First quarter 2007 unaudited consolidated financial results

May 30th, 2007

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

„In the first quarter 2007, we continued in our strategy of growing our revenues and EBITDA, minimizing our costs and staying at the leading edge in innovation and technology in the nonwovens industry. The total consolidated revenues of the company increased by 6.1% compared with the same period in 2006 and EBITDA went up by 3.3% impacted by the higher production output.

The installation of the new production line is continuing in line with the schedule and we are fully confident that its opening and the commencement of its operation will happen according to plan. Among other projects which are related to our growth strategy, I would like to highlight the project of the 9th production line. In connection with this planned investment, we will enter into the application process for investment incentives. " commented Mr. 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 31.3 million (+6.1%)

Operating costs[1] without depreciation and amortization Euro 20.5 million (+ 7.6%)

EBITDA[2] Euro 8.1 million (-43.2%)

Adjusted EBITDA[3] Euro 10.9 million (+3.3%), adjusted EBITDA margin 34.7%

Foreign Exchange related loss including hedging[4] Euro 2.8 million

Depreciation and amortization Euro 3.0 million (-0.9%)

Profit from operations (EBIT) Euro 5.1 million (-54.8%)

Adjusted profit from operations (EBIT)[5] Euro 7.8 million (+ 5.0%)

Finance costs Euro 2.2 million (-44.5%)

Net Profit Euro 2.9 million (-54.5%)

Adjusted Net Profit[6] before non-cash FX changes and IRS adjustments Euro 5.5 million (+64.1%)

Net Debt[7] Euro 115.4 million (-36.4%)

Capital Expenditure into tangible assets Euro 3.6 million (+267.3%) – CAPEX/Revenues 11.5%

No. of employees 330 (+3.8%)

Production in tonnes net of scrap 13,757 (+4.1%)

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[1] Excluding realized and unrealized FX changes as of March 31st, 2007 and mark-to-market revaluation of interest rate swap.
[2] EBITDA include revenues for sold products, raw material and consumable used, staff costs and other operating income/(expense) (net), including realized and unrealized FX changes as of March 31st, 2007 and mark-to-market revaluation of interest rate swap.
[3] Adjusted EBITDA is including revenues for sold products, raw material and consumable used, staff costs and other operating income/ expense net and does not include realized and unrealized FX changes as of March 31, 2007 and mark-to-market revaluation of interest rate swap.
[4] Including realized FX changes and unrealized FX changes as of March 31st, 2007 and mark-to-market revaluation of interest rate swap
[5] Adjusted profit from operations (EBIT) does not include realized and unrealized FX changes as of March 31, 2007 and mark-to-market revaluation of interest rate swap
[6] Adjusted net profit is calculated as reported net profit excluding the impact of non cash FX changes as of March 31, 2007 and mark-to-market revaluation of interest rate swap, including the impact on income tax expense. Adjusted net profit is showing the actual operating performance of the Company.
[7] 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 31.3 million in the first quarter 2007, up by 6.1 % yoy. The key drivers of this growth were higher sales on the back of higher production.

Total consolidated operating costs excluding depreciation and amortization and after exclusion of realized and unrealized FX changes including hedging, went up by 7.6% yoy to Euro 20.5 million. The main reasons were higher volumes and also an increase in electricity prices.

Adjusted EBITDA amounted to Euro 10.9 million, up by 3.3 % yoy, which confirmed that the Company's strong operating performance has continued from previous periods. Adjusted EBITDA margin in the first quarter of 2007 was 34.7%, down by 0.9% in comparison with the same period in 2006. This decline in percentage margins was a direct result of higher operating costs.

Operating costs

Total raw materials and consumables used in 2007 amounted to Euro 19.1 million, a 6.3% increase on the first quarter 2007.

Total staff costs amounted to Euro 1.3 million in the first quarter 2007, a 10.1% yoy increase. However, total staff costs, denominated in Czech korunas, went up by only 7.9% yoy. The total number of employees at March 31st, 2007 was 330, up by 3.8 % yoy.

Other net operating income / (expense) amounted to Euro (2.7) million in the first quarter 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 at March 31st, 2007. **These FX changes had no cash impact on the Company.**

Depreciation and amortization

Consolidated depreciation and amortization reached Euro 3.0 million in the first quarter 2007, down by 0.9% yoy.

