth in core emerging markets such as China and India, this has led to a drastic fall in business confidence, and hence business activity, which ultimately has weakened demand for steel and its associated raw materials including coking coal.

The steel-making industry in Central Europe has however, remained relatively resilient during this period of economic weakness, particularly when compared with other parts of Europe. The automotive sector, which is the industry's principal end-customer, has continued to be strong with the Czech Republic and Slovakia now the world's two top car producers per capita. Such manufacturers, along with other heavy industries, are attracted by the region's strong fundamentals including the availability of competitive and skilled labour, supported by an efficient supply chain.

FY 2012 Results

A key achievement in 2012 for the Group was reaching our coal production target whilst gaining a further improvement in our safety performance metric, LTIFR.

In the coking coal business, continued pricing pressure during the year led to a 30 per cent decline in the price of coking coal year-on-year. However, our sustained efforts on cost control delivered our guided mining unit costs for 2012, which remained broadly flat on the previous year, and partially mitigated the difficult pricing conditions.

Our thermal coal business has suffered from what we believe is a temporary regional oversupply, given the relatively mild winter weather conditions as well as the wider economic slowdown in our local thermal coal markets. Consequently, we built up over one million tonnes of thermal coal inventories by the end of 2012.

Our coking business profited from lower coking coal purchase costs, and although the price for coke has markedly decreased year-on-year, the overall EBITDA contribution of the segment doubled on the previous year's performance to EUR 12 million.

In January 2013, we took advantage of favourable market conditions to successfully refinance our Senior Notes due in 2015 with a new bond issuance, Senior Notes due in 2021, thus pushing out our overall debt maturity profile.

Strategy

Our underlying strategy is focused on three fundamental pillars: Operational excellence, Sustainable development and Growth. In other words, seeking to supply premium products as cost effectively and in as socially responsible manner as possible, whilst continually looking for ways to grow the business through either acquisition or organic means.

Following a strategic review of the Group in 2012, we announced in February 2013, clear objectives to grow the business. Over the next five years we want to build on the strengths of the NWR Group and evolve the business from what it is today, a regional coal producer and trusted regional supplier with strong customer relationships to Europe's leading miner and marketer of coking coal.

We see three core areas to explore to reach this goal: first, to double the amount of coking coal we sell into Europe to 10 million tonnes per year; second, to offer all coking coal qualities to our existing and expanded steel customer base, and evolve into a 'one-stop shop' for European steel customers; and thirdly, to improve our current mining operations in terms of further improvements in safety and operational efficiency.

Despite the current largely negative backdrop, the fundamentals of the region remain intact, and core to this is the simple fact that Europe is short of coking coal. In 2012 there was an estimated supply gap of coking coal in Central Europe of 4 million tonnes reaching around 50 million tonnes in wider Europe, and this trend is increasing despite the economic downturns. Coupled with the influx of heavy industries entering our core market of Central Europe over the past decades and declining coking coal production, it is a logical step forward in the Group's growth plans to engage in the import markets, and to become a 'one-stop-shop' for European steel customers. Pivotal to our successful evolution is to concentrate efforts to further improve our current mining operations.

Whilst our growth strategy is primarily geared towards increasing coking coal sales, thermal coal and coke are, and will continue to be, important parts of the Group's revenue stream going forward.

Taking part in the regional consolidation story continues to be the long-term goal of the business but we are limited by our current position in the market. However, through improving our footprint, and becoming a real market leader in our region, we will be in a better position to return to this ambition.

Further details of the repositioning strategy can be found on the corporate website or contact the Investor Relations department.

Safety at NWR

Health and safety is an area in which there can be absolutely no compromise on and is taken extremely seriously throughout the Group. We remain committed to continuous improvement of our existing positive trends. A 'safety first' attitude needs to be adopted amongst all our staff for the full benefits of the investment we have made in technology and safety equipment to be realised. NWR places great emphasis on engendering a safety culture in the organisation through continuous training for staff and the promotion of employee engagement and discipline, along with stronger links between safety performance and financial motivation throughout the Group.

The industry-wide safety indicator, Lost Time Injury Frequency Rate ('LTIFR'), for the year was 7.45 lost-time injuries per million hours worked, which I am pleased to say is an improvement of 2.5 per cent on last year's 7.64 figure, and reinforces our position as a regional leader in deep underground coal mining safety.

By 2017 the Group aims to be ranked as one of the top five leaders in safety in deep underground coal mining globally, as measured by LTIFR. On route to achieving this target we want to decrease our present LTIFR further to below 5 by 2015, a target that I am confident that we will be able to reach.

It is an inescapable fact however that the Group operates in some of the world's most challenging and difficult geological conditions, and its mining operations are among the deepest in the industry. Whilst this is testimony to the Company's industry-leading technical expertise and the skills of our employees, it is inevitable there are risks. Despite our best efforts, I deeply regret to report that five fatalities occurred during the year and our sincere condolences go out to the families and friends of these colleagues of ours. Any loss of life is unacceptable and lessons from these tragic accidents are taken on board so they are not repeated: we always strive to achieve zero fatalities at our operations.

Coal

Macroeconomic concerns have clearly taken their toll on coking coal prices during 2012, with negotiations in the last quarter of the year reaching USD 165 for a tonne of premium hard coking coal, the benchmark for the first quarter of 2013. However, it is our belief that prices at these levels are unsustainable particularly because spot prices are below the cash costs per marginal tonne of production and there is a limited amount of new supply coming on stream (due to the universal reining in of capital spending within the sector) As a competitive supplier for the regional steel industry, The

Group looks forward to capitalising on the opportunities an improved market environment will no doubt offer in due course, and which NWR is well placed to exploit to the full.

Thermal coal remains a key component of the energy mix in the region. However, in the near-term, we continue to envisage tough market conditions for our thermal coal business. This will evidently result in only a gradual sell down of our thermal coal inventory build-up during 2012, principally in the second half of the year.

Coke

As the NWR Group is Europe's largest foundry coke producer, it was never expected that we would come through 2012 unscathed. Production was down 12 per cent at 680 kilo tonnes, with realised prices 21 per cent lower at EUR 289 per tonne at year-end.

Foundry coke, which tends to have a higher margin due to a less competitive market, made up around 70 per cent of sales in 2012, and the remaining sales mix was composed of blast furnace coke and other types. The capability to switch more easily between the various types of coke to suit changes in market demand reflects the investment made in rationalising our coking operations into one single coking plant, which became fully operational at the start of 2011.

Development projects

In 2012 we concluded the technical review of our premium quality coking coal deposit, Dębieńsko in Southern Poland, and I am pleased to report that we remain committed to the project. Dębieńsko is the highest-quality hard coking coal asset in Europe.

The previously outlined risks associated with the water management and potential excessive liabilities are now resolved. However, in light of the current market conditions, we will limit our progress on site in 2013 to the purchase of surface properties and project value engineering. We are budgeting a total capital expenditure of EUR 10 million on the project in 2013.

Coking coal reserves at our other Polish project, Morcinek have been included in Poland's official list of reserves. This is an important step forward for NWR in gaining a mining license for the deposit. The project envisages the use of one of OKD's existing mine infrastructures. Currently, the dewatering of the deposit is underway, which is expected to take several years.

At Frenštát, the project remains in exploratory phase, a process that was started in 2011 and will take four years to complete. As the largest coal resource in Europe with an estimated 1.6 billion tonnes of hard coal, Frenštát remains an exciting project for us to explore.

Additionally, development of the Karviná mine to unlock a further 30 million tonnes of coking coal by 2017 continues to progress to schedule.

Sustainability

Sustainability lies at the heart of our operations, with respect to both the management of our current reserve base and in terms of maintaining our social license to operate, which is dependent upon broad community support of our objectives. Achieving such community support involves minimising our impact upon the physical environment, looking after the welfare of our employees and cultivating productive relationships with our wider stakeholders.

Corporate Governance of NWR Group

The NWR Group is committed to upholding the highest standards of corporate governance and anti-bribery policies throughout the business, adhering principally to the UK Corporate Governance Code. Notable highlights for 2012 included the Board conducting an external evaluation of its effectiveness. One of the principal recommendations coming out of this review was that both the Nomination and Remuneration Committees should be chaired by an Independent Director: this has now been implemented. Importantly, we changed the details of the Deferred Bonus Plan, building in more long-term incentives with stricter targets for senior management taking effect from January 2013.

Ján Fabián continues to offer his valuable experience to the Board in his new role as Executive Director of NWR and CEO of OKD, succeeding Klaus-Dieter Beck from January 2013.

Finally, the Board completed its redomiciliation process to the United Kingdom, a move that we continue to believe has long-term benefits for our shareholders.

Outlook

Although we expect market weakness to continue in 2013, we are beginning to see encouraging signs that declines in industrial activity and levels of business confidence have started to level out. Longer-term, we remain confident in the resilience of our business and, in particular, in the attractiveness of the market for coking coal, which remains systemically in short supply.

Our key priority for 2013 and in the medium term will be to optimise our existing assets and increase cost efficiency across our operations without compromising safety, production flexibility, or future development at our mines. We have taken many decisive steps to preserve cash in 2013 including significant savings in both capital and operating expenses. Further details are set out on pages 27 and 28 in this section on liquidity and capital resources.

As one of the world leaders in deep-level underground coal mining, we have the technical skills, a relatively unleveraged balance sheet and a strong set of markets to draw upon. These qualities set us apart from many of our peers. We are well placed to further improve and expand our successful mining operations, and truly become the preferred supplier of coking coal for our customers through the Group's repositioning strategy to become *Europe's leading mine and marketer of coking coal*.

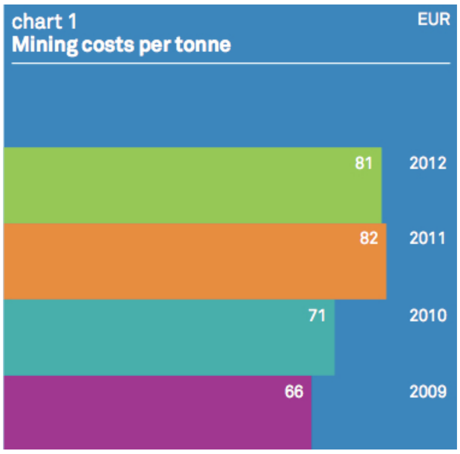
Gareth Penny
Executive Chairman of the Board

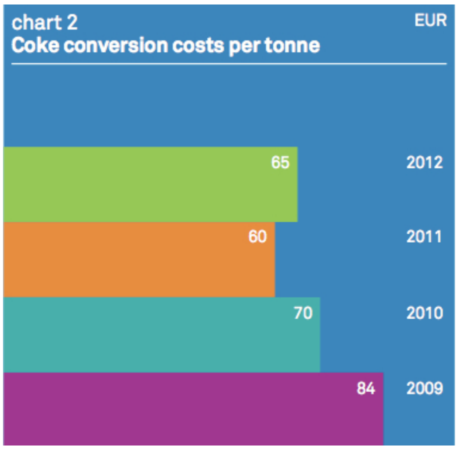
Business strategy

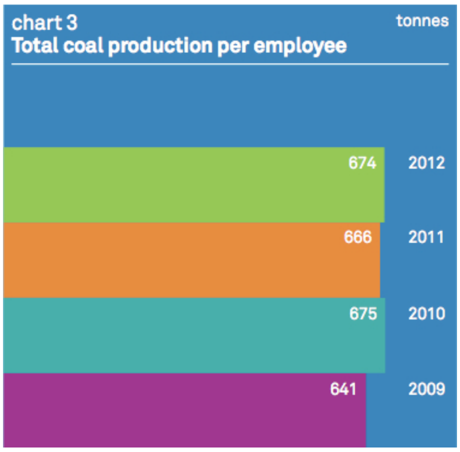
Strategic pillar

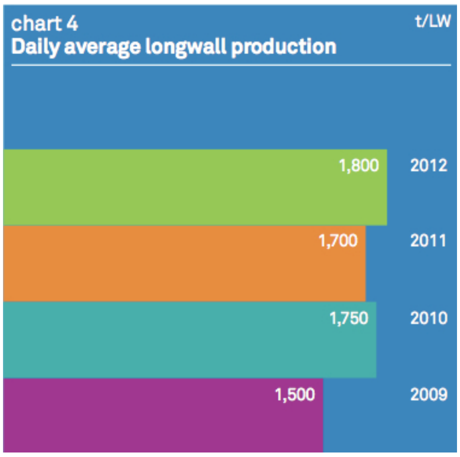
1. Operational excellence

Strategic priority	2012 progress	2013 Priorities and targets	Operational KPIs	Risks
Cost containment to mitigate continued tough operating climate.	Coal mining unit costs at EUR 81 per tonne, broadly flat in the local currency year-on-year. Coke conversion costs increased in line with expectations for the year, up 11 per cent on constant currency terms to EUR 65 per tonne with a 12 per cent decline in production year-on-year.	Targetting broadly flat mining unit costs on a constant currency basis. Broadly flat coke conversion costs on a constant currency basis. Expected CAPEX reduction to EUR 120–130 million for 2013. Making regular supplier audits standard practice.	Chart 1 – Mining costs per tonne Chart 2 – Coke conversion costs per tonne	Market risks — Input cost inflation Operational risks — Geological — Lack of qualified workforce
Improvement of operational efficiency	Achieved incremental cost savings of EUR 12 million through CIP. Continued roll-out of PERSP 2015 initiatives. On-going replacement of mining equipment. Construction of a connecting gateroad between Karviná and Darkov mines completed.	Capital spending on new mining equipment down 57 per cent y/y. Capital spending on gateroad development down 24 per cent y/y. Engineering work in the gateroad between Karviná and Darkov mines.	Chart 3 – Total coal production per employee Chart 4 – Daily average longwall production	Operational risks — Geological — Health and safety — Lack of qualified workforce
Being the supplier of choice for customers in our core markets.	Consistently ranked highly by customers in terms of levels of service.	Strengthen existing partnerships and build on them, and capture new opportunities in Europe.		Market risks — Customer concentration



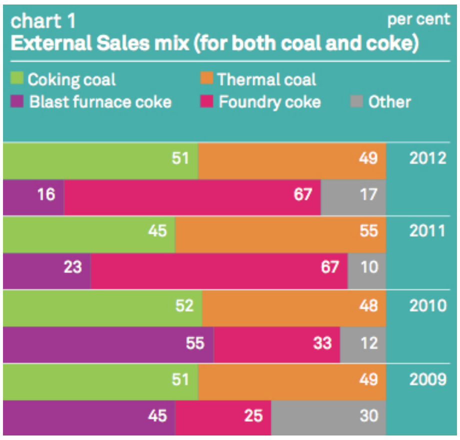


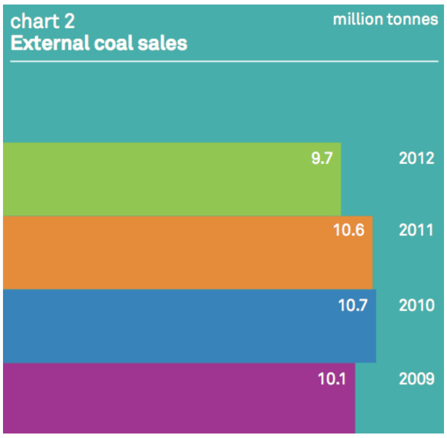


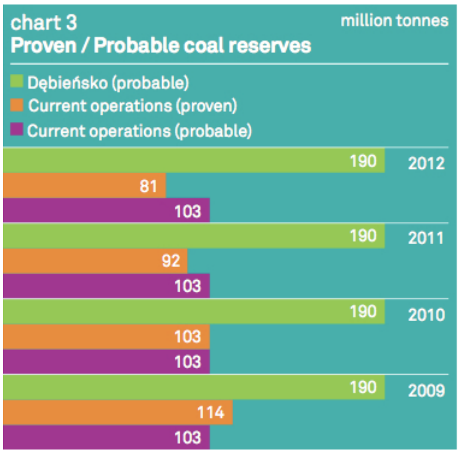


2. Growth

Strategic priority	2012 progress	2013 Priorities and targets	Operational KPIs	Risks
Development of current mining operations.	Around 10 per cent of 2012 CAPEX spent on Karviná expansion project. Karviná expansion project progressed to plan with s3urface buyouts and licensing. Shaft deepening project at Karviná initiated.	Further headway with shaft deepening process as part of Karvina expansion project. Apply for EIA for Karviná expansion project. Continue to hold dialogue with affected stakeholders of Karvina expansion plans.	Chart 1 – External Sales mix (for both coal and coke) Chart 2 – External coal sales	Strategic risks – Future growth, Wider macro Market risks – Pricing, Input cost inflation, Liquidity, Financing costs, Sales volume Operational risks – Geological, Lack of qualified workforce Social and Environmental risks – Environmental, Impact on communities Legal and regulation – Licensing
Exploring organic growth projects.	Concluded technical review of Dębieńsko - risks associated with water management and potential excessive liabilities resolved. At Morcinek, reserves are included in Poland's official list of reserves – crucial step forward in gaining a mining license for the deposit. Exploratory drilling continues at Morcinek and de-watering underway. At Frenštát 4-year exploration process continues.	At Dębieńsko, progress on site to the purchase of surface properties and project value engineering. Total capital expenditure of EUR 10 million. At Morcinek, exploratory drilling continues; and detwatering continues. At Frenštát 4-year exploration process continues.	Chart 3 – Proven / Probable coal reserves	
Pursuit of strategic M&A.		Appraise the market for viable targets.		



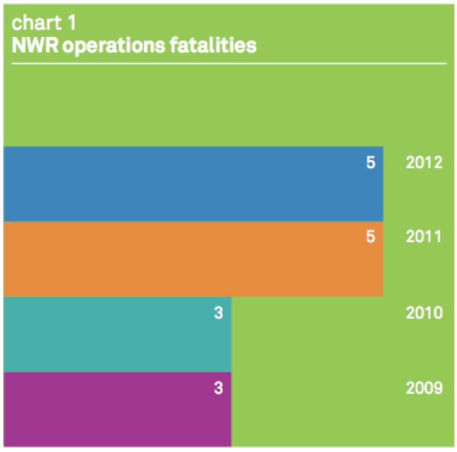


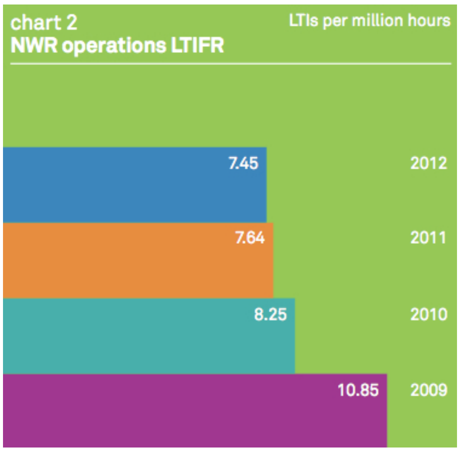


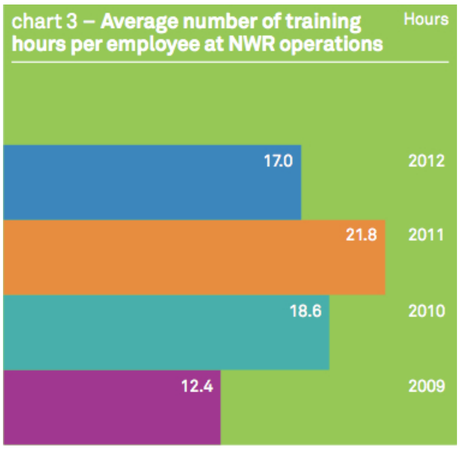
3. Sustainable development

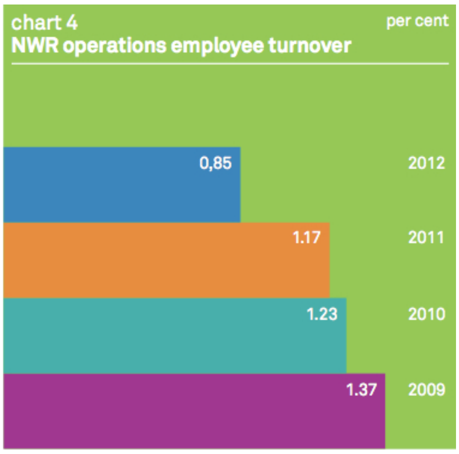
Strategic priority	2012 progress	2013 priorities and targets	Operational KPIs	Risks
Improving health and safety performance to become one of the top five global leaders in underground coal mining measured by LTIFR. LTIFR below 5 by 2015. Continued commitment to zero fatalities.	NWR operations LTIFR fell by 2.5 per cent to 7.45 LTIs per million hours. Five fatalities recorded during the year. Average time dedicated to training reached 17 hours per employee and year.	The Board of NWR has implemented stronger links between safety and financial motivation at all levels of the Group, to promote a 'safety first' culture.	Chart 1 – Fatalities Chart 2 – NWR operations LIFTR Chart 3 – Average number of training hours per employee at NWR operations	Operational risks – Geological, Health and safety, Lack of qualified workforce
Strengthening stakeholder partnerships and relationships.	Strenghtened Group-wide Code of Ethics and Business Conduct policies. Maintained close relationships with the communities, which we impact. On-going commitment to the highest standards of corporate governance.	On-going fous on anti-bribery prevention through a broad Business Integrity Policy training. Zooming on (gender) diversity and preparation for the introduction and implementation Group Diversity Policy.	For further KPIs relating to Sustainable Development, please refer to the Sustainability section pp. 43-51	Operational risks – Health and safety, Lack of qualified workforce Social and Environmental risks –Environmental, Impact on communities Legal and regulation risks – Licensing Legislative risks – Bribery, corruption etc.
Attracting and retaining the best people in the region.	Increasing the number of apprenticeships for mining graduates, from the local technical university Further 'on the job'	Continued emphasis on training to reach at least 20 hours per employee. New three-year framework contract with Trade Unions.	Chart 4 – NWR operations employee turnover	Operational risks – Lack of qualified workforce

	training for all staff			
Minimising the impact of our operations on the surrounding environment.	Application of best-practice operating and mining processes.	To reduce the number of reclaimed areas into five major projects by 2015.	Chart 5 – Total area of land rehablitated Chart 6 – NWR operations emissons	Social and Environmental risks
Maintaining a strong financial position with a balanced capital structure, whilst being able to reduce maintenance CAPEX.	Successfully managed segmental cost containment measures, meeting guidance.	Successful refinancing with new bond issuance thus pushing out debt maturity profile. Targeting significant CAPEX reduction. Targeting broadly flat segmental unit costs on a constant currency basis. Continue to apply diligent hedging policy.	Chart 7 – CAPEX	Market risks – Pricing, Input cost inflation, Financing costs, Currency fluctuation, Interest rate volatility Strategic risks – Future growth Legal and regulation risks – Licensing









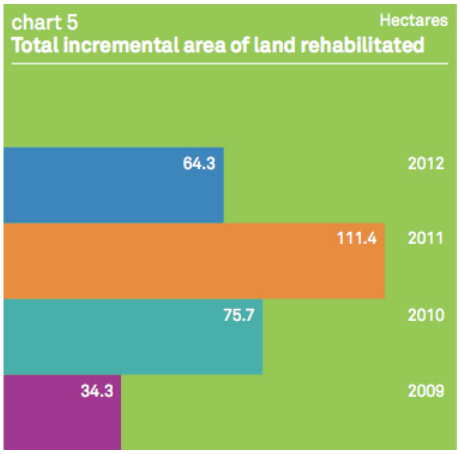


chart 5
Total incremental area of land rehabilitated
Hectares
64.3
2012
111.4
2011
75.7
2010
34.3
2009

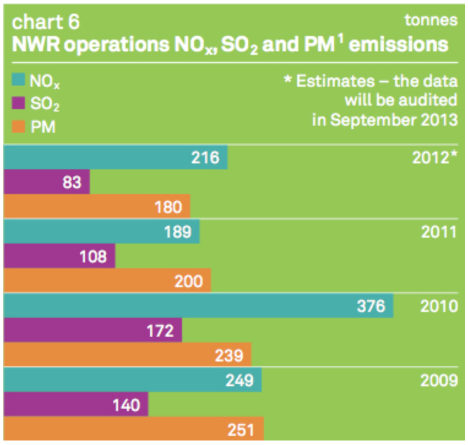


chart 6
NWR operations NO_x, SO_2 and PM[1] emissions
tonnes
NO_x
SO_2
PM
* Estimates – the data will be audited in September 2013
216
83
180
2012*
189
108
200
2011
376
172
239
2010
249
140
251
2009

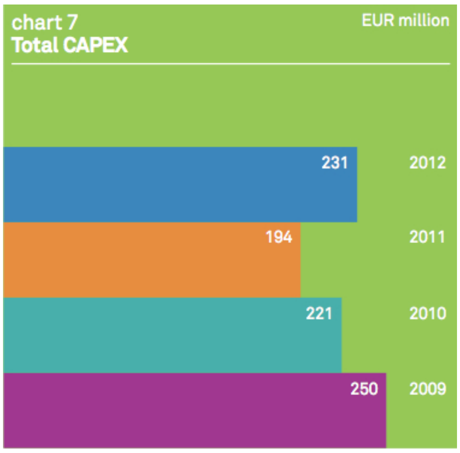


chart 7
Total CAPEX
EUR million
231
2012
194
2011
221
2010
250
2009

Our markets

Global economy
Since the second half of 2011, there has been a marked decline in global growth rates as fiscal stimuli, such as the 'cash for clunkers' in Germany in 2010 became increasingly difficult to finance and governments have been forced to cut back on their spending to redress the fundamental issue of unsustainable debt levels.

During the crisis of 2008 - 2009 the US and Europe were hardest hit, and this subsequently resulted in the ballooning of their national debts. The readjustment of these countries continued to be acutely felt in 2012 with growth rates struggling to gain any real positive traction for most of 2012. The problems in the Eurozone have been exacerbated by the uncertainty over the workings of monetary union and how to solve the sovereign debt issues plaguing much of the continent. Conversely, the growth rates in developing economies have continued to bolster international trade. Chinese growth in particular has continued to replace a lot of the lost supply from other parts of the world.

Central Europe regional economy
The economies of Central Europe ('the region') have remained relatively resilient over the past number of years as a result of prudent economic management and distinct geographical advantages that have helped to shield the region somewhat from weaknesses in Western Europe. A long-standing and solid manufacturing base has been the cornerstone of the region's performance. Poland's economy in particular has been singled out as one of the best performers in Europe with growth rates consistently higher than the European average.

These countries' position next to Germany has undoubtedly contributed to their relative strength as much of the manufacturing and engineering sectors in the region supplies the large German industrial base, which has been growing steadily on the back of increased exports outside Europe. The car industry in the region is especially strong with the Czech Republic and Slovakia noted as the leading auto producers per capita in the world in 2012. The region continues to benefit from lower labour costs compared to the rest of Europe whilst continuing to invest in infrastructural improvements. The industrial regions of the Czech Republic and Poland have the highest share in Europe of employment in industry as a percentage of all economic activities.

However, despite strong underlying fundamentals, the region has also registered slower growth in 2012 as a knock-on effect of slowing exports of manufactured goods from the region, compounded by the general dampened business sentiment towards the Eurozone.

International coal markets

Coking coal
Move from yearly pricing toward shorter term pricing
The dynamics of the international coking coal markets have undergone considerable changes over the past number of years, largely reflecting the emergence of China as the most influential player in world trade and steel production. The former dominance of the Japanese steel mills in settling the terms of yearly contracted coking coal prices came to an abrupt end in 2011 as Chinese demand for high quality seaborne coking coal quickly tightened the world supply. These developments resulted in a more volatile environment for coking coal prices, so much so that a slight disruption or increase in supply now has a major impact on prices. The subsequent move by the larger diversified mining companies to quarterly based contracts added further volatility to the market. During the second half of 2012, the global spot price for different grades of coking coal became more prominent and played a much more influential role in determining how much is paid for a tonne of coking coal.

Reaching the bottom of the market?
Entering 2012 the international spot price for coking coal continued a steady decline that followed from the peak of 2011 when supply disruptions saw prices of premium grade coking coal hit USD 330 per tonne. A stuttering global economy and falling demand and prices for steel throughout 2012 meant that miners were invariably in a position of weakness as they entered quarterly price negotiations with their steel-producing customers. Although the international premium hard coking coal benchmark price managed to remain above USD 200 per tonne for the first two quarters of 2012, falling spot prices undermined the contracted settlement, and prices were forced lower in the second half of 2012 to about USD 165 per tonne, the benchmark for the first quarter of 2013.

Nevertheless, lower coking coal prices have forced some of the marginal, higher-cost suppliers to shut down production as their costs were running higher than what the market was willing to pay. These corrections in supply have already seen the market reach a more balanced position, and it is widely accepted that coking coal prices reached the bottom of the cycle at the end of 2012 and should begin to recover gradually during 2013. During the last few weeks of December the spot prices began to rise, reaching USD 158-162/tonne by the year-end.

Thermal coal

Increase in supply from the US following the shale gas boom

The usual stability of thermal coal markets has been shaken in recent years by the boom in shale gas extraction in the United States, displacing a lot of coal from the electricity mix in the country. For decades thermal coal has been used to generate close to 50 per cent of electricity in the US with huge domestic reserves readily available to supply power plants. But the large amounts of new gas supply available on the US market and the subsequent drop in gas prices have undercut the competitiveness of thermal coal.

This drop in demand for thermal coal has resulted in many US coal miners experiencing severe financial distress and has forced most to cut back production. Consequently, mining companies have been forced to seek out new export markets overseas. The increase in supply to the ARA ports in Western Europe has put downward pressure on thermal coal prices in the continent with spot prices down by about 16 per cent over the course of 2012, trading at about USD 90 per tonne by the end of the year.

Regional coal markets

Coking coal

Prices hit by lower steel sector output

The steel industry in Europe has struggled during 2012 as prices and demand fell in tune with reduced economic activity. Overcapacity of steel production has been acknowledged by the industry as a major obstacle to profitability with calls from the industry for coordinated action to permanently cut output. Production of crude steel in NWR's customer markets reflected these challenging conditions, falling by 4 per cent compared to the previous year. This underperformance of the steel sector was echoed in the regional coking coal markets as prices came under consistent pressure throughout the year tending to follow the downward trends of the international benchmark prices.

Thermal coal

A vital long-term part of the regional energy mix

For thermal coal, prices and demand in Central Europe will tend to be relatively stable since there is little shift in the source of electricity and heat production from year-to-year. During 2012 and into 2013, significant stockpiles of inventories have been built up in the region, due to mild winter conditions, as well as slower economic activity and hence electricity consumption, impacting the pricing environment for thermal coal in the region in 2013.

In terms of a threat coming from unconventional gas sources in Europe, any meaningful supply from shale gas is many years away, if it comes at all. And whilst increased imports of thermal coal from the US have depressed spot prices in Europe, such imports cannot be sustained at current prices.

Coke markets

Downward pressure on prices

The coke market in Europe is characterised by the supply and demand balance between the merchant and integrated producers where the merchant coke makers are 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 is produced from iron ore. The end products are flat and long steel products; and foundry coke is used mainly in larger furnaces where cast iron is produced as well as basalt-based insulation material from iron, scrap and other metallic components. A key end market is the automotive industry. There is generally a tighter market in Europe for foundry coke, which means it commands a higher price than blast furnace coke.

As with coking coal, the performance of coke markets will generally reflect the performance of the steel industry. Although coke prices during 2012 did not fall to the same extent as coking coal, there was consistent downward pressure on prices due to falling demand and greater reliance on coke produced in-house by steel makers.

From a global perspective, the coal industry is still in a stage of readjustment as it responds to a world of slower growth and less demand for steel. Coal supply continues to be reduced as mines cut production and suspend previously planned capital programmes, helping to bring the market closer into balance. Many in the industry believe that the trough in the market was reached in the second half of 2012 as prices fell to the marginal cost of production or below. Expectations are that price recovery will be slow as demand from the wider economy takes time to filter through but a tighter coal supply should see international prices rise in the second half of 2013.

Maintaining a strong market position

The industrial landscape of Central Europe is marked by the presence of a strong and interdependent manufacturing base that relies on the supply of large quantities of steel, which in turn requires a supply of a wide range of qualities of coking coal. Car manufacturing is of particular importance to the region, taking advantage of a lower cost base and well-established infrastructure. Central European steel producers also supply to a robust mechanical engineering sector, which requires more specialised, high-quality steel products. This specialised nature of the steel produced in Central Europe is recognised as a definite competitive advantage as overall demand for steel in the continent falls. It is for this reason, amongst others, that the large multinational steel companies have targeted production cuts and plant shut-downs in other parts of Europe whilst continuing to invest in their Central European operations.

