Principal risks and uncertainties

Summary of risk management processes in 2014

In February 2013 we announced our strategy to become Europe's leading miner and marketer of coking coal by 2017. The strategy is still valid. During 2014, we continued to face the on-going challenging market conditions. We therefore further prioritized the first pillar of our strategy, i.e. operational optimisation with the aim of adjusting NWR's business to these adverse market conditions and, importantly, to keep us on track with the longer-term objectives of our 2017 strategy – we underwent the balance sheet restructuring reducing our indebtedness and debt servicing costs.

In 2014 we implemented our reviewed Group risk management policies and processes, and focused on bringing the Group's management closer in touch with the processes themselves. We continued to identify further opportunities to unify practices at our operational subsidiaries in respect of risk identification, measurement and reporting.

Table: Risk management framework

<table>
<tr>
<td rowspan="3">Setting of strategic objectives

Operational risk identification</td>
<td>The Board of NWR Plc (Audit and Risk Management Committee)

• 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.</td>
<td rowspan="3">Internal Audit

• Assess risks as part of the risk-based internal audit plan.
• Monitor and audit the risk management process.
• Monitor and audit internal controls.</td>
</tr>
<tr>
<td>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.
• Monitor the Group's principal risks and manage these directly where appropriate.
• Ensure consistent reporting on risk management activities</td>
</tr>
<tr>
<td>Subsidiary Management / Operational level

• Operational risk identification and assessment.
• Prioritise and lead risk mitigation activities.
• Implement internal control measures.</td>
</tr>
</table>

On following pages individual risks are discussed in more detail.

If the Group fails to maintain a minimum liquidity threshold of EUR 40 million on or after 31 October 2015, an event of default will be triggered under the Super Senior Facility (and a cross-default under the ECA Facility) and the holders of the New Senior Notes and the New Convertible Notes may exercise their right to accelerate.

Based on the current projections, the Directors consider that the Group has sufficient cash available to meet its funding requirements for at least the next 12 months following the date of this report.

However, there is a risk that the cash available to the Group is not sufficient for funding requirements over this period. In particular, in the event of unexpected production or other operating issues, or further deterioration in coal prices (although coal prices are fixed for most of the Group's anticipated 2015 sales, the Group is exposed to prices on approximately 25 per cent of its coking coal sales in 2015 and to all sales in 2016), the Group could run out of cash in Q4 2015. The EUR 35 million Super Senior Credit Facility, which is fully drawn, requires the Group to maintain a minimum cash balance of EUR 40 million and this is first tested as at 31 October 2015. Although the Group's projections indicate that it would have more than this minimum cash balance, the excess over this amount is limited and the Group would have very little flexibility to manage the position. If this were to occur, the ECA Facility would also be capable of acceleration and, should that acceleration be reasonably probable, all of the remaining debt of the Group could become immediately repayable. In those circumstances, if it were able to, the Group would most likely repay any amount outstanding under the Super Senior Credit Facility prior to 31 October 2015, which would result in a minimal amount of cash being available.

In the event that it becomes likely that there will be a shortfall in available cash, the Group proposes to seek alternative sources of liquidity, which could include the sale of the assets of OKD and NWR Karbonia, or raising additional debt (to the extent permitted by the New Senior Notes Indenture, the Super Senior Credit Facility and the ECA Facility) or equity or, if no viable alternative solutions are then available, attempting to sell OKD and NWR Karbonia thus effectively liquidating the Group's assets.

The Directors recognise that these circumstances represent a material uncertainty that may cast significant doubt as to the Group's and the Company's ability to continue as a going concern and that they may be unable to realise all of their assets and discharge all of their liabilities in the normal course of business. Nevertheless, the Directors expect that the risks associated with a deterioration in coal prices and/or other operating issues have been appropriately taken into consideration and accordingly the financial statements have been prepared on a going concern basis and do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

In connection with the consummation of the sale of the Group's energy business to Dalkia, the Group is obliged, under a long term framework agreement, to purchase utilities in the requested volumes at agreed prices and the pricing mechanism for supplies will be applicable over the entire duration of the framework agreement. Furthermore, the pricing mechanism stipulates a recurring fixed payment payable in case of the closure of a mine until the expiry of the framework agreement. The fixed payment for the Paskov mine amounts to approximately EUR 1.6 million per annum irrespective of the actual off-take.

