

-Press Release –

Avgol Industries' results as per its financial statements for the year and fourth quarter of 2010

Avgol presents growth of 35% in its annual net income

Avgol's net income for 2010 totaled some USD 21.0 million, compared with approximately USD 15.6 million in 2009

- Revenues for 2010 totaled some USD 277.5 million, constituting growth of about 31% compared with 2009.
- The EBITDA for 2010 totaled approximately USD 52.1 million, constituting growth of about 23% compared with 2009.
- The net income in the fourth quarter totaled approximately USD 5.9 million, constituting growth of about 89% compared with the corresponding quarter last year.

Mr. Shlomo Liran, Avgol's C.E.O.: "Avgol is finishing 2010 very favorably, with a quantum leap in net income, growth of 35% in its annual net income and growth of 89% in its fourth-quarter net income. Avgol foresaw the uptrend in demands in its target markets in Europe and in North America in time, and took action accordingly, by increasing outputs on its production floors. During the year, Avgol passed a resolution to invest USD 80 million in the purchase of two additional production lines to enable it to add about 30 thousand tons of finished goods per annum to its production capacity. Within the scope of realization of the Company's plans to expand its activities in anchor markets, Avgol increased its stake in the partnership in China to 80% and, at the end of 2010, acquired the largest sales agent of its products in the world, Cleaver Associates. The Company is also in advanced stages of examining sites for the establishment of its second production line."

2010 Highlights:

- Avgol's revenues totaled approximately USD 277.5 million, constituting growth of about 31% compared with 2009.
- The EBITDA totaled approximately USD 52.1 million, constituting growth of about 23% compared with last year.
- The consolidated net income for 2010 totaled approximately USD 21.0 million, constituting growth of about 35% compared with 2009.
- Equity for 2010 is approximately USD 109.0 million, constituting growth of about 12% compared with 2009.
- The net debt for 2010 totaled approximately USD 134 million, and constitutes about 38.8% of the Company's total assets, compared with about 40.4% in 2009.

Fourth quarter highlights:

- Revenues in the fourth quarter of 2010 totaled approximately USD 72.5 million, constituting growth of about 24% compared with the corresponding quarter last year.
- The consolidated net income totaled USD 5.9 million, constituting growth of some 89% compared with the corresponding quarter in 2009.
- The EBITDA totaled approximately USD 14.8 million, constituting growth of about 40% compared with the corresponding quarter in 2009.

On February 16, 2011, the Company distributed a dividend in cash at the volume of USD 10 million in respect of the profits in 2010.

Main developments during the report period

In 2010, the Company increased its stake in the partnership in China to 80%, following last year's increase from 50% to 70%.

The Company has been fully consolidating the operating results of the partnership in China since the end of the second quarter of 2009, compared with previous years and previous periods in which the consolidation was proportionate at the rate of only 50%. Therefore, when comparing the various items in the statement of operations with those of corresponding periods, some of the differences in the said items derive from the change in the ratio of consolidation.

Results for 2010 (USD millions):

The Company's Revenues in 2010 totaled approximately USD 277.5 million, compared with about USD 211.2 million in 2009. The growth in sales derives mainly from a rise in the selling prices to customers, as a direct result of the price-adjustment mechanism that the Company has in place with its principal customers, and from the increase in outputs, due to the start-up of the second production line in China as of the third quarter of 2010, and due to improved outputs at the Company's other production sites.

The gross profit in 2010 totaled approximately USD 60.2 million (approximately 21.7% of the sales), compared with about USD 49 million (about 23.2% of the sales) in 2009. The decline in the gross profit ratio derived from the impact of the volatility in the raw materials prices during 2010.

The operating profit totaled approximately USD 35.5 million in 2010 (about 12.8% of the sales), compared with USD 29.2 million (13.8% of the sales) in 2009. The decline in the gross profit ratio derived mainly from a rise in the raw materials prices opposite a rise in the selling price. The ratio of the decline in the operating profit is less than the ratio of the decline in the gross profit because the operating costs rose less than the selling costs.