Owing to declining coking coal production in Central Europe as well as the geological composition of the coking coal in the Upper Silesian Basin supplementary imports of higher quality coking coal have to be blended with local coal to produce the desired coke properties for steel producers in the region. As a result coking coal from countries such as the US, Canada and Australia are imported into the region. Despite the recent economic downturns, there is a rising trend of imports into the region. The estimated supply gap of coking coal in Europe during 2012 was around 50 million tonnes, and is projected to rise to around 70 million tonnes per year by 2021.

Exploiting the rise of PCI technology

Pulverised coal injection ('PCI'), a partial alternative to the use of coke in steel production, is being installed at a number of NWR's customers' plants, which should require extra supplies of this specific quality of coking coal in the future. NWR is well placed to alter its quality mix to meet this new demand for PCI coking coal, and has planned its production profile in the coming years in anticipation of these changes.

Outlook

Longer term, there is a threat to global coke markets by the withdrawal of the 40 per cent export tax imposed by the Chinese authorities which could see greater supplies hitting international markets. However, it is believed that Chinese exports cannot undercut European prices at their current level with little or no volumes of Chinese coke expected to come into Europe.

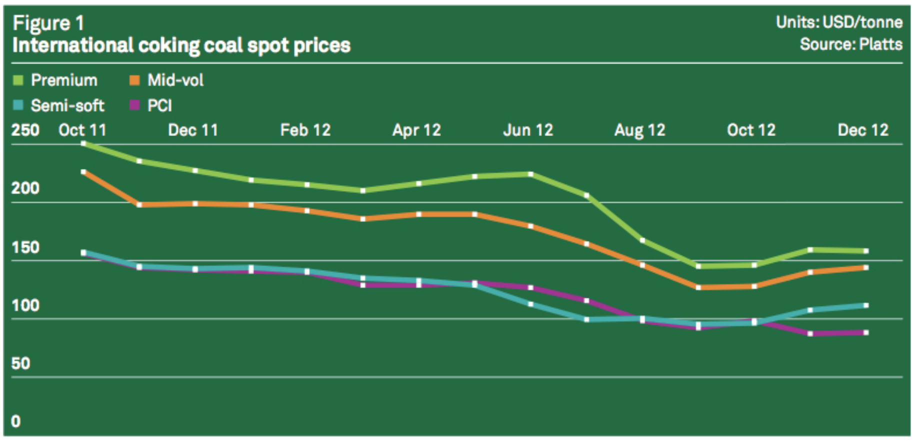


Figure 1
International coking coal spot prices
Units: USD/tonne
Source: Platts
Premium
Mid-vol
Semi-soft
PCI
250
200
150
100
50
0
Oct 11
Dec 11
Feb 12
Apr 12
Jun 12
Aug 12
Oct 12
Dec 12


Figure 2
Thermal coal spot prices
Units: USD/tonne
Source: Platts
CIF ARA
120
100
80
60
40
20
0
Oct 11
Dec 11
Feb 12
Apr 12
Jun 12
Aug 12
Oct 12
Dec 12


Figure 3
European coke spot prices
Units: EUR/tonne
Source: Resource Net
Blast furnace
Foundry
500
400
300
200
100
0
Oct 11
Dec 11
Feb 12
Apr 12
Jun 12
Aug 12
Oct 12
Dec 12

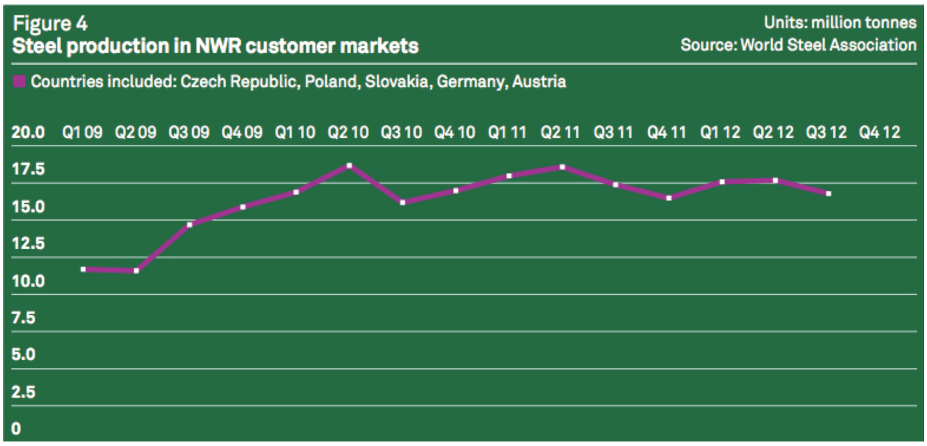


Figure 4
Steel production in NWR customer markets

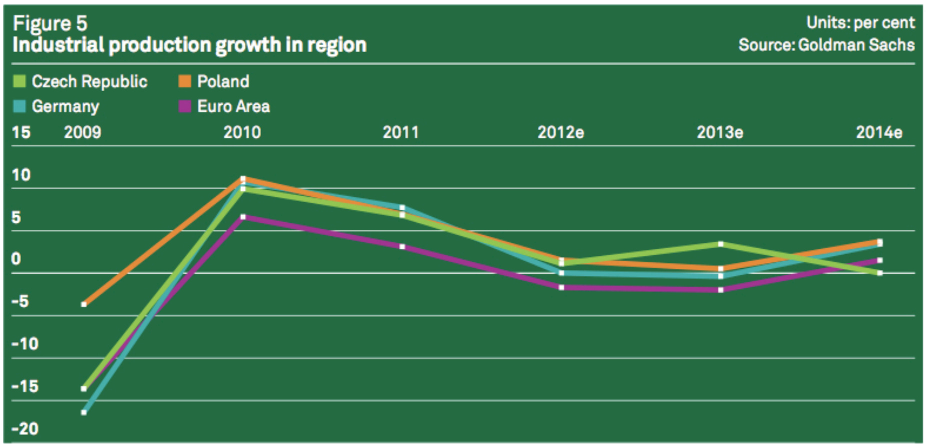


Figure 5
Industrial production growth in region

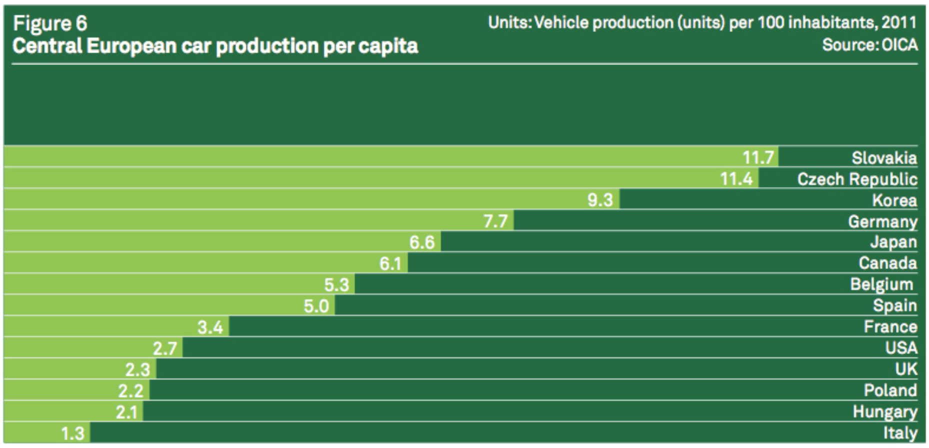


Figure 6
Central European car production per capita

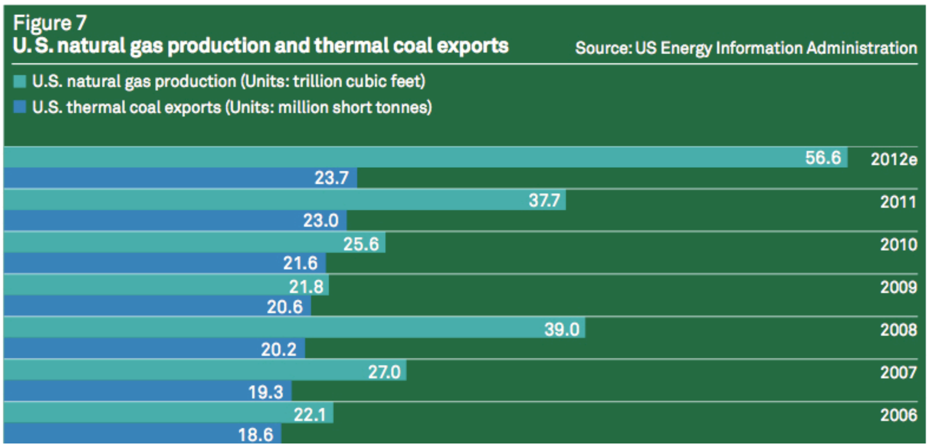


Figure 7
U.S. natural gas production and thermal coal exports

Risk management

Strategic risks

Risks are controlled and managed within the relevant operational areas they occur in. It is the responsibility of every NWR subsidiary to actively manage its own risks. Regional management is responsible for identifying, assessing and mitigating risks with the support of risk managers.
Each subsidiary reports to NWR Group's Audit and Risk Management Committee, the main decision making body.

The Group's Risk Management function is responsible for managing this process, monitoring the key risks and managing them directly where appropriate. This central risk management function is responsible for the implementation of appropriate structures and the co-ordinating of risk management activities across the Group.

Strategic risks

Future growth risks

Description

The growth of NWR Group is achieved through organic means as well as through acquisition.
Organic growth can come through either expanding existing reserves or initiating new projects. Such growth involves risks of geology, cost overruns, delays to the start of production to name a few potential issues.

Acquired growth carries risks of selecting targets that may not fit strategically or are priced inappropriately in the Company's opinion.

Additionally, there is the potential risk of lack of sufficient capital to finance growth.

Mitigation

- Along with internal staff, NWR Group uses specialised advisers and contractors to produce detailed preparation studies and cost management plans for all its organic growth plans. This includes, and is not limited to, the current expansion of the Karviná Mine, and the Dębieńsko project. On the latter, NWR is applying prudent capital spend in 2013 in light of continued tough market conditions.
- NWR Group continues to monitor potential M&A opportunities that are complementary to its repositioning strategy. We use strict and rigorous investment criteria before proceeding with a potential target.

Wider macro risks

Description

Implementation of additional taxes and regulations in Central Europe thereby threatening the region's attractiveness as a manufacturing destination, resulting in end customers (such as automobile manufacturers) moving their operations away from the region.

Mitigation

- NWR Group is located in the industrial centre of Europe.
- Central Europe retains a level of resilience compared to Western Europe with an increasing orientation towards high-end steel products of the likes of automotive producers, mechanical engineering as well as high-speed railway.
- Around 40 per cent of NWR's yearly revenue is exposed to high value added steel products. Supplying to this customer group makes NWR less vulnerable to a potential increase in the region's taxation or regulation.

Market risks

Pricing risks (including input cost inflation)

Description

As NWR is highly operationally leveraged, the Company is heavily dependent on global commodity prices for coal and coke as they impact on the prices received.
Such commodity prices, along with input costs (mainly labour, steel and energy), are cyclical in nature and are influenced, among other things, by the strength of the global economic environment, resulting in wide fluctuations.

Additionally, capital goods cost inflation impacting on capital expenditures, and the overall cost of development projects are further risk considerations.

Mitigation

- By applying detailed scenario analysis, NWR's business model takes into account commodity price fluctuations, which are closely monitored.
- Relative flexibility (compared to direct regional peers) in both operating and capital costs allows NWR to relatively adapt quickly to changing market conditions, helping to offset in part market weakness and/or price inflation.
- Contractual pricing for both coal and coke offers a certain degree of stability and predictability.
- NWR successfully implemented cost containment measures during 2012, and is committed to taking further measures in 2013 including substantial CAPEX reduction to EUR 120–130.
- NWR aims to reach annual maintenance CAPEX at OKD of around EUR 100–150 million by 2017.
- NWR is strategically located in Central Europe, an area of relative economic resilience compared to Western Europe.

Sales volume risks

Description

Demand for NWR's outputs is highly dependent on the health of the global and regional economy, and in particular the steel industry, and competition from other suppliers to the region.
NWR relies on third party transport operators to deliver its products to customers, an important component of the overall delivery price.
As with prices, any changes in volumes sold has a significant impact on NWR's financial results due to its high operational leverage.
Development of shale gas deposits may have an adverse effect on NWR's thermal coal sales.

Mitigation

- NWR is one of Central Europe's leading producers of coking coal and the largest producer of foundry coke at a time when the European Union is a net importer of coking coal.
- NWR has longstanding relationships with a blue-chip customer base, with long-term framework agreements in place. Additionally, the Company has strong connections with regional transport operators.
- NWR has close proximity to its customers.
- Shale gas exploration remains at very early stages in Europe with high barriers to entry implying viable commercial production is many years away.

Customer concentration risks

Description

A large proportion of NWR's output is sold to a small number of customers.
The loss of one or more of these significant customers, or their inability to pay, would have a disproportionate effect on the Company's financial results.

Mitigation

- NWR has longstanding relationships with its customers underpinned by long-term framework contracts. Going forward we aim to build on these and diversify the customer base further in line with the Company's strategy.

- NWR can adjust its output, in terms of both volume and quality, according to changes in customer demands.
- These customers have in many cases configured their production facilities to suit NWR's product characteristics.
- NWR carries out regular due diligence reviews on its customers.

Currency fluctuation risks

Description

NWR reports in Euros, invoices in a mixture of Czech Koruna and Euros whilst the majority of its costs and cash outflows are in Czech Koruna and to a lesser extent, the Polish Zloty.
This leads to currency mismatches; should the Euro weaken or strengthen significantly against these two currencies, this can affect the financial results.

Mitigation

- NWR actively manages its exposure to currency fluctuations by applying various instruments such as currency forward contracts, including cap and collar arrangements. The time horizon of these instruments is matched as closely as possible to the forecasts and contracted exposure.
- NWR has a policy of hedging 70 per cent of the Czech Koruna shortfall each year.

Interest rate risks

Description

On the debt side NWR uses a mixture of floating and fixed rate debt, with differing maturities. This leaves NWR potentially exposed to movements in interest rates.

Mitigation

- NWR actively manages its exposure to interest rate and duration risk, among other things by entering into interest rate swaps with maturity profiles matching the underlying debt as closely as possible.

Liquidity and financing costs risks

Description

Continuing pressure on the global economic environment may impact on NWR's financial health. This can result in significant decrease in liquidity, possibly affecting NWR's ability to fund its operations.

Mitigation

- NWR aims to maintain a prudent gearing policy, strong cash balance and sound funding profile, sufficient to meet its current and foreseeable operating and capital expenditure needs. The Company is planning significantly reduced capital expenditure in 2013, in part to manage liquidity.
- The Company has good relationships with its lending banks. In anticipation of not being able to meet the requirements of one of the covenants in the ECA and RCF at the end of the first quarter of 2013, the Group is currently negotiating revised terms for both the ECA and RCF, including suspension of covenant testing until later in 2013.
- The Company's base case forecasts indicate that it will have sufficient cash available to satisfy its credit needs through at least 31 March 2014 whether or not these facilities remain available. However, in the event that the current low prices for the Company's products persist and the Company is unable to negotiate a further extension of its short term borrowing facilities (or negotiate replacement facilities on acceptable terms), the Company would, absent mitigating actions, need further funding before that time. The Company has a number of mitigating actions available, including accelerating the sale of its inventories, reducing operating costs, factoring receivables and further reducing/deferring of capital expenditure, which it believes would provide sufficient liquidity until at least 31 March 2014.
- NWR is in regular dialogue with the investor community in order to adapt to changing market conditions, and the Company takes full advantage of the flexibility in its capital structure.

Legal and regulation risks

Licensing risks

Description

NWR's activities are subject to licenses and permits - it is therefore vital for the Company's future to retain them.

Mitigation

- NWR monitors political, regulatory and social developments closely and maintains regular dialogue with local, regional and national authorities to ensure compliance with all relevant current and future laws and regulations in the industry. Through regular dialogue with all its stakeholders, NWR also maintains its social license to operate.
- Detailed measures for the mitigation of licensing risks are discussed further in the Sustainability Report 2012.

Operational risks

Geological risks

Description

NWR's mining operations are among the deepest coal mines in the world, and the geological conditions are subject to potential unpredictable events that may impact on production.

Mitigation

- NWR uses the latest mining technologies including improved ventilation systems; enhanced protection from rock bounces; as well as improved detection and procedures for dealing with methane leaks.

Health and Safety risks

Description

NWR's operations are deep underground with some of the most challenging geological conditions in the market. Such conditions are high-risk meaning exposure to health and safety risks may result in accidents, injuries (including fatal injuries), production disruption, financial penatlities, and reputational damage.

Mitigation

- NWR is a regional leader in safety in deep underground mining.
- Fatalities are investigated by a designated team of experts and, wherever possible, lessons are learnt and further mitigation measures implemented as the Company strives for zero fatalities at its operations.
- NWR remains committed to reaching a rate of less than five lost-time injuries per million hours worked by 2015, and to become a top five global leader in deep underground coal mining by 2017.
- The Board of NWR is committed to a 'safety first' attitude Group-wide through implementing continuous training, and has made stronger links between safety and financial motivation at all levels of the Company.

Lack of qualified workforce risks

Description

NWR has a continuous need to attract and retain highly skilled employees and maintain effective industrial relations, in order to maintain its competitive advantage. If NWR is unable to do so, this may jeopardise the Company's operational performance and growth potential.

Mitigation

- In order to help retain employees, NWR offers attractive compensation packages including support for vocational and secondary mining education.
- NWR aims to attract new employees through close liaison with local schools and universities including the provision of scholarships and first-class training.

- The Company maintains constructive and regular dialogue with all its trade unions.

Social and environmental risks

Impact on Community risks

Description

As NWR is the second largest private sector employer in the Czech Republic, it naturally occupies a significant, integral role in the socio-economic fabric of the communities where its operations are located. Consequently, there is a heightened sensitivity that may negatively impact on the Company if NWR is perceived to be not adequately discharging its responsibilities.

Mitigation

- NWR places strong emphasis on transparency and is fully committed to open and continuous dialogue with all relevant stakeholders including, but not limited to, local communities, municipal and state authorities.
- Detailed measures for the mitigation of community risks are discussed further in the Sustainability Report 2012.

Environmental risks

Description

The Group's operations in mining and coking have an impact on the environment in many ways. Inadequate preventative and remedial actions may result in irreversible material damage to the environment and may affect the Group's corporate reputation and ability to operate in its current business landscape.

Mitigation

- NWR undertakes to minimise the impact its operations have on the environment by applying best-practice operating processes and continuously implementing improved technology. In cases where the impact on the environment cannot be avoided, NWR works closely with local communities and the authorities to redress the environmental balance as far as possible: two such strategies would include land reclamation and reduction of emissions.
- NWR focuses on open communication of its negative impacts on the environment and corresponding mitigation measures.
- Detailed measures for the mitigation of environmental risks are discussed further in the Sustainability Report 2012.

Other risks

Bribery, corruption and fraud risks

Description

NWR operates in an industry and countries that have historically been prone to risks of bribery, corruption, fraud or otherwise unethical or anti-competitive behaviour. Such risks can negatively impact on the Group's business through prosecution, fines or reputational damage.

Mitigation

- NWR adopts a zero tolerance policy to bribery, corruption and fraud Group-wide, and procedures governing this are implemented throughout the Company. Employees receive continuous training on these policies.
- NWR regularly carries out reviews of its business partners to strengthen compliance with the Company's approach to bribery, corruption and fraud.

Business Review

Financial review

"Amidst volatile economic conditions and commodity prices, we have been able to maintain stable mining costs by implementing a number of incremental cost savings across the Group. Whilst we are cautiously optimistic regarding market dynamics in 2013, we remain committed to further improving the efficiency of our current operations and to a continued disciplined and rigorous approach to capital spending."

Marek Jelínek
Executive Director and Chief Financial Officer

Highlights

In response to continued volatility in global economic conditions and commodity prices, we further strengthened our focus on cost management, implementing a number of incremental cost savings across the Group during 2012. This allowed us to keep mining unit costs contained, ending the year broadly flat on last year at EUR 81 per tonne. This is no small feat given the significant increases in costs recorded across our industry.

Our revenues for the year declined by 20 per cent to EUR 1,300 million due mainly to lower revenues from coking coal and coke, driven by lower prices for both products. Decreased revenues from thermal coal, driven by lower sales volumes also contributed to the decline on the top line, and this was only partially offset by higher thermal coal prices for 2012 compared to the previous year.

EBITDA for the year declined by 50 per cent to EUR 229 million as our efficiency improvements could not fully offset the decline in our revenues.

We reported a net profit by year-end of EUR 5 million.

Coal

Total production of coal in the year 2012 remained almost flat on last year at 11.2 million tonnes whilst total external coal sales at 9.7 million tonnes were 9 per cent below the 2011 level.

Revenues in the Coal segment declined by 22 per cent to EUR 1,178 million, mainly due to the unfavourable pricing environment for coking coal, coupled with lower sales volumes of thermal coal. This was somewhat offset by the increased proportion of coking coal in the external sales mix, which made up 51 per cent of total external sales volumes (FY 2011: 45 per cent).

The average realised coking coal price in 2012 was down 30 per cent at EUR 124 per tonne, and led to a 27 per cent decline in coking coal revenues for the year of EUR 621 million. 2012 realised thermal coal prices at EUR 74 per tonne represented a 10 per cent increase over 2011 prices, and partly mitigated the 19 per cent decline in sales volumes year-on-year. As a result, thermal coal revenues declined by 11 per cent compared to previous year to EUR 347 million.

Slower thermal coal sales caused coal inventories to increase by 978 kilo tonnes in 2012 compared to an increase of 48 kilo tonnes the year before, resulting in a positive change in inventories of EUR 58 million in 2012.

Coke

Our coking business profited from lower coking coal purchase costs, and although the average realised price for coke fell by 21 per cent year-on-year to EUR 289 per tonne, and sales volumes remained flat at 555 kilo tonnes, the overall EBITDA contribution of the Coke segment increased on the previous year's performance to EUR 12 million.

We maintained a high exposure to foundry coke throughout the year. By year-end our coke sales mix comprised of 67 per cent foundry coke, 16 per cent blast furnace coke and 17 per cent other types.

Operating expenses

Our total operating expenses for the year, net of other operating income and gain/loss from sale of material and property, plant and equipment, including depreciation and amortisation decreased by 7 per cent to EUR 1,296 million. This was mainly attributable to the decrease in costs of external coking

coal used for coke production, lower personnel expenses and the absence of one-off advisory expenses related to the reincorporation process in 2011.
We delivered on our expectations for segmental unit costs year-on-year. As mentioned our mining unit costs were in line with our guidance for 2012; and coke conversion costs ended the year, as expected, up 11 per cent on a constant currency basis to EUR 65 per tonne as a result of a 12 per cent decrease in coke production.

Operating cash flow and CAPEX

Net cash flow from operations after working capital changes, interest payments and taxes decreased by 58 per cent to EUR 108 million compared to 2011, in line with the lower EBITDA for the year.

Total CAPEX for 2012 increased by 19 per cent to EUR 231 million. This included maintenance CAPEX for both the mining and coking segments. The major components were mining equipment renewal, vertical and horizontal mine developments, the Karviná mine expansion projects, as well as safety CAPEX. The expansion projects at the Karviná mine accounted for around 10 per cent of the total CAPEX spend for the year.

Financial expenses and taxes

Net financial expenses have three main components: interest costs, foreign exchange gains and losses and gains and losses from derivatives instruments. We reported a 47 per cent decline in net financial expenses to EUR 47 million in 2012 as a result of much more diligent foreign exchange hedging in line with the Company’s quarterly pricing cycle for the majority of its products. NWR recorded a net income tax expense of EUR 10 million during the year.

Liquidity and capital resources

In light of the continued market volatility, we retained our cautious approach to cash management. At 31 December 2012, our net debt stood at EUR 551 million whilst we had EUR 267 million of cash and cash equivalents, and we ended the year with gearing of 2.41 net debt to EBITDA.

Our capital is made up of a combination of shareholders’ equity and long term debt. We are relatively highly geared.

Our long term debt has three components. In January 2013, favourable market conditions allowed us to successfully refinance our Senior Notes due in 2015 with a new bond issuance, EUR 275 million Senior Notes due in 2021, pushing out the maturity profile of our long term debt. We also have EUR 500 million Senior Secured Notes due 2018 and an amortising Export Credit Agency loan (EUR 76 million (2011: EUR 90 million)) with final instalments due in 2018, subject to compliance with certain covenants.

We manage our liquidity through cash (EUR 267 million (2011: EUR 537 million)) and a EUR 100 million Revolving Credit Facility (undrawn at 31 December 2012) which is available to us until February 2014, subject to compliance with certain covenants.

In anticipation of not being able to meet the requirements of one of the covenants in the ECA and RCF at the end of the first quarter of 2013, the Group is currently negotiating revised terms for both the ECA and RCF, including suspension of covenant testing until later in 2013.

Should the negotiations fail or should the Group not be able to meet the requirements of the revised facilities, the ECA loan would have to be repaid and the RCF would not be available to the Company. Based on its base case forecasts the Company does not believe that it would need to borrow further funds until at least 31 March 2014, whether or not the ECA and RCF remain available.

However, if the currently depressed coking coal prices do not improve (which we consider to be highly unlikely) the Company would, absent mitigating actions, need further funding before that time. The Company has a number of mitigating actions available including accelerating the sale of its inventories, reducing operating costs and factoring receivables which it believes would provide sufficient liquidity until at least 31 March 2014.

Dividends

We reported a net loss in the second half of 2012 and in line with our stated dividend policy, the Board of NWR did not declare the final dividend.

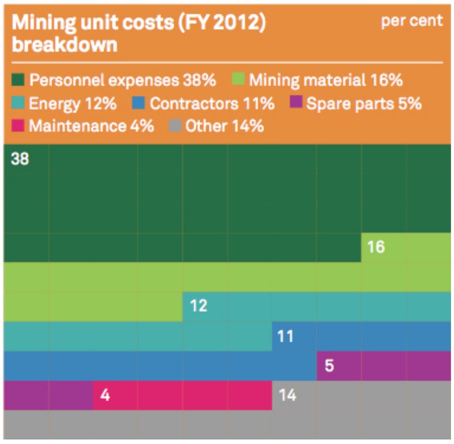
In September 2012, an interim dividend payment of EUR 0.06 per share was paid out to shareholders from the net profit made for the first half of 2012. In October 2012 NWR paid an interim squeeze-out dividend of EUR 0.01 per share.

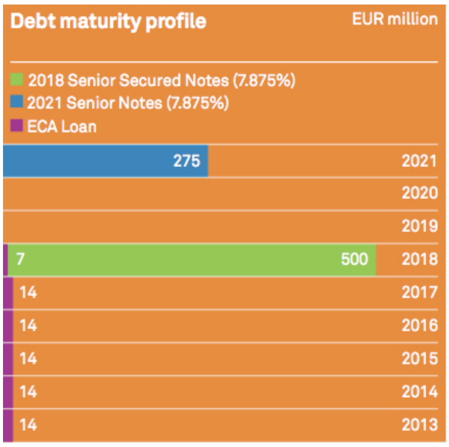
Our dividend policy is to distribute 50 per cent of consolidated annual net income over the course of the business cycle.

Reincorporation

Following our successful reincorporation in the United Kingdom in 2011, NWR Plc completed the squeeze-out of the remaining minority shareholders for a price of EUR 3.96 per NWR NV share, thereby NWR Plc acquiring all remaining shares in the company. These shares were subsequently delisted from the Warsaw Stock Exchange, marking the final step in the reincorporation process.

NWR NV is now a wholly owed subsidiary of NWR Plc. NWR Plc is listed on the London, Warsaw and Prague Stock Exchanges.





Outlook for 2013

Whilst we expect market conditions to remain volatile into 2013, we are seeing early signs that lead us to believe in a continued momentum during the year. In particular, the upward trend in coking coal prices and a tightening in coking coal supply, as large producers continue to take both existing capacity off-line and cut their levels of growth CAPEX, makes us cautiously optimistic for a recovery in coking coal prices in 2013. On the other hand, the short- to medium term outlook for thermal coal remains somewhat more subdued, as a result of temporary regional oversupply caused by mild winter weather conditions, as well as the wider economic slowdown in local thermal coal markets.

NWR is committed to controlling operating costs, reducing maintenance CAPEX and maintaining optimal capital structure, and we will continue monitoring our progress using, among others, the Economic Value Added (‚EVA') metric.

In 2013, we plan to maintain our strong focus on further improving the efficiency of our current operations to ensure both our mining unit costs and coke conversion costs remain broadly flat on a constant currency basis year-on-year. Given the expected production of between 10 and 11 million tonnes of coal and around 800 kilo tonnes of coke, this effectively implies a reduction in operating expenses for 2013 in absolute terms compared to 2012.

As part of our disciplined and rigorous approach to capital spending, we expect to achieve a significant reduction in capital spending from the current EUR 231 million to around EUR 120–130 million in 2013, including EUR 10 million on strategically important surface properties purchases and value engineering works at our Dębieńsko project. This will be accomplished partly by reducing capital spending on new mining equipment and gateroad development by 57 and 24 per cent respectively on last year. It is important to stress that we always make sure that our efforts on this front will not jeopardise our production flexibility, safety or future development at our mines. By 2017, our goal is to move towards a yearly maintenance CAPEX of EUR 100–150 million for OKD.

Finally, following our recent debt restructuring, our financial strength remains intact and we remain alert to any attractive growth opportunities should they arise during 2013.

Marek Jelínek
Executive Director and Chief Financial Officer

Coal

"Taking clear and decisive action aimed at managing mining unit costs and capital spending amidst continuing challenging market conditions has allowed us to remain competitive whilst retaining the ability to capitalise on future market opportunities. At the same time, our commitment to safety, improving efficiency and focusing on productivity remains uncompromised."

Klaus-Dieter Beck
Non-Executive Director of NWR Plc (until 31 March 2013). Previously, Executive Director of NWR Plc, Chief Executive of OKD and Chairman of the board of directors of OKD (until 31 December 2012).

2012 Highlights

There can be no denying that 2012 has been a very challenging year for the business as it has had to contend with a number of significant headwinds: most notably, the persistent weakness of the European economy, which has continued to be plagued by sovereign debt issues; and further afield, the implications of moderated growth from core emerging markets such as China and India.

It is to OKD's enormous credit that the business has managed to cope with these external pressures through the continuous pursuit of internal initiatives that seek to improve levels of both operational excellence and efficiency. Mining unit costs[3] for the year were kept flat on the previous year in local currency terms, which compared with the performance of some of our mining peers, is a notable achievement.

Safety

Safety is paramount. It is vitally important primarily from a human impact perspective but also from an operational and commercial viewpoint.

LTIFR[4], for the Group in 2012 was 7.45 lost-time injuries per million hours worked, an improvement of 2.5 per cent on 2011's figure of 7.64, which is an encouraging trend and reaffirms our position as a regional leader in deep underground mining safety. However, we cannot afford to become complacent particularly as there is still some way to go to achieving our goal of a LTIFR of less than 5 by 2015, and importantly, to reach our ambition to be ranked within the top five globally for safety in deep underground coal mining by 2017.

Although safety levels can undoubtedly be improved by allocating financial resources, this can never be sufficient on its own. It is critical that this is accompanied by a cultural awareness and acceptance of the need to put safety above all other concerns. Mining is an inherently dangerous activity that carries with it many unique risks, particularly in the geological conditions that OKD operates in. For this reason, NWR invests heavily in acquiring modern technologies and equipment, and in providing continuous training and instilling discipline into the minds of our people.

However, despite our best efforts five fatalities regrettably occurred in 2012, serving to remind us of the substantial perils involved in deep underground mining.

Markets

Coking coal

It should come as no surprise that the market for coking coal has been tough in 2012. Unaddressed imbalances in public finances in some Eurozone countries and the US have continued to dominate the market landscape, ultimately resulting in the sustained weakness of business activity. This, in turn, negatively affected demand for steel-making materials, including coking coal. Consequently, coking coal prices have been on a declining trajectory since mid-2011. However, we remain confident that the coking coal price levels seen towards the end of 2012 are unsustainable in the medium to longer term, and we expect these to rise in 2013.

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[3] Mining unit costs reflect the operating costs incurred in mining both coking coal and thermal coal. They exclude transportation costs and D&A.
[4] Lost Time Injury Frequency Rate represents the number of reportable injuries in NWR's operations causing at least three days of absence per million hours worked including contractors.

As a raw material used in steel production, the demand of our coking coal is closely aligned with the developments of the steel industry in Central Europe. The region has continued to be more resilient to the wider problems facing the rest of Europe. Notably, the automotive sector, which is our single most important end market, maintained its momentum during the year with the Czech Republic and Slovakia being regarded as the world's two top producers of cars per capita. Car manufacturing, construction, and other heavy industries continue to move into the region to take advantage of the region's competitive and skilled labour, as well as the existing infrastructure for the entire carbon-steel supply chain.

