



## Investment Banking

15<sup>th</sup> July 2014

The Management Board  
Jastrzębska Spółka Węglowa S.A.  
Al. Jana Pawła II 4  
44-330 Jastrzębie-Zdrój

### Members of the Board:

You have requested our opinion as to the fairness, from a financial point of view, to Jastrzębska Spółka Węglowa S.A. ("**JSW**", or the "**Company**") of the Cash Consideration (as such term is defined below) to be paid by JSW pursuant to the terms and subject to the conditions set forth in the Preliminary Agreement for the Sale of the Organised Part of the Enterprise, dated as of 10 April 2014 (the "**Preliminary Agreement**"). As more fully described in the Preliminary Agreement, subject to the fulfillment of certain conditions precedent, JSW, under the Preliminary Agreement, will acquire from Kompania Węglowa S.A. ("**KW**", the "**Seller**") an organised part of the enterprise of KW in the form of the Kopalnia Węgla Kamiennego Knurów-Szczygłowice w Knurowie coal mine (the "**Target**") at a total purchase price of PLN 1,490,000,000 (one billion, four hundred and ninety million zloty), net to the Seller in cash (the "**Cash Consideration**" and, such acquisition, the "**Transaction**").

In arriving at our opinion, we have reviewed the Preliminary Agreement, a technical due diligence report prepared by IGSMiE PAN dated 2014 (the "**IGSMiE PAN Report**"), a valuation report prepared by PwC Polska Sp. z o.o dated 14 March 2014 (the "**PWC Report**"), a summary of a report on synergies arising from the Transaction prepared for the Company by an independent third party consultant (such report dated 16 June 2014), summarized by JSW (the "**Synergies Report Summary**") and held discussions with certain senior officers, directors and other representatives and advisors of JSW, concerning the business, operations and prospects of the Target. We have examined certain publicly available business and financial information relating to the Target, as well as certain financial forecasts and other information and data relating to the Target which were provided to or discussed with us by the management of JSW, including information relating to the potential strategic implications and operational benefits anticipated by the management of JSW to result from the Transaction. We have reviewed the financial terms of the Transaction as set forth in the Preliminary Agreement in relation to, inter alia: the historical and projected earnings and other operating data of the Target and the capitalisation and financial condition of the Target. We have analysed certain financial, stock market and other publicly available information relating to the businesses of other companies whose operations we considered relevant in evaluating those of the Target. In addition to the foregoing, we have conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as we deemed appropriate in arriving at our opinion. The issuance of our opinion has been authorised by our fairness opinion committee.

In rendering our opinion, we have assumed and relied, without independent verification, upon the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with us and upon the

assurances of the management of JSW that they are not aware of any relevant information that has been omitted or that remains undisclosed to us. With respect to financial forecasts and other information and data provided to or otherwise reviewed by or discussed with us relating to the Target, we have been advised by the management of JSW that such forecasts and other information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of JSW as to the future financial performance of the Target, and have assumed, with your consent, that the financial results reflected in such forecasts and other information and data will be realised in the amounts and at the times projected.

We have assumed, with your consent, that the Transaction will be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary regulatory or third-party approvals as well as consents and releases for the Transaction, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on the Target or the contemplated benefits to JSW of the Transaction. We have not made an independent evaluation of the assets or liabilities (contingent or otherwise) of the Target, nor have we made any physical inspection of the properties or assets of the Target and have relied, with your consent, amongst other things, on the IGSMiE PAN Report and the PWC Report in this respect.

In addition, we have assumed, with your consent, that the Company will be able to fully achieve both the initial synergies identified by it, as well as the incremental synergies which are outlined in the Synergies Report Summary. In particular we have assumed that the Synergies Report Summary, as provided to us by JSW, contains all relevant or appropriate information relating to such synergies and their achievability. We have also assumed that the average price premium achieved over the benchmark price by the Target's semi-soft coking coal for the four quarters of 2012 and the four quarters of 2013 of PLN 25.4 per ton will be sustained going forward. We have also relied, with your consent, on JSW's PLN/USD foreign exchange forecasts.

We express no view as to, and our opinion does not address, the underlying business decision of JSW to effect the Transaction, the relative merits of the Transaction as compared to any alternative business strategies that might exist for JSW or the effect of any other transaction in which JSW might engage. We also express no view as to, and our opinion does not address, the fairness (financial or otherwise) of the amount or nature or any other aspect of any compensation to any officers, directors or employees of any parties to the Transaction, or any class of such persons, relative to Cash Consideration. Our opinion is necessarily based upon information available to us, and financial, stock market and other conditions and circumstances existing, as of the date hereof.

Citigroup Global Markets Limited has acted as financial advisor to JSW with respect to this opinion and will receive a fee for our services in connection with the delivery of this opinion. We and our affiliates in the past have provided, and are currently providing, services to JSW and KW which are unrelated to the proposed Transaction and for which we and such affiliates have received and expect to receive compensation. In addition, we or our affiliates, may provide acquisition financing to JSW in relation to the Transaction. In the ordinary course of our business, we and our affiliates may actively trade or hold the securities of JSW for our own account or for the account of our customers and, accordingly, may at any time hold a long or short position in such securities. In addition, we and our affiliates (including Citigroup

Inc. and its affiliates) may maintain relationships with JSW, the Seller and their respective affiliates, including the Polish State Treasury.

Our advisory services and the opinion expressed herein are provided solely for the information of the management board of JSW in its evaluation of the proposed Transaction, and may not be relied upon by any third party or used for any other purpose. Our opinion may not be quoted, referred to or otherwise disclosed, in whole or in part, nor may any public reference to Citigroup Global Markets Limited be made, without our prior written consent save that such consent is granted in relation to the publication of this opinion in its entirety as an appendix to the stock exchange current report to be issued by JSW in connection with the Transaction and only within the scope of such consent.

Based upon and subject to the foregoing, our experience as investment bankers, our work as described above and other factors we deemed relevant, we are of the opinion that, as of the date hereof, the Cash Consideration to be paid by JSW in the Transaction is fair, from a financial point of view, to JSW.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Citigroup Global Markets Limited", is written over the typed name.

CITIGROUP GLOBAL MARKETS LIMITED

**Citigroup Global Markets Limited**

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