First Nine Months Results 2008

November 27th, 2008

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First Nine Months Highlights

Summary of Key Events

2008 Guidance

Nine Months and Q3 2008 Financial Performance

2009 Outlook

First 9 Months Highlights

9 Months and Q3 2008 Key Highlights

Financial Performance	• Revenue growth of 22.1% yoy in 9M 2008 on the back of higher production output and annual growth in material prices • EBITDA up by 0.8% yoy in 9M 2008 and by 4.7% yoy in Q3 2008 • Profitability was mostly affected by CZK development, volatility of polymer price indices and higher stock levels related to a lower demand for technical materials • High net profit of EUR 23.5 million in 9M 2008 mainly due to unrealized FX gains and lower interest expenses • Steady net debt levels after the dividend pay-out and financial stability
Markets and Business	• The polymer price decline should positively impact EBITDA in Q4 2008 • Higher stock levels of finished products due to demand decline from the construction industry should continue also for the rest of this year • Negotiations with customers for 2009 to-date are satisfactory in terms of committed volumes
Growth & Technology	• Finalisation of investment incentives conditions related to the possible construction of the next production line • PEGAS will continue monitoring M&A opportunities • Commercialisation of new R&D projects and anticipated launch of pilot equipment for plasma treated nonwovens

PEGAS NONWOVENS every single detail

Key Financial Highlights

(EUR'000s)	Q3			9M		
	2007	2008	% change	2007	2008	% change
Revenue	30,014	35,421	18.0%	90,731	110,768	22.1%
Operating Costs[1]	(20,710)	(25,677)	24.0%	(60,537)	(80,334)	32.7%
EBITDA	**9,304**	**9,744**	**4.7%**	**30,194**	**30,434**	**0.8%**
EBITDA margin (%)	31.0%	27.5%	(3.5pp)	33.3%	27.5%	(5.8pp)
Profit from operations (EBIT)	**6,246**	**5,386**	**(13.8%)**	**21,084**	**17,798**	**(15.6%)**
EBIT margin (%)	20.8%	15.2%	(5.6pp)	23.2%	16.1%	(7.1pp)
Net Profit	**9,840**	**265**	**(97.3%)**	**12,485**	**23,498**	**88.2%**
Net Profit Margin (%)	32.8%	0.7%	(32.1pp)	13.8%	21.2%	7.4pp
Production (tonnes net of scrap)	13,961	17,138	22.8%	41,836	50,060	19.7%
Number of Employees end of period				376	389	3.5%

	Dec 31st, 2007	Sep 30th, 2008	% change
Total assets	263,879	276,915	4.9%
Net debt	122,547	123,538	0.8%

Note: Unaudited consolidated financial results in accordance with IFRS
(1) 9M 2007 Results include one-off gain from arbitration proceeds of EUR 1.03 million

Summary of Key Events Up to Date

- **STRONG CASH FLOW GENERATION** - On September 30, PEGAS paid out a dividend of EUR 0.85 per share while retaining stable net debt levels
- **R&D PROGRESS** – In September 2008, PEGAS started to draw on the government grant in connection with its plasma treatment R&D project. The pilot equipment for project testing will be launched in December this year
- **BOARD CHANGES** – As of October 7th, 2008 František Řezáč, Commercial Director and executive director of the Board of Directors was appointed the CEO of PEGAS NONWOVENS s.r.o.
- **KEY CUSTOMER RECOGNITION** – In October, PEGAS received an „Excellence Award“ from Procter&Gamble for performing consistently at a high level within P&G´s supplier performance management system

2008 Guidance

- The achieved results in the first nine months of 2008 indicate a strong position of the Company in its core market and an outstanding performance in a highly volatile financial and economic environment
- Number of unforeseen developments had negative impacts on the financial performance to date - lower demand for technical materials, unexpected appreciation of the CZK and extreme polymer price volatility in 2008
- In Q4 2008 the Company will benefit from the decline in polymer prices
- EBITDA for the full year is expected to exceed the one achieved in 2007, however the communicated guidance range might not be met

