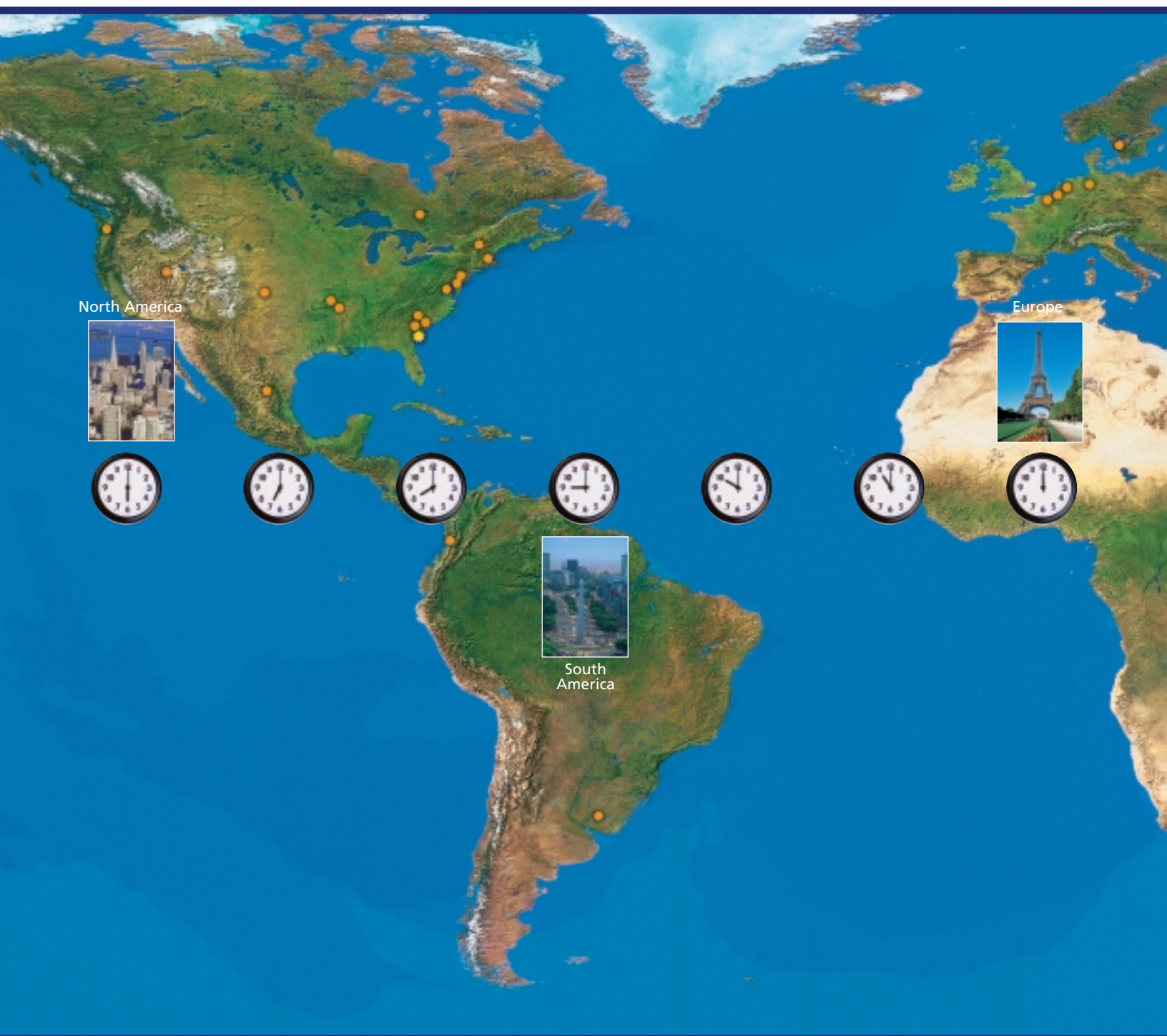


Polymer Group, Inc.