Risks relating to coal prices

The Group's business, financial condition and results of operations may vary with fluctuations in the production costs and the prices for coal and the Group's future revenues are highly dependent on and sensitive to the prices for coal. In addition, a decline in coal prices may also require the Group to write down its mineral reserves and resources, which would result in an impairment of the Group's asset value.

The coal mining business is generally a high fixed-cost business. As the majority of the Group's revenue is derived from sales of coal to external parties, the Group's business, results of operations and margins are substantially dependent on the market prices and the production costs of coal. The domestic and international coal markets exhibit fluctuations in supply and demand and, consequently, prices vary from one period to another. Prices for coal tend to be cyclical, and over the last several years have been very volatile. Coking coal, from which the Group generates the majority of its income, is particularly volatile. From second quarter 2011 (the highest point) to fourth quarter 2014, the average coking coal benchmark price has declined by 64 per cent.

Fluctuations in prices and production costs, which affect the Group's results of operations and cash flows, are subject to numerous factors beyond the Group's control, including but not limited to:

- Central European and global economic trends and conditions;
- The supply of and demand for coal in Central Europe and globally;
- The demand for electricity in Central Europe;
- Central European demand for/and the price of steel and the continued financial viability of the Central European steel industry;
- The price and availability of alternative fuels and nuclear energy, including the effects of technological developments and cost of transportation;
- Costs of raw materials, labour and services related to operations such as steel, rubber, petroleum products and electricity;
- The proximity to, capacity of and cost of transportation facilities;
- Central European and EU governmental regulations and taxes;
- Currency exchange rate fluctuations and rate of inflation; and
- Global or Central European political events and other market forces.

If coal prices fall below the costs of production at the Group's coalmines for a sustained period, it may not be economically feasible to continue production at such sites. This would materially and adversely affect production, profitability and the Group's results of operation and financial position. Any termination of mining operations at the Group's sites could result in the Group having to make certain expenditures on the decommissioning and reclamation of such sites. In addition, a decline in coal prices may also require the Group to write down its mineral reserves and mineral resources, which would have a material adverse effect on its earnings, profitability, financial position and results of operations. Should any significant write down in mineral reserves be required, material write downs of the Group's investment in the affected mining properties and increased amortisation, reclamation and closure charges may be required, which would result in an impairment of the Group's asset value.

A substantial amount of the Group's coal revenue is derived from sales of coking coal. As the demand for coking coal is primarily affected by global demand for coal from the steel industry, the price the Group charges its coking coal customers is directly linked to the global market conditions of the steel industry. A drop in global steel prices may put downward pressure on the prices the Group can charge its coking coal customers. In addition, further consolidation in the steel industry may lead to increased purchasing power for steel producers, which could reduce the price paid for coking coal.

High-cost nature of Group's operations

The Group has made significant progress in improving its operational performance. However, in response to 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 in 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 periods of higher coal prices are now coming on line, exacerbating an already oversupplied market. Such activity may have a material adverse effect on the Group's businesses, financial condition and results of operations.

Failure by the Group to implement further profit improvement initiatives could have a material adverse effect on its business, results of operations or financial position. A failure to decrease the Group's production costs will have a material adverse effect on its profitability.

The Group's profit improvement initiatives depend on realising cost savings, efficiencies and synergies from the introduction of new technologies and operating processes, as well as reductions in the size of the Group's workforce.

The Group seeks to implement initiatives in line with its plans to decrease its production over the next several years. Its fixed costs per tonne or production costs therefore will need to decrease in order to maintain a suitable profit level. A failure to decrease production costs in line with the decrease in production or any increase in production costs will have a major impact on its profitability. The Group's main production expenses are personnel costs, service costs, materials and energy costs. Changes in the costs of the Group's mining and processing operations could occur as a result of unforeseen events, including international and local economic and political events, and could result in changes in profitability or reserve estimates. Many of these factors are beyond the Group's control. The Group will also incur significant costs in relation to the closures of its mines, which are expected in line with its plan to decrease production over time.

Wage levels of the Group also face potential upward pressure as a result of the strong position of trade unions in its workforce. In addition, other input costs in the Group may arise as a result of the continued integration of the Czech Republic and Poland into the European Economic Area ('EEA') or other factors. The Group may be unable to implement one or more of its profit improvement initiatives successfully or it may experience unexpected cost increases that offset savings that it may achieve, which could have a material adverse effect on its business, financial position or results of operations.

