

Subject: Auditor's letter to AOC and PFSA in connection with audit of financial statements

The Management Board of PBG S.A. (the "Company") announces that on February 26th 2018 it was notified by the Company's auditor Ernst & Young Audyt Polska Sp. z o.o. Sp.k. (acting pursuant to Article 12.1.(b) and (c) of the Regulation No 537/2014 of the European Parliament and of the Council) of a letter sent by the auditor to the Audit Oversight Commission and the Polish Financial Supervision Authority in connection with statutory audit of the financial statements of PBG S.A. and the consolidated financial statements of the PBG Group (the "Group") for the financial year ended December 31st 2017, concerning:

1) material threats to or uncertainty over continued existence of PBG S.A.

In order for the auditor to assess the going concern assumption (made by the Management Board in preparing the financial statements), it is crucial that the Management Board substantiates the likelihood of the Group's generating cash from divestment of Group companies' non-core fixed assets to be able to make repayments under the arrangement in 2018–2019, and that it prepares a plan concerning further development of the operating activities of PBG oil and gas Sp. z o.o., a subsidiary.

As pointed out in the letter, at the current stage of the audit, the auditor is unable to assess the likelihood of the Group's successfully generating such cash flows. Unless new developments or circumstances arise prior to the date of the opinion, which has been initially scheduled for issue on March 28th 2018, there is a risk that the auditor will not be able to assess the going concern assumption made by the Management Board in accordance with International Standard on Auditing 570 *Going Concern*, which eventually may affect the content and nature of the auditor's opinion on the financial statements for 2017.

- 2) Issues that may cause the auditor to refuse to give an opinion, or to give an adverse or qualified opinion, on the financial statements presented for audit.

In the letter, the auditor stated that the status of issues in respect of which qualifications had been made in the reports of September 21st 2017 on the review of the interim separate and consolidated financial statements of PBG S.A. and of the PBG Group for the six months of 2017 remained substantially unchanged. Thus, assuming that their status will remain effectively unchanged until the date of the audit completion, they may still be subject to qualifications expressed in the opinion on the audit of the financial statements for the year ended December 31st 2017.

As explained by the Company's Management Board, considering that the key element in the fulfilment of liabilities under the arrangement and the bonds are timely repayments under the arrangement and timely redemptions of the bonds, the Company takes due care to secure and monitor the sources of their financing. Taking into account the volatile market environment, potential risks related to rescheduling of the Divestment Plan, and other risks related to the availability of other sources of financing, the Management Board is preparing various scenarios to secure funds for servicing the debt under the arrangement and outstanding bonds. Each of the scenarios, including obviously the base case, is being monitored and reviewed on an ongoing basis.

Further, the Management Board announces that the issues which were subject to the auditor's qualifications in the reports of September 21st 2017 are also being monitored and reviewed. The Company is working to develop solutions which would be best for the Company under each scenario.

Legal basis:

Art. 17(1) of the MAR

For the Company:

Magdalena Eckert