The financing expenses (net) in 2010 totaled approximately USD 8.5 million, compared with about USD 7.8 million in 2009. The increase in the financial expenses in 2010 compared with last year derives mainly from the increase in financing for the investments in new production lines.

The EBITDA in 2010 totaled approximately USD 52.1 million, constituting growth of about 23% compared with 2009.

The net income in 2010 totaled approximately USD 21.0 million, constituting growth of 35% compared with 2009. The majority of the increase in the net income derived from the growth in income.

The equity as on December 31, 2010 totaled approximately USD 109.0 million, compared with about USD 97.1 million as on December 31, 2009.

The cash flow from current operations for the year ended December 31, 2010 totaled approximately USD 35.9 million, compared with about USD 33.6 million in 2009.

Results for the fourth quarter of 2010 (USD millions):

The revenues in the fourth quarter of 2010 totaled approximately USD 72.5 million, compared with about USD 58.2 million in the corresponding quarter in 2009, constituting growth of about 24%. The growth in sales derived mainly from a rise in the selling prices to customers, according to the price-adjustment mechanism that the Company has in place with its customers, and from the start-up of the second production line in China.

The gross profit in the fourth quarter of 2010 totaled approximately USD 16.4 million (approximately 22.6% of the sales), compared with about USD 12.3 million in the corresponding quarter last year (about 21.2% of the sales).

The rise in the gross profit and in the gross profit margin compared with the corresponding quarter in 2009 derives mainly from a higher rise in the raw materials prices during the fourth quarter of 2009 compared with the fourth quarter of 2010.

The operating profit in the fourth quarter of 2010 totaled approximately USD 9.7 million (about 13.3% of the sales), compared with about USD 6.9 million (about 11.8% of the sales) in the corresponding quarter last year.

The financing expenses (net) in the fourth quarter of 2010 totaled approximately USD 2.4 million, compared with about USD 2.7 million in the corresponding quarter last year.

The EBITDA for the fourth quarter of 2010 totaled approximately USD 14.8 million, compared with about USD 10.5 million for the corresponding quarter last year.

The net income for the fourth quarter of 2010 totaled approximately USD 5.9 million (about 8.1% of the total income), compared with about USD 3.1 million for the corresponding quarter last year (about 5.4% of the total income).

Mr. Shlomo Liran, Avgol's C.E.O.: "Avgol is finishing 2010 very favorably, with a quantum leap in income, growth of 36% in its annual net income and growth of 89% in its fourth-quarter net profit. Avgol foresaw the uptrend in the demands in its target markets in Europe and in North America in time, and took action accordingly, by increasing outputs on the production floors at its existing plants, and starting up its second production line in China by the third quarter of 2010. The improvement in the outputs at the Company's production sites reduced the rate of the rise in operating costs and also contributed to the impressive growth in the net profit ratio. During the year, Avgol passed a resolution to invest some USD 80 million in the purchase of two additional production lines to enable it to add about 30 thousand tons of finished goods per annum to its current production capacity, supplementing the current production capacity of about 110 thousand tons. One of the new production lines will be set up in the United States, and both lines are expected to begin operating during the first half of 2012."

Mr. Liran added that: "Within the scope of realization of the Company's plans to expand its activities in anchor markets, Avgol increased its stake in the partnership in China to 80% and, at the end of 2010, acquired the largest sales agent of its products in the world, Cleaver Associates, for USD 7 million. The Company expects to integrate the distribution and sales operations being carried out by the American company with its operations, and is in advanced stages of examining sites for the establishment of its second production line."

Avgol Industries is a holding company, wholly owning Avgol Ltd., which engages in the manufacture, marketing and sales of nonwoven fabrics for the manufacture of hygiene products, primarily disposable diapers for infants and adults and feminine hygiene products, and engages in the manufacture of products for such sectors as agriculture, furniture and upholstery, construction, apparel, disposable wipes and more. The majority of the Group's sales are to customers in North America, Europe and China.