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” The outlook for the future of the Polish coke industry”

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The following presentation will include:

- **Post crisis situation of Polish coal & coke industry.**
- **New investments in Polish coke industry.**
- **Future scenarios for Polish coke industry.**

**Post crisis situation
of the Polish coal & coke industry.**

POLISH COKING COAL INDUSTRY

Polish coking coal mining is the biggest mining industry of this raw material in the European Union.

It focuses primarily on two centers, namely:

- Jastrzębska Coal Company plc (JSW S.A.)**
- Coal Company plc (KW S.A.)**

Jastrzębska Coal Company plc (JSW S.A.)

JSW S.A. is the biggest producer of high quality coking-coals in both: Poland and the EU.

At present JSW S.A. consists of 6 mines:

- **Borynia**
- **Budryk**
- **Jas-Mos**
- **Krupiński**
- **Pniówek**
- **Zofiówka**

Coal Company plc (KW S.A.)

KW S.A. extracts coal in 16 mines, 7 of which extract coking coal.

These are:

- **Szczygłowice**
- **Rydułtowy-Anna**
- **Halemba-Wirek**
- **Bielszowice**
- **Pokój**
- **Knurów**
- **Marcel**

Table 1. Operating resources of coking coals in Poland (m tons).

Coking coal resources	Type of coal	
	hard	semi soft
Jastrzębska Coal Company plc	380.00	149.00
Coal Company plc	165.04	535.28
Total	545.04	684.28

In 2009 Polish mining industry produced over 8 m tons of coking coals, of which:

- **5.95 m tons, i.e. 70%, were hard coking coals**
- **2.59 m tons, i.e. 30%, were semi soft coking coals**

Diagram 1. Structure of coking coal production in Poland in 2009.

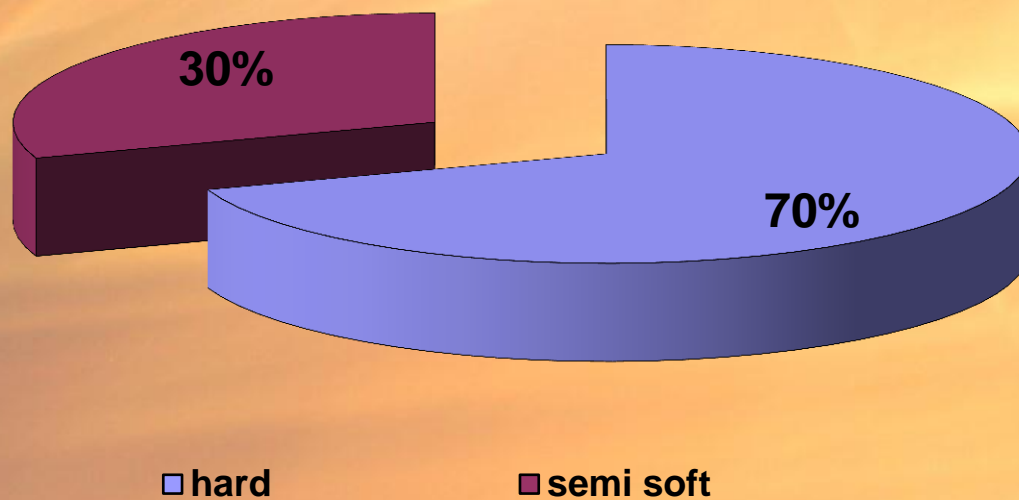


Table 2. Production of coking coals in Poland 2008-2009 and 2010 forecast (m tons).

Type of coal	Year		
	2008	2009	2010 forecast
hard	8.16	5.95	8.55
semi soft	3.86	2.59	4.59
Total	12.02	8.54	13.14

Diagram 2. Production of coking coals in Poland 2008-2009 and 2010 forecast (m tons).

