

PEGAS NONWOVENS S.A.



REASONED OPINION OF THE BOARD OF DIRECTORS

Regarding the takeover bid for all outstanding shares in the capital of PEGAS NONWOVENS S.A.
by R2G Rohan Czech s.r.o. delivered to PEGAS NONWOVENS S.A. on 11 August 2017

In accordance with Section 10(5) of the Luxembourg Takeover Act and Section 16 of the Czech
Takeover Act

16 August 2017

Important Information

General Information

This document constitutes a reasoned opinion (the “**Reasoned Opinion**”) of the board of directors (the “**Board of Directors**”) of PEGAS NONWOVENS S.A. (the “**Company**”) prepared for the purposes of providing information to the Company’s shareholders on the voluntary unlimited and unconditional takeover bid (the “**Takeover Bid**”) to be made by R2G Rohan Czech s.r.o. (“**R2G**”), a direct wholly owned subsidiary of R2G Rohan S.à r.l., which is controlled by R2G Foundation, the family foundation of Mr. Odlřich Šlemr, and Mr. Eduard Kučera, pursuant to its offer document dated on or around 23 August 2017 (the “**Offer Document**”) which the Board of Directors received from R2G on 11 August 2017. This Reasoned Opinion has been prepared pursuant to Section 10(5) of the Luxembourg law of 19 May 2006 transposing Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004, on takeover bids, and Section 16 of Act No. 104/2008 Coll., the Czech Takeover Act, as amended.

The Company is a public limited liability company (*société anonyme*) established and existing in accordance with the laws of the Grand Duchy of Luxembourg. The registered seat of the Company is at 68-70 boulevard de la Petrusse, L-2320, Luxembourg, and it is registered with the Luxembourg Trade and Companies Register under number B.112.044. Shares representing 100% of the share capital of the Company, ISIN LU0275164910, are admitted to trading on the Prague Stock Exchange (the “**PSE**”) and the Warsaw Stock Exchange (the “**WSE**”).

R2G is a limited liability company established and existing in accordance with the laws of the Czech Republic. The registered seat of R2G is at Hradčanské náměstí 67/8, Hradčany, 118 00, Prague 1, Czech Republic, Identification Number 04607341, and it is registered in the Commercial Register maintained by the Municipal Court in Prague, Section C 250660.

R2G will make the Takeover Bid on or around 23 August 2017 by publishing the Offer Document in the Czech language in a Czech daily newspaper and on its website, with respect to all issued and outstanding ordinary shares of the Company representing 100% of the registered capital of the Company (the “**Shares**” and each a “**Share**”; holders of such Shares the “**Shareholders**”) for the price CZK 1,010 or PLN equivalent thereof (based on official PLN/CZK exchange rate published by the Czech National Bank one business day prior to the date of the Takeover Bid) per Share in cash (the “**Offer Price**”) and on the terms and conditions as set out in the Offer Document. R2G will also publish the Offer Document together with its Polish translation in a Polish daily newspaper and through the registered information agency (agencja informacyjna).

Forward-looking Statements

This Reasoned Opinion includes certain “forward-looking” statements. Forward-looking statements involve known or unknown risk and uncertainty because these statements relate to events and depend on circumstances that all occur in the future. Forward-looking statements may be identified because they contain words such as “believes,” “expects,” “may,” “should,” “approximately,” “anticipates,” “estimates,” “intends,” “plans,” “predicts,” “projects,” “targets,” “likely,” “will,” “would,” “could” and similar expressions (or the negative of these terminologies or expressions). The Company believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions.

Nevertheless, all forward-looking statements involve risks and uncertainties and no assurance can be given that such statements will be fulfilled or prove to be correct, and no representations are made as to the future accuracy and completeness of such statements. Any such forward-looking statements must be considered with the fact that actual events or results may vary materially from such forward-looking statements due to, among other things, political, financial, economic, commercial or legal changes in the markets and environments in which the Company does business, to competitive developments or risks inherent to the Company’s business plans and to uncertainties, risk and volatility in financial markets and other factors affecting the Company.

Other Important Information

This document does not constitute or form part of an offer to buy or sell, or a solicitation of an offer to buy or sell, any securities to any person in any jurisdiction, nor a solicitation of any vote, consent or approval. Shareholders of the Company should form their own view on the merits of the Takeover Bid and reach their own decision. This document is not for release, publication or distribution in, into, or from any jurisdiction where such release, publication or distribution would constitute a violation of the securities laws of such jurisdiction and therefore persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction. If you are in any doubt about the contents of this document or the action you should take, you should seek your own legal and financial advice immediately from your stockbroker, bank manager, attorney, accountant or other independent financial advisor.

