Amsterdam, 21 February 2013

# New World Resources

## Unaudited full year 2012 results and Strategy update

New World Resources Plc ('NWR' or the 'Company') today announces its unaudited financial results for the full year 2012, as well as an updated strategy to reposition the business as *Europe's leading miner and marketer of coking coal*.

### 2012 Financial summary

- Revenues of EUR 1,299 million, down 20%.
- Mining unit costs of EUR 81/t, down 1%.
- Q4 inventory revaluation of EUR -15 million.
- EBITDA of EUR 223 million, down 51%.
- Basic Loss per A share of EUR (0.02).
- Net debt of EUR 551 million.
- Debt maturity profile pushed out.
- Interim dividend of EUR 0.06 per A share with no final dividend[1].

### 2012 Operational summary

- Further improvement in safety with LTIFR[2] down 2.5% to 7.45.
- Regrettably, 5 miners lost their lives. Drive for fatality-free operations continues.
- Coal production of 11.2Mt, and external sales of 9.7Mt.
- External sales mix of 51% coking coal and 49% thermal coal.
- Coke production of 680kt and external sales of 555kt.
- Year-end coal inventories at 1.3Mt.
- Recent technical review of Debiensko project completed. EUR 10 million CAPEX spend planned for 2013 on purchase of surface properties and value engineering.
- Expansion of existing Karvina mine continues to plan.
- Total JORC[3] reserves of 374Mt as at 1 January 2013.

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1 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, paid as interim and final dividends.

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

## FY 2013 guidance

### Production

- Coal production target of 10.0-11.0Mt.
- Coke production target of 800kt.

### External sales

- External sales target of 9.5-10.5Mt of coal equally split between coking and thermal coal.
- Coke sales target of 700kt.

### Prices[4]

- Thermal coal priced at EUR 60/t for 2013. 80% priced yearly and 20% priced quarterly, with an expected mix of 85% thermal coal and 15% middlings.
- Coking coal Q1 2013 average price agreed at EUR 103/t with an expected mix of 45% mid-volatility hard coking coal, 47% semi soft coking coal and 8% PCI coking coal.
- Coke Q1 2013 average price agreed at EUR 253/t with expected mix of 76% foundry coke, 15% blast furnace coke and 9% other types of coke.

### Costs

- Broadly flat mining unit costs on a constant currency basis.
- Broadly flat coke conversion costs on a constant currency basis.

### CAPEX

- Expected CAPEX of EUR 120-130 million, including EUR 10 million on Debiensko.
- Capital spending on new mining equipment down 57% year-on-year.
- Capital spending on gateroad development down 24% year-on-year.

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3 Joint Ore Reserves Committee. NWR currently uses the JORC system to report reserves and resources. NWR employs a certified geologist who prepares the reserve numbers and is the designated 'Competent Person' as defined by the JORC code. The split of NWR's reserves is 184Mt at current operations (81Mt proved reserves and 103Mt probable reserves), and 190Mt at the Debiensko project (probable reserves).

4 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. All of the forward-looking price guidance for 2013 is based on an exchange rate of EUR/CZK of 25.00. Prices are expressed as a blended average between the different qualities of coal and are ex-works.

**Strategic outlook**

The Board of NWR has undertaken a strategic review of the business and today announces the outcome of this review and sets out clear objectives for 2017.

NWR is uniquely positioned to capitalise on the opportunity to meet the growing hard coking coal supply gap in Europe. We are setting out a strategy, that leverages established proven strengths, expertise and customer relationships to reposition the business to become *Europe's leading miner and marketer of coking coal*.

By 2017 NWR aims to reach the following core targets:

- **Double European coking coal sales to 10Mtpa through a mixture of mining projects and marketing initiatives.**
- **Build on marketing capabilities and market all coking coal qualities to become a 'one-stop shop' for European steel customers.**
  - Engage in the import market for seaborne coal.
  - Expand the Company's sales opportunistically into Western Europe whilst retaining Central Europe as NWR's core market.
- **Rank as one of the top five global leaders in safety in deep underground coal mining ('LTIFR'). Further improve our current mining operations.**
  - Reduce annual maintenance CAPEX at OKD to EUR 100-150 million (currently over EUR 200 million).
  - Improve sales mix towards coking coal through targeted projects including expansion of Karvina mine.
  - Continue to pursue attractive regional organic growth projects.
  - Maintain our social license to operate.

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

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

NWR NEW WORLD RESOURCES

## Chairman's statement

### FY 2012 performance overview and 2013 outlook

2012 has been a tough year for NWR. The ongoing macroeconomic uncertainties in Europe as well as the slowdown in Asia have affected business sentiment, and this has had a knock-on impact on steel markets, and associated raw materials including coking coal.

