

## OUR MANAGEMENT AND CORPORATE GOVERNANCE

### Powers, Composition and Functioning of the Board of Directors

The Company is administered and managed by a board of directors (the "Board of Directors"). The Board of Directors is vested with the broadest powers to perform all acts of administration and disposition in the Company's interest. All powers not expressly reserved by the Luxembourg act dated August 10, 1915 on commercial companies, as amended (the "Companies Act 1915") or by the articles of incorporation of the Company (the "Articles of Incorporation") to the general meeting of shareholders of the Company (the "General Meeting of Shareholders") fall within the competence of the Board of Directors.

The director(s) of the Company are appointed by a General Meeting of Shareholders for a term which may not exceed six years. The director(s) may be dismissed at any time and at the sole discretion of a General Meeting of Shareholders, and may be reappointed without restrictions.

### Members of the Board of Directors

The following table sets out information with respect to each of the members of the Company's Board of Directors, their respective ages, and their positions, within the Company:

#### **Board of Directors**

<b>Name</b>	<b>Age</b>	<b>Position/Function</b>	<b>Business Address</b>
Miloš Bogdan	43	Executive director	Přímětická 86, 669 04, Znojmo, Czech Republic
Aleš Gerža	33	Executive director	Přímětická 86, 669 04, Znojmo, Czech Republic
František Klačka	49	Executive director	Přímětická 86, 669 04, Znojmo, Czech Republic
František Řezáč	32	Executive director	Přímětická 86, 669 04, Znojmo, Czech Republic
Henry Gregson	48	Non-executive director	25 Park Lane, London W1K 1RA, United Kingdom
John Halsted	42	Non-executive director	25 Park Lane, London W1K 1RA, United Kingdom
Bernhard Lipinski	60	Non-executive director	Steinertsweg 44b, 64753, Brombachtal, Germany
David Ring	44	Non-executive director	Western Avenue, Western Docks, Southampton SO15 0HH, United Kingdom

Each of the directors indicated above was elected or appointed in November 2006, and their terms expire in November 2009 for the executive directors and November 2008 for the non-executive directors.

Brief biographical details concerning the Company's directors are set forth below:

**Miloš Bogdan**, aged 43, was appointed an executive director of the Company in November 2006. Mr Bogdan is the Chief Executive Officer and a director of PEGAS NONWOVENS s.r.o. and each of its three subsidiaries. Mr. Bogdan has been with the Group for 11 years, starting as a plant director in 1995. Before joining the PEGAS Group, he worked as the Production Director in UNEX, a specialised engineering company. He was named Chief Executive Officer of PEGAS a.s. in 2000. Mr. Bogdan is a graduate of the Czech Technical University and is fluent in English.

**Aleš Gerža**, aged 33, was appointed an executive director of the Company in November 2006. Mr Gerža is the Chief Financial Officer of PEGAS NONWOVENS s.r.o. and each of its three subsidiaries. Mr Gerža joined the Group in 1999, after having worked for 5 years in Danzas, a freight forwarding company. He was promoted to his current position in 2000. Mr. Gerža is a graduate of the Prague School of Economics and is fluent in English.

**František Klaška**, aged 49, was appointed an executive director of the Company in November 2006. Mr Klaška has been with the Group since 1991, having previously worked for 5 years in Zbrojovka Brno, a diversified engineering company. He was promoted to his current position of Technical and Development Director of PEGAS NONWOVENS s.r.o. in 2001. Mr. Klaška is a graduate of the Czech Technical University and is fluent in German and English.

**František Řezáč**, aged 32, was appointed an executive director of the Company in November 2006. Mr. Řezáč joined the Group in 1996. He was promoted to his current position of Commercial Director of PEGAS NONWOVENS s.r.o. in 2004, after having worked as the Group's HR Director and Legal Counsel. Mr. Řezáč is a graduate of the Law Faculty of Masaryk University Brno and is fluent in English.

**Henry Gregson**, aged 48, was appointed a non-executive director of the Company in November 2006. Mr Gregson was appointed a director of PEGAS NONWOVENS s.r.o. in December 2005. Mr Gregson is currently a partner of Pamplona Capital Management, LLP which advises the General Partner of the Selling Shareholder. Prior to helping found Pamplona Capital Management, LLP, Mr Gregson was a director at Royal Bank Equity Finance and before that a partner at Phildrew Ventures. Mr Gregson is currently a non-executive director of Liqvia Holdings Oy and ADR Haanpaa Oy. Mr Gregson holds a Bachelor of Science in Civil Engineering from the University of Bristol and an MBA from Harvard Business School.

**John Halsted**, aged 42, was appointed as a non-executive director of the Company in November 2006. Mr Halsted is the Managing Partner of Pamplona Capital Partners, LLP which he co-founded in September 2004. Prior to joining Pamplona, he served as a Senior Vice President of Beacon Capital Partners, a real estate investment firm with operations in the United States and Europe. Previously he was a Vice President of the Harvard Private Equity Group, the private equity investment arm of the Harvard University endowment. Mr Halsted holds a Bachelor of Science in Economics from the University of California at Berkeley and an MBA from Harvard Business School.

**Bernhard W. Lipinski**, aged 60, was appointed as a non-executive director of the Company in November 2006 and joined PEGAS NONWOVENS s.r.o. as an advisor in January 2006. He spent 33 years with BP Chemicals in Dusseldorf, Geneva, Antwerp and London. He managed BP Amoco's Film & Nonwoven business focusing on hygiene and relevant industrial markets until its divesture to RKW in 2002. He served as non-executive director to RKW, Germany, and Verdugt, the Netherlands. He is fluent in German, English and French.

