

World Coke & Anthracite Summit Kraków 2009

**” Building blocks for tomorrow’s Polish
coal & coke industry”**

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The following presentation will include:

- **Current and future scenarios for the Polish coal & coke industry.**
- **How will the consortium of Polish coal and coke companies evolve?**
- **International markets for Polish coke.**

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	362.42	130.87
Coal Company plc	167.80	569.60
Total	530.22	700.47

In 2008 Polish mining industry produced over 12 m tons of coking coals, of which:

- **8.16 m tons, i.e. 68%, were hard coking coals**
- **3.86 m tons, i.e. 32%, were semi soft coking coals**

Diagram 1. Structure of coking coal production in Poland in 2008.

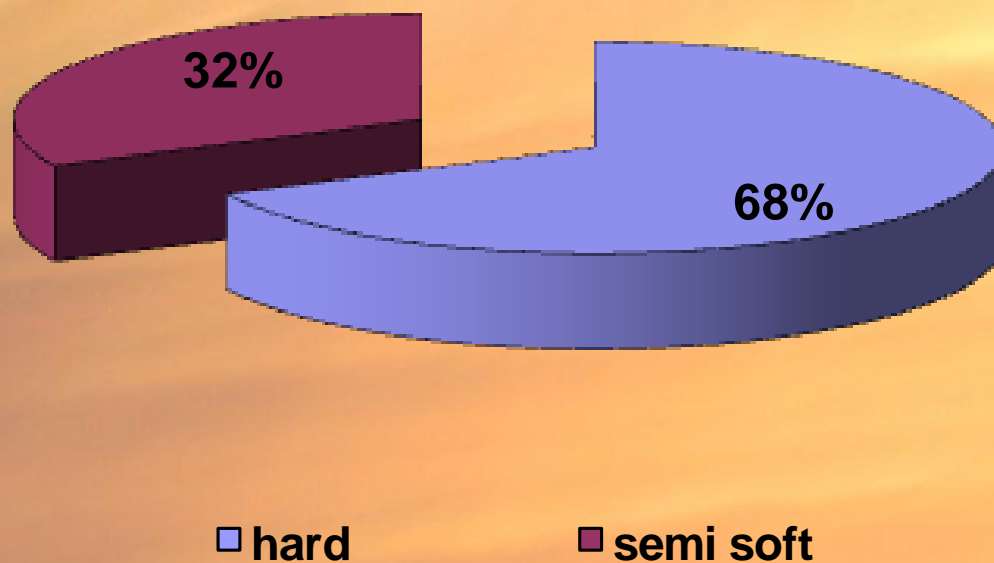


Table 2. Production of coking coals in Poland 2007-2008 and 2009 forecast (m tons).

Type of coal	Year		
	2007	2008	2009 forecast
hard	8.96	8.16	7.49
semi soft	3.88	3.86	2.31
Total	12.84	12.02	9.80

Diagram 2. Production of coking coals in Poland 2007-2008 and 2009 forecast (m tons).