The Group relies on third-party suppliers for a number of its raw materials, including electricity, steel and parts used in the construction and continuing development of its mines and the processing of coal. In particular, the cost of electricity in the Czech Republic has increased significantly in the past few years and, while the Group has experienced recent reductions in such cost, the Group expects that increases in the future are likely. Moreover, the Group employs highly specialised machinery, equipment and services, and a future scarcity of suppliers could lead to significant price increases. Any material increase in the cost of raw materials or specialist inputs, or the inability by the Group to source third-party suppliers for the supply of its raw materials or specialist inputs, could have a material adverse effect on the Group's financial condition or results of operations.

Economic conditions globally and in Central Europe in the period following the global financial crisis may have an adverse effect on the Group's business.

The global economic downturn, coupled with the global financial and credit market disruptions, had an impact on the coal industry through a decrease in the use of coking coal by the Group's Central European customers, specifically the Central European steel and coking industries, and a decrease in prices for coal. Though parts of the world have seen economic recovery, the speed and degree of growth is variable by geography and by industry. The markets for end products for which coking coal is a key raw material, such as the European auto manufacturing industry, continue to remain subdued. There is no certainty as to whether there will be any material recovery or how sustained the recovery would be and the experience of the global financial crisis has demonstrated the vulnerability of the coal industry to significant changes in global economic conditions. Any actions the Group may take in response to these conditions may be insufficient. A protracted worsening of global economic conditions or disruption in the financial markets could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's mining and exploration activities and future mining operations are, and will be, subject to operational risks and hazards inherent in the mining industry.

The Group's business is subject to a number of inherent risks and hazards including environmental hazards, industrial accidents, labour disputes, catastrophic accidents, fires, blockades or other acts of social activism, changes in the regulatory environment, the impact of non-compliance with laws and regulations or the implementation of new laws and regulations, natural phenomena such as inclement weather conditions, above or underground floods, earthquakes, ground movements, tailings, pipeline failures, cave ins, unusual or unexpected geological conditions and technological failure of mining methods. The Group may also contract for the transport of coal and coal products, which will expose the Group to risks inherent in transportation, including loss or damage of transportation equipment and spills of cargo. There can be no assurances that the foregoing risks and hazards will not occur or, should they occur, that they will not result in damage to, or destruction of, the properties and assets of the Group, personal injury or death, environmental damage (including soil and groundwater contamination), delays in or interruption of or cessation of production from the properties or impairment of the

Group's exploration or development activities, which could result in unforeseen costs, monetary losses, potential legal liability and adverse governmental action, all of which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group must make significant capital expenditures in order to maintain its production levels and improve overall efficiency.
The inability to finance these and other expenditures in the longer term could have a material adverse effect on the Group's business, financial condition or results of operations.

The Group's business and development of any new reserves requires significant capital expenditures with respect to development, maintenance, production, transport, exploration and coal preparation. The Group's business plan requires substantial capital expenditures for the foreseeable future for the purposes of, among other things, the acquisition of machinery and equipment and increasing production efficiency.

The Group also has a number of development projects and prospects, as well as plans for its existing operations, which involve significant capital expenditure. Some of the Group's development projects and prospects may require greater investment than currently planned. The Group's business and mining plans for Debiensko and Morcinek will also entail significant capital expenditures if, and when, mining operations begin there. However the Group anticipates that capital investments in the short to medium term will be decreased as a result of the current economic climate.

The Group expects to be able to meet its current capital expenditures from its operating cash flows. In the longer term, when the Group's financing arrangements mature, the Group's ability to secure future debt or equity financing in amounts sufficient to meet its financial needs could be adversely affected by many factors beyond its control, including but not limited to economic conditions in Central Europe and the health of the Central European banking sector and/or capital markets and factors within its control including its limited remaining reserves as at the maturity of the New Senior Notes and the ECA Facility. If the Group is unable to raise the necessary financing in the longer term, it will have to revise capital expenditures planned for after that date. Such possible reduction could adversely affect the Group's ability to expand its business and meet its production targets and, if the reductions are severe enough, they could adversely affect the Group's ability to maintain its production at planned levels. The Group's approach to development of the Debiensko mine is subject to the decision of the Polish mining authorities and the Group's actual capital expenditures on the Debiensko project may ultimately be different from those the Group currently anticipates. The Group's capital expenditures plans constitute forward-looking statements and are subject to uncertainties.