First 9 Months and Q3 2008 Financial Performance

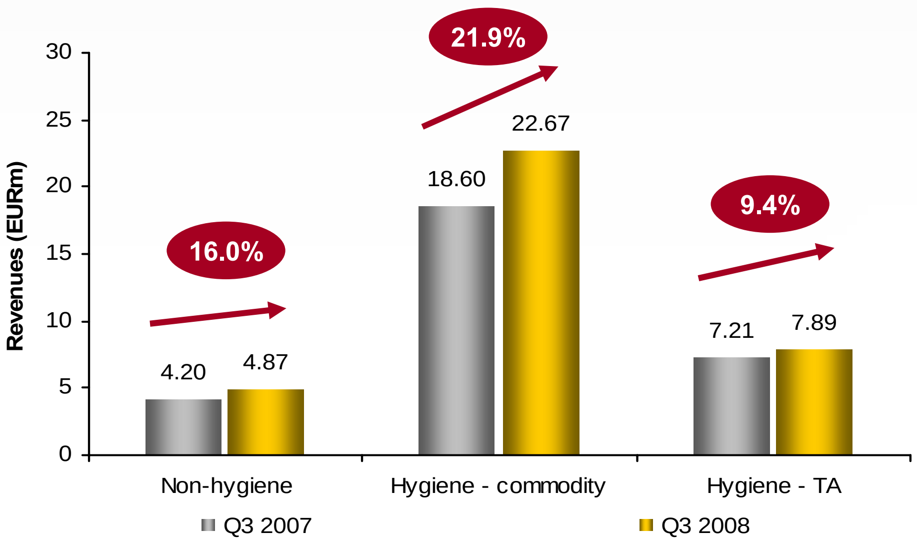
9M and Q3 2008 Profit and Loss Statement

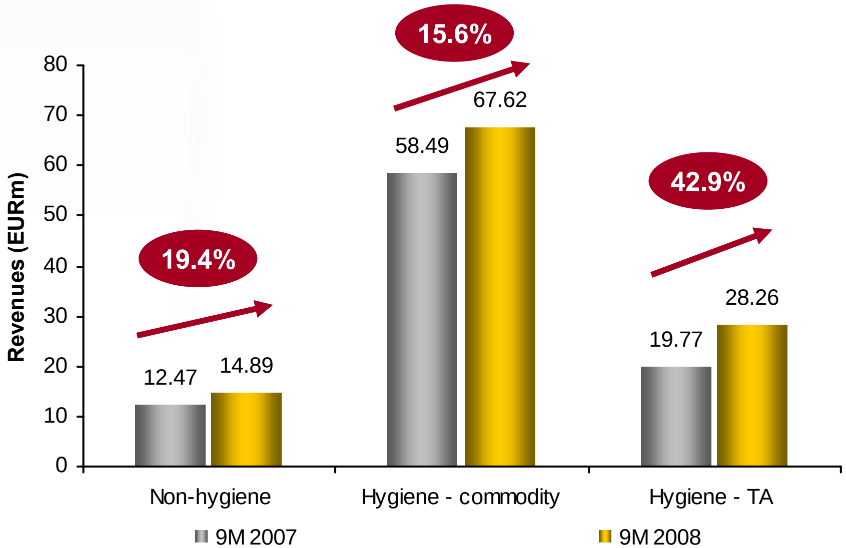
(EUR'000s)	Q3			9M		
	2007	2008	% change	2007	2008	% change
Revenue	30,014	35,421	18.0%	90,731	110,768	22.1%
Raw materials & consumables	(19,464)	(24,246)	24.6%	(57,373)	(75,651)	31.9%
Staff costs	(1,563)	(1,809)	15.7%	(4,326)	(4,929)	13.9%
of which Share price bonus	(50)	11	n/a	(107)	489	n/a
Other net operating income/(expense)	317	378	19.2%	1,162	246	n/a
EBITDA	**9,304**	**9,744**	**4.7%**	**30,194**	**30,434**	**0.8%**
EBITDA margin (%)	**31.0%**	**27.5%**	**(3.5pp)**	**33.3%**	**27.5%**	**(5.8pp)**
Depreciation	(3,058)	(4,358)	42.5%	(9,110)	(12,636)	38.7%
Profit from operations (EBIT)	**6,246**	**5,386**	**(13.8%)**	**21,084**	**17,798**	**(15.6%)**
EBIT margin (%)	**20.8%**	**15.2%**	**(5.6pp)**	**23.2%**	**16.1%**	**(7.1pp)**
FX gains and other financial income (net)	5,467	(4,469)	n/a	(690)	13,066	n/a
Interest costs (net)	(1,699)	(1,634)	(3.8%)	(8,148)	(4,805)	(41.0%)
Income tax expense	(174)	982	n/a	239	(2,561)	n/a
Net Profit	**9,840**	**265**	**(97.3%)**	**12,485**	**23,498**	**88.2%**
Net Profit Margin (%)	**32.8%**	**0.7%**	**(32.1pp)**	**13.8%**	**21.2%**	**7.4pp**

