Subject: Determination of the terms of the long-term incentive programme for selected members of the Management Board and the Supervisory Board of Pfleiderer Group S.A.

Current Report No. 40/2017

The Management Board of Pfleiderer Group S.A. (the "**Company**") wishes to announce that today the Supervisory Board of the Company adopted a resolution regarding the determination of the terms of the long-term incentive programme for selected members of the Management Board of the Company (the "**Management Board LTIP**"). The implementation of the Management Board LTIP is subject to the adoption by the general meeting of the shareholders of the Company of a resolution regarding the determination of the terms of the long-term incentive programme for selected members of the Supervisory Board of the Company in the form determined by the Supervisory Board (the "**Supervisory Board LTIP**" and together with the Management Board LTIP, the "**LTIP**").

According to the terms of the LTIP, the Company will grant selected members of the Management Board and the Supervisory Board (the "**Managers**") the option to acquire existing shares in the share capital of the Company (the "**Call Option Shares**") in exchange for the exercise price per share multiplied by the number of the Call Option Shares to which each Manager is entitled (the "**Call Option**"). The members of the Management Board are in aggregate entitled to receive 2,312,146 Call Option Shares for the exercise price per share of PLN 40. The members of the Supervisory Board are in aggregate entitled to receive 424,600 Call Option Shares for the exercise price per share of PLN 30.

As a rule, the Managers will be entitled to receive the Call Option Shares if they remain a member of a respective governing body of the Company or their appointment as a member of the respective governing body of Company expires pursuant to certain conditions, including, in particular: (i) death; (ii) disability due to which the Manager is unable to perform his duties as a member of a respective governing body of the Company; or (iii) the lapse of the term for which the respective Manager was appointed as a member of the respective governing body of Company and the lack of election to a subsequent term of office for reasons other than for cause or occurance of a material breach of his obligations; or (iv) dismissal from the respective governing body of Company for reasons other than for cause or occurance of a material breach of his obligations.

The Call Option will be vested in six tranches. Each vested tranche will entitle each Manager to acquire, respectively, 5%, 5%, 7.5%, 10%, 22.5% and 50% (each defined as a "**Tranche**") of the overall number of the Call Option Shares to which each Manager is entitled if with respect to a given Tranche the price of the Company's shares reaches, respectively, PLN 40.00, PLN 47.00, PLN 55.00, PLN 63.00, PLN 70.00 and PLN 80.00 (the "**Tested Share Price**"). In the event that, during the term of 5 (five) consecutive years from the date of the adoption of the resolution regarding the Supervisory Board LTIP, the Tested Share Price for any of the respective Tranche has not been met and Call Option Shares related with such Tranche were not vested, the Manager shall irrevocably lose the right to acquire such Call Option Shares without the right to any compensation.

The Tested Share Price constitutes: (i) the arithmetic average of the market price of the shares established on the basis of the daily volume-weighted average prices at the end of each period of 70 (seventy) consecutive trading days on the Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*) through the whole term of the LTIP starting from 1 June 2017 (the "**Share Price Test Period**"), increased by the sum of all dividends paid or declared to be paid by the Company in the period from the date of the adoption of the resolution regarding the Supervisory Board LTIP until respective Share Price Test Period divided by all of the shares in the Company's share capital; or (ii) the price received by any of the shareholders of the Company holding, individually or in aggregate in case of entities with respect to which their shareholding is aggregated pursuant to applicable securities regulations as at the date of the adoption of the resolution regarding the Supervisory Board LTIP, at least 10% of the shares in the share capital of the Company and the corresponding number of votes at the general meeting of the shareholders of the Company (the "**Significant Shareholders**") as a result of the direct or indirect transfer by the Significant Shareholders, jointly, of such number of the shares which would result in decreasing their share in the overall number of votes at the general meeting of the shareholders of the Company below 10%, except in the event that one Significant Shareholder sells his shares to the other Significant Shareholder(s).

Each Manager will have the right to exercise each Tranche and acquire the respective number of the Call Option Shares within 3 (three) years from the date such Manager is informed by the Company that the Tested Share Price has been reached with respect to a given Tranche.

The Company, at its sole discretion, may elect not to deliver to the Manager the Call Option Shares subject to the Call Option, but instead to satisfy its obligation with cash. As a rule, the Call Option Shares acquired by a Manager will be subject to lock-up for a term of 5 (five) consecutive years from the date of execution by the Manager of the respective agreement with the Company regarding the LTIP.

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This report was prepared pursuant to Article 17 Section 1 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and on repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.

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