Thermal coal

The slowdown in global economic growth coupled with the shale gas boom in the US has impacted the benchmark thermal coal prices in 2012. With US gas prices at historical lows, power utilities are increasingly using gas rather than coal as their primary input fossil fuel, thereby forcing US producers of thermal coal to find alternative markets. This includes exporting to Western Europe.

Looking more specifically at developments in Central Europe, as thermal coal is primarily used as a fossil fuel for energy suppliers (including electricity and heat suppliers), and with no viable large-scale alternative energy available, the underlying demand for thermal coal is relatively stable in the region. However, during 2012, the mild winter weather conditions as well as wider economic slowdown in our core local thermal coal markets resulted in a regional oversupply. By year-end regional thermal coal inventory levels reached historically very high levels and, although we believe the situation to be temporary, we do not foresee the situation improving significantly during 2013.

Sales

Coking coal

External coking coal sales in 2012 reached 5.0 million tonnes, an increase of 4 per cent per cent year-on-year and accounted for 51 per cent of total external coal sales, compared to 45 per cent in 2011. External coking coal sales comprised 47 per cent mid-volatility hard coking coal, 46 per cent semi-soft coking coal and 7 per cent PCI coking coal. In 2012 OKD also sold 0.5 million tonnes of coking coal to OKK, NWR's coke producing subsidiary.

The average coking coal price realised in 2012 was EUR 124 per tonne, a decrease of 30 per cent on 2011.

The average agreed blended price of coking coal for delivery in the first calendar quarter of 2013 is EUR 103 per tonne, an increase of 3 per cent compared to the fourth quarter 2012 realised price. This average price is based on expected Q1 2013 coking coal sales of approximately 45 per cent mid-volatility hard coking coal, 47 per cent semi-soft coking coal and 8 per cent PCI coking coal.

Thermal coal

Thermal coal sales for the year were 4.7 million tonnes, a decrease of 19 per cent year-on-year and comprised of 79 per cent thermal coal and 21 per cent middlings, which are a low calorific type of thermal coal.

The average realised price for thermal coal sales for 2012 was EUR 74 per tonne, a 10 per cent increase on the previous year.

Unlike coking coal, which is priced on a quarterly basis, thermal coal is typically priced on a calendar-year forward basis. However, deteriorating market conditions have caused our 2013 thermal coal pricing to deviate from this trend. An average price of EUR 60 per tonne was concluded for 2013 thermal coal deliveries, representing a 19 per cent decrease compared to the 2012 realised price. Approximately 80 per cent of the thermal coal prices have been concluded on the basis of the standard yearly pricing cycle, while a quarterly pricing period has been applied to approximately 20 per cent of deliveries. This average price is based on an expected calendar year 2013 mix of 85 per cent thermal coal and 15 per cent middlings.

Costs and revenues

Revenues for the Coal segment decreased by 22 per cent to EUR 1,178 million principally due to the challenging pricing climate for coking coal coupled with lower thermal coal volumes. This was partially offset by the increased proportion of coking coal in the external sales mix, which made up 51 per cent of total external sales volumes.
Mining unit costs of EUR 81 per tonne, which include personnel costs, costs of material and energy and service costs, remained broadly flat year-on-year on a constant currency basis due to stringent cost control across all cost categories.

The Coal segment generated EBITDA of EUR 222 million in 2012, a 54 per cent decline on 2011. The EBITDA margin was 19 per cent.

Reserves

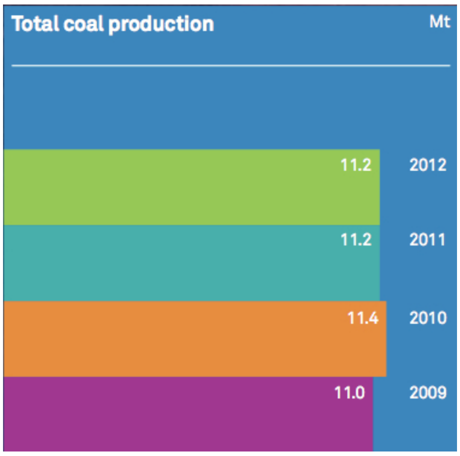
One of the largest, richest sources of hard coal in Central Europe, the Upper Silesian Coal Basin underpins the long-term prospects of our mining operations in the region. Our total JORC reserves were 374 million tonnes as at 1 January 2013 with 184 million tonnes at our current operations in the Czech Republic (81 million tonnes proven reserves and 103 million tonnes probable reserves) and 190 million tonnes at our development project Dębieńsko in Southern Poland.

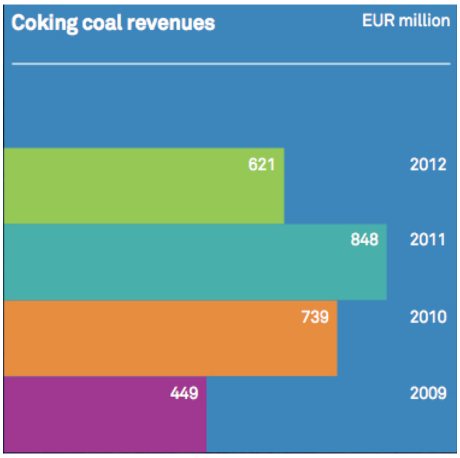
Efficiency enhancements

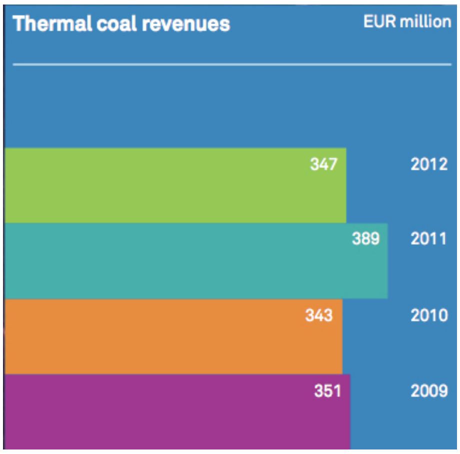
We are continually striving to increase the efficiency and effectiveness of our operations and 2012 was no exception to this.

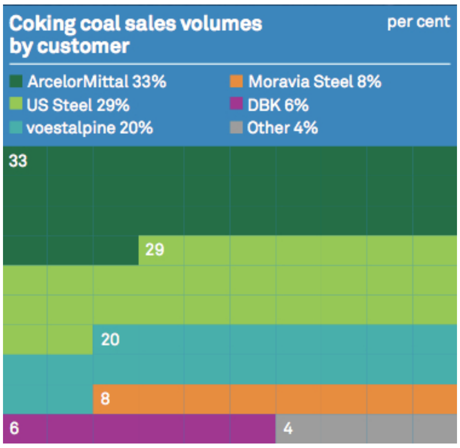
Key to these efficiency enhancements are two principal initiatives: the PERSPective 2015 ('PERSP 2015') initiative and the Continuous Improvement Programme ('CIP'). PERSP 2015 was launched in 2010 and focuses on five main areas: People, Efficiency, Reserves, Safety and Predictability intended to optimise the utilisation of the POP 2010 mining technology acquired in 2008-09. CIP is designed to encourage employees to submit ideas and suggestions that may help to promote safety, efficiency or cost savings. If a cost saving is achieved as a result of a suggestion submitted under the programme, the reward for the employee is linked to the amount saved. Incremental cost savings from CIP in 2012 reached EUR 12 million. Alongside these initiatives, there is the regular replacement cycle of older mining production equipment and further enhancement of our infrastructure.

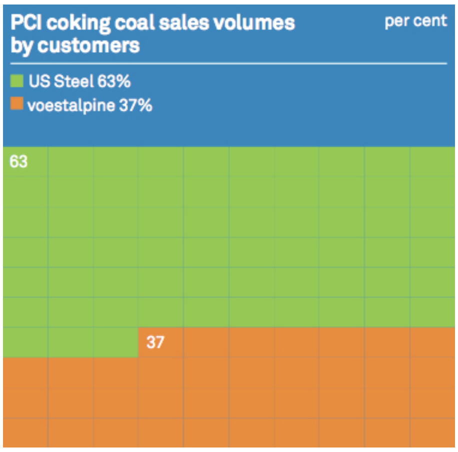
At the Karviná mine, we concluded the construction of a new underground central air conditioning unit. At the start of 2013 we completed the underground connecting gateroad between the Karviná and Darkov mines. This important milestone allows us to close one preparation plant in 2013 when both mines start using one centralised preparation plant with a maximum capacity of 4.5 million tonnes per year.

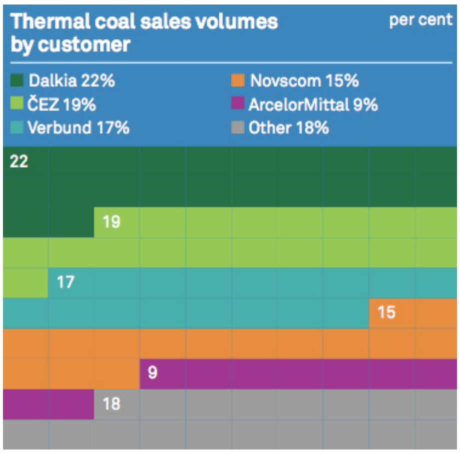












Outlook for 2013

Our principal priority for 2013 will remain cost control and watchful management of capital spending whilst not compromising our commitment to safety, improving efficiency and long-term productivity, which are all areas largely within our control. Taking clear and decisive action promptly has helped NWR to remain competitive and well positioned to withstand wider market downturns, whilst retaining the scope to profit from the inevitable upturn.

Trading conditions in 2013 will remain challenging as the coal markets continue to grapple with both demand and supply side issues. On the supply side, however, we are beginning to see some encouraging signs with regards to reductions in the production of coking coal, and this should help to bring the market back into balance, which will in turn offer support to coking coal prices. Furthermore, the increased adoption of PCI coking coal by steelmakers represents an opportunity for us, and this is an area we intend to target more going forward.

Finally, I would like to thank my colleagues at NWR Plc for the encouragement, support and friendship they have given me since my appointment as CEO and Chairman of OKD in 2007. Ján Fabián officially assumed my former role and responsibilities on 1 January 2013. Having previously occupied the dual roles of Chief Operating Officer for NWR Plc and Vice Chairman of the OKD Board of Directors, Ján is vastly experienced, and I have every confidence in his ability to continue to lead the Company on the path we have set together.

Klaus-Dieter Beck
Previously, Executive Director of NWR Plc, chief executive of OKD and chairman of the board of directors of OKD until 31 December 2012.

Safety

An underground employee tracking system enhances the safety of miners

The safety of our mining employees remains a top priority in our business as we strive for zero harm in an inherently risky business. This year we continued to roll out further safety systems in underground areas known to be highly seismic.

The new system is an improved tracking device better able to pinpoint all our staff underground as it allows for a wider range of tracking alerts to be configured, including a breach of the maximum headcount and the movement of unauthorised personnel into restricted areas. Importantly, it is better able to detect the location of our miners during an underground bounce, allowing the safety teams to work quickly and efficiently in accident areas. The new system was first deployed in 2011, and now covers all underground sections classified as high-risk bounce-prone zones.

Miners are identified by ultra high frequency ('UHF') tags that are placed in their cap lamp are charged from the lamp's battery. The tags are unique to each miner and contain detailed information about the individual. Tag readers are located at specific points underground, which allow the over-ground control room to track and record personnel movements effectively. The back-up power source for the lamp ensures that the UHF is kept active and should that fail, there is a secondary back-up source for the tag itself. The system can also track miners if the recommended methane threshold concentration of 1.5 per cent is exceeded or if there is a power outage.

Additionally, the tags are hooked up to an underground communication system. If the control room needs to contact a miner, the individual is notified by flashing his headlamp or the LED on his battery pack to come to the closest transceiver, located every 40 metres underground. There is also a button on the battery pack to confirm the individual has received the message and/or send a pre-defined text back to the control room.

Coke

"Our new coking plant continues to operate smoothly, offering an enhanced ability to switch production quickly between the varying types of coke to suit changes in market demand. In 2012, we introduced a number of incremental improvements to our processes focusing, in particular, on overall efficiency levels and improving safety standards whilst minimising our impact upon the environment."

Michal Kuča
Director of OKK and chairman of the board of directors of OKK

Highlights 2012

Following a period of transformational changes that resulted in the successful restructuring of our coke operations, in 2012 our key focus was on efficiency and adapting effectively to tough market conditions.

We are very pleased to have been able to contain unit conversion costs as guided – an increase of 11 per cent on a constant currency basis, in line with a 12 per cent decrease in our production volume year-on-year. This is testamony to our strict cost discipline, which along with safety, lies at the heart of all our activities.

As part of this drive, we introduced a number of incremental improvements to our processes in 2012. Firstly, the new conveyor for coke dust was constructed to replace railcars, reducing our internal coke dust transportation costs by up to 80 per cent. The second stage of the reconstruction of coke storage containers was realised and work for the accreditation of our new chemical laboratory was completed and certified. Finally, the SAP human resources management and payroll module was implemented at OKK to further streamline this function. These and many other day-to-day initiatives ensure our continued success in producing competitively priced premium quality coke.

Market conditions

OKK faced challenging trading conditions in 2012, in particular during the second half of the year. Although steel production in Central Europe remains relatively resilient, overall demand for steel products has declined, particularly in the car industry in Western Europe. This has inevitably impacted on sentiment in our core markets. Some steel mills and foundries in Central Europe continued to operate at reduced levels during 2012.

There has been a more significant shift in the overall European coke market dynamics, as those regional producers with the ability to refocus their efforts on producing a greater proportion of foundry coke in their sales mix have started to do so. NWR Group remains the market leader in the European foundry coke market, with a 36 per cent market share, based on the installed capacity.

Operational performance

Our new coking plant reconstructed during 2009 - 2010 continues to operate smoothly, adapting production schedules to meet the changing requirements of our customers. As expected, coke production in 2012 was 680 kilo tonnes, approximately 12 per cent lower than in 2011. During the year, we not only managed to meet our 2012 production, sales and conversion costs guidance but also delivered a high proportion of foundry coke in the sales mix despite the dampened sentiment in the European coke market. The improved ability we have to switch between blast furnace and foundry coke in our coke batteries has allowed the business to adapt to changes in market conditions.

Coke sales

Coke sales for 2012 were flat on the previous year at 555 kilo tonnes, and comprised approximately 67 per cent foundry coke, 16 per cent blast furnace coke, and 17 per cent other types. Coke prices are set quarterly and the average blended realised price during 2012 was EUR 289 per tonne, a decrease of 21 per cent on the previous year.

Financial performance

For 2012 Coke segment revenues decreased by 18 per cent year-on-year to EUR 192 million due to lower coke prices. However, controlled coke conversion unit costs[5] and mainly a lower cost of inputted coal (both internal and external), meant the impact of lower revenues on the operating result was muted, and the Coke segment EBITDA increased on the prior year to EUR 12 million.

Safety

Improving safety and promoting health at work are among OKK's key priorities, as are activities aimed at motivating employees and strengthening their sense of responsibility with regard to their own as well as their colleagues' health. In addition to investments in technology, we place strong emphasis on staff training in the field of work safety. We also have contingency and crisis communication plans in place that can be activated should a dangerous situation arise.

Continuous Improvement Programme ('CIP')

CIP, aimed at encouraging employees to submit innovative ideas and suggestions that could lead to a meaningful improvement in safety and efficiency, yielded 31 ideas at OKK and three thematic assignments during 2012. This contributed to total savings of EUR 3 million at OKK since the inception of the Group-wide programme in 2010, a figure well above our expectations.

Caring for the environment

In 2012, we launched a number of initiatives aimed at further reducing our impact on the environment, over and above the regulatory requirements. In the recently refurbished Battery No. 8, we installed mini rising pipes to reduce gas emissions during the coking process. As part of the EU-funded 'Operational Programme: Environment', refurbishment of the quenching towers at Battery No. 9, and the newly constructed Battery No. 10 were completed, resulting in lower Particulate Matter ('PM_{10}')[6] emissions.

We are pleased to see that our relentless efforts in this area are yielding tangible results, as confirmed by a study published by the Czech National Institute of Public Health that showed that total emissions into the atmosphere from OKK are falling.

One of NWR's core sustainability commitments is to keep low level of harmful emissions from the coking operations.

In 2013, OKK will be installing new equipment for the elimination of volatile organic compound emissions from its desulphurisation unit. Further initiatives planned include the elimination of PAHs (Polycyclic Aromatic Hydrocarbons) and BTXs (Benzene, Toluene and Xylene) from the coking plant's wastewater, and optimisation of pressure and temperature ratios in individual coke oven battery chambers aimed at improved heating efficiency of coking batteries and lower gas emissions.

Long-term commitment to our people

OKK takes a long-term approach to the selection of capable, educated and loyal employees, placing great emphasis on a system of performance-related remuneration and benefits. The continued strength of our relationship with our employees is reflected in the low labour turnover rate of less than 2 per cent in 2012.

In addition to the implementation of the SAP human resources management and payroll module, in 2012 we adopted the Group's Code of Ethics and Business Integrity Directive. Furthermore, we continued to provide a number of employee benefits including vocational training, additional financial allowances and reconditioning stays, whilst looking after the health and safety of our employees and providing them with an opportunity to play an active part in OKK's activities through programmes such as CIP.

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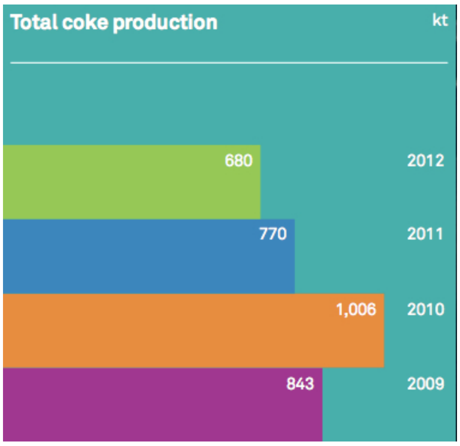
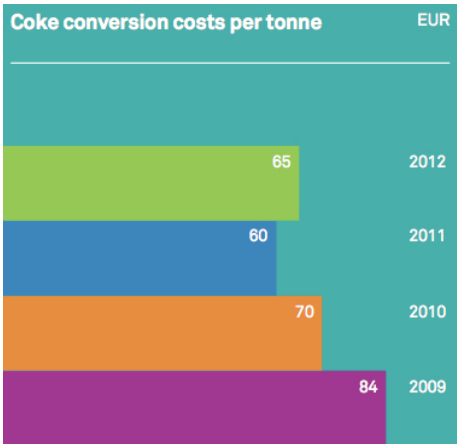
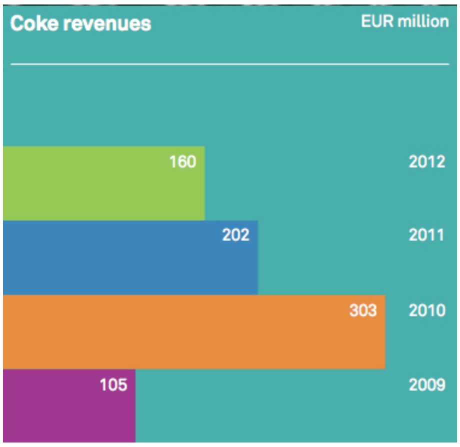
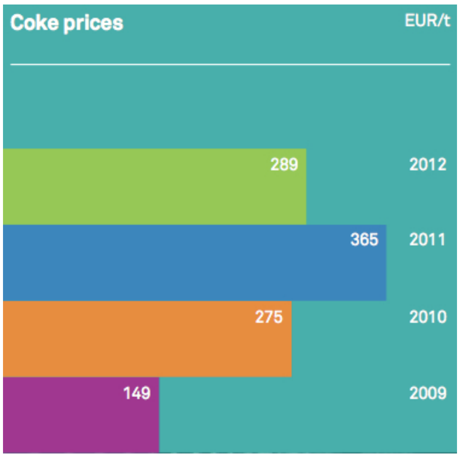
[5] Coke conversion costs per tonne reflect the operating costs incurred in producing all types of coke and exclude the costs of inputted coal, transportation costs, and D&A.

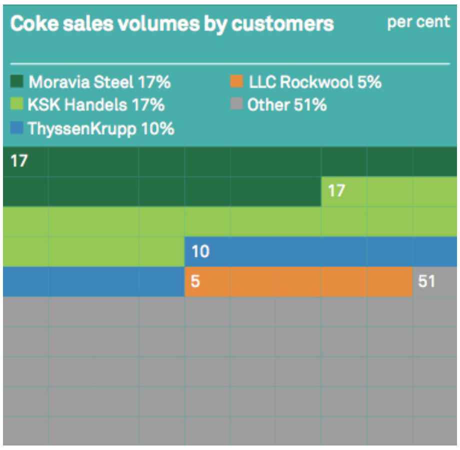
[6] Particulate Matter (PMx) denotes dust particle pollution at the size smaller than X μm dispersed in the air. The particles smaller size 10 μm identified as PM10 are subject to standard monitoring as they can settle in bronchial tubes and cause health problems.











Outlook for 2013

Looking ahead, despite some positive signs, we expect the situation in Europe to remain volatile during 2013. Our production target for 2013 is 800 kilo tonnes as we seek to take advantage of what appears to be an ever widening spread between the price of coking coal and the average blended price for our coke. We expect to sell 700 kilo tonnes of coke in 2013, and continue our focus on the foundry coke market in the region.

The average price of coke agreed for delivery in the first calendar quarter of 2013 is EUR 253 per tonne, a 1 per cent decrease compared to the fourth quarter 2012 realised price. This average price is based on the expectation of Q1 2013 sales of approximately 76 per cent foundry coke, 15 per cent blast furnace coke and 9 per cent other types.

In response to the continuing difficult market conditions, we plan to maintain a strong focus on cost containment by making decisions that will support the business in the short-term whilst not jeopardising our ability to capitalise on more favourable market conditions when sentiment inevitably improves.

Michal Kuča
Director of OKK and chairman of the board of directors of OKK

Operational efficiency / employee engagement
CIP in practice at OKK

The Continuous Improvement Programme ('CIP') at OKK has strengthened employee engagement at the Svoboda coking plant. Since its implementation in 2010, 88 ideas to improve the operations have been submitted, and 74 of those have been approved. The ideas are often better solutions to existing practices, covering a wide range of topics from enhancing safety and improving operational efficiency to environmental improvements. Two such ideas are summarised below.

Conveyor heating
A spiral conveyor is used to discharge dust that is produced during the coking process. The unit runs continuously to avoid adverse environmental implications. During the winter, the conveyor is prone to freezing, disrupting the de-dusting process. The previous solution to this problem involved using gas bottles to heat the conveyor, but during the winter of 2012/13, OKK implemented an idea to install a hot water pipeline along the entire length of the spiral conveyor. The suggestion proved to be highly successful, contributing towards overall cost containment and operational efficiency improvements at the coking plant during the year.

Pushing rod treatment
Pushing rods force coking coal into the coke discharging machines. As a result of the chemical substances contained in the input coking coal, deep corrosion occurs on the surface of rods of the coke discharging machines, and typically the pushing rods would last around a year and half before being replaced. Thanks to an idea that came through CIP, the rods are now welded with stainless steel plates and it is believed that this innovative solution will extend the average lifetime of the pushing rods to between three and five years.

Development projects

“Our development projects represent an integral part of our strategy and reflect our continued confidence in the long-term strength of demand for our products. During 2012, we continued to carry out work necessary to prepare for future mining activity across all our projects.”

Ján Fabián
Executive Director and Chief Executive and Chairman of the board of directors of OKD since 1 January 2013

Development projects overview

Dębieńsko
Highest-quality hard coking coal asset in Europe
2012 update: Water management issues and potential excessive liabilities mitigated; pursue purchase of surface properties and project value engineering in 2013.
Reserves: 190 Mt (190 Mt probable reserves)
Coal type: Premium hard coking coal/Semi-soft coking/Thermal
Project manager: NWR KARBONIA

Karviná project 1 – Karviná
Extension of current operations; expansion project at the Karviná Mine; aim to extract more than 20 Mt of coking coal via existing Karviná Mine by 2017.
Project manager: OKD

Karviná project 2 – Orlová-Výhoda
Extension of current operations; expansion project into the Orlová-Výhoda district in the Karviná area; aim to extract approximately 10 Mt of coking coal from the site by 2017.
Project manager: OKD

Shaft deepening projects
Extension of current operations; expansion 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

Morcinek
2012 update: Officially included in Poland’s official list of reserves – crucial step forward to gaining a mining license; exploratory drilling continues; and dewatering underway.
Reserves: JORC reserves unavailable
Coal type: Coking coal/Semi-soft coking
Project manager: NWR KARBONIA

Frenštát
Largest coal resource in Europe
2012 update: Continuation of four-year exploration process started in 2011.
Hard coal resources: JORC reserves unavailable; estimated hard coal resources of approximately 1.6 billion tonnes
Project manager: OKD

Our development projects are located in the Upper Silesian Coal Basin, on the border between the Czech Republic and Poland, where we have extensive mining expertise. Our projects represent an integral part of our strategy and reflect our continued confidence in the long-term strength of demand for our products in the region.

We divide our development projects into three major groups of strategic, near-term and long-term to reflect the respective stages of development timelines to completion and the level of investment.
Strategic project – Dębieńsko

Near-term projects – Karviná project 1, Karviná project 2 (jointly referred to as Karviná expansion) and Karviná shaft deepening
Long-term projects – Frenštát and Morcinek

We use the phrase ‘near-term projects’ to describe development projects, which relate 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.

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.

During 2012, we continued with the work necessary to eventually pursue future mining activity across all these sites.

Dębieńsko

NWR holds a 50-year mining license to extract coal from Dębieńsko, a site in Southern Poland with predominantly hard coking coal reserves of 190 million tonnes (probable reserves). The asset is the highest quality hard coking coal deposit in Europe.

Following ground-breaking in December 2011, construction works progressed according to plan during the first quarter of 2012. However, due to a change in the long-term water treatment liabilities and the inflationary pressure for mine development in Poland, in May 2012 a thorough review of the project’s parameters was initiated and all development work temporarily suspended. As a result of this decision, the revised CAPEX related to the project in 2012 was EUR 5 million, significantly lower than originally planned.

By the end of 2012, we concluded the technical review and reaffirmed the attractiveness of the project as a viable growth proposition for NWR Group. The mentioned water management risks and potential excessive liabilities were resolved by year-end. Looking ahead, given the current market conditions, we will limit our progress on site in 2013 to the purchase of essential surface properties; and will conduct a project value engineering exercise, meaning we are looking into all options for the development of the mine to production. This includes potential partnerships. We are budgeting a total capital expenditure of EUR 10 million for 2013.

Karviná expansion

We are currently working on the expansion of our mining footprint from our Karviná mine aimed at improving our external coal sales mix towards a higher proportion of coking coal. Once completed, this venture, which consists of two principal projects, Project Karviná and Project Orlová-Výhoda, will access around 30 million tonnes of predominantly coking coal via our existing operations by 2017.

Work on the project continued to progress as planned during 2012. In March, we submitted a Notice of Intention to expand mining activities at the mine from 2015 to 2035 to the Ministry of Environment of the Czech Republic. In June we received a response from the Ministry outlining their requirements, reflecting the feedback of non-profit organisations, citizens as well as state and local governments. NWR is in the process of responding to this feedback as part of its preparations for the wider Environmental Impact Assessment (‘EIA’) documentation, which started in mid-2012. The single EIA documentation, which covers both projects, is expected to take around two years to complete and will outline the impact of the Company’s expansion plans on the local environment.

As part of this project, we are also negotiating resettlement terms with local residents as well as speaking to local businesses who will be affected by our expansion plans.

Karviná shaft deepening

In December 2011 we started to deepen one of the shafts at 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 1,268 metres below the surface.

Once completed, the project will have extended ventilation, dewatering and air-conditioning of longwall panels that are currently operated in a subfloor mode as well as helping to streamline a number of operational processes including transportation of personnel as well as materials underground.

Morcinek

Morcinek is a mothballed mine in Southern Poland, which was last mined in the late 1990s and is a long-term project for NWR.

Morcinek comprises two sites, Morcinek 1 and Zebrzydowice 1. We were granted a 12-year exploration license in 2003 for Morcinek 1, the mine, and in 2008 an additional 6-year license for the second area, Zebrzydowice 1, in 2008 in order to document the reserves.

Once we completed the drilling and geological work at Morcinek 1, the Polish Ministry of Environment approved our application to have the reserves included in Poland's official list of reserves in November 2012. The inclusion is necessary for the purpose of preparing the land development plans, and fundamentally, represents a crucial step forward in obtaining a mining license for Morcinek 1.

In the meantime, a dedicated team is working on dewatering the former mine via our existing operations at the ČSM mine in preparation for potential future mining activity. This process is expected to take several years to complete.

Frenštát

Frenštát 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, water conditions and safety.

Frenštát is currently in exploration phase, a process that was started in 2011 and is expected to take four years to complete. Once completed, we will be in a better position to decide on the feasibility of developing the deposit further.

The deposit is estimated to hold approximately 1.6 billion tonnes of hard coal resources.

Ján Fabián

Executive Director and Chief Executive and Chairman of the board of directors of OKD since 1 January 2013

Sustainability

"Safeguarding the long-term sustainability of our business lies at the heart of everything we do. The core principles of sustainability, underpin all our decision-making processes across the Group and ensure active engagement with each of our stakeholders. Our Sustainability Report shows clear progress against key targets in the areas of corporate governance, employee welfare, and the impacts on the environment and the communities we operate in. "

Petra Mašínová
Head of Corporate Communications and Sustainability (until 4 February 2013)

Strategy

Sustainability lies at the heart of everything we do, and is key to our long-term business success. We engage with all of our stakeholders in matters of our current activities as well as future aspirations when setting near- to long-term sustainability priorities for NWR Group. Meeting these priorities and applying our principles of sustainability throughout the Group enables us to maintain and strengthen our social license to operate.

Coal mining and coke production are by their nature operations that are socially sensitive given the huge impact these activities could have on the surrounding environment and communities if not managed carefully. NWR consistently manages the environmental and social impacts of all its mining operations and coke production activities. We are committed to an on-site focus to complying with all the regulations that govern our operations, and we are committed to seeking a broad social consensus in order to continue our operations efficiently, and to generate and deliver value to our key stakeholders.

Sustainable development is one of the three core strategic pillars of NWR's business strategy. The priorities are set and approved by NWR Group's Safety, Health and Sustainability Committee ('SHSC'), and are ultimately overseen by the Company's Board of Directors.

Safety, Health and Sustainability Committee ('SHSC')

The SHSC was established to assist NWR Plc's Board of Directors with managing sustainability risks and opportunities within the Group. The SHSC places particular emphasis on safety, health, environmental and social risks within the Group. The Board approves the adequacy of risk-control measures to ensure that the risks are effectively controlled and managed. The SHSC aims to provide the Board with additional focus, insight and guidance on key Group Sustainability and HSE issues, best practice and global trends. The members of the SHSC are: Paul Everard (Chairman), Gareth Penny (succeeding Mike Salamon as of 30 September 2012), Klaus-Dieter Beck (resigned as at 31 March 2013), Steven Schuit, and as at 14 January 2013 also Ján Fabián. SHSC meetings are regularly attended by two mining experts, by members of the OKD's board of directors, Stan Suboleski and Karl Friedrich Jakob and Petra Mašínová, Head of Corporate Communications and Sustainability (until 4 February 2013).

Sustainability reporting

Our performance against sustainability targets in 2012, together with explanations for the prior years, is disclosed in the Sustainability Report 2012. All NWR's Sustainability Reports are in accordance with GRI sustainability reporting guidelines (Mining & Metals Sector Supplement, version 3.0) in order to provide the full range of comparable indicators and information to our stakeholders.

We intend to fulfil the requirements of Application Level A in the Sustainability Report 2012.

The Group has a policy towards disabled employees covered by the Code of Ethics. The subsidiaries act in compliance with Czech and Polish laws.

Our vision: to be a responsible partner

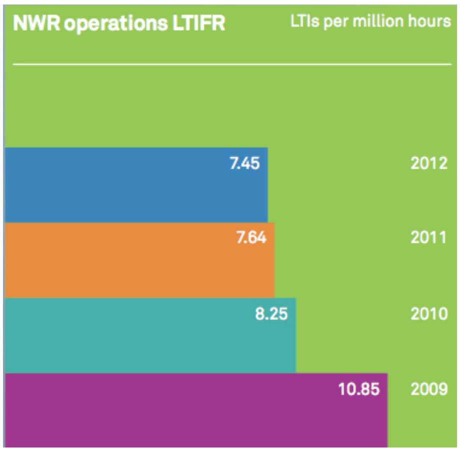
The long-term vision of our sustainability strategy is to be a responsible partner to all our core stakeholders, which in turn allows the Company to safeguard the long-term sustainability of the business by securing and sustaining a social license to operate. We value the importance of regular communications with all our stakeholders (internal and external) at local, national and international levels.

