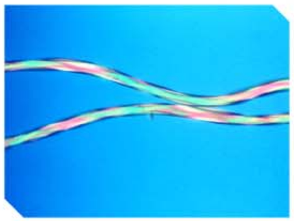
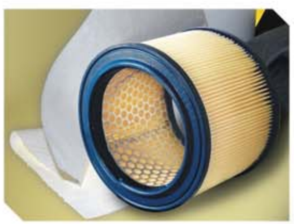
Roadshow Presentation

December 2006





PEGAS NONWOVENS
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Introduction and the offering

Presentation team

Mr Milos Bogdan
Chief Executive Officer

Mr Ales Gerza
Financial Director

Mr Frantisek Klaska
Technical Director

Mr Frantisek Rezac
Commercial Director

Mr Henry Gregson
Non-executive Director

Offering details

The Issuer	• PEGAS NONWOVENS SA
Selling Shareholder	• PEGAS NONWOVENS SA, Pamplona Capital Partners I, LP
Offer size	• Up to EUR124m (base deal), EUR143m (post-greenshoe)
Offer structure	• Up to 4,595,000 shares, consisting of primary and secondary shares
Indicative price guidance	• EUR21.50 to EUR27.00 per share
Greenshoe	• 15% of the Base Deal (689,250 shares, all secondary)
Free float	• Up to 57% post-greenshoe (50% pre-greenshoe)
Expected market capitalisation	• EUR250m post-money (at the top of the indicative price guidance range)
Lock up	• 180 days on pre-IPO shareholders and the Company
Listing	• Prague Stock Exchange and Warsaw Stock Exchange

Timeline

Roadshow	• 5 December 2006 to 14 December 2006
Books open **Books close**	• 5 December • 14 December (18:00 CET Prague & Warsaw, 17:00 GMT London)
Pricing & Allotment	• 15 December 2006
Settlement (T+2)	• 19 December 2006
Listing	• On or about 21 December (PSE and WSE)

Syndicate

Global Co-ordinator and Bookrunner	• ING
Co-lead Manager	• Ceska sporitelna
Selling agent	• Patria

An excellent investment opportunity

Sales growth	Growing market Imminent new capacity Demand not cyclical or seasonal
High Margins	Focus on high-margin specialty products Low cost base Tax incentives Low scrap rates
Protected Margins	High barriers to entry Polymer pass-through BBA 'Price Floor'

Company overview

Market leader in 'spunmelt' nonwovens

Overview

- PEGAS manufactures a range of non-woven textiles, mainly in 'spunmelt' – the superior and winning technology
- Europe's second largest manufacturer of PP and PP/PE-based 'hygiene' nonwovens in volume terms
  - 19% share of European hygiene market
  - almost 90% products exported
  - 11% market share in Europe (by capacity installed)
  - newest equipment in Europe
  - most advanced equipment in Europe
- Production output of c.51,300 tonnes (net of scrap, 2005)
  - c.90% for personal hygiene industry (market worth EUR1.4bn p.a.) which is fast growing in the CEE and Russia
  - c.10% for construction, agricultural and medical applications
- Europe's only manufacturer of high-margin, bi-component ('BiCo') spunmelt products for the hygiene industry
- Leading-edge technology and know-how, difficult to replicate by competitors

Cost advantage and growth track record

- Favourable location ensures a low-cost base and good access to major customers across Europe
- Strong growth (CAGR):
  - capacity growth – 31.0% p.a. (1995-2007E)
  - sales growth – 27.5% p.a. (2003-2005)
  - EBITDA growth – 24.1% p.a. (2003-2005)
  - 2005/2004 y-o-y production growth of 38%

Demand-driven capacity expansion

1990-1992
- Established in 1990 as a trading business
- First plant in Bučovice, supplying nonwovens for agriculture
- Annual capacity – 2.5kt

1993-1999
- Second plant in Přímětice from 1996
- New machines installed in 1996 and 1998 (the first Reicofil microfilament machine in the world)

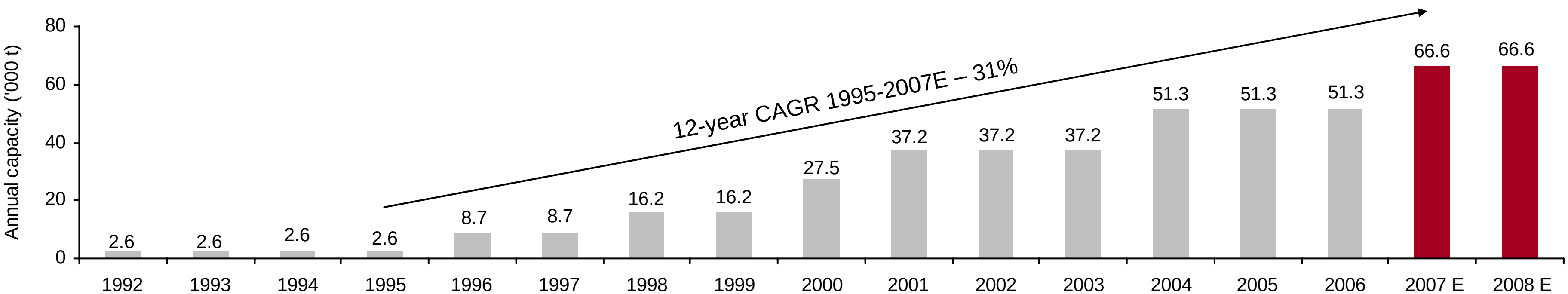
2000-2003
- **First BiCo** machine in the world (2000)
- Another line upgraded to BiCo in 2003

2004
- **First Reicofil 4** machine in the world installed – which allows high speed production with improved nonwoven textile formation and produces wider textile band
- Optical control equipment and air management system on each production line

2005
- Production reaches 51,300 tonnes net, with all lines fully utilised
- Scrap recycling project
- Eighth machine for high-margin light-weight products commissioned

2006-2007
- Eighth line, 15,300 tonnes p.a. will be commissioned in 2007: the first high speed Reicofil 4 Special in the world
- Operational by end 2007