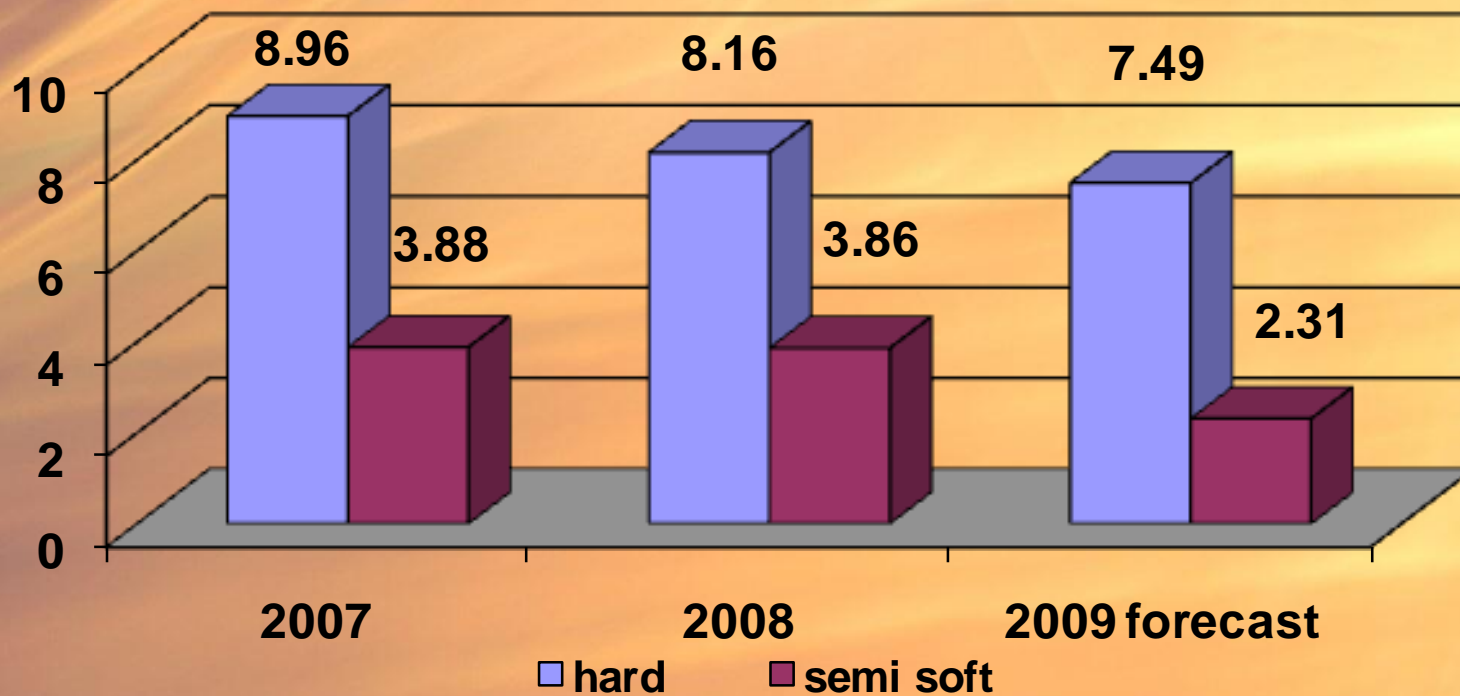


Table 3. Production of coking coals by JSW S.A. and KW S.A 2007-2008 and 2009 forecast (m tons).

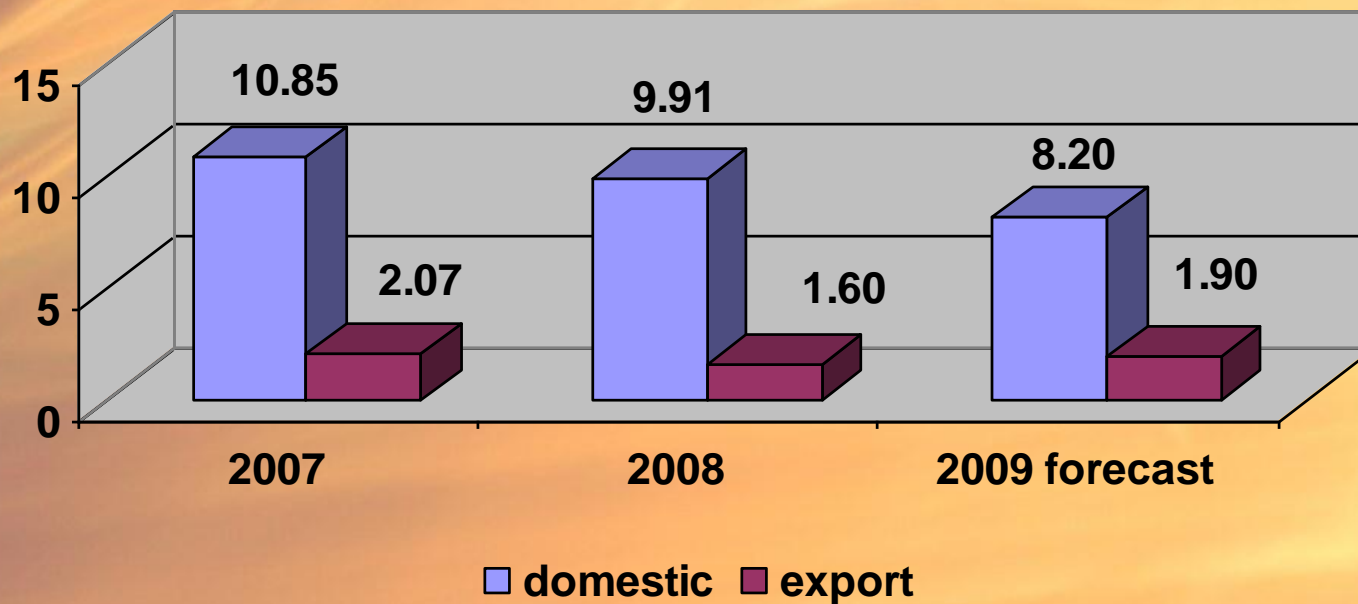
Type of coal	Year		
	2007	2008	2009 forecast
JSW S.A.			
hard	8.96	8.16	7.49
semi soft	0.81	0.94	0.76
Total	9.77	9.10	8.25
KW S.A.			
hard	0.00	0.00	0.00
semi soft	3.07	2.92	1.55
Total	3.07	2.92	1.55