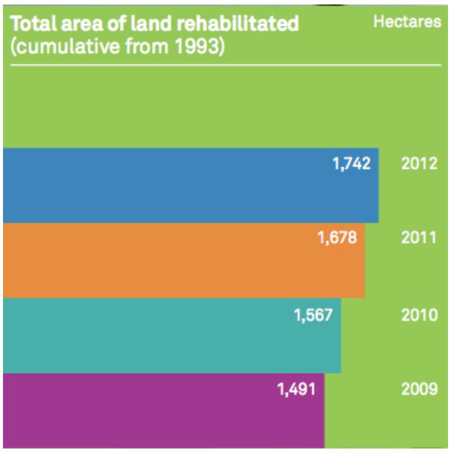
Strategic priorities

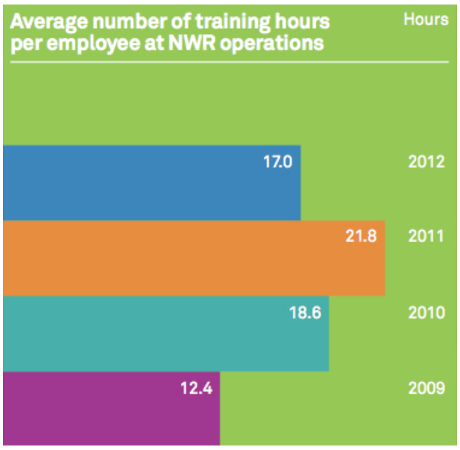
Within the framework of our integrated strategy we set strategic priorities in close cooperation with our stakeholders[7]. They cover topics that reflect NWR's significant economic, environmental and social impacts, or that could substantially influence the assessments and decisions of our stakeholders. For each priority we set a measurable targets and performance is monitored by the corresponding Key Performance Indicators ('KPIs'). By monitoring the KPIs we are able to measure and manage our development better. The performance is disclosed to all our stakeholders on a regular basis in NWR's annual Sustainability Report.

Our strategic priorities are in line with GRI methodology and are covered in more detail in the NWR Sustainability Report 2012, Strategy section. They are grouped into four core pillars: Corporate governance, Our people, Environment and Community.

We strive for a high degree of transparency when communicating our risks and opportunities to stakeholders. Regular dialogue contributes significantly to identifying the strategic priorities that our stakeholders consider important.







[7] The importance of various priorities was determined by means of a weighted matrix analysis in conjunction with continuous communication with stakeholders.

Strategic priorities
Vision: to be a responsible partner

Mission: safeguarding the sustainability of our business by securing and sustaining a social licence to operate

Principles that guide our thinking and inform decision-making within the Group

There are ten core principles of sustainability that are applied to all decision-making processes throughout the Group, to ensure that they are part of our everyday business life from exploration, development projects, mining, coking and decommissioning through to marketing and selling of our coal and coke products.

1 — Continuous improvements in occupational health and safety

Safety is our top priority. Deep underground mining is inherently risky and NWR operates in some of the most demanding geological conditions in the world. We have achieved significant improvements in our LTIFR over the last five years, retaining our position as a regional leader in deep underground mining. We remain committed to further improving on our strong track record.

2 — Recruiting and retaining skilled employees

Highly skilled employees are pivotal to our type of business. We strive to ensure that our employees are motivated, regularly trained and able to develop their skills and knowledge while working for NWR.

3 — Maintaining dialogue and strengthening our partnership with stakeholders

We strive to maintain and further improve our relationships with the local communities in the regions where we operate, creating a strong base for mutually beneficial long-term dialogue. We consistently cooperate with the local regulatory authorities and through membership in industrial associations, we actively take part in the debate on the legislations affecting our industry. Regular sustainability reporting is an essential part of our on-going commitment to maintain transparent stakeholder dialogue.

4 — Monitor the impact of our activities on the environment

Maintaining strict internal policies enables us to manage the negative impacts on the environment better. Continuous stakeholder dialogue ensures that all our environmental activities are in line with stakeholder requirements including investors, municipalities, local communities and the state.

5 — Compliance

We ensure the highest level of compliance with all regulations that govern our operations, and adopt best practice where legislation is absent or insufficient.

6 — Sustaining our business through developing existing coal reserves

We strive to access further coal reserves from our existing mines in order to sustain production levels, access further coking coal panels, as well as to extend average mine life.

7 — Investment in modern technology

Continuous investment in technology enables us to overcome geological challenges and to reach our production targets safely and efficiently. It also contributes towards improving overall occupational health and safety of our mining employees.

8 — Cost management

We remain committed to stringent cost management given the on-going tough operating climate. We have identified further opportunities for cost improvement across the Group. NWR encourages all its employees to offer their suggestions on improving existing working practices through the Continuous Improvement Programme. Employees who submit an idea that is then successfully implemented are rewarded in proportion to the resultant cost saving.

9 — Maintaining a strong financial position

Maintaining the financial health of the business is essential for the sustainable development of NWR, which ultimately rewards our shareholders, enhances our attractiveness to potential investors, enables us to pursue investment and growth plans, and allows us to contribute back to the communities in which we operate.

10 — Growth through M&A

NWR pursues a strategic M&A policy in line with the Company's goal to become Europe's leading miner and marketer of coking coal by 2017. In the long-term we continue to believe in the rationale for consolidation within the Central European coal sector. Our solid financial position gives us the flexibility needed to move quickly when M&A opportunities arise.
Related information online at www.newworldresources.eu/en/sustainability

Environment

Committed to driving down harmful emissions produced from our operations

NWR's operations produce five types of harmful emissions. Principally, the coking plant produces, Nitrogen (NOx), Sulphur (SO_2), Carbon Monoxide (CO) and general Particulate Matter (PMx)[8]. The level of PM_{10} is monitored in our mining operations.

At the Svoboda coking plant, the COP 2010 initiative has played an integral part in driving down major pollutants. For example, as part of the modernisation drive, Batteries Nos. 8 and 10 have been fitted with a number of improvements, including raw coking gas off-take pipelines, which have reduced gaseous emissions generated during the coking process. Svoboda benefits from several advances in the technological control of combustion, which have helped to reduce NOx and CO emissions by 62 per cent and 89 per cent respectively over the last five years.

Additionally, SO_2 emissions have been significantly reduced by the adoption of the 'Stretford process', a specialised desulphurisation process whereby hydrogen sulphide (H_2S) is first removed before burning the gas streams, and sulphur is then recovered for further processing. Notably, this method has reduced energy demand, as well as offering further efficiency gains. OKK currently produces less than 50 mg H_2S/m^3 of desulphurised coke-oven gas. In 2012, SO_2 emissions were down 24 per cent from 108 tonnes in 2011.

Particulate Matter is produced by the coking plant in two ways: firstly, during the process of coking, and secondly, by the coke quenching towers. In the first instance, PM is captured in the wet dust separators or cloth filters located at several areas throughout the coking plant, which are then separated in the de-dusting plant. Dust separators are refurbished regularly.

PM's from the coke quenching towers are captured using water-sprayed shutter separators fitted to the inside of the towers. Each coking battery has coke quenching towers, and all were refurbished in 2012. Over the past five years, particle pollution has been reduced by 60 per cent down to 60 tonnes in 2012.

At the mines, Particulate Matter is emitted by the underground mine ventilation systems. OKD has consistently ensured low levels of PM_{10} pollution at around 120 tonnes/year, depending on the volume of production.

Sustainability

We maintain regular contact with all stakeholders, including our employees, investors, analysts and shareholders, community, local and central government, suppliers, customers and educational institutions.

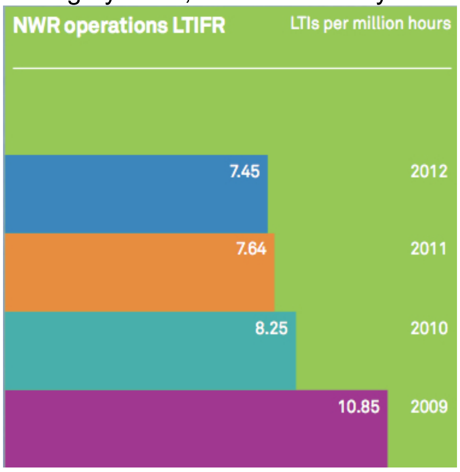
Our people

Caring for our employees is a key priority and encompasses safety, healthcare, the working environment, remuneration and training. Every year NWR invests considerable time and resources to improve employee safety and training.

[8] Particulate Matter (PMx) denotes dust particle pollution at the size smaller than X μm dispersed in the air. The particles smaller size 10 μm identified as PM_{10} are subject to standard monitoring as they can settle in bronchial tubes and cause health problems.

NWR operations LTIFR
The Lost Time Injury Frequency Rate ('LTIFR') represents the number of reportable injuries in NWR's operations causing at least three days of absence per million hours worked including contractors.

Performance
LTIFR decreased by 2.5 per cent year-on-year and by 10 per cent in the last four years. Strong emphasis continued to be placed on staff safety-related training and further investment in personal protective gear. Our goal is to be among the top five global leaders in safety of underground coal mining by 2017, as measured by LTIFR.



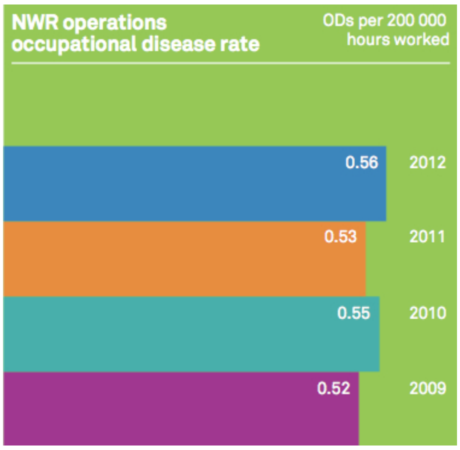
NWR Group operations employee turnover
The employee turnover rate is a calculation of the number of employees who have left the Company voluntarily or due to dismissal, retirement, or death in service and it is expressed as a percentage of the average number of employees in the year.
Sustainability Report 2012
www.newworldresources.eu/sustainability

Performance
NWR operations voluntary employee turnover decreased by 27 per cent year-on-year. The total decrease was driven by OKD where the number of people who left the company voluntarily dropped by 32 per cent to 108 people from 160 people in 2011. Our aim is to maintain a voluntary employee turnover rate below 1.2 per cent in order to reduce any negative impact on productivity or recruitment costs.

NWR operations occupational disease rate (ODR)
The frequency of occupational diseases
relative to the total time worked in the reporting period. The Occupational Disease Rate ('ODR') represents the number of occupational diseases in NWR's operations per 200,000 hours worked.
Does not include contractors.

Performance

The total number of occupational diseases recorded marginally increased from 65 in 2011 to 68 in 2012. NWR's ODR increased by 0.03. The number of dust exposure cases decreased by 6 cases year-on-year due to investments in technology. However, NWR recorded a negative trend in vibration-related occupational diseases (plus five cases), and unilateral long-term limb strain (plus four cases) due to employee age structure. We continue to focus on providing preventative health checks and other health related benefits.



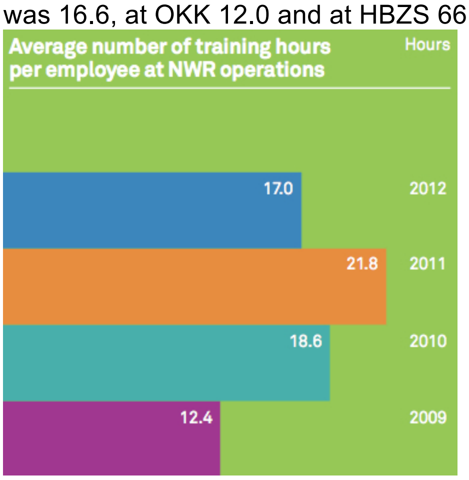
NWR operations average hours of training per year per employee

The 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. Does not include contractors.

In the long-term we aim to have the average number of training hours of not less than 20 hours per employee per year.

Performance

The average number of training hours per employee decreased to 17 hours in 2012, which was caused by the fact that some training in OKD is periodical, repeated every second or third year. The bulk of perodical training took place in 2011, and therefore, will be repeated again in 2013 and in 2014. On the contrary, the average hours of training at OKK increased by 150 per cent year-on-year and by 17 per cent year-on-year at HBZS. The total number of training hours per employee at OKD was 16.6, at OKK 12.0 and at HBZS 66.4 hours.



Corporate Governance

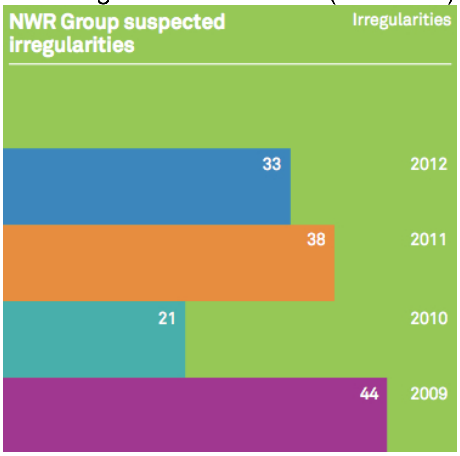
We are committed to maintaining high standards of corporate governance. The Group has zero tolerance to bribery and fraud, has adopted a Business Integrity Policy and holds regular business integrity training sessions for staff.

NWR Group suspected irregularities

The number of suspected irregularities reported within the Group's established Whistleblower Procedure, which is part of NWR's Code of Ethics and Business Conduct and Business Integrity Policy.

Performance

The number of irregularities reported within the Group decreased by 13 per cent to 33 cases. The majority of the reported irregularities were related to alleged violation of Czech Labour Act (six cases), and alleged fraud and theft (six cases).



Environment

Mining, by its nature, affects the environment in a number of ways. We continuously monitor the impact that our activities have on the environment. We constantly work to reduce the negative impacts of our mining and production operations through land reclamation projects and other measures such as water consumption management or emissions reduction.

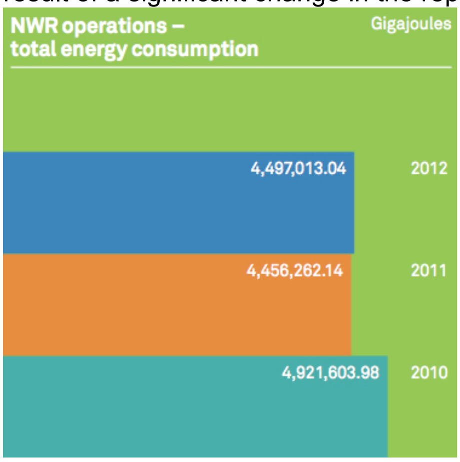
NWR operations energy consumption and sales

Total energy consumption in NWR operations includes direct primary energy purchased (diesel, petrol and natural gas) and indirect energy purchased (electricity, heat, compressed air, natural gas) minus direct primary energy sold (electricity, heat) excluding production and sales of coke-oven gas and coal mine gas.

Performance

Total energy consumption increased by approximately 1 per cent in 2012 (in GJ) mainly due to the increased heat energy consumption and a change in the conversion method for compressed air. In 2012 we set a coeficient for conversion of compressed air to electricity (1 th. m3 equals to 0,085 MWh).

Note: Total energy consumption in 2009 is unavailable due to the lack of reportable audited data as a result of a significant change in the reporting base.

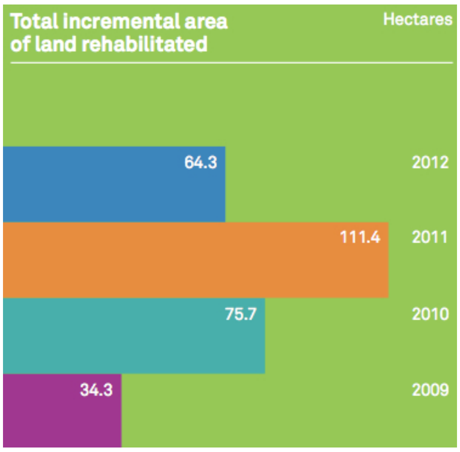


NWR operations total incremental area of land rehabilitated

Land rehabilitated is the area of land disturbed by operational activities, which is then reshaped and restored into a new ecosystem in accordance with natural principles. The total incremental amount of land rehabilitated in reclamation projects is set by 'Comprehensive Rehabilitation and Reclamation Plan' for a five-year period. The plan is closely linked to the closure of mining operations and the goal is to mitigate the damages.

Performance

The total incremental area of rehabilitated land in 2012 amounts to 64.3 hectares. The trend in the area of land rehabilitated is uneven as it reflects operation closures from the past. As reclamation projects are long-term, the amount spent does not correspond to reclamations completed in the year as some future projects are already financed. NWR spent EUR 5.6 million on reclamation projects in 2012, down from EUR 6.9 million in 2011, and the decrease is significantly lower than the decrease in land rehabilitated.

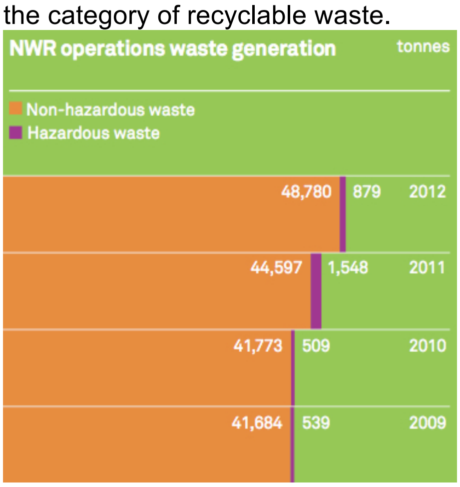


NWR operations waste generation

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, waste rock and flotation tailings.

Performance

The total weight of generated waste increased in 2012 by 7.6 per cent due to the production of scrap steel resulting from the decommissioning and replacement of old equipment with new technology under the POP 2010, and logistics optimisation programmes. The increase in waste generation is in the category of recyclable waste.

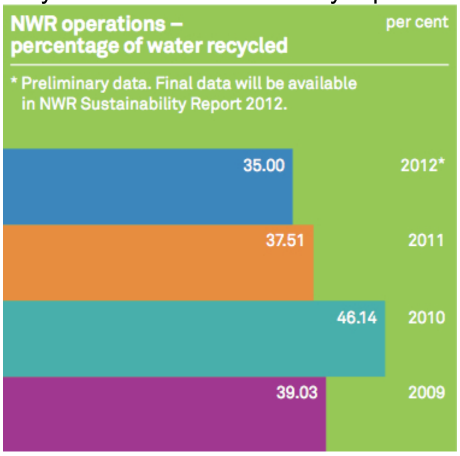


NWR operations share of recycled water

Recycled/reused water is water that has: 1. been used at least twice in the same process within the operations; 2. been used in a different process within the same operation; and 3. been used at another of the Group's facilities.

Performance

According to preliminary data, recycled water accounted for circa. 35 per cent of total water consumption in NWR operations in 2012. The lower volume was caused primarily by a 10 per cent year-on-year decrease of surface water consumption, reaching 22 million litres, while the volume of recycled water decreased by 3 per cent and so remains essentially unchanged.



Community

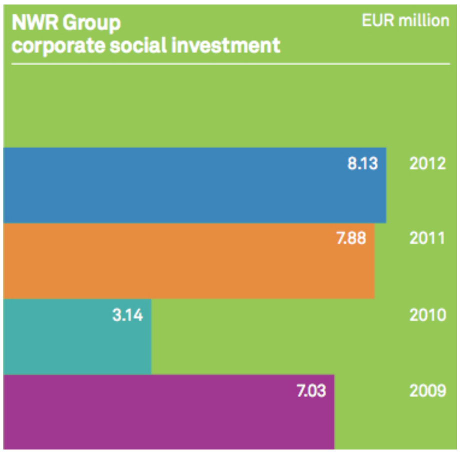
NWR maintains close relationships with the communities in which we operate and aims to develop mutually beneficial partnerships. We invest significantly in the social, cultural, sporting and educational life of the communities wherever we operate.

NWR Group corporate social investment (‚CSI')

CSI spent primarily on social issues in the form of donations or sponsorship, excluding benefits for employees. In 2012 NWR N.V. donated EUR 190,000 to the OKD Foundation and EUR 20,000 to the St. Barbara Civic Association. In 2012 NWR N.V. supported two sponsorships projects: the International Viola Viola festival in the Netherlands for EUR 115,000 and the P8Cycling team in their Alpe d'Huez race against cancer for EUR 2,000. NWR does not make contribution to political parties.

Performance

NWR's Group CSI increased by 3 per cent year-on-year reaching around EUR 8 million, which is the biggest CSI in NWR's history. CSI in 2012 consisted of 81 per cent donations and 19 per cent sponsorship. The largest donations were to the OKD Foundation (48 per cent) and municipalities (47 per cent). The Group sponsored different projects mostly in sport (72 per cent). In general, the volume of CSI is, and will always be, influenced by NWR's financial performance, which in turn is a reflection of the economic environment.



Corporate Governance

Highlights of 2012

- New Executive Chairman
- Implementation of the Business Integrity Policy with extensive trainings
- Squeeze-out and delisting from the Warsaw Stock Exchange

Main activities of the Board in 2012

In 2012, the Board of NWR met nine times in joint meetings with the board of NWR Plc.

During the course of 2012 the Board's composition was changed. The Executive Chairman Mr. Salamon retired from the Board effective as at 30 September 2012. To succeed Mr. Salamon, Mr. Penny was appointed Director on 21 August 2012 with effect as of 3 September 2012. The Board elected him as Executive Chairman on 13 September 2012 with effect as of 1 October 2012.

The Board attended a training session on the Business Integrity Policy in January 2012. A set of similar training sessions for selected employees was then rolled out across the Group.

Completing the work on the redomiciliation of the Company to the UK ('Redomiciliation'), the Board oversaw the squeeze-out process with respect to the minority shareholders. NWR Plc become the sole shareholder of NWR, and the Company's A shares were then delisted from the Warsaw Stock Exchange, completing the Delisting of all the A shares in the Company.

A bond issue to re-finance the existing 2015 Senior Notes was also approved by the Board. The bond issue was then executed in January 2013.

Board of Directors

Role of the Board

The role of the Board is to promote the achievement of the corporate objectives of the Company, protect the interests of the Company and represent the Company, the holders of A shares and B shares and other stakeholders. The Board directs and controls both the Mining Division and the Real Estate Division.

Following the Redomiciliation, strategic business decisions, determination of remuneration, as well as decisions regarding major transactions (including transactions with the subsidiaries), with respect to NWR, are now made at the level of NWR Plc.

The Board has identified a number of matters specifically reserved for its decision and these include:

- appointment of the Chairman of the Board;
- establishment of the Board's committees;
- approval of internal policies (such as the corporate governance policy of the Company (the 'Corporate Governance Policy'), its Code of Ethics, the Divisional Policy Statements, Business Integrity Policy, its Share Dealing Code and the terms of reference of the Board's committees); and
- review of the financial and annual reports.

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 pages 55-56).

To assist the Board in its decision making the Board has established and maintains the Real Estate Committee described below.

Members of the Board

(1) Gareth Penny

Executive Chairman of NWR

Gareth Penny was appointed as a Director of the Company on 21 August 2012 with effect from 3 September 2012. As of 1 October 2012, he replaced Mr. Salamon as an Executive Chairman of NWR and NWR Plc. He has been a member of the board of directors of OKD since 1 October 2012. Mr. Penny also serves as a non-executive director of Julius Baer Holdings Limited, a member of the Advisory Board of TowerBrook Capital Partners and occupies the pro bono position of vice chairman of the Botswana Economic Advisory Committee. He has extensive experience of the international mining industry. In March 2013, Mr. Penny became a non-executive chairman of OJSC MMC Norilsk Nickel, a Russian listed mining company. Over his 25 year career, Mr. Penny has developed deep experience of many aspects of mining at Anglo American, De Beers and AMG. Through his involvement at operational level he has gained vast knowledge in the exploration, development and expansion of resources.

Between 2006 and 2010. Mr. Penny served as group chief executive of De Beers, the world's leading diamond mining business, and developed a strong track record for shareholder value creation as a result of both a clear strategic insight and the ability to manage change. Mr. Penny became a member of the board of De Beers in 2003, having worked for the De Beers Group since 1991. Prior to joining De Beers Group, Mr. Penny worked for the Anglo American Corporation in Johannesburg. Mr. Penny graduated in 1985 from Oxford University, UK, with a Master of Arts (M.A.) in Philosophy, Politics and Economics.
(South African, 24 December 1962)

(2) Marek Jelínek

Executive Director and Chief Financial Officer of NWR

Marek Jelínek has served as a Director since 6 March 2007. He is also Director of NWR Plc since 30 March 2011. Mr. Jelínek He has been a member of the board of directors of OKD since his appointment on 1 November 2007. Since March 2007, he has worked as NWR's Chief Financial Officer and is responsible for the Group-wide finance and treasury. In 2007 and 2008, Mr. Jelínek led the Group's bond issue and the successful Initial Public Offering in London, Prague and Warsaw. He also steered the Group through the latest successful bond issue in January 2013. From March 2009 to

March 2010, Mr. Jelínek was a non-executive director of Ferrexpo Plc. Mr. Jelínek was a director of BXR Partners, 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.
(Czech, 27 December 1972)

(3) Steven Schuit

Non-Executive Independent Director

Steven Schuit is a Director of NWR since 20 November 2007. He is also a Director of NWR Plc since its incorporation (30 March 2011). He is currently a part-time professor of Corporate Governance and Responsibility at Nyenrode Business University. He also holds the position of chairman of Stichting Giving Back. He is a 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 and of several other companies. 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)

(4) Paul Everard

Non-Executive Independent Director

Paul Everard is a Director of NWR since 20 November 2007. He also serves on the board of NWR Plc, to which he was appointed with effect from 8 April 2011. He is an honorary member of the International Aluminum Institute. Between 2001 and 2005, 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, health, safety and environment 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, with an MA in Mechanical Sciences. He completed the Advanced Management Program at Harvard Business School in 1979.
(British, 6 May 1940)

(5) Barry Rourke

Non- Executive Independent Director

Barry Rourke is a Director of NWR since 20 November 2007. Since 8 April 2011, Mr. Rourke has served as a director of NWR Plc, and continues to hold this position. 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 and, OJSC RusRailLeasing and is also the chairman of the audit committee for each of these companies. Mr. Rourke is a member of the remuneration committee for Avocet Mining Plc and OJSC RusRailLeasing and a senior independent director for 3Legs Resources 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)

(6) Hans-Jörg Rudloff

Non-Executive Independent Director

Hans-Jörg Rudloff is a Director of NWR since 11 September 2007. He is also a director of NWR Plc since 8 April 2011. 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. He was also chairman of BlueBay Asset Management Ltd from 2001 to 2010. He has also been and remains a board member of Thyssen Bornemisza Group since 1995, ABD Capital SA since 2003, on the advisory board of Energie Baden-Wurttemberg since 2000 and the advisory board of 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 cum laude in 1965 with a degree in Economics.
(German, 11 October 1940)

Attendance at Board and Real Estate Committee meetings

Attendance at Board meetings and The Real Estate Committee meetings during the year is outlined below.

	NWR Board meetings	Real Estate Committee
	(9)	(5)
Gareth Penny[1]	2	–
Marek Jelínek	9	–
Hans-Jörg Rudloff	8	–
Steven Schuit	9	5
Paul Everard	8	5
Barry Rourke	9	5

1 Mr. Penny has been appointed as a Director with effect as of 3 September 2012 and has attended all Board meetings taking place after his appointment.

Directors

Composition of the Board

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. Until 1 January 2013, the Dutch law only provided 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.

Following the redomiciliation of the Company to the UK, 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 and reduced. As at 31 December 2012, the Board had 6 members in total. Of these, two were Executive Directors and four were Independent Non-Executive Directors. The Board retains a majority of Independent Non-Executive Directors in order to safeguard the interest of the shareholders (in particular the minority A Shareholders) as well as other stakeholders.

NWR deviates from Article 2:166 and 2:276 of Book 2 of the Dutch Civil Code, which states that positions on the management should be distributed in a way so that at least 30% of positions are held by women and at least 30% by men. This deviation has been made to ensure that the company has competent Executive Board that has required knowledge of the company, mining industry and the company's key market areas. When appointing members to the Executive Board the Company shall aim for a complementary range of experience, gender and age.

The Board is presided over by its Executive Chairman, Gareth Penny, who succeeded Mike Salamon in October 2012.

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 authority to achieve NWR Group's corporate objectives has been delegated to the Chief Financial Officer of NWR, Marek Jelínek. He is responsible for the Group finance and administration, and reports to the NWR Board and its Executive Chairman. He oversees the planning, financial control, accounting, restructuring, mergers and acquisitions, 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.

Real Estate Committee Report

The REC is wholly composed of Independent Directors appointed by the Board. It is chaired by Barry Rourke and its members are Paul Everard and Steven Schuit.

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 endeavours to ensure that the interests of NWR and its shareholders (of each separate class of shares) 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);
- 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 NWR subsidiaries' compliance with the Divisional Policy Statements.

Activities undertaken during the year

During 2012, the REC met five times and NWR's Chief Financial Officer attended all meetings. All meetings were held as 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. The REC also looked into a long-term building demolition plan for certain mining areas. In 2012, all proposed transfers of real estate were approved by the Board as well as by the holder of the B shares. The REC put forward a new Real Estate Transaction Policy unifying the practice of conducting real estate transactions irrespective of how they are structured. The REC also reviewed the process of securing and maintaining the rights of mining under land belonging to third parties.

In the light of the progress made with the disposal of the assets registered in the Real Estate Division and the strategy concerning the remaining assets going forward, the REC discussed its role and concluded that it remains important to safeguard the balance between the A and B Shareholders' rights.

The REC further reviewed, on a regular basis, P&L 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 originally created within the NWR 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 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 prior approval from the Board, after the REC has provided its advice to the Board, when proposing to enter into transactions which: (i) are not considered by the Board to be in the ordinary course of business of the Real Estate Division; or (ii) relate to assets of the Real Estate Division, which have a book value of 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 Divisional Policy Statements are available on NWR's website at http://www.newworldresources.eu/en/corporate-governance/policies.

The REC believes that it has carried out all the responsibilities set out in the REC's charter.

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 NWR Group within the last five years; receives personal financial compensation from any NWR Group company other than the compensation received as Director; has had an important business relationship with NWR or a company associated with it in the year prior to the appointment; holds a cross-directorship or has any significant links with other Directors through involvement in other companies or bodies where these cross-directorships or links would materially interfere with the Director's objective, unfettered or independent 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 2012 approved the Board's proposal to reappoint Mr. Salamon, Mr. Jelínek, Mr. Schuit, Mr. Rourke and Mr.

Everard for a second term since they have served as Directors since 2007. The Board will propose to reappoint Mr. Rudloff on the AGM held in 2013.

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.

The Board will be proposing changes to the Articles of Association concerning the term and appointment of the Directors at the next AGM. The changes follow the delisting from the Warsaw Stock Exchange and will reflect that the Company's shares are no longer publicly traded. More details on the proposed changes will be made available to the shareholders in the notice convening the AGM.

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 52 to 54.

Information and professional development

Directors undergo a tailor-made induction process 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 through the normal management reporting process. They also have access to training and seminars in respect of their duties as Board members. In 2012 all Board members attended an anti-bribery training seminar.

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 Committee have retained legal, compensation, mining, internal audit and general advisors in 2012.

Company Secretary

In 2012 Lucie Vávrová acted as Company Secretary, appointed by the Board since September 2011. 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, inter alia, administers, attends and drafts minutes of Board meetings, its committees and the general meetings of Shareholders, and discharges such other responsibilities the Board has assigned to her.

Board effectiveness and evaluation

The board of NWR Plc engaged Corporate Training Partnership Ltd (which has no other relations with the Company) to conduct an external evaluation of its performance and the performance of individual Directors and Chairman (at that time still Mr. Salamon). The evaluation included a detailed questionnaire and interviews with the Directors, Company Secretary and Ján Fabián (at that time still the Group's COO). The results were collected by the external evaluator and presented in generic form to the Chairman (Mr. Penny), discussed at the nomination committee of NWR Plc and then presented to the Board in January 2013. From the perspective of NWR, the evaluation did not identify any issues.

Accountability

Conflict of interest

The Corporate Governance Policy sets out the rules for dealing with conflicts of interest. Directors are required to immediately report any conflict of interest or potential conflict of interest that is of material significance to the Senior Independent Director 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 of NWR Plc is responsible for making recommendations to the Board on potential conflicts of interests and related party transactions. Directors do not take part in the assessment by the Audit and Risk Management Committee of NWR Plc of whether a conflict of interest exists.

The Audit and Risk Management Committee of NWR Plc has a crucial role in stating its opinion 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. No potential cases of conflict of interest were examined by the Audit and Risk Management Committee of NWR Plc in 2012.

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 the system, OKD has modified the whistleblower procedure so that complaints are now dealt with by an independent internal committee. The Audit and Risk Management Committee of NWR Plc monitors, through reports received from the Company Secretary, the effectiveness of the procedure.

