

**[NOTE: THE CONVENING NOTICE IS EXECUTED IN CZECH LANGUAGE. THIS ENGLISH TRANSLATION IS FOR INFORMATION PURPOSES ONLY. IN THE CASE OF A DISCREPANCY, THE CZECH VERSION WILL PREVAIL.]**

**PEGAS NONWOVENS a.s.**

A joint-stock company having its registered office at Hradčanské náměstí 67/8, Hradčany, 118 00  
Prague 1,  
ID No.: 067 11 537,  
registered in the Commercial Register maintained by the Municipal Court in Prague, file no. B 23154  
(hereinafter referred to as the “**Company**”)

**INVITATION TO AN ANNUAL GENERAL MEETING**

The Company’s Board of Directors hereby convenes an annual General Meeting (hereinafter referred to as “General Meeting”), which is to be held on 15 June 2018 at 3:00 p.m. at the cafeteria of the PEGAS NONWOVENS Czech s.r.o. production facility at K Suchopádu 372/3, Přímětice, 669 04 Znojmo, Czech Republic.

**1. Agenda of the General Meeting**

- (1) Election of the chair of the General Meeting, minute taker, minute verifiers, and scrutinisers.
- (2) Approval of the Rules of Procedure of the General Meeting.
- (3) Report of the Board of Directors on the Company’s business activities and assets in 2017; summary explanatory report pursuant to Section 118 (9) of Act No. 256/2004 Coll., on Capital Market Undertakings, as amended; conclusions of the Company’s 2017 report on relations.
- (4) Report of the Supervisory Board on the results of its activities in 2017; statement of the Supervisory Board concerning the regular consolidated financial statements for 2017, the regular unconsolidated financial statements for 2017, the proposal for the settlement of 2017 profit, and the Company’s 2017 report on relations.
- (5) Approval of regular consolidated financial statements of the Company prepared as at 31 December 2017.
- (6) Approval of regular unconsolidated financial statements of the Company prepared as at 31 December 2017.
- (7) Decision on the settlement of the Company’s 2017 profit.
- (8) Appointment of an auditor to carry out a mandatory audit of the Company in 2018.
- (9) Approval of Service Agreement for Ivan Hayek and Hana Černá, members of the Audit Committee.

**2. The record date for attendance at the General Meeting and an explanation of its significance; notice to shareholders whose shares are not recorded on their owner's account in the central or follow-up records**

The record date for attendance at the General Meeting is 8 June 2018 (hereinafter referred to as the "**Record Date**"). The significance of the Record Date is that the right to participate at the General Meeting and to exercise the rights of the shareholder, including voting, is only granted to the person registered as at the Record Date as an owner of a share (a shareholder) of the Company in the records of Company's issue kept by Centrální depozitář cenných papírů, a.s. (hereinafter referred to as the "**Records of Issue**") unless it is proved that another person is the shareholder, or to the person authorized to represent such shareholder at the General Meeting. An extract from the Records of Issue as at the Record Date will be procured by the Company.

In this context, we would like to inform the shareholders that if, as at the Record Date, their shares will not be held on their owner's account in the central records of book-entry securities kept by Centrální depozitář cenných papírů, a.s. (hereinafter referred to as the "**Central Records**") or in the records following up to the central records (hereinafter referred to as the "**Follow-up Records**"), they will not be registered as shareholders of the Company in the Records of Issue as at the Record Date. To ensure that such shareholders or their representatives will be admitted to the General Meeting, it is necessary that these shareholders or their representatives, upon their registration at the General Meeting, in addition to the documents referred to in point 3 of this convocation notice, submit a confirmation by the account holder for which the owner's account was opened in the Central or the Follow-up Records that

(a) the shares held on this owner's account are not owned by the account holder but by the shareholder, or

(b) the shares held on this owner's account are not owned by the account holder but by additional account holder, which must be sufficiently identified on such a confirmation, and in such case, the shareholder or his representative shall also submit a confirmation by such additional account holder or also an original of a confirmation by other additional account holders indicating that the shares in question are owned by the shareholder. Such confirmations by the account holder, additional account holder and, as applicable, other additional account holders must be linked consecutively to each other so that only on the basis of them is no doubt that the shares in question are owned by the shareholder.