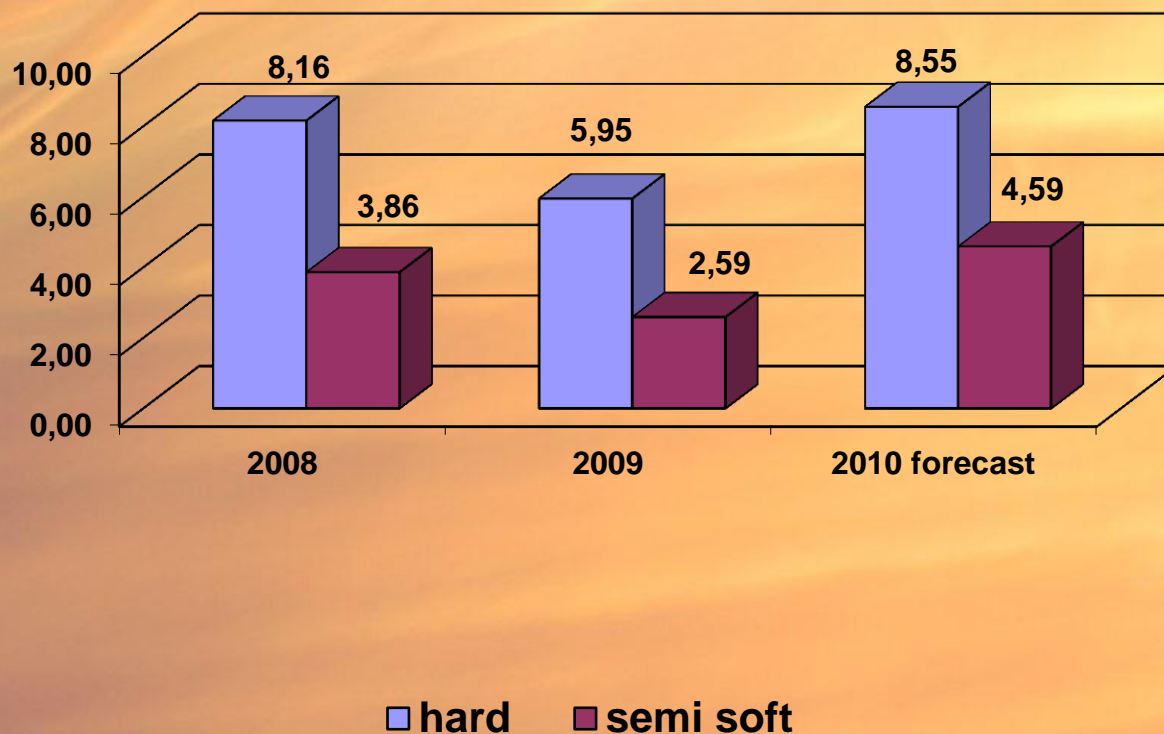


Table 3. Production of coking coals by JSW S.A. and KW S.A 2008-2009 and 2010 forecast (m tons).