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.

Whistleblower Procedure

The 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, misconduct and reports of 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 2012, one report was provided to the ARMC. The ARMC also reviewed the reports prepared by NWR's subsidiaries, in particular by OKD.

The whistleblower rules can be found on the NWR website at http://www.newworldresources.eu/en/corporate-governance/policies.

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

Risk management and internal controls

The Board has overall responsibility for the Group's system of internal controls and risk management policies and is also responsible for reviewing their effectiveness. The Board is supported in this area by the work of the Audit and Risk Management Committee of NWR Plc. (For further details see the Audit and Risk Management Committee Report as contained in the Annual Report and Accounts 2012 of NWR Plc).

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 61. 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 of NWR Plc, 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.

Internal audit

As of 1 January 2013, the Group internal audit function has been reorganized and going forward will be carried out in-house with Petr Hanzlík becoming the Group Internal Auditor. From November 2008 until 31 December 2012 the internal audit function at the Group level was outsourced. In line with its charter, the Group's Internal Auditor continues to be 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 of NWR Plc and its Chairman in particular on the key findings of the completed audits and the status of their implementation. He has all necessary access to organisational units and their management and the right to request information and explanations.

The Group Internal Auditor has a local internal audit team at OKD, which assesses whether the internal control, risk management, and governance processes are adequate and effective. The team reports to the senior management team and the audit committee of OKD. Annual reports are submitted to OKD's audit committee, the board of directors and the supervisory board of OKD. With both functions now in-house and sharing common personnel, the OKD internal audit team works closely with the Group's Internal Auditor. The internal audit functions at NWR and OKD have aligned audit processes on both levels and supervised implementation of their audit recommendations. Internal audit in the Polish operations is carried out by the Group Internal Auditor.

The Audit and Risk Management Committee of NWR Plc makes recommendations to the board of NWR Plc on the appointment and dismissal of the Group Internal Auditor, reviewing the remit of the Group internal audit and the annual audit plan, and ensure that the internal audit function is adequately resourced. The Audit and Risk Management Committee of NWR Plc also assesses the performance of the Group's Internal Auditor on an annual basis.

External audit

The audit of NWR 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 is performed by KPMG Accountants N.V. (hereafther both referred to as KPMG).

NWR is a company incorporated in the Netherlands, sole shareholder incorporated in the UK (with headquarters located in the Netherlands), and operations located in the Czech Republic and Poland, therefore the English, Dutch, Czech and Polish offices of the external auditor must be highly involved in the audit process.

The external auditor provided the Board and Audit and Risk Management Committee of NWR Plc with regular status reports on its audit work based on the approved 2012 audit plan. Following a preliminary risk assessment, the 2012 audit plan focused on the identified key risks for the NWR Group, having critical financial statement impact, considering its external and internal business environment. Similarly to last year these included in particular mining damages and closure provisions, expense treatment concerning the Dębieńsko project, impairments for property, plant and equipment inventories, taxation, hedge accounting, employee benefits, share based payments and related parties. The audit plan and the reports have been reviewed and approved by the Audit and Risk Management Committee of NWR Plc.

Related party transactions are also audited by the external auditor as part of the Group audit. These typically include transactions between the Real Estate Division and the Mining Division, transactions between the 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 Audit and Risk Management Committee of NWR Plc assesses the effectiveness, objectivity and independence of the external auditor, taking into consideration Dutch and UK professional regulatory requirements, its terms of engagement, audit plan, scope of work and the review process. The Audit and Risk Management Committee of NWR Plc has responsibility for making recommendations to the Board, for it to put to the shareholders for their approval at the AGM, on the (re-)appointment and removal of the external auditor. It is further responsible for approving its remuneration and terms of engagement, scope of its work, approving the audit plan and reports and monitoring of provision of non-audit services to NWR and its subsidiaries and the related fees, in order to preserve the independence of the external auditor.

In 2012, the external auditor provided NWR with services in relation to the bond issue, assisted with the considered change of presentation of the income statement captions and also advised on certain tax aspect in relation to NWR KARBONIA. It was concluded that the independence of the external auditor was safeguarded and the external auditor is taking measures to preserve its independence.

Management responses to issues raised are discussed with the Chief Financial Officer. The reviews of the Audit and Risk Management Committee of NWR Plc confirmed that all significant matters had been satisfactorily resolved in 2012.

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 at the AGM on 26 April 2013 in Amsterdam in the Netherlands.

Financial policies

At NWR (consolidated) level, the financial statements are produced under IFRS whilst the subsidiaries of NWR produce their stand-alone accounts in accordance with the relevant applicable accounting standards. Group financial policies and procedures have been consolidated to enable adequate oversight of internal control over financial reporting and the budgeting process.

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' investment 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 Audit and Risk Management Committee of NWR Plc was kept updated and reviewed in particular the following risks identified by the Group for 2012:

- health and safety;
- CSR and environmental damage;
- personnel availability and competency;
- price;
- licensing;
- reputational;
- corporate social responsibility;
- reporting requirements;
- machinery availability; and
- budgeting and controlling.

The risk assessment and reporting criteria are designed to provide a consistent, Group-wide perspective of its key risks.

For further details on risk management, including the Directors' review of the effectiveness of internal controls, please see 'Risk management' on pages 58 to 59.

Going concern

The Group manages its liquidity through cash (EUR 267 million (2011: EUR 537 million)) and a EUR 100 million Revolving Credit Facility (undrawn at 31 December 2012) which is available until February 2014, subject to compliance with certain covenants.

In anticipation of not being able to meet the requirements of one of the covenants in the ECA and RCF at the end of the first quarter of 2013, the Group is currently negotiating revised terms for both the ECA and RCF, including suspension of covenant testing until later in 2013.

Should the negotiations fail or should the Group not be able to meet the requirements of the revised facilities, the ECA loan would have to be repaid and the RCF would not be available to the Company. Based on its base case forecasts the Company does not believe that it would need to borrow further funds until at least 31 March 2014, whether or not the ECA and RCF remain available.

However, if the currently depressed coking coal prices do not improve (which the Directors consider to be highly unlikely) the Group would, absent mitigating actions, need further funding before that time. The Company has a number of mitigating actions available including accelerating the sale of its inventories, reducing operating costs and factoring receivables which it believes would provide sufficient liquidity until at least 31 March 2014.

Based on this analysis, the Directors are of the opinion that the NWR Group has adequate financial resources to continue operating for the foreseeable future (that is until 31 March 2014) and that it is therefore appropriate to continue to adopt the going concern basis in preparing the financial statements.

Insider trading

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

Articles of Association

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

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

The Board will be proposing changes to the Articles of Association at the next AGM. The changes follow the delisting from the Warsaw Stock Exchanges and will reflect that the Company's shares are no longer publicly traded. More details on the proposed changes will be made available to the shareholders in the notice convening the AGM.

Relations with shareholders

Market disclosure and relations with direct and indirect shareholders

The Board regards effective communication with all stakeholders and shareholders in particular, as a priority.

Radek Němeček, Head of Investor Relations, is responsible for the external financial communications of NWR Group. Together with his team, he manages the ongoing dialogue with equity and credit analysts and NWR Plc's shareholders (after the delisting at NWR N.V. level), bondholders and potential new investors. As part of this process, the Board's Chairman, Chief Financial Officer, as well as other Directors and Investor Relations team meet with 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 sector and broker conferences that the Company participates in throughout the year.

The Corporate Communications team is responsible for both external and internal corporate communications as well as the corporate social responsibility policy of NWR Group.

The 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.

Share capital, controlling shareholder

As at 31 December 2012, NWR Plc held 100 per cent of A Shares as well as 100 per cent of B Share of the Company.

BXR Mining B.V. ('BXRM') remains the majority shareholder of NWR Plc, with the ultimate parent company being BXR Group Limited ('BXRG'). As at 31 December 2012, BXRM held 63.58 per cent of NWR A Shares of NWR Plc. Full details on the changes in the shareholding structure of NWR occurring in 2012 may be found in the 'Securities Information' section on pages 52-53.

100 per cent of the B shares of NWR Plc 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/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 the Company and BXRM (and the wider BXRG group) are on arm's length terms, the Company is party to a Relationship Agreement with BXRM. If a conflict arises between BXRM and the Company, 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 64.

Annual General Meeting of Shareholders

The next AGM will be held on 26 April 2013 in Amsterdam, the Netherlands.

Corporate governance

Compliance with corporate governance standards

The Corporate Governance Policy of NWR complies with the spirit of the broad requirements of corporate governance codes in the UK, the Netherlands, Czech Republic and Poland. Following the delisting of Company's A shares from the Warsaw Stock Exchange, the Company is no longer required to comply with governance codes applicable to listed companies, including the Dutch Corporate Governance Code.

NWR Group strives to achieve best practice in its standards of business integrity in all its activities around the world. This includes a commitment to follow the highest standards of corporate governance throughout the NWR Group, including the Company.

Dutch Corporate Governance Code

Following the squeeze-out of minority shareholders, the Company's A shares were delisted from Warsaw Stock Exchange in 2012 and thus the A shares are no longer listed on any stock exchange. Since the delisting the Company is no longer required to comply with the Dutch Corporate Governance Code.

However, the Company has made an effort in drawing up internal corporate governance regulations that comply, to the extent possible, with the Dutch Corporate Governance Code. This is also reflected in the Corporate Governance Policy. The Board has adopted the Corporate Governance Policy to ensure the maintenance of a coherent and effective system of governance and enable the Board to carry out its direction and control functions.

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
25 March 2013

Certain relationships and related party transactions

The following are material related party transactions and relationships (being contracts and arrangements with those entities owned by ultimate parent of the Group, BXR Group Limited). This information shall be read in conjunction with the Note 9 to consolidated financial statements.

OKD agreements

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;

(d) The Czech Republic. In these agreements, the carrier is AWT; and

(e) Austria, Greece and Slovenia. This agreement, in which the carrier is AWT Čechofracht, a.s., was originally concluded between OKD and METALIMEX, a.s., and assigned by METALIMEX, a.s. to AWT Čechofracht, a.s.

Factory Railway Agreements

OKD entered into several factory railway agreements with Advanced World Transport, a.s. (‘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.

OKD trading agreements

OKD has entered into several agreements with AWT in relation to the delivery of 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.

Master Services Agreements for Drilling

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 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. In 2012, the total amount of footage for degasation drills was agreed at 28.620m and for geological survey the total amount of footage was agreed at 9.380m. Both these Master Services Agreements for Drilling expire on 31 December 2015.

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 and 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

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 is 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 and is reviewed annually. The fee to be paid by OKD for 2012 was set at CZK 1,717,693 per month (in each case excluding VAT), Conclusion of individual agreements with respect to each particular OKD mine are contemplated by this agreement.

Master Agreements on the Sale of Methane

OKD entered into a master agreement on the sale of methane with DPB, 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 a formula stated 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.

In addition to the Master Agreement on the Sale of Methane, 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 Company‘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 a formula stated 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.

Cooperation Agreement on apartment lease

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 2015 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.

Agreements with Directors

Consultancy Agreement

NWR NV entered into a consultancy agreement with BXL Consulting Ltd ('BXL') in respect of certain consultancy services provided by BXL to NWR NV (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. The Consultancy Agreement may be terminated, with or without cause, by either party upon one month's prior written notice to the other party. The Consultancy Agreement includes a confidentiality clause that survives the termination of the Consultancy Agreement.

Certain Relationships

These relationships are material by their nature, not by their financial effect.

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, Green Gas DPB, a.s. ('DPB'), 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 (Former OKD) that were assumed by each successor entity on the date of the demerger. The cross guarantee of each successor entity is limited to the value of the net assets of the guarantor as at the effective date of the demerger.

Similar statutory cross guarantees have arisen as a result of the spin-off of OKK Koksovny, a.s. (formerly known as OKD, OKK, a.s.) ('OKK'), a wholly owned subsidiary of NWR NV.

Relationship Agreement

The NWR Plc, BXRM, Crossroads Capital Investment Inc. ('CCII') and Zdeněk Bakala are bound by a relationship agreement, which regulates, in part, the degree of control that BXRM and its affiliates exercise over the management of the NWR Plc (as amended and/or restated, the 'Relationship Agreement'). The principal purposes of the Relationship Agreement is to ensure that NWR Plc is capable at all times of carrying on its business independently of the BXR Group; and that all of the NWR Plc's transactions and relationships with the BXR Group are on arm's length terms.

Pursuant to the Relationship Agreement, BXRM, on the one hand, and the NWR Plc 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 BXRM or any of its subsidiaries, on the one hand, and the Company or any of its subsidiaries, on the other, on arm's length terms. NWR Plc 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 the NWR Plc 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 Plc shall have first right, for a period of 30 days from notification, to pursue the opportunity and neither CCII nor Zdeněk Bakala may pursue the opportunity within those 30 days unless NWR Plc 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 Plc.

Co-operation agreement between RPGI and Ferrexpo

In October 2008, RPG Industries s.r.o. ('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 Central and 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 Salamon, the former Executive Chairman of NWR NV, and Marek Jelínek, the 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 redomiciliation, Mr. Zhevago resigned from the board of NWR NV and was appointed as a Non-Executive Director of NWR Plc with the effect from 6 May 2011.

Material contracts

Below is the description of material contracts, entered into by NWR Plc 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.

2021 Senior Notes

On 23 January 2013, NWR NV issued EUR 275 million in aggregate principal amount of Senior Notes due 2021 ('2021 Notes'). Interest on the 2021 Notes accrues at a rate of 7.875% per annum and is payable semi-annually in arrears on 15 January and 15 July. The net proceeds of the 2021 Notes are used to repay in full the outstanding amounts under NWR NV's EUR 258 million principal amount of Senior Notes due 2015 (the '2015 Notes'), and for fees, expenses and general corporate purposes.

The 2021 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 2021 Notes are senior obligations of NWR NV.

The 2021 Notes may be redeemed, in whole or in part, at any time prior to 15 January 2021, at the option of NWR NV at a redemption price equal to 100 per cent of the principal amount of the 2021 Notes redeemed plus the applicable premium (as defined in the 2021 Notes Indenture). After 15 January 2017, NWR NV may, at its option redeem all or any portion of the 2021 Notes at the prices set forth in the 2021 Notes Indenture. In addition, prior to 15 January 2016, NWR NV may redeem up to 35 per cent of the original aggregate principal amount of the 2021 Notes with the proceeds of one or more equity offers (as defined in the 2021 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 2021 Notes Indenture), holders of 2021 Notes shall have the right to require NWR NV to repurchase all or any part of the 2021 Notes at a purchase price equal to 101 per cent of the principal amount.

The 2021 Notes Indenture contains covenants that limit NWR NV's ability and the Restricted Subsidiaries' (as defined in the 2021 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.

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 7.875% 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.

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'). On 22 February 2013, NWR NV has redeemed all of the 2015 Notes in connection with the issuance of the 2021 Notes. Interest on the 2015 Notes accrued at a rate of 7.375% per annum and was 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% Senior Notes, which reduced the outstanding principal amount of 2015 Notes to EUR 257,565,000.

The 2015 Notes were senior obligations of NWR NV, and ranked equal in right of payment to all of its existing and any future senior debt, including the 2018 Notes. The 2015 Notes were 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, were subordinated to the share pledges securing the 2018 Notes, and were not guaranteed by any of NWR NV's subsidiaries. Therefore, the 2015 Notes were 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 were subject to the Intercreditor Agreement.

The 2015 Notes could have been 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 could have, at its option, redeemed 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 could have redeemed 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.

Revolving Credit Facility
On 7 February 2011, NWR NV entered into a revolving credit facility with, among others, Česká spořitelna, a.s., as 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 'RCF'). The lenders under the RCF acceded to the Intercreditor Agreement by signing the RCF.

The RCF provides for a bank loan facility of EUR 100 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 NWR NV 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.

Export Credit Agency Facility

On 29 June 2009, NWR NV and OKD, as a co-obligor, entered into the Export Credit Agency ('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 3 August 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 instalments, 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 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 authorisations; (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 NV and its subsidiaries to EBITDA of the NWR Plc will not exceed an agreed multiple; and
- the ratio of EBITDA of NWR NV and its subsidiaries to the net interest payable by NWR NV and its subsidiaries 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).

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. and NWR ENERGETYKA PL Sp.zoo. (together referred to as the ‘Energy Subsidiaries’), which successfully closed on 21 June 2010. The purchase price received by NWR NV is CZK 3.584 billion. 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’.

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. 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 on 24 June 2010 and the company Czech Karbon was renamed to the new name Dalkia Commodities CZ on 1 August 2011.

Intragroup material contracts

Intercreditor agreement

To establish the relative rights of certain of the NWR NV‘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 were 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 favour 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 Revolving Credit Facility.

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 favour 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.

Dominance Agreement

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

Subordination Agreement

In connection with the distributions, as described below, NWR NV, in its capacity as the sole shareholder of OKD, OKK and NWR KARBONIA, resolved, to approve NWR NV's contingent equity contribution in excess of the registered capital of NWR NV. Each loan or other indebtedness to or among the subsidiaries is subordinated to the debt incurred under the outstanding notes. This measure represents a requirement under the 2018 Notes Indenture for the protection of the holders of the 2018 Notes. The contingent contribution will only be triggered upon an event of default under the 2018 Notes Indenture, a continuing event of default under the 2015 Notes Indenture or a continuing event of default under the documentation governing indebtedness that qualifies as material debt under the 2018 Notes Indenture.

OKK intercompany Credit Agreement

NWR NV and OKK entered into a credit agreement committing NWR Plc to make funds available to OKK, which would be used for general payment purposes in connection with OKK's operations and activities.

The outstanding amount of CZK 1,712 million is to be repaid in equal monthly instalments up to the final instalment of CZK 514 million due on 31 December 2020. OKK is charged a fixed interest rate of 8.9 per cent per annum on the outstanding principal amount. OKK shall pay NWR NV interest with respect to the outstanding principal amount at the end of each month.

OKK intercompany Revolving Credit Agreement

NWR NV and OKK entered into the intercompany revolving credit agreement (the 'OKK RCF'). Under the OKK RCF, NWR NV makes funds available to OKK for general payment purposes in connection with OKK's operations and activities. The final maturity date is 31 December 2013 and the principal amount of the facility is set at a total aggregate amount of CZK 2,140 million. The advances may be rolled over at the option of OKK. OKK is charged a fixed interest rate of 4.75 per cent per annum on the outstanding principal of each advance. OKK shall pay NWR NV interest with respect to the outstanding principal of each advance at the end of each month.

2010 OKD loan agreement

On 18 May 2010, NWR NV, in its capacity as the sole shareholder of OKD, resolved to make a distribution from the 2009 profit, retained earnings and other distributable reserves in the aggregate amount of CZK 12,802,500,000. As OKD did not have sufficient funds to cover the distribution, NWR NV agreed to lend this amount to OKD on the basis of a loan agreement dated 12 July 2010. The loan agreement currently consists of four tranches: Tranche 1 consists of a EUR 226.8 million facility due on 14 February 2018. Tranche 2 consists of a CZK 1,732 million facility to be repaid in instalments by 15 February 2016. Tranche 3 consists of a EUR 208 million facility to be repaid in instalments by 15 February 2016. Tranche 4 consists of a EUR 120 million facility to be repaid in instalments by 14 February 2020.

Remuneration report

The Remuneration Report 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 2012.

Remuneration Committee

Following the UK redomiciliation, the Company does no longer maintain a Remuneration Committee and as of 6 May 2011, the Remuneration Committee exists at the level of NWR Plc.

The Remuneration Committee is chaired by Bessel Kok (senior independent director of NWR Plc), and the other members are Hans-Jörg Rudloff (Independent Director), and Zdeněk Bakala (non-executive director of NWR Plc).

The Committee sets the remuneration for the executive directors, the chairman of the board of NWR Plc and the Group's senior managers. The Committee also advises the board of NWR Plc in relation to its responsibilities with respect to the remuneration of the non-executives directors. As all Directors, as well as the Chairman of the Board, are also on the board of NWR Plc (and the fees received from NWR Plc include their roles with the Company), their remuneration is effectively decided by the Remuneration Committee and board of NWR Plc.

During the year, the Remuneration Committee did not seek the advice or other services of any other person.

Remuneration Policy

The board of Directors of NWR Plc adopted the compensation manual, including the remuneration policy, on 8 April 2011 with effect from 6 May 2011. The compensation manual remained unchanged in the course of 2012. It outlines principles regarding remuneration at senior and key positions within the NWR Group and provides a framework for the board of NWR Plc and the Remuneration Committee in this area.

The objective of the remuneration policy is to attract, retain and motivate talented executives by providing a well-balanced 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.

In order to align executive performance with shareholder value, the remuneration of Executive Directors is linked not only to individual performance, but also to NWR Group's performance. The Remuneration Committee sets their contractual terms, salary, bonuses and other benefits. The remuneration policy also sets out the remuneration of non-executive directors, as described further below. The compensation manual also provided for delegation of powers and responsibilities to certain authorised officers with respect to the remuneration of senior managers and key employees of NWR Group, who shall decide on their salary, bonuses and other benefits.

Remuneration of Executive Directors

In 2012 and 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 deferred shares and stock option grants relating to A shares of NWR Plc. 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 Deferred Bonus Plan, as described in more detail below, is used.

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, NWR Group performance and changes in 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, such as achievements of the approved budget (in particular KPIs, such as EBITDA, production thresholds and revenues) and individual contribution and achievement of each Executive Director.

Stock option plan for the Chairman of the Board

On 3 September 2012, NWR Plc granted to Mr. Penny, Executive Chairman 750,000 share options over NWR Plc's A shares in three equal tranches (representing an aggregate of 750,000 ordinary A shares). Each share option gives Mr. Penny the right to acquire one A share of NWR Plc for an exercise price of EUR 0.01. Each tranche vests equally over three years representing one third of the options each year (first tranche on the first, second and third anniversary of the grant date, second tranche on the second, third and fourth anniversary of the grant date and lastly third tranche on the third, fourth and fifth anniversary of the grant date). The options vest subject to Mr. Penny remaining employed by NWR Plc. Upon change of control the options lapse and may be, at the discretion of the board of NWR Plc, replaced by equivalent options in the company that obtains control. The directors of NWR Plc may change the option plan, however changes in the number of shares, beneficiary, exercise price and certain other rights, are subject to an ordinary resolution of the general meeting. The options are not pensionable.

Stock option plan for the former Chairman of the Board

On 1 September 2008, Mr. Salamon was awarded share options equal to 0.5 per cent of NWR's A share capital as per the date of grant. Each share option gave Mr. Salamon the right to acquire one 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 relate to the A shares of NWR Plc. The exercise price per option was EUR 0.01. Vesting over five years, the option award enabled Mr. Salamon to ultimately acquire 0.5 per cent of share capital of NWR Plc at 1 September 2012, subject to the condition of Mr. Salamon remaining an executive member of the Board. This stock option plan has expired with the last exercise of the options in 2012.

Deferred Bonus Plan

NWR Group operates a deferred bonus plan (the 'Deferred Bonus Plan') as a long-term incentive and motivation instrument for Executive Directors (in 2012 - Mr. Jelínek) as well as senior managers and key employees of NWR Group. The Deferred Bonus Plan was adopted by the board of NWR Plc on 8 April 2011 with effect from 6 May 2011, in a form substantially similar to the original deferred bonus plan operated by the Company. The rules of the Deferred Bonus Plan were amended on 13 November 2012 when a new long-term share incentive feature was introduced effective as of 1 January 2013.

The original deferred bonus plan operated by NWR was modified in connection with the redomiciliation of the Company to the UK, so that all outstanding awards over the A shares became awards over NWR Plc A shares (effective from 6 May 2011) and at the same time the Board also resolved that no new awards will be granted under that plan.

Eligibility

Executive Directors, senior managers and key employees of the NWR 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. For any bonus to be payable to an Executive Director, the annual EBITDA of NWR Plc would have to be at least 80% of the target set at the start of the year. This condition aims to provide a strong connection between business imperative and performance. Starting in 2013, the Remuneration Committee aims to bring provision of all annual bonuses for the Executive Directors under the umbrella of the Deferred Bonus Plan.

If this condition is met, the annual bonus for Executive Directors may be up to 300 per cent of their annual salary. The actual amount is determined on the basis of evaluation of performance criteria described below. The above EBITDA target does not apply to participants who are not Executive Directors or board members of any NWR Group company. For other participants bonus maximum amount is set at 200 and 300 per cent of the 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, safety, etc. Performance criteria for the Executive Directors are set by the Remuneration Committee, for other participants these criteria are set by the respective authorised officers. The Remuneration Committee also sets the NWR Group-wide performance criteria for all participants.

Bonus eligibility will be determined using annual results. The Remuneration Committee shall decide on the actual amount of bonus payable to the Executive Directors, and authorised officers will decide in relation to the other participants (with the Remuneration Committee approving only the volume of the deferred A shares). The number of A shares granted will be derived using the average of opening prices of an A share of NWR Plc as reported by the London Stock Exchange on each of the five business days preceding and including the date of grant. The maximum number of A shares of NWR Plc offered under the Deferred Bonus Plan to an Executive Director in one bonus year may not exceed 250,000 A shares.

LTI

In addition to the annual bonus, a new long-term incentive was introduced in 2012 for (existing as well as new) participants. The LTI is designed to provide awards over fully paid A shares of NWR Plc which will normally vest three years after grant. The amount of the LTI will be determined by the Remuneration Committee but the value of the A shares of NWR Plc at the date of the grant can not be higher than the amount of annual bonus. Vesting of the LTI will be subject to performance criteria, which have not yet been determined, but will be disclosed in due course. The criteria will be set by the Remuneration Committee either for individual participant or on Group-basis, and may be either equal or more stretching than the annual bonus criteria. It should be mentioned that the LTI and the annual bonus are linked, and no LTI will be awarded unless an annual bonus under the Deferred Bonus Plan was paid. The first LTI may be awarded by the Remuneration Committee for the year 2013.

Ad hoc grants

The Deferred Bonus Plan allows ad hoc grants, although the use of such grants should be minimized to exceptional circumstances. The value of the shares subject to any ad hoc grant shall not exceed 250% of annual salary in each case, in each financial year. No ad hoc grant has been made in 2012.

Vesting

A Deferred Bonus Plan award (as well as an LTI award) will vest three years after grant. The A shares of NWR Plc will be released to the participant provided that the participant is still employed by NWR Group, but may be released earlier if the participant is a good leaver. 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 an option to sell the A shares of NWR Plc received on vesting at market price at that time to give him/her the benefit of any future price increase, but protect him/her from any potential reduction in value that he/she has already 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 NWR 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 or LTI awarded, the Remuneration Committee retains the discretionary power to adjust the values as appropriate.

If any variable remuneration, be it in the form of cash or A shares of NWR Plc, 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 with 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 (good leaver), he/she will be entitled to receive the deferred A shares of NWR Plc, unless the Remuneration Committee decides otherwise. A participant leaving for other reasons (bad leaver) will lose their entitlement to the deferred A shares of NWR Plc.

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, the deferred A shares of NWR Plc may be varied in such manner as Remuneration Committee shall determine.

Change in control

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

Amendments

The board of NWR Plc 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 the 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 (the 'Stock Option Plan') was discontinued as of 31 December 2010. Since 2011 no options were granted under the Stock Option Plan, which continues only in relation to options granted previously. In connection with the UK redomiciliation, NWR Plc has granted equivalent (rollover) options over its 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).

As at 31 December 2012, the total number of options granted over A shares of NWR Plc (excluding options of holders who had left NWR Group and have not obtained a 'good leaver exemption') was 5,502,382 and their total monetary value was GBP 11,123,143 (approx. EUR 13,010,528), which was calculated on the Black-Scholes model.

Exercise of options

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.

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 (including Marek Jelínek) 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 NWR Group, production and cost control thresholds and targets were set, as relevant to the participant and his/her area of responsibility.

Options can be exercised from the vesting date until the eighth anniversary of the date of award. 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 2012.

For more details about the Stock Option Plan and its terms and conditions, please see pages 72 and 73 of the 2010 Annual Report and pages 83 and 84 of the 2011 Annual Report.

Other benefits

In addition to the salary, bonus and share-based incentives, additional non-cash benefits may be provided by NWR 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.

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

Service contracts of Executive Directors

Name	Date of appointment	Termination date	Notice period[1,2]
Gareth Penny	3 September 2012	–	Twelve months' notice by NWR Plc; six month's notice by Director
Mike Salamon	8 April 2011	30 September 2012	Not applicable executive service contract terminated.
Marek Jelínek	31 March 2011	–	Six months' notice by NWR Plc; three month's notice by Director

[1] Service contracts which have been entered into between the Executive Directors and NWR Plc.
[2] Service contracts of Executive Directors provide for payment of salary alone in lieu of notice.

Total remuneration of Executive Directors in 2012

Name	Salary EUR	Cash bonus EUR	Other benefits[3] EUR	Value of stock options exercised EUR	TOTAL EUR
Gareth Penny[1]	125,873	33,503	–	–	159,376
Mike Salamon[2]	230,386	–	–	978,124	1,208,510
Marek Jelínek	290,000	–	102,198	–	392,198

[1] Mr. Penny joined as Executive Director on 3 September 2012.
[2] Mr. Salamon retired as Executive Chairman as at 30 September 2012.
[3] Includes in-kind compensation, e.g. personal travel costs, additional health insurance, housing, etc.

Stock option grants/Share awards 2012

Name	Plan	Date of Grant	Number of options/ shares granted	Exercise Price	Exercise Period/ Vesting Date
Gareth Penny[1]	Stock Option Plan	3 September 2012	750,000	EUR 0.01	3 September annually up to 3 September 2017
Mike Salamon[2]	Stock Option Plan	1 September 2008	1,319,000	EUR 0.01	1 September annually up to 1 September 2012
Marek Jelínek[3]	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	8 years (3-year vesting period)
	Stock Option Plan	17 March 2010	88,310	£7.128	8 years (3-year vesting period)
	Deferred Bonus Plan	3 March 2011	30,000	N/A	3 March 2014

All stock options and share awards relate to A shares of NWR Plc.

[1] Mr. Penny was grated the 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'. The options were granted in three tranches. Each tranche vests equally over three years representing one third of the options each year (first tranche on the first, second and third anniversary of the grant date, second tranche on the second, third and fourth anniversary of the grant date and lastly third tranche on the third, fourth and fifth anniversary of the grant date).

[2] 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.

[3] 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.

Remuneration of Non-Executive Directors

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

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 NWR Plc (as director of NWR Plc). One-month notice period applies for 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 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 of NWR Plc.

NWR does not operate a share plan for the Independent Non-Executive Directors.

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

Remuneration of Non-Executive Directors in financial year 2012

Name	Annual fee EUR	Committee chairmanship fee EUR	Committee membership fee EUR	TOTAL EUR
Hans-Jörg Rudloff[1]	76,065	–	57,049	133,114
Steven Schuit[2]	76,065	–	95,082	171,147
Barry Rourke[3]	76,065	66,721[5]	42,708	185,494
Paul Everard[4]	76,065	63,387	31,694	171,146

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

[1] Mr. Rudloff is a member of the Audit and Risk Management Committee and Remuneration Committee of NWR Plc.

[2] Mr. Schuit is a member of the Audit and Risk Management Committee and Safety, Health and Sustainability Committee of NWR Plc and Real Estate Committee of NWR and NWR Plc.

[3] Mr. Rourke is a member of the Audit and Risk Management Committee and chairman of the Nomination Committee of NWR Plc. He is also a chairman of the Real Estate Committee of NWR and NWR Plc.

[4] Mr. Everard is a chairman of the Safety, Health and Sustainability Committee of NWR Plc and a memebr of the Real Estate Committee of NWR and NWR Plc.

[5] The chairmanship fee of Mr. Rourke includes the fees for chairmanship in the Real Estate Committee and the pro-rata chairmanship fee for Nomination Committee. Mr. Rourke became the chairman of the Nomination Committee on 13 November 2012. The membership fees of Mr. Rourke are presented in a matching way, i.e. exclude the membership fee for Nomination Committee.

Loans to Directors

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

Pension scheme
In 2012 NWR Group did not operate any pension schemes on behalf of, or for the benefit of, its Directors or employees.

Accordingly, NWR Group does not set aside or accrue amounts to provide pension, retirement or similar benefits.

This Remuneration Report has been approved by the Board.

