ANNUAL REPORT AND ACCOUNTS 2013

NWR NEW WORLD RESOURCES

CONTENTS

Directors' report

Directors' report comprises the Strategic Report, Corporate governance, the Audit and Risk Management Committee Report, the Remuneration Report, Shareholder and Ancillary information for the shareholders sections. The report has been prepared in accordance with the requirements of the Companies Act 2006.

The average exchange rate for 2013 used throughout the report is 25.980 EUR/CZK, unless stated otherwise. All the forward-looking price guidance for 2014 is based on an exchange rate of EUR/CZK of 27.00. Prices are expressed as a blended average between the different qualities of coal and are ex-works. Final realised prices can be influenced by a range of factors including, but not limited to, exchange rate fluctuations, quality mix, timing of the deliveries and flexible provisions in the individual agreements. Thus, the actual realised price for the period may differ from the average agreed prices previously announced.

NWR or the 'Company' refers to New World Resources Plc.
The 'Group' or 'NWR Group' refers to New World Resources Plc and its subsidiaries.

OVERVIEW: NWR

Who we are
NWR Plc is a Central European hard coal producer. Headquartered in Amsterdam, we are included in the FTSE Small Cap index with additional listings in Prague and Warsaw.

What we do
Our principal mining assets are in the Czech Republic and we have several development projects in the Czech Republic and Poland. The Company employs around 16,000 people and as at 31 December 2013 had 64 million tonnes of JORC total reserves[1].

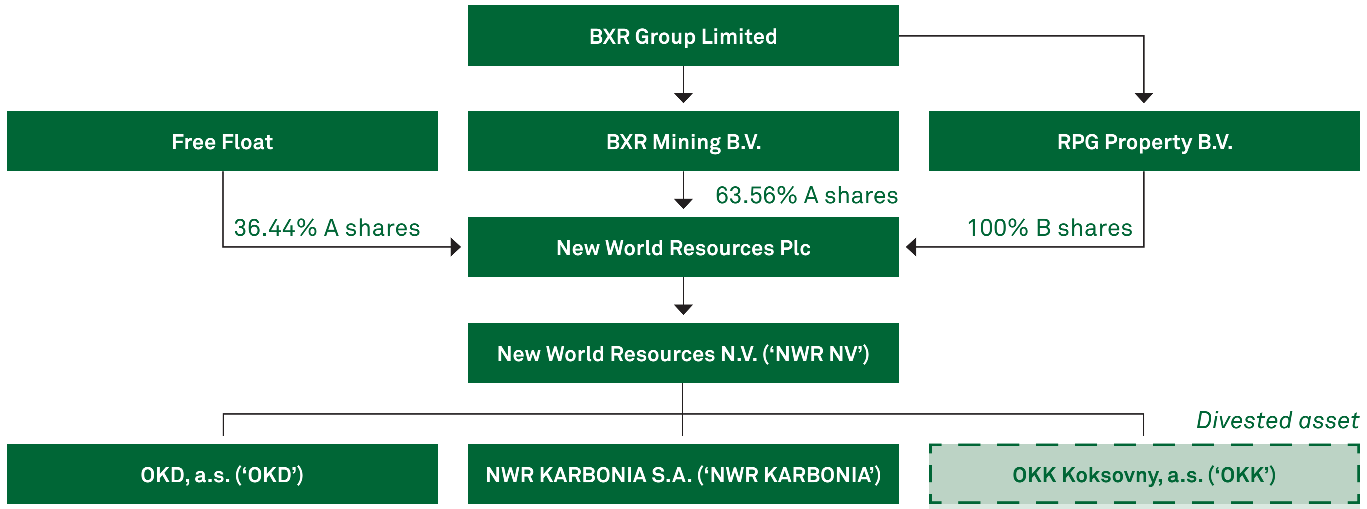
We principally produce coking coal as well as thermal coal and supply to a blue-chip steel and energy customer base in Central Europe. We retain our position as the regional leader in deep underground safety in line with our commitment to running our operations in a socially responsible way.

In February 2013, we announced our updated strategy and set out strategic targets for the business for 2017. By 2017 we want to build on the strengths of NWR and evolve the business into Europe's leading miner and marketer of coking coal.

In view of the continued pressure on both coking and thermal coal; the expected negative impact of the current coal price outlook on NWR's coal reserves; and the expiry of the Company's Revolving Credit Facility the Board initiated a review of NWR's capital structure on 22 January 2014. We will consider all available options to ensure an appropriate capital structure that can support the continuation of the business going forward.

Our business

'Ownership is 100 per cent unless otherwise stated'



Our principal wholly owned subsidiary OKD is the Czech Republic's largest coal mining company and one of the largest private employers. Its four operating mines are located in Northern Moravia, south of the Polish border and are a part of the Upper Silesian Coal Basin. Please refer to the Coal section for further information.

See pages 46 to 49.

NWR KARBONIA oversees two development projects in southern Poland, Dębieńsko and Morcinek. Please refer to the Coal section for further information.

See pages 48.

In 2013, NWR sold its coking subsidiary, OKK to the METALIMEX group. The divestment is consistent with both the long-term goal of focusing NWR principally as a miner and marketer of coking coal; and with the short-term goal of achieving a more efficient, leaner and more flexible mining business by the end of 2014. Please refer to the Coke section for further information.

See pages 50 to 53.

[1] 53Mt of proven reserves and 11Mt probable reserves.

2013 YEAR IN REVIEW

Revenues

Continuing tough market conditions affected our 2013 performance. Revenues were down 28 per cent to EUR 850 million, mainly driven by a 22 per cent decline in coking coal prices and a 24 per cent decline in thermal coal prices on the prior year. Due to high operational leverage, profitability and cash flows of NWR are highly geared to revenues, and ultimately to the prices of coal.

Preserving our near term liquidity

We delivered our targeted EUR 100 million worth of cash-enhancing measures to strengthen our financial position in 2013. These additional group-wide savings included EUR 36 million in operational cost and CAPEX savings, and EUR 64 million in active working capital operations.

Sale of OKK

We successfully sold OKK for a gross consideration of EUR 95 million to the METALIMEX group by the end of 2013. The sale of OKK is wholly in line with our longer-term vision to focus on coal mining and marketing.

New collective agreement signed

In November 2013 a solid outcome was reached between OKD and its trade unions with the Collective Bargaining Agreement 2014-2018. This is another important step forward in addressing NWR's cost base, of which personnel costs account for about half. Coupled with further initiatives, NWR aims to deliver an 8 per cent in reduction in OKD's personnel costs in CZK in 2014 compared to 2013.

Balance sheet developments

In January 2013 we refinanced the 2015 Senior Notes with 2021 Senior Notes; and we also gained waivers and extensions for both the RCF, which expired in February 2014, and the ECA loan. As of year-end, the Group had total debt facilities of EUR 809 million and Net Debt of EUR 625 million (2012: EUR 551 million). We ended the year with a cash ballance of EUR 184 million.

In view of the continued pressure on both coking and thermal coal; the expected negative impact of the current coal price outlook on NWR's coal reserves; and the expiry of the Company's Revolving Credit Facility the Board initiated a review of NWR's capital structure on 22 January 2014. We will consider all available options to ensure an appropriate capital structure that can support the continuation of the business going forward.

Downgrade of reserves

For the Czech assets, having regard to the revised Life of Mine Plan, JT Boyd has reported a total of 64 million tonnes of JORC compliant saleable (proven and probable) reserves as at 31 December 2013. The 2013 JORC reserve figure for the Czech assets represents a 65 per cent decrease from the JORC saleable reserves as at 31 December 2012 of 184 million tonnes.

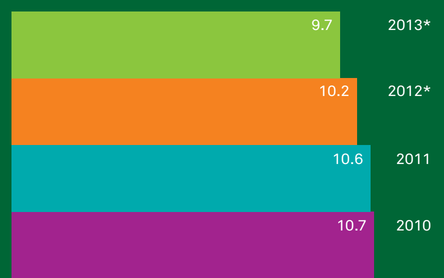
This decrease principally relates to a downward adjustment of the Company's long-term coal prices.

For Debieńsko, IMC-Montan Consulting GmbH is currently preparing a revised mineral resources and reserves report. It is probable that the previously reported reserve number of 190Mt for Debieńsko will be reclassified as resources principally due to a combination of an increase in the reporting requirements introduced in the 2012 JORC Code (which became effective 1 December 2013) and the downward adjustment of the Company's long-term coal price outlook. The Group's total reserves figures at 31 December 2013 therefore do not include any reserves for Debieńsko.

KEY PERFORMANCE INDICATORS

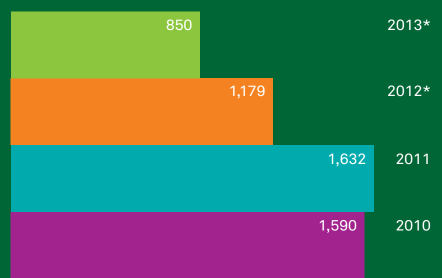
Total coal sales million tonnes

* includes sales to OKK



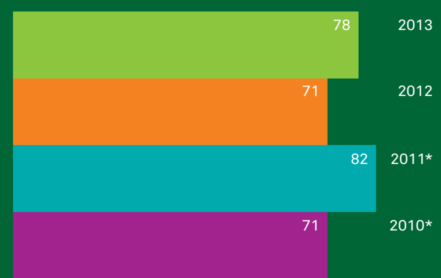
Revenues EUR million

* from continuing operations



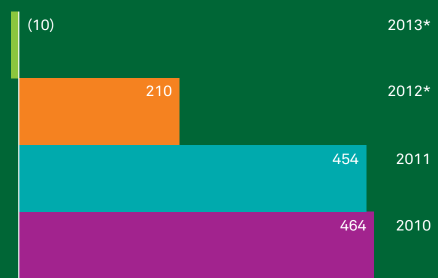
Cash mining costs per tonne EUR

* All costs incurred in coal mining including administrative and non-cash costs.



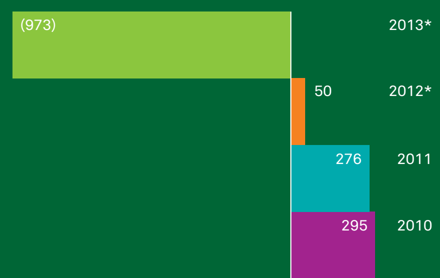
EBITDA EUR million

* from continuing operations

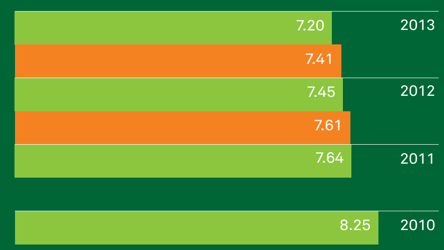


Operating profit / loss EUR million

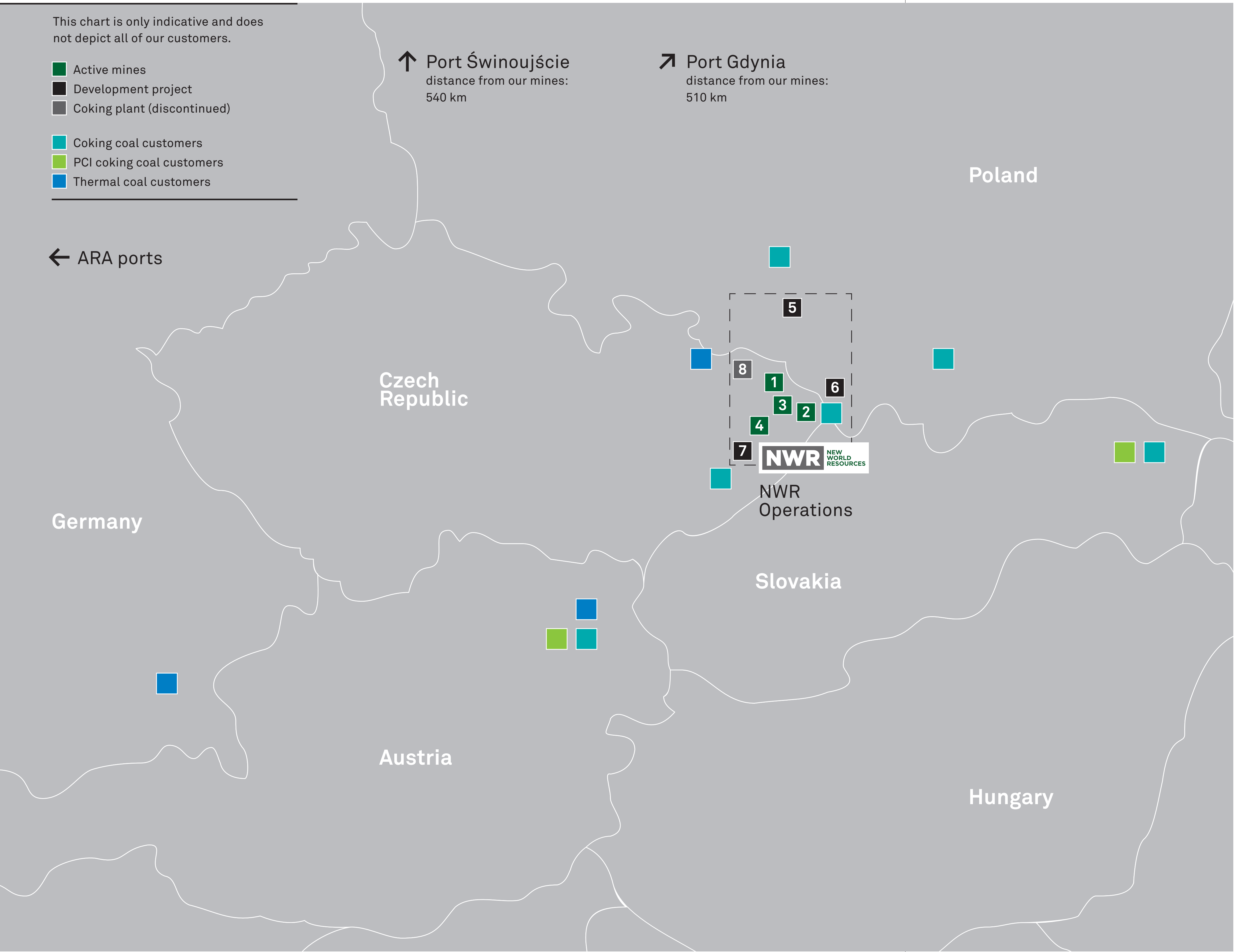
* from continuing operations



NWR operations LTIFR LTIs per million hours



OUR OPERATIONS AND CUSTOMERS



Operations at a glance

1 Karviná Mine
2013 coal production: 2.63Mt
JORC Reserves: 23.7Mt (17.1Mt of proven reserves and 6.6Mt probable reserves)
Coal type: MVHC/SSCC/TC
Employees including contractors: 4225

2 ČSM Mine
2013 coal production: 2.48Mt
JORC Reserves: 28.7Mt (25.3Mt of proven reserves and 3.4Mt probable reserves)
Coal type: SSCC/PCICC/TC
Employees including contractors: 3200

3 Darkov Mine
2013 coal production: 2.83Mt
JORC Reserves: 10.9Mt (10.2Mt of proven reserves and 0.7Mt probable reserves)
Coal type: SSCC/TC
Employees including contractors: 3436

4 Paskov Mine – Phasing out to permanent closure
2013 coal production: 0.86Mt
JORC Reserves: 0.8Mt (0.73Mt of proven reserves and 0.04Mt probable reserves)
Coal type: MVHCC
Employees including contractors: 2945

5 Dębieńsko – Development project
Feasibility continues to be assessed
50-year mining licence granted in 2008
Reserves: IMC-Montan Consulting GmbH is currently preparing a revised mineral resources and reserves report. It is probable that the previously reported reserve number of 190Mt for Dębieńsko will be reclassified as resources principally due to a combination of an increase in the reporting requirements introduced in the 2012 JORC Code (which became effective 1 December 2013) and the downward adjustment of the Company's long-term coal price outlook. The Group's total reserves figures at 31 December 2013 therefore do not include any reserves for Dębieńsko.
Coal type: HCC/SSCC/TC

6 Morcinek – Development project
Exploration phase (before EIA)
Reserves: not included in JORC reserves
Coal type: MVHCC/SSCC

7 Frenštát – Development project
Exploration phase (after EIA)
Reserves: not included in JORC reserves; estimated 1.6 billion tonnes of coal resource
Coal type: predominantly TC

8 OKK Svoboda coking plant (discontinued)
2013: divested to the METALIMEX group
2013 production: 627kt
Coke type: BFC/FC/Other

Our operations

NWR's four active mines are located within close proximity to our major customer's operations in Central Europe. We predominately transport our coal via the railway network directly to our customers. We operate mining technology for longwall production and gateroad development, and mine deep underground compared to most of the world's coal mines, often in excess of 1,000 metres below the surface.

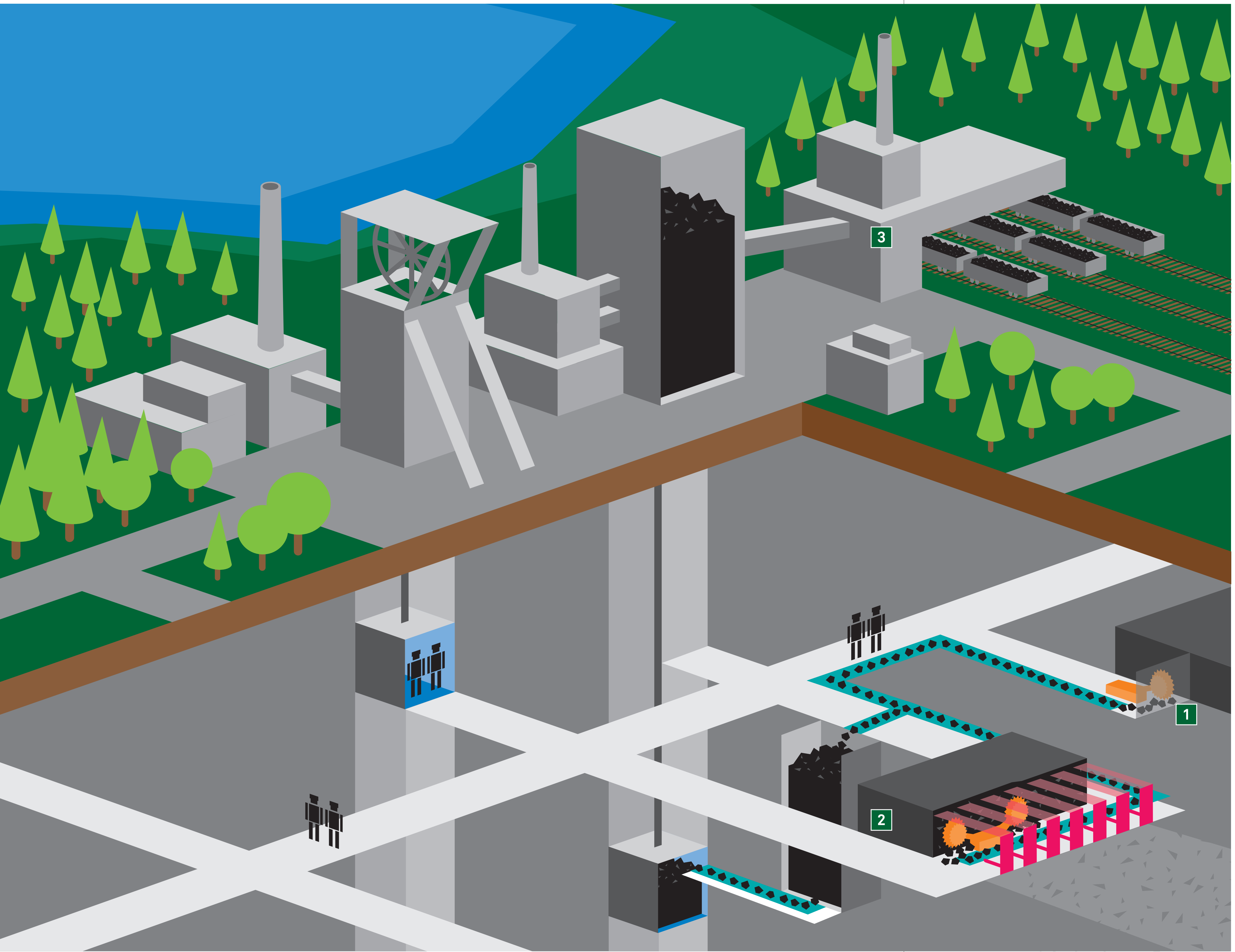
In 2013 as one of the outcomes of a strategic operational review, we determined that continued operation of the Paskov Mine would be uneconomic due to its high-cost nature and decided to permanently close the mine by the end of 2014. However, we have entered into discussions with the Czech Government regarding the possibility of prolonging the operating life of Paskov. For further information, please refer to page 47.

In 2013, total production and total external sales of NWR reached 8.8 and 9.7 million tonnes of coal respectively. 4.6 million tonnes was sold as coking coal, and 5.1 million tonnes was sold as thermal coal. Further details can be found on pages 44 to 49.

Note:
MVHCC: Mid-volatility hard coking coal
SSCC: Semi-soft coking coal
PCICC: PCI coking coal
TC: Thermal coal

BFC: Blast furnace coke
FC: Foundry coke
Other: other types of coke

OUR OPERATIONS AND CUSTOMERS



Production of coal

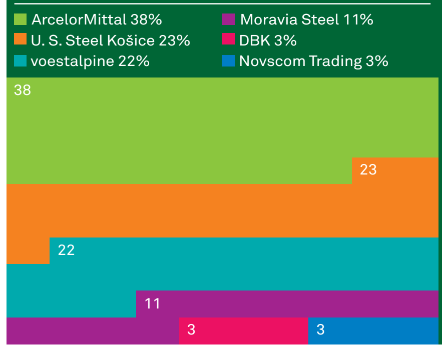
1 A coal seam needs to be accessed and demarcated by a set of interconnected underground gateroads. These access routes are excavated by roadheaders.

2 Longwall equipment sets are used to mine coal; kit includes mechanised hydraulic shields, a shearer and an armoured face conveyor.

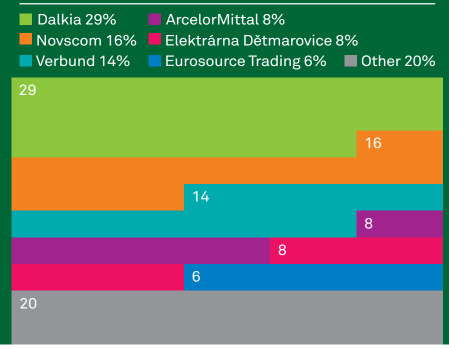
3 Once processed in a coal preparation plant, the coal is loaded into rail cars and shipped to customers.

Our customers

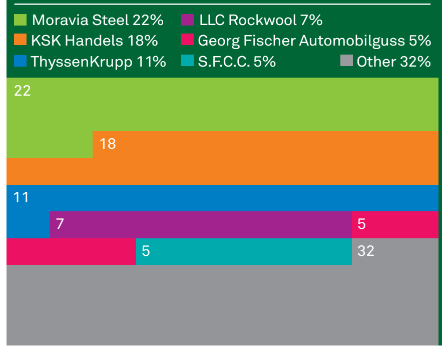
Coking coal sales volumes by customer per cent



Thermal coal sales volumes by customer per cent



Coke sales volumes by customer per cent



2013 IN DATES AND EVENTS: CORPORATE TIMELINE

14 January	Launch of EUR 275 million Senior Notes due 2021	NWR announced an offering of EUR 275 million senior notes due 2021. The transaction was completed on 23 January and net proceeds were used to repay in full senior notes due in 2015 and for fees, expenses and general corporate purposes.
21 February	FY 2012 Results and Strategy Update	NWR announced its unaudited financial results for 2012 and also unveiled an updated strategy to reposition its business as Europe's leading miner and marketer of coking coal. See pages 18 to 21 for more information.
25 March	Proposed appointment of director	Alyson Warhurst was nominated to join the Board of NWR as an independent non-executive director. Her appointment was approved by shareholders at the Annual General Meeting in April 2013. See page 72 for more information.
04 April	NWR agreed waivers and amendments to financial covenants in its bank facilities	NWR and its lenders agreed waivers and amendments in relation to the financial covenants in its bank facilities (Export Credit Agency loan and Revolving Credit Facility).
26 April	Annual General Meeting of Shareholders	NWR shareholders approved all twenty-two resolutions proposed at the Annual General Meeting which took place in Amsterdam, the Netherlands. See page 186 for more information.
16 May	Q1 2013 Results and business optimisation steps	NWR announced its unaudited financial results for the first quarter of 2013 and, in response to worsening trading conditions, steps to optimise its business, immediate measures worth EUR 100 million to enhance NWR's financial position and its intention to divest our coking subsidiary. See page 19 for more information.
22 August	H1 2013 Results	NWR announced its unaudited financial results for the first half of 2013 and provided an update on its business optimisation steps.
17 September	Update on Paskov Mine	After evaluating several scenarios, the Company concluded that the Paskov Mine is likely to remain uncompetitive in the medium term, and therefore decided to close the mine, with the phasing and terms of such closure to be determined after discussions with the Czech government and other stakeholders.

23 September	NWR appointed Head of Sales and Marketing	Peter Dormann joined NWR as Head of Sales and Marketing. As head of NWR sales team, he holds key responsibilities in the delivery of the Company's strategic goal of becoming Europe's leading miner and marketer of coking coal by 2017.
27 September	Divestment of OKK Koksovny	NWR agreed to sell its wholly owned subsidiary OKK Koksovny to the METALIMEX group. This decision was part of a wider operational review undertaken by NWR with the aim of adjusting NWR's business in light of the challenging market conditions. For more information see page 13.
9 October	Waivers and amendments agreed in relation to RCF	NWR agreed certain waivers and amendments in relation to its Revolving Credit Facility.
6 November	9M 2013 Results	NWR announced its unaudited financial results for the first nine months of 2013.
13 November	OKD signed collective agreement	NWR´s wholly owned subsidiary OKD signed with the trade unions a new collective agreement for the years 2014–2018. The agreement brings an approx. 8 per cent decrease in personnel expenses at OKD in 2014 compared with 2013 in CZK terms. For more information see pages 47 to 48.
4 December	Extraordinary General Meeting of Shareholders	Extraordinary General Meeting of NWR shareholders held in Amsterdam approved the divestment of OKK Koksovny, a.s. and OKK's coke inventory.
6 December	Sale of OKK completed	The sale of NWR´s wholly owned subsidiary OKK Koksovny to the METALIMEX group was successfully completed.
6 December	Resignation of Director, Appointment of Dale Ekmark	Jan Fabian resigned from the Board of Directors of NWR, as well as from the position of CEO of OKD, effective December 2013. The management team at OKD is now led by Dale Ekmark who serves as the Managing Director.
17 December	Amendments to covenants of ECA facility	NWR negotiated certain waivers and amendments in relation to its Export Credit Agency facility. For more nformation see page 42.

In view of the continued pressure on both coking and thermal coal; the expected negative impact of the current coal price outlook on NWR's coal reserves; and the expiry of the Company's Revolving Credit Facility the Board initiated a review of NWR's capital structure on 22 January 2014. We will consider all available options to ensure an appropriate capital structure that can support the continuation of the business going forward.

STRATEGIC REPORT

Increased coking coal sales to Europe (produced & imported)

Become a 'one-stop shop' for European steel customers

NWR 2017

Fully optimise current operations by the end of 2014

CHAIRMAN'S STATEMENT

Gareth Penny, Executive Chairman of the Board

**In addition to our continued focus on the safety of our employees, during 2013 we once again made a real effort to improve the environment in which we operate and make sure that the footprint that we leave behind post mining is acceptable.
In terms of relationships with the communities in which we operate, our aim is to build on the concept of the 'Enterprise within the Community', where we try to source regionally thereby helping to spawn and stimulate local industry; and if we do have to make people redundant, then to provide opportunities for retraining.**

In the face of dramatically changing market conditions marked by significant deterioration in the pricing environment in direct opposition to expectations of an improvement during 2013, we have set out a new strategy and taken some crucial first steps aimed at addressing our challenges.

Successful delivery of EUR 100 million of cash-enhancing measures through a combination of cost savings, capital expenditure savings and deferrals, and working capital optimisation, has allowed us to stabilise our financial position in the short term. At the same time, we have concluded the sale of our coke subsidiary, OKK, refinanced the 2015 Notes, initiated the phase out of our high-cost Paskov Mine, successfully negotiated a new five-year collective agreement with the trade unions, and implemented a centralised management structure.

As a result, we are now on track to delivering on our strategic objective of fully optimising our current operations by the end of 2014, which - if delivered - will allow us to start implementing our longer-term strategic plan of becoming Europe's leading miner and marketer of coking coal by 2017.

Our performance in 2013

Our operational and financial performance in 2013 was to a large extent driven by the continued deterioration in the pricing environment for our products.

This was caused by a greater supply of both thermal and coking coal coming onto the market. In the case of the former, the effects of the displacement of thermal coal by shale gas in the US continued to be felt as increased volumes are redirected towards Europe; whereas with coking coal, companies have increased their production in order to bring down costs per tonne, a situation compounded by unexpectedly reduced demand from European steel manufacturers.

Against this backdrop, NWR produced 8.8Mt (2012: 11.2Mt) and sold 9.7Mt (2012: 10.2Mt) of coal, of which 4.6Mt was coking coal and 5.1Mt was thermal coal. Whilst the lower production levels inevitably put pressure on cash mining unit costs, on a stable production basis these declined by 14% compared to 2012. In line with our strategy, we were able to deliver a significant structural decrease in capital expenditures in our mining operations and have made great strides towards lowering our overheads.

Due to continued regional oversupply, our thermal coal business started the year with a high level of inventories. In order to optimise our working capital, we sold down a large portion of mostly lower grades of thermal coal to one-time customers. Whilst having a negative effect on our overall profitability, this played an important role in further stabilising our financial position.

As part of our business optimisation plan we also completed the centralisation of our mine structure. Consequently, OKD headquarters moved from the centre of Ostrava to NWR's Darkov mining site, resulting in lower administrative and personnel expenses.

Our 2017 strategy

At the start of 2013, we outlined our new strategy, which is underpinned by three key pillars, all aimed at turning NWR into Europe's leading miner and marketer of coking coal by 2017.

Despite our recent financial and operating difficulties the Board considers that this strategy continues to be relevant.

Due to the deteriorating coal market and persisting pressure on coal prices, our first goal must be to optimise our current mining operations to ensure their sustainability, which has been a key theme during this year.

Secondly, we plan to increase the amount of coking coal supplied by NWR to the European market to address the growing structural deficit in this key raw material. This increase will be met through a combination of mining projects and new marketing initiatives, including the importing of seaborne coking coal.

Finally, it is our intention to offer a full range of coking coal qualities to our existing and expanded customer base, and evolve into a 'one-stop shop' for the coking coal needs of the European steel producers.

Divestment of OKK

As part of a wider operational review undertaken in an effort to optimise our current operations, in May 2013 we announced our intention to divest of our coking subsidiary, OKK. We feel this is an important step towards becoming a more efficient and focused mining business with greater flexibility by the end of 2014.

The sale of OKK to METALIMEX group for the gross amount EUR 95 million was approved by our shareholders at an Extraordinary General Meeting held on 4 December 2013 in Amsterdam, and the sale was completed two days later.

However, OKK shares a long history with NWR and will continue to purchase the majority of the coking coal used in its production from NWR on an arm's length basis.

Proceeds from this transaction will be put to great benefit in strengthening further our core business through reinvestment in mining equipment and mine expansion projects over the twelve months following the sale.

Health and safety

Deep underground coal mining is an activity that comes with inherent risks and requires full compliance with health and safety regulations, safety training and the use of personal protective equipment.

As such, despite our recent financial and operational challenges, safety of our employees remains our number one priority at all times. This is reflected in the year-on-year improvement of three per cent in our Lost Time Injury Frequency Rate ('LTIFR') to 7.41. In pursuit of our target LTIFR rate of less than 5 by 2015, NWR continuously promotes a safety-first attitude amongst its employees through continuous training and campaigns aimed at promoting employee engagement and discipline. It is with great sadness, therefore, that

CHAIRMAN'S STATEMENT

we report that two fatalities occurred during the year. We extend our sincere condolences to the families and friends of our colleagues who lost their lives in our mines and continue to take appropriate measures to ensure lessons are learnt from each of these incidents.

We will continue to work towards our ultimate goal, which is to be ranked among the top five leaders in safety in deep underground coal mining globally by 2015.

Industrial relations

Following a lengthy period of often complex discussions with the trade unions, in November 2013 we signed a new collective agreement for the years 2014-2018. As part of this process, we standardised bonus packages across all of our mines and achieved a remuneration structure, which is more closely aligned with our financial performance.

Consequently, personnel expenses at OKD will see a year-on-year decline of 8 per cent in 2014 in CZK terms. This expected decrease consists of an approx. 4 per cent decrease in total remuneration and approx. 4 per cent expected headcount reduction, not taking into account any potential redundancies in relation to the phase out of Paskov Mine.

We feel that this is an important achievement, ensuring both the reduction in our cost base necessary for the sustainable development of our business and continued favourable terms for our employees, who remain a cornerstone of our mining operations.

Social responsibility

In addition to our continued focus on the safety of our employees, during 2013 we once again made a real effort to improve the environment in which we operate and make sure that the footprint that we leave behind post mining is acceptable. This has led to further improvement in our rate of emissions, a decline in our impact on climate change through reduced energy consumption, and successful land reclamations.

In terms of relationships with the communities in which we operate, our aim is to build on the concept of the "Enterprise within the Community", where we try to source regionally thereby helping to spawn and stimulate local industry; and if we do have to make people redundant, then to provide opportunities for retraining.

An excellent illustration of such support for local communities is borne out by NWR now purchasing substantially more mining equipment from local suppliers whereas previously we might have looked towards the US or Germany. Furthermore, a number of services including cleaning, security, and house maintenance, are increasingly outsourced in order to build local regional champions that could in turn go and serve other businesses. Through these actions, we seek to foster an entrepreneurial mentality within our host communities.

Going forward, our social responsibility focus will be on the further integration of our business and sustainability strategies, increasing awareness of internal sustainability practices, and responding to stakeholder feedback on our business practices.

Corporate governance

Effective corporate governance is fundamental to the long-term sustainability and success of NWR's operations. As such, NWR remains committed to upholding the highest standards of corporate governance, adhering principally to the UK Corporate Governance Code.

Throughout 2013, we have continued to develop our practices and change our focus, reflecting the evolution of our business transformation. As part of this process, I am very pleased that we have been able to both simplify our management structure and attract strong and diverse talent with competencies in areas crucial to the successful implementation of our new strategy.

In August 2013, Mr Dale Ekmark joined NWR as Head of Mining Transformation. Mr Ekmark has previously worked in various senior leadership positions for a number of mining companies, including AMG Mining Ltd., Sydvaranger Gruve AS, Cleveland Cliffs, Placer Dome, DeBeers and Kazakhmys Plc. As of 1 January 2014, Mr Ekmark took over the leadership of the management team at OKD, following the resignation of Mr Ján Fabián, whose position was not replaced on the boards of NWR and OKD.

In September 2013, we announced the appointment of Peter Dormann as Head of Sales and Marketing. Mr Dormann has 20 years' experience in coal marketing and trading, and will lead the NWR sales team and hold key responsibilities in the delivery of the Company's strategic goal of becoming Europe's leading miner and marketer of coking coal by 2017.

At Board level, in April 2013 Dr Alyson Warhurst was appointed independent non-executive director bringing strong expertise in the area of corporate social responsibility and non-financial risk identification and management. The appointment of Dr Warhurst also served to strengthen the number of Independent Directors on NWR's Board.

Outlook

Our 2014 operational targets reflect our intention to complete the optimisation of our current operations through bringing down our cash mining unit costs to around EUR 60 per tonne by the year-end based on production levels of between 9 and 9.5 million tonnes of coal, whilst increasing the proportion of coking coal in our sales mix to 55–60 per cent through implementation of a selective mining plan. At the same time, we plan to take great care in managing our capital spending intensity to ensure that this does not exceed EUR 100 million per year and to achieve further reductions in our operational overheads. Achieving the EUR 60 per tonne cash cost run-rate is fully conditional on completing the phase-out of the high-cost Paskov Mine.

None of the initiatives we take to reach these objectives, however, will be at the expense of safety, which remains at the heart of everything we do. We expect further improvement in our LTIFR aided by additional incentives we plan to offer our employees.

Whilst in the short term our focus has very much been on addressing challenges, our long-term strategy is aimed at exploiting opportunities in the European market, which continues to be structurally short of premium-quality coking coal. We have 100-year-old relationships with our customers, unique technical mining skills and a highly experienced new management team, all of which makes us well placed to deliver on our strategy of becoming Europe's leading miner and marketer of coking coal by 2017.

Post-balance sheet date developments

On 6 January 2014, we signed the memorandum of understanding with the Czech Government in relation to the Paskov Mine. We are jointly with the Czech government exploring the possibility of keeping the high-cost Paskov Mine open beyond the end of 2014. Any such scenario would have to be beneficial for all concerned and also compliant with EU rules regarding state aid. Discussions will continue through March and we will inform the market of the outcome as appropriate.

On 22 January 2014, we announced that a review of our mineral resources and reserves was underway. Independent third parties are conducting this review. John T. Boyd Company ('JT Boyd') is reviewing the Company's Czech assets and IMC-Montan Consulting GmbH ('IMC') is reviewing the Dębieńsko project in Poland.

For the Czech assets, having regard to the revised Life of Mine Plan, JT Boyd has reported a total of 64 million tonnes of JORC compliant saleable (proven and probable) reserves as at 31 December 2013. The 2013 JORC reserve figure for the Czech assets represents a 65 per cent decrease from the JORC saleable reserves as at 31 December 2012 of 184 million tonnes. This decrease principally relates to a downward adjustment of the Company's long-term coal prices of EUR 108 per tonne and EUR 57 per tonne respectively for coking and thermal coal.

In the context of the review, we have updated our Life of Mine Plan. The revised Life of Mine Plan excludes the Paskov Mine after 2014, and part of the Karviná expansion project. In the revised Life of Mine Plan, the annual production of the Company declines progressively over the coming ten years: from the 2014 target of 9–9.5 million tonnes to around 4 million tonnes in 2021. At current long-term coal price assumptions, production beyond 2023 is not expected to exceed 2 million tonnes per annum.

For the Dębieńsko project, for which IMC is currently preparing a revised mineral resources and reserves report, it is probable that the previously reported reserves for Dębieńsko will be reclassified to resources principally due to a combination of an increase in the reporting requirements introduced in the 2012 JORC Code (which became effective 1 December 2013) and the downward adjustment of the Company's long-term coal price outlook. We are undertaking additional geological investigations necessary to complete the on-going feasibility study being undertaken by IMC.

The prolonged and unprecedented global pressure on both coking and thermal coal prices, the expiry of our RCF credit line and the likely downward revision of our coal resource and reserve balance (as a direct result of the deterioration in the long-term coal price outlook), triggered the Board's decision to initiate a review of NWR's capital structure on 22 January 2014.

We have commenced discussions with all of our stakeholders with a view to developing and implementing a sustainable capital structure that recognises and respects the interests of all stakeholders. This includes the Company's majority shareholder, BXRM, who has indicated that it and its shareholders are prepared to invest new equity capital into a revised and satisfactory capital structure. The Company has also commenced discussions with advisers to the Ad hoc Committee of note holders, who represent holders of both the EUR 500 million senior secured notes due 2018 and the EUR 275 million senior unsecured notes due 2021 (and those holders that hold both notes).

If we succeed to complete this process along with our on-going operational efficiency improvements at OKD, we believe NWR's business will emerge from this very difficult period as a competitive player on the European hard coal market. Therefore, we remain committed to our longer-term strategy to become Europe's leading miner and marketer of coking coal by 2017.

However, there can be no guarantee that it will be possible to successfully complete such a capital restructuring or that such implementation occurs within a timeframe that will secure the liquidity and solvency of the Group.

Should the Group fail to achieve a satisfactory capital structure for liquidity and solvency purposes, it would pose a significant risk of the Group ceasing to operate as a going concern.

Dividend

As per our dividend policy, we aim to distribute 50 per cent of our Mining Division's consolidated annual net income over the course of the business cycle. As the Company reported a net loss in 2013, the Board of NWR did not declare an interim or final dividend this year.

Gareth Penny
Executive Chairman of the Board

OUR BUSINESS MODEL AND STRATEGY

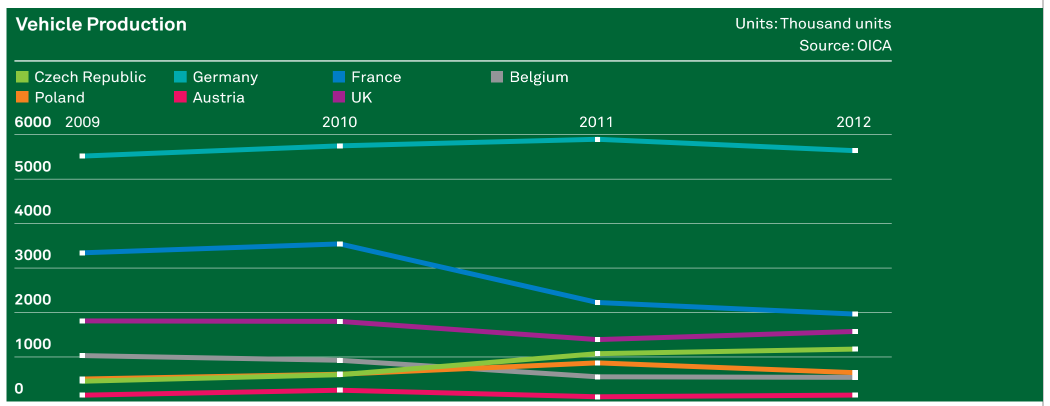
OUR BUSINESS MODEL

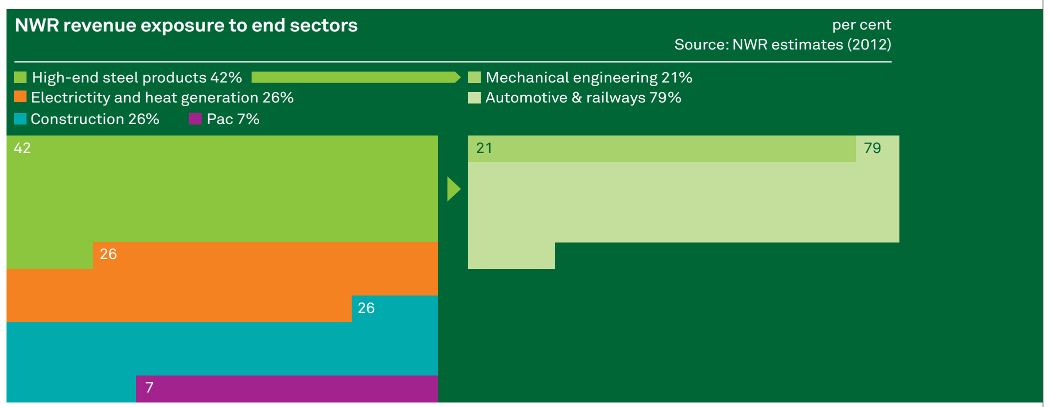
Located within the industrial heartland of Central Europe

Our 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, a competitive and skilled labour force as well as access to an existing infrastructure for the entire carbon-steel supply chain.

Proximity to blue-chip customers

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





European Union structurally short of coking coal

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

Operational excellence

We operate world-class mining equipment and posses a high level 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 2013 we mined the coal using on average 15 operational longwalls as opposed to 20 operational longwalls in 2009.

Responsible corporate citizen

Ensuring that the business is both economically and environmentally sustainable enables the Company to maintain its social licence to operate. As one of the largest private employers in the Czech Republic, we are 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, enhanced employee training, and continuing to make a significant positive economic contribution to our region.

Overview of NWR direct customers and end-users

All displayed logos are protected by copyright and are used by NWR with specific consent of the owners. NWR does not necessarily have a contractual relationship with the mentioned companies. Some of the companies are end users of coal related products. The locations of the logo's and company names displayed on the map above do not represent the exact location of the companies involved. The map doesn't depict all our customers or end-user of our products. The map doesn't depict all our customers or end-users of our products.

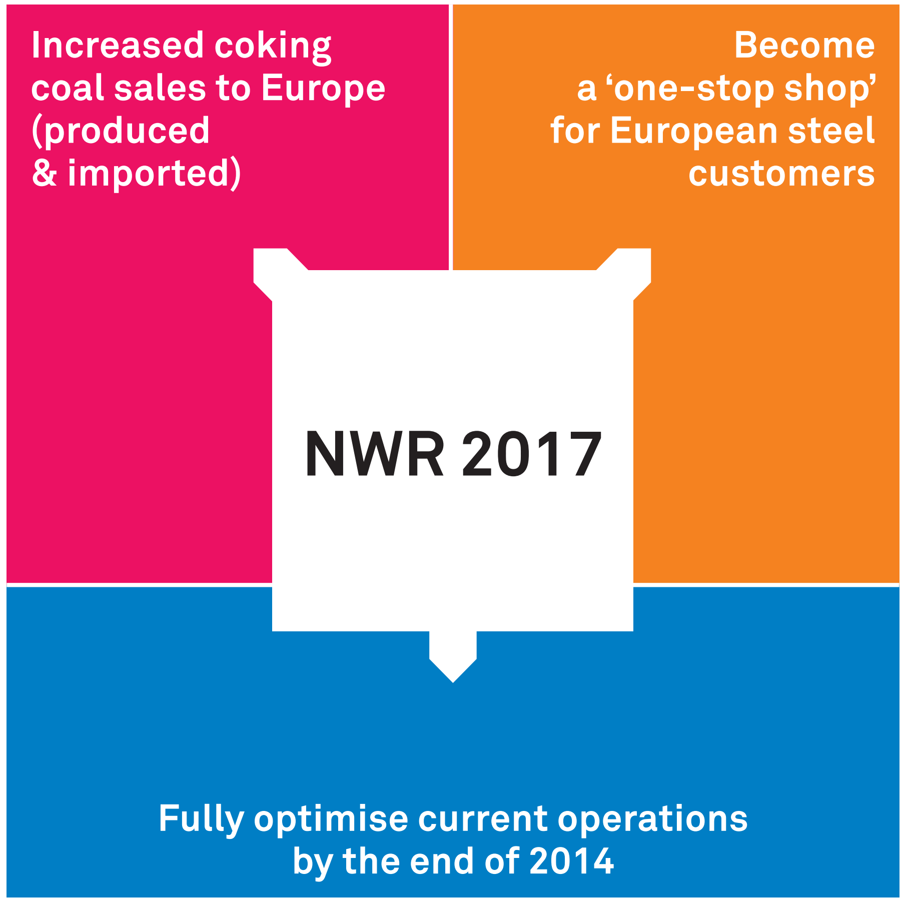
OUR STRATEGY

Our strategy

In February 2013 we undertook a strategic review of the business and set out clear objectives for 2017. We aim to build on NWR's proven strengths and reposition the business from a Central European coal producer and a trusted regional supplier to become Europe's leading miner and marketer of coking coal by 2017.

Thanks to our position in the manufacturing hub of Europe and thanks to our longstanding customer relationships, we are uniquely positioned to capitalise on the opportunity to meet the growing hard coking coal supply gap in Europe. The 2017 strategy is underpinned by three core pillars: firstly, to optimise current mining operations to ensure their sustainability; secondly, to increase the amount of coking coal supplied by NWR to the European market; and thirdly, to offer a full range of coking coal qualities to our existing and expanded steel customer base, and evolve into a 'one-stop shop' to meet the complex coking coal needs of our European steel customers.

Strategic targets



- Combination of mining projects and new marketing initiatives
- Engage in the import market for seaborne coking coal

- Build on marketing capabilities
- Supply full range of coking coal qualities to existing and expanded coking coal customer base throughout Europe

2014 targets:

- Coking coal 55–60 per cent of coal sales
- Cash mining unit costs of EUR 60/t by year-end
- Maintenance CAPEX below EUR 100 million
- Further improved LTIFR

The strategic targets will be reached while respecting the NWR sustainability priorities and the nine core sustainability principle as described on page 57.

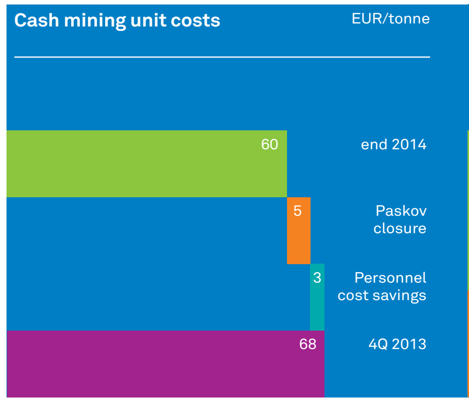
Fully optimise current operations by the end of 2014

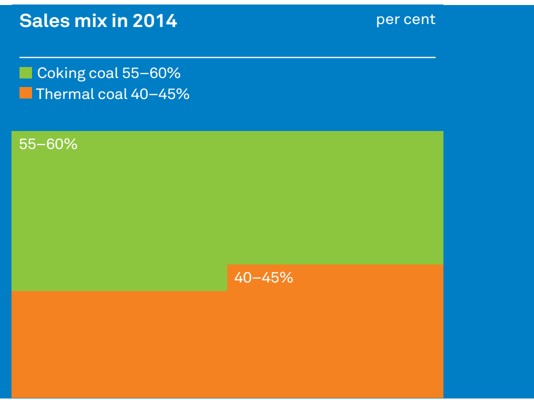
The deteriorating market conditions during 2013 led to our decision to accelerate the first leg of our 2017 strategy. We embarked on a range of business and portfolio optimisation steps, and announced '2014 targets' to make NWR a sustainable business respecting the strategic priorities and core principles of our sustainability approach and being a responsible partner for our stakeholders[1]. Hitting these targets is at the same time necessary for the delivery of our 2017 strategy.

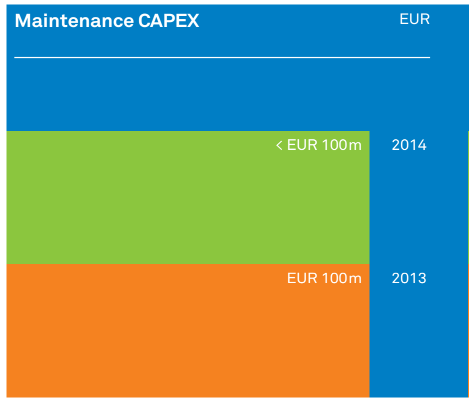
Cash mining unit costs
The 2014 year-end target will be achieved mainly through cuts in total personnel costs and by eliminating the high-cost parts of our mining operations. The strategic review highlighted less competitive parts of our current mining operations and in September 2013, we announced the closure of the Paskov mine in order to significantly improve the overall cost profile of our mining operations. The phasing-out of the mine will continue into 2014, with permanent closure by year-end, unless we agree with the Czech government on a prolonged operation of Paskov Mine.

