PEGAS NONWOVENS SA

First nine months 2008 unaudited consolidated financial results

November 27, 2008

PEGAS NONWOVENS SA is pleased to announce its unaudited consolidated financial results for the first nine months of 2008 to September 30, 2008, prepared according to International Financial Reporting Standards (IFRS).

„The financial results achieved in the first nine months of 2008 confirm our strong position in the nonwovens market despite the worsening global economic conditions. We have fully utilized our new production capacity, our revenues have grown according to management's expectations and we have made significant progress on our new R&D projects. In the first nine months of 2008 our total revenues grew to EUR 110.8 million, which is a 22.1% increase over last year. Despite the negative impact of the strong Czech koruna, the volatility of the polymer market and a weaker than expected demand for technical materials to the construction industry, we have maintained solid operating results by continuously focusing on efficiency and cost control. We also recorded a high net profit in the amount of EUR 23.5 million and paid out a dividend to our shareholders while maintaining a stable level of net debt.

The main goal for the rest of this year is the retention of sound results on the operating level, continuation of successful development of new projects and a creation of the best possible platform for locking in sales levels for 2009," 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)	9 months Jan – Sep 2008		Q3 Jul – Sep 2008	
		yoy		yoy
Revenues	110.8	+22.1%	35.4	+18.0%
Operating costs without depreciation and amortization	80.3	+32.7%	25.7	+24.0%
EBITDA	30.4	+0.8%	9.7	+4.7%
Depreciation and amortization	12.6	+38.7%	4.4	+42.5%
Profit from operations (EBIT)	17.8	(15.6%)	5.4	(13.8%)
FX gains/losses and other financial income/(expense) (net)	13.1	n/a	(4.5)	n/a
Interest expense (net)	4.8	(41.0%)	1.6	(3.8%)
Income tax expense/(income)	2.6	n/a	(1.0)	n/a
Net profit	23.5	+88.2%	0.3	(97.3%)
Capital expenditure	17.8	(4.8%)	0.7	(80.0%)
Number of employees (end of period)	389	+3.5%	389	+3.5%
No. of employees (average)	381	+9.8%	386	+4.9%
Net Debt	123.5	(0.9%)	123.5	(0.9%)
Production output (in tonnes)	50,060	+19.7%	17,138	+22.8%
Average CZK/EUR exchange rate	24.815	(11.6%)	24.092	(13.7%)
End of period CZK/EUR exchange rate	24.665	(10.7%)	24.665	(10.7%)

Consolidated Financial Results

Revenues, Costs and EBITDA

In the first nine months of 2008 consolidated revenues (revenues from sales of products) reached EUR 110.8 million, up by 22.1 % yoy. The key drivers of this growth were increased volumes produced through higher production capacity and higher raw material prices reflected in the output prices.

In the third quarter of 2008 consolidated revenues (revenues from sales of products) totalled EUR 35.4 million, an 18.0% increase when compared with the same period last year. The lower revenue growth in the third quarter in comparison with the previous quarters of 2008 resulted from lower sales prices due to a short-term decline in the polymer price indices in the second quarter of 2008 and a provisional increase of stock of finished goods in connection with the substitution of sales between segments.

Total consolidated operating costs without depreciation and amortization (net) went up in the first nine months of 2008 by 32.7% to EUR 80.3 million. The main reason was a higher consumed volume of raw materials and consumables related to the higher production, increase of raw material and energy prices and higher staff costs. In the third quarter of 2008 total consolidated operating costs without depreciation and amortization (net) increased to EUR 25.7 million, up by 24.0% yoy. The slower growth of operating costs in comparison to the previous periods of this year resulted from the change of inventories of finished goods due to unsold production in the technical segment. Another reason were expenses connected with the acquisition project, which occurred mainly in the second quarter of 2008.

EBITDA amounted to EUR 30.4 million in the first nine months of 2008, up by 0.8 % yoy. Without the effect of one-off income of EUR 1.03 million of compensation from an arbitration procedure last year, the EBITDA increase would have represented 4.4% in the first nine months of 2008.

The increase in EBITDA was the result of higher production capacity. EBITDA development was positively influenced by the polymer price development reflected in a subsequent delay in the polymer pass through mechanism in the first half of 2008 while in the third quarter the polymer price development was not favourable for the Company. Revaluation of the phantom share option plan on the back of the share price development also had a positive impact on EBITDA. On the other hand, EBITDA was negatively impacted by the exchange rate of the Czech koruna, higher energy prices, expenses spent on the intended acquisition and the lower sales of materials to the construction industry.