Note: Unaudited consolidated financial results in accordance with IFRS. 9M 2007 Results include the one-off revenue from the arbitration proceeds of Euro 1.03 million

Revenue Breakdown by Product

Q3	9M





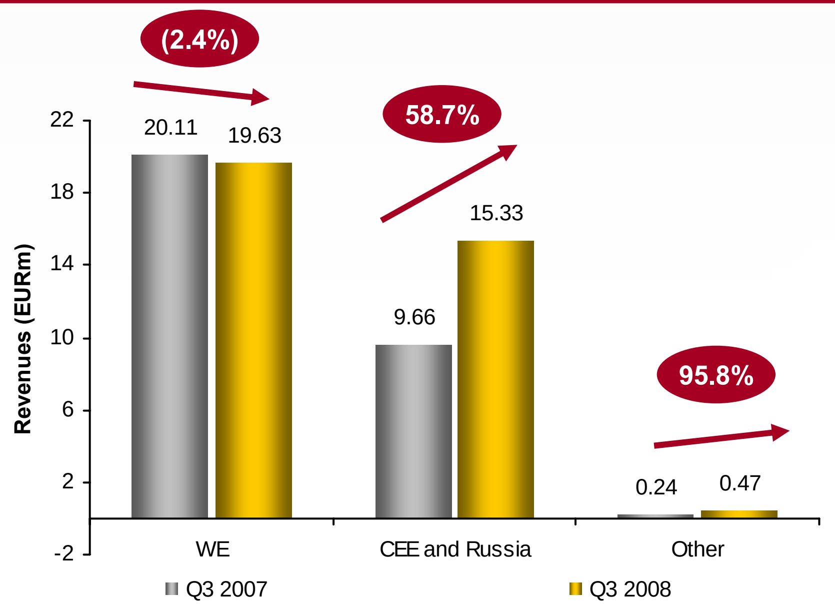
Source: Company data

- **Sales for the hygiene industry in the first 9M 2008 accounted for 86.6% share of total revenues confirming a strong performance in this segment**
- **Rising share of technologically advanced materials on total sales - 25.5% in the first 9M 2008 up from 21.8% in 2007**