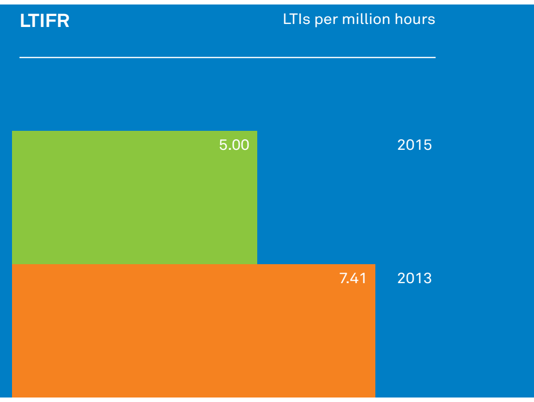
Coking coal in the sales mix
To reach the 2014 target and to maximise the output of coking coal from our mining operations, a new, more selective mine plan was created for implementation in 2014. Longer-term we envisage leveraging our customer relationships to complement our coking coal deliveries with sales of suitable coking coal qualities from overseas.

LTIFR
In 2014 we expect further improvements in our LTIFR driven by additional incentives we plan to offer our employees. In pursuit of our target LTIFR rate of less than 5 by 2015, we continuously promote a safety-first attitude amongst our employees through constant training and campaigns aimed at promoting employee engagement and discipline.









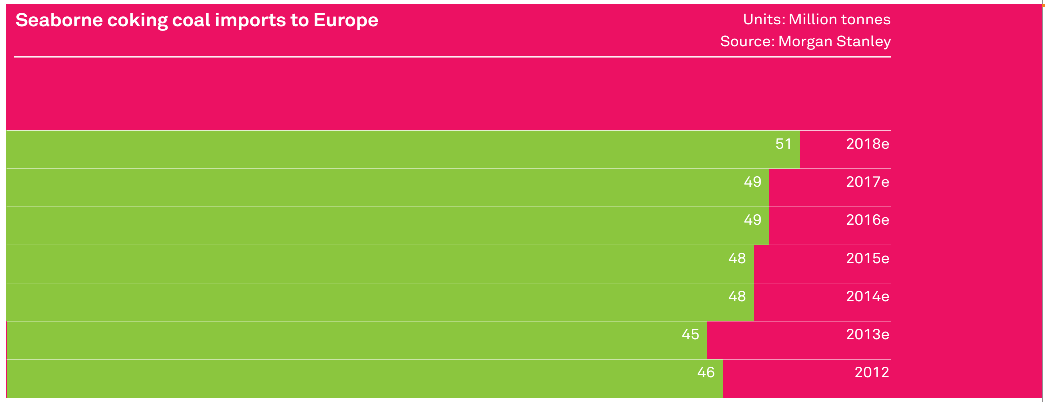
[1] Our sustainability approach is covered in the NWR Sustainability Report 2013 which will be published in May 2014.

OUR STRATEGY

Increased coking coal sales to Europe (produced & imported)

Rationale: Taking advantage of favourable global coal trade flows into Europe, we plan to supplement our own coking coal production from our current operations in the Czech Republic with imported seaborne coking coal. The CE4[1] continues to be our core market and despite prolonged weakness in the global markets, the underlying fundamentals and longer-term resilience of the region remains strong.

Growing import market: European coking coal production has been on a downward trajectory for decades and to compensate for this decline, and for the coking coal qualities that cannot be regionally sourced, there has been a rising trend of seaborne imports into Europe. The estimated supply gap of coking coal in Central Europe is around 4Mtpa, reaching more than 50Mtpa for the whole of Europe – trends that continue to grow despite the economic downturn.



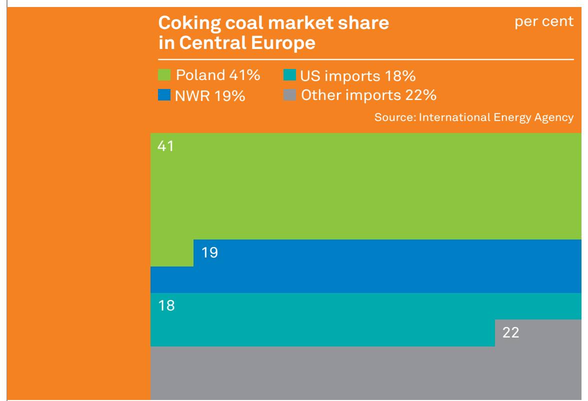
[1] Czech Republic, Poland, Slovakia and Austria.

Become a 'one-stop shop' for European steel customers

One-stop shop concept: We aim to leverage our existing blue-chip customer relationships and market both the locally produced coking coal (mid-volatility hard coking coal, semi-soft grades and PCI coking coal) as well as the imported seaborne premium hard coking coals - imports of the latter are necessary for blending purposes when making coke, a key raw material in the manufacture of steel.

Core market of CE: The steel making industry in the area continues to remain relatively resilient in the current operating climate, particularly when compared to other parts of Europe. Manufacturers and heavy industry remain attracted to the region's business-friendly environment, the availability of steel making raw materials and the competitive and skilled labour force.

Opportunistic markets: Ultimately, our aim is to offer a full range of coking coal qualities to our existing and expanded customer base in the 'opportunistic markets', and to evolve into a 'one-stop shop' for the coking coal needs of the European steel producers.



OUR MARKETS

Global economy

Economies around the world continue to feel the effects of the global financial crisis as any sustained recovery remained elusive during 2013. A lack of confidence throughout the economy has led to weak consumer demand, whilst governments and regulators struggled to implement effective measures to address the fundamental imbalances in the world economy.

Most developed countries continue to be weighed down by unsustainable debt burdens and high unemployment levels that could take several more years to be resolved. Developing countries, particularly in Asia, continued to outpace the growth in developed economies, providing some support to steel-making commodities.

Central Europe regional economy

Whilst the Central European region withstood the early years of the Euro crisis, there was a marked slowdown in growth during 2013 as the economies of the region continued to be impacted by the slowdown in the wider European economy, which has been struggling for the past five years.

Despite this, the region maintains a solid manufacturing base where the strength of German manufacturing provides a solid source of demand for industry in the surrounding countries. Vehicle production is a key segment of Central European manufacturing with many supporting industries supplying components and parts. The Czech Republic and Slovakia are amongst the highest producers of cars in the world per capita, providing a stable source for steel demand in the region.

In the coming years it is expected that economic growth rates in Central Europe will trend higher than the rest of Europe as the economies in the region still have some way to go towards wealth convergence. Manufacturing industries should also maintain a substantial cost advantage over the rest of the continent, helping to bolster overall economic growth.

International coal markets

Coking coal

Excess supply was the overriding factor influencing international coking coal markets during 2013, as slowing economies required less coal for steel production while new low cost sources of supply came online. The oversupplied market put downward pressure on prices throughout the year, putting severe pressure on the revenues of mining companies. Benchmark prices remained at historically low levels, with oversupply and subdued demand providing little incentive for an increase in prices.

In response to these difficult market conditions, coal mining companies around the world have been forced to pursue aggressive cost-cutting measures to bring their cost per tonne mined into line with the lower price environment. Many have also been forced to close some of their higher cost operations and freeze some of their development projects and this has taken some supply out of the market. However, many projects that were planned and set in motion during the 'good years' are now coming on line, exacerbating an already oversupplied market. Furthermore, the larger coal mining companies have actually increased their overall production in a drive to bring down costs per tonne. Australia, the largest coking coal exporter increased its coking coal seaborne supply by around 11 per cent. **Fig. 1, 2, 3**

Thermal coal

The international thermal coal market in 2013 was impacted by much the same issues as the coking coal market, with oversupply keeping prices at historically low levels, and slower economic growth reducing the demand for electricity worldwide. **Fig. 4**

Relatively low natural gas prices in the US over the past number of years, as a result of the shale gas boom, continued to put pressure on domestic coal demand and to redirect a lot of US thermal coal onto the international seaborne markets. US miners have been forced to target alternative markets, with Western Europe being the most economical route for US thermal coal exports. This, along with increasing imports from Colombia, Russia and South Africa and high natural gas prices, has seen a rising share of Europe's electricity being generated from coal during 2013. **Fig. 5**

Regional coal markets

Coking coal

Steel production in Central European countries remained at a constant level throughout the year with most steel mills running at around 75 per cent of their capacity, but overall steel production remained 8 per cent below the level before the global financial crisis of 2008. **Fig. 6**

It is now generally accepted that the European steel industry is structurally oversupplied to the tune of about 45 million tonnes per year, keeping steel prices low and threatening the viability of many mills. In response, some steel production was shut down in Europe during the year, with the closures mainly concentrated in Western Europe.

Figure 1
International coal prices
Units: USD/tonne
Source: Platts, AME

Figure 2
International coking coal spot prices
Units: USD/tonne
Source: Platts

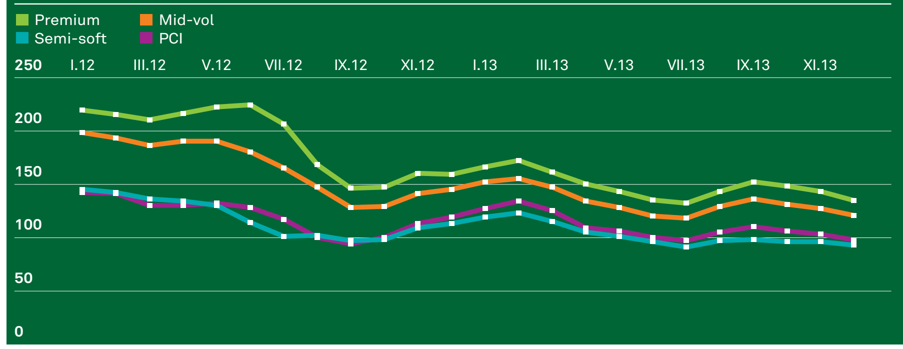


Figure 3
Australia's growing coking coal exports adding to over supplied market
Units: Million tonnes
Source: JP Morgan

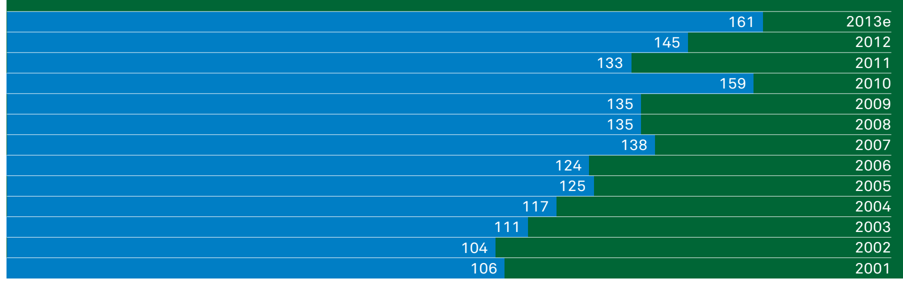


Figure 4
Thermal coal spot prices
Units: USD/tonne
Source: Platts

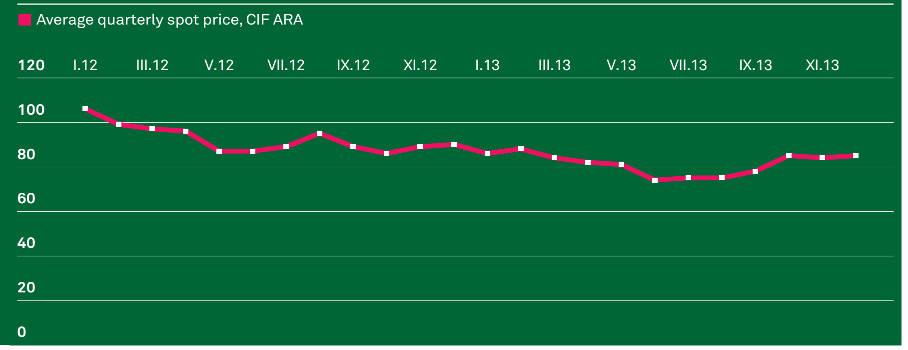


Figure 5
U.S. thermal coal exports
Units: Million short tonnes
Source: US Energy Information Administration

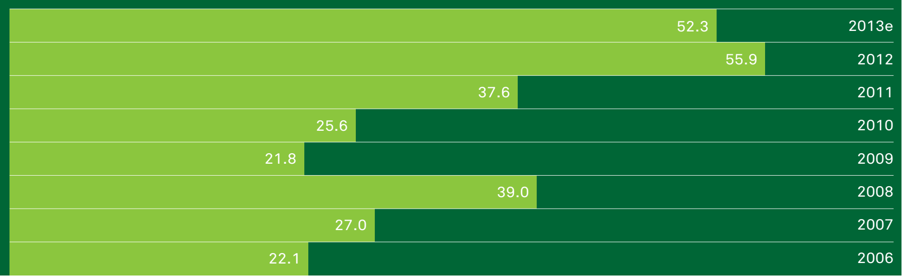
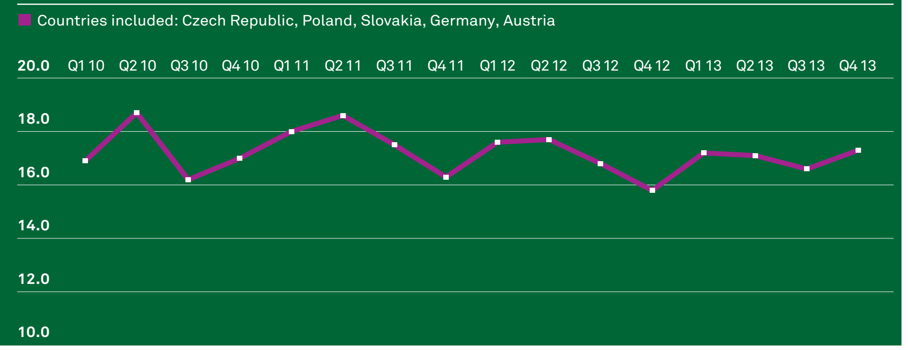


Figure 6
Steel production in NWR customer markets
Units: Million tonnes
Source: World Steel Association



OUR MARKETS

The competitive cost position of steel plants operating in Central Europe has shielded these operations from closure and their parent companies are making substantial investments into these mills to prolong their lives.

This relatively stable position of the steel industry in Central Europe has ensured a steady demand for coking coal during 2013. In the longer term, since steel mills in Central Europe have geared their production cycles according to the coking coal available in the region, they will continue to require this particular type of coal for their coke blends. Miners in the region have an added advantage over other sources of supply, since they are located 500–1,000 km from the nearest importing sea ports.

Nevertheless, coal miners in Central Europe are under the same pressures as other international miners to reduce costs in order to continue operating as viable enterprises at the current low prices, which are not expected to rise much in the coming years.

Thermal coal

Thermal coal markets in Central Europe struggled during 2013 as miners contended with excessively high stockpiles throughout the region due to a higher level of imports and reduced electricity demand that emeged in 2012. Prices have been forced down as companies often adopted aggressive pricing to offload their inventories. Renewed intervention in the market has also been evident recently as some governments have pressured national utilities to source their coal from local mining companies, some publicly owned, leading to a distortion of market prices.

Coke markets

The blast furnace coke market in Europe followed a similar trend to coking coal as excess supply and a struggling steel industry kept prices subdued. In a slow market environment, steel plants will generally require less coke from merchant producers, with their own production meeting most of their needs.

Steel plants will also seek to reduce their coke production costs as much as possible, substituting some of their coke requirements with less expensive PCI coking coal. It is expected that the demand for PCI coking coal will continue to grow in Europe as more steel mills fit their plants with the necessary technology. **Fig. 7**

The foundry coke market in Europe is somewhat more resilient as there are only a few producers in the market supplying a more specialised type of product. For this reason the price achieved for foundry coke is substantially higher compared to blast furnace coke. **Fig. 8, 9**

Outlook

The consensus on the markets suggests that international coal prices will not rise significantly during 2014 and the following years. The aggressive focus on cost reduction and capital expenditure witnessed during 2013 can therefore be expected to continue across the coal mining industry for the coming years. Mining companies and the coal industry in general will need to transform their operating models in order to survive in this low price environment, ensuring that their costs per tonne are lower than the price they can receive from the market. Higher-cost operations, in particular those without any transportation advantage, will continue to close or reduce their production and less capital will be made available for new mines, which should help to bring the market back into balance eventually.
Fig. 10, 11

Figure 7
European coke prices
Units: EUR/tonne
Source: Resource Net

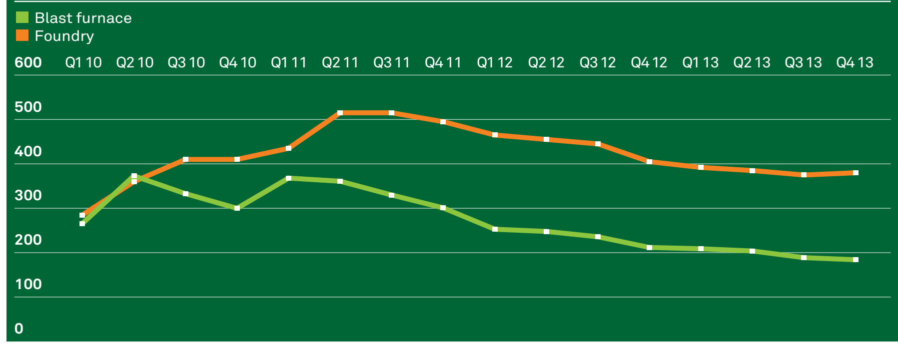


Figure 8
Industrial production growth in region
Units: Percent
Source: Goldman Sachs

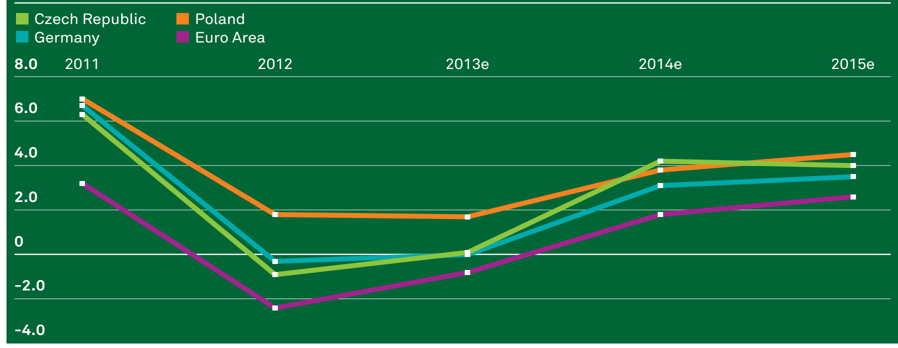


Figure 9
Car production per capita
Units: Vehicle production (units) per 100 inhabitants, 2012
Source: OICA

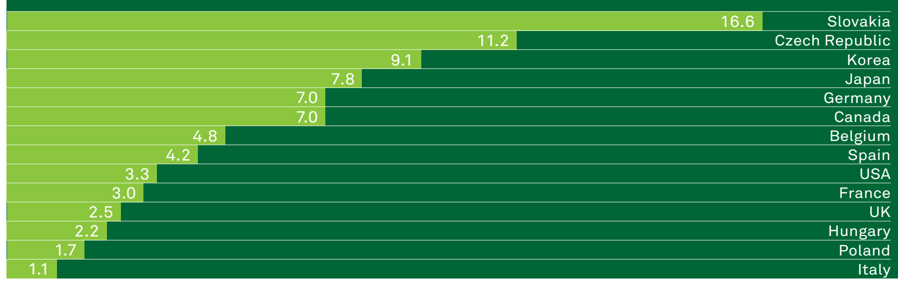


Figure 10
International coking coal seaborne supply-demand forecast
Units: Million tonnes
Source: BMO Capital Markets research

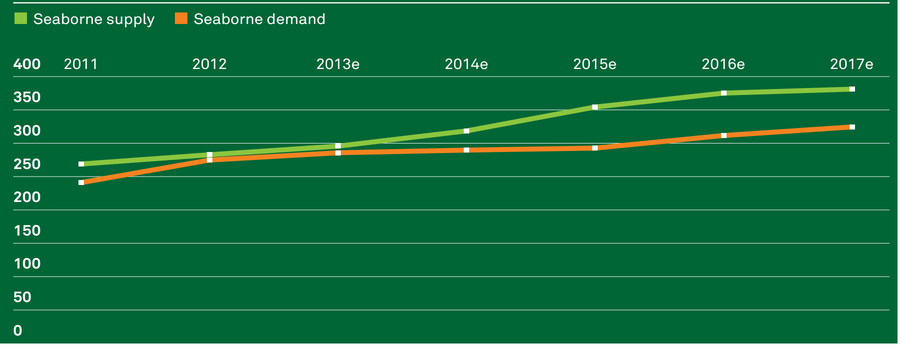
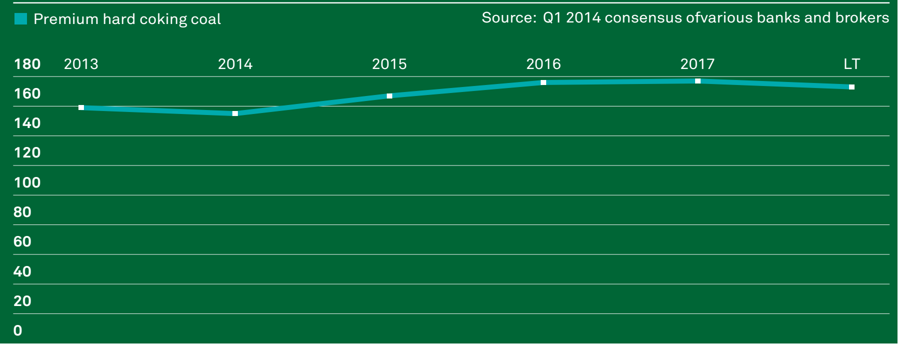


Figure 11
International premium hard coking coal price forecast
Units: USD/tonne
Source: Q1 2014 consensus ofvarious banks and brokers



PRINCIPAL RISKS AND UNCERTAINTIES

Backdrop to our risk management

In February 2013 we announced our strategy to become Europe's leading miner and marketer of coking coal by 2017. During the year, the on-going challenging market conditions necessitated a detailed operational review with the aim of adjusting NWR's business to the adverse market conditions and, importantly, to keep us on track with the longer-term objectives of our 2017 strategy. We therefore decided to accelerate the third pillar of this strategy, namely to fully optimise current operations, and announced in May 2013 clear objectives for 2014 as well as immediate measures focused on improving the overall cash position. Further details on NWR's strategy can be found on pages 18 to 21.

In 2013 we reviewed our Group risk management policies and processes, and identified further opportunities to unify practices at our operational subsidiaries in respect of risk identification, measurement and reporting, including even more stringent review of risk registers and the Group's principal risks.

In this chapter individual risks are discussed in more detail together with the actions taken in 2013 to mitigate against the potential impacts. We also discuss our views of the risk landscape going forward.

Table: Risk management framework

Setting of strategic objectives ↓ / ↑ Operational risk identification	Level	Internal Audit
Setting of strategic objectives ↓	**The Board (Audit and Risk Management Committee – further details on pages 94 to 97)** › Review and approve the Group's principal risks and Internal audit's risk-based plan › Assess the scope and effectiveness of the system established by management to identify, assess, manage and monitor financial and non-financial risks › Assess whether the level of residual risk is acceptable for the Group › Review reports on any material breaches of risk limits and the adequacy of proposed actions	› Assess risks as part of the risk-based internal audit plan
	Group Risk Management › Coordinate and support risk management activities across the Group › Implement appropriate structures for risk management › Identify and assess the Group's principal risks › Propose the risk limits › Monitor the Group's principal risks and manage these directly where appropriate › Ensure consistent reporting on risk management activities	› Monitor and audit the risk management process
↑ Operational risk identification	**Subsidiary Management / Operational level** › Operational risk identification and assessment › Prioritise and lead risk mitigation activities › Implement internal control measures	› Monitor and audit internal controls

Table: Overview of principal risks

Financial Risks

Liquidity and Financing Costs Risks

Risk description

The risk that NWR has insufficient liquidity to finance its operations and development projects. This is currently the most important risk that is critical as to our ability to continue as a going concern.

Change in Risk 2013 (pre-mitigation) ↑

Development In 2013, Mitigation & Outlook

2013: 2013 saw deteriorating market situation and the Group's worsening liquidity position.

Mitigation: Considerable progress has been made in implementing the our plans to restructure the operations of OKD. This included: lower overheads and cash mining unit costs; a new collective agreement with the trade unions of OKD; the divestment of our coke subsidiary OKK; and finally the conclusion of a memorandum of understanding with the Czech government on the closure of the Paskov Mine.

However, several recent development triggered our decision to review the appropriateness of our current capital structure. These developments were:

› Continuous challenging market circumstances with persistent global pressure on both coking and thermal coal pricing.

› Inability to secure an extension of EUR 100 million Revolving Credit Facility beyond February 2014.

› Expectation of a significant decrease of economically mineable coal reserves due to the change in the long-term coal price outlook.

Outlook: We have commenced discussions with all of its stakeholders with a view to developing and implementing a sustainable capital structure that recognises and respects the interests of all stakeholders. This includes the Company's majority shareholder, BXRM, which has indicated that it and its shareholders are prepared to invest new equity capital into a revised and satisfactory capital structure. The Company has also commenced discussions with advisers to the Ad hoc Committee of note holders, which represents holders of both the EUR 500 million senior secured notes due 2018 and the EUR 275 million senior unsecured notes due 2021 (and those that hold both notes).

Should the Group fail to achieve a satisfactory capital structure for liquidity and solvency purposes, it would pose a significant risk of the Group ceasing to operate as a going concern. On current base case forecasts the Group anticipates a net cash outflow of approximately EUR 30,000 thousand per quarter and that its current cash balance will be exhausted in Q1–Q2 2015. However, an inability to renew receivables financing, further price deterioration, default on existing facilities or other factors such as lower than forecasted production could bring this point forward.

The Directors recognise that the combination of these circumstances represents a material uncertainty that may cast significant doubt as to the Group's ability to continue as a going concern and that therefore the Group may be unable to realise all its assets and discharge all of its liabilities in the normal course of business.

PRINCIPAL RISKS AND UNCERTAINTIES

Financial Risks Continued

Currency Fluctuation Risks

Risk description

The risk that we are affected by volatility in FX rates as the Group's operating costs and capital expenditures are mostly in CZK, whereas revenues are approx. 50 per cent in EUR, and 50 per cent in CZK and 100 per cent of NWR's debt is in EUR.

Change in Risk 2013 (pre-mitigation) →

Development In 2013, Mitigation & Outlook

2013: Due to the Company's credit rating downgrade in 2013[1], the Group's access to financial derivatives in 2013 has severely decreased, so future cash flows cannot be hedged according to our internal policies. As long as this situation is the case, we decrease our exposure by building on FX buffers through FX spot transactions.

Mitigation: As long as this situation continues, we will decrease our exposure by building on FX reserves through FX spot transactions.

Outlook: Towards the end of 2013, CZK significantly devalued against EUR as a result of intervention by the Czech National Bank. CNB has committed to keeping the EUR/CZK rate at the new levels in 2014.

Interest Rate Risks

Risk description

The risk that NWR is affected by rising interest rates.

Change in Risk 2013 (pre-mitigation) →

Development In 2013, Mitigation & Outlook

2013: There were no significant changes to our exposure to interest rate risk in 2013.

Mitigation: Our primary financing structure prevents us from significant exposure to interest rate volatility. The only exposure to floating interest rates is through the Group's ECA Facility, 98 per cent of which of which is currently hedged at fixed interest rates using interest rate swaps.

Outlook: Going forward, we continue to monitor our potential exposure and manage this using various financial instruments, such as interest rate swaps, offsetting the underlying exposure to the extent possible.

For further details on financial instruments, please see pages 156 to 164.

[1] We are currently rated as Caa3 (Negative outlook) and CCC (Negative outlook) by Moody's and S&Ps respectively.

Strategic Risks

Future Growth Risks

Risk description

The risk that the company is not able to achieve its growth objectives to ensure long-term viability of the business beyond its current life of mine plan.

Change in Risk 2013 (pre-mitigation) ↑

Development In 2013, Mitigation & Outlook

2013: We carried out a thorough operational review of OKD and it became evident that the high-cost Paskov Mine was no longer competitive. The decision taken in September 2013 to close the mine by the end of 2014 was a necessary step in creating a sustainable business, and to keep us on track with the 2017 strategy.

Mitigation: NWR recruited three key professionals in line with the three pillars of our 2017 strategy:

1) To optimise the current mining operations and deliver core 2014 targets onwards: Dale Ekmark was appointed as Head of Mine Transformation in August 2013 and from 1 January 2014 Dale will lead OKD as its Managing director;

2) Peter Carr as Head of Business Development with the task of actively developing sources of coking coal, including overseeing our regional development projects; and

3) Peter Dormann as Head of Sales and Marketing, bringing extensive experience in international coal marketing and trading, a valuable asset as we look to engage more actively in the import markets.

Outlook: Following the review of mineral reserves and resources, we have updated our life of mine plan. The revised life of mine plan excludes the Paskov Mine after 2014, and part of the Karviná expansion project. In the revised Life of Mine Plan, the annual production of the Company declines progressively over the coming ten years: from the 2014 target of 9–9.5 million tonnes to around 4 million tonnes in 2021. At current long-term coal price assumptions, production beyond 2023 is not expected to exceed 2 million tonnes per annum. In this context, the importance of, as well as the risk associated with, our future non-organic growth to increase the coking coal sales delivered to European steel customers by 2017 has increased.

PRINCIPAL RISKS AND UNCERTAINTIES

Strategic Risks Continued

Macroeconomic Risks

Risk description

The risk we are affected by economic or regulatory changes beyond our control.

Change in Risk 2013 (pre-mitigation) →

Development In 2013, Mitigation & Outlook

2013: The attractiveness of the CE region (further information on page 22) as the industrial manufacturing centre in the heart of Europe continued to provide support to demand for NWR's products.

Mitigation: We also continue to see an increasing orientation towards high-end steel products of the likes of automotive producers, mechanical engineering and high-speed railway. Supplying to this customer group makes NWR less vulnerable to a potential increase in the region's taxation or regulation.

Outlook: No specific changes are expected in 2014. The region remains somewhat more resilient compared to the rest of Europe, in particular due to its higher labour-competitiveness in the manufacturing sector. Nevertheless, following the 2013 elections in the Czech Republic, there may be increased attention to this risk area with regards to the risk of potential tax reform, imposing sector-specific taxes. etc.

Market Risks

Pricing Risks (including input cost inflation)

Risk description

The risk that global markets continue to put downward pressure on the price of our coal products.

As NWR is highly operationally leveraged, we are heavily dependent on prices of our coal products.

Coal prices and 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.

Change in Risk 2013 (pre-mitigation) ↑

Development In 2013, Mitigation & Outlook

2013: The downturn, which started in mid-2011 continued throughout 2013, with coal prices under continued pressure, and the prices for our coal products have been severely depressed, in particular for coking coal products.

Mitigation: By the end of the first quarter 2013 it became clear that we needed to address the increased risk of adverse pricing of coal for the Group's near-term liquidity position. We implemented a comprehensive package of cash-enhancing measures and business optimisation steps and by the end of the year, we delivered our targeted EUR 100 million of immediate measures.

Centralising the mines' management at the Darkov mining site and the decision to start phasing out the high-cost Paskov Mine with a view to permanent closure are the key measures taken in 2013 to ensure the viability of the current mining operations. See more information on page 47.

The divestment of our coke subsidiary, OKK was another important step in streamlining NWR's business and freeing up additional cash for re-investment into the core business. At the same time, the divestment of OKK also decreased the diversification of NWR and as such, increases the exposure to coal prices.

Outlook: The current outlook for 2014 coking coal prices is that these will remain close to the level of EUR 91 a tonne agreed for Q1 2014. See more information on markets on pages 24 to 25). The 2014 thermal coal price has been agreed with our customers at average price of EUR 54 a tonne.

The prolonged and unprecedented global pressure on both coking and thermal coal prices, the expiry of our RCF credit line and the lnegative impact of falling prices on our coal resource and reserve balance, triggered the Board's decision to initiate a review of NWR's capital structure on 22 January 2014.

We have commenced discussions with all of our stakeholders with a view to developing and implementing a sustainable capital structure that recognises and respects the interests of all stakeholders.

Sales Volume Risks

Risk description

Demand for NWR's products is highly dependent on following factors: the developments in the steel and energy sectors, supply situation in the region and development on seaborne markets.

All these factors can negatively impact demand for our products.

Varying demand and production levels may impact our ability to deliver on our originally budgeted targets.

Change in Risk 2013 (pre-mitigation) ↑

PRINCIPAL RISKS AND UNCERTAINTIES

Market Risks Continued

Development In 2013, Mitigation & Outlook

2013: The economic situation remains unstable and our main markets has shown significant volatility throughout the 2011 – 2013 period in particular in thermal coal demand. We started 2013 with above average inventories of thermal coal, which we managed to sell down, partially at discounted prices, during 2013 (further information on page 41).

Mitigation: Our longstanding relationships with our customers and annual framework agreements provide some protection and predictability in terms of sales volumes.

On the production side we are revisiting our mining plans and our target is move towards so called selective mining, where we prioritise locations for future mine development that are geared towards coking coal, a product that is generally in much shorter supply than thermal coal.

Outlook: Going forward, we will continue to develop the business in line with the 2017 strategy to engage more actively in import markets and ultimately become a 'one-stop shop' for European steel customers, and this business model will enable us to adjust better to changing demand and supply situations.

Customer Concentration Risks

Risk description

NWR's coal operations depend on a relatively small number of blue-chip customers (further information on page 7).

There is a risk that we may loose one or more of our significant customers, and hence a potentially significant portion of our revenues.

Change in Risk 2013 (pre-mitigation) →

Development In 2013, Mitigation & Outlook

2013: There were no significant changes to our customer portfolio in 2013.

Mitigation: We have longstanding relationships and framework agreements with our customers in place that provide us a certain level of stability in our customer base and in the off-takes.

Outlook: Going forward, we continue to develop the business in line with the 2017 strategy to engage more actively in import markets and ultimately become a 'one-stop shop' for an enlarged portfolio of European steel customers.

Legal and Regulatory Risks

Licensing Risks

Risk description

The risk that our operations are negatively affected by changing industry regulations or an inability to renew, retain or acquire the necessary licences.

The success of continuing and expanding our mining operations largely depends on acquiring the necessary licences and permits. Any changes in local or EU regulations may significantly impact our potential to mine current reserves or develop new coal deposit.

Change in Risk 2013 (pre-mitigation) →

Development In 2013, Mitigation & Outlook

2013: There were no significant changes to our exposure to licensing risks in 2013.

Mitigation: We monitor political, regulatory and social developments closely and maintain regular dialogue with local, regional and national authorities to ensure compliance with all the relevant current and future laws and regulations in the industry.

Outlook: We do not expect any significant changes in the regional or European regulatory framework of the mining industry during 2014.

Operational Risks

Geological Risks

Risk description

The risk that our operations are affected by unpredictable geological events.

Change in Risk 2013 (pre-mitigation) →

Development In 2013, Mitigation & Outlook

2013: In 2013 our mining operations were affected by largely unpredictable events caused by specific geological circumstances at great depth. For more information see Sustainability Report 2013, section Our people, chapter Safety.

Mitigation: We continue to implement the latest mining techniques and technology to improve our assessment of the geological circumstances in our mines, and in this way reduce the unpredictability of events such as rock bounces.

Outlook: The average depth of our mining operations continues to increase which generally increases the frequency and severity of unpredictable tectonic events.

PRINCIPAL RISKS AND UNCERTAINTIES

Operational Risks Continued

Health and Safety Risks

Risk description

The risk that our operations are affected by safety hazards, large-scale accidents in particular.

Change in Risk 2013 (pre-mitigation) →

Development In 2013, Mitigation & Outlook

2013: 2013 LTIFR of 7.41 (2012: 7.61). 2 fatalities occured in 2013.

Mitigation: Health and safety of our employees is, and will always be, our number one priority. Thanks to our ongoing investments into state-of-the art mining equipment and protective gear as well as through constant training and campaigns aimed at promoting employee engagement and discipline, our LTIFR remains on a downward trend.

Outlook: We are committed to the strategic objective of reaching an LTIFR of less than five, ranking NWR among the top 5 of global leaders in safety for deep underground coal mining by 2015.

For more information see Sustainability Report 2013, section Our people, chapter Safety.

Lack of Qualified Workforce Risks

Risk description

The risk that we are not able to attract and retain highly skilled employees, thus affecting operations.

The success of NWR depends on its highly skilled and motivated employees, a shortage of which could endanger both the production and the development of new coal deposits.

Change in Risk 2013 (pre-mitigation) ↓

Development In 2013, Mitigation & Outlook

2013: At the end of 2013, we have agreed new collective work agreements with our mining employees for 2014–2018, ensuring fair and sustainable remuneration for our workforce.

Mitigation: The remuneration continues to compare favourably to the industry and region averages, thus helping to attract and retain a skilled workforce.

As a regional leader in technology and safety and through competitive remuneration packages we have attracted world-class experts in various fields in the mining industry. In this way we are building further on our platform to achieve our strategic objectives by 2017.

Outlook: Signing of the new competitive collective agreement together with our ongoing close cooperation with schools and universities in the Moravian-Silesian region create an environment that allows us to retain sufficient number of qualified employees at all levels.

For more information see Sustainability Report 2013, sections Our People, and Community.

Social and Environmental Risks

Impact on Community Risks

Risk description

Due to the nature and size of NWR's activities, the impact of our activities on local communities may be significant.

Change in Risk 2013 (pre-mitigation) →

Development In 2013, Mitigation & Outlook

2013: We place strong emphasis on transparency and are fully commited to open dialogue with all relevant stakeholders such as local communities, municipal and state authorities and NGOs. The subsidiary OKD continued cooperation with local municipalities based on long-term agreements. The representatives of NWR participated in expert committees responsible for impacts of our mining activities. Special website with up-to-date information on seismic activity in OKD mines was launched. Questions and inquiries from local inhabitants related to development projects are treated in sensitive and professional way.

Mitigation: We strive for transparency and practice open dialogue at all levels in our organisation and with our stakeholders.

Outlook: Long-term agreements with municipalities, continuous stakeholder dialogue at all levels and special approach towards community inquiries are significant factors to reduce the risk in the future.

For more information see Sustainability Report 2013, section Community, chapter Mining activity and the community.

Environmental Risks

Risk description

The risk that our operations affect the environment irreversibly, excessively, or in an unpredictable way.

Our operations may have a significant impact on the environment if not remedied or prevented properly.

Change in Risk 2013 (pre-mitigation) →

PRINCIPAL RISKS AND UNCERTAINTIES

Social and Environmental Risks
Continued

Development In 2013, Mitigation & Outlook

2013: The area of completed reclamations in 2013 reached 126 hectares - the largest figure since 2008. The quantity of flotation tailings was down by 40 per cent year on year due to the lower production of coal. Further reduction was reached in PM emissions, GHG emissions and waste generation. The new Darkov - Karviná connecting gateroad enabled to transport coal from the Karviá mine to the modernised Darkov preparation plant and thus reduce the environmental burden.

Mitigation: NWR undertakes to minimise the impact its operations have on the environment by applying best practice operating processes and continuously implementing improved technologies. If an impact cannot be avoided, for example in the case of land usage for mining, we work closely with local communities to ensure adequate remedial action including land reclamation.

Detailed measures for the mitigation of environmental risks are discussed further in the Sustainability Report 2013.

Outlook: We expect to continue with reclamation activities according to the long-term plan. The emissions and waste are largely related to the coal production and therefore are dependent on solving the situation with Paskov Mine. Further emssions reduction is expected in connection with the sale of OKK subsidiary in late 2013.

Bribery, corruption and fraud risks

Risk 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 our business through prosecution, fines and reputational damage.

Change in Risk 2013 (pre-mitigation)

→

Development In 2013, Mitigation & Outlook

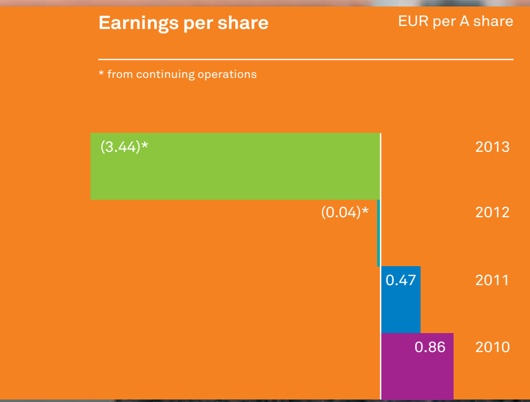
2013: We have recorded a significant decrease of 32 per cent in the number of suspected irregularities during past two years resulting from newly adopted rules and measures troughout the Company.

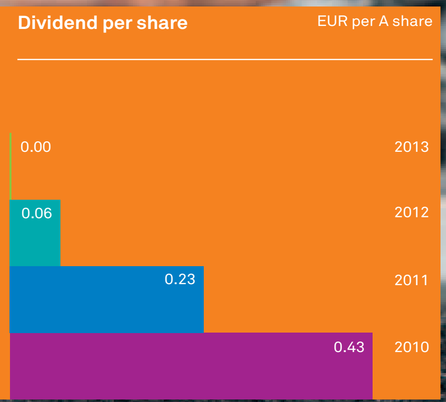
Mitigation: We have adopted a zero tolerance policy on bribery, corruption and fraud Group-wide and procedures governing this are implemented throughout the Company. Employees receive continuous training on these policies. We regularly carry out reviews of our business partners to strngthen compliance with the Company´s approach to bribery, corruption and fraud.

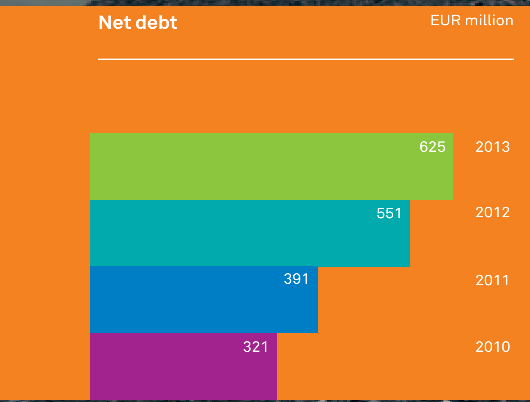
Outlook: Despite the favourable development, we plan to introduce further improvements in the field and therefore we expect further reduction of corresponding risks.

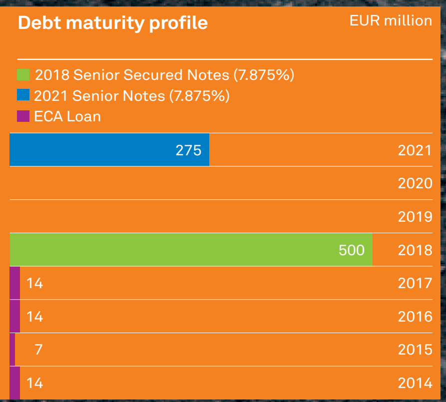
For more information see Sustainability Report 2013, section Corporate Governance, chapter Ethics and transparency.

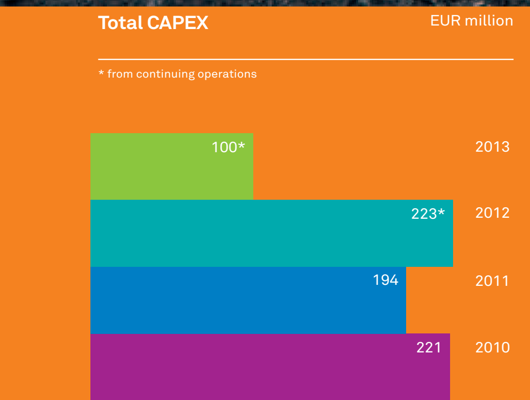
FINANCIAL REVIEW

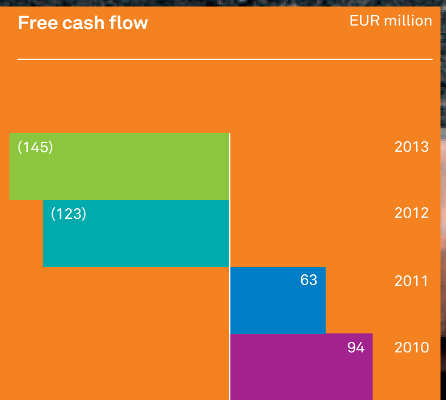












FINANCIAL REVIEW

Marek Jelinek, Executive Director and Chief Financial Officer

2013 has undoubtedly been a very tough operating environment with prolonged and unprecedented global pressures on both coking and thermal coal prices. To help alleviate this top line weakness, we have continued to focus on optimising our current business, in terms of our liquidity and costs. In view of the continued pressure on both coking and thermal coal, and the negative impact of the current coal price outlook on our coal reserves we initiated a review of NWR's capital structure in January 2014. We will consider all available options to ensure an appropriate capital structure that can support the continuation of the business going forward.

2013 Highlights

2013 has been a year of prolonged and unprecedented weakness for both coking coal and thermal coal prices, reflected in a 28 per cent decline in our revenues to EUR 850 million. To help mitigate against these adverse market conditions, our focus has been on what we can directly influence. This includes the optimisation of our current operations primarily encompassing cost reduction and improving our liquidity position, two areas where we have made considerable progress. However, these measures were not sufficient to offset the revenue decline and the adverse impact on our cost of sales resulting from the aggressive sell-down of our thermal coal inventories. Consequently, we recorded an EBITDA loss from continuing operations of EUR 10 million for the year compared to a profit of EUR 210 million for 2012.

During the year, we recognised a non-cash impairment charge of EUR 807 million (EUR 685 million net of tax) in order to align the carrying value of our coal assets with reduced price expectations.

Our net underlying[1] loss stood at EUR 230 million for the year and the basic underlying earnings per A share was a negative EUR 0.86 compared to a negative EUR 0.04 in 2012.

Coal

Total production of coal in 2013 was 8.8 million tonnes, a decrease of 21 per cent compared to the previous year, whilst external coal sales were at 9.7 million tonnes (2012: 10.2Mt). The difference between production and sales volumes was made up by the sell-down of our thermal coal inventories.

Revenues were down 28 per cent driven principally by lower prices realised for both coking and thermal coal, but also negatively impacted by a slight deterioration in the sales mix as coking coal made up 48 per cent of the total sales volumes (FY 2012: 51 per cent).

Average realised prices for coking coal in 2013 were down 22 per cent at EUR 98 per tonne; and for thermal coal, down 24 per cent, at EUR 56 per tonne. Thermal coal inventories were reduced by 70 per cent to 380 thousand tonnes by year-end.

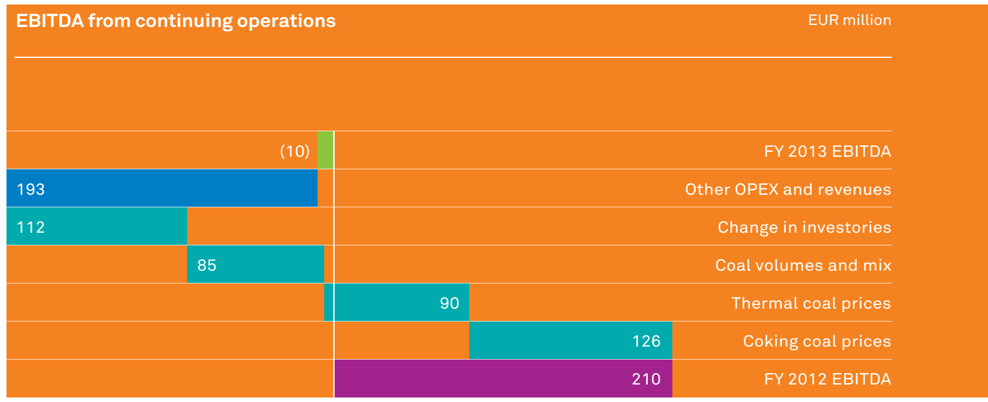
Operating expenses

Our cost of sales decreased from EUR 913 million to EUR 844 million i.e. by 8 per cent in 2013 compared to the year 2012, mainly due to lower production and less development work, resulting in lower consumption of mining material and spare parts and in reduced provision for mining damages. Other factors were the reduced number of contractors' shifts, resulting in lower service expenses and a reduction in headcount, resulting in lower personnel expenses.

Cash mining unit costs[2] were at EUR 78/t in 2013, up 10 per cent on a 21 per cent decline in production, and down 14 per cent on a stable production basis. Cash mining unit costs were trending down throughout the year, reaching EUR 68/t in Q4 2013.

Lower operating expenses were partly offset by a EUR 112 million year-on-year inventory impact driven by higher sales volumes of low quality thermal coal from our inventories in 2013 compared to the year 2012, when we were producing on stock.

Selling expenses were down 27 per cent from EUR 118 million to EUR 86 million attributable to lower sales volumes and a change in the geographic composition of sales resulting in a decrease in transport costs.



Administrative expenses decreased by 24 per cent from EUR 104 million to EUR 79 million in 2013 principally as a result of the 29 per cent fall in personnel expenses.

Operating cash flow and CAPEX

Net cash outflow from operations after working capital changes, interest payments and taxes was EUR 36 million compared to an inflow of EUR 108 million in 2012 in line with the EBITDA loss for the year.

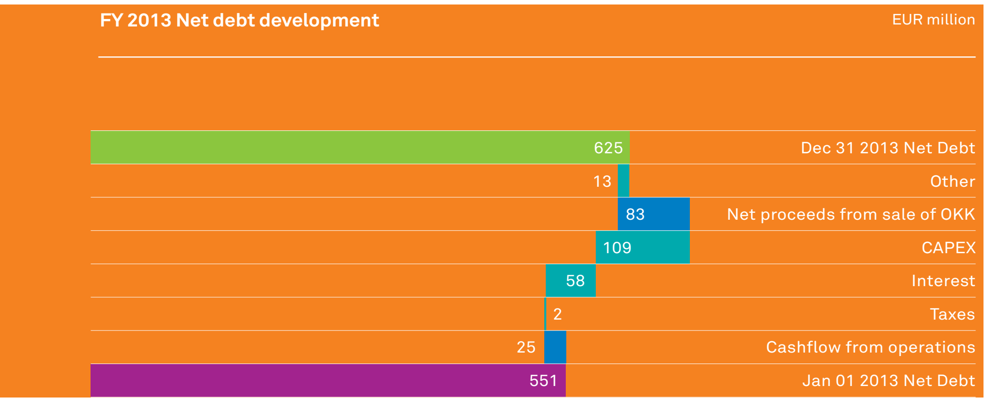
Total CAPEX for the year (for continuing operations) was EUR 100 million, down 55 per cent on 2012 and in line with our target as part of our business optimisation strategy to cut both costs and manage liquidity.

