

REGULATORY ANNOUNCEMENT

Luxembourg withholding tax rules applicable to dividends distributed by PEGAS NONWOVENS S.A. to its shareholders

LUXEMBOURG/ZNOJMO, October 12th, 2016 – PEGAS NONWOVENS S.A. (hereafter "PEGAS" or "Company") announces information on the tax treatment applicable to the payment of EUR 1.25 per share, with the record date as at October, 14th 2016. The payment date is set on or about October 26th, 2016.

The payment (further referred to as the "dividend" or "dividends") to be distributed by PEGAS NONWOVENS S.A. to its shareholders in 2016 shall be subject to Luxembourg withholding tax. The withholding tax will be deducted at source by the Company from the Dividends paid to all shareholders with an exemption of shareholders meeting the participation exemption rules (described in section 3). The current withholding tax rate is 15% on the gross amount of the Dividends.

The Company prepared general guidelines for all shareholders regarding the withholding tax applicable to dividends distributed by PEGAS in 2016. The shareholders who are in doubts as to their tax position in Luxembourg and/or in their state of residence or who need a specific advice should consult their professional advisors.

1. Withholding tax on dividends paid to shareholders, who are private individuals and non-resident taxpayers in Luxembourg

The Company's shareholders, who are private individuals and non-resident taxpayers in Luxembourg are subject to Luxembourg withholding tax on dividends (current rate of 15% on the gross amount of the Dividends) without possibility for reduction or claim back unless there is a double tax treaty in force between Luxembourg and the shareholders' country of residence providing for a lower withholding tax rate. These shareholders may be able to receive tax credit for the withholding tax suffered or exempt the dividend income depending on the tax regulations in the country of their residence.

2. Withholding tax on dividends paid to shareholders, who are legal entities and non-resident taxpayers in Luxembourg without a permanent establishment in Luxembourg

The Company's shareholders, who are legal entities and non-resident taxpayers in Luxembourg, may be entitled to a reduced withholding tax rate on dividends, if there is a double tax treaty in force between Luxembourg and the shareholders' country of tax residence providing for a lower withholding tax rate and if such legal entities are tax residents of the respective countries in the sense of the respective double tax treaties or by application of the Luxembourg participation exemption (described in section 3).

PEGAS NONWOVENS SA (société anonyme) is registered in the registry of commerce and companies R.C.S. in Luxembourg under number B 112.044. The seat of the company is 68-70, boulevard de la Pétrusse, L-2320 Luxembourg, Luxembourg.

Registered at the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg under number E-0043.

The benefit of a reduced or zero withholding tax rate applicable will be granted by the Luxembourg tax authorities provided that the non-resident shareholder can give evidence that he is the beneficial owner of the income derived from the shares held in the Company. A shareholder is generally considered as the beneficial owner if he receives dividends for his own benefit and not as an intermediary/depository agent and if he can freely use his dividend income according to his needs.

In case that a reduced treaty rate applies, then the excessive part of the withholding tax levied in Luxembourg can be claimed back by shareholders. For this purpose the shareholder has to submit to the Luxembourg tax administration the following documents:

- 4 copies of "form 901bis" which have to be first attested by the tax administration of the country of residence of the shareholder. The form 901bis can be obtained from the Luxembourg tax administration website: www.impotsdirects.public.lu, under the folder "Formulaires-Retenues à la source" (Forms-Withholding at source).
- Copy of the Company dividend withholding tax Form # 900 and a copy of the bank transfer as an evidence that the Company has paid the tax (see section 5 below).

The above documents have to be sent to the Luxembourg tax administration at the following address:

**Administration des contributions directes
Bureau d'imposition des sociétés VI
18, rue du Fort Wedell
L-2982 Luxembourg**

The shareholders, who are legal entities and non-resident taxpayers in Luxembourg, may be able to receive tax credit for the withholding tax suffered or exempt the dividend income depending on the tax regulations in the country of their tax residence.

3. Participation exemption rules

Shareholders who are beneficial owners of the dividends and that meet the conditions listed below may qualify for participation exemption from dividend withholding tax in Luxembourg:

A) The shareholder must be a:

- An organism with a collective character which falls within the scope of the article 2 of the parent subsidiary directive 2011/96/CEE (hereafter "a"), or
- A fully taxable Luxembourg resident company with share capital non listed in the annex of article 166 (10) of the Luxembourg Income Tax Law (hereafter "LITL") (hereafter "b"), or
- A permanent establishment (i.e. Luxembourg and foreign) of an organism with a collective character targeted supra a, b (hereafter "c"), or
- An organism with a collective character fully taxable to a tax corresponding to the Luxembourg Corporate Income Tax (a minimum income tax of 10.5% generally satisfies this requirement as long as the taxable basis is determined according to rules and criteria similar to those used in Luxembourg) and which is resident of a state with which Luxembourg has concluded a double tax treaty (as well as a Luxembourg permanent establishment thereof), or

- A company with share capital resident in Switzerland subject to corporate income tax in Switzerland without benefiting from an exemption, or
- A company with share capital or a cooperative company resident in a member state of the European Economic Area (EEA) other than an EU member state (i.e. Norway, Liechtenstein and Island) which is liable to a tax corresponding to the Luxembourg Corporate Income Tax (a minimum income tax of 10.5% generally satisfies this requirement as long as the taxable basis is determined according to rules and criteria similar to those used in Luxembourg), or
- A permanent establishment (i.e. Luxembourg and foreign) of a company with share capital or of a cooperative company resident in an EEA member state other than an EU member state

B) Size of participation

The minimum participation that qualifies for the dividend withholding tax exemption is:

- 10% of share capital of the Company; or
- An acquisition price of a minimum of € 1,200,000 in the Company's share capital.