A key achievement for the year was reaching our coal production target whilst gaining a further improvement in our safety performance metric, LTIFR. However, despite the on-going positive safety trend, it is with deepest regret that we report a loss of five of our miners at work during the year – an unacceptable result and we remain committed to achieving our ultimate target of fatality-free operations.

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

We expect coking coal prices to continue to improve during 2013 after a slight uptick in Q1 2013, as significant volumes of less competitive global coking coal supply went offline in 2012, and projects that would have brought new supply on stream in the long-term are either delayed or abandoned.

Our thermal coal business has suffered from what we believe is a temporary regional oversupply, given the relatively mild winter weather conditions as well as the wider economic slowdown in our local thermal coal markets. Consequently, we have built up over one million tonnes of thermal coal inventories by the end of 2012, which coupled with lower thermal coal prices agreed for 2013, has caused us to report today a negative inventory revaluation of EUR 15 million for 2012. In the near-term, we continue to envisage tough market conditions for our thermal coal business, resulting in only a gradual sell down of inventories during 2013.

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

In the near-term, in response to difficult market conditions, we will continue to implement disciplined cost control measures at our current operations. We aim to end 2013 with both mining unit costs and coke conversion costs broadly flat year-on-year on a constant currency basis. To augment these efforts, we will implement rigorous measures to reduce our 2013 CAPEX to EUR 120-130 million without affecting our production flexibility going forward. Capital spending on new mining equipment and gateroad development is expected to be down by 57 and 24 per cent respectively on last year.

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

As NWR reported a net loss in the second half of 2012, after taking into account inventory revaluation, the Board of NWR is withholding the final dividend, in line with our stated dividend policy. In September 2012, the interim dividend payment of EUR 0.06 per share was paid out to shareholders from the profit made by the Company for first half of 2012.

**Strategic outlook**

Over the next five years we want to build on the strengths of NWR and reposition the business from what it is today, a coal producer and trusted regional supplier with strong customer relationships to *Europe's leading miner and marketer of coking coal*. We see three core areas to explore to reach this goal: 1. Double the amount of coking coal we sell into Europe to 10Mtpa; 2. Offer all coking coal qualities to steel customers ('one-stop shop'); and 3. Further improve our current mining operations.

***1. Double the amount of coking coal we sell into Europe to 10Mtpa.***

At present we sell around 5Mtpa of coking coal to Central Europe and we want to increase this volume to 10Mtpa of coking coal of sales *to the wider European market*.

Against the current largely negative market backdrop, it is easy to overlook the underlying fundamentals and longer-term resilience of the region in which we operate. The CE4[5] has been and will continue to be our core market. The steel making industry in the area has remained relatively resilient during this period of economic weakness, particularly versus other parts of Europe. The automotive sector, which is the industry's principal end-customer, has continued to be strong with the Czech Republic and Slovakia now the world's top two car producers per capita. Additionally, manufacturers along with the heavy industries are attracted by the region's strong fundamentals including a business friendly environment, and the availability of steel making raw materials as well as a competitive and skilled labour force.

However, to achieve our 2017 target of reaching 10Mtpa of coking coal sales, we have taken a closer look at global coking coal trade flows into Europe, and we see an opportunity for NWR to capitalise on the growing supply gap in European coking coal markets. Coking coal production in Europe has been on a downward trajectory for decades. To compensate for this decline, and for the coking coal qualities that cannot be regionally sourced, there has been an increase of imports into Europe. The estimated supply gap of coking coal in Central Europe is around 4Mtpa, reaching more

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5 Czech Republic, Slovakia, Poland and Hungary.

than 50Mtpa for the whole of Europe – trends that continue to grow despite the economic downturn.

It is therefore a logical step forward in NWR's growth plans to engage also in the import markets.

### *2. Offer all coking coal qualities to steel customers ('one-stop shop').*

To take full advantage of these industry dynamics, the second core area of development for NWR is to focus on building our marketing capabilities to ensure we are able to market all qualities of coking coal to European steel customers. We aim to market coking coal that is regionally available (semi-soft grades, mid-volatility hard coking coal and PCI coal) as well as premium hard coking coal grades that are already being sourced overseas and imported into Europe. These imports are necessary for blending purposes when making coke, a key raw material in the manufacture of steel. Case in point, NWR imports US premium hard coking coal for its coking business on a regular basis.

We will strengthen our existing customer relationships and build on them, as well as capture new opportunities throughout Europe.

By 2017 we aim to be a 'one-stop shop' for European steel customers.