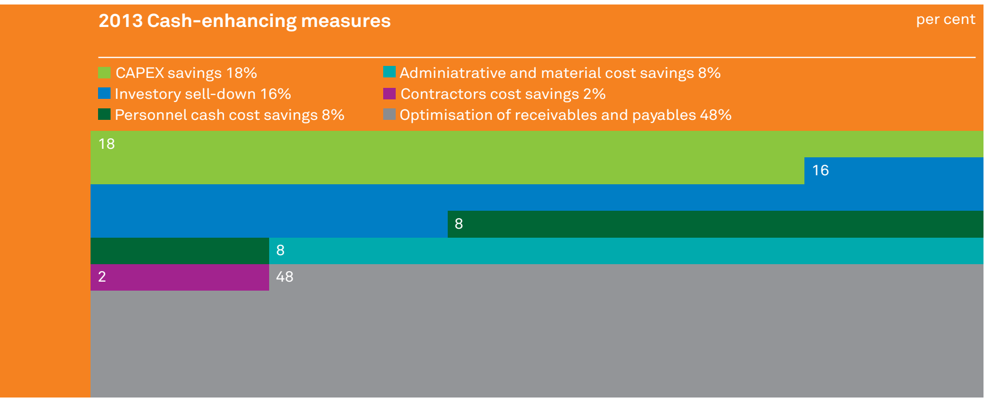
Financial expenses and taxes

Net financial expenses have three main components: interest costs, foreign exchange gains and losses, and gains and losses from derivative instruments. We reported an 86 per cent increase in net financial expenses to EUR 88 million in 2013. This is mainly attributable to the loss on revaluation and settlement of derivatives for which hedge accounting is not applied compared to the gain

[1] Throughout the Annual Report the underlying figures exclude the impact of the asset impairment charge of EUR 685 million (after tax).
[2] Cash mining costs per tonne reflect the operating costs incurred in production of both coking and thermal coal. They are calculated by deducting from the segmental Cost of sales the Change in inventories and D&A, and then dividing by total coal production.

FINANCIAL REVIEW





realised in the comparative period (EUR 15 million), to the realised and unrealised foreign exchange losses (EUR 18 million) and to the loss recorded due to the repayment of the Senior Notes due 2015 (EUR 8 million), consisting of the write-off of unamortised transaction costs (EUR 4 million) and the cost of early redemption (EUR 4 million).

NWR recorded a net income tax benefit of EUR 146 million in 2013, compared to a net income tax expense of EUR 10 million in 2012, as a result of the recognition of a deferred tax asset arising from tax losses incurred and recognition of the impairment loss to the extent that these deferred tax balances have been assessed to be recoverable.

Liquidity

At 31 December 2013, our net debt stood at EUR 625 million including EUR 184 million of cash and cash equivalents. This compares to net debt of EUR 551 million including EUR 267 million of cash and cash equivalents as at the end of 2012.

In January 2013, we refinanced our Senior Notes due in 2015 with a new bond issuance, EUR 275 million due 2021 with a 7.875 per cent coupon, pushing out the maturity profile of our long-term debt. We also have EUR 500 million Senior Secured Notes due 2018 (also with a 7.875 per cent coupon), and an amortising Export Credit Agency loan (EUR 48 million (2012: 76 million)). EUR 28 million of the ECA loan was repaid during the year as part of the renegotiated waiver and covenant holidays until 30 September 2014; this loan facility is expected to be fully repaid by 2017. The EUR 100 million Revolving Credit Facility that was undrawn was allowed to expire on 7 February 2014.

Managing our liquidity position has been a primary focus this year as part of our strategy to optimise the current operations. In spring 2013 we targeted EUR 100 million of cash-enhancing measures, which were delivered in full by the year-end. We also successfully completed the divestment of our OKK coke operations for EUR 95 million gross, of which EUR 7 million was held on an escrow account until March 2014. Other measures taken to improve our future liquidity and optimise current operations included the successful negotiation of a new five-year collective agreement with the trade unions and the signing of a memorandum of understanding with the Czech government regarding the closure of the Paskov Mine.

Capital structure review

Following revisions of the long term pricing outlook for both thermal and coking coal, on 22 January 2014, the Directors initiated a review of the Group's capital structure with a view to addressing the solvency and the mid-term liquidity of the Group. The review will be focused on the Group's balance sheet and will consider all available options.

We have commenced discussions with all our stakeholders with a view to developing and implementing a capital structure that recognises and respects the interest of all stakeholders. There can be no guarantee that it will be possible to successfully complete such a capital structure or that such implementation occurs within a timeframe that will secure the liquidity and solvency of the Group.

Should the Group fail to achieve a satisfactory capital structure for liquidity and solvency purposes, it would pose a significant risk of the Group ceasing to operate as a going concern. On current base case forecasts the Group anticipates a net cash outflow of approximately EUR 30 million per quarter and that its current cash balance will be exhausted in Q1–Q2 2015. However, an inability to renew receivables financing, further price deterioration, default on existing facilities or other factors such as lower than forecasted production could bring this point forward.

Dividends

We reported a net loss for the year 2013 and in line with our stated dividend policy, the Board of NWR did not declare an interim or final dividend.

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

Outlook for 2014

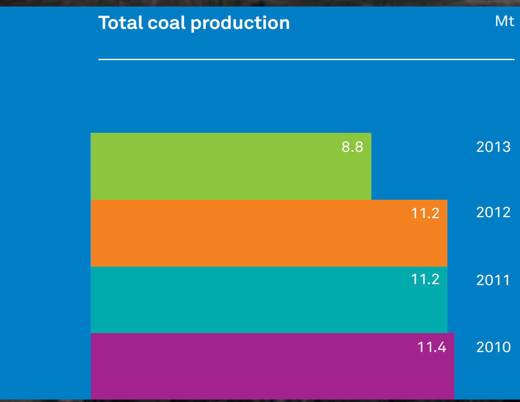
The pricing weakness that we have witnessed during 2013 has so far carried over into 2014, and we have not yet seen signs that this will significantly ameliorate, at least not in the short term.

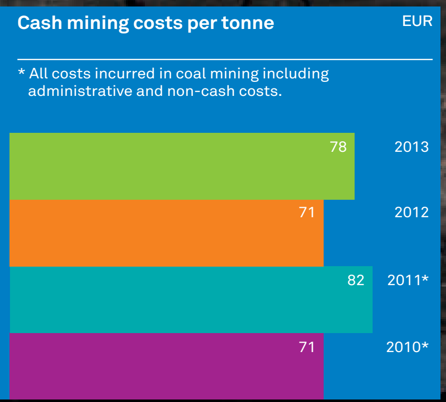
Coking coal prices continue to suffer from oversupply as companies maximise their production in order to bring down costs per tonne and demand remains muted from European steel manufacturers. Thermal coal prices continue to be under pressure due to the sustained displacement of thermal coal by shale gas in the US that has led to increased volumes being redirected to Europe. This situation is compounded by the relatively benign winter season to date.

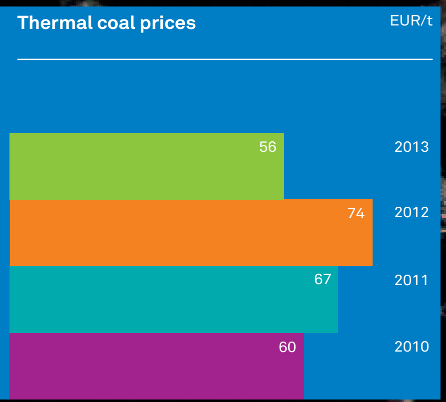
This makes it even more imperative that we strive to optimise fully our current operations, notwithstanding the outcome of the capital structure review. We remain confident of attaining our objective of a reduction in our cash mining unit costs to a run-rate of EUR 60 per tonne by the end of 2014 based on a coal production target of 9 to 9.5 million tonnes, and keeping maintenance CAPEX below EUR 100 million.

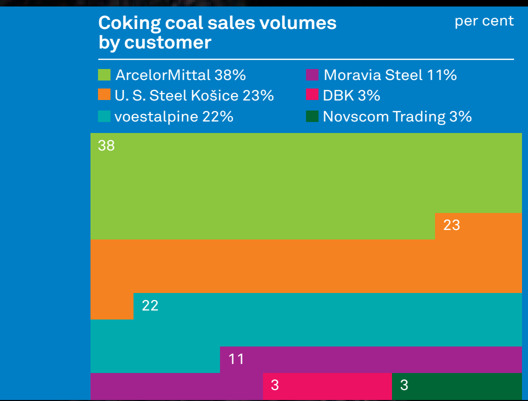
Marek Jelinek
Executive Director and Chief Financial Officer

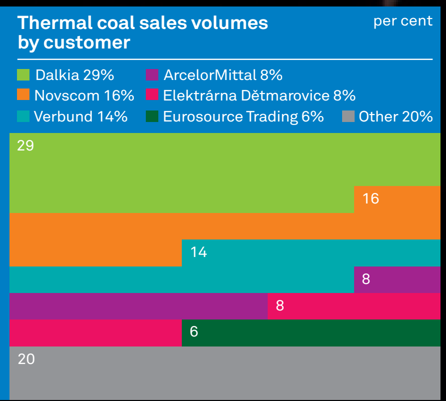
COAL SEGMENT











COAL SEGMENT

Ján Fabián, former Executive Director and CEO of OKD (until 31 December 2013)

We went into 2013 in the knowledge that the pricing environment was depressed and with the task of starting to implement the 2017 strategy that NWR unveiled early in the year. However, no one who works in or follows our industry expected, or was prepared for, the sustained and critical fall in international coking coal prices that followed in 2013. In response to this development, NWR accelerated the first leg of the 2017 strategy, which is to optimise the current mining operations and set out clear objectives for 2014. My principal focus for OKD in 2013 was to gear the business to meet these medium-term targets.

Overview

Although the dramatic fall in coal prices made 2013 a very difficult and challenging year for OKD, important progress was made in transforming the structure of the company into a leaner, more efficient and sustainable business in order to stay on track with the delivery of the Group's 2017 strategy.

Safety always takes priority at OKD, regardless of market dynamics, and I am pleased to report that in the year under review our safety performance improved by three per cent as we recorded a LTIFR of 7.41. That is the best LTIFR in our history and we continue to be regarded as a regional champion in safety for deep underground mining. Despite the overall safety improvement, however, it is with great regret that I have to report two fatalities among our colleagues, and our sincere condolences go to their families and friends. These tragedies are a stark reminder to everyone at OKD of the importance of maintaining a diligent and disciplined approach to safety.

We went into 2013 in the knowledge that the pricing environment was depressed and with the task of starting to implement the 2017 strategy that NWR unveiled early in the year. However, no one who works in or follows our industry expected, or was prepared for, the sustained and critical fall in international coking coal prices that followed in 2013. In response to this development, NWR accelerated the first leg of the 2017 strategy, which is to optimise the current mining operations and set out clear objectives for 2014. My principal focus for OKD in 2013 was to gear the business to meet these medium-term targets.

Further details of our strategy are given on pages 12 to 21.

Prices, demand, the economy

Over eight consecutive quarters our coking coal prices fell by more than half, from EUR 184 per tonne in the third quarter of 2011 to EUR 91 per tonne in the first quarter of 2014. Our thermal coal prices also fell, by nearly a third from an average EUR 74 per tonne in 2012 to an average EUR 54 per tonne in 2014.

This extraordinarily deep price adjustment stemmed from a global excess supply of coking coal as steel markets remained depressed, in turn reflecting the wider economic uncertainty among consumers and industry throughout Europe and further afield. Our steel customers saw demand for their products continue to fall, led by poor car sales and a declining construction market. Central European new car registrations in 2013 approached levels as were last seen in 1993, while construction fell for the sixth consecutive year in the Czech Republic and came to a virtual standstill in Poland following the 'building boom' prior to the Euro 2012 football tournament.

The general economic slowdown in Central Europe led to lower energy consumption and a build up of thermal coal inventory, while the shift from coal to shale gas in North America triggered cheap coal imports into Western Europe from the US, placing further downward pressure on our thermal coal pricing.

For further detail on our markets please refer to pages 22 to 25.

Optimisation and cash-enhancing measures

The severity of the price falls demanded a rigorous response. We took a closer look at OKD and in May 2013 a series of business optimisation steps was initiated.

We centralised our management team and moved out of OKD's historic headquarters in the centre of the city of Ostrava to the Darkov mining site, and in the process reduced our administrative headcount by approximately 250 people. We took steps to manage our working capital, including to optimise our receivables, sell-down our high thermal coal inventory, and further reduce personnel costs and took stringent decisions on our CAPEX spend. In the space of little more than six months, the Group succeeded in delivering its targeted EUR 100 million of cash-enhancing measures by year-end.

Further information on our near and medium term targets and measures can be found on pages 19 and 38 to 43.

Paskov Mine

Our detailed operational review showed that Paskov Mine is likely to remain uncompetitive in the current and medium term pricing climate, and in September 2013 we decided to phase out the mine to permanent shutdown. We strongly believe that this decision is necessary to adjust OKD to the new operating climate and move down the industry's cost curve to become a more sustainable business.

Although Paskov has high-quality coking coal, its complex geology, and its narrow coal seams combine to make mining exceptionally difficult and costly.

We intend to close Paskov by the end of 2014 (unless we agree with the Czech government on a prolonged operation of Paskov), but will continue to extract coal from it, where possible and practical, as we phase out the mine. Our intention is to redeploy to our other mines as many of Paskov's 2,400 employees (including contractors) as we can, but unfortunately there will be redundancies, although it is too early to accurately report how many. We shall of course work with the trade unions and local government agencies to provide as much assistance as we can to help people find alternative employment.

Labour relations

Personnel expenses account for the largest share of the Group's cost base, and it was imperative to reduce and manage employment costs to more sustainable levels.

Negotiations with the trade unions were difficult. As one of the country's largest private employers, OKD came under the spotlight of the media and, in an election year, politics further added to the pressure to arrive at an agreement. Throughout this difficult period we had open and frank discussions with key stakeholders, and by year-end we were able to reach an appropriate outcome for both OKD and its trade unions.

The new collective agreement for the period 2014–2018 is fair, reflecting the economic situation and importantly, ensures a degree of certainty for OKD and its workforce. The key elements

COAL SEGMENT

of the agreement will see basic wages unchanged for 2014 (in local currency terms) and then adjusted for inflation in 2015; thereafter wages will be negotiated on an annual basis. Holiday and Christmas bonuses have been reduced from 14- and 16-day equivalent wages respectively, to six-day equivalent wages each. Overall, the agreement will lead to a saving of around eight per cent in total personal costs for OKD in 2014 compared with 2013, in local currency terms. Approximately half of this saving will come from remuneration, and half from headcount reduction, excluding redundancies related to the closure of Paskov.

Safety

Despite the difficulties faced by OKD in 2013, our safety performance was strong. Indeed, safety is our priority, and safety was the only area of the company that was not affected by cost-cutting measures. As mentioned earlier we recorded an LTIFR of 7.41, the best safety performance in our history.

In recent years OKD has invested heavily in new technology and in personnel equipment and safety gear, so the challenge going forward is to build on these investments, and to not become complacent. This will necessitate an even more disciplined focus on maintaining safe working practices and procedures, which in turn means that everyone will have to become even more responsible for the safety of themselves and their colleagues underground. There are no shortcuts in deep underground mining, and attempting them can be extremely dangerous for the team. It is therefore essential for our workforce to maintain a clear focus at all times.

In 2014 we will focus on enhanced training and this will necessitate management and workforce working ever more closely together. Our ultimate aim is to reach an LTIFR of less than five by 2015, which would position OKD among the global safety leaders in deep underground coal mining. I am confident we will achieve this goal.

2014 targets

During 2014, we will finalise the transformation of OKD into a leaner, more efficient and sustainable business. Unless an alternative scenario is agreed with the Czech government, Paskov will cease to be part of our operations by the end of 2014, which will strip considerable costs out of the business thereafter.

We are targeting coking coal to account for 50–60 per cent of our total coal sales, and our new mining plans for 2014 and beyond will look at how best we can selectively, and safely, mine areas with a higher proportion of coking coal.

Our annual sustainable maintenance CAPEX is targeted at less than EUR 100 million. Crucially, during 2014 we will be moving towards cash mining costs of EUR 60 per tonne, and we should achieve this run-rate by the end of 2014, subject to the closure of Paskov Mine.

As mentioned earlier, we remain committed to further improvements in safety performance in 2014, with the aim of reaching an LTIFR of less than five by 2015.

Keeping on track with our 2017 strategy

Despite the immediate tasks and challenges that we faced in 2013, we maintained our longer-term strategic vision for the business. To that end, and in parallel with optimising our current operations and financial position, we have strengthened our management team to build our mining business beyond our core market. This is in line with our two other 2017 strategic goals of increasing sales of coking coal within Europe and becoming a 'one stop shop' for our European steel customers.

Toward the start of 2013, Peter Carr joined the NWR team as Head of Business Development with the task of actively developing sources of coking coal, including our Czech and Polish development projects.

In September 2013 Peter Dormann joined OKD as Head of Sales and Marketing, bringing 20 years of experience in international coal marketing and trading. Peter is in discussions with our existing and potential new customers about their future coal-quality requirements so that we know what types of coal we need to source outside the region to complement our current coking coal blend. There are several ways for NWR to engage in the marketing, trading and re-selling of coking coal i.e. to become a 'one-stop shop' for European steel customers, and these will be explored and developed as we move through 2014 and beyond.

Development projects

Circumstances in 2013 obliged us to focus on optimising the current mining operations, which inevitably resulted in a slowed approach towards all our development projects during the year.

At Karviná, we continued to purchase surface properties, albeit on a somewhat smaller scale than previously planned. As part of CAPEX savings, we will for example not deepen the shaft at the ČSA part of Karviná's mine for the time being. We will however take the Karviná development project further, and we continue to expect its completion by 2017.

During 2013 CAPEX spend at Dębieńsko was approximately EUR 4 million, enabling us to continue purchasing surface properties. In 2014 we will continue to focus on value engineering, i.e. we will look at how best we can develop the project in relatively low-cost ways that maximise value in the current market. We recognised EUR 9 million of impairment with regard to Debieńsko in 2013 due to reduced long-term price expectations for our products, and re-assesment of our mine plan.

At Morcinek non-material CAPEX was spent on securing surface properties and plots of land. In 2014 we will continue with our engineering work in connection with OKD's ČSM mine, which sits nearby on the Czech side of the border.

Outlook

OKD's first priority for 2014 is to focus on safety, and as already explained in the Chairman's statement we shall be taking a more personal approach to ensuring that safety practices are enhanced and fully embraced by every individual.

After the difficult year 2013, everyone in OKD must work together to stabilise the new structure of the company and

bring to fruition the full optimisation of the business. OKD will maintain a close focus on CAPEX spend and costs as we work towards delivering what we see as a sustainable EUR 60 cash cost per tonne. A new approach to mine planning and development will be required as we work to improve split between coking and thermal coal. Some of the steps initiated in 2013 will reach their conclusion in 2014, not least of which is the closure of the uncompetitive Paskov Mine.

We will watch the steel markets carefully, and when coking coal prices turn the corner, a refocused OKD will be in a better position to return benefits to all its stakeholders.

After seven years with the company, towards the end of 2013, I decided to move on and resigned from the boards of OKD and NWR. Dale Ekmark, the current Head of Mine Transformation will lead OKD from 1 January 2014. Dale worked previously in various senior leadership positions for a number of mining companies, and I have every confidence that he is the right person to lead OKD's management team and continue with the transformation of OKD into a leaner, efficient and more sustainable business.

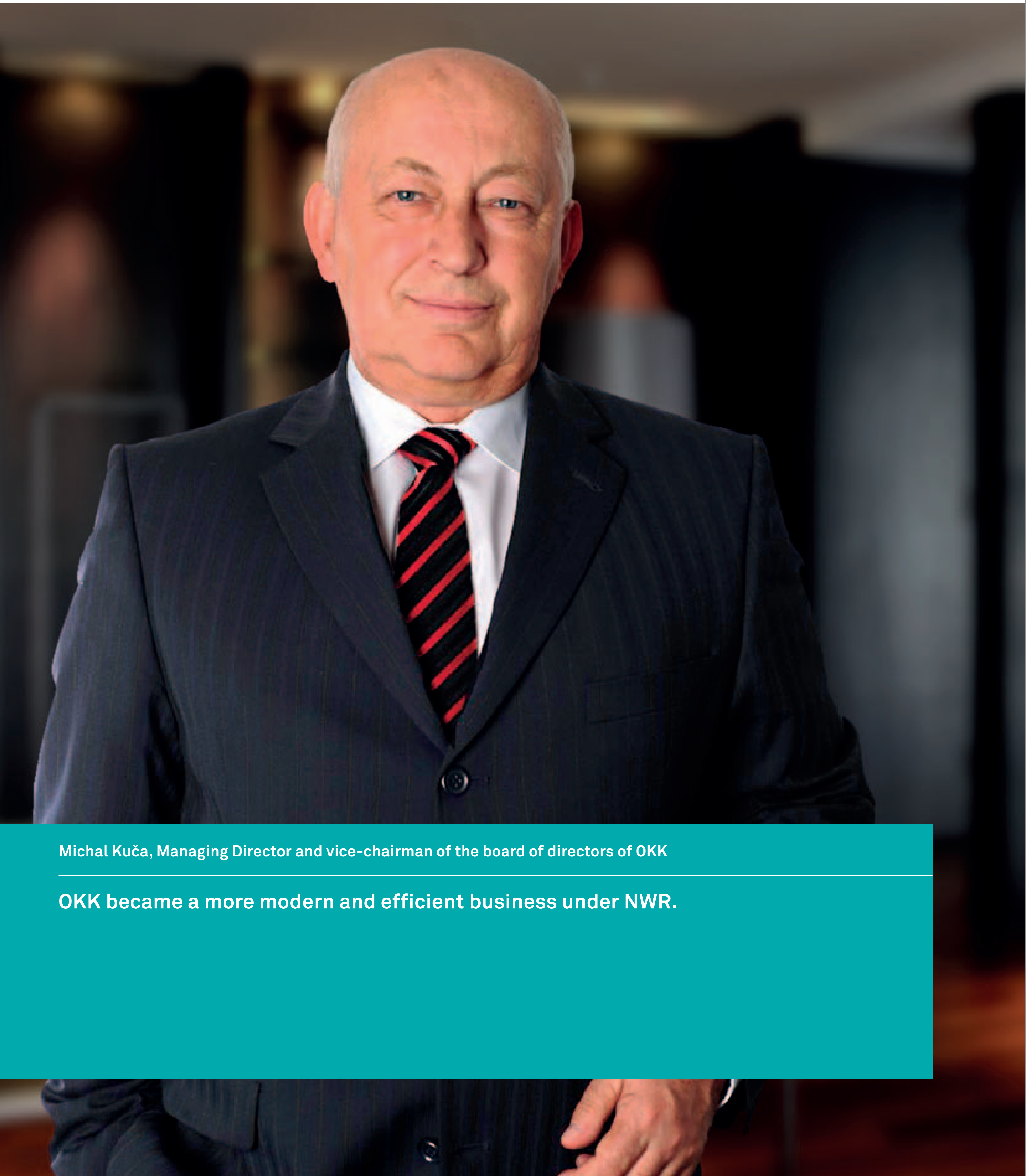
Ján Fabián,
NWR Executive Director
and CEO of OKD until 31 December 2013

COKE SEGMENT

(DISCONTINUED OPERATIONS)

COKE SEGMENT

(DISCONTINUED OPERATIONS)



Michal Kuča, Managing Director and vice-chairman of the board of directors of OKK

OKK became a more modern and efficient business under NWR.

Overview

2013 was a difficult and busy year for OKK. We had to steer the business through a challenging market of falling prices and lower demand and following the decision by NWR to sell OKK as part of its optimisation initiatives, OKK's management was engaged quite intensively in the sale process in the final months of the year.

The average realised price per tonne of coke sold in 2013 was EUR 238, down 18 per cent from EUR 289 per tonne in 2012. Our production volume declined from 680 kilo tonnes in 2012 to 627 kilo tonnes, while our sales remained flat at 550 kilo tonnes in 2013 (2012: 555kt). These prices and volumes reflected a lower maket demand for our products, with many of our steel customers running at lower capacity than in previous years. the decrease in blast furnace coke sales was caused by the fact that the steel mills were able to cover a larger portion of their need for blast furnace coke from their own sources.

The overall 2013 coke sales split was 68 per cent foundry coke, 21 per cent blast furnace coke and 11 other types of coke.

The difficult market conditions obliged us to maintain strict cost discipline and to utilise funds efficiently. Our cash conversion unit costs in 2013 remained flat at EUR 55 per tonne (2012: EUR 54/t), and our annual selling and administration costs were down by approximately 6 per cent to EUR 27 million. OKK in 2013 was helped by decreased prices of the inputted coking coal. The coke segment recorded positive EBITDA of EUR 14 million on revenues of EUR 160 million in 2013, compared with EUR 12 million and EUR 192 million respectively in 2012.

Maintenance, safety, continuous improvement

With demand and production running lower throughout 2013 we took the opportunity to consolidate and accelerate certain maintenance work of our equipment, to review our safety practices and to devote more time to staff training. Last year we had no production interruptions due to technical reasons. OKK's safety performance in 2013 significantly improved: we had one reportable injury, and our key safety metrics LTIFR more than halved from 3.33 in 2012 to 1.00 in 2013.

A healthy and safe working environment is a priority at OKK, and over and above the collective agreement that the company has with its employees, management and workforce cooperate closely in the fields of training, education and safety. Open communication is key, and we have a very low turnover of employees. Indeed, we often have several generations of the same family working with us at OKK, which says a lot for our approach.

Our Continuous Improvement Programme, with 95 employee ideas and proposals accepted to date since the start of the programme, saving our business EUR 2 million, has demonstrated the innovation capacity and engagement of our staff. In 2013 another seven ideas were presented, the financial assessment of which has yet to be completed. Our employees respond well to this initiative, which we intend to continue with.

Environment

OKK coking operations are subject to an annual public inspections by the bodies that supervise health and safety, labour law compliance and environment protection. Over a two-week period there are in-depth inspections of all our operations. For several years, including 2013, no major adverse findings were reported about OKK.

Proactively, i.e. over and obove the legal requirements, we are working on improving the waste water management system at OKK in the long term.

Sale of OKK (change of ownership)

Following NWR's intention to sell OKK, announced in May, we were engaged quite intensively in the sale process. Our acquisition by the METALIMEX Group in the final month of 2013 will not mean an end to our relationship with NWR. We are located close to OKD, and all the logistics are in place. Everything therefore suggests that the longstanding cooperation between OKD and OKK will continue.

OKK became a more modern and efficient business under NWR. Following the dramatic market downturn towards the end of 2008, we consolidated and modernised our production capacity. The Jan Sverma coke plant was closed, and we put into operation the new Battery No. 10 and we refurbished Battery No. 8 at the Svoboda plant. This hugely impacted our cost base: we reduced the annual production capacity by roughly 600 kilo tonnes, while increasing the efficiency, quality and profitability of our production. This consolidation process was a key factor in our ability to weather the turbulent markets of recent years.

Market

OKK retained its leading position in the European foundry coke market in 2013. We sold our products to customers with operations across the whole of Europe, and we have recently opened access to the Russian market, where there is an opportunity to increase our market share going forward.

In terms of the competitive landscape, Central European foundry coke producers, especially those in the southern part of the region, many with out-dated operations, are facing major decisions regarding environmental measures, innovation and substantial capital expenditure. On the other hand, in Poland in particular some coke producers are trying to find a way to build new production capacities and to establish their place on the market.

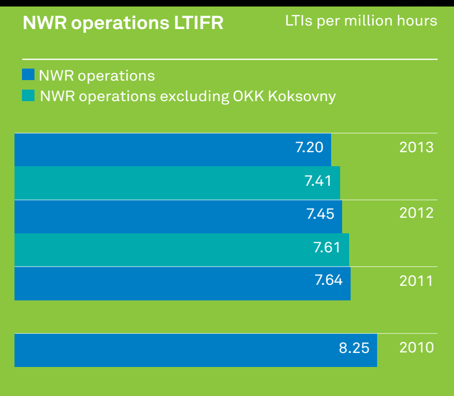
Michal Kuča
Managing Director and chairman of the board of directors of OKK

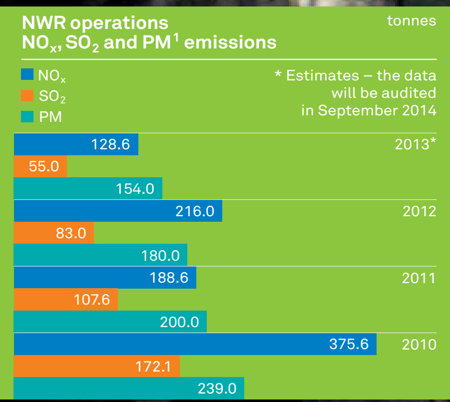
SUSTAINABILITY

Sustainability is central to our mining activities because they will always have an impact on the communities, the environment and the economy of the regions in which we operate.

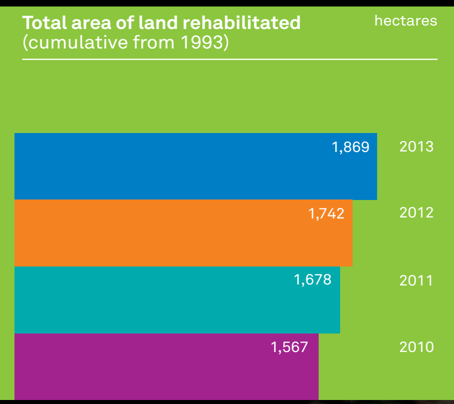
Lost time injury frequency rate decreased to 7.41 LTIs per million hours worked which is lowest value in the history of the Company.

Level of PM emissions reached 153 tonnes in 2013 a decrease of 35 per cent in 4 years and lowest amount ever.

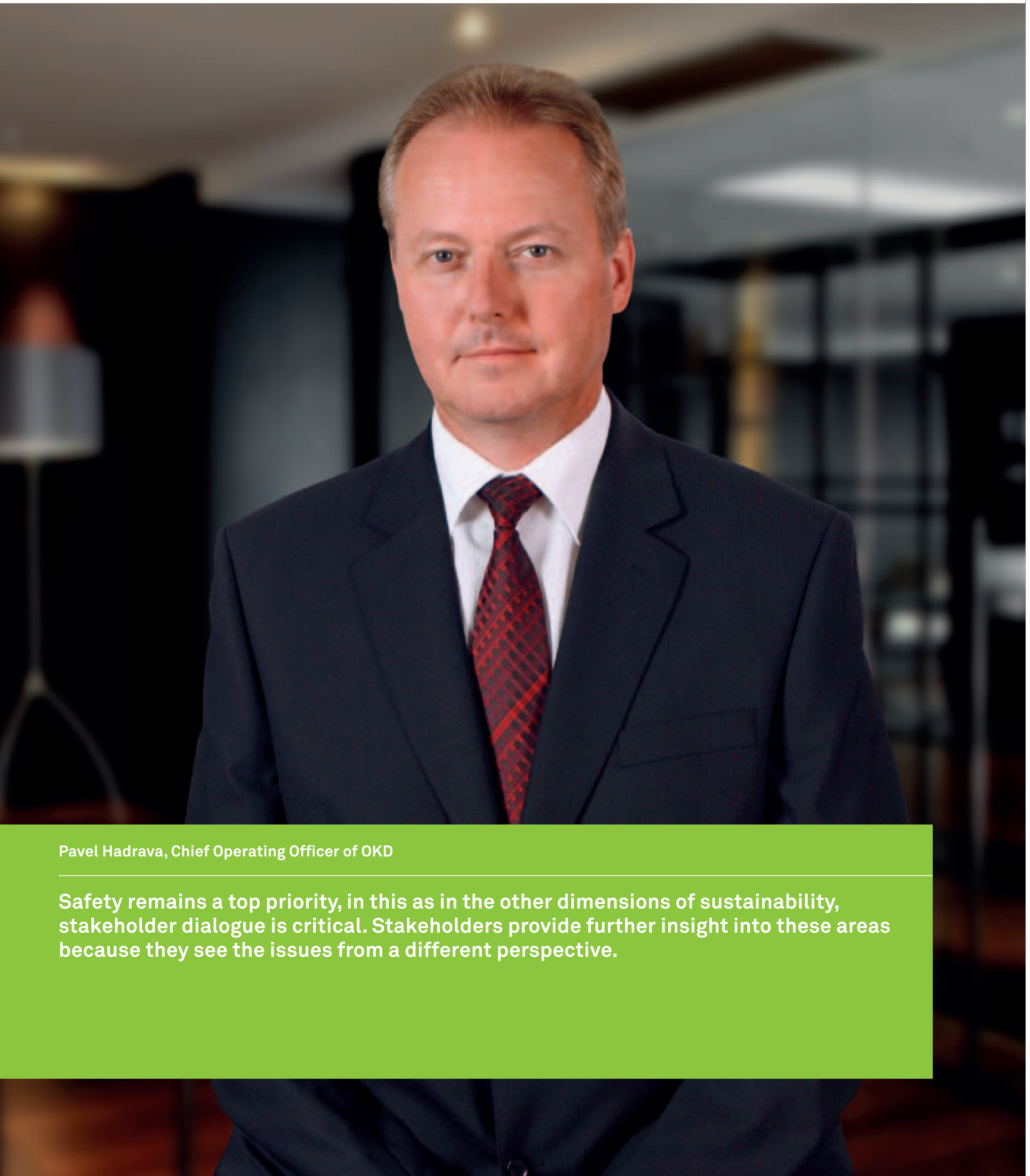




[1] Particulate Matter (PM_x) denotes dust particle pollution at the size smaller than X μm dispersed in the air. The particles smaller size 10 μm identified as PM_{10} are subject to standard monitoring as they can settle in bronchial tubes and cause health problems.



SUSTAINABILITY



Pavel Hadrava, Chief Operating Officer of OKD

Safety remains a top priority, in this as in the other dimensions of sustainability, stakeholder dialogue is critical. Stakeholders provide further insight into these areas because they see the issues from a different perspective.

Nine core sustainability principles that guide our thinking and shape decision-making within the Group

There are nine 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 the 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 and to achieving our target fatality-free operations with an LTIFR of 5 by 2015.

2 —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 partnerships with stakeholders

We strive to maintain and further improve our relationships with the local communities in the regions where we operate, creating a strong basis 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 about legislation affecting our industry. Regular sustainability reporting is an essential part of our on-going commitment to maintaining a transparent dialogue with our stakeholders.

4 — Monitor the impact of our activities on the environment

Maintaining strict internal policies and procedures enables us to assess and improve the management of the negative impacts of our operations on the environment. Continuous stakeholder dialogue ensures that all our environmental activities are in line with stakeholder expectations, including those of investors, municipalities, local communities and the state.

5 — Compliance

We ensure the highest level of compliance with all the 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 effectively access coal reserves from our existing mines, and where possible focus on developing of new coking coal deposits.

7 — Investment in modern technology

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

8 — Cost management

We remain committed to stringent cost management given the on-going tough operating climate. 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. By introducing a gain-sharing scheme we established a much more sustainable way to pay bonuses at every level of the organisation.

9 — Sustainable capital structure

We are currently in discussions with all of our stakeholders with a view to developing and implementing a sustainable capital structure that recognises and respects the interests of all stakeholders.

Related information online at
www.newworldresources.eu/en/sustainability

SUSTAINABILITY

Strategy

Sustainability lies at the heart of everything we do and is key to our long-term business success. In particular, our safety indicators are as important as our financial ones and are closely monitored by the Board. 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.

Meeting these priorities and applying our principles of sustainability across the Group is not only the right thing to do but enables us to maintain and strengthen our social licence 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 conscientiously assesses and manages the environmental and social impacts of all its mining operations and coke production activities. We are committed to complying with the regulations that govern our operations, and we try to seek a broad consensus to operate efficiently and deliver value to our key stakeholders.

Sustainability is an integral part of NWR's business strategy. It is therefore appropriate that the priorities are agreed and supported by NWR's Safety, Health and Sustainability Committee ('SHSC'), and are ultimately overseen by the Company's Board of Directors.

Further information on the Group's policies and strategies in relation to employees, environmental matters and local communities are part of Sustainability Report 2013 (strategy section of chapters Our people, Environment, Community).

Safety, Health and Sustainability Committee ('SHSC')

The SHSC was established to assist NWR'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, Steven Schuit, and Alyson Warhurst. Further details on the function and activities of the SHSC may be found in the Corporate Governance section of this report on pages 77 to 78.

Sustainability reporting

Our performance against sustainability targets in 2013, together with explanations for the prior years, is disclosed in the Sustainability Report 2013.

All NWR's Sustainability Reports are in accordance with GRI Sustainability Reporting Guidelines (version 3.0) and GRI Mining & Metals Sector Supplement 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 2013.

Our approach to equal opportunities and human rights

In line with our sustainability principles, we understand and manage our responsibility to respect human rights in relation to our employees and local communities. We enjoy dialogue with our Trade Unions with respect to conditions of work and we respect the right to sociate of our employees in Trade Unions and their right to collective bargaining. Through the dialogue we worked on improvement in conditions. We have no instances of child labour and forced labour.

The Group has a Code of Ethics and Business Conduct which governs the behaviour of all officers and employees of NWR and its subsidiaries. NWR Group adopts a strict approach to equal opportunities when recruiting new employees, when assessing their performance and as part of the remuneration process. If a case of discrimination is identified, the subsidiaries in the Group follow the procedure for reporting dishonest practices described in the Code of Ethics and Business Conduct. Any cases of discrimination against employees and contractors are investigated within NWR Group and in collaboration with the responsible authorities. The subsidiaries act in compliance with Czech and Polish law.

In accordance with the Group's Code of Ethics, the Group continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. For example, the Group's Code of Ethics includes commitment to refrain from making employment decision based on gender, age, marital status, race, colour, sexual orientation, disability, nationality, political, belief, or religious affiliation. In 2013 the Group introduced the Diversity Policy which confirms NWR's approach of zero tolerance to any form of discrimination on the basis of age, gender, ethnicity, race, nationality, language, disability, religion, sexual orientation or marital status. The Group has continued its policy of employee involvement by making information available to employees on matters of concern to them and maintains formal processes to inform, consult and involve employees and their representatives. For example in our main subsidiary OKD employee representatives take active part in joint commissions such as OKD Health and Safety Committee, 99 per cent of our employees are covered by the Collective agreement with trade unions. Furthermore employee representative is a member of OKD Supervisory Board.

Vision:
to be a responsible partner

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

Strategic priorities:
1 — Corporate Governance
2 — Our People
3 — Environment
4 — Community

[1] The importance of various priorities was determined by means of weighted matrix analysis in conjunction with continuous communication with stakeholders. The matrix analysis is performed every two years by NWR. The last one was performed in 2012.

Respect to human rights is incorporated in Czech and Polish laws and other legal regulations, including the Universal Declaration of Human Rights and the ILO Human Rights Convention. As such, it is regarded in the Group as a binding standard which is part of the Group's Code of Ethics. The majority of our stakeholders are predominantly from the Czech Republic, Poland or in a minority from the EU and therefore the Group has no special agreements or policies in this respect.

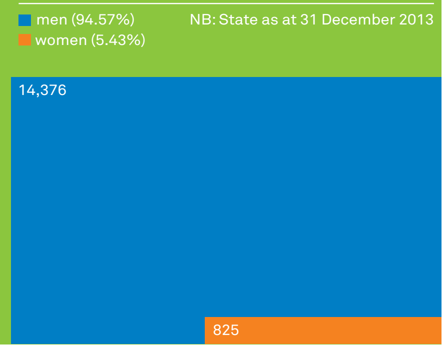
Our vision: to be a responsible partner

The long-term vision of our sustainability strategy is responsibility in respect of the concerns of our core stakeholders, which in turn allows the Company to safeguard the long-term sustainability of the business by securing and sustaining a social licence 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 sustainability strategy we set strategic priorities in close cooperation with our stakeholders[1]. They cover relevant and material 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 target and performance is monitored by the corresponding Key Performance Indicators ('KPIs'). By monitoring these KPIs we are able to measure and manage our progress. Our performance is disclosed to our stakeholders on a regular basis in NWR's annual Sustainability Report. Our strategic priorities are guided by GRI methodology and are covered in more detail in the NWR Sustainability Report 2013, 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 our strategic priorities.

Number of men and women in NWR Group in 2013 (including contractors)



NWR Group's directors and senior managers breakdown by gender

NWR Group	Men	Women
Directors	**12**	**1**
of which NWR	12	1
Senior managers	**24**	**2**
of which		
OKD	7	1
HBZS	9	0
NWR KARBONIA	8	1

NB: State as at 31 December 2013.
For more information on NWR Directors see Corporate governance on pages 69 to 73.
Senior managers include also directors of subsidiary undertakings.
Number of persons who were senior managers excludes persons falling within Directors.

NWR operations GHG emissions

GHG emissions data for period 2012–2013	Unit	2013	2012
Emissions from combustion of fuel	**t CO_2e**	**3 422**	**3 543**
of which			
Stationary combustion (natural gas, coal mine gas)	t CO_2e	690	660
Mobile combustion (gasoil, diesel, transport other)	t CO_2e	2 733	2 883
Emissions from the operation of facilities	**t CO_2e**	**2 256 432**	**2 609 148**
of which			
Process emissions (coke-oven gas, supply chain, waste)	t CO_2e	299 303	387 928
Fugitive emissions (methane)	t CO_2e	1 957 129	2 221 219
Emissions resulting from purchase of electricity, heat and steam	**t CO_2e**	**706 613**	**797 877**
Total	**t CO_2e**	**2 966 467**	**3 410 568**
GHG emissions per 1 tonne of coal production	t CO_2e	0,605	0,532

NWR operations comprise the companies that performed regular extraction and production operations or building work in 2013, i.e. OKD (including HBZS), OKK Koksovny and NWR KARBONIA. Data for OKK included until 6 december 2013.

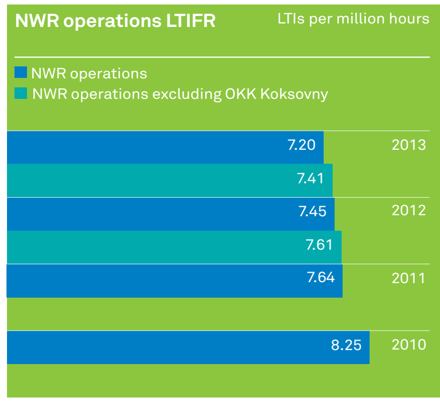
SUSTAINABILITY

WE MAINTAIN REGULAR DIALOGUE WITH ALL STAKEHOLDERS, INCLUDING OUR EMPLOYEES, INVESTORS, ANALYSTS AND SHAREHOLDERS, COMMUNITY, LOCAL AND CENTRAL GOVERNMENT, SUPPLIERS, CUSTOMERS AND EDUCATIONAL INSTITUTIONS.

Our people

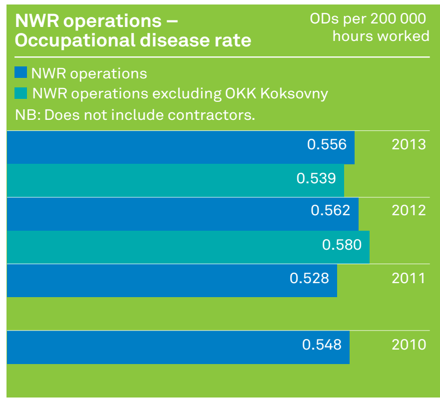
NWR operations LTIFR – The Lost Time Injury Frequency Rate ('LTIFR') represents the number of reportable injuries in NWR's operations causing at least three days of absence per million hours worked including contractors. As the OKK Koksovny was sold in December 2013 they are excluded from NWR operations LTIFR in the year. For the sake of comparison we state the figure excluding OKK Koksovny for 2012.

Performance – LTIFR further decreased by 2.6 per cent year-on-year. Strong emphasis continued to be placed on staff safety-related training and improvement of personal approach towards safety. Our goal is to be among the top 5 global leaders in safety of underground coal mining by 2017.

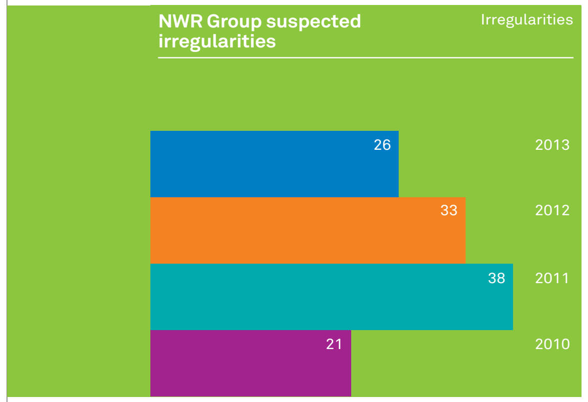


NWR operations occupational disease rate (ODR) – The frequency of occupational diseases relative to the total time worked in the reporting period. The Occupational Disease Rate ('ODR') represents the number of occupational diseases in NWR's operations per 200,000 hours worked. Does not include contractors. OKK Koksovny was sold in December 2013 they are excluded from NWR operations ODR in the year. For the sake of comparison we state the figure excluding OKK Koksovny for 2012.

Performance – The total number of occupational diseases recorded slightly decreased from 67 in 2012 to 61 in 2013. NWR operations ODR excluding OKk Koksovny decreased by 9 per cent y-o-y. The number of dust exposure cases unfortunately increased by 16 cases year-on-year due to geological conditions. However, NWR recorded a positive trend in vibration-related occupational diseases (-7 cases), and unilateral long-term limb strain (-19 cases) due to the investment in new technology which e.g. reduced the usage of vibration handtools. We continue to focus on providing preventative health checks and other health related benefits.



Corporate governance

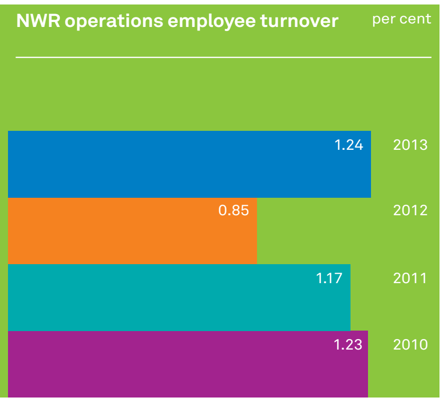


NWR Group suspected irregularities – The number of suspected irregularities reported within the Company's established Whistleblower Procedure, which is part of NWR's Code of Ethics and Business Conduct and Business Integrity Policy.

Performance – The number of irregularities reported within the Group decreased by 21 per cent to 26 cases. The most reported type of irregularity was alleged fraud and theft (7 cases).

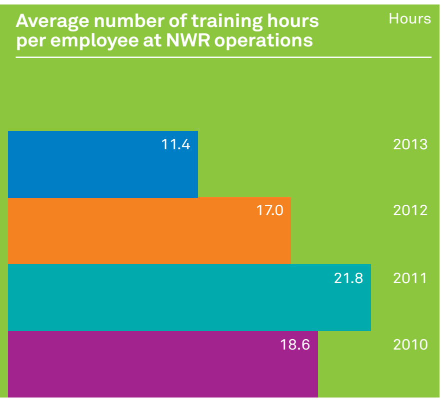
The Group has a policy towards disabled employees covered by the Code of Ethics. The subsidiaries act in compliance with Czech and Polish law.

Detailed analysis breakdown of employees and human rights issues will be available in NWR Sustainability Report 2013 which will be published in 2nd quarter 2014.



NWR operations employee turnover – The employee turnover rate 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. Does not include contractors.

Performance – NWR operations voluntary employee turnover went up by 46 per cent year-on-year. Totaly 165 people left the NWR Group voluntarily. The increase was driven by OKD (157 employees) followed by OKK Koksovny (5 employees). Our aim to maintain a voluntary employee turnover rate below 1.2 per cent was not met as we need to reflect the market situation in order to remain competitive.



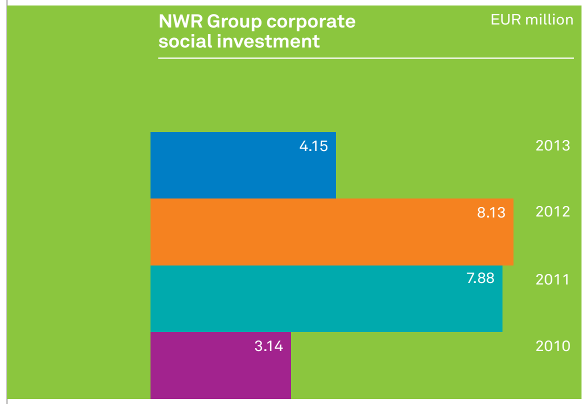
NWR operations average hours of training per year per employee – Average hours of training per employee is calculated as the total number of hours dedicated to training divided by the average number of employees in the reporting period. Does not include contractors.

Performance – The average number of training hours per employee decreased sharply to 11 hours in 2013, which was caused by the austerity measures adopted throughout the Group as a response to the global coal market situation and difficult price conditions. The decreased hours of training were reported by all NWR Group subsidiaries. The decrease did not comprise safety training and education.

SUSTAINABILITY

AS A MINING COMPANY, NWR'S OPERATIONS WILL ALWAYS HAVE AN ENVIRONMENTAL IMPACT, WHICH IS WHY WE DEVOTE AN ENORMOUS AMOUNT OF TIME AND RESOURCE INTO PREVENTING, MITIGATING AND MANAGING THIS CRUCIAL ASPECT OF OUR BUSINESS.

Community



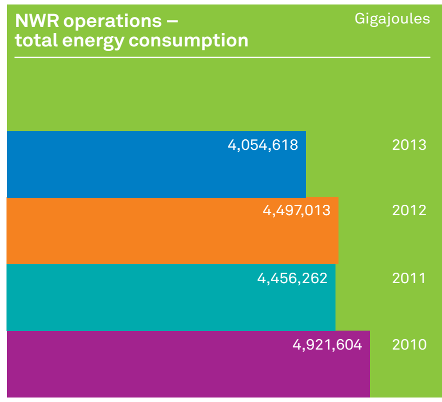
NWR Group corporate social investment ('CSI') – CSI spent primarily on social issues in the form of donations or sponsorship, excluding benefits for employees. In 2013 NWR N.V. donated EUR 95,000 to the OKD Foundation and EUR 5,000 to the St. Barbara Civic Association (both included in CSI). In 2013 NWR N.V. did not support any sponsorships projects. NWR does not make contribution to political parties.