Growth of capacity installed (based on 2005 actual net output)

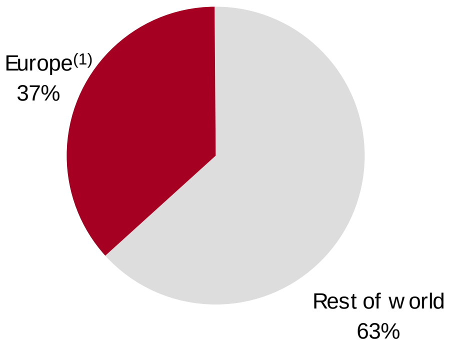


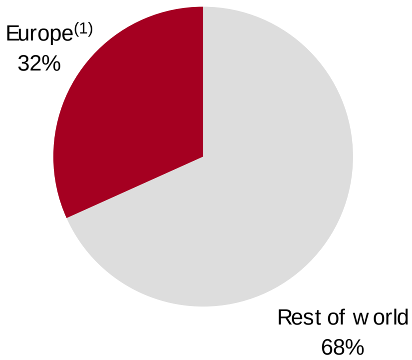
The industry and Pegas's competitive position

Nonwovens market and competition overview

Nonwovens global market (2005)

by value (EUR 12.45 bn, 2005) **by tonnage (4.43 m t, 2005)**

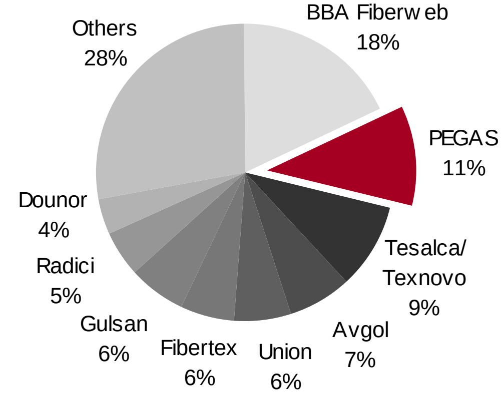




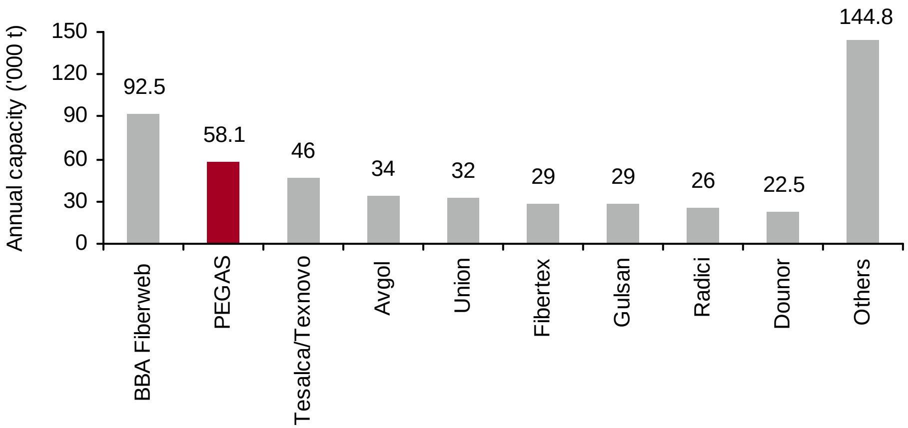
- Global nonwovens growth – 7.4% (1994-2005, CAGR)
- 7.3% growth expected (2005-2009, CAGR)
- European *hygiene* nonwovens sector is worth c.EUR1.4bn p.a. (6.2% p.a. CAGR, 2002-2005)
- Our market share (by sales tonnage) in European spunmelt *hygiene* nonwovens increased from 15% in 2001 to 19% in 2005
- Key applications in hygiene (by value)
  - disposable baby diapers – 70%
  - adult incontinence – 20%
  - femcare – 10%

Note: (1) includes Western Europe, Central and Eastern Europe, and Russia, Source: INDA

European installed spunmelt capacity (%, 2005)(1)



European installed spunmelt capacity (000's tonnes, 2005)(1)

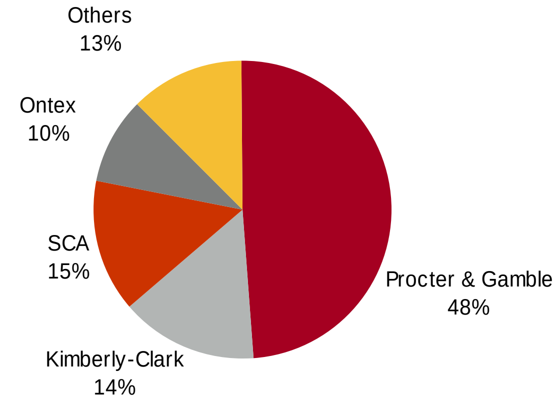


Note: (1) Based on gross capacity, Source: Company

Personal hygiene market in Europe

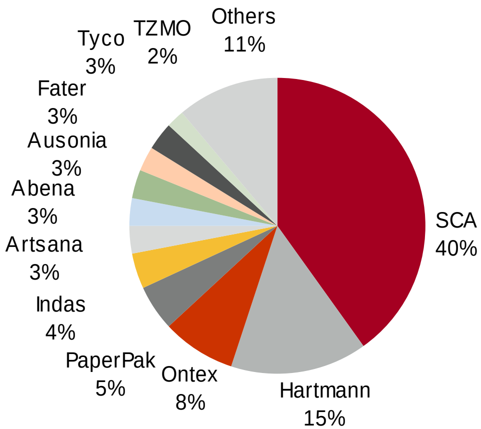
- Dominated by multinationals (P&G, Kimberly-Clark, SCA, Johnson&Johnson, Ontex, etc.) and regional leaders (e.g. TZMO in femcare in Poland)
- Market leader (P&G) commands nearly 50% market share and top three players control approximately 75% of the market
- We supply most of the key players in Europe

