PEGAS NONWOVENS SA

First quarter 2008 unaudited consolidated financial results

May 28th, 2008

PEGAS NONWOVENS SA is pleased to announce its unaudited consolidated financial results for the first quarter of 2008 to March 31st, 2008, prepared according to International Financial Reporting Standards (IFRS).

„In the first quarter of 2008, we focused on the best utilization of our new capacity from the 8th production line, production efficiencies, cost control and new R&D projects and we strongly believe that this will allow us to stay at the leading edge in the current highly competitive European spunmelt nonwoven textiles market. Compared with the same period last year, the total consolidated revenues of the Company increased by 20.5% to EUR 37.8 million and we recorded a high level of net profit of Euro 11.6 million, which was also the result of lower interest expenses and FX gains.

In order to allow our shareholders to participate in the financial performance in 2007, the Company expects to payout a dividend payment of Euro 7.8 million which is Euro 0.85 per one share.

The primary goal for the rest of 2008 is to utilize to a greatest extent the potential resulting from our newest technology, namely projects focused on ultra lightweight materials or on medical applications. A successful completion of the projects in progress will enable us to create a favourable position going forward," commented Miloš Bogdan, member of the Board of Directors of PEGAS NONWOVENS S.A. and managing director of PEGAS NONWOVENS s.r.o.

Overview of Financial Results

Revenues Euro 37.8 million (+20.5%)

Operating costs without depreciation and amortization Euro 27.3 million (+32.4%)

EBITDA Euro 10.5 million (-2.4%), EBITDA margin 27.7%

Depreciation and amortization Euro 4.1 million (+34.0%)

Profit from operations (EBIT) Euro 6.4 million (-16.8%), EBIT margin 17.0%

FX gains and other financial income (net) Euro 8.2 million

Interest expense (net) Euro 1.5 million (-26.6%)

Income tax Euro 1.5 million

Net profit Euro 11.6 million (+299.0%), Net profit margin 30.6%

Capital Expenditure into tangible assets Euro 11.1 million (+208.6%)

Number of employees (end of period) 380 (+15.2%)

No. of employees (average) 377 (+13.9%)

Net Debt Euro 127.6 million (+10.5%)

Production output 16,551 tonnes (+20.3%)

Average CZK/Euro exchange rate – 25.562 (28.037 in Q1 2007)

Consolidated Financial Results

Revenues, Costs and EBITDA

In the first quarter of 2008 consolidated revenues (revenues from sales of products) reached Euro 37.8 million, up by 20.5 % 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.

Total consolidated operating costs without depreciation and amortization went up by 32.4% yoy to Euro 27.3 million. The main reason was a higher consumed volume of raw materials due to higher production and higher input prices passed through.

EBITDA amounted to Euro 10.5 million, down by 2.4 % yoy. The Decrease in EBITDA was a result of a number of factors, which impacted the Company's profitability, mainly CZK/Euro exchange rate development, both input and output related polymer price indexes, the portfoliu mix, influence of the competitive environment in the European nonwovens market. When compared with the third and fourth quarter of 2007, a positive impact on EBITDA resulting from the utilization of the new 8^{th} production line is visible.

EBITDA margin reached 27.7%, down by 6.5 percentage points in comparison with the same period 2007. This decrease was underlined by the polymer pass-through mechanism, when as a result of higher polymer prices in the first quarter of 2008, the higher polymer price level impacted final sales prices and the EBITDA margin optically decreased, compared with the same period in 2007.

Operating costs

Total raw materials and consumables used in the first quarter of 2008 amounted to Euro 25.7 million, a 34.0% yoy increase.

Total staff costs amounted to Euro 1.5 million in the first three months in 2008, a 12.2% yoy increase. The staff costs were positively impacted by the lower value of the phantom share option plan by Euro 324 thousand. On the other hand they were negatively impacted by the appreciation of the CZK. Total staff costs denominated in Czech korunas (CZK) without the revaluation of the share option plan went up by 24.5% yoy due to a higher number of employees and a general increase of the salary level.

Other operating expenses (net) amounted to Euro 128 thousand in the first quarter 2008, a 5.2% yoy decrease.

Depreciation and amortization

Consolidated depreciation and amortization reached Euro 4.1 million in the first quarter of 2008, up by 34.0% yoy. This increase resulted from an increased in the value of the Company's depreciated non-current assets (production hall and machinery for the 8^{th} production line) and partially from the appreciation of the CZK against the Euro.