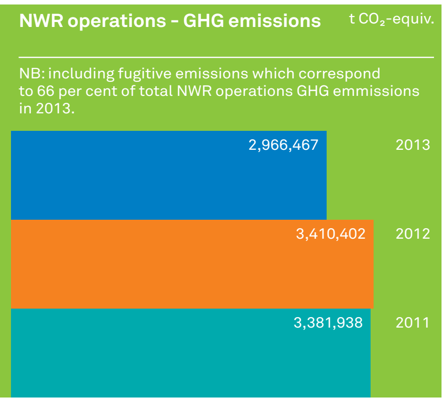
Performance – NWR's Group CSI decreased by almost 50 per cent year-on-year reaching more than EUR 4 million, which was caused by the austerity measures adopted throughout the Group as a response to the global coal market situation and difficult price conditions. CSI in 2013 consisted of 69 per cent donations and 31 per cent sponsorship. The largest donations were to the OKD Foundation (47 per cent) and municipalities (48 per cent). The Group sponsored different projects mostly in sport (63 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.

Environment

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 decreased by almost 10 per cent in 2013 (in GJ) mainly due to the lower consumption of electricity, heat, steam and compressed air. The common reason of such a decrease is lower production of coal and coke in NWR operations in 2013. The corresponding lower production and sales of coke-oven gas and coal mine gas also constributed to the total energy consumption decrease.



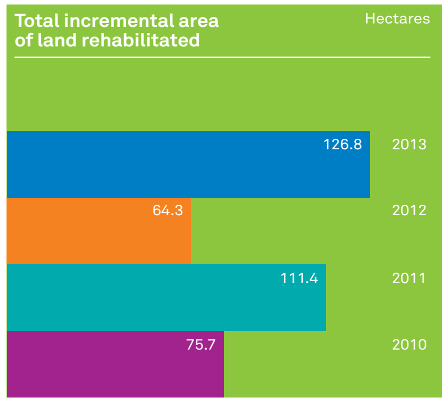


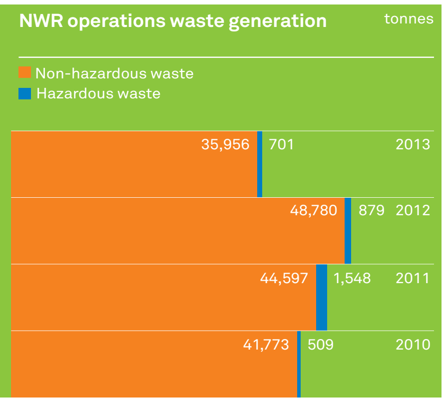
GHG emissions – The NWR operations total GHG emissions are measured through the method of lifecycle assesment which is drawn up according to ISO 14040 and ISO 14044. NWR Group is reporting direct and indirect GHG emissions which corresponds to Scope 1 and Scope 2 of The Greenhouse Gas Protocol. The direct GHG emissions include fugitive emissions from mine ventilation. GHG emissions are reported in tonnes of CO_2 equivalent ('CO_2e'). GHG emissions cover the calendar year 2013.

Performance – The total GHG emissions in NWR operations reached 2.966 million CO_2e, down by 13 per cent y-o-y. The largest shares of GHG emissions account for fugitive emissions (66 per cent) and electricity consumption (19 per cent). Total direct emissions decreased by 11.8 per cent and indirect emissions by 15.7 per cent. The decrease was driven by the lower coal and coke production and corresponding lower fugitive emissions generation, lower electricity consumption and lower purchase of materials.

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 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 2013 amounts to 126.8 hectares. The trend in the amount 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 9.3 million on reclamation projects in 2013, up from EUR 5.6 million in 2012. The obligation to reclaim is stated by the Czech law.

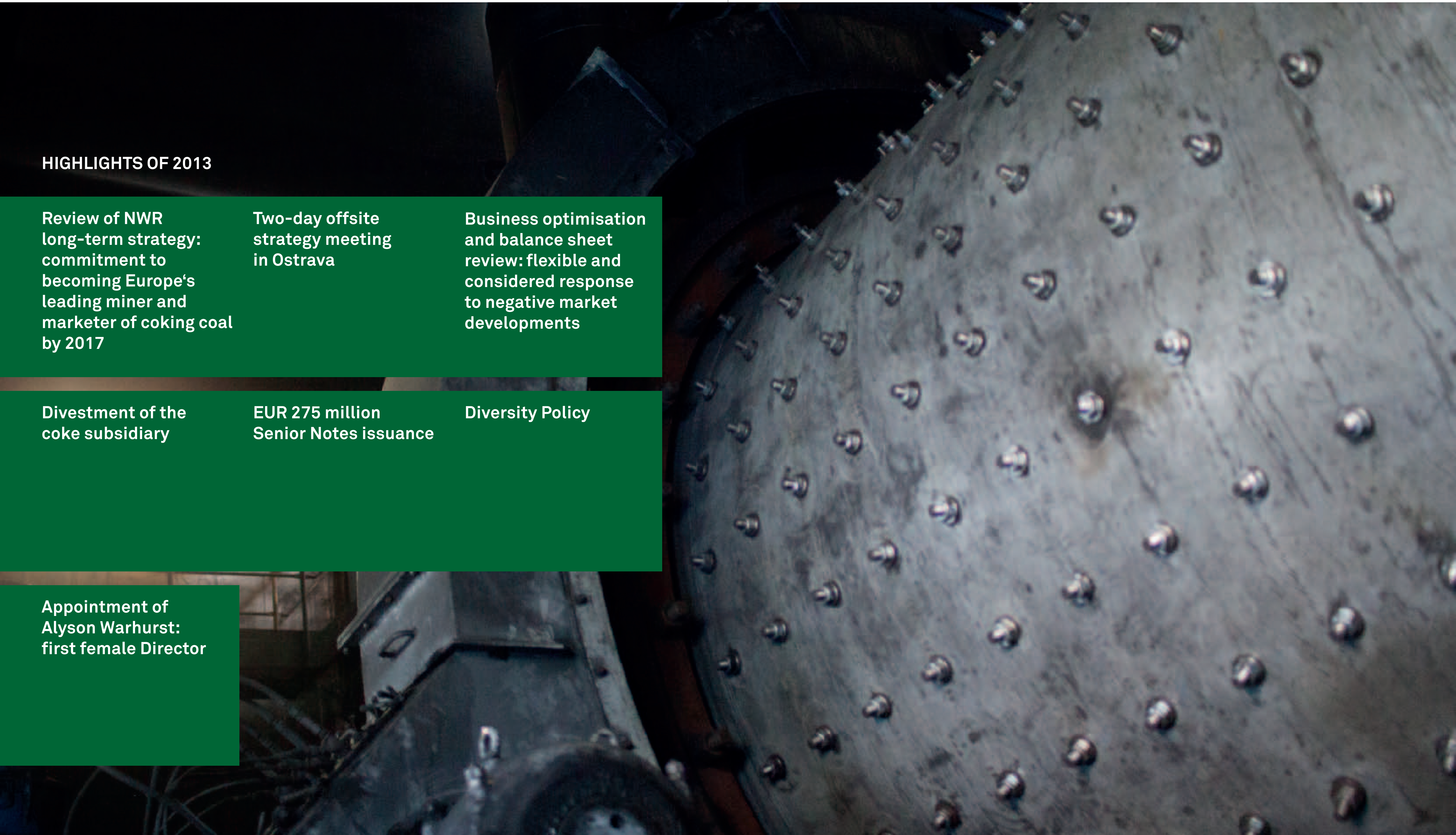




NWR operations waste generation – The total weight of generated waste includes the total volume of waste and non-hazardous waste defined by the Czech legislation. Non-hazardous waste contains all other forms of solid or liquid waste excluding waste water, waste rock and flotation tailings.

Performance – The total weight of generated waste decreased in 2013 by 26 per cent due to lower production of scrap steel and other kind of non-hazardous waste resulting from the lower coal and coke production.

CORPORATE GOVERNANCE



HIGHLIGHTS OF 2013

Review of NWR long-term strategy: commitment to becoming Europe‘s leading miner and marketer of coking coal by 2017

Two-day offsite strategy meeting in Ostrava

Business optimisation and balance sheet review: flexible and considered response to negative market developments

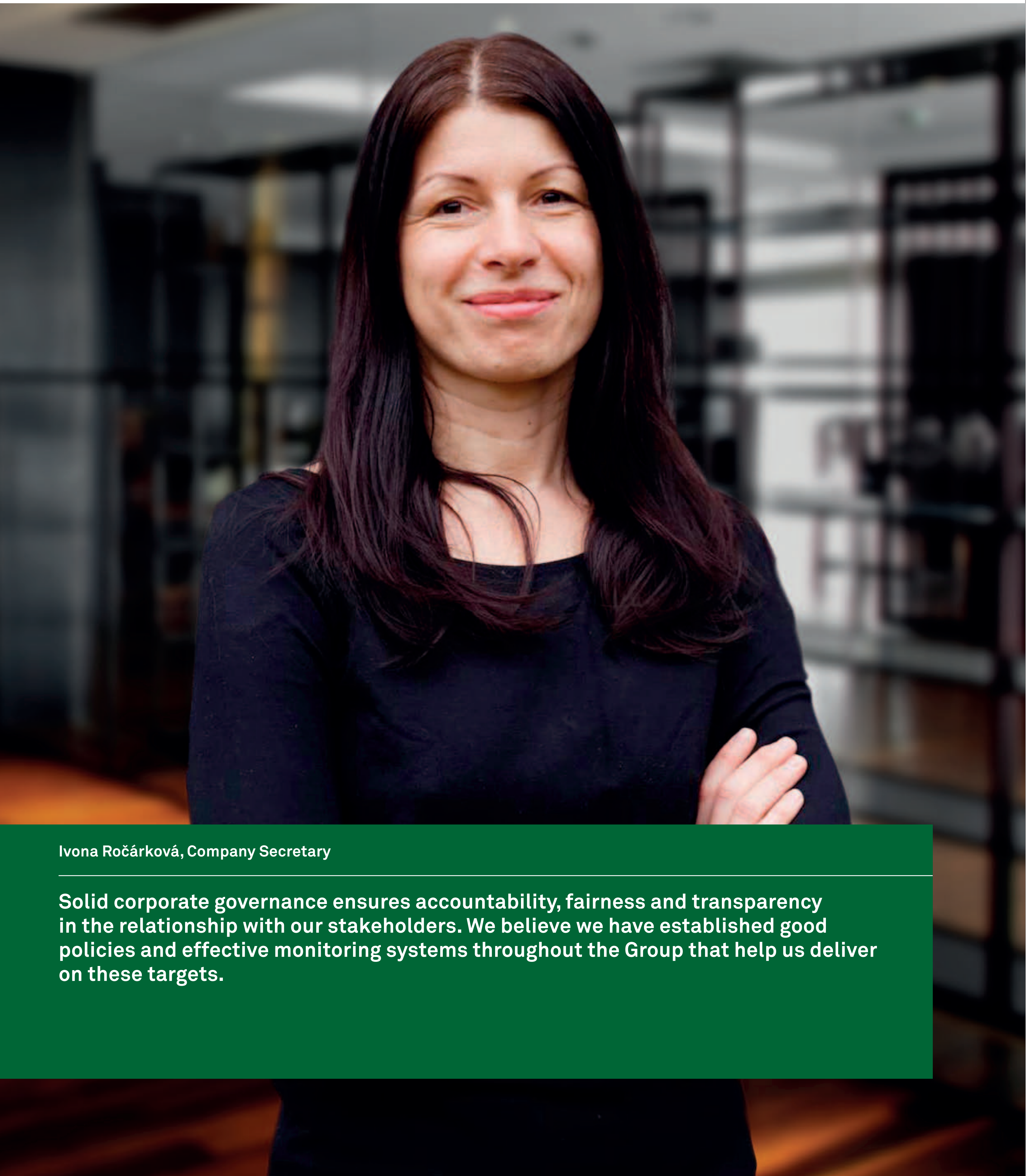
Divestment of the coke subsidiary

EUR 275 million Senior Notes issuance

Diversity Policy

Appointment of Alyson Warhurst: first female Director

CORPORATE GOVERNANCE



Ivona Ročárková, Company Secretary

Solid corporate governance ensures accountability, fairness and transparency in the relationship with our stakeholders. We believe we have established good policies and effective monitoring systems throughout the Group that help us deliver on these targets.

Main activities of the Board in 2013

In 2013, the Board of NWR met 13 times, including a two-day offsite retreat in Ostrava, Czech Republic, where the Board reviewed the overall strategy of the Group in the light of the long-term coal price trends.

At its meetings, the Board intensively debated the coal price trends and the market conditions, which are becoming more and more challenging and are thus affecting the Group's liquidity. These factors led the Board to consider various initiatives and cost-containment programmes that would turn OKD into a leaner organisation with an effective headcount. These optimisation steps included EUR 100 million of cash-enhancing measures, the closure of Paskov mine and divestment of the coke subsidiary OKK as a non-core asset. The divestment of OKK constituted a Class 1 Transaction under the UK Listing Rules and was approved by the shareholders at an extraordinary general meeting held in December 2013.

In order to stabilise the financial position of the Group in the long term, the Board has initiated a review of NWR's capital structure. On 22 January 2014, the Board resolved on the review of NWR's capital structure and the Company commenced discussions with all of its stakeholders with a view to developing and implementing a capital structure that recognises and respects the interests of all stakeholders. Should the Group fail to achieve a satisfactory capital structure for liquidity and solvency purposes as a result of the ongoing capital structure review that was announced on 22 January 2014, it would pose a significant risk of the Group ceasing to operate as a going concern, as discussed in more detail in Note 2 to the consolidated financial statements.

The Board also recognises the importance of gender diversity and the benefits of having women in top positions and has therefore adopted a Diversity Policy applicable across the Group. The Board also met its 2013 diversity target by appointing Dr Alyson Warhurst as an Independent Non-Executive Director on 26 April 2013. The Nomination Committee will continue to encourage diversity in 2014. In that respect, it has prepared a list of actions aimed at improving the ratio of male and female employees, which will be reviewed during the year.

During the course of 2013 the Board's composition was altered by two resignations. Klaus-Dieter Beck, former CEO of OKD, resigned as Non-Executive Director with effect from 31 March 2013 and Ján Fabián, the then-CEO of OKD and Executive Director, resigned from all his positions within the NWR Group as at 31 December 2013. The Nomination Committee reviewed the structure, size and composition of the Board with these resignations and the appointment of Dr Alyson Warhurst in mind, concluding that it was sufficiently robust, the skills in the Board room were well balanced and no further appointments were necessary.
In order to keep the Board updated on the mining operations, its meetings have been attended by Dale Ekmark, new managing director of OKD.

Lucie Vávrová
Company Secretary in 2013

BOARD OF DIRECTORS

Role of the Board
The Board sets the Group's strategy and reviews management and financial performance. Its role is to create and deliver strong, sustainable financial performance and long-term shareholder value while protecting the interests of NWR Group and representing NWR, holders of A and B Shares (for a definition of A and B Shares, please refer to the Articles of Association of the Company) and other stakeholders. Matters specifically reserved for the Board's decision-making include:

- approval of the overall strategy and annual budgets of the business;
- appointment of the Board's Chairman;
- approval of internal policies (such as the Corporate Governance Policy, Code of Ethics and Business Conduct, Business Integrity Policy, Divisional Policy Statements, Share Dealing Code, the terms of reference of the Board's Committees, etc.);
- determination of the annual remuneration of Non-Executive Directors within the scope of the Articles of Association and the Compensation Manual;
- review of the financial and annual reports; and
- approval of major transactions, including acquisitions, by NWR and its subsidiaries.

The Board manages the Mining Division and the Real Estate Division. Day-to-day operational decisions relating to these divisions are taken by NWR's employees and overseen by the Board (as described in more detail in the report of the Real Estate Committee on page 78).

To assist the Board in its decision making the Board has established and maintains six Committees described below.

Shareholders

↓ Elect ↑ Communicate

Board

Executive Chairman
Executive Directors
Independent Directors
Non-Independet Directors

↓ Appoint ↑ Advise

Committees

Audit and Risk Management Committee
Remuneration Committee
Finance and Investment Committee
Safety, Health and Sustainability Committee
Real Estate Committee
Nomination Committee

(1) Gareth Penny
Executive Chairman

As of 1 October 2012, Gareth Penny became Executive Chairman of NWR and executive director of NWR NV. He has been a member of the board of directors of OKD since 1 October 2012. In March 2013, Mr Penny became non-executive chairman of OJSC MMC Norilsk Nickel, a Russian listed mining company. 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 is the vice chairman of the Botswana Economic Advisory Committee. He has considerable experience of the international mining industry. 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 extensive 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

Marek Jelínek was appointed as a Director upon the incorporation (30 March 2011) and re-appointed by the annual general meeting of shareholders in 2013. Mr Jelínek has served on the board of directors of NWR NV since 6 March 2007. 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 responsible for 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. 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) Ján Fabián
Former Executive Director and former Chief Executive Officer of OKD

Ján Fabián was appointed as a Director with effect from 1 January 2013. From the same date, he became the CEO, and chairman of the board of directors of OKD, the principal subsidiary of NWR. He previously served as Chief Operating Officer of the NWR Group with overall responsibility for the (coke) operations of OKK and the Polish business operations of NWR KARBONIA. Mr Fabián resigned from the Board of Directors of NWR, as well as from the position of CEO of OKD with effect from 31 December 2013.

Prior to joining the NWR Group, Mr Fabián was advising companies from the energy sector, resources, steel, machinery and automotive industries. His main areas of focus included turn-around, privatisation, restructuring and process optimisation strategies.

Mr Fabián graduated from the Technical University in Košice, Slovakia in 1988 with a degree in mining and gained a PhD in production optimisation for underground mining from the Technical University in Berlin in 1998.
(Slovak, 2 May 1966)

BOARD OF DIRECTORS

(4) Zdeněk Bakala
Vice-Chairman and Non-Independent Non-Executive Director

Zdeněk Bakala was appointed as a Director with effect from 8 April 2011. In 2013 he was re-appointed by the annual general meeting of shareholders. Since 15 September 2011 he has also served as Vice-Chairman of the Board. Mr Bakala had served as a director of NWR NV since 2006, but resigned in 2011 following the reincorporation of NWR NV in the UK. He served as a member of the supervisory board of OKD from 2008 to 2010. He has served as a director of BXR Real Estate Investments (formerly RPG Real Estate B.V.) since October 2006, as a director of RPG Property B.V. since December 2008 and as chairman of the supervisory board of BXR Partners, a.s. (formerly RPG Advisors, a.s.) since September 2005. In 2008, Mr Bakala acquired a majority shareholding in Economia, a.s., a leading Czech publishing house, and serves as chairman of the board. Mr Bakala was a member of the supervisory board of the Prague Stock Exchange from 2005 to 2010. In 1994, he founded Patria Finance, the Czech Republic's first independent full-service investment bank, which was acquired by KBC, a Belgian banking group, in 2001.

Between 1990 and 1994, Mr Bakala was head of the Czechoslovakia desk at Credit Suisse First Boston (CSFB) and was responsible for establishing a branch office of CSFB in Prague in 1991.

Prior to that, he worked in the Corporate Finance department of Drexel Burnham Lambert (New York) from 1989 to 1990. Mr Bakala graduated from the University of California, Berkeley USA, in 1986 with a degree (with honours) in Economics, and obtained a Master of Business Administration degree from the Amos Tuck School of Business Administration, Dartmouth College, in 1989.
(Czech and USA citizenship, 7 February 1961)

(5) Peter Kadas
Vice-Chairman and Non-Independent Non-Executive Director

Peter Kadas was appointed as a Director with effect from 8 April 2011. Since 15 September 2011 he has also been Vice-Chairman of the Board. He was re-appointed by the shareholders at the 2013 annual general meeting. Mr Kadas previously served as a director of NWR NV, and resigned in 2011 following the reincorporation of NWR NV in the UK.

He served as vice-chairman of the board of directors of OKD from 2006 to 2007. He has also served as director of BXR Real Estate Investments B.V. and RPG Property B.V. since 2006 and 2008 respectively.

Mr Kadas is a Senior Advisor of BXR Partners LLP, an affiliate of BXR Group. From 2001 until 2010 he was a director of Bakala Crossroads Partners Ltd, also a BXR Group affiliate. Between 1997 and 2001 he was a managing director of Croesus Central Europe and from 1996 to 1997 he worked as a managing director for MC Securities in London. In 1995 he co-founded Renaissance Capital, Russia's first private investment bank. In 1990 he was a Director of Credit Suisse First Boston in Budapest. Mr Kadas also served on numerous corporate boards in the region, including CSFB, the management committee of Renaissance Capital, and vice-chairman of the board of directors of České radiokomunikace, a.s.

Mr Kadas graduated in 1986 from Trinity College, University of Toronto with a Bachelor of Arts degree in Economics and Politics. In 1990 he obtained a Master of Business Administration degree from Dartmouth College.
(Canadian, 27 February 1962)

(6) Pavel Telička
Non-Independent Non-Executive Director

Pavel Telička was appointed as a Director with effect from 8 April 2011.
He was re-appointed by the annual general meeting of shareholders in 2013.
Since 11 September 2007, Mr Telička had served as a director of NWR NV, but resigned in 2011 following the UK redomiciliation of NWR NV. In 2004, Mr Telička co-founded BXL Consulting Ltd, a consultancy on European Union and related affairs, where he served as director and was in charge of its Brussels office until the end of 2013. Before that, also in 2004, he was nominated and held the position of member of the European Commission co-responsible for the portfolio of health, food safety and consumer protection. Between 1991 and 2004, Mr Telička worked at the Czechoslovak and then Czech Republic Ministry of Foreign Affairs, and occupied various positions during this time including ambassador and head of the Permanent Representation of the Czech Republic to the EU in Brussels, Secretary of State for European Affairs and First Deputy Minister of Foreign Affairs (during which time he was chief negotiator for the accession of the Czech Republic to the EU).

Mr Telička has also been a senior advisor to the European Policy Centre since 2005 and for a number of years a member of the Administrative Council of the Notre Europe Foundation, established by Jacques Delors. In July 2005, he was appointed European coordinator for one of the priority projects within TEN-T for the railway network Rail Baltica.
Mr Telička has been a member of the High Level Group on Administrative Burden Reduction in the EU, which is an advisory body to the European Commission.
He chairs the board of the International Foundation Healthy Choices.

Mr Telička graduated from the Faculty of Law at the Charles University in Prague in 1986.
(Czech, 24 August 1965)

(7) Kostyantin Zhevago
Former Non-Independent Non-Executive Director

Kostyantin Zhevago served as a Director from 8 April 2011 until 24 February 2014 when he resigned. From 28 April 2009, Mr Zhevago had served as a director of NWR NV, but resigned in 2011 following the reincorporation of NWR NV in the UK. He has been a member of the Ukrainian Parliament since 1998. He is currently a member of the Parliamentary Committee on Law Policy and chairman of the Parliamentary Group for Inter-Parliamentary Relations with Japan. Since 2002 until 2012, Mr Zhevago was a member of the permanent delegation of the Ukrainian Parliament in the Parliamentary Assembly of the European Council and a member of the Ukrainian faction of the Committee for Parliamentary Cooperation between Ukraine and the European Union.

At present, Mr Zhevago is the controlling shareholder of Ferrexpo Plc, and was appointed as its Chief Executive Officer on 1 November 2008. He has previously served as chairman of the management board and deputy chairman of the supervisory board of CJSC Commercial Bank Finance and Credit ('Bank F&C'). Between 1993 and 1996, he was financial director of F&C Group of companies.

Mr Zhevago graduated from the Kyiv State Economic University in 1996, specialising in international economics.
(Ukrainian, 7 January 1974)

(8) Bessel Kok
Senior Independent Director

Bessel Kok was appointed as a Director with effect from 8 April 2011 and re-appointed by shareholders at the 2013 annual general meeting. From 11 September 2007, Mr Kok had served as a director of NWR NV, but resigned in 2011 following the reincorporation of NWR NV in the UK. From 2005 to 2010, he served as chairman of the Ukrainian mobile operator LIFE. From 1995 to 2004, he was vice-chairman and chief operating officer of Český Telecom (now Telefónica/02) in the Czech Republic. During that time he also served as chairman of the board of directors of Eurotel. Mr Kok was President of Belgacom from 1989 until the end of 1994 and oversaw its privatisation. In 1973, Mr Kok was a member of the team establishing SWIFT (Society for Worldwide Interbank Financial Telecommunication) in Belgium and became its president and CEO in 1981, positions that he held until 1989.

Mr Kok graduated in 1963 from the Municipal University of Amsterdam with a degree in Economic Sciences.
(Belgian, 13 December 1941)

BOARD OF DIRECTORS

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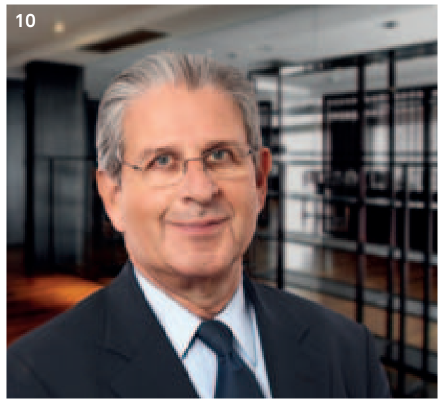
(9) Dr Alyson Warhurst
Independent Non-Executive Director

Dr Alyson Warhurst was appointed as a Director on 26 April 2013. She is CEO and founder of risk analytics and mapping company Maplecroft, which is a leading source of extra-financial risk intelligence. She enjoyed a successful academic career at the Universities of Sussex, Bath and Warwick where she was appointed Professor and Chair of Strategy and International Development, received several prestigious awards and sat on the University Council. In 2010, she retired and became an Honorary Professor at Warwick Business School. Dr Warhurst is a regular advisor to the World Economic Forum and has also been a longstanding member of its faculty. She is on the Board of Trustees at Transparency International UK.

Dr Warhurst comes from an academic background where she gained extensive expertise in the area of corporate responsibility and global risks, including political and societal risks, sustainability and corporate reputation. She graduated in 1979 from the University of Bristol with a BSc in Geology. She also holds an MSc in Science, Technology and Industrialisation and a PhD from the University of Sussex. She has worked extensively in China, Africa and North & South America and has considerable expertise in the extractives and logistics industries, including advising global corporations in these sectors at board level.

Dr Warhurst holds no directorship in any other publicly quoted company.
(British, 17 April, 1958)

10



(10) Steven Schuit
Independent Non-Executive Director

Steven Schuit was appointed as a Director with effect from 8 April 2011. In 2013 he was re-appointed by the general meeting of shareholders. Since 20 November 2007, Mr Schuit has served as a director of NWR NV where he currently holds the position of non-executive chairman. He is also a part-time professor of Corporate Governance and Responsibility at Nyenrode Business University.

He also holds the position of chairman of Stichting Giving Back and of The Law Firm School. 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 NV from 2002 to 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)

11

(11) Paul Everard
Independent Non-Executive Director

Paul Everard was appointed as a Director with effect from 8 April 2011. He was re-appointed at the general meeting of shareholders in 2013. Since 20 November 2007, Mr Everard has served as a director of NWR NV and he continues to hold this position. 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 responsible for aluminium in 1983. 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)

12

(12) Barry Rourke
Independent Non-Executive Director

Barry Rourke was appointed as a Director with effect from 8 April 2011. He was re-appointed at the general meeting of shareholders in 2013. Since 20 November 2007, Mr Rourke has served as a director of NWR NV 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 Avocet Mining Plc and TransFin-M OJSC. He is also the chairman of the audit committee for each of these companies and a member of the remuneration committee for Avocet Mining Plc and OJSC RusRailLeasing. 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)

13

(13) Hans-Jörg Rudloff
Independent Non-Executive Director

Hans-Jörg Rudloff was appointed as a Director with effect from 8 April 2011, and re-appointed by shareholders at the 2013 annual general meeting. Since 11 September 2007, Mr Rudloff has served as a director of NWR NV and he continues to hold this position. Since 1998, he has served as chairman of Barclays Investment Bank. 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 was vice chairman of Rosneft until June 2013. 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 Landeskreditbank Baden-Wurttemberg since 1993.

Mr Rudloff is 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)

Changes to the Board of Directors in 2013

Following his retirement as CEO of OKD and Executive Director of the Company as at 31 December 2013, Klaus-Dieter Beck continued to serve on the Board as a Non-Independent Non-Executive Director. He resigned as at 31 March 2013.

Dr Alyson Warhurst was appointed as an Independent Non-Executive Director on 26 April 2013.

Ján Fabián joined the Board as Executive Director with effect from 1 January 2013. From the same date, he became the CEO and the chairman of the board of OKD. He resigned from both positions with effect from 31 December 2013. Mr Fabián led OKD through one of the most difficult years in OKD's history. Among OKD's achievements under his leadership are successful cost containment, continued improvement in safety performance, centralisation of mine management, and the signing of a new collective agreement with OKD's trade unions for the next five years.

Having served with NWR (and prior to the reincorporation in the UK with NWR NV) since 28 April 2009, Kostyantin Zhevago, Non-Independent Non-Executive Director, resigned from the Board on 24 February 2014.

CORPORATE GOVERNANCE

The Corporate Governance Policy of NWR is based primarily on the UK Corporate Governance Code and also complies with the spirit of the broad requirements of codes in the Czech Republic and Poland. The policy formulates the standards of governance that NWR's Board of Directors intends to uphold and ensures the maintenance of a coherent and effective system of governance. The policy can be found at www.newworldresources.eu. The Company's policy is to achieve best practice in our standards of business integrity in all our activities. This includes a commitment to following the highest standards of corporate governance throughout the Group. This section of the annual financial report describes how the Company has applied the main principles set out in the UK Corporate Governance Code.

Attendance at Board and committee meetings

The Board has established several committees to assist its decision-making. The members of the committees are members of the Board and are appointed by the Board. Each committee has its own rules which are approved by the Board. The Board receives regular reports from each of the committees on its deliberations, findings and recommendations. Their activities in 2013 are described in detail in the 'Committee Reports' section on pages 75 to 86.

Attendance at Board meetings, including the offsite strategy meeting, and committee meetings during the year is outlined below. Please note that a Director who appointed an Alternate Director to attend the meeting in his stead, is recognised as attending the meeting for the purpose of the below table.

	NWR Board meetings	Audit and Risk Management Committee	Remuneration Committee	Finance and Investment Committee	Safety, Health and Sustainability Committee	Real Estate Committee	Nomination Committee
	(13)	(7)	(3)	(5)	(3)	(5)	(4)
Gareth Penny	13	–	–	5	3	–	4
Marek Jelínek	13	–	–	5	–	–	–
Ján Fabián[1]	11	–	–	–	2	–	–
Klaus-Dieter Beck[2]	4	–	–	–	1	–	–
Zdeněk Bakala	11	–	3	5	–	–	–
Peter Kadas	8	–	–	5	–	–	–
Pavel Telička	13	–	–	–	–	–	–
Kostyantin Zhevago[3]	6	–	–	–	–	–	–
Bessel Kok	13	7	3	–	–	–	4
Hans-Jörg Rudloff	13	7	2	–	–	–	–
Steven Schuit	13	7	–	–	3	5	–
Paul Everard	12	–	–	–	3	5	–
Barry Rourke	12	7	–	–	–	5	4
Alyson Warhurst[4]	9	–	–	–	2	–	–

1 Ján Fabián was appointed as a SHSC member on 14 March 2013. He resigned as Director on 31 December 2013.
2 Klaus-Dieter Beck resigned on 31 March 2013.
3 Kostyantin Zhevago resigned on 24 February 2014.
4 Alyson Warhurst was appointed on 26 April 2013.

Meeting of Non-Executive Directors

The Non-Executive Directors (Mr Zhevago excused himself from the meeting) met once during 2013 without the Executive Directors being present. They discussed the performance of the Board's Executive Chairman and other Executive Directors. The session was chaired by the Senior Independent Director.

Directors

Composition of the Board

NWR has a one-tier Board comprising both Executive and Non-Executive Directors.

The Board is presided over by its Executive Chairman, Gareth Penny. As at 31 December 2013, the Board had 13 members in total. Of these, three were Executive Directors and six were Independent Non-Executive Directors. Following the resignations of Mr Fabián and Mr Zhevago, the Board has 11 members, with two Executive Directors and six Independent Non-Executive Directors. This is fully in line with provision B.1.2. of the UK Corporate Governance Code, which provides that at least half the board, excluding the chairman, should comprise independent non-executive directors.

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

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

Contrary to provisions of A.2.1 and A.3.1 of the UK Corporate Governance Code, the Company has appointed Mr Penny as Executive Chairman, who exercises the role of the chief executive and chairman. The fusion was carefully examined at the Nomination Committee upon his appointment in 2012, and NWR continues to believe that the presence of an Executive Chairman is needed to provide strategic and operational leadership and balance level in the Group structure which is strong at the operating company level. The presence of majority shareholder representatives on the Board alongside Independent Non-Executive Directors guarantees that there are appropriate checks and balances in place.

The Chief Financial Officer of NWR, Marek Jelínek, has delegated authority to achieve the corporate objectives of NWR Group. He is responsible for the Group's finance and administration, and reports to the NWR Board and its Executive Chairman. He oversees 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.

The mining operations were run by Ján Fabián in 2013. In his role as the Chief Executive Officer of OKD and chairman of its board, he led OKD through one of the most difficult years in OKD's history and successfully set in motion the necessary transformation of OKD. He reported to the Executive Chairman and to NWR's Board.

Role of the Board

The Board sets the Group's strategy and reviews management and financial performance. Its role is to represent NWR, holders of A Shares and B Shares (for the definition of A Shares and B Shares, please refer to the Articles of Association of the Company) and other stakeholders, support the achievement of corporate objectives and protect and be collectively responsible for the long-term interests of the Group. To this end, the Board ensures the strategic direction, management supervision and control of NWR and the Group. The Board is also responsible for the quality of its own performance. Matters specifically reserved for the Board's decision-making include:

- Approval of the overall strategy and annual budgets of the business;
- Appointment of the Board's Chairman;
- Approval of internal policies (such as the Corporate Governance Policy, Code of Ethics and Business Conduct, Business Integrity Policy, Diversity Policy, Divisional Policy Statements, Share Dealing Code, the terms of reference of the Board's committees, etc.);
- Remuneration of Non-Executive Directors;
- Approval of the financial and annual reports; and
- Approval of all major transactions and projects across the Group.

The Board also ensures, amongst other things, that there are effective and transparent systems in place to ensure financial control, compliance and risk management.

The Board manages the Mining Division and the Real Estate Division. Day-to-day operational decisions relating to these divisions are taken by NWR's employees and overseen by the Board (as described in more detail in the report of the Real Estate Committee on page 78).

COMMITTEE REPORTS

The report of the Audit and Risk Management Committee ('ARMC') on pages 94 to 97 includes a full discussion of the role, structure and composition of the ARMC.

REMUNERATION COMMITTEE ('RC') REPORT

Bessel Kok (Chairman)
Zdeněk Bakala
Hans-Jörg Rudloff

The RC consists of Non-Executive Directors appointed by the Board. Independent

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Directors, including the Chairman of the RC, form the majority of RC members. Contrary to provision D.2.1. of the UK Corporate Governance Code Mr Bakala remains a member of the RC. Due to his insights into shareholders' demands, the Board continues to perceive his membership of the RC as critical to the further alignment of executive remuneration with shareholders' interests.

Main responsibilities

The RC's primary role is to set the remuneration for the Executive Directors of the Board, the Chairman of the Board and the Group's senior managers, and to advise the Board on its responsibilities with respect to the remuneration of the Non-Executives Directors.

The RC's main functions are:

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

Activities undertaken during the year

The RC met three times during 2013, applying the principles of the Company's Compensation Manual and exercising its duties under the Deferred Bonus Plan. For more details on the Compensation Manual and the Deferred Bonus Plan, please refer to the Remuneration Report on pages 98 to 110.

The RC reviewed the remuneration of the Executive Directors and the fee levels for the Non-Executive Directors in 2012 and found them appropriate also for 2013. The RC also approved the Group-wide performance criteria for 2013 and approved the participation of certain Group employees in the Deferred Bonus Plan and the Long Term Incentive Plan in the bonus year 2013.

The RC further considered and approved performance criteria for the Executive Directors participating in the Deferred Bonus Plan that newly include three performance levels (target, stretch and super-stretch), the achievement of which will determine the actual amount of the executive bonuses.

Following the audited financial results for 2012, the RC reviewed the 2012 vesting criteria for the Company's share plans and determined their fulfilment. In that connection, the RC approved, in line with the rules of the Deferred Bonus Plan, the deferral of 2012 bonuses into the A Shares of the Company.

The RC also discussed and proposed to the Board for approval certain changes to the Deferred Bonus Plan, as described in more detail in the Remuneration Report on pages 98 to 110.

The RC approved a cash bonus for 2012 for Klaus-Dieter Beck, the former Executive Director of NWR and the CEO of OKD, taking into account individual Mr Beck's performance and the difficult market conditions at the time of the grant.

The RC also approved an ad-hoc share grant to the new Head of Business Development of the NWR Group.

Finally, the RC approved certain good leaver proposals under the Company's share plans and certain administrative changes to the Compensation Manual.

Further details on remuneration may be found in the Remuneration Report on pages 98 to 110.

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

FINANCE AND INVESTMENT COMMITTEE ('FIC') REPORT

Peter Kadas (Chairman)
Zdeněk Bakala
Gareth Penny
Marek Jelínek

The members of the FIC are appointed by the Board and comprise Executive Directors, including the Executive Chairman, and Non-Executive Directors. Mr Jelínek is also NWR's Chief Financial Officer.

Main responsibilities

The main functions of the FIC are:

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

Activities undertaken during the year

The FIC met five times in 2013.
The FIC carried on monitoring the Group's financial results and regularly reviewed the Group's financing and cash conditions, in particular the debt position, bank covenants, exposures and hedging.
The FIC oversaw the 2021 Notes issue in January 2013 and the disposal of the coke operations in the second half of 2013. It also received regular updates on the business development, including the M&A opportunities and coal marketing.

Substantial time was dedicated to the Group transformation and the business optimisation steps. The FIC evaluated a number of short-term cost-saving measures, as well as various scenarios with respect to Paskov mine. It also adopted decisions on the financial and operating matters of the subsidiary entities which included, inter alia, changes to the subsidiaries' boards, changes to the articles of association and approval of the financial statements. Lastly, the FIC reviewed and recommended the Group budget for 2014 to the Board for approval.

The FIC is of the view that its composition was appropriate in 2013 and that its members carried out all the duties and responsibilities set out in the charter.

SAFETY, HEALTH AND SUSTAINABILITY COMMITTEE ('SHSC') REPORT

Paul Everard (Chairman)
Gareth Penny
Alyson Warhurst
Steven Schuit

As at 31 December 2013, the SHSC consisted of the Executive Chairman and three Independent Directors, which was fully in line with its charter.

The composition of the SHSC changed several times during the course of 2013. Ján Fabián, former CEO of OKD and Executive Director of NWR, was a member of the SHSC from 14 March 2013 until 31 December 2013 when he resigned from both positions. Klaus-Dieter Beck ceased to be a SHSC member due to his resignation from the Board as at 31 March 2013. On 15 May 2013, Alyson Warhurst became the first female member of the SHSC. In the first half of 2013, the meetings of the SHSC were also attended by Tomáš Rak, Sustainability Manager, and two external mining experts and members of the OKD board of directors, Stan Suboleski and Karl Friedrich Jakob. Two meetings were attended by Peter Carr, Head of Business Development. One meeting was attended by Petra Mašínová, former Head of Corporate Communications, Petr Jonák, current Head of Corporate Communications and Sustainability at NWR, responsible for the sustainability matters for the whole NWR Group, and Dale Ekmark, Managing Director of OKD.

Main responsibilities

The SHSC's main role is in the area of sustainability and sustainable operations. According to its charter, the SHSC assists the Board in its oversight of corporate and social responsibilities with a special emphasis on health, safety and environmental ('HSE') risk within NWR and its subsidiaries as well as the Group's compliance with applicable legal and regulatory requirements associated with corporate and social responsibilities ('CSR') and HSE matters.

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

- monitoring and reviewing the internal policies and systems within the Group for implementing the sustainability programmes, frameworks and objectives;
- monitoring and reviewing the Group's performance in relation to sustainability matters and following up on the achievement of the respective key performance indicators and targets;
- overseeing preparation of sustainability reports (as well as a stand-alone CSR section); and
- supporting stakeholder dialogue and engagement on sustainability performance.

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

- overseeing the Group's performance on HSE matters;
- reviewing reports and meeting with senior management of the subsidiaries to discuss the effectiveness of the Group's policies and systems for identifying and managing material HSE risks; and
- monitoring the impact of operations on the Group's reputation.

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

- reviewing the policies and systems within the Group for ensuring compliance with applicable social, HSE, legal and regulatory requirements as well as for effective and positive employee and community relations;
- liaising with the ARMC to ensure adequate oversight of the Group's systems for managing the CSR and HSE risks;
- reviewing and, if appropriate, making recommendations to the Board on the areas of CSR and HSE, and others.

Activities undertaken during the year

In 2013, the SHSC met four times (once informally) and conducted its regular site visit to the OKD mines in the Czech Republic, noting visible progress in the building of the Darkov – Karviná connecting gateroad.

At its meetings, the SHSC carried on reviewing the regular HSE reports of OKD and OKK, NWR's core operations. Throughout the year, the SHSC also received detailed reports on extraordinary events and fatalities. The SHSC always reviewed their cause and potential preventive measures and put emphasis on transparency of public disclosures.

The SHSC considered the Group's 2013 Safety Campaign, which introduced additional safety training in the workplace and other daily safety routines. The SHSC reviewed NWR's key safety performance indicators (LTIFR) and their comparison to NWR's peers in Germany, Poland and USA, taking into account the reporting differencies in each country. The comparison showed good results for NWR but also identified room for improvement.

The SHSC discussed thoroughly the requirement of the UK Climate Change Act 2008 providing for mandatory reporting of greenhouse gases emissions in the 2013 Annual Report. It also considered NWR's participation in the Carbon Dioxide Capture and Storage initiative and recommended joining it in 2014. Please see the 'Sustainability' section on pages 56 to 63 for more information.

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The SHSC oversaw the preparation of the 2013 Sustainability Report of NWR, which built on the positively received 2012 Sustainability Report. The SHSC has acknowledged that, contrary to A level of the Global Reporting Initiative ('GRI') standards used in 2011 and 2012, the 2013 Sustainability Report will use the less extensive B level of the GRI standards. The SHSC looked at the structure, format and content of the Sustainability Report 2013 and recommended it for approval by the Board.

The SHSC believes that it has successfully fulfilled its duties and responsibilities set out in its charter.

REAL ESTATE COMMITTEE ('REC') REPORT

Barry Rourke (Chairman)
Steven Schuit
Paul Everard

The REC is wholly composed of Independent Directors appointed by the Board.

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

Activities undertaken during the year

The REC met five times in 2013. All meetings were held as joint meetings with the Real Estate Committee of NWR NV. NWR's Chief Financial Officer attended all meetings.

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 (mainly sales of property outside the NWR Group). In line with the Divisional Policy Statements (as described below), the values of all real estate transactions have been set by independent experts and such transactions have been approved by the Board as well as by the holder of the B shares. The REC regularly reviews the list of valuation experts to ensure their independence. The REC further reviews, on a regular basis, the P&L accounts of the Real Estate Division. In connection with the disposal of OKK in December 2013, the REC considered the allocation of proceeds from the sale between the Divisions.

The REC regularly reports to the Board and the ARMC on its activities and findings.

Divisional Policy Statements

The Divisional Policy Statements were adopted by the Board on 8 April 2011 with effect from 6 May 2011. They 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: (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.

NOMINATION COMMITTEE ('NC') REPORT

Barry Rourke (Chairman)
Bessel Kok
Gareth Penny

The members are appointed by the Board and include Executive and Independent Directors.

Main responsibilities

The main functions of the NC are:

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any changes;
- making recommendations to the Board concerning succession planning for both Executive and Non-Executive Directors and in particular for the key roles of the Chairman of the Board and the Chief Executive Officer (if appointed) and senior managers of the Group;
- identifying and nominating, for the approval of the Board, candidates to fill Board vacancies and evaluating the balance of skills, knowledge, experience and diversity (gender) on the Board, and, in the light of this evaluation preparing a description of the role and capabilities required for a particular appointment; and
- reviewing the results of the Board performance evaluation process that relate to the composition of the Board; and
- making recommendations to the Board on re-election by shareholders of Directors under the annual re-election provisions of the UK Corporate Governance Code and the retirement by rotation provisions in NWR's Articles of Association.

Activities undertaken during the year

In 2013, the NC met four times, mostly to discuss the succession planning for Directors and senior managers of the NWR Group. The NC also followed up on the recommendations resulting from the 2012 Board evaluation and identified and recommended for the Board's approval the appointment of Dr Alyson Warhurst as the first female Director. With her appointment the NC achieved the 2013 diversity target. Given the limited pool of candidates meeting the criteria and the desired unique profile, neither an external search consultancy nor open advertising was used in the search for the female candidate contrary to provision B 2.4 of the UK Corporate Governance Code.
Dr Warhurst joined the Board on 26 April 2013, thus bringing different perspectives into the meeting room. In support of diversity, the NC also prepared and recommended for approval by the Board a diversity policy, which is available on Company's website. Based on the data on gender diversity collected throughout the NWR Group for 2013, the NC will assess the current situation and set measurable diversity targets for 2014 and onwards. The NC further acknowledged the 2017 business strategy and the split of management roles throughout the NWR Group. While doing so, the NC considered the terms and conditions of the new Group Head of Sales and Marketing and reviewed the organisational chart of OKD. With respect to Mr Fabián stepping down as Executive Director of NWR and OKD CEO (effective as of 31 December 2013), the NC held a conversation with Dale Ekmark, who took over the management of OKD, and expressed its support for Mr Ekmark and his engagement terms. In that instance, the NC reviewed the structure and composition of the Board and concluded that half the Board, excluding the Chairman, comprises Independent Non-Executive Directors, which is fully in line with provision B 1.2 of the UK Corporate Governance Code. The NC also discussed the outcomes of the 2013 Board in-house evaluation, as described in more detail in the 'Board Effectiveness' section.

The NC is of the view that its composition is appropriate and that its members have carried out all duties and responsibilities set out in the charter. The NC also considers its charter to be adequate.

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

Both the Company by ordinary resolution and the Directors have the power at any time to elect any person to be a Director, but the number of Directors shall not exceed the maximum number fixed by the Articles of Association of the Company (20). Any person so appointed by the Directors shall retire at the next Annual General Meeting and shall then be eligible for election. Under the Articles of Association each Director shall retire at the Annual General Meeting held in the fourth calendar year following the year in which he was elected or at such earlier Annual General Meeting as the Directors may decide. The office of a Director shall be terminated on the occurrence of any of the events listed in article 81 of the Articles of Association. The Company, by an ordinary resolution, may, in accordance with its Articles of Association, remove

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any Director from office and elect another person in place of a Director so removed.

In accordance with the UK Corporate Governance Code, and in line with best practice, all Directors should be subject to annual (re-)elections. In any case, all Directors will retire at the forthcoming AGM on 24 April 2014 and will offer themselves for re-election.

To assist with the Directors' appointment and re-appointment, NWR has a Nomination Committee that is responsible for identifying suitable candidates for appointments to the position of Director and evaluating the balance of skills, knowledge, independence, experience and diversity of members of the Board.

The Board believes that it has the right balance of Executive and Non-Executive Directors who have the desired skills, knowledge, independence and experience, and recommends the re-election of each of the Directors standing for re-election at the forthcoming 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.

Gareth Penny is a recognised and experienced professional in the international mining sector and brings to the Board his deep experience in many aspects of the mining business. His particular contribution is in the area of strategic initiatives and operational restructuring. He provides the Board with strategic and organisational leadership at the Group level.

Marek Jelínek, the CFO, continues to manage the capital financing of the Group. He has contributed his extensive knowledge of and experience with the international financial and capital markets and their practical impact on the Group's business. Based on his regular involvement with the broad range of investors, he has delivered to the Board market feedback on the Group's performance. He is also extensively involved in the review of NWR's capital structure and the relevant stakeholders' discussions.

As experienced investors and shareholders' representatives, Messrs Bakala and Kadas provide the Board with their know-how and valuable insights into shareholders' requirements, in particular on further development projects, strategy and remuneration and allowing alignment of the Board with the shareholders' interests.

To cover the cross-border nature of the Group's business and potential future growth opportunities, Mr Telička provides his knowledge of EU affairs and of the international political scene.

As Senior Independent Director, Mr Kok capitalises on his extensive managerial experience and knowledge of the CEE market, and brings to the Board an independent view on the situation in the region where the Group operates. As Chairman of the Audit and Risk Management Committee and together with the other Independent Directors, he has brought to the Board strong independent control of financial reporting and risk management.

Mr Rudloff is a renowned and experienced banker with detailed and accurate information about the global financial market, its developments and sentiments, which he shares with the Board.

With his extensive legal background, Mr Schuit contributes mainly in the areas of corporate governance, ethics (whistleblower procedure) and compliance, where he focuses on combating fraud and bribery.

Further to his numerous executive posts with BHP Billiton, Mr Everard provides his independent opinions on health, safety and sustainability risks which the Group is facing, as well as other challenges of its mining business.

Mr Rourke, as a former audit partner, brings to the Board his considerable expertise in the area of financial review and integrity. In his role as chairman of the Real Estate Committee, he makes sure that the interests of both A and B shareholders are adequately protected.

Dr Warhurst has remarkable expertise in the area of corporate social responsibility and non-financial risk identification and management. With her strong academic background and business experience, she strengthens the Board's independent review of these issues.

Full biographical details of each Director are given on pages 69 to 73.

Information and professional development

Directors receive a tailored induction upon joining the Board. They have full access to a regular supply of financial, operational, strategic and regulatory information to help them discharge their responsibilities. They regularly receive presentations by senior management and management reports, as well as market and legal updates. They also have access to training and education which they may require from time to time in respect of their responsibilities as Directors. In 2013, all Directors received a training on changes in Czech civil and commercial law.

