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CORPORATE PARTICIPANTS

Radek Nemecek *New World Resources Plc - Head of IR*

Marek Jelinek *New World Resources Plc - Executive Director & CFO*

CONFERENCE CALL PARTICIPANTS

Romy Kruger *Exane BNP Paribas - Analyst*

Donald Phillips *Baillie Gifford - Analyst*

Bram Buring *Wood & Co - Analyst*

PRESENTATION

Operator

Welcome to today's New World Resources Q1 2012 results conference call. For your information this call is being recorded. At this time I would like to turn the call over to your host, Radek Nemecek, Head of Investor Relations. Please go ahead.

Radek Nemecek - *New World Resources Plc - Head of IR*

Thank you and welcome, ladies and gentlemen, to this conference call on our first quarter 2012 financial results. This morning we have with us Marek Jelinek, the Executive Director and CFO, who will walk you through the presentation slides. And after the presentation we will be happy to take your questions.

So, Marek, without any further detail the floor is yours.

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

Thank you very much, Radek. Good morning, everyone. Thank you for joining us this morning. I'd like to walk you first through the financial and operational highlights, spend some time on the general market environment, update you on our growth projects, and talk about how we see the rest of the calendar year 2012.

Let me start by summarizing what I think are the four main drivers of our performance in the first quarter of 2012. First of all, I think that we have been very efficient and very effective in controlling operating costs, which has -- this effort has certainly contributed to what we see as a very sound financial performance in the first quarter; that was factor number one.

Factor number two, we have delivered a relatively low production in terms of tonnage, and, consequently, a relatively low level of sales. This, however, was very much by design. Some of you may remember that, at the beginning of the year when we talked about the outlook for 2012, we have explained that we have designed the budget so that in the first part of the year we are going to be producing at a relatively low rate of production. But we have also built in the ability to accelerate production, should the market allow us to do so. That was the second factor.

Third factor, very importantly, is a significantly improved product mix; improved in terms of the percentage of coking coal in the overall sales tonnage. About 56% of our sales tonnage is coking coal in the first quarter of this year, so, obviously, that is much higher than the average for the full year 2011.

Let me quickly make one important thing clear. Though we are not changing our guidance in terms of the product mix for the full year, we are still targeting the 48% of coking coal in the mix for the full year 2012, mainly because some of the potential increase in production down the road this year is going to be predominantly thermal coal, and so the average is going to be diluted over the next three quarters.

Finally, the last thing that had a meaningful impact on our performance in the first quarter was foreign exchange rates that have helped us, especially in the bottom part of the P&L in financial expenses.

Now, looking at slide 4 of the presentation, just a few key figures of note. Revenues of EUR347 million, which represents a reduction of about EUR38 million relative to the same quarter last year; EBITDA of EUR54 million, which is down EUR28 million.

So you can see here the difference between EUR38 million decline in revenues versus EUR28 million decline in EBITDA. Effective cost control, as well as lower decline in inventories, have caused this development.

Net income of EUR6 million, which translates to EUR0.02 per share. Positive operational cash flow of EUR80 million, and positive net cash flow as well.

And the balance sheet remain robust. Net debt is marginally down to EUR385 million, and the nearest significant debt maturity is still in 2015, when the EUR260 million of an unsecured bond is due in May of that year.

Moving onto operational highlights, we delivered production and sales results very much in line with our own expectations, and so, again, we remain on track to meet the full-year production and sales targets. We produced 2.4 million tonnes of coal, and sold 2.3 million tonnes externally, of which 1.3 million was coking coal; so again that represents 56%. We sold about 155,000 tonnes of coke.

Very good news in terms of safety record. Our lost time injury frequency rate showed yet another quarter of improvement, improving by 4%, with the number hovering just above 7%, which is the best result we have ever seen in our history.

In terms of the current pricing, we have recently announced pricing for the second quarter for coking coal and coke. We are currently selling coking coal at EUR130 a tonne, and coke is currently priced at EUR298 a tonne, and I'll come back to the pricing environment in a moment.