The information included in this Reasoned Opinion reflects the situation as of the date of this Reasoned Opinion, unless otherwise indicated. Under no circumstances may the issue or distribution of this Reasoned Opinion be interpreted as implying that the information contained herein is true and accurate on a later date than the date hereof, unless otherwise indicated. The Company does not undertake any obligation to publicly release any revision to this information to reflect events or circumstances after the date of this document, except as may be required by applicable Luxembourg or Czech securities laws or by any appropriate regulatory authority.

Certain numerical figures set out in this Reasoned Opinion, including financial data presented in millions or thousands, have been subject to rounding adjustments and, as a result, should therefore not be regarded as exact. In addition, the rounding also means that the totals of the data in this Reasoned Opinion may vary slightly from the actual arithmetic totals of such information.

This Reasoned Opinion is published in Czech, English and Polish. However, only the English language is binding and should be considered official. The Czech and Polish versions are published for informative purposes only and no assurance as to the accuracy of the translation from English is given. In case of any discrepancies between the language versions, the English version shall prevail.

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Letter to Shareholders

16 August 2017

Dear Shareholders,

The voluntary takeover bid to be made on or around 23 August 2017 by R2G Rohan Czech s.r.o. with respect to all issued and outstanding ordinary shares of PEGAS NONWOVENS S.A. for CZK 1,010 in cash per share is an important event for the Company as well as for you, our shareholders. We therefore present to you this reasoned opinion in order to provide you with certain relevant information you may need to form an opinion on the takeover bid, including our opinion on the takeover bid and the reasons on which our opinion is based. This reasoned opinion has been prepared pursuant to the relevant provisions of the Luxembourg Takeover Act as well as the Czech Takeover Act.

As part of the evaluation process of the takeover bid, we engaged the advisory services of Česká spořitelna and Ernst & Young, who each prepared a fairness opinion determining whether the consideration offered by R2G Rohan Czech s.r.o. is fair from a financial perspective and both came to the conclusion that the consideration is fair.

The Board of Directors carefully evaluated the offer document delivered to the Company by R2G Rohan Czech s.r.o. on 11 August 2017 and considered all aspects thereof. The goal of the Board of Directors is to increase the value of PEGAS NONWOVENS S.A. in the long term in the interest of its shareholders, employees as well as creditors. The Board of Directors reached the conclusion that the consideration per share offered is fair. Further, as required by applicable laws, the Board of Directors in the sections "*Position of the Board of Directors on the Takeover Bid*" and "*Reasoning of the Board of Directors*" addresses whether in its view the Takeover Bid is in the interest of the Company, its Shareholders, employees and creditors.

The position of the Board of Directors is primarily based on the above mentioned fairness opinions including valuations, careful consideration of the Takeover Bid and its conditions, the long-term strategy of the Company as well as external legal advice.

The Board of Directors reached this conclusion unanimously, save for Jan Sýkora refraining as disclosed in the section "*Additional Information*".

With kind regards,

On behalf of the Board of Directors of PEGAS NONWOVENS S.A.

Marek Modecki

Chairman of the Board of Directors



Position of the Board of Directors on the Takeover Bid

On 11 August 2017, the Board of Directors received the Offer Document prepared by R2G and met regularly to discuss and analyze the Takeover Bid. The Board of Directors also engaged the advisory services of Česká spořitelna, a.s. (“**Česká spořitelna**”) and of Ernst & Young, s.r.o. (“**Ernst & Young**”), who each prepared a fairness opinion determining whether the Offer Price by R2G Rohan Czech s.r.o. is fair. The Board of Directors obtained a detailed analysis of the Takeover Bid, both financial and legal, and took into account the strategic, financial, social and other aspects of the Takeover Bid.

The Board of Directors, after careful and due consideration and after receiving extensive external advice and assistance, reached the conclusion that **Offer Price is fair**. The decision of the Board of Directors is based on the reasoning described in the following chapter.

The Board of Directors further considered and addressed whether the Takeover Bid is in the interest of the Company, its Shareholders, employees and creditors.