- **In 2008 JSW S.A. had a 100% share in the production of hard type coals and a 24% 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 76%. The remaining 24% goes to KW S.A.**

Table 4. Sales structure of Polish coking coals 2007-2008 and 2009 forecast (m tons).

Sales structure	Year		
	2007	2008	2009 forecast
JSW S.A.			
domestic	8.25	7.43	6.70
export	1.51	1.20	1.40
Total	9.76	8.63	8.10
KW S.A.			
domestic	2.60	2.48	1.50
export	0.56	0.40	0.50
Total	3.16	2.88	2.00

Diagram 3. Sales structure of Polish coking coals 2007-2008 and 2009 forecast (m tons).



In 2008 the total sales of Polish coking coals exceeded 11 m tons, of which 86% (i.e. 9.91 m tons) for domestic purposes and 14% (i.e. 1.6 m tons) for export.

The main export destinations of Polish coking coals were:

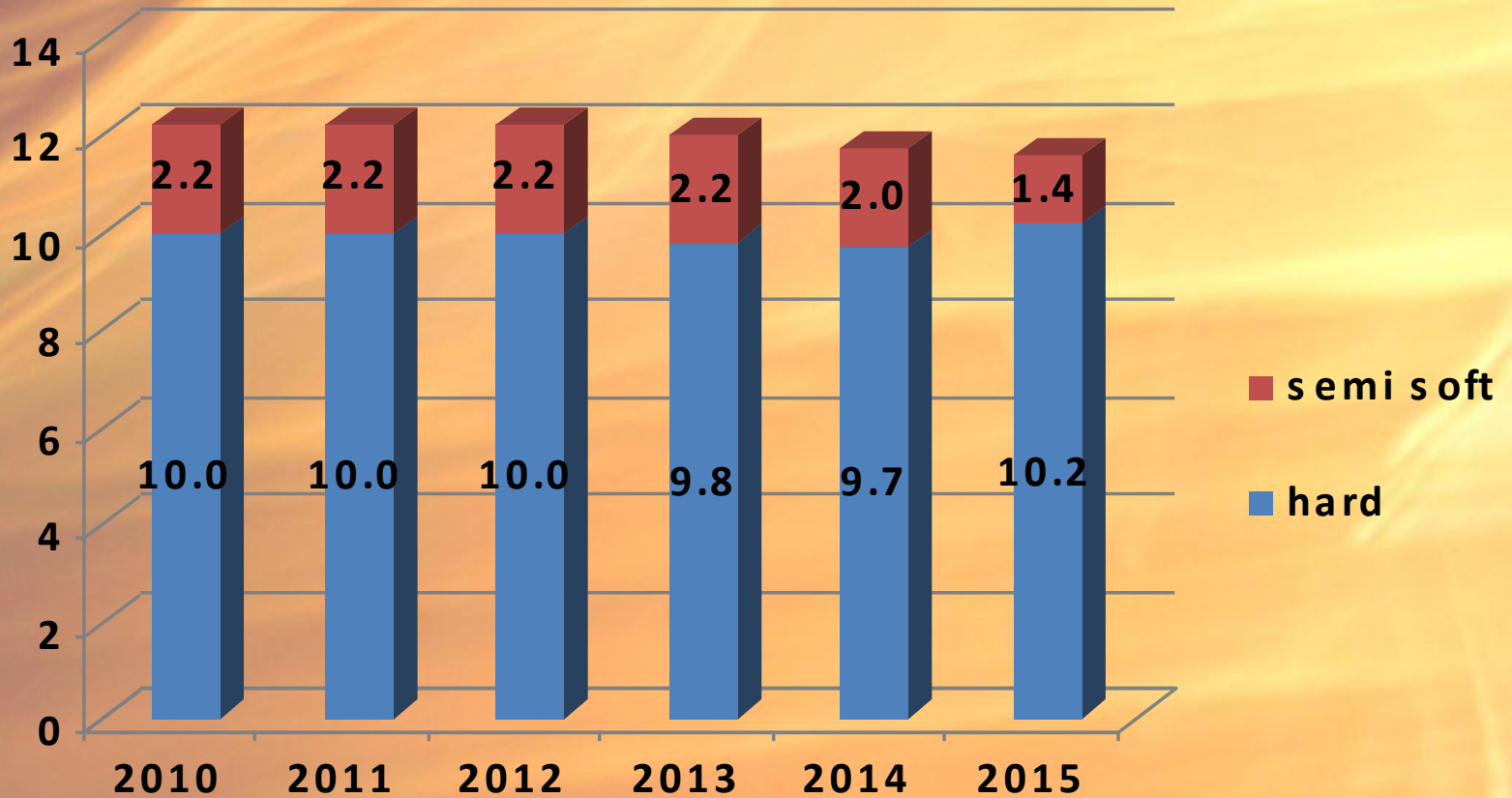
- Czech Republic**
- Slovakia**
- Austria**