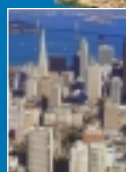


2000
ANNUAL REPORT

Global presence



North America



Europe



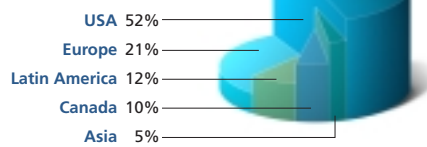
South
America



Table of Contents

Financial Highlights	2
Year 2000 in Review	3
Letter to Shareholders	4
Consumer Segment Overview	6
Industrial & Specialty Segment Overview	8
APEX® Segment Overview	10
Financials	12

2000 Sales by Geographic Area



Corporate profile

Polymer Group, Inc. (PGI) is a global, technology-driven developer, manufacturer, and marketer of engineered materials and products. With 25 manufacturing facilities in 11 countries on four continents, the Company is a leading supplier to global consumer and industrial product manufacturers. PGI is the exclusive manufacturer of Miratec® fabrics, produced using the Company's advanced proprietary APEX® laser technologies. The Company believes that APEX® has the potential to replace traditionally woven and knit textiles in a wide range of applications. With more than 4,000 employees, PGI provides a vast array of engineered materials and products that are used by consumers around the world.

Manufacturing Locations

- North Little Rock, Arkansas (2)
- Rogers, Arkansas
- Gainesville, Georgia
- Kingman, Kansas
- Clackamas, Oregon
- Landisville, New Jersey
- Albany, New York
- Benson, North Carolina
- Mooresville, North Carolina (2)
- Clearfield, Utah
- Waynesboro, Virginia
- Magog, Canada
- North Bay, Canada



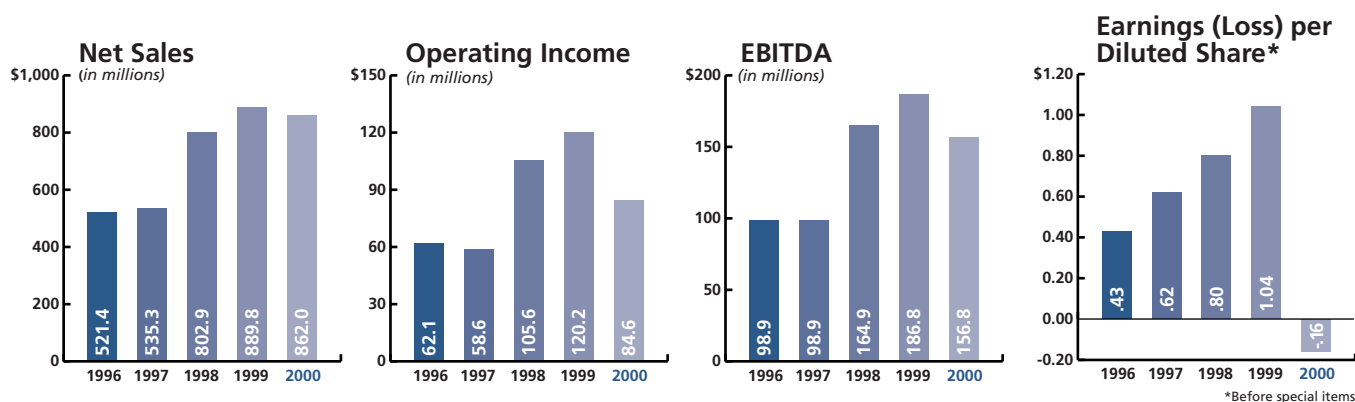
- San Luis Potosi, Mexico
- Buenos Aires, Argentina (Joint Venture)
- Cali, Colombia
- Bailleul, France
- Cuijk, Netherlands
- Tilburg, Netherlands
- Neunkirchen, Germany
- Mölnlycke, Sweden
- Istanbul, Turkey (Joint Venture)
- Guangzhou, China (Joint Venture)