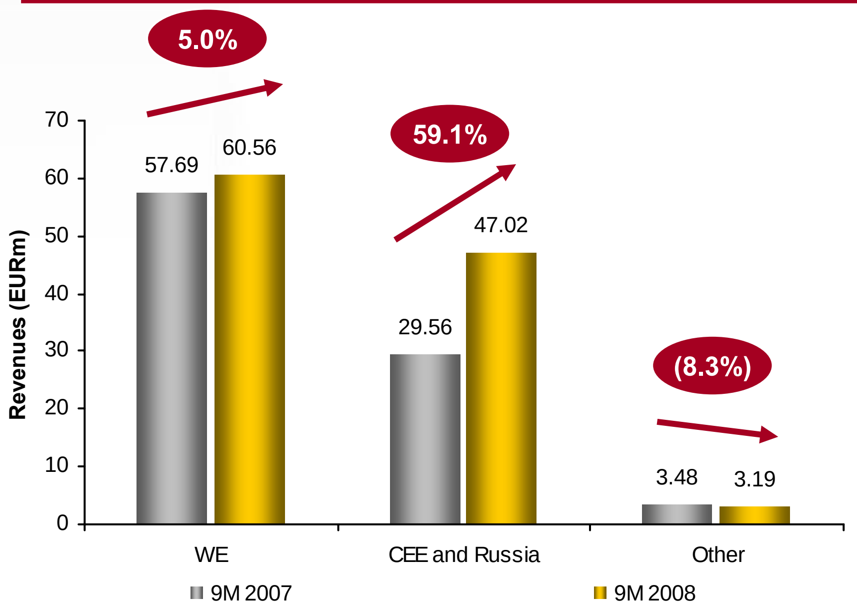
Note: Company defines technologically advanced products as those with higher added value in terms of either higher margins or material properties that protect the Company from easy substitution of its products by its competitors.

Revenue Breakdown by Geography[1]

Q3



9M



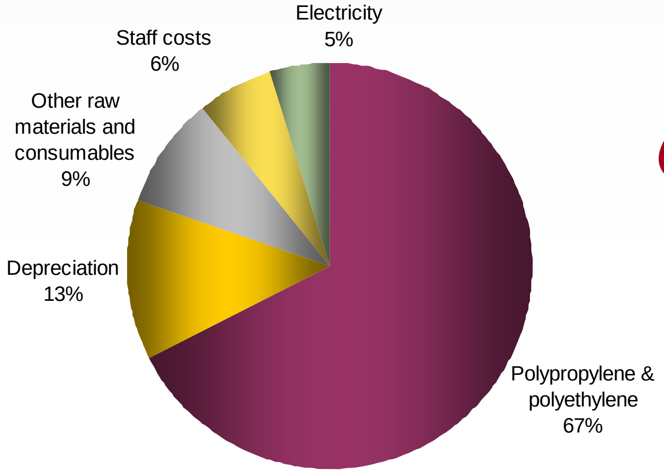
Source: Company data

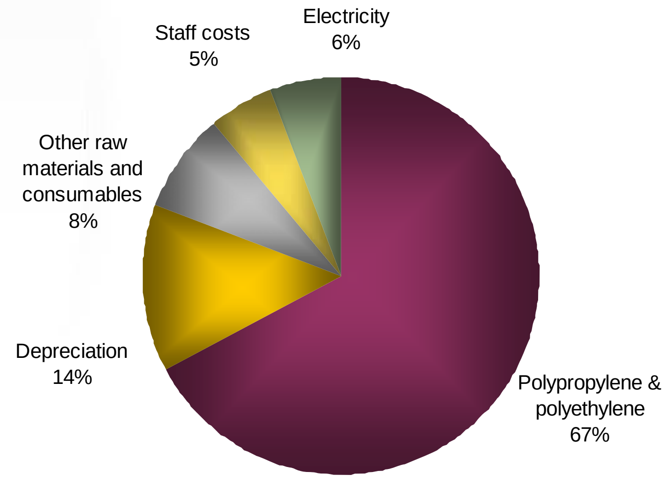
- **Sales in Western Europe remain a key focus with over 50% share on total revenues**
- **Sales in CEE and Russia substantially up due to increased sales to the Czech Republic and Poland**

Note: (1) Revenues by georgraphy are based on the final location of delivery

Cost Composition

Cost Breakdown in 9M 2007	Cost Breakdown in 9M 2008





- **Overall cost level impacted by additional production capacity, higher prices of raw materials and energy and CZK appreciation**
- **Staff costs positively impacted by the fair value of phantom share option plan in 9M 2008**
- **Polymers and electricity up by 30.8% and 62.2% yoy respectively, due to higher consumed volumes based on the new production line and higher energy prices**
- **Depreciation higher due to the new line and CZK appreciation**