The future of coking coal mining in Poland

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

- in accordance with the agreed strategy for the period at up to 2015, all of the production, trade and investment activities will aim at maintaining the position of coking coal leader in the middle-east 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.**

Diagram 4. JSW S.A. ,coking coal output forecast for 2010-2015 (m tons)



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.**

POLISH COKE INDUSTRY

Polish coke industry is the biggest industry of its kind in the European Union, it also ranks 7th in the world.

Table 5. Biggest coke producers 2006-2007 (m tons).

Country	Year	
	2006	2007
China	297.7	328.8
Japan	38.1	38.3
Russia	30.7	31,9
India	19,1	19.6
Ukraine	18.1	19.4
USA	15.1	15.0
Poland	9.6	10.3
South Korea	9.9	10.0
Brazil	7.7	8.6
Germany	8.3	8.5

In 2008:

*China produced
322.01 m tons*

*Poland produced
9.83 m tons*

Polish coke industry centers around 7 plants with the total production capacity of approximately 10 m tons produced by 26 coke batteries.

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

Coke plant	Number of operating batteries		Production capacity (m tons)	
	2008	2009	2008	2009
Coke Plant "Zdzieszowice" Ltd	10	8	4.80	4.27
Coke Plant "Przyjaźń" Ltd	4	4	2.70	2.70
Coke-Chemical Complex "Zabrze" plc	4	4	1.10	1.10
ArcelorMittal Poland plc – Kraków Division	3	2	1.29	0.89
Coke Plant "Victoria" plc	5	5	0.62	0.62
Coke Plant Częstochowa Nowa Ltd	2	2	0.32	0.32
Carbo-Koks Ltd	1	1	0.24	0.24
Total	29	26	11.07	10.14

- **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.**
- **3 batteries in Poland, i.e. 2 in Coke Plant Zdieszowice Ltd. and 1 in ArcelorMittal Poland plc – Kraków Division have been cold idled.**
- **Consequently, total production capacity has been decreased by 1 m tons, presently totalling at 10 m tons per year.**

Table 7. Coke production in Poland 2007-2008 and 2009 forecast (m tons).