A confirmation by the account holder, additional account holder (or other additional account holders) must contain at least the following: (i) the name, permanent address and date of birth of the shareholder or additional account holder in respect of which the confirmation is issued, if it is a natural person, or company name, registered seat and identification (registration) number of the shareholder or other account holder in respect of which the confirmation is issued, if it is a legal person, and (ii) the number of shares of the Company for which the confirmation is issued. For this purpose, a sample of such confirmation is available on the Company's website at [www.pegas.cz](http://www.pegas.cz) in the Investors and Media/General Meeting/2018 section.

If the confirmation by the account holder or additional account holder (or additional account holders) is in a foreign language other than English or Slovak, the person submitting these documents is also obligated to submit a translation of such documents into Czech, Slovak or English.

The Company reserves the right not to admit to the General Meeting the persons who will not be listed in the extract from the Records of Issue as a shareholder or Share Manager, as defined below, or their representatives, nor those who fail to submit, in accordance with the above mentioned, a confirmation by the account holder or additional account holder (or additional account holders), including their translation, if required, which will prove beyond any doubt that such person is a shareholder.

### 3. Registration and representation of shareholders at the General Meeting

A shareholder may attend a General Meeting in person or be represented by a proxy holding a power of attorney (hereinafter referred to as the “**Proxy**”) or by a person who is registered in the register of the Company’s registered shares as share manager or as a person authorised to exercise rights related to the shares (hereinafter referred to as the “**Share Manager**”).

(a) Representation on the basis of a power of attorney

Every shareholder is entitled to grant a power of attorney to an individual or a legal entity to represent it/him as Proxy at a General Meeting and exercise its/his shareholder rights on its/his behalf, including the right to vote. A power of attorney must be in writing and must clearly indicate whether it was granted for representation at one or several General Meetings.

To that end, a form of a power of attorney for representing a shareholder at a General Meeting is available on the Company’s website at [www.pegas.cz](http://www.pegas.cz) in the section Investors and Media/General Meeting/2018. The power of attorney form is also available in physical form until the date of the General Meeting at the Company’s registered office and can be collected on business days between 9:00 a.m. and 5:00 p.m.. Everyone may request the power of attorney form by e-mail at [iro@pegas.cz](mailto:iro@pegas.cz) or by post at the registered office of the Company to have it sent at his own expense and risk in hard form or by electronic means.

Every shareholder may inform the Company in the Czech, Slovak, or English languages about having granted or revoked a power of attorney to be represented at a General Meeting by e-mail at [iro@pegas.cz](mailto:iro@pegas.cz); such a notice must feature an electronic signature based on a qualified certificate issued by an accredited provider of certification services. If a notice does not allow for a clear identification of the undersigned person or for evaluating compliance of the power of attorney with the requirements set by the law or by the Articles of Association, the Company is entitled, but not obliged, to demand from the person submitting the notice additional information to clear up any ambiguities.

A notice of the granting of a power of attorney must feature the following information:

- (i) Name, address of permanent residence and date of birth of the principal, if the principal is an individual, or the corporate name, address of registered office and identification (registration) number of the principal, if the principal is a legal entity;
- (ii) Name, address of permanent residence and date of birth of the Proxy, if the Proxy is an individual, or the corporate name, address of registered office and identification (registration) number of the Proxy, if the Proxy is a legal entity;
- (iii) Information whether the power of attorney has only been granted for representation at the regular General Meeting held 15 June 2018 or at several General Meetings;
- (iv) Information whether the Proxy is authorised to grant a substitution power of attorney; and
- (v) Date on which the power of attorney was granted.

If the shareholder’s notice of the granting of a power of attorney for representation at the General Meeting meets all of the requirements set out above, the Company will not request that the power of attorney be handed over to it at shareholder registration. This does not exempt the shareholder or his/its representative from the obligation to present other documents specified in paragraph 3 (b) of this invitation at registration.

