PEGAS NONWOVENS SA

2007 Preliminary unaudited financial results

March 19th, 2008

PEGAS NONWOVENS SA is pleased to announce its preliminary unaudited consolidated financial results for the fiscal year to 31st December, 2007 prepared according to International Financial Reporting Standards (IFRS).

„The year 2007 was very significant and successful year in many aspects. We achieved, despite some negative impacts, our targeted financial goals, we launched new production line – first of its kind in the world and through application for investment incentives for the 9th production line, we have created a platform for further organic growth. In addition, we refinanced our external debt and reduced our interest costs.

These achievements confirm that management delivers its commitment to the Company's shareholders and business partners to maintain Company's leading position in the market and superior financial performance. Amid rising competition and continuous pricing pressures, our focus on installation of the most modern technologies and diversification of product mix is proving to be the right way to mitigate adverse market conditions.

As a result, our goals in 2008 and 2009 will be maximal utilization of newest technologies for production of technologically advanced materials, deep focus on successful commercial launch of new proprietary R&D projects and the R&D projects which we have jointly developed with our customers and also with our suppliers. This strategy has always distinguished PEGAS from its competitors and we strongly believe that it will continue in the upcoming periods", commented Miloš Bogdan, member of the board of directors of PEGAS NONWOVENS SA and managing director of PEGAS NONWOVENS s.r.o.

Overview of Financial Results

Revenues Euro 122.0 million (+0.9%)

Operating costs[1] without depreciation and amortization Euro 83.4 million (+5.8%)

EBITDA Euro 42.3 million (-20.5%), EBITDA margin 34.7%

Foreign Exchange related profit including hedging Euro 3.8 million

Adjusted EBITDA[2] Euro 38.5 million (-8.4%), adjusted EBITDA margin 31.6%

Depreciation and amortization Euro 12.3 million (+1.5%)

Profit from operations (EBIT) Euro 30.0 million (-27.0%)

Adjusted profit from operations (EBIT)[2] Euro 26.2 million (-12.4%)

Finance costs Euro 10.0 million (-47.1%)

Income tax positive amount of Euro 2.1 million

Net profit attributable to shareholders Euro 22.1 million (+9.2%)

Adjusted net profit[3] Euro 19.2 million (+72.0%)

Capital Expenditure into tangible assets Euro 18.9 million (+258.6%)

No. of employees (end of period) 384 (+17.4%)

No. of employees (average) 361 (+10.1%)

Net Debt[4] Euro 122.5 million (+7.3%)

Production output 57,464 tonnes (+6.1%)

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[1] Including one-off item of Euro 1.04 million of received compensation from arbitration proceeding accounted in Q2 2007 and excluding realized and unrealized FX changes as of December 31st, 2007 and mark-to-market revaluation (MtM) of interest rate swaps.
[2] Adjusted EBITDA and EBIT are adjusted by the impact of FX changes and revaluation of IRS in order to show the actual operating performance of the Company.
[3] Adjusted Net profit is calculated as Net profit adjusted by the impact of FX changes and revaluation of IRS after recalculation of the income tax resulted from such adjustments in order to show the actual financial performance of the Company.
[4] Net debt includes long term financial debt, short term financial debt minus cash and cash equivalents.

Consolidated Financial Results

Revenues, Costs and EBITDA

Consolidated revenues (revenues from sales of products) reached Euro 122.0 million in 2007, up by 0.9 % yoy. The key drivers of this growth were 1) increased volumes produced and sold and 2) higher polymer prices which were to a large extent passed to customers.

Total consolidated operating costs without depreciation and amortization went up by 5.8% yoy to Euro 83.4 million. The main reason was an increase in polypropylene prices, electricity costs and increased staff costs.

Adjusted EBITDA amounted to Euro 38.5 million, down by 8.4 % yoy. Decrease in EBITDA was a result of a different product mix, rising polymer prices together with a subsequent delay in the polymer pass through mechanism and introduction of a share option plan for Board members. Adjusted EBITDA margin reached 31.6%, down by 3.2 percentage points in comparison with 2006.