Importantly, we have successfully reached what I think is a fair agreement with labor unions. The agreement was reached in April, and it stipulates a 3% increase in basic wages, effective April 1. And this is a very important input and assurance for us, in terms of our ability to deliver on the cost guidance, which is essentially maintaining unit costs flat, on a stable Czech currency basis.

We continue in our activities in terms of expanding the reserve base at our existing Czech operations. The main project in this respect is the expansion of the Karvina Mine. There the work is on track. We are looking to unlock about 30 million tonnes of coal reserves.

Importantly, most of that coal is coking coal and it is, in fact, hard coking coal. So this is another element of our ongoing efforts to maintain a favorable product mix in terms of maintaining a relatively higher proportion of coking coal in the overall product mix.

Moving onto an update on the Debiensko project. You may have noticed our announcement this morning that we have now decided to cap the overall CapEx spend at Debiensko in 2012 at EUR5 million, pending a thorough review of the project's budget and the overall project strategy.

There are two main concerns that we have at the moment. One relates to the apparent significant increase in potential future liabilities that are associated with the obligation to pump water out of the mine. Specifically, what has changed recently is that it would appear that the volume of water that needs to be pumped is higher than what we originally expected, which also triggers a potential issue with the available desalination capacity.

Just to clarify this, we are pumping out brine, so basically salty water, that needs to be desalinated before it can be disposed of. And, given the recent indication of an increased volume of pumping, our concern is whether or not we actually have sufficient desalination capacity available.

This is one concern. The other concern relates to what we see as a very significant increase in the unit costs of both mining equipment and mining services and mining works in general.

In Poland we have recently received, or we have recently tendered the supplies involved in constructing the twin slopes that are going to be used to access the coal deposits in Debiensko. Those bits have been significantly higher than the original indicative bits that we have received about a year ago. And this, obviously, implies a risk of CapEx overruns.

In this context, we have decided to go through a thorough review of the entire budget of the project, with the aim to ensure that the project continues to represent an attractive investment opportunity, and that the IRR targets that we have set ourselves are ultimately met.

In the short term, this means that our overall CapEx spend this year will be reduced by EUR40 million to EUR45 million, as the CapEx in Debiensko goes from EUR40 million to EUR50 million, to about EUR5 million. So, in terms of cash outlays, that is certainly a good news in the short term.

However, this will inevitably mean that the time that we will spend reviewing the budget will translate into a delay in the actual execution of the project.

We expect to spend several months on this thorough review. The review started literally yesterday afternoon, and so I'm not in a position to tell you anything conclusive about its outcomes today. But we will, of course, update you and the market in general as we progress with the review.

Moving on to the general environment that we operate in today, with some figures on slide 8, the level of steel production in our main customer markets has been increasing since the beginning of the year. The steel mills in the countries where we supply are currently running at utilization rates in the range of 80% to 90%, which, I think, is a quite respectable number.

Steel production is up 7% in the first quarter, relative to the fourth quarter 2011. And in March alone steel production was up 10%, relative to February.

Very importantly, as you probably know, the single most important driver of demand for our types of coal is the automotive industry. The Central European automotive industry has seen a very robust 2011, and continues to grow at a very respectable pace. Just one data point for illustration; car production in the Czech Republic alone was up 14% in the first quarter this year, relative to the same period of 2011.

We also believe, when we look at the global steel environment, that the continued rapid development in emerging markets worldwide have a strong potential to drive overall demand, and the global steel capacity utilization in March was at 81%; what I would consider, again, a quite robust number.

Moving on to our specific price environment, on page 9. As I mentioned earlier we are currently in this second quarter selling coking coal for EUR130 a tonne, which is a decrease of approximately 8% relative to the first quarter of this year, and it is very much in line with the developments in the international coking coal markets.

This price, the EUR130 a tonne, is based on the expected sales split of about 50% hard coking coal, 43% semi soft and 7% DCI.

