

Propex, Inc. has filed for bankruptcy protection...  
let's see how CreditRiskMonitor tracked this trend!

## Propex Inc.

6025 Lee Highway  
Suite 425

Phone: (423) 855-1466

Chattanooga, TN 37421 United States

**Filed for Bankruptcy on 1/18/2008**  
**Case #08-10249, filed in the U.S. Bankruptcy Court Eastern for the District of Tennessee (Chattanooga)**

### Latest Financial Statements as of 9/30/2007

#### Business Summary

Propex Inc., formerly known as Propex Fabrics Inc., is an independent manufacturer and marketer of both primary and secondary carpet backing. The Company is a producer of woven, non-woven and stitch-bonded fabrics and fibers used in furniture and bedding, automotive, geosynthetics, industrial applications and concrete reinforcement. Its synthetic and steel fibers provide secondary reinforcement and help to minimize concrete cracking in various applications and its geosynthetic fabrics improve the service life of roadways and drainage systems, minimize erosion and provide protection from stormwater sediment run-off. Propex Inc. engineers fabrics that are used for specialty packaging, liquid filtration, protective membranes, as well as recreational and agricultural applications. On April 3, 2006, the Company completed the sale of its Roanoke, Alabama carpet-backing manufacturing facility to Aladdin Manufacturing Corporation.

Employees: 3,200 (as of 12/31/2006)

Federal Tax Id: 362692811

#### Credit Scores

**FRISK2 Score** **2** 1/22/2008  
**Probability of default range: 14.1% - 21.0%**

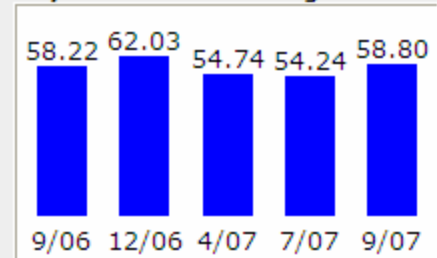
#### Auditor Information

Last Audit: 12/31/2006  
Auditors: Ernst & Young LLP  
Opinion: **Unqualified**

#### Agency Credit Ratings

Rating Agency	Long Term Rating	Outlook	Short Term Rating	Watch
<b>Moody's</b>	Caa2	Rating(s) Under Review	SGL-4	ON
<b>S&amp;P</b>	D	NM		NM

#### Days Sales Outstanding



#### Third Quarter and Year-to-Date Results

Sales for the 3 months ended 9/30/2007 decreased 7.81% to \$179.40 million from last year's comparable period amount of \$194.60 million. Sales for the 9 months ended 9/30/2007 decreased 12.42% to \$517.80 million from \$591.20 million for the same period last year.

Gross profit margin decreased 31.49% for the period to 23.50 million (13.10% of revenues) from \$34.30 million (17.63% of revenues) for the same period last year. Gross profit margin decreased 17.41% for the year-to-date period to \$84.90 million (16.40% of revenues) from \$102.80 million (17.39% of revenues) for the comparable 9 month period last year.

Selling, general and administrative expenses for the period decreased 18.82% to \$22.00 million compared with \$27.10 million for the same period last year. Selling, general and administrative expenses for the 9 months ended 9/30/2007 decreased 10.42% to \$70.50 million from \$78.70 million for the same period last year.

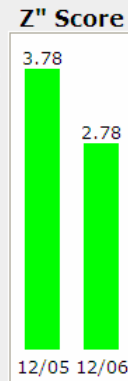
Operating income for the period decreased 2,542.86% to (\$18.50) million compared with operating income of

**CreditRiskMonitor**

(845) 230-3021  
info@crmz.com

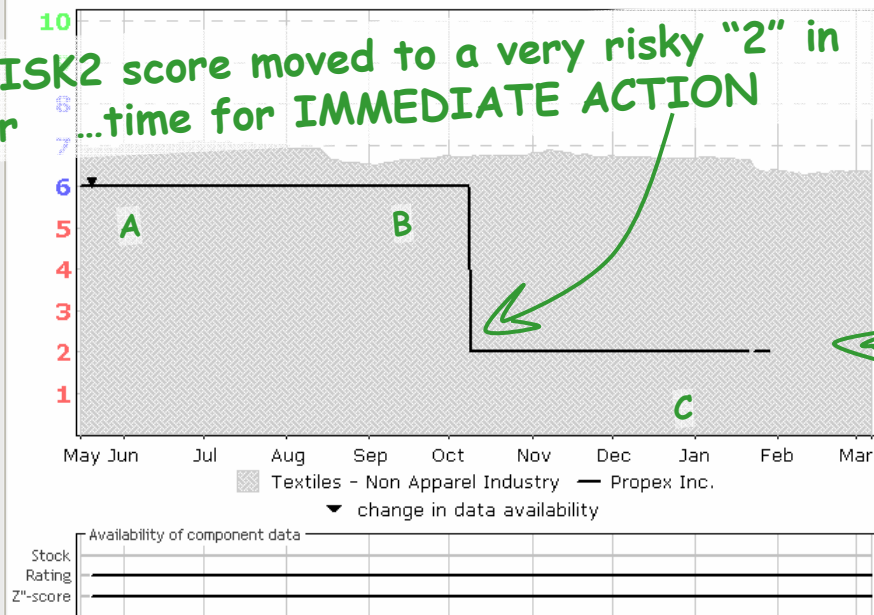
The Altman Z" could not be computed in 2007 (because the company only reports Retained Earnings once a year)...