Extraction of coal from coal deposits may not be commercially viable.
Whether a deposit will be commercially viable depends on a number of factors, including the particular attributes of a deposit, such as its size and grade; the price of coal; prevailing commodity prices; costs and efficiency of the recovery methods that can be employed; proximity to infrastructure; financing costs; and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of commodities and environmental protection. The effect of these factors, either alone or in combination, cannot be

accurately predicted and their impact may result in the Group not being able to economically extract minerals from any identified mineral resource or mineral reserve which, in turn, could have a material adverse effect on the Group's business, financial condition and results of operations.

A majority of the Group's revenues are currently derived from sales made in the Central European market and any significant downturn in the Central European economy or any decrease in the use of coal by the Group's Central European customers could have a material adverse effect on the Group's business, financial condition or results of operations.

As a result of the land-locked nature of Central Europe and high transport costs to regions outside the Central European region, the Group has exposure which is currently concentrated in the Central European market. As such, the Group's business, financial condition and results of operations are highly dependent on the Central European market. Any significant downturn in the Central European economy, and in particular, with respect to the Central European steel and coking industries, could have a material adverse effect on the Group's business and results of operations. Furthermore, a significant decline in demand for coal or its excess supply by other coal producers may have a material adverse effect on the Group's businesses, financial condition and results of operations.

The Group operates in a competitive industry and the Group's business and financial condition and results of operations will be adversely affected if the Group is not able to compete effectively, including with state-owned companies who may not be driven solely by profits.

Competition in the coal industry is based on many factors, including price, production capacity, coal quality and characteristics, transportation capability, costs and brand name. The Group's coal businesses compete principally in Central Europe with other Central European coal producers and face competition from third parties, including state-owned, partially state-owned and formerly state-owned coal industries in Central Europe. The operations of state-owned coal companies may not be driven solely by profit and, as a result, may sell coal at lower prices or be able to sustain higher costs than the Group. Furthermore, some 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 approximately 11 per cent in 2014. This means that a significant number of coal producers will continue to have lower costs per tonne than the Group.

The Group may be unable to compete effectively due to the improvements in the quality of coal sold by the Group's competitors, a decrease in the quality of the Group's coal or deterioration of coal reserve mining conditions of competitors, particularly government-owned competitors, selling coal at lower prices. Increased competition in the future, including from new competitors that may emerge, could have a material adverse effect on the Group's business, financial condition and results of operations. While the Group believes it does not currently face significant competition from coal suppliers located outside Central Europe, the Group may in the future face increased competition from coal suppliers internationally, particularly in the event the cost of seaborne and overland transportation declines or if additional transportation infrastructure in Central Europe is built and causes a decrease in such competitors' transportation costs, or in the event China eases its restrictions on the export of coal. An increase in competition may have a material adverse effect on the Group's business, financial condition and results of operations.

Competition from other energy sources and negative public perception of coal mining, coal-fired power and heating plants could have an adverse effect on our business.

Thermal coal energy competes with other sources of energy, including oil, natural gas, nuclear and hydroelectricity. These other energy sources are to some extent interchangeable with thermological energy, particularly over the longer term. Sustained lower prices of oil, natural gas, nuclear and hydroelectricity may result in lower demand for thermal coal concentrates which in turn may result in lower market prices for thermal coal. Because of unique political, technological and environmental factors that affect the thermological industry, the industry is subject to public opinion risks, which could have an adverse impact on the demand for thermal coal power and increase the regulation of the thermal coal power industry.

The Group's coal mining operations are subject to operating risks that could result in decreased coal production or product mix of coking and thermal coal, which could reduce the Group's revenues.

The level of the Group's coal mining production is subject to operating conditions and events beyond its control that could disrupt operations and affect production at particular mines for varying lengths of time. These conditions and events include:

- Depletion of the Group's reserves and resources;
- Restrictions on extraction due to subsidence constraints imposed by surface properties or infrastructure;
- The Group's inability to acquire, maintain or renew necessary permits for mining or surface rights in a timely manner, or at all;
- Changes in governmental regulation of the coal industry, including the imposition of additional taxes, fees or actions to suspend or revoke the Group's permits or changes in the manner of enforcement of existing regulations;
- Adverse weather and natural disasters, such as heavy rains and flooding;
- Increased or unexpected reclamation costs; and
- Interruptions due to transportation delays. Furthermore, coal mining involves hazardous activities such as operating large pieces of rotating and other heavy equipment and delivering coal via large transportation systems. The Group's underground mining operations and product mix may be affected by mining conditions such as:
- Uunfavourable geologic conditions, such as the highly variable thickness of the coal deposits and the amount of rock embedded in or overlying the coal deposits, especially in the Ostrava region;
- The highly variable tectonic character of the coal deposits in the Ostrava region;
- Mine safety accidents, including fires and explosions from methane or rock bursts, and mine closures and fatalities resulting from such accidents;
- Mining and processing equipment failures and unexpected maintenance problems;
- Increased water entering mining areas and increased or accidental mine water discharges; and