Directors are also entitled to seek, at NWR's expense, independent professional advice where they judge it necessary. To this effect, the Board and its committees have received various legal, mining and other advice in 2013.

Company Secretary

Lucie Vávrová acted as Company Secretary until November 2013. Ivona Ročárková took over this role in December 2013. 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. The Company Secretary assists the Chairman in the organisation of the Board and committee meetings as well as the general meetings of Shareholders, prepares materials for these meetingns and drafts the meeting minutes.

She discharges other responsibilities the Board has assigned to her and is accountable to the Board.

Board effectiveness and evaluation

At the end of 2013, the Company Secretary conducted an internal evaluation of Board's performance, its work and functioning, and an assessment of its Chairman, the individual Directors, the Company Secretary, the Board committees and also the governance processes underpinning the Board's work. The results of the evaluation were discussed by the Nomination Committee and presented to the Board. The process did not identify any major concerns. The Directors are of the view that the Board is well balanced in terms of expertise and skills, although there is still room for improving gender diversity. The Board appreciates the Chairman's leadership, the effective committee structure and good governance. Directors' performance is seen as effective and each Director is demonstrably committed to the role. The information coming to the Board is of good quality and the executive remuneration process is considered adequate. The Directors confirmed a very good understanding of key risks and appreciated the high quality of information on health, safety and sustainability. The Directors' comments received during the self-evaluation will be implemented through the actions proposed by the Company Secretary.

The 2012 external evaluation suggested an appointment of one more Independent Director and a gender diversity consideration. Both suggestions have been addressed by appointing Alyson Warhurst as Independent Director in April 2013.

The Nomination Committee regularly discusses succession planning on the management level. In 2013, the Nomination Committee considered, among other things, the leadership of each business unit created to support the Group's strategy and the organisational chart of the principal operation, OKD.

Competing engagements

According to the Corporate Governance Policy, a Non-Executive Director should have no more than five board memberships in other companies (with chairmanship of a publicly listed company board counting double) not related between themselves, so that the proper performance of his/her duties is assured. Full-time Executive Directors may not be members of the board of more than two listed companies unrelated to the Group, nor may they be chairmen of the board of a FTSE 100 company. The acceptance by an Executive Director of a board membership in a listed company requires the approval of the Board. Other important non-executive positions held by an executive director shall be declared to the Board. See the Remuneration Report on pages 98 to 110 for the Chairman's other board positions.

Directors' indemnity and insurance

The Articles of Association provide for the Directors, the Company Secretary and the directors and the company secretaries of associated companies to be indemnified, to the extent permitted by law (and subject to certain exemptions), against any liability incurred in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company or any associated company of the Company. No amount has been paid under any of these indemnities during the year. In this respect, the Company has issued deeds of indemnity to the Directors.

The Company has purchased Directors' and Officers' insurance during the year. In broad terms, the D&O insurance policy protects, inter alia, private assets of directors and officers against financial losses from legal liability claims filed against such directors or officers arising out of alleged wrongful acts or omissions, either committed or attempted in the capacity as a director or officer of the company. D&O insurance typically does not cover claims relating to the IPO or other securities claims, arising out if or in connection with a public offer of securities and, therefore, the Company (and NWR NV) concludes stand-alone insurance policies for any Public Offer of Securities (POSI). In January 2014, NWR and NWR NV concluded a deed poll of indemnity with the Directors to indemnify them in respect of any loss resulting from claims made against them.

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, and to provide all relevant information, including information concerning a related party. If the Senior Independent Director has a conflict of interest or potential conflict of interest that is of material significance, he should immediately report to the Board and provide all relevant information.

The ARMC 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 ARMC of whether a conflict of interest exists.

Code of Ethics and Business Conduct

In addition to its Corporate Governance Policy, NWR has adopted a Code of Ethics and Business Conduct, which governs the behaviour of all officers and employees of NWR and its subsidiaries. Appended to it is the Whistleblower Procedure, which is a reporting mechanism enabling employees to express concerns to the Board's Chairman, Senior Independent Director and the designated officer in relation to the conduct of NWR, its officers and employees. The core operations of NWR have implemented the corresponding procedures. OKD has established an independent internal committee which deals with the complaints and whistleblower reports. The ARMC monitors, through reports received from the Company Secretary, the effectiveness of the procedures. Further details can be found in the report of the ARMC on pages 94 to 97.

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 Audit and Risk Management Committee annually reviews adherence to this policy. The Board has also established a gift register, which is reviewed quarterly by the Group Internal Auditor.

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

Risk management and internal controls

The Board has the overall responsibility for the Group's system of internal controls, risk management and compliance. The effectiveness of the relevant policies is reviewed regularly by the ARMC, which reports its findings to the Board. Please see the report of the ARMC on pages 94 to 97 and the 'Principal risks and uncertainties' section on pages 26 to 37 for more details.

During 2013, the Directors have continued to review the effectiveness of the internal control systems and the risk management. These reviews include an assessment of internal controls and their effectiveness, focusing in particular on the financial, operational and compliance controls and risk management. The consideratins are supported by management assurance of the maintenance of controls and the reports from the Group Internal Auditor and the external auditor on matters identified in the course of the statutory audit work. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and provides reasonable (not necessarily absolute) assurance of effective operation and compliance with laws and regulations.

Underpinning these reviews is an annual process by which responsible senior management personnel confirm the adequacy of the systems of internal financial and non-financial controls, compliance with Group policies and relevant laws and regulations and that they have reported any control weaknesses to the Audit and Risk Management Committee.

The internal control framework has been in operation throughout 2013 and continues to operate up to the date of the approval of this Annual Report. The Directors believe that the Group maintains an effective, embedded system of internal controls and complies with the Turnbull Report guidance and, in the view of the Directors, no significant deficiencies have been identified in the system.

Going concern

The Group manages its liquidity through cash (EUR 183,655,000; 31 December 2012: EUR 267,011,000) and receivables financing. In addition on 16 December 2013, the Group agreed revised terms for its amortising Export Credit Agency loan ('ECA Facility') (EUR 48,153 thousand at 31 December 2013), which included the suspension of the financial covenants thereunder until Q4 2014.

At the present market prices for coal, the Group is currently cash flow negative and the current low coal price environment has placed significant pressure on the Group's liquidity position and also on its solvency resulting in the Group having net liabilities of EUR 280,098,000 at 31 December 2013. As a reaction to the continuing difficult trading conditions and price pressures in 2013, the Group implemented various measures to safeguard the Group's liquidity.

In addition the Group is heavily geared with long-term borrowings totalling EUR 824,863,000. Following revisions of the long term pricing outlook for both thermal and coking coal and the associated write down of assets, on 22 January 2014, the Directors initiated a review of the Group's capital structure with a view to addressing the solvency and the mid-term liquidity of the Group. The review will be focused on the Group's balance sheet and will consider all available options. However, there can be no guarantee that it will be possible to successfully complete such a capital structure or that such implementation occurs within a timeframe that will secure the liquidity and solvency of the Group.

Should the Group fail to achieve a satisfactory capital structure for liquidity and solvency purposes as a result of the ongoing capital structure review that was announced on 22 January 2014, it would pose a significant risk of the Group ceasing to operate as a going concern. On current base case forecasts the Group anticipates a net cash outflow of approximately EUR 30 million per quarter and that its current cash balance will be exhausted in Q1–Q2 2015. However, an inability to renew receivable financing, further price deterioration, default on existing facilities or other factors such as lower than forecasted production could bring this point forward.

The Directors recognise that the combination of these circumstances represents a material uncertainty that may cast significant doubt as to the Group's and Company's ability to continue as a going concern and that they may be unable to realise all their assets and discharge all of their liabilities in the normal course of business. However, based on management's discussions with all the Company's stakeholders to achieve a satisfactory capital structure for liquidity and solvency purposes, management believes that it is appropriate to prepare the financial statements on a going concern basis, although a material uncertainty regarding the Group's ability to continue as a going concern exists.

Long-term value

The basis on which the Company generates and preserves value over the longer term and the strategy for delivering its objectives is described in the 'Strategic Report' section on page 10.

Insider trading

In compliance with the relevant laws, rules and regulations of the UK, the Czech Republic and Poland, the Company has a Share Dealing Code that covers dealings in NWR's shares and other securities, abuse 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. It can be found on NWR's website at www.newworldresources.eu.

NWR BOARD COMPOSITION AS AT 1 JANUARY 2014

Gareth Penny
Executive Chairman
Mining / strategy & restructuring

NWR Board

Marek Jelínek
Executive Director and CFO
Finance / capital markets

Bessel Kok
Senior Independent Director
Finance / CE region

Steven Schuit
Independent Non-Executive Director
Corporate governance

Barry Rourke
Independent Non-Executive Director
Finance / audit & review

Hans-Jörg Rudloff
Independent Non-Executive Director
Finance / global banking

Alyson Warhurst
Independent Non-Executive Director
Corporate Responsibility / Risks

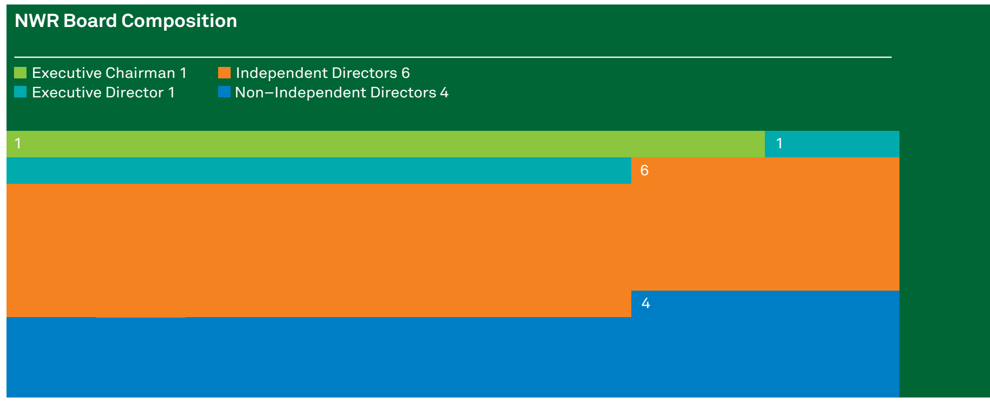
Paul Everard
Independent Non-Executive Director
Mining / safety & health

Pavel Telička
Non–Independent Non-Executive Director
International & EU affairs

Kostyantin Zhevago[1]
Non–Independent Non-Executive Director
International coal market

Peter Kadas
Vice-Chairman and Non–Independent Non-Executive Director
M&A / strategy

Zdeněk Bakala
Vice-Chairman and Non–Independent Non-Executive Director
M&A / strategy



[1] Mr Zhevago resigned on 24 February 2014.

CORPORATE GOVERNANCE

Articles of Association
The Articles of Association of the Company were adopted by a special resolution passed on 8 April 2011 and may be amended by a special resolution at the general meeting of shareholders. They are available on NWR's website at www.newworldresources.eu.

Relations with shareholders
Market disclosure and relations with shareholders
The Board regards effective communication with shareholders and other stakeholders as a priority. Please see the 'Shareholder Information' section on pages 184 to 186 for information on majority shareholder.

Radek Němeček, Head of Investor Relations, is responsible for the external financial communications of NWR. Together with his team, he manages the ongoing dialogue with equity and credit analysts and NWR's shareholders, bondholders and potential new investors. As part of this process, the Board's Chairman, Chief Financial Officer and other Directors and Investor Relations team meet with shareholders and other market participants in the UK, US, the Czech Republic, Poland and other European countries on a regular basis to discuss the Group's performance, strategy and governance. Additionally, presentations to investors and analysts take place at the time of quarterly, interim and final results as well as sector and broker conferences that the Company participates in throughout the year. The Board receives regular reports from the Investor Relations department on changes to the shareholding structure, analyst coverage of the stock, feedback from investors including market perception studies, share trading statistics and other information about the views of the capital markets.

Petr Jonák, Head of External Relations, is responsible for both external and internal corporate communications as well as the corporate social responsibility policy of NWR.

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

The Senior Independent Director, Bessel Kok, is available to shareholders if they have concerns which the Board's Chairman, the Vice-Chairmen or the Chief Financial Officer have not resolved, or if they have concerns related to Board independence. In 2013 Mr Kok did not receive any expressions of such concerns.

Share capital, controlling shareholder
As at the date of this report, BXR Mining B.V. ('BXRM') owned approximately 63.56 per cent of the A Shares and, as a result, has effective control of NWR.

BXRM is indirectly owned by BXR Group Limited ('BXRG'). BXRG also owned indirectly, through RPG Property B.V., 100 per cent of the B Shares. Accordingly, BXRG has a 63.58 per cent indirect interest in the A Shares and a 100 per cent indirect interest in the B Shares.

Full details on the shareholding structure of NWR may be found in the 'Shareholder Information' section on page 184 to 186, which also discusses voting rights.

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 pages 87 to 89.

Annual General Meeting of Shareholders
The AGM is an opportunity for shareholders to communicate with the Board. The Chairman will aim to ensure that the respective chairmen of the Board committees are present at the AGM to answer shareholders' questions. The next AGM will be held on 24 April 2014 at 10:00 CET in Amsterdam, the Netherlands.

Compliance with corporate governance standards
UK Corporate Governance
In accordance with the UK Corporate Governance Code and the Listing Rules of the UK Listing Authority, NWR follows the 'comply or explain' approach and states in its Annual Report whether it complied or will comply with the principles of good corporate governance set out in the UK Corporate Governance Code and, if it does not comply, NWR will explain the reasons for such non-compliance in the relevant sections of this Annual Report. Other than provisions A.2.1, A.3.1, B.2.4 and D.2.1 discussed on pages 75, 76 and 79, the Company has complied with the principles and provisions of the UK Corporate Governance Code 2010 and 2012.

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

Although NWR does not apply the Czech Corporate Governance Code as such, the Code is generally similar to the UK Corporate Governance Code and any material deviations are similar to those described above.

Polish Corporate Governance Code
The Company observes the majority of the principles of corporate governance contained in the Code of Best Practice for Warsaw Stock Exchange Listed Companies (the 'WSE Code')1. Certain principles of the WSE Code may only be applied to the Company to the extent permitted by and where compatible with its status as a public company, incorporated in the United Kingdom under the laws of England and Wales. In particular, the WSE Code assumes that a company will have separate supervisory and management boards whereas the Company has a one-tier board consisting of Executive and Non-Executive Directors. Therefore, the Company complies only partially or is unable to comply fully with Rules I.6, I.7, II.1.9a, II.4, II.6 and III.1-9 of the WSE Code concerning the supervisory board and its members. Where the Company is unable to comply with certain principles, it endeavours to comply with the spirit of such principles.

The WSE Code requires companies listed on the Warsaw Stock Exchange to publish a detailed statement on any non-compliance or partial compliance with the WSE Code. The Company is also required to indicate the ways in which it eliminates possible consequences of such non-compliance, or describe the steps the Company intends to take to mitigate the risk of non-compliance. During the year under review, the Company complied with the WSE Code except in respect of the following rules:

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

Rule I.7. – Each member of the supervisory board should act in the interests of the Company and form independent decisions and judgements, and in particular refuse to accept unreasonable benefits, which could have a negative impact on the independence of his or her opinions and judgments and raise explicit objections and separate opinions in any case when he or she deems that the decision of the supervisory board is contrary to the interest of the Company.

The Company has a one-tier Board structure and, therefore, does not comply directly with Rules I.6 and I.7. However, the requirements of these Rules are substantially similar to those applicable to the Non-Executive Directors under the UK Corporate Governance Code (the "UK Code") which the Company complies with (unless described otherwise in this Corporate Governance Report).

Rule II.1.9a – A company should operate a corporate website and publish on it, in addition to information required by legal regulations, a record of the general meeting in audio or video format.

The Company believes that the current information policy applied by the Company guarantees that the investors receive full and comprehensive information on the decisions made at the general meetings of the Company.

Rule II.4 – A member of the management board should provide notification of any conflicts of interest which have arisen or may arise to the management board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.

In order to avoid any conflicts of interest the Company has adopted a Corporate Governance Policy (the "Policy"). Under the Policy, the Directors are required to report any potential conflict of interest to the Senior Independent Director (or to the Board as the case may be). If the Senior Independent Director has a conflict of interest, he shall report this immediately to the Board. The Director concerned shall not take part in the assessment by the Audit and Risk Management Committee of whether a conflict of interest exists.

Rule II.6 – General meetings should be attended by members of the management board who will answer questions submitted at the general meeting.

The Board views effective communication with shareholders as extremely important. However, the presence of Directors at the general meetings is not mandatory under English law and while the Company aims to ensure that the Directors attend the general meetings of shareholders, it cannot guarantee that all Directors will be present.

Rule III.1 – In addition to its responsibilities laid down in legal provisions, the supervisory board should once a year prepare and present to the annual general meeting of shareholders a brief assessment of the Company's standing, including an evaluation of the internal control system and the significant risk management system, and review and present opinions on issues subject to resolutions of the general meeting.

While the Company does not have a supervisory board, the above duties are performed by the committees established by the Board, which assist the Board in performing its duties regarding internal control and risk management.

Rule III.2 – A member of the supervisory board should submit to the Company's management board information on any relationship with a shareholder who holds shares representing not less than 5 per cent of all votes at the general meeting. This obligation concerns financial, family and other relationships, which may affect the position of the member of the supervisory board on matters decided by the supervisory board.

The Company has a one-tier board and therefore cannot comply with Rule III.2.

Rule III.3 – General meetings should be attended by members of the supervisory board who will answer questions submitted at the general meeting.

The Company has a one-tier board and the Directors are present at the general meetings to answer questions.

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

The approach to conflict of interest is explained above in relation to Rule II.4.
Rule III.5 – A member of the supervisory board should not resign if such resignation could have a negative impact on the supervisory board's capacity to act, including adoption of resolutions by the supervisory board.

The Company has a one-tier board and therefore cannot comply with Rule III.5.

CORPORATE GOVERNANCE

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

The Board has six Independent Non-Executive Directors.

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

Each of the six Independent Non-Executive Directors must meet the independence criteria set out by the Policy. The criteria are based on the best practice requirements set out by the UK Code and are typically more stringent than the requirements of the Commission Recommendation of 15 February 2005 regarding the role of the Non-Executive Directors.

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

The Audit and Risk Management Committee monitors all transactions with related parties and reviews whether they are agreed on arm's length terms. Such transactions are also regularly reviewed by the external auditor. This approach complies with the requirements of Rule II.3.

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

The operations and main powers of the general meeting, shareholders' rights and the exercise thereof are described in 'Shareholder Information' section on pages 184 to 186.

The composition and performance of the managing and supervising bodies of the Company and their committees are described in the Corporate Governance Report on pages 66 to 97.

A detailed description of the 'Principal Risks and Uncertainties' may be found on pages 26 to 37.

For the purpose of compliance with DTR 4.1.5R(2) and DTR 4.1.8R, the required content of the 'Management report' can be found in this Directors' report and the Strategic Report.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following are significant related party transactions and relationships (being contracts and arrangements between, on the one hand, NWR Group entities and, on the other, entities affiliated with them, in effect at the date of this Annual Report and Accounts).

OKD agreements

AWT Transport Agreements

OKD has entered into transport agreements with Advanced World Transport, a.s. ('AWT') relating to the transport of coal and other materials from OKD to its largest customers (the "AWT Transport Agreements" and each an "AWT Transport Agreement"). The AWT Transport Agreements are umbrella agreements generally 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, total freight and the route. 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 and to:

(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.
(f) Certain destinations in Slovakia, Poland and Hungary. The Carrier is AWT Coal logistics s.r.o.

Factory Railway Agreements

OKD entered into several factory railway agreements with AWT to provide factory railway transport at OKD mines for an indefinite period of time (the "Factory Railway Agreements" and each a "Factory Railway Agreement"). AWT also owns "last mile" rail tracks connecting the OKD's mines, and many of its significant customers to the railway network. OKD has the right to use these "last mile" tracks under the Factory Railway Agreements. 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 with AWT for the provision of factory railway transport with effect from 1 January 2011 for the period from 2011 to 2020. The Factory Railway Agreement 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 Factory Railway 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, coking coal, coke, sludge and other products. In 2000, OKD entered into purchase agreements with AWT under which AWT sells granulated sediments to OKD. The agreements were originally made for a fixed period of time and later extended for an indefinite period of time. The prices are adjusted annually. The agreements further mentions 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 Green Gas DPB, SA ('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 stipulate the drilling works and price list for the respective calendar year.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Individual agreements envisaged by these Master Services Agreements for Drilling stipulate the amount and scope of work in detail. 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. In 2013, the total amount of footage for degasation drills was agreed at 29,500m and for geological survey the total amount of footage was agreed at 7,490m. Both these Master Services Agreements for Drilling expire on 31 December 2020.

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 Darkov and Karviná (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 to the deliveries, OKD pays 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 2020 with possibility of its prolongation.

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. This master services agreement related to mine safety is concluded for a fixed period of time ending on 31 December 2020. Individual agreements with respect to each particular OKD mine are governed 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 19,000m^3 while the specific annual volume delivered per mine shall be stipulated in 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 is calculated for each calendar year 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 supply 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 apartments in the Ostrava 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. The Consultancy Agreement terminated on 31 May 2013.

Certain Relationships
This section includes relationships that are material by their nature, not 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). A restructuring in 2005 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 this 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'), OKK is a former wholly owned subsidiary of NWR NV that was sold to MTX Koksovny, a.s. on 6 December 2013. As a part of the OKK sale, NWR NV, MTX CZ, a.s., OKD and OKK Koksovny, a.s. have entered into a Guarantee and Indemnity Agreement, setting out the OKD's and OKK's obligations with regard to their statutory guarantees for historical damages.

Relationship Agreement
NWR, BXR Mining B.V. ('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 NWR (as amended and/or restated, the 'Relationship Agreement'). The principal purposes of the Relationship Agreement is to ensure that NWR is capable at all times of carrying on its business independently of the BXR Group; and that all of NWR'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 NWR 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 NWR or any of its subsidiaries, on the other, on arm's length terms. NWR undertakes that it shall treat all holders of the same class of shares that are in the same position equally in respect of the rights attaching to such shares.

CCII and Zdeněk Bakala undertake that they shall give notice to NWR 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 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 decides not to pursue it.

The Relationship Agreement shall continue until the earlier of, in each case in relation to the NWR Group: (i) NWR Plc's shares ceasing to be admitted to 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 ('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. The Co-operation Agreement was terminated in February 2014, and Kostyantin Zhevago resigned from the NWR Plc Board of Directors on 24 February 2014.

MATERIAL CONTRACTS

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

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 were used to repay in full the amounts under NWR NV's EUR 258 million principal amount of Senior Notes due 2015 (the '2015 Notes'), as outstanding at the time, 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 may be redeemed, in whole or in part, at any time prior to 15 January 2017, 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 were initially guaranteed on a senior basis by OKD, OKK and NWR KARBONIA. The 2018 Notes were initially 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. In December 2013, in line with the OKK Sale (as defined below) OKK's guarantee and the pledge over the shares in OKK were terminated and OKK was released from its obligations under the 2018 Notes Indenture. The 2018 Notes are effectively subordinated to secured indebtedness of OKD 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 (and OKD's and NWR KARBONIA's, as 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.

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 were repaid in January 2013, at the time of the issuance of the 2021 Notes.

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. (which transferred 50 per cent of its rights and obligations to Volksbank CZ, a.s. (currently Sberbank CZ, 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 RCF provided for a bank loan facility of EUR 100 million. The lenders under the RCF acceded to the Intercreditor Agreement by signing the RCF. The RCF expired on 7 February 2014.

Although the RCF has expired, under its current terms of financing arrangements NWR NV may enter into a replacement senior secured RCF of up to EUR 100 million.

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 from time to time.

The ECA Facility provided for a term loan of approximately EUR 141.5 million, which is to be fully repaid on 29 December 2017. 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 in 2010.

The ECA Facility is an unsecured obligation of NWR NV with OKD as a co-obligor. The ECA Facility is covered by a guarantee issued by the Federal Republic of Germany, represented by a consortium led by Euler Hermes Kreditversicherungs-AG, for which NWR NV has paid a premium.

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

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

The ECA Facility also contains certain affirmative undertakings, subject to certain qualifications, and including, but not limited to, undertakings related to (i) supplying financial statements; (ii) notification of default; (iii) compliance with "know your customer" or similar regulations; (iv) supplying information on the performance of the supply contract for the five longwall sets acquired; (v) compliance with material obligations under the supply contract for the five longwall sets acquired; (vi) receipt, compliance and maintenance of necessary authorizations; (vii) compliance with laws (including environmental laws); (viii) taxation; (ix) pari passu ranking of certain unsecured and unsubordinated claims; (x) maintenance of insurance; and (xi) access to the premises and records of NWR NV and OKD.

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

- the ratio of total net debt of NWR NV and its subsidiaries to EBITDA of NWR NV 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.

During 2013 NWR and the ECA Agent agreed on two different covenant holidays, temporarily releasing NWR from its obligations under the financial covenants.

Amounts outstanding under the ECA Facility may be prepaid at any time 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), are reasonably likely to have a Material Adverse Effect (as defined in the ECA Facility).

On 31 December 2013 an amount of EUR 49.863 million was outstanding under the ECA Facility.

Sale of energy business

NWR NV entered into a share sale and purchase agreement with Dalkia Česká

MATERIAL CONTRACTS

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.

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

Sale of OKK Koksovny, a.s.

On 27 September 2013 NWR signed a sale and purchase agreement ('SPA'), selling its coke producing subsidiary OKK to MTX, a.s. (the 'OKK Sale'). The transaction was closed on 6 December 2013. The OKK Sale was concluded after a 4-month competitive process, in which various parties showed interest in purchasing OKK. The total consideration was EUR 95 million and consists of EUR 70 million for the transfer of the shares in OKK to MTX Koksovny, a.s. and EUR 25 million for the sale of certain of OKK's coke inventory to METALIMEX, a.s.. In line with the SPA, EUR 7 million was placed in escrow on 6 December 2013, to be released 3 months after closing, subject to the satisfaction of any claims as set out in the SPA. The escrow amount was released on 6 March 2014.

Consistent with the limitations set out in NWR 's financing arrangements, NWR currently plans to reinvest the net proceeds of the OKK sale in long term assets (also known as non-current assets or capital expenditure) needed for existing coal mining operations, over the 12 months after the closing.

As conditions precedent to the transaction, OKK was released from its obligations towards any of NWR 's creditors under the abovementioned 2018 Notes; NWR obtained approval for the OKK sale from the RCF lenders; any of the existing loans from NWR to OKK were repaid; competition authorities approval was obtained; and shareholder approval was obtained.

As part of the OKK sale it has been agreed that the that certain coal supply agreements were concluded on an arm's length basis between entities within the NWR Group and entities within the METALIMEX group of companies to secure the future supply of coal to the coking plant operated by MTX Koksovny, a.s. after 6 December 2013. The Majority of the coking coal used in the coking plant used to be purchased from OKD. The terms of the supply contract have been negotiated with MTX Koksovny, a.s. and prices are set on a quarterly basis, which is common for the business.

As a part of the OKK sale, NWR NV, MTX CZ, a.s., OKD and OKK Koksovny, a.s. have entered into a Guarantee and Indemnity Agreement, setting out OKD's and OKK's obligations with regard to their statutory guarantees for historical damages, as mentioned above.

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 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.

OKK withdrew from the Intercreditor Agreement at the time of the closing of the OKK Sale.

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 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 OKD 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 OKD 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.

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 the Security Agent. The OKK Share Pledge Agreement contained similar terms to the OKD Share Pledge Agreement, but in relation to a pledge over the shares held by NWR NV in OKK. The OKK Share Pledge Agreement was terminated on 6 December 2013, at the closing of the OKK Sale.

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 favour of the Security Agent as security for the Secured Obligations.

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

Dominance Agreement

There was 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 was required to compensate the controlled party for any loss arising in the annual financial results of the controlled party. The Dominance Agreement was terminated on 6 December 2013, at the closing of the OKK Sale.

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 or a continuing event of default under the documentation governing indebtedness that qualifies as material debt under the 2018 Notes Indenture. OKK was released from its obligations under the Subordination Agreement in an Amendment to the Subordination Agreement concluded in combination with the OKK Sale.

OKK Loan Agreements

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

NWR NV and OKK also entered into an intercompany revolving credit agreement (the 'OKK RCF'). Under the OKK RCF, NWR NV made funds available to OKK for general payment purposes in connection with OKK's operations and activities. The principal amount of the facility was set at a total aggregate amount of CZK 2,140 million. OKK was charged a fixed interest rate of 4.75 per cent per annum on the outstanding principal of each advance.

Both the loan agreements between NWR and OKK were partly capitalised and partly repaid and thereby terminated prior to completion of the OKK Sale.

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 300 million facility due on 14 February 2018. Tranche 2 consists of a CZK 105.6 million facility to be repaid in instalments by 15 February 2016. Tranche 3 consists of a EUR 47.1 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.

ARMC REPORT

AUDIT AND RISK MANAGEMENT COMMITTEE ('ARMC') REPORT

Bessel Kok (Chairman)
Hans-Jörg Rudloff
Barry Rourke
Steven Schuit

The ARMC is staffed solely by Independent Directors to reflect the independent nature of the work that the ARMC undertakes. The Board has determined that ARMC members are independent and have the skills and experience necessary to contribute meaningfully to the ARMC's deliberations. In addition, all members have requisite experience in accounting and financial management, as described in their biographies in the 'Board of Directors' section of the Corporate Governance Report.

Main responsibilities

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

- overseeing the integrity of consolidated financial statements and consolidated accounts;
- reviewing with the Board and auditors the integrity of the financial statements and other formal announcements relating to NWR's financial performance;
- advising the Board on audit, accounting and financial disclosure matters regarding the Real Estate Division of NWR;
- reviewing the effectiveness of the systems for internal control, compliance, budgeting, forecasting and financial reporting of the NWR Group, ensuring both qualitative and quantitative metrics are used, and ensuring procedures for identifying strategic and business risks are in place;
- reviewing reports on any material breaches of risk limits and the adequacy of proposed actions as well as compliance issues;
- advising the Board on conflicts of interests, related party transactions and loans to Directors;
- reviewing the adequacy and security of NWR's arrangements for raising concerns about possible wrongdoing in financial reporting or other matters;
- reviewing NWR's procedures for detecting fraud and bribery (and their prevention) and any breaches arising under the Code of Ethics and the Business Conduct and the Business Integrity Policy;
- approving the remit of the risk management function and ensuring it has adequate independence, resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards;
- monitoring the effectiveness of the Whistleblower Procedure within the Group; and
- advising the Board on proposed strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focusing in particular on risk, before a decision to proceed is taken by the Board.

For the responsibilities towards the external and internal auditor, please see 'External Audit' and 'Internal Audit' below.

Activities undertaken during the year

In 2013 the ARMC met seven times and attendance at those meetings is shown in the Corporate Governance Report. All meetings were attended by NWR's Chief Financial Officer, the Group Internal Auditor and the representatives of the external auditor. Several meetings were also observed by the Group Risk Manager, the Company's Chairman and the Chairman of the Safety, Health and Sustainability Committee.

The ARMC has an annual work plan, developed from its charter, with standing items in addition to any specific matters arising during the year. In conducting its regular duties, the ARMC reviews NWR's quarterly, semi-annual and annual financial statements, preliminary announcements and press releases related thereto, provides comments to the IR team and considers the relevant reports by the external auditor. In order to increase flexibility at approving the financial results, the Board authorised the ARMC for 2013 to approve the Company's quarterly financial statements and half-yearly financial statements but, the authorisation was not used and the financial reports were always approved by the Board following the ARMC's recommendation.

The ARMC continually evaluated the financial position of the Group and its indebtedness, for which it received regular reports on the financing and cash position from the management. It also supported management proposals on the optimisation of the Group business, which included, inter alia, the proposed closure of Paskov mine, disposal of the coke operations and reorganisation of the OKD headquarters. The ARMC was closely involved in the OKK divestment process. In this connection, it received regular status reports from the management and the external auditor. It reviewed in detail the working capital report produced by the external auditor and organised a special Director's session to verify the contents of the Class 1 Circular prepared for the shareholders in relation to the OKK disposal. Its other activities included reviewing the Group budget for 2013, approving the internal audit plan and its budget, reviewing and discussing the internal audit reports and the reports on the Group risks, as described in more detail below. To ensure adequate oversight by the ARMC of all key Group risks, the ARMC received regular reports from the Real Estate Committee and the Safety, Health and Sustainability Committee on their activities. The ARMC also oversaw adherence to the Business Integrity Policy by the Group entities, noted the announcement of the 2013 AGM and reviewed the annual updates on the Group legal and tax positions. In accordance with its charter, the ARMC also met with the external audit partner and the Group Internal Auditor without management being present. Management responses to issues raised were thoroughly discussed with the Chief Financial Officer. The reviews of the ARMC confirmed that all significant matters were satisfactorily resolved. Last but not least, its members considered and confirmed their independence in respect of their Board and ARMC membership. The ARMC reports to the Board on its discussions and submits its recommendations to the Board for approval.

Significant issues considered by the ARMC

(i) Impairment of property, plant and equipment
The ARMC considered the impairment loss (recognised at 30 June and 31 December 2013) triggered by a re-assessment of the valuation of the coal segment's assets following an update to the mine plan and the reserve base revision, due to the continuing deterioration in market pricing of the Group's products. The ARMC challenged management on the key operating and financial assumptions underlying the calculation of the valuation of the coal segments's assets (see Note 11 to the consolidated financial statements). The impairment loss was discussed in detail with the external auditor.

(ii) Provisions for mine closure and restoration costs
The calculation of the mine closure and restoration costs has a high degree of subjectivity and is sensitive to the assumptions used in the calculation. In 2013 the Company undertook an external review of the mine closure costs and restoration costs across all of its mines and accordingly updated the relevant provisions. The ARMC considered the findings of the external report and the associated procedures performed by the Company and concluded that these provisions have been appropriately recorded in the Annual Report. See Note 24 to the consolidated financial statements for further information.

(iii) Closure of the Paskov Mine During 2013, the Company announced the closure of the high-cost Paskov mine however there are ongoing discussions with the Czech Government regarding a possible extension of the life of the mine which could result in the responsibility for closure activities and the related social program being taken over by the Czech State (see Note 31 to the consolidated financial statements). As of 31 December 2013, the Group has recognised provisions associated with the mine closure and restoration costs of EUR 19 million. However the Group has not recognised a provision in relation to the associated social program, which could cost EUR 22 million, as the timing and structure of this program has yet to be developed to a sufficient degree to meet the criteria for recognition in the consolidated financial statements. The ARMC considered status of the planned closure, including the ongoing discussions with the Czech Government, and concurred that as of 31 December 2013, no provision can be made for the social program costs. The ARMC also considered the appropriateness of the disclosures relating to this in the consolidated financial statements.

(iv) Going concern
The ARMC reviewed the appropriateness of the going concern basis of accounting at time the quarterly results were released throughout the year with a particular focus at 31 December 2013 following commencement of the review of the Group's capital structure discussed throughout this Annual Report. The ARMC challenged management on the financial and operating assumptions underlying the forecast cash requirements of the Group and asked that these be stress tested for a variety of challenging situations. The ARMC considered the possible outcomes of the capital structure review and the likelihood of a consensual outcome. It considered that whilst there can be no guarantee that this will be achieved there was a reasonable possibility that it would be and so the going concern basis of accounting remains appropriate. The ARMC also considered the appropriateness of the disclosure in Note 2 to the consolidated financial statements and the balance of the discussion of this matter throughout the Annual Report. It discussed these matters with the external auditors.

Other matters considered by the ARMC during 2013 are described in the notes to the financial statements.

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. Further to a recommendation of the ARMC, Group financial policies and procedures have been consolidated to enable adequate oversight of internal control over financial reporting and the budgeting process.

External audit

The current audit firm of the NWR Group is KPMG Audit Plc, appointed as the Company's statutory auditor in 2011 in connection with the redomiciliation of NWR NV to the United Kingdom, and re-appointed by the AGMs held in 2012 and 2013. The audit team is highly experienced and has a thorough understanding of the Company due to the previous engagement of KPMG The Netherlands and KPMG Czech Republic as the external auditor of NWR NV prior to the redomiciliation. As a result, no tender was conducted to appoint the external auditor.

NWR is a company incorporated in England and Wales, with its headquarters in the Netherlands and operations located in the Czech Republic and Poland. As a result, the lead audit engagement partner established an integrated team to perform the Group audit, consisting of key personnel of the external auditor in the UK, Netherlands, the Czech Republic and Poland. The representatives of the external auditor attended all meetings of the ARMC.

The external auditor provided the ARMC with regular status reports on its audit work based on the 2013 audit plan. Following an assessment of the inherent risks impacting the financial report, the 2013 audit plan particularly focused on the following areas: restructuring, liquidity and compliance with financing

ARMC REPORT

covenants, impairments for property, plant and equipment, inventories, expense treatment concerning the Dębiensko project, mine closure and restoration provisions, taxation, allocations between the A and B Shares, litigation, employee benefits, share-based payments and related parties. The audit plan and the reports were reviewed, intensively discussed and approved by the ARMC.

The ARMC is also responsible for reviewing related party transactions against internal policies and procedures. Related party transactions are audited by the external auditor as part of the 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 ARMC assesses the effectiveness, qualifications and independence of the external auditor, taking into consideration its terms of engagement, audit plan, scope of work, the review process as well as UK professional regulatory requirements. The ARMC is further responsible for approving the remuneration and terms of engagement of the external auditor, the scope of its work, the audit plan and reports, and monitoring the provision of non-audit services to NWR and its subsidiaries and the related fees, in order to preserve the independence of the external auditor.

Non-audit services

In 2013, the external auditor provided NWR with services in relation to the Class 1 Circular issued to shareholders in connection with the disposal of the coke operations and agreed upon procedures in relation to the bond issue. Cognisant of these services, the ARMC concluded that the independence of the external auditor was safeguarded and the external auditor was taking measures to preserve its independence. The ARMC found the information communicated to it relevant for its work and was satisfied that there was supporting evidence for its judgements over key accounting and auditing issues.

Our auditors, KPMG Audit Plc, have instigated an orderly wind down of business. The Board has decided to put KPMG LLP forward to be appointed as auditors and resolution concerning their appointment will be put to the forth coming AGM of the Company.

Internal audit

Since 1 January 2013, the Group internal audit function has been carried out in-house by Petr Hanzlík, the Group Internal Auditor, and his team, as opposed to being outsourced in the previous years. The Group Internal Auditor is responsible for developing and overseeing the implementation of consistent internal auditing policies within the Group, delivering the audit plans and audit assignments, determining whether the internal controls, risk management, and governance processes of the Group, as designed and represented by management, are adequate and functioning, and providing consulting services designed to improve the operations and control environment. The Group Internal Auditor reports to the ARMC, and its Chairman in particular, on the status of the audit plans and key findings of the completed audits. He has all necessary access to organisational units and their management and the right to request information and explanations.

The adequacy and effectiveness of the internal controls, risk management and governance processes at OKD are evaluated by the OKD internal audit team led by the Group Internal Auditor. The OKD internal audit team reports to the senior management and the audit committee of OKD. Its annual reports are provided to the audit committee of OKD, its board of directors and the supervisory board. Internal audit of the Polish operations is also carried out by the Group Internal Auditor.

The ARMC makes recommendations to the Board on the appointment and dismissal of the Group Internal Auditor, reviews the remit of the Group internal audit function and the annual audit plans, and ensures that the internal audit function is adequately staffed. The ARMC assesses the performance of the Group Internal Auditor on an annual basis. The membership of the ARMC's Chairman in the audit committee of OKD ensures adequate monitoring and communication.

In 2013, the ARMC assessed the outcomes of the Group internal audits on risk management and related parties. The Group Internal Auditor also reviews, on a quarterly basis, the gift and hospitality register maintained under the Business Integrity Policy of the NWR Group.

Risk management, internal control and compliance

The ARMC receives regular reports on risk identification, evaluation, mitigation and responses across the Group. The risks are documented and monitored on an on-going basis and the Group maintains and regularly evaluates a Group Risk Register. Risks are controlled and managed within those operational areas in which they occur. Local management is responsible for identifying, assessing and mitigating risks and for the relevant reporting to the ARMC. An audit on risk management conducted at the beginning of 2013 identified the need for more practical implementation as well as a stronger link to the current strategic objectives of the Group. In response to the audit findings, a risk management directive has been adopted throughout the Group and OKD has established its own risk management committee. The key risks of the Group have been reassessed based on the 2017 strategy adopted by the Board. This supports the Board in discharging its responsibility for ensuring that the wide range of risks associated with the Group's operations are effectively managed to safeguard shareholders' investments and the Group's assets. NWR's risk management policy, which applies to all Group entities, sets out the high-level objectives of the Group's risk management, risk evaluation, documentation and reporting processes. The risk management policy can be found on the NWR website at http://www.newworldresources.eu/nwr/pages/governance/policies.

The ARMC 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 ARMC in 2013.

For further details on risk management, including the Directors' review of the effectiveness of internal controls, please see the 'Principal risks and uncertainties' section on pages 26 to 37.

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, violations of the law, (intentionally) wrongful behaviour, manipulation of information, misconduct and reports of suspected breaches of the Business Integrity Policy. The Whistleblower Procedure was amended in 2013 and the complaints are now dealt with in an impartial manner. The Company Secretary acts as confidential adviser to NWR and its subsidiaries and is responsible for investigating reports of suspected irregularities. 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 2013, 21 reports were received which referred to 26 suspected irregularities. They mainly concerned alcohol abuse, violations of work instructions, violations of the Labour Code, alleged larceny and fraud.

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.

Directors' report

The Directors' report, which has been prepared in accordance with the requirements of the Companies Act 2006, comprises the following sections:

- Strategic Report
- Corporate Governance
- Audit and Risk Management Committee Report
- Remuneration Report
- Shareholder information
- Ancillary information for shareholders

In accordance with Section 418 of the Companies Act 2006, each Director who held office at the date of approval of this Directors' report confirms that:

- So far as he/she is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- He/she has taken all necessary steps he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Signed on behalf of the Board.

Ivona Ročárková
Company Secretary
18 March 2014

REMUNERATION REPORT

Dear fellow shareholder,

It is my great pleasure to be writing to you with details of our remuneration policy and its changes made during the year.

The year 2013 was very difficult as the coal markets around the world were experiencing one of the deepest and longest market adjustments of the last 30 years. This was the ‚new reality', and NWR implemented a range of initiatives, including a 10 per cent cut in salaries effective from 1 May 2013 for all Directors. At the beginning of 2014 the reduction was reversed for salaried Directors and stayed in place for Non-Executive Directors.

In the light of the challenging environment, the Company continued reviewing its incentive plans in order to attract and retain key personnel.

In the previous years, any annual bonuses would be paid partly in cash and partly in the form of an award of deferred shares (the 'Deferred Bonus Award'), which vest three years after the grant under the Company's Deferred Bonus Plan (the 'DBP') adopted in 2011.

The Remuneration Committee felt it important to enhance the Board's ability to retain and incentivise key employees and, therefore, amended the DBP. The main changes are as follows: flexibility for the Board to grant awards (the 'Long Term Incentive ('LTI') Award') which are not connected to the amount of the participant's bonus and to set the vesting period for each award (i.e. the Deferred Bonus Award and the LTI Award); removal of the limit on the number of shares subject to any one Deferred Bonus Award; and inclusion of a general right to cash out awards on vesting. The Directors believe that these changes give the Board the flexibility to adapt to future changes in the business environment, law, tax and market practice.

The name of the amended DBP was changed to the NWR Long Term Incentive Plan (the 'LTIP'). The LTIP was approved by the Annual General Meeting of shareholders held on 26 April 2013. LTI Awards and Deferred Bonus Awards can take the form of a grant of conditional rights to shares or share options. LTI Awards are on broadly the same terms as Deferred Bonus Awards but they can be granted over such number of shares as the Board or the Remuneration Committee may decide. LTI Awards are conditional on the grant of a Deferred Bonus Award but not otherwise linked to it. LTI Awards can be granted to Executive Directors and members of the senior management team of the Group upon fulfilment of performance criteria approved by the Remuneration Committee at the beginning of each year. In that respect, three levels of attainment are defined in advance: target, stretch and super-stretch, both qualitative and quantitative, the achievement of which will determine the actual amount of any LTI Award. The performance criteria for each level are strongly linked to the Group's budget and strategy. This, in our view, significantly adds value to shareholders.

The Company failed to meet its performance criteria set for 2013 and, as a result, no bonuses were awarded. Similarly, given the share price no stock options were exercised in 2013 under our Stock Option Plan.

At the Company's Annual General Meeting held on 24 April 2014 (the '2014 AGM') we are seeking shareholders' approval of our Directors' remuneration policy, as set out in the next section of this Remuneration Report. The substance of our policy is as laid out last year with no changes made since the 2013 AGM.

In addition to the above, the Remuneration Committee reviewed the terms of engagement of Dale Ekmark, the new managing director of OKD, appointed on 1 January 2014. We felt that he has made an excellent start but given the current financial situation of the Company, we confirmed his salary being somewhat lower than his predecessor had been earning. We also reviewed the terms of the employment termination of Ján Fabián, the former CEO of OKD, which were in line with market practice and appropriate for his position. Other activities of the Remuneration Committee performed in 2013 are described on pages 75 to 76 of the Corporate Governance Report.
We aim to ensure that remuneration reflects value created for shareholders and other stakeholders, but we also find it important to set the remuneration standards such as to motivate and retain our management and staff. We believe that fair and transparent remuneration principles develop loyalty to the Company, which is even more important in times like these. We are happy to discuss any remuneration matters at any time and hope that we can enjoy your support on the remuneration-related votes at the 2014 AGM.

Bessel Kok
Chairman, Remuneration Committee

This Remuneration Report has been drawn up in line with the UK Corporate Governance Code, Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the UK Financial Services Authority Listing Rules.
The Remuneration Report, prepared by the Remuneration Committee, has been split into two sections. The first section provides a description of the proposed Directors' remuneration policy for the next three years. This section will be subject to a binding shareholder vote at the 2014 AGM. The second section provides details of Directors' remuneration for the year ended 31 December 2013. This section will be subject to an advisory shareholder vote at the 2014 AGM.

DIRECTORS' REMUNERATION POLICY

This part of the report sets out the Company's policy on the remuneration of its Directors and will be proposed for approval by shareholders at the 2014 AGM. Our proposed policy is unchanged from that approved at the 2013 AGM. It will take effect from the day following the AGM and may operate for up to three years.

The Company has a compensation manual which records the remuneration policy for the Directors, outlines compensation principles in key positions within the Group and provides a framework enabling the Board and its Remuneration Committee to carry out their duties in that respect. The compensation manual came into effect on 6 May 2011 and has been amended in the course of 2013 to reflect the LTIP and also the reduction of the Directors' fees, as described below.

The Remuneration Committee believes that the remuneration policy approved by shareholders in 2013 remains appropriate for 2014. The Remuneration Committee has not consulted with the employees or used any remuneration comparison measurements in formulating the Directors' remuneration policy as it is a continuation of an existing policy.

REMUNERATION OF EXECUTIVE DIRECTORS

The objective of the remuneration policy is to attract, retain and motivate high value executives by providing well-balanced remuneration packages. 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. Levels of remuneration should be sufficient to attract, retain and motivate Directors of the quality required to run the Group successfully, but should not be more than is necessary. A significant proportion of Executive Directors' remuneration will be structured so as to link rewards to corporate and individual performance. There will be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director may be involved in deciding his or her own remuneration.

The Remuneration Committee sets the contractual terms, salary, bonuses and other benefits of the Executive Directors. It also approves and evaluates the performance criteria set under the Company's share plans for every bonus year, which is a period during which the annual bonus is awarded, commencing on 1 January and ending on 31 December of the relevant calendar year. The remuneration package for Executive Directors includes 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 options. As explained below, the Remuneration Committee ensures that an appropriate balance between the fixed and performance-related elements of executive remuneration is maintained.

The Remuneration Committee analyses executive remuneration in terms of the pay policy of the Company as a whole, pay and conditions elsewhere in the Group and the overall costs to shareholders. Periodic reporting will ensure that the Remuneration Committee receives the required information and is kept up-to-date with any changes, so that these can be taken into account when considering the remuneration of Executive Directors.

REMUNERATION REPORT

Element of remuneration	How it works	How it supports NWR's strategy	Maximum which may be paid	Details of performance measures
Base salary	Salary is paid monthly. It typically includes fees for membership of the Board committees and directorships in other entities of the NWR Group.	To ensure remuneration remains effective in supporting the Group's business objectives, the Remuneration Committee annually reviews base salary levels, taking into account external benchmarks, market conditions, individual performance, Group performance and changes in responsibility.	The maximum base salary is EUR 500,000 including any directors' fees.	Not applicable
Benefits in kind	The Company offers Executive Directors a range of benefits, such as relocation allowances, car allowance, housing, private medical and accident insurance, life assurance, pension, education for children, personal training and access to external advice when necessary. The non-cash benefits are subject to individual agreements. 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.	Offering market-competitive levels of benefits in kind aims to attract and retain executives of high calibre.	The total annual value of benefits in kind may not exceed EUR 300,000 for each Executive Director. Subject to that limit, the Remuneration Committee annually reviews the value of benefits in kind.	Not applicable
Annual bonus[1,3]	The Remuneration Committee sets, for the financial year, performance criteria and the percentage of any bonus that will be paid in the form of a Deferred Bonus Award. After the end of the financial year, the Remuneration Committee decides whether an Executive Director is eligible for a bonus in respect of the financial year, determines the extent to which performance criteria have been met and determines the total bonus amount. A portion of a bonus will be paid in cash and a portion will be paid in the form of a Deferred Bonus Award. The Remuneration Committee may attach vesting conditions to the Deferred Bonus Award. It will normally vest three years after grant or such other period as the Remuneration Committee may set.	Performance criteria for bonus awards ensure close alignment of remuneration with delivery on key strategic goals.	The total bonus amount (including the Deferred Bonus Award) may not be more than 300 per cent of the base salary of each Executive Director. The actual amount is determined on the basis of evaluation of performance criteria by the Remuneration Committee.	The full bonus will be paid if the targets for EBITDA, production and OPEX, as budgeted for every year, are all met. Every year the Remuneration Committee sets the thresholds and targets for each criterion. Performance criteria apply cumulatively so no bonus is paid if any of the thresholds are not met. In the opinion of the Board, the targets set for the performance criteria will be commercially sensitive. As permitted by the regulations, they are not being disclosed in advance.
Long Term Incentive Plan: LTI Award[2,3]	Effective as of 1 January 2013, the LTIP is designed to provide awards in fully paid A shares which will normally vest three years after the grant date or such other period as the Remuneration Committee may set when the LTI Award is granted. When granting an LTI Award, the Remuneration Committee may attach vesting conditions to it. These may be linked to the performance of the Company, the Director or any other factors. An LTI Award can only be granted if the Director is entitled to a bonus in the year.	The LTIP enhances the Board's ability to retain and incentivise Executive Directors and gives the Board the flexibility to adapt to future changes in business environment, law, tax and best market practice.	The aggregate market value (at the time of the grant) of the shares subject to any LTI Award may not exceed 300 per cent of base salary. The amount of the LTI Award is determined by the Remuneration Committee in accordance with the performance. The LTI Awards will typically be settled by the issue of new shares.	The Company uses a balanced scorecard format, as described below (the 'Balanced Scorecard'). Three levels of attainment are defined in advance for the grant of the LTI Awards - target, stretch and super-stretch, the achievement of which over the financial year preceding the year of grant, will determine the actual size of the LTI Awards. An LTI Award at 'target' would be 100 per cent of base salary, at 'stretch' would be 200 per cent and at 'super-stretch' would be at 300 per cent. The qualifying conditions for the LTI Awards to be granted to the Executive Directors are financial criteria (25 per cent; covering EBITDA, net income, pre-dividend cash flow), operations (25 per cent; covering LTIFR, unit cost, coking coal sales), customers and supplier relationships (12.5 per cent), organisational effectiveness (12.5 per cent) and delivery on growth strategy (25 per cent).
Pension	The Company currently offers a contribution (expressed as a percentage of base salary) to a defined contribution pension scheme. The Company does not set aside or accrue amounts to provide pension, retirement or similar benefits.	Offering pension allowance helps us attract and retain executives of high calibre.	The maximum amount payable is 5 per cent of base salary.	N/A

It is the Company's policy to honour any commitments made to a Director before this remuneration policy took effect or before he or she became a Director. This may include satisfying entitlements to remuneration payments or payments for loss of office.