Profit from Operations

In the first three months of 2008 profit from operations (EBIT) amounted to Euro 6.4 million, down by 16.8% compared with the same period in 2007 on the back of lower EBITDA and higher depreciation.

Financial income and costs

In the first quarter of 2008 foreign exchange gains and other financial income (net) represented Euro 8.2 million. This newly presented item introduced during the last annual financial results, includes realized and unrealized FX gains/ losses, changes in fair value of interest rate swaps and other financial income and expenses.

Interest expenses (net) related to debt servicing amounted to Euro 1.5 million in the first quarter of 2008, a 26.6% decrease compared with the same period in 2007. The main reason was the decrease in the interest costs in connection with the refinancing of the senior debt in May 2007.

Income tax

In the first quarter of 2008 income tax expense amounted to Euro 1.5 million compared with Euro 13 thousand positive item in the same period of 2007. The higher income tax resulted from unrealized FX gains from revaluation of the bank debt and the inter-company loan.

Net Profit

Net profit amounted to Euro 11.6 million, up by 299.0% yoy, due to FX gains (including their impact on the income tax) and lower interest expenses.

CAPEX and Investments

In the first quarter of 2008 total consolidated capital expenditure amounted to Euro 11.1 million, a 208.6% yoy increase. The capital expenditure was primarily related to the remaining payment for the 8th production line project. CAPEX guidance for the full year 2008 remains Euro 18 million.

Cash and Indebtedness

Total amount of the consolidated financial debt (both short- and long-term) as at March 31st, 2008 was Euro 128.3 million, a 5.9% reduction compared with March 31st, 2007. Net debt as at March 31st, 2008 was Euro 127.6 million, up by 10.5% yoy. This was equivalent to a Net Debt / EBITDA ratio of 3.3x.

Quarterly Business Overview

In the first quarter of 2008 the total production output (net of scrap) reached 16,551 tonnes, up by 20.3% when compared with the first three months in 2007.

Revenues from sales of nonwoven textiles for the hygiene industry represented a 86.9% share of total revenues in the first quarter of 2008, slightly up compared with 86.8% share in the same period in 2007 confirming the Company’s concentration on the core hygiene market.

Revenues from sales of standard (commodity) textiles for hygiene products reached Euro 23.73 million, an increase of 12.7% yoy in comparison with the same period in

2007. The proportion of revenues from sales of commodity textiles for the hygiene industry represented a 62.9% share of total revenues, a decrease from 67.2% in the same period in 2007.

The achieved revenues from technologically advanced products, such as soft, lightweight and bi-component materials, confirm the Company's focus on this segment. The sales in this segment reached Euro 9.08 million, a 48.1% yoy increase over the first quarter 2007. Going forward, sales expansion of technologically advanced materials remains one of the key objectives for the Company. The proportion of technologically advanced sales on total sales in the first quarter 2008 amounted to 24.1%, compared with 19.6% in the same period in 2007.

Revenues from sales of non-hygiene products (for construction, agriculture and medicine) amounted to Euro 4.94 million in the first quarter 2008, an increase of 19.0% over the first quarter of 2007.

In terms of geographical distribution[1], the Company confirmed its strong and growing position in its core European market. Sales to Western Europe amounted to Euro 20.34 million in the first quarter of 2008, up by 6.8% over the same period last year. Revenues from sales to CEE and Russia reached Euro 15.08 million, up by 52.5% yoy, due to increased sales in the Czech Republic and Poland. Revenues from sales to other territories amounted to Euro 2.33 million, down by 2.9% yoy.

The 9th Production Line Project

With respect to the 9th line project and the application for investment incentives, the project is in its preparation phase and timing of its launch will depend on market conditions and successful marketing. The Czech Ministry of Industry and Trade is currently evaluating the permissible extent of subsidy support for this project.

Research and Development

PEGAS in co-operation with the Institute of the Physical Electronics associated with the Faculty of Natural Science of the Masaryk University in Brno and with the company INOTEX s.r.o. based in Dvůr Králové nad Labem, has commenced an R&D project focused on a new generation atmospheric plasma nonwoven textile treatment.

Based on the Company's estimates, the total amount of the grant may reach up to CZK 25 million. Under the research and development support programmes tendered by the Czech Ministry of Industry and Trade the company has obtained a grant for this project with a total budget of up to CZK 70 million during 2008 – 2011.