A notice of the revocation of a power of attorney must contain the following information:

- (i) Name, address of permanent residence and date of birth of the principal, if the principal is an individual, or the corporate name, address of registered office and identification (registration) number of the principal, if the principal is a legal entity;
- (ii) Name, address of permanent residence and date of birth of the Proxy, if the Proxy is an individual, or the corporate name, address of registered office and identification (registration) number of the Proxy, if the Proxy is a legal entity;
- (iii) Identification of the revoked power of attorney, including the date on which it was granted and the scope of the authorisation that was the subject of agency pursuant to the power of attorney concerned; and
- (iv) Date on which the power of attorney was revoked.

(b) Registration of shareholders and their representatives at the General Meeting

Registration of shareholders and their representatives will commence at 1:30 p.m. at the General Meeting venue.

At registration, a shareholder, a person authorised to represent a shareholder – legal entity, a shareholder's Proxy, a person authorised to represent a Proxy – legal entity, Share Manager or a person authorised to represent a Share Manager – legal entity, shall present a valid identification document.

In the case of a shareholder – legal entity, the person authorised represent a shareholder shall hand in, at registration, the original or an officially verified copy of an excerpt from the relevant register or another document (not older than 3 (in words: three) months) showing that the shareholder exists and that person is authorised to represent the shareholder.

If a shareholder is represented at the General Meeting on the basis of a power of attorney, the Proxy must hand in at registration the original or an officially verified copy of a power of attorney. In the case of a shareholder – legal entity, the Proxy must also hand over at registration an original of an excerpt from the relevant register or another document (not older than 3 (in words: three) months) showing that the shareholder exists and that person who signed the power of attorney is authorised to represent the shareholder. If the Proxy is a legal entity, the person authorised to represent the Proxy – legal entity, must hand in at registration the original or an officially verified copy of an excerpt from the relevant register or another document (not older than 3 (in words: three) months) showing that the Proxy exists and is authorised to represent the Proxy.

A Share Manager need not present a power of attorney. The person authorised to represent a Share Manager – legal entity shall hand over, at registration, the original or an officially verified copy of an excerpt from the relevant register or another document (not older than 3 (in words: three) months) showing that the Share Manager exists and that the person is authorised to represent the Share Manager.

Documents issued by foreign authorities or institutions or featuring their verification clause that document the existence of a foreign legal entity or the authorisation to represent a foreign legal entity must be superlegalised (feature a higher authentication) or feature an apostille, unless the Czech Republic has concluded an agreement on mutual legal assistance with the country in which the document was issued, pursuant to which such documents require no further verification.

Documents drawn up in any foreign language other than Slovak and English shall be handed over, by the person submitting them, together with an official translation of such documents into the Czech language. Such a translation must be superlegalised (feature a higher authentication) or feature an

apostille, unless the Czech Republic has concluded an agreement on mutual legal assistance with the country in which the translation was verified, pursuant to which such translations require no further verification.

#### **4. Rights of shareholders related to their attendance at the General Meeting and the manner in which they are to be exercised**

Shareholders are entitled to exercise their rights at a General Meeting, in particular, to vote, to request and receive during the meeting, prior to it, and – if statutory conditions are met – after the meeting explanations of matters related to the Company or persons controlled by it, if such explanations are required for evaluating the contents of matters included on the General Meeting's agenda or for exercising the shareholder's rights at it, and to submit proposals and counter-proposals. A shareholder may exercise these rights in person, through its statutory body, through its/his representatives, or through a share manager registered in a register of investment instruments or through another person authorised, according to a record in such a register, to exercise rights related to the share.

Each shareholder bears his own costs of attending the General Meeting.