Footnotes:

(1) The Company adopted the DBP on 8 April 2011. A modification of the DPB allowing for the grant of LTI Awards was approved by the shareholders and took effect on 26 April 2013. Several other changes that did not require shareholder approval were made at the same time and the name of the DBP was changed to the Long Term Incentive Plan. If, in relation to any Deferred Bonus Award granted before 26 April 2013, there is any conflict between the LTIP and the DBP as they applied on that date, the latter will prevail.

(2) By focusing not only on financial outcomes but also on the operational, marketing and developmental inputs to these outcomes, the Balanced Scorecard provides a comprehensive connection with NWR's strategy. The Remuneration Committee ensures that these are fully aligned. The Balanced Scorecard consists of quantitative (financial and operational) and qualitative (customers and suppliers, organisational effectiveness and growth strategy) performance criteria, which shall apply as relevant to each Executive Director and his area of responsibility.

(3) In addition to the rules and principles already described in the table above, the following LTIP rules also apply:
Timing of awards: The awards will normally be granted within 42 days of the announcement of the Group's results for any period but may be granted at other times (e.g. on recruitment).
Put option: For a period of three years after vesting, the Director has the right to sell shares acquired on vesting and receive at least the market value of a share at the time of vesting. This right lapses earlier if the Director leaves NWR or otherwise sells his shares.
No dividend and no transfer: The Directors are not entitled to vote, to receive dividends or to have any other shareholder rights in respect of shares subject to an award until they are issued or transferred to him. Similarly, they may not, except on death, transfer, assign or dispose of an award, otherwise the award will immediately lapse.
Adjustment: If there is a variation in the Company's capital (including a capitalisation or rights issue, sub-division, consolidation or reduction of share capital), a demerger, a special dividend or distribution or any other corporate event which might affect the current or future value of any award, the Remuneration Committee may adjust the number or class of shares subject to the award.
Clawback provisions: If the Board considers that extraordinary circumstances have occurred during or after the period over which the predetermined performance criteria have been or should have been achieved, which lead to an unfair result with respect to the grant or vesting of an award, the Board retains the discretionary power to reduce the values or delay the vesting date as appropriate. If any variable remuneration, be it in the form of cash or A shares, has been paid or awarded or has vested on the basis of incorrect financial or other data, the Board is entitled to recover such remuneration from the Director. This right of recovery exists irrespective of whether the Director was responsible for the incorrect financial or other data or was aware or should have been aware of the incorrectness.
Termination: If the Director leaves employment from the NWR Group due to death, illness or disability, retirement at normal retirement age or early retirement with the agreement of his employer, the Director's employing company ceasing to be under control of any member of the NWR Group, change of control or authorised leave of absence ('good leaver'), his award will not lapse and will continue in effect. Alternatively, the Board may decide that it will vest in full on the date he leaves employment. If the Director leaves in other circumstances, his award will lapse. The Board may, at its discretion, decide to treat a Director who leaves employment for any other reason as if he were a good leaver, and vice versa. The Board will not normally exercise this discretion if it would be inappropriate given overall performance of the NWR Group or the Director or for other reasons the Board may determine.
Takeovers: Unless exchanged for a new award, the awards will vest on the date of a takeover. The number of shares in respect of which it vests will be reduced by reference to the period up to the normal vesting date which has elapsed before the date of the takeover and it will lapse as to the balance. A takeover typically occurs where a general offer to acquire shares becomes wholly unconditional or a person obtains control of the Company. Instead of vesting, the awards may be exchanged for a new award to the extent it is accepted by the Director and with the consent of the acquiring company or the Board pays the Director an amount equal to the market value of the shares subject to his award.
Amendments: The Board may at any time change the LTIP in any way including the terms of any award already granted or any bonus condition or vesting condition. Shareholder approval is required for amendments to the advantage of participants which relate to, amongst other things, the people who can be granted the LTI Awards, the limits on the number of shares which may be issued under the LTIP, the individual limits on the LTIP, the adjustment of the LTIP Awards if there is a capitalisation issue, rights issue or open offer, sub-division or consolidation of shares or reduction of capital or any other variation of capital. But amendments to performance criteria and certain other minor amendments can be made without shareholder approval.

(4) In addition to the items in the policy table, there are two arrangements forming part of the on-going policy applicable to the Executive Directors.
Gareth Penny – The option plan of Mr Penny was agreed as a condition of employment, in order to attract and secure a unique and high-quality candidate for the top-level position. On 3 September 2012, the Company granted Mr Penny 250,000 share options over 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 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 the Company. If he ceases to be an employee, all unvested options will immediately vest, unless he ceases by reason of death, ill-health, injury, dismissal by the Company or in connection with any other circumstances determined by the Directors at their discretion. Upon change of control the options lapse and may be, at the discretion of the Directors, replaced by equivalent options in the company that obtains control. The Directors may change the option plan, but changes to the advantage of Mr Penny in the number of shares, beneficiary, exercise price and certain other rights are subject to an ordinary resolution of the general meeting. Adjustments can be made in the event of a rights issue, demergers or other variation of capital in any way the Directors consider appropriate to reflect such variation.
Marek Jelínek, Ján Fabián – Mr Jelínek and Mr Fabián received certain stock options under the Stock Option Plan of NWR NV (the 'SOP'). For the details on their SOP awards, please see the 'Scheme interests' table on page [ ]. Due to the implementation of the DBP, granting of options was discontinued as of 31 December 2010 and the SOP continues only in relation to options granted prior to that date. In connection with the UK redomiciliation, NWR has granted equivalent (rollover) options over NWR A shares to the Executive Directors who participated in the SOP. These rollover options continue on the same terms and conditions as applied to the options granted originally under the SOP (with appropriate adjustments). The vesting period is three years. For each year during the vesting period, one third of the granted options became eligible for vesting. 50 per cent of the options vested if the EBITDA threshold was achieved, and 100 per cent of the options vested if the EBITDA target was achieved. Vesting between threshold and target was on a straight-line basis. 2013 was the last year in which options granted under the SOP became eligible for vesting. Options can be exercised from the vesting date until the eighth anniversary of the date of award. Options, which have not been exercised will 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.

(5) Other than as described above, there are no components of the Executive Directors' remuneration that are not subject to performance criteria.

(6) All of the items now proposed for inclusion in the Directors' remuneration policy formed part of the previous policy and none of them has been changed.

(7) The remuneration policy for the Executive Directors applies in unchanged form to our key executives, though the levels of awards tend to be lower than those offered to the Executive Directors and their individual performance criteria usually include elements relating to parts of the business for which the individual executive is responsible.

(8) For senior management personnel of the Group, pay comprises base salary, various allowances provided in cash or kind, eligibility for the Deferred Bonus Awards and participation in the SOP before its discontinuation in 2010. Workers and miners are remunerated in line with the collective agreements agreed between OKD's management and the trade unions. Their pay comprises base tariff wages, holiday and Christmas bonuses and bonuses linked to performance. In addition, they can receive benefits in cash or in kind (such as pension allowance, life insurance, reimbursement of physiotherapies and various leisure activities, cafeteria plans, etc.). Underground workers also receive two weeks of paid holidays in addition to the statutory holiday of the Czech Republic.

REMUNERATION REPORT

Illustration of the application of remuneration policy

We estimate that the level of remuneration received by each of the two current Executive Directors for the first full year in which the policy applies will be, indicatively, at three different levels of performance:

- Minimum, where only fixed pay (salary, benefits and pension in case of the Executive Chairman) is payable and no long-term performance-related pay accrues;
- At expectation, fixed pay plus long-term performance-related pay vesting at the levels reasonably expected; and
- Maximum, fixed pay plus full vesting of all long-term performance-related pay.

The bonus in respect of a financial year is only paid in the following financial year, after the completion of all audit, assurance and approval processes. To illustrate the application of the remuneration policy, the 'bonus' amount reflects the bonus earned in respect of the year of employment. Salary, benefits in kind and pension are shown at the estimated cash cost to the Company. Bonus at 'minimum' means that none of the performance thresholds is achieved; 'expectation' means that every performance condition is achieved at target level and the bonus equals to 300 per cent of the annual base salary as explained in the policy table; 'maximum' means that every performance condition is achieved at super-stretch level, the bonus equals to 600 per cent of the annual base salary as explained in the policy table and is the amount at which the bonus payment is capped.

Approach to recruitment remuneration

In general, the starting point for negotiations with new recruits will be the policy described above. However, the Board (or the Remuneration Committee, as appropriate) may provide one-off benefits (or ad hoc share incentive plan awards) to new-joiners for recruitment purposes or to employees (including Executive Directors) upon promotion or for retention purposes. The maximum level of variable remuneration payable to a new recruit or the maximum size of a retention or promotion award is 600 per cent of annual base salary. This would not include any buy-out awards. In addition, performance criteria applicable to the LTI Awards would apply on retention awards.

Service contracts of Executive Directors

Service contracts of Executive Directors provide for payment of salary alone in lieu of notice and statutory severance payment. A right to any benefits accrued or claimed under any share-based incentive plan or pension plan will be determined in accordance with the governing documents of the relevant plan (described above). Any accrued but unpaid holiday pay will be paid on termination. Apart from that no other payments for loss of office will be made.

The notice periods will be no more than 12 months but different notice periods may be agreed as described below. They are set on a discretionary basis and subject to the Director's position. Generally, the more specialised the position or the greater its the degree of responsibility associated with it, the longer the period of notice awarded. Among the factors considered by the Remuneration Committee in assessing the period of reasonable notice are length of service and character of employment.

The service contracts are available at the Company's registered office. The current contracts provide the following notice periods:

Name	Date of appointment	Termination date	Notice period
Gareth Penny	3 September 2012	–	Twelve months' notice by NWR; six month's notice by Director
Marek Jelínek	31 March 2011	–	Six months' notice by NWR; three month's notice by Director
Ján Fabián[1]	1 January 2013	31 December 2013	Three months' notice by OKD; three months' notice by Director

(1) Mr Fabián resigned as Executive Director with effect from 31 December 2013. His service contract was concluded with OKD and was governed by Czech law. Prior to joining the Board, he was a member of the board of OKD.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The Remuneration Committee advises the Board in relation to its responsibilities with respect to the remuneration of Non-Executives Directors.

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

In accordance with NWR's Articles of Association, the term of appointment of the Non-Executive Directors is four years, subject to satisfactory performance and re-election when appropriate at the annual general meeting of shareholders. A one-month notice period applies to the termination of each Non-Executive Director's letter of appointment. 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 or her letter of appointment.

Directors' fees shall from time to time be determined by the Board, with the proviso that total fees shall not exceed EUR 2 million per annum in aggregate or such higher amount as may from time to time be determined by ordinary resolution of the general meeting of shareholders. The basic annual fee payable to the Non-Executive Directors is reviewed annually by the Remuneration Committee and at least every three years by the Annual General Meeting. As of 1 May 2013, the Non-Executive Directors receive an annual fixed fee of EUR 68,459. This amount reflects the time commitment and responsibilities of the role. In addition to the annual fixed fee, chairmen and members of the committees established by the Board receive the following annual fees:

REMUNERATION REPORT

Committee	Annual Fee (EUR) Member	Chairman
Audit and Risk Management Committee	28,525	57,048
Real Estate Committee[2]	11,409	22,820
Safety, Health and Sustainability Committee	28,525	57,048
Remuneration Committee	22,820	28,525
Finance and Investment Committee	11,409	22,820
Nomination Committee	11,409	22,820

(1) As of 1 May 2013, the Board has reduced the basic annual fee by 10 per cent from EUR 76,065 to EUR 68,459 as part of the personnel cash-saving measures. Similarly, all fees for the committee chairmanship and membership have been reduced by 10 per cent. The reduced fees will continue to apply in 2014, which is considered appropriate given the current financial situation of the Company.
(2) Effective from 1 January 2014, the Board resolved to decrease the fees for the chairmanship and the membership in the Real Estate Committee.
(3) The fees are paid pro rata parte in cash upon the end of each quarter.

NWR does not operate an equity plan for Non-Executive Directors and they do not participate in the LTIP; nor may they receive any bonus. Non-Executive Directors are not entitled to any non-cash benefits. No personal loans, guarantees or other similar instruments may be provided to Non-Executive Directors.

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

The Company has not received any views in respect of Directors' remuneration expressed by the shareholders.

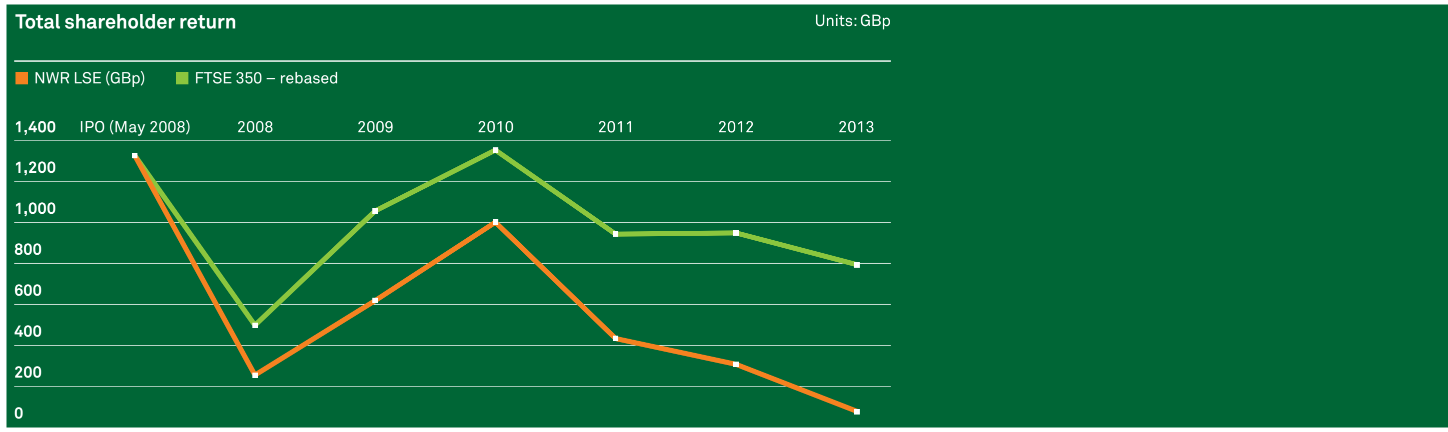
REMUNERATION OF DIRECTORS IN FINANCIAL YEAR 2013

The Remuneration Committee is chaired by Bessel Kok (Senior Independent Director). Other members are Hans-Jörg Rudloff (Independent Non-Executive Director) and Zdeněk Bakala (Non-Independent Non-Executive Director) who represents the major shareholder. He remains a member of the Remuneration Committee contrary to provision D.2.1. of the UK Corporate Governance Code due to his unique insights into shareholders' demands and the Board continues to regard his membership of the Remuneration Committee as essential to the further alignment of Directors' remuneration with shareholders' interests.

During the year, the Remuneration Committee did not appoint any remuneration consultants. The Executive Chairman, Mr Penny, provided advice on the approach to awarding annual bonuses under the LTIP and introduced the first set of the performance criteria relevant to the Executive Directors participating in the LTIP. The Chief Financial Officer, Mr Jelínek, attended one meeting of the Remuneration Committee to present the vesting analysis of the performance criteria set for 2012. No other material advice or services were provided to the Remuneration Committee.

Performance and pay

The chart below shows how an investment in the Company's shares on May 2008 has changed in value over the five financial years. The chart assumes that dividends were reinvested each time they were paid. For simplicity, the chart assumes that the total dividend (i.e. interim and final) was reinvested at the end of the year. The total shareholder return ('TSR') is calculated as the growth in capital from purchasing a share in the Company. TSR is expressed in GBP and the initial investment is one A share purchased at the IPO price of GBP 13.25. The aim of this chart is to provide a comparison of the Company's performance with the relevant benchmark (FTSE 350 Mining Index).



The pay of the Executive Chairman (who is treated as the CEO for the purposes of this disclosure) for each of those financial years is set out below for comparative purposes:

	2009	2010	2011	2012	2013
Executive Chairman 'single figure' of total remuneration (EUR)[1]					
Mike Salamon[2]	1,852,791	2,554,561	2,093,514	1,146,540	N/A
Gareth Penny[3]	N/A	N/A	N/A	159,376	466,494
Total	1,852,791	2,554,561	2,093,514	1,305,916	466,494
Annual bonus paid against maximum opportunity (%)					
Mike Salamon	0%	0%	0%	0%	N/A
Gareth Penny	N/A	N/A	N/A	N/A	N/A
Long-term incentive vesting against maximum opportunity					
Mike Salamon	100%	100%	100%	100%	N/A
Gareth Penny	N/A	N/A	N/A	N/A	100%

(1) Where the figure includes share or option awards which are not subject to performance conditions tested over more than one year, the face value of such award is included in the year in which it vests or becomes exercisable, calculated by multiplying the number of shares vested by the closing price on the London Stock Exchange (the 'LSE') at the date of vesting less the exercise price and converted into EUR at an average exchange rate for the relevant year.
(2) The total remuneration of Mike Salamon includes his salary and the face value of stock options vested in 2009 (264,351 stock options), 2010 (265,150 stock options), 2011 (261,585 stock options) and 2012 (267,019 stock options). Mr Salamon retired on 30 September 2012.
(3) Gareth Penny joined as Executive Director on 3 September 2012. Mr Penny's remuneration for 2012 includes salary and a sign-on bonus. His 2013 remuneration includes salary, benefits in kind and the face value of 83,333 stock options vested on 3 September 2013. None of these were linked to any performance criteria.

Percentage change in the Executive Chairman's remuneration

The table below shows the percentage change in the Executive Chairman's total remuneration in 2012 and 2013 as it is impracticable to accurately disclose the remuneration of the Group's employees at a level below that of total remuneration.

	Year-on-year change: Executive Chairman[1]	Year-on-year change: Group employees[2]
Total remuneration	(1)%	(2)%

(1) For the purposes of the table above, the remuneration of the Executive Chairman in 2012 relates to Mike Salamon (to 30 September 2012; EUR 230,386) and Gareth Penny (from 3 September 2012; EUR 125,873).
(2) Relates to all employees of the Group and is on per capita basis.

REMUNERATION REPORT

Single total figures for Executive Directors' remuneration

The table below shows the pre-tax remuneration of Executive Directors for the fiscal year ended 31 December 2013 and 2012.

	Salary and fees		Taxable benefits		Bonus		Value of option awards vesting[4]		Pension		TOTAL	
	EUR		EUR		EUR		EUR		EUR		EUR	
Name	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Gareth Penny[1]	355,343	125,873	9,756	0	0	33,503	74,728	0	26,667	0	466,494	159,376
Marek Jelínek[2]	212,573	290,000	80,843	102,198	0	0	(84,307)	148,513	0	0	293,416	540,711
Ján Fabián[3]	477,537	N/A	41,029	N/A	0	N/A	(91,554)	N/A	0	0	518,566	N/A

(1) Mr Penny's contractual annual salary is EUR 400,000. In the period from 1 May until 31 December 2013, his annual salary was reduced by 10 per cent to EUR 360,000 as part of the personnel cash-saving measures. The components of Mr Penny's taxable benefits were health insurance (EUR 9,756) and liability insurance (EUR 14,942). Mr Penny's total remuneration includes a face value of 83,333 stock options vested on 3 September 2013 in line with his option plan described in footnote 4 below the policy table. The options were not linked to any performance criteria. They are included in this table to set out all items of Mr Penny's remuneration in 2013. In line with Mr Penny's employment contract, the Company contributes, in monthly arrears, 5 per cent of his annual base salary to his personal pension arrangements. In 2013, Mr Penny received an annual fee of CHF 233,659 from Julius Baer Holding Ltd for his non-executive directorship and USD 75,000 for his position on the advisory board of TowerBrook Capital Partners. He also accepted a non-executive directorship in Norilsk Nickel, which he joined during the year.

(2) Mr Jelínek's contractual annual salary is EUR 290,000. In the period from 1 May until 31 December 2013, his annual salary was reduced by 10 per cent to EUR 261,000 as part of the personnel cash-saving measures. Mr Jelínek's taxable benefits comprised family health insurance (EUR 3,668), liability insurance (EUR 12,112) and children's education (EUR 77,175). Mr Jelínek's total remuneration includes a face value of 19,870 stock options vested on 17 March 2013, 73,963 stock options vested on 24 June 2012 and 29,437 stock options vested on 17 March 2012 in line with his option plan described in footnote 4 below the policy table.

(3) Mr Fabián was Executive Director from 1 January 2013 to 31 December 2013. His contractual annual salary was CZK 10,000,000 (EUR 384,911). As of 1 May 2013, his annual salary was reduced by 10 per cent to CZK 9,000,000 (EUR 346,420) as part of the personnel cash-saving measures. In addition, he also received CZK 56,000 (EUR 2,156) for his directorship on the board of OKD. Upon his resignation on 31 December 2013, in line with his service contract, Mr Fabián received a severance payment of CZK 9,000,000 (EUR 346,420) which is not included in the singe total figures table above. In 2014, also in line with his service contract, he will receive an annual payment of CZK 9,000,000 (EUR 346,420) paid in monthly arrears as a non-compete compensation. The non-compete compensation will be paid in 2014 only. His share awards were dealt with as described on page 107 below. He did not receive any other termination payments or other payments or benefits after he ceased to be an employee. In 2013, Mr Fabián's benefits in kind were housing (CZK 508,495/EUR 19,573), liability insurance (CZK 361,156/EUR 13,901) and tax gross-up income (CZK 196,275/EUR 7,555). Mr Fabián's total remuneration includes a face value of 21,578 stock options vested on 17 March 2013 in line with his option plan described in footnote 4 below the policy table. The amounts stated in the table above and in this footnote 3 were converted from CZK into EUR at the 2013 average exchange rate of 25,98 CZK/EUR.

(4) The face value of share awards vested is calculated by multiplying the number of shares or options vested less the exercise price by the closing price on the LSE at the date of vesting and converted into EUR at an average exchange rate of 0.85 for 2013 and 0.81 for 2012. Where the face value is negative, the total figure shows the actual remuneration. The closing price on the LSE on 3 September 2013 was GBP 0.77; on 18 March 2013 it was GBP 2.45; on 25 June 2012 it was GBP 2.96; and on 16 March 2012 it was GBP 4.47. The LSE was closed on 17 March 2013, 24 June 2012 and 17 March 2012, which were the vesting dates for Mr Jelínek's and Mr Fabián's stock options and the closing price is provided for the closest LSE trading day, i.e. 18 March 2013, 25 June 2012 and 16 March 2012.

This table and the associated footnotes have been subject to audit by KPMG Audit Plc.

Information about benefits of Directors

The table below shows the information required by Schedule 5 of Statutory Instrument 2008/410 in relation to the Executive Directors.

Aggregate remuneration (EUR)[1]		Scheme interests gains (EUR)[2]	
2013	2012	2013	2012
1,203,748	2,756,943	0	2,000,171

(1) The aggregate remuneration includes the annual base salary, bonus, taxable benefits and pension of the Executive Directors.
(2) The scheme interest gains include the gains made by the Directors on the exercise of stock options and assets or money received or receivable under the scheme interests other than the stock options. No stock options have been exercised under the SOP as at the date of this report. There are no other long term incentive plans other than the share plans described elsewhere in this report. The 2012 scheme interests gains include stock options exercised by the former Executive Chairman Mike Salamon under his stock option plan and the value of share awards of the former Executive Director Klaus-Dieter Beck.
(3) One Director (Mr Penny) participates in a defined contribution pension scheme as described elsewhere in this report. There are no other defined contribution schemes and no defined benefit schemes.
(4) Other benefits of the Executive Directors are described elsewhere in this report.

Scheme interests awarded in 2013 and held by Directors

Type of interest and basis of award	Date of grant[2]	Performance criteria	As at 1 January 2013	As at 31 December 2013	Granted during year	Vested during year	Lapsed during year	Exercise period (SOP) or vesting date (DBP)	Exercise price	Closing price on LSE on the date of grant	Face value[7]	2012
Gareth Penny[1]												
SOP	03.09.12	N/A	750,000	666,667	–	83,333	–	03.09.13–03.09.24	EUR 0.01	GBP 2.79	GBP 2,092,500	N/A
Marek Jelínek												
SOP[2]	09.05.08	N/A	39,776	39,776	–	–	–	09.05.11–09.05.16	GBP 13.25	GBP 14.30	GBP 568,797	0%
SOP[2]	24.06.09	N/A	221,889	221,889	–	–	–	24.06.12–24.06.17	GBP 2.8285	GBP 2.88	GBP 639,040	0%
SOP[2,3]	17.03.10	N/A	88,310	88,310	–	19,870	9,566	17.03.13–17.03.18	GBP 7.128	GBP 7.45	GBP 657,910	16%
DBP[4]	03.03.11	N/A	30,000	30,000	–	–	–	03.03.14	N/A	GBP 9.79	GBP 293,700	N/A
Ján Fabián[5]												
SOP[2]	09.05.08	N/A	51,335	51,335	–	–	–	09.05.11–09.05.16	GBP 13.25	GBP 14.30	GBP 734,091	0%
SOP[2]	24.06.09	N/A	233,986	233,986	–	–	–	24.06.12–24.06.17	GBP 2.8285	GBP 2.88	GBP 673,880	0%
SOP[2,3]	17.03.10	N/A	95,903	95,903	–	21,578	10,389	17.03.13–17.03.18	GBP 7.128	GBP 7.45	GBP 714,477	16%
DBP[6]	16.05.12	N/A	63,621	63,621	–	–	–	16.05.15	N/A	GBP 3.41	GBP 216,948	N/A
DBP[6]	12.04.13	N/A	110,913	110,913	–	–	–	12.04.16	N/A	GBP 0.72	GBP 79,858	N/A

(1) Mr Penny was granted options under his stock option plan. Details of this plan can be found in the footnotes to the table in the 'Remuneration of Executive Directors' on page 101.
(2) All options under the SOP were granted for no consideration. The grants of options were not subject to performance conditions (as opposed to their vesting, where the budgeted EBITDA thresholds and targets were used). Due to discontinuation of the SOP at the end of 2010, no options were granted from 2011 onwards.
(3) One third of Mr Jelínek's and Mr Fabián's stock options granted in 2010 vested at 67.50 per cent since the actual performance was between the relevant EBITDA threshold and target performance condition set for 2012.
(4) All DBP awards shown in this table were granted under the DPB rules as they applied on the date of such award. In the absence of a transitional arrangement for equity incentives to Executive Directors who participated in the DBP on that date, for their performance in financial year 2010 the board of NWR NV resolved, on 3 March 2011, on an ad hoc grant of 30,000 deferred NWR NV A shares to Mr Jelínek. There are no performance conditions attaching to this award. The deferred shares, which have been rolled over to A shares of the Company, will vest three years after grant, provided that Mr Jelínek is employed by the Group on the vesting date.
(5) Mr Fabián resigned as Executive Director with effect from 31 December 2013. The Remuneration Committee has resolved that he is considered a 'good leaver' for the purpose of the SOP and the DBP. As a result, he may exercise stock options in line with the SOP rules and will receive the deferred shares in line with the DBP rules. When considering this, the Remuneration Committee took into the account that Mr Fabián led OKD through one of the most difficult years in OKD's history and successfully set in motion the necessary transformation of OKD. Among OKD's achievements under his leadership are successful cost containment, continued improvements in safety performance, centralisation of mine management, and the signing of a new collective agreement with OKD's trade unions for the next five years.
(6) The DBP award granted to Mr Fabián on 16 May 2012 and 12 April 2013 were part of his bonus for 2011 and 2012, respectively.
(7) The face value is calculated by multiplying the number of shares by the closing share price on the LSE at the date of grant. The difference between the closing price and the exercise price of the stock options under the SOP was caused by the calculation of the exercise price, which was equal to the average opening value of an A share on the LSE on the five business days preceding the date of grant.

This table and the associated footnotes have been subject to audit by KPMG Audit Plc.

REMUNERATION REPORT

Single total figures for Non-Executive Directors' remuneration

	Annual fee[1] (EUR)		Committee chairmanship annual fee[1] (EUR)		Committee membership annual fee[1] (EUR)		Total compensation (EUR)	
Name	2013	2012	2013	2012	2013	2012	2013	2012
Zdeněk Bakala[2]	70,959	76,065	0	27,526	31,311	16,011	102,270	119,602
Peter Kadas[2]	70,959	76,065	20,875	25,355	0	0	91,834	101,420
Klaus-Dieter Beck[3]	26,571	N/A	0	0	0	0	26,571	N/A
Pavel Telička[4]	70,959	76,065	0	0	0	0	70,959	76,065
Kostyantin Zhevago[5]	70,959	76,065	0	0	0	0	70,959	76,065
Alyson Warhurst[6]	46,993	N/A	0	N/A	18,053	N/A	65,046	N/A
Bessel Kok	70,959	76,065	88,699	89,585	11,702	23,697	171,360	189,347
Hans-Jörg Rudloff	70,959	76,065	0	0	53,182	57,049	124,141	133,114
Steven Schuit	70,959	76,065	0	0	88,636	95,082	159,545	171,147
Barry Rourke	70,959	76,065	82,785	66,721	29,435	42,708	183,179	185,494
Paul Everard	70,959	76,065	59,132	63,387	29,361	31,694	159,452	171,146

(1) As of 1 May 2013, the basic annual fee and the fees for committee chairmanship and membership have been reduced by 10 per cent as part of the personnel cash-saving measures.
(2) Messrs. Bakala and Kadas waived their fees for the whole of 2013 and 2012. Mr Bakala's fee for 2012 includes a pro-rata fee for the chairmanship in the Remuneration Committee until 13 November 2012 when he became a member.
(3) Mr Beck resigned on 31 March 2013.
(4) Mr Telička was the co-founder and director in charge of the Brussels office of BXL Consulting Ltd, which provided certain consultancy services to NWR. The agreement was terminated on 31 May 2013. For further details regarding these contracts, see the 'Related Party Transactions' section of this 2013 Annual Report. In addition to his directorship fee, he received a monthly fee of EUR 20,000 in connection with his appointment as Head if the Committee for Transformation established by the Board on 1 September 2013.
(5) Mr Zhevago agreed to waive his annual fee for 2012 and 2013 for the benefit of a charity. He resigned on 24 February 2014.
(6) Dr Warhurst joined the Board on 26 April 2013.

This table and the associated footnotes have been subject to audit by KPMG Audit Plc.

Directors' shareholding and share interests

The table below sets out information pertaining to the shares held by the Directors in NWR and their connected persons. There have been no changes in the interests of each Director in the Company's shares between 31 December 2013 and the date of this report. The Company does not require the Directors to own shares in the Company.

Name	At 1 January 2013	At 31 December 2013
Gareth Penny	750,000 unvested options which are not subject to performance conditions	750,000 options which are not subject to performance conditions, out of which 83,333 options are vested but unexercised
Marek Jelínek	7,075 shares, 349,975 options under the SOP, out of which 320,539 options are vested but unexercised, and 30,000 deferred shares under the DBP which are not subject to performance conditions	7,075 shares, 340,409 options under the SOP, which are vested but unexercised, and 30,000 deferred shares under the DBP, which are not subject to performance conditions
Ján Fabián	4,600 shares and 381,224 options under the SOP, out of which 349,257 options are vested but unexercised, and 63,621 deferred shares under the DBP, which are not subject to performance conditions	4,600 shares, 370,835 options under the SOP, which are vested but unexercised, and 63,621 deferred shares under the DBP, which are not subject to performance conditions
Zdeněk Bakala[1]	0	0
Peter Kadas[1]	0	0
Klaus-Dieter Beck[2]	12,490 shares	N/A
Pavel Telička	0	0
Kostyantin Zhevago	0	0
Alyson Warhurst	0	0
Bessel Kok	54,308 shares	54,308 shares
Hans-Jörg Rudloff	26,589 shares	26,589 shares
Steven Schuit	25,843 shares	25,843 shares
Barry Rourke	55,843 shares	55,843 shares
Paul Everard	67,843 shares	67,843 shares

(1) Please refer to the 'Shareholder Information' on pages 184 to 186 in respect of the individual interests of entities affiliated with Messrs.Bakala and Kadas in the A shares and B shares of NWR.
(2) Mr Beck resigned on 31 March 2013. He owned 12,490 Company's shares as at that date.

This table has been subject to audit by KPMG Audit Plc.

Relative importance of spend on pay

The table below shows the actual expenditures of the NWR Group.

	2013 (EUR)	2012 (EUR)	Difference (EUR)
Remuneration of the NWR Group employees	298,707,896	377,143,612	(78,435,716)
Distribution to shareholders	0	34,449,632	(34,449,632)
Other significant distributions of profit or cash-flow:			
Capital expenditure	109,271,998	230,999,461	(121,727,463)

REMUNERATION REPORT

The year-on-year reduction in the remuneration costs of the NWR Group employees results from the 10 per cent cut in salaries across the Group, a 5 per cent decrease in the headcount and a change in employee benefit assumptions, resulting in lower personnel expenses and the completion of negotiations with the trade unions and the execution of a new Collective Bargaining Agreement with employees, which reduced the overall employee benefit liability of the Group. The significant difference between the remuneration of Executive Directors in 2013 and 2012 was due to the payments related to the retirement of Klaus-Dieter Beck, the Executive Director and the former CEO of OKD, during 2012.

Capital expenditure is featured in the table to assist in understanding the relative importance of spend on pay as the Directors have a choice whether to distribute profits and cash-flows by way of dividend or reinvest these in the assets base to maintain or improve the operational health of the Company.

OTHER REQUIRED DISCLOSURES

Payments to former Directors
The Company has a contractual arrangement with Ján Fabián, as described in footnote 3 to the table 'Single total figures for Executive Directors' remuneration' on page 106.

No other payments of money or any other assets were made during 2013 to any former Director of the Company.

Payments for loss of office
Except as described above, there have been no payments in relation to loss of office during 2013.

These disclosures have been subject to audit by KPMG Audit Plc.

Voting at the 2013 AGM
At the AGM on 26 April 2013 three votes were considered in relation to Directors' remuneration: the annual advisory vote on the Directors' Remuneration Report and the separate votes to approve the changes to the rules of the DBP and the amendment of the terms of the options granted to Gareth Penny.

Resolution	Votes for (and percentage of votes cast)	Votes against (and percentage of votes cast)	Votes withheld	Total votes
Remuneration Report	168,677,731 (92.49%)	13,686,540 (7.51%)	200 (0.00%)	182,364,471 (100%)
Changes to the DBP	168,697,849 (88.62%)	21,657,291 (11.38%)	9,331 (0.00%)	190,364,471 (100%)
Amendment of the terms of the options granted to Gareth Penny	170,258,009 (89.97%)	18,980,297 (10.03%)	200 (0.00%)	189,238,506 (100%)

Directors' remuneration in 2014
The remuneration policy for Directors for 2014 is unchanged to any significant degree from that in force in recent years and the Company intends to follow it in 2015 as well. Some elements of pay for Executive Directors are subject to the achievement of performance conditions. At its January 2014 meeting, the Remuneration Committee considered the budgeted EBITDA target for 2014, which will have to be met for the bonuses to be payable to the Executive Directors under the LTIP. It further considered the Balanced Scorecard for 2014, where the performance criteria for each level are strongly linked to the Group's budget and strategy. The principles of the Balanced Scorecard are fully explained in the 'remuneration policy' table on page 101. In the opinion of the Board, the targets set for the performance criteria will be commercially sensitive. As permitted by the regulations, they are not being disclosed in advance and there will be full retrospective disclosure in the 2014 Annual Report and Accounts, if any bonuses have been paid in relation to 2014. The Committee also discussed a possible remuneration of the input required to deliver the ongoing capital review of the NWR Group. This will be properly considered during the year and the incentive plan, if any, will be subject to the limits included in the remuneration policy. Other than that, no material salary increases are expected across the Group for 2014.

This Remuneration Report was approved by the Board on 18 March 2014.

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and Directors' remuneration report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and financial statements taken as a whole are fair, balanced and understandable and provide the necessary information for shareholders to assess the Company's and the Group's performance, business model and strategy.

Each of the Directors, whose names appear on pages 69 to 73, confirm that, to the best of their knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report and the Directors' report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Ivona Ročárková
Company Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW WORLD RESOURCES PLC ONLY

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of New World Resources Plc for the year ended 31 December 2013 set out on pages 118 to 182. In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2 Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 2 to the consolidated financial statements concerning the Group's and the Company's ability to continue as a going concern. The Group is currently cash flow negative and the current low coal price environment has placed significant pressure on the Group's liquidity position, and also on its solvency, resulting in the Group having net liabilities of EUR 280 million at 31 December 2013. The Directors have initiated a review of the capital structure with a view to addressing the solvency and the mid-term liquidity of the Group. At the date of approval of the financial statements, due diligence being undertaken on behalf of a group of note holders is underway and the Company has commenced discussions with the ad hoc committee of note holders. The Group's majority shareholder, BXR, has indicated its willingness to inject new capital into a revised and satisfactory capital structure.

There can be no guarantee that it will be possible to successfully complete such a capital restructuring, or that implementation will occur within a timeframe that will secure the liquidity and solvency of the Group. Should the Group fail to achieve the capital restructuring, it would pose a significant risk of the Group and Company ceasing to operate as a going concern. These conditions, along with other matters explained in Note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt as to the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

3 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit, and our key procedures to address them, were as set out below. Those procedures were designed in the context of the financial statements as a whole, and, consequently, where we set out our findings we do not express any opinion on these individual risks.

Liquidity and going concern

Refer to page 94 (Audit and Risk Management Committee Report), page 127 (Basis of preparation – Going concern basis of accounting) and page 180 (Basis of preparation).

- *The risk* – The Group's liquidity and solvency position is stressed as described in section 2 of this report above. Assessing whether the going concern basis of accounting is appropriate requires significant judgement and the application of a break-up basis could have a significant effect on the amounts included in the financial statements. Given the current position of the Group, it is of particular importance that the disclosure in the financial statements of the Directors' judgements in this regard and of the nature of any material uncertainty which may cast significant doubt as to the Group's and the Company's ability to continue as a going concern is clear and comprehensive.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW WORLD RESOURCES PLC ONLY

> *Our response* – Our audit procedures included, among others, testing the integrity of cash flow projections and the resulting financial covenant ratios, both base case and sensitised, and comparing the key input assumptions to externally and internally derived data. We evaluated these projections and assumptions by reference to our knowledge of the industry and assessed the potential risk of management bias. Certain of the key assumptions, specifically projected commodity prices, sales and production volumes, and product mix, are volatile, outside the control of the Directors, require judgment in their selection, and can have a significant effect on forecast cash flows. For these key inputs we assessed the reasonableness of the Directors' assumptions by reference to external forecasts principally by comparing projected commodity prices against external analyst reports, both regionally and globally. For internally derived inputs, we compared operating expense forecasts to the historical operational expenses, assessing in particular the extent to which these expenses can be reduced without jeopardising production; we assessed the accuracy of historical underlying forecasts to historical production and sales data; we compared the capital expenditure projections to existing planned works and external orders and to the minimum reinvestment of proceeds arising from the sale of the coking subsidiary. We evaluated whether the Directors' assessment that there is a realistic alternative to liquidating the Group is appropriate. We considered whether the Group's disclosures in relation to its liquidity and capital resources are complete, represent the position of the Group at the date of approval of the financial statements, and include the key considerations in terms of preparing the financial statements on a going concern basis.

> *Our findings* – We found the assumptions and resulting estimates used to assess liquidity requirements to be balanced. We concluded that the use of the going concern basis of accounting is appropriate. We found that the Group's disclosures appropriately describe (i) the Group's liquidity requirements and capital resources, including the inherent degree of subjectivity in estimating liquidity requirements and the other risks to liquidity and solvency, and (ii) the Directors' judgment, which we found to be balanced, that these circumstances represent a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Accordingly, in section 2 of this report above, without modifying our opinion on the financial statements, we have included an emphasis of matter.

Impairment loss on property, plant and equipment (EUR 807 million)

Refer to page 94 (Audit and Risk Management Committee Report), page 134 (Summary of significant accounting policies – Impairment) and page 153 (Property, plant and equipment - Impairment).

> *The risk* – The expectation that the recent reduction in the coal prices being experienced in the Group's market represents a significant and lasting change made it likely that an impairment of the Group's property, plant and equipment would be required. The amount of the impairment was assessed by the Group using a value in use model to derive the net present value of the forecast cash flows expected to be generated by the Group's mining business. The net present value of the forecast cash flows depends on a series of key assumptions and estimates including: the mineable coal reserves in the Group's mines and the quality of these reserves; the mining plan to be applied by the Group in extracting these reserves and the resulting production profile; the prices that can be achieved for sale of this production; the cost, both capital and operating, of extracting the reserves; cost inflation; the forecast Czech Crown to Euro exchange rate; and the discount rate used to discount the forecast cash flows. The output of the model is sensitive to the assumptions used and the resulting impairment could vary significantly depending on the assumptions made by the Directors.

> *Our response* – Our audit procedures included, among others, testing the integrity of the model and assessing the input assumptions relative to externally and internally derived data. In particular we compared the mineable reserves assumptions used in the value in use model to the reserves assessed by the mining engineers employed by the Group to produce an independent estimate of proven and probable reserves at 31 December 2013; we also assessed the objectivity and qualifications of the mining engineers and evaluated the appropriateness of their letter of instruction from the Group. We evaluated the forecast cash flows and assumptions by reference to our knowledge of the industry, and considered the potential risk of management bias. Certain of the key inputs, particularly projected prices and demand for coal in Central Europe and hence sales revenue, are volatile, outside the control of the Directors, require judgment in their evaluation, and can have a significant effect on forecast cash flows. For these key inputs we assessed the Directors' assumptions by reference to external forecasts and in particular we compared projected prices to external analyst reports, both regionally and globally. For internally derived inputs, we assessed the accuracy of historical underlying forecasts to historical data. We compared the capital expenditure projections to existing planned works and placed orders on a location by location basis over the approved life of mine plan. We also compared the capital expenditure in the short term to the required minimum reinvestment of proceeds arising from the sale of the coking subsidiary. We assessed the appropriateness of the discount rate used by reference to a range of acceptable discount rates we derived from market data. We considered the adequacy of the Group's disclosures in respect of impairment testing and whether the disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions properly reflected the risks inherent in the key assumptions and the requirements of relevant accounting standards.

> *Our findings* – We found that the mining engineers were objective and had the appropriate experience and expertise to estimate the Group's proven and probable coal reserves. We found that the mineable reserves in the value in use model were not significantly different to the reserves estimated by the mining engineers and that the production profile was not significantly different from the approved mine plans. We found that the forecast prices for the Group's production were balanced when compared to a variety of publicly available forecasts and to our own analysis. We found that cost estimates were balanced when compared to projections of likely future costs used by the mining engineers and to our own analysis of cost trends. We found that the discount rate used was just below the mid-point of the acceptable range we derived. We found significant errors in calculations which were corrected in the final financial statements. Recognising the inherent imprecision in many of the key assumptions and estimates, we found that the Group's disclosure provides sufficient information on the impacts of different assumptions and of the sensitivity of the impairment charge to variations in assumptions.

Mine closure and restoration provisions (EUR 147 million)

Refer to page 94 (Audit and Risk Management Committee Report), page 136 (Summary of significant accounting policies - Provisions - Mine closure, restoration, and mining damages provisions) and page 169 (Provisions).

> *The risk* – The mine closure and restoration provisions include a significant level of estimation and assumptions, including the timing of cash flows, expected life of each mine, the interpretation of local environmental legislation for which there are very few precedents and the future expected cost of restoration, rehabilitation and mine closure.

> *Our response* – Our audit procedures included, among others, testing the integrity of the model used, comparison of the input assumptions to externally and internally derived data as well as our own assessments. This included the agreement of data to technical studies undertaken by a third party expert engaged by the Group, assessment of the objectivity and competence of the expert, comparison of the period over which the provisions are discounted to the approved life of mine plans and comparing these to the value in use model, corroboration of volume of material required to be moved to survey and site plan data, comparison of activities planned to be undertaken to those that we believe would be required under the existing mining legislation in the Czech Republic and the assessment of the accuracy of provisions from historical remedial works undertaken. We assessed the overall consistency of the assumptions and of the estimated inputs, including the potential risk of management bias. We also considered the adequacy of the Group's disclosures.

> *Our findings* – We found that the third party expert was objective and had the appropriate experience and expertise to estimate the Group's closure and restoration provisions. We found the assumptions and resulting estimates to be acceptable but mildly optimistic resulting in a somewhat lower liability being recorded than might otherwise have been the case and that the Group's disclosures appropriately describes the significant degree of inherent imprecision in the estimates. We found no errors in calculations.

Provision for the costs of closing the Paskov mine (EUR 19 million)

Refer to page 94 (Audit and Risk Management Committee Report), and pages 175 to 176 (Subsequent events – Paskov closure).

> *The risk* – On 17 September 2013 the Group announced the accelerated closure of the Paskov mine with the phasing and terms of the closure to be determined after discussions with the Czech Government and other stakeholders. In 2014 a memorandum of understanding was agreed with the Czech Government under which the Group and the Government would explore options for extending the operation of the mine and transferring the closure obligations to the Czech State. This creates significant uncertainty as to how and when the mine will be closed and which party will bare which closure costs and therefore which if any provisions for the costs of closure (including the assessment of whether any of the Group's long term supply contracts become onerous) should be recognised at 31 December 2013. Given these uncertainties and the significance of the costs involved it is of particular importance that the disclosure of the situation in the financial statements is clear and comprehensive.

> *Our response* – Our audit procedures included, among others: examining the correspondence between the Group and the Czech Government and discussing with the Directors the status of negotiations; examining announcements made by management to assess whether these currently commit the Group to redundancy costs; analysing internal and third party studies on the social impact of closure and the related costs; recalculating the provision for closure and rehabilitation costs for the mine in the context of the accelerated closure plans; and reassessing long term supply agreements for the existence of any onerous contracts in the context of the Group's revised requirements of the accelerated closure plans. We assessed the potential risk of management bias and the adequacy of the Group's disclosures.

> *Our findings* – We found that the assumptions and resulting estimates to be balanced and that the Group's disclosures appropriately describes the significant degree of inherent imprecision in the estimates and the potential impact on future periods of revisions to these estimates. We found no errors in calculations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW WORLD RESOURCES PLC ONLY

4 Our application of materiality and an overview of the scope of our audit

The materiality for the consolidated financial statements as a whole was set at EUR 8.8 million. This has been determined with reference to a benchmark of Group revenue (of which it represents 1.0%) which we consider to be one of the principal considerations for members of the company in assessing the financial performance of the Group.

We agreed with the Risk Management and Audit Committee to report to it all material corrected misstatements and all uncorrected misstatements we identified through our audit with a value in excess of EUR 0.5 million, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Audits for group reporting purposes were performed by component auditors at the key reporting components in the following countries: the United Kingdom (2 components), the Netherlands (1 component), the Czech Republic (2 components) and Poland (1 component). These audits covered 100 per cent of total Group revenue, Group loss before taxation; and total Group assets. The segment disclosures in Note 3 set out the individual significance of a specific country.

The audits undertaken for group reporting purposes at the key reporting components of the Group were all performed to local materiality levels agreed with the Group audit team. These local materiality levels were set individually for each component and ranged from EUR12,000 to EUR 6.6 million.

Detailed audit instructions were sent to the auditors in these locations. These instructions covered the significant audit areas that should be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the group audit team. The Group audit team visited the Netherlands and the Czech Republic. In the Czech Republic, the Group audit team undertook in-depth reviews of the audit work undertaken by the component teams. Telephone meetings were also held with the auditors at these locations and the locations that were not physically visited.