Bessel Kok
Chairman of the Remuneration Committee
14 March 2013

Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union

for the year ended 31 December 2012

NEW WORLD RESOURCES N.V.
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

EUR'000	*Note*	2012	2011
Revenues	*3*	1,299,684	1,632,730
Change in inventories of finished goods and work-in-progress		58,427	37,708
Consumption of material and energy		(374,079)	(412,973)
Service expenses		(357,582)	(393,575)
Personnel expenses	*4,25*	(371,804)	(380,006)
Depreciation and amortization	*10, 11*	(173,997)	(176,389)
Gain recognised on impairment correction	*10*	7,438	-
Net gain from material sold		9,311	7,602
Gain / (loss) from sale of property, plant and equipment		105	(1,536)
Other operating income		4,220	4,065
Other operating expenses	*5*	(39,325)	(36,090)
OPERATING INCOME		62,398	281,536
Financial income	*6*	46,248	31,582
Financial expense	*6*	(93,661)	(120,677)
PROFIT BEFORE TAX		14,985	192,441
Income tax expense	*7*	(9,945)	(57,147)
PROFIT FOR THE YEAR		**5,040**	**135,294**
Attributable to:			
SHAREHOLDERS OF THE COMPANY		**5,040**	**135,294**

All activities were in respect to continuing operations.

The Notes on pages 88 to 136 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 2012

EUR'000	2012	2011
PROFIT FOR THE YEAR	5,040	135,294
OTHER COMPREHENSIVE INCOME		
Foreign currency translation differences	30,298	(27,173)
Derivatives – net change in fair value of cash flow hedges	1,381	(18,619)
Derivatives – net change in fair value of cash flow hedges reclassified to profit and loss	6,541	(8,174)
Income tax relating to components of other comprehensive income	613	1,775
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	38,833	(52,191)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**43,873**	**83,103**
Attributable to:		
SHAREHOLDERS OF THE COMPANY	43,873	83,103

The Notes on pages 88 to 136 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*	2012	2011
ASSETS			
Property, plant and equipment	*10*	1,476,570	1,354,356
Mining licences	*11*	143,020	148,196
Accounts receivable	*12*	7,949	10,217
Deferred tax	*7*	11,262	9,630
Restricted deposits	*13*	13,300	12,506
Derivatives	*16*	-	15
TOTAL NON-CURRENT ASSETS		1,652,101	1,534,920
Inventories	*14*	151,333	93,089
Accounts receivable and prepayments	*15*	137,417	204,581
Derivatives	*16*	760	-
Income tax receivable	*7*	9	169
Cash and cash equivalents	*17*	266,910	536,911
Restricted cash	*13*	-	6,465
TOTAL CURRENT ASSETS		566,429	841,215
TOTAL ASSETS		**2,208,530**	**2,376,135**

NEW WORLD RESOURCES N.V.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER

EUR'000	*Note*	2012	2011
SHAREHOLDERS EQUITY			
Share capital	*21*	105,883	105,883
Share premium	*21*	66,326	66,326
Foreign exchange translation reserve	*21*	81,959	56,396
Restricted reserve	*21*	132,692	129,420
Hedging reserve	*21*	7,825	(2,173)
Retained earnings	*21*	370,892	400,304
TOTAL EQUITY		765,577	756,156
LIABILITIES			
Provisions	*22*	179,824	166,756
Long term loans	*19*	62,333	76,184
Bonds issued	*20*	741,805	738,646
Employee benefits	*24*	93,211	87,912
Deferred revenue	*23*	2,704	2,128
Deferred tax		111,064	116,715
Other long-term liabilities		979	466
Cash-settled share-based payments	*25*	2,080	702
Derivatives	*16*	10,398	25,332
TOTAL NON-CURRENT LIABILITIES		1,204,398	1,214,841
Provisions	*22*	5,681	9,139
Accounts payable and accruals	*18*	204,714	217,896
Accrued interest payable on bonds		8,937	8,937
Derivatives	*16*	4,691	28,069
Income tax payable	*7*	159	26,881
Current portion of long-term loans	*19*	13,852	13,852
Short-term loans	*19*	-	99,695
Cash-settled share-based payments	*25*	521	669
TOTAL CURRENT LIABILITIES		238,555	405,138
TOTAL LIABILITIES		1,442,953	1,619,979
TOTAL EQUITY AND LIABILITIES		**2,208,530**	**2,376,135**

The Notes on pages 88 to 136 are an integral part of these consolidated financial statements.

The financial statements on pages 82 to 136 were approved by the Directors on 25 March 2013 and signed on its behalf by:

……………………………………

Gareth Penny
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 2012

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 2012	**105,883**	**66,326**	**56,396**	**129,420**	**-**	**(2,173)**	**400,304**	**756,156**
Profit for the year	-	-	-	-	-	-	5,040	**5,040**
Total other comprehensive income	-	-	25,563	3,272	-	9,998	-	**38,833**
Total comprehensive income for the year	-	-	25,563	3,272	-	9,998	5,040	**43,873**
Transaction with owners recorded directly in equity								
Share options granted by holding company	-	-	-	-	-	-	2,606	**2,606**
Dividends paid to A shareholders	-	-	-	-	-	-	(37,058)	**(37,058)**
Total transactions with owners	-	-	-	-	-	-	(34,452)	**(34,452)**
Balance at 31 December 2012	**105,883**	**66,326**	**81,959**	**132,692**	**-**	**7,825**	**370,892**	**765,577**
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 exercised	-	-	-	-	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 as at 31 December 2011	**105,883**	**66,326**	**56,396**	**129,420**	**-**	**(2,173)**	**400,304**	**756,156**

The Notes on pages 88 to 136 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 2012

EUR'000	*Note*	2012	2011
Cash flows from operating activities			
Profit before tax		14,985	192,441
Net profit before taxation and non-controlling interest		14,985	192,441
Adjustments for:			
Depreciation and amortisation	*10, 11*	173,997	176,389
Gain recognised on impairment correction	*10*	(7,438)	-
Changes in provisions		(2,415)	(1,186)
(Gain) / loss from sale of property, plant and equipment		(105)	1,536
Interest expense, net		62,146	56,565
Change in fair value of derivatives		(32,443)	2,635
Equity-settled share-based payments		2,606	4,244
Operating cash flow before working capital changes		211,333	432,624
(Increase) in inventories		(58,245)	(37,075)
Decrease / (increase) in receivables		69,637	(7,325)
(Decrease) in payables and deferred revenues		(8,013)	(8,996)
Decrease / (increase) in restricted cash and restricted deposits		5,999	(8,496)
Currency translation and other non-cash movements		(3,361)	11,720
Cash generated from operating activities		217,350	382,452
Interest paid		(62,609)	(69,111)
Corporate income tax paid		(46,496)	(55,732)
Net cash flows from operating activities		**108,245**	**257,609**
Cash flows from investing activities			
Interest received		3,571	11,631
Purchase of land, property, plant and equipment	*10*	(230,999)	(194,313)
Proceeds from sale of property, plant and equipment		642	979
Net cash flows from investing activities		**(226,786)**	**(181,703)**
Cash flows from financing activities			
Repayments of long term loans	*19*	(14,246)	(14,246)
Bond redemption	*20*	-	(8,844)
Repayments of short-term borrowings	*19*	(200,054)	-
Proceeds from short-term borrowings	*19*	100,000	99,695
Dividends paid to A shareholders	*8*	(37,058)	(100,586)
Dividends paid to B shareholders	*8*	-	(40,000)
Net cash flows from financing activities		**(151,358)**	**(63,981)**
Net effect of currency translation		(102)	(4,255)
Net (decrease) / increase in cash and cash equivalents		**(270,001)**	**7,670**
Cash and Cash Equivalents at the beginning of year		536,911	529,241
Cash and Cash Equivalents at the end of year		**266,910**	**536,911**

The Notes on pages 88 to 136 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 process under which, on 6 May 2011, it became the new UK incorporated holding company for the businesses previously held by the Company. The reorganisation did not lead to a change in control and did not result in any changes to the day-to-day operations of the Group.

On 9 October 2012 NWR Plc completed the process of compulsory squeeze-out under which it acquired the remaining shares in NWR NV and became its sole shareholder. Following the reincorporation process, NWR NV shares were delisted from the London, Prague and Warsaw Stock Exchange, and are no longer listed on any stock exchange.

The objective of the Company is to act as holding company and to provide management services to the Group.

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 25 March 2013.

b) The Group

The consolidated financial statements include New World Resources N.V. and its subsidiaries (together the 'Group'). The Company´s subsidiaries as at 31 December 2012 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

There were no changes in the Group during the year 2012.

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

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 NWR NV 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.

Going concern basis of accounting

The Group manages its liquidity through cash (EUR 266,910 thousand (2011: EUR 536,911 thousand)) and a EUR 100,000 thousand Revolving Credit Facility (undrawn at 31 December 2012) which is available until February 2014, subject to compliance with certain covenants.

In anticipation of not being able to meet the requirements of one of the covenants at the end of the first quarter 2013, the Company is currently negotiating revised terms for both the ECA and RCF including suspension of covenants testing until later in 2013.

Should the negotiations fail or should the Group not be able to meet the requirements of the revised facilities, the ECA loan would have to be repaid and the RCF would not be available to the Company. Based on its base case forecasts the Company does not believe that it would need to borrow further funds until at least 31 March 2014, whether or not the ECA and RCF remain available.

However, if the currently depressed coking coal prices do not improve (which the Directors consider to be highly unlikely) the Group would, absent mitigating actions, need further funding before that time. The Company has a number of mitigating actions available including accelerating the sale of its inventories, reducing operating costs, factoring receivables and further reducing/deferring capital expenditure, which it believes would provide sufficient liquidity until at least 31 March 2014.

Based on this analysis, the Directors are of the opinion that the NWR Group has adequate financial resources to continue operating for the foreseeable future (that is until 31 March 2014) and that it is therefore appropriate to continue to adopt the going concern basis in preparing the financial statements.

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 amended standards have been adopted:

- Amendment to IAS 12 *Income Taxes* – Recovery of Underlying Assets (effective 1 January 2012)
- Amendment to IFRS 7 *Financial Instrument: Disclosures* – Transfer of Financial Assets (effective 1 July 2011)

These amendments 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 following new and revised standards and interpretations that have been issued but are not yet effective for the year ended 31 December 2012:

- Amendment to IAS 1 *Financial Statement Presentation* – Presentation of Items of Other Comprehensive Income (effective 1 July 2012)
- Amendment to IAS 19 *Employee Benefits* (effective 1 January 2013)
- IAS 27 *Separate Financial Statements* (as revised in 2011, effective 1 January 2014)
- IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011, effective 1 January 2014)
- Amendment to IAS 32 *Financial Instrument: Presentation* – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)
- Amendment to IFRS 7 *Financial Instrument: Disclosures* - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013)
- IFRS 10 *Consolidated Financial Statements* (effective 1 January 2014)
- IFRS 11 *Joint Arrangements* (effective 1 January 2014)
- IFRS 12 *Disclosure of Involvement with Other Entities* (effective 1 January 2014)
- IFRS 13 *Fair Value Measurement* (effective 1 January 2013)
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (effective 1 January 2013)

These new standards, amendments and interpretations should not have material 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 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 10, 11, 22.

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 q), 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 22.

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 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 25 for details of the key assumptions.

b) Basis of consolidation

(i) Subsidiaries
The financial statements of subsidiaries are included in the consolidated statements from the date that control commences until the date that control ceases. 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.

(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.

(v) 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.

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.

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 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.

Cash flow hedges which meet the strict criteria for hedge accounting are accounted for as follows:

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 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 or construction 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 or new areas of interest.

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, as an approximate to the units of production method.

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 period up to 2020, the Group was granted appropriate quantity of emission rights for its coking operations for free.

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 the income statement as incurred, until the Group determines that commercially viable coal reserves exist.

Thereafter, costs are capitalised as mining licences or property, plant and equipment as appropriate. Such costs are only tested for impairment where facts and circumstances suggest the carrying value may exceed the recoverable amount. If such facts and circumstances exist an impairment test is carried out in line with accounting policy l(i).

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. At operations that produce joint products (products arising from a common production process and each of which has a significant relative value), cost is allocated amongst the products on the basis of their relative values (selling price).

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 deposits

Restricted balances of deposits (cash and investments in government bonds), 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 exploration and evaluation assets (see accounting policy g(v)), inventories (see accounting policy i) and deferred tax assets (see accounting policy t(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.

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 group of assets 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, information about historical trends of the probability of default, the timing of recoveries and the amount of loss incurred is used, 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 the 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) Non-controlling interest

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

n) 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.

o) Employee 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. 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.

p) Share-based payment transactions

Certain 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.

q) 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.

r) 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.

s) 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 updated quarterly (for coking coal and coke) or yearly (for the majority of thermal coal) 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) 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 installments.

t) 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 expenses

Net finance expenses 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.

u) 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.

v) 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.

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 Company's 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 described in the 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 transparent 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. The Company's headquarter cost are included in the "other" information under the Mining Division.

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 2012 is presented in the equity of the MD.

EUR'000	2012	2011
Net book value of leased buildings and construction used by MD	214,389	229,406

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.

3. SEGMENT INFORMATION (CONTINUED)

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.
- 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 utilisation 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 Coal and Coke segment revenues within the MD as correction of sales to third party; split of result is based on EUR value of revenues to total coal and coke EUR revenues generated.
- 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 2012	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								
Sales to third parties	1,106,933	192,169	582	-	**1,299,684**	**-**	-	**1,299,684**
Sales to other segments	71,496	94	1,219	(72,809)	**-**	**776**	(776)	**-**
Total revenues	**1,178,429**	**192,263**	**1,801**	**(72,809)**	**1,299,684**	**776**	**(776)**	**1,299,684**
Change in inventories of finished goods and work-in-progress	51,572	7,163	-	(308)	**58,427**	**-**	-	**58,427**
Consumption of material and energy	(309,607)	(135,693)	(61)	71,291	**(374,070)**	**(9)**	-	**(374,079)**
Service expenses	(318,558)	(35,674)	(5,192)	1,857	**(357,567)**	**(15)**	-	**(357,582)**
Personnel expenses	(352,636)	(17,324)	(1,734)	-	**(371,694)**	**(110)**	-	**(371,804)**
Depreciation and amortisation	(167,040)	(6,739)	(204)	-	**(173,983)**	**(14)**	-	**(173,997)**
Amortisation of rights to use land - divisional adjustment	(453)	(323)	-	-	**(776)**	**-**	776	**-**
Gain recognised on impairment correction	7,308	-	-	-	**7,308**	**130**	-	**7,438**
Net gain from material sold	7,703	1,608	-	-	**9,311**		-	**9,311**
Gain from sale of property, plant and equipment	59	10	-	-	**69**	**36**	-	**105**
Other operating income	2,811	526	624	(38)	**3,923**	**297**	-	**4,220**
Other operating expenses	(37,372)	(697)	(1,262)	7	**(39,324)**	**(1)**	-	**(39,325)**
SEGMENT OPERATING INCOME / (LOSS)	**62,216**	**5,120**	**(6,028)**	**-**	**61,308**	**1,090**	**-**	**62,398**

[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. SEGMENT INFORMATION (CONTINUED)

Business Segments 2012	Mining division					Real Estate division	Eliminations & adjustments2	Group operations total
EUR'000	*Coal segment*	*Coke segment*	*Other*	*Eliminations & adjustments*[1]	**Mining division total**	*RED segment*		
Financial income					**46,130**	**3,826**	(3,708)	**46,248**
Financial expenses					**(97,065)**	**(304)**	3,708	**(93,661)**
Profit before tax					**10,373**	**4,612**	-	**14,985**
Income tax expense					**(9,086)**	**(859)**	-	**(9,945)**
PROFIT FOR THE YEAR					**1,287**	**3,753**	**-**	**5,040**
Attributable to:								
SHAREHOLDERS OF THE COMPANY					**1,287**	**3,753**	-	**5,040**
Assets and liabilities at 31 December 2012								
Total segment assets	1,860,616	213,241	820,957	(701,394)	**2,193,420**	**29,597**	(14,487)	**2,208,530**
Total segment liabilities	1,097,847	164,933	881,408	(701,394)	**1,442,794**	**14,646**	(14,487)	**1,442,953**
Other segment information:								
EBITDA	222,342	12,172	(5,824)	-	**228,690**	**938**	(776)	**228,852**
Capital expenditures spent	223,088	7,898	13	-	**230,999**	**-**	-	**230,999**
Interest income	2,224	6	43,861	(42,616)	**3,475**	**23**	-	**3,498**
Interest income - divisional CAP	-	-	-	-	**-**	**3,659**	(3,659)	**-**
Interest expense	36,946	8,443	62,898	(42,616)	**65,671**	**-**	-	**65,671**
Interest expense - divisional CAP	3,293	366	-	-	**3,659**	**-**	(3,659)	**-**

[1] elimination of intercompany balances within the Mining division
[2] elimination of balances between the divisions

3. SEGMENT INFORMATION (CONTINUED)

Business Segments 2011	Mining division					Real Estate division	Eliminations & adjustments2	Group operations total
EUR'000	Coal segment	Coke segment	Other	Eliminations & adjustments[1]	Mining division total	RED segment		
Segment revenues								
Sales to third parties (restated[3])	1,396,357[3]	235,616[3]	464[3]	-	**1,632,437**	**293**	-	**1,632,730**
Sales to other segments	110,123	84	838	(111,045)	**-**	**790**	(790)	**-**
Total revenues	**1,506,480**	**235,700**	**1,302**	**(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)	(8,577)	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)	**311,841**	**(3,522)**	**(27,673)**	**-**	**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] prior to 2012, the results of foreign exchange hedging arising on Coal and Coke segment had been excluded from segment results and included in other information. In 2012, the results are included in the segment results and the comparatives for 2011 have been conformed to this basis resulting in lower revenues in Coal segment by EUR 2,876 thousand and in Coke segment by EUR 859 thousand with corresponding adjustment in other information.

3. SEGMENT INFORMATION (CONTINUED)

Business Segments 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:								
Non-controlling interests					**-**	**-**	-	**-**
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:								
EBITDA	480,554	6,099	(27,555)	-	**459,098**	**1,153**	(790)	**459,461**
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)

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	2012	2011	2012	2011
Non-current assets	1,632,605	1,516,018	19,496	18,902
Right to use land	13,196	13,518	-	-
Current assets	547,619	836,671	10,101	6,278
TOTAL ASSETS	**2,193,420**	**2,366,207**	**29,597**	**25,180**
Equity attributable to shareholders	750,626	745,576	14,951	10,580
TOTAL EQUITY	750,626	745,576	14,951	10,580
Non-current liabilities	1,204,398	1,214,840	12,566	12,767
Current liabilities	238,396	405,791	2,080	1,833
TOTAL LIABILITIES	1,442,794	1,620,631	14,646	14,600
TOTAL EQUITY AND LIABILITIES	**2,193,420**	**2,366,207**	**29,597**	**25,180**

Non-current assets of RED include land amounting to EUR 19,217 thousand (2011: EUR 18,616 thousand). Current assets of RED include cash and cash equivalents of EUR 10,101 thousand (2011: EUR 5,069 thousand).

e) Geographical information

Revenue by location of customer:

EUR '000	2012	2011
Czech Republic	509,089	600,913
Poland	225,258	265,819
Austria	205,691	265,353
Slovakia	160,919	264,766
Germany	95,183	121,171
Hungary	49,229	46,462
Serbia	13,782	23,320
Bosnia and Herzegovina	9,616	16,229
Other	30,917	28,697
Consolidated revenues total	**1,299,684**	**1,632,730**

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	2012	2011	2012	2011
	Non-current assets		*Capital expenditures spent*	
Czech Republic	1,605,576	1,496,319	224,704	189,785
Poland	13,967	6,120	6,282	4,512
The Netherlands	47	113	13	16
	1,619,590	**1,502,552**	**230,999**	**194,313**

3. SEGMENT INFORMATION (CONTINUED)

Significant customers of the Group

The Group has a stable key customer base and revenues of EUR 671,232 thousand were generated from trading with five significant customers (2011: EUR 917,487 thousand).

EUR '000	2012		2011	
	Coal segment	*Coke segment*	*Coal segment*	*Coke segment*
Customer A	198,668	-	251,321	-
Customer B	178,875	-	249,923	-
Customer C	124,993	1,313	157,039	8,891
Customer D	85,461	-	81,198	-
Customer E	75,330	6,592	155,949	13,166
	663,327	**7,905**	**895,430**	**22,057**

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

EUR'000	2012	2011
Sales of own products and merchandise	1,277,783	1,604,409
Services rendered	21,901	28,321
	1,299,684	1,632,730

4. PERSONNEL EXPENSES

EUR '000	2012	2011
Wages and salaries	250,538	265,214
Social insurance costs	81,694	83,770
Social security and other payroll costs	22,332	21,145
Net benefit expense (see Note 24)	14,246	5,229
Share based payments (see Note 25)	4,829	6,746
Total personnel expenses	**373,639**	**382,104**
Less own work capitalised	(1,835)	(2,098)
	371,804	**380,006**
Average number of employees in the period:	14,046	14,320

5. OTHER OPERATING EXPENSES

EUR'000	2012	2011
Compensation for mining damages	18,642	16,090
Property taxes and government fees	6,898	8,054
Gifts and donations	6,370	6,333
Insurance	4,038	3,931
Other	3,377	1,682
	39,325	**36,090**

6. FINANCIAL INCOME AND EXPENSES

EUR'000	2012	2011
Financial income comprise:		
Realised and unrealised foreign exchange gains	22,762	21,508
Profit on derivative instruments	19,762	2,437
Bank and other interest received	3,629	6,454
Profit on bond redemption	-	957
Other	95	226
	46,248	**31,582**

EUR'000	2012	2011
Financial expenses comprise:		
Bonds interest expense	56,540	61,900
Realised and unrealised foreign exchange losses	20,730	29,434
Loss on derivative instruments	6,673	26,457
Bank interest expense	4,495	1,749
Other interest expense	4,586	186
Other	637	951
	93,661	**120,677**

Other interest expense relates to unwinding of restoration and mine closure provision discount. Please refer to the Statement of 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 2012 and 2011 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%, 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.

NWR Plc and NWR NV (together a fiscal unity for tax purposes and 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.

Components of income tax expense

EUR'000	2012	2011
Income statement:		
Current tax expense	18,028	55,491
Deferred tax expense	(8,083)	1,656
Income tax expense	**9,945**	**57,147**

7. INCOME TAX EXPENSE AND DEFERRED TAX (CONTINUED)

Reconciliation of the statutory and effective tax rate

EUR'000	2012	2011
Profit before tax	14,985	192,441
Tax at the applicable rate of 19%	**2,847**	**36,564**
Tax effect of:		
- Non-deductible expense	3,845	1,690
- Other tax allowable credits	(1,186)	(1,198)
- Change in unrecognised deferred tax asset	4,985	25,468
Effect of the applicable tax rates other than 19% in other jurisdictions	(649)	(6,610)
Prior period income tax adjustment	103	1,233
Tax expense	9,945	57,147
Effective tax rate	66%	30%

The movement in deferred tax asset/liability is as follows:

EUR'000	2012	2011
Deferred tax asset:		
At 1 January	31,996	33,894
Deferred tax charge for the period	120	(989)
Currency translation	809	(909)
At 31 December	**32,925**	**31,996**
Deferred tax liability:		
At 1 January	139,081	144,231
Deferred income tax related to items charged or credited directly to equity:		
- Net loss on revaluation of cash flow hedges	(1,861)	(1,775)
Deferred tax charge for the period	(7,963)	667
Currency translation	3,470	(4,042)
At 31 December	**132,727**	**139,081**
Deferred tax liability net	**99,802**	**107,085**
out of which presented in balance sheet		
Deferred tax asset	**11,262**	**9,630**
Deferred tax liability	**111,064**	**116,715**

Deferred tax is presented in the balance sheet based on the net of the liability and asset, relating to each taxable entity.

7. INCOME TAX EXPENSE AND DEFERRED TAX (CONTINUED)

Deferred tax analysed by the type of temporary difference:

EUR'000	2012	2011
Deferred tax asset relates to the following:		
Allowances, adjustments and provisions	9,381	6,185
Employee benefits	17,317	16,497
Tax losses carried forward	6,227	9,314
Deferred tax asset	**32,925**	**31,996**
Deferred tax liability relates to the following:		
Property, plant and equipment	130,679	135,223
Derivatives	2,048	3,858
Deferred tax liability	**132,727**	**139,081**

Tax losses to be carried forward and offset against future taxable income are available at the Company, OKK and NWR Karbonia. The non recognised deferred tax asset in relation to tax losses amounts to EUR 84,479 thousand at the Company, EUR 2,064 thousand at OKK and EUR 1,038 thousand at NWR Karbonia as of 31 December 2012 (2011: EUR 81,086 thousand at the Company, EUR 2,059 thousand at OKK, EUR 837 thousand at NWR Karbonia). No deferred tax asset is recognised by the Company, as it is not considered probable that future taxable profits will be available to offset any of the accumulated tax losses.

Tax recognised in other comprehensive income

	2012		
EUR '000	*Before tax*	*Tax (expense)/ benefit*	*After tax*
Foreign currency translation differences	30,298	(1,248)	29,050
Derivatives – net change in fair value of cash flow hedges	1,381	-	1,381
Derivatives – fair value of cash flow hedges reclassified to profit and loss	6,541	1,861	8,402
	38,220	**613**	**38,833**

	2011		
EUR '000	*Before tax*	*Tax benefit*	*After tax*
Foreign currency translation differences	(27,173)	-	(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	(8,174)	1,775	(6,399)
	(53,966)	**1,775**	**(52,191)**

8. DIVIDENDS

Dividends in 2012:
The Company paid to its shareholders an A share dividend totalling EUR 37,058 thousand for the year, consisting of a final dividend of EUR 0.07 per share in respect of the year ended 31 December 2011, an interim dividend of EUR 0.06 per share for the half-year ended 30 June 2012 and so called squeeze out dividend of EUR 0.01 per share paid as part of the squeeze out process initiated by the holding company NWR Plc.

Dividends in 2011:
The Compnay paid to its shareholders an A share dividend totalling 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 totalling EUR 40,000 thousand to B shareholders.

9. 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, 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.

Transactions with key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly. In 2012 and 2011 these persons comprise two Executive Directors, four Non-Executive Directors and Chief Operating Officer. This is a change in definition from that applied in prior years and comparative information has been restated accordingly.

Key management personnel compensation comprised the following:

EUR'000	2012	2011
Short-term employee benefits	3,503	3,996
Share-based payments	1,366	3,375
	4,869	**7,371**

Other related party transactions

Sales to related parties comprised:

EUR'000	2012	2011 (restated)
Entities under common control:		
Sales of methane	7,942	7,343
Sales of sludge, coke and other products	2,659	3,950
Other	377	692
	10,978	**11,985**

Receivables arising from these transactions were EUR 2,720 thousand (2011: EUR 3,412 thousand).

Purchases from related parties comprised:

EUR'000	2012	2011 (restated)
Entities under common control:		
Transport services	122,474	136,518
Drilling works	8,072	9,122
Restoration services	4,309	4,229
Nitrogen delivery and related services	3,307	3,030
Rent and related services	1,558	2,740
Other	1,964	3,434
	141,684	**159,073**
Entities related to key management personel:		
Advisory services	300	300
	141,984	**159,373**

Payables arising from these transactions were EUR 17,659 thousand (2011: EUR 24,926 thousand), of which EUR 50 thousand (2011: EUR 25 thousand) is due to entities related to key management personel.

10. PROPERTY, PLANT AND EQUIPMENT

EUR'000	Land and buildings	Plant and equipment	Other assets	Construction in progress	Total
Cost					
At 1 January 2012	1,291,378	1,103,028	18,550	88,092	2,501,048
Additions	16,446	69,339	7,237	146,275	239,297
Disposals	(8,053)	(36,225)	(41)	(31)	(44,350)
Transfers	16,668	21,757	-	(38,425)	-
Restoration and mine closure costs	5,964	-	-	-	5,964
Currency translation	32,800	27,945	721	1,538	63,004
At 31 December 2012	1,355,203	1,185,844	26,467	197,449	2,764,963
Accumulated depreciation and impairment losses					
At 1 January 2012	655,004	480,362	8,428	2,898	1,146,692
Depreciation charge for the year	75,316	86,125	3,509	123	165,073
Gain recognised on impairment correction	(7,438)	-	-	-	(7,438)
Disposals	(7,584)	(36,152)	(38)	-	(43,774)
Currency translation	16,558	10,905	364	13	27,840
At 31 December 2012	731,856	541,240	12,263	3,034	1,288,393
Net book value at 1 January 2012	636,374	622,666	10,122	85,194	1,354,356
Net book value at 31 December 2012	**623,347**	**644,604**	**14,204**	**194,415**	**1,476,570**

The Group identified assets financed through generally borrowed funds as qualifying assets for capitalisation of borrowing costs. Borrowing costs in the amount of EUR 4,926 thousand were capitalised in 2012 (2011: EUR 1,680 thousand). The borrowing costs were determined using the average capitalisation rate of 7.647% (2011: 8.082%).

During the year ended 31 December 2012 OKD received a grant of EUR 600 thousand (2011: EUR 729 thousand) from the resources of the structural funds of the European Union through the Regional Operational Programme Moravia Silesia. This grant supports the construction of various infrastructures at the Golf Park Darkov project. Acquisition costs of buildings, plant and equipment were reduced by this amount in line with accounting policy s)(ii).

Impairment

During 2012, due to continuing volatility in the commodity markets, the Group estimated the recoverable amount of its Cash Generating Units ("CGUs") using a value in use ("ViU") based on the most recent financial budget as approved by the Board, from mid-term five year plans and on the projected life of the Group's mines and coking facilities. The recoverable value of the Group's assets was estimated to be higher than the carrying value of the associated assets and accordingly no impairment charge has been recognised.

Management have identified two key assumptions used in the calculation of recoverable amount for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. These key assumptions are the discount rate and changes in the forecast coal and coke sales prices. The estimated value in use was determined using a post-tax discount rate of 10.10% (equivalent of pre-tax discount rates between 11.66% and 12.22% for various CGU's) and sales prices were derived from the median of a range of mid-term publically available market data.

In 2005, an impairment was recognised on certain property, plant and equipment assets of the Group. Following a review in the fourth quarter of 2012, management determined that this impairment should not have been recorded. As the effect is not material to the financial statements of any prior period, this has been corrected in the current period and the 2012 income statement includes a credit of EUR 7,438 thousand in order to include the related assets at their appropriate carrying value.

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Debiensko Project

Property, plant and equipment includes EUR 13,967 thousand of exploration and evaluation costs related to the Debiensko Project. As exploration and evaluation is ongoing, exploration rights are not due to expire and the Directors consider that the Project has identified commercially viable quantities of coal resources, the capitalised cost of the projects have not been subject to an impairment test as required by IFRS 6 *Exploration for and Evaluation of Mineral Resources.*

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
Disposal	(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**

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 36,003 thousand, of which EUR 32,409 thousand relates to assets located in the mine and EUR 3,594 thousand to 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.

11. MINING LICENCES

EUR'000	Cost	Accumulated amortization	Net book value
At 1 January 2012	216,867	(68,671)	148,196
Amortisation for the period	-	(8,924)	(8,924)
Currency translation	5,484	(1,736)	3,748
At 31 December 2012	**222,351**	**(79,331)**	**143,020**
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**

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 (see Note 10).

12. LONG-TERM RECEIVABLES

EUR'000	2012	2011
Trade receivables	68	84
Long-term advances granted	22	20
Other	7,859	10,113
	7,949	**10,217**

Other long-term receivables include an amount of EUR 7,857 thousand (2011: EUR 8,460 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 dependent on the value of the derivatives. The collateral agreements were entered into 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.

13. RESTRICTED DEPOSITS

As of 31 December 2012 and 31 December 2011, the Company had long-term restricted deposits (consisting of cash and investment in liquid government bonds) of EUR 13,300 thousand and EUR 12,506 thousand, respectively, in relation to mining damage and restoration expenditures. The amount of restricted deposits corresponds to the mining and restoration provision recognized 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 2012, the Company had no short-term restricted cash (31 December 2011: EUR 6,465 thousand).

14. INVENTORIES

EUR'000	2012	2011
Raw materials and spare parts	28,124	30,056
Finished goods	81,003	58,187
Work-in-progress and semi-finished goods	42,206	4,846
	151,333	**93,089**

The inventories are disclosed net of provisions for slow-moving and obsolete inventories of EUR 4,448 thousand (2011: EUR 2,756 thousand). Provisions are included in the consumption of material and energy and change in inventories of finished goods and work-in-progress in the income statement.

15. ACCOUNTS RECEIVABLE AND PREPAYMENTS

EUR'000	2012	2011
Trade receivables	118,908	164,395
Other receivables, accrued income	6,230	15,439
VAT and other tax receivables	8,404	19,265
	133,542	199,099
Other advance payments	1,371	2,216
Prepayments and accrued revenue	2,504	3,266
Total accounts receivable and prepayments	**137,417**	**204,581**

Trade receivables are non-interest bearing and are generally on 20-45 days' terms. Total receivables are stated net of provisions for impairment, which amounted to EUR 600 thousand as of 31 December 2012 (2011: EUR 681 thousand).

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historic payment behaviour and analysis of customer credit risk.