Corporate headquarters

- ★ North Charleston, South Carolina

Financial summary

Financial Summary (Dollar Amounts in Thousands)		2000	1999	1998
Net Sales		\$ 862,035	\$ 889,795	\$ 802,948
Gross Profit		192,023	239,610	203,054
Operating Income		84,563	120,225	105,555
EBITDA ¹		156,828	186,771	164,880
Earnings (Loss) before Special Items ²		(5,064)	33,440	25,519
Total Assets		1,507,994	1,466,246	1,282,967
Net Debt ³		1,025,561	930,797	808,191
Research and Development		18,913	17,196	13,227
Capital Expenditures ⁴		86,022	189,996	90,096
Shareholders' Equity		226,235	242,284	220,125
Per Share Data		2000	1999	1998
Earnings (Loss) per Share	- Basic	(.14)	\$ 1.05	\$.62
	- Diluted	(.13)	1.04	.62
Earnings (Loss) per Share (before Special Items) ²	- Basic	(.16)	1.05	.80
	- Diluted	(.16)	1.04	.80
Book Value per Share		7.07	7.57	6.88



¹Earnings before interest, taxes, depreciation, and amortization.

²Special items represent after-tax cost of transitional items associated with the acquisition of Dominion Textile, Inc., extraordinary items, and accounting change.

³Total debt less cash and equivalents and short-term investments.

⁴Includes assets purchased for Chinese joint venture.

The Year 2000 *in Review*



NORTH AMERICA

After a record year in 1999, PGI was challenged by a number of external factors which first surfaced in early 2000 and intensified in the last half of the year. This resulted in a disappointing year for PGI:

- The Company experienced an unprecedented increase in raw material prices, with some inputs increasing more than 100%. While historically, PGI has been successful in passing through both increases and decreases in raw material prices to its customers, the speed and magnitude of the raw material price increases were far greater than the market would accept. As a result, PGI had to absorb a substantial portion of the increases or choose to forego business—thus reducing sales and depressing margins.
- Orders for certain high margin consumer products were curtailed by some of PGI's customers. Early in the year, certain customers scaled-back orders for some of PGI's newest and higher margin products, resulting in reduced sales. Furthermore, the order reduction resulted in lower margins due to both an unfavorable mix variance and higher manufacturing costs as several plants began running lower margin products to fill sub-optimized capacity.
- The market price for spunmelt products deteriorated rapidly as new lines were added, leading to industry-wide over capacity. A number of PGI's competitors added spunmelt capacity in 2000, resulting in excess supply in the market, which led to reduced prices. The reduction in market prices, coupled with increased raw material costs, severely impacted PGI's operating margins on these products.
- Interest expenses increased due to rate increases in the economy while PGI's under-performance also resulted in increased borrowing costs. PGI, along with all companies with floating rate debt, experienced substantial rate increases in 2000. PGI also experienced additional increases in interest expense due to generally higher levels of debt.
- Exchange rates (primarily the Euro) weakened against the dollar, resulting in an unfavorable translation when sales and earnings in foreign countries were converted into U.S. Dollars. During 2000, the average exchange rate between the Euro and the U.S. Dollar declined 13%.
- The ramp-up of PGI's new APEX® lines resulted in substantial planned start-up costs. These budgeted expenses were as much as \$5 million per quarter. The ramp-up and qualification of the new lines took longer than originally anticipated, resulting in the expenses being unabsorbed for a longer period of time. Start-up expenses included additional customer support, product development, manufacturing personnel, depreciation expenses, and costs for trial and qualification runs.



As day breaks in North America, households begin their day using a wide array of PGI products. From baby diapers and facial wipes to home furnishings and dryer sheets, PGI's materials are found in countless households. PGI is also a major supplier of industrial and specialty products for end-use applications ranging from automotive interiors and filtration media to agricultural fabrics and construction materials. PGI's North American manufacturing facilities are located in Canada, the United States, and Mexico.