Coke plant	2007	2008	2009
Coke Plant "Zdzieszowice" Ltd	4.32	4.12	3.28
Coke Plant "Przyjaźń" Ltd	2.70	2.59	2.00
Coke-Chemical Complex "Zabrze" plc	1.09	1.06	0.67
ArcelorMittal Poland plc – Kraków Division	1.11	1.02	0.60
Coke Plant "Victoria" plc	0.51	0.52	0.35
Coke Plant Częstochowa Nowa Ltd	0.34	0.31	0.22
Carbo-Koks Ltd	0.19	0.20	0.17
Total	10.26	9.83	7.29

- **In 2008 Poland produced 9.83 m tons of coke, 4% less than in the previous year.**
- **In 2009 Poland will produce approximately 7.29 m tons, 26% less than in 2008.**

Diagram 5. Consumption of coking coals by Polish coke industry 2007-2008 and 2009 forecast (m tons).

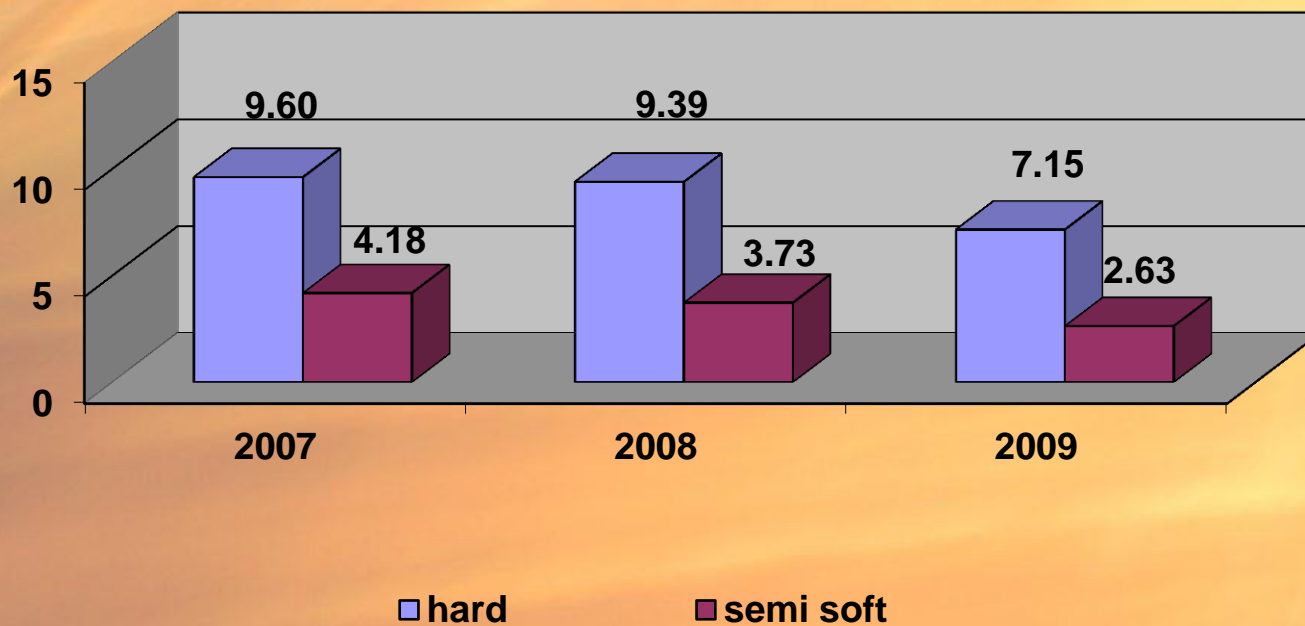
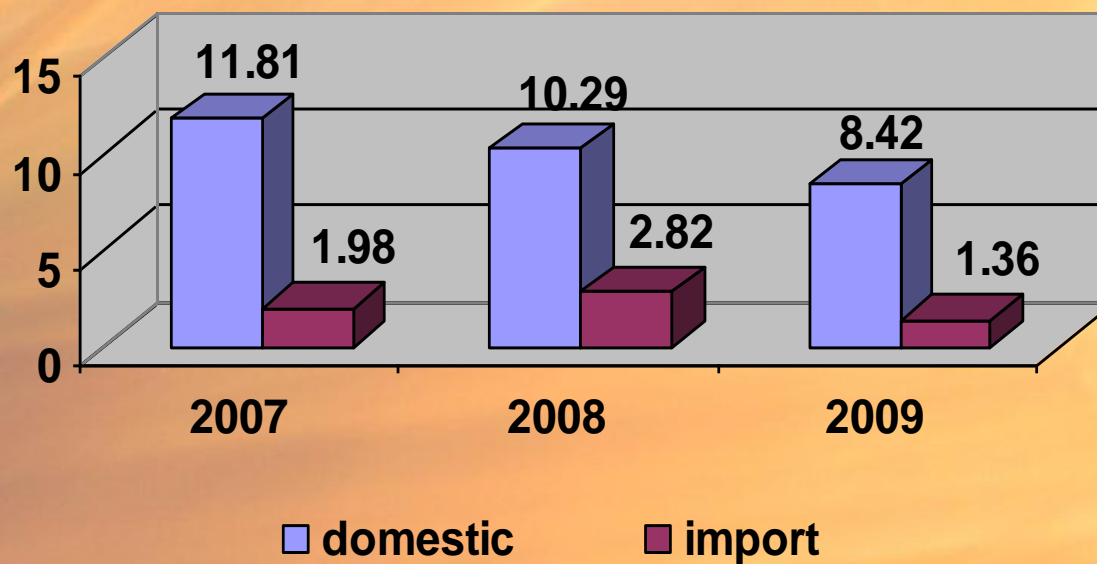