Now, I'd like to attempt to look slightly beyond the second quarter where, I think, in terms of the global coking coal prices, we do see signs of the prices bottoming out, potentially with a chance of a modest rebound, driven by the growth in emerging markets.

On the other hand, we are conscious of relatively high levels of inventory in the Polish mining industry, which clearly represents a risk on the downside. However, not to sound too dramatic on this topic, most of the inventories in Poland today are thermal coal, and so we don't see a dramatic downside risk as a result.

Moving on to coke, we are currently selling coke at EUR298 a tonne on average, which is a 4% decrease relative to the first quarter. This is generally a result of lower, or weaker, price environment, especially in the European foundry coke market.

The sales mix in this second quarter is expected to be about 67% foundry coke, 16% blast furnace and another 16% other types of coke.

And finally, on pricing. As we announced earlier, the average price for thermal coal for the full calendar year 2012 remains at EUR74 a tonne, which represents an 11% increase relative to the year 2011.

We expect that the sales mix in thermal coal is going to be composed of about 82% thermal coal and 18% middlings.

Let's move on to slide 11 for an overview of the key financial numbers. Revenues were down EUR38 million to EUR347 million, while a limited decline in inventories and very effective cost control resulted in an EBITDA of EUR54 million, which is a EUR28 million decline relative to the same quarter in the previous year.

Depreciation and amortization is flat at EUR43 million and EBIT is at EUR11 million for the first quarter.

I mentioned earlier the favorable FX movement, which has been the most important driver behind a very significant decrease in net financial expenses. We also have paid EUR2 million in income taxes, which is down from EUR7 million in the same period last year. And earnings per share in the first quarter are at EUR0.02 per share.

Moving on to a narrower look at the coal segment in isolation, illustrated with figures on slide 12. External coal sales overall were 13% lower relative to last year, mainly due to the lower volumes of thermal coal sold, while external coking coal sales were actually up 10%. Again, this is a manifestation of the improving product mix.

This all combines to an 8% decrease in revenues in the coal segment, again due to lower thermal coal revenues where the higher prices were more than offset by lower volumes.

Total coal production was down 7%. Again, this is by design and, in fact, we are on budget, or, in fact, slightly ahead of budget for the first quarter.

The mining, the unit costs in the coal segment were up 8%. However, if you do the math you will see that this is fully attributable to the lower production. And, in fact, on a stable production basis the unit costs would be marginally down.

This all comes down to a EBITDA for the coal segment of EUR54 million, which represents a 33% decrease and, again, given the favorable cost picture, the EBITDA decrease is fully attributable to lower sales of thermal coal in the quarter.

Moving on to a view of the coke segment, on page 13. We continue to see a subdued demand for coke in Central Europe, which has translated into lower sales volumes and lower prices, combining in a 21% decrease in revenues year on year.

For most part our coke sales were foundry coke. That represented approximately 71% of the overall sales, followed by blast furnace coke, which represented about 21%, and the balance 8% is other types of coke.

Unit conversion costs in the coke segment were higher by just 4% year on year, despite a 13% reduction in production. So, again, this is a manifestation of a very efficient focus on controlling costs.

We have generated an EBITDA in the coke segment of EUR6 million, which is only EUR1 million down relative to the same period last year. Again, this is really on the back of very efficient cost control, as well as, of course, still the outcome of the restructuring of the business that we've undertaken in the recent past where a large amount of fixed cost has been eliminated.

Moving on to slide 14, which shows the key factors influencing the variation in EBITDA between the first quarter 2011 relative to first quarter 2012. Those of you who have the slides in front of you can see that the pricing environment and the tonnage have been the most significant drivers behind the decline in EBITDA.

On the other hand, the improved coal mix -- so the higher percentage of coking coal in the mix has added about EUR25 million, and the focus on controlling costs has added about EUR9 million in the comparison of the EBITDAs for the two quarters.

Moving on to net debt, no surprises -- I hope no surprises there. Net debt is marginally down to EUR385 million. You will, perhaps, have noticed the fact that we have now fully repaid the EUR100 million revolving credit facility.