##### **(a) Number of shares and voting rights**

The Company's registered capital amounts to EUR 10,867,185.16 (in words: ten million eight hundred and sixty-seven thousand one hundred and eighty-five euros and sixteen cents) and is divided into 8,763,859 (in words: eight million seven hundred and sixty-three thousand eight hundred and fifty-nine) registered shares in dematerialised form with a nominal value of EUR 1.24 (in words: one euro and twenty-four cents) each. All of the Company's shares have been accepted for trading on a regulated market – on the Prime Market of the Prague Stock Exchange (Burza cenných papírů Praha, a.s.). 1 (in words one) vote is connected with each share. Hence, the total number of votes in the Company is 8,763,859 (in words: eight million seven hundred and sixty-three thousand eight hundred and fifty-nine).

##### **(b) Attending a General Meeting and voting at it**

A shareholder who is present, or his representative, shall register following the procedure described in paragraph 3 (b) of this invitation, above. At registration, he will receive a ballot indicating the number of votes of the shareholder concerned, and any other materials concerning the General Meeting agenda, if relevant.

A General Meeting has quorum if shareholders or representatives of shareholders are present who hold shares whose aggregate nominal value exceeds 30% of the Company's registered capital.

Voting at a General Meeting is performed by raising a ballot.

A General Meeting decides by a majority of the votes of the shareholders or their representatives present, unless legal regulations or the Company's Articles of Association require a different majority.

The rules for attending a General Meeting and voting at it that arise from legal regulations and the Articles of Association are specified further by the Rules of Procedure of the General Meeting. A proposal of the Rules of Procedure of the General Meeting has been published together with this invitation on the Company's website at [www.pegas.cz](http://www.pegas.cz) in the section Investors and Media/General Meeting/2018 and is also available for consulting in physical form at the Company's registered office on business days between 9:00 a.m. and 5:00 p.m. The General Meeting will vote on the adoption of the Rules of Procedure as the second point of its agenda.

No voting with the use of technical devices or by post is permitted.

(c) Right to an explanation

A shareholder may request and receive from the Company at a General Meeting an explanation of a matter related to the Company or to persons controlled by it, if such an explanation is required for evaluating the contents of matters included on the General Meeting's agenda or for exercising his shareholder's rights at it. A shareholder's request for an explanation at a General Meeting shall be made (i) in writing and submitted at a designated place or (ii) orally upon invitation from the chair of the General Meeting or a Member of the Board of Directors authorised to chair the General Meeting until the election of its chair. An explanation may be provided in the form of an aggregated response to several questions having similar content.

It shall also be assumed that a shareholder has received an explanation if the information concerned was published on the Company's website at [www.pegas.cz](http://www.pegas.cz) in the section Investors and Media/General Meeting/2018 no later than on the day preceding the date of the General Meeting, i.e., on 14 June 2018, and is available to shareholders at the General Meeting venue. If an explanation cannot be provided directly at the General Meeting due to the complexity of the issue, it must be provided to the Company's shareholders within 15 (in words: fifteen) days of the day of the General Meeting (i.e., by 2 July 2018). The text of the explanation will be made available to shareholders on the Company's website at [www.pegas.cz](http://www.pegas.cz) in the section Investors and Media/General Meeting/2018.

(d) Right to submit proposals and counterproposals

A shareholder may submit proposals and counter-proposals with respect to matters included on the General Meeting agenda, as shown in Section 1 of this invitation. If a shareholder plans to submit a proposal or counterproposal with respect to a matter included on the General Meeting agenda, he must deliver that proposal or counterproposal to the Company within a reasonable period before the date of the General Meeting; this does not apply to proposals of specific persons for positions on the Company's bodies.

(e) Right of qualified shareholders to request the inclusion of a certain matter on the agenda of the General Meeting

If a qualified shareholder (i.e., a shareholder or shareholders of the Company holding shares whose aggregate nominal value amounts to at least 3% of the Company's registered capital) request it, the Board of Directors shall include a matter designated by the shareholder on the agenda of the General Meeting, provided that a resolution is also proposed for each of the matters, or its inclusion is supported with a justification.

If a request of a qualified shareholder is delivered after the publication of the invitation to the General Meeting, the Board of Directors will publish a supplement to the General Meeting agenda no later than five (5) days before the Record Date for attending the General Meeting, i.e., 1 June 2018, in the Business Journal and on the Company's website at [www.pegas.cz](http://www.pegas.cz) in the section Investors and Media/General Meeting/2018.

