PEGAS NONWOVENS SA

First quarter 2009 unaudited consolidated financial results

28th May 2009

PEGAS NONWOVENS SA announces its unaudited consolidated financial results for the first quarter of 2009 to 31st March, 2009, prepared according to International Financial Reporting Standards (IFRS).

"2009 has started strongly for PEGAS. In the first quarter of 2009 EBITDA increased to EUR 14 million, up by 33.8% yoy. This exceptional performance in the first quarter was the result of three factors concurrently moving in PEGAS's favour. They were: an extreme drop in polymer prices, output pricing reflecting polymer prices at the higher level from the last quarter of 2008 and the successful sale of finished goods stock held over from the end of 2008. However, these three factors will not be repeated in such a positive way in subsequent quarters. Due to continuing good demand, we are confident that we will maintain both production and sales volumes at good levels for the remainder of 2009. Good results remain the objective for the full year 2009 and considering such a strong start in the first quarter the Board of Directors anticipates that this objective will be met," said František Řezáč, member of the Board of PEGAS NONWOVENS SA and CEO of PEGAS NONWOVENS s.r.o.

Overview of Financial Results

(EUR million)	Q1 January – March 2009	
		yoy
Revenues	35.7	(5.5%)
Operating costs without depreciation and amortization	(21.6)	(20.7%)
EBITDA	14.0	+33.8%
Depreciation and amortization	(3.8)	(6.4%)
Profit from operations (EBIT)	10.2	+59.3%
FX gains/(losses) and other financial (expense)/income (net)	(2.7)	n/a
Interest expense (net)	(1.1)	(25.0%)
Income tax (expense)/income	0.4	n/a
Net profit	6.8	(41.5%)
Capital expenditure	0.1	(99.4%)
Number of employees (end of period)	380	0%
No. of employees (average)	382	+1.3%
Net Debt	113.8	(10.8%)
Production output (in tons)	17,077	+3.2%
Average CZK/EUR exchange rate	27.599	+8.0%
End of period CZK/EUR exchange rate	27.380	+8.1%

Consolidated Financial Results

Revenues, Costs and EBITDA

In the first quarter of 2009 consolidated revenues (revenues from sales of products) reached EUR 35.7 million, down by 5.5% yoy. The yoy revenue decrease was primarily driven by a lower polymer price level, which consequently resulted in lower sales prices despite the fact that the sales volumes in tonnes went up mainly due to an accelerated clearance of the accumulate stock of finished goods in a shorter time period than initially planned.

Total consolidated operating costs without depreciation and amortization went down by 20.7% yoy to EUR 21.6 million in the first quarter of 2009. The main reason behind the decrease was the lower level of polymer price indexes mentioned above.

EBITDA amounted to EUR 14.0 million in the first quarter of 2009, up by 33.8% yoy, due to a significant drop in polymer prices, output prices reflecting a higher price level from the fourth quarter of 2008 and higher sales volumes.

EBITDA margin reached 39.3% in the first quarter of 2009, up by 11.6 percentage points in comparison with the same period in 2008.

Operating costs

Total raw materials and consumables used in the first quarter of 2009 amounted to EUR 20.1 million, a 21.8% yoy decrease. The key driver of this decline was a lower level of purchase prices of polypropylene and polyethylene.

In the first quarter of 2009 total staff costs amounted to EUR 1.6 million, a 7.9% yoy increase. The yoy increase of the staff costs expressed in EUR was caused by the decrease of fair value of the share option plan in the amount of EUR 324 thousand in the first quarter of 2008. A weaker CZK in the first quarter of 2009 had a positive impact due to the translation of the CZK denominated salaries into EUR. Total staff costs denominated in Czech korunas and without the revaluation of the share option plan declined by 4.3% yoy.

Other operating income (net) amounted to EUR 36 thousand in the first quarter of 2009.

Depreciation and amortization

Consolidated depreciation and amortization reached EUR 3.8 million in the first quarter of 2009, down by 6.4% yoy. This decrease resulted from the depreciation of the CZK against the EUR compared with the same period in 2008, impacting a presentation of this item in EUR.

Profit from Operations

In the first three months of 2009 profit from operations (EBIT) amounted to EUR 10.2 million, up by 59.3% compared with the first quarter of 2008 on the back of higher EBITDA and lower depreciation.