C) Minimum retention period

The minimum participation in the Company must have been held for at least 12 months uninterruptedly on the date that the dividend is paid (or is deemed to be paid). The test applies to the participation in general and is not required on a share-by-share basis.

D) Anti-abuse provision

As from 1 January 2016, the shareholders referred to supra a and c in Section A) above should not qualify for the participation exemption from dividend withholding tax in Luxembourg (even if they meet the conditions referred to in Sections B) and C) above), if the dividends are distributed in the framework of an arrangement or a series of arrangements which, having been put into place for the main purpose or one of the main purposes of obtaining a tax advantage that defeats the object or purpose of the parent subsidiary directive 2011/96/CEE, are not genuine having regard to all relevant facts and circumstances. An arrangement, which may comprise more than one step or part, or a series of arrangements in the sense of this anti-abuse clause shall be regarded as not genuine to the extent that they are not put into place for valid commercial reasons which reflect economic reality.

- 12 month retention period met at the time of the dividend distribution by the Company

In case that participation exemption applies and should Luxembourg withholding tax have been levied, then such withholding tax can be claimed back by shareholders. For this purpose the shareholder has to submit to the Luxembourg tax administration the following documents:

- 4 copies of "form 901bis" which have to be first attested by the tax administration of the country of residence of the shareholder (this applies only to non-resident taxpayers in Luxembourg). The form 901bis can be obtained the Luxembourg tax administration website: www.impotsdirects.public.lu, under the folder "Formulaire-Retenues à la source" (Forms-Withholding at source).

- A copy of the Company's dividend withholding tax form 900 and a copy of the bank transfer as an evidence that the Company has paid the tax (see section 6 below).

The above documents have to be sent to the Luxembourg tax administration at the following address:

**Administration des contributions directes
Bureau d'imposition des sociétés VI
18, rue du Fort Wedell
L-2982 Luxembourg**

- 12 month retention period met after the dividend distribution by the Company

In case that participation exemption applies but the minimum retention period of 12 months is not met at the time of the dividend distribution, shareholders have to meet the minimum retention period afterwards in order to claim back the withholding tax. In addition to the documents mentioned above, these shareholders have to confirm in a letter to the Luxembourg tax administration that they have held the minimum participation in the Company's share capital for at least 12 months uninterruptedly.

4. Withholding tax on dividends paid to shareholders, who are resident taxpayers in Luxembourg and not qualifying for participation exemption

The Company's shareholders, who are beneficial owners and residents in Luxembourg (both private individuals and legal entities) are subject to the Luxembourg withholding tax on dividends (currently at a rate of 15%). This withholding tax may be credited against the income tax at the level of the shareholder.

5. Withholding tax on dividends paid to tax transparent shareholders

Dividends distributed to the Company's shareholders, who are tax transparent from a Luxembourg tax perspective (be it legal entities or entities without legal personality, Luxembourg or foreign) are treated as if paid by the Company directly to the investors in such tax transparent entities pro-rata to their stakes in the respective entities. The rules explained in Sections 1-4 above apply to such investors, unless they are tax transparent from a Luxembourg tax perspective as well in which case further analysis up the chain is required until the level of individual or tax opaque shareholders is reached.

6. Withholding tax declaration by the Company

Within fifteen days of dividend payment the Company will publish on its web site (www.pegas.cz) in the "Investors / Dividend withholding tax" menu a copy of the Luxembourg dividend withholding tax declaration form 900 and a copy of the bank transfer as an evidence of the withholding tax paid.

The above description of the Luxembourg tax treatment is only general. The shareholders should not solely rely on these guidelines and there are advised to consult their professional advisors for managing their own specific tax matters.

The data contained in the announcement are based on current legislation and regulations in force as of the date of the announcement. The Company is not

responsible for a change in the legislation that may occur since the date of this announcement.

The data contained in this announcement are not binding on the Luxembourg, Czech and Polish tax authorities and there can be no assurance that the tax authorities will not take a position contrary to the data in this announcement. The tax treatment described above is based on opinion of the tax advisor of PEGAS NONWOVENS SA and has not been verified with tax authorities in the respective countries unless stated otherwise above.

12 October 2016

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PEGAS NONWOVENS SA, société anonyme, is a holding company based in Luxembourg with operating companies in Znojmo and Bučovice, Czech Republic and in the City of 6th of October, Egypt. PEGAS NONWOVENS is a manufacturer of polypropylene and polyethylene nonwoven textiles for the hygiene, industrial, construction, agricultural, medical and other specialised sectors. These textiles are primarily used for the manufacture of baby diapers, feminine hygiene and adult incontinence products. The Company is active in developing new products demanded by the market and thereby maintains its position of technology leader in the European nonwovens market. PEGAS NONWOVENS currently has more than 570 employees. PEGAS NONWOVENS SA is a publicly traded company on the Prague and Warsaw stock exchanges.

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