- Other operational risks associated with industrial or engineering activity, such as risks relating to mechanical breakdowns and the use of explosive materials.

In addition, although the Group has implemented a number of safety measures, the above risks may be exacerbated due to the depth of the Group's mines (currently ranging from approximately 600 to 1,100 metres deep, and in the future may extend to 1,400 metres deep), which are among the deepest in Central Europe. These conditions and events may increase the Group's cost of mining and delay or halt production at particular mines, either permanently or for varying lengths of time.

Furthermore, the realisation of some of these risks could result in damage to the Group's coal deposits or coal production facilities or the transportation facilities it utilises, personal injury or death, environmental damage to the Group's properties or the properties of others, or delays in mining out coal or in the transportation of coal, which could lead to monetary losses and potential legal liability.

Disruptions in transportation services or increases in the costs of transportation services could adversely impact the Group's ability to deliver coal to its customers, which could cause a decline in the Group's revenues and profitability. The Group depends primarily upon railways to deliver coal to its customers. The cost and dependability of transportation are critical factors in the Group's customers' purchasing decisions. Increases in these transportation costs could make thermal coal a less competitive source of energy or could make some of the Group's operations less competitive than those of other coal producers.

Contracted coal price data included in Annual Report may differ materially from actual coal prices and volumes realised. The contracted coal prices included in this Annual Report are based upon a number of assumptions and factors, including, among others, exchange rate fluctuations, timing and frequency of contract negotiations or renegotiations, shortened term of contracted prices, quality of mix of product required by customers, timing of deliveries, flexible provisions in individual contracts, cost of input materials, trends in the steel industry, and costs of other substitute products. In addition, unanticipated events and the slower than expected global economic revival may continue to adversely affect any of these assumptions or factors and consequently may adversely affect the price and demand data included in this document. As a result, the actual realised prices and volumes sold for coal may differ materially from contracted price and volume data included in this document.

The Group's framework agreements provide that prices are renegotiated periodically, which may lead to lower revenues when coal prices decline, and may result in economic penalties upon a failure to meet required coal specifications.

The Group historically contracts its coal sales under long-term framework agreements. These framework agreements are typically periodic in nature and have been important to the stability and profitability of the Group's operations. The execution of a satisfactory coal supply agreement is frequently the basis on which the Group undertakes the development of coal reserves required to be supplied under the contract, but because framework agreements require the purchase price and quantity to be renegotiated at periodic intervals, these agreements generally do not commit the Group's customers to purchase any quantity of coal at any price beyond the contracted periods.

Any renegotiations would likely reflect prevailing market conditions at the time of the renegotiation and could result in a decreased price, volume or both.

As a result, the Group's framework agreements would provide only limited price protection if coal prices decline. When the Group's current framework agreements expire, the Group's customers may decide not to extend or enter into new framework agreements or may decide to purchase less coal than in the past or on different terms, including under different pricing terms. If one or more of the framework agreements with the Group's major customers were renegotiated or terminated or if any of the Group's major customers were to significantly reduce their purchases of coal from the Group, or the Group was unable to sell coal to them on terms as favourable to the Group as the terms under the Group's current agreements, the Group's revenues and operating profits could be materially adversely affected.

The majority of coal sales are based on long-term framework agreements, which contain provisions requiring the Group to deliver coal meeting quality thresholds for certain characteristics such as BTU (a unit measuring the amount of heat needed to raise the temperature of one pound of water by one degree Fahrenheit), sulphur content, ash content, hardness and ash fusion temperature. Failure to meet these specifications could result in economic penalties, including price adjustments, the rejection of deliveries or, in the extreme, rescission of individual orders, any of which may result in the Group not achieving the revenue or profit it expects to achieve from such framework agreements.