Balance Sheet

(EUR'000s)	Sep 30th, 2007 Unaudited	Dec 31st, 2007 Audited	Sep 30th, 2008 Unaudited	Sep 30th, 2008/ Dec 31st, 2007 change in %
Non-current assets	**204,965**	**224,708**	**230,948**	**2.8%**
Property, plant and equipment	120,735	137,355	136,591	(0.6%)
Intangible assets incl. goodwill	84,230	87,353	94,357	8.0%
Current assets	**36,962**	**39,171**	**45,967**	**17.3%**
Inventories	10,195	12,416	15,437	24.3%
Trade and other receivables	26,200	26,244	30,165	14.9%
Bank balances and cash	567	511	365	(28.6%)
Total assets	**241,927**	**263,879**	**276,915**	**4.9%**
Total share capital and reserves	**82,550**	**93,885**	**113,621**	**21.0%**
Non-current liabilities	**132,210**	**128,799**	**117,735**	**(8.6%)**
Bank loans due after 1 year	117,225	116,508	104,777	(10.1%)
Deferred tax	14,912	12,190	12,957	6.3%
Other payables	73	101	1	(99.0%)
Current liabilities	**27,167**	**41,195**	**45,559**	**10.6%**
Trade and other payables	19,156	33,218	23,946	(27.9%)
Tax liabilities	45	1,427	2,487	74.3%
Bank overdrafts and loans	7,966	6,550	19,126	192.0%

- **Increase in inventories on the back of higher stock of raw materials and spare parts**
- **Stable net debt / net cash position after the dividend pay-out confirming strong and secure financial position of the Company**