European baby care market (70% of nonwovens consumption)



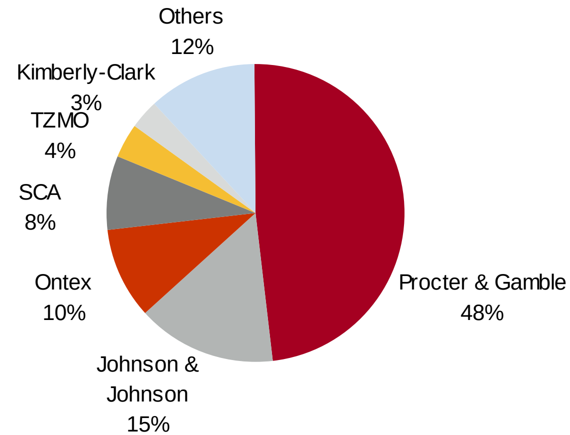
Source: Company

European adult incontinence market (20% of consumption)



Source: Company

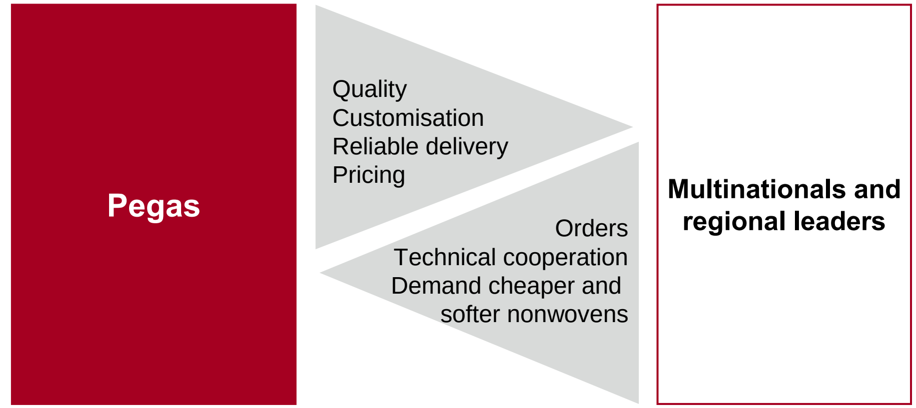
European feminine care market (10% of consumption)



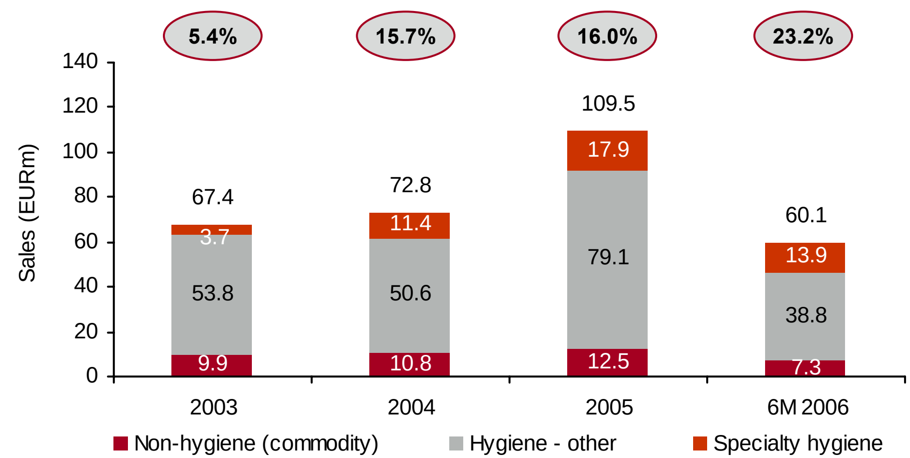
Source: Company

Our customers and sales

- We enjoy stable, long-term customer relationships
- Relatively high concentration of our customers closely reflects structure of the personal hygiene sector
  - multinationals
  - regional leaders
- Our close customer relationships are based on mutual benefits
  - joint product development programmes
  - customer-proprietary products
  - both limit pricing pressure
- Cost leadership allows us to supply customers over longer-than-standard distances profitably
- Almost all sales made under annual contracts and agreements which specify volumes and pricing
- Contractual pass-thru arrangements are in place, which remove the impact of PP/PE price fluctuations
- Long-term cooperation with local transportation companies ensures reliable and cost-efficient shipment of our products
- Customer dedication results in increased proportion of high-margin specialty sales – we are the cooperation partner of choice for hygiene manufacturers



Specialty hygiene as % of sales (2003-1H 2006)



Source: IFRS

Why Specialty Products are so special?

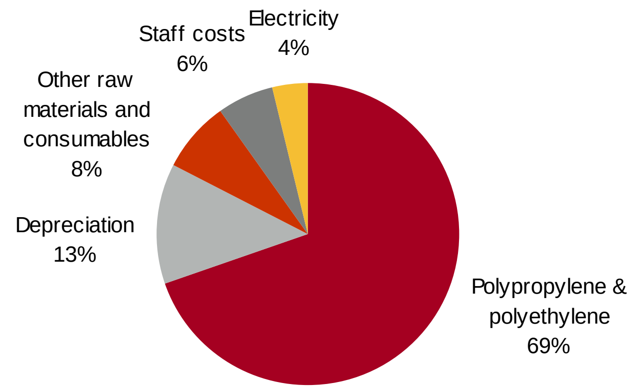
- Specialty Products are:
  - super light-weights, and
  - bi-component ("BiCo") materials
- Our customers are always looking for **softer and cheaper** materials. They like these Specialty Products because:
  - Lightweight materials contain less PP per sqm and are therefore **cheaper**
  - BiCo materials are **softer**
- Super lightweights and BiCo are very difficult to make. Very few manufacturers can do it.
- Super lightweights and BiCo therefore command superior margins – approximately 50% higher than those of commodity products

