

Avgol's Hubei Gold Dragon Adds a 3rd Line In China While Increasing Avgol Ownership Share to 83 - 84%

The new production line will increase Avgol's annual capacity in China to 40,000 tons and will begin customer supply in June 2012.

Recently, in June 2010, Avgol increased its production capacity to 23,000 metric tons from 8,000 metric tons. Over this two year span, Avgol is growing its Asia Pacific capacity and sales up to 5X.

The 3rd China line will start 3 months later than the 4th Reico line Avgol is adding at its flagship factory in Mocksville, NC USA, which will be produce and sell 60,000 metric tons annually during 2012.

Shlomo Liran, Avgol's C.E.O.:

"We continue to identify exciting opportunities in the China/Asia Pacific markets which continue to demonstrate high growth rates in disposable hygiene diaper and FemCare products. We are growing our commitments to our global customers, while building supply relationships with the successful regional customers."

Avgol's Board of Directors authorized the Company to engage in an agreement with Avgol's Chinese partner in the Hubei Gold Dragon partnership, for the investment in an additional production line for the manufacture of nonwoven fabrics, which is to be located at the Chinese partnership's plant, this, after the Board reached the conclusion that this site has considerable potential for contributing to the Company's revenues. This production line is part of the action plan to expand production capacity by purchasing two new production lines, one in the United States and one in China, at an investment of approximately USD \$80 million, about which the Company reported about eight months ago. This expansion will increase Avgol's global production capacity by about 30% or about 30,000 metric tons of finished goods per annum, and thus, Avgol's total production capacity will reach about 140,000 metric tons of finished goods per annum. This expansion will enable Avgol to respond to the growing demands for its products.

The cost of the additional production line in China will be financed mainly by an equity investment in the Chinese partnership, bank financing and/or through the provision of a shareholders' loan. The total investment required for the establishment of the new production line in China includes an investment by Avgol of between some USD \$10.2 million and USD \$12.4 million in the equity of the Chinese partnership, concurrent with the Chinese partner's investment of about USD 1.1

million in the equity of the partnership. Furthermore, the Chinese partnership will recruit financing for the balance of the investment, totaling some USD \$27-30 million, through local bank financing and/or through the provision of a shareholders' loan.

The total investment will be paid within two years after receiving the Chinese authorities' approval for a capital increase in the partnership, and according to progress in the construction of the new production line.

Currently, Avgol operates two production lines in China, which can supply about 24,000 metric tons of finished goods per annum. The second production line in China began operating during the third quarter of 2010. Subsequent to the investment and the capital increase in the partnership, Avgol will increase its stake in the Chinese partnership to 83%-84% of the equity of the partnership, while the Chinese partner will hold 16%-17%.

Shlomo Liran, Avgol's C.E.O., states that "We identified great opportunities in the China/Asia Pacific markets, which are considered markets with high growth rates in the categories of disposable hygiene products and specifically baby diapers. The investment in a third production line in China underscores our complete satisfaction with the investments we have made to date in China within the scope of the partnership, and prepares the groundwork for driving the sales momentum in response to the already high demands in China. This strategic decision is the outcome of the continuing increase in the volume of purchases and the expression of trust in Avgol and in its production lines by our major customers in China, as well as throughout the world. Increasing our production capacity will enable us to give expression to our competitive advantages – global presence, innovation, uncompromising quality and superb service to our customers, and to fortify Avgol's positioning as a leading and preferred supplier for the long years ahead."

Avgol reported improvement in its revenues and profitability in the first quarter of 2011. The Company's revenues increased by about 29.7% and totaled about USD \$82.8 million; its operating income increased by about 47% and totaled about USD \$10.9 million, being about 13.2% of the total income; while the net profit increased by about 97% to about USD \$7.1 million. The increase in revenues derives mainly from the operation of the second production line in China during the second half of 2010. During the first quarter of 2011, Avgol manufactured and sold about 17.9% more, in terms of quantity, than in the corresponding quarter last year.

Avgol is a leading global Spunbond fabrics developer and supplier, manufacturing and marketing its state of art materials, mainly for the hygiene products industry. Avgol manufactures approximately 10% of the global market for raw materials for baby and adult diapers. Among Avgol's major global customers are Procter & Gamble, Kimberly Clark, Unicharm, SCA, AHP and Covidien. Today, the Company has 11 Reico® production lines in the United States, China, Russia and Israel, all of which supply to regional and global customers.