### *3. Further improve our current mining operations.*

We recognise that a strong safety culture and improved operations at our existing mining operation, OKD, will be key to enabling us to successfully achieve our strategic plan.

By 2017 we aim to be ranked by the industry-wide metric LTIFR as one of the top five global leaders in deep underground coal mining safety. Management remains committed to pursuing a 'safety-first' attitude, and will implement further safety training and targeted financial motivation.

Additionally, through optimisation of the long-term mining plan and supplementing Western European suppliers of mining equipment with regional producers, we aim to move away from an annual maintenance CAPEX for our mining operations of around EUR 200 million to around EUR 100-150 million in 2017 without jeopardising either production flexibility or safety.

Through safeguarding our expansion project of the Karvina mine we aim to further improve the current sales mix of an even split between coking coal and thermal coal to around 60 per cent coking coal in the mix by 2017.

At our subsidiaries, maintaining our social license to operate is absolutely crucial to our long-term business success. We engage in regular an constructive dialogue with all of our stakeholders on our current activities as well as potential future plans.

## Update on development projects

We concluded the technical review of our premium quality coking coal deposit in Debiensko, southern Poland, and I am pleased to report that we remain committed to the project. The previously outlined risks associated with the water management and potential excessive liabilities are now resolved. However, in light of the current market conditions, we will limit our progress on site in 2013 to the purchase of surface properties and project value engineering. We are budgeting a total capital expenditure of EUR 10 million this year for Debiensko.

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

Additionally, development of the Karvina mine to unlock a further 30Mt of coking coal by 2017 continues to progress as planned.

To conclude, as my first statement to you as Executive Chairman of NWR, I would like to express how privileged I feel to again have the opportunity to lead an exciting strategic change. I truly believe we have a compelling investment story, which leverages NWR's unique qualities and strengths, and it is my intention that NWR explores and realises these to the full, to become *Europe's leading miner and marketer of coking coal*.

***Gareth Penny, Executive Chairman of NWR***

## Update on corporate governance

The Board approved the changes to the Deferred Bonus Plan, which saw the introduction of new long-term incentives with challenging targets, whereupon achievement, top management will be rewarded with deferred shares. A further amendment was made, which harmonised maximum bonus levels and the proportion that is represented by deferred shares, so they are consistent for all participants.

Mike Salamon decided not to renew his tenure with the Company at the end of his five-year contract, and subsequently left the Board of NWR as Executive Chairman at the end of 2012. Gareth Penny was appointed to the role of Executive Chairman on 1 October 2012.

Jan Fabian succeeded Klaus-Dieter Beck as Executive Director of NWR and CEO of OKD.

## Summary tables

Full disclosure to the following information is outlined in the Operating and Financial Review for the year ended 31 December 2012.

### Selected consolidated financial and operational data

| (EUR m, unless otherwise stated) | FY 2012 | FY 2011 | Chg |
|---|---|---|---|
| Revenues | 1,299 | 1,632 | (20%) |
| EBITDA | 223 | 454 | (51%) |
| Operating profit | 56 | 276 | (80%) |
| (Loss) / Profit for the period | (1) | 130 | - |
| Basic (loss) / earnings per A share (EUR) | (0.02) | 0.47 | - |
| Total assets | 2,202 | 2,374 | (7%) |
| Cash and cash equivalents | 267 | 537 | (50%) |
| Net debt | 551 | 391 | 41% |
| Net working capital | 77 | 76 | 0.3% |
| Net cash flow from operations | 108 | 258 | (58%) |
| CAPEX | 231 | 194 | 19% |
| Total headcount incl. contractors | 17,719 | 18,046 | (2%) |
| LTIFR | 7.45 | 7.64 | (2.5%) |

## Coal segment

| | FY 2012 | FY 2011 | Chg |
|---|---|---|---|
| **P&L** (EUR m) | | | |
| Revenues | 1,178 | 1,506 | (22%) |
| EBITDA | 222 | 481 | (54%) |
| Operating profit | 62 | 312 | (80%) |
| **Costs** (EUR/t) | | | |
| Mining unit costs[6] | 81 | 82 | (1%) |
| **Production & Sales** (kt) | | | |
| Coal production | 11,206 | 11,247 | (0%) |
| Sales to coke segment | 520 | 550 | (5%) |
| External sales | 9,725 | 10,646 | (9%) |
| Coking coal[7] | 4,998 | 4,797 | 4% |
| Thermal coal[8] | 4,727 | 5,849 | (19%) |
| Period end inventory | 1,287 | 309 | 317% |
| **Average realised prices** (EUR/t) | | | |
| Coking coal | 124 | 177 | (30%) |
| Thermal coal | 74 | 67 | 10% |

6 Mining costs per tonne reflect the operating costs incurred in mining both coking coal and thermal coal. They exclude transportation costs and D&A.