The primary aim of the project is the attestation of a potential volume reduction of currently used functional additives in order to achieve nonwoven textile parameters necessary for hygiene applications. In addition, this project includes the development of plasma modification, which should lead to durability improvements of required parameters during multiple usage of nonwovens. A highly positive benefit of the

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

project is a reduction of used additives, which will make the products more environmentally friendly.

Expected Dividend Distribution

The Company expects to pay out a dividend in 2008 in the amount of Euro 7.8 million, i.e. Euro 0.85 per share, assuming that no extraordinary event, which could prevent the dividend payment, occurs.

The anticipated dividend payout as a distribution from the share premium account is expected to occur in the third quarter of 2008.

2008 Guidance Confirmation

Based on the first quarter 2008 financial and business development, PEGAS is pleased to reiterate its full year 2008 guidance:

Total revenues are expected to grow by 21% to 25%.

EBITDA is expected to grow 5% to 9% compared with full year 2007.

CAPEX is expected to be around Euro 18 million in total.

Appendix 1

Consolidated Income Statement

prepared under International Financial Reporting Standards (IFRS)

(in thousands of Euro)

	Q1 2008 (unaudited)	**Q1 2007** (unaudited)
Revenue	37,754	31,339
Raw materials & consumables used	(25,654)	(19,139)
Staff costs	(1,496)	(1,333)
Other operating income/(expense) (net)	(128)	(135)
EBITDA	**10,476**	**10,732**
EBITDA margin %	***27.7%***	***34.2%***
Depreciation	(4,071)	(3,038)
Profit from operations	**6,405**	**7,694**
Operating margin in %	***17.0%***	***24.6%***
FX changes and other financial income/(expense) (net)	8,165	(2,752)
Interest expense (net)	(1,509)	(2,056)
Income tax (expense)/ income	(1,494)	13
Net profit	**11,567**	**2,899**

Appendix 2

Consolidated Balance Sheet

prepared under International Financial Reporting Standards (IFRS)

As at March 31st

(in thousands of Euro)

	Q1 2008 (unaudited)	Q1 2007 (unaudited)
Non-current assets		
Property, plant and equipment	140,700	110,256
Intangible assets	189	93
Goodwill	91,577	82,861
Total non-current assets	**232,466**	**193,210**
Current assets		
Inventories	12,962	6,698
Trade and other receivables	32,409	26,954
Cash and cash equivalents	712	20,868
Total current assets	**46,083**	**54,520**
Total assets	**278,549**	**247,730**
Share Capital and reserves		
Share capital	11,444	11,444
Share premium	33,997	41,011
Legal reserves	1,958	--
Translation reserves	5,158	295
Retained Earnings	55,517	26,669
Total share capital and reserves	**108,074**	**79,419**
Non-current liabilities		
Bank loans	110,719	122,975
Other payables	42	275
Deferred tax liabilities	12,644	15,060
Total non-current liabilities	**123,405**	**138,310**
Current liabilities		
Trade and other payables	26,350	16,501
Tax liabilities	3,123	180
Bank current liabilities	17,597	13,320
Total current liabilities	**47,070**	**30,001**
Total equity and liabilities	**278,549**	**247,730**

Appendix 3

Consolidated Cash Flow Statement

prepared under International Financial Reporting Standards (IFRS)

(in thousands of Euro)

	Q1 2008 (unaudited)	**Q1 2007 (unaudited)**
Profit (loss) for the year / period before tax	**13,061**	**2,886**
Adjustment for:		
Amortization and depreciation	4,071	3,038
Foreign exchange changes	(2,294)	3,092
Interest expense	1,510	2,195
Fair value changes of interest rate swap	347	(246)
Other financial income/(expense)	14	(130)
Cash flows from operating activities		
Decrease/(increase) in inventories	83	1,665
Decrease/(increase) in receivables	(4,904)	(3,053)
Increase/(decrease) in payables	2,342	(4,939)
Income tax paid	(2)	(2)
Net cash from operating activities	**14,228**	**4,506**
Cash flows from investment activities		
Purchases of property, plant and equipment	(11,133)	(3,607)
Net cash used in investment activities	**(11,133)**	**(3,607)**
Cash flows from financing activities		
Increase/(decrease) in bank loans	(1,074)	0
Increase/(decrease) in long term debt	(59)	0
Interest paid	(1,747)	(2,175)
Other financial income/(expense)	(14)	130
Net cash used in financing activities	**(2,894)**	**(2,045)**
Cash and cash equivalents at the beginning of the period	511	22,014
Net increase/(decrease) in cash and cash equivalents	201	(1,146)
Cash and cash equivalents at 31 March	**712**	**20,868**