Operating costs

Total raw materials and consumables used in 2007 amounted to Euro 78.4 million, a 6.3% increase on 2006. These costs include also research and development expenses which amounted to Euro 1.8 million, 1.9 % increase yoy.

Total staff costs amounted to Euro 6.3 million in 2007, a 22.9% yoy increase. This increase resulted from hiring new employees for the 8th production line, from an introduction of a new remuneration scheme and accounting of the share option plan, which had no cash effect in 2007. As a result of the Czech koruna appreciation, total staff costs denominated in Czech korunas (CZK), went up by 20.3% yoy (13.2% without share options). Total number of employees as at December 31st, 2007 was 384, up by 17.4 % yoy.

Other operating income / (expense) net amounted to Euro 5.1 million in 2007 and mainly represented both realized and unrealized FX changes related to balance sheet re-calculations and a mark-to-market revaluation of interest rate swaps as at December 31st, 2007. The item also includes the one-off amount of Euro 1.04 million of received compensation from arbitration proceeding.

Depreciation and amortization

Consolidated depreciation and amortization reached Euro 12.3 million in 2007, up by 1.5% yoy. This increase was caused by appreciation of CZK against Euro as depreciation and amortization is exclusively carried in CZK.

Profit from Operations

Adjusted profit from operations (EBIT) amounted to Euro 26.2 million, down by 12.4% compared with 2006, driven by the factors affecting EBITDA as explained above.

Finance Costs

Finance costs related to the debt servicing amounted to Euro 10.0 million in 2007, a 47.1% decrease compared with 2006. The main reason was the decrease in the interest costs in connection with a repayment of the most expensive debts after the IPO and refinancing of the senior debt in May 2007. The Company now uses a 5-year syndicated bank loan, consisting of a EUR 130 million revolving facility and a EUR 20 million overdraft. PEGAS was able to obtain its current outstanding bank debt at better funding conditions and achieved an average spread over Euribor of 120 basis points compared with a spread of 247 basis points on the previous senior facility.

Income tax

In 2007 income tax amounted to a positive amount of Euro 2.1 million compared with Euro 1.6 million charge in 2006. The positive amount reported in 2007 is due to release of deferred tax in the amount of Euro 3.4 million resulting from a decreased statutory income tax rate based on the tax reforms in the Czech Republic introduced in late 2007.

Net Profit attributable to shareholders

Net profit attributable to shareholders amounted to Euro 22.1 million, up by 9.2% yoy, due to lower finance costs and income tax. Adjusted Net profit reached Euro 19.2 million, up by 72.0% yoy.

CAPEX and Investments

In 2007, total consolidated capital expenditure amounted to Euro 18.9 million, a 258.6% increase on 2006. Almost all capital expenditure was spent on the 8th production line project.

Cash and Indebtedness

Total amount of the consolidated financial debt (both short- and long-term) as at December 31st, 2007 was Euro 123.1 million, a 9.6% reduction compared with December 31st, 2006. Net debt as at December 31st, 2007 was Euro 122.5 million, up by 7.3% on 2006. This was equivalent to a Net Debt / Adjusted EBITDA ratio of 3.2x. The decrease of the cash levels is due to current cash management policy of the Company since cash balances are being used to reduce a balance of the overdraft facility and subsequently the interest costs of the Company.

Subsequent changes in Profit and loss statement presentation

PEGAS has decided to change a presentation of its consolidated Profit and loss statement, starting from the publication of its 2007 consolidated audited financial results which will be published on April 30th, 2008. These changes are going to show operational performance of the Company excluding a financial component from its operating activities. The realized and unrealized foreign exchange gains and losses, changes in fair value of interest rate swaps, interest income and bank charges will no longer be presented in EBITDA and Profit from operations as a part of the item "Other operating income / (expense) net". As a result, the Company will no longer use items "Adjusted EBITDA" and "Adjusted EBIT" for the purpose of showing actual operational performance not affected by movements in foreign exchange and interest rates.