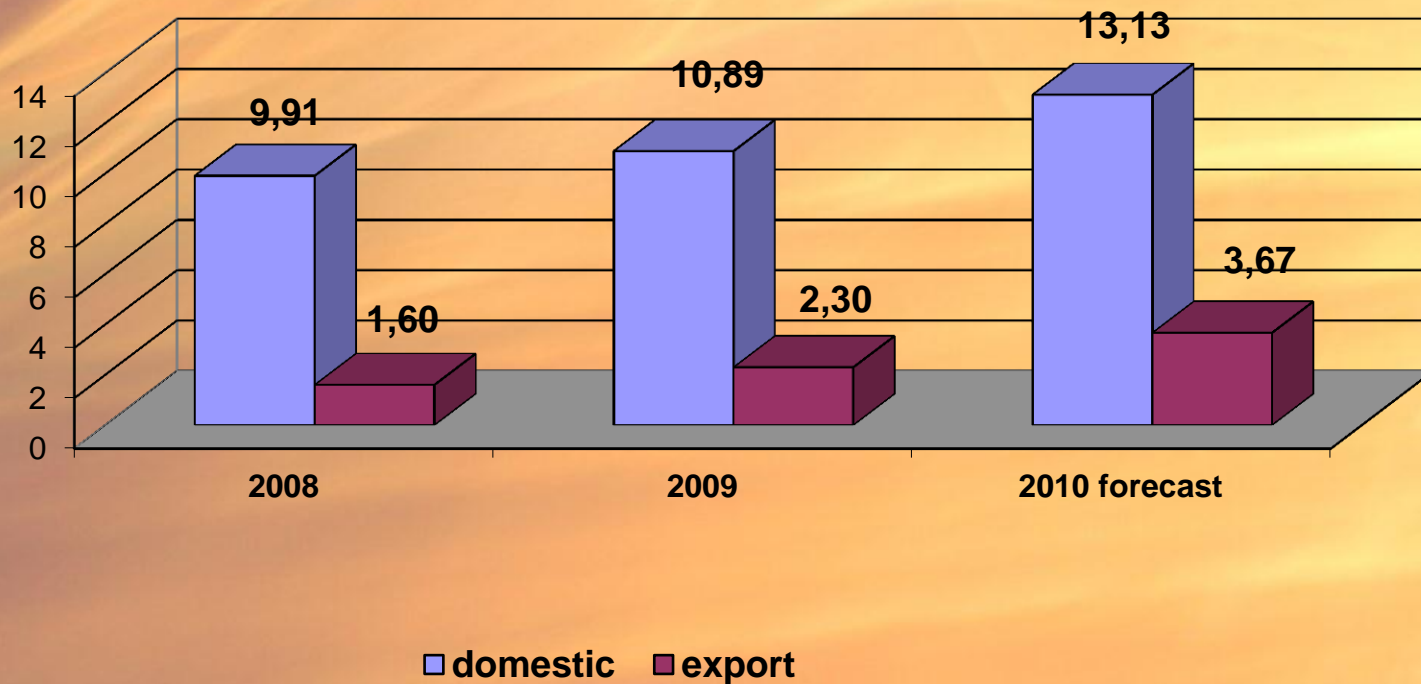
Type of coal	Year		
	2008	2009	2010 forecast
JSW S.A.			
hard	8.16	5.95	8.55
semi soft	0.94	0.77	1.59
Total	9.10	6.72	10.14
KW S.A.			
hard	0.00	0.00	0.00
semi soft	2.92	1.82	3.00
Total	2.92	1.82	3.00

- **In 2009 JSW S.A. had a 100% share in the production of hard type coals and a 30% share in domestic production of semi soft type coals. The remaining share of the semi soft production belonged to KW S.A.**
- **Overall, JSW S.A. is predominating in production of coking coals with the total market share of 78%. The remaining 22% goes to KW S.A.**

Table 4. Sales structure of Polish coking coals 2008-2009 and 2010 forecast (m tons).

Sales structure	Year		
	2008	2009	2010 forecast
JSW S.A.			
domestic	7.43	9.53	10.73
export	1.20	1.83	3.08
Total	8.63	11.36	13.81
KW S.A.			
domestic	2.48	1.36	2.40
export	0.40	0.47	0.59
Total	2.88	1.83	2.99

Diagram 3. Sales structure of Polish coking coals 2008-2009 and 2010 forecast (m tons).



In 2009 the total sales of Polish coking coals exceeded 13 m tons, of which 83% (i.e. 10.89 m tons) for domestic purposes and 17% (i.e. 2.30 m tons) for export.

The main export destinations of Polish coking coals were:

- Czech Republic**
- Slovakia**
- Austria**

In 2010 total sales of Polish coking coals are going to increase by 27% to 16.8 m tons.

POLISH COKE INDUSTRY

Polish coke industry is the biggest industry of its kind in the European Union, it also ranks 9th in the world.

In 2009 Poland became the 1st coke exporter.

Table 5. Biggest coke producers 2008-2009 (m tons).

	Country	2008	2009
1	China	327.00	345.00
2	Japan	38.20	30.42
3	Russia	30.26	25.80
4	India	18.42	18.36
5	Ukraine	18.49	13.65
6	USA	14.24	10.50
7	South Korea	10.61	10.10
8	Brazil	9.35	8.35
9	Poland	9.83	6.95
10	Germany	8.26	5.80
	World	541.84	528.72

Polish coke industry centers around 7 plants with the total production capacity of approximately 10 m tons produced by 25 coke batteries.

Table 6. Number of batteries and production capacity of Polish coke plants.