President's message



Dear fellow shareholders

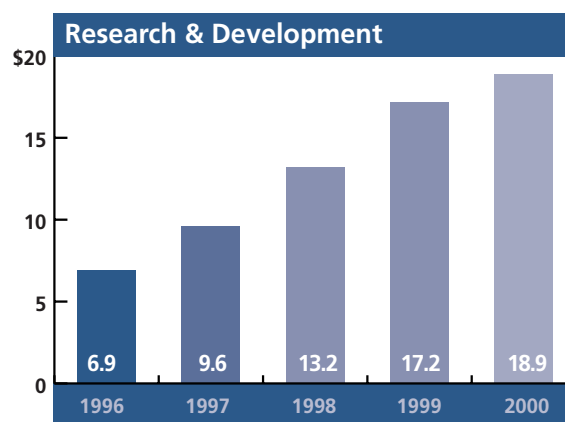
2000 was a difficult year for PGI and as we write this letter, 2001 is also taking shape to be very difficult for your company. As you have already read in this report, PGI experienced a number of business conditions which materially affected results in 2000 and which will persist well into 2001. We want to stress to you that we are doing everything possible to return PGI to profitability and return the Company to the growth pattern to which you have become accustomed.

Our long-term strategies of geographic expansion, product differentiation driven by focused research & development, and investing in innovative technologies remain at the core of our corporate vision.

In fiscal year 2000, even in the face of a protracted deterioration in business conditions, we invested approximately \$19 million in R&D spending. The temptation to

reduce spending in research and development in order to improve our 2000 year results was intense - but it would have been the wrong decision. Instead, we chose to accelerate R&D spending in order to further differentiate our capabilities and our future product offerings from our competitors.

The difficult business conditions experienced in 2000 confirmed our view that only through innovation will we be successful in the long run. We believe our investments today will position us for the future, and we know that we must make every effort to differentiate our products from our competitors.

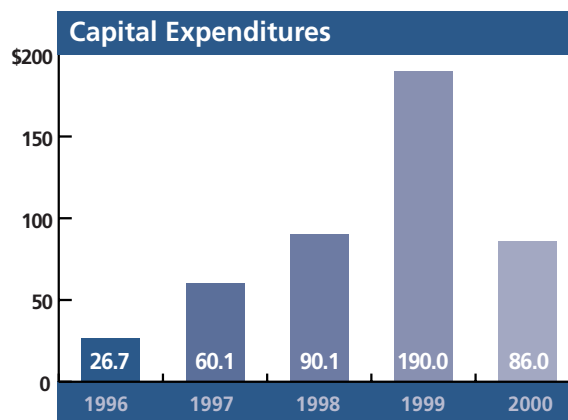


Our capital spending program was dramatically reduced in 2000 in order to allow the Company to digest the record \$190 million in capital expenditures invested in 1999. Furthermore, the business conditions in effect in 2000 did not warrant greater capital expenditures. As we enter 2001, we have made commitments to substantially reduce capital expenditures this year in order to conserve the Company's financial resources. We do not anticipate any additional major capital expenditures until both business conditions and PGI's financial condition improve.

“APEX[®]
technology
has the potential to
revolutionize ”
the textile industry

In fiscal 2000, we completed the successful installation of two new APEX[®] lines at the North Little Rock facility. While these new lines were installed essentially on schedule, the subsequent ramp-up and commercialization was slower than we had originally anticipated due to a number of factors. These unfortunate delays had a major impact on the Company's financial performance as these new lines are by far the largest lines in the PGI system and offer tremendous potential. The factors that caused the unexpected delays range from longer than expected qualification times to extended order cycles. Furthermore, we underestimated certain business practices in new markets and experienced customer specific issues. Our decision to install these new lines was based on our belief that APEX[®] technology has the potential to revolutionize the textile industry - and we are now more convinced than ever that the potential is real!

In 2000, a number of new APEX[®] / Miratec[®] programs were commercialized including Nike, Inc.'s Stand-off running shirt, Arden Mills' outdoor furnishings which are branded with the Miratec[®] label and available nationally at K-Mart, and WestPoint Stevens' stretch and recovery material to name just a few.