The Company

- R2G has announced in the Takeover Bid that their intention is to support the Company in achieving further organic as well as acquisition growth. The Board of Directors of the Company believes that the Takeover Bid is in this respect in line with the strategy of the Company and does not expect any significant changes in business operations or strategy of the Company.
- R2G has declared in the Takeover Bid its readiness to provide additional financing to the Company. The Board of Directors of the Company is convinced that the Company has proved its ability to secure sufficient amount of long-term financing at attractive terms. In case the Company requires additional financial resources, the Board of Directors of the Company believes that the Company would be able to secure additional capital via bank financing or by means of issuance of new shares on the equity capital markets, subject to favourable conditions on the capital markets.
- R2G has declared in the Takeover Bid that it intends to be a long-term investor who is interested in the long-term growth of the Company and is willing to absorb short-term or mid-term losses. The Board of Directors of the Company gladly accepts all long-term investors who will support stability and prosperity of the Company.
- R2G informed in the Takeover Bid that it is ready to reduce or suspend any dividend payments to shareholders of the Company in order to support long-term growth of the Company. The Board of Directors of the Company states that generally speaking increase in cash balance and decrease of indebtedness may be welcomed by creditors and financial partners of the Company.
- The Board of Directors of the Company does not expect to materialize any significant synergies resulting from R2G being the shareholder of the Company. To the best knowledge of the Company, R2G has currently no exposure to nonwoven textile industry and thus has limited possibility to bring additional know-how relevant to business operations of the Company. R2G can be considered as a financial investor and thus no synergistic effects can be expected.
- Should R2G acquire control over the Company as a result of the Takeover Bid, the Board of Directors of the Company notes that some business contracts which the subsidiaries of the Company signed in the past, or negotiate to sign in the next few weeks or months, have or will have a Change of Control clause which allows the counterparty to terminate the contract in case the change of control as defined in the respective contract actually occurs. Change of Control clause is also included in the terms and conditions of the bonds issued by the Company and some of its subsidiaries. The Board of Directors has not conducted any negotiations with regards to Change of Control clauses and thus is not able to foresee behaviour of the counterparties with respect thereto. The Board of Directors states that it has no indication of the

potential exercise of Change of Control clauses; however, it represents a potential risk to the Company.

Shareholders

- R2G has declared in the Takeover Bid that it is ready to reduce or suspend any dividend payments to the shareholders of the Company in order to secure long-term growth of the Company. The Board of Directors of the Company states that this is not in line with progressive dividend policy of the Company which was approved by the Board of Directors. Impact of change in dividend policy of the Company must be evaluated by each shareholder individually as each shareholder of the Company may have different goals. The Board of Directors states that the Company has been able so far to pay dividends and achieve organic growth simultaneously.

Employees

- R2G has declared in the Takeover Bid that it does not plan any major layoffs, redomiciliation or structural changes in the business operations of the Company. The Board of Directors of the Company states that it does not expect any significant impact on employees.

Creditors

- The Company is perceived as a stable and reliable company in the nonwovens textile industry with a leading market position and the Board of Directors in this respects states that it does not expect any significant impact on creditors of the Company.

The Board of Directors reached the conclusions above unanimously, save for Jan Sýkora refraining as disclosed in the section "*Additional Information*".

Reasoning of the Board of Directors

In formulating its position and reaching the conclusions above, the Board of Directors' reasoning was based on the underlying principle to act in the best interest of the Company, also considering the interests of its Shareholders, employees, creditors and other stakeholders. Further, the Board of Directors formed its opinion of the Takeover Bid based on, among others, financial and other business advice from Česká spořitelna and Ernst & Young.

Apart from the above, the Board of the Directors assessed the financial and non-financial aspects and impacts of the Takeover Bid on the future business of the Company.

Financial assessment of the Takeover Bid

The Offer Price of CZK 1,010 proposed by R2G represents a premium of 4.1% to the 52 week highest price¹ and a premium of 34.1% to the 52 week lowest price² for the Shares on the PSE.

Compared to the average market prices on the PSE, the Offer Price represents a premium as compared to the market price of:

- 7.1% to the closing price per Share on the PSE as of 17 July 2017 (the „**Reference Date**“)³;
- 8.9% to the daily volume weighted average price per Share on the PSE for the period 1 month prior to and including the Reference Date⁴;
- 10.2% to the daily volume weighted average price per Share on the PSE for the period 3 months prior to and including the Reference Date⁵;
- 14.8% to the daily volume weighted average price per Share on the PSE for the period 6 months prior to and including the Reference Date⁶; and
- 21.4% to the daily volume weighted average price per Share on the PSE for the period 1 year prior to and including the Reference Date⁷.