**David Ring**, aged 44, was appointed as a non-executive director of the Company in November 2006. Mr Ring is currently Chief Executive of the A&P Group, the UK's leading shiprepair and conversion company. Prior to joining A&P in 1999, Mr Ring held senior positions in the aerospace and automotive industry. Mr Ring holds a BA in Economics from the University of Lancaster.

### **Key Management**

Biographical details of the remaining key members of our senior management are provided below:

**Rostislav Vrbácký**, aged 43, Production Director of PEGAS NONWOVENS s.r.o. Mr. Vrbácký has been with the Group since 1991, having previously worked for five years in Zbrojovka Brno, a diversified engineering company. He was promoted to his current position in 2001. Mr. Vrbácký is a graduate of the Czech Technical University and is fluent in German and Russian.

**Lukáš Trávníček**, aged 33, HR Director and Legal Counsel of PEGAS NONWOVENS s.r.o. Mr. Trávníček joined the Group in his current position in 2004, having previously worked for 4 years in PricewaterhouseCoopers and Landwell. Mr. Trávníček is a graduate of the Law faculty at Západočeská University and is fluent in English.

The following table sets out past and current directorships held by our management in the past five years:

<u>Name</u>	<u>Positions held</u>
Henry Gregson .....	<p><b>Former Directorships:</b>            Royal Bank Investments Limited            Royal Bank Development Limited            RBEF Limited            RB Drummond Investments Limited            RB Bishopsgate Investments Limited            Darchem Holdings Limited            Doncasters Limited            Britax Limited            Orion Group Limited            Rhodium Investments 1 Limited            Rhodium Investments 2 Limited            Rhodium Investments 3 Limited            Rhodium Investments 4 Limited</p> <p><b>Current Directorships:</b>            Liqvia Holdings Oy            ADR Haanpaa Oy</p>
John Halsted.....	<p><b>Former Directorships:</b>            Cypress Communications Holdings Inc.            Co Space Inc.            Blinds To Go, Inc.</p> <p><b>Current Directorships:</b>            Pegas Nonwovens s.r.o.            Pegas NW a.s.            Pegas NT a.s.            Pegas DS a.s.</p>
Bernhard Lipinski .....	<p><b>Former directorships:</b>            Managing director of BP Chemicals PlasTec GmbH            Managing director of Amoco Chemical Deutschland GmbH            Non executive director of RKW Gronau GmbH            Non-executive director of Verdugt b.v.</p> <p><b>Current Positions:</b>            Managing director of ProTeam Ltd.            Board member of the Rotary Club Erbach-Michelstadt, Germany            Board member of the Unterstuetzungsverein RC Erbach-Michelstadt e. V.            Company Secretary of My Event Ltd.</p>
David Ring .....	<p><b>Current Directorships:</b>            A&amp;P Group Limited            A&amp;P Drydocks Limited            A&amp;P Ports &amp; Properties Limited            Mandaco 482 Limited            A&amp;P Property Limited            Mandaco 483 Limited            A&amp;P Tyne Properties Limited</p>

## Corporate Governance

### **Luxembourg**

In April 2006, the Luxembourg Stock Exchange (the "LxSE") issued the "Ten principles of corporate governance of the Luxembourg stock exchange" (the "Luxembourg Corporate Governance Code"). The Luxembourg Corporate Governance Code sets forth ten principles regarding in particular the fiduciary duties of the directors, the creation of committees, publication of information in the annual management report and the rights of the shareholders. Each principle is specified by recommendations. The LxSE is responsible for monitoring the application of the principles set out in Luxembourg Corporate Governance Code.

The Luxembourg Corporate Governance Code is applicable to companies incorporated under the laws of Luxembourg whose shares are admitted to trading and listed (i) on the LxSE or (ii) on the LxSE and on one (or more) foreign regulated markets. The Luxembourg Corporate Governance Code is not applicable to Luxembourg companies that are not listed on the LxSE. Therefore, the Company is not required to comply with the rules set out in the Luxembourg Corporate Governance Code. However, according to the Luxembourg Corporate Governance Code, the principles set forth in such code could also serve as a reference framework for Luxembourg companies listed on a foreign regulated market.

The Company does not intend to comply with the provisions of the Luxembourg Corporate Governance Code, since it is not required to do so. Instead, the Company has decided to observe the majority of the WSE Corporate Governance Rules.

### **Czech Republic**

In July 2004, the Czech Securities Commission (the former Czech regulator) issued a codex of corporate governance based on the OECD principles. The Company is not obliged to comply with this codex by the CNB or the PSE. The CNB only recommends that the a declaration about the compliance with the codex is included in the annual report of the Company. We do not intend to comply with the rules set out in the codex.

### **Poland**

Pursuant to the Warsaw Stock Exchange By-laws, and in connection with the listing of our shares on the Warsaw Stock Exchange, the Company is required to declare which of the Polish principles of corporate governance contained in the WSE Corporate Governance Rules it intends to comply with, as well as to enumerate the principles which it does not intend to comply with and stating the reasons for the non-compliance.

The Company has decided to observe the majority of the WSE Corporate Governance Rules. However, certain principles will apply to the Company only to the extent allowed by Luxembourg corporate law and subject to certain reservations stemming from the Company's corporate structure and especially the single board structure as opposed to the two-tier system that WSE Corporate Governance Rules assume. Therefore, we comply partially or are unable to comply with the following Rules: 9, 10, 14, 18, 20, 22, 25-28, 30, 39 and 43. In cases where we are unable to comply with a certain principle directly, we will endeavour to create procedures maintaining the spirit of such principle.



Detailed information regarding non-compliance, as well as required explanations, will be included in the full text of the Company's declaration regarding the compliance with Corporate Governance Rules of the WSE which will be filed with the WSE at the time of our application for listing and will be available on our website ([www.pegas.lu](http://www.pegas.lu)).