Note: Unaudited consolidated financial results in accordance with IFRS

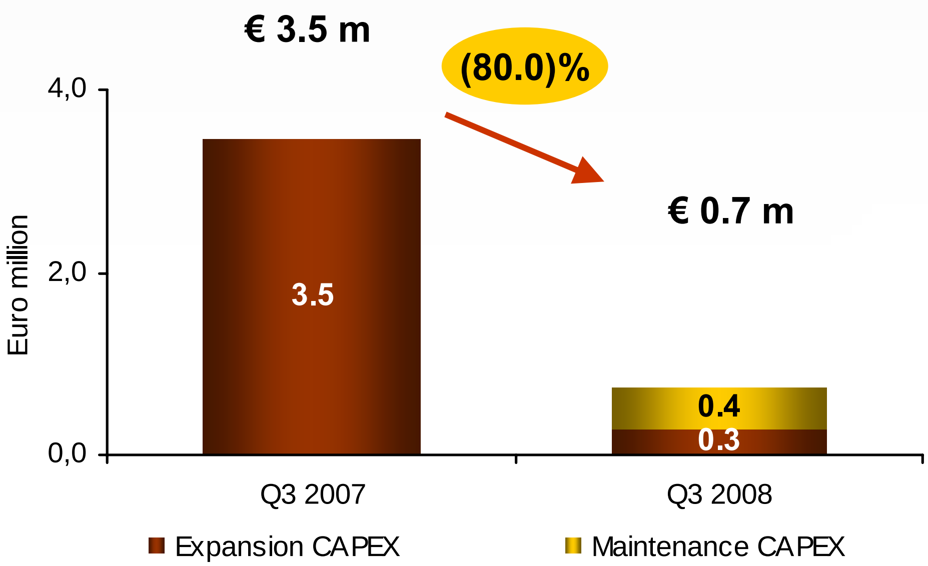
Cash Flow Statement

(EUR '000s)	2007 Unaudited	2008 Unaudited	Change in %
	Nine Months to September 30th		
Profit before tax	12,246	26,059	112.8%
Amortization/ Depreciation	9,110	12,636	38.7%
Foreign Exchange	727	(3,891)	n/a
Interest Expense	8,343	4,816	(42.3%)
Fair value changes of interest rate swaps	(455)	219	n/a
Other financial (expense) / income	(414)	130	n/a
Change in inventories	(1,832)	(2,025)	10.5%
Change in receivables	(2,105)	(2,122)	0.8%
Change in payables	(2,229)	5,614	n/a
Income tax paid	(120)	(1,774)	1,378.3%
Net Cash Flow from Operating activities	**23,271**	**39,662**	**70.4%**
Purchases of property, plant and equipment	(18,678)	(17,824)	(4.6%)
Net Cash Flow used in Investment activities	**(18,678)**	**(17,824)**	**(4.6%)**
Change in bank loans	(11,817)	(9,198)	(22.2%)
Change in long term debt	(202)	(100)	(50.5%)
Distribution (Dividends)	(7,014)	(7,845)	11.8%
Interest paid	(7,421)	(4,711)	(36.5%)
Other financial income / (expense)	414	(130)	n/a
Net Cash Flow used in Financing activities	**(26,040)**	**(21,984)**	**(15.6%)**
Bank balances and cash at the beginning of the year	22,014	511	(97.7%)
Change in cash and cash equivalents	(21,447)	(146)	(99.3%)
Bank balances and cash at the end of the period	**567**	**365**	(35.6%)

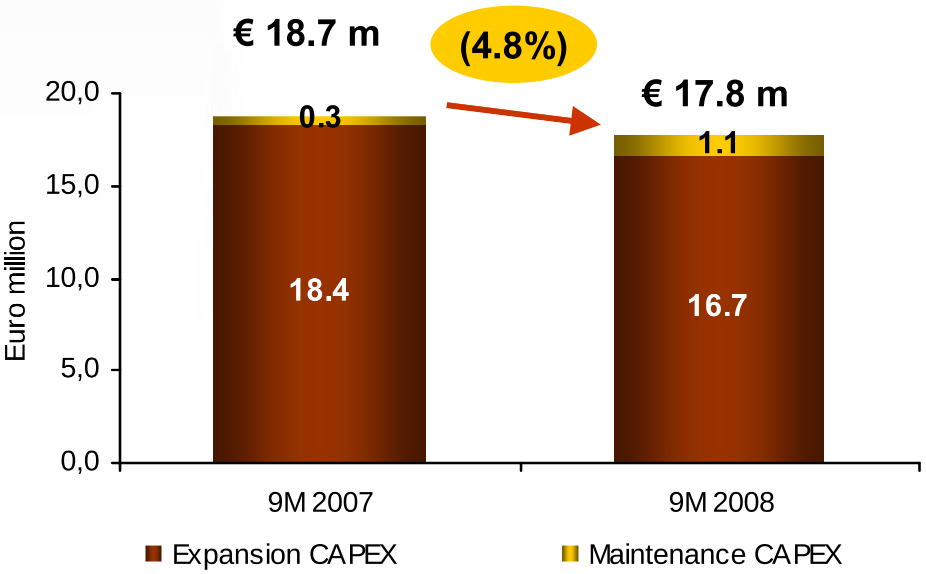
Note : Unaudited consolidated financial results in accordance with IFRS

CAPEX Development

CAPEX Breakdown Q3



CAPEX Breakdown 9M



Source: Company data

- **Expansion CAPEX in 2008 relates to the remaining payments for the 8th line project**
- **Full year 2008 CAPEX Guidance of Euro 18 million at constant currency of CZK/ EUR 26**

2009 Outlook

- Negotiations with customers to-date for 2009 indicate that production capacity should be sold out
- Level of inventories should decline in Q2 and Q3 2009
- Anticipated further debt repayment to improve leverage if no other investment opportunities materialize
- Rising operating costs and lower demand for technical materials leading to more competition in hygienic segment
- Tailormade R&D projects to satisfy needs of key customers

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