(f) Information about the method and place where documents related to the General Meeting may be obtained

A shareholder may become acquainted with documents related to the General Meeting, i.e., with this invitation to the General Meeting, including proposals of resolutions and their rationale, the complete versions of the 2017 regular consolidated financial statements and 2017 regular unconsolidated financial statements, as well as with other documents presented as a part of the General Meeting agenda, and with the text of shareholder proposals or counterproposals on the Company's website at [www.pegas.cz](http://www.pegas.cz) in the section Investors and Media/General Meeting/2018, at least 30 (in words: thirty) days after the date of the General Meeting; furthermore, these shall be made available to shareholders for consulting at the Company's registered office on business days between 9:00 a.m. and 5:00 p.m. until the expiration of 30 (in words: thirty) days after the date of the General Meeting.



**5. Proposals of resolutions of the General Meeting on individual points of its agenda, rationale for the resolutions or explanations with respect to them**

- (1) Election of the chair of the General Meeting, the minute taker, minute verifiers, and scrutinisers

*Explanation:* This is a procedural matter required by the law and by the Company's Articles of Association in order for a General Meeting to be held properly. The Board of Directors shall propose at the General Meeting specific persons to be elected to the positions listed above. The Board of Directors must ensure that the persons proposed will possess the qualities required for holding the positions.

- (2) Approval of the Rules of Procedure of the General Meeting

*Proposed resolution:* The General Meeting approves the Rules of Procedure of the General Meeting as presented by the Board of Directors at the General Meeting.

*Rationale:* The Rules of Procedure constitute an organisational document that regulates in detail the proceedings, decision-making, and other internal matters pertaining to the General Meeting. The proposed Rules of Procedure presented have been published together with this Invitation on the Company's website at [www.pegas.cz](http://www.pegas.cz) in the section Investors and Media/General Meeting/2018 and are available to shareholders for consulting at the Company's registered office on business days between 9:00 a.m. and 5:00 p.m.

- (3) Report of the Board of Directors on the Company's business activities and assets in 2017; a summary explanatory report pursuant to Section 118 (9) of Act No. 256/2004 Coll., on Capital Market Undertakings, as amended; conclusions of the Company's 2017 report on relations.

*Explanation:* The report of the Board of Directors on the Company's business activities and assets in 2017, a summary explanatory report pursuant to Section 118 (9) of Act No. 256/2004 Coll., on Capital Market Undertakings, as amended, and the conclusions of the Company's 2017 report on relations are presented in line with the law and with the Company's Articles of Association.

All of the documents mentioned above have been published together with this invitation on the Company's website at [www.pegas.cz](http://www.pegas.cz) in the section Investors and Media/General Meeting/2018.

No vote is taken on this point of the agenda.

- (4) Report of the Supervisory Board on the results of its activities in 2017; a statement of the Supervisory Board concerning the regular consolidated financial statements for 2017, the regular unconsolidated financial statements for 2017, the proposal for the settlement of 2017 profit, and the Company's 2017 report on relations.

*Explanation:* The report of the Supervisory Board on the results of its activities in 2017, a statement of the Supervisory Board concerning the regular consolidated financial statements for 2017, the regular unconsolidated financial statements for 2017, the proposal for the settlement of 2017 profit, and the Company's

2017 report on relations are presented in line with the law and with the Company's Articles of Association.

All of the documents mentioned above have been published together with this invitation on the Company's website at [www.pegas.cz](http://www.pegas.cz) in the section Investors and Media/General Meeting/2018.

No vote is taken on this point of the agenda.

(5) Approval of regular consolidated financial statements of the Company prepared as at 31 December 2017.

*Proposed resolution:* The General Meeting approves the Company's regular consolidated financial statements prepared as at 31 December 2017.