We have drawn on that towards the end of last year, mainly as a precautionary measure. We were concerned, unsurprisingly, about the stability of the European banking sector and we took the view that we would rather sit on the cash and pay some negative carry.

We have, in the course of the first quarter, started believing that the concerns were not as pronounced. Of course, with what's happening in the last few weeks, those red flags are coming up again, and we will have to, I guess, as all of us, we will have to follow the situation very closely.

Moving on to the outlook for the full year of 2012, very simple story there; really no changes other than in CapEx driven by the Debiensko capping of our spending.

So, just to reiterate, our production target is a range of 10.8 million tonnes to 11 million tonnes of coal, and 700,000 tonnes of coke.

Our sales target is a range of 10.25 million tonnes to 10.5 million tonnes of coal, of which 48% is expected to be coking coal. And we expect to sell approximately 600,000 tonnes of coke.

Thermal coal continues to be priced for the full calendar year at EUR74 a tonne. The overall tonnage will contain about 18% middlings. Coking coal will be priced on a quarterly basis, with the current quarter at EUR130 a tonne, and about 50% hard coking coal, 43% semi soft coking coal and 7% PCI.

Coke, in the second quarter, is priced at EUR298 a tonne. We expect to sell about 67% foundry coke and 16% blast furnace and 16% other types of coke.

As I mentioned earlier, in terms of coke prices going forward, we see a glimmer of hope in terms of prices strengthening on the global basis; somewhat dampened by the relatively high levels of inventory in the Polish mining industry.

In terms of costs, we expect mining unit costs to be broadly flat on a constant currency basis, and we expect an increase in the coke conversion unit costs, which is driven by the expected drop in production.

And, all of this is numbers that you have heard from us before. The only change in our guidance regards CapEx, where we expect to spend now about EUR210 million, and the CapEx spend in Debiensko has now been reduced from about EUR50 million to about EUR5 million.

That is a summary of what we have announced this morning, and we'll now be happy to open the floors for questions. Thank you very much.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Romy Kruger, Exane.

Romy Kruger - *Exane BNP Paribas - Analyst*

The first one is on Debiensko, just to get a bit of a feeling of how much delay we should think of. If you're basically reducing CapEx drastically this year, should we assume a delay of almost a year? Or are you -- do you think you would be able to catch up on CapEx?

And also you were saying you were thinking about revising production volumes. If you could give us a bit of a feel to which degree you are thinking about production volumes.

And then, secondly, on tax rate. Could you just explain, was a bit below usual tax rate this quarter, where this comes from?

Then third, on coal production, you say it will pick up towards the end of the year. Should I conclude that Q2 might be above Q1, but still below Q3 and Q4?

And then, lastly, just a bit on a general outlook on your coke sales. You say demand continues to be subdued. What is your expectation for 2013? Do you think that you will remain durably below the full capacity of 800,000 tonnes of production, and 700,000 tonnes of sales? Thank you.

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

In terms of the Debiensko delay, I'm afraid I cannot really be very much specific today. The review started literally -- we made the decision literally yesterday afternoon, to go through this.

Our main concern, our main aim at this moment, is to make sure that the project continues to deliver the IRR that we expect from it. And we are absolutely determined to spend as much time as we need to to make sure that this is the case.

I'm afraid that I cannot be any more specific than that. Our estimate is that it will take months to complete the review, but I cannot tell you today how many months that actually is.

The same actually is true for any potential modifications in production, or production capacity, or any other key drivers of the project.

In terms of the -- I think your next question was about the tax rate. There is nothing notable to report.

There have been some time shifts in the actual tax payments, but you should always look generally at the nominal tax rate in the Czech Republic, which is where the bulk of our taxes is paid, and assume that our effective tax rate is always going to be somewhat higher than the nominal Czech tax rate, because most of the holdings structure is tax inefficient, and so the costs of the holding do not generate a tax shield.

I think the next question was about production rate in the rest of the year. I think it is fair to expect somewhat higher production in the second quarter.