Coke plant	Number of operating batteries	Production capacity (m tons)
Coke Plant "Zdzieszowice" Ltd	8	4.27
Coke Plant "Przyjaźń" Ltd	4	2.80
Coke-Chemical Complex "Zabrze" plc	4	1.10
ArcelorMittal Poland plc – Kraków Division	1	0.66
Coke Plant "Victoria" plc	5	0.62
Coke Plant Częstochowa Nowa Ltd	2	0.30
Carbo-Koks Ltd	1	0.24
Total	25	9.99

- **Due to global crisis and its influence on Polish coke market, 2 investments: 1 in Coke Plant Czestochowa Nowa Ltd (construction of new battery) and 1 in Coke Plant Przyjaźń Ltd (rebuilding battery No 1) have been postponed in 2009. Both investments are going to be reactivated.**
- **4 batteries in Poland, i.e. 2 in Coke Plant Zdieszowice Ltd. and 2 in ArcelorMittal Poland plc – Kraków Division were cold idled.**
- **2 batteries in Poland, i.e. 1 in Coke Plant Zdieszowice Ltd. and 1 in ArcelorMittal Poland plc – Kraków Division were hot idled. Both batteries were restarted still in 2009.**
- **Consequently, total production capacity has been decreased by 12%, presently totalling at 10 m tons per year.**

Table 7. Coke production in Poland 2008-2009 (m tons).

Coke plant	2008	2009
Coke Plant "Zdzieszowice" Ltd	4.12	3.18
Coke Plant "Przyjaźń" Ltd	2.59	1.84
Coke-Chemical Complex "Zabrze" plc	1.06	0.79
ArcelorMittal Poland plc – Kraków Division	1.02	0.39
Coke Plant "Victoria" plc	0.52	0.38
Coke Plant Częstochowa Nowa Ltd	0.31	0.24
Carbo-Koks Ltd	0.20	0.12
Total	9.83	6.95

- **In 2009 Poland produced 6.95 m tons of coke, 29% less than in the previous year.**
- **Polish coke industry consumed 9.21 m tons of coking coals in 2009.**

INTERNATIONAL MARKETS FOR POLISH COKE

- **Poland's total export amounted at 4.55 m tons in 2009 (18% less than in 2008).**
- **Export sale accounted 65% of Poland's coke production.**
- **Poland became the biggest exporter of coke in 2009.**
- **The main market for Polish coke is the European Union.**

- **Polski Koks S.A. exported 2.59 m tons of coke in 2009, i.e. 57% of total export of Polish coke in 2009.**
- **Polski Koks S.A. allocates around 78% of total sales on the EU market.**
- **Polski Koks S.A. predicts its sales in 2010 to be around 3.97 m tons, i.e. 53% more than in 2009 (2.59 m tons).**
- **Lower demand on the coke market results in decreasing sales on all markets in 2009.**
- **Due to the global crisis some markets were temporarily not available for Polish coke, in spite of successful sales in previous year (North America).**
- **Polski Koks SA expanded its activity on Asian market (mainly India) and Middle East (Pakistan and Iran).**

Diagram 8. Sales structure of Polish coke 2008-2009 (m tons).