Diagram 6. Origin of coal used by Polish coke industry 2007- 2008 and 2009 forecast (m tons).



COAL & COKE GROUP

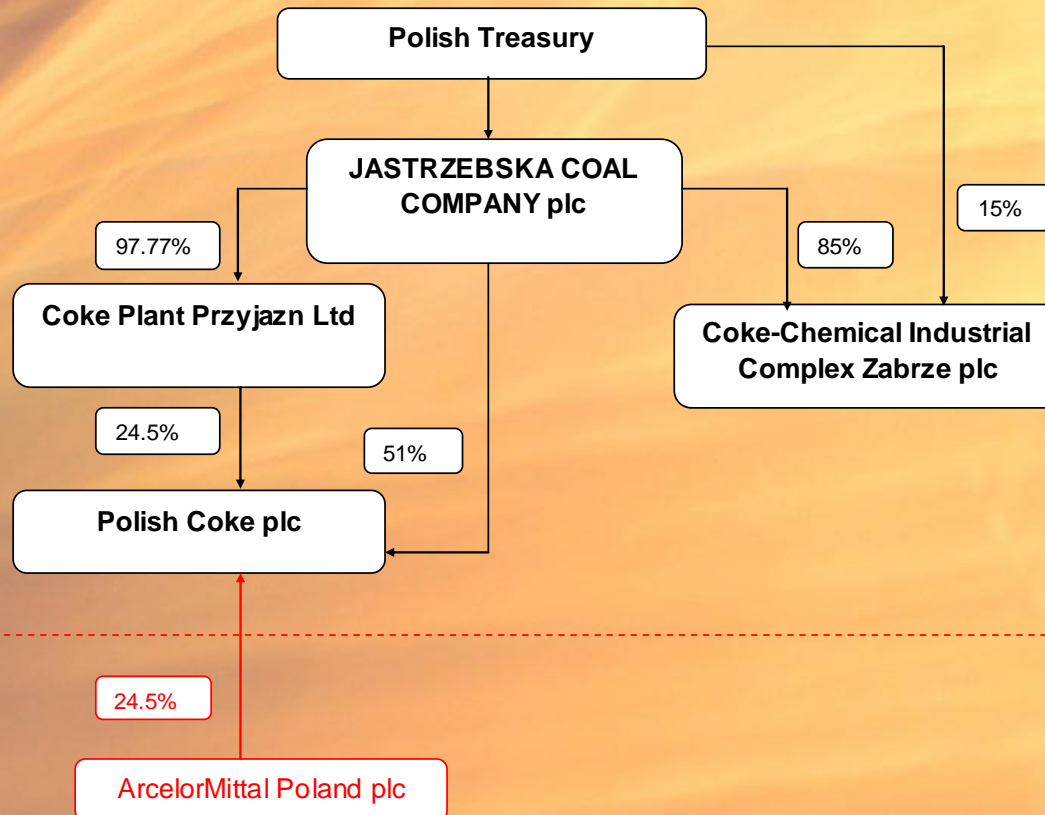
- **The newly accepted strategy of the Polish Government towards coal mining upholds completing the establishment of a Coal and Coke Group.**
- **The group's main objective is consolidation of entities whose line of business concentrates on coking coal production for the purposes of metallurgic coke 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 2009.