To allow for relevant year on year comparisons, the Company has recalculated 2006 results on a pro-forma basis, to include changes as if they were applied in 2006. The results in the table below are showing the differences in the presentations.

Euro ths.	**2006 Audited**	**2006 newly presented**	**Difference**
Revenue	120,941	120,941	--
Raw materials and consumables used	(73,739)	(73,739)	--
Staff cost	(5,111)	(5,111)	--
Other operating income/ (expense) net	11,172	(189)	(11,361)
EBITDA reported	**53,263**	**41,902**	**(11,361)**
Depreciation and amortization	(12,152)	(12,152)	--
EBIT reported	**41,111**	**29,750**	**(11,361)**
FX changes and other financial income (net)	--	10,748	10,748
Interest costs (net)	(18,805)	(18,192)	613
Income tax (expense) / income	(1,601)	(1,601)	--
Net Profit	**20,705**	**20,705**	**--**
Minority interest	(431)	(431)	--
Net Profit attributable to shareholders	**20,274**	**20,274**	--

Euro ths.	**2007 Unaudited**	**2007 newly presented**	**Difference**
Revenue	121,971	121,971	--
Raw materials and consumables used	(78,421)	(78,421)	--
Staff cost	(6,279)	(6,279)	--
Other operating income/ (expense) (net)	5,064	1,105	(3,959)
EBITDA reported	**42,335**	**38,376**	**(3,959)**
Depreciation and amortization	(12,333)	(12,333)	--
EBIT reported	**30,002**	**26,043**	**(3,959)**
FX changes and other financial income (net)	--	3,760	3,760
Interest costs (net)	(9,955)	(9,756)	199
Income tax (expense) / income	2,091	2,091	--
Net Profit	**22,138**	**22,138**	**--**

2007 Business Overview

The total production output (net of scrap) reached 57,464 tonnes in 2007, up by 6.1% when compared with 2006. Approximately 2 thousand tonnes, or 60% of the production increase on annual basis, was produced at the end of the year on the newly opened 8th production line and the rest resulted from a better utilization and higher efficiencies in the production process on the existing capacities.

Revenues from sales of nonwoven textiles for the hygiene industry represented a 86.0% share on total revenues in 2007, slightly down from the 88.8% share in 2006 confirming the concentration on the core hygiene market.

Revenues from sales of standard (commodity) textiles for hygiene products reached Euro 77.3 million, a decrease of 2.0% in comparison with the same period in 2006. The proportion of revenues from sales of commodity textiles for the hygiene industry represented a 63.4% share on total revenues, down from the 65.2% share in 2006.

The achieved revenues from technologically advanced products, such as soft, lightweight and bi-component materials, confirm the Company's concentration on this segment. The sales in this segment reached Euro 27.5 million, a 3.4% decline over 2006, however, in line with the previous statements of the Company, approximately one third of total sales in this segment in 2006 was related to an one-off contract with a customer overseas. Although in 2007 this cooperation did not continue, the missing volume was almost completely replaced by new projects and orders from other segments. 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 2007 amounted to 22.6%, compared with 23.6% in 2006.

Revenues from sales of non-hygiene products (for construction, agriculture and medicine) amounted to Euro 17.1 million in 2007, an increase of 26.3% over 2006.

In terms of geographical distribution, the Company confirmed its strong and growing position in its core European market. Sales to Western Europe amounted to Euro 71.4 million in 2007, up by 37.3% over the last year. Revenues from sales to CEE and Russia reached Euro 35.4 million, down by 1.4% yoy. The revenues from sales to other territories amounted to Euro 15.1 million, down by 54.2% yoy due to the one-off orders from other territories last year which were not repeated in line with the Company's expectations.

The present customer concentration of the Company reflects the situation in the hygiene market which is divided among a small number of producers, each having a substantial market share. In 2007 the largest customer accounted for 43 % of Company's total sales, compared with 53% share in 2006. Top five customers represented a 78% share on total revenues in 2007 (82% in 2006).