Our suppliers & polymer purchasing

Supplier relationships

- Pegas sources PP from five suppliers
- Careful selection and monitoring of suppliers
  - PP and PE purchases rigorously tested by suppliers and Pegas
- Competitive terms maintained through on-going benchmarking
- Annual and multi-year supply arrangements
- PP and PE prices have been very volatile and have increased significantly in the last three years
- However, no hedging necessary as PP/PE cost passed through to customers

Composition of operating costs (2005)



We are unaffected by polymer price fluctuations

Source: Derived from IFRS financials of PEGAS a.s. Polymer accounted for approximately 80% of total operating costs excluding depreciation and amortisation (2005)

Our plants and capacity

Current status

- Two production facilities with seven production lines, all supplied by Reicofil
- Full capacity utilisation (currently c.53,000 tonnes)[1] achieved soon after completion of each line
- Investment in new line every two-three years
- Majority of capex funded from internal cash flows
- Efficient recycling of scrap material

Plant location

Technological leadership

- We are the first adopter of the most advanced technologies
  - first Reicofil microfilament line for hygiene production in the world (1998)
  - first BiCo machine in the world (‘Reicofil 3’) (2000)
  - first ‘Reicofil 4’ machine in the world, world’s most advanced spunmelt technology available (2004)
  - first high speed ‘Reicofil 4 Special’ in the world (2007E)

Benefits

- Technological leadership lets us
  - differentiate our products
  - offer cost benefits to customers due to lighter weight per sqm
  - increase margins
  - lock in customers

Note: (1) As at 30 June 2006

New capacity extension – eighth line

New capacity extension – eighth line

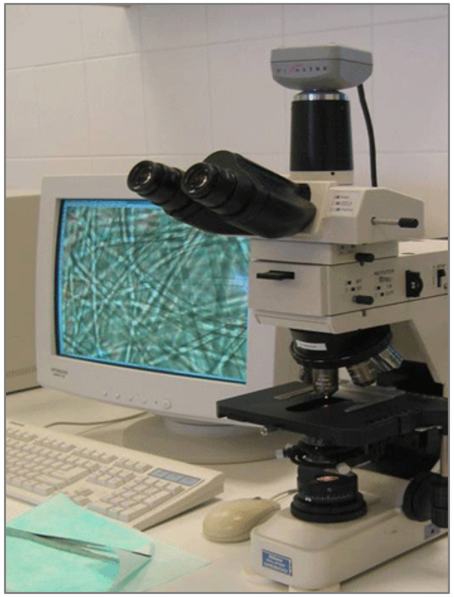
- Major capacity addition of 15,300 tonnes in December 2007
  - first high speed 'Reicofil 4 Special' in the world
- Overall capacity will increase c.29% from 53,000 tonnes to 68,300 tonnes
- Fully dedicated to very high margin, ultra-lightweight, mono-component production
- Proportion of Speciality sales will increase from 23.2% in 2006 to c.40%, generating premium margins
- Target incremental return on capital
  - target EBITDA/capex of approximately 18%-20% (pre-tax incentives)
  - however, c.48&-50% of capital cost refunded by the Czech government
  - hence, after taking into account tax incentives target EBITDA/capex of approximately 38%-40%
- Target payback period
  - c. five years (pre-tax incentives)
  - however, this would be lowered further due to increase in incremental profits from utilisation of tax incentives
- Release of capacity for BiCo production from existing lines, thus allowing their more effective utilisation

Russia?

- We are seriously considering potential investment in Russia, but so far have not found suitable site with guaranteed supply of electricity

Quality focus

- Quality is our strategic priority
  - apart from cost, it is the key criterion for our customers when selecting suppliers
  - end-product quality problems mean significant production shut-downs at customers' plants – unreliable suppliers are quarantined
  - we are consistently rated top by our main customer
- We consider quality to be a significant barrier protecting us against existing player and potential market entrants
- Approximately 10% of the workforce are employed at our in-house laboratory
  - control of raw materials supplies
  - quality of end-product
  - in-production control
- **Our top customers rank all of their suppliers every year in terms of product quality, reliability of supply, etc. They always rank Pegas Top.**



Our quality leadership produces competitive advantage

Strategy and growth

Our strategy

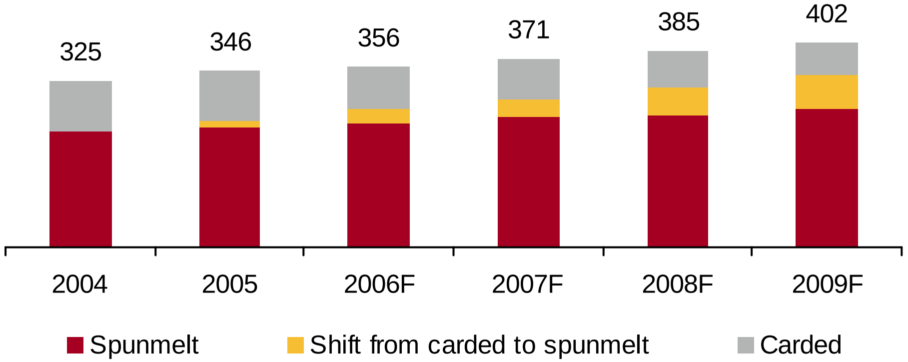
Growth	• Continue track record of growth • Target growing countries – Russia • Add new capacity – next line after 2007 in Russia?
European nonwoven technology leadership	• Investment only in state of the art machinery • Technical expertise of our key personnel • Close cooperation with customers and suppliers on new products and improved raw materials • Constant improvement of technical qualities of our textiles – customers want cheaper, softer materials • Continuous development of ever lighter weight materials (cheaper for our customers, higher margin for us) • Leadership in BiCo materials (softer, higher margin) • Growing proportion of high-margin specialty materials in our sales • New materials under development often in conjunction with customers
Superior financial performance	• Sales growth due to capacity additions, driven by increasing demand for nonwovens for personal hygiene applications • Drive up margins by a) increasing proportion of sales in high margin Specialities b) low cost base (labour, transportation) c) operational efficiency (higher production speed, fewer interruptions) d) scrap material recycling project • Pass-through of raw material cost changes onto customers • Tax incentives locked in for 10 years (48-50% of capital costs set off against tax payments)