The volume and grade of the coal the Group recovers may be less than the estimates included in this Annual Report.
The coal reserve and mineral resource estimates inherently include a degree of uncertainty and depend to some extent on geological assumptions, coal prices, cost assumptions, and statistical inferences, which may ultimately prove to have been unreliable. There are complex non-linear relationships between these factors. Consequently, coal reserve and mineral resource estimates are often regularly revised based on actual production experience or new information (including price information) and can therefore be expected to change.

Furthermore, should the Group encounter mineralisation or formations different from those predicted by past drilling, sampling and similar examinations, coal reserve and mineral resource estimates may have to be adjusted and mining plans may have to be altered in a way that might adversely affect the Group's operations.

Moreover, a further decline in the price of coal, stabilisation at a price lower than recent levels, increases in production costs, decreases in recovery rates or changes in applicable laws and regulations, including environment, permitting, title or tax regulations that are adverse to the Group, may result in the volumes of coal that the Group can feasibly extract being significantly lower than the reserve and resource estimates indicated in this document. If it is determined that mining of certain of the Group's coal reserves has become uneconomic, this may ultimately lead to a reduction in the Group's aggregate reserves. If the Group's actual mineral reserves and resources are less than current estimates, the Group's prospects, value, business, financial condition and results of operations may be adversely affected.

In addition, it is possible that the quality of the coking coal products will deteriorate as reserves at the Group's mines are depleted and may not continue to meet the requirements of the Group's customers. The inability of such coal to meet quality specifications and certification requirements will cause the Group to sell such coal at lesser quality coal grades and may have a negative effect on the realised price for the coal product and on the product mix of coking and thermal coal. As such, the Group's actual reserve and resource figures could significantly differ from those included in this document.

The profitability of the Group depends upon its ability to successfully exploit existing reserves and, in the longer term, to develop or acquire economically attractive coal reserves at competitive costs.

The profitability of the Group depends substantially on its ability to mine coal reserves that can be mined at competitive costs and to meet the quality needed by its customers. Reserves may not be available when required or, if available, may not be capable of being mined at costs comparable to the Group's current costs. Because the Group's coal reserves deplete as they produce coal, the Group's ability to sustain or increase its current level of production in the long-term will depend, in part, upon its ability to acquire and develop additional coal reserves that are economically marketable and to develop new and expand existing mining operations.

The Group is seeking to develop and mine the Debiensko and Morcinek coalfields, each of which requires various approvals and licences by Polish government ministries and local municipalities. Certain permits necessary for new mining opportunities are obtained upon the approval of various governmental agencies and the absence of a long-term relationship with Polish regulatory authorities such as those that other Polish mining companies may have make it more difficult for the Group to obtain such necessary permits for new mining opportunities in Poland. Delay or failure in securing the relevant governmental approvals or permits as well as any adverse change in government policies may delay or impede the Group's development and acquisition plans. Even if relevant governmental licences and permits are obtained, if the Group is unable to complete its development projects within the time frame allowed by the licences and permits, it may lose its licences to mine some of the mining areas designated to NWR Plc.

The Group depends on the continued availability of experienced miners, the shortage of which could result in the Group having insufficient employees to operate its business, which could adversely affect the Group's business, financial condition and results of operations.

Efficient coal mining using modern techniques and equipment requires experienced miners with proficiency in multiple mining tasks. Underground miners have a limited mining life due to limits on dust exposure; hence operational mines experience a relatively high turnover of permanent underground mining employees. The Group is therefore dependent on a continued availability of experienced miners, which may not always be available.

In addition, the average age of the Group's mine workers is approximately 43 years of age, which is relatively old for the mining industry. In the event that the Group is unable to employ the necessary number of experienced miners, there could be an adverse impact on the Group's labour productivity and costs and its ability to maintain or expand production, which could have a material adverse effect on the Group's business, financial condition and results of operations. In order to mitigate these risks, the Group uses a proportion of contractors to offset any shortage of experienced miners.

The Group could be adversely affected if it fails to maintain satisfactory labour relations.
For the year ended 31 December 2014, the Group employed an average total of 11,488 employees and 3,169 contracted workers. We estimate that more than half of our employees are members of trade unions. Maintaining satisfactory labour relations with the Group's employees and organised labour are important to our success.