¹ The 52 week highest price prior the voluntary buy-out offer announcement on the PSE of CZK 970 was achieved on 30 May 2017.

² The 52 week lowest price prior the voluntary buy-out offer announcement on the PSE of CZK 753 was achieved on 4 November 2016.

³ The closing price per share on the PSE as of 17 July 2017 was CZK 943.

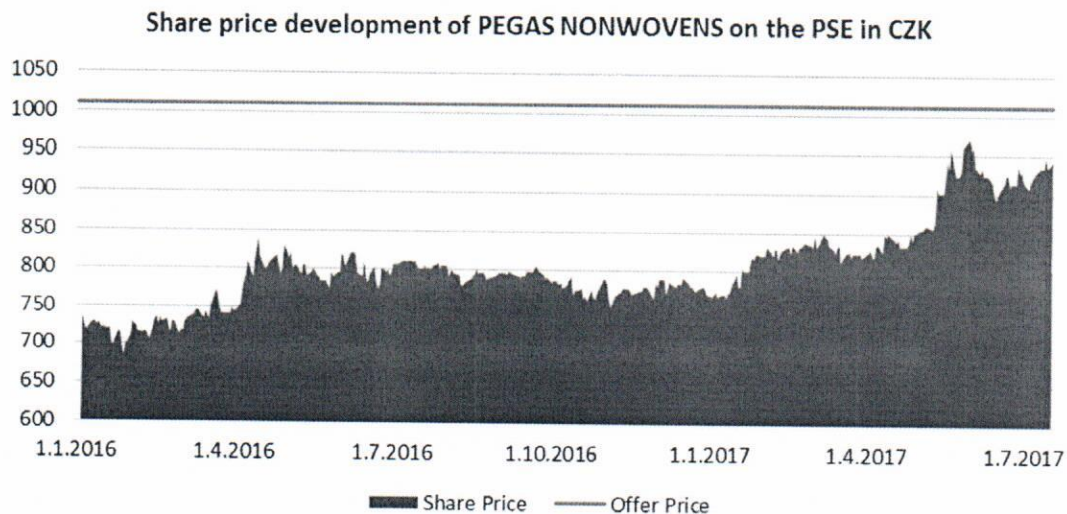
⁴ The reference period for the calculation of premium starts on 17 June 2017 and ends on Reference date resulting in daily volume weighted average price of CZK 928.

⁵ The reference period for the calculation of premium starts on 17 April 2017 and ends on Reference date resulting in daily volume weighted average price of CZK 917.

⁶ The reference period for the calculation of premium starts on 17 January 2017 and ends on Reference date resulting in daily volume weighted average price of CZK 880.

⁷ The reference period for the calculation of premium starts on 17 June 2016 and ends on Reference date resulting in daily volume weighted average price of CZK 832.

The graph below depicts the share price development of the Company in CZK on the PSE from 1 June 2016 to 17 July 2017.



Source: Bloomberg

The table below depicts the premium of the Offer Price as compared to the closing Share price of the Company on respective days on the PSE.

Period	Date	Closing price in CZK	Premium
1 month	17 June 2017	916.0	10.3%
3 months	17 April 2017	839.3	20.3%
6 months	17 January 2017	781.0	29.3%
1 year	17 July 2016	800.9	26.1%

Notes:

(1) In case the respective day was weekend or public holiday, we used the first business day following the respective day.

Source: Bloomberg

Other relevant information

In addition to the recent development of the Share price, the Board of Directors has in its financial assessment also considered the following:

- The fairness opinion prepared by Česká spořitelna delivered to the Company on 14 August 2017 which states, based on the assumptions, qualifications and limitations set forth therein, that the Offer Price is fair to the Shareholders from a financial point of view. The fairness opinion prepared by Česká spořitelna is not a recommendation as to whether or not any Shareholders should buy or sell Shares of the Company.
- The fairness opinion prepared by Ernst & Young delivered to the Company on 14 August 2017 which states, based on the assumptions, qualifications and limitations set forth therein, that the Offer Price is fair to the Shareholders from a financial point of view. The fairness opinion prepared by Ernst & Young is not a recommendation as to whether or not any Shareholders should buy or sell Shares of the Company.
- The average 12 months target price for the Shares as of the Reference Date amounted to CZK 820 which implies a premium of the Offer Price amounting to 23.2%. The average 12 months target price was calculated based on the 4 target prices of equity analysts covering the Shares. The table below depicts the target prices estimated by equity analysts covering the Company as of the Reference Date.