*Rationale:* The Company's regular consolidated financial statement prepared as at 31 December 2017 is prepared and presented to the General Meeting for approval in line with the law and the Company's Articles of Association. The consolidated financial statement of the Company that has been presented has been verified by an auditor without reservations and reviewed by the Supervisory Board, which recommends it to the General Meeting for approval.

The Company's regular consolidated financial statement prepared as at 31 December 2017 is published as a part of the 2017 Annual Report on the Company's website at <http://www.pegas.cz/vyrocnni-a-pololetni-zpravy-2017>.

(6) Approval of regular unconsolidated financial statements of the Company prepared as at 31 December 2017.

*Proposed resolution:* The General Meeting approves the Company's regular unconsolidated financial statements prepared as at 31 December 2017.

*Rationale:* The Company's regular unconsolidated financial statement prepared as at 31 December 2017 is prepared and presented to the General Meeting for approval in line with the law and the Company's Articles of Association. The consolidated financial statement of the Company that has been presented has been verified by an auditor without reservations and reviewed by the Supervisory Board, which recommends it to the General Meeting for approval.

The Company's regular unconsolidated financial statement prepared as at 31 December 2017 is published as a part of the 2017 Annual Report on the Company's website at <http://www.pegas.cz/vyrocnni-a-pololetni-zpravy-2017>.

(7) Decision on the settlement of the Company's 2017 profit.

*Proposed resolution:* The General Meeting approves the transfer of the Company's unconsolidated after-tax profit from 2017, amounting to EUR 10,861,867.15 (in words: ten million eight hundred and sixty-one thousand eight hundred and sixty-seven euros and fifteen cents) to the account of retained profit from previous years.

*Rationale:* In line with the law and with the Company's Articles of Association, a decision on the distribution of profit falls within the powers of the Company's General



Meeting. The profit has been determined on the basis of the regular unconsolidated financial statement for 2017. Given the present level of its net debt, and in order to enhance the Company's financial stability and accumulate resources for long-term growth, the Board of Directors proposes to the General Meeting that it approve the transfer of the Company's 2017 profit to the account of retained profit from previous years. The Supervisory Board has reviewed the proposal of the Board of Directors and recommends that the General Meeting approve it.

(8) Appointment of an auditor to carry out a mandatory audit of the Company in 2018.

*Proposed resolution:* The General Meeting appoints as the auditor to carry out a mandatory audit of the Company in 2018 the audit firm PricewaterhouseCoopers Audit, s.r.o., having its registered office at Hvězdova 1734/2c, Nusle, 140 00 Prague 4, ID No.: 407 65 521.

*Rationale:* The Company is obliged to have its financial statements audited pursuant to Section 1b (5) (a) and Section 20 (1) of Act No. 563/1991, on accounting, as amended. The Company's auditor is appointed by the General Meeting in line with Section 17 (1) of Act No. 93/2009, on auditors and amending certain acts, as amended. On the basis of a recommendation of the Audit Committee, the Supervisory Board proposes that the audit firm PricewaterhouseCoopers Audit, s.r.o. be chosen as the Company's auditor for 2018. The audit firm PricewaterhouseCoopers Audit, s.r.o. meets all requirements in terms of independence and has extensive experience with carrying out audits in the Czech Republic.

(9) Approval of Service Agreement for Ivan Hayek and Hana Černá, members of the Audit Committee.

*Proposed resolution:* The General Meeting of the Company approves the Agreement on Serving as a Member of the Audit Committee concluded by and between the Company and Ivan Hayek on 16 April 2018 and the Agreement on Serving as a Member of the Audit Committee concluded by and between the Company and Hana Černá on 16 April 2018.

*Rationale:* The Board of Directors presents to the General meeting for approval Agreements on Serving as a Member of the Audit Committee for Mr. Ivana Hayek and Ms. Hana Černá in line with the law and the Company's Articles of Association.

Agreements on Serving as a Member of the Audit Committee for Mr. Ivan Hayek and Ms. Hana Černá have been published together with this invitation on the Company's website at [www.pegas.cz](http://www.pegas.cz) in the section Investors and Media/General Meeting/2018.