Although the Group has historically enjoyed a positive and productive working relationship with the trade unions under the collective bargaining and wages agreements, no assurance can be made that these relationships will remain positive and productive, particularly in light of possible changes to the Group's policy and procedure that may result from the implementation of the Group's profit improvement initiatives. In line with the Life of Mine Plan, the Group's production profile is to decrease over the next few years. This will require a significant reduction in fixed costs, which include amongst other things changes to the Group's employee base.

In November 2013, the Group announced that OKD had reached an agreement with the trade unions and signed a new collective bargaining agreement for the years 2014 to 2018 which led to a decrease of six per cent. in personal expenses at OKD in 2014 compared with 2013 in CZK terms.

NWR Plc's ability to operate effectively could be impaired if NWR Plc fails to attract and retain key managers.
NWR Plc's senior executives together have an average of approximately 20 years of experience in the mining industry, with specific experience in, among other things, maintaining strong customer relations and making strategic and opportunistic acquisitions. The ability to maintain NWR's competitive positions and to implement NWR's business strategy is dependent on NWR's senior management and the ability to attract and retain experienced and qualified members of management.

In particular, the contributions of the Executive Directors and the chief executive officer of OKD (Dale Ekmark) are critical to the management of NWR. If NWR is not able to continue to retain such key personnel, it may be unable to manage itself or otherwise compete effectively in the Central European coal industry, which could adversely affect its business.

The Group depends on a small number of major customers, the loss of any of which, or the Group's inability to collect payment from any of which, could adversely affect the Group's financial condition and results of operations.
For the year ended 31 December 2014, the Group derived approximately 71 per cent of its third-party thermal coal revenues from sales to its six largest thermal coal customers and 95 per cent of its coking coal revenues from sales to its six largest coking coal customers. At 31 December 2014, the Group had material supply agreements with these customers that expire at various

times between 2015 and 2016. Failure to renew such agreements or the closure of any of its customers could force the Group to reduce productions or rely on customers located further afield, resulting in lower relative prices for its products.

Furthermore, the Group's ability to receive payment for coal sold and delivered depends on the continued creditworthiness of its customers. If the Group is unable to collect payments from a number of these customers, the Group's financial condition and results of operations could be materially adversely affected.

The Group may face the risk of litigation in connection with its business and other activities.

All industries, including the mining industry, are subject to legal claims, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding could have a material adverse effect on the Group's business, financial condition and results of operations.

Fluctuations of the Czech koruna and Polish zloty against other currencies could affect the Group's business, financial condition and results of operations.

The Group's coal products are typically priced in Czech korunas and Euro, and the Group's direct costs, including raw materials, labour and/or transportation costs, are largely incurred in Czech korunas, while other costs, such as interest expense, are incurred in Czech korunas and Euro. The mix of the Group's revenues and costs is such that appreciation of the Czech koruna against the Euro tends to result in a decrease in the Group's revenues relative to its costs and a decline in its results of operations. In addition, if the Czech koruna depreciates significantly against the Euro, the Group could have difficulty repaying or refinancing its foreign currency denominated indebtedness.

A number of factors affect the price at which the Group sells coal, including, among other things, the global benchmark prices and the spot price of coal, which are denominated in US dollars, as well as local pricing conditions in Central Europe. To the extent that the price of the Group's coal is affected by global benchmark coal prices, a long-term depreciation of the US dollar against the Czech koruna and/or the Euro could adversely affect the Group's price of coal and consequently, its revenue.

The Czech koruna depreciated against the Euro by approximately six per cent in the year ended 31 December 2014 year-on-year (based on the average foreign exchange rate for the year ended 31 December 2014). Accordingly, fluctuations of the Czech koruna against the Euro could affect the Group's business; financial condition and results of operations and further appreciation of the Czech koruna against the Euro could adversely affect the Group's results.

In addition, the Group's development projects in Poland will be subject to fluctuations of the Polish zloty against the Euro and Czech koruna. However, since the projects are not yet in operation but at the initial development phase, the potential adverse impact of such fluctuations on the Group's results of operations is difficult to estimate.

To hedge against foreign exchange rate and interest rate fluctuations, the Group may use derivative financial instruments. Using derivative financial instruments may be costly and ineffective.