On November 8th, 2007, PEGAS officially opened the 8th production line at its production plant in Znojmo. The new machinery Reicofil 4 Special was designed to produce ultra-lightweight nonwoven textiles for hygiene industry and other applications. Depending on the final product mix, the new line will increase Company's annual capacity by 24% to 28% or 13 to 15 thousand tonnes.

In line with Company's strategic intentions to grow organically together with its core spunmelt nonwoven market, PEGAS has applied for investment incentives in connection with the 9th production line project. The application process is in its final stage. Total investment related to the new 9th line is estimated around Euro 45 million, subject to a final configuration of the line. In this respect, PEGAS established a new subsidiary PEGAS – NS a.s. in December 2007, which shall become the recipient of the investment incentives and will own the production equipment of the 9th line.

2008 Outlook

The Company's strategic focus in 2008 as well as in the upcoming years is to:

1) continue to strengthen its market position,
2) retain its technology leadership in the market for spunmelt nonwoven textiles for the disposable hygiene products in Europe, and
3) maintain superior financial performance.

PEGAS intends to achieve its objective principally through the following strategies:

Growing Production Capacities through Investments in Technologically Advanced Machinery: PEGAS will continue to install new advanced capacities ahead of its main European competitors. The Company has already commenced a project for the next 9th production line to be built in Znojmo and it is currently in the final stage of investment incentives application process. The Company will continue to work on the production process optimalization with emphasis on cost control and production output increase by improving efficiency of the existing lines.

Close Relationship with Customers and Suppliers: PEGAS intends to continue its cooperation with its clients, machinery manufacturers and raw material suppliers in order to remain at the forefront of technical developments in the industry and in order to supply its customers with the highest quality products and develop new materials.

Focus on Technologically Advanced Products: PEGAS remains the largest European manufacturer of bi-component spunmelt nonwovens and with extensive experience in the design and production of ultra lightweight materials. The 8th production line, which is fully capable to produce technologically advanced products, should gradually adjust its product mix during 2008 and increase proportion of sales of technologically advanced materials.

Maintain superior financial performance in the industry: In relation to its principle objective to grow in line with its core market, PEGAS strives to achieve excellent financial performance and superior margins compared with its competitors. Despite continuous market pressure on margins in the hygiene segment in Europe, PEGAS will further focus on minimizing costs and optimization of product mix in order to retain key customer relationship and partially mitigate margin erosion.

Monitoring investment opportunities: With respect to the expansion outside the Czech Republic, the Company will continue to monitor investment opportunities, which may lead to an acquisition or opening of production capacity in other territories.

2008 Guidance

In 2008 PEGAS expects total revenues to grow by 21% to 25%.

The 2008 revenue guidance is in line with the planned capacity increase of 24% to 28% annually and with the start of the 8^{th} production line which will first produce less demanding commodity materials. During the year, the product mix of the line will be gradually adjusted to the technologically advanced products.

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

Anticipated EBITDA in 2008 is based on an expected product mix and corresponding price levels which reflect recent and current developments in the nonwoven market. 2008 EBITDA will be negatively influenced by appreciation of CZK against Euro. The above mentioned EBITDA growth is forecasted based on an annual exchange rate of CZK/EUR 26. This planned level of the exchange rate has decreased EBITDA by approx. Euro 1.4 million yoy. Another factor negatively influencing expected PEGAS' results is an increase of electricity prices in the Czech Republic (approx. Euro 1.2 million yoy).

95% of the 2008 production capacity is sold and the remaining capacity should be filled preferably with current projects in cooperation with customers and by utilization of newest technologies. In 2008, PEGAS intends to establish a starting point for a further enlargement of product portfolio in 2009 and 2010 with the aim to mitigate pressure on prices.