Company	Analyst	Recommendation	Target Price	Date
Erste Group	Petr Bártek	Hold	729	07/12/17
Komerční Banka	Miroslav Frayer	Hold	876	06/23/17
Fio Banka	Jan Raška	Reduce	814	05/18/17
J&T Banka	Bohumil Trampota	Buy	860	05/05/17

Source: Bloomberg

- The Company has not so far received any competing offer and has no indication regarding potential competing offer for the Shares from any third party.

Form of consideration

The Takeover Bid is for a consideration of CZK 1,010 in cash per Share. The Board of Directors views cash a non-problematic form of consideration and, as opposed to for example securities, without the need for further analysis.

Assessment of the Board of Directors

Based on the considerations above, the Board of Directors reached the conclusion that the Offer Price proposed by the R2G is fair to the Shareholders from a financial point of view.

Non-financial implications of the Takeover Bid

Consequences for the business of the Company and for the employees

R2G expressed its intention to support the Company in pursuing future growth strategy. The Board of Directors does not expect any significant changes in the business operations of the Company should the Takeover Bid be consummated as the Board of Directors already currently monitors any growth opportunities and considers future investments and potential acquisitions.

R2G also claimed that it did not expect any material changes in the employee structure and in the management of the Company. As a result, the Board of Directors does not expect any negative impacts on employees and management of the Company resulting from the Takeover Bid.

Acquisition growth

The Board of Directors has been continually evaluating all kinds of potential growth opportunities for the Company including both organic and acquisition growth opportunities. So far, the Company has not made any acquisitions and has been focusing on organic growth.

The Board of Directors does not rule out potential acquisitions in the future provided that the acquisitions will be beneficial for the Company and value accretive for the Shareholders. Each potential acquisition opportunity will be evaluated by the Board of Directors individually on an *ad hoc* basis.

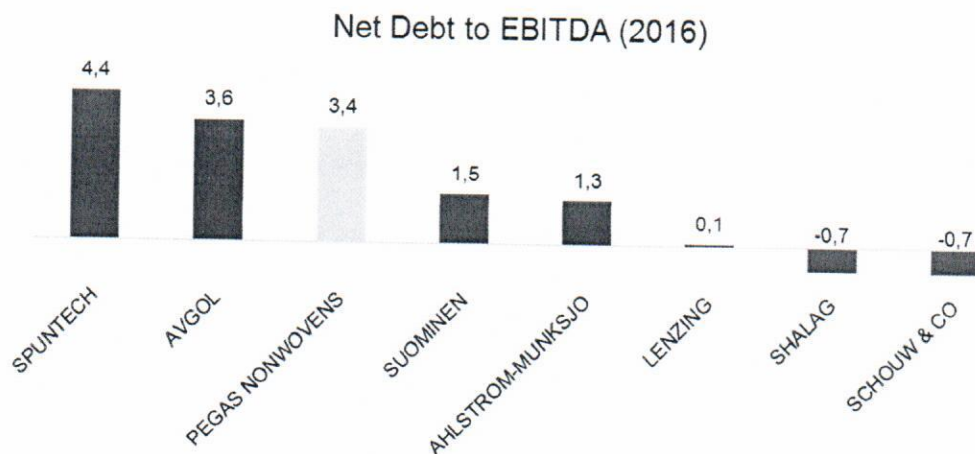
Moreover, R2G has not provided in the Offer Document any details regarding future acquisitions which would allow the Board of Directors to evaluate as to whether these acquisitions will be value accretive for the Shareholders.

Leverage of the Company

As of 31 December 2016, the Company had net debt to EBITDA amounting to 3.4x which is significantly below the maximum leverage determined by covenants of the publicly traded bonds of the Company. Current level of leverage is a result of historical significant investments which were realized

in line with strategy of the Company and which were financed by external resources. The Company has been able to finance its debt service payments.