In closing, we would like to express our appreciation to our customers and stakeholders for their continued support and our shareholders for their confidence and trust. We would also like to express our sincere appreciation to our employees for their dedication and ongoing commitment to excellence. With their continued support, we look forward to returning PGI to growth and profitability as quickly as possible.

Jerry Zucker
Chairman, President, and
Chief Executive Officer

James G. Boyd
Executive Vice President and
Chief Financial Officer

Consumer products



As one of the world's largest suppliers of nonwoven fabrics and engineered materials to leading consumer products companies, Polymer Group's products are found in a wide array of consumer applications used throughout the world.

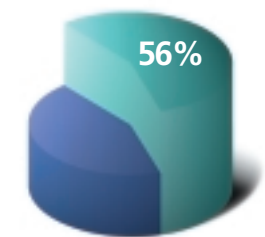
PGI's materials are used in consumer products from baby diapers and training pants to consumer wipes and medical fabrics - from feminine hygiene and adult incontinence products, to surgical apparel and wound care fabrics, to beauty care and cleaning wipes. Products made from PGI materials are used on a daily basis by millions of consumers around the globe.

Many of the world's leading consumer products companies rely on PGI to supply them with consistently high-quality products. Companies such as Johnson & Johnson, Procter & Gamble, WestPoint Stevens,

Unilever, and Clorox are examples of companies who count on PGI to provide them with a wide variety of materials.

The global market for consumer materials produced by PGI is expected to grow over the coming years as a result of two primary factors: (i) the continued introduction of innovative new products designed to facilitate everyday life, and (ii) increased use of disposable consumer products in developing regions of the world.

Examples of innovative new products include everything from electrostatically charged cleaning wipes to facial cleansing pads which incorporate both exfoliating and cleansing surfaces. In both instances, these products, along with countless other new products, provide a time-saving convenience for busy consumers. With the broadest range of nonwovens technologies in the industry and extensive research and development capabilities, many of the world's leading consumer products companies are partnering with PGI to accelerate the introduction of both next generation and new-to-the-world consumer products.



2000 Consumer Market Segment



SOUTH AMERICA



The second primary driver for growth is the increased use of disposable consumer products in the developing regions of the world where the penetration level is still very low. As per-capita incomes increase, demand for consumer products made from PGI materials is also expected to increase. In many instances, the increase in demand may far outpace the increase in per-capita

“Many of the world’s
leading
consumer products
companies
rely on *PGI*”

incomes. As consumers in many developing markets become accustomed to using products such as disposable baby diapers made from PGI materials, they realize the same benefits that consumers in more developed regions have appreciated for many years. PGI’s global presence provides the Company the opportunity to seamlessly supply local and regional customers as well as leading global consumer products companies around the world.

As a leading global supplier of medical fabrics, PGI’s products can be found in rapidly expanding markets in South America. Medical professionals count on PGI to provide the highest quality medical materials used in products ranging from wound care to disposable surgical apparel. PGI’s South American manufacturing facilities are located in Argentina and Colombia.

Industrial & Specialty products

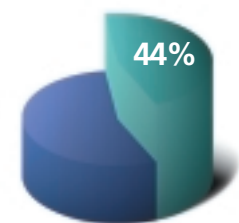
As a leading supplier of industrial and specialty fabrics around the world, PGI's materials can be found in such diverse applications as North American industrial packaging products to automotive wipes used in South American car manufacturing facilities – from synthetic leather products in Asia to filtration products in Europe. In short, PGI's industrial and specialty materials can be found in a wide variety of products around the world.

With the broadest range of technologies in the nonwovens industry and a leading position in the



North American oriented polymers market, PGI is capable of providing customers with highly engineered products that meet exacting standards. PGI's industrial and specialty materials are used in such critical applications as firefighter protective apparel used by fire departments throughout North America to fiber-optic cablewrap which is used by a number of the world's leading fiber-optic companies.