Diagram 7. 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**

**Projected share of the fully consolidated Coal & Coke Group
in total Polish production:**

- **75% of coking coals production**
- **37% of coke production**
- **39% of coking gas production**
- **41% of tar and benzol production**

INTERNATIONAL MARKETS FOR POLISH COKE

- **Domestic sales of coke account for more than 38% of Poland's total coke production.**
- **The remaining 62% goes for export.**
- **The main market for Polish coke is the European Union.**
- **Polski Koks S.A. exported 3.9 m tons of coke in 2008, i.e. 70% of total export of Polish coke in 2008.**
- **Polski Koks SA allocates around 74% of total sales on the EU market.**

- **Polski Koks S.A. predicts its sales in 2009 to be around 3.4 m tons, i.e.13% less than in 2008 (3.9 m tons).**
- **The total sales in the first quarter of 2009 are predicted to decrease by 70% compared with the same period of 2008, and by 30% compared with the last quarter of 2008.**
- **Lower demand on the coke market results in decreasing sales on all markets.**
- **Due to the global crisis some markets are temporarily not available for Polish coke, in spite of successful sales last year (Ukraine and North America).**

Diagram 8. Sales structure of Polish coke 2007-2008 (m tons).

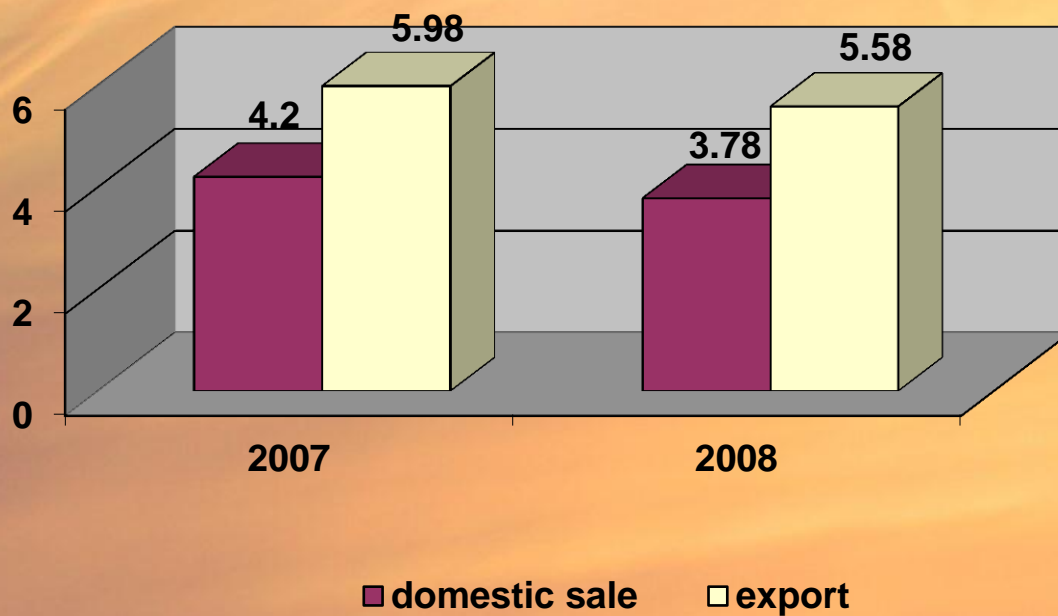
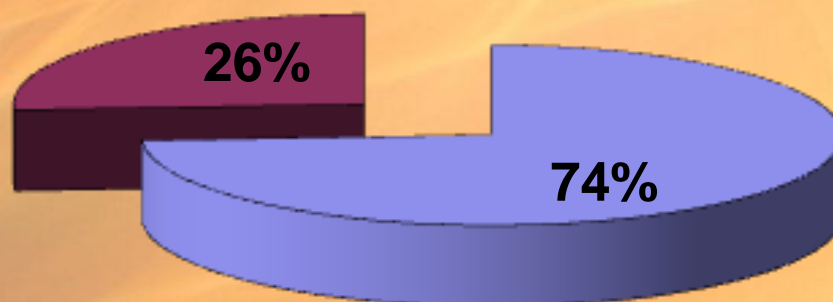