The Group has entered into various hedging transactions to help manage the risk of changes in interest rates or currency fluctuations with respect to borrowings made or to be made, or other obligations incurred or to be incurred, by the Group. The Group may use derivative financial instruments for this purpose, which may include interest rate swap contracts, interest rate cap or floor contracts, futures or forward contracts, options or repurchase agreements. The Group's actual hedging decisions will be determined in light of the facts and circumstances existing at the time of the hedge and may differ from time to time. In some cases, the Group may not elect or have the ability to implement such hedges or, if the Group does implement them, they may not achieve the desired effect. They may also expose the Group to the risk that its counterparties to hedging contracts will default on their obligations. Furthermore, although hedging transactions may limit to some degree the Group's risk from fluctuations in currency exchange and interest rates, the Group potentially forgoes benefits that might result from such fluctuations.

The Group is fully hedged against interest rate risk. However, there can be no assurance that NWR Plc will be hedged as intended against currency and interest rate fluctuations in 2015 and beyond.

Criminal acts such as fraud, bribery and corruption may materially adversely affect the Group's business and reputation despite any internal controls it may have in place.
The Group faces a number of risks from criminal acts such as fraud, bribery and corruption. The Group is reliant on its internal control environment, including its internal financial controls and particularly its enterprise resource planning and/or metals accounting systems, to provide it with reasonable assurance that the Group's operations are proceeding as intended. While the NWR's Board believes that there are adequate procedures, systems and controls in place to support the Group's business, there can, however, be no assurance that the systems and procedures implemented will be effective in preventing fraud, bribery and corruption.

The Group operates and conducts business in markets and countries, which are susceptible to the risk of corruption. Although NWR's internal policies and procedures mandate strict compliance with applicable laws prohibiting corrupt payments to other businesses, officials or employees or other persons, there is no assurance that such internal policies and procedures have been or will be adhered to by its employees. Findings against the Group, its directors, officers or employees, or involvement in bribery, corruption or other illegal activity could result in criminal or civil penalties, including substantial monetary fines under, for example, local laws and the UK Bribery Act 2010. Any government investigations or other allegations against the Group, its directors, officers or employees, or findings of involvement in bribery, corruption or other illegal activity by such persons, could significantly damage the Group's reputation and its ability to do business, and could materially adversely affect the Group's business, financial condition and results of operations.

The Group's operations may substantially impact the environment or cause exposure to hazardous materials, and the Group's properties may have significant environmental contamination, any of which could result in material liabilities to the Group.
The Group uses, and in the past has used, hazardous materials and generates, and in the past has generated, hazardous waste. In addition, many of the locations that the Group owns or operates were used for coal mining and/or involved hazardous material usage before and after the Group was involved with those locations. The Group may be subject to claims for toxic torts, natural resource damage, water pollution, property damage, personal injury and other damage to the environment as well as for the investigation of and demands for the clean up of soil, surface water, groundwater, and other media. Such claims may arise, for example, out of current or former activities at sites that the Group owns or operates currently, as well as at sites that the Group or predecessor entities owned or operated in the past, and at contaminated sites that have always been owned or operated by third parties. The Group's liability for such claims may be joint and several, so that it may be held responsible for more than its share of the remediation costs or other damages, based on its contribution to the damage caused.

The adoption of stricter environmental regulations to reduce carbon dioxide emissions could result in restrictions on coal use and reduce the demand for coal.
The European Union, the Czech Republic and the Republic of Poland have entered into international agreements that require them to mitigate greenhouse gas emissions. In order to discharge these obligations, the European Union and its member states have sought to regulate emissions of greenhouse gas through a broad spectrum of measures including direct regulation, taxation, trading schemes and incentives for non-fossil fuel power generation. These efforts to control greenhouse gas emissions and to incentivise alternative sources of power generation could result in reduced demand for coal or could adversely affect the business of the Group's customers and, in turn, have a material adverse effect on the Group's business, prospects and results of operations.

Stricter environmental regulation of emissions from coal-fired electricity generating plants, including emissions of sulphur dioxide, particulates and nitrous oxides have been legislated by the European Union and will come into effect from 2016 onwards. These measures could increase the costs of using coal, thereby reducing demand for coal as a fuel source, and the volume and price of the Group's coal sales. Further restrictions and tightening of regulations could make coal a less attractive fuel alternative in the planning and building of utility power plants in the future.

Regulation of carbon dioxide emissions may continue to tighten within the European Union such that the continued use of coal for power generation may only be possible through the implementation of new technologies, such as carbon capture and storage to mitigate carbon dioxide emissions. These technologies are untested on a commercial scale and there can be no guarantee that they will ever become commercially available. In addition, their implementation may increase operational costs for power generators, which may adversely impact demand for coal.