Opportunities for growth

External factors

- Rising demand for hygiene products (nappies and femcare) in the CEE and Russia
  - CEE and Russia (where we are a leading supplier) have growing birth rates and increasing penetration
    - › significant growth in diapers and femcare usage is expected from the current low base (e.g. 5.2 diapers per child in Western Europe vs 2.9 in the CEE), in line with growing GDP
  - we are seriously considering potential investment In Russia, but so far have not found suitable site with guaranteed supply of electricity
  - aging population and increasing acceptance of adult incontinence products in Western Europe provides another growth stimulus
  - demand generally is not cyclical or seasonal
- Increasing usage of spunmelt nonwovens in personal hygiene products due to
  - lower production costs (than previous 'carded' technology)
  - greater strength (on equivalent weight basis)
  - improved features (e.g. softness)
- Technological substitution of 'carded' by 'spunmelt' products
  - carded nonwovens are heavier per sqm, hence more costly to produce
  - spunmelt processes are now simplified and quickened
  - demand in Europe forecast to increase five-fold till 2009 due to the substitution effect

Growth of European spunmelt production – substitution effect (EURm)



Source: L.E.K

Internal factors

- Capacity extension planned for the end 2007 to significantly increase sales and enhance profits
  - c.30% additional capacity, geared for higher than average margin, light-weight products
  - hence more than proportional positive impact on sales and the bottom line expected
- Close cooperation with key clients and machinery suppliers on new product development
  - lighter weight per sqm (response to high PP prices)
  - development of BiCo (softer material)
  - faster production speed, hence increased sales

Financial overview

Summary financials

(EUR'000s)	Year ending 2003	Year ending 2004	Year ending 2005	Six months ending June 2006
Revenue	67,368	72,819	109,491	60,065
Raw materials & consumables	(36,787)	(40,770)	(63,296)	(36,865)
Staff costs	(3,481)	(3,899)	(4,669)	(2,462)
Other net operating income/(expense)	(671)	1,167	(846)	5,126
EBITDA	**26,429**	**29,317**	**40,680**	**25,864**
EBITDA margin (%)	***39.2%***	***40.3%***	***37.2%***	***43.1% / Adj 34.6%[1]***
Depreciation	7,132	7,546	9,910	6,153
Profit from operations (EBIT)	19,297	21,771	30,770	19,711
Operating margin (%)	*28.6%*	*29.9%*	*28.1%*	*32.8% / Adj 24.4%[1]*
Finance costs	(955)	(438)	(158)	(8,075)
Income tax expense	(1,352)	(3,312)	(3,975)	(723)
Minority interest	-	-	-	(273)
Net profit	**16,990**	**18,021**	**26,637**	**10,640**
Net Margin (%)	***25.2%***	***24.7%***	***24.3%***	***17.7%***
Capital expenditure into PPE	4,738	16,150	11,042	4,171
Property, plant and equipment	78,386	101,528	93,439	111,133
Total assets	96,665	128,099	152,606	252,016
Net debt/(net cash)	9,439	(151)	(20,370)	179,565
Total equity	68,936	92,180	124,147	14,081

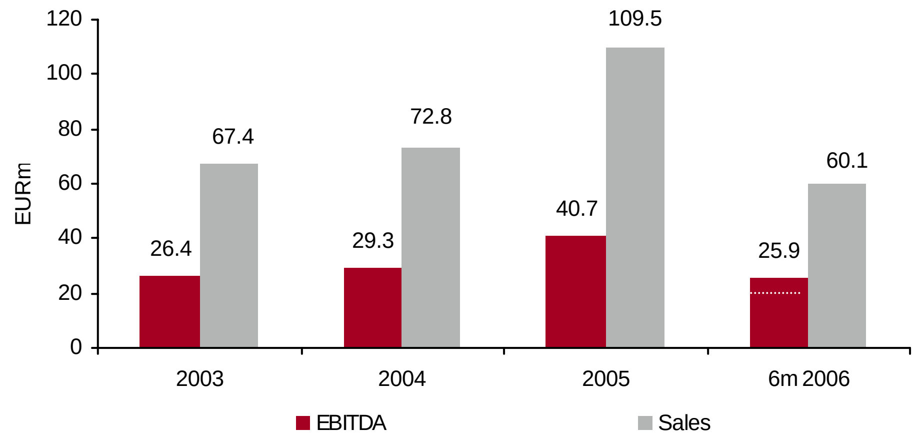
Note: (1) Adjusted EBITDA 6M 2006 of EUR20,795 and adjusted EBIT of EUR14,642. The adjustment excludes FX gain of EUR3,294m and revaluation of interest rate swap of EUR1,775m which are unusual and are included in other operating income. Source: Audited IFRS of Pegas a.s (2003-2005) and unaudited IFRS of Pegas Nonwovens SA (six months ended 30 June 2006)

Track record of high and consistent margins

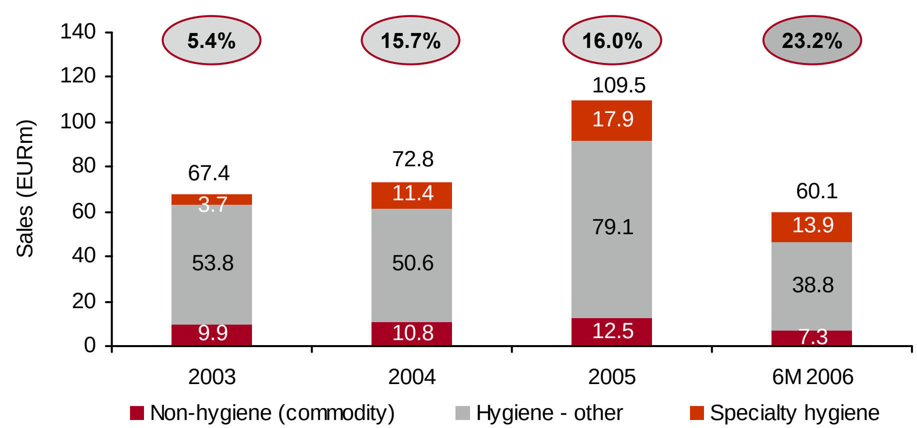
Higher margins compared with main competitors