5 Our opinion on the other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

> the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
> the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

6 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

> we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy; or
> the Audit and Risk Management Committee Report does not appropriately address matters communicated by us to the Audit and Risk Management Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

> adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
> the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
> certain disclosures of Directors' remuneration specified by law are not made; or
> we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

> the Directors' statement, set out on page 82, in relation to going concern; and
> the part of the Corporate Governance Statement on pages 74 to 86 relating to the company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 112, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.
This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Jimmy Daboo
Senior Statutory Auditor

for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
18 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

EUR thousand	Note	2013	2012 (restated)
Continuing operations			
Revenues	3	850,456	1,178,545
Cost of sales	4	(843,857)	(912,728)
Gross profit		6,599	265,817
Selling expenses	4	(86,497)	(118,358)
Administrative expenses	4	(78,541)	(103,888)
Impairment loss on property, plant and equipment	11	(806,964)	–
Gain recognised on impairment correction		–	7,438
(Loss) / gain from sale of property, plant and equipment		(7,375)	95
Other operating income		3,236	2,676
Other operating expenses		(3,008)	(3,323)
Operating (loss) / income		(972,550)	50,457
Financial income	6	25,420	46,043
Financial expenses	6	(113,666)	(93,424)
(Loss) / profit before tax		(1,060,796)	3,076
Income tax benefit / (expense)	8	146,438	(9,994)
LOSS FROM CONTINUING OPERATIONS		**(914,358)**	**(6,918)**
Discontinued operations			
(Loss) / profit from discontinued operations	7	(55,913)	5,669
LOSS FOR THE YEAR		**(970,271)**	**(1,249)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(58,697)	30,295
Foreign currency translation differences relating to discontinued operations		(10,030)	–
Derivatives - change in fair value		(2,412)	1,381
Derivatives - transferred to profit and loss		(7,462)	6,541
Income tax relating to components of other comprehensive income		8,927	613
Items that will never be reclassified to profit or loss:		–	–
Total other comprehensive income for the year, net of tax		(69,674)	38,830
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(1,039,945)**	**37,581**
(Loss) / profit attributable to:			
Non-controlling interests		–	109
Shareholders of the Company		(970,271)	(1,358)

Table continued

EUR thousand	Note	2013	2012 (restated)
Total comprehensive income attributable to:			
Non-controlling interests		–	186
Shareholders of the Company		(1,039,945)	37,395
(LOSS) / EARNINGS PER SHARE (EUR)	23		
A share			
Basic loss		(3.62)	(0.02)
Diluted loss		(3.61)	(0.02)
Basic loss from continuing operations		(3.44)	(0.04)
Diluted loss from continuing operations		(3.43)	(0.04)
Basic (loss) / earnings from discontinued operations		(0.18)	0.02
Diluted (loss) / earnings from discontinued operations		(0.18)	0.02
B share			
Basic (loss) / earnings		(954.60)	375.30
Diluted (loss) / earnings		(954.60)	375.30

The Notes on pages 126 to 176 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

EUR thousand	Note	2013	2012
ASSETS			
Property, plant and equipment	11	533,737	1,476,570
Mining licences	12	–	143,020
Accounts receivable	13	5,769	7,949
Deferred tax	8	44,747	11,262
Restricted deposits	14	23,742	13,300
TOTAL NON-CURRENT ASSETS		607,995	1,652,101
Inventories	15	29,681	151,333
Accounts receivable and prepayments	16	89,352	130,046
Derivatives	17	–	760
Income tax receivable		2,243	9
Cash and cash equivalents	18	183,665	267,011
Restricted cash	14	7,000	–
TOTAL CURRENT ASSETS		311,941	549,159
TOTAL ASSETS		**919,936**	**2,201,260**
EQUITY			
Share capital	22	105,863	105,863
Share premium	22	2,368	2,368
Foreign exchange translation reserve	22	30,897	81,735
Restricted reserve	22	121,680	132,691
Equity-settled share-based payments	26	15,421	13,827
Hedging reserve	22	–	7,825
Merger reserve	22	(1,631,161)	(1,631,161)
Other distributable reserve	22	1,684,463	1,684,463
Retained earnings		(609,629)	360,642
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		(280,098)	758,253

Table continued

EUR thousand	Note	2013	2012
LIABILITIES			
Provisions	24	167,449	179,824
Long-term loans	20	34,598	62,333
Bonds issued	21	760,870	741,805
Employee benefits	25	49,308	93,211
Deferred revenue		2,369	2,704
Deferred tax	8	814	111,064
Other long-term liabilities		526	979
Cash-settled share-based payments	26	1,279	2,018
Derivatives	17	6,303	10,398
TOTAL NON-CURRENT LIABILITIES		1,023,516	1,204,336
Provisions	24	2,945	5,681
Accounts payable and accruals	19	141,496	204,830
Accrued interest payable on bonds		16,548	8,937
Derivatives	17	1,734	4,691
Income tax payable		240	159
Current portion of long-term loans	20	13,555	13,852
Cash-settled share-based payments	26	–	521
TOTAL CURRENT LIABILITIES		176,518	238,671
TOTAL LIABILITIES		1,200,034	1,443,007
TOTAL EQUITY AND LIABILITIES		**919,936**	**2,201,260**

The Notes on pages 126 to 176 are an integral part of these consolidated financial statements.

The financial statements on pages 118 to 176 were approved by the Directors on 18 March 2014 and signed on their behalf by:

Gareth Penny
Executive Chairman of the Board

Marek Jelínek
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

EUR thousand	Share capital	Share premium	Foreign exchange translation reserve	Restricted reserve	Equity-settled share-based payments	Hedging reserve	Merger reserve	Other distributable reserve	Retained earnings	Shareholders' equity	Non-controlling interest ('NCI')	Total equity
Balance at 1 January 2013	**105,863**	**2,368**	**81,735**	**132,691**	**13,827**	**7,825**	**(1,631,161)**	**1,684,463**	**360,642**	**758,253**	**–**	**758,253**
Loss for the year	–	–	–	–	–	–	–	–	(970,271)	**(970,271)**	–	**(970,271)**
Total other comprehensive income	–	–	(50,838)	(11,011)	–	(7,825)	–	–	–	**(69,674)**	–	**(69,674)**
Total comprehensive income for the year	–	–	(50,838)	(11,011)	–	(7,825)	–	–	(970,271)	**(1,039,945)**	–	**(1,039,945)**
Transaction with owners recorded directly in equity												
Share options for A shares	–	–	–	–	1,594	–	–	–	–	**1,594**	–	**1,594**
Total transactions with owners	–	–	–	–	1,594	–	–	–	–	**1,594**	–	**1,594**
Balance at 31 December 2013	**105,863**	**2,368**	**30,897**	**121,680**	**15,421**	**–**	**(1,631,161)**	**1,684,463**	**(609,629)**	**(280,098)**	**–**	**(280,098)**

EUR thousand	Share capital	Share premium	Foreign exchange translation reserve	Restricted reserve	Equity-settled share-based payments	Hedging reserve	Merger reserve	Other distributable reserve	Retained earnings	Shareholders' equity	Non-controlling interest ('NCI')	Total equity
Balance at 1 January 2012	**105,756**	**2,368**	**56,056**	**129,136**	**14,235**	**(2,168)**	**(1,631,161)**	**1,692,319**	**384,386**	**750,927**	**1,632**	**752,559**
(Loss) / profit for the year	–	–	–	–	–	–	–	–	(1,358)	**(1,358)**	109	**(1,249)**
Total other comprehensive income	–	–	25,514	3,265	–	9,974	–	–	–	**38,753**	77	**38,830**
Total comprehensive income for the year	–	–	25,514	3,265	–	9,974	–	–	(1,358)	**37,395**	186	**37,581**
Transaction with owners recorded directly in equity												
Share options exercised	107	–	–	–	(5,245)	–	–	–	5,141	**3**	–	**3**
Share options for A shares	–	–	–	–	4,837	–	–	–	(5)	**4,832**	5	**4,837**
Dividends paid to A shareholders	–	–	–	–	–	–	–	(7,856)	(26,513)	**(34,369)**	–	**(34,369)**
Dividends paid to NCI	–	–	–	–	–	–	–	–	–	**–**	(81)	**(81)**
Acquisition of NCI settled in cash	–	–	165	290	–	19	–	–	(1,009)	**(535)**	(1,742)	**(2,277)**
Total transactions with owners	107	–	165	290	(408)	19	–	(7,856)	(22,386)	**(30,069)**	(1,818)	**(31,887)**
Balance at 31 December 2012	**105,863**	**2,368**	**81,735**	**132,691**	**13,827**	**7,825**	**(1,631,161)**	**1,684,463**	**360,642**	**758,253**	**–**	**758,253**

The Notes on pages 126 to 176 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

EUR thousand	Note	2013	2012 (restated)
Cash flows from operating activities			
(Loss) / profit before tax and non-controlling interest from continuing operations		(1,060,796)	3,076
(Loss) / profit before tax and non-controlling interest from discontinued operations		(53,513)	5,620
(Loss) / profit before tax and non-controlling interest		(1,114,309)	8,696
Adjustments for:			
Depreciation and amortisation	11, 12	151,546	173,997
Impairment loss on property, plant and equipment	11	806,964	–
Gain recognised on impairment correction		–	(7,438)
Loss on disposal of discontinued operations	7	64,650	–
Changes in provisions		(48,675)	(2,415)
Loss / (gain) from sale of property, plant and equipment		7,050	(105)
Interest expense, net		61,857	62,173
Change in fair value of derivatives		(16,098)	(32,443)
Loss on bond redemption	21	8,116	–
Equity-settled share-based payments		1,594	4,837
Operating cash flows before working capital changes		(77,305)	207,302
Decrease / (increase) in inventories		77,380	(58,245)
Decrease in receivables		27,040	74,903
Decrease in payables and deferred revenues		(28,337)	(9,477)
(Increase) / decrease in restricted deposits and restricted cash		(13,224)	5,999
Currency translation and other non-cash movements		39,096	(3,367)
Cash generated from operating activities		24,650	217,115
Interest paid		(58,251)	(62,609)
Corporate income tax paid		(2,293)	(46,496)
Net cash flows from operating activities		**(35,894)**	**108,010**
Cash flows from investing activities			
Interest received		2,338	3,571
Purchase of land, property, plant and equipment		(109,272)	(230,999)
Proceeds from sale of property, plant and equipment		5,430	642
Proceeds from disposal of discontinued operations, net of cash disposed of	7	83,447	–
Net cash flows from investing activities		**(18,057)**	**(226,786)**

table continued

EUR thousand	Note	2013	2012 (restated)
Cash flows from financing activities			
Repayments of long term loans	20	(28,493)	(14,246)
Senior Notes due 2015 redemption	21	(257,565)	–
Fees paid on Senior Notes due 2015 redemption		(4,749)	–
Repayments of short-term borrowings		–	(200,054)
Proceeds from short-term borrowings		–	100,000
Proceeds from exercise of share options		–	3
Dividends paid to A shareholders		–	(34,369)
Dividends paid to non-controlling interest		–	(81)
Acquisition of non-controlling interest		–	(2,277)
Proceeds from Senior Notes due 2021 issue	21	275,000	–
Transaction costs on Senior Notes due 2021 issue		(4,328)	–
Net cash flows from financing activities		**(20,135)**	**(151,024)**
Net effect of currency translation		(9,260)	(99)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(83,346)**	**(269,899)**
Cash and Cash Equivalents at the beginning of year		267,011	536,910
Cash and Cash Equivalents at the end of year		**183,665**	**267,011**

The Notes on pages 126 to 176 are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1 GENERAL INFORMATION

a) Corporate information

New World Resources Plc ('NWR Plc' or the 'Company') is a public limited liability company with its registered office at One Silk Street, London EC2Y 8HQ, United Kingdom ('UK').

These consolidated financial statements comprise the Company and its subsidiaries (together the 'Group'). The Group is primarily involved in coal mining and coke production (classified as discontinued operations and disposed during the year). The objective of the Company is to act as a holding company and to provide management services to the Group.

BXR Mining B.V., an investment, public limited company, is the major shareholder of the Company, holding approximately 64% of the Company's A shares. 100% of the Company's B shares are owned by RPG Property B.V. The financial information of the Company will be included in the consolidated financial statements of BXR Group B.V. A shares of the Company are listed on stock exchanges in London, Warsaw and Prague. The ultimate parent of the Company, BXR Mining B.V., RPG Property B.V. and BXR Group B.V. is BXR Group Limited.

These financial statements were approved by the Board of Directors and authorised for issue on 18 March 2014.

b) The Group

The Company´s subsidiaries as at 31 December 2013 are:

Consolidated subsidiaries	Abbreviation	% voting shares	Nature of Activity
Entity directly owned by the Company:			
New World Resources N.V.	NWR NV	100%	Holding Company; Management services
New World Resources Services Ltd	NWR Services	100%	Management services
Entities directly owned by NWR NV:			
OKD, a.s.	OKD	100%	Coal mining
NWR KARBONIA S.A.	NWR KARBONIA	100%	Coal mining
NWR Communications, s.r.o.	NWRC	100%	Public relations
Entity directly owned by OKD:			
OKD, HBZS, a.s.	HBZS	100%	Emergency services and waste processing

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

All of the Company's consolidated subsidiaries are incorporated in the Czech Republic, with the exception of NWR KARBONIA (Poland), NWR Services (UK) and NWR NV (The Netherlands).

c) Changes in the consolidated group

On 6 December 2013, the Group completed the sale of its entire Coke segment, represented by OKK Koksovny, a.s. ('OKK'), a directly owned subsidiary of NWR NV. For more details see Note 7.

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 Euros (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 Plc and NWR NV is EUR. The functional currency of NWR KARBONIA is Polish Zloty (PLN). The functional currency of NWR Services is British Pound (GBP). 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.

Discontinued operations

On 6 December 2013, the Group completed the sale of its entire Coke segment, represented by OKK and consequently, the Coke segment is classified as discontinued operations in the financial statements. It was not previously classified as discontinued operations and the comparative period (consolidated statement of comprehensive income and associated notes) has been restated to show the discontinued operations separately from continuing operations.

Change in classification and presentation

With effect from 1 January 2013, the Group has changed the basis on which it presents expenses in the income statement. While previously classified by their nature, expenses are now classified by their function (also known as a 'Cost of Sales' format). This change has been made to align better with current best reporting practice in the mining industry.

The reclassifications have no impact on the consolidated operating income or net profit. The main categories are as follows:

Cost of sales – comprise all operating costs incurred in production including depreciation and amortisation, or compensation of, and provisions for mining damages.

Selling expenses – comprise all operating costs involved in selling or distribution of products and include mainly transport costs incurred to deliver the coal and coke to customers.

Administrative expenses – comprise all other operating costs associated with general operation of the Group, which cannot be allocated to either cost of sales or selling expenses, and include mainly personnel costs, and advisory costs.

Going concern basis of accounting

The Group manages its liquidity through cash (EUR 183,655 thousand (31 December 2012: EUR 267,011 thousand)) and receivables financing. In addition on 16 December 2013, the Group agreed revised terms for its amortising Export Credit Agency loan ('ECA Facility') (EUR 48,153 thousand at 31 December 2013), which included the suspension of the financial covenants thereunder until Q4 2014. Further information and requirements are described in Note 20.

At the present market prices for coal, the Group is currently cash flow negative and the current low coal price environment has placed significant pressure on the Group's liquidity position and also on its solvency resulting in the Group having net liabilities of EUR 280,098 thousand at 31 December 2013. As a reaction to the continuing difficult trading conditions and price pressures in 2013, the Group implemented various measures to safeguard the Group's liquidity.

On 17 September 2013, the Group announced the closure of Paskov mine with the phasing and terms of the closure to be determined after discussions with the Czech Government and other stakeholders. On 6 January 2014, the Group and the Czech Government entered into a Memorandum of Understanding in a joint effort to minimise the negative social, regional and economic impact of the mine closure (see Note 31 Subsequent events), and in particular to explore the option of OKD extending the operation of the mine until 31 December 2016 at its own risk and account after which ownership of the mine would be transferred to the Czech State for a symbolic CZK 1 for closure. This would be subject to certain conditions, such as approval of the European Commission and support of the mine's key stakeholders. In the event that agreement is reached significant costs associated with the closure that would otherwise have been incurred in 2015 would be avoided though the Group would incur the net costs of operating Paskov mine in 2015 and 2016. There can be no guarantee that the Czech Government will agree to the purchase of Paskov mine, or that the purchase would be approved by the European Commission, and in that situation the Group would be liable for the associated closure costs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Irrespective of the above and absent the potential restructuring referred to below, the Directors anticipate that the Group will not be able to meet the revised requirements of the ECA Facility financial covenants when they are next tested after the end of Q4 2014.

In addition the Group is heavily geared with long term borrowings totalling EUR 824,863 thousand. Following revisions of the long term pricing outlook for both thermal and coking coal and the associated write down of assets (see Note 11 – part Impairment), on 22 January 2014, the Directors initiated a review of the Group's capital structure with a view to addressing the solvency and the mid-term liquidity of the Group. The review will be focused on the Group's balance sheet and will consider all available options. At the date of these financial statements due diligence being undertaken on behalf of a group of note holders is largely complete and the Group has commenced discussions with advisers to the Ad hoc Committee of note holders, who represent holders of both the EUR 500 million Senior Secured Notes due 2018 and the EUR 275 million Senior unsecured Notes due 2021 (and those holders that hold both notes). The Group's majority shareholder, BXR, has indicated its willingness to inject new capital into a revised and satisfactory capital structure. However, there can be no guarantee that it will be possible to successfully complete such a capital structure or that such implementation occurs within a timeframe that will secure the liquidity and solvency of the Group.

Should the Group fail to achieve a satisfactory capital structure for liquidity and solvency purposes, it would pose a significant risk of the Group ceasing to operate as a going concern. On current base case forecasts the Group anticipates a net cash outflow of approximately EUR 30,000 thousand per quarter and that its current cash balance will be exhausted in Q1–Q2 2015. However, an inability to renew receivables financing, further price deterioration, default on existing facilities or other factors such as lower than forecasted production could bring this point forward.

The Directors recognise that the combination of these circumstances represents a material uncertainty that may cast significant doubt as to the Group's and Company's ability to continue as a going concern and that they may be unable to realise all their assets and discharge all of their liabilities in the normal course of business.

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 Group adopted the following amendments to standards and new interpretations, which are effective for its accounting period starting 1 January 2013:

> 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)
> Amendment to IFRS 7 Financial Instrument: Disclosures – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013)
> 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)

The amendments to IAS 1 and IFRS 13 impact the Group's financial position and performance as follows:

> *IFRS 13: Fair value measurement*
IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants as at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively. Notwithstanding the above, the change has no significant impact on the measurement of the Group's assets and liabilities.

> *Amendment to IAS 1:Presentation of items of other comprehensive income*
As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present items that would be reclassified to profit or loss in the future separately from those that would never be. Comparative information has been re-presented accordingly.

The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income 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 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)
> 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)

These new standards, amendments and interpretations should not have any material impact on the Group's financial position or performance.

Judgements, 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.

Coal reserves

Economically recoverable coal reserves represent the estimated quantity of product in an area of interest 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 a 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 the recoverability of property, plant and equipment, the carrying amount of mining licences amortised on a unit of production basis and mine closure and restoration provision. The amounts of these assets and provision are set out in Notes 11, 12 and 24.

Restoration and mine closure provisions

Determining the cost of restoration, rehabilitation, and mine closure during mining activities in accordance with the Group's accounting policy q), requires the use of significant estimates and assumptions, including: the appropriate discount rate, the timing of cash flows, the 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 the relevant asset. The provision recognised for each mine is reviewed at each reporting date and updated based on the facts and circumstances available at that time. The carrying value of the provision is set out in Note 24.

Impairment of assets

The recoverable amount of each non financial asset or cash-generating unit ('CGU') is determined as the higher of the value-in-use and fair value less costs to sell, in accordance with the Group's accounting policy l). The 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 the expected life of the relevant area of interest, exchange rates, coal 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 the discount rate, future remuneration changes, changes in benefits, life expectancy, retirement age, the number of employees and the 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

b) Basis of consolidation

(i) Subsidiaries

The financial statements of subsidiaries are included in the consolidated financial 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 applies the book value measurement method to all common control transactions. Differences between the consideration paid and the carrying value of acquired net assets are 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 is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the 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 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 hedge 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 on-going 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.

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 the 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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 the moment the relevant project is complete.

Expenditures on 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 under-surface 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 specific use borrowings or generally use 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 an 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;
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) Licences
Licences represent the coal reserve licences owned by OKD. The coal reserve is an exclusive deposit owned by the Czech Republic and the licences 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 the 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 (discontinued operations)
Emission rights represent the right of the owner of a facility, which in the course of its operation emits greenhouse gases, to emit during the calendar year an equivalent of one tonne of carbon dioxide (CO_2).

Based on the Czech Republic National Allocation Plan covering the period up to 2020, the Group was granted an 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 by 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 technical feasibility and commercial viability of extracting a coal reserve has been determined.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

The cost of merchandise is the acquisition cost on a weighted average basis. The cost of raw materials is the purchase price 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.

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 the income statement and reflected in 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 the 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at 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 on-going 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 mining 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 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 and related by-products, 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) 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 instalments.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

w) Earnings per share

Basic earnings per share amounts are calculated by dividing net result for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net result attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

3 SEGMENT INFORMATION

a) Introduction to segment information

The Group's business is organised into three segments (Coal, Coke (classified as discontinued operations) 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 headquarters costs 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 the MD and concentrates ownership of certain assets, known as Real Estate Assets (buildings, surface construction and land), defined by the DPS. This group of Real Estate Assets was allocated to the RED based on their book values as of 31 December 2007 when the divisional segments were established.

The RED receives an annual fee (the 'CAP') for Real Estate Assets provided by the RED to the MD. The DPS determined the CAP value at EUR 3,600 thousand. The CAP is annually adjusted by inflation and disposals of the Group entities.

MD division

The MD's core activities are mining and processing of coal (Coal segment) and coke production (Coke segment (classified as discontinued operations)). The MD has the right to access and use 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 2013 is presented in the equity of the MD.

EUR thousand	2013	2012
Net book value of leased buildings and construction used by MD	119,246	214,389

The deferred tax assets, liabilities and their impacts on the financial result of the Group related to the Real Estate Assets are divided between the divisions correspondingly to the allocation of the assets.

b) Division and segment accounting policies, measurement and disclosure

The segment and division financial information is based on standalone financial statements of entities, prepared under adopted IFRS, including application of the DPS on the basis of the following policies:

- Sales and all transactions between division and segments are priced on arm's length basis.
- The RED is obliged to provide certain buildings and construction to the MD, if the MD needs such assets for its operating activities. The management considers this relationship between the RED and MD as a finance lease relationship, because the RED provides buildings and construction for remuneration to the 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 a specialised nature that only the 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. The 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 the RED to the MD and RED has deferred revenue for granting the Right. The management determined the original value of the Right as the book value of land at 31 December 2007. Buildings and construction leased from them the RED are disclosed in book value, depreciated by the MD.
- Real Estate Assets used by the MD are presented within assets of the MD; assets not used by the MD are presented in the assets of the 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 the MD for its operating activities any more, the asset is transferred back to the 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. The transfer should therefore include only fully depreciated assets with a zero book value. IAS 16 assumes some residual value of assets which should be equal to their estimated market value at the end of their 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 financial 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 the 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 at EUR 100 thousand in 2008. The limit is subject to adjustment by inflation.
- All Intercompany transactions are eliminated at the appropriate level of segment or division.
- The result of foreign exchange rate hedging operations is presented in Coal and Coke segment revenues within the MD as a correction of sales to third party, and is split between the two segments according to their EUR share in total EUR revenues.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 SEGMENT INFORMATION continued

- 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.

c) Presentation of business segments

Business Segments 2013	Mining division					Real Estate division	Eliminations & adjustments[2]	Group continuing operations total
EUR thousand	Coal segment	Coke segment	Other	Eliminations & adjustments[1]	Mining division total	RED segment		
	Continuing operations	Discontinued operations	Continuing operations		Continuing operations	Continuing operations		
Segment revenues								
Sales to third parties	798,681	160,029	299	(160,029)	**798,980**	**–**	–	**798,980**
Sales to continuing segments	162	30	1,505	(1,697)	**–**	**5,905**	(5,905)	**–**
Sales to discontinued segments	51,476	–	–	–	**51,476**	**–**	–	**51,476**
Total revenues	**850,319**	**160,059**	**1,804**	**(161,726)**	**850,456**	**5,905**	**(5,905)**	**850,456**
Cost of sales	(844,611)	(128,276)	(81)	128,542	**(844,426)**	**(116)**	685	**(843,857)**
Gross profit	**5,708**	**31,783**	**1,723**	**(33,184)**	**6,030**	**5,789**	**(5,220)**	**6,559**
Selling expenses	(86,478)	(20,801)	(18)	20,800	**(86,497)**	**–**	–	**(86,497)**
Administrative expenses	(66,870)	(5,934)	(13,084)	7,335	**(78,553)**	**12**	–	**(78,541)**
Impairment loss on property, plant and equipment	(806,964)	–	–	–	**(806,964)**	**–**	–	**(806,964)**
(Loss) / gain from sale of property, plant and equipment	(194)	33	–	(33)	**(194)**	**(4,802)**	(2,379)	**(7,375)**
Other operating income	3,235	345	–	(344)	**3,236**	**247**	(247)	**3,236**
Other operating expenses	(3,008)	(80)	–	80	**(3,008)**	**(90)**	90	**(3,008)**
OPERATING (LOSS) / INCOME	**(954,571)**	**5,346**	**(11,379)**	**(5,346)**	**(965,950)**	**1,156**	**(7,756)**	**(972,550)**

table continued

Business Segments 2013	Mining division					Real Estate division	Eliminations & adjustments[2]	Group continuing operations total
EUR thousand	Coal segment	Coke segment	Other	Eliminations & adjustments[1]	Mining division total	RED segment		
	Continuing operations	Discontinued operations	Continuing operations		Continuing operations	Continuing operations		
Financial income					**24,457**	**24,316**	(23,353)	**25,420**
Financial expenses					**(117,032)**	**(33,093)**	36,459	**(113,666)**
Loss before tax					**(1,058,525)**	**(7,621)**	5,350	**(1,060,796)**
Income tax benefit / (expense)					**147,162**	**(1,925)**	1,201	**146,438**
LOSS FROM CONTINUING OPERATIONS					**(911,363)**	**(9,546)**	**6,551**	**(914,358)**
Attributable to:								
Non-controlling interests					**–**	**–**	–	**–**
SHAREHOLDERS OF THE COMPANY					**(911,363)**	**(9,546)**	6,551	**(914,358)**
Assets and liabilities at 31 December 2013								
Total segment assets[3]	808,499	–	691,273	(592,473)	**907,299**	**41,188**	(28,551)	**919,936**
Total segment liabilities[3]	918,498	–	892,674	(592,473)	**1,218,699**	**7,886**	(26,551)	**1,200,034**
Other segment information:								
EBITDA	1,266	14,027	(11,316)	(14,027)	**(10,050)**	**5,965**	(5,977)	**(10,062)**
Capital expenditures spent	100,186	8,962	124	(8,962)	**100,310**	**–**	–	**100,310**
Depreciation and amortisation	148,680	8,715	57	(8,715)	**148,737**	**–**	(588)	**148,149**
Interest income	846	–	38,596	(38,045)	**1,397**	**1**	–	**1,398**
Interest income - divisional CAP	–	–	–	–	**–**	**29**	(29)	**–**
Interest expense	39,738	–	61,596	(38,045)	**63,289**	**–**	–	**63,289**
Interest expense - divisional CAP	29	–	–	–	**29**	**–**	(29)	**–**

[1] elimination of discontinued operations and intercompany transactions within the Mining division
[2] elimination of transactions between the divisions (e.g. lease charges, service fees, annual fees for providing real estates, unrealised profit)
[3] the assets and liabilities associated with discontinued operations are presented gross of intra-group balances

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 SEGMENT INFORMATION continued

Business Segments 2012 (restated)	Mining division					Real Estate division	Eliminations & adjustments[2]	Group continuing operations total
EUR thousand	Coal segment	Coke segment	Other	Eliminations & adjustments[1]	Mining division total	RED segment		
	Continuing operations	Discontinued operations	Continuing operations		Continuing operations	Continuing operations		
Segment revenues								
Sales to third parties	1,107,164	192,169	259	(192,169)	**1,107,423**	**–**	–	**1,107,423**
Sales to continuing segments	375	94	1,219	(1,688)	**–**	**776**	(776)	**–**
Sales to discontinued segments	71,122	–	–	–	**71,122**	**–**	–	**71,122**
Total revenues	**1,178,661**	**192,263**	**1,478**	**(193,857)**	**1,178,545**	**776**	**(776)**	**1,178,545**
Cost of sales	(913,208)	(159,053)	(144)	159,224	**(913,181)**	**–**	453	**(912,728)**
Gross profit	**265,453**	**33,210**	**1,334**	**(34,633)**	**265,364**	**776**	**(323)**	**265,817**
Selling expenses	(118,452)	(24,351)	–	24,445	**(118,358)**	**–**	–	**(118,358)**
Administrative expenses	(90,982)	(4,199)	(14,243)	5,536	**(103,888)**	**–**	–	**(103,888)**
Gain recognised on impairment correction	7,308	–	–	–	**7,308**	**130**	–	**7,438**
Gain from sale of property, plant and equipment	59	10	–	(10)	**59**	**36**	–	**95**
Other operating income	2,059	864	624	(872)	**2,675**	**298**	(297)	**2,676**
Other operating expenses	(3,323)	(414)	–	414	**(3,323)**	**(150)**	150	**(3,323)**
SEGMENT OPERATING INCOME / (LOSS)	**62,122**	**5,120**	**(12,285)**	**(5,120)**	**49,837**	**1,090**	**(470)**	**50,457**

table continued

Business Segments 2012 (restated)	Mining division					Real Estate division	Eliminations & adjustments[2]	Group continuing operations total
EUR thousand	Coal segment	Coke segment	Other	Eliminations & adjustments[1]	Mining division total	RED segment		
	Continuing operations	Discontinued operations	Continuing operations		Continuing operations	Continuing operations		
Financial income					**45,034**	**3,826**	(2,817)	**46,043**
Financial expenses					**(96,255)**	**(304)**	3,135	**(93,424)**
Profit before tax					**(1,384)**	**4,612**	(152)	**3,076**
Income tax expense					**(8,987)**	**(859)**	(148)	**(9,994)**
(LOSS) / PROFIT FROM CONTINUING OPERATIONS					**(10,371)**	**3,753**	**(300)**	**(6,918)**
Attributable to:								
Non-controlling interests					**109**	**–**	–	**109**
SHAREHOLDERS OF THE COMPANY					**(10,480)**	**3,753**	(300)	**(7,027)**
Assets and liabilities at 31 December 2012								
Total segment assets	1,860,616	213,241	813,687	(701,394)	**2,186,150**	**29,597**	(14,487)	**2,201,260**
Total segment liabilities	1,097,617	164,920	881,705	(701,394)	**1,442,848**	**14,646**	(14,487)	**1,443,007**
Other segment information:								
EBITDA	222,249	12,172	(12,081)	(12,172)	**210,168**	**938**	(938)	**210,168**
Capital expenditures spent	223,088	7,898	13	(7,898)	**223,101**	**–**	–	**223,101**
Depreciation and amortisation	167,493	7,062	204	(7,062)	**167,697**	**–**	(453)	**167,244**
Interest income	2,223	–	35,419	(34,173)	**3,469**	**11**	–	**3,480**
Interest income - divisional CAP	–	–	–	–	**–**	**3,293**	(3,293)	**–**
Interest expense	36,942	–	62,898	(34,173)	**65,667**	**–**	–	**65,667**
Interest expense - divisional CAP	3,293	–	–	–	**3,293**	**–**	(3,293)	**–**

[1] elimination of discontinued operations and intercompany transactions within the Mining division
[2] elimination of transactions between the divisions (e.g. lease charges, service fees, annual fees for providing real estates, unrealised profit)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 thousand	2013	2012	2013	2012
Non-current assets	598,565	1,632,605	8,951	19,496
Right to use land	8,951	13,196	–	–
Current assets	299,783	540,349	32,237	10,101
TOTAL ASSETS	**907,299**	**2,186,150**	**41,188**	**29,597**
Equity attributable to shareholders	(311,400)	743,302	33,302	14,951
TOTAL EQUITY	(311,400)	743,302	33,302	14,951
Non-current liabilities	1,023,517	1,204,336	6,507	12,566
Current liabilities	195,182	238,512	1,379	2,080
TOTAL LIABILITIES	1,218,699	1,442,848	7,886	14,646
TOTAL EQUITY AND LIABILITIES	**907,299**	**2,186,150**	**41,188**	**29,597**

Non-current assets of the RED include land amounting to EUR 8,951 thousand (2012: EUR 19,217 thousand). Current assets of the RED include cash and cash equivalents of EUR 13,538 thousand (2012: EUR 10,101 thousand).

e) Geographical information

Revenue by location of customer:

EUR thousand	2013	2012 (restated)
Czech Republic	418,285	532,600
Austria	157,488	218,743
Poland	125,228	151,216
Slovakia	100,816	201,379
Germany	31,306	2,307
Hungary	15,416	48,925
Sweden	1,721	13,236
Bosnia and Herzegovina	180	9,616
Other	16	523
Consolidated revenues total	**850,456**	**1,178,545**

Non-current assets consisting of property, plant and equipment and mining licences and capital expenditures spent per country based on the physical location of the non-current assets:

	2013	2012	2013	2012 (restated)
EUR thousand	Non-current assets		Capital expenditures spent	
Czech Republic	527,012	1,605,576	97,845	216,806
Poland	6,608	13,967	2,341	6,282
The Netherlands	18	47	5	13
Great Britain	99	–	119	–
	533,737	**1,619,590**	**100,310**	**223,101**

f) Significant customers of the Group

The Group has a stable key customer base and revenues of EUR 480,747 thousand were generated from trading with five significant customers (2012: EUR 661,101 thousand).

	2013	2012 (restated)
EUR thousand	Coal segment	Coal segment
Customer A	129,696	178,875
Customer B	100,549	198,668
Customer C	91,095	124,993
Customer D	82,672	74,963
Customer E	76,735	83,602
	480,747	**661,101**

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

EUR thousand	2013	2012 (restated)
Sales of own products and merchandise	833,635	1,157,142
Services rendered	16,821	21,403
	850,456	**1,178,545**

4 EXPENSES BY NATURE

EUR thousand	Note	2013	2012 (restated)
Change in inventories of finished goods and work-in-progress		(59,280)	50,686
Consumption of material and energy		(258,194)	(308,654)
Service expenses		(250,650)	(322,610)
Personnel expenses	5	(283,007)	(359,713)
Depreciation and amortisation	11	(148,149)	(167,244)
Other operating expenses, net		(12,623)	(30,762)
Total cost of sales, selling, administrative and other operating expenses		**(1,011,903)**	**(1,138,297)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 PERSONNEL EXPENSES

EUR thousand	Note	2013	2012 (restated)
Wages and salaries		221,935	241,244
Social insurance costs		70,364	77,810
Social security and other payroll costs		18,295	21,741
Share based payments	26	590	6,752
Net benefit (credit) / expense	25	(27,237)	14,001
Total personnel expenses		283,947	361,548
Less own work capitalised		(940)	(1,835)
		283,007	**359,713**
Average number of employees		12,607	13,324

6 FINANCIAL INCOME AND EXPENSES

EUR thousand	2013	2012 (restated)
Financial income comprise:		
Realised and unrealised foreign exchange gains	20,517	22,602
Profit on derivative instruments	2,548	19,762
Bank and other interest received	1,398	3,586
Other	957	93
	25,420	**46,043**

EUR thousand	2013	2012 (restated)
Financial expenses comprise:		
Bonds interest expense	56,875	56,540
Realised and unrealised foreign exchange losses	36,676	20,520
Loss on bond redemption	8,116	–
Loss on derivative instruments	4,752	6,673
Bank interest expense	3,932	4,495
Other interest expense	2,490	4,583
Other	825	613
	113,666	**93,424**

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 DISCONTINUED OPERATIONS

On 6 December 2013, the Group completed the sale of its entire Coke segment, represented by OKK, following a strategic decision to focus on mining business.

The Coke segment was not previously classified as discontinued operations in 2012 financial statements and the comparative consolidated statement of comprehensive income has been restated to show the discontinued operations separately from continuing operations.

a) Result of discontinued operations

EUR thousand	2013	2012 (restated)
Revenues	160,059	192,263
Cost of sales	(125,138)	(158,835)
Gross profit	34,921	33,428
Selling expenses	(20,801)	(24,351)
Administrative expenses	(3,755)	(4,109)
Other operating income	917	835
Other operating expenses	(170)	(119)
Operating income	11,112	5,684
Financial income	382	188
Financial expense	(357)	(252)
Profit before tax	11,137	5,620
Income tax (expense) / benefit	(2,400)	49
Profit from operating activities	**8,737**	**5,669**
Loss on disposal of discontinued operations	(74,680)	–
FX translation differences relating to discontinued operations and reclassified to profit or loss	10,030	–
Loss on disposal of discontinued operations, total	**(64,650)**	**–**
(Loss) / profit from discontinued operations	**(55,913)**	**5,669**

b) Cash flows from discontinued operations

EUR thousand	2013	2012
Net cash flows from operating activities	19,122	9,333
Net cash flows from investing activities	(8,503)	(7,882)
Net cash flows from discontinued operations	**10,619**	**1,451**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 DISCONTINUED OPERATIONS continued

c) Effect of disposal on the financial position of the Group

EUR thousand	2013
Property, plant and equipment	(114,483)
Deferred tax asset	(9,810)
Inventories	(44,274)
Trade and other receivables	(10,630)
Cash and cash equivalents	(2,082)
Employee benefits	1,237
Deferred revenue	1,288
Cash-settled share-based payments	101
Trade and other payables	11,444
Net assets	**(167,209)**
Consideration received, net of costs incurred	92,529
Cash and cash equivalents disposed of	(2,082)
Net cash inflow from investing activities	**90,447**
Of which paid on escrow account (increase in restricted cash)	(7,000)
Net cash inflow	**83,447**

The Group intends to use the net proceeds to reinvest in its core business over the 12 months following completion. Specifically, the Group intends to reinvest the net proceeds in non-current assets (capital expenditure) for use in the existing coal mining operations of the Group, such as mining equipment, vertical and horizontal mine development and mine expansion projects. By applying the net proceeds to non-current assets, this will free up other funds available to the Group that would otherwise have been applied to non-current assets during this period.

8 INCOME TAX AND DEFERRED TAX

The corporate income tax in 2013 and 2012 is calculated in accordance with the 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 entity 19%). The Group applies a tax rate of 19% for an effective tax rate reconciliation due to the fact the Group, at present, pays income tax only in Czech Republic, through OKD.

The Company and NWR NV (together a fiscal unity for tax purposes and a Dutch tax resident) suffered fiscal losses in this and previous periods, and consequently, no corporate income tax is due in the Netherlands. No deferred tax asset was recognised, as it is not probable that future taxable profit will be available to utilise the benefits from the deferred tax asset.

Components of income tax (benefit) / expense

EUR thousand	2013	2012 (restated)
Income statement:		
Current tax expense	6,934	18,028
Deferred tax benefit	(153,372)	(8,034)
Income tax (benefit) / expense	**(146,438)**	**9,994**

Reconciliation of the statutory and effective tax rate

EUR thousand	2013	2012 (restated)
(Loss) / profit from continuing operations before tax	**(1,060,796)**	**3,076**
Tax at the applicable rate of 19%	**(201,551)**	**584**
Tax effect of:		
– Non-deductible expense	5,067	5,417
– Other tax allowable credits	(5)	(1,186)
– Change in unrecognised deferred tax asset	57,546	6,102
Effect of the applicable tax rates other than 19% in other jurisdictions	(7,230)	(1,026)
Prior period income tax adjustment	(265)	103
Tax expense	**(146,438)**	**9,994**
Effective tax rate	14%	325%

Tax expense / (benefit) from continuing operations excludes the incom tax expense from discontinued operations of EUR 2,400 thousand (2012: income tax benefit of EUR 49 thousand), which is included in (loss) / profit from discontinued operations (see Note 7).

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

EUR thousand	2013	2012
Deferred tax asset:		
At 1 January	**32,925**	**31,996**
Deferred tax charge for the period	24,093	120
Disposal of subsidiary	(10,024)	-
Currency translation	(3,061)	809
At 31 December	**43,933**	**32,925**
Deferred tax liability:		
At 1 January	132,727	139,081
Deferred income tax related to items charged or credited directly to equity:		
– Net loss on revaluation of cash flow hedges	(1,982)	(1,861)
Deferred tax charge for the period	(126,511)	(7,963)
Currency translation	(4,234)	3,470
At 31 December	**–**	**132,727**
Deferred tax asset / (liability), net	**43,933**	**(99,802)**
Out of which presented in balance sheet:		
Deferred tax asset	**44,747**	**11,262**
Deferred tax liability	**814**	**111,064**

Deferred tax is presented in the balance sheet based to the extent that the Group is legally able to net the liability and asset, relating to each taxable entity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 INCOME TAX AND DEFERRED TAX continued

During the year ended 31 December 2013, the Group recognised an impairment loss of EUR 806,964 thousand (refer to Note 11), which gave rise to the recognition, to the extent it is recoverable, of deferred tax asset in relation to property, plant and equipment of EUR 122,978 thousand.

Deferred tax analysed by the type of temporary difference:

EUR thousand	2013	2012
Deferred tax asset relates to the following:		
Property, plant and equipment	13,862	–
Allowances, adjustments and provisions	5,746	9,381
Employee benefits	9,193	17,317
Tax losses carried forward	15,132	6,227
Deferred tax asset	**43,933**	**32,925**
Deferred tax liability relates to the following:		
Property, plant and equipment	–	130,679
Derivatives	–	2,048
Deferred tax liability	**–**	**132,727**

Tax losses to be carried forward and offset against future taxable income are available at the Company, NWR NV, OKD and NWR KARBONIA. Non recognised deferred tax asset in relation to tax losses amounts to EUR 101,080 thousand at the Company and NWR NV, EUR 9,437 thousand at OKD and EUR 1,838 thousand at NWR KARBONIA as of 31 December 2013 (2012: EUR 84,479 thousand at the Company and NWR NV, EUR 1,038 thousand at NWR KARBONIA). No deferred tax asset is recognised by the Company and NWR NV, 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

	2013		
EUR thousand	Before tax	Tax benefit	After tax
Foreign currency translation differences	(58,697)	6,880	(51,817)
Foreign currency on sale of subsidiary	(10,030)	–	(10,030)
Derivatives – net change in fair value of cash flow hedges	(2,412)	–	(2,412)
Derivatives – fair value of cash flow hedges reclassified to profit and loss	(7,462)	2,047	(5,415)
	(78,601)	**8,927**	**(69,674)**

	2012		
EUR thousand	Before tax	Tax (expense) / benefit	After tax
Foreign currency translation differences	30,295	(1,248)	29,047
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
	38,217	**613**	**38,830**

9 DIVIDENDS

Dividends in 2013:
No dividends were declared or paid during 2013 to either A or B shareholders.

Dividends in 2012:
The Group paid an A share dividend totalling EUR 34,450 thousand for the year, consisting of a final dividend of EUR 0.07 per share in respect of the year ended 31 December 2011 and an interim dividend of EUR 0.06 per share for the half-year ended 30 June 2012. Of these amounts, EUR 81 thousand was paid to non-controlling interests, including payment of a dividend of EUR 6 thousand to non-controlling interests as part of the squeeze out process finalisation. No dividend was paid to B shareholders.

10 RELATED PARTY DISCLOSURE

During the year the Group had transactions in the normal course of operations with related parties. This includes transactions with the ultimate parent company (see Note 1b), entities under common control, shareholders and key management personnel of the Group, 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 2013 these persons comprised on average three Executive Directors and ten Non-Executive Directors. (2012: three Executive Directors, nine Non-Executive Directors and the Chief Operating Officer).

Key management personnel compensation comprised the following:

EUR thousand	2013	2012
Short-term employee benefits	2,377	5,165
Termination benefits	346	–
Share-based payments	395	2,939
	3,118	**8,104**

Other related party transactions

Sales to related parties comprised:

EUR thousand	2013	2012
Entities under common control:		
Sales of methane	7,002	7,942
Sales of sludge, coke and other products	1,183	2,659
Other	256	377
	8,441	**10,978**

Receivables arising from these transactions were EUR 1,630 thousand (2012: EUR 2,720 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 RELATED PARTY DISCLOSURE continued

Purchases from related parties comprised:

EUR thousand	2013	2012
Entities under common control:		
Transport services	101,314	122,474
Drilling works	6,156	8,072
Restoration services	4,535	4,309
Nitrogen delivery and related services	3,045	3,307
Rent and related services	2,916	1,558
Other	93	1,964
	118,059	**141,684**
Entities related to key management personnel:		
Advisory services	205	300
	118,264	**141,984**

Payables arising from these transactions were EUR 20,474 thousand (2012: EUR 17,659 thousand), of which EUR nil (2012: EUR 50 thousand) is due to entities related to key management personnel.

11 PROPERTY, PLANT AND EQUIPMENT

EUR thousand	Land and buildings	Plant and equipment	Other assets	Construction in progress	Total
Cost					
At 1 January 2013	1,355,203	1,185,844	26,467	197,449	2,764,963
Additions	17,009	34,322	2,637	25,842	79,810
Disposals	(24,070)	(19,128)	(307)	(1,305)	(44,810)
Disposal of discontinued operations	(69,194)	(114,976)	(404)	(4,394)	(188,968)
Transfers	88,645	39,201	–	(127,846)	–
Restoration and mine closure costs	8,907	–	–	–	8,907
Currency translation	(116,345)	(101,314)	(1,807)	(9,726)	(229,192)
At 31 December 2013	1,260,155	1,023,949	26,586	80,020	2,390,710
Accumulated depreciation and impairment losses					
At 1 January 2013	731,856	541,240	12,263	3,034	1,288,393
Depreciation	66,147	78,706	3,317	–	148,170
Impairment loss	331,965	327,122	3,201	9,594	671,882
Disposals	(11,933)	(19,492)	(44)	–	(31,469)
Disposal of discontinued operations	(30,311)	(43,980)	(194)	–	(74,485)
Transfers	2,075	22	–	2,097	–
Currency translation	(79,412)	(64,539)	(1,089)	(478)	(145,518)
At 31 December 2013	1,010,387	819,079	17,454	10,053	1,856,973
Net book value at 1 January 2013	623,347	644,604	14,204	194,415	1,476,570
Net book value at 31 December 2013	**249,768**	**204,870**	**9,132**	**69,967**	**533,737**

The Group identified assets financed through generally borrowed funds as qualifying assets for capitalisation of borrowing costs. Borrowing costs of EUR 8,172 thousand were capitalised in 2013 (2012: EUR 4,926 thousand). The borrowing costs were determined using the average capitalisation rate of 8.180 per cent (2012: 7.647 per cent).

During the year ended 31 December 2013 OKD received a grant of EUR nil (2012: EUR 600 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. Acquisition costs of buildings, plant and equipment were reduced by this amount in line with accounting policy s)(ii).

Impairment

Due to reduced long term price expectations for the Group's products, the Group undertook a re-assessment of its mine plan, which accordingly led to a re-assessment of its reserves and thus recoverable amount (per 30 June 2013 and 31 December 2013) of its continuing cash generating units ('CGUs'). As a result, an impairment loss of EUR 806,964 thousand (2012: EUR nil) has been recognised. The impairment loss related entirely to the coal segment. This includes EUR 142,003 thousand in respect of Paskov mine and EUR 9,176 thousand in relation to the Dębieńsko development project with the balance relating to the coal business generally. Out of the total impairment loss, EUR 135,082 thousand was allocated to the mining licence (see Note 12).

The recoverable amount of the CGUs was based on value in use. Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the CGUs. Value in use as at 31 December 2013 was based on the following key assumptions:

> cash flows were forecast based on past experience, actual operating results, the approved budget and the long term business plan. Cash flows for the years up to the end of the life of mines for the Coal segment were extrapolated using on a declining basis (reflecting decreasing production towards the end of the life of the mines);
> short term revenue forecast was based on agreed prices for the first quarter of 2014. The anticipated annual revenue movement included in the cash flow projects ranged from (9 per cent) to 8 per cent for the years 2014 to 2018 and are based on the average of a range of publicly available data (market consensus);
> a pre-tax discount rate of 11.73 per cent (2012: 10.60 per cent) was applied in determining the recoverable amount of the group of CGUs. The discount rate was estimated based on an industry average weighted-average cost of capital adjusted for the specific risks of each CGU; and
> anticipated cash mining unit costs of EUR 65 per tonne in 2014, decreasing to EUR 60 per tonne in 2015 and thereafter.

The impairment charges are particularly sensitive to the discount rate applied, the forecast sales prices of the Group's products and operating expenses. With all other parameters constant a 1.50 per cent increase in the discount rate would give rise to an additional impairment loss of EUR 38 million; a 2.50 per cent increase in the discount rate would give rise to an additional impairment loss of EUR 61 million; a 5 per cent reduction in sales prices would give rise to an additional impairment loss of EUR 144 million and a EUR 5 per tonne increase in operating expenses would give rise to an additional impairment loss of EUR 164 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT continued

EUR thousand	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	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**

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 mining site.

12 MINING LICENCES

EUR thousand	Cost	Accumulated amortisation	Net book value
At 1 January 2013	222,351	(79,331)	143,020
Amortisation	–	(3,376)	(3,376)
Impairment loss	–	(135,082)	(135,082)
Currency translation	(18,452)	13,890	(4,562)
At 31 December 2013	**203,899**	**(203,899)**	**–**
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**

The Group was granted a mining licence for 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.

Out of the total impairment loss of EUR 806,964 thousand (see Note 11), EUR 135,082 thousand was allocated to the mining licence.

13 LONG-TERM RECEIVABLES

EUR thousand	2013	2012
Trade receivables	44	68
Long-term advances granted	1	22
Other	5,724	7,859
	5,769	**7,949**

Other long-term receivables include an amount of EUR 5,650 thousand (2012: EUR 7,857 thousand) which represents the security deposits under bank collateral agreements that secure OKD´s open interest rate swap derivatives. The amount of deposit required is dependant on the value of the derivatives. The collateral agreements were entered into in connection with the repayment of Senior Secured Facilities with Citibank and Barclays bank which expire as the derivative contracts mature through to 2016.

14 RESTRICTED DEPOSITS/CASH

As of 31 December 2013 and 31 December 2012, the Company had long-term restricted deposits (consisting of cash and investment in liquid government bonds) of EUR 23,742 thousand and EUR 13,300 thousand, respectively, in relation to mining damage and restoration expenditures. The amount of restricted deposits corresponds to the mining and restoration provision recognised 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 2013, the Company had short-term restricted cash of EUR 7,000 thousand (31 December 2012: EUR nil thousand). On 6 December 2013, the Group completed the sale of OKK for gross proceeds of EUR 95,000 thousand, of which EUR 88,000 thousand was received on the date of sale, with the remaining EUR 7,000 thousand paid into an escrow account to cover potential claims, if any, from the purchaser under the OKK Share Purchase Agreement. On 6 March 2014 the period for which the purchaser could make a claim lapsed and EUR 7,000 thousand was released in full.