As of 31 December 2012 and 31 December 2011, the analysis of accounts receivable that were either not past due or past due but not impaired is as follows:

		Past due but not impaired			
EUR '000	Neither past due nor impaired	<30 days	31 - 90 days	>90 days	Total
31 December 2012	129,654	3,643	6	239	133,542
31 December 2011	185,752	12,804	499	44	199,099

16. 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 deposits 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 2012 and 2011 the Group's policy that no speculative trading in derivatives shall be undertaken.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

- **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 15). 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 deposits 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 2012 and 31 December 2011 (see Note 15).

- **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 2012 and 31 December 2011 based on undiscounted payments including interest.

EUR‘000	< 1 year	1 to 5 years	> 5 years	Total
At 31 December 2012				
Loans	17,386	62,812	7,180	87,378
Bonds issued	58,370	443,558	519,688	1,021,616
Other long-term liabilities	-	977	2	979
Accounts payable and accruals	204,714	-	-	204,714
Interest rate swaps	2,807	10,075	-	12,882
Interest rate collars	-	323	-	323
Forward foreign exchange contracts	1,884	-	-	1,884
Cash-settled share-based payments	521	2080	-	2,601

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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	702	-	1,371

For a description of the Group's liquidity position at the date of approval of these financial statements refer to Note 2(a) "Going concern basis of accounting" on page 89.

- **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.

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 2012 approximately 38% of the OKD' sales (2011: 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 2012 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 align the terms of the derivatives and the item at risk to maximize effectiveness of the derivative as a hedge of the foreign currency risk. In 2012 and 2011 the Group applied hedge accounting for forward foreign exchange rate contracts 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 and NWR NV had the following CZK-denominated balances and the consolidated subsidiaries had the following EUR-denominated balances which when retranslated affect the income statement:

	2012			2011		
EUR'000	EUR denominated	CZK denominated	Total	EUR denominated	CZK denominated	Total
Cash & bank balances	30,759	22,664	53,423	33,488	12,332	45,820
Accounts receivable*	38,287	185,193	223,480	297,956	174,913	472,869
Accounts payable*	(94,776)	(1,203)	(95,979)	(168,298)	(787)	(169,085)
Loans	-	-	-	-	(9,689)	(9,689)
Gross balance sheet exposure	**(25,730)**	**206,654**	**180,924**	**163,146**	**176,769**	**339,915**

* including intercompany balances and intercompany loans

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The following table demonstrates the sensitivity of strengthening (i.e. appreciation) CZK to EUR 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).

	2012			2011		
EUR'000	EUR denominated	CZK denominated	Total	EUR denominated	CZK denominated	Total
Appreciation of CZK against EUR by 3%						
Effect on profit after tax	**625**	**6,200**	**6,825**	**(3,964)**	**5,303**	**1,339**

The appreciation of the CZK against the EUR by 3%, with all other variables held unchanged would result in profit after tax of EUR 6,825 thousand (2011: loss after tax of EUR 1,339 thousand).

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

Fair value of derivative instruments	2012		2011	
EUR'000	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	760	1,884	-	37,348
of which short-term part	760	1,884	-	24,718
of which long-term part	-	-	-	12,630

Nominal value of derivative instruments	2012		2011	
EUR'000	Czech crown denominated contracts	Polish zloty denominated contracts	Czech crown denominated contracts	Polish zloty denominated contracts
Forward exchange contracts	171,000	28,500	526,500	120,000

The Company concluded forward exchange contracts in the total nominal value of CZK 11,058,070 thousand (EUR 454,500 thousand) throughout 2012.

In 2012 and 2011, changes in the fair value of forward exchange contracts that were subject to hedge accounting were accounted for in the hedging reserve in equity. The reserve amounts to EUR 7,825 thousand as of 31 December 2012 (2011: EUR (2,168) 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 2012 was EUR (4,526) thousand (2011: EUR 3,980 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 2012, 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 forward interest rate swaps 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 received matched the fixed rate that the Group paid on its Senior Secured Notes. This forward interest rate was terminated during the year 2012.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 result after tax as if market interest rates had been 0.25% higher respectively lower over the whole period from 1 January 2012 to 31 December 2012 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 the result after tax is equal to EUR 908 thousand and EUR (908) thousand respectively.

7.375% Senior Notes due 2015 and 7.875% Senior Secured Notes due 2018 (collectively referred to as 'bonds') bear a fixed interest rate and are stated at amortised cost. Therefore the change in market interest rates and subsequent changes 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	2012		2011	
EUR'000	Assets	Liabilities	Assets	Liabilities
Interest rates swap contracts	-	12,882	-	15,751
Interest rates collar contracts	-	323	15	302
	-	**13,205**	**15**	**16,053**
of which short-term part	-	2,807	-	3,351
of which long-term part	-	10,398	15	12,702
	-	13,205	15	16,053

Nominal value of derivative instruments	2012		2011	
EUR'000	Czech crown denominated contracts	Euro denominated contracts	Czech crown denominated contracts	Euro denominated contracts
Interest rates swap contracts	35,253	180,423	41,983	509,727
Interest rates collar contracts	4,305	-	8,397	-
	39,558	**180,423**	**50,380**	**509,727**

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, in this case, the Group does not apply hedge accounting.

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 1,316,657thousand at 31 December 2012 (2011: EUR 1,147,622 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. Management regularly review the capital structure of the Group and the resultant gearing.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 2012.

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 result after tax from continuing operations before non-controlling interest, income tax, net financial costs, depreciation and amortisation, impairment of property, plant and equipment ('PPE') and gains/losses from sale of PPE.

EUR'000	2012	2011
Interest bearing loans and borrowings		
Bonds issued	741,805	738,646
Long-term loans	62,333	76,184
Current portion of long-term loans	13,852	13,852
Short-term loans	-	99,695
	817,990	928,377
Less Cash and cash equivalents	266,910	536,911
Net debt	551,080	391,466
Profit before tax	14,985	192,441
Net financial expenses	47,413	89,095
(Gain) / loss from sale of property, plant and equipment	(105)	1,536
Depreciation and Amortization	173,997	176,389
Gain recognized on impairment correction	(7,438)	-
EBITDA	228,852	459,461
Gearing ratio	**2.41**	**0.85**

The gearing ratio for the year ended 31 December 2012 and 31 December 2011 is calculated on an 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 amounts to 2.41 as of 31 December 2012 (2011: 0.85).

16. 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.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Carrying amounts and the estimated fair values of financial assets and liabilities at 31 December 2012 and 31 December 2011 are as follows:

EUR'000	2012	2011
	Carrying Value	Carrying Value
Financial assets:		
Fair value through profit or loss		
Interest rate collars	-	15
Forward exchange contracts	760	-
Loans and receivables		
Long-term receivables [*Fair value 2012: 7,942 (2011: 10,088)*]	7,949	10,217
Accounts receivable and prepayments	137,417	204,581
Available for sale		
Restricted deposits	13,300	18,971
Cash and cash equivalents	266,910	536,911
Total	**426,336**	**770,695**
Financial liabilities:		
Fair value through profit or loss		
Interest rate swaps	12,882	15,751
Interest rate collars	323	302
Forward exchange contracts	981	18,729
Forward exchange contracts, designated as hedges	903	18,619
Other		
Long-term loans	62,333	76,184
Bonds issued [*Fair value 2012: 778,005 (2011: 700,024)*]	750,742	747,583
Other long-term liabilities	979	466
Accounts payable and accruals	204,714	217,896
Current portion of long-term loans	13,852	13,852
Short-term bank loans	-	99,695
Cash-settled share-based payments	2,601	1,371
Total	**1,050,310**	**1,210,448**

Except where noted, carrying amounts equal fair value.

16. 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 implements valuation techniques used by banks in which all significant inputs were based on observable market data.

EUR'000	2012		2011	
Fair value of derivative instruments	Assets Level 2	Liabilities Level 2	Assets Level 2	Liabilities Level 2
Interest rates swap contracts	-	12,882	-	15,751
Interest rates collar contracts	-	323	15	302
Forward foreign exchange contracts	760	1,884	-	37,348
	760	**15,089**	**15**	**53,401**

17. CASH AND CASH EQUIVALENTS

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

EUR'000	2012	2011
Cash in bank	266,769	536,764
Cash on hand and cash in transit	141	147
	266,910	**536,911**

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.

18. ACCOUNTS PAYABLE AND ACCRUALS

EUR'000	2012	2011
Trade payables	135,695	137,820
Wages and salaries payable	20,263	15,691
Social and health insurance payable	8,846	9,410
VAT and other tax payable	5,644	4,118
Other payables and accruals	34,266	50,857
	204,714	**217,896**

19. INTEREST-BEARING LOANS AND BORROWINGS

This Note provides information about the contractual terms of the group's loans and borrowings, which are measured at amortised cost.

Long-term bank loan

The long-term bank loan comprises Export Credit Agency ('ECA') loan.

EUR'000	*Currency*	*Effective interest rate*	*Maturity*	2012	2011
Export Credit Agency loan ('ECA')	EUR	EURIBOR+1.65%	2010-2018	76,185	90,036
Total long-term loans				**76,185**	**90,036**
of which current portion				13,852	13,852
of which long-term portion				**62,333**	**76,184**

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 the ECA loan agreement and was in compliance with all those covenants throughout the reporting period.

Short-term bank loan

EUR'000	*Currency*	*Effective interest rate*	*Maturity*	2012	2011
Revolving Credit Facility loan (RCF')	EUR	Euribor, Pribor + 1.0-1.3%	2014	-	99,695
Total short-term loans				**-**	**99,695**

On 7 February 2011, the Group entered into RCF, which provided 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 was used for general corporate purposes. The facility was repaid in full on 15 November 2012, however, it continues to be available for future drawdowns until January 2014, provided the Group is in compliance with certain financial covenants.

Post year end renegotiation

For a description of the position subsequent to the year end, the renegotiation of the ECA and RCF during March 2013 and the Group's liquidity position at the date of approval of these financial statements refer to Note 2(a) "Going concern basis of accounting" on page 89.

20. BONDS ISSUED

a) The Senior Notes due 2015

NWR NV 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 2012 is EUR 256,374 thousand (2011: EUR 257,565 thousand). Effective interest rate is 8.064%.

In October 2011 NWR NV 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.

The Senior Notes due 2015 were repaid on 22 February 2013 in the total amount of EUR 267,381 thousand (including accrued interest and the call premium), following an issuance of EUR 275,000 thousand Senior Notes due 2021 on 23 January 2013. See subsequent events for more details.

b) The Senior Secured Notes due 2018

NWR NV issued EUR 475 million Senior Secured Notes due 2018 on the Global Exchange Market of the Irish Stock Exchange on 27 April 2010. The notes were issued with a coupon rate of 7.875% and an 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.

On 18 May 2010, NWR NV 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.

21. 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.

21. SHARE CAPITAL AND RESERVES (CONTINUED)

Issued and fully paid up share capital	Number of shares		Aggregate nominal value (EUR'000)	
	2012	2011	2012	2011
A ordinary shares				
At 1 January / 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 2012 and 2011.

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.

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 16.

Other comprehensive income, net of tax

EUR´000	Foreign exchange translation reserve	Restricted reserve	Hedging reserve	**Total other comprehensive income**
Year ended 31 December 2012				
Foreign currency translation differences	25,563	3,272	215	**29,050**
Derivatives – net change in fair value of cash flow hedges	-	-	1,381	**1,381**
Derivatives – fair value of cash flow hedges reclassified to profit and loss	-	-	8,402	**8,402**
Total other comprehensive income, net of tax	25,563	3,272	9,998	**38,833**
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)**

22. PROVISIONS

The provision balances are as follows:

EUR'000	1 January 2012	Charged	Capitalised	Utilised	Unwinding of discount	Currency translation	31 December 2012
Restoration and mine closure provision	149,725	-	5,964	(5,624)	4,626	3,786	158,477
Mining damage	15,725	18,505	-	(13,282)	-	399	21,347
Other restoration costs	1,306	-	-	(1,339)	-	33	-
Total long-term provisions	**166,756**	**18,505**	**5,964**	**(20,245)**	**4,626**	**4,218**	**179,824**
Taxation	4,591	-	-	(4,591)	-	-	-
Unpaid vacation	3,186	6,417	-	(6,384)	-	79	3,298
Other	1,362	1,412	-	(426)	-	35	2,383
Total short-term provisions	**9,139**	**7,829**	**-**	**(11,401)**	**-**	**114**	**5,681**

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 158,477 thousand (2011: EUR 149,725 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 2.0% p.a. (2011: 3.71% p.a.).

In 2011, the Group recognised a tax provision of EUR 4,591 thousand relating to an on-going tax audit initiated by the tax authorities. In 2012, the tax audit was finished and the Group paid an amount of EUR 3,979 thousand to the tax authorities.

Environmental issues

The Group (specifically OKK Koksovny, a.s.) owns property which suffers from historical environmental damage caused before its initial privatisation. The process of reclamation of historical environmental damage caused before privatisation is subject to several regulations.

Under these regulations, a property owner is prima facie obligated to remediate environmental damage relating to the properties that it owns but the Czech legislation relating to privatisation authorises the Czech Republic to make agreements under which it would accept responsibility to fund expenses incurred for the clean-up of environmental damage relating to the pre-privatisation period.

Accordingly, in connection with its privatisation, the Group and the Czech Republic entered into an agreement (the Ecological Agreement) covering the obligation to clean-up historical environmental damage and the obligation of the Czech Republic to fund the Group's costs of reclamation of historical environmental damage to the Group's property. Historical environmental damage covers any pollution of ground water, pollution of soil and mineral environment, existence of detrimental waste dumps and pollution of structures that arose prior to privatisation. The maximum the Czech Republic will pay under this agreement for clean-up work is limited to CZK 27.8 billion (€1,100 million approximately) of which CZK 2.56 billion (€100 million approximately) has been utilised to date. We estimate that the total potential cost of clean-up activities will be significantly less than the maximum amount stipulated in the contract. If it becomes clear to us that any obligation would fall on the Group we would provide for our best estimate of the cost.

22. PROVISIONS (CONTINUED)

The general obligation to clean-up environmental damage caused prior to privatisation is only crystallised into a specific obligation through a procedure involving (i) an ecological audit, (ii) environmental analysis and feasibility studies on the reclamation and (iii) a decision by the Czech Environmental Inspection Agency requiring clean-up action to be taken.

Under the Ecological Agreement, only the Czech Republic has the authority to approve any reclamation project and the reclamation projects are subject to public procurement arranged by the Czech Republic. The contract for reclamation works will be entered into by the Czech Republic with the procurement winner. The Czech Republic is the direct contractor of the reclamation activities and is obligated to pay the costs incurred, subject to the above mentioned cap.

In summary, the Czech Republic therefore controls the scope and timing of all clean-up activities and selects and agrees the key contractual terms and enters into the contracts with the contractors carrying out the works and is obliged to pay the costs incurred. The Group is not obligated to carry out any work with regard to damage caused pre-privatisation which has not been subject to this process.

23. DEFERRED REVENUE (LONG-TERM)

Deferred revenue is represented mostly by government grants that are amortised over the expected useful life of environmental improvements acquired with funds from government subsidies. The total book value of deferred revenue amounts to EUR 2,704 thousand as of 31 December 2012 (2011: EUR 2,128 thousand), out of which government grants amount to EUR 1,543 thousand (2011: EUR 1,752 thousand).

24. EMPLOYEE BENEFITS

The Group provides a number of different long-term employment 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	2012	2011
Special miners benefits	60,687	54,669
Severance payment	19,549	21,951
Vouchers	9,380	8,864
Loyalty benefits	1,574	1,240
Other long-term benefits	2,021	1,188
	93,211	**87,912**

Increase in employee benefits as of 31 December 2012 compared to 31 December 2011 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.

24. EMPLOYEE BENEFITS (CONTINUED)

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

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

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

Vouchers
This benefit has been recognized at OKD since 1 January 2009 based on an amendment to the collective agreement between OKD and its labour union at that time. All employees are granted vouchers 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.

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

Changes in the present value of the defined benefit obligation:

EUR‘000	2012	2011
Defined benefit obligation at 1 January	87,912	95,892
Benefits paid	(11,172)	(10,766)
Net benefit expense	14,246	5,229
Currency translation	2,225	(2,443)
Defined benefit obligation at 31 December	**93,211**	**87,912**

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

EUR‘000	2012	2011
Current service cost	5,572	5,083
Interest cost on benefit obligation	1,378	2,948
Actuarial loss/(gain)	7,296	(2,802)
Net benefit expense	**14,246**	**5,229**

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

24. EMPLOYEE BENEFITS (CONTINUED)

Discount rate - Discount rate is derived from the yield of the Czech government bonds as of the balance sheet date. The average period of payment is considered for the choice of the most suitable bond. The discount rate used for the calculation of employee benefits as of 31 December 2012 was 1.58 % p.a. (as of 31 December 2011: 3.58% p.a.).

Wage increase - This assumption is relevant where the benefit depends on the future wage. In all cases the Group estimates an average wage increase of 4.6% per annum as of 31 December 2012 (6% per annum as of 31 December 2011).

Mortality - Model mortality for the benefit calculation is undertaken from statistical tables, specific to the relevant region in which OKD mines, as published by the Czech Statistical Office.

Retirement age – that variable has changed in 2012 compared to 2011 due to change of applicable Czech legislation.

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 under Czech legislation less 5 years if an employee started working as a miner before 1 January 1993 and worked 3,300 shifts in underground by 31 December 2008
- 62-70 years (2011: 66 years) for all other employees not fulfilling above criteria

The retirement age for women is set to 58-70 years (2011: 63 years).

25. 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 ones relevant for the Company). 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 and share options granted to executive Directors

Executive Director of NWR Plc and Chief Executive Officer of OKD Mr. Klaus-Dieter Beck (Mr. Beck retired from his position effective 1 January 2013 and following his resignation, became a non-executive Director of NWR Plc) 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. No further shares will be granted to Mr. Beck following his resignation.

b) 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:

25. SHARE BASED PAYMENTS (CONTINUED)

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.

c) 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, which granted the shares, 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	30,850	3 years' service from the grant date	3 years from vesting date
16 May 2012	572,343	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:

	Deferred bonus plan 2012	Deferred bonus plan 2011
Fair value at grant date	€1.01	€3.04
Share price at grant date	€4.27	€11.44
Exercise price	-	-
Expected volatility	11.44%	15.18%
Expected life	3 years	3 years
Expected dividends	5.39%	3.85%
Risk-free interest rate	2.48%	3.19%

Personnel expenses

EUR'000	2012	2011
Share-based remuneration schemes		
Mike Salamon	-	2,207
Klaus-Dieter Beck	857	1,777
Stock Option Plan	2,606	2,036
Deferred Bonus Plan	1,366	726
Total expense recognised as personnel expenses	**4,829**	**6,746**

26. FUTURE COMMITMENTS

The Group has the following operating lease and capital commitments in respect of:

EUR'000	2012	2011
Non-cancellable operating leases		
Instalments due within one year	2,205	2,548
Instalments due between two and five years	8,174	9,274
	10,379	**11,822**
Acquisition of property, plant and equipment		
From third parties	75,884	102,973

Leased items include equipment, land and buildings. There are no leases with term exceeding 5 years. Operating lease expense in 2012 was EUR 2,924 thousand (2011: EUR 2,994 thousand).

Included with the contractual obligations to acquire property, plant and equipment EUR 29,913 thousand is spread over more than one year (2011: EUR 34,093 thousand).

27. AUDITOR´S REMUNERATION

EUR'000	2012	2011
Audit service pursuant to legislation		
-audit of the financial statements	218	219
-audit of financial statements of subsidiaries	329	328
	547	547
Audit related services		
-review/agreed upon procedures on interim financial statements	341	314
Tax advisory services	15	-
Non audit services		
-services in relation to reincorporation	-	300
-services in relation to bond issue	142	-
-other services	40	209
	182	509
	1,085	**1,370**

28. CONTINGENT ASSETS AND LIABILITIES

The Group has the following significant contingent assets and contingent liabilities as at 31 December 2012:

In 2009, NWR Karbonia received a claim for damages from Vattenfall Sales Poland Sp. Z o.o. ('VSP') for the amount of PLN 12 million. NWR Karbonia disputed the claim. VSP took this claim to the Regional Court in Bielsko-Biala seeking only PLN 1 million in damages. In December 2010, the Regional Court in Bielsko-Biala dismissed VSP's claim in its entirety, however VSP won an appeal reversing the Regional Court in Bielsko-Biala's decision. In December 2011 VSP was acquired by TAURON Sprzedaz GZE Sp. Z o.o. ('Tauron'). On 23 July 2012, the Regional Court in Katowice ruled and ordered NWR Karbonia to pay PLN 9,213 thousand (approx. EUR 2,195 thousand) including trial costs plus interest to Tauron. NWR Karbonia opposes the ruling and appealed against the verdict. Management is of the opinion that it is more likely than not that the case will not result in charges for the company and as such no provision has been included in the financial statements as at 31 December 2012.

28. CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

OKD have been claimed against for unfounded enrichment by Mr. Otakar Černý in relation to Improvement proposal no. 31/5-15/95 for a total of CZK 1,087 billion (approx. EUR 43 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. Management is of the opinion that it is more likely than not that the case will not result in charges for the Company and as such no provision has been included in the financial statements as at 31 December 2012.

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 rule in favour of the claimant, the judgment would be applicable to 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. Management is of the opinion that it is more likely than not that the case will not result in charges for OKD and as such no provision has been included in the financial statements as at 31 December 2012.

On 31 December 2010 permits pertaining to the construction of certain buildings in the Frenstat area expired and subsequent extensions were refused by the regional authorities during 2011 and 2012. On 12 June 2012 OKD appealed this matter in the Regional Court in Ostrava. Effective 1 January 2013, amendment to the Building Act, Mining Act and Act on Protection of Nature and Landscape in the Czech Republic resulted in all building permits relating to mining activities being subject to the relevant mining authorities and not the regional authorities and therefore OKD on 11 February 2013 submitted a new application to the Local Mining Authority. The proceedings are still pending though the Group plans to apply to have the proceedings suspended on the basis of the recent change, and the impact of an unfavourable decision for OKD would require the demolition of these respective assets, for which management have not reliably been able to estimate the cost at this point. OKD believes that the claim is more likely than not to be overturned by either the Regional Court or the Local Mining Authority and accordingly no provision has been recognised as at 31 December 2012.

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 at 31 December 2012 for any of the litigation proceedings. At the date of these financial statements, based on advice of counsel, the management of the Group believes that the litigation proceedings have no significant impact on the Group's financial position as at 31 December 2012.

29. 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 (the maximum amount of dividends and other restricted payments that could be made) amounted to approximately EUR 84,050 thousand as at 31 December 2012 (2011: 116,962 thousand). The repayment of the Senior Notes due 2015 and issuance of the Senior Notes due 2021 (see subsequent events for more details) positively affect the restricted payment basket by approximately EUR 74,766 thousand.

30. SUBSEQUENT EVENTS

Senior Notes Issuance

On 23 January 2013, NWR NV successfully closed its offering and issued EUR 275 million Senior Notes due 2021 (the ‘Notes’). The Notes carry a coupon of 7.875% and were sold at par. The net proceeds were used to repay in full the outstanding amounts of the 7.375% Senior Notes due 2015 and for fees, expenses and general corporate purposes. The Notes are traded on the Global Exchange Market of the Irish Stock Exchange.

The Senior Notes due 2015 were repaid on 22 February 2013 in the total amount of EUR 267 million, including accrued interest and call premium. Following the repayment, the Senior Notes due 2015 were delisted from the Global Exchange Market of the Irish Stock Exchange.

Interest-bearing loans and borrowings

For a description of the renegotiation of the ECA and RCF during March 2013, refer to Note 2(a) “Going concern basis of accounting” on page 89.

Dividends

On 22 March 2013, the Company paid an A share dividend totaling EUR 10,000 thousand to its sole shareholder, NWR Plc.

NEW WORLD RESOURCES N.V.
COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

EUR'000	*Note*	2012	2011
Operating revenue	*C*	2,297	1,328
Operating expenses	*D*	(8,838)	(29,539)
Operating loss		(6,541)	(28,211)
Financial expenses, net	*E*	(4,275)	(73,507)
Dividend income from subsidiaries	*F*	238,880	250,600
Impairment of financial investments	*G*	(229,549)	-
(Loss) / Profit before tax		**(1,485)**	**148,882**
Income tax expense	*H*	-	-
(Loss) / Profit for the year		**(1,485)**	**148,882**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**(1,485)**	**148,882**

The notes on pages 141 to 150 are an integral part of these financial statements.

NEW WORLD RESOURCES N.V.
COMPANY STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2012

EUR '000	*Note*	2012	2011
ASSETS			
Investments in subsidiaries	*J*	1,188,731	1,384,740
Long-term loans provided to subsidiaries	*L*	451,872	408,668
Property, plant and equipment	*I*	2,084	113
TOTAL NON-CURRENT ASSETS		1,642,687	1,793,521
Short-term part of long-term loans provided to subsidiaries	*L*	168,087	145,364
Accounts receivable and prepayments	*M*	25,586	30,108
Derivatives	*K*	760	-
Cash and cash equivalents		179,287	455,150
Restricted cash	*N*	-	6,465
TOTAL CURRENT ASSETS		373,720	637,087
TOTAL ASSETS		**2,016,407**	**2,430,608**
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	*O*	105,883	105,883
Share premium	*O*	457,269	457,269
Retained earnings	*O*	571,847	609,759
TOTAL EQUITY		1,134,999	1,172,911
LIABILITIES			
Bond issued	*W*	741,805	738,646
Long-term loans	*W*	62,333	76,184
Derivatives	*K*	3,973	16,967
Cash-settled share-based payments	*W*	234	211
TOTAL NON-CURRENT LIABILITIES		808,345	832,008
Provision	*P*	-	4,591
Short-term bank loan	*W*	-	99,695
Short-term liabilities from cash pool	*Q*	40,863	254,168
Short-term part of long-term bank loans	*W*	13,852	13,852
Derivatives	*K*	4,248	28,069
Accounts payable and accruals	*R*	14,100	25,314
TOTAL CURRENT LIABILITIES		73,063	425,689
TOTAL LIABILITIES		881,408	1,257,697
TOTAL EQUITY AND LIABILITIES		**2,016,407**	**2,430,608**

The notes on pages 141 to 150 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 2012

EUR '000	Share capital	Share premium	Equity-settled share-based payments	Retained earnings	Total equity
1 January 2012	**105,883**	**457,269**	**-**	**609,759**	**1,172,911**
Total comprehensive income for the year	-	-	-	(1,485)	(1,485)
Share options granted by holding company	-	-	-	631	631
Dividends paid to A shareholders	-	-	-	(37,058)	(37,058)
31 December 2012	**105,883**	**457,269**	**-**	**571,847**	**1,134,999**

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**

The notes on pages 141 to 150 are an integral part of these financial statements.

NEW WORLD RESOURCES N.V.
COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

EUR '000	2012	2011
Cash flows from operating activities		
(Loss) / Profit before tax	(1,485)	148,882
Adjustments for:		
Depreciation	79	521
Amortisation costs on long-term loans and bonds	3,556	4,103
Profit on bond redemption	-	(957)
Impairment of financial investments	229,549	-
Change in provision	(612)	4,591
Dividend income	(238,880)	(250,600)
Interest expense, net	20,399	20,418
Change in fair value of derivatives	(37,575)	31,923
Share-based payments	653	2,475
Unrealized foreign exchange (gain)/loss	(769)	4,287
Cash flow before working capital changes	(25,085)	(34,355)
(Decrease) / Increase in accounts payable and accruals	286	(1,789)
(Increase) / Decrease in accounts receivable and prepayments	(3,757)	(2,043)
(Increase) / Decrease in restricted cash	6,465	(6,465)
Other non-cash movements	(2,751)	(1,106)
Cash generated from operating activities	243	(11,403)
Net cash flows from operating activities	**(24,842)**	**(45,758)**
Cash flows from investing activities		
Loans provided to subsidiaries	58,404	(20,411)
Purchase of tangible fixed assets	(6,622)	(2,139)
Share capital increase in subsidiaries	(34,088)	(70,659)
Interest received	42,079	42,910
Dividends received	120,672	249,466
Net cash flow from investing activities	**180,445**	**199,167**
Cash flows from financing activities:		
Dividends paid to A and B shareholders	(37,058)	(140,586)
Interest paid	(64,558)	(64,894)
Bond redemption	-	(8,844)
Proceeds from short-term borrowings	-	99,948
Repayments of other long-term loans	(114,300)	(13,555)
Increase of cash pool liabilities	(216,867)	38,225
Net cash flow from financing activities	**(432,783)**	**(89,706)**
Net increase in cash and cash equivalents	(277,180)	63,703
Effect of exchange rate fluctuations on cash held	1,317	(1,635)
Cash and Cash Equivalents at the beginning of year	455,150	393,082
Cash and Cash Equivalents at the end of year	**179,287**	**455,150**

The notes on pages 141 to 150 are an integral part of these financial statements.

A GENERAL INFORMATION

a) Corporate Information

New World Resources N.V. (the 'Company' or 'NWR NV') is a public limited liability company with its registered seat at Jachthavenweg 109h, 1081 KM Amsterdam. Its sole 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 description of the application of the going concern basis set out in Note 2(a) "Going concern basis of accounting" in the consolidated financial statements on page 89 also applies to these company financial statements.

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 25 March 2013.

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 subsidiaries 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	2012	2011
Service fees	1,584	1,096
Office rent (sub-lease)	89	200
Other operating revenue	624	32
	2,297	**1,328**

D OPERATING EXPENSES

EUR '000	2012	2011
Personnel expenses	(1,665)	(8,668)
Service expenses	(5,930)	(20,053)
Consumption of material and energy	(67)	(67)
Depreciation	(79)	(118)
Other operating expenses	(1,097)	(633)
	(8,838)	**(29,539)**

During the year 2012 the Company employed an average of 18 employees (2011: 22 employees).

E FINANCIAL INCOME AND EXPENSES

EUR '000	2012	2011
Financial income comprise:		
Interest income	43,915	43,042
Profit on derivative instruments	25,336	2,197
Realized and unrealized foreign exchange gains	14,399	11,546
Profit on bond redemption	-	957
	83,650	**57,742**

EUR '000	2012	2011
Financial expense comprise:		
Bonds interest expense	(61,537)	(61,900)
Realized and unrealized foreign exchange losses	(11,653)	(16,420)
Bank interest expense	(6,333)	(5,631)
Loss on derivative instruments	(5,220)	(44,226)
Guarantee fee expense	(3,081)	(2,587)
Other	(101)	(485)
	(87,925)	**(131,249)**
Financial expenses, net	**(4,275)**	**(73,507)**

F DIVIDEND INCOME FROM SUBSIDIARIES

EUR '000	2012	2011
OKD, a.s.	238,880	245,358
OKK Koksovny, a.s.	-	5,242
	238,880	**516,004**

On 15 May 2012 an OKD dividend of approximately EUR 238,880 thousand (CZK 6,095,025 thousand) was declared. The Company and its subsidiary OKD agreed that EUR 120,000 thousand of this amount will be provided to OKD through an additional Tranche of the Intercompany Revolving Credit Agreement.

G IMPAIRMENT OF FINANCIAL INVESTMENTS

EUR '000	2012	2011
OKD, a.s.	145,484	-
OKK Koksovny, a.s.	84,065	-
	229,549	**-**

During 2012, due to continuing volatility in the commodity markets, the Company estimated the recoverable amount of it's financial investments in individual subsidiaries using a value in use ("ViU") model, which was based on the most recent financial budgets as approved by the Board, from mid-term five year plans and on the projected life of the group's mines and coking facilities. The recoverable value of the financial investments was estimated to be lower than the carrying value of the associated assets and accordingly an impairment charge of EUR 229,549 thousand has been recognised.

There are two key assumptions used in the calculation of the recoverable amount. These key assumptions are the discount rate and coal and coke sales prices. The estimated value in use was determined using a post-tax discount rate of 10.10% (equivalent of pre-tax discount rates between 11.66% and 12.22% for various CGU's) and sales prices were derived from the median of a range of mid-term publically available market data.

H INCOME TAX EXPENSE

Due to the fact that the Company suffered a taxable loss during the year, no corporate income tax is due.

During the year 2011, the Comany and NWR Plc formed a fiscal unity for corporate income tax ('CIT') purposes. NWR Plc is head of this fiscal unity and all the taxable results of the Company are included in the CIT fiscal unity return of NWR Plc. The Company has continued to monitor its own taxable loss.

The reconciliation between net loss and tax loss for the year 2012 can be detailed as follows:

EUR '000	2012
Net loss	**(1,485)**
Non-taxable dividend income from subsidiaries	(238,880)
Non-deductible impairment of financial investments	229,549
Non-deductible costs related to stock options and charges granted to employees	653
Non-deductible donations	234
Linear amortization bond issue costs	387
Non-deductible penalties	25
Non-deductible mixed costs	1
Withholding tax on operational lease	5
Taxable loss (estimate)	**(9,511)**

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. As at 31 December 2012, the accumulated tax losses amounted to approximately EUR 330,260 thousand including above mentioned estimate.