Financial Income and Costs

In the first quarter of 2009 foreign exchange changes and other financial income/(expense) (net) represented a loss of EUR 2.7 million, compared with the EUR 8.2 million gain in the first quarter of 2008. This item includes realized and unrealized FX gains/losses, changes in the fair value of interest rate swaps and other financial income and expenses and was impacted by the depreciation of the Czech koruna against the EUR in the first quarter of 2009 through unrealized FX losses related to the revaluation of balance sheet items (mainly bank debt and the inter-company loan). In addition to the FX losses, the mark-to-market revaluation of the interest rate swaps also had a negative impact due to a declining Euribor.

Interest expenses (net) related to debt servicing amounted to EUR 1.1 million in the first quarter of 2009, a 25.0% decrease compared with the first quarter of 2008. The main reasons for this decline were lower interest rates and a gradual repayment of the external debt.

Income tax

In the first quarter of 2009 income tax amounted to EUR 0.4 million of income as a result of changes in deferred tax.

Net Profit

Net profit in the first quarter of 2009 amounted to EUR 6.8 million, down by 41.5% yoy, mainly due to FX changes in the compared quarters.

CAPEX and Investments

In the first quarter of 2009 total consolidated capital expenditure amounted to EUR 0.1 million, a 99.4% yoy decrease. The capital expenditure was solely related to maintenance capital expenditure.

Cash and Indebtedness

The total amount of consolidated financial debt (both short- and long-term) as at 31st March 2009 was EUR 114.2 million, an 11.0% reduction compared with 31st March 2008. Net debt as at 31st March 2009 was EUR 113.8 million, down by 10.8% yoy. This was equivalent to a Net Debt / EBITDA ratio of 2.6 as of 31st March 2009. As at 31st March 2008 Net Debt / EBITDA ratio reached 3.3. The financial position of the Company is stable and credit lines are secure.

Business Overview of the Q1 2009

In the first quarter of 2009 the total production output (net of scrap) reached 17,077 tonnes, up by 3.2% when compared with the first three months in 2008.

Revenues from sales of nonwoven textiles for the hygiene industry represented an 89.9% share of total revenues in the first quarter of 2009, slightly up compared with an 86.9% share in the same period in 2008 confirming the Company's primary focus on the hygiene market. Revenues from sales of standard (commodity) textiles for hygiene products reached EUR 25.90 million in the first quarter of 2009, an increase of 9.1% yoy in comparison with the same period in 2008. The proportion of revenues from sales of commodity textiles for the hygiene industry represented a 72.6% share of total revenues, an increase from 62.9% in the same period in 2008. In the hygiene segment, the revenues from sales of light weight and bi-component materials in the first quarter of 2009 reached EUR 6.15 million, a 32.3% yoy decrease over the first quarter of 2008. The proportion of this product category of total sales in the first quarter of 2009 amounted to 17.2%, compared with 24.1% in the same period in 2008.

Revenues from sales of non-hygiene products (construction, agriculture and medical) amounted to EUR 3.61 million in the first quarter of 2009, a decline of 26.9% over the first quarter of 2008. The share of sales of non-hygiene products of total sales amounted to 10.1% in the first quarter of 2009, compared to a 13.1% share in the first quarter of 2008.

In terms of geographical distribution[1], the Company confirmed its steady focus on the broader European market. Sales to Western Europe amounted to EUR 20.14 million in the first quarter of 2009, which represents a 56.5% share of total sales, compared with a 53.9% share in the same period in 2008. Revenues from sales to CEE and Russia reached EUR 14.62 million in this quarter, which is a 41.0% share of total revenues compared to the 39.9% share in the first quarter of 2008. Revenues from sales to other territories amounted to EUR 0.90 million and represented a 2.5% share of total sales in comparison with a 6.2% share on total sales in the first quarter of 2008.

2009 Outlook Confirmed

Given its financial and business results in the first quarter of 2009 and taking into account the developments in the nonwovens market in Europe, the Company confirms its initial outlook for 2009.