The level of leverage of the Company is slightly higher than the average indebtedness of peers of the Company operating in nonwovens textile industry but the Board of Directors strongly believes that the level of leverage is not excessive and does not have any negative impact on the Company's operations. The graph below depicts the net debt to EBITDA ratio for key peer companies as of 31 December 2016:



Source: Bloomberg

The Board of Directors believes that the Company is able to finance future growth opportunities including potential acquisitions via additional debt financing and, if needed, via additional equity offerings depending on the situation on the capital markets at the time the acquisition opportunity arises and thus the current leverage does not represent a significant limitation on further growth of the Company.

Dividend policy

Currently, the Company has implemented a progressive dividend policy without any commitment to a particular pay-out ratio or dividend yield. The Board of Directors intends to maintain the progressive dividend policy in the future subject to satisfactory future financial performance of the Company and absence of other attractive investment opportunities for the Company. Should there be an opportunity which the Board of Directors would evaluate as value accretive for the Shareholders and beneficial for the Company, the Board of Directors may decide to propose a change in the dividend policy of the Company. Currently, the Board of Directors does not plan to propose a change in the Company's dividend policy.

As a result of the Takeover Bid, this dividend policy of the Company may change as R2G plans to limit or stop cash flow distribution to Shareholders and is eager to accelerate the Company's growth by reinvesting cash generated by the Company.

Change of control

Should R2G acquire control over the Company as a result of the Takeover Bid, the Board of Directors of the Company notes that some business contracts which the subsidiaries of the Company signed in the past, or negotiate to sign in the next few weeks or months, have or will have a Change of Control clause which allows the counterparty to terminate the contract in case the change of control as defined in the respective contract actually occurs. Change of Control clause is also included in the terms and conditions of the bonds issued by the Company and some of its subsidiaries.

The Board of Directors notes that it has not undertaken any steps regarding the change of control clauses, such as contacting the relevant counterparties and inquiring what they would do should a change of control in the Company occur. The Board of Directors is therefore not in a position to confirm whether the relevant counterparties or bond holders would trigger the change of control clauses in case R2G acquired control over the Company and what the potential impact on the Company would be.

Squeeze-out

If upon completion of the Takeover Bid, R2G holds Shares representing not less than 95% of the share capital of the Company and 95% of the voting rights, R2G will be entitled to require all the holders of the remaining Shares not tendered in the Takeover Bid to sell these Shares to R2G.

The Offer Document does not state whether R2G would carry out a squeeze-out and merely states that R2G will consider such possibility, depending on the outcome of the Takeover Bid.

Additional Information

This section contains certain supplementary information required by law:

- To the best knowledge of the Board of Directors, R2G did not influence the election of any members of the Board of Directors.
- The Board of Directors is not aware of any legal or factual defects in the Offer Document.
- The following are the facts about a potential conflict of interest of the members of the Board of Directors with the interests of the Company or the addressees of the Takeover Bid:
 - Jan Sýkora is one of the beneficial owners and the chairman of the Board of Directors of WOOD & Company Financial Services, a.s.
 - Jan Sýkora is one of the beneficial owners and the member of the Board of Directors of WOOD & Company investiční společnost, a.s.
 - Jan Sýkora is one of the beneficial owners and Director of WOOD & Company Funds SICAV.
 - WOOD & Company Financial Services, a.s. is a market maker in relation to securities issued by the Company.
 - The stake of WOOD & Company Funds SICAV (through its mutual funds) in the Company amounts to 28.8%; some entities and clients of WOOD & Company Group are investors of these mutual funds.
 - The annual general meeting of the Company held on 15 June 2017 resolved to issue 230,735 new warrants to the directors and senior management of the Company and/or its affiliates. Each new warrant, when exercised, will entitle the holder to either receive (i) one share in the Company for a specified strike price less all the dividends validly declared for the relevant financial year(s), or (ii) a specified payment in cash. The annual general meeting of the Company authorized and empowered the Board of Directors to allocate these new warrants between the directors and senior management of the Company and/or its affiliates. Once allocated, these warrants may be fully vested and exercised on an accelerated basis, among others, in case of change of control of the Company (i. e., in case a person acquires 50% or more of the Shares).

After carefully considering the above facts, and for the avoidance of any doubts, Jan Sýkora voluntarily decided that he would refrain from participating in the deliberations and decision-making in connection with the Takeover Bid, including the preparation and approval of the Reasoned Opinion.

- As of the date hereof, the members of the Board of Directors do not hold any Shares, therefore they are not addressees of the Takeover Bid and may not accept the offer.



MAREK PODDECKI
CHAIRMAN OF THE BOARD



František Řezáč
Member of the Board