15 INVENTORIES

EUR thousand	2013	2012
Raw materials and spare parts	12,013	28,124
Finished goods	17,069	81,003
Work-in-progress and semi-finished goods	599	42,206
	29,681	**151,333**

The inventories are disclosed net of provisions for slow-moving and obsolete inventories of EUR 673 thousand (2012: EUR 4,448 thousand). Provisions are included within cost of sales and selling expenses in profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16 ACCOUNTS RECEIVABLE AND PREPAYMENTS

EUR thousand	2013	2012
Trade receivables	73,735	111,424
Other receivables, accrued income	8,880	6,229
VAT and other tax receivables	5,285	8,405
	87,900	**126,058**
Other advance payments	150	1,371
Prepayments and accrued revenue	1,302	2,617
	89,352	**130,046**

Trade receivables are non-interest bearing and are generally on 20 to 45 day terms. Total receivables are stated net of provisions for impairment, which amounted to EUR 590 thousand as of 31 December 2013 (2012: EUR 600 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 2013 and 31 December 2012, 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 thousand	Neither past due nor impaired	< 30 days	31–90 days	> 90 days	Total
31 December 2013	85,498	2,040	117	245	87,900
31 December 2012	122,170	3,643	6	239	126,058

17 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Risk management

The Group's principal financial liabilities, other than derivatives, comprise bank loans and overdrafts, high yield bonds, trade payables, cash-settled share-based payments payable and leasing contracts. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, cash, restricted 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 summarised below.

The Group enters into derivative transactions, primarily interest rate swaps, interest rate collars and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

It is the Group's policy, and has been throughout 2013 and 2012, that no speculative trading in derivatives shall be undertaken.

> Credit Risk

Credit risk arises from the potential inability of debtors to meet their obligations as they fall due. Credit risk is addressed by top management and related departments by efficient sales operations to prevent excessive bad debts. At the balance sheet date there are concentrations of credit risk to steel producers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant (see Note 16). For OKD, representing the main part of the Group's receivables, the Chief Commercial Officer is responsible for the customer management database, systematic monitoring of customers, their ratings and corresponding risks.

With respect to credit risk arising from other financial assets of the Group, which comprise 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 2013 and 31 December 2012 (see Note 16).

> 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 of a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of its financial investments, financial assets (e.g. accounts receivable, 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 summarises the contractual maturity profile of the Group's financial liabilities at 31 December 2013 and 31 December 2012 based on undiscounted payments including interest.

EUR thousand	< 1 year	1 to 5 years	> 5 years	Total
At 31 December 2013				
Loans	15,921	37,941	–	53,862
Bonds issued	61,031	776,094	307,484	1,114,609
Other long-term liabilities	–	526	–	526
Accounts payable and accruals	141,496	–	–	141,496
Interest rate swaps	1,734	6,081	–	7,815
Interest rate collars	–	222	–	222
Cash-settled share-based payments	–	1,279	–	1,279
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	204,830	–	–	204,830
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	2,018	–	2,539

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

At the present market prices for coal, the Group is currently cash flow negative. The current low coal price environment has placed significant pressure on the Group's liquidity position.

The Group has instituted a number of measures to improve its liquidity position, through a combination of:

> operational measures (operational expenses savings, capital expenditure savings, working capital optimisation);
> the potential closure of the Paskov mine (in September 2013, the Group announced the closure of the Paskov mine which will initially absorb cash and place greater pressure on the Group's liquidity position, though it will eventually eliminate a drain on the retained Group's cash resources);
> disposal of discontinued operations.

For more information and 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".

> 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 for monitoring these risks as detailed for each risk below.

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 2013 approximately 40% of the OKD' sales (2012: 38 per cent) were denominated in currencies other than its functional currency, whilst most of its costs were denominated in the functional currency.

The Group aimed to mitigate foreign currency exposure risks by entering into forward exchange rate contracts with financial institutions. In 2013 and 2012 the Group entered into foreign exchange forward contracts to hedge the EUR denominated revenues of OKD (which has CZK as its functional currency). Hedging was managed at the Group level as part of the centralised treasury functions. The aim was to minimise earnings volatility for the Group resulting from movements in foreign exchange rates. The Group's policy was to cover up to 70 per cent of its currency exposure during 2012 and 2013. However, at the end of 2013, this policy was revised and the Group no longer aims to mitigate this risk.

It was the Group's policy to align the terms of the derivatives and the item at risk to maximise effectiveness of the derivative as a hedge of the foreign currency risk. In 2013 and 2012 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. All forward exchange rate contracts were concluded by the end of 2013.

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:

	31 December 2013			31 December 2012		
EUR thousand	EUR denominated	CZK denominated	Total	EUR denominated	CZK denominated	Total
Cash & bank balances	23,325	1,155	24,480	30,759	22,664	53,423
Accounts receivable[1]	30,867	10,104	40,971	38,287	185,193	223,480
Accounts payable[1]	(199,497)	(4,865)	(204,362)	(94,776)	(1,203)	(95,979)
Gross balance sheet exposure	**(145,305)**	**6,394**	**(138,911)**	**(25,730)**	**206,654**	**180,924**

[1] Including intercompany balances and intercompany loans.

The following table demonstrates the sensitivity of a strengthening (i.e. appreciation) of CZK to EUR by 1 per cent (the Group´s estimate of a reasonably possible change over the following 12 months), with all other variables unchanged, on the Group's profit after tax (due to changes in the fair value of monetary assets and liabilities and derivatives).

	2013			2012		
EUR thousand	EUR denominated	CZK denominated	Total	EUR denominated	CZK denominated	Total
Appreciation of CZK against EUR by 1%						
Effect on profit after tax / equity	**1,177**	**64**	**1,241**	**208**	**2,067**	**2,275**

The appreciation of the CZK against the EUR by 1 per cent, with all other variables unchanged would result in profit after tax / equity of EUR 1,241 thousand (2012: EUR 2,275 thousand).

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

Fair value of derivative instruments	2013		2012	
EUR thousand	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	–	–	760	1,884
of which short-term part	–	–	760	1,884
of which long-term part	–	–	–	–

Nominal value of derivative instruments	2013		2012	
EUR thousand	Czech crown denominated contracts	Polish zloty denominated contracts	Czech crown denominated contracts	Polish zloty denominated contracts
Forward exchange contracts	–	–	171,000	28,500

The Company concluded forward exchange contracts in the total nominal value of CZK 6,848,995 thousand (EUR 271,500 thousand) and PLN 24,360 thousand (EUR 6,000 thousand) throughout 2013.

In 2013 and 2012, 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 nil as of 31 December 2013 (2012: EUR 7,825 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 2013 was EUR 1,897 thousand (2012: EUR (4,526) thousand).

b) Interest rate risk

The Group aims to minimise its 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. The 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 2013, 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.

Exposure to the interest rate risk of floating rate bank loans is presented by way of sensitivity analysis. This sensitivity analysis shows the effects of changes in market interest rates on the Group's result after tax as if market interest rates had been 0.25 per cent higher respectively lower over the whole period from 1 January 2013 to 31 December 2013 with all other variables held unchanged. The interest rate sensitivity analysis is calculated from all loans, all cash at bank and all interest rates swap contracts and interest rate collar contracts. The hypothetical effect on the result after tax is equal to EUR 577 thousand and EUR (577) thousand respectively.

The 7.875% Senior Secured Notes due 2018 and the 7.875% Senior Notes due 2021 (collectively referred to as 'bonds') bear a fixed interest rate and are stated at amortised cost. Consequently 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

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

Fair value of derivative instruments	31 December 2013	31 December 2012
EUR thousand	Liabilities	Liabilities
Interest rates swap contracts	7,815	12,882
Interest rates collar contracts	222	323
	8,037	**13,205**
of which short-term part	1,734	2,807
of which long-term part	6,303	10,398
	8,037	**13,205**

Nominal value of derivative instruments	31 December 2013		31 December 2012	
EUR thousand	Czech crown denominate dcontracts	Euro denominated contracts	Czech crown denominated contracts	Euro denominated contracts
Interest rates swap contracts	–	110,019	35,253	180,423
Interest rates collar contracts	3,850	–	4,305	–
	3,850	**110,019**	**39,558**	**180,423**

The 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 maximise shareholder's value. All this is done in order to safeguard the business as a going concern.

The Group defines its total capital as total equity plus net debt and it amounted to EUR 345,260 thousand at 31 December 2013 (2012: EUR 1,309,232 thousand).

The Group manages its capital structure and makes adjustments to it, in the 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.

The Group 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. Refer to Note 30 on any restriction to pay dividends.

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 2013.

In view of the continued pressure on both coking and thermal coal prices; the expected negative impact of the current coal price outlook on NWR's coal reserves; and the expiry of the Company's Revolving Credit Facility ('RCF') the Board initiated a review of NWR's capital structure on 22 January 2014. The Company will consider all available options to ensure an appropriate capital structure that can support the continuation of the business going forward (see Note 2a).

The Group includes within the net debt interest bearing short-term and long-term loans and borrowings and issued bonds, less cash and cash equivalents. 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 thousand	2013	2012
Interest-bearing loans and borrowings		
Bonds issued	760,870	741,805
Long-term loans	34,598	62,333
Current portion of long-term loans	13,555	13,852
	809,023	817,990
Less Cash and cash equivalents	183,665	267,011
Net debt	625,358	550,979
(Loss) / profit before tax from continuing and discontinued operations	(1,114,309)	8,696
Net financial expenses	88,221	47,445
Loss on disposal of discontinued operations	64,650	–
Loss / (gain) from sale of property, plant and equipment	7,050	(105)
Depreciation and amortisation	151,546	173,997
Impairment loss on property, plant and equipment	806,964	–
Gain recognised on impairment correction	–	(7,438)
EBITDA	4,122	222,595
Gearing ratio	**151.75**	**2.48**

The gearing ratio for the year ended 31 December 2013 and 31 December 2012 is calculated on an annual basis. NWR NV is subject to certain financial covenants under its Export Credit Agency loan and the Revolving Credit Facility loan (expired on 7 February 2014), testing of which is suspended for the period from 1 January 2013 until 30 September 2014 (for more information see Note 20).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

Fair value

Fair value is defined as the amount at which an 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 (The long term loans were renegotiated on 17 December 2013 (see note 20) and accordingly the carrying value at the point of renegotiation of the facility was its fair value and consequently as at 31 December 2013, the carrying value is deemed to approximate the fair value).
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.

The carrying amounts and estimated fair values of financial assets and liabilities at 31 December 2013 and 31 December 2012 are as follows:

	2013	2012
EUR thousand	Carrying Value	Carrying Value
Financial assets:		
Fair value through profit or loss		
Forward exchange contracts	–	760
Loans and receivables		
Long-term receivables [Fair value 2013: 5,760 (2012: 7,942)]	5,769	7,949
Accounts receivable and prepayments	89,352	130,046
Available for sale		
Restricted deposits	30,742	13,300
Cash and cash equivalents	183,665	267,011
Total	**309,528**	**419,066**
Financial liabilities:		
Fair value through profit or loss		
Interest rate swaps	7,815	12,882
Interest rate collars	222	323
Forward exchange contracts	–	981
Forward exchange contracts, designated as hedges	–	903
Other		
Long-term loans	34,598	62,333
Bonds issued [Fair value 2013: 492,845 (2012: 778,005)]	777,418	750,742
Other long-term liabilities	526	979
Accounts payable and accruals	141,496	204,830
Current portion of long-term loans	13,555	13,852
Cash-settled share-based payments	1,279	2,539
Total	**976,909**	**1,050,364**

Except where noted, carrying amounts equal fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

Fair value hierarchy

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

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

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

EUR thousand	31 December 2013		31 December 2012	
Fair value of derivative instruments	Assets Level 2	Liabilities Level 2	Assets Level 2	Liabilities Level 2
Interest rates swap contracts	–	7,815	–	12,882
Interest rates collar contracts	–	222	–	323
Forward foreign exchange contracts	–	–	760	1,884
	–	**8,037**	**760**	**15,089**

18 CASH AND CASH EQUIVALENTS

EUR thousand	2013	2012
Cash in bank	183,537	266,870
Cash on hand and cash in transit	128	141
	183,665	**267,011**

Cash at the bank earns interest at floating rates based on daily bank deposit rates. Certain bank accounts are used for cash pooling. Short-term deposits are made for varying periods, typically one or two weeks or one month, depending on the immediate cash requirements of the Group, and earn interest at short-term deposit rates.

19 ACCOUNTS PAYABLE AND ACCRUALS

EUR thousand	2013	2012
Trade payables	83,428	135,775
Wages and salaries payable	16,555	20,264
Social and health insurance payable	11,393	8,856
VAT and other tax payable	6,945	5,776
Other payables and accruals	23,175	34,159
	141,496	**204,830**

20 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

EUR thousand	Currency	Effective interest rate	Maturity	2013	2012
Export Credit Agency loan ('ECA Facility')	EUR	EURIBOR+1.65%	2010-2017	48,153	76,185
Total long-term loans				**48,153**	**76,185**
In nominal value				49,863	78,356
of which current portion				13,555	13,852
of which long-term portion				**34,598**	**62,333**

The Group concluded the ECA Facility in August 2009. The funds available under the ECA Facility were used for financing the POP 2010 capital investment programme.

The Group is subject to certain financial covenants under the ECA Facility. On 4 April 2013 and 17 December 2013, NWR NV agreed with its lenders to suspend and re-set certain financial covenants as follows:

> covenant testing is suspended for the period from 1 January 2013 until 30 September 2014;
> in addition to the above suspension and re-set, the conditions that NWR NV needs to comply with under the current ECA Facility waiver include: amendments to the scheduled debt service requiring certain prepayments; a minimum cash balance requirement of EUR 80 million (tested at the end of each quarter); limitations on dividend payments; financial reporting obligations; and limitations on incurring additional senior debt.

The Facility expires on 31 December 2017.

Further information about the Company's liquidity position and capital structure review is described in Note 2 within Going concern basis of accounting.

Short-term bank loan

EUR thousand	Currency	Effective interest rate	Maturity	2013	2012
Revolving Credit Facility loan (RCF')	EUR	EURIBOR, PRIBOR+1.0–1.3%	2014	–	–
Total short-term loans				**–**	**–**

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 undrawn as at 31 December 2013 and expired on 7 February 2014.

21 BONDS ISSUED

a) Senior Notes due 2015

The Senior Notes due 2015 were repaid on 22 February 2013 for 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. The Senior Notes due 2015 were delisted from the Global Exchange Market of the Irish Stock Exchange.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21 BONDS ISSUED continued

b) 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 per cent. The net proceeds of the offering together with approximately EUR 181 million cash were used to repay in full the outstanding amounts under the Senior Secured Facilities, accrued interest and fees.

On 18 May 2010, 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 per cent. Effective interest rate is 8.656 per cent.

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

c) Senior Notes due 2021

On 23 January 2013, NWR NV issued EUR 275 million Senior Notes due 2021. 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 per cent 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.

22 SHARE CAPITAL AND RESERVES

Share capital and share premium

The Company's share capital is divided into A shares and B shares in order to reflect the existence of two divisions which act as separate accounting and reporting units: the Mining Division and the Real Estate Division (see Note 3). The rights and obligations attaching to the A shares and B shares, and other provisions related to them, are derived from the Articles of Association of the Company, subject to the limitations of the Divisional Policy Statements and applicable law.

The A Shares are designed to track the performance, and represent the economic value, of the Mining Division and the B Shares are designed to track the performance, and represent the economic value, of the Real Estate Division. Holders of the A Shares are not entitled to receive any dividends, liquidation proceeds or other distributions which relate to the Real Estate Division and holders of B Shares are not entitled to dividends, liquidation proceeds or other distributions which relate to the Mining Division.

The following table tracks the number and nominal value of the share capital of the Company.

Issued and fully paid up share capital	Number of shares		Aggregate nominal value (EUR thousand)	
	2013	2012	2013	2012
A ordinary shares				
At 1 January	264,648,002	264,380,983	105,859	105,752
Share options exercised	–	267,019	–	107
At 31 December	**264,648,002**	**264,648,002**	**105,859**	**105,859**
B ordinary shares				
At 1 January	10,000	10,000	4	4
At 31 December	**10,000**	**10,000**	**4**	**4**
Total share capital	**264,658,002**	**264,658,002**	**105,863**	**105,863**

No transaction occurred during the year ended 31 December 2013 that would impact the share premium.

Nature and purpose of reserves

Restricted reserve

In accordance with regulations in the Czech Republic, joint stock companies ("a.s.") are required to establish an undistributable statutory reserve for contingencies against possible future losses and other events. Contributions must be at a minimum of 20 per cent of after-tax profit in the first year in which profits are made and 5 per cent of after-tax profit each year thereafter, until the fund reaches at least 20 per cent of share capital. The fund can only be used to offset losses.

Foreign exchange translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations from their functional currency to the presentation currency.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss. For more details see Note 17.

Merger reserve

The merger reserve represents the effect of a corporate reorganisation under which, on 6 May 2011, the Company became the holding company for the business previously held by NWR NV. The reorganisation was undertaken by way of an offer by the Company to the shareholders of NWR NV to exchange shares in the Company for their shares in NWR NV on a one-for-one basis. The Company issued new A and B shares with a nominal value of EUR 7.00 per share and the difference between the nominal value of the shares and carrying value of net assets acquired was recognised as a change in consolidated equity, resulting in the recognition of negative merger reserve.

Other distributable reservs

Other distributable reserves were created after the Company reduced its share capital by reducing the nominal value of each of the A and B ordinary shares from EUR 7.00 per share (see Merger reserve above) to EUR 0.40 per share.

Other comprehensive income, net of tax

EUR thousand	Foreign exchange translation reserve	Restricted reserve	Hedging reserve	Retained earnings	**Other comprehensive income attributable to Shareholders of the Company**	Other comprehensive income attributable to NCI	**Total other comprehensive income**
Year ended 31 December 2013							
Foreign currency translation differences	(40,808)	(11,011)	–	–	**(51,819)**	–	**(51,819)**
Derivatives – net change in fair value of cash flow hedges	–	–	(2,412)	–	**(2,412)**	–	**(2,412)**
Derivatives – fair value of cash flow hedges reclassified to profit and loss	–	–	(5,413)	–	**(5,413)**	–	**(5,413)**
Sale of subsidiary	(10,030)	–	–	–	**(10,030)**	–	**(10,030)**
Total other comprehensive income, net of tax	(50,838)	(11,011)	(7,825)	–	**(69,674)**	–	**(69,674)**
Year ended 31 December 2012							
Foreign currency translation differences	25,514	3,265	214	–	**28,993**	54	**29,047**
Derivatives – net change in fair value of cash flow hedges	–	–	1,361	–	**1,361**	20	**1,381**
Derivatives – fair value of cash flow hedges reclassified to profit and loss	–	–	8,399	–	**8,399**	3	**8,402**
Total other comprehensive income, net of tax	25,514	3,265	9,974	–	**38,753**	77	**38,830**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

23 EARNINGS PER SHARE

The calculation of earnings per share at 31 December 2013 was based on the result attributable to the shareholders of the Company, and a weighted average number of shares outstanding during the year, calculated as follows:

(Loss) / profit attributable to the shareholders of the Company

EUR thousand	2013	2012
Loss for the year	(970,271)	(1,358)
Loss attributable to A shares	(958,652)	(5,111)
(Loss) / profit attributable to B shares	(9,545)	3,753

Weighted average number of shares (basic)

Number of A shares	2013	2012
Issued shares at 1 January	264,648,002	264,380,983
Effect of share options exercised	–	82,441
Weighted average number of shares at 31 December	**264,648,002**	**264,463,424**

The weighted average number of B shares is equal to the number of shares issued being 10 thousand, in both periods.

Please refer to Note 3 for further details on the split of earnings between A and B shares.

Weighted average number of shares (diluted)

In the calculation of diluted weighted average number of shares the dilutive potential impact of individual share-based payments arrangements is taken into account.

Number of A shares at 31 December	2013	2012
Weighted average number of shares (basic)	264,648,002	264,463,424
Effect of share options	465,281	1,358,366
Effect of deferred shares	397,950	135,414
Weighted average number of shares (diluted)	**265,511,233**	**265,957,204**

All tranches of share options granted to employees have no dilutive impact. The share options granted to Gareth Penny have a dilutive impact of 465,281 shares and the Deferred Bonus Plan grants of 397,950 shares also diluted the share capital. For further information relating to share-based payment arrangements please refer to Note 26.

The average market price of the Company's shares for the purposes of calculating the dilutive effect of the share options was based on quoted market prices for the period during which the options were outstanding.

24 PROVISIONS

EUR thousand	1 January 2013	Charged	Capitalised	Utilised	Disposal of discontinued operations	Unwinding of discount	Currency translation	31 December 2013
Restoration and mine closure provision	158,477	–	8,907	(9,274)	–	2,235	(13,250)	147,095
Mining damage	21,347	5,937	–	(5,183)	–	–	(1,747)	20,354
Total long-term provisions	**179,824**	**5,937**	**8,907**	**(14,457)**	**–**	**2,235**	**(14,997)**	**167,449**
Unpaid vacation	3,298	4,037	–	(4,567)	(76)	–	(247)	2,445
Other	2,383	419	–	(2,167)	(42)	–	(93)	500
Total short-term provisions	**5,681**	**4,456**	**–**	**(6,734)**	**(118)**	**–**	**(340)**	**2,945**

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development of 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.

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 opeartion.

In 2013 the Company re-assesed its long term operating plan including reserves, based on which the Group changed its best estimate of the timing and amount of cost of restoration and mine closure. The Group's operating mines are expected to cease mining activities (with relevant cash ouflow to be incurred) in the period 2020–2033, except for Paskov mine. On 17 September 2013 the Company announced the closure of the Paskov mine with the phasing and terms of the closure to be determined after discussions with the Czech government and other stakeholders. For further information for Paskov mine closure see note 31 Subsequent events.

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 147,095 thousand (2012: EUR 158,477 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 2.35 per cent to 2.54per cent p.a. (2012: 2.0 per cent p.a.).

25 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 others. 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. The significant benefits are listed below.

EUR thousand	2013	2012
Special miners benefits	26,649	60,687
Severance payment	13,867	19,549
Vouchers	6,906	9,380
Loyalty benefits	205	1,574
Other long-term benefits	1,681	2,021
	49,308	**93,211**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

25 EMPLOYEE BENEFITS continued

The decrease in employee benefits as of 31 December 2013 compared to 31 December 2012 is a cumulative result of updated assumptions, mainly the updated mining plan and new collective agreement.

Special miners' benefits

Length-of-service benefit for miners is paid to all employees in the mining professions once a year and is based on the length of the employment. The benefit is required by the current legislation of the Czech Republic.

Special miners' benefits are assigned to employees working underground once they achieve 100% of the highest allowable exposure to mine dust, in the event of both a position transfer or employment termination. These benefits are paid monthly, until the pension entitlement arises or the age of 60 is reached. The benefit is required by the current legislation of the Czech Republic.

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

Severance payments

Severance payments are based on legislative requirements in the Czech Republic. Eligible 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 who are unable to find another suitable position within the entity. The payment is made as a one-time disbursement.

Vouchers

This benefit has been recognised at OKD since 1 January 2009 based on an amendment to the collective agreement between OKD and its trade 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

Stabilisation premiums are defined in the collective agreements of individual Group entities and are due 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 based on the length of uninterrupted service.

Length-of-service bonuses are defined in the collective labour agreements of individual Group entities and their disbursements is 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 thousand	2013	2012
Defined benefit obligation at 1 January	93,211	87,912
Subsidiaries disposed	(1,337)	–
Benefits paid	(10,383)	(11,172)
Net benefit (credit) / expense	(27,237)	14,246
Currency translation	(4,946)	2,225
Defined benefit obligation at 31 December	**49,308**	**93,211**

The following table summarises the components of the 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 thousand	2013	2012
Current service cost	3,205	5,572
Interest cost on benefit obligation	787	1,378
Curtailments	(23,337)	–
Actuarial (gain) / loss	(7,892)	7,296
Net benefit expense	**(27,237)**	**14,246**

Curtailments – Retirement benefits in 2012 were based on the collective bargaining agreement between OKD and its trade union and were paid to employees who terminated their employment contract upon becoming entitled to draw an old age pension. The one-time payment was a multiple of average monthly wage. This benefit was cancelled in the amended collective bargaining agreement for 2014–2018.

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

Discount rate – The discount rate is derived from the yield of 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 2013 was 1.66 per cent p.a. (as of 31 December 2012: 1.58 per cent 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 3.0% per annum as of 31 December 2013 (4.6% per annum as of 31 December 2012).

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

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 a minimum of 11 years and maximum of 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 (2012: 62–70 years) for all other employees not fulfilling the above criteria

The retirement age for women is set at 58–70 years (2012: 58–70 years).

26 SHARE-BASED PAYMENTS

The Group offers certain employees of the Group various share-based remuneration packages (see below).

a) Share options granted to Executive Director

On 3 September 2012, the Company granted Mr Penny, Executive Chairman, 250,000 share options for A shares, in 3 equal tranches (representing an aggregate of 750,000 A ordinary shares with an exercise price of EUR 0.01 per share. Subject to Mr Penny remaining in employment with the Company, each tranche vests equally over three years representing one third of the options, annually on the relevant anniversary of the grant date, such that:

- one third of the shares subject to the first Option will vest on each of the first, second and third anniversary of the grant date;
- one third of the shares subject to the second Option will vest on each of the second, third and fourth anniversary of the grant date; and
- one third of the shares subject to the third Option will vest on each of the third, fourth and fifth anniversary of the grant date.

Once vested, each Option will be exercisable from the date on which it vests until the 7th anniversary of the first vesting date of that Option, when it will lapse. This remuneration package classifies as an equity-settled share-based payment transaction.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

26 SHARE-BASED PAYMENTS continued

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 is recognised as an equity-settled arrangement. The terms and conditions related to the grants of the share option are as follows:

Grant date	Number of options at grant date	Vesting conditions	Contractual life of option
9 May 2008	619,878	Same for each grant: 3 years' service from the grant date and various performance conditions depending on participant	8 years
24 June 2009	3,325,762		8 years
17 March 2010	1,742,631		8 years
Total share options granted	**5,688,271**		

Due to the implementation of the Deferred Bonus Plan, the Board decided to terminate the Stock Option Plan as of 31 December 2010. Subsequently, no further options may be granted, although the provisions of the Stock Option Plan will continue in relation to options already granted.

c) Deferred Bonus Plan

Starting 1 January 2011, the Company 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 for a period of three years. In addition, each participant will have a put option which enables the holder to sell the shares back to the Company at market price set at the time the A shares are issued or delivered. The period for exercising the put option is limited to three years. This remuneration package classifies as a share-based payment transaction with cash alternatives and accordingly, the Company has granted a compound financial instrument.

Grant date	Number of shares at grant date	Vesting conditions	Contractual life of put option
3 March 2011	101,136	3 years' service from the grant date	3 years from vesting date
16 May 2012	610,676	3 years' service from the grant date	3 years from vesting date
12 April 2013	844,518	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 using the Black-Scholes model. The fair value of the compound financial instrument is measured based on fair value of A shares at each balance sheet date for cash-settled part (shares granted) and a combination of Monte Carlo simulation and binomial model as a valuation tool for the equity-settled part (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:

	Share options granted to Gareth Penny 2012	Deferred bonus plan 2013	Deferred bonus plan 2012
Fair value at grant date	EUR 2.83-3.37	EUR 0.62	EUR 1.01
Share price at grant date	EUR 3.53	EUR 2.55	EUR 4.27
Exercise price	EUR 0.01	–	–
Expected volatility	15.07%	11.27%	11.44%
Expected life	1–5 years	3 years	3 years
Expected dividends	4.35%	–	5.39%
Risk-free interest rate	0.39–1.12%	1.24%	2.48%

Personnel expenses

EUR thousand	2013	2012
Share-based remuneration schemes:		
Gareth Penny	884	320
Mike Salamon	–	1,136
Klaus-Dieter Beck	(504)	857
Stock Option Plan	85	2,971
Deferred Bonus Plan	125	1,537
Total expense recognised as personnel expenses	**590**	**6,821**

From the Deferred Bonus Plan, EUR 785 thousand (2012: 399 thousand) was recognised within the equity-settled share based payment reserve and EUR 1,279 thousand (2012: 1,138 thousand) within long-term liabilities as the cash-settled part of the compound financial instrument.

Reconciliation of outstanding share options

The number and weighted average exercise price of share options under all stock option plans is as follows:

	2013 Number of options	2013 Weighted average exercise price (EUR)	2012 Number of options	2012 Weighted average exercise price (EUR)
Outstanding at 1 January	6,252,382	5.48	5,776,268	5.95
Granted during the year	–	–	752,905	0.01
Forfeited during the year	–	–	(9,772)	7.95
Exercised during the year	–	–	(267,019)	0.01
Expired during the year	–	–	–	–
Outstanding at 31 December	**6,252,382**	**5.48**	**6,252,382**	**5.48**
Exercisable at 31 December	5,585,715	6.13	3,790,149	5.45

The options outstanding at 31 December 2013 have an exercise price in the range of EUR 0.01 to EUR 16.69 (2012: EUR 0.01 to EUR 16.69) and a weighted average contractual life of 3.9 years (2012: 4.9 years).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

27 FUTURE COMMITMENTS

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

EUR thousand	2013	2012
Non-cancellable operating leases		
Instalments due within one year	1,381	2,205
Instalments due between two and five years	3,136	8,174
	4,517	**10,379**
Acquisition of property, plant and equipment		
From third parties	14,563	75,884

Leased items include equipment, land and buildings. There are no leases with term exceeding 5 years. The operating lease expense in 2013 was EUR 2,216 thousand (2012: EUR 2,924 thousand).

Included with the contractual obligations to acquire property, plant and equipment EUR nil thousand is spread over more than one year (2012: EUR 29,913 thousand).

28 AUDITOR´S REMUNERATION

EUR thousand	2013	2012
Fees payable to the Company's auditor for the audit of the company and consolidated financial statements	405	391
Fees payable to the companies auditor and its associates for audit of its subsidiaries pursuant to legislation	284	329
	689	720
Amounts receivable by the auditor and its associates in respect of:		
> audit related assurance services	304	393
> tax advisory services	–	15
> other assurance services	318	194
	622	602
	1,311	**1,322**

Included within other assurance services is an amount of EUR 308 thousand paid to the auditor in regard to their role as reporting accountants for the disposal of OKK.

29 CONTINGENT ASSETS AND LIABILITIES

The Group has the following significant contingent assets and contingent liabilities as at 31 December 2013:

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 2013.

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 per cent 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 not possible 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 2013.

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 2013 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 2013.

30 OTHER MATERIAL MATTERS

Restrictions on the Company´s ability to pay dividends

The indenture governing the 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 7.875 per cent Indentures governing the notes (the maximum amount of dividends and other restricted payments that could be made) amounted to approximately EUR 50,180 thousand as at 31 December 2013 (2012 (restated): 158,816 thousand).

Irrespective of the above, the Group is not allowed to pay any dividends under the current ECA Facility waiver.

31 SUBSEQUENT EVENTS

Paskov closure

On 17 September 2013 the Company announced the closure of Paskov mine with the phasing and terms of the closure to be determined after discussions with the Czech government and other stakeholders. A rough estimate of closure costs amounts to EUR 41 million, consisting of EUR 19 million for mine restoration and rehabilitation costs (for which a provision has been recognised as at 31 December 2013 in accordance with the standard practice of providing for such costs during the life of the mine) and EUR 22 million of social costs (for which no provision has been made as at 31 December 2013 as there is an on-going discussion with various stakeholders at the moment, with a detailed plan of the closure and its associated costs to be prepared and announced once the discussion has finished).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 SUBSEQUENT EVENTS continued

On 6 January 2014, the Group and the Czech Government entered into a non-binding Memorandum of Understanding (the "Memorandum") in a joint effort to minimise the negative social, regional and economic impact of the mine closure. Pursuant to the Memorandum, the parties will explore the option of OKD extending the operations of the mine until 31 December 2016 at its own risk and account after which ownership of the mine will be transferred to the Czech State for a symbolic CZK 1 for closure. As at 31 December 2013, the Paskov mine had net liabilities of EUR 25 million, including impaired mining assets of EUR 10 million, deferred tax assets of EUR 19 million, the liabilities for mine restoration and rehabilitation of EUR 36 million referred to above and employee benefit liabilities of EUR 11 million. If a binding agreement is reached with the Czech Government, and this agreement is approved by the European Commission, then the Group will be relieved of these liabilities, but will be required to incur operating losses until the handover of the mine.

However, should a binding agreement not be reached or the required regulatory approvals are not obtained, then the Group will incur the costs associated with the mine restoration and rehabilitation and employee benefits as well as all the operating losses until such point as the mine is closed together with associated social costs.

Capital structure review

In view of the continued pressure on both coking and thermal coal; the expected negative impact of the current coal price outlook on NWR's coal reserves; and the expiry of the Company's Revolving Credit Facility ('RCF') the Board initiated a review of NWR's capital structure on 22 January 2014. The Company will consider all available options to ensure an appropriate capital structure that can support the continuation of the business going forward. Further information about the Company's liquidity position and capital structure review is described in Note 2 within Going concern basis of accounting.

COMPANY FINANCIAL STATEMENTS

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

EUR thousand	Note	2013	2012
ASSETS			
Investments	D	125,963	1,019,996
Long-term loans		180	–
TOTAL NON-CURRENT ASSETS		126,143	1,019,996
Accounts receivable and prepayments		2,027	222
Cash		130	9
TOTAL CURRENT ASSETS		2,157	231
TOTAL ASSETS		**128,300**	**1,020,227**
EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITY			
Share capital	E	105,863	105,863
Share premium	E	2,368	2,368
Equity-settled share based payments	F	14,621	13,508
Other distributable reserve	E	1,684,463	1,684,463
Retained earning	E	(1,683,859)	(793,973)
TOTAL EQUITY		123,456	1,012,229
LIABILITIES			
Cash-settled share based payments		83	255
TOTAL NON-CURRENT LIABILITIES		83	255
Trade and other payables		973	669
Cash pool liabilities		3,788	7,074
TOTAL CURRENT LIABILITIES		4,761	7,743
TOTAL LIABILITIES		4,844	7,998
TOTAL EQUITY AND LIABILITIES		**128,300**	**1,020,227**

The Notes on pages 180 to 182 form an integral part of these financial statements.

The financial statements on pages 177 to 182 were approved by the Board of Directors and authorised for issue on 18 March 2014 and were signed on its behalf by:

Gareth Penny
Executive Chairman of the Board

Marek Jelínek
Chief Financial Officer

New World Resources Plc
Registered number: 07584218

COMPANY FINANCIAL STATEMENTS

COMPANY STATEMENT OF CHANGES IN EQUITY
For period ended 31 December 2013

EUR thousand	Share capital	Share premium	Equity-settled share-based payments	Other distributable reserve	Retained earnings	Total
Balance at 1 January 2013	105,863	2,368	13,508	1,684,463	(793,973)	1,012,229
Total comprehensive income for the year	–	–	–	–	(889,886)	**(889,886)**
Transactions with owners						
Equity-settled share based payments	–	–	1,113	–	–	**1,113**
Balance at 31 December 2013	105,863	2,368	14,621	1,684,463	(1,683,859)	123,456

EUR thousand	Share capital	Share premium	Equity-settled share-based payments	Other distributable reserve	Retained earnings	Total
Balance at 1 January 2012	105,756	2,368	14,235	1,692,319	1,532	1,816,210
Total comprehensive income for the year	–	–	–	–	(774,133)	**(774,133)**
Transactions with owners						
Equity-settled share based payments	–	–	4,518	–	–	**4,518**
Share options exercised	107	–	(5,245)	–	5,141	**3**
Dividend paid to A shareholders	–	–	–	(7,856)	(26,513)	**(34,369)**
Balance at 31 December 2012	105,863	2,368	13,508	1,684,463	(793,973)	1,012,229

The notes on pages 180 to 182 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
For period ended 31 December 2013

EUR thousand	2013	2012
Cash flows from operating activities		
Net profit	(889,886)	(774,133)
Adjustments for:		
Share-based payment transactions	1,038	1,913
Dividend income	(10,000)	(36,977)
Interest received	(13)	–
Impairment of financial investment	894,108	804,817
Operating cash flow before working capital changes	(4,753)	(4,380)
Increase in receivables	(1,805)	(81)
Increase / (decrease) in payables	132	(592)
Net cash flows from operating activities	**(6,426)**	**(5,053)**
Cash flow from investing activities		
Dividend income	10,000	36,977
Share subscription on incorporation of subsidiary	–	(124)
Long-term loans provided	(180)	–
Interest received	13	–
Cash flows from investing activities	**9,833**	**36,853**
Cash flows from financing activities		
Dividend paid to A shareholders	–	(34,369)
Proceeds from share options exercised	–	3
Acquisition of non-controlling interests in NWR NV	–	(2,277)
(Decrease) / increase in cash pool liabilities	(3,286)	4,852
Net cash flows from financing activities	**(3,286)**	**(31,791)**
Net increase in cash and cash equivalents	121	9
Cash and Cash Equivalents at the beginning of year	9	–
Cash and Cash Equivalents at the end of year	130	9

The notes on pages 180 to 182 form an integral part of these financial statements.

COMPANY FINANCIAL STATEMENTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the period ended 31 December 2013

A GENERAL INFORMATION

a) Corporate Information
New World Resources Plc (the 'Company', 'NWR Plc') is a public limited company incorporated under the laws of England and Wales. Its registered office is One Silk Street, London EC2Y 8HQ, United Kingdom.

The Company was incorporated on 30 March 2011.

b) Statement of compliance
The financial statements are prepared based on the recognition and measurement principles of International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU').

Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

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 Group financial statements on pages 127 to 128 also applies to these company financial statements.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

B PRINCIPAL ACCOUNTING POLICIES

The Company follows the accounting policies of the Group (NWR Plc 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. Where the Company issues shares to acquire an interest in a subsidiary and section 612 of the Companies Act 2006 applies, the investment is recorded at the nominal value of shares issued plus the fair value of other consideration paid.

b) Share-based payment transactions
The cost of equity-settled transactions with employees is measured by reference to the fair value at the grant date and is recognised as an expense for employees working for the Company and as an addition to the cost of the investment in the subsidiary in which the relevant employees work over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. The fair value is determined by reference to the share price on the grant date. In valuing equity-settled transactions of the Company, no account is taken of any vesting conditions because no market conditions apply for vesting. At each balance sheet date, before the end of the vesting period, the cumulative expense is calculated, reflecting the extent to which the vesting period has expired and the number of equity instruments that is expected to ultimately vest. The movement in cumulative expense compared to the previous balance sheet date is recognised as personnel expense in the income statement or as an addition to the cost of the investment in the balance sheet, with a corresponding entry in equity or liability, based on the type of share-based scheme.

c) Dividends
Dividend income from subsidiary is recognised in the income statement once the Company's right to receive the payments has been established. Dividends payable are recognised as a liability and reduction in equity once the criteria for a present obligation are met.

C RESULT OF THE COMPANY

The loss of the Company for the year ended 31 December 2013 amounted to EUR 889,886 thousand, including dividend income of EUR 10,000 thousand and impairment of financial investments of EUR 894,108 thousand. The loss of the Company for the year ended 31 December 2012 amounted to EUR 774,133 thousand, including dividend income of EUR 36,977 thousand and impairment of financial investments of EUR 804,817 thousand.

D INVESTMENTS

The Company has the following investment:

EUR thousand	% voting shares	2013	2012
New World Resources N.V. ('NWR NV')	100.00%	125,839	1,019,872
New World Resources Services Ltd ('NWR Services')	100.00%	124	124

On 1 October 2012, NWR Services was incorporated in the UK to perform management services for other members of the Group.

The movement in investment in NWR NV may be detailed as follows:

EUR thousand	2013	2012
At 1 January	1,019,872	1,819,807
Increased in cost in respect of share-based payments	75	2,605
579,317 shares acquired from non-controlling interests	–	2,277
Impairment of financial investment	(894,108)	(804,817)
At 31 December	**125,839**	**1,019,872**

On 9 October 2012, the Company completed the process of a compulsory squeeze-out under which it acquired the remaining shares in NWR NV for EUR 2,277 thousand in cash and became its sole shareholder.

Impairment
During 2013, due to continuing volatility in the commodity markets and reduced long term coal price expectations, the Company estimated the recoverable amount of its financial investment in NWR NV using a value in use ("ViU") model, which was based on the most recent financial budgets as approved by the Board and on the projected life of the group's mines. The recoverable value of the financial investment was estimated to be lower than the carrying value of the associated assets and accordingly an impairment charge of EUR 894,108 thousand has been recognised.

There are three key assumptions used in the calculation of recoverable amount. These key assumptions are:

> the discount rate (the estimated value in use was determined using a pre-tax discount rate of 11.73 per cent (2012: 10.10 per cent);
> coal sales prices (coal prices were derived from the median of a range of mid-term publically available market data); and
> the operating expenses (cash mining unit costs are anticipated to decrease by EUR 5 per tonne in 2015 and thereafter).

COMPANY FINANCIAL STATEMENTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

E SHARE CAPITAL AND RESERVES

EUR thousand	Share capital	Share premium	Other distributable reserve	Retained earnings
Balance at 31 December 2013				
A shares	105,859	2,368	1,684,397	(1,683,859)
B shares	4	–	66	–
Total	**105,863**	**2,368**	**1,684,463**	**(1,683,859)**
Balance at 31 December 2012				
A shares	105,859	2,368	1,684,397	(793,973)
B shares	4	–	66	–
Total	**105,863**	**2,368**	**1,684,463**	**(793,973)**

Further disclosure on A and B shares is included in the notes to the consolidated financial statements within this document.

F EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE

EUR thousand	2013	2012
At 1 January	13,508	14,235
Charged during the year	1,038	1,913
Increase in cost of investment in NWR NV	75	2,605
Share options exercised	–	(5,245)
At 31 December	**14,621**	**13,508**

For further information about various share-based payments schemes please refer to the note 26 of the consolidated financial statements within this document.

G RELATED PARTY TRANSACTIONS

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.

EUR thousand	2013	2012
Sales (management services)	477	429
Purchases (advisory services)	864	375
Receivables	1,724	107
Payables (cash pool liability)	3,958	7,212

SHAREHOLDER INFORMATION

Radek Němeček, Head of Investor Relations

NWR is listed on the London, Prague and Warsaw stock exchanges, and is it is a constituent of the FTSE Small Cap Index. The Company has just over 36 per cent free float with shareholders in the US and across Europe, with its principal holders in the UK, Czech Republic and Poland.

Markets

As at 31 December 2013, A Ordinary shares ('A shares') of NWR were listed on the London Stock Exchange ('LSE'), the Prague Stock Exchange ('PSE') and the Warsaw Stock Exchange ('WSE').

Share ownership

Share capital

Details about NWR's share capital are presented in Note 22 of the Consolidated Financial Statements on pages 166 to 167.

Shareholder structure

As at the date of publication of this document the total share capital of NWR consists of 264,742,143 A shares and 10,000 B shares.

The following table sets forth the relevant ownership interests in NWR:

Total percentage held	Current percentage of indirectly attributed ownership in A shares of NWR
by BXRG [1,2]	63.56 per cent
by public shareholders	36.44 per cent
Total A shares	**100 per cent**

[1] Mr Bakala, a Non-Executive Director of NWR, holds no direct interest in NWR A shares or B shares but he is considered as being an 'interested party' in the NWR A shares and NWR B shares as a result of a trust and affiliated companies relating to him and his family (collectively referred to as the 'Bakala entities') holding an indirect ownership interest in BXRG, and BXRG's indirect ownership interest in NWR. Mr Bakala and his family, through the Bakala entities, own 50 per cent. of the outstanding voting capital in BXRG.

[2] Mr Kadas, a Non-Executive Director of NWR, owns no direct interest in A shares or B shares but he is considered as being an 'interested party' in A shares and B shares because of his associated family trust having a minority ownership interest in BXRG, and BXRG's indirect ownership interest in NWR.

For the biographies of Mr Bakala and Mr Kadas please refer to page 70 of the Board and Management section of this report.

Majority shareholder

The controlling shareholder of NWR, BXRM, owns approximately 63.56 per cent of the A shares and as a result, has effective control of NWR.

BXRM is indirectly owned by BXRG. BXRG also owns indirectly, through RPG Property B.V. ("RPG Property"), 100 per cent of the B shares. Accordingly, BXRG has a 63.56 per cent indirect interest in the A shares and a 100 per cent indirect interest in the B shares.

BXRG is an international investment group with a diverse range of global interests. While it remains a substantial investor in Central Europe, it has in recent years diversified its investment activities to include investments in Western Europe, the Americas, Africa, Asia and Australasia. BXRG typically takes large or controlling stakes in companies and is active in the management of its investments. In addition to its investment in NWR, BXRG currently has investments in real estate, logistics, green energy, financial services, agriculture and other industries.

Changes in the majority shareholder structure during 2013

There were no changes to the majority shareholder structure in 2013.

Free float

At the date of publishing this report, public shareholders held approximately 36.44 per cent of A shares.

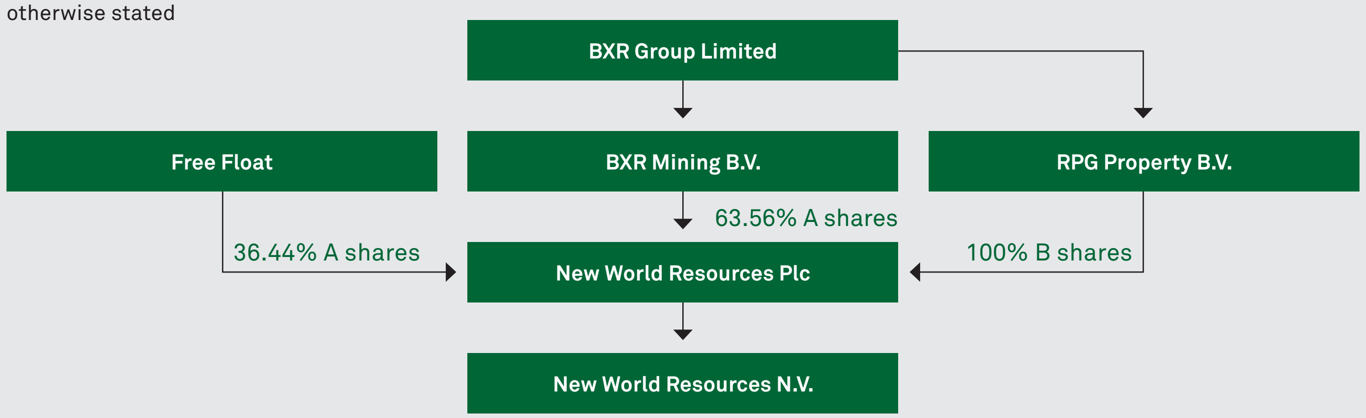
The Company has received no filings under DTR 5, and no public information is available with respect to the ownership of shares.

Purchase and issue of shares

NWR did not issue nor purchase any shares in the course of 2013.

On 3rd March 2014, NWR issued a total of 94,141 A shares as satisfaction for awards vesting under the Company's Deferred Bonus Plan.

Shareholder structure
Ownership is 100 per cent unless otherwise stated



SHAREHOLDER INFORMATION

The Company has 5,514,755 A shares under the Block Listing scheme (for the purpose of the Employee Stock Option Plan). None of the shares has been issued under the scheme during 2013.
At the Company's Annual General Meeting of Shareholders ("AGM") held on 26 April 2013, authority was given to the Directors to allot unissued A shares up to an aggregate nominal amount of EUR 34,933,536 and a further nominal amount of 34,933,536 in connection with an offer by way of a rights issue.

Authority was also given to allot equity securities wholly for cash, up to an aggregated nominal value of EUR 5,292,960. Further authority was given allowing the Company to make market purchases of up to 26,464,800 of its owns A shares.

As these authorisations expire at the forthcoming 2014 AGM, the Directors will be seeking new auhorisations, details of which are set out in the Company's Notice of AGM.

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 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 AGM of the Company will be held on 24 April 2014 at NWR offices, Jachthavenweg 109h, 1081 KM Amsterdam, the Netherlands at 10:00 CET.

Full details relating to the AGM, including the explanatory notes, are contained in the Notice of AGM published on the 20 March 2014. The Notice sets out the resolutions to be proposed at the AGM and an explanation of each resolution. All documents relating to the AGM are available on the Company's website at www.newworldresources.eu.

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

		Closing price		
Stock exchange	Currency	31 December 2013	31 December 2012	31 December 2011
LSE	GBp		337.3	442.9
PSE	CZK		97.8	135.8
WSE	PLN		15.8	23.5

Allotments of equity securities
During the period under review, no allotments of equity securities in NWR were made in exchange for cash.

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

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

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

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

Dividends on A shares
NWR did not pay nor declare any dividend in the course of 2013.

Provision of the Annual Report and Accounts
The 2013 Annual Report and Accounts of NWR is available on the Company's website at www.newworldresources.eu. A hard copy of the report can be requested from the Investor Relations team. Shareholders may also inspect the report at the Company's headquarters in the Netherlands or its registered office in UK.

Radek Němeček
Head of Investor Relations
rnemecek@nwrgroup.eu

ANCILLARY INFORMATION FOR SHAREHOLDERS

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www.newworldresources.eu

A public company incorporated in England and Wales with Company Number 7584218. The Company is also registered with the trade register in the Netherlands under number 55931758.

Shareholder information
Stock Exchange Listings
Prague Stock Exchange
Warsaw Stock Exchange
London Stock Exchange
Trading symbol: NWR
ISIN: GB00B42CTW68

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZY
United Kingdom

Shareholder calendar 2014

24 April 2014
Annual General Meeting

15 May 2014
Q1 2014 Results

21 August 2014
H1 2014 Results

13 November 2014
Q3 2014 Results

GLOSSARY

A

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

B

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'.

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

C

Cash coke conversion unit costs: Cash coke conversion costs per tonne reflect the operating costs incurred in production of all types of coke and are calculated by deducting from the segmental Cost of sales the Costs of inputted coal, the Change in inventories and D&A, and then divided by total coke production.

Cash mining unit costs: Cash mining costs per tonne reflect the operating costs incurred in production of both coking and thermal coal. They are calculated by deducting from the segmental Cost of sales the Change in inventories and D&A, and then divided by total coal production.

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

CE4: Czech Republic, Poland, Slovakia and Austria.

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.

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

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.

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.

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).

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

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 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

Net debt: the Company defines net debt as total debt less cash and cash equivalents. Total debt includes issued bonds, long-term and short-term interest-bearing loans and borrowings, less related expenses.

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.

GLOSSARY

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. (divested in 2013)

Open-pit mining: mining in which the coal is extracted after removing the overlying strata or overburden.

P

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.

Preparation plant: a plant used to make raw coal a product suitable for a particular use.

R

Reclamation: the restoration of land 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

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

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

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

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.

U

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.

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