- Lower cost base
- More modern and more efficient machines
- Superior technical skills and more technically advanced machines, hence able to make higher margin Specialities
  - lighter weight and cheaper for our customers (and more technically demanding)
  - BiCo (softer, but more technologically demanding)
- Bulk of sales volume, as well as sales prices, are agreed in advance for next year
  - throughout the year, management concentrates on running production lines in the most efficient way (e.g. reduction of scrap and shutdowns)
  - operating costs are under strict control
  - volumes sold above budgeted/pre-agreed amounts typically carry above-average margins which go directly to the bottom line
- High and increasing proportion of sales in specialty products (higher margins) rather than commodity products (lower margins)
  - e.g. our margins are three-five times higher than those of BBA Fibreweb

EBITDA and sales (2003-1H 2006)



Specialty hygiene as % of sales (2003-1H 2006)

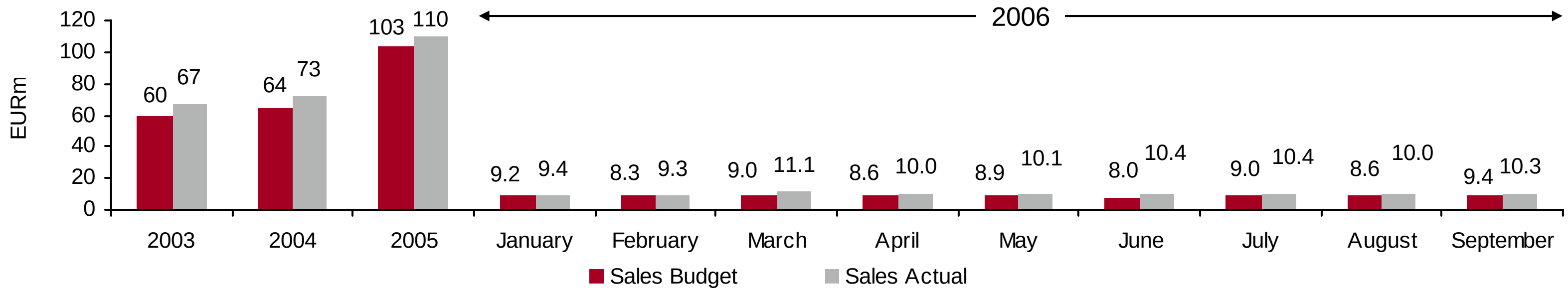


Source: IFRS

Budgets vs actuals

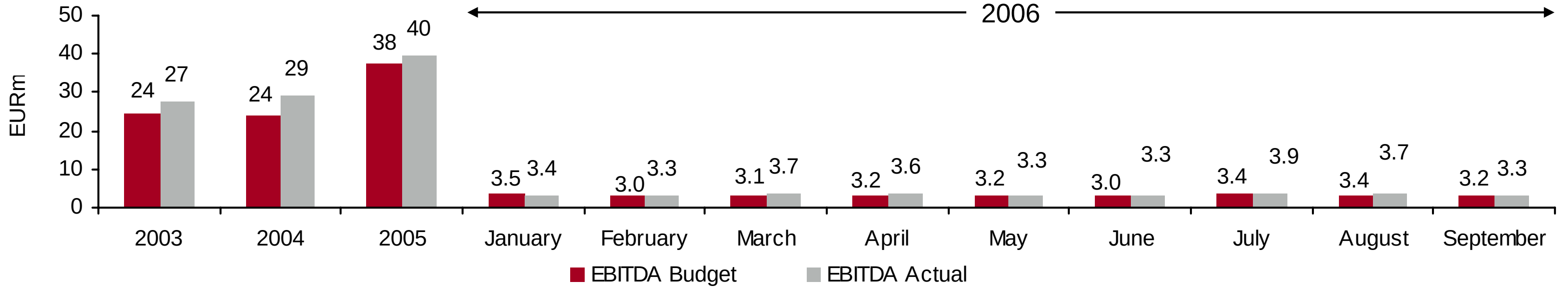
- Budgets based on annual contracted sales volumes, sales prices and polymer purchase prices
- However, customers' off-take normally higher than budget, managers find ways of running machines more efficiently

Sales (EURm)[1]



	2003	2004	2005	January	February	March	April	May	June	July	August	September
Monthly change – Actual vs Budget				+2%	+12%	+24%	+17%	+14%	+30%	+16%	+16%	+9%
Cumulative change – Actual vs Budget	+13%	+13%	+7%	+2%	+7%	+12%	+13%	+14%	+16%	+16%	+16%	+15%

EBITDA (EURm)[1]



	2003	2004	2005	January	February	March	April	May	June	July	August	September
Monthly change – Actual vs Budget				-3%	+12%	+18%	+12%	+3%	+9%	+14%	+10%	+3%
Cumulative change – Actual vs Budget	+13%	+21%	+5%	-3%	+4%	+9%	+9%	+8%	+8%	+9%	+9%	+9%

Note: (1) Management accounts (Czech accounting standards)

Dividend policy

- The capex programme for our eighth line will run for the next 15 months to March 2008

- Following this, Pegas will become **very** cash generative

- We will therefore be in a position to pay dividends after March 2008

Use of proceeds

Partial repayment of debt	• Mezzanine facility (c.EUR6.9m) – to be repaid in full • Shareholder loan (c.EUR34.7m) – to be repaid in full
General corporate purposes	• Balance of the funds raised
Proceeds from secondary shares	• To be received by the selling shareholder, Pamplona Capital Partners I, LP
Debt position post-IPO	• Debt burden to be reduced by approximately EUR42m through primary issue • Only debt remaining will be senior secured • Net debt will be approximately EUR124m (from EUR174m as of 30 September 2006)