I PROPERTY, PLANT AND EQUIPMENT

EUR '000	2012	2011
1 January	**113**	**209**
Additions	13	23
Assets under construction	2,037	-
Assets sold	-	(1)
Depreciation charge for the year	(79)	(118)
31 December	**2,084**	**113**

J INVESTMENTS IN SUBSIDIARIES

The investments in subsidiaries can be detailed as follows:

EUR '000	2012	2011
OKD, a.s. (100%)	1,115,854	1,224,867
OKK Koksovny, a.s. (100%)	17,587	101,652
NWR KARBONIA S.A. (100%)	55,167	55,167
Provide, s.r.o. (100%)	-	2,931
NWR Communications, s.r.o. (100%)	123	123
	1,188,731	**1,384,740**

As at 31 December 2012, 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	2012
1 January	**1,224,867**
Contribution of equipment contracts as of 30 January 2012 and 1 November 2012	33,540
Merger with Provide, s.r.o.	2,931
Impairment of financial investment	(145,484)
31 December	**1,115,854**

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

EUR '000	2012
1 January	**101,652**
Impairment of financial investment	(84,065)
31 December	**17,587**

K 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	2012		2011	
Fair value of derivative instruments	Assets	Liabilities	Assets	Liabilities
Foreign exchange forward contracts	**760**	**1,884**	**-**	**37,348**
short-term	760	1,884	-	24,718
long-term	-	-	-	12,630
Interest rates swap contracts	**-**	**6,338**	**-**	**7,689**
short-term	-	2,365	-	3,351
long-term	-	3,973	-	4,337
	760	**8,222**	**-**	**45,038**

L LOANS PROVIDED TO SUBSIDIARIES

EUR '000	2012	2011
OKK	139,651	117,586
OKD	472,545	433,192
Provide	-	3
NWR Plc – cash pool	7,400	2,206
HBZS – cash pool	363	1,045
	619,959	**554,032**

The Company and its subsidiary OKD agreed that EUR 120,000 thousand of OKD dividends declared on 15 May 2012 will be provided by the Company to OKD through an additional Tranche of the Intercompany Revolving Credit Agreement. This change to the loan agreement took effect per 21 May 2012.

M ACCOUNTS RECEIVABLE AND PREPAYMENTS

EUR '000	2012	2011
Interest receivable	14,333	12,496
Finance lease receivable	-	10,314
Prepayments for tangible fixed assets	4,480	-
Guarantee fee and prepayments	2,381	1,471
Advisory fee receivable	764	453
Coking coal accounts receivable against OKD	3,383	4,479
Other receivables and prepayments	245	895
	25,586	**30,108**

N RESTRICTED CASH

Short-term restricted cash recognised by the Company at 31 December 2011 resulted from guarantee terms related to two purchase contracts for mining equipment. The corresponding amount of EUR 6,465 thousand was released for payment to the supplier on 2 February 2012 after the mining equipment has been installed.

O 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 2012 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 2012.

Share premium

There were no transactions that would influence share premium during the year 2012. Total amount of share premium is attributable to A shares.

O SHARE CAPITAL AND RESERVES (CONTINUED)

Equity-settled share-based payments reserve

In 2011 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 continues to treat the remuneration schemes, taken over by the 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 25 Share-based payments within the Notes to consolidated financial statements.

Retained earnings

Split of the loss for the year and distributable reserve between A shares and B shares is as follows:

EUR'000	A share	B share
At 1 January 2012	609,633	126
Loss for the year	(1,482)	(3)
Dividends paid	(37,058)	-
Equity-settled share-based payments granted by holding company	630	-
At 31 December 2012	**571,723**	**123**

Reconciliation of Company shareholders' equity to Consolidated shareholders' equity at 31 December 2012:

EUR'000	31 December 2012
Company Shareholder's equity	1,134,999
Consolidated Shareholder's equity	765,577
Difference due to valuation of investments in subsidiaries at cost	369,422

Reconciliation of Company shareholders' result to Consolidated shareholders' result for the year ended 31 December 2012:

EUR'000	2012
Company loss for the year attributable to the Shareholders	(1,485)
Net profit of subsidiaries after adjustments for transactions between subsidiaries	33,992
Dividends received by the Company from subsidiaries	(238,880)
Elimination of impairment of financial investments	229,549
Capitalization of interest for consolidation	4,899
Change in fair value of derivatives reclassified into hedging reserve on consolidated level	(17,716)
Elimination of foreign exchange gains and losses between the Company and its subsidiaries	(5,319)
Consolidated profit for the year attributable to the Shareholders	5,040

P 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. In 2012, the tax audit was finished and the Company paid an amount of EUR 3,979 thousand to the tax authorities.

Q SHORT-TERM LIABILITIES FROM CASH POOL

The Company operates within its Group a zero-balance group cash pool arrangement. The funds are denominated in the following currencies: GBP, CZK and PLN.

EUR'000	2012	2011
OKD	3,121	214,359
NWR Plc	324	-
NWR Karbonia	37,418	39,809
	40,863	**254,168**

R ACCOUNTS PAYABLE AND ACCRUALS

EUR'000	2012	2011
Interest payable	9,120	9,364
Creditors	1,889	3,531
Accrual for unbilled mining equipment	-	8,651
Accrual for advisory fees	681	1,243
Personnel expenses payable	83	1,339
Other payables	2,327	1,186
	14,100	**25,314**

S RELATED PARTY TRANSACTIONS

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

- NWR Plc
- NWR Services Ltd.
- BXR Group 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	2012	2011
Sales to related parties		
Management and advisory services	1,584	1,079
Other	89	162
	1,673	**1,241**
Purchases from related parties		
Advisory and related services	(1,398)	(1,756)
Office rent	(297)	-
Other	(58)	(177)
	(1,753)	**(1,933)**
Financial income / expenses to / from related parties		
Interest income	40,828	37,455
Guarantee fees	(3,080)	(2,533)

S RELATED PARTY TRANSACTIONS (CONTINUED)

EUR'000	2012	2011
Receivables from related parties		
Accounts receivable	4,056	5,275
Cash pool receivables	7,763	3,251
Loans provided to related parties	612,196	550,781
	624,015	**559,307**
Payables to related parties		
Accounts payable	228	122
Cash pool liabilities	40,863	254,168
	41,091	**254,290**

T DIRECTORS' REMUNERATION

Following the reincorporation process in 2011, the Directors' remuneration is covered by the new holding company, NWR Plc. As such, the Company incurred no expenses for directors' remuneration in the financial year 2012. The emoluments for directors and former directors of the Company (as intended in Section 2:383(1) of the Netherlands Civil Code), which were charged in the financial year 2011 to the Company, amounted to EUR 571 thousand.

Please see also the Remuneration report.

U FUTURE COMMITMENTS

The Company has the following commitments in respect of:

EUR'000	2012	2011
Non-cancellable operating leases		
Installments due within one year	354	479
Installments due within two and five years	1,418	1,917
	1,772	2,396
Acquisition of property, plant and equipment		
From third parties	27,096	22,107

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.

V OTHER MATERIAL MATTERS

Three Company's subsidiaries provided a guarantee for the bond issued by the Company on 27 April 2010. The guarantee fee expense for 2012 for the bond equals EUR 2,155 thousand. The total guarantee fee expense amount is split as follows: EUR 1,868 thousand for OKD, EUR 94 thousand for OKK and EUR 193 thousand for Karbonia. The respective amounts for 2011 are: EUR 1,860 thousand, EUR 94 thousand and EUR 47 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 2011 was EUR 302 thousand. In 2012 the expense was EUR 264 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.

V OTHER MATERIAL MATTERS (CONTINUED)

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. The guarantee fee expense for 2012 for the RCF loan equals EUR 661 thousand. Total guarantee fee expense amount is split as follows: EUR 530 thousand for OKD, EUR 76 thousand for OKK and EUR 55 thousand for Karbonia. The respective amounts for 2011 are: EUR 184 thousand, EUR 23 thousand and EUR 19 thousand.

W REFFERENCE TO THE CONSOLIDATED FINANCIAL STATEMENTS

Please refer to the Notes to consolidated financial statements for the following items:

Share-based payments	Note 25 Share-based payments
Bond issued	Note 20 Bond issued
Long-term loans	Note 19 Interest-bearing loans and borrowings
Short-term loans	Note 19 Interest-bearing loans and borrowings
Dividends paid	Note 8 Dividends

X SUBSEQUENT EVENTS

See Notes to consolidated financial statements for subsequent events.

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

Amsterdam, 25 March 2013

Gareth Penny
Marek Jelínek
Barry Rourke
Paul Everard
Steven Schuit
Hans-Jörg Rudloff

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 is allocated to the dividend reserve A and dividend reserve B respectively.

ii. Proposed appropriation

It is proposed to deduct the loss for 2012 from retained earnings. This is incorporated in the financial statements. Please see also Note 21 of the notes to the consolidated financial statements.

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

Report on the financial statements

We have audited the accompanying financial statements 2012 of New World Resources N.V., Amsterdam, The Netherlands, set out on pages 81 to 149, which comprise the consolidated financial and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2012, consolidated income statement, the consolidated statements of comprehensive income, the changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these 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 annual 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 2012 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 page 7 to 50, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether 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, 25 March 2013

KPMG Accountants N.V.

F.J. van het Kaar RA

Additional information

Securities information

NWR NV's Securities

As at 31 December 2012, NWR had two bonds (2018 Senior Secured Notes and 2015 Senior Notes) listed on the Global Exchange Market of the Irish Stock Exchange.

On 23 January 2013, NWR NV successfully closed its offering and issued EUR 275 million 7.875% Senior Notes due 2021. The net proceeds were primarily used to repay in full the outstanding amounts of the 7.375% Senior Notes due 2015, which were repaid on 22 February 2013.

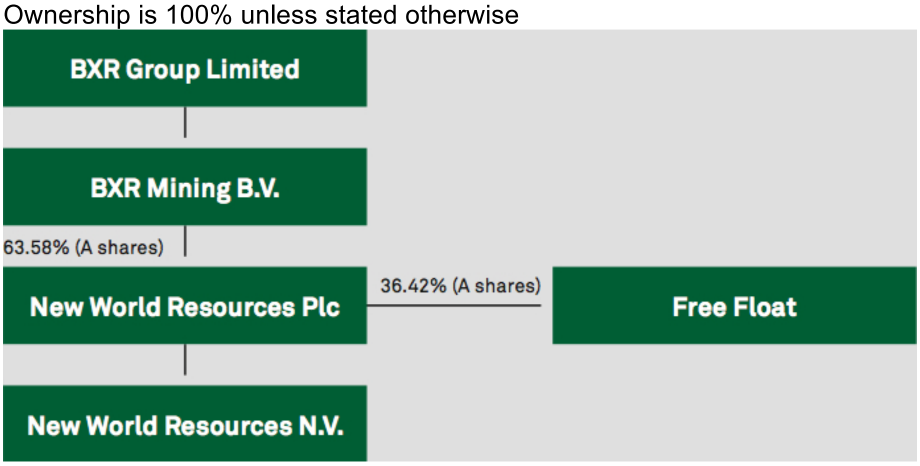
	2018 Senior Notes	2021 Senior Notes
Issuer	New World Resources N.V	New World Resources N.V
Listed	Global Exchange Market of the Irish Stock Exchange	Global Exchange Market of the Irish Stock Exchange
Governing Law	State of New York	State of New York
Outstanding Notes	EUR 500 million	EUR 275 million
Coupon	7.875%	7.875%
Maturity	May, 1 2018	January, 15 2021
Coupon Dates	May, 1 November, 1	January, 15 July, 15
ISIN	REGS: XS0504814509 144A: XS0504814764	REGS: XS0877986231 144A: XS0877986587

Share ownership

Share capital

Details about NWR's share capital are presented in Note 21 of the Consolidated Financial Statements on page 127.

Ownership is 100% unless stated otherwise



Majority shareholder

As from 9 October 2012, NWR Plc holds 100 per cent of the NWR NV 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 63.58 per cent of the NWR Plc A Shares, and (ii) RPG Property, the direct holder of all of the 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)	63.58
by public shareholders	36.42
Total A Shares	**100**

Notes:

(1) Peter 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 Company. BXRG Limited is the indirect parent company of BXR Mining and RPG Property and, accordingly, BXRG Limited owns a 100 per cent indirect interest in the NWR Plc A Shares held by BXR Mining, being approximately 63.6 per cent of the NWR Plc A Shares, and in the NWR Plc B Shares held by RPG Property, being 100 per cent of the B Shares. Mr. Kadas, a Non-Executive Director of NWR Plc, is also a director of Bakala Crossroads Partners Ltd, an affiliate of BXRG Limited.

(2) Zdenek 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 Company. Mr. Bakala and his family, through the Bakala entities, own 50 per cent of the outstanding voting capital in BXRG Limited. As set out in note (1) above, BXRG Limited owns a 100 per cent indirect interest in the NWR Plc A Shares held by BXR Mining, being approximately 63.6 per cent of the NWR Plc A Shares, and in the NWR Plc B Shares held by RPG Property, being 100 per cent of the NWR Plc B Shares.

BXRG Limited

BXRG Limited is an international investment group focused on investments in Central 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

The Company completed a redomiciliation to the United Kingdom by interposing a new English holding company, NWR Plc, between the Company and its shareholders. This was achieved through an exchange offer pursuant to which each holder of NWR NV A Shares of received one NWR Plc A Share in exchange for each NWR NV A Share tendered.

NWR Plc owns 100 per cent 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.

Reincorporation in the United Kingdom and squeeze-out proceedings

In October 2010, NWR NV announced its intention to move its domicile from the Netherlands to the United Kingdom. The rationale of this step was to enable NWR NV to become a constituent of the UK FTSE index series. The redomiciliation process included a share-for-share recommended exchange where shareholders of NWR NV were given the opportunity to exchange their shares into the shares of the newly established entity, New World Resources Plc. The process was largely completed in May 2011 when NWR Plc shares were admitted to the London, Prague and Warsaw Stock Exchanges. In June 2011, NWR Plc was included in the FTSE 250 and FTSE 350 Mining indices. 0.22% of NWR NV's share capital remained subject to Squeeze Out Proceedings under Dutch law, which came to a close in October 2012. Following that, NWR Plc became a sole shareholder of NWR NV. Also, NWR NV was delisted from the Warsaw Stock Exchange in October 2012, and its shares are no longer listed on any stock exchange.

Voting and transfer of shares

NWR's Articles of Association do not contain specific restrictions on the size of the shareholder's holding or on the transfer of shares. Nor is the Company aware of any agreements between shareholders that may result in the restrictions on the transfer of securities and/or voting rights.

NWR's Articles of Association do not contain, and the Company is not aware of, any restrictions on voting rights including any limitations on voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights and arrangements by which, with the Company's co-operation, financial rights carried by securities are held by a person other than the holder of the securities. For further information please refer to the Corporate Governance section of the Company's website www.newworldresources.eu.

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.

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.

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.

The AGM of the Company will be held on 26 April 2013 at The Steigenberger Airport Hotel, Amsterdam, the Netherlands at 10.30 CET. Full details relating to the AGM, including the explanatory notes, are contained in the Notice of AGM published on 27 March 2013. The Notice sets out the resolutions to be proposed at the AGM and an explanation of each resolution.

Allotments of equity securities

During the period under review, no allotments of equity securities in NWR were made in exchange for cash other than the delivery of shares to the Chairman of the Board (also described in the Remuneration Report on pages 76 to 80 of this report).

Dividend policy

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

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 2012 of EUR 0.06 per A share.
NWR paid interim squeeze-out dividend of EUR 0.01 per A share in October 2012.
NWR did not declare the final dividend for 2012 due to the net loss incurred in the second half of the year.

Provision of the Annual Report and Accounts

The 2012 Annual Report and Accounts of NWR are available on the Company's website at www.newworldresources.eu. A hard copy of this Annual Report and Accounts or from previous years can be requested from NWR's Investor Relations department. Shareholders may also inspect the reports at the Company's headquarters in the Netherlands.

Radek Němeček
Head of Investor Relations
rnemecek@nwrgroup.eu

Ancillary information for stakeholders

Irish Stock Exchange

Global Exchange Market

EUR 500 million aggregate principal amount of 7.875% Senior Secured Notes due 2018

ISIN: XS0504814509

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

EUR 275 million aggregate principal amount of 7.875% Senior Notes due 2021

ISIN: XS0877986231

Interest payment dates

15 January and 15 July of each financial year

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

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

Registrar
Deutsche Bank Luxembourg S.A.
2 Boulevard Konrad Adenauer
L-1115 Luxembourg
Grand Duchy of Luxembourg

Listing Agent
Arthur Cox Listing Services Limited
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

Reporting calendar 2013
16 May 2013 - First quarter 2013 results
22 August 2013 - First half 2013 results
14 November 2013 - Nine months 2013 results

www.newworldresources.eu

Glossary

A

ARA ports: Antwerp/Rotterdam/Amsterdam ports. Major coal importing ports in northwest Europe.

B

Benzole absorption cooler, or benzole washing unit: an apparatus designed to absorb benzole from the coke oven gas using washing oil.

Benzole stripping column: a still distillation column, also commonly referred to as a 'benzole stripper'. The apparatus is used to remove benzole from the washing oil by means of steam.

Blast furnace coke: coke used to power blast furnaces. Blast furnace coke has particularly strong properties to support the chemical process and the heavy loads in the blast furnace without disintegrating from the high temperatures in the furnace. It is also referred to as 'metallurgical coke'.

Box-cut: small open-cut created to provide a secure and safe portal to access an underground mine.

Brownfield sites: abandoned or underused industrial and commercial facilities available for re-use.

BTXs (benzene, toluene and xylene) also known as **BTEX** or **BTX fraction:** is the term used for benzene, toluene, ethylbenzene, and xylene-volatile aromatic compounds typically found in petroleum products, such as gasoline and diesel fuel. BTX fraction is mixture of polycyclic aromatic hydrocarbons (PAHs) containing benzene, toluene and xylene which are produced during the process of making coke from coal.

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

C

CAGR: Compound Annual Growth Rate, a number that describes the steady rate at which the initial value would have to grow every year to achieve the specific end value.

Calcination: is a thermal treatment process in presence of air applied to ores and other solid materials to bring about a thermal decomposition, phase transition, or removal of a volatile fraction. The process of calcination derives its name from the Latin calcinare (to burn lime) due to its most common application, the decomposition of calcium carbonate (limestone) to calcium oxide (lime) and carbon dioxide, in order to produce cement.

CE: Central Europe, refers to the following countries Austria, Czech Republic, Germany, Hungary, Liechtenstein, Poland, Slovakia, Slovenia and Switzerland.

CE4: Czech Republic, Slovakia, Poland and Hungary.

CE6: Austria, Czech Republic, Germany, Slovakia, Poland and Hungary.

CHP: full name 'Combined Heat and Power'. CHP is a process which involves the simultaneous generation of heat and electricity. The heat recovered is used to provide heating or cooling.

CIP: the Continuous Improvement Programme is aimed at improving operational efficiency by rewarding employees who submit innovative ideas and suggestions. The reward is correlated with the money saved from the idea.

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

Coke: carbonaceous material derived from the destructive distillation of coal.

Coke battery: a coke battery is composed of many coke ovens stacked horizontally into which coking coal is tightly packed. These ovens are heated to temperatures of up to 1,150°C, allowing the coking coal to turn into coke.

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, energy, services (excluding transportation), personnel and other operating expenses. It does not include depreciation and amortisation.

Coking coal: high volatility coal used to create coke, which is consumed in the steel-making process.

COP 2010: the Coking Plant Optimisation Programme is a capital investment programme designed to improve the productivity of its coking operation.

CSI: the Corporate Social Investment comprises of finances provided for projects in the following areas: community development (OKD Foundation); support for enterprise and job creation; health (OKD Foundation projects); culture (OKD Foundation projects); education (donations to schools, scholarships), environment (finances provided over and above the legal requirement); sport (sponsorship).

Crude steel: first solid steel product upon solidification of liquid steel. In other words, it includes Ingots (in conventional mills) and Semis (in modern mills with continuous casting facility). According to International Iron & Steel Institute (IISI), for statistical purpose, crude steel also includes liquid steel which goes into production of steel castings.

Customer markets: NWR supplies its products to Austria, Czech Republic, Germany, Slovakia, Poland and Hungary.

D

Dębieńsko: a development project of NWR in Poland. NWR holds a 50-year mining license.

Deep mining: the extraction of coal or its products from layers of rock by underground mining methods such as room-and-pillar mining and longwall mining.

Deposit: refers to an area of coal resources or reserves identified by surface mapping, drilling or development.

Desulphurisation unit: the Svoboda coking plant uses coking gas containing hydrogen sulphide in process heating. As the gas burns, sulphur dioxide is generated. In order to minimise any leakage of such emissions into the air the process line of the coking plant includes a desulphurisation unit where sulphur dioxide is eliminated using a sodium carbonate solution ('STRETFORD' scrubbing method).

Detailed Feasibility Study: a study that provides the budget parameters for a project and allows decisions to be made whether to proceed to the next level of development. Detailed feasibility studies require a significant amount of formal engineering work.

DTR: Disclosure and Transparency Rules.

E

EBITDA: The Company defines EBITDA as net profit before non-controlling interests, income tax, net financial costs, depreciation and amortisation, impairment of property, plant and equipment ('PPE') and gains/losses from the sale of PPE. While the amounts included in EBITDA are derived from the Group's financial information, it is not a financial measure determined in accordance with adopted IFRS.

EBITDA margin: shows earnings before interest, tax, depreciation and amortisation from continuing operations and before exceptional items as a percentage of total revenues.

EIA: Environmental Impact Assessment is a procedure that ensures that the environmental implications of decisions are taken into account before the decisions are made. Environmental assessment can be undertaken for individual projects on the basis of Directive 85/337/EEC, as amended (known as 'Environmental Impact Assessment' – EIA Directive).

Emerging Europe: refers to European countries that are in the process of growth and industrialisation.

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

Employee turnover rate: is calculation of the number of employees who have left the company voluntarily or due to dismissal, retirement or death in service and it is expressed as a percentage of the average number of employees in the year.

EU: also referred to as the EU-27 refers to all 27 constituents of the European Union.

EVA: Economic Value Added is a residual wealth created after deducting from net operating profit after tax (NOPAT) the capital charge, which represents the cost of invested capital necessary to generate that profit.

Extraction: the process of mining and removal of coal or ore from a mine.

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

F

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

Fossil Fuels: defined as fuels formed by natural resources such as anaerobic decomposition of buried dead organisms. The fossil fuels, which contain high percentages of carbon, include coal, petroleum, and natural gas.

Free cash flow: Free cash flow is calculated as net operating cash flow minus capital expenditure.

FTSE 250: the Financial Times-Stock Exchange 250 share index is a capitalisation-weighted index of 250 UK domiciled companies on the London Stock Exchange.

FTSE 350 Mining: the Financial Times-Stock Exchange 350 Mining share index is a capitalisation–weighted index of 350 UK domiciled mining companies on the London Stock Exchange.

G

Gateroad development: allows the coal seam to be accessed, and for material and people to travel to and from the coal face. Longwall panels are demarcated by a set of interconnected underground gateroads.

GDP: Gross Domestic Product is the total value of all goods and services produced within a particular economy in a given period of time.

Gearing ratio: gearing ratio is defined as net debt divided by EBITDA (calculated on a twelve-month rolling basis).
Greenfield sites: undeveloped land in a city or rural area either used for agriculture, landscape design, or left to naturally evolve. These areas of land are usually agricultural or amenity properties being considered for urban development.
GRI: Global Reporting Initiative is a non-profit organisation that promotes economic, environmental and social sustainability. GRI provides all companies and organisations with a comprehensive sustainability reporting framework that is widely used around the world.

H

Hard coal: another name for anthracite, the coal with the highest level of carbon and the lowest level of impurities. Both metallurgical coking coal and thermal coal are forms of hard coal.
Hard coking coal: refers to a type of coking coal which enables the coke to be more efficient in steel making when it converts iron ore to raw steel.

J

JORC: the Joint Ore Reserves Committee produces the JORC Code - a professional code of practice that sets minimum standards for public reporting of minerals exploration results, mineral resources and ore reserves.

K

Karviná expansion project: a development project of NWR in the Czech Republic. The Company announced its plans for hard coal exploitation at the Karviná – Staré Město site in 2011. The long-term mining outlook grades the site as containing more than 30 million tonnes of extractable coal reserves. Subject to a successful outcome in the related legislative process, mining should commence in 2016 and last for approximately 20 years.
KPI: Key Performance Indicators are a set of quantifiable measures that a company or industry uses to gauge or compare performance in terms of meeting their strategic and operational goals. KPIs vary between companies and industries, depending on their priorities or performance criteria.
Kt: kilotonne, one thousand (1,000) metric tonnes.

L

Longwall mining: a fully mechanised underground mining technique in which a coal face is excavated by a shearer and then transported to the surface by conveyor belt.
LTIFR: Lost Time Injury Frequency Rate represents the number of reportable injuries causing at least three days of absence per million hours worked. Includes contractors.

M

M1 category: equipment classified under the M1 category may be operated, unlike M2 category equipment, under conditions of increased methane concentrations, exceeding 1.5 per cent. That allows the controller to maintain a continuous oversight of the presence and movement of employees within monitored areas of the mine. Being fitted with an accumulator and a battery, the equipment remains operational even during a power-supply failure.
Metallurgical coal: an informally recognised name for bituminous coal that is suitable for making coke by industries that refine, smelt and work with iron. Generally, this coal will have less than 1 per cent sulphur and less than 8 per cent ash on an air-dried basis. Metallurgical coal is sometimes referred to as coking coal.
Mining costs per tonne: reflect the operating costs incurred in the coal segment for mining both coking coal and thermal coal. It includes consumption of material and energy, services (excluding transportation), personnel and other operating expenses. It does not include depreciation and amortisation.
Mining face: the working area where the extraction of coal takes place in an underground mine.
Mining license: permission to mine minerals from a mineral rights area.
Mt: one million (1,000,000) tonnes.

N

NO_x: gases that are oxides of nitrogen.
NWR KARBONIA: NWR KARBONIA oversees NWR‘s two development projects in Southern Poland of Dębieńsko and Morcinek.

O

OECD: Organisation for Economic Co-operation and Development is an organisation that acts as a meeting ground for 30 countries which believe in the free market system and provides a forum for discussing issues and reaching agreements, some of which are legally binding.
OKD: the wholly owned mining subsidiary of NWR. OKD extracts coking and thermal coal in four active mines in the Upper Silesian Coal Basin. OKD is the only hard coal mining company in the Czech Republic.

OKD Foundation: OKD Foundation was set up at the start of 2008 with a view to promoting and developing humanitarian values, the environment, education, sport and cultural activities, and the field of social and healthcare services. OKD Foundation was established by the NWR subsidiary OKD, which is also the Foundation's biggest donor. OKD annually donates 1 per cent of its profit before tax to OKD Foundation.
OKK: a wholly owned coking subsidiary of NWR. Situated at the Svoboda coking plant site in Ostrava, produces both foundry and blast furnace coke from four batteries. OKK is the largest producer of foundry coke in Europe.
Open-pit mining: mining in which the coal is extracted after removing the overlying strata or overburden.
Operational Programme 'Environment': the Operational Programme's main goal is to protect and improve environmental quality throughout the Czech Republic. Between 2007 and 2013, this programme will offer almost EUR 5 billion from the Cohesion Fund and the European Regional Development Fund.
P
PAHs: polycyclic aromatic hydrocarbons or poly-aromatic hydrocarbons - a chemical compound that contains more than one fused benzene ring. They are commonly found in petroleum fuels, coal products, and tar. PAHs contain BTX (BTEX) compounds which belong to the category of organic chemicals (so called volatile organic compounds – VOCs) whose composition makes it possible for them to evaporate under normal indoor atmospheric conditions of temperature and pressure. VOCs may contribute to the formation of ground-level ozone and photochemical smog.
PCI : full name Pulverised Coal Injection. PCI coking coal is injected into a blast furnace as a supplementary fuel to reduce the amount of coke consumed, having a knock-on effect on reducing operating costs in the production of pig iron, and ultimately crude steel.
PERSP 2015: the PERSPective 2015 programme is aimed to maximise the returns on our recent investments in state of the art technology and health and safety. The plan focuses on five main areas: People, Efficiency, Reserves, Safety and Predictability.
POP 2010: the Productivity Optimisation Programme major capital investment programme designed to improve the productivity of its mines. Completed in 2010.
Preparation plant: a plant used to make raw coal a product suitable for a particular use.
Q
Quenching tower: water spraying tower for cooling coke after it emerges from the furnace.
R
Reclamation: the restoration of land and environmental value to a surface mine site after the coal is extracted. Reclamation operations usually get underway as soon as the coal has been removed from a mine site. The process includes restoring the land to its approximate original appearance by restoring topsoil and planting native grasses and ground covers.
Redomiciliation/reincorporation: the process by which a company moves its domicile from one jurisdiction to another by changing the country under whose law it is registered or incorporated, whilst maintaining the same legal identity.
Reserves: those parts of mineral resources for which sufficient information is available to enable detailed or conceptual mine planning and for which such planning has been undertaken. Reserves are classified as either proved or probable.
Resources: all of the potential minerals in a defined area based on points of observation and extrapolations from those points. Potential minerals are defined as minerals which have been or could be beneficiated to give a quality acceptable for commercial usage in the foreseeable future and excludes minor mineral occurrences.
RFID: full name Radio Frequency Identification. A data collection technology that uses electronic tags for storing data.
S
SAP: full name Systems Applications and Products in Data Processing. A German multinational software corporation that makes enterprise software to manage business operations and customer relations. SAP develops ERP products to be used by companies to manage their enterprise. This includes managing their day-to-day operations, logistics, finances, month end, quarter end and yearly activities, reporting, HR etc.
Seam: a geological structure containing a series of layers of coal, shale and other mineral materials of varying thicknesses.
Shaft: a mine working (usually vertical) used to transport miners, supplies, ore and waste.
Shaft deepening projects: projects to deepen the shaft to mine more, previously unreachable coal.
Skip bucket: a type of bucket used to take the extracted coal from the underground to the surface.

Sludge: high ash reject material from the fine coal washing circuits that can be recovered and re-processed to sell as additional coal blending it with other products.
Stamping and pushing machine: at the coking plant the carefully ground and mixed coal charge from the coal tower comes to the storage bins of the stamping and pushing machine. With the use of automatic stamping and pushing facility it is stamped into coal blocks. These blocks are then inserted into the coking chamber by the use of a charging plate.
Stamp charging process: during the stamp charging process the carefully ground and mixed coal is compacted outside the coke oven, into a stable coal blocks with almost the same dimensions as the oven chamber and the resulting block is pushed into the oven.
St Barbara Civic Association: Saint Barbara Civic Association was founded 24 July 2004 for the purpose of helping children, whose at least one parent died as a result of an accident at work, mostly in the coalmine industry. The Association currently has 87 records in Czech, Polish and Slovak children, which contributes to the study, leisure activities and supports the care of their health.
Steam coal: coal used for steam generation principally in thermal power plants.
Subfloor mining: Mining of raw materials from a level located underneath the fresh air intake floor. Subfloor mining may sometimes refer to any mining activities if the longwall panel is operated below the haulage floor.
T
Tectonic stress release: occurs as a result of energy releases in the mass of rock from the creation of empty underground spaces. The rock is stressed by the extraction of ore, pressure is created in it and energy is accumulated, which can be released in an instant by a rockfall. Bumps and slides occur mainly in saddle seams, where there is solid overlying rock.
Thermal coal: coal used in combustion processes by power producers and industrial users to produce steam for power and heat. Also called 'steam coal'.
Tonne: a metric tonne, a measure of mass equal to one thousand (1,000) kilogrammes or approximately two thousand, two hundred and five (2,205) pounds.
Total coal production: the total production volumes of thermal and coking coal.
Total coal production per employee: total coal production per mining employee including mining contractors.
U
UHF tags: a RFID tag (full name Radio Frequency Identification, data collection technology that uses electronic tags for storing data) works in a portion of the ultra high frequency (UHF) range.
Underground mining: the extraction
of coal or its products from layers of rock by underground mining methods such as room-and-pillar mining and longwall mining.
Upper Silesian Coal Basin: a coal basin in Silesia in Poland and the Czech Republic. The area contains a number of mineable resources including lead, silver and zinc; and resources of coal reach depths of 1000 metres below ground, approximately 70 billion tonnes of coal.
V
Voluntary employee turnover: is a calculation of the total number of employees who have left the company minus employees who have left due to dismissal, retirement, death in service or health reasons and it is expressed as a percentage of the average number of employees in the year.

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; 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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