In the third quarter of 2008, EBITDA amounted to EUR 9.7 million, up by 4.7% yoy.

In the first nine months of 2008 EBITDA margin reached 27.5%, down by 5.8 percentage points in comparison with the same period in 2007. This decrease was partially underlined by the polymer pass-through mechanism, when the higher polymer price level in 2008 (compared with 2007) increased value of sales and as a result, the EBITDA margin decreased.

In the third quarter of 2008 EBITDA margin reached 27.5%, down by 3.5pp yoy.

Operating costs

Total raw materials and consumables used in the first nine months of 2008 amounted to EUR 75.7 million, a 31.9% yoy increase. The key drivers of this growth were increased volumes produced through higher production capacity and higher raw material and energy costs. In the third quarter of 2008 total raw materials and consumables equalled EUR 24.2 million, up by 24.6% compared with the same period in 2007.

In the first nine months of 2008 total staff costs amounted to EUR 4.9 million, a 13.9% yoy increase. The staff costs denominated in EUR were impacted by the strong appreciation of the CZK against the EUR. Total staff costs denominated in Czech korunas and without the revaluation of the share option plan went up by 13.6% yoy due to an increase in the average number of employees in the first nine months of 2008 by 9.8% yoy and higher salary levels. In the third quarter of 2008 total staff costs went up by 15.7% yoy to EUR 1.8 million primarily driven by the strong Czech koruna.

Other operating income (net) amounted to EUR 246 thousand in the first nine months of 2008, and to EUR 378 thousand in the third quarter of 2008.

Depreciation and amortization

Consolidated depreciation and amortization reached EUR 12.6 million in the first nine months of 2008, up by 38.7% yoy. This increase resulted from an increase in the value of the Company's depreciated non-current assets (production hall and machinery for the 8th production line) and also from the appreciation of the CZK against the EUR. In the third quarter of 2008 the total consolidated depreciation and amortization reached EUR 4.4 million, which is 42.5% more than in the same period last year.

Profit from Operations

In the first nine months of 2008 profit from operations (EBIT) amounted to EUR 17.8 million, down by 15.6% compared with the same period in 2007 on the back of EBITDA development and higher depreciation. In the third quarter of 2008 EBIT amounted to EUR 5.4 million, a 13.8% yoy decrease.

Financial income and costs

In the first nine months of 2008 foreign exchange gains and other financial income (net) represented EUR 13.1 million. This item includes realized and unrealized FX gains/losses, changes in the fair value of interest rate swaps and other financial income and expenses. In 2008 this item was impacted by the appreciation of the Czech koruna against the EUR through the unrealized FX changes related to the revaluation of balance sheet items (bank debt and the inter-company loan). In the third quarter of 2008, foreign exchange gains and other financial income (net) represented a loss of EUR 4.5 million due to the weakening of the Czech koruna against EUR in the period from July to September this year.

Interest expenses (net) related to debt servicing amounted to EUR 4.8 million in the first nine months of 2008, a 41.0% decrease compared with the same period in 2007. The main reasons were the arrangement fee write-off associated with previous senior debt facilities refinanced in May 2007 and more favourable conditions of the new loan facility. In the third quarter of 2008, interest expenses (net) amounted to EUR 1.6 million, down by 3.8% yoy.

Income tax

In the first nine months of 2008 income tax expense amounted to EUR 2.6 million compared with a EUR 239 thousand positive item in the same period of 2007. The income tax expense resulted from unrealized FX gains. In the third quarter of 2008 income tax reached a positive amount of EUR 982 thousand, compared with the EUR 174 thousand expense in the same period last year.

Net Profit

Net profit in the first nine months of 2008 amounted to EUR 23.5 million, up by 88.2% yoy, mainly due to FX gains (including their impact on the income tax) and lower interest expenses. In the third quarter of 2008 the Company recorded a net profit of EUR 265 thousand, primarily as a result of FX losses.

CAPEX and Investments

In the first nine months of 2008 total consolidated capital expenditure amounted to EUR 17.8 million, a 4.8% yoy decrease. The capital expenditure was primarily related to the remaining payment for the 8th production line project. In the third quarter of 2008 total consolidated capital expenditure amounted to EUR 0.7 million, 80.0% yoy less. CAPEX guidance for the full year 2008 remains EUR 18 million at a constant currency exchange rate of CZK/EUR 26, however the actual full year number is influenced by real FX development.