Summary

Investment case

PEGAS – European market leader

Sales growth

Growing market
- Diaper and femcare growth in CEE and Russia
- Adult incontinence growth in Western Europe

Imminent new capacity
- New line adds approximately 30% new capacity in 2007 – all sold
- All new capacity is for high margin specialty products

Demand not cyclical or seasonal
- End products demand not subject to economic cycles

High Margins

Focus on high-margin specialty products
- Leading technical know-how
- Newest, most advanced production equipment in Europe
- Close relationships with customers – co-operation partners
- Close relationships with raw material and machinery suppliers

Low cost base
- Low cost labour, electricity and distribution
- Proprietary scrap recycling – designed in-house

Tax incentives
- 48%-50% of capital costs set against tax payments

Low scrap rates
- Very high utilisation rates – low downtime
- Good balance of machinery – changeovers minimised

Investment case *(cont'd)*

Protected Margins

High barriers to entry

- Capital barrier – EUR40m per new line
- Technical know-how which is difficult to copy
- Customer relationships
- Polymer supplier and machinery manufacturer relationships

Polymer pass-through

- Contractual agreements with all major customers – no polymer exposure

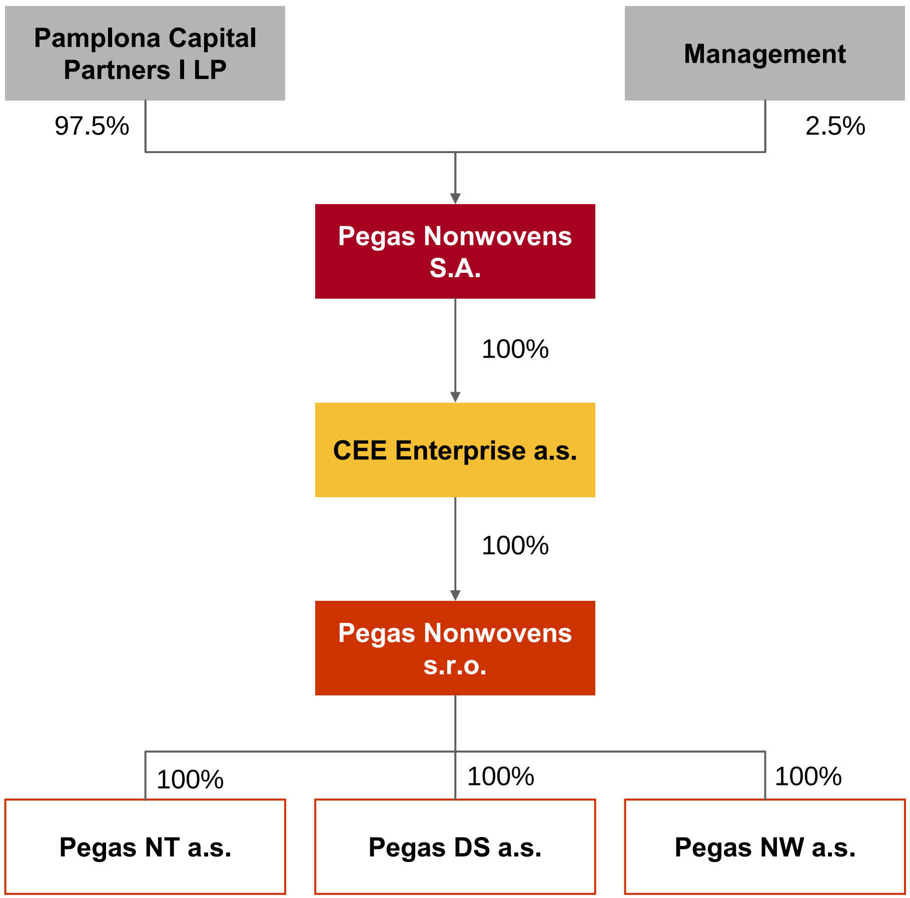
BBA 'Price Floor'

- BBA is our largest industry competitor with high market share. But high cost base and old machinery ensures **very** low margins. BBA therefore unable/unwilling to reduce prices in market where demand is almost equal to supply

Appendices

Corporate structure

Group and ownership structure



Executive directors

- Milos Bogdan – CEO
- Ales Gerza – CFO
- Frantisek Klaska – Technical and Development Director
- Frantisek Rezac – Commercial Director

Key managers

- Rostislav Vrbacky – Production Director
- Lukas Travnicek – HR Director & Legal Counsel

Non-executive directors

- Henry Gregson (Pamplona)
- John Halsted (Pamplona)
- Bernhard Lipinski (independent)
- David Ring (independent)

Executive directors & key managers

Milos Bogdan, 43
CEO

11 years with PEGAS

Mr. Bogdan was named CEO of PEGAS a.s. in 2000, he is the CEO and a director of PEGAS NONWOVENS s.r.o. and each of its three subsidiaries. He joined the Group in 1995 starting as a plant director. Before joining the PEGAS Group he worked as the Production Director in UNEX, a specialised engineering company. He was appointed an executive director of the Company in November 2006.

Mr. Bogdan is a graduate of the Czech Technical University and is fluent in English.

Ales Gerža, 33
CFO

6 years with PEGAS

Mr. Gerza 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. He was appointed an executive director of the Company in November 2006.

Mr. Gerza is a graduate of the Prague School of Economics and is fluent in English.

Frantisek Klaška, 49
Technical and Development Director

15 years with PEGAS

Mr. Klaska has been in the Group since 1991, having previously worked for 5 years in Zbrojovka Brno, a diversified engineering company. He was promoted to his current position in 2000. He was appointed an executive director of the Company in November 2006.

Mr. Klaska is a graduate of the Czech Technical University and is fluent in German and English.

Frantisek Řezáč, 32
Commercial Director

10 years with PEGAS

Mr. Rezac joined the Group in 1996. He was promoted to his current position in 2004, after having worked as the Group's HR Director and Legal Counsel. He was appointed an executive director in November 2006

Mr. Rezac is a graduate of the Law Faculty of Masaryk University Brno and is fluent in English.

