REGULATORY ANNOUNCEMENT

Luxembourg withholding tax rules applicable to dividends distributed by PEGAS NONWOVENS SA to its shareholders

LUXEMBOURG/ZNOJMO, October 14, 2011 – PEGAS NONWOVENS SA (hereafter "PEGAS" or "Company") announces information on the tax treatment applicable to the payment of EUR 1.00 per share from the share premium account, with the record date as at October 20, 2011. The payment date is set on or about October 27th, 2011.

A dividend distributed by PEGAS NONWOVENS SA to its shareholders in 2011 will be subject to Luxembourg withholding tax for the first time. The withholding tax will be deducted at source by the Company from the dividends paid to all shareholders. The current withholding tax rate is 15%.

The obligation to withhold the tax is derived from the fact that the company created positive distributable reserves and the tax is levied regardless the legal classification of the payment. In the next year(s) the distribution up to the amount of the 2011 dividends will be distributed tax free as confirmed with the Luxembourg tax authorities.

The Company prepared general guidelines to all shareholders regarding the withholding tax applicable to dividends distributed by PEGAS in 2011. The shareholders who are in doubts as to their tax position in Luxembourg and/or in their state of residence or who need specific advise should consult their professional advisors.

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

The Company's shareholders, who are private individuals and non-residents in Luxembourg are subject to Luxembourg withholding tax on dividends (current rate of 15%) without possibility for reduction or claim back unless there is a double tax treaty in force between Luxembourg and the shareholders' country of residence.
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-residents in Luxembourg

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

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/depositary 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" (Forms).
- 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
L-2982 Luxembourg

The shareholders, who are legal entities and non-residents 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 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 amended parent subsidiary directive 90/435/CEE, or
- A joint stock company resident fully taxable non listed at the annex of article 166 (10) LITL, or
- A permanent establishment (i.e. Lux and foreign) of an organism with a collective character targeted supra a, b, c, or
- An organism with a collective character fully taxable to a tax corresponding to the Luxembourg Corporate Income Tax 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 joint stock company resident in Switzerland subject to corporate income tax in Switzerland without benefiting from an exemption, or
- A joint stock company 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, or
- A permanent establishment (i.e. Lux and foreign) of a joint stock company 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.

C) Minimum retention period

The minimum participation in the Company must have been held for at least 12 months on the date that the dividend is paid. A commitment to hold the minimum shareholding for an uninterrupted period of at least 12 months satisfies this condition. The test applies to the participation in general and is not required on a share-by-share basis.

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

In case that participation exemption 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 amended "form 901bis" which have to be first attested by the tax administration of the country of residence of the shareholder. The amended form 901bis can be obtained from www.pegasas.cz in the "Investors / Dividends withholding tax" menu.
- 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 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
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• Commitment by shareholders to hold the minimum participation for 12 months at least

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 commit to the minimum retention period in order to claim back the withholding tax. These shareholders have to confirm in a letter to the Luxembourg tax administration that they have held at least 10% or € 1,200,000 in the Company for 12 months once the minimum retention period is fulfilled. A template of the letter can be obtained from www.pegasas.cz in the "Investors / Dividends withholding tax "menu.

4. Withholding tax on dividends paid to shareholders, who are residents 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 is credited against the income tax at the level of the shareholder.
If the withholding tax exceeds the total income tax, then the shareholder is entitled to credit this withholding tax against other Luxembourg taxes that become due and payable. If the shareholder cannot recover the dividend withholding tax by netting off, then he is entitled to claim for repayment of the excessive part.
Under Luxembourg tax law, 50% of the dividends can be exempted from taxation at the level of Luxembourg resident shareholders, i.e. these dividends will be subject to a 14.815% effective tax rate (50% x 29.63%). This 50% rebate does not apply to 1929 holding companies as they are exempt from Luxembourg corporate income tax.

5. Withholding tax declaration by the Company

Within fifteen days of dividend payment the Company will publish on its web site (www.pegasas.cz) in the "Investors / Dividends 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 below 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.

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PEGAS NONWOVENS SA, société anonyme, is a holding company based in Luxembourg with operating companies based in Znojmo and Bucovice, Czech Republic. PEGAS NONWOVENS is a manufacturer of polypropylene / polyethylene nonwoven textiles for the hygiene, industrial, construction, agricultural, medical and other specialized 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 400 employees.

PEGAS NONWOVENS SA is a publicly traded company on the Prague and Warsaw stock exchanges.