Cash and Indebtedness

The total amount of consolidated financial debt (both short- and long-term) as at September 30, 2008 was EUR 123.9 million, a 1.0% reduction compared with September 30, 2007. Net debt as at September 30, 2008 was EUR 123.5 million, down by 0.9% yoy. This was equivalent to a Net Debt / EBITDA ratio of 3.2x. As at September 30, 2008 the Company paid out a dividend of EUR 7.8 million. The dividend payout and the simultaneous retention of a stable debt level demonstrate the Company's outstanding ability to generate cash. The financial position of the Company is stable and credit lines are secure.

Business Overview in the first nine months of 2008

In the first nine months of 2008 the total production output (net of scrap) reached 50,060 tonnes, up by 19.7% when compared with the first nine months of 2007. In the third quarter of 2008 the total production output in tonnes increased by 22.8% yoy to 17,138 tonnes.

Revenues from sales of nonwoven textiles for the hygiene industry represented a 86.6% share of total revenues in the first nine months of 2008, unchanged compared with 86.3% share in the same period in 2007 confirming the Company's focus on the core hygiene market. In the third quarter of 2008, the proportion of revenues from sales of nonwoven textiles for the hygiene industry reached 86.3% compared with 86.0% in the third quarter of 2007.

Revenues from sales of standard (commodity) textiles for hygiene products reached EUR 67.62 million, an increase of 15.6% yoy in comparison with the same period in 2007. The proportion of revenues from sales of commodity textiles for the hygiene industry in the first nine months of 2008 represented a 61.0% share on total revenues, a decrease from 64.5% in the same period in 2007. In the third quarter of 2008 revenues from sales of standard (commodity) textiles for hygiene products reached EUR 22.67 million, up by 21.9% yoy.

The achieved revenues from sales of technologically advanced products, such as soft, lightweight and bi-component materials confirm the Company's focus on this segment. In the first nine months of 2008 the sales in this segment reached EUR 28.26 million, a 42.9% yoy increase over the first nine months of 2007. Going forward, sales expansion of technologically advanced materials remains one of the key objectives for the Company. However sales to this segment are driven by the demand of end-users of disposable hygiene products, who may as a result of the current economic situation, potentially substitute more expensive products for cheaper commodity material products. In the third quarter of 2008 revenues from sales of technologically advanced products amounted to EUR 7.89 million, an increase of 9.4% yoy.

The proportion of technologically advanced sales of total sales in the first nine months of 2008 increased to 25.5%, compared with 21.8% in the same period in 2007. The rising share of revenues in this segment confirms the Company's position of a leader in technologically sophisticated materials for hygienic applications.

Revenues from sales of non-hygiene products (for construction, agriculture and medical) amounted to EUR 14.89 million in the first nine months of 2008, an increase of 19.4% over the first nine months of 2007. In the third quarter of 2008 revenues from sales of non-hygiene products went up by 16.0% yoy to EUR 4.87 million.

In terms of geographical distribution[1], the Company confirms its strong and growing position in its core European market. Sales to Western Europe amounted to EUR 60.56 million in the first nine months of 2008, up by 5.0% over the same period last year. Revenues from sales to CEE and Russia reached in the given period EUR 47.02 million, up by 59.1% yoy, due to increased sales in the Czech Republic and Poland. Revenues from sales to other territories amounted to EUR 3.19 million, down by 8.3% yoy. In the third quarter of 2008 sales to Western Europe amounted to EUR 19.63 million, down by 2.4% over the same period last year. Revenues from sales to CEE and Russia reached EUR 15.33 million, up by 58.7% yoy, while sales to other territories amounted to EUR 0.47 million, up by 95.8% yoy.

The 9th Production Line Project

In line with its long-term strategy of growth, which also includes the construction of new production capacities, the Company is continuing in its negotiations with the Czech Ministry of Industry and Trade regarding investment incentives for the new ninth production line.

2008 Guidance – EBITDA higher than last year

The achieved results in the first nine months of 2008 indicate the firm position of the Company in its core market and its outstanding performance in the currently highly volatile economic and financial environment.

Based on the Company's expectations as of today, the 2008 EBITDA is foreseen to exceed the one achieved in 2007, however might not reach the communicated guidance range.

In 2009 operating margins are likely to remain under pressure due to rising operating costs and lower demand for technical materials leading to more competition in hygienic segment. In spite of the worsening global economic situation the Company's management is taking all necessary actions to minimize the impact of this on the Company's results.