Diagram 9. Structure of coke sales by Polski Koks S.A.

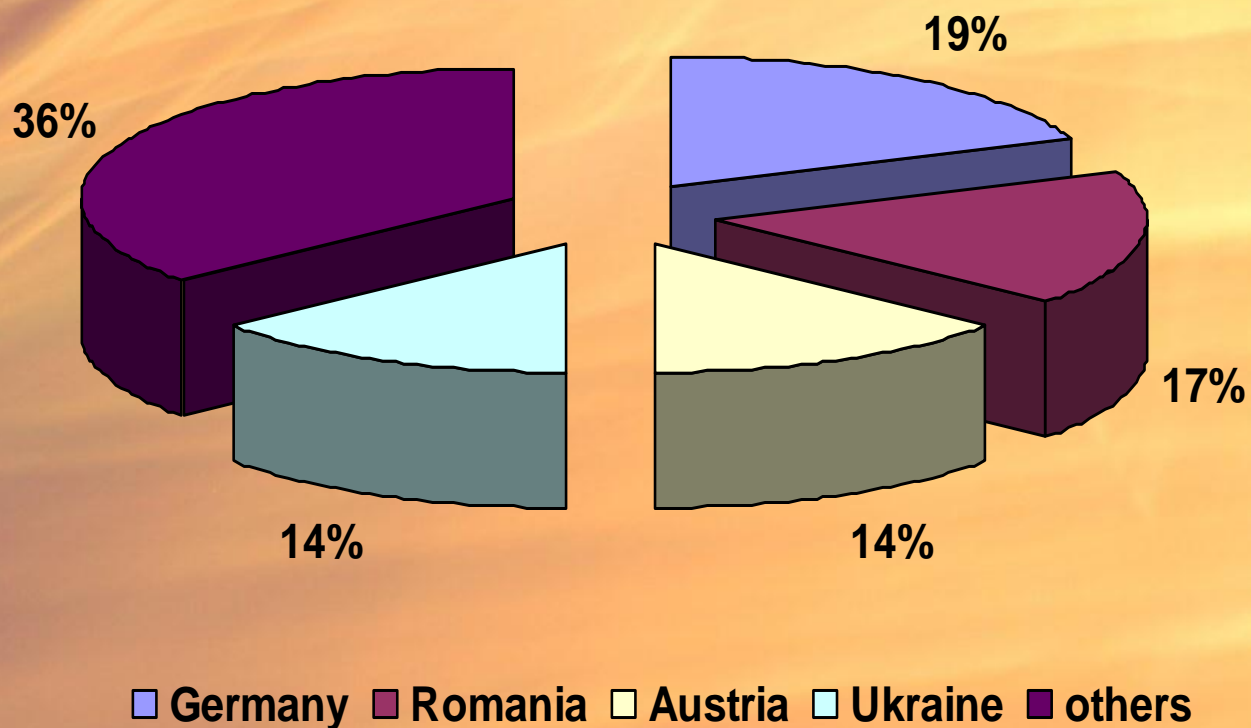


 EU  rest of the world

The biggest customers of Polski Koks S.A. having in total 64% share in its sales are:

- **Germany**
- **Romania**
- **Austria**
- **Ukraine**

Diagram 10. Biggest coke customers of Polski Koks S.A. in 2008.



SUMMARY

- **Polish coal and coke industry will continue to remain the raw materials backup for the EU steel industry.**
- **the current economic crisis will bring about a noticeable slowdown but 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!