**LEGEND:**  
 Financially sound: 2.60 or higher  
 Neutral: 1.10 to 2.60  
 Fiscal danger: less than 1.10



The most recent FRISK2 score is 2 (probability of default\* 14.1% - 21.0%), below its 8-month average and below its industry average.

The FRISK2 score moved to a very risky "2" in October ...time for IMMEDIATE ACTION



Financial reports are filed periodically, but the FRISK2 is daily

**FRISK2 Score** - A score indicating the probability of default for a company over a 12 month horizon, based on new daily information in the CRMZ database, as calculated by a proprietary statistical model created by Dr. Camilo Gomez, and back-tested on 10,000 companies. (see **Financial Risk (FRISK2) Score**). Historical FRISK2 scores shown above may have been updated, based on new information or improvements to the model, more recently than the dates shown.

The FRISK2 score is reported on a 1 to 10 scale:

	FRISK2	Probability of default within 12 months	
		From	To
Best	10	0%	0.3%
	9	0.3%	0.4%
	8	0.4%	0.9%
	7	0.9%	1.9%
	6	1.9%	3.7%
	5	3.7%	7.4%
	4	7.4%	10.1%
	3	10.1%	14.1%
	2	14.1%	21.0%
Worst	1	21.0%	50.0%

Want an automatic alert when this is happening?

Try our Credit Limit Service.

**CreditRiskMonitor**

(845) 230-3021  
 info@crmz.com

... plus, look at the news alerts you would have seen...  
(each of these headlines would link to a full news item)

Not  
compliant  
with credit  
agreement

Bankrupt

#	Date	Source	Headline
3	1/18/2008	PR Newswire	<a href="#">Propex Inc. Seeks Chapter 11 Protection to Enable Restructuring</a>
4	1/15/2008	CRM News Service	<a href="#">Propex Inc. -- updated Moody's rating available</a>
5	1/14/2008	Moody's Investors Service	<a href="#">Moody's downgrades Propex; CFR to Caa2, sr. unsecured to Caa3; places on review for further downgrade</a>
6	1/8/2008	CRM News Service	<a href="#">Propex Inc. -- updated S&amp;P ratings available</a>
7	1/14/2007	CRM News Service	<a href="#">Propex Inc. -- updated financials available</a>
8	11/9/2007	CRM News Service	<a href="#">PROPEX INC. FILES (8-K) Disclosing Results of Operations and Financial Condition</a>
9	11/9/2007	CRM News Service	<a href="#">Propex Inc.: a Form 10-Q has been Filed with the SEC</a>
10	11/1/2007	CRM News Service	<a href="#">PROPEX INC. FILES (8-K) Disclosing Other Events, Financial Statements and Exhibits</a>
11	11/1/2007	PR Newswire	<a href="#">Propex Announces Cash on Hand for Operations of \$58.4 Million</a>
12	10/26/2007	CRM News Service	<a href="#">PROPEX INC. FILES (8-K) Disclosing Entry into a Material Definitive Agreement, Other Events, Financial Statements and Exhibits</a>
13	10/9/2007	CRM News Service	<a href="#">Propex Inc. -- updated Moody's rating available</a>
14	10/8/2007	Moody's Investors Service	<a href="#">Moody's downgrades the long-term ratings of Propex</a>
15	10/8/2007	CRM News Service	<a href="#">Propex Inc. -- updated S&amp;P ratings available</a>
16	10/5/2007	CRM News Service	<a href="#">PROPEX INC. FILES (8-K) Disclosing Other Events</a>
17	9/28/2007	CRM News Service	<a href="#">PROPEX INC. FILES (8-K) Disclosing Change in Directors or Principal Officers</a>
18	9/1/2007	CRM News Service	<a href="#">Propex Inc. -- updated financials available</a>
19	8/7/2007	CRM News Service	<a href="#">PROPEX INC. FILES (8-K) Disclosing Results of Operations and Financial Condition</a>
20	8/7/2007	CRM News Service	<a href="#">Propex Inc.: a Form 10-Q has been Filed with the SEC</a>
21	6/2/2007	CRM News Service	<a href="#">Propex Inc. -- updated financials available</a>
22	5/9/2007	CRM News Service	<a href="#">PROPEX INC. FILES (8-K) Disclosing Results of Operations and Financial Condition</a>
23	5/9/2007	CRM News Service	<a href="#">Propex Inc.: a Form 10-Q has been Filed with the SEC</a>
24	4/26/2007	CRM News Service	<a href="#">Propex Inc. -- updated financials available</a>
25	4/18/2007	CRM News Service	<a href="#">PROPEX INC. FILES (8-K) Disclosing Change in Directors or Principal Officers, Financial Statements and Exhibits</a>