Major markets in which PGI competes include filtration media, cablewrap, concrete reinforcement fiber, clean room protective apparel, housewrap, battery separators, lumber and steel wrap, fiberglass compression sheeting, agricultural fabric, packaging material as well as fire retardant fabrics and many more. During 2000, PGI launched a number of new products and announced a strategic partnership with



2000 Industrial & Specialty Market Segment



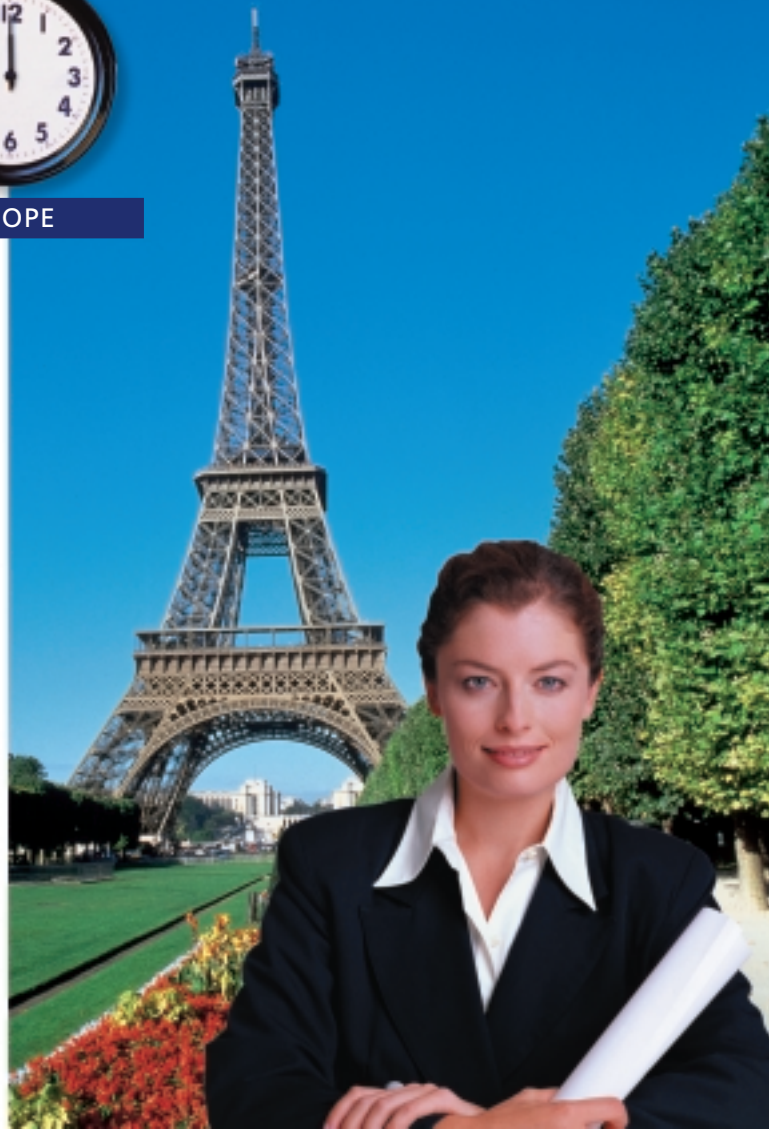
EUROPE

Johnson Controls, a major automotive supplier, to produce materials for automotive interiors.

As the Industrial and Specialty segment consists of many different end product markets, the growth rate in each market varies. PGI competes predominantly in market categories in which the Company maintains a

“PGI holds
a
leading market position
in many of the
industrial
and
specialty markets
in which it competes”

competitive advantage and can offer extensive value through the application of its highly developed technologies and innovative product offerings. PGI holds a leading market position in many of the industrial and specialty markets in which it competes. The Company's strategy is to continue to focus on innovation within this segment and expand its presence in existing markets while entering new categories that provide opportunities for continued growth.



With the broadest range of technologies in the nonwovens industry, PGI's industrial and specialty products can be found in a wide array of applications throughout Europe. From filtration media to packaging, PGI's materials are designed to meet the most stringent technological specifications. PGI's European manufacturing facilities are located in France, Germany, The Netherlands, Sweden, and Turkey.