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

Appendix 1

Consolidated Income Statement

prepared under International Financial Reporting Standards (IFRS)

For the year ended 31 December
(in thousands of Euro)

	2007 (unaudited)	**2006** (audited)
Revenue	121,971	120,941
Raw materials & consumables used	(78,421)	(73,739)
Staff costs	(6,279)	(5,111)
Other operating income / (expense) net	5,064	11,172
Of which FX changes and MtM revaluation of IRS	3,812	11,203
EBITDA	**42,335**	**53,263**
EBITDA margin %	***34.7%***	***44.0%***
Adjusted EBITDA	**38,523**	**42,060**
Adjusted EBITDA margin %	***31.6%***	***34.8%***
Depreciation	(12,333)	(12,152)
Profit from operations	**30,002**	**41,111**
Operating margin in %	***24.6%***	***34.0%***
Adjusted Profit from operations	**26,190**	**29,908**
Adjusted operating margin in %	***21.5%***	***24.7%***
Finance costs	(9,955)	(18,805)
Income tax (expense)/ income	2,091	(1,601)
Net profit	**22,138**	**20,705**
Minority interest	--	(431)
Net profit attributable to shareholders	**22,138**	**20,274**
Adjusted Net profit	**19,241**	**11,185**

Appendix 2

Consolidated Balance Sheet

prepared under International Financial Reporting Standards (IFRS)

As at 31 December
(in thousands of Euro)

	2007 (unaudited)	**2006** (audited)
Assets		
Non-current assets		
Property, plant and equipment	137,355	110,522
Intangible assets	196	102
Goodwill	87,157	84,384
Total non-current assets	**224,708**	**195,008**
Current assets		
Inventories	12,416	8,363
Trade and other receivables	26,244	23,640
Cash and cash equivalents	511	22,014
Total current assets	**39,171**	**54,017**
Total assets	**263,879**	**249,025**
Equity and Liabilities		
Share Capital and reserves		
Share capital	11,444	11,444
Share premium	33,997	41,011
Other reserves	1,120	**--**
Translation reserves	2,536	725
Retained Earnings	44,788	23,770
Total share capital and reserves	**93,885**	**76,950**
Non-current liabilities		
Bank loans	116,508	122,851
Other payables	101	275
Deferred tax liabilities	12,190	15,225
Total non-current liabilities	**128,799**	**138,351**
Current liabilities		
Trade and other payables	33,218	20,212
Tax liabilities	1,427	192
Bank current liabilities	6,550	13,320
Total current liabilities	**41,195**	**33,724**
Total liabilities	**169,994**	**172,075**
Total equity and liabilities	**263,879**	**249,025**

Appendix 3

Consolidated Cash Flow Statement

prepared under International Financial Reporting Standards (IFRS)

For the year ended 31 December
(in thousands of Euro)

	2007 (unaudited)	**2006** (audited)
Profit (loss) for the year / period before tax	**20,047**	**22,306**
Adjustment for:		
Amortization and depreciation	12,333	12,152
Foreign exchange gains	(1,529)	(6,894)
Interest expense	9,955	18,805
Fair value changes of interest rate swap	(36)	(1,869)
Other financial expense	(251)	(1,068)
Cash flows from operating activities		
Decrease / (increase) in inventories	(3,623)	259
Decrease / (increase) in receivables	(1,753)	2,013
Increase / (decrease) in payables	(3,462)	(1,484)
Income tax paid	(140)	(1,601)
Net cash from operating activities	**31,541**	**42,619**
Cash flows from investment activities		
Purchases of property, plant and equipment	(18,878)	(5,265)
Net cash used in investment activities	**(18,878)**	**(5,265)**
Cash flows from financing activities		
Increase / (decrease) in bank loans	(17,735)	(34,381)
Increase / (decrease) in long term debt	(174)	(28,104)
Issuance of share capital	--	40,513
Distribution of share premium account	(7,014)	--
Repayment of convertible debt	--	(1,460)
Interest paid	(9,490)	(18,801)
Other financial income	251	1,068
Net cash from (used in) financing activities	**(34,162)**	**(41,165)**
Net increase (decrease) in cash and cash equivalents	**(21,499)**	**(3,811)**
Cash and cash equivalents at the beginning of the period	22,014	27,034
Effect of exchange rate fluctuations on cash held	(4)	(1,209)
Cash and cash equivalents at 31 December	**511**	**22,014**