COO  
terminated

Downgrades  
and credit  
watch notices

11/2007 bad accounting news:  
Revenue down, losses from \$19MM charge for  
goodwill/real estate assets impairment and \$32MM+  
write-off of deferred tax asset caused \$238MM of  
borrowings to be reclassified as current debt

**CreditRiskMonitor**

(845) 230-3021  
info@crmz.com

... need more depth? Look at the Leverage Ratios...  
shrinking Shareholders' Equity, huge increase in Short-Term Debt (see previous page)...

### Leverage Ratios - Sequential Quarters

(Thousands of U.S. Dollars )

Period Ended	3 mos 9/30/2007	3 mos 7/1/2007	3 mos 4/1/2007	3 mos 12/31/2006	3 mos 9/30/2006
<b>Total debt \$</b>	<b>\$388,700</b>	<b>\$367,200</b>	<b>\$374,100</b>	<b>\$394,800</b>	<b>\$401,800</b>
% change	5.86%	-1.84%	-5.24%	-1.74%	0.95%
<b>Stockholders' equity \$</b>	<b>\$58,300</b>	<b>\$114,400</b>	<b>\$109,800</b>	<b>\$111,200</b>	<b>\$114,400</b>
% change	-49.04%	4.19%	-1.26%	-2.80%	-4.43%
<b>Total debt to equity ratio</b>	<b>6.67</b>	<b>3.21</b>	<b>3.41</b>	<b>3.55</b>	<b>3.51</b>
% change	107.72%	-5.79%	-4.03%	1.09%	5.63%
<b>Tangible net worth \$</b>	<b>\$24,800</b>	<b>\$47,300</b>	<b>\$40,700</b>	<b>\$39,600</b>	<b>\$41,400</b>
% change	-47.57%	16.22%	2.78%	-4.35%	-10.00%
<b>Total debt to tangible net worth</b>	<b>15.67</b>	<b>7.76</b>	<b>9.19</b>	<b>9.97</b>	<b>9.71</b>
% change	101.89%	-15.54%	-7.80%	2.72%	12.17%
<b>Total assets \$</b>	<b>\$585,700</b>	<b>\$623,600</b>	<b>\$615,200</b>	<b>\$610,300</b>	<b>\$683,200</b>
% change	-6.08%	1.37%	0.80%	-10.67%	-0.09%
<b>Total debt to assets ratio</b>	<b>0.66</b>	<b>0.59</b>	<b>0.61</b>	<b>0.65</b>	<b>0.59</b>
% change	12.70%	-3.17%	-6.00%	9.99%	1.04%
<b>Net tangible assets \$</b>	<b>\$552,200</b>	<b>\$556,500</b>	<b>\$546,100</b>	<b>\$538,700</b>	<b>\$610,200</b>
% change	-0.77%	1.90%	1.37%	-11.72%	0.02%
<b>Short-term debt \$</b>	<b>\$238,700</b>	<b>\$15,100</b>	<b>\$19,200</b>	<b>\$37,000</b>	<b>\$21,900</b>
% change	1480.79%	-21.35%	-48.11%	68.95%	46.00%
<b>Short-term debt % of total debt</b>	<b>61.41%</b>	<b>4.11%</b>	<b>5.13%</b>	<b>9.37%</b>	<b>5.45%</b>
% change	1393.36%	-19.88%	-45.24%	71.95%	44.62%
<b>Short-term debt % of working capital</b>	<b>-1850.39%</b>	<b>7.83%</b>	<b>10.19%</b>	<b>19.56%</b>	<b>10.56%</b>
% change	-23738.40%	-23.19%	-47.89%	85.20%	53.25%
<b>Total liabilities \$</b>	<b>\$527,400</b>	<b>\$509,200</b>	<b>\$505,400</b>	<b>\$499,100</b>	<b>\$568,800</b>
% change	3.57%	0.75%	1.26%	-12.25%	0.83%
<b>Total liabilities to equity ratio</b>	<b>9.05</b>	<b>4.45</b>	<b>4.60</b>	<b>4.49</b>	<b>4.97</b>
% change	103.24%	-3.30%	2.55%	-9.73%	5.50%
<b>Total liabilities to tangible net worth ratio</b>	<b>21.27</b>	<b>10.77</b>	<b>12.42</b>	<b>12.60</b>	<b>13.74</b>
% change	97.54%	-13.31%	-1.47%	-8.27%	12.04%
Source:	10-Q 11/9/2007	10-Q 8/7/2007	10-Q 8/7/2007	10-K 4/2/2007	10-Q 11/14/2006

**CreditRiskMonitor**

(845) 230-3021  
info@crmz.com