Rostislav Vrbácký, 43
Production Director

15 years with PEGAS

Mr. Vrbacky has been in the Group since 1991, having previously worked for 5 years in Zbrojovka Brno, a diversified engineering company. He was promoted to his current position in 2001.

Mr. Vrbacky is a graduate of the Czech Technical University and is fluent in German and Russian.

Lukas Trávníček, 33
HR Director and Legal Counsel

3 years with PEGAS

Mr. Lukas Travnicek joined the Group in his current position in 2004, having previously worked for 4 years in PricewaterhouseCoopers and Landwell.

Mr. Lukas Travnicek is a graduate of the Law faculty at Zapadoceska University and is fluent in English.

Non-executive directors

Henry Gregson, 48

Mr Gregson 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.

Bernhard W. Lipinski, 60

Mr Lipinski was appointed 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.

John Halsted, 42

Mr Halsted was appointed 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.

David Ring, 44

Mr Ring was appointed 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.

Nonwovens and their applications

Nonwovens

sheet or web structures bonded together by entangling fibre or filaments mechanically, thermally or chemically

Features

absorbency, liquid repellence, stretch, softness, strength, elongation, extensibility, flame retardancy, washability, filtering, bacterial barrier and sterility

Hygiene and Personal Care
- Baby diapers
- Feminine care
- Adult incontinence products
- Dry and wet wipes
- Cosmetic pads

Medical
- Caps
- Gowns
- Masks
- Heat packs
- Incubator mattresses

Home
- Wipes/mops
- Vacuum cleaner bags
- Washcloths
- Kitchen and fan filters
- Tea and coffee bags

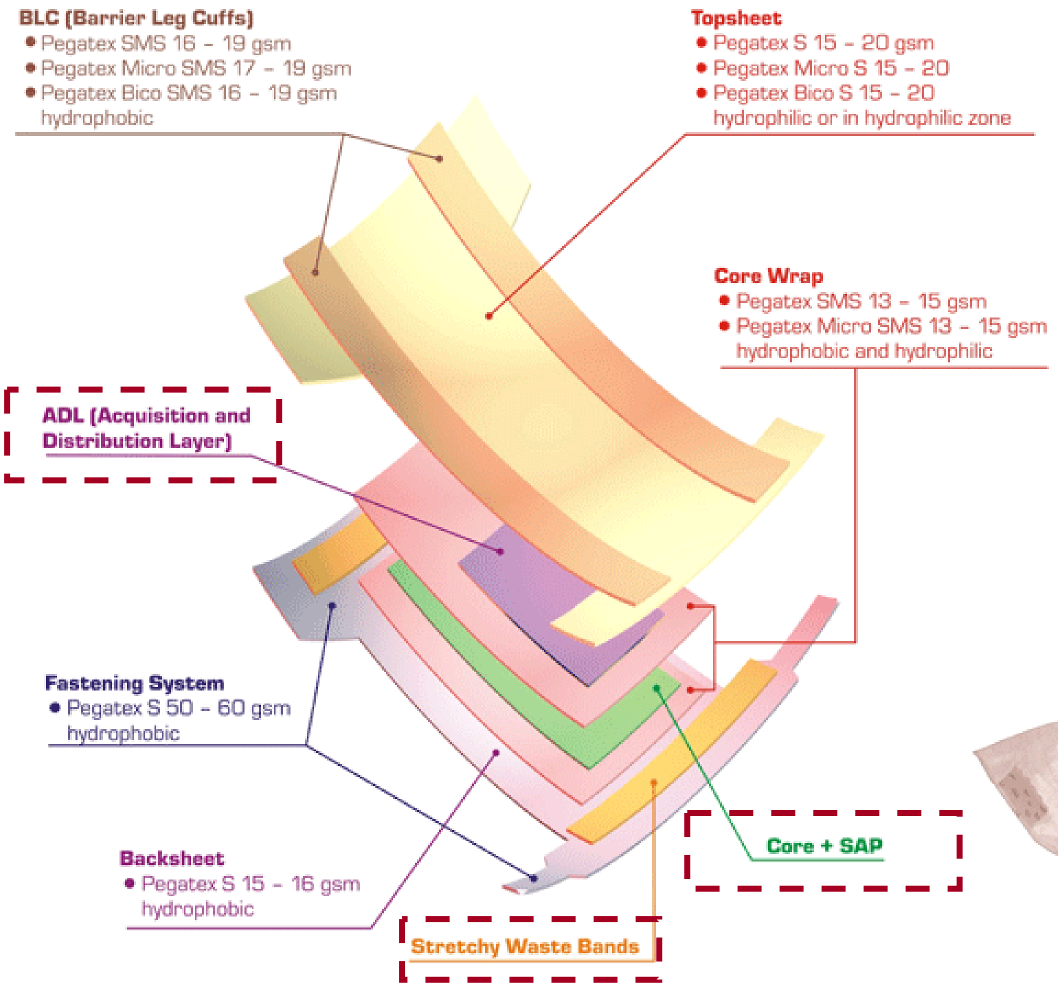
Leisure and Travel
- Sleeping bags
- Tents
- CD sleeves
- Sandwich packaging
- Surf boards
- Airline headrests
- Pillowcases

Clothing
- Interlinings
- Clothing insulation and protection
- Handbag components
- Shoe components
- Fire protection suits

Automobile
- Boot liners
- Heat shields
- Oil filters
- Cabin air filters
- Airbags
- Decorative fabrics
- Insulation materials

Construction and Furniture
- Wall linings
- Under-roofs
- Furniture linings

Application example – baby diaper



Denotes elements **NOT** made by Pegas

PP prices and our margins

PP price increases are passed-through to our customers
However, our margins go down as PP prices go up

PP	1,000
Other costs	200
Profit	800
Sales	2,000
Margin	40.0%

PP	1,200
Other costs	200
Profit	800
Sales	2,200
Margin	36.4%