Profit from Operations

Adjusted profit from operations (EBIT) amounted to Euro 7.8 million, up by 5.0% when compared with the same period in 2006.

Finance Costs

Finance costs related to the debt servicing amounted Euro 2.2 million in the first quarter 2007, a significant decrease of 44.5% when compared with the first quarter 2006. This substantial decrease was related to the repayments of the most expensive debt in the course of 2006. The Company will focus on minimizing its finance costs even further in the upcoming periods.

Income tax

In the first quarter 2007, income tax represented a positive amount of Euro 13 thousand, compared to the income tax expense of Euro 757 thousands in the same period last year.

Net Profit and Adjusted Net Profit

Reported net profit in the first quarter 2007 amounted to Euro 2.9 million, down by 54.5% yoy, primarily due to changes in the Czech koruna/ Euro foreign exchange rate and its impact on the P&L due to the balance sheet recalculation. These foreign exchange adjustments had no cash impact on the Company.

Adjusted net profit in the first quarter 2007 amounted to Euro 5.5 million, an increase of 64.1% yoy. Adjusted net profit is calculated as reported net profit excluding the impact of non cash FX changes as of March 31, 2007 and mark-to-market revaluation of interest rate swap, including the impact on income tax expense. Adjusted net profit is showing the actual operating performance of the Company.

CAPEX and Investments

In the first quarter of 2007, total consolidated capital expenditure amounted to Euro 3.6 million, a 267.3% increase on the same period in 2006. Higher capital expenditure is related to the payments for the construction of the new eighth production line project. Such an increase in CAPEX in 2007 was anticipated and planned. CAPEX to Revenues ratio was therefore 11.5% in the first quarter 2007.

Cash and Indebtedness

Cash and cash equivalents reached Euro 20.9 million as of March 31st. 2007, down by 28.0% when compared with the same period last year**.** Total amount of the consolidated financial debt (both short-term and long-term) at March 31st, 2007 was Euro 136.3 million, a 35.3% reduction compared with March 31st, 2006. Net debt at 31st March, 2007 was therefore Euro 115.4 million, a 36.4% reduction compared with March 31st, 2006.

First quarter 2007 – Overview of business performance

The main business of PEGAS NONWOVENS SA group is the production of nonwoven textiles for the European disposable hygiene products market and final products such as babies' diapers and feminine hygiene and adult incontinence products.

The total production output (net of scrap) reached 13,757 tonnes in the first quarter 2007, up by 4.1% when compared with the same period in 2006. As in the 2006, the company managed to increase its production owing to a better utilization and higher efficiencies in the production process without the installation of new capacities. The increase in production resulted subsequently in higher revenues.

Revenues from sales of nonwoven textiles for the hygiene industry were 86.8% of total revenues in the first quarter 2007. This was similar to the proportion of revenues from sales to the hygiene industry in the same period in 2006 which was 88.0%.

Revenues from sales of standard textiles for hygiene products reached Euro 21.1 million, an increase of 5.8% in comparison with the same period in 2006. The proportion of revenues from sales of commodity textiles for the hygiene industry represented a 67.2% share on total revenues, almost unchanged from 67.4% in the same period in 2006.

Revenues from sales of specialty products, where the company focuses most, were Euro 6.13 million, up by 0.8% compared with the first quarter 2006. The proportion of specialties sales within total sales in the first quarter 2007 amounted to 19.6%. This development was anticipated by the company since some of the one-off orders for specialties from other territories, which contributed to the sales increased last year, were replaced, as planned, by a local production according to the agreement with the customers.

Revenues from sales of non-hygiene products (for construction, agriculture and medicine) amounted to Euro 4.2 million in the first quarter 2007, an increase of 16.6% over the first quarter 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 17.5 million in the first quarter 2007, up by 36.6% more than in the same period last year. The revenues from sales to CEE and Russia reached Euro 8.9 million, up by 5.6% yoy. The revenues from sales to other territories amounted to Euro 4.9 million, down by 40.7% yoy due to the one-off orders from other territories last year which were not repeated and this was fully planned and anticipated by the Company.