APEX[®]

fabrics



PGI's APEX[®] technology, which is used to produce the Company's proprietary family of Miratec[®] fabrics, provides a fundamentally new way to manufacture materials that have the appearance and characteristics of essentially any fabric. The Company believes that Miratec[®] has the potential to displace woven and knit textiles in a broad array of end-use applications. Miratec[®] fabrics can be found in applications ranging from automotive interiors and home furnishings, to apparel and synthetic leather, to outdoor furnishings and durable medical products.

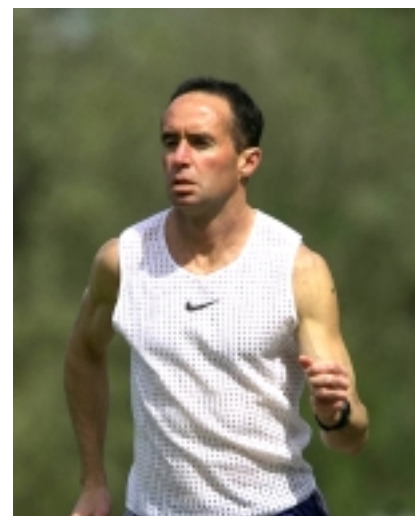
Miratec[®] fabrics can have virtually the same characteristics of traditionally woven or knit textiles, but they are produced in a single-step process which reduces production time and cost.

Miratec[®] fabrics can look and feel like no other textile product in the world. PGI's proprietary APEX[®] technology produces fabrics which can have unique characteristics which cannot be matched through traditional processes.

APEX[®] includes a patent-protected, state-of-the-art structural forming process that employs proprietary advanced laser imaging, material fabrication, and finishing technologies. APEX[®] is characterized by lower labor intensity and substantially higher production speeds (measured in hundreds of feet per minute versus traditional inches per minute) than traditional weaving and knitting processes. APEX[®] technology requires a lower level of capital intensity per unit of output as

APEX[®] generates substantially higher volumes for each dollar of capital invested. Furthermore, as a one-step process, the manufacturing location can be substantially smaller than with a traditional process. The fiber-to-finished fabric process accepts a variety of design inputs, from scanned images to complex mathematical algorithms, for significant design flexibility. Miratec[®] fabrics can be produced from virtually any fiber, fiber blend, or film, and can be dyed, printed, textured, coated, or laminated.

During 2000, PGI announced new APEX[®] contracts with such companies as Johnson Controls for automotive interiors, Nike, Inc. for a specially designed long-distance running shirt and began commercial production of Miratec[®] fabric for Arden Companies for outdoor patio furniture cushions. The Nike relationship highlights the unique aspects of APEX[®] technology as it demonstrates the vast design



"Alberto Salazar, 3-time New York City Marathon champion, training in the Nike Stand-off Distance Singlet."



ASIA

flexibility that can be used with Miratec® fabrics. Nike and PGI designed a new-to-the-world product that would be essentially impossible to create using traditional woven technologies. PGI developed the highly engineered fabric that met all of the technical specifications while using recycled materials in order to meet Nike's stringent environmental standards.

“Nike *and* PGI designed a new-to-the-world product”

PGI continues to invest in research and development to identify and commercialize new products using APEX®. The Company is also committed to developing strategic partnerships to introduce innovative fabrics and engineered materials in a number of end-uses all over the world. In addition to Miratec®, the Company is working with a number of partners in many different industries, which are outside both the traditional textile and nonwovens arenas, to develop engineered materials using APEX®. PGI is developing materials using APEX® which are new to all regions of the world.



As the largest developing region in the world, Asia has become an increasingly important market for leading consumer and industrial product manufacturers. PGI's world-class facility in China is capable of supplying these customers with the highest quality products for this rapidly growing region. PGI has also successfully introduced a number of Miratec® products into the Asian market for such end-use applications as synthetic leather and designer apparel.

Financial section



Board of Directors



James G. Boyd
Executive Vice President,
Treasurer and Chief
Financial Officer
Polymer Group, Inc.
Charleston, SC
Age: 56; Director since 1992.