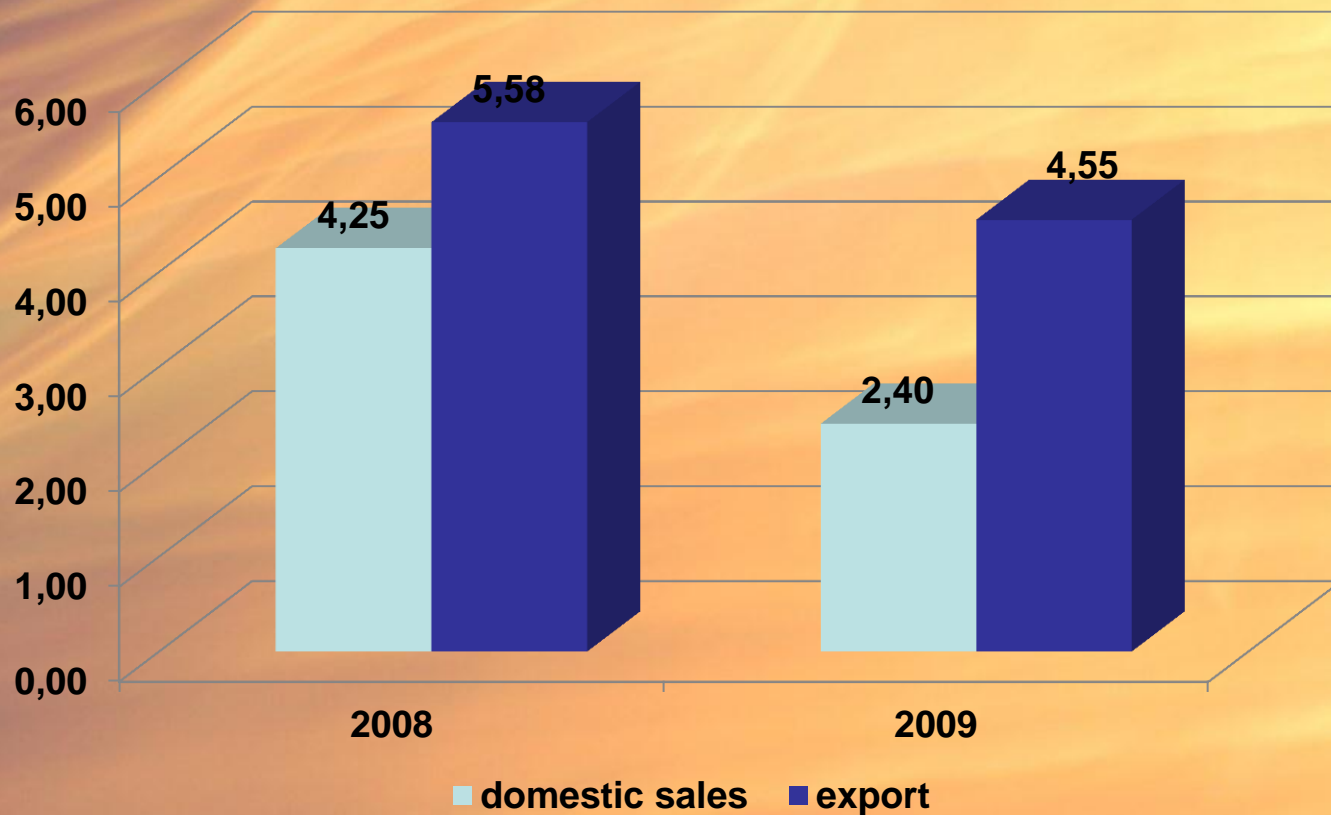
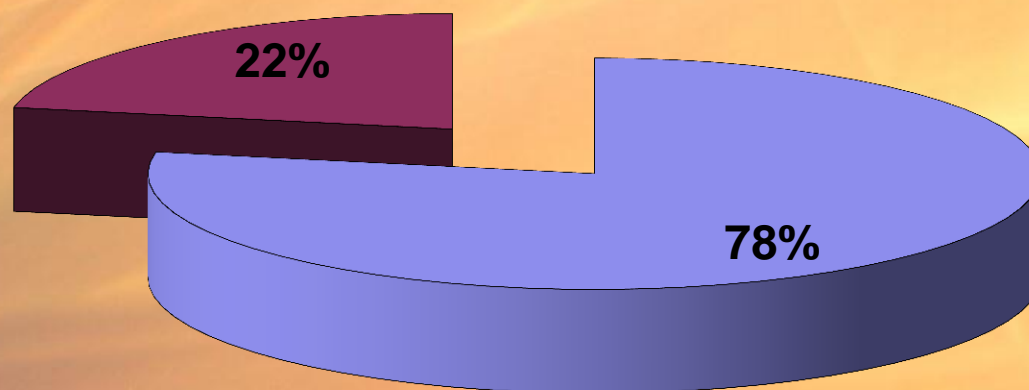


Diagram 4. Structure of coke sales by Polski Koks S.A.