New 8th production line

The Company is delighted with the progress in constructing and installing the new eighth production line. The project continues on budget and on time. First commercial production is now expected in October 2007. Management is confident that all the extra capacity of the line (which represents a 28% increase for the Company) will be sold out in 2008.

New 9th production line

The Company has started work on its new 9th production line with an application to be made to the Czech government regarding investment incentives. This new line could enter service as early as 2009, a more specific timing to be yet decided.

2007 Outlook

In 2007, the main priorities for PEGAS NONWOVENS SA remain:

- To provide an excellent service to our customers according the contractual agreements in terms of quality and logistics,
- To maintain further high standards of production efficiency and its further improvements,
- To bring on new production line on time in the fourth quarter of 2007 and create conditions of its full utilization as of January 1st, 2008
- To move forward with technical development projects related to the development of materials with unique specification compared to the market

and with a potential to become specialty products which will prove attractive to customers, for example the nonwoven elastics;

- To develop conditions for a further growth of the Company through additional increase of production capacity thanks to the installation of the 9^{th} production line. This project includes among others the aim to obtain investment incentives related to the investment.

Appendix 1

In Euro thousands	PEGAS NONWOVENS SA	
CONSOLIDATED INCOME STATEMENT	**Q1 2006**	**Q1 2007**
Revenue	29,548	31,339
Raw materials & consumables	(18,013)	(19,139)
Staff costs	(1,211)	(1,333)
Other net operating income/(expense)	3,972	(2,748)
Of which FX gains and MtM revaluation of IRS	3,773	(2,752)
EBITDA	14,296	8,119
Adjusted EBITDA	10,523	10,871
Adjusted EBITDA margin %	*35.6%*	*34.7%*
Depreciation	(3,065)	(3,038)
Profit from operations	11,231	5,081
Adjusted Profit from operations	7,458	7,833
Adjusted operating margin in %	*25.2%*	*25.0%*
Finance costs	(3,954)	(2,195)
Income tax expense	(757)	13
Minority interest	(147)	0
Net profit	6,373	2,899
Adjusted Net Profit	3,327	5,461

Appendix 2

In Euro thousands	PEGAS NONWOVENS SA	
CONSOLIDATED BALANCE SHEET	**Q1 2006**	**Q1 2007**
Non-Current Assets	**193,174**	**193,210**
Intangible Assets	81,218	82,954
Property, plant and equipment	111,956	110,256
Current Assets	**63,870**	**54,520**
Inventories	7,131	6,698
Trade and other receivables	27,767	26,954
Bank balances and cash	28,972	20,868
Total Assets	**257,044**	**247,730**
Equity	**9,695**	**79,419**
Non-Current Liabilities	**212,151**	**138,310**
Bank loans due after 1 year	159,709	122,975
Deferred tax	15,085	15,060
Other payables	37,357	275
Current Liabilities	**35,198**	**30,001**
Bank overdrafts and loans	13,878	13,320
Trade and other payables	21,291	16,501
Tax liabilities	29	180
Total Equity and Liabilities	**257,044**	**247,730**

Appendix 3

In Euro thousands	PEGAS NONWOVENS SA	
CONSOLIDATED CASH FLOW STATEMENT	**Q1 2006**	**Q1 2007**
Profit before tax	7,349	2,886
Amortization/ Depreciation	3,065	3,038
Foreign Exchange	(3,864)	3,092
Interest expense	3,954	2,195
Change in inventories	1,491	1,665
Change in receivables	(4,065)	(3,299)
Change in payables	(966)	(4,939)
Income tax paid	(1,329)	(2)
Interest paid	(2,015)	(2,175)
Cash Generated from Operating Activities	**3,620**	**2,461**
Purchase of property, plant and equipment and intangible assets	(982)	(3,607)
Acquisition of subsidiary		
Net cash used in investing activities	**(982)**	**(3,607)**
Change in bank loans	(700)	0
Change in long term debt	0	0
Issuance of share capital	0	0
Issuance (repayment) of convertible debt	0	0
Net cash from financing activities	**(700)**	**0**
Bank balances and cash at the beginning of the year	**27,034**	**22,014**
Net increase/ (decrease) in cash and cash equivalents	1,938	(1,146)
Bank balances and cash at the beginning of the year	**28,972**	**20,868**