Duncan M. O'Brien, Jr.^{1,3}
President
Crescendo Capital Partners
(Investment bank)
Kansas City, MO
Age: 41; Director since 1998.



Bruce V. Rauner^{1,2,3}
Principal GTCR, Inc. and GTCR
Golder Rauner, L.L.C.
(Private investment firm)
Chicago, IL
Age: 45; Director since 1992.



David A. Donnini^{1,2,3}
Principal GTCR, Inc. and GTCR
Golder Rauner, L.L.C.
(Private investment firm)
Chicago, IL
Age: 35; Director since 1992.



L. Glenn Orr, Jr.¹
Retired Chairman, President
and Chief Executive Officer
Southern National Corporation
(Bank holding company)
Winston-Salem, NC
Age: 60; Director since 1997.



Jerry Zucker
Chairman, President and
Chief Executive Officer
Polymer Group, Inc.
Charleston, SC
Age: 51; Director since 1992.

^{*1} Compensation Committee
^{*2} Stock Option Committee
^{*3} Audit Committee

Officers

Jerry Zucker
Chairman, President and
Chief Executive Officer
Age: 51

James G. Boyd
Executive Vice President,
Treasurer and Chief
Financial Officer
Age: 56

James L. Schaeffer
Executive Vice President and
President & Chief Operating
Officer—Nonwovens Division
Age: 50

S. Grant Reeves
Vice President and
Chief Operating Officer –
Oriented Polymers Division
Age: 45

Thomas E. Phillips
Senior Vice President,
Nonwovens Division
Age: 51

Richard L. Ferencz
Group Vice President,
Asia and Engineering
Age: 56

Peter C. Bourgeois
Group Vice President
and General Manager—
Fabrene/DIFCO
Age: 57

Joann E. Salek
Group Vice President
Age: 49

Rolf Altdorf
Vice President, Europe,
Middle East, and Africa
Age: 47

Fernando Espinosa
Vice President, Latin
America
Age: 57

Brice Sweatt
Vice President, Finance
Age: 36

Jay Tiedemann
Vice President,
Human Resources, Risk
Management, and
Administration
Age: 36

Robert Johnston
Vice President, Strategic Planning
and Investor Relations
Age: 36

Annual Meeting

The Annual Meeting of Shareholders will be held on June 1, 2001 at 11:00 a.m. at the Harbour Club 35 Prioleau Street Charleston, SC 29401

PGI Trademarks Appearing in Report

APEX[®] • Chix[®] • Miraguard[™]
Miratec[®] • Microban[®] • Quix[®]
Stretch'n Dust[®]

Transfer Agent

First Union Corporation
Corporate Trust Client Services
1525 West W.T. Harris Blvd. - 3C3
Charlotte, North Carolina
28288-1153
(800) 829-8432

Trustee - PGI Senior Notes

Bank of New York
2 North LaSalle Street
Chicago, IL 60602
(312) 827-8532

Independent Auditors

Ernst & Young LLP
Greenville, South Carolina

NAIC Information

Polymer Group is a Corporate Member of the National Association of Investors Corporation and participates in the Own Your Share of America Campaign and NAIC's Stock Service Program.

For information, call 1-877-275-6242



Creating America's Next 50 Million Investors

Investor Relations and Shareholder Contact

Shareholders and prospective investors are invited to call or write Polymer Group for additional information. Copies of the Company's Report to the Securities and Exchange Commission on Form 10-K are available from the Company. Inquiries should be addressed to:

Robert Johnston or Dennis Norman

Investor Relations
PGI Corporate Headquarters
4838 Jenkins Avenue
North Charleston
South Carolina 29405 USA
Tel: (843) 566-7293
Fax: (843) 747-4092
E-mail: johnstonr@pginw.com





Corporate Headquarters
Polymer Group, Inc.
4838 Jenkins Avenue
North Charleston
South Carolina 29405 USA
(843) 566-7293

Internet Site
www.polymergroupinc.com