And, just repeating what I said earlier, we now have the ability to accelerate production in the second half of the year, should the market or the demand in Central Europe justify that. But, overall, we are very comfortable with the production and sales guidance for the full year, and we see no reason to change that.

I think your last question was about coke, and what we see in 2013. I would love to tell you something about that, but we are probably six or seven months away from negotiating prices for 2013. There is almost no visibility this far ahead, so I can't really give you any insight into that.

Romy Kruger - *Exane BNP Paribas - Analyst*

Okay. Thanks a lot.

Operator

Donald Phillips, Baillie Gifford.

Donald Phillips - *Baillie Gifford - Analyst*

Can you just provide a little more clarity on just the drop in thermal in Q1? And you're saying that you expect that to catch up later in the year, but you've also said that you -- the drop in thermal coal's very much by design, because you're trying to change the mix. That doesn't really seem to tie up very much.

Perhaps there's been the decrease in demand, or you mentioned in the notes that US imported coal into Europe is a factor. So can you maybe just provide a little bit more clarity on what exactly is going on to cause such significantly lower volumes in thermal?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

I'll try to be concise on this. We have not consciously decreased thermal coal production, or we did not consciously reduce production of thermal coal in the first quarter. We have consciously reduced production overall, to make sure that we don't end up with any dramatically high levels of inventory at the end of the quarter.

It is pretty much just a coincidence that the drop happened in coking coal. We continue to work very hard on improving the coking coal proportion in the mix, but if, as we said earlier, this is not something that can be fixed in a single quarter, that's also why we are cautioning you about the 56% coking coal in the mix in the first quarter, which is by no means indicative of the rest of the year.

As regards the pressures on coking coal prices, I think it's probably worthwhile to look at two separate markets. One is, let's say, the global market, and especially in the US this is very visible. Clearly the shale gas situation in the US puts the thermal coal business there under a lot of pressure.

On the other hand, in Central Europe, which is the relevant market for our performance, as you know, the Polish utility sector is very heavily dependent, almost exclusively relies on coal to produce electricity, and that has really been the driver for the price increase of 11% that we have seen this year.

And I think we can debate what factor is more important; whether it's the downside pressure in the US, or whether it's the situation in Poland.

There are significant levels of inventories in Poland, which is obviously a concern. But I think the only objective data point is actually the price, which is driven by the supply and demand balance, and that has resulted in an 11% increase. And I think today, in mid-May, it is probably way too early to talk about pricing for 2013.

Donald Phillips - *Baillie Gifford - Analyst*

So just to be clear, the 32% drop in volumes, then, that has just been down to you not wanting to -- you want to reduce your overall inventory through the course of the year, so you've produced a lower amount of thermal coal.

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

We produced significantly lower amount of coal --

Donald Phillips - *Baillie Gifford - Analyst*

But the slide shows that your volumes in coking coal increased by 10%, and your volumes in thermal coal decreased by 32%. I'm sorry if I'm being dim, I'm just trying to get a feel for why this [is happening].

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

I understand what you're asking and I'm apparently not doing a very good job at answering it. There are two processes that are happening at the same time. One, we have chosen to produce or -- we have chose to reduce the rate of production of coal overall in the first quarter. That is process number one.

Process number two, we continue to work on increasing the proportion of coking coal in the overall product mix. That has, almost by coincidence, resulted by a relatively high proportion of coking coal in the overall mix. But that is -- the proportion of coking coal is going to be watered down throughout the next three quarters, to the approximately 48% for the full year. Does that make sense?

Donald Phillips - *Baillie Gifford - Analyst*

It does. I'm sorry. I apologize to everyone else on the call. I'm not seeing why your volumes in thermal are down 32%, from what you've just said. I understand what you're saying, that production's lower across the board, but I'm just not understanding why thermal production is as low as 32% below previous. I understand what you're saying about the mixing and the catch up, but --

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Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

I think the other thing that I, perhaps, should have said at the very beginning was that any changes in -- we don't operate the business on a quarterly basis. It is -- for us, we report quarterly, not really out of choice; we have to live with it. But a quarter is just way too short a period of time to be of any significance. And I think it is very likely that you will see a rebalancing of the product mix and increase in thermal coal production in the second quarter.