7 In FY 2012 approx. 47% of coking coal sales were mid-volatility hard coking coal, 46% were semi-soft coking coal and 7% were PCI coking coal.

8 In FY 2012 approx. 79% of thermal coal sales were thermal coal and 21% middlings.

## Coke segment

| | FY 2012 | FY 2011 | Chg |
|---|---|---|---|
| **P&L** (EUR m) | | | |
| Revenues | 192 | 236 | (18%) |
| EBITDA | 12 | 6 | 100% |
| Operating profit / (loss) | 5 | (3) | - |
| **Costs** | | | |
| Conversion unit costs[9] (EUR/t) | 65 | 60 | 8% |
| Coal purchase charges[10] (EUR m) | 121 | 186 | (35%) |
| **Production & Sales** (kt) | | | |
| Coke production | 680 | 770 | (12%) |
| Coke sales[11] | 555 | 555 | 0% |
| Period end inventory | 207 | 162 | 28% |
| **Average realised prices** (EUR/t) | | | |
| Coke | 289 | 365 | (21%) |

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

10 Both internal and third party coal purchases.

11 In FY 2012 approx. 67% of coke sales were foundry coke, 16% blast furnace coke and 17% other types of coke.

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## Strategy update and FY 2012 earnings webcast

NWR's management will host an analyst and investor presentation on 21 February 2013 at 10:00 GMT (11:00 CET). The presentation will be also made available via a live video webcast on www.newworldresources.eu and then archived on the Company's website.

For those who would like to join the live call, dial in details are as follows:

| | |
|---|---|
| UK & the rest of Europe | +44 (0) 20 3450 9987 |
| US | +1 646 254 3361 |
| Czech Republic (toll free) | 800 701 229 |
| Poland (toll free) | 00 800 121 4329 |
| The Netherlands | +31 (0) 20 721 9158 |
| | |
| Access code | 2480319 |

A replay of the conference call will be available for one week by dialling +44 (0) 20 3427 0598, and using access code 2480319.

## For further information, please contact:

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## Notes to editors:

New World Resources Plc is one of Central Europe's leading hard coal and coke producers. NWR produces quality coking and thermal coal for the steel and energy sectors in Central Europe through its subsidiary OKD, the largest hard coal mining company in the Czech Republic. NWR's coke subsidiary OKK, is Europe's largest producer of foundry coke. NWR currently has several development projects in Poland and the Czech Republic, which form part of NWR's regional growth strategy.

In 2013 the Company announced a strategic outlook to reposition NWR into *Europe's leading miner and marketer of coking coal* by 2017.

NWR is a FTSE 250 company, with listings in London, Prague and Warsaw.

**Disclaimer and cautionary note on forward looking statements and notes on certain other matters**

Certain statements in this document are not historical facts and are or are deemed to be “forward-looking”. The Company’s prospects, plans, financial position and business strategy, and statements pertaining to the capital resources, future expenditure for development projects and results of operations, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology including, but not limited to; “may”, “expect”, “intend”, “estimate”, “anticipate”, “plan”, “foresee”, “will”, “could”, “may”, “might”, “believe” or “continue” or the negatives of these terms or variations of them or similar terminology. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. These forward-looking statements involve a number of risks, uncertainties and other facts that may cause actual results to be materially different from those expressed or implied in these forward-looking statements because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond NWR’s ability to control or predict. Forward-looking statements are not guarantees of future performances.

Factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those projected include, but are not limited to, the following: risks relating to changes in political, economic and social conditions in the Czech Republic, Poland and the CEE region; future prices and demand for the Company's products, and demand for the Company's customers' products; coal mine reserves; remaining life of the Company's mines; coal production; trends in the coal industry and domestic and international coal market conditions; risks in coal mining operations; future expansion plans and capital expenditures; the Company's relationship with, and conditions affecting, the Company's customers; competition; railroad and other transportation performance and costs; availability of specialist and qualified workers; and weather conditions or catastrophic damage; risks relating to Czech or Polish law, regulations and taxation, including laws, regulations, decrees and decisions governing the coal mining industry, the environment and currency and exchange controls relating to Czech and Polish entities and their official interpretation by governmental and other regulatory bodies and by the courts; and risks relating to global economic conditions and the global economic environment. Additional risk factors are as described in the Company’s annual report.

Forward-looking statements are made only as of the date of this document. The Company expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained in this document to reflect any change in its expectations or any change in events, conditions, assumptions or circumstances on which any such statement is based unless so required by applicable law.