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

Appendix 1

Consolidated Income Statement
prepared under International Financial Reporting Standards (IFRS)

(in thousands of EUR)

	9M 2008 (unaudited)	**9M 2007** (unaudited)
Revenue	110,768	90,731
Raw materials & consumables used	(75,651)	(57,373)
Staff costs	(4,929)	(4,326)
Other operating income/(expense) (net)	246	1,162
EBITDA	**30,434**	**30,194**
EBITDA margin %	***27.5%***	***33.3%***
Depreciation	(12,636)	(9,110)
Profit from operations	**17,798**	**21,084**
Operating margin in %	***16.1%***	***23.2%***
FX changes and other financial income/(expense) (net)	13,066	(690)
Interest expense (net)	(4,805)	(8,148)
Income tax (expense)/ income	(2,561)	239
Net profit	23,498	12,485

Appendix 2
Consolidated Income Statement
prepared under International Financial Reporting Standards (IFRS)

(in thousands of EUR)

	Q3 2008 (unaudited)	**Q3 2007** (unaudited)
Revenue	35,421	30,014
Raw materials & consumables used	(24,246)	(19,464)
Staff costs	(1,809)	(1,563)
Other operating income/(expense) (net)	378	317
EBITDA	**9,744**	**9,304**
EBITDA margin %	***27.5%***	***31.0%***
Depreciation	(4,358)	(3,058)
Profit from operations	**5,386**	**6,246**
Operating margin in %	***15.2%***	***20.8%***
FX changes and other financial income/(expense) (net)	(4,469)	5,467
Interest expense (net)	(1,634)	(1,699)
Income tax (expense)/ income	982	(174)
Net profit	265	9,840

Appendix 3
Consolidated Balance Sheet
prepared under International Financial Reporting Standards (IFRS)

As at September 30
(in thousands of EUR)

	2008 (unaudited)	**2007 (unaudited)**
Non-current assets		
Property, plant and equipment	136,591	120,735
Intangible assets	293	183
Goodwill	94,064	84,047
Total non-current assets	**230,948**	**204,965**
Current assets		
Inventories	15,437	10,195
Trade and other receivables	30,165	26,200
Cash and cash equivalents	365	567
Total current assets	**45,967**	**36,962**
Total assets	**276,915**	**241,927**
Share Capital and reserves		
Share capital	11,444	11,444
Share premium	26,152	33,996
Legal reserves	2,433	0
Translation reserves	6,619	855
Retained Earnings	66,973	36,255
Total share capital and reserves	**113,621**	**82,550**
Non-current liabilities		
Bank loans	104,777	117,225
Other payables	1	73
Deferred tax liabilities	12,957	14,912
Total non-current liabilities	**117,735**	**132,210**
Current liabilities		
Trade and other payables	23,946	19,156
Tax liabilities	2,487	45
Bank current liabilities	19,126	7,966
Total current liabilities	**45,559**	**27,167**
Total equity and liabilities	**276,915**	**241,927**

Appendix 4

Consolidated Cash Flow Statement

prepared under International Financial Reporting Standards (IFRS)

(in thousands of EUR)

	9M 2008 (unaudited)	9M 2007 (unaudited)
Profit for the period before tax	**26,059**	**12,246**
Adjustment for:		
Amortization and depreciation	12,636	9,110
Foreign exchange changes	(3,891)	727
Interest expense	4,816	8,343
Fair value changes of interest rate swap	219	(455)
Other financial income/(expense)	130	(414)
Cash flows from operating activities		
Decrease/(increase) in inventories	(2,025)	(1,832)
Decrease/(increase) in receivables	(2,122)	(2,105)
Increase/(decrease) in payables	5,614	(2,229)
Income tax paid	(1,774)	(120)
Net cash from operating activities	**39,662**	**23,271**
Cash flows from investment activities		
Purchases of property, plant and equipment	(17,824)	(18,678)
Net cash used in investment activities	**(17,824)**	**(18,678)**
Cash flows from financing activities		
Increase/(decrease) in bank loans	(9,198)	(11,817)
Increase/(decrease) in long term debt	(100)	(202)
Distribution (dividends)	(7,845)	(7,014)
Interest paid	(4,711)	(7,421)
Other financial income/(expense)	(130)	414
Net cash used in financing activities	**(21,984)**	**(26,040)**
Cash and cash equivalents at the beginning of the period	511	22,014
Net increase/(decrease) in cash and cash equivalents	(146)	(21,447)
Cash and cash equivalents at 30 September	**365**	**567**