Expected Dividend payment

The progressive policy regarding the dividend remains consistent with previous years. In light of the current economic and banking climate the PEGAS' Board of Directors has fully evaluated capital and working capital needs. Forward strategy

[1] Geographical breakdown is based on the location of delivery.

continues to require periodic capital investment in new production lines in order to stay at the forefront of productivity and quality in the sector. Prudent modelling shows that banking covenant ratios remain satisfactory over the planning horizon with planned capital expenditure and working capital requirements. The Board of Directors is therefore pleased to confirm its intention to pay an increased dividend in 2009 of EUR 8.3 million (EUR 0.9 per share). Like in previous years, the source of the dividend payment will be the Company's share premium account. If no unforeseen event occurs, the Company plans to make this payment in the third quarter of 2009.

Appendix 1

Consolidated Income Statement

prepared under International Financial Reporting Standards (IFRS)

(in thousands of EUR)

	Q1 2009 (unaudited)	**Q1 2008** (unaudited)
Revenue	35,662	37,754
Raw materials & consumables used	(20,066)	(25,654)
Staff costs	(1,614)	(1,496)
Other operating income/(expense) (net)	36	(128)
EBITDA	**14,018**	**10,476**
EBITDA margin %	***39.3%***	***27.7%***
Depreciation	(3,812)	(4,071)
Profit from operations	**10,206**	**6,405**
Operating margin in %	***28.6%***	***17.0%***
FX changes and other financial income/(expense) (net)	(2,679)	8,165
Interest expense (net)	(1,132)	(1,509)
Income tax (expense)/ income	374	(1,494)
Net profit	**6,769**	**11,567**

Appendix 2

Consolidated Balance Sheet

prepared under International Financial Reporting Standards (IFRS)

As at March 31st

(in thousands of EUR)

	2009 (unaudited)	**2008** (unaudited)
Non-current assets		
Property, plant and equipment	115,642	140,700
Intangible assets	233	189
Goodwill	84,738	91,577
Total non-current assets	**200,613**	**232,466**
Current assets		
Inventories	12,288	12,962
Trade and other receivables	31,074	32,409
Cash and cash equivalents	337	712
Total current assets	**43,699**	**46,083**
Total assets	**244,312**	**278,549**
Share Capital and reserves		
Share capital	11,444	11,444
Share premium	26,152	33,997
Legal reserves	2,433	1,958
Translation reserves	(207)	5,158
Retained Earnings	65,133	55,517
Total share capital and reserves	**104,955**	**108,074**
Non-current liabilities		
Bank loans	91,300	110,719
Other payables	10	42
Deferred tax liabilities	10,814	12,644
Total non-current liabilities	**102,124**	**123,405**
Current liabilities		
Trade and other payables	14,314	26,350
Tax liabilities	56	3,123
Bank current liabilities	22,863	17,597
Total current liabilities	**37,233**	**47,070**
Total equity and liabilities	**244,312**	**278,549**

Appendix 3

Consolidated Cash Flow Statement

prepared under International Financial Reporting Standards (IFRS)

(in thousands of EUR)

	Q1 2009 (unaudited)	**Q1 2008** (unaudited)
Profit for the year / period before tax	**6,395**	**13,061**
Adjustment for:		
Amortization and depreciation	3,812	4,071
Foreign exchange changes	666	(2,294)
Interest expense	1,138	1,510
Fair value changes of interest rate swap	214	347
Other financial income/(expense)	241	14
Cash flows from operating activities		
Decrease/(increase) in inventories	232	83
Decrease/(increase) in receivables	(4,126)	(4,904)
Increase/(decrease) in payables	(2,206)	2,342
Income tax paid	(3)	(2)
Net cash from operating activities	**6,363**	**14,228**
Cash flows from investment activities		
Purchases of property, plant and equipment	(68)	(11,133)
Net cash used in investment activities	**(68)**	**(11,133)**
Cash flows from financing activities		
Increase/(decrease) in bank loans	(4,772)	(1,074)
Increase/(decrease) in long term debt	5	(59)
Interest paid	(1,259)	(1,747)
Other financial income/(expense)	(241)	(14)
Net cash used in financing activities	**(6,267)**	**(2,894)**
Cash and cash equivalents at the beginning of the period	309	511
Net increase/(decrease) in cash and cash equivalents	28	201
Cash and cash equivalents at 31st March	**337**	**712**