Donald Phillips - *Baillie Gifford - Analyst*

Okay, fair enough. Thank you.

Operator

(Operator Instructions). Bram Buring Wood & Co.

Bram Buring - *Wood & Co - Analyst*

If we could, perhaps, go back to Debiensko for a minute, several questions here. First of all, maybe we could start, maybe if you remind us of the terms of the license that you have on that mine, in terms of if you're obliged to develop in any sort of fashion, and when the license would expire.

And with regards to the desalination issue, if -- I'm guessing here that desalination is done now by the local authorities, not by you. And is the issue whether you would have to desalinate the water yourself, perhaps build a facility for desalination as part of the project? Or is it something else?

And the last question is, if you could, perhaps, speak a little bit more about the cost inflation in Poland, in terms of development work. And, as such, you -- how much higher is it, compared to the roughly EUR540 million figure that we've been talking about in the preceding quarters?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

First on the license, it is a 50-year license that doesn't have any specific constraints or requirements about the rate of development, or the form of development. So it remains unaffected by our decision yesterday.

In terms of the desalination, you're right. The desalination, and, actually, the water pumping itself is currently done by the local authorities, and the development of the project -- at one stage we will -- the local authorities will hand over the water pumping and the desalination to us. And the concern that we -- including the facilities used for the desalination.

And the concern that we have is with the recent indications of a much larger volume of water that needs to be desalinated. And, consequently, we are questioning whether the current facilities actually do have the capacity to deal with all that volume, or whether we would have to build a new desalination capacity.

This is something that popped up very recently. We will need to make sure that we understand what this means in terms of the logistics, the operational aspects of it, but also what kind of financial implication this has. And I think, today, we simply don't have that understanding. I cannot tell you today what this means in terms of the overall CapEx or the IRR of the project.

Bram Buring - *Wood & Co - Analyst*

Sure. If I could interrupt for just a second, the issue that popped up is the quantity of the water that needs to be desalinated, or the issue that popped us is who's responsible for the actual desalination and --?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

No, the issue is the quantity, not who's responsible. We will have to pump the water, and we will have to desalinate it, that's pretty clear.

Bram Buring - *Wood & Co - Analyst*

And this would -- this obligation would start when actual mine production starts, or when the development starts?

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

That's one of the unknowns at the moment.

Bram Buring - *Wood & Co - Analyst*

Okay. Thanks.

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

And the -- I think your third question was --

Bram Buring - *Wood & Co - Analyst*

Cost inflation.

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

Cost inflation, yes, thank you. We have seen a range of unit price increases. I think the range is roughly between 10% and 20%, so that's very significant.

Let me just make clear that I'm not implying that the project has just increased in price by 20%. We are -- we have tendered the slope construction work, and this is where we first saw those inflated prices. It's going to get better in terms of the overall CapEx, but, to be honest, it could also get worse in terms of the overall CapEx.

We think that we should catch this potential problem early, which is exactly what we are trying to do at the moment. That's why we have put a freeze on the CapEx in 2012, and we will do a thorough review of all the assumptions. We will verify all of the assumptions, as you would expect.

We had indicative bids at the time when the project has received the final go-ahead last year. We had indicative bids from potential suppliers. And the current final bids that came into the tender are, depending on who it is and what it is, between 10% and 20% more expensive.

Bram Buring - *Wood & Co - Analyst*

Okay. Yes. Thank you very much for the answers.

Operator

We have no further questions.

Radek Nemecek - *New World Resources Plc - Head of IR*

Okay. Thank you very much, ladies and gentlemen. If there are no further questions, I think we can conclude the call. However, if you come up with some questions, please contact the Investor Relations department. Thank you again, and good-bye.

Marek Jelinek - *New World Resources Plc - Executive Director & CFO*

Thank you, everybody. Have a good day. Bye-bye.

Operator

That would conclude today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.