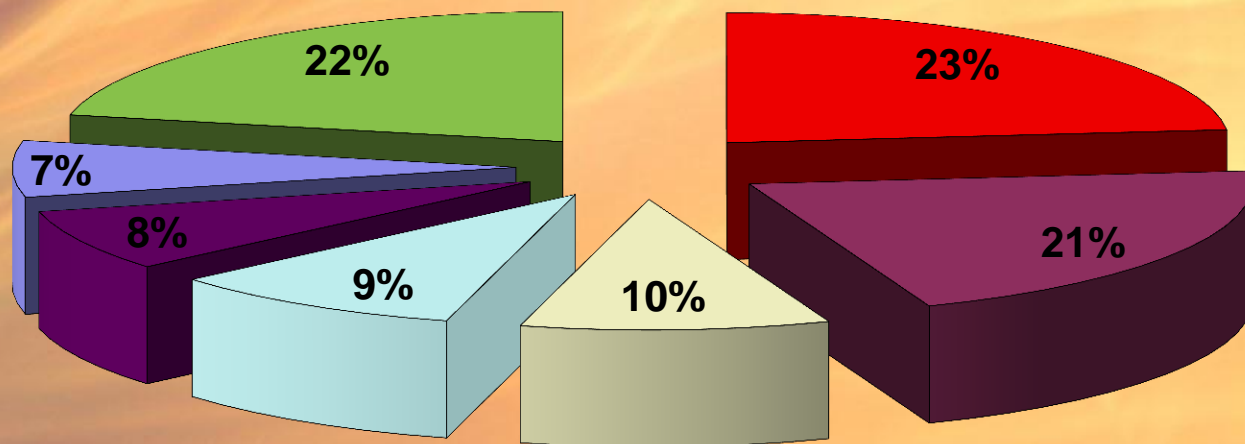


■ EU ■ Rest of the world

The biggest customers of Polski Koks S.A. in its sales in 2009 were:

- **Romania**
- **Germany**
- **India**
- **France**
- **Czech Republic**
- **Austria**

Diagram 5. Biggest coke customers of Polski Koks S.A. in 2009.



■ Romania ■ Germany □ India □ France ■ Czech Republic □ Austria □ Others

**New investments
in the Polish coke industry.**

The future of coking coal mining in Poland

Jastrzębska Coal Company plc (JSW S.A.):

- In accordance with the agreed strategy for the period of up to 2015, all of the production, trade and investment activities will aim at maintaining the position of coking coal leader in the Europe.**
- JSW's strategy implies: production of semi soft coking coals at the level of 2.2 m tons and production of hard coking coals at the level of 10 m tons up to 2015.**
- Completion of the planned investments will allow JSW's customers to secure supplies for the upcoming decades.**

JSW's investments into new coking-coal deposits:

- **Coalfield 'Pawłowice 1': estimated size of the accessible basin around 96.2 m tons, of which 98.2% comprise coking coals, first extraction planned for 2012.**
- **Coalfield 'Bzie-Dębina 1 Zachód': estimated basin volume of 199 m tons, of which 98.3% are coking coals, first extraction planned for 2017.**

KW S.A.:

- **the company's strategy aims at changing the structure of coking coal mining and sales. According to the new strategy, coking coal will come mainly from Knurów and Szczygłowice mines.**
- **the operating resources of KW S.A. enclose 747.4 m tons of coking coals, of which 167.8 m are hard coking coals and 569.6 m are semi soft. KW S.A. aims at increasing its sales of hard and semi soft coking coals up to over 5 m tons from the existing 2.8 m tons.**

Projected investments in Polish coke industry for the upcoming years

Coke Plant Zdieszowice Ltd:

- modernization of by-products plant
- reconstruction of stamp-charge coke batteries no. 3-6

Coke Plant Przyjazn Ltd:

- technological modernization of coke batteries no. 2-4

Coke Chemicals Complex Zabrze Plc:

- Technological modernization of coke battery in Coke Plant „Dębieńsko”

Coke Plant Victoria Plc:

- Modernization of by-products recovery instalation

Coke Plant Częstochowa Nowa Ltd.:

- Construction of 2 brand-new stamp-charge coke batteries

Future scenarios for the Polish coke industry

Coal & Coke Group

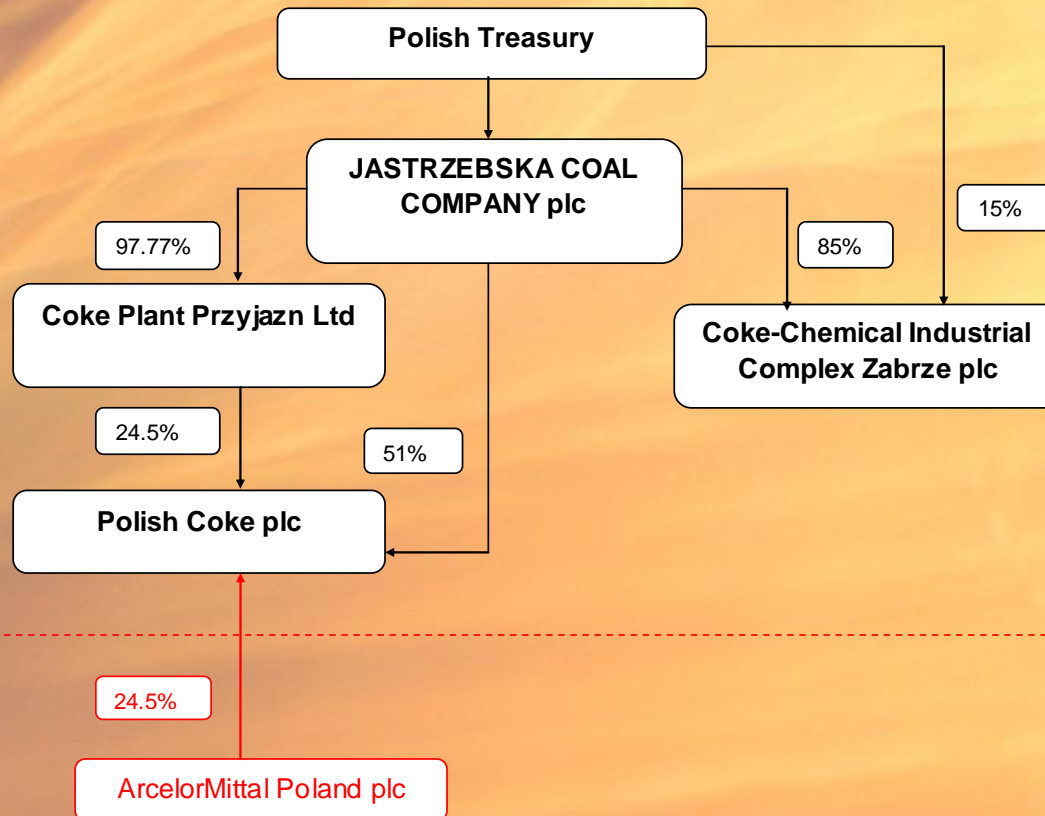
- **The newly accepted strategy of the Polish Government towards coal mining upholds completing the establishment of a Coal and Coke Group.**
- **The group's main objective is consolidation of entities whose line of business concentrates on coking coal production for the purposes of metallurgic coke manufacture and coke-making .**
- **In accordance with the governmental policy towards Polish mining for the period of 2007-2015, JSW S.A. will act as the group's integration center throughout the projected consolidation activities.**

At present entities participating in the group are :

- **JSW S.A.**
(Jastrzębska Coal Company plc)
- **Koksownia Przyjaźń Sp. z o.o.**
(Coke Plant Przyjaźń Ltd)
- **Polski Koks S.A.**
(Polish Coke plc)

In the current schedule of consolidation activities for KK Zabrze S.A. (Coke-Chemical Complex Zabrze plc) with JSW S.A., the deadline for bringing KK Zabrze shares into JSW S.A. has been fixed for the 2nd half of 2010.

Diagram 6. Structure of Polish Coal & Coke Group.



Benefits resulting from formation of Coke & Coal Group are numerous:

- **coordination of investment policies**
- **optimizing production**
- **maximizing export of coke as a highly processed product**
- **coordination of trade policies**
- **creation of coke pricing policy**

SUMMARY

- **Polish coal and coke industry will continue to remain the raw materials backup for the EU steel industry.**
- **economic crisis which brought about a noticeable slowdown in 2009 will not stop the ongoing investments in Polish mining and coke industries.**
- **the Coal & Coke Group will continue shaping production and sales policies for coking coal and coke markets in both: Poland and Europe.**
- **Polish coke and coking coal industry has very strong building blocks for the future.**

THANK YOU FOR ATTENTION!